



Institute of Actuaries of Australia

XIth Accident Compensation Seminar 2007

Creating a more service focused industry *(the role of an incentive model)*

Len Boehm

Dennis Moore is not in this bit



Not selling any particular economic model of claims management

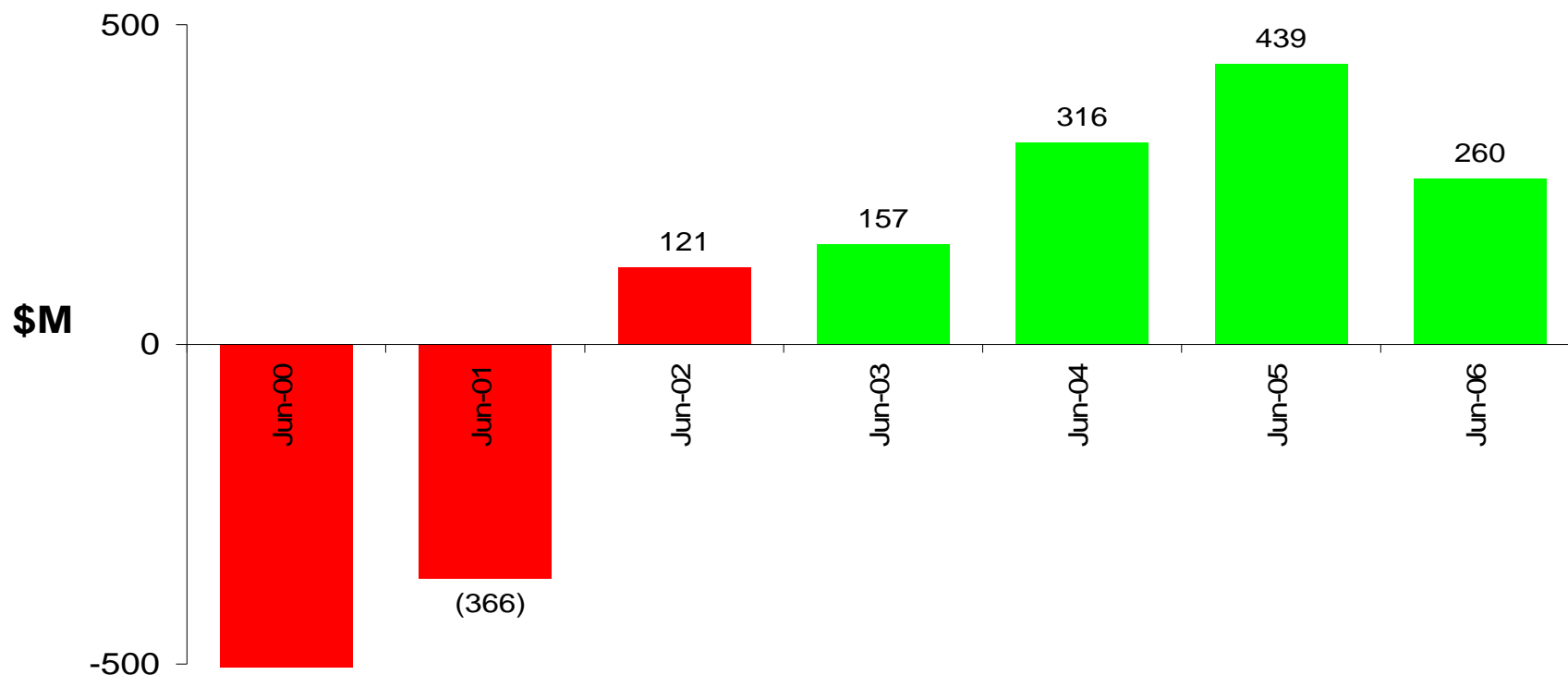
- Badly managed schemes fail
- Badly designed schemes fail

There has been a substantial turnaround in the performance of the Victorian scheme

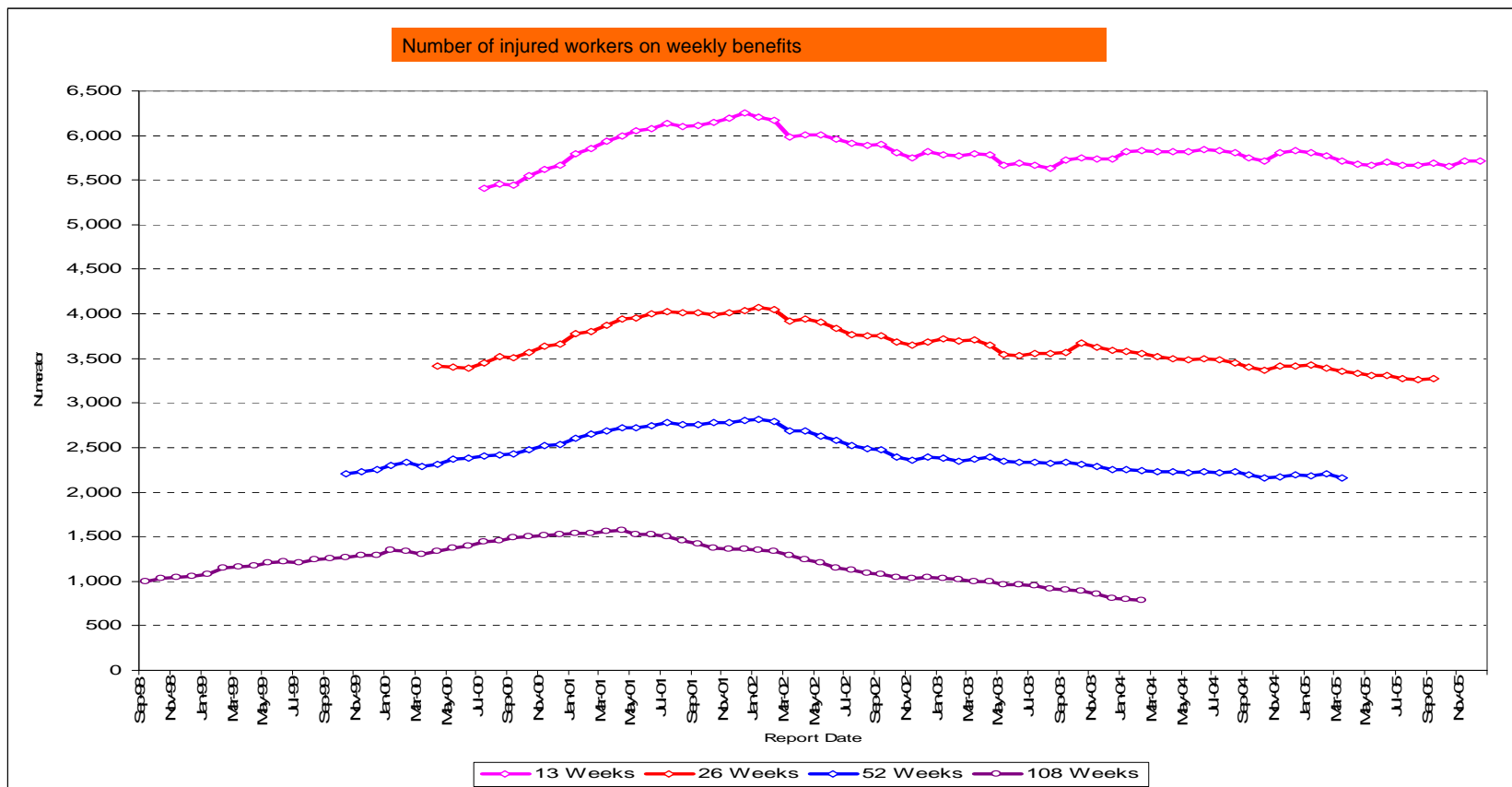
	03	04	05	06	07
Physio	9%	-6%	-10%	-6%	-12%
Psychology	19%	10%	0%	-5%	-5%
Chiro	-1%	1%	-4%	-19%	-24%
Osteopathy	42%	24%	10%	-13%	-21%
Doctor	6%	7%	2%	-3%	0%
Pers & House	4%	-1%	-12%	-12%	-8%
Lifetime support	-1%	2%	9%	11%	10%
Hospital	9%	22%	8%	5%	1%
Chemist	15%	-3%	-16%	0%	6%

There has been a substantial turnaround in the performance of the scheme

VWA Annual Actuarial Release to 30 June 2006



And the new agent incentive model has played a key role in this turnaround



The current agent incentive model

- **Service fee** (85% true risk premium, 15% policy and direct payee fees)
- **Lump sum** (5% of actuarial release)
- **Annual performance adjustments** (worth +30.5% to - 28% of true risk premium)

The example of worker service

Who is the client ?

“It’s about reinforcing weak market forces with targeted service measures and incentives”



Worker satisfaction with agent services as the main service measure

- In effect we give 5,000 injured workers a year a vote and tie bonus and penalties to it
- We let the client decide what is important to them
- Detailed questions are also used to identify scheme and agent service improvement priorities
- PS: “Oils ain’t oils”
- Currently about 50% of annual performance \$ are tied to service measures

Set and forget just doesn't work

“Scheme priorities change”

“Scheme trends change”

“Our understanding of how to measure evolves”

Annual review of incentives measures and weightings with our agent partners (Jan - May) is an integrated part of our model



Something they never taught you in actuarial school

“Incentive effect equals faith times dollars”

“Can you improve worker service whilst reducing scheme costs ?”

“You gotta have faith”



Multiplying the engagement effect

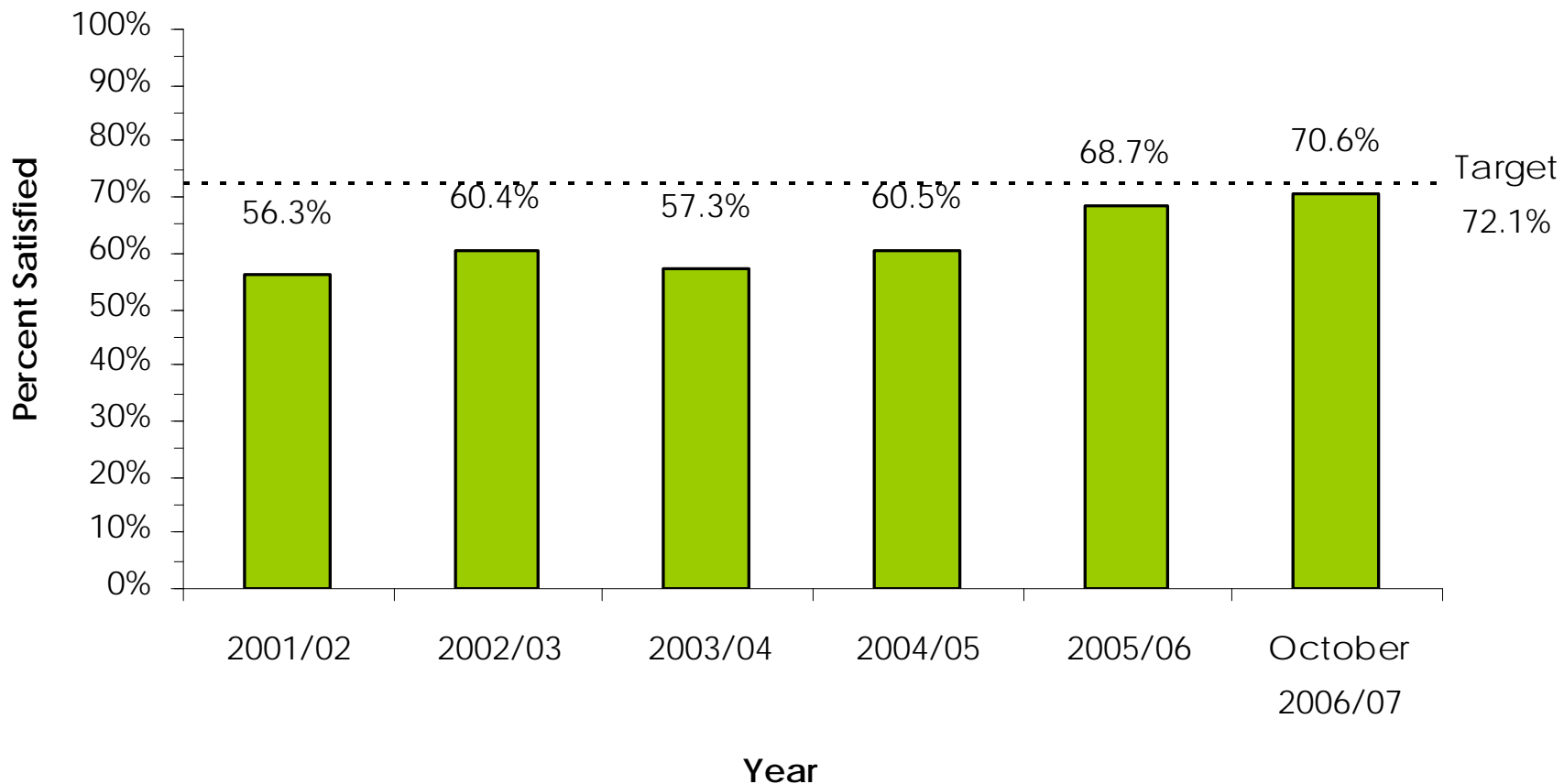
- Agent engagement
- Agent service strategies
- Service champions
- Annual agent reward
- Publishing agent performance

With some real help from emerging national service strategies



The proof of the pudding is in the eating

Scheme Injured Worker Overall Satisfaction Over Time
(VWA corporate KPI measure)



Thanks to some real people

- Angela Barra
- Damien Lied
- Troy Hoggan
- Jen Mitchell
- Michelle Cleary
- Shawn Hayes
- And Kylie and her team

Conclusions

- The incentive system is just a piece of an effective agent engagement & performance model.
- The answer lies in a complex changing interaction of incentives, initiatives, monitoring, publication, engagement and PARTNERSHIP.
- And this presentation is a reminder that we all have much more work to do to improve service delivery to all our clients (workers and employers).

