Agenda

1. Drivers of the poor TPD experience
2. Product design
3. Unions, Doctors and Lawyers
4. Claims management
5. Data
6. Reserving

=> Implications and Recommendations
1. Main drivers of recent TPD experience

a) Increased awareness
b) Definition creep
c) Anti-selection
d) Higher levels of benefits
e) Increased involvement of lawyers in the claim process
f) Uncertain economic environment
g) Increased social acceptance of mental health issues

Given where we are, what should we do? Where else can we look for guidance?
## 2. Smarter product design

<table>
<thead>
<tr>
<th>Injury Schemes</th>
<th>TPD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition of Disablement:</strong> Objective assessment of permanent impairment</td>
<td><strong>Definition of Disablement:</strong> Subjective</td>
</tr>
<tr>
<td><strong>Time limit to making claim:</strong> Yes, from onset of injury</td>
<td><strong>Time limit to making claim:</strong> No time limit</td>
</tr>
<tr>
<td><strong>Variable benefit:</strong> Yes; depends on degree of injury</td>
<td><strong>Variable benefit:</strong> No; all or nothing</td>
</tr>
<tr>
<td><strong>Definition creep over time:</strong> Yes, so design keeps changing to keep up and so schemes remain sustainable</td>
<td><strong>Definition creep over time:</strong> Has just become an issue. Without product design change, TPD will become unsustainable</td>
</tr>
</tbody>
</table>
2. Smarter product design (cont’d)

We recommend:

► An objective definition of disablement – focused on what the claimant can do, and consistent in application

► Introduce a 2 year limit on making claims

► Move away from all or nothing style benefits (partial? income style?)

► Adjust (and readjust) benefits to make cover sustainable
3. The Union, the Lawyer and the Doctor...
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The **Independent Medical Examiners** are referred to when:

► “information from … the nominated treating doctor is unavailable, inadequate or inconsistent” or

► “the insurer has been unable to resolve issues after directing questions to the nominated treating doctor.”

**Assessors of Whole Person Impairment** are:

“a medical specialist trained in the use of the **WorkCover Guides** for the Evaluation of Permanent Impairment to assess permanent impairment for injuries incurred after 1 January 2002”.

3. Unions, Lawyers and Doctors (cont’d)

**Injury Schemes**
- Consumer Advocates
- Protect Consumer Rights
- Introduced Objective Assessment criteria – AMA4/5 and FIMS, Independent Doctor Panels
- Can be a linkage between these three groups

**TPD**
- Need to collect data on doctors and lawyers (LPG 270)
- Independent Doctor panels not used – can be subjective doctor opinions
- Increase in litigated claims
Movie was here
3. Legal advertising

Maurice Blackburn Lawyers
www.superclaims.com.au
Total & Permanent Disability Claims
We're Super Experts. Call Us Today.

TPD Lawyers - Shine.com.au
Injured & Can't Work? Claim TPD Benefit - Live Chat Or Call Shine Lawyers has 216 followers on Google+
Legal Services - Shine Contact Details - Live Web Chat Available
Level 9, 299 Elizabeth Street, Sydney NSW

TPD Super Claims - SuperClaim.com.au
You May be Eligible to Claim Your Super. Enquire Online Today!

NSW TPD Claim Lawyers
"Extremely happy with the service I've been provided" - Wendy L, 2014

Permanent Disablement - GerardMaloufPartners.com.au
Maximise Your Compensation Claim Your First Consultation Is Free

Note that this web address has no “s” after “superclaim”. It takes you to Turner Freeman.
Movie was here
4. Claims assessment (1)

- Objective Disablement threshold
- Work capacity test
- Changes in the definition of disablement over time (objectivity)
- Claims leakage reviews
- Ease of making a claim
4. Claims assessment (2) – Thresholds

Table 1 – Serious injury thresholds – Workers Compensation

<table>
<thead>
<tr>
<th>State</th>
<th>Serious Injury Definition</th>
<th>Year of Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>At least 15% Whole Person Impairment</td>
<td>2012</td>
</tr>
<tr>
<td>VIC</td>
<td>Narrative test (deeming if at least 30% Whole Person Impairment)</td>
<td>1999</td>
</tr>
<tr>
<td>QLD</td>
<td>At least 5% Degree of Permanent Impairment</td>
<td>2013</td>
</tr>
<tr>
<td>WA</td>
<td>At least 15% Whole Person Impairment</td>
<td>2014</td>
</tr>
<tr>
<td>TAS</td>
<td>At least 20% Whole Person Impairment</td>
<td>2010</td>
</tr>
<tr>
<td>Comcare</td>
<td>Must have successful permanent impairment claim</td>
<td>1988</td>
</tr>
</tbody>
</table>
4. Claims assessment (3) – Work capacity

“A work capacity assessment is ... an ongoing process of information gathering, assessment ... to inform decisions about a worker’s ability to return to work in ... suitable employment”

It considers:
- nature of incapacity
- age, education, skills and work experience,
- an injury management plan
- rehabilitation

Regardless of
- whether the work is available,
- the nature of the pre-injury employment, and
- place of residence
4. Claims Assessment - TPD

- Disablement threshold - introduce objectivity
- Change definition to move to objective work capacity style test
- Current generous definitions impact sustainability
- Claims leakage reviews can identify savings
- Ease of making a claim
5. Data

Collecting more relevant data provides greater confidence in understanding the portfolio of risks when new issues emerge.

- Bulk data vs. more granular data
- Data collected to include:
  - litigated claim (+details)
  - Doctor medicare number
  - postcode of claimant
  - Analysis of free form data
  - Industry experience tables for benchmarking
6. Reserving

- Setting reserves accurately assists in setting a strong foundation for realistic pricing.
- Consistent under-reserving can result in consistent under-pricing and insurer losses. What stage is TPD at?

7. Implications (1)

- Current TPD product does not address consumer needs. We (as an industry) need to reassess what this need is.
- A small percentage are **totally** and **permanently disabled**, and will not be able to return to any work. For these people, it makes sense to pay them out.
- For everyone else, it is better to focus on **rehabilitation** and **return to work**. There are often genuine work opportunities that the claimants could follow, and many choose to once they have received their TPD benefit. This lottery (claiming, because you meet the definition) is not the point of the benefit.

... and we all fund these payouts through higher premiums.
7. Implications (2)

Instead...

► Have a benefit that is paid out as a lump sum only for genuine need (objective, measurable, repeatable definition, set at a level of real disability)

► When it is not certain whether someone will recover, pay an income/partial benefit instead.
8. Further recommendations

Smarter product design alone is not enough. To counter the surge in claims we also recommend:

► Establishing independent doctor panels to assess claims, to improve objectivity.

► Routinely collecting additional and more granular data (such as on lawyer and doctor involvement) to better understand claims:
  ► In addition, interrogate existing freeform data, to better understand past claims;
  ► Recognise that current data and reserving methodologies may not recognise step changes in claimants’ and consumer advocates’ behaviour.
Questions and discussion
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Richard.Yee@au.ey.com