



Institute of Actuaries of Australia

# XVth GENERAL INSURANCE SEMINAR

*Evolution of the Industry*



**Actuarial Research Centre of Australia  
(ARCA)**

**GI Conference Report Oct 2005**

**Warwick Hearne & Chris Latham**



# Agenda

**Introduction to ARCA**

**Initial projects**

**Member opportunity**

**Next steps**



## The ARCA Message

**ARCA brings together actuarial and other researchers to throw new light on issues that affect the future financial and social wellbeing of all Australians.**

**ARCA aims to make a difference by –**

- Clarifying the agenda and the debate
- Adding rigour, evidence and understanding
- Maintaining independence and relevance



## **ARCA - establishment**

- **A charitable trust**
- **Created by the Institute of Actuaries of Australia**
- **Directed by a governing Board**
- **Managed by an Executive Director**
- **Research overseen by accredited Research Committee comprising 5 eminent researchers**



## ARCA Research

- **Quality, independence and relevance**
- **Supporters influence research briefs**
- **ARCA ensures the independence and integrity of the research itself**
- **ARCA will have no in-house researchers**
- **ARCA facilitates collaborative research by**
  - the best available researchers
  - drawn from universities, supporters, Institute members and policy think tanks



## ARCA Funding

- **The Institute is providing seed funding**
- **Ongoing funding will be sourced from**
  - Corporations
  - Individuals
  - Competitive research grants
  - Trusts and foundations
- **Initial emphasis on partnerships with industry**



## ARCA Projects

- **A scan identified a variety of targets**
- **Selected initial target project areas**
  - Workers Compensation
    - Early return to work dynamics
  - Ageing population
    - Funding post retirement needs
  - Health funding
    - Public/private, demographic and epidemiological trends, inflation drivers and impact of ageing



## What makes an ARCA project appealing to supporters?

- **Opportunity to pool resources with other like-minded parties to gain relevant insights that benefit all by improving**
  - the basis of their analysis of an important issue
  - their strategic decision-making
  - their ability to influence policy formulation
- **Opportunity to challenge and inspire some of their best people by getting them involved**





# How does a research project differ from a consulting assignment?

<b>Consulting assignment</b>	<b>Research project</b>
<b>Commissioned by a principal, usually to seek advice</b>	<b>Mounted by ARCA, with the support of parties interested in new knowledge in an area</b>
<b>Results are confidential</b>	<b>Results are in public domain</b>
<b>Carries professional responsibility and fees</b>	<b>ARCA ensures quality on a best-endeavours basis</b>
<b>Principal seeks out a trusted adviser</b>	<b>ARCA arranges a high calibre research team</b>
<b>Motive of principal is to address a commercial need</b>	<b>Motive of supporter is to benefit (along with society) from new knowledge</b>



## The task is clear

- 1. To have a set of compelling research projects designed to meet four criteria**
  - extend existing knowledge
  - appeal to providers of funding
  - attract researchers
  - be specific & achievable
- 2. To gain funding & mobilise researchers**



## **The Workers' Compensation project is encouraging & its prospects are close to being clear**

- **It has a subject (early return-to-work dynamics) & definition that meet the criteria**
- **Discussions have established that it appeals strongly to representative stakeholders (providers of funding & researchers)**
- **It is approaching a critical juncture (opportunity to present at the Heads of State Schemes meeting in early September)**



## **The ageing population project has been refocused**

### **The broad research vision is now to**

- assess how much households need to save, and in what form, to meet their post-retirement needs

### **The first project towards this vision is to**

- identify the post-retirement financial needs of retired households in a range of social and financial circumstances
- provide insights that will help craft the advice, services and products that are appropriate to meet these needs



# Design of the health funding project began later, but is taking shape

**Discussions with key stakeholders (including Government) suggest four areas of interest, which are being narrowed down:**

1. sustainable models for mixed private/public funding
2. funding pressure points in the mid-term, given demographic & epidemiological trends
3. funding the health of the ageing population
4. investigating the drivers of health inflation.



## **In getting to this point, we have learnt some important lessons**

- 1. There is strong support across the board for the concept of ARCA, and its potential contribution to Australia.**
- 2. It has been a challenge with part-time volunteers to:**
  - identify & define research projects that meet the necessary criteria
  - represent these to potential stakeholders
  - consummate funding & establish research teams
- 3. With support from the profession we are sure ARCA can succeed.**



## IAA member opportunity

- **Research project support**
  - identifying target projects
  - taking part as a leader / participant / senior reviewer
- **Funding support**
  - identify potential corporate supporters
  - identify and contact appropriate executives
  - making a personal financial contribution



## ARCA next steps

- **Establishment**
  - Seek final approvals (ATO, etc)
  - Final approval of Council of IAA
- **RTW project**
  - Workshop the brief and project plan
  - Finalise support group
  - Commence project - early 2006
- **Other projects**
  - Continue to refine and develop





## ARCA General Discussion

- **We welcome your feedback on ARCA**
  - Most positive aspects
  - Any negative aspects
- **Any suggestions to improve ARCA**
  - Projects
  - Supporters
  - Researchers
  - etc



**ARCA**

**Thank you**

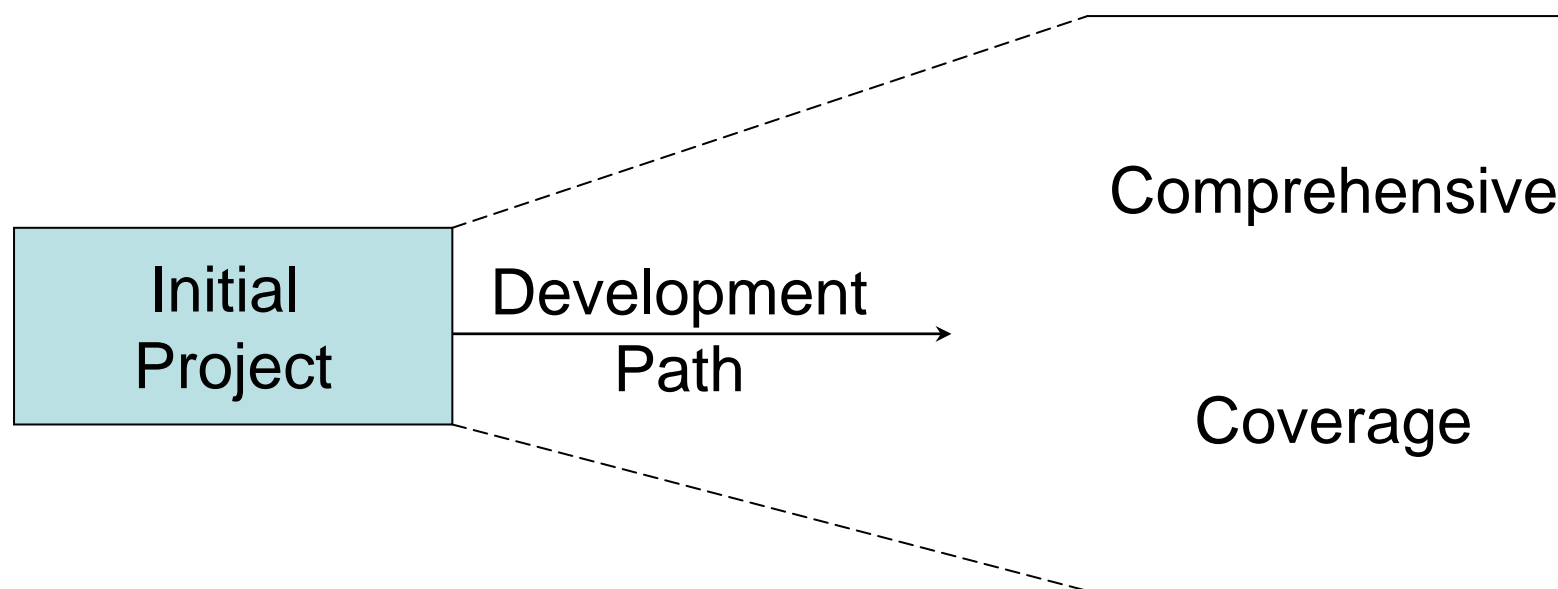


# ARCA Return to Work Project

- **Why Workers' Compensation?**
  - Major part of employment system
  - Significant labour cost for employers
  - Important protection for workers
  - Many schemes and management approaches
  - Continuing controversy about what works best
  - In short, an opportunity to make a difference on something important to our financial and social wellbeing
- **Why Return to Work?**
  - Income replacement (generally weekly benefits) is the biggest cost driver
  - Early return to work is win-win for employers and workers
  - Greatest potential for sustainable improvement for both major stakeholder groups



# Defining an Initial Scope





## Suggested Initial Scope

- **First 26 weeks**
- **More than one jurisdiction – 3 or 4?**
- **Insured and self-insured**
- **Compensation data and other (sample) data**
- **Industry focus: candidates are:**
  - Retail
  - Shearing
  - Aged care
  - Long haul transport



## Data Collection

- **Compensation data from scheme/insurer systems, supplemented if necessary from claim files**
- **Employer/worker information – can we build on the existing RTW surveys?**



## **Deliverables to Include**

- **Comparative RTW performance by segment**
- **Identification of key factors**
- **Establishing ‘best practice’ methodology for analysing 26-week RTW?**
- **Directions for future stages of research**



# Possible Future Development

- **Identification and quantification of the factors impacting on the likelihood of early return to work**
- **Tables of expected time to return to work for different injury diagnoses (and occupations?)**
- **Standard methodology for testing the effectiveness of rehabilitation methodologies and other return to work intervention strategies**
- **Analysis of the impact of benefit step-downs**
- **Examination of 'provisional liability' – guaranteeing early payment of benefits before full acceptance of the claim**
- **Qualitative factors of the employee, employer and work relationship that impact on return to work (including psychosocial influences)**
- **An 'expected return to work' model that can be used by a particular employer, industry, insurer, claims manager etc to benchmark its own performance**
- **'best practice' methodologies for measuring and testing scheme changes and injury management initiatives**





## **A Vision for 2010**

- **Authoritative and independent source of data, methodology and analysis**
- **Objective ‘best practice’ information – what works, what doesn’t and why**
- **Improvements in injury management and RTW across the nation, more quickly and with less controversy**
- **But we need to start in 2005 ...**