

Self-Insurance Benchmarking Initiative

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Agenda

- Introduction to RAS
- RAS Values and Mission
- The Self-Insurance Benchmarking Initiative:
 - Why do companies want this?
 - What is the problem?
 - What is the objective?
 - What can you expect?
 - Measures to be benchmarked
 - Data Requirements

Risk Advisory Services

- Independent risk management and insurance consulting firm.
- Established in 2007 in Sydney, Perth office 2009, Workers' Compensation Consulting business in 2010 and Melbourne office 2012.
- Help clients minimise their insurance costs and appropriately manage their risks.
- 100% owned by our employees and committed to the provision of independent advice.
- Do not and will not receive any income from insurance brokers, insurers or reinsurers.
- Operate under an Australian Financial Services License.

RAS Values and Mission

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| <p>Independence</p> <p>Maintain our independence and not be affiliated, partner or accept engagements from risk management and insurance service providers such as insurers, insurance brokers or agents, risk management software providers or other similar organizations.</p> | <p>Meeting Client Needs</p> <p>Deliver services to our clients that meet their needs ensuring we fully disclose circumstances where we may benefit from the advice we provide.</p> | <p>Engagement Acceptance</p> <p>Only accept engagements where we:</p> <ul style="list-style-type: none">- Can add value to the client;- Can appropriately manage any conflict of interest we may have; and- Know the client so we are confident they will act with integrity at all times. | <p>Meeting Employee Needs</p> <p>Attract and retain employees by offering a dynamic and challenging working environment with strong managerial support providing the opportunity to enhance their technical knowledge and personal attributes.</p> |
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To provide the highest quality, independent advice and management consulting services in the areas of risk management and insurance while providing a positive influence to other service providers to improve their provision of services.

Self-Insurance Benchmarking

Why do companies want this?

- Most self-insurers do not have access to any external benchmarking.
- There is no peak body or industry group that collects this information and/or is willing to release this for the purpose of benchmarking.
- Some industry segments are almost completely self-insured. Conventional scheme information provides no basis of comparison.
- Many workers' compensation self insurers use small actuarial firms or individuals. As a result no benchmarking is provided from this source.

Self-Insurance Benchmarking

What is the problem?

- There is no way to measure performance – are we good, bad or OK?
- Managing internal expectations about self-insurance cost targets is difficult, leading to unrealistic targets.
- Provision volatility is a major concern to CFO and Executive.
- Many changes to underlying costs are driven by external factors, e.g. legislative changes, employment conditions etc.

Self-Insurance Benchmarking

What is the objective?

- This initiative is aimed at providing a reliable source of external benchmarking to self-insurers in Australia.
- Objective is to continue to prepare this report annually.
- The greater the participation, the more detailed and industry specific the benchmarking will be.
- Opportunities to expand the scope of the benchmarking in future years.

Self-Insurance Benchmarking

What can you expect?

- All information will be handled confidentially.
Information obtained will not be used for any other purpose by RAS without your express permission.
- Reports will compare your organisation to an industry cluster or a broader de-identified grouping.
- Measures to be benchmarked will be relative i.e. a % of wages.

Self-Insurance Benchmarking

Measures to be benchmarked

- The initial points of comparison that will be the subject of this study relative to remuneration/headcount will be:
 - Paid costs
 - Total provision
 - Total number of claims reported
 - Forecast number of IBNR claims
 - Total large claims with an incurred value of > \$200,000
- The aim is to collate these statistics for the last 5 Australian financial years.

Self-Insurance Benchmarking

Data Requirements

- The required data by jurisdiction is as follows:
 - Total reportable remuneration and headcount for each financial year/reporting period
 - Total claims costs paid to date for claims incurred for each financial year/reporting period
 - Total outstanding provision calculated by the actuary for claims incurred for each financial year/reporting period
 - Total number of IBNR claims forecast by the actuary for each financial year
 - Total number of large claims (>\$200,000) incurred and forecast by the actuary for each financial year

Questions?