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Self-Insured Financial Requirements feedback.

Discussion 1 - SIICA

1.1 What are your preferences regarding equity should SIICA contributions cease?

1.2 Should the use of SIICA be expanded?

1.3 Response

- *SISA Are requesting an understanding of RTWSA investment Policy, importantly a copy of the Investment Policy, particularly the policy relating Money Investments.*
- *The potential to reduce the financial guarantee formula using the SIICA fund, as there is significant excess of funds.*
- *It is recommended that RTWSA develops and provides a policy by which ensures the scheme actuary conducts regular evaluations on all future contributions.*

Discussion 2 - Financial guarantee

2.1 Should a prescribed Valuation Methodology be used for Serious Injury claims?

- *The extent of SI claims for Self-Insured Employers is significantly less in risk and frequency than in the Registered Scheme.*
- *If the financial Guarantee is determined on a net liability basis, then the SI claims will likely reduce.*
- *A prescribed Valuation would be beneficial if applied to specific Industries, an overall approach may pose additional actuarial impost.*
- *If a recommended methodology for valuation is adopted, support would be given for the opportunity to deviate from this methodology where appropriate reasons for doing so are supplied by the valuation actuary. External peer review of the valuation of serious injury claims is supported.*

2.2 Should 'Net' Liability be used for Financial Guarantee calculations (requires ReturnToWorkSA to be listed as a beneficiary in EOLI policies)?

- *Yes,* whilst we are unsure about the impact of this change would be, we can appreciate the risk RTWSA faces in the event of a SI employer becoming insolvent and having to pick up serious injury claims from that employer. The reservation we hold is whether EOLI providers will increase premiums if they now 'cannot get out of jail' on significant claims where a SI employer becomes insolvent. We query whether this is explored with the two EOLI providers to confirm support for this change and any premium impact.

Discussion 3 - Liability Transfer Process Amount (LTP)

3.1 Should the method for calculating Liability Transfer Payments (transfers out of self-insurance to ReturnToWorkSA) be altered to use a prescribed actuarial formula to value Serious Injury claims?

- *Same comment vs above (in FG section)*
- *There was a concern that new serious injury claims could 'crop up' post the LTP back to RTWSA where these had been previously managed in some sort of Early Intervention Program. We would have thought this would be very unlikely, however RTWSA could simply ask SI employers to provide a detailed report on all Early Intervention Programs and layer a factor into the amount where a SI employer is spending money in this space outside of a claim.*

3.2 Should the method for calculating Liability Transfer Payments be altered to shift to using 'net' liability?

- *Yes.*

3.3 Other thoughts

- *It would generally be preferable for Self-Insurers to continue to manage the run-off of their own claims where they prefer to do so and continue to meet RTWSA's financial and claims management standards.*

Discussion 4 - EOLI

4.1 Should a variable Sum Insured be introduced for EOLI?

- *The option for a variable sum insured for EOLI based on individual employer risk. As an Example Aged care does not carry the same risk of a major event in comparison to a mining company or abattoir.*
- *Introducing variable sums insured for EOLI may have a negative impact for the larger SI Employers Using the example provided by Finity on page 22 could see the larger SI Employers having to seek a minimum $150M level of cover for any one occurrence (currently set at $100M) which can only lead to premium increases. If a variable sum is introduced, how this is calculated for a large SI employer could be problematic and therefore make EOLI even less attainable. We see merit in the minimum $100M cover being reduced by at least 25%, therefore making EOLI more attractive to underwriters.*
- *The suggestion that RTWSA develops its own EOLI product to sell to SI employers perhaps has merit where the market fails. With only two providers, there is a real risk that this could occur. The RTWSA paper identified that neither Allianz or Liberty would remain in the market as the 'sole provider' if one the two decide to exit. Obvious question though 'could RTWSA legally set up its own product?' We think this would be difficult, risky and costly but it is best that this is explored now in a proactive manner as opposed to a reactive manner should one or both EOLI providers leave the SA market.*

4.2 Should RTWSA mandate that it must be listed as a beneficiary on EOLI policies?

- *Yes. This is done routinely interstate, and we understand already forms part of policy wording on many SA policies.*