

# Workers' Compensation Update: Challenges and opportunities for Australian business

## Landscape

As the pre-eminent provider and risk advisor to Australian businesses, Aon People Risk continues to see volatility in the Australian workers' compensation market. This volatility represents both threats and opportunities for Australian business in the lead up to June 30 and for the remainder of 2016.

Key observations relating to the state of the market, which should be understood and applied to your own business includes:

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| <b>National and Privately Underwritten Jurisdictions</b>       | <ul style="list-style-type: none"><li>✓ Market pricing for good performers remains 'soft'</li><li>✓ Strong appetite / competition to write new business creating opportunities to lock in long term low rates</li></ul>   |
| <b>NSW Retro-Paid Loss Policy options for large employers</b>  | <ul style="list-style-type: none"><li>✓ Significant premium and cash flow benefits</li><li>✓ Changes to the scheme promote easy application, new entrant window still open for 1 July 2016 commencement– urgent feasibility studies required</li><li>✓ Alternative to bank guarantee requirement* to be introduced making feasibility far more attractive (*To be confirmed)</li></ul>  |
| <b>National Carriers and Insurers</b>                          | <ul style="list-style-type: none"><li>✓ QBE loss of licence to operate in Victoria and entry of Employers Mutual into the Victorian market introduces additional options for employers with joint ventures being established and greater national competition</li><li>✓ 'Bundled' insurance solutions (eg: General insurance/ personal accident/ workers' compensation) are achieving great premium savings and synergies for employers, with strong insurer appetite</li></ul> |
| <b>Self-Insurance &amp; Financing</b>                          | <ul style="list-style-type: none"><li>✓ Strong demand for 'mature employers' considering state based and national self-insurance solutions</li><li>✓ Strong demand for premium funding by employers to realise cash-flow benefits associated with upfront premium payments discounts offered</li></ul>  |
| <b>Outsourcing of internal workers' compensation functions</b> | <ul style="list-style-type: none"><li>✓ Greater demand for partial/ full outsourcing of workers' compensation management functions (as opposed to insourcing)</li><li>✓ Ongoing economic pressures, market volatility, legislative complexity, coupled with rising labour costs are resulting in greater demand for Aon outsourced services</li></ul>   |

## Recommendations (existing and non-existing clients of Aon)

- Arrange to meet with an Aon People Risk practitioner to discuss the applicability of some/ all of the above – in the next 4 weeks if some (or all) of your insurance program is due between now and September.
- Consider engaging Aon People Risk to complete a complimentary 'fresh eyes' financial review of your current arrangements to identify savings.

To discuss, please contact your Aon Client Manager or Steven Cakaric (Principal Aon People Risk) directly on (03) 9211 3220 or [steven.cakaric@aon.com](mailto:steven.cakaric@aon.com)