

## Welcome



### Welcome to our 13th Edition of QBE Connect Newsletter.

With much talk over the past months regarding the Global Financial Crisis

and it's possible implications on Australian businesses, QBE remains a safe, strong and secure insurer thanks to our substantial risk management credentials and record of business stability. We have a commitment to providing certainty to our business partners and clients and QBE remains financially sound with a long history of effective and efficient claims management.

We wish to take the opportunity in this edition to bring to you an important message from Colin Fagen, Executive General Manager, Intermediary Distribution.

*In these tough economic times, you need to be sure you can rely on your insurance company.*

*Our philosophy is a simple one.*

*Make business decisions that will reduce the volatility of our results and offer our customers superior stability.*

*Our core business is the underwriting of risk. Our successful performance over many years clearly establishes our substantial risk management credentials and track record of business stability. When you need us most – you can rely on QBE.*

*QBE's approach is to diversify insurance risk, both by product and geography. Product diversification is achieved through a strategy of developing strong underwriting skills in a wide variety of insurance classes. A combination of core and specialty products, under the control of proven employees skilled*

*in such products, allows QBE to lead underwriting in many of the markets in which we operate. Geographic diversification is achieved by operating in 45 countries.*

*The foundation of our risk management is the obligation and desire to manage our future by maximising profitable opportunities through:*

- *adequate pricing of risk;*
- *avoiding unwelcome surprises by reducing uncertainty and volatility, such as by controlling aggregate exposures and maintaining sound reinsurance arrangements;*
- *optimising risk and more effectively allocating capital and resources by assessing the balance of risk and reward;*
- *achieving competitive advantage through better understanding of the risk environment in which we operate;*
- *complying with laws and internal procedures; and*
- *improving resilience to external events.*

*We invite you to learn more about QBE and our corporate governance through our website [www.qbe.com](http://www.qbe.com) or by discussing our track record of performance with your QBE representative.*

Safe. Secure. Strong. They're the foundations of a business partnership you can rely on.

Thank you for making QBE your first choice.

Jason Hammond  
National Manager, Workers Compensation

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The QBE Connect national newsletter is about providing you with relevant and timely information to assist you in managing your workers compensation risk. If there are any topics you would like to see covered in the newsletter please email [qbeconnect@qbe.com](mailto:qbeconnect@qbe.com)

# The Effect of Recent Interest Rates Changes on Insurance Premiums

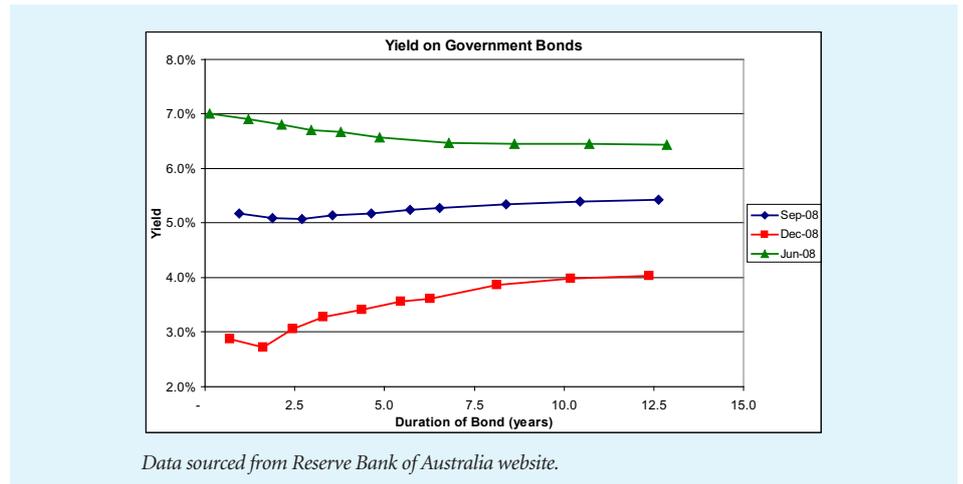
Anyone with a bank loan or an interest-linked investment will have noticed the large drop in interest rates that has occurred in the financial markets over the last six months. What you may not be aware of though is the impact that interest rates have on insurance premium rates.

Investment earnings play an important part when setting premium rates. When an insurer, such as QBE, receives a premium, it invests that premium. The investment then earns interest until it is needed to pay claims and expenses or is released into profit. For insurance products such as workers compensation it can take several years before all the claims are fully paid therefore the effect of large interest rate changes workers compensation premiums can be significant.

When insurance companies set premium rates that are charged today they take into account the interest they expect to earn over the life of the policy until all the claims are paid out. The premium rates are set so that the premiums received and the interest earned on those premiums provide sufficient revenue to cover the cost of claims, expenses including government levies and their margin.

So when interest rates fall, less interest is earned on premiums collected and therefore revenue is reduced from which to pay claims and expenses. Under these circumstances higher premium rates need to be charged to make up for the shortfall in revenue caused by falling interest rates.

An indication of the change in interest rates (the change in the yield curve) over the period June 2008 to December 2008 is as follows:



QBE’s business approach is to manage our claims portfolio as proactively yet sensitively as possible. We call it the QBE Connect Approach. This focus on early access to appropriate treatment and a concentration on the earliest possible safe return to work will assist in reducing the cost of claims under any interest rate environment and therefore keep the cost of workers compensation insurance lower. Any reduction in the average duration of claims helps to mitigate the volatility in an insurer’s investment earnings as a result of interest rate movements and therefore assists in the stability of pricing.

## Application of Workplace Succession in Victoria and New South Wales

### Victoria

#### What does succession mean in Victoria?

Succession, for WorkSafe Victoria purposes, is where one workplace inherits the premium history, including associated claims costs, of another workplace.

When succession is applied, the predecessor’s claims costs and remuneration history is used in calculating the successor’s workplace insurance premium.

This ensures that the past premium experience is carried through to the successor workplace.

#### How is it applied?

Succession is applied if the workplace activity which was the predominant activity in one workplace continues to be carried on, in substance, in another workplace in succession to the first workplace. The continuation of predominant activity from

Company A (predecessor) to Company B (successor) needs to be established in order for succession to exist.

For example, a workplace has been taken over after the sale of the business and the predominant activity remains substantially the same.

The acquiring workplace is known as a successor.

The workplace from which the predominant activity is being acquired is known as the predecessor.

Succession may apply:

- » If the predominant activity continues to be substantially the same even though the predominant activity may be carried on at a different location and/or by a different employer
- » Irrespective of whether part of a workplace ceases; or whether part of the predominant

activity continues to be carried on by a successor workplace

- » If a change in legal entity or legal status has occurred
- » If a relationship of control exists or has existed.

#### What are the exceptions to the rule?

WorkSafe or its Agent will except employers from succession where it is satisfied that no “relationship of control” exists/existed with the predecessor during the test period i.e. where they are satisfied the employer is an independent acquirer.

The new employer (successor) needs to establish that they have no ‘relationship of control’ with the previous employer.

A series of controlling interest tests are applied to determine whether or not the acquirer is independent and to establish if a relationship of control exists.

Source: VWA Premium Manual June 2008

## New South Wales

### What does succession mean in New South Wales?

In New South Wales (NSW) succession refers to Transfer of Experience Between Employers.

As a brief definition, the Insurance Premiums Order (IPO) states that when calculating a Premium, a Scheme Agent must include for the purposes of C1, C2, W1 and W2 the relevant cost of Claims and Wages for the predecessor. The following definitions apply:

- » Transferred business – a business that is sold or transferred from a person to an acquiring entity. This may constitute the whole or main part of the business, or the whole or main part of a separate and distinct business of the person.
- » Acquiring entity – a person is an acquiring entity when they have acquired the business of a predecessor. This applies whether the business acquired is the whole or part of the business of a predecessor, or is the whole or part of a separate and distinct business of the predecessor.

The objective of the experience adjustment system is to provide a mechanism to vary an Employer's Premium based on the Claims experience of that business. It is intended to

apply in a fair and equitable manner and to be applied consistently, regardless of whether the resulting adjustment is positive or negative.

### How is it applied?

The component of the claims experience and wages of the predecessor employer applicable to the business acquired by the acquiring entity is to be taken into account in determining the experience premium of the acquiring entity.

The cost of an individual claim remains with the business in which the injury occurred. Should the business be subject to the predecessor rule, the claim will move with the business – regardless of whether the claimant stays with the predecessor, transfers to the acquiring entity or is no longer employed by either party.

The inclusion of the claims experience of the predecessor in the premium calculation of the acquiring entity will depend on whether the premium calculation forms have been issued to the acquiring entity as at the date of sale or transfer. For example, when the acquiring entity, as at the date of the acquisition of the business:

- (a) Has been issued with premium calculation forms for the period of insurance, the experience of the predecessor will not impact on the

acquiring entity until the calculation of the hindsight premium – the predecessor's wages and cost of claims for the previous years must be included in the calculation of the acquiring entity's hindsight premium in accordance with the IPO

- (b) Has not been issued with premium calculation forms for the period of insurance, the experience of the predecessor will impact on the calculation of the initial/renewal premium of the acquiring entity – the Scheme Agent should include the calculation of the acquiring entity's initial/renewal premium, the predecessor's wages and cost of claims for the previous years in accordance with the IPO.

### What are the exceptions to the rule?

For Policies renewed from 4pm on 30 June 2003, an employer who considers the costs of an individual claim, or claims of a predecessor, to be extraordinary, may apply to WorkCover to have that claim (or claims) excluded from the premium calculation in accordance with the IPO.

*Source: Workers Compensation Act 1987, section 168, 169, 170*

Insurance Premiums Order Deed, Schedule 2, clause 2.1.2

## QBE OHS Risk Management Essentials

### Helping You to Make a Safe Investment in 2009

We've been listening to you and have been busy behind the scenes building new services and products to provide organisations, their managers, employees and workplaces, with OHS Risk Management essentials. The essentials are a range of services, assistance and advice designed to facilitate the ongoing creation and growth of safe and healthy workplaces, with the aim to assist businesses minimise risk and drive cost efficiencies.

We aim to assist businesses to minimise risk and drive cost efficiencies by helping employers to reduce fines and prosecution risks and ensure compliance with workers compensation and OHS legislation. This is important as we enter a new year, as the number of fines and prosecutions are increasing around the country, and senior managers' personal responsibilities in this area are increasingly significant.

We also recognise that retaining existing skilled employees, caring for our ageing workforce, and employee health in general are also becoming increasingly important. It has been reported that:

- » Healthy employees are nearly three times as productive as others
- » Employees with poor health take up to nine times more sick leave, plus
- » Over 70 per cent of Australians reported at least one chronic health condition in a 2004-05 Australian Bureau of Statistics survey.

Our new QBE OHS Risk Management Essentials can be used to motivate, provide required knowledge, change the way we think, improve the way we deal with each other, and provide powerful structures that can change workplace behaviour. They can create a positive impact on junior staff through to the most senior managers and they have been designed to fit together so that they can be used for maximum impact.

QBE believes that taking action to reduce risk and improve employee health is good insurance and investment for any company. We are pleased to be able to offer you more assistance in 2009.

**Our new products and services will help you to capitalise on the savings associated with healthier employees.**

## QBE Workers Compensation National Training Program, 2009

In 2009 we are excited to offer two new complimentary courses:

### 1. Business Continuity

You will learn how to build plans that will improve the resilience and capability of your business in an emergency situation

### 2. A National Summary to Workers Compensation

This course provides participants with an overview of the various workers compensation schemes across Australia.

For those employers new to QBE, you can select from our existing range of topics covering claims management, Occupational Health and Safety (OHS), return to work and workers compensation premium. The QBE 2009 National Training Program offers you a complete program, providing multi-state employers with consistent training courses across all jurisdictions.

The courses are designed to educate you about building safety and injury

management solutions, plan effective return to work programs and reduce those associated costs. Our courses are also provided to assist you to meet your legislative requirements. For instance the following courses are designed to help you apply a systematic management approach to health and safety and provide you with the tools to facilitate effective return to work of your injured workers:

- » Role of RTW Coordinator – Approved by WorkSafe Victoria
- » An Introduction to Return To Work Coordination – Accredited by WorkCover NSW
- » Accredited OH&S Consultation – Accredited by WorkCover NSW



## Registration made easy!

Once again we are pleased to confirm that the courses within our 2009 National Training Program are available free of charge in most cases. Where a fee does apply, we offer a discounted rate for QBE policy holders.

Simply visit our complete course outline online at [www.qbe.com.au/workerscompensation/training](http://www.qbe.com.au/workerscompensation/training), telephone toll free on 1800 198 243, or email [training@qbe.com](mailto:training@qbe.com)

## Maintaining Engagement with Injured Workers



One incentive to aid the recovery of an injured worker is to minimise the isolation they may feel when away from the workplace, and away from colleagues. The

longer an employee is away from the workplace the more difficult it is for that employee to return, both emotionally, and physically.

Continued contact with an injured worker unfit for their employment reassures them that :

- » There is no sense of hostility or suspicion on your part regarding the genuineness of their claim
- » They are not 'out of sight, out of mind'
- » Their employment contract is ongoing, and that you look forward to their return.

### How you can help in facilitating an early and seamless return to the workplace

- » Keep the injured worker engaged with the workplace,
- » Keep return to work in the forefront of their minds,
- » Facilitate a seamless integration into the workplace upon their return,

- » Ensure that on their return, your employee is:
  - » Not overwhelmed and intimidated by changes
  - » Is able to communicate equally with colleagues
  - » Does not feel dependant on others to get up to date.

Minimising the fracturing of an injured worker from your business, can do much to contain the length and effect of their time off. You can avoid any negative effects by considering the following approaches:

- » Send the worker a get well card as soon as possible after the injury,
- » Visit the injured worker if possible,
- » Continue to engage the injured worker with workplace activities by sending copies of meeting notices and minutes, invite them to staff events e.g. team meetings and team building sessions (if their injury permits), memos and newsletters or information of upcoming training courses,
- » Have the injured worker's supervisor make regular phone contact (e.g. fortnightly) to see how the injured worker is progressing

and to provide updates on issues or developments in the workplace,

- » Similarly, encourage colleagues to invite the injured worker to work functions e.g. farewells, team lunches, Christmas parties etc.

If the worker is partially fit, *and their Nominated Treating Doctor Approves*, you might also think about

- Inviting the worker to team training sessions,
- Providing home based work e.g. emails, online training etc.,
- Continuing to invite your employee in for normal work activities such as performance reviews, planning sessions etc.

QBE would be happy to investigate the suitability of such alternatives with you during a Case Conference if required. We know from experience, that when we are able to keep injured workers actively involved, that lost time is often contained, and the worker's morale and motivation enhanced. Most injured workers will appreciate such an approach and assure them they remain a valued member of the team.

### How to prepare for an injured worker's return to work

The important thing is to maintain the relationship the injured worker has with the workplace and their colleagues and to reduce their fear that people do not believe nor support them. In cases where there is some suspicion as to the genuineness of their injury or their recovery, this should not be obvious and any concerns about this amongst colleagues should be addressed before the injured worker's return. It should be discussed that all staff deserve their support and that they would be treated in the same way should they suffer a workplace injury. For example:

- Meet with the team to talk about the need to support the worker,
- Consider organising a 'welcome back' morning tea,
- Organise for the supervisor to be available during the first few shifts.

If you would like to know more about how to maintain engagement with injured workers, please contact your QBE Case Manager for assistance.

## Changes to Statutory Death Benefits in NSW

In October 2007 the NSW Government announced a number of changes to statutory death Benefits. These changes were implemented by the *Workers Compensation Legislation Amendment (Benefits) Act 2008 (The Act)* which commenced on 10 December 2008.

The changes introduced by the Act apply to workers compensation claims resulting from a workplace fatality that occurred on or after 24 October 2007 as a result of injuries that occurred on or after 30 June 1987. The changes include:

- » The lump sum death Benefit is increased to \$425,000 and the full amount is to be paid in **all** circumstances
- » Where there are no financial dependants, the full lump sum death benefit is to be paid to the estate of a deceased worker
- » Dependent children of a deceased worker are entitled to the prescribed weekly

benefit **regardless** of whether they were partially or wholly dependant on the worker

As the changes were intended to apply retrospectively, scheme agents were asked some time ago to track all claims impacted by the changes to ensure that payments could be made as soon as possible after commencement of the legislation. WorkCover NSW have asked Scheme agents to apply the following:

- » Where the lump sum death benefit has already been paid to dependants, the difference between the amount paid and \$425,000 is to be paid to the same party or parties;
- » Where there were no dependants and the entitlement previously was to funeral benefits only, contact is to be made with the relatives or personal legal representative of the deceased Worker and

arrangements made for payment of the full lump sum to the worker's estate; and

- » Any dependant of a deceased Worker previously excluded from the weekly death Benefit under section 25(1)(b) of the *Workers Compensation Act 1987* by operation of section 26 (partial dependency) is to be paid the weekly death Benefit and the payment is to be backdated to commence on and from 24 October 2007.

Funeral benefits remain unchanged, and weekly dependency rates will continue to be indexed bi-annually on 1st April and 1st October each year.

Source: *NSW WorkCover, December 2008*

## Employer Return to Work Networks - what's on in 2009

WorkSafe's Employer Return To Work [RTW] Networks are designed to provide Return to Work Coordinators and others who play a role in helping injured workers back to work with an opportunity to meet, share knowledge and experiences, and learn from those in similar industries or regions.

Three networks are run in Melbourne's north, south and west. There is also a regional network held in Ballarat. Next year the Ballarat network will be joined by new regional networks in Gippsland, Goulburn Valley and Wimmera.

The 2009 events calendar for all networks is now available on the WorkSafe website and allows employers to view dates and topics. Two exciting new topics have been introduced – "Developing a RTW Culture" and "Striving for RTW Best Practice".

For more information about the Return to Work Networks or upcoming events in 2009, please visit the WorkSafe website at [www.worksafe.vic.gov.au](http://www.worksafe.vic.gov.au) or email [rtw\\_networks@worksafe.vic.gov.au](mailto:rtw_networks@worksafe.vic.gov.au)

### Victorian Workers Compensation Premium Timetable 2009/10

May 25	Claim Statement and Premium Simulation Issued
June 11	Gazettal Premium Order
June 23	Policy Renewal Pack Issued
July 31	Return completed Declaration Rateable Remuneration form for 2009/10 and Estimate of Rateable Remuneration for 2009/10
August 13	Gazettal of Industry Rates
September 1	Premium calculated and employers issued with premium notice and invoice
October 1	Annual premium payment due with discount. First quarterly and monthly instalment due.
November 1	Annual premium payment due with no discount.

### Your Agent's Performance\*

The relative performance of all WorkSafe Agents across a range of measures is published in WorkSafe Victoria's Annual Report. The 2007/08 Report is now available.

It is not meant to be all-inclusive and does not contain all of the information upon which WorkSafe assess Agent performance.

The key measures that WorkSafe uses to assess the performance of its Agents include claims management and return to work results, and the level and quality of service provided by the Agent. Specifically:

Claims management and return to work:

- » Timeliness of employer notification of a claim to an Agent
- » Percentage of Return to Work plans received within 43 days
- » Percentage of Return to Work training conducted compared to target
- » Growth in expenditure of long term treatment cost
- » Proportion of workers receiving weekly payments at 13, 26, 52 and 134 weeks after injury

*\*WorkSafe Victoria, 4 December 2008*

Service and processing:

- » Worker satisfaction with the services provided by their Agent
- » Employer satisfaction with the services provided by their Agent
- » Number of valid complaints made against the Agent that are recorded on WorkSafe's conciliation compliance database
- » Timeliness of payments made directly to injured workers
- » Timeliness of payments made to providers for the treatment they've provided to injured workers
- » Data integrity

To obtain a copy of WorkSafe's 2007/08 Annual Report please visit the WorkSafe website at [worksafe.vic.gov.au](http://worksafe.vic.gov.au).

## Next Stage of WorkCover Amendments Commence in South Australia



Following the major review of the Workers Rehabilitation and Compensation Act 1986, (The Act) last year, a range of amendments were introduced to better manage long tail claims and help reduce the massive outstanding liability of the Fund. Many changes commenced in July 2008. These included stepdowns of entitlements at 13 weeks (to 90%) and 26 weeks (to 80%), termination after 130 weeks (unless totally incapacitated) and creation of the new WorkCover Ombudsman role and establishment of Panels to determine medical issues.

The following additional changes commenced on 1 January 2009:-

### Rehabilitation and Return-to-Work Co-ordinators

All employers (with 30 or more employees) are now required to appoint an internal Rehabilitation & Return-to-Work Co-ordinator (RRTW Coordinators). Some 3000 employers across SA have until 30 June to put these RRTW Co-ordinators through an approved training course ( one day for employers with a levy rate of under 4.5%, three days for those with higher levy rates). A new Inspectorate has been also created to police this requirement and penalties will apply for breaches.

Whilst this role may be viewed as a somewhat “sub-professional” role when compared to the Rehabilitation Co-ordinators already employed by most larger employers, they must all undertake the training unless they can gain recognition of prior learning (RPL).

### Expressions of Interest

QBE Adelaide Branch has entered into an arrangement with one of the approved training agencies to present this training at a reduced rate for our clients. If you wish to register for this training please email [katrina.broad@qbe.com](mailto:katrina.broad@qbe.com) to express your interest. Invitations will be issued, including any associated costs.

### Early Reporting Incentive

Registered Employers who notify EML Claims Agent of potential claims within 24 hours of injury occurring will be rewarded by not having to pay Income Maintenance for the first two weeks of the claim.

### Provisional Liability

In the past workers, could be offered “Interim Payments” whilst determination of complex claims (e.g. stress) were deferred. Often such early commencement of payments was found to facilitate early treatment and return to work.

Now, from 1 January 2009 claimants are entitled to be paid “Provisional Liability” payments of Average Weekly Earnings (within seven days of lodgement) for up to 13 weeks, *unless a “reasonable excuse” exists to refuse such payments*. Medical expenses will also be paid during this period.

If the claim is subsequently rejected *and the worker is proven to have acted dishonestly*, these payments will be recoverable.

For further information see

<http://www.workcover.com/Employers.aspx>

## Find Out More About The New Work Safety Act 2008 @ <http://www.worksafety.act.gov.au/about-new-legislation>

A series of web pages are now available with a range of information and support in regard to the new Work Safety Act 2008 (the Act), effective from 1 July 2009. As from 1 July this year, the new Act replaces the existing Occupational Health and Safety Act 1989.

The new web pages can be accessed by going to the OHS Commissioner’s Home Page - [www.worksafety.act.gov.au](http://www.worksafety.act.gov.au) - and selecting

‘new legislation’ or alternatively, visiting <http://www.worksafety.act.gov.au/about-new-legislation>. You will find information about the new Act including a summary of the key changes. It may be an idea to bookmark this page as over the coming months you will be able to access:

- » Links to the new and the existing legislation
- » An overview of the changes

- » Information sheets on specific important changes in the new Act
- » The answers to Frequently Asked Questions or FAQs
- » Details on information sessions to be run over the coming months in the lead-up to 1 July
- » Contact details for further enquiries or feedback

## QBE Australia

### New South Wales

<b>Sydney</b>	(02) 9375 4444
<b>Campbelltown</b>	(02) 4621 9600
<b>Lismore</b>	(02) 6627 5999
<b>Newcastle</b>	(02) 4968 6444
<b>Parramatta</b>	(02) 8831 0322
<b>Wollongong</b>	(02) 4224 3487
<b>Albury</b>	(02) 6042 3555 1800 817 820

### ACT

<b>Canberra</b>	(02) 6201 3333
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### Tasmania

<b>Hobart</b>	(03) 6237 3866
<b>Launceston</b>	(03) 6332 0799

### Victoria

<b>Melbourne</b>	(03) 9246 2444 1800 817 820
<b>Albury</b>	(02) 6042 3555 1800 817 820
<b>Bendigo</b>	(03) 5440 4700 1800 807 585
<b>Geelong</b>	(03) 5226 8788 1800 817 820
<b>Knox</b>	(03) 9246 2444 1800 817 820
<b>Mildura</b>	(03) 5051 1810 1800 817 820
<b>Shepparton</b>	(03) 5823 6400 1800 807 628

### Northern Territory

<b>Darwin</b>	(08) 8982 3877
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### South Australia

<b>Adelaide</b>	(08) 8213 5300
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### Western Australia

<b>Perth</b>	(08) 9213 6100
<b>Bunbury</b>	(08) 9721 9200

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<b>NSW Sydney</b>	1300 559 123
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