

Veracity

For the commercial insurance industry

Contents

Shock horror	2	Workers compensation and an ageing workforce	5
Enhancing the claims experience	3	Systematic innovation for workers compensation claims	7
The technological solution?	4		

Anthony Day

CEO Commercial Insurance

Coming from a period of relatively benign weather events in the first half of the financial year, in March we were swiftly reminded of the destructive power of the Australian climate.



If there was ever a test for an insurance company, this was it - dealing with four major weather events in as many weeks across three different States, amounting to tens of thousands of individual claims.

These severe weather events are perfect examples of times when our customers need us the most, and how as an industry, we need to make sure we are delivering on our promises.

For our First Response Unit, this meant appointing extra support staff to assist with the additional demand and ensure we maintained a high level of customer service. A dedicated event response team was also invoked to handle all commercial property, home and motor claims from these events, leaving the standard claims team to focus on their normal daily services.

Recently we completed structural changes to our Commercial Insurance business and these changes ensure our business is aligned to the broader strategy of the Suncorp Group.

Our functional structure is designed to reduce complexity and duplication, improve efficiency and ultimately ensure our brokers can get the best out of our business with our enhanced service proposition.

I'm also pleased to announce that Chris McHugh has been appointed to the role of Executive General Manager Workers Compensation Statutory Claims which completes our leadership team. Chris is a highly respected executive in the

workers compensation industry, with strong experience working with key stakeholders. We'll include some more information on Chris and the new Workers Compensation Statutory Claims division in the next edition of Veracity.

In an industry such as ours it is important that our business adapts to change – you can't afford to be stagnant as the needs of brokers and customers continue to change, just as the economic conditions do. We see more confidence in business now than we have seen in the past 18 months, and it is imperative our business is structured to deliver on our strategy.

In Commercial Insurance I am proud of what we have achieved so far, which truly reflects the hard work our people have put in over the past three years.

We believe we have now achieved the optimal design to suit the market, our brokers, customers and our people – and with this design we can further improve our performance and deliver on the expectations of all our stakeholders.

Anthony

Commercial Underwriting

From Darren O'Connell

EGM Commercial Portfolio and Underwriting Management



It's alarming how often electrical infrastructure exposures go unrecognised by both the average business owner, and by insurers and brokers. What would your clients do if they experienced a catastrophic power failure, only to find that it wasn't adequately covered by their commercial insurance policy?

Vero Engineering is proud to offer a product that covers your client's largest and most important exposures, with policies that provide adequate loss limits. Our underwriting experts aim to be market leaders in the field of construction and engineering insurance.

In March this year, we were also pleased to launch a new online tool for our engineering product which can be accessed via VeroCentral. The online Equipment Breakdown tool is easy to use and generates automatic quotes which you can bind online instantly and print the schedule.

Our aim is to provide brokers with the products, tools and expertise to help them comprehensively cover their engineering risks - while taking the complexity out of a formerly feared line of insurance.

Shock horror

Are your clients covered for damage caused by power surge?

Your client owns a shopping centre worth \$18 million - there is \$2 million worth of contents on site, and gross rents of \$3 million. Now imagine - shortly after binding cover for your client, they experience a major disruption to their power supply. An underground cable feeding the centre from the transformer sitting in the carpark breaks down. Add up the costs of replacing the cable (which may take several weeks to dig up through the carpark), and the cost of hiring a back-up emergency generator to keep the business running while the repairs are taking place, and the bill is likely to exceed \$100,000.

For many brokers and clients, it may come as a shock to find out that damage to electrical infrastructure caused by power surge and equipment failure isn't usually covered under warranty, maintenance, or property insurance policies. And alarmingly, these kinds of claims are increasing in frequency and severity.

Across the country in 2009 we endured bushfires, freak dust-storms, rainfall deficiencies, and record-breaking heatwaves. Australia's annual mean

temperature for 2009 was 0.90°C above the 1961-90 average, making it the nation's second warmest year since high-quality records began in 1910. ¹

The relevance of this is that when the temperature rises in an already warm climate, electrical switchboards, wiring, and associated equipment are highly prone to breakdown. Whether the piece of equipment is brand new or 20 years old, there is a reasonable heat threshold that cannot be surpassed.

Brokers will often find that the engineering quoting process can be highly complex. Underwriters can be pedantic when it comes to requesting serial numbers, capacity, survey reports, and age of machines (and this is just the tip of the iceberg). This information may be hard to find, with little help from the business owners.

While historically most engineering insurance providers in the Australian market have not delivered products that cater for the growing electrical infrastructure exposure, it is now time for brokers and underwriters to ensure clients have adequate coverage for this rising risk.

"For many brokers and clients, it may come as a shock to find out that damage to electrical infrastructure caused by power surge and equipment failure isn't usually covered under warranty, maintenance, or property insurance policies."

¹Weather statistics taken from the Annual Australian Climate Statement 2009 – Australian Government Bureau of Meteorology.

Commercial Claims

From Paul Smeaton

EGM Commercial Claims



The claims experience is increasingly recognised as central in our ability to maintain a robust relationship with our brokers and our customers.

Rarely has this been more apparent than in recent months when we have dealt with not one but four major weather events. It gives me great confidence that we were able to immediately deploy our event response team and as a result, cope exceptionally well with the high volume of claims. While we now continue to work on fulfilling and finalising these claims, our focus also remains on how

we can learn from these events and further exceed the expectations of our customers.

In our ever-evolving insurance industry, it is clear that up-to-the-minute technology is paramount. Over the next 12 months we will continue to design, plan and implement further enhancements to our ClaimsOnline system. This system is designed as a simple, efficient way for our intermediaries to view and track claim progress for our end customers and will consequently strengthen and sustain these relationships.

Enhancing the claims experience

What customers want when they need us the most

When it comes to insurance, the greatest fear for a business is how they will be treated in the event of a claim. Research¹ tells us that this is one of the key reasons that many businesses choose to insure with a broker – they know they can rely on their broker for assistance and advice when they need it the most.

When customers need to lodge a claim, they want the process to be simple, straight-forward and efficient. The vast majority of small business owners - 83 per cent - say they are satisfied with the claims process of their insurance company¹. But there is always room for improvement.

According to the Deloitte J.P Morgan 2009 General Insurance Survey, effective claims management and improved claims handling processes are also seen as key drivers of overall profitability for insurers. This includes reducing complexity in claims processes, minimising 'double handling' by multiple teams, having access to skilled and experienced claims employees and using technology to optimise data collection and maintenance, and reduce costs.

So it follows that brokers and insurers are continually looking at ways to

enhance the claims experience for their customers.

For brokers, the key to improving claims handling lies in improving turnaround times and having better access to updates and information from insurance companies that they can share with their customer. This is important to ensure that the claim doesn't cause a strain on the broker/customer relationship. Research tells us that brokers also want insurers to:

- ▼ be consistent with policies and processes
- ▼ focus on quick settlements
- ▼ provide regular updates on claim progress which can be shared with the customer
- ▼ provide a single point of contact
- ▼ make the claim form simple to fill out, and
- ▼ be flexible with unusual claims.

Research also suggests that brokers are open to the idea of using online technology to enhance the claims process and believe that this would speed up the claims process. One of the benefits of an online system is the availability of 'real time' information

"For brokers, the key to improving claims handling lies in improving turnaround times and having better access to updates and information from insurance companies that they can share with their customer."

relating to the status of a claim, which would in turn reduce reliance on inbound calls to claims teams.

As insurance products become increasingly commoditised, insurers and brokers must join forces in enhancing the customer experience when it comes to claims and work towards the right outcomes for shared client interests.

¹Cameron Research Group, The Australian Small Business Market for Financial Services: Insurance and the Small Business Market, June 2008.

ClaimsOnline

Brokers around the country are already recognising the benefits of 'ClaimsOnline' - Vero's new web-based claims tool - following its pilot implementation. ClaimsOnline is accessed via VeroCentral and provides brokers with:

- ▼ greater visibility of their customers' claims
- ▼ 24 hour access to view and manage commercial motor and property claims from any web connection

- ▼ ability to search by claim number, policy number or client name
- ▼ instant uploading of claim documentation
- ▼ a user-friendly, more efficient system for managing claims.

The pilot of ClaimsOnline has received great feedback from brokers, who appreciate the improved access to information which helps them to communicate with their customers.

Further updates to ClaimsOnline are scheduled for throughout the year.

For more information on ClaimsOnline, speak to your BDM.

Intermediated Distribution

From Andrew Mair

EGM Intermediated Distribution



The right technology has the ability to improve business processes and make brokers more efficient in the eyes of their clients. The potential trap, however, is being so technology driven that we compromise the value of our relationships.

From insurer to broker, and broker to client - our business is still one that is primarily based and driven around relationships. Technology needs to support that. Technology should make it easier to do business with us - it should never be viewed as a replacement to relationships.

While the innovation of our systems and processes continues at full steam, our

focus remains on developing technology that enhances and supports our current service proposition. We also believe in working with brokers at every step of the journey; we're listening to our brokers and we're responding.

With the introduction of VeroCentral, ClaimsOnline and a number of quote and bind tools for our products, we are positioning ourselves as an insurer who supports and acknowledges the challenges faced by brokers, and provides solutions that are backed by our skilled and dedicated people.

The technological solution?

Technology is here to stay. How do the risks compare with the rewards?

The insurance industry has recognised that technology is the key when it comes to improving the way we do business with brokers and customers. Technology is already playing an important role in quoting and binding, transactions and payments, claims notification and lodgement, and access to account information and portfolio performance metrics.

Technological efficiency should provide the broker with more time to focus on their clients and their business.

Technology can allow brokers to be more responsive to their clients' immediate needs.

The race is well and truly on as various groups within our industry strive to strip costs out of their businesses by reducing duplication and increasing efficiency. Insurers and brokers are all considering their next moves. Generally, other industries and other parts of the banking and finance sector have been quicker to embrace technology than our industry.

"The challenge is to build systems with the flexibility to develop and grow over time, rather than just addressing an immediate need."

The technology solution? cont.

The benefits are numerous, but it's important for us to remember that technology is not the solution to every problem. Technology does not come cheaply and single application solutions are often superseded very quickly, as well as being relatively expensive to maintain and alter.

There are many questions to consider:

- ▼ What is it that the technology is intended to improve, remove or deliver?
- ▼ Is there a benefit in being 'first to market' or does it make more sense to be a 'fast follower'?
- ▼ How will the technology impact your current relationships with your clients and or suppliers?
- ▼ What will the technology mean to the rest of your business practices?

- ▼ Do you risk becoming one dimensional? i.e. solely reliant on technology.

Our industry is littered with examples of technological solutions that were destined to fail because many of these fundamental questions were not fully explored at the onset. Realistically, the long-term costs of these cost-saving applications are high and ongoing.

The challenge is to build systems with the flexibility to develop and grow over time, rather than just addressing an immediate need. This means understanding the ever-changing needs of the market and your business, and staying on the pulse of technological innovation.

For insurers and brokers the exposure to "relationship risk" is real. Having brokers increasingly rely on technology

rather than people could mean existing relationships can be neglected and diminished. The people and processes that support the technology are critical to its acceptance, usage and success.

The industry's relentless pursuit of technology driven solutions shows no sign of easing. In fact, much of the current activity suggests it is accelerating. Brokers and insurers have much at stake and whilst there is the promise of gain, without the right balance, there is just as much to lose.

Success in technology will come to those insurers who are able to implement a holistic value proposition, with the flexibility to adapt and develop, that their competitors cannot match.

Statutory Underwriting

From Neil Singleton

EGM Statutory Portfolio and Underwriting Management



With the recent release of the Federal Government's 2010 Intergenerational Report, focus has returned to the impending challenges of Australia's ageing population.

At the heart of the unfolding issue is the concern over whether Australia can meet the increase in productivity growth necessary to avoid budget deficits or cutbacks to government services.

Government, employers and the workforce itself have already begun to adjust in various ways, with changes to policies, regulations and work practices. Employers are overcoming skills shortages by developing their own, more flexible, work policies to cater to changing lifestyle needs, and workers are increasingly working from home or are becoming more transient.

While these changes will help alleviate the risk of skills shortages and will

assist in putting downward pressure on government budgets, there may well be adverse and unintended consequences associated with a greater proportion of older workers in the workforce.

Current data available suggests that there is an associated increase in the incidences of workplace injury to workers as they themselves age. Therefore it is essential that workers compensation legislation is dynamic and responsive to evolution in the workplace.

Maintaining a safe and healthy workplace for an increasingly mature workforce is likely to present employers with significant and unique challenges.

Workers compensation and an ageing workforce

As Australian employers adapt to an ageing workforce, how will this affect OH&S and workers compensation?

There is ongoing commentary that Australian employers must adapt to an increasingly mature-aged workforce in the next 40 years. Australia is faced with an ageing population, and the government has warned that Australia must improve its productivity - produce more output with fewer workers - if it is going to cope¹.

In assessing the overall productivity issue, according to the 2006 census, it is noted that approximately 38 per cent of the Australian working population is aged 45 or over, with 15 per cent aged 55 or over. In the context of relatively low levels of unemployment, current forecasts of economic growth and an ongoing skills shortage, the Federal Government has been implementing policies to encourage mature workers to either re-enter or stay in the workforce for as long as they can as a strategy to increase Australia's productivity.

"Baby boomers are disproportionately represented in both injury and fatality statistics. In fact, employees aged 45 or over are 20 per cent more likely than someone aged under 45 to have an injury serious enough to require a workers compensation claim."

The total economic cost of work related injuries for the 2005-06 financial year was estimated to be \$57.5 billion². Of that, the 45-54 age group make up the largest proportion at \$15.7 billion while the 55 years and over age group is the third largest at \$11.3 billion².

Recent evidence suggests that occupational health and safety

management is failing for the 45-55 and over age group. In 2006-07, incidence rates increased progressively with age. There were 9 claims per 1000 employees aged 15-19 years, which increased to 17 claims per 1000 employees aged 60-64 years.³

'Baby boomers' are disproportionately represented in both injury and fatality statistics. In fact, employees aged 45 or over are 20 per cent more likely than someone aged under 45 to have an injury serious enough to require a workers compensation claim. This increases to 30 per cent for employees aged 55 or older.

The news is even grimmer when it comes to fatalities. Employees aged 45 or over are 57 per cent more likely than younger employees to die of a work related injury or illness. Work related death rates of employees aged 55+ and 65+ are 2.5 times and 4 times higher respectively than for those employees aged 44 or under⁴.

Current reporting reveals that 41 per cent of all serious claims relate to manual handling mechanisms followed by 13 per cent for falls. The evidence suggests an increase in slip, fall, trip, fracture injuries as employees age. The incidence of occupational disease is reportedly much higher amongst the mature worker age group and likely to increase, and is further complicated by the current epidemic of chronic lifestyle diseases.⁵

It appears that more employers are already responding to the potential skill shortage by implementing their own policies to eliminate age discrimination and pave the way to recruit mature employees, whilst competing heavily to retain the wealth of experience they have in their current workforce. Such strategies include being more flexible to the personal and lifestyle needs of their employees and adopting more sustainable work practices.

However, one thing is certain. These ongoing changes in workforce demographics and the development and adoption of flexible workplace practices and locations (such as working from home) will mean that

definitions, access and the coverage of workers compensation legislation will need to be more dynamic and ready to adapt to these changes.

¹ ABC News 18 January 2010

² Australian Government; Australia Safety & Compensation Council: The Cost of Work-related Injury and Illness for Australian Employers, Workers and the Community: 2005-06: March 2009:

³ Australian Government; Australia Safety & Compensation Council: Compendium Of Workers' Compensation Statistics Australia 2006-07: March 2009

⁴ OSHEM Solutions: OHS Implications of an Ageing Workforce: Jan 2009

⁵ Surveillance Alert OHS and the Ageing Workforce: May 2005

Systematic innovation for workers compensation claims

The key to improving workers compensation claims management lies in the successful implementation of more efficient operating systems with clearer processes.

The ideal scenario is an end-to-end approach to workers compensation systems and processes, with greater accessibility of information for clients and claimants, leading to better claims outcomes.

ClaimCenter - GIO Workers Compensation's new claims management system - has already

been rolled out in WA and is due for completion in other States this year. The system is easy to use, allowing claims managers to provide all information easily to workers, employers and medical suppliers.

ClaimCenter provides case managers with greater control over claims as well as tools to allow stronger and timely customer reporting. The features include:

- ▼ greater document management and imaging capability
- ▼ flexible reporting
- ▼ stronger regulatory controls
- ▼ more timely management information to support performance monitoring and improvement

- ▼ data security and portfolio protection
- ▼ greater flexibility for making compensation payments, and
- ▼ the ability to deliver standard uniform letters to all stakeholders which comply with legislation (across all States).

A key principle for GIO Workers Compensation when designing and implementing ClaimCenter was customer-based design - ensuring that the system provided the outcomes that are important for customers and claimants. GIO also maintains a focus on continuous improvement, ensuring that the system is flexible enough to respond to emerging challenges and changes, now and in the future.

**Business.
Made easier.**

At Vero, we're always looking for ways to make it easier to do business. We're investing in new technology purpose built for your needs, to save you time and help you deliver exceptional service to your clients.

At www.vero.com.au you will find everything you need to know about Vero and gain access to broker applications via a single login to our secure portal, VeroCentral.

To find out how our new technology can benefit you, speak to your Business Development Manager today.

www.vero.com.au

Expect more. 