

GBM Country Webinar series

Australia

23 June 2020

Brad Cady
Business Development Manager
Sydney, Australia



BRAD CADY

BUSINESS DEVELOPMENT MANAGER

Role and Responsibilities

Brad is responsible for managing all new business opportunities for Mercer Marsh Benefits. His consultative approach ensures that MMB delivers optimal benefits solutions to prospects and clients that meet the needs of both employers and employees. He acts as the lead contact during transition, ensuring the team, processes and program are effectively established in line with requirements.

Experience

Brad has over 15 years of experience as a Business Development Manager with a focus on Financial Services and Insurance and is the current Business Development Manager in Australia for Mercer Marsh Benefits, the employee benefits division at Marsh. Since moving from the US to Australia and into his current role in 2016, he has supported clients from a wide range of industries and sizes from small Australian firms to large multinationals. He provides support for companies looking to establish a new employee benefits program and also helps companies with existing programs understand why Mercer Marsh Benefits is the best choice for managing benefits programs. His focus here has been on helping clients develop strategies for more effective, cost efficient and robust risk and insurance solutions.

Qualifications

- Australian & New Zealand Institute of Insurance & Finance – Tier 1 Life Insurance
- Series 7, 24 & 66 Securities Licenses (USA Financial Services)
- University of Connecticut, Bachelor of Science (Finance)



Australia Overview

Demographics

Population

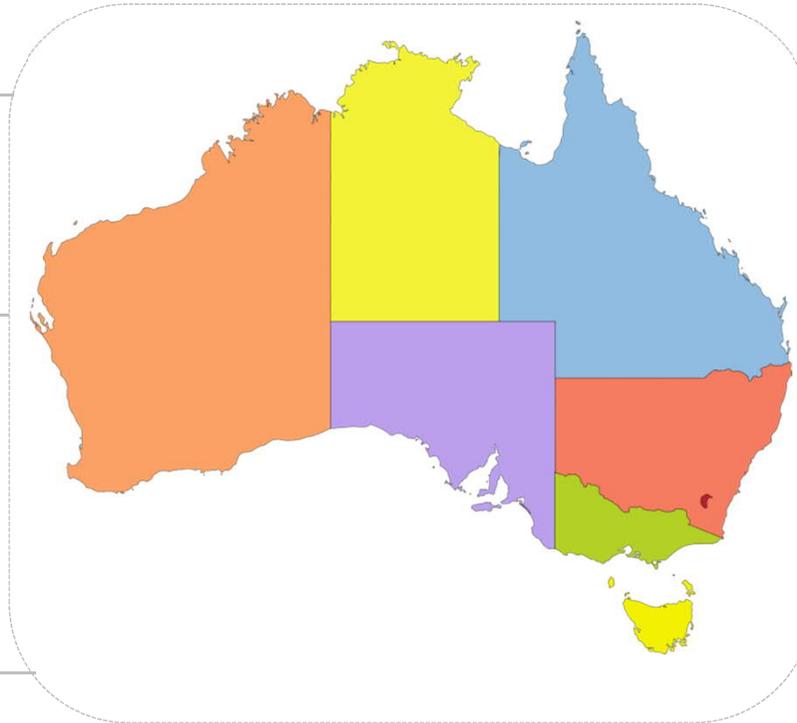
25.4 million inhabitants

Life Expectancy

- 83 years old
- Men: 81 years old
- Women: 85 years old

GDP

(Gross Domestic Product):
USD 1.34 trillion (2018)



Unemployment Rate

7.1% of active population
(May 2020)

Minimum Weekly Wage

USD 505

Inflation Rate 1.61%
(2019)

Exchange Rate (approx): USD 1 = AUD 1.46

MMB

Who we are



Australia Overview

Insured Benefits



Life & Disability

- Group salary continuance insurance
- Group life and permanent disability insurance
- Group personal accident and sickness insurance



Health & Wellbeing

- Subsidised private health insurance
- Voluntary private health insurance
- Health risk management and wellness



International Benefits

- Inpatriate/Non-Resident health insurance (457 Visas)
- Expatriate health insurance
- Global/regional benefits management
- Multinational pooling



MERCER • MARSH
BENEFITS™

CONSULTING, ADMINISTRATION & BROKING

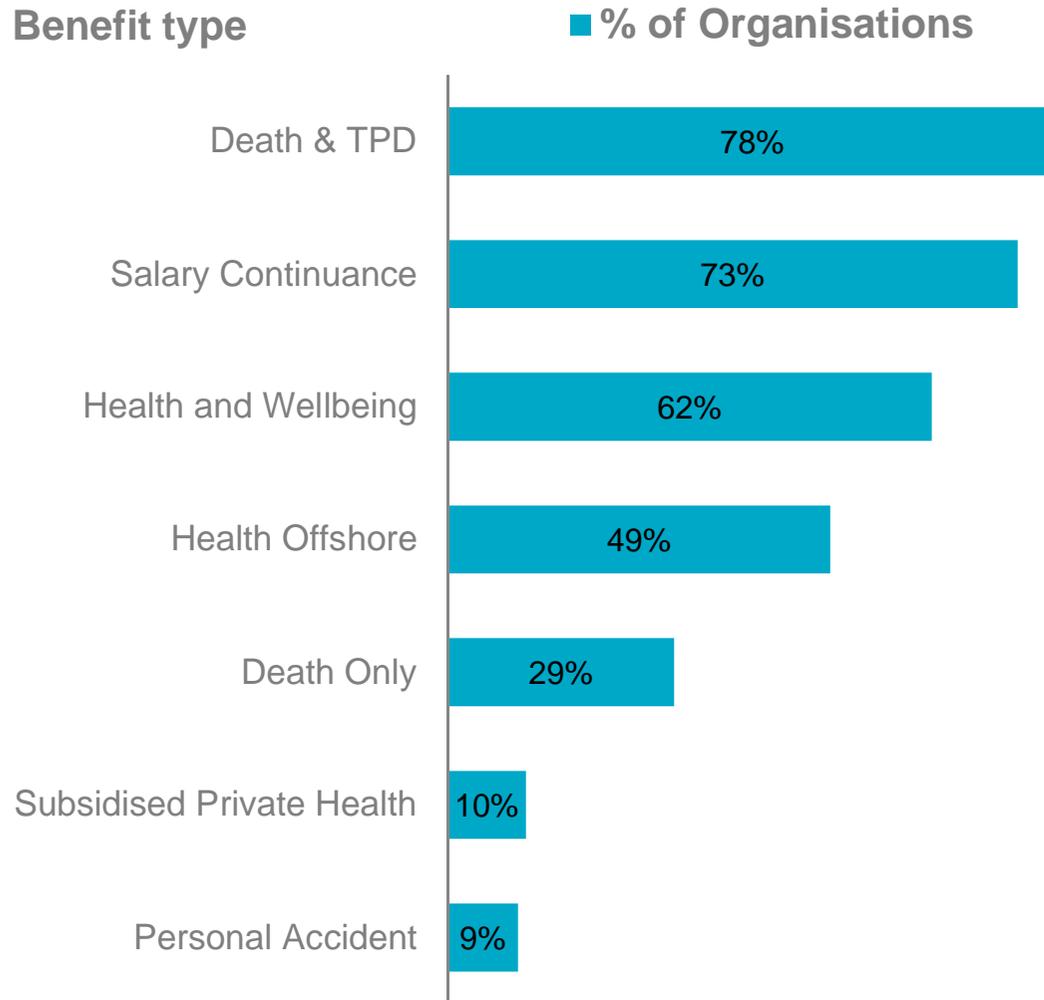
Statutory Retirement Account

Superannuation a.k.a “Super”

- Paid to any employee age 18+ earning at least \$450 in calendar month
- “Super Guarantee” contribution amount required by employers is 9.5% of ordinary earnings
- Default fund designated by employer or choice of fund elected by employee
- Group Life/TPD and Salary Continuance available inside super

Australia Overview

Benefits Offered by Employers



Minimum Headcount Requirement for Group Cover:

- Life/TPD/SCI: 15 Employees
- Domestic Health/Personal Accident: 10 Employees
- International Health: no min.

According to Mercer 2019 Australian Benefits Review

Life Market



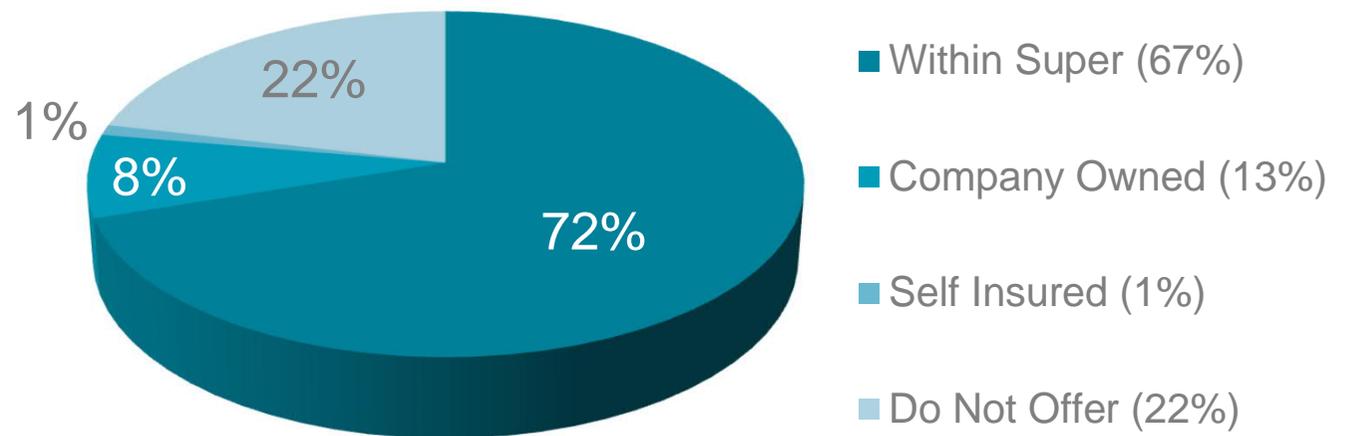
Australia Overview

Group Life & TPD



- Historically offered inside super with FBT implications outside
- Legislated that all super funds offer a minimum level of default death cover
- Benefit can be set as a multiple of salary or % of salary x years until age 65
- Premiums inside super count towards contribution caps

% of Organisations



50% Companies pay some/all insurance premiums on behalf of employees

31% Companies offer '3x Salary' benefit design – typical market practice

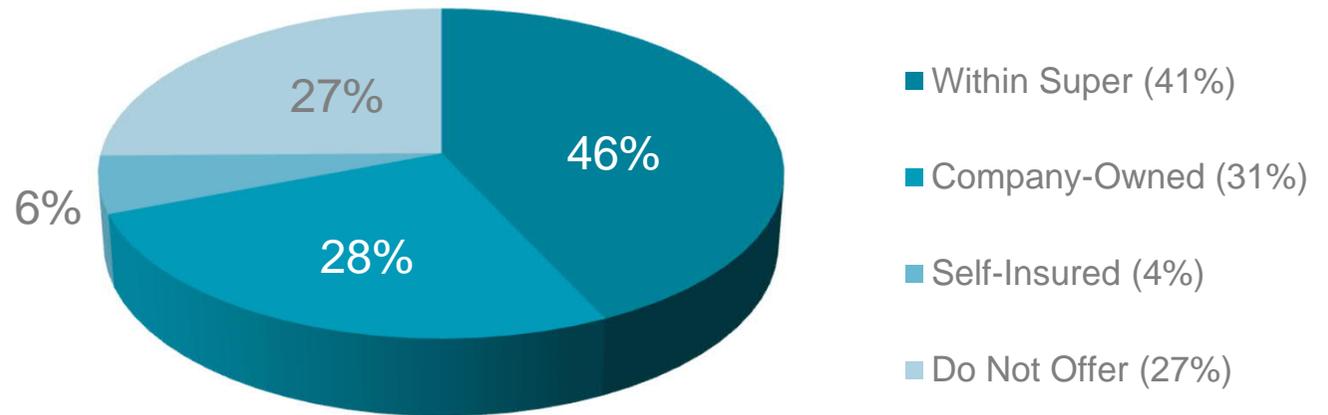
Australia Overview

Salary Continuance Insurance



- Historically offered inside super
- More firms moving from super into company-owned policy
- Benefit includes % of monthly income (typically 75%), waiting period (typically 90 days) and benefit period (2 years, 5 years or to age 65)
- Premiums inside super count towards contribution caps

% of Organisations



64%

Companies pay some/all insurance premiums on behalf of employees

COVER TO AGE 65
15% ↓

SINCE 2014

29%

Companies offer '3x Salary' benefit design – typical market practice

For every problem, we have a solution

This is how we add value to our clients



Client challenges



How we help

Increases in the cost of the benefit and the pressure to control cost whilst retaining a competitive benefit

- Use data and analytics to understand the drivers of cost and control benefits costs
- Use market benchmarking data to advise clients on maintaining a competitive benefit program
- Reduce the duration and incidence of claims with active claims management and understanding the drivers of claims

Challenges of managing absences and achieving return to health and work outcomes

- Integrated absence management solutions including early intervention and rehabilitation to support employees and reduce risk

Employees not understanding and valuing benefits

- Enhance employer return on investment with bespoke employee communication strategies
- Client and member services team to provide policy support to clients and employees

Changing legislative and superannuation landscape

- Specialist advice, consulting and insurance market advocacy

Enterprise Agreement Income Protection Insurance



What is an enterprise agreement?

- An agreement between one or more employers and their employees, that provides a tailored set of employment conditions, as specified in the agreement.
- Negotiated by the parties through collective bargaining in good faith, primarily at the enterprise level.
- An enterprise can mean any kind of business, activity, project or undertaking.
- There are three types of enterprise agreements: Single-enterprise agreement, Multi-enterprise agreement and Greenfields agreement.
- All enterprise agreements must be approved by Fair Work Australia.
- Enterprise agreements must contain certain criteria; including:
 - an **expiry date**, which cannot be longer than 4 years after the date Fair Work Australia approved the agreement,
 - a **consultation** term, which makes sure that the employer talks to their workers about any major changes that will affect them.

How we support EBA policies

- To be effective, an enterprise agreement income protection program needs to be well designed, contractually compliant, relevant, responsive to the business' strategic objectives, affordable, sustainable and valued by the employees
- We advocate the implementation of a centralised placement, administration and claims service management program that offers:
 - insurance owned and managed by the Insured
 - economies of scale – **costs savings to your client**
 - reduction in resources typically allocated to manage the process
 - alignment with strategic imperatives
 - transfer of perception - employee benefit provided by the organisation and not the union(s)
 - efficient and effective management of claims to ensure prompt and fair claims settlement

A smart, cost-effective approach to enterprise agreement insurance risks

The enterprise agreement insurances should integrate into an organisation's administration without impeding its corporate and business objectives, or exposing the business to additional risk

Health Insurance Market



Australia Overview

Medicare

Australia's universal health care scheme since 1984



Medicare gives you access to:

- free or subsidised treatment by health professionals such as doctors, specialists, optometrists, dentists and other allied health practitioners (in special circumstances only)
- free treatment and accommodation as a public (Medicare) patient in a public hospital
- 75% of the Medicare Schedule fee for services and procedures if you are a private patient in a public or private hospital (not including hospital accommodation and items such as theatre fees and medicines)

Who is Eligible?

- are an Australian or New Zealand citizen
- are an Australian permanent resident
- have applied for permanent residency (some conditions apply)
- are covered by a Ministerial Order
- have a Resident Return visa
- are covered by a Reciprocal Health Care Agreement with another country

Australia Overview

Domestic Health Insurance



- Private Health premiums are increasing at around 3 times the rate of general CPI
- The Government provides incentives and disincentives for health insurance
- Health insurance premiums are “Community rated ” and not risk rated with variable hospital cover types ranging from Basic to Top. Top hospital cover may even include medical procedures linked to transgender* realignment.
- The Government approves health fund rate increases annually every April.
- Private health insurance runs in conjunction with the public health system (Medicare) and not as an alternative.
- Health Insurance benefits consistently rates high on employee benefits wish list
- Fringe Benefits Tax (FBT) is payable on health insurance and a major disincentive to employers funding plans.

* Needs to be Medically approved and supported by Medicare Australia

Employer Provided Health Insurance

10%

Employer Sponsored Health Insurance

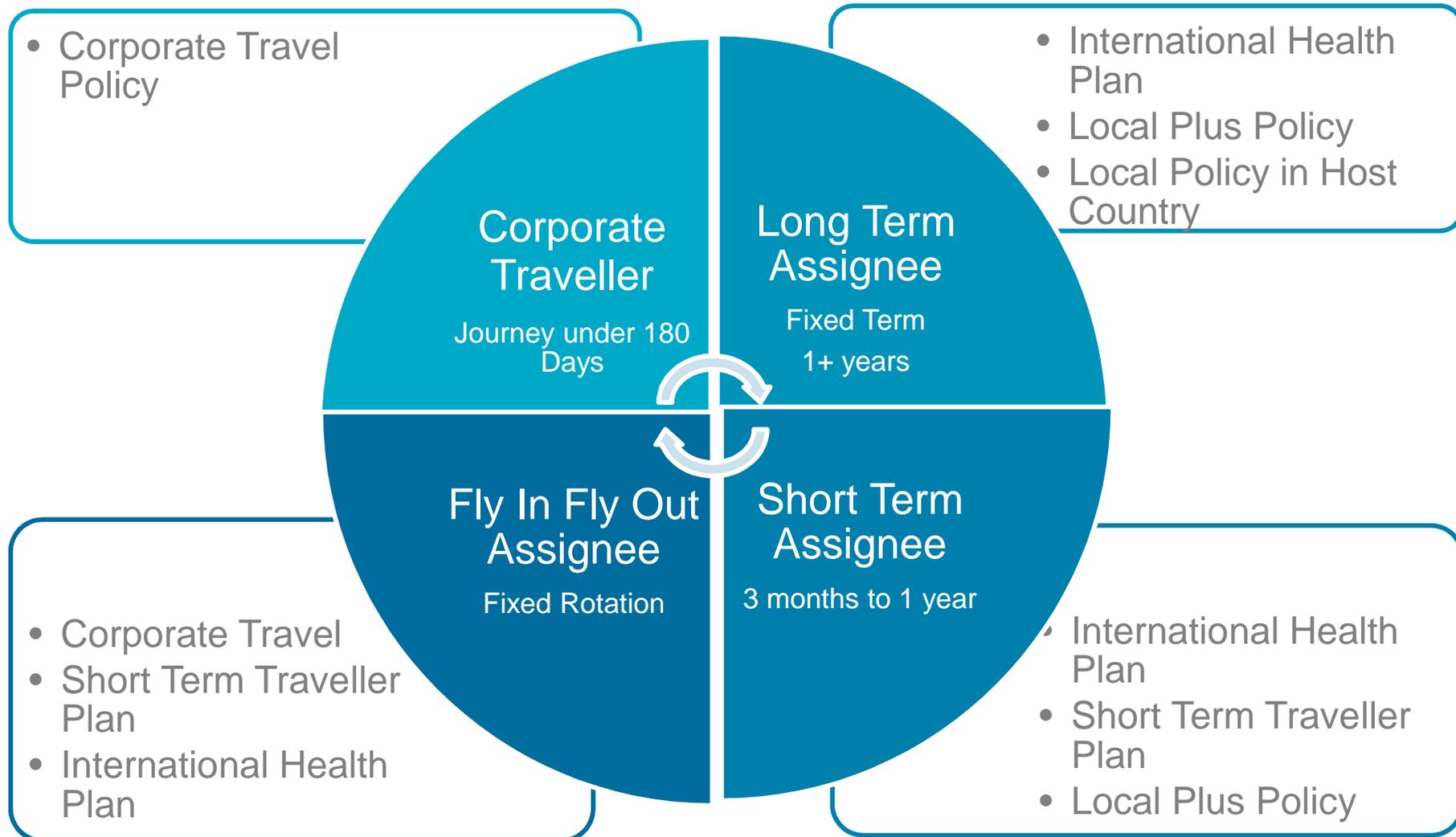
50%

Voluntary Health Insurance

Industries more likely to pay for health insurance:

- Hi Tech Industry
 - Mining
 - US Parented Companies
-

International Health



Australia Insurer Market and Benefits Landscape



Australia Overview

Who is offering benefits?

Industries Offering Rich Benefits

- Pharmaceutical
- High Tech
- Professional Services

Organisational Values

- Paternalistic employer
- Driven by a genuine desire to look after their people
- US Parented
- Company list 'People' as a key value

Unionised Industries

- Construction / Mining
- Manufacturing / Distributor
- Energy / Utilities
- Primary Producer

International

- Australian headquartered companies with overseas presence
- Overseas companies with Australian resident employees (from a private Health Insurance perspective)

Australia Overview

Insurer Market

Life/TPD/SCI



- Significant correction to market in 2013 as result of increase in claims lead to premium increases from 30 – 100%
- AIA acquired CommInsure in 2017, merger in process
- ANZ sold OnePath to Zurich in 2018, and have completed merger
- Reduced risk appetite from insurers leaving some tenders with a small number of participating insurers
- Recently stability and profitability has returned but long term (to age 65) SCI premium still see increases 15 – 30%.
- 2 and 5 year SCI receive little to no changes assuming normal claims
- Insurers take 2 to 4 weeks to quote on new business

Domestic Health



- MMB agreement with HCF to offer a discounted voluntary health plan to our clients
- Further discounted rates on subsidised plan starting at 50+ lives
- Medibank strongest current offering and largest insurer with approximately 29% market share.
- Bupa 2nd largest with approx. 28% market share
- Nib is the 5th largest insurer with approx. 11% market share and recently acquired GU health, Australia's only dedicated Corporate Insurer (1% market share)

International Health/Personal Accident



- Lines placed in the general market so can also be managed by general broker. Not exclusive to MMB
- Wide fluctuation in risk appetite and pricing
- Much more customisation on policy design when compared to Life market

PEOPLE RISK

What's going on in the market

Top of mind for many clients is the need to manage:

- Cost containment and ensuring best value from their people risk and employee benefits programs
- Unexpected financial exposure through increases in premium driven by instability of insurers or spikes in claims
- Impact of injury and illness and maximising return to work objectives
- The impact on productivity and performance of change in work arrangements and how to manage a remote workforce, particularly employee mental health and wellbeing
- The potential unintended consequences of legislative changes which has seen a significant change in the level of default insurance once afforded to employees through superannuation
- Health and safety risks associated with COVID-19 and how to manage return to work and ensure a safe working environment
- The structure of insurance policies and whether these remain fit for purpose

The People Risk proposition

Key principles



Treat all injury and illness the same, irrespective of the insurance line



Take a holistic view of the health and wellbeing of the workforce



Strategic unified approach to managing health and wellbeing



Cost optimisation

MMB'S VIRTUOUS CIRCLE OF RISK AND PREMIUM REDUCTION

1. DATA CAPTURE, ANALYTICS AND INSIGHTS

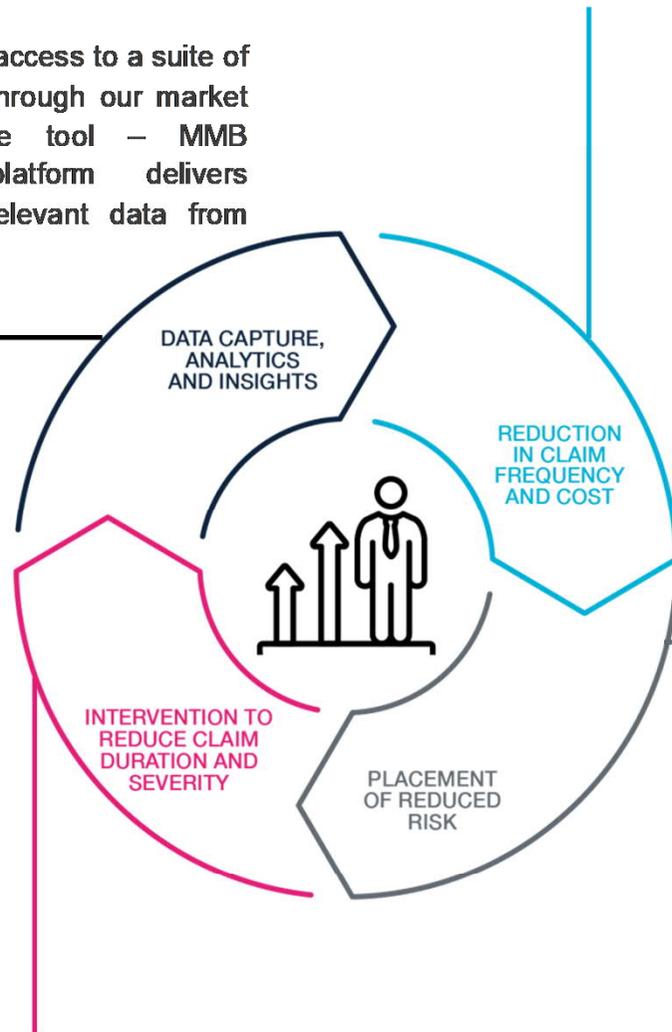
The provision of detailed analysis and insights of performance trends is critical to understanding the key drivers of people risk.

In partnering with MMB, our clients have access to a suite of sophisticated data and reporting tools through our market leading internal business intelligence tool – MMB Dashboards. This cloud-based platform delivers consolidated, easy to visualise and relevant data from multiple sources via a single application.

4. INTERVENTION TO REDUCE CLAIM DURATION AND SEVERITY

For the first time in the Australian market, MMB Dashboards now utilises applied AI to predict the duration and severity of personal injury and illness claims outcomes, allowing organisations to look forward and drill down deeper than ever before.

When a claim occurs MMB support our clients to intervene early and reduce its duration and severity. Because we focus on claims and injury management excellence with the continuous real-time action of Recovre, our clients uniquely experience a seamless service with access to allied health professionals to drive improved return to work outcomes.



2. REDUCTION IN CLAIM FREQUENCY AND COST

Utilising the MMB Dashboards platform our specialist people risk consultants provide our clients with detailed analytics to identify trends and target areas of need which will objectively and measurably have the greatest impact on premium.

This enables our clients, with the assistance of our Recovre business, to address quantifiable pain points with measurable real-time solutions and action targeted prevention, early intervention and absence management solutions that materially reduce claim frequency and cost.

3. PLACEMENT OF REDUCED RISK

By enabling meaningful risk management solutions that make a difference, our clients become the insurance market's 'risk of choice'.

Through MMB's proposition, strong connections and the broadest possible access to the insurance market, our clients enjoy better premiums, products and terms for the protection they need.

AV9

More now than ever there is an increasing need for a holistic, risk management approach to be taken to benefits management in Australia.

Almond, Venessa, 19/06/2020

Rehabilitation and Return to Work Support

The Mercer Marsh Benefits People Risk model, which is unique to the Australian market, is underpinned by our in-house safety, rehabilitation and return to work capability and is enhanced by our market leading advisory and broking practices. These specialist divisions, housed under the 'one roof' of Mercer Marsh Benefits, provide our clients with end-to-end support to develop the sophistication of their approach to managing injury and illness risk, across their entire workforce. In turn, the model also allows Mercer Marsh Benefits to deliver bespoke solutions driven by risk, rather than just product.

The need for a strategic approach is supported by the following statistics*:

- For an individual absent for 20 days, their chance of getting back to work is 70%
- For an individual absent for 45 days then this reduces to 50%
- For an individual absent for 70 days then this reduces to 35%.



**Source: Reference: The Royal Australasian College of Physicians, Australia and NZ Consensus Statement on the Health Benefits of Good Work, 2017*

COVID – 19

Supporting clients



- Managing a remote workforce training
- Remote ergonomic assessments
- Return to work framework



Workplace and Worker Readiness

Preparing the workplace for operations to safely recommence or continue

Identifying and preparing workers to return to the workplace or continue remotely

Evaluating worksite visitor, vendor, travel and non-employee policies

Occupational and physical health & safety



Workforce Support

Supporting all workers– staying engaged, well, and productive

Maintaining a safe and healthy work environment

Promoting employee wellbeing

Managing talent commitments and needs

Wellbeing, benefits & compensation



Business Resiliency

Evaluating cost and risk containment strategies

Preparation and planning for mitigation of future outbreaks and potential impacts

Addressing claims management considerations

Risk mitigation, planning and management



MERCER MARSH BENEFITS™

Mercer Marsh Benefits™ is the global brand name for our network of Mercer and Marsh offices providing employee benefits solutions for clients around the world. In Australia we are Marsh Pty Ltd trading as Mercer Marsh Benefits™. The business is a collaboration between Marsh Pty Ltd and Mercer Consulting (Australia) Pty Ltd. Together we represent one of the largest employee benefits consultancy and brokerage businesses in Australia, with more than 50 years' combined experience in employee benefits broking, consulting and HR outsourcing. With the shared experience of over 350 clients and 30 consultants, we place more business in the corporate life market than any other broker in Australia. Marsh Pty Ltd trading as Mercer Marsh Benefits™, ABN 86 004 651 512 AFS Licence #238983 ("Mercer Marsh Benefits™")

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