Public Accountability and Works Committee

Review of the NSW Government's use and management of consulting services

HEARING ON 16 AUGUST 2023 - POST-HEARING RESPONSES

INDEX

QUESTIONS ON NOTICE (QONS)

QON 1 – Pages 3-4 of Hearing transcript

The CHAIR: An annual report erratum was published in December 2020, which corrected the details of overseas travel in financial years 2017, 2018 and 2019. I haven't seen any errata in relation to the disclosure on consultants. Have there been any and are any planned?

RICHARD HARDING: I will have to take that on notice, Chair, if that's okay, and come back to you. Again, all of this was before my engagement. I was under the impression that there was disclosure in respect to some procurement issues. Whether they were about consultants is probably the question. Let me just take that on notice, if I can, and come back to you.

The CHAIR: I will give you two examples. It was reported that McKinsey was paid $547,800 in a November 2017 contract. But it doesn't appear to have been disclosed in the financial year 2018 report. In fact, there are no disclosures of work done by McKinsey in any icare annual report. Similarly, Cognizant Technology Solutions was reported as having won 10 contracts worth $20.5 million in 2018 and 2019 but, again, their name doesn't appear in any of the annual report disclosures. I am wondering where they are up to.

RICHARD HARDING: I can certainly go and find out for you on those specific ones and give you a general answer on the remediation of the past contracts. I think my point is that since 2021 we have really focused on uplifting those processes. We have certainly remediated, where we can, the various aspects of where there might not have been compliance. I have highlighted the Nominal Insurer exemption for you in that respect. We have significantly uplifted our processes around how procurement for all of the things that we do gets done, including consultants. I'm very confident today that we not only comply with the New South Wales Government procurement process but also the disclosure obligations and the transparency expected to provide clarity that we are meeting those obligations.

The CHAIR: I do appreciate that you have only been appointed since 2021 and that this question is in relation to annual reports before that. But on the understanding that we were going to have errata and corrected reports as part of that rectification process that began in 2020—

RICHARD HARDING: Let me take it away because I am giving you answers off the top of my head, which is never a good thing. I'm happy to come back to you with some detail about the remediation. It may be that they are not consultant contracts that needed remediation. In respect to these two specifically, we'll give you an answer on that too.

ANSWER

McKinsey

The contract with McKinsey was awarded on 6 February 2018, and was disclosed for the amount of $547,800 (including GST) on 25 February 2020 under the *Government Information (Public Access) Act 2009* (GIPA Act).

The contract scope was for the design and delivery of a bespoke leadership development program for icare. Upon review, at least part of this engagement should be classified as consulting services, and an addendum to our 2017-18 Annual Report will be published in conjunction with the publishing of our 2022-23 Annual Report.

Cognizant (CTS)

Contracts awarded to CTS were published as part of our contractor spend in the relevant annual reports. The services provided by CTS were not classified as consulting services as per the NSW Government definition.

Between 2018 and 2019, 15 contracts to a total value of approximately $27.4 million have been disclosed under the GIPA Act.

CTS is predominantly used by icare to supplement our technology teams by providing application development, testing, business analytics and data migration services.

QON 2 – Page 4 of Hearing transcript

The CHAIR: I have a final question in this vein from page 111 of your 2017-18 annual report. For convenience, I will hand you a copy, and any other members who want a copy, so that you don't have to look it up. This is page 111 of the financial year 2018 annual report. Does this table look accurate to you?

RICHARD HARDING: As I pointed out, I was not involved in the preparation of the table. I have no knowledge of what the consulting spend was in that year. It was well before my engagement with the organisation. I expect that it has the accuracy that it has, knowing that clearly we have already acknowledged that icare was not meeting expectations at the time. There were gaps in the disclosures that were being done at that time. I don't think we need to shy away from that. They have been well discussed and ventilated in other forums. We have 107 recommendations from Mr McDougall, a lot of which apply to the governance and oversight of the organisation but also apply to procurement. He had a procurement specialist come in and undertake a full review of our procurement processes and there are a number of recommendations that we have been implementing from Mr McDougall specifically around that. I can't attest to the accuracy of it. I'm not going to do that. I'm sorry.

The CHAIR: I appreciate that. From a numbers perspective, when you look at the numbers in the top table, what leapt out to me is that the total that is in bold is not the total of those numbers. In fact, there is a $326,364 discrepancy. So the numbers are just not correct, and I got my 13-year-old to double-check for me.

The Hon. Dr SARAH KAINE: And the bottom of the table as well.

The CHAIR: The bottom numbers are also $9,517 out. So there are two totals there that aren't correct, which leads to a $335,000 discrepancy, just on the face of the annual report. That seems to me an extraordinary thing to be included in an icare annual report, when we're relying on so much—when we think of icare, we are thinking of your actuarial skills.

The Hon. Dr SARAH KAINE: It is a little ironic.

The CHAIR: It is quite ironic, and I think the fact that someone like myself could look at it and go, "Those numbers don't add up"—and Dr Kaine's just done the same thing. How has that not been corrected?

RICHARD HARDING: Chair, I have already highlighted the process that we're going through. I cannot talk to this disclosure. It is many, many years before we started our remediation program. I have committed to come back to you on the remediation of historic issues, and I can do that on this particular issue but, clearly, icare was a different organisation many years ago.

ANSWER

There were mathematical errors on page 111 of our 2017-18 Annual Report that resulted in our total consultant spend being incorrectly reported, specifically:

- the total for consultants greater than $50,000 was reported as $1,920,123, but should have been $1,593,759; and

- the total for consultants less than $50,000 was reported as $505,283, but should have been $514,710.

In addition, the total for Lifetime Care consultants on page 113 was reported as $1,284,667, but should have been $284,667.

These errors will be noted in our 2022-23 Annual Report.

QON 3 – Page 4 of Hearing transcript

The CHAIR: Also, my concern is that we are missing $335,000 worth of consultant disclosure that might actually show up something that the public would be very interested in and would have wanted to have probed at that time. I appreciate that you are not the person who was in charge in 2017-18, but a remediation program was put in place in 2020 and has still failed to correct something that seems to be quite an obvious error on the face of it.

RICHARD HARDING: Let me take that away, because it could be other causes—why the total is wrong. It may not be that something wasn't disclosed; it may just be inaccuracy.

ANSWER

As per the response to QON 2, there were mathematical errors in our 2017-18 Annual Report that resulted in total consultant spend being incorrectly reported. The inaccuracies were not due to non-disclosure.

The errors will be noted in our 2022-23 Annual Report.

QON 4 – Page 5 of Hearing transcript

The Hon. Dr SARAH KAINE: I wanted to ask—staying with that annual report—about the first item, which I've tried to puzzle through a couple of times, which seems to be half a million dollars payment for preparation materials for a strategy day. And I wondered if, perhaps, on notice, we might be able to be given whatever materials were created that were worth half a million dollars. Again, I take your point that you weren't there, but it does go to what this inquiry is about, which is what consultancies like PwC are providing for that amount of money.

RICHARD HARDING: I would be very surprised if those materials still existed. This is 2018, right. That is many years ago and I don't know that those records exist in the organisation with respect to what the actual documentation was that PwC used to facilitate the day. As I keep coming back to, these issues around how icare managed not just consulting services but the procurement of activities across its remit in the period before 2021 have been well ventilated and discussed. There have been a number of recommendations put through both Mr McDougall and the governance and accountability review, and we are implementing those and we are well progressed in the implementation of those. That gives me great confidence in how we're adopting and applying that disclosure and that appropriate governance today.

The Hon. Dr SARAH KAINE: I appreciate that and we do appreciate very much your coming in, in terms of icare and your being here today. I would be mighty surprised, having been a public servant myself, if you didn't have records that dated from 2018. If you could undertake to have a look for those—it goes less to icare in this case and more to PwC and the type of value the public sector is getting out of them.

RICHARD HARDING: In the spirit of the conversation we just had about the adding up, it could well be that that $500,000 was for additional items, not just for the strategy day, and that it's just poorly disclosed. I'm happy to take that on notice and address the issue you've raised. I am just trying to manage your expectations that it may not be a nice consulting pack that you receive back from PwC. It might be an explanation about what was actually spent.

ANSWER

In 2017, PwC was engaged to develop a range of materials to support the senior leadership strategic planning process, culminating in a strategy day. The total fees payable were $423,500 inclusive of GST. The key deliverables developed as part of this engagement are provided at **Tab A**.

QON 5 – Page 8 of Hearing transcript

The CHAIR: Could we just talk a bit more about the use of PwC by icare? We have seen in that strategy an amount there, the half a million in 2017, but then there are a number of other references to PwC providing strategy, support and a whole bunch of other things throughout the annual reports. icare now has two ex-PwC partners sitting on the board. Do those partners receive any form of pension or annuity or something from their time at PwC, as is standard for a lot of those ex-partners?

RICHARD HARDING: I don't have that knowledge personally. What I can say is this— and the people that you're talking about, just to be clear, is John Walsh, AO, and Kirsten Armstrong. They both finished their partnership with PwC—and I am not going to have an exact date here, but let's call it 2010 or 2015 or something in that order. They have both disclosed their relationship with PwC. They are both very diligent at making sure that disclosure is clear in any board meetings where we are considering a PwC matter or a related matter. In fact, they recuse themselves and leave the room if there is a decision point to be made in respect to a PwC contract. Both John Walsh and Kirsten Armstrong bring very unique skills and capabilities to the board. John Walsh is an actuary by trade, but he is perhaps more commonly understood to be the father of the lifetime care scheme itself, in terms of its creation in New South Wales, and the grandfather, in that sense, of the NDIS, nationally. John has an enormous breadth of experience, both in—

The CHAIR: Can I just stop you there because no-one is implying that these people are not qualified for their jobs. All I am talking about is the very technical aspect of how that conflict of interest is managed. Perhaps we can cut this short if you could provide on notice the conflict of interest board register, if that is possible, since inception in 2015 would be really useful.

RICHARD HARDING: Okay.

ANSWER

The icare Board conflicts of interest register is provided at **Tab B**.

QON 6 – Page 10 of Hearing transcript

The CHAIR: In 2021 PwC was paid over $800,000 for work to review the culture, governance and accountability of icare, and we have talked about that PwC report before. How many drafts of that report did the board see before it was finalised?

RICHARD HARDING: That is not a fact I have on hand. Of course, it was well progressed by the time I arrived in January 2021. I am aware from my own experience that there was one conversation I had with PwC about their findings, and I believe they had a conversation with the chair before it was published, but I don't believe there was any other—I'll come back to you with a note on it. From my experience at the time that I was there, we had a briefing with them and we agreed with most of what they'd found because it was independent, largely. My conversation was around how we could make them outcome-driven recommendations rather than task-driven recommendations so the board could look for outcomes of change. Beyond that, that was the only real engagement. I'll come back to you about if there had been previous board-level conversations with them in the production of the process.

The CHAIR: Thank you and, if you're able, could you provide us on notice with the final report and any draft reports?

RICHARD HARDING: The final report was made available through McDougall. I'm assuming it is still there. It was put on our website at the time.

The CHAIR: I will have a look and if not I will let you know.

RICHARD HARDING: Again, I'm happy to share the final with you. Our intent as an organisation in icare going forward, and in the time since John and I have been there, is to increase the transparency, share the amount of information that we have, publish those sorts of documents as freely as we can, and have the information out there. I'm happy to provide you on notice the number of versions that might have been considered by anybody at the board level. Your other question was for the report, so I'll give you that as well, to save you looking for it on the website.

ANSWER

According to icare's records, Board members were provided with an interim report on PwC's *Independent Review of icare governance, accountability and culture*; as well as its final report, which is available on icare's website and provided at **Tab C**.

QON 7 – Page 11 of Hearing transcript

The CHAIR: That's very useful. Can I ask about the PIAWE program? The annual reports disclose that KPMG and Deloitte have been paid between them over $700,000 to review that program. I don't know if there's been any others in the 2023 financial year, but we have KPMG being paid just over $90,000 in the 2020 financial year to do an assurance review of the implementation. icare paid Deloitte $285,685 to review it in 2021. KPMG was paid just over $214,000 in the 2022 financial year for a QA review, and then Deloitte was paid another $129,593 in financial year 2022 to review the remediation methodology. Were there any more that I've missed in relation to work of consultants to repair PIAWE?

RICHARD HARDING: Not that I'm aware of, no. The core provider that we've used has been Deloitte and that was at the recommendation of Mr Mookhey in respect to utilising their wage remediation experts. Natalie James, former Fair Work Ombudsman, led that practice up until she was recently given a different opportunity. That was extraordinarily useful in that we're dealing, again, with complex issues that go back many, many years. We are using them again this year in respect to the indexation matters that we have already highlighted that go back to 2012. In a lot of those circumstances, again, as we've talked about in other forums, the information is not available or not there in respect to individual participants' wage declarations or their actual wage records, and the approach from the Deloitte team in terms of helping us make injured-worker-positive decisions to get proactive remediation out to them has been very useful. That has been the mainstay of the work that's been done.

I can't recall off the top of my head, I'm sorry, the KPMG work. I will have to come back to you on that.

ANSWER

There were no consultants engaged in relation to icare's PIAWE remediation program other than those listed in the Chair's question.

QON 8 – Page 11 of Hearing transcript

The CHAIR: Which consultants were involved in developing that PIAWE concept, the idea of income smoothing—the thing that caused the problem—in the first place?

RICHARD HARDING: I don't know that there were any consultants involved. It's a legislative design.

The CHAIR: Yes, but in terms of developing that policy?

RICHARD HARDING: Again, we're talking about 2012, I think, or something. I wouldn't be able to give you that.

The CHAIR: Would you maybe take it on notice, just to have a look?

RICHARD HARDING: I can't guarantee you an answer that could give you that and, if I can be frank with you, it really looks to me like a—I'll be more constructive. In my experience of talking it through, we have our Nominal Insurer Advisory Committee, where we have members from various union representations and we have employer representatives there as well—people from Business NSW, Ai Group, we have people from the CFMEU and AWU—and they run an advisory committee, if you like, for the Nominal Insurer. The feedback we get in that forum around the PIAWE stuff is there is a lot of consultation that went on between the employer groups and the employee representatives that created that PIAWE method, and I think if you think about the two vested interests that sit there it probably explains why that is so complicated. That's my opinion; that's not a fact.

ANSWER

The PIAWE method of calculating weekly workers compensation payments was introduced as part of legislative reforms to the *Workers Compensation Act 1987* and took effect from 30 September 2012. It has not been possible to access historical records to ascertain whether consultants were engaged by the governing body at the time, WorkCover NSW, in the development of the PIAWE method.

On 1 September 2015, WorkCover NSW was replaced by three new agencies, including icare, and the State Insurance Regulatory Authority (SIRA), which assumed responsibility for the workers compensation legislative framework. SIRA developed Standards of Practice providing guidance on its expectations regarding the application of the legislation, which are available on its website at www.sira.nsw.gov.au.

QON 9 – Pages 12-13 of Hearing transcript

The CHAIR: I understand. Just so we understand where these types of services sit in the annual report and what gets disclosed and what doesn't, I'm looking at another contract. This one is from January this year. It is a long contract; it goes for 10 years with GIO. This is for almost $313 million. Can you explain what that is and why that is something that has to be done through someone else?

RICHARD HARDING: I talked before to Mr Latham about the work we'd been doing on the claims model and claims service providers and moving from one provider to six providers. GIO is one of those providers. If you think about our business in time senses, we have got current claims and then we've got what, in the insurance industry, we call the tail—think about them as pre-2018 claims. They existed on GIO's platform prior to the changes that were made to the scheme to bring it all onto icare's platform. GIO is one of the few providers that has both the pre-2018 claims as well as the current claims. It is a 10-year contract for the provision of claim services over that time.

It is fundamental to this change that I was talking about—how we increase competition and how we introduce competition and introduce choice. It is fundamental to that in the context of the way we're changing the claims model. We've introduced other providers in there whose contracts you might see. EML, obviously, was pre-existing and is running down its portfolio. GIO and Allianz more recently bought into the scheme in 2020, just before I arrived. And then there's DXC and Gallagher Bassett coming on board this year to make that parcel of six. That's all part of that work, and those contracts are future-looking for 10 years to provide a competitive claims service to improve the outcomes for injured workers across the scheme and to try to lift the performance of the scheme.

The CHAIR: I'm looking at another one from June with Astral consulting that goes for five years and is for a value of $12½ million. Again, is that in that sort of category?

RICHARD HARDING: Could you say the name again? I'm not—

The CHAIR: This is Astral consulting for OCR-managed services—managed and outsourced services is where it's falling—for $12.656 million.

RICHARD HARDING: I will have to check for you, but I'll give you my answer because of the labelling of OCR. Obviously, we use a lot of components to make the workers comp and platforms that support the other parts of icare's remit in respect of injured workers and the injured people that we work with. One of those is the provision of an OCR—optical character recognition—so that we can scan documents as they come in, whether that be medical reports, invoicing or any other information that injured people or their providers may be providing us to ensure that they go into the files that sit within the broader platform. That will be about the renewal and replacement of that optical recognition service. It'll be a licence contract as well

as, perhaps, partly a service to do some implementation work to get that up and running, and it'll have a five-year term or so to reflect that.

The CHAIR: I have got one last one for you. Again, this is just out of interest as to where these things sit. We've got Frazer Walker, which has appeared as a consultant in previous disclosures but, in this case, has been put in as something separate. I'm interested to see where this will come up in the reports. This is December 2022 for personnel recruitment, professional services and interim executive for $158,000. What is that? When we get the annual report, where will that sit?

RICHARD HARDING: The last part I might take on notice, if that's all right.

ANSWER

Astral

icare's engagement of Astral was not for consulting services, but for the provision of a technology platform to support the effective administration of workers compensation claims, as part of our ongoing commitment to use digital solutions to provide the best possible outcomes for those we serve.

The new technology will be rolled out in early 2024, and will use optical character recognition and machine learning to perform inbound scanning and automation for over 240,000 documents that are received by icare each month.

It will ensure the information needed to process workers' benefits and inform decisions on medical treatments and other supports is available in a timely manner; and support the accurate and timely payment of medical and other providers engaged to deliver treatment and support to workers.

Astral's fee covers the costs associated with setting up the new platform as well as five years of licensing, hosting and support services. Astral was procured via an open market Request for Proposal tender process, which was fully compliant with the NSW Government's ICT Purchasing Framework.

Once embedded, we plan to implement the technology across our other schemes in the coming years.

<u>Frazer Walker</u>

icare engaged Frazer Walker, who are specialists in the insurance technology industry, to identify and provide a suitable candidate to fill a short-term position on our Group Executive team.

This resulted in Ms Karen Scroope joining icare as our interim Group Executive, digiTECH from 1 November 2022 to 27 January 2023.

Ms Scroope was brought on board to provide specific and independent expertise in undertaking a review of icare's digital and technology function as part of an organisational realignment; and to contribute to the design of a new position to lead the function – the Group Executive, Digital and Transformation.

Once these activities were complete, an internal leader was appointed to the interim Group Executive, digiTECH role while recruitment for the new permanent role was undertaken.

As Ms Scroope left icare before the expiration of her contract, the total actual spend was $116,400. This will be disclosed under 'other expenses' in the financial statements accompanying our 2022-23 Annual Report.

QON 10 – Page 14 of Hearing transcript

The CHAIR: It is interesting. I am not sure we have the answers yet, but it is interesting to explore the extent of it. Can you clarify whether the $158,000 that was paid to Frazer Walker was the salary for the interim executive or was that in addition to the amount that was then paid?

RICHARD HARDING: I would have to find that for you, if that's okay.

ANSWER

icare is not privy to the remuneration paid to our interim Group Executive, digiTECH, Ms Karen Scroope, as her employment relationship was with Frazer Walker.

As per the response to QON 9, Ms Scroope left icare before the expiration of her contract and the total actual spend was $116,400.

SUPPLEMENTARY QUESTIONS

Question 1

In FY20, icare paid Finity $128,754 to advise on the impact of the so-called 'COVID19 - Shoebridge Bill'. Was that money well spent?

a. Did the Finity advice accurately estimate the impact of that bill?

b. Why were Finity chosen to provide that advice?

ANSWER

In the early stages of the COVID-19 pandemic, presumptive legislation was introduced to provide automatic workers compensation entitlements for frontline workers who contracted COVID-19. The legislation covered workers in industries such as health care, education, retail, transport, emergency services, construction, disability and aged care, and hospitality and entertainment.

There was a high degree of uncertainty at that time concerning how the pandemic would play out and what volume of claims would be received under the presumption. Finity, an external actuarial services provider, was engaged for scenario analysis, to forecast the claims cost of the presumption based on the limited data available/ascertainable at that time.

Finity had an existing contract in place to provide actuarial services for the Nominal Insurer and Treasury Managed Fund schemes. This contract was awarded through a competitive Request for Proposal open tender process. Finity also has in-depth cross-jurisdictional knowledge in relation to workers compensation schemes, and relevant health insurance capabilities.

Given the urgency of the situation, icare engaged Finity under its existing contract to expedite work on the production of a number of actuarial scenarios predicting how the legislation could impact financial projections for the Nominal Insurer and Treasury Managed Fund workers compensation portfolios.

icare™

STANDARD FORM OF AGREEMENT

Contract No: S&T/130717/2017

Icare Response Strategy Opportunities

Prequalification Scheme: Performance and Management Services

Agreement Details

Principal	**Insurance and Care NSW,** a body corporate that is a NSW Government agency constituted by s. 4 of the *State Insurance and Care Governance Act 2015* (NSW), **A.B.N. 16 759 382 489** of **321 Kent St, SYDNEY NSW 2000 ("the Principal"**
Service Provider	Pricewaterhousecoopers of Darling Park Tower 2, 201 Sussex Street Sydney NSW 2000 (ABN 52 780 433 757)
Service Provider's Proposal	Attached: *Yes* Dated: July 2017
Item 1:	**Services** (clause 1.1) Professional services to develop the following 4 strategy opportunities into thought pieces that will enable robust fact-based discussion at the September Strategic Planning Session and effective planning and prioritisation thereafter, refer Annexure A - Proposal. 1. Wellness as a market offering 2. Payments and Provider Marketplace Strategy 3. Re-imagined Insurance 4. Use of Artificial Intelligence
Item 2:	**Fees** (clause 5.3) Maximum total contract price is $423,500.00 inclusive of GST excluding reasonable expenses, to be charged at cost. Refer Annexure A - Proposal
Item 3:	**Commencement Date** (clause 2) 10th July 2017 for completion on the 14th August 2017
Item 4:	**Program** (clause 4.5(a)) Program for performance and completion of the Services is required
Item 5:	**Reports & Deliverables** (clause 4.6) Refer proposal - Annexure A
Item 6:	**Service Provider's Representatives** (clause 4.13) Sarah Butler
Item 7:	**Principal's Representative** (clause 5.2) Amy Barouch

Item 8:	**Notices** (clause 14)
	Principal's Name: Insurance and Care NSW
	Address: 321 Kent St, SYDNEY NSW
	Facsimile No: N/A
	Email:
	Attention: Amy Barouch, General Manager Strategy

	Service Provider's Name: Pricewaterhousecoopers Pty Ltd
	Address: Darling Park Tower 2, 201 Sussex Street Sydney NSW 2000
	Facsimile No: N/A
	Email:
	Attention: Sarah Butler

Item 9:	Insurance Conditions identified by the Principal (clause 4.18)
	The Contractor agrees to maintain a current insurance policy for an amount of at least ten million dollars for the duration of this agreement
	Indemnity Conditions identified by the Principal (clause 10)
	The Contractor agrees to maintain valid and enforceable indemnity insurance for the duration of this agreement
	Cap on liability: $10 million

(a) **Fund Loss**

For the purposes of this item 9:

(b) **Fund** means the Workers Compensation Insurance Fund established under the *Workers Compensation Act 1987*.

(c) **Fund Loss** means any loss, liability, damage, cost or expense of the Fund of any kind (including but not limited to any diminution in the value of the assets of the Fund or the deprivation of any gain to which the Fund would otherwise be entitled).

The Service Provider agrees that:

(d) subject to the dispute resolution provisions of this Agreement, Principal is entitled to recover any Fund Loss suffered as a result of an act or omission of the Service Provider or its Personnel in connection with this Agreement as if it were a loss suffered by the Principal;

(e) it will not, in any legal proceedings, raise as a defence or otherwise allege that Principal is not entitled to bring the legal proceedings or recover the Fund Loss claimed in the legal proceedings on the basis that the Fund Losses were not suffered by icare; and

(f) this clause may be pleaded in bar to any defence raised by the Service Provider in breach of sub-clause (b) above.

Item 10: Invoices

The Contractor will issue and invoice for the agreed contracted price on a correctly rendered monthly invoice. For the purpose of the Customer Contract, an invoice is not correctly rendered unless;

a) The invoice is a Tax Invoice
b) The amount claimed in the invoice is correctly calculated under this Agreement
c) The invoice includes the relevant customer purchase order number
d) The invoice is emailed to invoices@icare.nsw.gov.au and addressed to:

Insurance & Care NSW

GPO Box 4052

SYDNEY 2001

Agreement Details Acceptance:

Organisation Name (Principal):	
Insurance and Care NSW	
Contact Name: Amy Barouch General Manager, Strategy	**Date:** 13th July 2017
Phone:	
Email:	

Organisation Name (Service Provider):	
Pricewaterhousecoopers	
Contact Name:	**Date:**
Phone:	**Signature:**
Email:	

icare

Annexure A

Proposal - Dated**:** July 2017

PDF

20170706 icare
Response to Strategy

Business Capability Model

1.0 Channels & Customer Interactions

1.1 Self Service
- Web
- Social
- Mobile

1.2 Assisted
- IVR
- Phone
- Messaging/ Chat

1.3 Direct
- Mail
- Email
- Face to Face

1.4 Channel Management
- Channel Strategy & Planning
- Channel Development
- Channel Administration
- Channel Interaction Management
- Channel Optimisation
- Channel Performance Management

2.0 CX & Engagement Management

2.1 Customer Insights & Measurement
- Customer Research
- Customer Analytics and Modelling
- Customer Outlier Management

2.2 Customer Experience Management
- Customer Strategy
- Experience Design
- Customer Centric Culture
- Customer Experience Delivery

2.3 Customer Engagement Management
- Customer Onboarding
- Customer Profile/ Information Mgmt.
- Customer Relationship Management
- Enquiry & Feedback Management

2.4 Dispute & Complaint Management
- Dispute Management
- Complaint Management
- Litigation Management

3.0 Injury & Loss Prevention

3.1 Prevention Analytics
- Prevention Research
- Prevention Analytics

3.2 Program Design & Delivery
- Program Design
- Program Rollout
- Program Mangement and Monitoring
- Events Management

3.3 Incentive Design, Analytics & Monitoring
- Incentive design
- Incentive analytics and moniroting

3.4 Proactive Risk Management
- Risk Management Advisory
- Proactive Risk Management

4.0 Product Management and Pricing

4.1 Product Management
- Product Strategy
- Product Research & Design
- Product Deployment
- Product Maintenance
- Portfolio Management
- Product & Portfolio Performance Management

4.2 Pricing Management
- Pricing Strategy
- Risk Based Pricing and Levy Setting

5.0 Origination, Underwriting & Rel Mgmt.

5.1 Policy Servicing
- New Business/ Sales Management
- Renewals & Retention Management
- Policy Management & Administration

5.2 Reinsurance
- Reinsurance

5.3 Policy Administration
- Loss Control
- Customer Billing
- Receivables Management
- Collections Strategy
- Collections Management

6.0 Claims Management

6.1 Lodgement
- Claim Notification/ Application and Registration

6.2 Eligibility & Needs Assessment
- Evaluate and Communicate Eligibility
- Assess Needs

6.3 Triage
- Initial Triage and Allocation
- Dynamic/Ongoing Triage

6.4 Return to Work & Care Management
- Return to Work
- Case Management
- Return to Community
- Treatment Management.
- End of Life
- Care Management.
- Settlements
- Rehab Management

6.5 General Insurance Claims Management
- Case Estimate & Reviews
- Review of Sensitive/ Disputed Claims
- Large Value (>$1m) Claims Management
- Pre-managed Fund Claims Management

6.6 Payments
- Payments Processing
- Provider Payments
- Client Reimbursements

6.7 Recoveries
- Recoveries Management

6.8 Fraud Management
- Fraud detection
- Fraud Management
- Fraud Recoveries

7.0 Partner Management

7.1 Partner Sourcing
- Partner Strategy & Research
- Partner Sourcing

7.2 Partner Onboarding & Education
- Partner Onboarding & Integration
- Partner Education

7.3 Partner Relationship & Contract Management
- Partner Relationship Management
- Partner Contract Management
- Partner Performance Management

8.0 Asset Management

8.1 Investment Management
- Investment Research
- Investment Strategies
- Investment Governance
- Portfolio Construction
- Asset Management
- Investment Operations
- Investment Reporting

8.2 Liability Management
- Actuarial Forecasting
- Reserve Management

9.0 Enabling Functions

9.1 Strategy & Transformation
9.2 Public Affairs
9.3 Organisation Culture & People
9.4 Information Management
9.5 Information Technology
9.6 Branding & Marketing
9.7 Finance
9.8 Actuary
9.9 Risk, Legal & Compliance
9.10 Insurance Governance & Continuous Improvement
9.11 Facilities & Infrastructure

Details on separate page

Business Capability Model

Our Customers

9.0 Enabling Functions

9.1 Transformation & Strategy

Strategy Development and Planning	Strategic Projects and Transformation	Change Management	Strategic Research and Analytics	Strategic Performance Management	Corporate Governance

9.2 Corporate Affairs

External Communications	Internal Communications	Government Affairs	Industry Advocacy	Media Relations	Community Engagement	Other Key Stakeholder Relationships

9.3 Organisation Culture & People

Performance and Reward	Leadership	Culture	Learning & Development	Talent Management	Safety and Wellbeing	Inclusion & Diversity	Payroll

9.4 Information Management

Data & Analytics Management	Knowledge Management	Insights and Analytics Modelling	Operational and Management Reporting	Content Management	Business Intelligence	Data Security

9.5 Information Technology

IT Governance and Strategy	Technology Architecture	Technology Commissioning	Service Delivery	IT Security	IT Project Delivery

9.6 Branding & Marketing

Marketing and Brand Strategy	Research and Analysis	Campaign Design and Execution	Campaign Management	Brand Management	Marketing and Brand Performance Management

9.7 Finance

Financial Performance, Reporting & Forecasting	Financial Controls	Financial Accounting	Treasury Operations Management	GL Management	Reserve Management	Procurement	External Audit	Banking Administration

9.8 Actuary

Actuarial Underwriting	Actuarial Rating	Actuarial Modelling & Forecasting	Actuarial Monitoring

9.9 Risk & Legal Compliance

Business Continuity & Disaster Recovery Management	Ministerial & Parliamentary Support	Legal & Regulatory Compliance	Regulatory Reporting	Risk Management	Policy & Fund Rules	Internal Audit

9.10 Insurance Governance & Continuous Improvement

Continuous Improvement	Quality Assurance

9.11 Facilities & Infrastructure

Facilities Provision & Services	Location Management

Business Capability Model

September GLT Strategy Day Pre-Reading

Context and Purpose of GLT Strategy Day Discussion

Context	A number of icare-wide business capability models have been developed over the past 18 months for a variety of uses, including: • A detailed business architecture • A 2020 target operating model • A domain architecture – technical view To compliment this, we are developing a comprehensive capability model to support the ongoing strategic and business planning of our transformation. Specifically, it will be used to: • Inform strategic decision making and prioritisation, • Provide a clear and holistic view of our current vs. future state and the successive tranches of transformation required, • Articulate how various strategic priorities and transformation initiatives interconnect across the organisation, and • Map transformation delivery against the strategy and assure benefits realisation.
September GLT Strategy Day Discussion	At the GLT Strategy Day discussion on 8 September, the discussion will focus on: 1. Agreeing which differentiating capabilities we want to over-invest in to be 'world class', 2. Forming a view of which capabilities we want to target for cost efficiency (to help fund over-investment above), 3. Forming a view of the biggest opportunities for capability uplift based on current / interim vs. target states, and 4. Considering the outputs of all of the above, forming a view of which capabilities we want to prioritise investment for FY18/19.
Next Steps	Post this Strategy Day, we will continue to engage across the business to define the following for each capability in the model: • The people, process, technology and data components, • The current, interim and target state levels of excellence (world class, above market, peer to market, below market), • Opportunities to drive cost efficiencies, and • Specific initiatives to drive capability uplift in the highest priority areas.

icare™

Preliminary Capability Model

A draft Business Capability Model (future state) has been developed comprising Level 1 and Level 2 capabilities within the broader framework of our 2020 Target Operating Model (capability clusters). Below is a list of Level 1 capabilities for reference throughout this document. The full Business Capability Model visual is provided in a separate attachment.

Capability Clusters (Value Chain Functions)	Level 1 Capabilities (light blue boxes in visual model)
1.0 Channels & Customer Interactions	1.1 Self Service 1.2 Assisted 1.3 Direct 1.4 Channel Management
2.0 CX and Engagement Management	2.1 Customer Insights & Measurement 2.2 Customer Experience Management 2.3 Customer Engagement Management 2.4 Dispute and Complaint Management
3.0 Injury and Loss Prevention	3.1 Prevention Analytics 3.2 Prevention Program Design & Delivery 3.3 Incentive Design, Analytics and Monitoring 3.4 Proactive Risk Management
4.0 Product Management & Pricing	4.1 Product Management 4.2 Pricing Management
5.0 Origination, Underwriting & Relationship Management	5.1 Policy Servicing 5.2 Reinsurance 5.3 Administration
6.0 Claims Management	6.1 Lodgement 6.2 Eligibility and Needs Assessment 6.3 Triage 6.4 Return to Work and Care 6.5 General Insurance Claims Management 6.6 Payments 6.7 Recoveries 6.8 Fraud Management
7.0 Partner Management	7.1 Partner Sourcing 7.2 Partner Onboarding & Education 7.3 Partner Relationship & Contract Management

Capability Clusters (Enabling Functions)	Level 1 Capabilities (light blue boxes in visual model)
8.0 Asset Management	8.1 Investment Management 8.2 Liability Management
9.0 Enabling Functions	9.1 Strategy & Transformation 9.2 Corporate Affairs 9.3 Organisation Culture & People 9.4 Information Management 9.5 Information Technology 9.6 Branding and Marketing 9.7 Finance 9.8 Actuary 9.9 Risk, Legal & Compliance 9.10 Insurance Governance & Continuous Improvement 9.11 Facilities & Infrastructure

See **Appendix A** for guidance on how to interpret the model.

icare™

1. Which capabilities do we want to be 'world class' in?

All of our capabilities are required to fulfil our mandate and achieve our aspiration. However we cannot be world class in everything, so we must determine which capabilities will have a disproportionate impact in delivering our target outcomes and in which we want to over-invest to truly differentiate ourselves on.

Right to Play → **Right to Lead**

	Capabilities[1]	Differentiating Capabilities (Today's focus)
Types of Capabilities	A set of capabilities necessary for icare to be able to compete in the market. Being excellent at some of these capabilities is a must, but are often perceived as hygiene factors that won't delight a customer or drive significant financial outcomes	Differentiated capabilities allow icare to anticipate and exceed customer expectations to excel and achieve customer and financial outcomes. Being 'world class' at these capabilities is seen as necessary to delivering our target outcomes.
Example Capabilities	Activities required by industry dynamics to compete in the market, e.g. • Risk, Legal and Compliance	3–6 differentiating capabilities that have the most impact on the delivery of customer and financial outcomes, e.g. • Data Driven Triage and Treatment Planning

[1] A business capability describes an ability to a achieve a desired business outcome through the combination of people, process, technology and information

icare™

1. Which capabilities do we want to be 'world class' in?

To form a preliminary view for discussion, we have mapped (via senior leader engagement) our Level 1 capabilities against their relative impact on our customer and financial outcomes respectively. Definitions for each are provided on the next two slides. We have clustered the capabilities into 'differentiating capability themes'*.

Assessment of Level 1 capabilities

Customer Insights & Experience Management

Partner Management

Return to Work & Care Management

Organisation Culture & People

Workplace Safety & Wellbeing

Customer Experience & Outcomes — High / Low

Financial Outcomes — Low / High

Low Impact — Med Impact — High Impact

Circles plotted: 6, 16, 32, 8, 2, 4, 3, 1, 17, 10, 11, 9, 26, 12, 21, 34, 7, 15, 13, 35, 39, 22, 25, 27, 18, 19, 20, 14, 5, 30, 31, 28, 37, 36, 23, 33, 38, 40, 29

Data & Analytics
Seen as a key enabling capability of all other 'differentiating' capabilities

Proposed differentiating capability themes

- Customer Insights & Experience Management
- Workplace Safety & Wellbeing
- Return to Work & Care Management
- Partner Management
- Data & Analytics
- Organisation Culture & People

Level 1 Capability Reference
1 Self Service
2 Assisted
3 Direct (F2F, email, Mail)
4 Channel Management
5 Customer Insights & Measurement
6 Customer Experience Management
7 Customer Engagement Management
8 Dispute & Complaint Management
9 Prevention Analytics
10 Program Design & Delivery
11 Incentive Design, Analytics & Monitoring
12 Proactive Risk Management
13 Product Management
14 Pricing Management
15 Policy Servicing
16 Reinsurance
17 Policy Administration
18 Lodgement
19 Triage
20 Return to Work & Care Management
21 General Insurance Claims Management
22 Payments
23 Recoveries
24 Fraud Management
25 Partner Sourcing
26 Partner Onboarding & Education
27 Partner Relationship & Contract Management
28 Investment Management
29 Liability Management
30 Strategy & Transformation
31 Public Affairs
32 Organisation Culture & People
33 Information Management
34 Information Technology
35 Branding & Marketing
36 Finance
37 Actuary
38 Risk, Legal & Compliance
39 Insurance Governance & Continuous Improvement
40 Facilities & Infrastructure

To be work-shopped at GLT Strategy Day

What capabilities do you think will drive disproportionate value?
What should we adjust?
Are there other dimensions (axes) we should be considering?

* May not have an exact reference to a level 1 or level 2 capability in the model

icare™

1. Which capabilities do we want to be 'world class' in?

Under each of these 'differentiating capability themes' we can consider which of the Level 1 capabilities we might want to over-invest in to be 'world class'. A description of each is provided below.

Capability Theme	Potential Differentiating Capability	Definition
Customer Insights & Experience Management	2.1. Customer Insights & Measurement	Ability to measure customer experience and develop insights (including through the use of research and analytics) to deeply understand customer needs and use this information to tailor products, services and interactions at both product/service design time and for individual customers
	2.2.1. Customer Strategy	Ability to develop macro customer strategies at the segment level, and individual customer strategies at the individual (including outlier) level to optimise the customer experience
	2.2.2. Experience Design	Ability to design products and/ or services through a customer lens to deliver a desired customer experience
	2.2.3. Customer-Centric Culture	Ability to deliver design products and services and engage with customers on an emotional level through a deep belief and understanding in the importance of customer experience
	2.2.4. Customer Experience Delivery	Ability to deliver improved customer experience outcomes through targeted project delivery
Workplace Safety & Wellbeing	3.1. Prevention Analytics	Ability to leverage research and analytics to identify root causes of workplace injury and drivers of workplace wellbeing. Ability to forecast the impact of targeted prevention initiatives on the future incidence
	3.3. Incentive Design, Analytics and Monitoring	Ability to design, implement and monitor incentives to drive improved workplace safety and wellbeing. Apply a range of lead and lag indicators to design incentives that encourage actions/program take-up that improve worker wellbeing and reduce the impact and incidence of workplace injury
Triage & Return to Work & Care Management	6.3. Triage	Ability to holistically understand a client's situation at lodgement and through the life of a claim and allocate their case to the appropriate service stream and/or case manager.
	6.4.6. and 6.4.7. Treatment & Care Management	Ability to understand a client's situation, needs and barriers and effectively co-ordinate appropriate treatment, rehabilitation or care providers to achieve an optimal customer and scheme outcome (return to work/community/care or end of life)

icare™

1. Which capabilities do we want to be 'world class' in?

Under each of these 'differentiating capability themes' we can consider which of the Level 1 capabilities we might want to over-invest in to be 'world class'. A description of each is provided below.

Capability Theme	Differentiating Capability	Definition
Partner Management	7.1. Partner Sourcing	Ability to identify and source partners aligned to icare's values and culture who are able to support icare to deliver enhanced value to its customers
	7.2. Partner Onboarding & Education	Ability to onboard and educate partner organisations and staff in icare values, policies and processes to enable partner organisations to deliver services to icare customers in a manner aligned to icare's values and culture
	7.3. Partners Relationship & Contract Management	Ability to manage mutually benefical relationships with a network of partners including setting and managing performance measures
Data and Analytics	9.4.1. Data & Analytics Management	Ability to manage and govern structured and unstructured data and the delivery of analytical insights to the business through clearly defined people practices, processes and a data driven decision making culture
	9.4.3. Insights and Analytics Modelling	Ability to interrogate structured and unstructured data from within icare and external sources to derive insights and predict outcomes and pass these outcomes back into operational processes (e.g. product design or treatment/care management)
Organisation Culture & People	9.3.2. Leadership	Ability to create and maintain an organisation (including through partners) aligned to icare's values, and leadership behaviours
	9.3.2. Culture	Ability to create, maintain and evolve an organisational culture and values that are aligned to icare's strategic priorities and vision
	9.3.5. Safety and Wellbeing	Ability to proactively manage and facilitate safe workplace and encourage a culture of employee focus on wellbeing at work and outside of work
	9.3.6. Inclusion and Diversity	Ability to create an inclusive workplace that creates a sense of belonging, promotes trust and respect, challenges accepted practices and is flexible about, and responsive to, a diversity of people, thought and perspectives

icare™

1. Which capabilities do we want to be 'world class' in?

The proposed differentiated capability themes align to choices made by global leading practice organisations.

Differentiating Capability	Organisations	What they are doing
Customer Insights & Experience Management	Lemonade, amazon	• Lemonade have created a business model around behavioural economics, with reduced tendency for fraud expected to be driven through excess premium (through unpaid claims being) donated to charity. They also allow for video claim lodgement and use advance facial recognition and behavioural economics to deduce likelihood of fraud from the video • Amazon use advanced predictive analytics underpinned by artificial intelligence and behavioural economics to develop 'intelligent' purchase recommendations to customers (e.g. people like you also...)
Workplace Safety & Wellbeing	WORKERS' COMPENSATION BOARD OF NOVA SCOTIA	• The Workers Compensation Board of Nova Scotia invest heavily in the research and development of prevention solutions that target root causes of workplace injury and drivers of workplace wellbeing in key customer segments/industries/regions • For example, they pioneered the development of a special life vest in a fishery town where drowning fishermen/women was a significant issue. They also developed strong incentive/ disincentives to drive the use of the lift vest via reduced premiums and denying liability if vests weren't worn
RTW & Care Management	acc	• ACC recognises Triage, Treatment and Care Management as a differentiating capability and is developing a new machine based learning capability aligned to a needs based Service Model to tailor support to each Client's needs • TAC is investing in similar areas including triage and aligning their Service Model to different categories of client needs. This includes automatic approval of appropriate services based on client needs to improve time to treatment and efficiency.
Partner Management	acc	• ACC has restructured its organisation to recognise Providers as a standalone customer segment and is investing to develop capabilities around provider sourcing, onboarding and education, relationship management, contracting and performance management. ACC is also trialling partnering for health outcomes and a number of data sharing initiatives with providers across NZ.
Data & Analytics	Lemonade	• Lemonade have embedded artificial intelligence throughout the value chain, enabling self service policy set up and claim lodgement using an AI powered mobile application Chabot interface • The aforementioned use of behavioural economics is extended to claims assessment with Lemonade being recorded as assessing, processing and making payment to a customers account within 3 seconds - this was underpinned by clearly defined straight through processing rules and behavioural economics detecting a negligible chance of fraud
Organisational Culture & People	USAA®	• USAA creates a customer centric organisation through an ingrained understanding and respect for the customer. They start by employing ex-military personnel who have an affinity for their customers and who have the inherent nature to lead/ follow 'orders' with the same commitment to values as they did when they served • They have also been able to adapt this leadership capability to the continually changing external environment

See **Appendix B** for the detailed case studies and best practice examples.

icare™

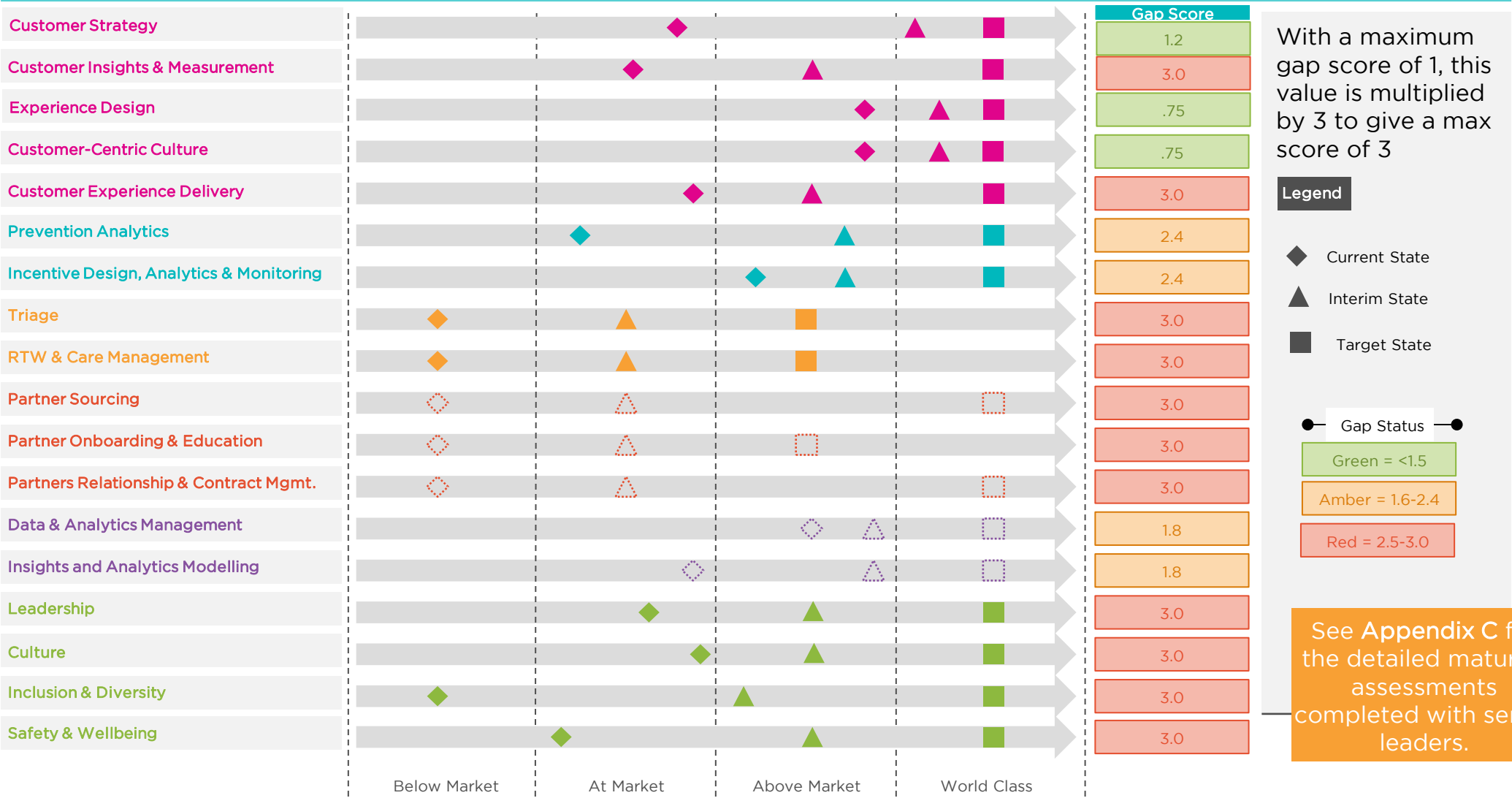# 2. Which capabilities might we drive cost efficiency from?

In addition to considering where we might want to differentiate, we can also identify capabilities that could yield cost efficiencies. To form a <u>preliminary view</u> for discussion, we have mapped our Level 1 capabilities against the extent to which they are commoditised and the size of the potential financial benefit.

Efficiency Potential Assessment of Level 1 capabilities

Degree of Commoditisation (High / Low)

Potential Size of Cost Efficiency Benefit (Low / High)

Low Opportunity to drive efficiency — Medium — High

Potential Cost Efficiency Opportunities?

High Potential Benefit
- Lodgement
- Payments

High degree of commoditisation
- Direct (F2F, email, Mail)
- Information Technology
- Finance
- Recoveries
- Fraud Management
- Information Management

Moderate Commoditisation and Moderate Potential Benefit
- Partner Relationship & Contract Mgmt.
- Assisted
- General Insurance Claims Management
- Policy Servicing
- Partner Onboarding & Education

Level 1 Capability Reference (Ranked)

#	Capability
1	Lodgement
2	Payments
3	Direct (F2F, email, Mail)
4	Information Technology
5	Finance
6	Recoveries
7	Fraud Management
8	Information Management
9	Partner Relationship & Contract Management
10	Assisted
11	General Insurance Claims Management
12	Policy Servicing
13	Partner Onboarding & Education
14	Return to Work & Care Management
15	Triage
16	Self Service
17	Policy Administration
18	Liability Management
19	Investment Management
20	Actuary
21	Insurance Governance & Continuous Improvement
22	Risk, Legal & Compliance
23	Facilities & Infrastructure
24	Partner Sourcing
25	Channel Management
26	Prevention Analytics
27	Proactive Risk Management
28	Organisational Culture & People
29	Dispute & Complaint Management
30	Strategy & Transformation
31	Public Affairs
32	Branding & Marketing
33	Program Design & Delivery
34	Customer Insights & Analytics
35	Customer Experience Management
36	Customer Engagement Management
37	Incentive Design, Analytics & Monitoring
38	Reinsurance
39	Product Management
40	Pricing Management

Please note, this mapping has been done without business engagement and is a strawman to facilitate the discussion on the day only.

To be work-shopped at GLT Strategy Day

Where do you think the greatest potential for cost efficiencies might be? Where should we adjust this? Are there other dimensions (axes) we should be considering?

3. Where are the biggest opportunities for capability uplift?

To form a <u>preliminary</u> view for discussion, business leaders have estimated the current, interim and target states of each of our differentiating capability themes and considered where the largest gaps are between where our existing delivery roadmap will get us and our target state. This was done referencing a draft capability maturity model (see Appendix B).

Capability	Gap Score
Customer Strategy	1.2
Customer Insights & Measurement	3.0
Experience Design	.75
Customer-Centric Culture	.75
Customer Experience Delivery	3.0
Prevention Analytics	2.4
Incentive Design, Analytics & Monitoring	2.4
Triage	3.0
RTW & Care Management	3.0
Partner Sourcing	3.0
Partner Onboarding & Education	3.0
Partners Relationship & Contract Mgmt.	3.0
Data & Analytics Management	1.8
Insights and Analytics Modelling	1.8
Leadership	3.0
Culture	3.0
Inclusion & Diversity	3.0
Safety & Wellbeing	3.0

Axis labels: Below Market · At Market · Above Market · World Class

With a maximum gap score of 1, this value is multiplied by 3 to give a max score of 3

Legend

◆ Current State
▲ Interim State
■ Target State

Gap Status

Green = <1.5
Amber = 1.6-2.4
Red = 2.5-3.0

See **Appendix C** for the detailed maturity assessments completed with senior leaders.

To be work-shopped at GLT Strategy Day

Where does this indicative view of capability uplift opportunities feel right vs. not? Where should we adjust this?

icare™

4. Which capabilities do we want to prioritise in FY18/19?

To form a preliminary view for discussion, we mapped each Level 1 capability against two dimensions. The first is a composite measure of relative impact against our target outcomes (combining the customer and financial axes from slide 5). The second is the relative size of the capability uplift opportunity (the 'gap' score from slide 10).

Determine relative strategic impact on target outcomes	Determine capability uplift opportunity size via gap to target state	Determine priority for FY18/19
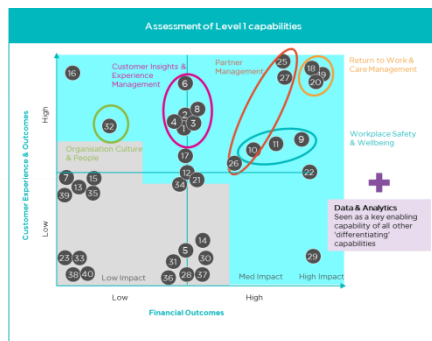
Rates capabilities based on impact to target outcomes (from slide 5) to determine Y-Axis.
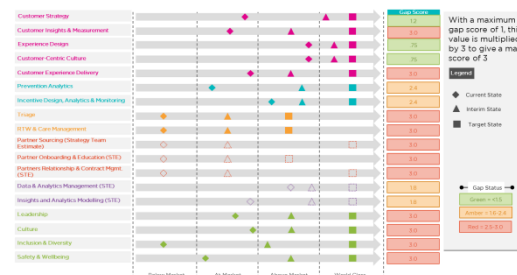
Rates capabilities based on size of capability uplift opportunity (from slide 10) to determine X-Axis.
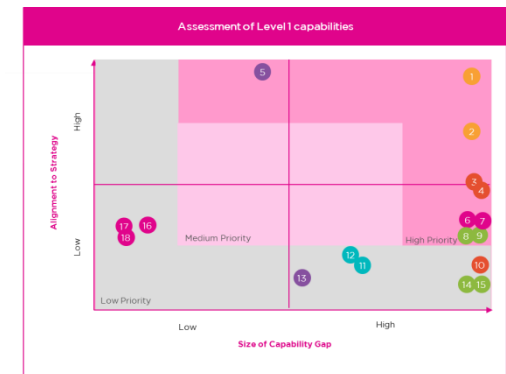
Prioritises capabilities based on impact to target outcomes vs. uplift opportunity.

Refer to next slide (slide 12).

4. Which capabilities do we want to prioritise in FY18/19?

To form a preliminary view for discussion, we mapped each Level 1 capability against two dimensions. The first is a composite measure of relative impact against our target outcomes (combining the customer and financial axes from slide 5). The second is the relative size of the capability uplift opportunity (the 'gap' score from slide 10).

Assessment of Level 1 capabilities

Impact on target outcomes (High / Low)

Size of Capability Uplift Opportunity (Low / High)

Medium Priority

High Priority

Low Priority
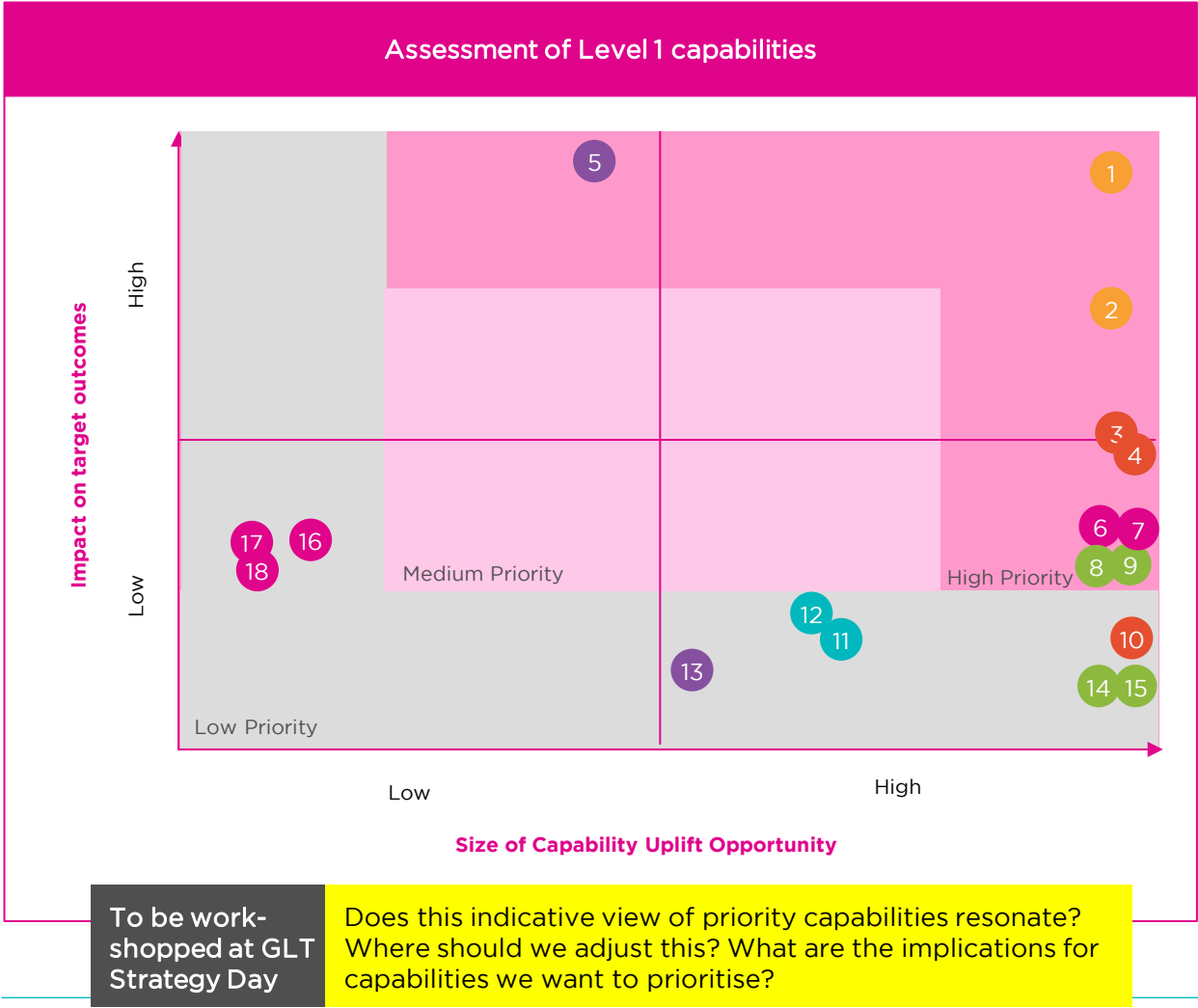
Capabilities by Prioritisation Rank	
1	RTW & Care Management
2	Triage
3	Partner Sourcing
4	Partners Relationship & Contract Management
5	Data & Analytics Management
6	Customer Insights & Measurement
7	Customer Experience Delivery
8	Leadership
9	Culture
10	Partner On-boarding & Education
11	Prevention Analytics
12	Incentive Design, Analytics and Monitoring
13	Insights and Analytics Modelling
14	Inclusion and Diversity
15	Safety and Wellbeing
16	Customer Strategy
17	Experience Design
18	Customer-Centric Culture

To be workshopped at GLT Strategy Day

Does this indicative view of priority capabilities resonate? Where should we adjust this? What are the implications for capabilities we want to prioritise?

icare™

icare™

Appendix

Business Capability Model

Appendix Contents

A. Additional information on preliminary capability model

B. Leading practice examples and case studies

C. Capability maturity model

icare™

Appendix Contents

A. Additional information on preliminary capability model

B. Leading practice examples and case studies

C. Capability maturity model

icare™

Appendix A. Preliminary Capability Model

The following guidelines support interpretation of the model.

Guidelines	What this means in practice
Is not a structural representation of the business	The top level of the Capability Model will align to the Target Operating Model, but the capability model is not a structural representation of the business (i.e. capabilities may be delivered through a combination of people, process and technology, spanning numerous teams)
Capabilities are not be replicated across lines of service	Capabilities leveraged by all service lines are shown once, regardless of the number of instances in the organisation (e.g. single Triage capability spanning WI, GI and SI)
Capabilities are shown where the value is delivered	Capabilities that leverage enabling capabilities are located where the value is added from the capability being delivered (e.g. Partner Performance Management requires performance reporting and is located within the Partner Management capability and not a broader reporting capability)
'Differentiated' capability themes bring together multiple capabilities	We acknowledge that the 'differentiated' capability themes bring together multiple capabilities (e.g. Customer Insights and Experience Management, is underpinned by a strong Data & Analytics capability

icare™

Appendix A. Preliminary Capability Model

The development of this business capability model leveraged insights from local and global comparators.

Local and global insights

Key Insights

- Prior to the local and global capability models comparison, the capability model was holistic, providing high level coverage across key capabilities required for icare to deliver against its strategy

- Other organisations models provided a greater level of specificity and depth in defining sub-capabilities

  o as a result, the revised model more explicitly calls out the sub-capabilities required; with the total number of L2 processes (white boxes) growing from 98 to 159

- Traditional insurance capability models are more passive and focussed on financial sustainability. Leading insurers are investing in more active, customer centric capabilities

  o as a result, the areas where the most additional sub-capabilities were added in the revised model include Customer Experience, Channel Management, Workplace Safety & Wellbeing and Partner Management

icare™

Appendix Contents

A. Additional information on preliminary capability model

B. Leading practice examples and case studies

C. Capability maturity model

icare™

Leading Practices - Customer Experience

The below table contains leading practices and learning aligned to the differentiating capabilities

Capability	Leading Practice	Exemplar	Learnings
Customer Insights & Measurement	• Design measurement communications so that they are useful and usable for employees • Report CX quality metrics to governing bodies (e.g., budgeting, design, technology) to inform future decisions • Measure how well actual customer experiences match the must-have characteristics for each core experience • Measure events and attributes of customer interactions that are likely to affect customer perceptions	amazon Google Photos abc	• Metrics are only useful if employees use them to improve how they do their job. They must understand what the numbers mean, how to interpret them, and how the work that they do influences quality in order to manage performance
Customer Strategy	• Demonstrably living the brand promise and fundamentally changing organisational structures and product/service offerings to align to the strategy • CX is a priority for leadership, who see value and have expertise in it • Customer journey is embedded as the 'new value chain' of the organisation, impacting ways of working, organisation structure and products and services	iag	• Effective customer strategies require not just a series of initiatives, but our brand promise to be tangibly visible to our customer's • There is a strong need for a committed owner and driver of CX (e.g. CCO or CXO) who champions focus and investment in CX
Service Design	• Document the company's overarching CX vision — an aspirational description of an organization's intended experience for its customers. • Leveraging human centred design (HCD) and Agile methods to adapt to evolving customer needs through quick iterative development cycles, rapid prototyping and customer co-design • Include partners from across the CX ecosystem in the design process (e.g., product managers, developers, legal) • Validate that the design/update of each core experience aligns with the CX vision • Use a human-centred process to design/update the ecosystem that's needed to deliver the core experiences	ndis starwood Hotels and Resorts Lemonade	• Optimising the customer experience requires designing products and services around the customer's desired outcome and not legacy processes, systems or 'traditional' industry norms • Access to, and an ability to analyse external data to truly understand what a customer 'really wants' is essential to bringing a scientific fact base to design • Irrational behaviour can be rationalised for the a large number of use cases, by applying behavioural economics • Starting small and selecting targeted use cases to apply behavioural economics to can see significant improvements to customer experience

icare™

Leading Practices - Customer Experience (cont'd)

The below table contains leading practices and learning aligned to the differentiating capabilities

Capability	Leading Practice	Exemplar	Learnings
Customer-Centric Culture	• Assess the empathy and customer centricity of job applicants • Educate employees about customers, the CX vision, the ecosystem that delivers it, and their role in that ecosystem • Carry out rituals and routines that keep customers and CX top of mind for employees • Formally reward employees for delivering or enabling good CX (e.g., bonuses, promotions) • Informally recognize employees who deliver or enable good CX (e.g. employee of the month, email recognition)	Zappos.com HubSpot	• Even the most customer-centric people can become absorbed in their own day-to-day reality. Rituals and routines reconnect employees to customers and reinforce empathetic behaviours. • Formal rewards only come a few times a year. So they aren't always good motivators of day-to-day behaviour. Getting a thank you from a manager, recognition at a team meeting, or acknowledgement from a peer offers the immediate, positive reinforcement needed to sustain good CX behavioral norms.
CX Delivery	• Define the specific activities that every role must do to deliver or enable core experiences as designed • Provide tools that help employees deliver core experiences the right way every time (e.g., templates, workflow automation) • Validate that digital and physical touchpoints deliver or enable experience designs accurately	Travelodge	• Many customer interactions occur without an employee present. It's up to the people who write customer letters, build mobile apps, and code IVRs to make sure that customers will have a good experience with whatever digital or physical asset they use.

icare™

Leading Practices - Workplace Safety & Wellbeing

The below table contains leading practices and learning aligned to the differentiating capabilities

Capability	Sub Capability	Leading Practice	Exemplar	Learnings
Prevention Analytics	Prevention Research	• Incorporates artificial intelligence (e.g. machine learning) and behavioural economics to identify specific root causes of workplace injury and drivers of workplace wellbeing • Investigate the design of highly tailored prevention programs to address root causes • Leverage external experts and HCD principles (customer co-design to explore root causes and potential solutions	WORKERS' COMPENSATION BOARD OF NOVA SCOTIA	• Research and development capability that targets root causes workplace injury and drivers of workplace wellbeing in key customer segments/industries/regions is more effective than generic programs with no clear target audience
	Prevention Analytics	• Leverage 3rd Party data and advanced analytics techniques to forecast the impact of targeted prevention initiatives on the future incidence	Bupa	• Forecasting of program effectiveness is essential to understand the scale/level of uptake required for the prevention opportunity to be effective
Incentive Design, Analytics and Modelling	Incentive Design	• There is a focus on defining a clear target audience and behavioural economics is used to understand the drivers/barriers to incentive utilisation and uptake • Incentives are designed to address specific drivers/barriers to desired healthy/safe behaviour • External specialists and customers are heavily engaged in the design of incentives	Vitality	• Use of behavioural economics is required to understand the drivers and barriers to desired healthy/safe behaviour • Ability to incentive (reward/penalise) individuals or employers for healthy/safe behaviour is essential for long term effectiveness of the prevention program at scale
	Incentive Analytics and Modelling	• Sophisticated use of lead and lag indicators driving incentive effectiveness forecasting and insights • Incorporates artificial intelligence (e.g. machine learning) and behavioural economics to design, refine and continuously improve solutions • Leverage human centred design (HCD) and Agile methods to tweak and modify incentives through quick iterative development cycles, rapid prototyping and customer co-design	Lemonade	• Getting incentives right first time is difficult, having an ability to continually improve incentive design through analytics insights and the use of HCD and Agile ways of working is key to incentive effectiveness

icare™

Leading Practices - Return to Work and Care Management

The below table contains leading practices and learning aligned to the differentiating capabilities

Capability	Sub Capability	Leading Practice	Exemplar	Learnings
Lodgement	Claim Notification & Registration	• Shifting the lodgement experience from a data capture and 'gatekeeping' interaction into one focussed on understanding the customer's holistic situation, building trust, enabling early intervention services and informing accurate triage and elibility assessment	AMP	• A high impact lodgement interaction requires a highly skilled, empathetic capability such as an AHP or nurse • Empowering staff to offer early intervention services before eligibility assessment can rapidly build trust and reciprocity
Triage	Initial Triage & Allocation	• Leverage a range of client biopsychosocial factors, provider and employer characteristics to drive an optimal triage decision	ACC	• Factors such as mental health, pre-existing conditions, relationship with employer and view of their own recovery and key determinants to understand case risk
	Dynamic/ Ongoing Triage	• Leverage machine learning to continuously improve triage performance • Cases are triaged at point of lodgement but are continually reassessed and re-triaged as new information becomes available on the claim		
Treatment/ Care Management	Return to Health	• Engage with integrated providers to contract for return to health outcomes for simple, high volume injury types (eg ACL) to reduce treatment delays and improve client experience	ACC	• Procuring for outcomes requires an excellence baseline understanding of the treatment pathway and sophisiticated provider relationship management and contracting capability
	Case Management	• Creating a service model aligned to client needs including matching channels (digital, provider, contact centre, face to face) and staff capability (digital/no touch, contact centre, generalist/specialist case managers) to client situation	Return to WorkSA	• Aligning service model to channel interactions optimises client outcomes and efficiency
	Treatment Management	• Leveraging analytics and evidence based medicine to determine appropriate treatment types, quantity and service durations and using this to automatically approve care	TAC	• Automatically approving appropriate treatments reduces delays and improves efficiency and provider relationships

icare™

Leading Practices - Partner Management

The below table contains leading practices and learning aligned to the differentiating capabilities

Capability	Sub Capability	Leading Practice	Exemplar	Learnings
Partner Management	Partner Management	• Have a mature approach to efficiently and effectively identify, engage and embed partners aligned to culture, vision and strategic intent • Partner onboarding and education experience is aligned to the employee experience – delivered by a combination of face to face and digital interactions • Integrated tracking and certification embedded • Embedded knowledge management • Operate as a seamless and aligned organization • Integrated processes and systems removing inefficiencies and systems • Relationships based on trusted partner models with agreed success measures rather than input focused KPIs	ACC	• Excellence at leveraging external parties to enhance the delivery of customer and financial outcomes requires an efficient and effective approach to engaging with partners who are aligned to our culture, vision and strategic intent • A relationship built on trust is essential for this and our partners must be supported through integrated processes and systems to make it easy to work with us

icare™

Leading Practices - Data & Analytics

The below table contains leading practices and learning aligned to the differentiating capabilities

Capability	Sub Capability	Leading Practice	Exemplar	Learnings
Data & Analytics	Data & Analytics Management	• There is a clear mandate for the data and analytics team(s) championed with executive ownership • Analytics is embedded into all business decisions • A strong pipeline of use cases is constantly being curated with regular review from senior leadership teams agreeing the analytics teams' priorities • Agile, rapid prototyping and insight generation is embedded • Leverages geo-demographic data, social media data and subscribes to other external data sources • Mature process exist to partner with external groups and leverage 3rd party data to derive insights • Multiple analytics platforms are connected and used by different teams, including "sandpit" environments as well as the ability to explore new technologies • Artificial intelligence and behavioural economics used extensively to derive insights	*Lemonade* **amazon**	• Data and analytics must have cclarity around the Purpose, Vision & Strategy the team will and will not deliver • An ability to develop a constant stream of use cases for analytic that are stress testes in an Agile, fail fast environment is critical to building a culture around analytics and embedding analytics in decision making • Ability to run pilots and trial new technologies is required to maintain relevance of analytical insights • Artificial intelligence and behavioral economics are examples of new analytical techniques that we require an ability to pilot, trial and scale throughout the organisation

icare™

Leading Practices - Organisation Culture and People

The below table contains leading practices and learning aligned to the differentiating capabilities

Capability	Sub Capability	Leading Practice	Exemplar	Learnings
Leadership	Purpose	• Create and give meaning in every interaction • Deliver extraordinary experiences for employees, customers and stakeholders • Dial up and down their leadership attributes as is required in any given context • Think with a transformative mindset and act with purpose	USAA®	• Clarity of purpose and mission and can transformed the nature of our customer base and employees
	Values	• Purpose led and values driven leadership • Build high performing teams • Lead with a growth mindset • View the organisation through multiple perspectives • Be curious	USAA®	• The inherent nature of USAA being built by ex service people has led to a strong focus on the importance of alignment from the top all the way through the organisation • They lead with the same commitment to values as they did when the founders of USAA served. • They can also adapt this leadership capability to the continually changing external environment
Culture	Alignment	• A ruthless dedication to aligning all strategy, culture and operating model • Simplifying the cultural traits to a few key behaviours that are exemplified by all throughout the airlines • Clarity of purpose and values that align with the strategic intent of the airlines	Southwest	• Simplicity in the design of the cultural behaviours such that all who work at the airlines have a clear understanding of the role they play in living the culture. • An enduring commitment that employees come first

icare™

Leading Practices - Organisation Culture and People (cont'd)

Capability	Sub Capability	Leading Practice	Exemplar	Learnings
Talent Management	Attraction	• Based on a strong EVP/employee experience, hiring people with an affinity with customer orientation/service that aligns to their own personal preferences to drive performance	LEGGO	• Define a clear talent attraction strategy in line with a strong on-boarding process. If 'play' is part of this (e.g. at Lego), then it forms part of the sourcing process • The attraction/sourcing strategy needs to be underpinned by a strong and relevant EVP/employee experience aligned to target culture
	Development	• Tailored to the individual groups of the organisation (skills or capability based); with an organisation-wide curriculum and focus on the employee experience towards self-driven learning and self-curated content	airbnb	• Don't offer blanket approach to development, tailor it to the needs and the experience you want your employees to have • Focus on future skills and capability development, not just here and now
	Retention	• Applying continuous data models and predictive analytics that provide forward looking ways to retaining key talent and critical skills	HSBC	• Capture the right data at the right time to build a strong data warehouse that enables value-driving insights • Upskill people managers to have the right conversations early to manage and mitigate the risk of attrition

Note: Talent Management removed and two new capabilities added, namely Inclusion & Diversity and Safety & Wellbeing. Due to late addition/ removal of capabilities, leading practices have not been documented

icare™

Appendix Contents

A.   Additional information on preliminary capability model

B.   Leading practice examples and case studies

C.   Capability maturity model

icare™

Detailed Gap Analysis - Customer Experience

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Customer Strategy	• No customer strategy	• Basic vision or aspiration for customer experience • Limited or emerging view of customer personas and journey(s) • Segmentation model is static and/or based on current financial performance of the customer, without considering experience needs (i.e. no differentiated treatment between different customers • Each channel touchpoint is effectively a separate interaction. Channel conflicts may exist where channels compete or do not perform adequately. Poor understanding of the role of channels across the customer journey • CX is sporadically considered in business planning or resource allocation decisions. CX initiatives are typically under funded	• Broad vision for the organization that includes aspects of customer experience. The vision loosely informs and influences the customer experience strategy and objectives • Various business units across the organization may have their own customer strategy and experience programs in progress, however there is no consolidated, overarching strategy • High level view of the end-to-end customer journey. Segment understanding goes beyond customer financial performance, however may not be driving specific differentiated treatment • Channel strategies exist in isolation of one another (e.g. individual channels may be being optimized without clear integration or alignment with other channels). Defined CX resource requests are considered and weighed relative to other business priorities; however, often as an afterthought to other strategic and operational priorities	• Company has a clear and compelling vision for customer experience. It is understood to support the company's overarching business strategy (i.e. clearly shown in context) • The vision is clearly communicated top-down and understood across the business • Strategy is based on detailed view of end-to-end customer journey, need/experience based segmentation model, and outlines clearly how customer needs will drive differentiated CX treatment • Strategy includes clear KPIs and is supported by a business case showing measurable link between CX strategy and business outcomes • Fully integrated, omni-channel, offers a seamless journey across channels. All strategic plans and business initiatives are considered and prioritized using a lens. CX program/initiatives are well funded and resourced to drive outcomes
Maturity		◆		▲ ■

Legend

◆	Current State
▲	Interim State
■	Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis - Customer Experience

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Customer Insights & Measurement	• No customer measurement tools or insights capability	• Limited understanding of drivers of customer outcomes or behaviours across segments • No or limited ability to translate CX data and measures into specific actionable insights that drive strategic decisions • Basic customer data available (e.g. demographic -name, address, physical injury, etc.). Often lacks consistency. Difficult to interrogate data for insight • Manual process required to extract, transform and load customer data for reporting. Use of ad-hoc tools such as Microsoft Office to develop reports	• Understanding of drivers of customer outcomes (eg BPS factors), however no ability to dynamically cut views or drill into specific channels or sub-segments • Customer feedback and insights form part of the input into experience enhancements on an ad hoc basis; not a formal or systematic process • Customer measures mainly focused around satisfaction and process, and can be 'rolled up' or 'rolled down' through the organization (e.g. NPS measure in place with ability to measure at different levels of interaction) • Predefined customer insight reports enable quick and easy access to detailed and summary information including BPS factors. Still some manual processes to develop reports • Manual and immature processes/capability to leverage external data sources and partnerships to derive insights	• Systematic use of real-time CX insights to drive specific, actionable improvement opportunities across the customer experience, leading to positive impacts to customer outcomes. (e.g. supports data driven triage and treatment planning) • Regular use of predictive analytics, artificial intelligence and behavioural economics to identify ongoing triage or opportunities to delight • Customer and operational metrics enable clear view of CX across the journey and at specific touch points • Ability to "dial up" or "dial down" level of detail based on audience. Dashboard, visualization or reporting programs leveraging robust customer and business data
Maturity		◆	▲	■

Legend

◆	Current State
▲	Interim State
■	Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis - Customer Experience

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Experience Design	• No CX service design capability	• Limited consideration of customer need into the product, service and overall design process • Lengthy, waterfall-based approaches are commonplace • Some formal processes in place for business units to identify tactical CX improvements or develop new strategic CX initiatives • Customer feedback rarely forms input into continuous improvement process	• Static customer feedback is considered and employee inputs sought when designing products, services and/or experiences • Organization begins dabbling in agile; often beginning in one functional area. Leadership is not yet on board with the concept of 'fail fast and often' • Tactical improvements to CX are run and managed by individual business units – however, there is no formalized continuous improvement process, or ability to escalate improvement initiatives into a broader strategic program • Customer insights leveraged	• Customers are actively brought into the business to co-create solutions • Agile test and learn is ingrained the way the business operates and sponsored by leadership • Concepts are frequently tested with customers/users – ideas that receive positive feedback are rapidly scaled; while those needing improvements are iterated and/or discontinued – focus on scaling concepts with highest impact to customer • Formal continuous improvement processes in place to review CX within different areas of the business leveraging customer input to identify new CX initiatives • Feedback is shared across the business and employees receive updates on what improvements are being made to address the concerns and/or opportunities that they identify • Organization's culture encourages and rewards employees' to identify and execute on improvements
Maturity			◆	▲　■

Legend

◆	Current State
▲	Interim State
■	Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis - Customer Experience

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Customer-Centric Culture	• Little to no focus on the customer in the organisation	• Customer experience does not form part of core values – business is focused on product, sales, revenue, cost related performance outcomes. This is consistent across the organization (i.e. leadership to front line). CX standards (what is required to deliver a good CX) are partially defined • Behaviours that drive customer advocacy are somewhat understood • Customer experience training only provided to frontline staff. Training for others across the organization does not mention or link to CX • CX is not embedded into job descriptions, career pathing, talent acquisition or development decisions or onboarding processes, etc.	• There is focus and belief in the value and importance of customer experience, however is not consistent across all areas of the business • Mixed messaging or belief across leadership • CX standards are loosely defined and/or in early stages of definition • Emerging understanding of what specific actions people can take that drive good CX, for customers to feel valued and passionate about your brand • Many different functions (front-line and back of house) are trained in customer experience, however they may not clearly understand the link between their role and the customer's experience • CX is embedded in key programs and at key stages of the employee lifecycle	• Strong empathy/emotion, belief and understanding in the importance of CX across the organization from leadership to front line. Importance and focus on CX is cascaded down from leadership through the organization • Core values include clear focus on CX • Employees know and believe that their role matters and that they are empowered to deliver great CX • Customer-centered behaviours are recognized and rewarded (financial and non-financial). • Customer experience forms a core part of organizational wide training, with everyone across the organization being made aware of how their role impacts the end customer experience
Maturity			◆	▲ ■

Legend

◆	Current State
▲	Interim State
■	Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis - Customer Experience

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

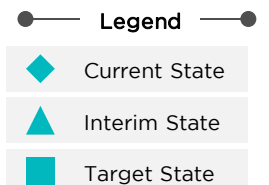| Capability	Below Market	At Market	Above Market	World Class
Customer Experience Delivery	• No CX delivery capability	• Basic centralized CX PMO managing execution, status and benefits management of CX program • Limited understanding or insight into critical business processes that CX impact • Projects are ill-defined and/or not delivered on time or on budget • CX initiatives are managed by ad hoc or informal project management teams within business unit. Unclear view or difficulty in reporting on consolidated CX initiative benefits and impact	• CX-enabling processes are mapped and pain points well understood. Resources are realigned to improve processes • Projects are defined yet a significant portion of projects are not delivered on time or on budget • Projects are well defined and delivered on time and on budget involving cross-functional teams and CX champions. Delivery against key milestones is recognized by leadership	• Strong, visible central management of CX initiatives • CX CoE is perceived as a value added driver and enabler of cross-functional efforts to improve CX. Prioritization of execution CX efforts that yield biggest return/impact for customers and organization • Clear view and tracking of benefits and impacts from CX initiatives • Clear process leaders champion and drive continuous process re-engineering to drive more efficient and effective customer and business outcomes
Maturity		◆	▲	■

Legend

◆ Current State

▲ Interim State

■ Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis – Workplace Safety & Wellbeing

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

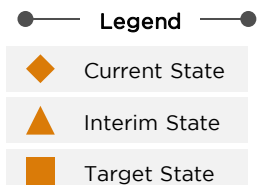| Capability	Below Market	At Market	Above Market	World Class
Prevention Analytics	• No Capability	• Research based on historical reporting, information based on lagging indicators mostly relating to injury type • Manual data gathering, information is not accessible • Uncertainty exists on the effectiveness of solutions	• Leverages an understanding of behavioural economics, 3rd party data and external specialists to inform recommendations • Predictive analytics and forecasting used to estimate effectiveness of solution	• Sophisticated use of lead and lag indicators driving automated insights • Incorporates artificial intelligence (e.g. machine learning) and behavioural economics to design, refine and continuously improve solutions
Maturity		◆	▲	■
Incentive Design, Analytics and Monitoring	• No Capability	• Incentive design performed in-house and primarily leverages internal sources of information relating to injury type • Expect customers to change behaviour but there is no clear target audience, roll out or marketing plan to drive utilisation of incentive • There are no defined metrics for incentive effectiveness • Analytics and modelling leverages internal information only • Difficult to determine whether or not an incentive is driving desired behaviour and how to modify	• Leverages an understanding of biopsychosocial factors and 3rd party data • External specialists and customers engaged frequently to inform incentive design • There is a clear plan to roll out and drive utilisation of the incentive with its target audience • Incentive performance metrics are defined and effectiveness is tracked and reported • Manual process required to gather/manipulate data from external sources • Incentive modification is slow and initiatives are often terminated but rarely modified	• Incentive design addresses specific root causes and incentives are tailored to address these • End customers are rewarded and/or penalised for utilisation of incentive • Sophisticated use of lead and lag indicators driving automated insights • Incorporates artificial intelligence (e.g. machine learning) and behavioural economics to design, refine and continuously improve solutions • Leverage human centred design (HCD) and Agile methods to tweak and modify incentives through quick iterative development cycles, rapid prototyping and customer co-design
Maturity			◆ ▲	■

Legend

◆ Current State

▲ Interim State

■ Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis – RTW & Care Management

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Triage	• Limited segmentation (eg based on medical expenses only v case managed) • Manual allocation of claims • No differentiation in service model or case manager capability • Triage is 'once and done' and not reviewed through the life of the claim	• Static, rules based triage based predominantly on clinical factors • Basic alignment to a service model based on a single dimension (eg case risk; industry) • Manual allocation to case manager within segments • Periodic events based triggers to reassess case risk	• Configurable, rules based triage based on a range of biopsychosocial factors • Aligned, multi dimensional service model catering for client and employer needs and risk which balances claims outcomes and cost efficiencies • Allocation based on service model and capacity • Periodic events based triggers to reassess case risk	• Machine learning, rules based triage based on a range of biopsychosocial factors which are continually challenged to ensure relevance • Aligned, multi dimensional service model catering for client and employer needs and risk which balances claims outcomes and cost efficiencies • Allocation based on service model, capacity and team capability • Cases are continually re-triaged throughout the life of the claim
Maturity	◆	▲	■	
Treatment and Care Management	• One size fits all service model • Ad hoc case management practices dependent on case manager capability • No analytical support to determine case duration, appropriate treatments or interventions • Ad hoc/transactional engagement with providers	• Single dimension service model with aligned capabilities • Cases are either reactively managed in large portfolios (eg Fast Track) or case managed • Service model defines case management expectations • Some analytical support for case managers (eg expectation claims duration) • Provider contracts define service expectations and performance criteria (see Partner Management)	• Multi dimensional service model with aligned capabilities • Mix of reactive, task managed portfolios and proactive, case managed portfolios underpinned by foundational digital capability • Service model defines case management expectations and these are enshrined in business rules • Analytical support for case managers including expected durations and appropriate treatments based on client situation • Systems in place to monitor provider performance	• Multi dimensional service model with aligned capabilities • Mix of reactive, task managed portfolios and proactive, case managed portfolios underpinned by full omni channel capability including digital + f2f • Service model defines case management expectations and these are enshrined in machine learning business rules • Analytical support for case managers including expected durations, appropriate treatments and travel/attendant care needs + next best intervention • Partnerships in place with providers to access and deliver treatment and care (including contracting for outcomes)
Maturity	◆	▲	■	

Legend

◆	Current State
▲	Interim State
■	Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis – Partner Management

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Partner Sourcing	• Ad hoc approach to identifying and sourcing partners • No partnering strategy or framework in place • Basic understanding of where partnering benefits and risks	• Organisational capability to identify potential partners • Documented approach to sourcing (eg procurement) • Understanding of partnering benefits and risks	• Organisation has embedded processes to periodically scan the market to identify partners • Efficient sourcing approach in place for most partnering opportunities • Embedded risk and benefit management	• Organisation is constantly scanning the market to identify potential partners • Mature approach to efficiently and effectively identify, engage and embed partners aligned to culture, vision and strategic intent • Embedded risk and benefit management
Maturity	◆	▲		⬚
Partner Onboarding & Education	• Ad hoc onboarding and education programs focused on the 'word to be done'	• Onboarding and education programs in place – focusing on alignment of culture, values, strategic intent and the work to be done • Certification systems in place to manage compliance	• Portals and systems in place to deliver onboarding and education and track completion/certification by partners • Partners have access to ongoing knowledge	• Partner onboarding and education experience is aligned to the employee experience – delivered by a combination of face to face and digital interactions • Integrated tracking and certification embedded • Embedded knowledge management
Maturity	◆	▲	⬚	
Partner Relationship & Contract Management	• Ad hoc management of performance through the contract • Partners are not relationship managed	• Partner relationship management frameworks are in place • Mature contracting model aligned to sourcing approach • Partners are performance managed through a suite of input and outcome KPIs	• Embedded relationship management framework • Systems and business processes able to operate across organisational boundaries (provider portals, integration with PMS systems) • Systems in place to support frequent monitoring of operational success measures with partners (eg CNPS, PNPS)	• Operate as a seamless and aligned organisation • Integrated processes and systems removing inefficiencies and systems • Relationships based on trusted partner models with agreed success measures rather than input focused KPIs
Maturity	◆	▲		⬚

⬚ Strategy team estimation; to be further validated

Legend

◆ Current State

▲ Interim State

■ Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis – Data and Analytics

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Data & Analytics Management	• No data and analytics strategy • Analytics functions are mostly rebranded reporting functions • Data and analytics not a key consideration in project delivery	• Data and analytics strategy exists but is not aligned with broader organisational strategy • Confusion around the application of analytics within the organisation, not a data-driven culture • Lack of communication throughout project delivery with lots of change requests required at the end, often resulting in the project ending without any demonstrable impact on the business • No clear process or managing key relationships and ensuring collaboration with business stakeholders • Impacts on data and analytics are not considered when new IT or related projects are being assessed for approval	• Role of data an analytics defined in organisational strategy • Broad use cases for analytics are defined with a culture around seeking analytics insights in decision making • Processes are in place to manage key relationships and ensure collaboration with business stakeholders but not strictly adhered to • The business is frequently engaged in project delivery but do not take ownership of outcomes	• Clarity around the Purpose, Vision & Strategy the team will and will not deliver. • A clear mandate for the data and analytics team(s) championed with executive ownership, analytics is embedded into all business decisions • Roles and responsibilities are clear and aligned to the operating model. • A strong pipeline of use cases is constantly being curated with regular review from senior leadership teams agreeing the analytics teams' priorities • Processes are in place to manage key relationships and ensure collaboration with business stakeholders. • The business is constantly engaged throughout project delivery and owns the outcome(s), with the project having measurable business impact • Data and analytics is considered a key business stakeholder in all IT and related changes • BI services offer a wide range of services supporting business outcomes with continuous review
Maturity			◆ ▲	☐

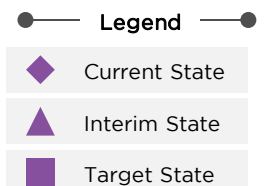☐ Strategy team estimation; to be further validated

Legend
◆ Current State
▲ Interim State
■ Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis – Data and Analytics (cont'd)

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Insights and Analytics Modelling	• No analytics capability, operational and management reporting used to drive decision making	• Each analytics activity is done "once-off" that is different depending on the person working on it • Data and code is not created to a consistent set of conventions or made available to others in the team • Analytic outcomes are generally not delivered in a timely manner to inform executive decisions • Skill and tool capacity are not reflective of analytics usage • Time consuming process to constantly seek permission to access different data sets, can't get access to everything required and only gets "once-off" copies • No use of external data • Only has a limited set of tools available and does not have permission or budget to try new tools • Does not have an enterprise grade analytics platform, currently working off people's laptops or on isolated servers • Analytics is mostly seen as 'intelligent interpretation' of existing operational and management reporting	• Some standardisation of analytics activity enabling repeated execution of the same process • Data and code convections are established by not consistently adhered to • Specific business problems are able to rely on timely access to analytics insights to support decision making but the use cases are limited • Thinking about skills, tools, platform and capability needs with future requirements though currently resourced in line with present requirements • Have access to external data sources but immature in ability to analyse and develop meaningful insights • Limited ability to scale use of external data and 3rd parties to derive analytical insights • Running pilots of new tools and techniques in a dedicated environment but limited funding and culture to support • Have some enterprise grade analytics platforms • Small number of use cases defined to utilise artificial intelligence and behavioural economics to derive insights	• Every analytics use case is executed according to the same standardised process • Data assets and IP that is created is centrally stored, quality reviewed and made available for re-use by others in the analytics community • Almost all business queries (even emergent ones) are able to rely on analytical support • Skill and tool capacity is responsive to current and future capacity requirements • Agile, rapid prototyping and insight generation is embedded • Has timely access to both structured and unstructured data sources to explore use cases, with common data sources "gold plated" and shared with other teams • Leverages geo-demographic data, social media data and subscribes to other external data sources • Mature process to partner with external groups and leverage 3rd party data to derive insights • Has a dedicated environment where new tools and techniques are encouraged to be trialled on different use cases • Has multiple connected analytics platforms used by different teams, including "sandpit" environments as well as the ability to explore new technologies • Artificial intelligence and behavioural economics used extensively to derive insights
Maturity		◆	▲	◼

Legend

◆	Current State
▲	Interim State
◼	Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis – Organisation Culture & People

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

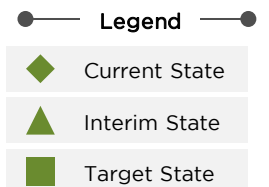| Capability	Below Market	At Market	Above Market	World Class
Leadership	• Leadership lacking communication capability • Self involved leadership • Unable to vary their leadership style to suit changing nature of organisation, environment and demographics of customers and staff • See no value in purpose or values statements • Work in silo's and have a hierarchical leadership style • Lead with a limiting mindset	• Leadership understand the value of communication but do not create an organisational strategic narrative • Leave the employee experience to HR, customer experience to frontline staff and stakeholder experience to others • Get caught up in transformation or BAU and struggle to work across both • Understand the value of a purpose but struggle to deliver a cohesive and meaningful message • Value team work but do not purposefully work on their teams • Know the answers and ask few questions	• Align purpose, values and behaviours • Are exemplars of the behaviours and hold others accountable to these • Have a flexible leadership style such that they can lead through differing contexts effectively • Deliver transformation and create stability through effective leadership • Make decisions based on values and purpose • Define teaming styles dependant on the task at hand • Constantly ask questions of others and live with a growth mindset • Manage energy not time	• Create and give meaning in every interaction • Deliver extraordinary experiences for employees, customers and stakeholders • Dial up and down their leadership attributes as is required in any given context • Think with a transformative mindset and act with purpose • Purpose led and values driven leadership • Build high performing teams • Lead with a growth mindset • View the organisation through multiple perspectives • Are curious
Maturity		◆	▲	■
Culture	• Values defined but not lived • Strategy, culture and operating model not connected • Culture viewed as something HR should be across	• Culture and values defined and aligned to strategy • Culture and values not consistently embedded • Complexity in the implementation of culture and values alignment	• Culture and values defined and aligned to strategy • Culture and values consistently embedded throughout organisation • Culture and values not consistently lived from CEO to frontline employees	• Culture and values defined and aligned to strategy • Culture and values consistently embedded throughout organisation • Culture and values consistently live throughout organisation impacting customers and shareholders as designed
Maturity		◆	▲	■

Legend

◆ Current State

▲ Interim State

■ Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis – Organisation Culture & People (cont'd)

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Inclusion & Diversity	• Little focus on diversity and inclusion • Limited data about employees ad organisational diversity data • No clear strategy or recognition of the benefits of a diverse workforce • No or limited measures • Minimal connection to business strategy requirements • No or little leadership involvement or commitment • No dedicated resources • Reactionary approach to issues • Inconsistent understanding of our customers and people • Inconsistent accessibility to services, programs, facilities and technology • Lack of understanding of inclusion and diversity capabilities	• Leaders publically discuss traditional diversity • D&I programs focus on unconscious bias, managing conflict & mentoring • Employee networks are established • D&I metrics are limited and shared with Senior leaders only • D&I team reports to HR • Partnering (proactively) with the business to understand current and future needs • D&I Strategy Focused on Expanding Knowledge of D&I Policies / Initiatives • Diversity team 'own' diversity • Some flexible work options are available locally • Partnerships with organisations and ensure principles of inclusion exist with service providers • Acknowledge and celebrate diversity	• Gender diverse organisation • Leaders perceived as 'owning' D&I • D&I Strategy reinforces importance of D&I to business • Leaders at all levels discuss overall D&I mission / goals / value of all types of D&I • D&I integrated into talent practices • D&I Programs / practices refined & expanded in response to data and need • D&I Metrics shared transparently with Leaders • D&I Team reports into Head of HR • Flexible work is practiced across the organisation • D&I is considered in customer experience and design of solutions • Match customers with providers that understand and meet their needs	• Ethically diverse organisation • Everyone owns D&I • D&I seen as key to creating market edge and integral to business strategy • People leaders are D&I champions and change agents • People leaders transparently share, discuss and are accountable for D&I metrics • All roles are flexible • High cultural intelligence across organisation • Outcomes are regularly evaluated for impact across the organisation • Diverse Board and leadership team • D&I leader is a senior leader • Promotes D&I links with the communities in which it operates • Social corporate responsibility is a core function • Organisation provides thought leadership on D&I
Maturity	◆		▲	■

Legend

◆	Current State
▲	Interim State
■	Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

Detailed Gap Analysis – Organisation Culture & People (cont'd)

The below table contains a preliminary maturity model along with an initial assessment of maturity conducted by business owners

Capability	Below Market	At Market	Above Market	World Class
Safety & Wellbeing	• Non-compliant with legal obligations • Limited data and analysis available to support decision-making • No or little leadership involvement or commitment • No dedicated resources • Reactionary approach to issues • Employee Assistance Program (EAP) non-existent • Safety framework, Incident reporting and first aid practises and processes not developed or below industry standards • Emergency Response management processes not established	• Compliance with legal obligations • Sufficient analytics and decision-support tools available to support decision-making • Leadership involvement or commitment • Wellness Strategy developed and communicated across the organisation • Safety and wellbeing cultural expectations communicated to employees • Employee Assistance Program (EAP) established • Safety Framework, Incident Reporting & First Aid processes established and utilised throughout the organisation • Emergency Response management processes established	• Compliance with legal obligations • Advanced analytics and decision-support tools available to support management decision-making • Employee Assistance Program (EAP) established and utilised above industry average rates • Wellness Strategy developed and communicated throughout the organisation with engagement and utilisation rates exceeding industry averages • Safety Framework, Incident Reporting & First Aid with analytics and decision-making processes established, accessible from any location and supported by appropriate management systems • Emergency Response management processes established, continuity plans in place and practiced routinely	• Compliance with legal obligations • Advanced analytics and decision-support tools available across the organisation to support decision-making, activity and shape behaviour • Employee Assistance Program (EAP) established and utilised at rates within the upper [x] percentile • Wellness Strategy developed and communicated throughout the organisation with engagement and utilisation rates being in the upper [x] percentile of industry averages • Safety Framework, Incident Reporting & First Aid with analytics and decision-making processes established, accessible from any location and supported by appropriate management systems with ulisation rates (ratios) being in the upper [x] percentile of industry averages • Emergency Response management processes established, continuity plans in place and practiced routinely, sophisticated support infrastructure, analytics and decision-making processes established.
Maturity		◆	▲	■

Legend

◆ Current State

▲ Interim State

■ Target State

Please note: Further validation of the example status criteria, described above, will be undertake Sept – Dec 2017

icare™

icare™

Artificial Intelligence

Pre-Reading for September GLT Strategy Day 2017

Context and Purpose of GLT Strategy Day Discussion

Artificial Intelligence

Context	Artificial Intelligence as a set of analytical techniques and capabilities are being deployed by more and more organisations in current times. As we progress our own data and analytics journey, and new techniques become more accessible we must ask ourselves how can these capabilities help further / expedite the delivery of icare's ambitions; and what is the incremental benefit of investing in these capabilities for icare. Our external market scan revealed a marked difference between the promise of Artificial Intelligence, and what capability has been demonstrated as valuable in the market today. To anchor the analyses in what is most relevant for icare, the study focussed on icare's identified Top 11 use cases to identify how Artificial Intelligence could be leveraged to solve for these business challenges and what is the value of doing so. The key question we aim to discuss is: **How far should icare go with Artificial Intelligence?**
September GLT Strategy Day Discussion	At the GLT Strategy Day discussion on 8 September, the discussion will focus on: 1. What are our **data and analytics aspirations?** 2. How **essential is A.I. in making this happen?** How do these capabilities apply to the highest priority use cases to deliver additional value to customers? 3. What are the **deployment considerations?**
Next Steps	Post this Strategy Day, we anticipate that the following will need to be undertaken for each selected opportunity: • Key business questions and use case objectives clearly defined and set • Data requirements assessed; data gaps identified • Draft roadmap developed, including resourcing requirements and timelines • Business engagement model developed for analytics

icare™

Artificial intelligence

Key question: How far on the AI spectrum do we want to go for each of our highest priority use cases?

Opportunity ▶	Considerations ▶	Recommendation
Why are we exploring this opportunity? • We have made a strategic commitment to developing our data analytics capabilities to enable us to deliver world class service to our customers • We identified a list of use cases that could be enabled by data analytics. We wanted to investigate how A.I. could accelerate this	**Why are we uniquely positioned?** • While we do not currently have a competitive reason to accelerate our data analytics capabilities, we have a social imperative to our customers	**What is the recommendation?** • We should be a fast follower to best practice • We should accelerate our planning and deployment of A.I. capabilities in order to meet this ambition
What are our objectives? • Understand how A.I. can enable the priority use cases identified • Decide how far we want to go with A.I.	**What are we already doing?** • Building the foundations of an advanced data analytics business by procuring data platforms and tools • Developing the first phase of dynamic triage, to be launched early 2018	**What the rationale?** • As yet there are no proven successful case studies of autonomous intelligence • Committing to being a fast follower will allow us to maximise the value of A.I. capabilities and have a level of confidence we will get a return on our investment
What questions do we need to answer? • What are our aspirations? • How essential is A.I. in making this happen? How do these capabilities apply to the highest priority use cases to deliver additional value to customers? • What are the deployment considerations?	**What assumptions have we made?** • The claims process is the most important enablement opportunity in the business. The 3 critical use cases stem from this • We want to focus our efforts on the 3 critical use cases first before progressing to others	**What might the next steps be?** Data Analytics transformation team to scope out the programs of work required for the 3 critical use cases: • Use case objectives clearly defined and set • Data requirements assessed; gaps identified • Draft roadmap developed • Business engagement model developed

icare™

This document forms the second stage of assessing the Artificial Intelligence (A.I.) strategic opportunity

	11 Aug GLT meeting **Undertake market scan**	*Focus of this document* *18 August Pre-read for GLT strategy day* **Set framework to prioritise options**	*8 Sep GLT strategy day* **Prioritise options**
Objective	Identify the A.I. technologies available, capabilities of each, and how analogous and adjacent players are using them and what is relevant to icare	Create framework to shortlist and prioritise the capabilities identified in the market scan that support the top 11 use cases	Discuss how far icare want's to go with A.I. Inform the overall icare strategy in respect to A.I.
Key questions	• What is A.I.? What is driving its growth? • What are the key capabilities that make up A.I.? • How has A.I. been used in other organisations? • What might an A.I. enabled icare look like? How can A.I. add value for our customers?	1. **What are our aspirations?** 2. **How essential is A.I. in making this happen? How do these capabilities apply to the highest priority use cases to deliver additional value to customers?** 3. **What are the deployment considerations?**	• How far do we want to go with A.I.? • What will be internal versus brought in on an as needs basis? • When should we start – now or later?

icare™

Contents

- Recap: key findings from the market scan

- Where is icare, and what are we solving for?

- How essential is A.I. in making this happen? How do these capabilities apply to the highest priority use cases to deliver additional value to customers?

- What are the deployment considerations?

- Next steps

icare™

Recap. A.I. operates across a spectrum of increasing machine autonomy

icare currently here ↓

	Assisted Intelligence 👤+🤖	Augmented Intelligence 👤+🤖	Autonomous Intelligence 🤖
Level of supervision	High		Low
Type of decision making	Single dimensional		Multi-dimensional
Level of trust required	Low		High
Data quality requirement	Moderate		High

	Assisted Intelligence	**Augmented Intelligence**	**Autonomous Intelligence**
Level of supervision	**Human makes decisions** Machines assist humans with what they already can do	**Machine guides human to make decisions** Machines improve human capability; can perform tasks at scales and speeds not possible by humans	**Machine makes decisions** Machines take autonomous action: can learn and adapt to different situations without human assistance
Type of decision making	**Rules based** • Single dimensional analysis - limited variables • Hard-wired systems that do not self-learn • *Includes:* advanced data analytics; process automation e.g. data entry and form filling	**Task oriented** • Multiple variables, complex analysis • Adaptive systems, human assisted learning • *Includes:* natural language processing, chatbots, machine learning to micro-segment customer base	**Decision oriented** • Highly complex, multi dimensional analysis • Adaptive, dynamic self-learning (continuous feedback) • *Includes:* deep learning, speech and voice recognition and processing
Level of risk / complexity	**Low** • Low risk and low complexity: rules based models are modular in nature and can be easily abandoned and/or replaced • Models only govern a specific set of data so impacts are contained	**Medium** • Medium risk and complexity: machines typically work off a largely integrated database so changes are more complex than with rules based models • Likely to involve process change	**High** • High complexity and risk: having an integrated data system where machines operate independently means negative impacts may take time to notice • Will involve change to business model and processes
Importance of Data integrity	**Moderate** Human likely to note impact of poor data and remediate	**High** Human may not note impact of poor data	**High** Poor data likely to lead to bad decisions
Trust required	**Low** Human maintains understanding and control of decision making	**Medium** Human maintains control of decision; may not fully understand it	**High** Computer is making decisions; humans may be unaware of how decisions are made
Example	Machine provides risk score at claim lodgement	Machine dynamically updates risk score based on real-time data	Machine changes treatment plan based on dynamically updated risk assessment

The current standard and application of A.I. continues to evolve

icare™

Contents

- Recap: key findings from the market scan

- Where is icare, and what are we solving for?

- How essential is A.I. in making this happen? How do these capabilities apply to the highest priority use cases to deliver additional value to customers?

- What are the deployment considerations?
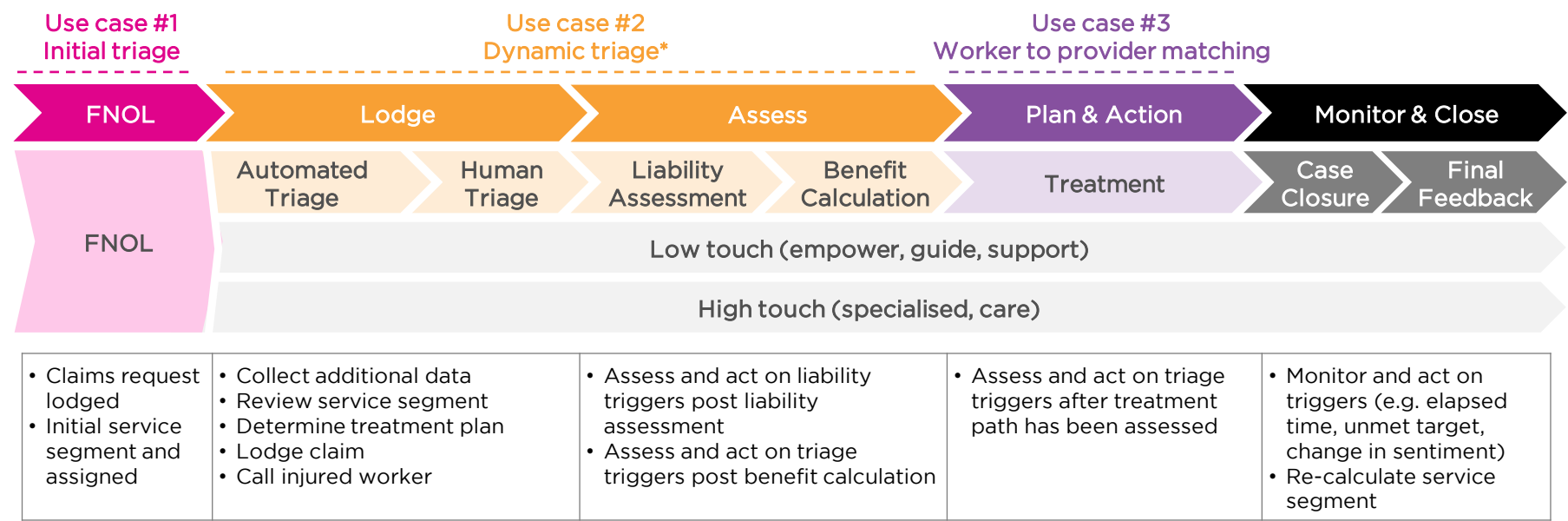
- Next steps

icare™

We are already on a Data & Analytics journey – we have started to build the foundations of an A.I./advanced analytics enabled business

Advanced analytics/A.I. capabilities

Data & Analytics Program

- The analytics technology platforms we deployed – Qlik and SAS – help us store, analyse and visualise data
- As part of this, we acquired SAS modules* which enable data mining, (NLP) text analytics, machine learning and real time prescriptive analytics
- A team of analytics specialists (data scientists, engineers and analysts) will be hired to develop advanced data techniques, including machine learning
- A new and robust icare data platform (claims data, operational data and external data like social media) will be built to enable machine learning models to be developed

Triage Solution

The foundations of an advanced claims process will be established:

- A predictive triage segmentation model will be developed
- This model will then be tested and refined – the first step in our machine learning journey

Plan for delivery (icare Q milestones)

Jul-Dec '17	Jan-Jun '18	Jul-Dec '18	Jan-Jun '19
◆ Qlik and SAS deployed			
	◆ Specialist analytics team set up		
			◆ New icare data platform replaces legacy platform
		◆ First advanced analytical model delivered	
	◆ Day 1: automated triage launched		
		◆ Day 2: refined and reworked automated triage launched	

*Office analytics server and ETS, Enterprise Miner Server, Model Manager, Text Analytics (yet to be purchased), Real Time Decision Manager

icare™

A.I. can enable each icare's Top 3 critical use cases to better support case managers and improve customer outcomes across the claims process

Use case #1
Initial triage

Use case #2
Dynamic triage*

Use case #3
Worker to provider matching

FNOL	Lodge	Assess	Plan & Action	Monitor & Close

FNOL	Automated Triage	Human Triage	Liability Assessment	Benefit Calculation	Treatment	Case Closure	Final Feedback

Low touch (empower, guide, support)

High touch (specialised, care)

• Claims request lodged • Initial service segment and assigned	• Collect additional data • Review service segment • Determine treatment plan • Lodge claim • Call injured worker	• Assess and act on liability triggers post liability assessment • Assess and act on triage triggers post benefit calculation	• Assess and act on triage triggers after treatment path has been assessed	• Monitor and act on triggers (e.g. elapsed time, unmet target, change in sentiment) • Re-calculate service segment

*For the purposes of these 3 critical use cases, the dynamic triage use case is limited to lodgement and assessment. Plan & Action is covered in use case #3

icare™

Use case #1: initial triage

A.I. could enable us to predict the duration of injury and help prevent or minimise the impact of secondary injuries

	Assisted intelligence	Augmented intelligence	Autonomous intelligence
A.I. capability applied	• *Machine learning (ML) – supervised (data mining off structured data from lodgement databases)* • *Natural language processing (NPL)*	• *ML – unsupervised. Data mining off structured and unstructured lodgement data like file notes; ODG* • *NPL – analysis of telephone transcripts (voice to text)*	• *ML – deep learning (off all forms of data including ODG)* • *NPL – analysis of telephone transcripts (voice to text)*
Scenarios — **Worker experience**	• Higher risk workers are prioritised and assigned a more experienced case manager • "I had a serious injury. icare contacted me within days after I lodged my claim to process it and get me assessed for treatment"	• Workers identified as at risk of secondary injuries are offered support for both the reported injury and secondary support where required • "I felt helpless after my injury. When icare contacted me to process my claim they knew I was in a bad head space and also offered me psychological help. I feel they understood me as an individual"	• Can initiate claim process automatically, without authorisation • All workers are provided with support for both reported injury and any secondary conditions they are predicted to experience • "I got a call soon after I submitted my form - I felt they really understood me. I got all the support I needed to feel supported and in control"
Case manager experience	• Receives a report for their cases ranked by severity, and their expected return to work time • "Knowing the high risk cases and how soon similar workers return to work makes it easier and quicker for me to manage my cases"	• Receives a prioritised list of workers and their situational and psychosocial profiles to review • "I understand the belief systems of each worker so I know how to relate to them better. I've access to their individual profiles and early insight into the things that may go wrong and how to intervene"	• Receive detailed profiles of each individual worker and advised on next best actions • "I already know everything I need to know about this worker before we even connect. I don't waste any time fact finding and can focus on providing the best service I can. I trust the machines to do all the behind the scenes work"
Business process	• Workers are segmented based on severity of injury and expected duration of recovery (as predicted by ML model reading off ODG data) • Workers ranked for intervention	• Severity of both primary and potential secondary injuries predicted and assigned • Situational, psychosocial and medical profiles of workers developed • Intervention method recommended	• Severity of both primary and potential secondary injuries predicted in real time • Recommended intervention automatically commenced for all cases • Worker profiles (psychosocial, family, medical data) available for every case

◼ Achievable with icare's current icareQ plan ◼ Best practice in current market

How far do we want to go?

icare™

Use case #2: dynamic triage
Dynamic triage will better support case managers and improve customer experience

		Assisted intelligence		Augmented intelligence		Autonomous intelligence	
A.I. capability applied		• ML – supervised (data mining off structured data from lodgement databases) • Natural language processing (NPL)		• ML – unsupervised (data mining off structured and unstructured data both internal e.g. doctor reports, and external e.g. credit card transactions) • NPL – analysis of telephone transcripts; social media • Process automation		• ML – deep learning (off all forms of data including ODG) • NPL – analysis of telephone transcripts (voice to text) and social media • Process automation	
Scenarios	**Worker experience**	*Low touch* • "I received the assessment and treatment plan in my inbox within a few days of lodging my claim – very easy"	*High touch* • Receives prioritised service from an experienced case manager • "I was contacted quickly and my case manager supported me and understood my injury"	*Low touch* • Receives regular check-in messages • "I got regular updates on what treatment I should be having and the progress I should be seeing"	*High touch* • Identified as at risk of psyco-illness (based on social media). Contacted proactively and offered further support • "As I started to feel not quite myself my case manager called to give me mental support. I feel cared for"	*Low touch* • Chatbot books appointments • "My claim was processed, treatment plan provided and appointments booked in the space of 15 mins"	*High touch* • Worker constantly monitored for changes in condition. Extra support is automatically provided *before* injury worsens • "From day one, I felt like I was understood. I've been given all the support I need – when my circumstances changed, they knew. I feel really well cared for"
	Case manager experience	*Low touch* • "I receive a report with all my cases ranked by severity – it was easy to review the reccs and action them quickly"	*High touch* • "I know which workers to contact first. I also get a guide on the recommended next best steps, which is helpful"	*Low touch* • Receives alerts of workers to review and detailed next best actions • "I can concentrate on reviewing cases rather than keeping on top of admin"	*High touch* • Receives alerts when worker requires support. Provided info on the risk and specific next best steps • "I can be there for each worker when they need me and all the info I need to support them is at my fingertips"	*Low touch* • Chatbots will handle these cases • "I no longer need to worry about these cases"	*High touch* • "I'm informed with everything I need to know about the worker and told when I need to contact them. I don't waste any time fact finding or on admin – I can focus on providing the best service I can"
	Business process	• Based on segmentation in initial triage next best action is recommended based on the optimal return to work timeframes • Case managers review claims and escalate where necessary		• A self-learning dynamic model which constantly updates data (internal e.g. doctors reports as well as external e.g. social media) in real time • It predicts preferred service channel and will continuously monitor flag cases for escalation • Where risk is flagged the next best action is rec'd		• A self-learning dynamic triage model which predicts optimal service channel and risks due to changed conditions • Detailed next best actions provided to case managers • Admin processes fully automated e.g. schedules calls with workers, appointments with service providers	

Notes: Low touch and high touch are based on 5 service segments : Empower, Guide, Support are low touch (processed <6 weeks) and Specialised, Care are high touch (processing >6 weeks)

11

Achievable with icare's current icareQ plan   Best practice in current market   How far do we want to go?

Use case #3: worker to provider matching
A.I. can increase the accuracy of matching workers with the right providers

		Assisted intelligence	Augmented intelligence		Autonomous intelligence	
A.I. capability applied		• *Machine learning (ML) – supervised* • *Natural language processing (NPL)*	• *ML – unsupervised. Data mining off structured and unstructured lodgement data like file notes; ODG* • *NPL – analysis of telephone transcripts (voice to text)*		• *ML – unsupervised. Data mining off structured and unstructured lodgement data like file notes; ODG* • *NPL – analysis of telephone transcripts (voice to text)*	
Scenarios	**Worker experience**	• Case manager provides a recommended short list of providers • "icare made it easier to start my treatment by recommending a provider near me"	*Low touch* • Case manager calls to recommend a change in provider • "my treatment wasn't working as well as we expected, and icare proactively intervened to recommend a new solution"	*High touch* • "my case manager always seems to have time to help me"	*Low touch* • "all my appointments were scheduled for me, I could just turn up"	*High touch* • "My case manager had so much time for me, and was an expert in my injury"
	Case manager experience	• Receives a report for their cases with recommended providers • "the recommended provider list makes it easier and quicker to manage my cases	*Low touch* • Receives alerts of workers to review • "I can concentrate on reviewing cases rather than trying to work out which ones are a priority"	*High touch* • "I can concentrate on reviewing cases rather than trying to work out which ones are a priority"	*Low touch* • I can focus my energies on the more complex cases	*High touch* • "I feel so empowered. The cases I receive match my abilities and expertise"
	Business process	• ML algorithms used to prioritise providers for certain treatments	• ML algorithm recommends treatment path and providers for each treatment • Treatment plan updated based on progress. Continuous monitoring flags cases for escalation		• Chatbot manages treatment appointments for straightforward cases • Complex cases assigned to case manager based on expertise	

    Achievable with icare's current icareQ plan   Best practice in current market

How far do we want to go?

icare™

Across the remaining top 8 D&A use cases, we will have deployed a level of assisted intelligence. We must now decide if we want to go beyond this, and if so how far

Use case	Description	Assisted Intelligence	Augmented Intelligence	Autonomous Intelligence
Personalise customer interactions	• Create single view of customer • Basic customer segmentation • Simple rules based recommendations in workflows	• Supervised ML to improve fidelity of segmentation • NLP to extract insight from unstructured data • Batch processed rules in workflows	• Unsupervised ML to undertake more granular segmentation • NLP for sentiment analysis • Real time ML generated triggers and alerts during customer interactions	Robot process automation (RPA): • Chatbots to improve web interactions • Virtual agents respond to queries • Automated customer interactions workflow management
Predict scenario outcomes	• Spreadsheet scenario modelling incorporating inputs from analytics of relationships	• ML techniques to improve model accuracy	• Simulation models with embedded ML algorithms to rapidly analyse scenarios and recommend action	• N/A – prediction use case does not involve taking action
Predict workplace injuries	• Predictive analytics to identify high risk workplaces and prioritise for action	• Use supervised ML techniques in predictive models • NLP to extract insight from unstructured data	• RPA to monitor claims in real-time and use ML models with real-time training to continually improve claim identification	• RPA - Chatbots and/or virtual agents to initiate and manage intervention workflows with high risk workplaces
Forecast treatment and care needs by geography	• Predictive analytics models to forecast treatment requirements	• Use supervised ML techniques in predictive models	• Simulation models with embedded ML algorithms to rapidly analyse scenarios and recommend action	• N/A – prediction use case does not involve taking action
Reduce worker / employer fraud and claim leakage	• Based on known cases of fraud develop propensity models to identify potential fraud • Develop and embed business rules in workflows where appropriate	• Use unsupervised ML models to identify anomalous activities; sent to a team for further investigation • NLP to extract insight from unstructured data	• Use ML models with real-time training to continuously improve identification of anomalous activities • NLP for sentiment analysis • RPA to monitor claims and create alerts	• RPA – automate fraud detection and create/manage workflows
Financial predictive outcomes	• Develop spreadsheet models	• ML techniques to improve model accuracy	• Simulation models with embedded ML algorithms to rapidly analyse scenarios and recommend action	• N/A – prediction use case does not involve taking action
Prevent medical malpractice	• Based on known cases of fraud develop propensity models to identify fraud for investigation • Develop and embed business rules in workflows where appropriate	• Use unsupervised ML models to identify anomalous activities • NLP to extract insight from unstructured data	• Use ML models with real-time training to continuously improve identification of anomalous activities • NLP for sentiment analysis • RPA to monitor claims and create alerts	• RPA – automate fraud detection and create/manage workflows
Identify; address claims bottlenecks	• Comparative analysis to identify time consuming parts of process	• Image classification and NLP to improve speed of processing	• Simulation models with ML algorithms to rapidly analyse scenarios and recc action	• RPA – Chatbots/virtual agents to initiate and manage claims workflows

How far do we want to go?

Achievable with icare's current icareQ plan

Best practice in current market

icare™

Summary: across our 3 critical use cases, we already have plans in place to become a close follower to what is proven best practice today

A.I. spectrum and icare use cases

We are currently here

Assisted Intelligence

Augmented Intelligence

Autonomous Intelligence

Today's best practice

Future best practice

The plan for use case #1: initial triage

The plan for use case #2: dynamic triage

The plan for use case #3: worker to provider matching

The plan for the other top 11 use cases

For the other top 11 use cases, we will fall short of best practice

While we have no near term plans to deploy Autonomous Intelligence solutions, we should commit to being a fast follower to maximise practical utility and value at a sensible level of investment

Fully automated solutions may benefit us where we want broad coverage (i.e. every single worker serviced) and timely decision making e.g. automated monitoring of treatment

In order to be a fast follower we need to increase our pace of planning and deployment to keep up with the fast moving target of what is best practice

icare™

Contents

- Recap: key findings from the market scan

- Where is icare, and what are we solving for?

- How essential is A.I. in making this happen? How do these capabilities apply to the highest priority use cases to deliver additional value to customers?

- **What are the deployment considerations?**

- **Next steps**

icare™

We are already working on the critical components that are required to deliver AI capability

Components to successful deployment of A.I.

Comment

Progress

Analytics

A.I. capabilities e.g. machine learning, NLP

- icare's organisational capability remains under development and is dependent on having robust data infrastructure in place
- Predictive modelling will be deployed as part of the Triage solution (use case #1)

Business experts | **Data analytics specialists**

- Data specialists are to be recruited in early 2018 (planned). They will define the key questions that need answering, and develop the applicable business requirement set

Infrastructure

Data

- Existing data sets remain incomplete. We have yet to bring our claims process in-house - we do not have access to proprietary claims data
- Our external data sources e.g. social media are limited

icare Data & Analytics Platform

- NISP Enterprise Data Warehouse / Business Intelligence is icare's single platform; with the plan for existing legacy platforms to be migrated already underway
- Base Discovery predictive analytics platform in place, with real time predictive analytics platform being implemented as part of Claims Triage

Culture

Company culture

- Data & Analytics capability are recognised as a differentiable capability, and has strong sponsorship across the executive

icare™

To maintain momentum, there we recommend progress on a number of key next steps

Data Analytics transformation team to scope out the programs of work required for the 3 critical use cases:

- Key business questions and use case objectives clearly defined and set

- Data requirements assessed; data gaps identified

- Draft roadmap developed, including resourcing requirements and timelines

- Business engagement model developed for analytics

icare™

icare™

Appendix:

1. Recap. Artificial Intelligence Capability Market Scan

2. Artificial Intelligence Deployment Considerations

Appendix Contents

1. Recap. Artificial Intelligence Capability Market Scan

2. Artificial Intelligence Deployment Considerations

icare ™

The market is already using A.I. – multiple government organisations have deployed assisted and augmented intelligence methods with proven results

Company	Situation/objective	Approach	Outcome
Australian Bureau of Statistics	• Wanted to better understand taxpayers and • Identify the most optimal way to audit tax payers	• Built an intelligence tool to understand taxpayers – the tax band analysis tool • This machine learning tool combines classification and prediction models to select tax payers for audit based on unexplained patterns in their tax affairs	• Based on ABS' advice - ATO has now deployed a more targeted auditing approach
ATO	• 1.3m taxpayers were not paying their tax on time • Wanted to increase the timeliness of payments	• Created an SMS reminder system to encourage taxpayers to pay on time • This was driven by a machine learning model which predicts those taxpayers who were expected to pay late or not pay at all	• Secured $1.4b on-time/near on-time payments from habitually late tax-payers
IP Australia	• Wanted to improve the experience for self filers (~60% of applicants) • ~40% of them had their trademark applications rejected first time due to it being too similar to existing trade marks	• Created Trade Mark Search and Trade Mark Assist • These are advanced search tools – enabled by deep learning and natural language processing (NLP) – which check that the applicant's trademark does not match an existing trademark in the database	• Improved application quality meant an increase in first time approvals and reduction in examination processing time • Self filers now benefit from saving time, money and effort in preparing to protect their IP
CSIRO	• Wanted to develop a better way to monitor the structural health of infrastructure, including the Sydney Harbour Bridge	• Sensors are deployed and analytical techniques developed to assess and predict damage, condition, loading and maintenance • A failure prediction model was developed to help prioritise the areas of the infrastructure to assess for maintenance	• Service life of the Sydney Harbour Bridge road deck maximised with minimal increase in expenditure • 2,400 sensors collect info on the condition of the road, and machine learning predicts early warning of problems before they affect users

Source: Big Data Summit Melbourne 21 August 2017

Resource intensity across all case studies was medium to low – with the main costs being the labour costs of data scientists and engineers

icare™

Similarly, private organisations have successfully addressed their business problems with the help of A.I. capabilities

Case studies

Company	Objective	How A.I. was applied	Outcome	Resource Intensity
Retail bank	Reduce the errors in loan classification	A predictive model using machine learning on unstructured data was used to identify loan classification anomalies for review	Found 60% of errors on 20% of the loan portfolio	
Retail Bank	Improve customer experience	Built a prototype process automation engine for mortgage applications and data quality assessment, leveraging NLP and document scanning	Prototype successful, full implementation plan with schedule of benefits developed	
Financial services	Identify what makes an effective sales call	Speech to text analytics used to extract features from thousands of service centre calls. Data combined with structured data to build model to identify success criteria	Identified success criteria and script changes were incorporated into sales training	
Financial services	Simulate client scenarios for financial planning	Financial A.I. bot developed to simulate individual household financial behaviour and outcomes under a range of scenarios	Individual customer scenarios generated with separate client and advisor interfaces	
Cancer Centre	Identify potential patients for clinical trials	NLP toolkit developed to process doctors' notes, test results, etc to extract information and insights	Reduced reliance on SMEs and developers	
Commercial insurer	Improve underwriting process efficiency	Built a model to simulate each step of the underwriting process. This helped identify where the process delays occurred	Freed up time of experience underwriters to focus on more complex policies	
Global insurer	Maximise profit of annuity portfolio	Machine learning techniques used to identify patterns of lapse, withdrawal, and annuitisation behaviour in over a terabyte of client data. This was used to model scenarios at household-level	Identified multi-million dollar opportunities to release capital	
Consumer banking	Conduct sentiment analysis and intent recognition	NLP and deep learning techniques used to infer customer sentiment and intentions. Issues were categorised into a 2 x 2 matrix for reporting to company leadership and regulators	Improved the reporting transparency and consistency to company leadership and regulators	

However, there are as yet limited case studies on the proven success of autonomous intelligence in insurance

icare™

Appendix Contents

icare ™

In successful analytics projects, 50% of effort goes into defining the problem, 35% goes into implementation while only 15% is spent on the actual analytics

Defining the Problem

Size of Effort · Business Operations · Data Discovery · Model Building · Model Run

15% of effort (2)

10% of effort (1)

10% of effort (3)

Select variables
Decide which variables or combination of variables should be used in the modelling process (this will be model dependent).

Define success
Develop an understanding of business requirements. Write success criteria statements.

Explore the data
Develop an understanding of business requirements. Get to know quality and gaps.

Condition the data
Assemble a functioning dataset that can be used as a basis for analytical modelling. Ensure data is complete and strictly numerical.

5% of effort (4)

Operationalisation of model
Develop and deploy business solution based on model outputs. Overlay model with expert business knowledge to deliver optimal solution.

10% of effort (5)

Data balancing
Involves more vigorous sampling of data to segment it into data sets that best support the model. This includes identifying training, testing and validation data sets.

Build the model
Train or fit the model on the dataset, calibrate the data against a test set and get ready to validate.

20% of effort (10)

Driving value

5% of effort (6)

10% of effort (8)

5% of effort (9)

Validate the data model
Test robustness as well as model accuracy. Test boundary and limit values, ensure there is no over fitting and document the models predictive power.

10% of effort (7)

Software engineering
Put model outputs into action. Turn the model into an application that can be deployed to production.

Model deployment
Deploys the model to production and sets benchmarks for performance and measurement. Get ready to collect statistics and monitor performance over time.

icare Q

The Data Modelling Process
The distribution of effort across each step

icare

There are several key success factors to deploying A.I.

Align efforts to specific Business Issues

Prioritise the deployment of A.I. capabilities based on an evaluation model to ensure that they are driven by, and will deliver on, business needs

Select the "right" processes by assessing all benefits

Start with our top 3 use cases: Early Intervention, Claims Triage and worker to Provider Matching

Identify Partners to accelerate the capability build

Leverage the SAS platform, identify 3rd party technologies and external analytics delivery partners

Consider "Customer Experience" as a key driver

Directly link activities to the customer outcomes to ensure it enhances our service interactions

Adapt the Operating Model

Recognise that A.I. deployment is different to traditional technology projects and requires greater flexibility and experimentation

Manage analytics and AI within the Risk Framework

Embed assessment into A.I. projects to ensure privacy, ethics and risk concerns are addressed proactively

Engage the technology function

Invest in our data foundations (quality, availability, tools and capability) to work confidently with our data in new ways

Identify and manage "Cyber Security" concerns

Recognise that cyber risks can increase as data is mobilised more broadly; take preventative action

icare™

Our data analytics governance and operating models will set up the right environment for A.I. and advanced analytics to be developed

Governance Framework

Delivery Framework

Capability Framework

Analytics Governance
Create viable, relevant, transparent & repeatable analytics

Data Governance
Identify, classify & understand our data assets

icare Business

Strategy

Frontline Analytics

Analytics Proficiency Centre
Centralised advanced analytics team, with specialist resources that can be embedded within service lines via partnership model as needed, while being centrally coordinated to provide synergies and an icare wide focus.

Customer VT	Insurance & Risk VT
Finance VT	Claims & Care VT

Decision Makers
Insights to Action

Analysts
Generation of Insights

icare Business

Prototypes

Engagement & Scale

Data & Analytics Technology Practice
Centralised team that provides a single point of contact for engagement, technology advice, strategy, architecture & innovation related to data and analytics technology, platform and automation. Provides targeted expertise through internal and vendor partner resources to enable delivery of a world-class data & analytics platform.

Maintenance Requests

Deliver
Adjust & implement solutions

Stable Platform

Run
Operate efficiently & securely

Action
Insights, Actions & Outcomes
Data-driven decision making

Analytics
Advanced Analytics
Modelling & insight generation

Operational Analytics
Guided, self serve analytics @ point of decision

Analytics Consumption
Visualisation, Execution & Collaboration

Foundation
Data & Analytics Platform
Data Management, Architecture & Infrastructure

Data Sources
Company Owned & External

Use 3rd party analytics execution partners for capability, capacity and speed

Data scientists work in this space

Data engineers manage the virtual data lakes / sandpits the data scientists will use for test and learn projects They bridge the foundation layer and analytics layer

Legend	
New icare-wide function (within actuarial or new team)	Business Technology owned
VT	Virtual Team – resources co-located within service lines as needed

icare™

Data systems should be developed and managed in-house, specialised add-on services can be outsourced where required

There are a number of benefits to this approach:
- Provides linkage to core business systems
- Decouples icare IP from vendor platforms, we retain ownership of data
- Leverages investments in analytics platforms and assets

Business Enablers

| Virtual Assistants | Automated Processes | Scenario models |

Core Systems

Business support systems

Operational systems

Data systems (data integration and APIs)

| Workflow and process | Identity and access control | State and memory | API brokerage | Machine assurance |

Develop and manage in-house

DATA

Big data storage

| Feature store | Event Store | AWS |

3rd Party Services (illustrative)

| IBM Watson Services | Amazon Services | Google Services |
| Microsoft Services | Facebook | Specialist analytics |

Outsource where required

icare™

There is an ecosystem of service providers we could choose to partner with when we develop add-on applications

Leading players by capability type

Machine Learning	Text analytics	NLP APIs	Robotic Process Automation
SAS	IBM	Google	Automation Anywhere
IBM	SAS	Alchemy	Nuance
SAP	Digital Reasoning	Apache	UiPath
Angoss	Alteryx	Basis Technology	Blue Prism
AWS	Microsoft	HP Enterprise	Work Fusion
Given existing investment in SAS, icare should leverage it for these capabilities, and complemented by open source and niche tools as appropriate to the use case		Should be considered on a case by case basis where required. NLP is increasingly being embedded in other applications	Automation Anywhere, Blue Prism and UiPath are the leaders in this space

Source: Forrester Research

icare™

Employee Wellbeing

Pre-Reading for September GLT Strategy Day

Context and Purpose of GLT Strategy Day Discussion

Employee Wellbeing

Context	**Why are we exploring this opportunity?** • We are the **social insurer** of the state's human capital • We have the **strategic intent** and **desire to create societal value** beyond the obligations of our schemes • We are uniquely positioned to do so whereas other government and commercial organisations are not **Why are we uniquely positioned?** • icare has a unique position relative to other insurance entities that it can leverage to drive significant health outcomes via a wellbeing program • We have a relationship with almost every employer in NSW and can influence employer take-up of holistic wellbeing • We can leverage employer data on insurance claims to develop insights to inform a targeted offering by multiple segments • We can drive employer take-up and nudge behaviours through incentivised pricing • Our larger purpose of social good in society positions us to be a connected partner for Wellbeing service providers
September GLT Strategy Day Discussion	At the GLT Strategy Day discussion on 8 September, the discussion will focus on: 1. **What other criteria should we consider** to select those opportunities we should focus on and do we have the appetite? (Slide 11) 2. **What opportunities should we proceed with** and does this offering deliver value to those who need it most? (Slide 11) 3. **Are there any natural dependencies** that exist which create value? (Slides 11, 12) 4. Considering the outputs of all of the above, forming a view of **which options we want to prioritise for FY18/19.**
Next Steps	Post this Strategy Day, we anticipate that the following will need to be undertaken for any Wellbeing option that is selected: • Quantitative analysis to scope target segment • Benefits and business case development • HCD with employers and employers • Analyse partnership options • Analyse marketplace providers

icare

Employee Wellbeing

Key question: How might we offer a holistic employee wellbeing proposition to our employers?

Opportunity ► ## Considerations ► ## Recommendation

Opportunity

Why are we exploring this opportunity?
- We are the social insurer of the state's human capital
- We have the strategic intent to create societal value beyond the obligations of our schemes
- We are uniquely positioned to do so whereas other government and commercial organisations are not

What is our objective?
- Primary: (1) Improve the holistic wellbeing of workers in NSW
- Secondary: (2a) Improve employer advocacy by offering a valued proposition and (2b) establish our brand reputation in this space
- Bonus but not our objective: (3) reduce claims costs for us

What questions do we need to answer?
- Who is our primary target segment/s for this initiative? What value, outcomes are we expecting? (Slide 8)
- How do we want to play? (Slide 17, 18)
- How can we incentivise employers / employees? (Slide 10, Appendix)

Considerations

Why are we uniquely positioned?
- We have relationships with over 284,000 of employers in NSW plus 193 government contributing members (SI)
- We can play the long game, unless PHIs whose members can switch before delivering commercial benefit

What are we already doing?
- Using claims data to identify injury prevention opportunities for employers
- Linking claims performance to pricing (for experience-rated employers)
- Get Healthy at Work for our own people

What assumptions have we made?
- We should focus on targeting options that appeal to our Social Heart, Commercial Mind DNA
- Low cost, low entry barrier options are preferred as initial options

Recommendation

What is the recommendation?
- Pursue a 2-step implementation approach
- Start by developing and launching an employer wellbeing index (short-term)
- Then develop and orchestrate a marketplace of wellbeing offerings (for employers or employees?) (med-term)
- Review potential options for a dedicated Wellbeing program (long-term)

What the rationale?
- We have the desire and are positioned to influence our customers to take up an Employee Wellbeing offering

What might the next steps be?
Detailed design of selected propositions, with
- Quantitative analysis to scope target segment
- Benefits & Business Case development
- HCD with employers and employers
- Analyse partnership options
- Analyse marketplace providers

icare™

icare's desire and unique position provides a valuable opportunity to influence employee health and wellbeing

icare's Opportunity

- icare has a unique position relative to other insurance entities that it can leverage to drive significant health outcomes via a wellbeing program

- **Relationships**: icare has a relationship with almost every employer in NSW and can influence employer take-up of holistic wellbeing

- **Insights**: icare can leverage employer data on insurance claims to develop insights to inform a targeted offering by multiple segments

- **Incentives**: icare can drive employer take-up and nudge behaviours through incentivised pricing

- **Partnerships**: icare's larger purpose of social good in society positions it as a fair and connected partner for service providers

Employee Wellbeing - Outcomes

Outcomes for Employees
- ✓ Coping strategies for managing stress and anxiety related to work
- ✓ Uplift in holistic health outcomes through targeted interventions (e.g. smoking cessation)
- ✓ Faster and more sustained recovery and RTW post injury

Outcomes for Employers
- ✓ Reduced levels of absenteeism
- ✓ Improved levels of presenteeism / productivity
- ✓ Increased employee retention
- ✓ Reduction of workplace injuries and accidents, resulting in few claims by employer
- ✓ Faster and more sustained recovery and RTW post injury

Outcomes for icare
- ✓ Aggregate reduction in claims across NSW employers will ensure financial sustainability of WI and SI scheme
- ✓ Improved baseline health of employees to reduce return to work duration
- ✓ Development of holistic wellbeing offering can be used to enhance the icare brand

Outcomes for NSW Community
- ✓ Overall a healthier NSW community as a result of employee wellbeing initiatives (e.g. through education and awareness, targeted interventions, etc.)
- ✓ Availability of low-cost wellbeing related services/ counselling to "At Risk" sections of the society

icare™

Understanding the current Wellbeing landscape and dynamics helps inform a set of imperatives for icare

Demand-side					Supply-side		

Demand-side

Manufacturing	Retail	Construction	Health Services	Other Industries

- Large / Corporate
- Small / Medium Enterprise (SME)
- Self-Employed / Individual Private Market

- Demand varies greatly across different customer segments (e.g. SMEs lag behind corporates in instituting wellbeing programs)
- Wellbeing initiatives typically reinforce positive behaviours by those who are already health conscious / active
- Individuals where the greatest interventions are needed are difficult to engage and shift behaviours (e.g. breaking stigmas to address mental health issues, etc.)

Supply-side

Service Providers
- Wellness Providers
- Holistic Providers
- Tailored Programs
- Corporate Assessments

Platform Operators
- Marketplaces
- Platforms

Thought Leaders
- Research / Accreditors
- Indices

- Increasing activity in the private market across holistic wellbeing
- Holistic wellbeing services are multi-faceted, ranging from low-cost / low complexity 'tablestakes' to digitally-enabled and innovative
- Emerging PHI wellbeing offerings coming to market (e.g. AIA and GHMBA providing 'vitality' program)
- The efficacy / effectiveness of large scale programs is still emerging, with no clear best practice

Observations	Imperatives
Lack of awareness and complexity of choice deters organisations from taking initiative to institute a wellbeing program	**i** *icare should leverage its existing relationships and insights to help employers __promote__ wellbeing in the workplace*
There is an emerging private sector responding to market demand , but providers are tending towards servicing corporates	**ii** *icare should use its position to __partner__ for market growth rather than service as another wellbeing provider*
SMEs, in particular those with poor claims performance, provide an opportunity to provide targeted support to improve health outcomes	**iii** *icare should adopt a wellbeing model that can best __target__ employers within this segment*

icare™

Our Employee Wellbeing proposition aims to address four core objectives across our immediate stakeholder groups

	Employees	Employers / NSW Agencies	NSW Community	icare
Core Objective	• Improve wellbeing • Reduce injuries • Improve recovery after injury	Enhance value of workers compensation proposition to employers	Promote right behaviours and habits for a healthier NSW community	• Reduce claims costs • Improve customer satisfaction • Enhance reputation
Opp. Overview	• Individuals are empowered with knowledge and understanding of holistic wellbeing • Individuals have easy access to activities and education to better manage their wellbeing • Individuals can tailor wellbeing offerings to meet their needs • Individuals are supported by a change in organisational wellbeing culture	• Employers are informed of the impact of work environment on employees wellbeing • Employers are incentivised to take-up a holistic wellbeing program • Employers can tailor wellbeing programs based on their need • Employers are equipped with the tools to deliver a sustainable change to organisational wellbeing culture	• Overall a healthier NSW community as a result of employee wellbeing initiatives (e.g. through education and awareness, targeted interventions, etc.) • Availability of low-cost wellbeing related services/ counselling to "At Risk" sections of the society	• Support icare in ensuring the financial sustainability of the WI and SI scheme by focusing on delivery of preventative health outcomes and faster RTW • Build and maintain trusted relationships with NSW employers to help them lower injury and associated claims • Promote the role that icare plays in delivering holistic wellbeing outcomes (brand play)
Benefit	Improved holistic health outcomes for employees	Healthier and safer workforce resulting in lower premiums and fewer casualties	Healthier workforce engaged in society	Improved financial sustainability and customer satisfaction
Key Metrics	• Health outcomes for employees improve from baseline (specifics to be defined)	• Reduced incidence of accident and injuries in the workplace • Faster RTW	• Currently exploring ways of measuring social impact	• Reduction in claims cost and frequency • Higher customer satisfaction / NPS (both employee/employers)
icare Target Outcomes	Optimal outcomes for our customers			Financially sustainable schemes
icare Customer Pillars	Partnering for safe and healthy workplaces	Offering propositions that deliver value		Supporting sustainable return to work

icare™

The three dominant wellbeing models identified provide a frame for our strategic options

Wellbeing Model	Description	Strategic Options	Notes
A **Service Provider**	• Service providers offer set of wellbeing enhancement / product suits that can be tailored to specific employer segments • Service providers own executional expertise with deep subject matter knowledge	A1 Program Accreditor A2 Branded Wellbeing Program A3 Turnaround Service	• The choice architecture is not mutually exclusive and collectively exhaustive • icare can combine options based on ambition and appetite for level of impact
B **Platform Aggregator**	• Platform aggregators act as one stop shop for all wellbeing related services that may or may not be run in-house • Platform aggregators rely on close working relationship with employers (digital / Relationship Mgmt.)	B1 Accelerator B2 Marketplace Operator	• Independent of choices, the common critical success factor across the is understanding how to drive individual up-take of healthy behaviours • There is a need to determine how employers and employees can be influenced institute and participate in a wellbeing program
C **Advisor / Thought Leader**	• Advisor / thought leaders work for the overall benefit of the ecosystem by being an expert voice by leveraging information, research or subject matter expertise • Deep experience in health, wellbeing or care sector is a critical capability	C1 Advisory Services C2 Information Bank C3 Branded Wellbeing Index	• Options can be pursued with or without a partner

icare™

The strategic options offer a number of different 'ways to play' in the wellbeing market

		Overview	Why choose this option?	Why not choose this option?
A1	**Program Accreditor**	• Accredit the internal wellbeing programs against best practice standards	• Become a recognized expert in wellbeing best practice • Promote the icare brand	• Unlikely to encourage key segments to institute a wellbeing program
A2	**Branded Wellbeing Program**	• Develop a modular wellbeing program • Deliver wellbeing services based on employer needs	• Full control over program design and delivery • Simplify choice for employers	• Competition / overlap with emerging market offerings • High cost and time to market
A3	**Turnaround Service**	• Target specific segments where greatest impact can be achieved • Support high-risk /high-cost areas	• Deliver help to where it is needed most • Use claims insights to tailor services that will shift employee behaviours	• Must overcome barriers to change (e.g. poor employer leadership and culture) • Minimal brand impact
B1	**Accelerator**	• Develop ecosystem by investing in innovative wellbeing start-ups	• Accelerate innovation in wellbeing market • Focus on digital and customer exp.	• Requires icare to play venture capital type role • Use of public funds to select 'winners'
B2	**Marketplace Operator**	• Develop digital platform to facilitate 3rd party services and payments between customers and wellbeing providers	• Potential for holistic wellbeing and care marketplaces ("one stop shop") • New revenue from clip of the ticket	• High degree of cost and complexity • Must provide quality assurance for service providers
C1	**Advisory Services**	• Provide awareness, education and advisory services to promote wellbeing in the community	• Play a key role in embedding wellbeing into culture • Low cost / low barriers to entry	• Does not incentivize employers to adopt a program / take action
C2	**Information Bank**	• Commercialise claims data and insights by selling to wellbeing providers or research entities	• New revenue opportunity • Enhance role in understanding the efficacy of different wellbeing models	• Does not interface with the customer (employers or employees) • Minimal brand impact
C3	**Branded Wellbeing Index**	• Assessment of employer's wellbeing performance based on wellbeing survey plus claims data	• Link good performance to WI discounts to incentivize up-take of programs • Rapid time to market	• Limited control over employer wellbeing service provider choices

A Service Provider
B Platform Operator
C Thought Leader

icare™

There are three primary strategic options that directly align to icare's commercial mindset and social purpose

Outcomes aligned to icare's role as social insurer

High

Moderate

Low

A3 Turnaround Service

C3 Branded Wellbeing Index

C1 Advisory Services

B2 Marketplace Operator

B1 Accelerator

A2 Branded Wellbeing Program

C2 Information Bank

A1 Program Accreditor

Zone of both Social Heart + Commercial Mind

Low   Moderate   High

Outcomes aligned to icare's commercial sustainability

A Service Provider
B Platform Operator
C Thought Leader

icare™

Workshop conversation thus far has considered four key questions to assess these options in detail

Key questions to assess the efficacy and viability of potential Employee Wellbeing offering

i *Can we deliver material impact to lives by incorporating Behavior Economics principles?*

ii *Does our offering deliver value to those who need it the most?*

iii *Does our offering align with our capabilities and market position?*

iv *Does our offering align with our appetite for "time to market" and investment?*

Considerations

- **Safer and healthier workforce**
- **Higher productivity and employee engagement**
- **Lower claims cost and frequency**
- **Incentivise through Behavioural Economics principles**

- **"At risk" employees / "Poor performing" employers**
- **Segments with lower financial means**
- **Industries and regions with poorer wellbeing status**

- **Core capabilities to execute effectively**
- **Alignment with position in the ecosystem**
- **Alignment with icare's role in the NSW community**

- **Time to market / time to results**
- **Appetite for financial investment**

icare™

These questions frame the criteria to inform proposition development for short-medium term

Key questions/ criteria and degree of effectiveness against each option

Strategic Options	What we need to believe?	i. Can we deliver material impact to lives by incorporating BE principles?	ii. Does our offering deliver value to those who need it the most?	iii. Does our offering align with our capabilities and market position?	iv. Does our offering align with our appetite for "time to market" and investment?
A1 Program Accreditor	• We have sufficient knowledge and expertise to determine efficacy of wellbeing programs • Customers will want the icare tick of approval	◔	○	◐	◐
A2 Branded Wellbeing Program	• Our positioning sufficiently differentiates us from other market offerings • A wellbeing program can drive real impacts to addressing poor health drivers	●	◔	○	○
A3 Turnaround Service	• Employers who have poor claims performance acknowledge that employee wellbeing is their responsibility	●	●	◔	◔
B1 Accelerator	• We will have seed funding to invest in start-ups • We can determine the impact of new propositions for our customers	◐	◐	◔ *Aligns more broadly across criteria set*	○
B2 Marketplace Operator	• We can facilitate interactions and payments via an online marketplace • We can attract and assure providers to our platform	◔	◔	◔	◔
C1 Advisory Services	• Our ability to influence employers without incentives can drive a level of impact that meets our objectives	◐	◐	◔	◐
C2 Information Bank	• There is a market for injury and claims data to enable better understanding and service provision in the wellbeing sphere	◔	◔	● *Opportunity to deliver value immediately*	●
C3 Branded Wellbeing Index	• An index providing relative scoring and linked to pricing incentives is sufficient to take-up wellbeing across most employer segments	◐	◐	●	●

Legend:
- A — Service Provider
- B — Platform Operator
- C — Thought Leader

icare™

icare can potentially position itself as an integrated wellbeing provider by evolving its role over time

ILLUSTRATIVE: Approach over short-medium term

Role in Service Delivery

Marketplace experience informs "gap" in services offered and helps develop icare's target service offering

Target Service | Service Provider
- Use claims performance and marketplace learnings to target employers where greatest net benefit can be achieved

Platform for Services | B2 Marketplace Operator
- A **branded icare marketplace platform** helps uplift icare's profile in the health and insurance sector
- Natural synergy with RTW provider marketplaces services positions icare as a 'one stop shop'

Learning from index informs services catalogue

Strengthen Marketplaces with icare provided services

Build Foundations | C3 Branded Wellbeing Index
- A **Wellbeing Index** can help employers understand their current wellbeing performance
- The index provides an opportunity for icare to collect wellbeing data at each WI policy renewal

Platform activity provides rich data to improve index

Evolution (time)

Integrated Offering

The combination of these options provides icare with a unique position to deliver an **integrated wellbeing offering:**

- **Branded Wellbeing Index**
  – A low cost / rapid time-to-market option to get employers started on a wellbeing journey
  – Leverage Behavioural Economics principles to incentivise employers to act on "employee wellbeing" (e.g. higher index performance aligned with premium concessions)
  – Enriches icare's view of their customers, including a view of candidate lead metrics
  – Enables icare to connect employers with relevant service providers based on insights generated from the index data (e.g. geography, industry type, workplace design, etc.),

- **Marketplace Operator**
  – Enables icare to provide an endorsed marketplace to meet employer needs for wellbeing services
  – Provides a platform to deliver a person-centric experience using accredited services providers
  – Build platform on Behavioural Economics principles to nudge users to use service effectively (e.g. platform gamification with a leader-board)

- **Assess and evaluate market needs to consider targeted support as a Service Provider**

A Service Provider
B Platform Operator
C Thought Leader

icare

Strategy day outcomes will pave way to further develop the identified options through to Dec 2017

Employee Wellbeing Strategy Implementation Plan until December GLT

Future

	Options Identification	1 Solution Design	2 Stakeholder Engagement	Pilot / Implement	Scale

Activities	• Prep for Strategy Day
	  – Analysis of market needs, relevant case studies to inform key insights for icare
	  – Development of strategic options for GLT to consider for further development
	
	• Facilitate Strategy Day
		Input: Strategy Day Outcomes
		Determine the solution form by considering:
		
		• **Human Centred Design (HCD):**
		  – Design solution by considering needs of the primary and secondary users (employees and employers)
		  – Involve select customer groups to explore high value use cases
		
		• **Behavioural Economics**
		  – Leverage BE principles to incentivise employers to act on "employee wellbeing"
		  – Extend BE application to nudge employees for consistent uptake
			• Engage with key stakeholders to refine the solution design
			  – NSW Government
			  – Healthcare partners
			  – Regulators
			  – Employers / Employees
			  – NSW Govt. Agencies
			  – Key service providers in the market
			  – Other govt. agencies involved in wellbeing space
				• Identify customer segments and Index metrics suitable for pilot program
				• Define scope, duration and metrics for pilot program
				• Run pilot
				  – Integrated pilot findings into scaled model for future development
					• Ensure pilot can rapidly scale to implement state-wide
					• Develop business case to scale access to full-fledged Wellbeing Index
					• Start capturing insights and learnings to potentially form solution hypothesis for service marketplace

Deliverables	• Analysis of several strategic options and program pathways that inform future wellbeing offering	• Detailed design of Wellbeing offering	• Refinement of solution form • Identification of quick wins / pilot opportunities	• Pilot offering	• Scale offering

Source: Strategy& analysis

icare™

Appendix

Employee Wellbeing

Appendix: Approach

Approach
Trend Analysis
Case for Change Fact Base
Case Study Insights
Strategic Options
Options to Influence Employees and Employers

icare™

Our approach combines market analysis and industry scans to develop a strategic pathway for GLT discussion

Fact Base

Market Analysis

- Market Landscape Research
- SME Interviews
- IC / perspectives
- Desktop research

External Scan

- Global & Local Case Studies
- Behavioural Economics Application Research

Insights & Considerations

- **Wellbeing at Workplace**
- **Service Provider Market**
- **Health & Society**
- **External Scan**
- ***icare Alignment***

Define, Prioritise & Recommend
- Employee Wellbeing -

I *Insights from market landscape analysis and case studies*

II *Potential strategic options development*

III *Strategic options assessed and prioritised*

IV *Recommended pathways for an integrated wellbeing offering*

icare™

Appendix: Impacting Trends

Approach

Impacting Trends

Case for Change Fact Base

Case Study Insights

Strategic Options

Options to Influence Employees and Employers

icare™

Five key trends provide the rationale to explore options for an holistic external Employee Wellbeing offering

Theme	Trends		Implications (Primary)	Reimagine Insurance	Provider Marketplace	Employee Wellbeing
Macro Trend Analysis						
Future of Work	A	**Rise of automation (loss of white/ blue collar jobs)**	• *Implication* – Customer income becomes unreliable; Hollowing out of economy • *Threat* – Negative impact on lives of NSW society, shrinking "employee" pool under cover	✓		
	B	**Rise of "gig" economy workforce**	• *Implication* – Rise of uncovered workforce; income becomes unreliable • *Threat*– Uncovered workers will drive premium increase for traditional employers	✓		
	C	**Greater stress at workplace**	• *Implication* – Increased volume of work will drive poorer wellness outcomes • *Opportunity* – Take market leading positon by offering wellness mgmt. services	✓	✓	✓
	D	**Ageing workforce**	• *Implication* - Costs attached to treatment for this age group will rise gradually • *Threat* - Variably increasing claims cost; longer RTW in the event of an injury	✓	✓	✓
Future of Insurance	E	**Low customer interface / lowering Insurance trust & utility**	• *Implication*– Customer interface becomes critical factor for customer loyalty • *Threat* – Offering ancillary services will become a critical competitive tool	✓		
	F	**Convergence of health, life and injury Insurance**	• *Implication* – Insurance carriers vying to become one stop shop for customers • *Threat* – Losing customers in a potential open B2C market for Workers Ins.	✓		
	G	**Changing nature of Risk– Cyber/ Climate change/ Terrorism**	• *Implication* - Emerging market for end-to-end offering to cover emerging threats • *Opportunity* – Opportunity to gain early mover advantage	✓		
	H	**Enhanced use of Data and Digital**	• *Implication* – Data and Analytics becoming table-stakes capability • *Opportunity* – Improve customer outcomes by using data/analytics	✓	✓	✓
	I	**Emerging insurance business models (e.g. P2P)**	• *Implication* – Customers will expect similar level of innovation from carriers • *Threat* – Challenge to sustainability of traditional Insurance carriers	✓		
	J	**Personalisation of Insurance products**	• *Implication* – Employers and employees expect customised Insurance products • *Opportunity* - To personalise offerings at employer and employee level	✓	✓	
Health & Society	K	**Advancement in medical treatments**	• *Implication* – Gradually increasing take up of advanced treatments in future • *Threat* – Variable impact on treatment cost	✓		
	L	**Increasing health inequality**	• *Implication* - Increasingly unequal societies marked by violence and less trust • *Threat* – Rise in workplace injury and high cost of RTW for certain segment	✓		✓
	M	**Emerging models of care (e.g. virtual care)**	• *Implication* – Wider usage of community or digital tech. driven care programs • *Opportunity* – Optimise cost and scale by incorporating new models of care	✓	✓	✓

Source: icare Strategy project briefs, Macro Trend Workshop, Strategy& ICs,, SME interviews, Strategy& analysis

icare™

Appendix: Case for Change Fact Base

Approach

Impacting Trends

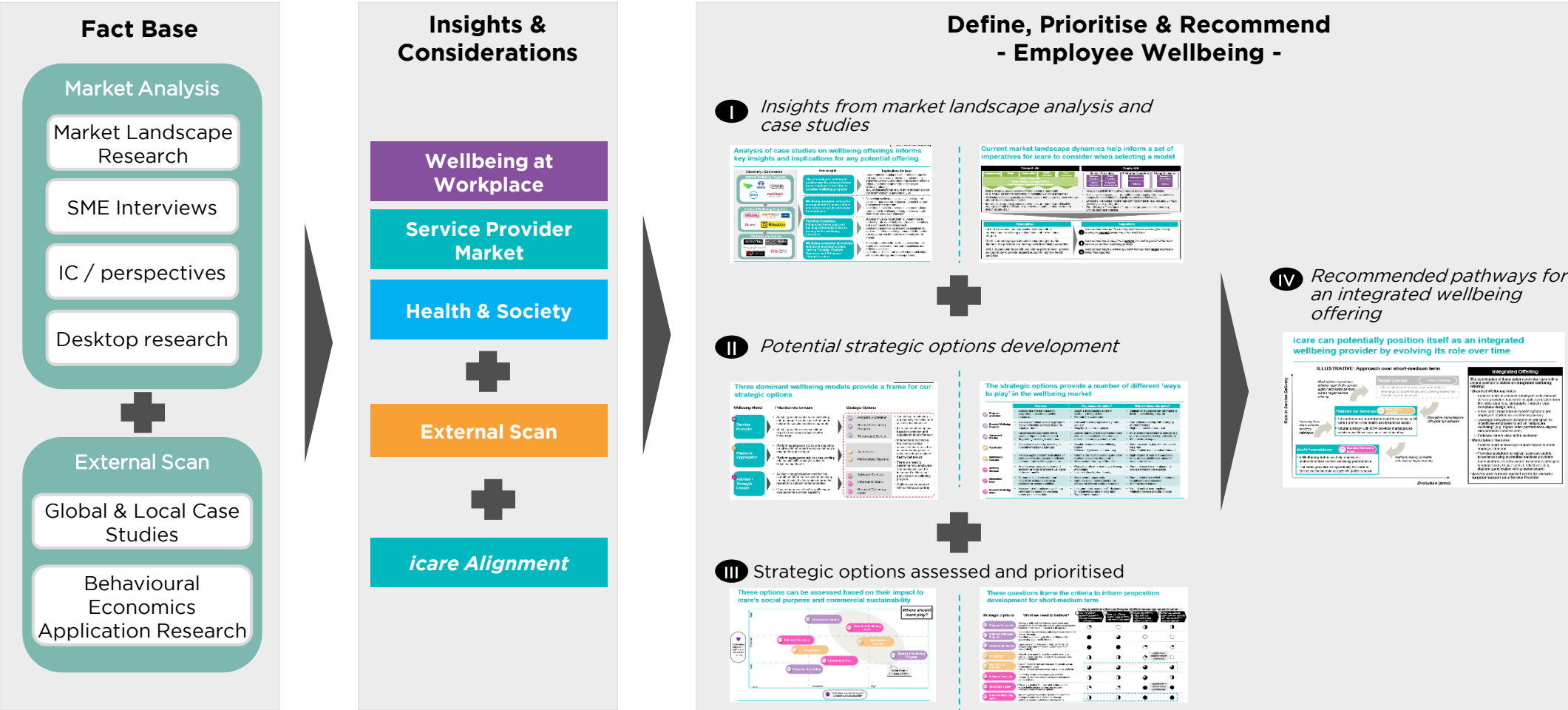*Case for Change Fact Base*

Case Study Insights

Strategic Options

Options to Influence Employees and Employers

icare™

The changing nature of work and societal drivers have lead to a rise in mental and physical health issues

Drivers of poor wellbeing

- Longer hours at work
- 'Future of Work' driving Job insecurity
- High strain jobs
- Workplace culture
- Poor diet and nutrition
- Ageing Workforce
- Increasing sedentary nature of work
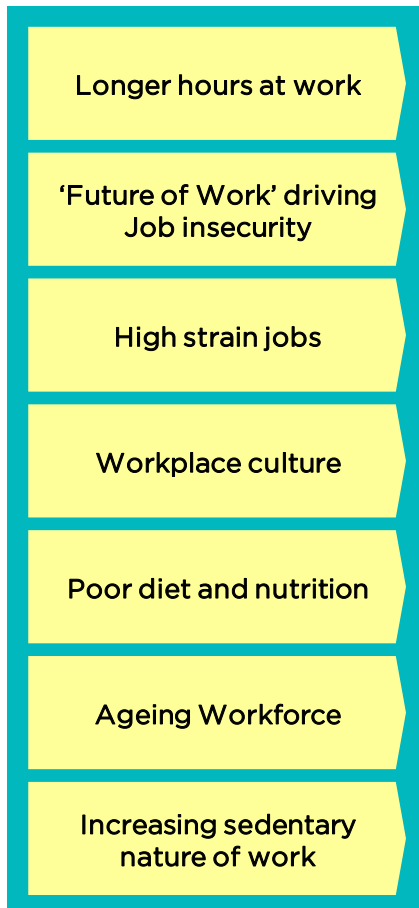
Effect of drivers on employees

Financial stress
24% of Australians are financially stressed

Mental strain
1 in 5 Australian workers is currently experiencing a mental health condition

Workplace stress
2 in 5 working Australians rated issues in the workplace as a source of stress

Social isolation
42% of employees don't have close social ties in the workplace

Unhealthy lifestyles
25% of Australian workers are obese and 40% do minimal exercise

Chronic disease
1/3rd of working age Australians have at least one of eight selected chronic diseases

Impact on health outcomes

Mental health

- Mental Health conditions cost Australian workplaces $10.9 billion per year (driven by poor absenteeism, presenteeism and prolonged return to work)
- Mental health claims make up 9% of claims but 34% of the total costs of claims
- Employees without mental health support are four times more likely to take time off work

Physical health

- The cost of absenteeism and poor employee physical health exceeds $34bn
- People with more than one chronic disease risk factor have reduced productivity, increased risk of injury, increased health-related litigation and delayed return to work post injury
- The cost of chronic disease attributed of absenteeism is equivalent to 57,000 FTE per year

|

icare™

The ageing nature of the Australian population is driving the growing prevalence of chronic disease

Australian population by age group
1974-2054F, Percentage of total population

Legend:
- 85+
- 65-84
- 15-64
- 0-14

Year	85+	65-84	15-64	0-14
1974	1%	8%	64%	28%
2014	2%	13%	66%	19%
2024F	2%	15%	64%	19%
2034F	3%	16%	62%	18%
2044F	4%	17%	62%	18%
2054F	5%	18%	60%	17%
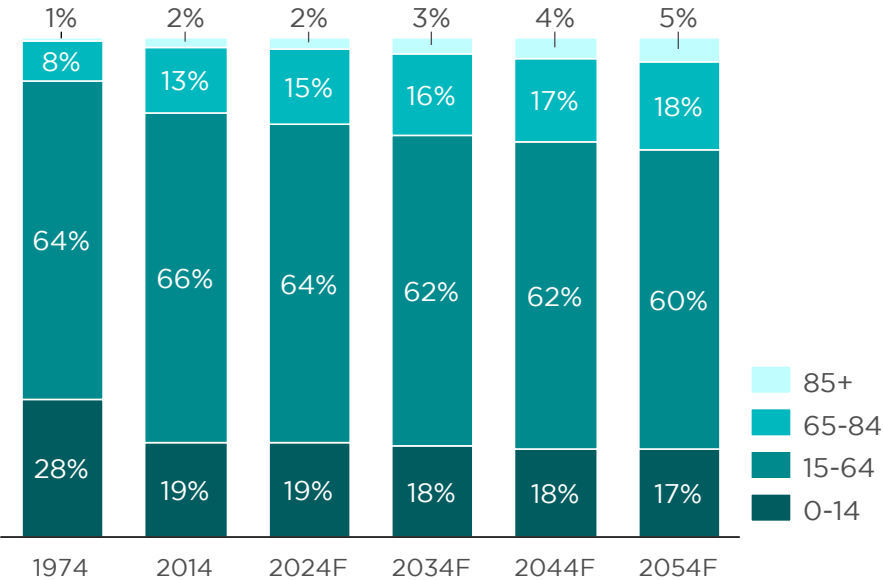
- Caused by a combination of lower fertility rates and increased life expectancy
- By 2054, over 23% of the population will be aged 65+ and workforce participation will decline by 4%

Australian healthcare expenditure
2002 to 2032F, Chronic diseases

$Bn

Lines: Cardiovascular, Respiratory, Mental Illness, Cancer, Diabetes
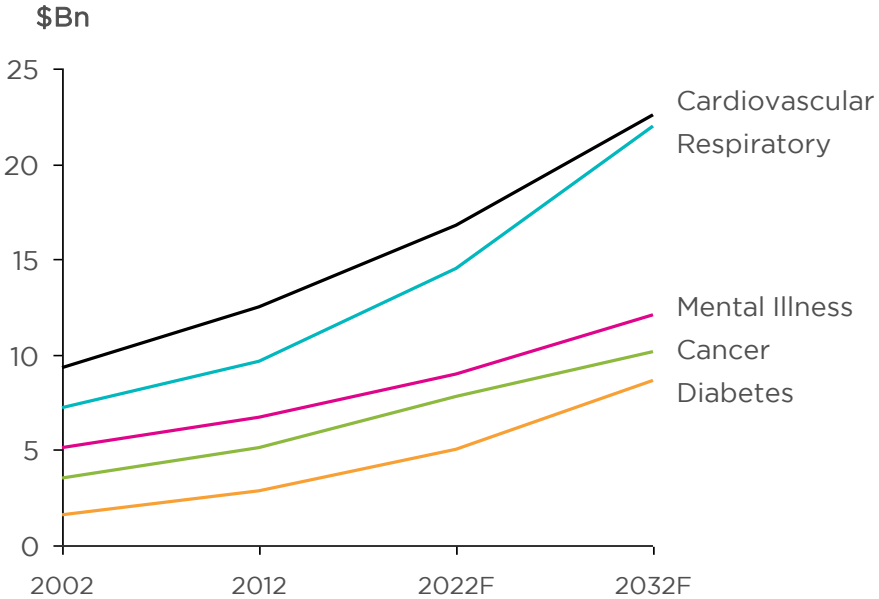
- Chronic disease are diseases that are long lasting and have persistent effects
- Leading cause of disability and has major impacts on the public health and welfare system

icare™

A high incidence of lifestyle related chronic disease risk factors are present in the working population

Chronic disease risk factors
2014, Present in percentage of working age Australians

Lifestyle factors
- Poor diet — 92%
- Physical inactvitity — 57%
- High alcohol intake — 45%
- Smoking — 16%

Biomedical markers
- Obesity — 63%
- High blood cholesterol — 36%
- High blood pressure — 32%
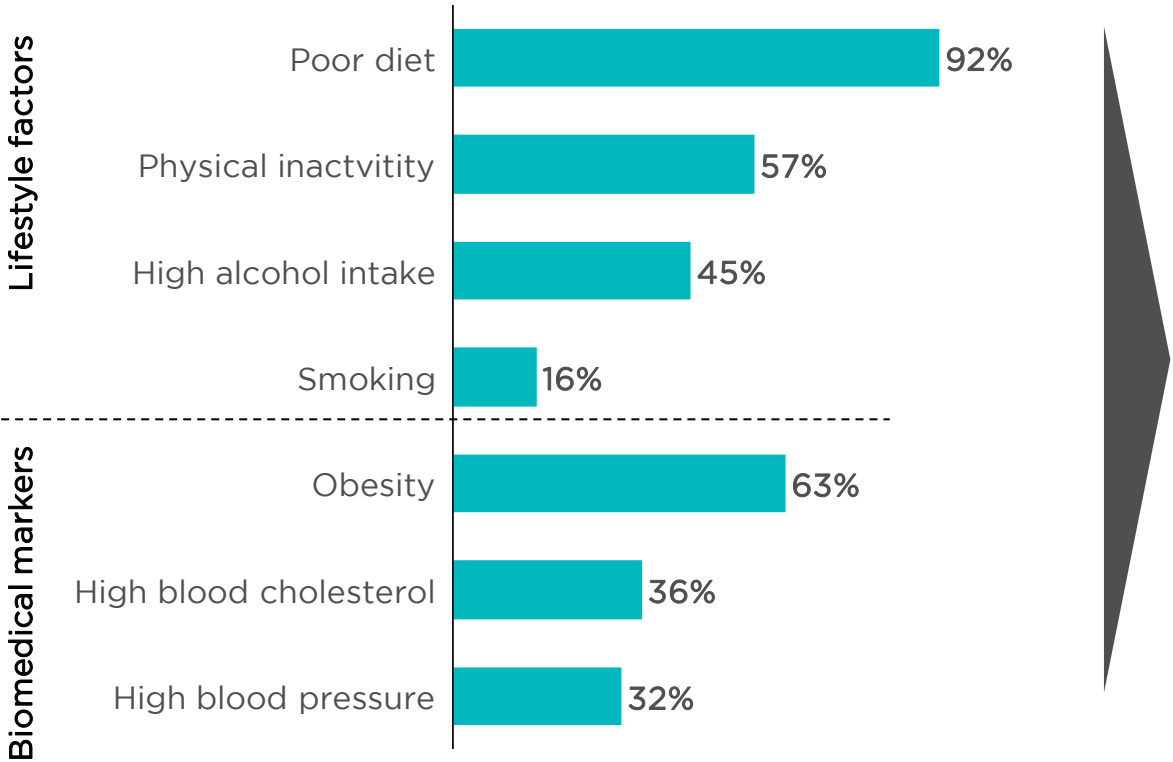
Health at work

- As Australians spend a third of their adult life at work, employers play a pivotal role in health and wellness – include chronic disease prevention

- Chronic disease risk factors are compounding and early detection is vital to successful treatment

- Recent studies indicate:
  – 96% of working age Australians reported one or more risk factors
  – 75% of working age Australians reported multiple risk factors
  – Leading risk factors are modifiable risk factors of poor diet, physical inactivity and obesity

icare™

Preventative measures to manage these risk factors deliver tangible benefits to employers

Benefits to employers of managing chronic disease risk factors

Decreased absenteeism	Increased productivity	Decreased injury risks

- Estimated that absenteeism cost the economy $7Bn in 2010
- Chronic disease sufferers with one risk factor are not at work 2.5-4 times more than those without any
- Cost of chronic disease attributed to absenteeism is equivalent to 57,000 FTE per year

- Health and wellness management can improve employee energy, engagement, morale, creativity and innovation, and improve presenteeism
- In addition, effective strategies can lead to a decrease 24% decrease in disability management costs

- Workers aged 40+ experience a higher incidence of workplace injuries resulting in higher cost and longer time taken to return to work
- Physical inability of older workers to complete their job is a major contributor to early retirement
- Managing workforce health reduces risk factors result in a lower injury rate and cost per injury

Cost saving between $3-6 for every $1 invested in employee wellness

Source: Strategy& analysis

icare™

Workplace behaviour is affected by financial stress – 24% of Australian employees are financially stressed

Financially stressed employees
2016, Percentage of Australian employees

24% of Australian employees are financially stressed

Financially stressed employees by salary bracket
2016, Percentage of Australian employees

$15,000 to $49,999	$50,000 to $74,999	$75,000 to $99,999	$100,00 to $149,999	$150,000 and above
34	22	18	13	16
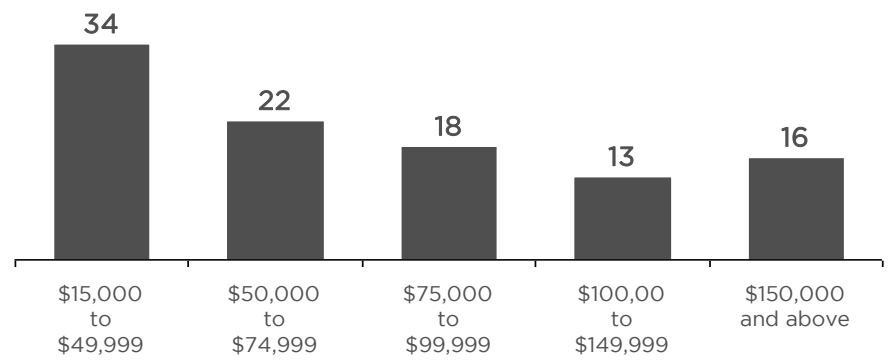
Work performance

- Australian employees experience financial stress due to:
  – Accumulated bad debt
  – Paying off home loans
  – Saving for retirement
  – Supporting the family
  – Budgeting issues
- Financial stress affects work performance because of:
  – Negative destructive mindset around their current / future financial situation
  – Worry, pessimism, anxiety and / or guilt around finances
  – Reduced productivity, job dedication, innovation and efficiency resulting in increased turnover and absenteeism

icare

Workplaces that encourage employee inclusion experience on average 33% lower employee turnover

Benefits to employers in creating a socially inclusive environment

Poor social ties lead to loneliness and poor health

Community   Family

Colleagues   Friends

- Tending to relationships is a form of self care and influences our health
- Close social ties protect people from life's discontents, help delay mental and physical decline and are predictors of long and happy lives
- People in unhappy personal relationships feel more emotional and physical pain
- Loneliness is as powerful a predictor of death as smoking or alcoholism

The workplace is an opportunity to foster social wellness

- Work — 36%
- Sleeping and eating — 36%
- Lesiure & sports — 10%
- Caring for others — 5%
- Household activities — 4%
- Other — 9%

- People spend more than one third of their time at work
- People spend another third of their time sleeping and eating
- On average, people spend only 5% of their time caring for others

Strong social ties in the workplace lower employee turnover

% Contribution of Inclusion to Self-Reported Team Citizenship and Innovation

Team Citizenship   Innovation

46%   42%

- 42% of employees don't have a close friend in the workplace, and loneliness at work has a significant influence on job and team performance
- Inclusiveness is positively associated with a higher sense of employee wellbeing and psychological safety.
- At Google, psychological safety was found to be the most important team norm for high-performing innovative workplaces
- Workplaces that encourage employee inclusiveness have on average 33% lower employee turnover

icare™

By 2030, mental health is expected to be the leading cause of disease burden globally

Rise of mental health and depression

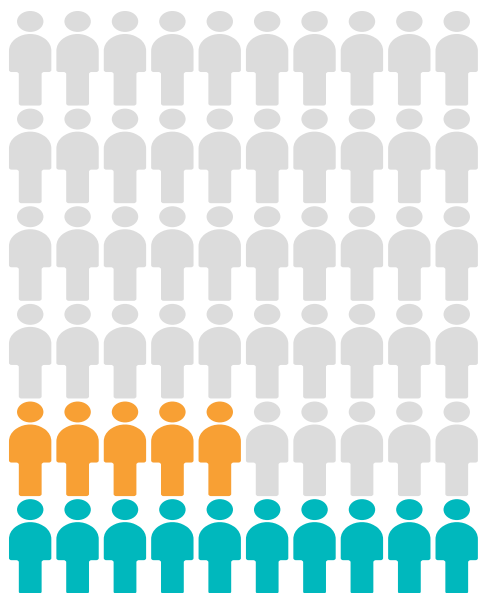**Mental health disorders affect one in four people in their life and two thirds of those affected never seek help**

Mental health disorders are expected to be a leading cause of disease burden globally by 2030

Prevalence of mental health disorders

- Around 450 million people currently suffer from mental health conditions, placing mental disorders among the leading causes of ill-health and disability worldwide
- 75% of mental health disorders begin by 24 years of age, affecting the working population
- People often do not seek help from a professional because of stigma, discrimination and neglect
- People aged 16-34 are least likely to seek and use mental health services
- Mental institutions are a last resort as they lead to a loss of social skills, excessive restriction, and reduced opportunities for rehabilitation

Mental disorders
% Total causes of disease burden

2004	2020	2030
4.3	5.7	6.2

+33%   +9%
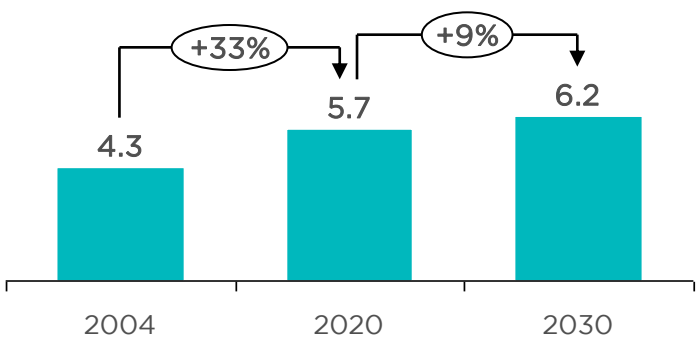
- By 2020, mental disorders will be the second leading cause of world disability
- By 2030, mental disorders are expected to be the leading contributor to disease burden

Legend: Affected by mental disorder and has sought help | Affected by mental disorder and has not sought help

icare™

Mental health conditions are most prevalent in the financial sector and cost businesses $11B annually

Workplace mental health and employee behaviour
2014, Percentage of Australian employees

Attitude towards mental health in the workplace
% Total employees

| "I think mental health in the workplace is important" | 91% |

Time off work in past 12 months due to mental health
% Total employees

| "I work in a mentally unhealthy workplace" | 46% |

| "I work in a mentally healthy workplace" | 13% |

Employee behaviours

- The majority of Australians agree that mental health at work is important
- Overall prevalence of mental health conditions is highest in the financial and insurance sector with 33% of people experiencing a mental health condition
- Employees in mentally healthy workplaces take 33% less time off due to mental health issues than employees in mentally unhealthy workplaces
  - In mentally healthy workplaces, employees feel safe and empowered to seek help for the benefit of the individual, organisation and community
  - In mentally unhealthy workplaces, employees are less likely to disclose their mental health condition, seek support or offer support
- Untreated mental illness costs Australian businesses $11 billion every year off their bottom line from absenteeism, lost productivity, stymied business growth and compensation claims

ROI of 2.3 for investing in mental health initiatives in the workplace

icare™

Research demonstrates that health and happiness have a significant impact on employee behaviours and outcomes

Health & Happiness Continuum

Unhappy and unhealthy state → Happy and healthy state

"I feel overwhelmed"

"Nobody supports me – I feel alone"

"Some days I don't want to come into work"

"I don't know if my job will exist tomorrow"

"I feel energetic, stable, supported, resilient and aligned with my purpose"

	Unhealthy	Healthy
Days sick leave	18	2
Self-rated performance (/10)	3.7	8.5
Effective hours worked per month (for a FT FTE)	49	143
Diet	High fat	Healthy
Energy levels	Low energy and poor concentration	Fit, energetic and alert
Body weight	Obese or overweight	Normal
Sleep	Irregular sleep patterns	More attentive at work and better sleep patterns
Stress	Poor stress management techniques	Actively manage stress levels

icare™

Appendix: Case Study Insights
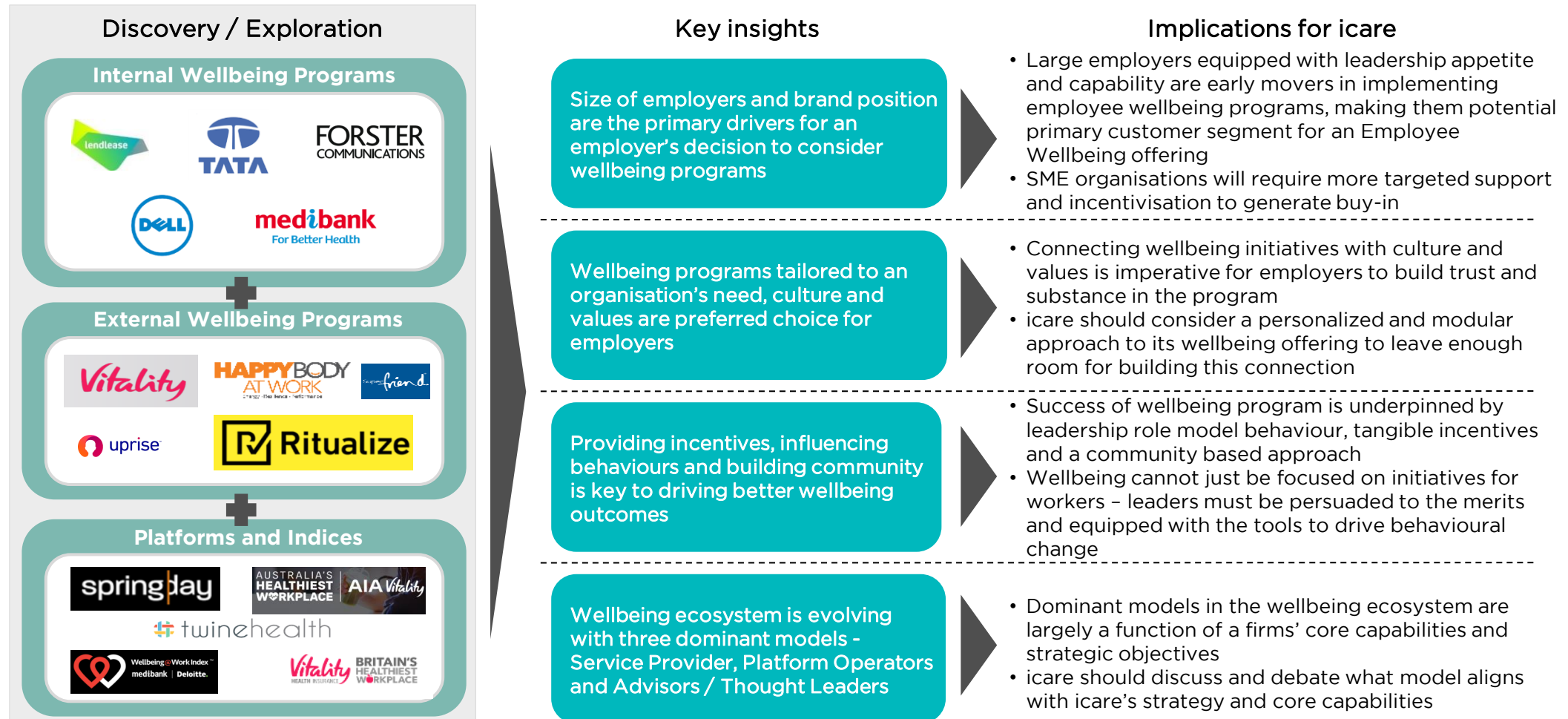
Approach

Impacting Trends

Case for Change Fact Base

Case Study Insights

Strategic Options

Options to Influence Employees and Employers

icare™

Analysis of case studies revealed three dominant models and a variety of tailored health and wellbeing offerings

Discovery / Exploration

Internal Wellbeing Programs

lendlease · TATA · FORSTER COMMUNICATIONS · DELL · medibank For Better Health

External Wellbeing Programs

Vitality · HAPPYBODY AT WORK · friend · uprise · Ritualize

Platforms and Indices

springday · AUSTRALIA'S HEALTHIEST WORKPLACE | AIA Vitality · twinehealth · Wellbeing@Work Index™ medibank | Deloitte. · Vitality HEALTH INSURANCE | BRITAIN'S HEALTHIEST WORKPLACE

Key insights

Size of employers and brand position are the primary drivers for an employer's decision to consider wellbeing programs

Wellbeing programs tailored to an organisation's need, culture and values are preferred choice for employers

Providing incentives, influencing behaviours and building community is key to driving better wellbeing outcomes

Wellbeing ecosystem is evolving with three dominant models - Service Provider, Platform Operators and Advisors / Thought Leaders

Implications for icare

- Large employers equipped with leadership appetite and capability are early movers in implementing employee wellbeing programs, making them potential primary customer segment for an Employee Wellbeing offering
- SME organisations will require more targeted support and incentivisation to generate buy-in

- Connecting wellbeing initiatives with culture and values is imperative for employers to build trust and substance in the program
- icare should consider a personalized and modular approach to its wellbeing offering to leave enough room for building this connection

- Success of wellbeing program is underpinned by leadership role model behaviour, tangible incentives and a community based approach
- Wellbeing cannot just be focused on initiatives for workers – leaders must be persuaded to the merits and equipped with the tools to drive behavioural change

- Dominant models in the wellbeing ecosystem are largely a function of a firms' core capabilities and strategic objectives
- icare should discuss and debate what model aligns with icare's strategy and core capabilities

We have gathered insight from wellbeing offerings on the market, distributed into three main categories

Internal wellbeing programs

- These are wellbeing programs developed by businesses to incentivise and influence the wellbeing of their employees
- The program may be developed and delivered internally, but use external providers to deliver specific wellness initiatives

External wellbeing programs

- These are wellbeing initiatives developed and delivered by the market
- They may be used to deliver an companies internal wellbeing initiative
- These include apps, engagement portals, online education materials and one-to-one delivery and training in wellbeing

Wellbeing platforms and indices

- These initiatives educate customers on their wellbeing in comparison to other customers, help external providers to develop through investment or connect customers to external wellbeing programs

icare™

Internal wellbeing: Lendlease

Lendlease is a multinational property and infrastructure company.

- **Industry:** Construction, Infrastructure and Real Estate
- **No. of employees:** 11,000+
- **Geographical operations:** Worldwide
- **Headquarters:** Sydney, Australia

Overview

- Vision is 'to create the best places' – unique places that leave a positive legacy and enrich lives around the world
- Strategy is to be a leading international property and infrastructure company – framework is to 'focus and grow'
- Four core principles define the way they conduct business: safety, sustainability, diversity and customer focus

Wellbeing strategy

Strategy

- Global health and wellbeing framework that focuses on promoting healthier minds, bodies, places and culture, implementing regional strategies
- Strong focus on mental health driven by high risk of mental health issues and suicide in industry
- Program is clearly linked to company strategy, principles and sustainability framework through prioritising the safety and care of employees
- Digital RENEW physical health program has a 75% engagement rate
- Leadership enthuses that strategy has direct impact on productivity through improved employee engagement and morale, better teamwork, enhanced social networks and reduced absenteeism

Success factors

- Steve McCann (CEO and MD) and his leadership team consistently champions mental health
- Key stakeholders are engaged, involved and contribute to the development of the strategy
- Oversight of strategy and program implementation governed by a global and regional cross-departmental peer group that spans all levels, including the group CFO
- Data driven organisational baseline of health and wellbeing

Challenges

- Lack of comprehensive data and information to accurately understand key issues and areas of concern across various operations – obtained company specific baseline data
- Operations in many countries and cultures – formulated supporting strategy and implementation plan that was both globally consistent, yet flexible enough to be regionally relevant
- Difficult to involve the whole organisation in health and wellbeing – established a global and regional governance group to monitor and evaluate progress and help guide initiatives

Key considerations for icare

- Internal wellbeing programs need to be championed by leadership team, linked to the company strategy and vision, holistic in nature and tailored to the employee profile
- Utilising data and evaluating programs allows analysis of program success factors

Internal wellbeing: Forster Communications

FORSTER COMMUNICATIONS

Forster Communications is a boutique PR agency focusing on social change PR and communications

- **Industry:** Works with businesses and not-for-profits to accelerate social change
- **No. of employees:** <100
- **Geographical operations:** UK

Overview

- Vision is to lead social change through powerful communications to protect and improve lives
- Employees at Forster are passionate about social change, curious about finding new ideas and ways of working and smart in their approach to developing the right communications for clients' needs
- Developed the 'Forster Well' scheme and won Britain's healthiest workplace (small business category)

Wellbeing strategy

Strategy

- Believe every employer is has a responsibility to encourage staff wellbeing
- Held brainstorming and strategy workshops to find various options to develop the Forster Well scheme
- Each employee receives a wellness card and earns stamps across five areas: Physical exercise, nutrition, culture, social engagement and community support plus three 'free' stamps for extra challenges
- First 5 to complete a card each quarter win the opportunity to go to lunch together paid for by the company, employees who complete their card are rewarded with time off work or financial incentives
- Also offers flexible working hours, meetings outdoors and time off to do voluntary work

Success factors

- Data analysis and reporting to shareholders and non-executive directors on impact of wellbeing program
- Successful communication to staff to increase awareness of opportunities to collect stamps for wellness card
- Holistic approach and choice of incentives for completing wellness card

Challenges

- Low uptake initially – improved through general management team offering suggestions of ways to achieve stamps to increase uptake

Key considerations for icare

- Small business successfully implementing wellbeing program
- Simple approach with 'wellness card' supported by successful communications and gamification element
- Inclusive program with a variety of activities gaining stamp of wellness card
- Evaluation of data on uptake and results
- Incentives for employees each quarter enable solid uptake (86% of staff)

Source: Strategy& analysis

icare™

Internal wellbeing: Further examples

Overview	medibank For Better Health	TATA	DELL
	• Medibank is a national health insurance and solutions company with 2,300+ employees across Australia	• Indian multinational company involved in the steel, hydro-power, hospitality and airline industries • 660,000 employees	• Dell is a private multinational computer technology company with global operations and 100,000 employees

Wellbeing strategy			
Strategy	• Aims to provide employees with access to programs and resources to support their wellbeing, choice to choose activities which are appropriate to their needs and awareness of guidelines to good health • Structured around four areas of good health – moveBETTER, eatBETTER, BETTERminds and connectBETTER	• Internal staff health index – workers health is graded on 1-14 based on set criteria such as smoking, blood pressure, alcohol use and sick leave • TATA uses the index to better visualise and comprehend the state of workers wellbeing at work • Data is de-identified for employee confidentiality	• "Well at Dell" promote a healthy culture at the work and home by targeting employees and their spouses • Program provides financial incentives related to health insurance, designed to engage and reward participants who monitor, maintain and improve their health • Achieved high level of employee engagement – 80% of employees and 45% of spouses involved
Success factors	• Aligned to brand campaign 'I am better at medibank' • Leadership culture focussed on making health choices and wellbeing is seen as the norm	• Holistic approach to evaluating employees wellbeing using health screening for employees • Linked to leadership culture of committing to employee work environment	• Program encourages accountability in work and life by involving employees and their spouses – aims to comprehensively integrate health and wellness into the lifestyle of the employee • Systematic data collection and tracking - electronic health records for employees measure program effectiveness
Challenges	• Significant investment into creating healthy work spaces to support the program	• Limited initiatives developed by the company to act on data results collected from employee wellbeing	
Key considerations for icare	• Holistic program with role modelling from leadership team • Success relies on the work environment to encourage and support a wellbeing program for employees	• An index can deliver insight to employers on the wellbeing of their employees which they would have otherwise not understood or been aware of • Confidentiality of health data must be considered to garner trust from employees	• Consideration of health outside the workplace a potential driver of high uptake • Evaluating progress through data collection is vital to record impact of program but steps must be taken to ensure confidentiality

Source: Strategy& analysis

icare™

External wellbeing: Vitality group

Vitality is a wellness solution that integrates with private health insurers

- **Industry:** Health and life insurance.
- **No. of employees:** 11,000+
- **Geographical operations:** Worldwide
- **Headquarters:** London, UK

Overview

- Vision – a health and wellness company that assess where people are in terms of their personal health and provide motivating incentives and encouragement to help them live their healthiest lives
- #17 on Fortune's 2015 list of 51 companies that 'change the world'
- Global mission to make people healthier, enhance and protect their lives

Wellbeing strategy

Strategy	• Influences behaviours that are related to diseases caused by unhealthy lifestyle choices • It has three components: 'Know your health' – complete your vitality health review and discover your state of health, 'Improve your health' – suggested personal health goals based on your health status generated by 'know your health', 'Enjoy the rewards' – the more points you earn, the more rewards (flights, entertainment, shopping vouchers) • Recent partnership with AIA – myOwn – health and life insurance provider – provides hospital and extras cover plus membership to AIA vitality
Success factors	• Leverages advancements in behavioural economics, investing in technology such as wearables and using data analytics to improve their customers health and wellbeing • Uses the principle of loss aversion – if fitness goals with Apple watch were not achieved customers had to pay monthly instalments • Financial incentives to nudge behavioural change • Partners with PHI for delivery
Challenges	• Uptake is focussed in the 'well' (health-conscious) population – difficulty transferring product to the population who most need interventions in changing lifestyle and behaviours
Key considerations for icare	• The use of behavioural economics to nudge changes in customer behaviour (financial incentives and use of loss aversion penalties) • Uses gamification to increase customer uptake and maintain pattern of healthy behaviours • Gathers customer data successfully from vitality health review • Broad array of activities that customers can earn points for – creates an inclusive program • Vitality has successfully partnered with insurance providers worldwide – potential "white label" opportunity for icare

Source: Strategy& analysis

icare™

External wellbeing: Ritualize

Ritualize

Corporate health and wellbeing programs delivered via an app across Asia, North Pacific, Europe and North America

- **Industry:** Wellbeing app
- **Geographical operations:** Australia and UK

Overview

- Wellbeing app produced to target corporate wellbeing to drive and sustain engagement
- Values – customer centricity, growth mindset and 'be the change' to help businesses strive to be a better place to work

Wellbeing strategy

Strategy	• A quest based approach, using technology to make wellbeing accessible and flexible • A 12 month program - 6 quests ignition and measuring BioAge then 5 components based on: think better, eat better, sleep better, move better and then super quest before re-testing BioAge • Positive change cycles based on analysis, learning new knowledge, planning and identifying new habits. Once new habits are planned, acting on adopting them through a ritual board, recorded goals, tracking progress and celebrating and sharing results • Tailors solutions to customer needs and help customers to measure success • Seeks constructive feedback from customers to improve
Success factors	• Tailored approach that delivers holistic wellbeing solutions in a step-wise method • Easily accessible information through its app and online platform • Incentivises uptake through gamification using the 'quest' concept, leadership board, challenges and celebrating success at each stage • Delivers information and rituals to sustain behaviour change
Challenges	• Developed for corporate health delivery and targets customers who are already engaged in their health and wellbeing – challenge encouraging uptake in customers with a lower basis for wellbeing
Key considerations for icare	• Evidence based approach to physical and mental health • Uses gamification incentivise and integrate long term habit formation • Works with corporate clients and partners with insurers to deliver off-the-shelf solutions (partnerships existing with NAB, Rio Tinto, Oracle, Johnson + Johnson)

Source: Strategy& analysis

icare™

External wellbeing: Further examples

Overview	HAPPY BODY AT WORK	friend	uprise
	• National workplace mental health and wellbeing foundation at the forefront of improving mental health and wellbeing in workplaces across Australia • Commissioned by the Australian Broadcasting Corporation	• National mental health promotion foundation at the forefront of improving mental health and wellbeing in workplaces across Australia	• Founded as a start-up by a clinical psychologist to prevent mental health issues before they reach crisis point

Wellbeing strategy			
Strategy	• 8 week, team based wellbeing program, delivered in a box, with sticky messages to go around the workplace, begins and ends with an anonymous questionnaire • Focus on sitting less, moving more, coping with stress, improving sleep and developing a mental toolbox of strategies	• Works with organisations to improve their mental health culture and to embed mental wellbeing best practices, with a focus on the financial sector • Partners with insurers and superannuation funds to use data insights and feedback to tailor product to specific needs	• Program starts with a wellness check-in, delivers monthly recommendations, interactive tutorials and provides phone coaches to follow-up weekly • 4 week program involving modules in stress management, mindfulness, retraining thinking and work-life balance
Success factors	• Scalable app based delivery using gamification and rewards to incentivise engagement • Customised to different business and industry needs	• Methods of delivery vary from small groups to online programs making mental health programs accessible to all staff • Different approaches from assessment of mental wellbeing to development of mental health first aid skills in managers delivering sustainable skills	• Completion rate of 80%, connects at risk employees to their existing EAP • Monthly recommendations nudge behavioural changes • Tailored to individuals based on their wellness check-in
Challenges	• 8 week program – short time to deliver tangible sustainable change • Happy you and happy mind still in development phase • Minimum number of employees required	• Focus purely on mental health which limits delivery of holistic results	• Focus on mental health limiting its holistic value on wellbeing
Key considerations for icare	• Holistic delivery using data from anonymous surveys to evaluate success • Easy to use with app delivery and minimal involvement from employers to roll out	• A product specifically designed for the financial sector and specific to mental health • Specifically tailored to create cultural change	• Encourages accountability with weekly phone coach catch-ups • Privacy and flexibility provided by health coaches

Source: Strategy& analysis

icare™

Wellbeing platform: Twinehealth

twinehealth

Twinehealth is a cloud based collaborative care platform, co-founded by a technology executive in 2014

- **Industry:** Collaborative wellbeing platform
- **Geographical operations:** America

Overview

- A health activation platform for workplace health providers to efficiently improve employee health and lower medical costs
- Health activation is the process of empowering employees to break free from the typical reactive based healthcare experience and to become proactive in taking control of their health
- The Twine team has been studying behaviour change and supporting outcomes for the past 10 years

Wellbeing strategy

Strategy
- App based health platform where employees sign-up and receive a comprehensive health risk assessment
- Set up onto a health activation profile which is personalised to individuals incorporating a holistic approach with a target on chronic disease to prevent poor health outcomes
- Partners with health providers for successful evidence based solutions

Success factors
- 85% of employees are active on the platform at least monthly
- Encourage employee sign-up with social sign-up, incentives and rewards
- Sustains behavioural change through communication and progress visualisation on an app
- Shared decision making between case coach and employee to encourage accountability
- Outcomes analytics tool allows employees and care providers to visualise results

Challenges
- Connects health providers to employees to data needs to be secure and confidential from employers

Key considerations for icare
- Tailored to individuals through partnering with workplace health providers and customising goals
- Uses nudges to shape behaviours (e.g. prompts for taking medication; reminders on progress on achieving fitness goals)
- Ease of access / modern experience delivered through an app
- Incentivises uptake through rewards

icare™

Wellbeing platform: Springday

springday

Springday works with organisations to offer wellbeing solutions tailored to businesses objectives and employee needs

- **Industry:** Wellbeing marketplace
- **Geographical operations:** Australia

Overview

- Australia-wide company integrating technology, human resources and wellbeing on a cloud-based platform to deliver a marketplace of wellbeing programs

Wellbeing strategy

Strategy

- Customised wellbeing marketplace available via web portal and mobile apps
- Connects wellbeing managers (HR) to programs based on the businesses' individual wellbeing needs
- Businesses set their goals and starting point and receive personalised guidance and lifestyle content
- Tailorable to company-wide and individual initiatives e.g. challenges and community events
- Springday aggregates and reports on platform use and behaviour change metrics for a real-time dashboard for businesses

Success factors

- Uses existing wellbeing programs on the market and connects business to a selection tailored to suit their needs
- Easily accessible via app and website
- Scalable, modular delivery allows different budget friendly options for employers
- Reduced admin for HR team
- Benefits dashboard enables employers to understand uptake and improvements

Challenges

- Initial challenge to deliver cost effective wellbeing solutions that are flexible to meet individual and company needs – took 3 years to develop the start-up – now has 25 existing employer platforms

Key considerations for icare

- Capitalises on successful existing wellbeing programs to deliver to businesses
- Benefits dashboard could be linked to insurance premiums based on employee uptake and improvement in wellbeing
- Partnership option with scalable delivery for small to large businesses and different industry segments

icare™

Wellbeing indices

Overview	Wellbeing@Work Index™ medibank | Deloitte.	Vitality BRITAIN'S HEALTHIEST WORKPLACE	AUSTRALIA'S HEALTHIEST WORKPLACE | AIA Vitality
	• Joint venture between Medibank and Deloitte to highlight companies wellbeing status in comparison to other businesses	• Partnership between Mercer and Vitality to measure workplace health in the UK	• Partnership between AIA and vitality to measure workplace health in Australia

Wellbeing strategy

Strategy	• Voluntary 'opt in' index to help Australian companies understand, measure and improve the wellbeing of their workplaces • Utilises insights from Medibank's health expertise • Includes an employee and organisational survey, compares results against four pillars of mind, body, purpose and place, create a score which benchmarks the organisation	• Uses employer and employee survey to provide a top-down and bottom-up view of employee health and wellbeing • Tracks organisational culture and managing the health of their employees over time through yearly results • Analyses based on health facilities provided, health and wellbeing culture and nature of overall environment	• Developed based on the success of Britain's healthiest workplace • Comprehensive overview of employees wellbeing which gives employers useful strategies to support them in their healthy living foals and improve company-wide productivity • Uses AIA vitality age – a specific measure including exercise, nutrition, and stress to calculate a persons health age
Success factors	• Uses insights from Medibank's health expertise • Comprehensive assessment of wellbeing from employees and employers	• Has different categories with three different wellness categories and three organisational sizes • Surveyed >100,000 employees and 400 employers since 2013 • Rewards top business at a ceremony	• Advisory board with backgrounds in workplace wellness, public health and mental wellbeing • Employee privacy through aggregate, de-identified data • Compare company against other participants
Challenges	• Opt-in basis and analysis of businesses it not published • Limits the use of behavioural economics to change employer behaviours	• Voluntary basis for businesses to sign up	• In development stage – employers can register for 2017 analysis
Key considerations for icare	• Indices create visibility for employers on the health of their employees • Icare can use its existing employee claims data to potentially create a more accurate index specific to industry / organisation type segments	• Incentivises change and benchmarks businesses against similar sized competitors • Strong analysis criteria based on organisational culture and environment	• Allows employers to understand the wellbeing profile of their employees and how their wellness facilities are being used

Source: Strategy& analysis

icare™

Three dominant wellbeing models provide a frame for our strategic options

Wellbeing Model	Role	Strategic Options

A — Service Provider

- Service providers offer set of wellbeing enhancement / product suits that can be tailored to specific employer segments
- Service providers own executional expertise with deep subject matter knowledge

A1 Program Accreditor
A2 Branded Wellbeing Program
A3 Turnaround Service

B — Platform Operator

- Platform operators act as one stop shop for all wellbeing related services that may or may not be run in-house
- Platform operators rely on close working relationship with employers (digital / Relationship Mgmt.)

B1 Accelerator
B2 Marketplace Operator

C — Advisor / Thought Leader

- Advisor / thought leaders work for the overall benefit of the ecosystem by being an expert voice by leveraging information, research or subject matter expertise
- Deep experience in health, wellbeing or care sector is a critical capability

C1 Advisory Services
C2 Information Bank
C3 Branded Wellbeing Index

icare™

Appendix: Strategic Options

Approach

Impacting Trends

Case for Change Fact Base

Case Study Insights

Strategic Options

Options to Influence Employees and Employers

icare™

Strategic Option Overview: Program Accreditor

Overview of Opportunity

- icare reviews employers' internal wellbeing program (strategy, design and implementation) and provides accreditation against established standards.
- Satisfaction of standards linked to premium pricing to incentivise employers to act.

What will success look like?

Employers:
- Employers know and understand what a standard holistic wellbeing system looks like
- Employers understand what needs to be done to create a "fit-for-purpose" wellbeing initiative

Employee:
- Employees feel valued that an accredited wellbeing program is in place

icare:
- Improved relationships with employers through analysis of their internal wellbeing programs
- icare brand linked to establishing best practise in wellbeing
- Greater understanding of customer needs and challenges towards a well-functioning wellbeing program

Target Customer Segments

- Employers who are running wellbeing initiatives or are in the process to do so

Challenges / Issues / Risks

Financial
Moderate upfront investment in developing capabilities to assess employer wellbeing programs

Operational
Holistic wellbeing is a "multi-faceted" concept – defining definite criteria to test a wellbeing offering is complex

Other Risks
The program will not be directly applicable to employers who are far behind in actioning on wellbeing related issues and may not adequately help those who need it (support on employee wellbeing) the most

Key Next Steps

- Engage employers to identify the actual demand for a programs
- Co-design the specifics of the program with the set of key employers
- Develop a set of standards and criteria to accredit against

icare™

Strategic Option Overview: Branded Wellbeing Program

Overview of Opportunity

A modular and holistic employee wellbeing program designed and managed by icare:

- Program based on catalogue of initiatives spanning from tablestakes to innovative
- icare has control over content and method of delivery
- personalisation of customer needs and partnership opportunities
- Potentially financial incentives for employers aligned with the uptake of the program

What will success look like?

Employers
- Greater support from icare in form an Immediate response service that is built on shared understanding of what a better wellbeing looks like for the employer.

Employee
- Definite improvement in employee wellbeing conditions

icare
- icare becomes a trusted brand in wellbeing service provider
- Reduction in claims costs for the most impacted employers

NSW Community
- Societal good through improving wellbeing for the most at risk employees

Target Customer Segments

NSW employers that are aware and interested to offer wellbeing related services to employees

Challenges / Issues / Risks

Financial
- Substantial investment in developing a new, multi-faceted wellbeing program

Non-Financial
- Significant investment to develop cross services capabilities
- Long lead time on program design and productisation
- Existing programs on the market, so needs a strong case for differentiation

Key Next Steps

- Estimate market demand and the immediate target customer segment
- Design an icare wellbeing program based on available best practice evidence
- Test program design with customers
- Identify priority businesses to pilot program
- Establish evaluation process and link to premium reductions

icare™

Strategic Option Overview: Turnaround Service

Overview of Opportunity

- A focussed and targeted response service to deliver material improvements in employee wellbeing through best in class practices
- Targeting "most impacted / most at risk" employers who have little capability or resources to address employee wellbeing
- Objective to bend the care and treatment cost curve downwards through targeted organisational intervention

What will success look like?

Employers
- Greater support from icare in form an Immediate response service that is built on shared understanding of what a better wellbeing looks like for the employer

Employee
- Definite improvement in employee wellbeing conditions

icare
- icare becomes a trusted brand in wellbeing service provider
- Reduction in claims costs for the most impacted employers

NSW Community
- Societal good through improving wellbeing for the most at risk employees

Target Customer Segments

"Most impacted/ most at risk" customers initially (e.g. PP1000), potentially scalable to the next target customer segment after the PP1000

Challenges / Issues / Risks

Financial
- Sustained investment in developing expertise to run services

Non-financial
- Changing employer stigma around wellbeing in the hard to reach employer segments
- Requires extensive capability development and partnerships

Key Next Steps

- Identify most at risk target customer segments
- Develop turn around service – assessment, education and connection to a personalised wellbeing service provider
- Identify partnerships to deliver outcomes e.g. Health assessment, smoking cessation programs, wellbeing program
- Pilot program

icare™

Strategic Option Overview: Accelerator

Overview of Opportunity

- icare develops an ecosystem of existing wellbeing providers that can bring innovative solutions to market through targeted investment
- Investee companies will benefit from icare's strong relations with employers and deep experience in care and treatment

What will success look like?

Employers
- Guided to an icare wellbeing ecosystem when looking for wellbeing solutions

Employee
- Access to innovative solutions with a strong focus on digital (apps, wearables) and customer experience

icare
- Enhanced brand – ecosystem branded by icare
- icare's understanding into wellbeing outcomes deepened through wellbeing providers demonstrating how their solutions deliver

NSW Community
- Limited community impact

Target Customer Segments

Employers wiling to use innovative (digital enabled) wellbeing solutions

Challenges / Issues / Risks

Financial
- Requires capital seed funding of new initiatives

Non-financial
- Perception of picking winners and losers
- Failure to engage business in the lower end of the spectrum of wellbeing awareness

Key Next Steps

- Identify financial capital for investment e.g. foundation
- Explore opportunities for developing wellbeing providers catering for solutions that are not already existing on the market place

icare™

Strategic Option Overview: Marketplace Operator

Overview of Opportunity

- icare branded digital platform to facilitate third party services and payments between customers and wellbeing providers
- Drives greater customer centricity and transparency in how employers can engage the market for wellbeing service providers
- Opportunity to generate additional revenue through clip of the ticket model

What will success look like?

Employers
- Online engagement with wellbeing market providing choice of programs
- One stop shop solutions with suite of service providers under one platform

Employee
- Strong customer experience and wider choice of services available

Icare
- icare brand visibility

Target Customer Segments

Employers who are interested and motivated to provide wellbeing solutions

Challenges / Issues / Risks

Financial
- Significant investment and capability development in the digital platform to provide a modern customer experience and feature set

Non-financial
- Quality of service provider and related liability issues will be associated with the marketplace

Key Next Steps

- Explore potential partnerships for the development of a digital platform
- Establish criteria for wellbeing programs to be included in the marketplace
- Pilot program to customers

icare™

Strategic Option Overview: Advisory Service

Overview of Opportunity

- icare provides information services to NSW employers and their employees focussing on awareness and education
- Education based on evidence sourced from employers claims data
- Provides advice to leadership on effective wellbeing strategies
- Focus is on empowering people with information and resources to act – not linked to pricing levers

What will success look like?

Employers
- Deeper understanding of wellbeing and risk outcomes

Employee
- Information and awareness about the importance of wellbeing, targeted to particular industry segment

NSW Community
- Societal gain through education and awareness about wellbeing in customer segments not previously addressed

icare
- Brand strengthened and linked to icare values

Target Customer Segments

Employers who are struggling with awareness about the importance of wellbeing & PP1000

Challenges / Issues / Risks

Financial
- Low cost and low barrier to entry
- Employers not incentivised to act

Non-financial
- Need for development of partnerships to deliver solutions in wellbeing

Key Next Steps

- Analysis of existing claims data
- Development of education material and mode of delivery e.g. Workplace education seminar, key speaker events
- Evaluate potential partnerships to connect employers to wellbeing providers

icare™

Strategic Option Overview: Information Bank

Overview of Opportunity

- Commercialise claims data and insights by selling to wellbeing providers or research entities
- Potential to combine with a wellbeing index to generate an end-to-end view of health and claims data
- Insights generated can be commercialised for interested 3rd parties e.g. PHIs, research firms, universities

What will success look like?

Employers
- Understanding of the efficacy of their wellbeing initiatives and the impact on their claims

Employee
- Limited direct benefits to employees unless employers are motivated to act on insights delivered

icare
- Enhanced relationships with employers through delivering insights into their claims data
- Generate new revenue from 3rd parties

Target Customer Segments

All employers insured by icare who are open to evaluation through clear transfer of information (employee surveys)

Challenges / Issues / Risks

Financial
- Limited financial barrier to access

Non-financial
- Strong measures need to be put in place to protect client confidentiality

Key Next Steps

- Generate list of employers with existing wellbeing solutions
- Develop key criteria to analyse claims data against

icare™

Strategic Option Overview: Branded Wellbeing Index

Overview of Opportunity

- icare branded and published wellbeing index, benchmarking organisations against their peers; categorised by industry / size of organisation etc.
- Assessment of performance based on wellbeing survey plus claims data
- High score on index linked to financial incentives pertaining to premium payments

What will success look like?

Employers
- Visibility of employee wellbeing compared to peers
- Opportunity for recognition of wellbeing initiatives both financially (premium) and non-financially (brand reputation)

Employee
- Limited knock on effect to employees unless employers motivated to act

icare
- Enhanced brand and reputation as a key player in the wellbeing ecosystem

Target Customer Segments

All employers insured by icare who are open to evaluation through clear transfer of information (employee surveys)

Challenges / Issues / Risks

Financial
- Low cost and low barrier to entry

Non-financial
- Unlikely to reach key segments (e.g. SME) without further interventions
- Overlap with existing index on the market so needs a strong case for differentiation

Key Next Steps

- Develop a well-rounded criteria to assess all organisations insured by icare against a best practices based on industry and region
- Explore incentive basis to be allocated to high performing employers

icare™

Appendix: Options to Influence Employees and Employers

Approach

Impacting Trends

Case for Change Fact Base

Case Study Insights

Strategic Options

Options to Influence Employees and Employers

icare™

icare has two focus areas with potential to influence behavioural outcomes

icare has to an opportunity to enhance wellbeing by influencing employees and employers

Employees uptake and maintenance of positive wellbeing behaviour

- icare must build into the wellbeing offering measures designed to increase take-up and sustain healthy behaviours

- icare has the opportunity to nudge behaviours into consistent patterns of desired activity

- In order for this to be achieved, icare seek to better understand a model that maximises employee participation and guides thinking into what should be offered as part of a holistic wellbeing offering

Employers decision to offer a wellbeing proposition to their employees

- icare is in a unique position where it can influence employers to consider a wellbeing offering as part of their Worker's Compensation policy

- icare can use its relationships with employers to influence how they can design their workplaces to maximise the uptake of individual healthy behaviours

icare™

Behavioural economics is the application of economics and psychology to explain human behaviour*

Classical economics		Psychology		Behavioural Economics
People are rational and driven by self interest		Decision-making is affected by environmental influences		We are predictably irrational
People make decisions which maximise their own economic utility	**+**	Provides explanations as to why people's decisions differ from classical economic predictions	➤	Explains how behavioural biases contribute to unhealthy behaviour
Assumptions break down when humans do not consider decisions in rational terms				Provides guidance on 'shortcuts' and how interventions can be structured to improve health behaviour

* Behaviour not predicted by traditional economic theory (typically attributable to cognitive biases, limitations in knowledge/cognitive ability, or psychological / environment factors) is considered 'irrational'

Source: Strategy& analysis

icare™

Understanding the barriers to adopting and sustaining healthy behaviours is required...

Key decisions involved in sustaining healthy behaviours (employee)

Acquire knowledge about health and wellbeing	Explore options to improve wellbeing	Enrol in a wellbeing program and health assessment	Attend health assessment	Act on assessment results and sustain behaviours
Lack of awareness of risk	Complexity of choice	Difficulty realising the long term benefits	Difficulty finding the right program / approach	Failure to realise benefits
Inability to locate information	Financial barriers	Lack of support	Lack of convenience	Unsupportive work environment

Employee Barriers

Complexity of information / choice

Procrastination / Inertia / Motivation / Self-control

Key decisions involved in instituting wellbeing in the workplace (employer)

Understand the importance of employee wellbeing	Explore opportunities to improve employee wellbeing	Overcome barriers to addressing employee Wellbeing	Develop leadership skills and lead cultural change	Evaluate and realise benefits
Stigma 'Wellbeing is a fad that will pass'	Choice paralysis	Struggling to make payroll	No leadership training	Support in program selection
Lack of awareness of benefits	Unable to locate information and support	No dedicated 'Wellbeing team' to resource to employee wellbeing	Culture focussed on financial results	Support in evaluating and realising results

Employer Barriers

Complexity of information / choice

Leadership buy-in, appetite and capability

icare™

...before behavioural techniques and options are used to overcome these barriers and influence our stakeholders

		Options to Influence Employees	Options to Influence Employers
Decision Shortcuts	Decision shortcuts are mental tools that can cut through complexity and guide consumers to a decision rapidly	• Promote automatic enrolment of employees into an employer's wellbeing proposition to ensure initial uptake is strong	• Use of opt-out model that requires deliberate employer action to decline value-added services that promote wellbeing
Value Assessments	Value assessments exploit 'value' being a relative concept that is, at times, determined via irrational behaviour	• Use of financial incentives for employees to commit to a wellbeing program e.g. discounted gym memberships for employees	• Use of financial incentives for employers to commit to a wellbeing program e.g. reduced premiums linked to successful implementation of a program in a workplace
Emotional Impacts	Consumer decisions can often be based on emotional impacts rather than rational economic behaviour	• Design the work environment for employees that enable healthy choices e.g. healthy snack options, installation of bike racks	• Incur penalties on premiums where wellbeing has not been instituted in a workplace, incentivising employers to avoid losses
Social Impacts	Decisions can be influenced by the behaviours and social norms of peer groups	• Use of group and social networks in wellbeing program to encourage the impact of social domains. E.g. team weight loss goal with a shared prize if achieved	• Use of senior thought leaders to act as champions for wellbeing to increase up-take of wellbeing in an industry

icare™

These barriers can be overcome via application of behavioural economics principles

Decision Shortcuts

- Consumer decisions are far more complex than they appear
- Consumers use mental "shortcuts" to guide them to what they feel is the right decision
- Understanding these shortcuts can help companies guide consumers to the "right" decision

Relative Choices	Rules of Thumb
Reliance on Defaults	Dominated Alternatives
Attribute Priming	Choice Paralysis
Mental Accounting	Framing

Value Assessments

- Value is a relative concept. E.g. Is a television "worth" $300 or $400? Is a warranty "worth" $29.99?
- In assessing the "value" of a product or service consumers often use seemingly "irrational" metrics and concepts to guide their behaviour

Love of Free	Endowment Effect
Anchoring	Hyperbolic Discounting
False Contexts	Subtraction by Addition

Emotional Impacts

- Emotions get the better of people
- Emotional impacts can drive someone to or away from what would be considered the "rational" economic decision
- Appealing to these emotional impacts can be more powerful than a price reduction in driving demand

Risk Aversion	Self Control Facilitation
Risk Exclusion	Hot vs. Cold States
Loss Aversion	Self-Herding

Social Impacts

- People are social
- Consumers take into account behaviours of fellow consumers and social norms to guide them to what they believe is the "right" decision

Social / Financial Domains	Conformity Effect
Cheating	Signalling
Bandwagon Effect	

Source: Strategy& analysis

icare™

Decision shortcuts are mental tools that can cut through complexity and guide consumers to a decision rapidly

Decision Shortcuts

Consumer decisions are far more complex than they appear. Consumers use mental "shortcuts" to guide them to what they feel is the right decision. Understanding these shortcuts can help companies guide consumers to the "right" decision.

BE Principle	Description	Example
Relative Choices	• Consumers value products based on comparisons to other products rather than a good's intrinsic value, and tend to avoid selection of options where no relevant comparisons are available	• Restaurants have found they can drive sales of their currently highest priced entrée by introducing an even more expensive option
Reliance on Defaults	• People are unlikely to override set defaults and rely increasingly on defaults as decision complexity and difficulty increases	• Automatic enrolment for company 401k plans boosts participation rates in excess of 90%. Nearly 30% of eligible workers fail to sign up when asked to opt-in
Attribute Priming	• Consumers "primed" on specific products or product attributes will tend to select those products or emphasize those product attributes in comparisons	• Starbucks changed the way we think about naming conventions; by re-branding all sizes as synonyms of "large"; as a result people become more receptive to trading up to a larger drink size
Mental Accounting	• Consumers often set up divisions or categorizations of their own finances which changes how they perceive the associated money	• Refunds are counted in the category of "free money" - which is why people do not spend such money on health care, utilities and eliminating credit card debt but on discretionary items such as vacations or luxury items
Rules of Thumb	• Consumers often use arbitrary or incomplete guides to make purchasing decisions	• Individuals utilize simple fractions (e.g., 25%, 50%) or adopt a 1/n allocation approach to 401(k) investment selection
Dominated Alternatives	• Consumers gravitate towards products with a "dominated" alternative: an additional choice that is clearly inferior in value to the product they are selecting	• Consumer preference between the Economist magazine's $59 online-only subscription and a $125 print-only option changed when presented with a third option of a $125 print + online subscription
Choice Paralysis	• Increasing the complexity of a purchase decision can lead consumers to delay their purchase, often indefinitely	• Clothing retailers (such as Gap) have found that reducing quantity of in-store apparel can increase same-store sales
Framing	• Consumers act differently based on how choices are presented	• Consumers are far more likely to purchase "80% lean" meat versus the equivalent "20% fat" meat

icare™

Value assessments exploit 'value' being a relative concept that is, at times, determined via irrational behaviour

Value Assessments

Value is a relative concept.   Is a television "worth" $300 or $400? Is a warranty "worth" $29.99? In assessing the "value" of a product or service consumers often use seemingly "irrational" metrics and concepts to guide their behaviour.

BE Principle	Description	Example
Love of Free	• "Free" triggers consumer reactions different from logical preferences and causes consumers to overlook underlying math	• Majority of survey respondents selected a free $10 gift certificate over paying $7 for a $20 gift certificate
Anchoring	• Valuation assessments are often made based on initial exposure to price, irrelevant comparisons, or specific attributes	• Valuation of previously unseen goods (e.g., black pearls) are based on first exposure to a price point) • Taste test results differ greatly when respondents are informed of the brands (e.g., Coke vs. Pepsi)
False Contexts	• Consumers draw value cues from contextual details that are not actually relevant	• Consumers are willing to make an extra effort to save $10 in the context of a small purchase (e.g., a $30 pen) but not in the context of a large purchase (e.g., a $900 suit)
Endowment Effect	• Consumers value products and services they already own higher than those they do not, making it difficult to downgrade from currently held products/ services; result is often a disconnect between sellers' & buyers' valuation	• Consumers are reluctant to downgrade already acquired products/services (e.g., free trials of cable packages)
Hyperbolic Discounting	• Consumers too heavily discount the value of future spending or purchases, leading to excessive consumption in the present at the cost of far less consumption in the future	• Consumer choice between immediate payments and future payments too heavily discount the future value of money (e.g., choosing $100 today versus $200 in one year)
Subtraction by Addition	• Inclusion of features with limited applicability can deter consumers from purchase, even when features are optional	• Inclusion of an optional mail-in discount on brownie mix in a collectible plate offer reduced overall market share

icare™

Consumer decisions can often be based on emotional impacts rather than rational economic behaviour

Emotional Impacts

Emotions get the better of people. Emotional impacts can drive someone to or away from what would be considered the "rational" economic decision. Appealing to these emotional impacts can be more powerful than a price reduction in driving demand.

BE Principle	Description	Example
Risk Aversion	• People are willing to pay a premium to move an outcome from highly uncertain to certain	• Consumers have difficulty assessing risks such as a new television set breaking, and will buy a warranty to move from a state with high uncertainty to a state with certainty
Risk Exclusion	• Individuals believe that their exposure to risk is lower than average exposure and heavily discount the likelihood of negative events	• 80% of drivers rated themselves in top 30% of safest drivers
Loss Aversion	• The tendency for people to strongly prefer avoiding losses rather than acquiring gains. Studies suggest that losses are as much as twice as psychologically powerful as gains	• Short-term investment losses are more likely to trigger action than short-term gains
Self Herding	• Valuations of future purchases are made on the basis of past behaviours	• Customers making decision to visit Starbucks begin making repeated visits (i.e., decision that Starbucks is too expensive during tenth visit is admitting previous nine visits were mistakes)
Self Control Facilitation	• Individuals recognize the need for self-control but need support, and are often willing to accept downsides of third-party control to achieve goals	• Stickk.com supports weight loss and other personal improvement efforts by "holding" funds until goals have been achieved (missed deadlines result in funds donated to charity)
Hot vs. Cold States	• Consumers in a cold (non-stimulated) state make different decisions than those in a hot (emotional or otherwise stimulated) state	• Consumers buy more groceries when hungry than when not

Finally, decisions can be influenced by the behaviours and social norms of peer groups

Social Impacts

People are social. Consumers take into account behaviours of fellow consumers and social norms to guide them to what they believe is the "right" decision.

BE Principle	Description	Example
Social / Financial Domains	• People's behaviour differs when they believe they are functioning in a social/favour-giving environment than when they are functioning in a transactional payments environment	• Asking someone to help you change a flat tire is asking for a favour which most people will gladly oblige. Offering to pay someone $10 to change a flat tire is an insult
Perceived Cheating Impact	• Consumers are more likely to commit fraudulent actions against larger entities and when the perceived impact is small enough to avoid triggering conscience	• Cheating rates of students dropped when asked to recall Ten Commandments prior to test
Signalling	• One party takes some observable or costly measures to convey meaningful information about him/ herself to another party in an effort to convince the other party of the value or quality of their product	• Wearing a Lance Armstrong bracelet to show your charitable contribution to fight cancer signals to others that you are a good person
Bandwagon Effect	• The observation that people often do (or believe) things because many other people do (or believe) the same	• In financial markets, a few investors may begin buying a stock on some positive news. Assuming these early buyers are trading on their private information, other investors may start buying as well. Soon everyone is "jumping on the bandwagon" to take a piece of the profit pie, thus causing the stock price to skyrocket
Conformity Effect	• Consumers' desire to comply with cultural or social behaviour may alter decisions and actions	• In meetings where decisions are made, participants overestimate and project group consensus due to "first presenter bias" and "presented information bias" causing them to confirm

Case studies highlight the success of using BE to influence consumer behaviours on general insurance products ...

Principle	Insurance Provider	Approach	Effect on Consumers
Reliance on defaults	**Northwestern Mutual®** Product: Pension Insurance	• Northwestern Mutual's life insurance estimator was modified to include default values for assets and expenses that were difficult to estimate	• Default values made it easy for employees to enrol without complex decision making • Enrolments in Northwestern Mutual's company sponsored 401(k) plan increased from 20% to 90%
Framing	**中国人寿 CHINA LIFE** Product: Property and Casualty Insurance	• China Life advertised the equivalent daily fee (cents per day) of their cheapest insurance product	• More people inquired about China Life insurance because it appeared to be a low-cost option
Hyperbolic discounting	**Prudential** Product: Retirement savings	• Prudential customers were given two pieces of ribbon, one length corresponded to their expected lifespan, one corresponded to the age at which their retirement savings would be depleted	• Customers their retirement ribbons were shorter than their lifespans • This tangible reminder of long-term consequences counteracted their present biases and they felt compelled to save for retirement
Loss aversion	**中国人寿 CHINA LIFE** Product: Property and Casualty Insurance	• China Life showed powerful, emotive scenes that highlighted potential losses from accidents	• The images triggered customers' aversion to losses • Customers buy insurance to avoid suffering losses
Social / Financial Domains	**AB 安邦保险集团 ANBANG INSURANCE GROUP** Product: Auto Insurance	• Anbang Auto Insurance devotes a portion of its profits to the Anbang Charity—in the name of its customers	• The charitable behaviour switches consumers' mode of thinking from "financial" to "social" • Consumers are more likely to choose Anbang because they compare insurers based on social—rather than financial—merit
Bandwagon effect	**Prudential** Product: Life Insurance	• Prudential presented customers with a graphic that showed how much coverage "people like you" purchased at each life stage (e.g. University, young couples)	• Customers felt compelled to join the "bandwagon" with their peers and purchase similar insurance coverage

Source: Strategy& analysis

icare™

... as well as nudging individuals to partake in healthier behaviours.

Principle	Provider	Approach	Effect on Consumers
Default choice	Research Organ donation	• Countries selected to opt-in all individuals for organ donation	• Countries where the population is default opt-in have on average 90% compliance rates compared to an average of 20% for countries that have a opt-in policy
Framing	Research Product: Elicitation of preferences for alternative therapies	• Patients were either told that 90% of those who have a certain operation are alive after 5 years or 10% of patients who this operation are dead after 5 years	• Patients were more likely to have the operation when told that they had a 90% chance of being alive in 5 years
Hyperbolic discounting	Product: Multi-national corporate	• GE ran a RCT where one group received cash incentives to stop smoking - $250 for quitting for 6 months and $400 for quitting for a year – using the principle of immediate incentives to prevent individuals from discounting the future	• The treatment group had 3 times the success of the control, an effect which persisted even after the financial incentives were discontinued at 12 months
Hyperbolic discounting	Product: PHI	• Vitality uses an incentives based program to reward individuals for healthy behaviour towards positive long term health outcomes	• The effect of immediate incentives increased participating in fitness-related activities and health cost savings over a 5 year period (individuals using the gym increased by 22%, inactivity reduced from 76% to 68%)
Loss Aversion	Research Product: Financial incentive-based approaches	• An RCT to study lotteries for weight loss – individuals weight was measured in the morning and compared to their weight loss goals. They were entered into a lottery regardless of whether they had achieved their goal and received a text message their result in the lottery	• Individuals who won the lottery and met their weight loss goals received the prize, if they had won but not met their goal they were sent a message to indicate what they would have won – using loss aversion to create motivation • Individuals who took part lost an average of 13.1lbs compared 3.9Lbs of the control after 4 months
Self control facilitation	Research Product: Implementation prompts to enhance vaccination rates	• Individuals were prompted to write down a date and time to have their influenza injection, compared to another group who only wrote down a date	• The group that were prompted to write down a date and time had a 4.2% increase in vaccination rate

Source: The case for incentivising health using behavioural economics to improve health and wellness, nudge database 1.2, EuroHealthVol20No2

icare™

BE principles can be used to influence employers and employees to take-up and sustain healthy behaviours

NON-EXHAUSTIVE

	Options to Influence Employees and Employers
Decision Shortcuts	• **Reliance on Defaults** - Consider automatic enrolment of employers / employees into a wellbeing proposition to ensure initial uptake is strong • **Choice paralysis** - Use tailored wellbeing solution with limited but effective proposition to avoid impasse due to choice paralysis • **Framing** - Test different communication types on the wellbeing solutions to maximise uptake
Value Assessments	• **Love of Free** - Offer monetary incentives to enrol in a wellbeing program (e.g. premium discounts for employers, discounted health assessment for employees) • **Hyperbolic Discounting** - Consider the use of a tiered incentives program for employers doing well at their wellbeing goals to encourage them to continue towards long term goals e.g. Bronze, Silver, Gold with associated reward (based on improvement and not overall wellbeing to allow for the biggest change)
Emotional Impacts	• **Self Control Facilitation** - Offer work environment benefits to employees to facilitate healthy choices e.g. showers at work, secure bike rack, healthy food options • **Risk exclusion** - Consider evidence based facts on increased risk from poor wellbeing to educate employees about actual risk • **Loss Aversion** - Leverage the effects of loss aversion – for e.g. all employees deposit some amount per month towards a Wellbeing goal; at the end of the month if goal is achieved they get their money back, if not their money is donated to a charity (example using financial incentive but could be substituted)
Social Impacts	• **Social / Financial Domains** - Leverage group and social networks in wellbeing program to encourage the impact of social domains - e.g. team weight loss goal with a shared prize if achieved • **Conformity effect** - Build incentives structure with multiple attainable tiers of rewards so that a large number of employees are engaged in the rewards scheme, encouraging more to 'conform' • **Signalling** - Consider the use of a 'wellbeing contract' to signal commitment of employees to a wellbeing offering

icare™

icare™

Payments & Marketplaces

Pre-Reading for September GLT Strategy Day 2017

Background and Context

This document has been compiled to support discussion to determine where do we want to play, how we want to play and who we might want to play with when engaging in marketplaces

Background

Marketplaces are forums that support the exchange of products, services and/or information. Traditionally marketplaces were constrained to being physical locations facilitated trade. Technological evolution is spurring the emergence of notional (digital) marketplaces.

Electronic payment system utilisation is increasingly prevalent, providing independent benefits and efficiency gains which may be amplified through marketplace integration.

An icare Payments Capability Development strategy has been developed and was circulated in July 2017. The strategy outlined icare's payments ambition, the opportunity, potential solutions and plan ahead. Investigation demonstrated significant (independent) opportunity to improve efficiency and customer experience. RFI of payments services providers are in progress.

An evaluation of the marketplace landscape has since been conducted, identifying an array of accessible strategic options for leveraging synergies through the integration of marketplace and payments capability to dramatically enhance customer outcomes, experiences and improve cost management efficiencies.

Document Purpose

The purpose of this document is to support a discussion to agree:

1. Which service categories we wish to engage in *(Where do we want to play)*?
2. How we wish to engage *(build, buy or partner)*?
3. Who might we want to engage with?

Recommendation

1. **Endorse** the payments strategy underway and continue to proceed with the capability build
2. **Note** we are converging marketplaces and payments capability development
3. **Note** that:
   a) We are engaging with payments providers
   b) We are assessing the feasibility of a Minimum Viable Product (MVP)
   c) On determination of feasibility, our intention is to pilot a Minimum Viable Product (MVP)
4. **Agree** the hierarchy of marketplace strategy options (as outlined on slides 12 and 13)
5. **Agree** to the conducting of detailed analysis of marketplace opportunities within the current area of opportunity (options A + B on slide 13)

icare™

Structure of this document

This document has a main pack that comprises both payments and marketplaces, plus a separate appendix for each.

Main Pack (Required Pre-Reading)

Appendix A: Payments

- Ambition
- Opportunity
- Potential Solutions

Analysis of our payments capability build strategy, including;

- the ambition for what a new payments system seeks to achieve
- the opportunities for improvement in the current system
- potential solutions, including design principles and potential partnering arrangement

Appendix B: Marketplaces

- Landscape
- Value
- Alignment
- Engagement

It also develops a marketplace engagement strategy by:

- outlining the current landscape of marketplaces in the health sector
- demonstrating the value of marketplaces to us, our customers and providers
- evaluating the alignment of existing marketplaces to our customer needs
- considering engagement options with specific marketplaces

icare™

Executive Summary

Key question: where do we want to play, how we want to play and who we might want to play with when engaging in marketplaces to optimise customer experience, customer outcomes and cost efficiencies?

Opportunity ▶	Considerations ▶	Recommendation
Why are we exploring this opportunity? • Industry trends of digital disruption, shifts towards self-directed care and health sector movement from activity based to outcome based sourcing models are creating new business model and service delivery opportunities. • Our scale may provide an attractive proposition for marketplace providers potentially creating an opportunity to secure cost efficiencies and improve customer experiences and outcomes.	**What are we already doing?** • To reduce administrative friction reduction and secure cost efficiencies and service experience enhancement we have engaged payment system providers with an RFI initiated August 2017. • Customer demand for marketplace providers within the non-medical services category has led us to engage reactively with select marketplace providers.	**What is the recommendation?** A range of five strategic options have been identified that may be implemented in phases dependant on the evolution of sector maturity (slides 12-13) It is recommended the GLT proceed with strategic options A and B within the current area of opportunity (Slide 13).

What is our objective?
 	
• <u>Primary</u>: (1) Improve customer experience enhancing the ease of interaction, ameliorating provider accessibility, and supporting informed choice.
• <u>Secondary</u>: (2) Improve customer outcomes by leveraging information to enhance the service proposition and encourage directed maturity development to support outcomes based sourcing
• Tertiary: (3) Reduce cost through streamlining of process and minimisation of administrative burden.
	What factors require deliberation?
	
	• Are there service types/characteristics that present an attractive proposition? (Slide 31)
	• Are there risk of service or risk to customer considerations that create a preference in the degree to which the market is open/closed? (Slide 11)
	• Are there provider service offerings that are more/less favourable? (Slides 31, 34)
	• Are there factors that influence the public discernibility of quality outcomes and the ability to make informed choices? (Slide 31)
	• Are there sector maturity considerations that may influence long-term customer outcomes and influence how and when we engage? (Slide 33)
		What the rationale?
		
		• Strategic options A and B maximised benefits to customer experience, customer outcomes and cost efficiencies while appropriately balancing the risk of marketplace uncertainty.
		
		What might the next steps be?
		
		1. Proceed with the payments capability build
		2. Converge marketplaces and payments to secure available synergies
		3. a) Engage payments providers
		   b) Assess feasibility of a Minimum Viable Product (MVP)
		   c) On successful assessment, pilot a MVP
		4. Agree marketplace strategy options (hierarchy as per slides 12–13)
		5. Conducting detailed analysis of marketplace opportunities within the current area of opportunity (options A + B on slide 13)

icare™

Digital disruption and a shift towards self-directed care is creating new business models and service opportunities

Context

Digital disruption has brought about business models offering new opportunities in service delivery – customers' expectations have increased accordingly

As the healthcare market disaggregates, we are seeing the increase of self-directed care with the locus of control shifting towards the customer

In Care, our customers have experience using marketplaces. We want to be more active, driving engagement more broadly but we are unsure how

Our payments processing is inefficient and we need to streamline this process; we need to make the process invisible

Our Ambition

- We look at integrated examples like Uber and believe we too can develop a holistic marketplace and payments solution that will deliver the innovation to meet our customer needs

- Bring our customers closer to market providers and create opportunities for customer choice and control and self-directed treatment, care and support pathways

- The marketplace initiates the payment process which becomes invisible to the customer

- The payments process further drives operational efficiencies

Why

Customer Experience
- The integrated solution streamlines the customer experience removing process rub-points causing frustration and delay whilst creating opportunities for customers to increase control of their treatment pathway

Customer Outcomes
- The marketplace can be the mechanism to source multi-disciplinary teams to drive towards health outcomes

Scheme sustainability
- Greater cost efficiency creates opportunities to allocate our resources more effectively

icare™

Our engagement with marketplaces can be enabled by a payments system to deliver transactional capability

A **marketplace** is a forum for the exchange of products, services or information in either a physical or digital location. Marketplace transactions may be processed by the marketplace operator, third parties or outside the marketplace itself.

Customers

Providers

What are the key marketplace interactions?

Products	Services	Information
Exchange of medical and non-medical products to support the needs of icare customers eg	Exchange of medical and non-medical services to support the needs of icare customers eg	Sharing of information about the nature and quality of products and services eg
• Medical devices • Orthopedic accessories • Preventative health accessories	• Medical services • Attendant care • Domestic services • Social support	• Provider profiles (credentials and capabilities) • Customer reviews • Customer ratings

What are the marketplace enablers?

Enablers

HICAPS   Payments System   lantern pay
Claims Processing System
Data / Analytics Platform
Customer Relationship Management System
Software and Infrastructure

An integrated payments system provides transaction data on its own, but marketplaces also offer additional benefits

icare™

Payment capability provides immediate benefits by replacing current slow and costly manual processing across 3 initiatives

Building payments capability will shift icare towards 'Invisible Payments' and fulfil our payments ambition across 3 initiatives, with initiatives 1 and 2 now in progress of being mobilised

	Participant Experience	Provider Experience	icare process efficiency	icare data insights	icare Processing Volume	Key Initiatives
Invisible Payments – Participant obtain service and go, payments occur in background	+	+	+	+	None — icare espoused position - great user experience and access to rich data insights	**1** • OCR platform update and implementation
Easy Payments – Participant receives service and pays provider with semi-automatic claims after	+	+	+	−	None	**2** • Easy payments pilot at Care • Complete invisible payments infrastructure
Bill Back – Providers make a claim to icare after service	+	−	−	−	• Care $121.8m • Self-managed care $1.8m • WI $1,360m / Opportunity to deliver efficiency across an estimated 1.33m of transactions amounting to $1,830 million p.a. (Care - $128.7 million, WI – estimated $1,700 million)	**3** • Scale and deploy invisible payments to icare wide • Integration to data infrastructure
Claim Back – Participant pay providers after service then make a claim	−	+	−	−	• Care $1.2m • WI $340m	

* Numbers stipulated above are based on preliminary figures and triangulations, subject to change following detailed business case

…We are now exploring how customer experiences and outcomes can be optimised through Marketplaces and Payments capability synergies

icare™

Our payments strategy will progress towards enabling invisible payments and self-learning ecosystem, allowing manual handling by exception only

	1 Making current payments capability to work better	**2** Implementing easy payments at Care and setting up platform for invisible payments	**3** Enabling self-sustaining ecosystem with access to rich data and rollout invisible payments
PROGRESSION OF PAYMENTS STRATEGY	100% of icare payments volume still manual with incremental efficiency gains	Increasing % of Care volume in easy payments	Majority (>80%) of icare wide payments will be invisible with manual handling by exceptions
PARTICIPANT	Less friction in current state service provision	Enable innovative means to further lift the participant experience through better services requisition and provider engagement	Continue to have empowered interaction with icare in relation to service requisition and care
PROVIDER	Reduce administration and friction in invoice processing and being paid	Providers benefit from faster payment cycle and timely authentication of transactions	Continue to have empowered interaction with icare in relation to partner management and pricing
ICARE	Efficiency gains from incremental reduction in error rates and administrative processing	icare can re-direct resources towards better social outcomes, instead of undertaking inefficient administrative processing	Collection of critical data points will unlock artificial intelligence and machine learning based improvements to the case triage and EBM capabilities; leading to a self-correcting infrastructure

(Left vertical labels: PROGRESSION OF PAYMENTS STRATEGY; STAKEHOLDER IMPACT BY PHASE — PARTICIPANT, PROVIDER, ICARE)

icare™

While marketplaces and payments create value independently, we will capitalise on the integrated synergies

Interrelationship between Marketplaces and Payment Systems with Illustrative Examples

Payments

Marketplaces

Payments system only

System that allows customers to pay providers for goods and services but has no online or physical place where customers can communicate with or hire providers

Marketplace with payments system

Forum that allows customers to communicate with, select, hire and pay providers for goods or services, and may allow claims against insurers

Marketplace without payments system

Online or physical forum for customers to communicate with and hire providers but no transactional capability, with all payments occurring outside the marketplace

lantern pay

Healthcare focused payment wallet that integrates with existing health marketplaces and allows claims form insurers and payments of out of pocket expenses

bettercaring.com.au

Care services marketplace where providers set own price and customers can directly contact and hire providers, negotiate terms and pay providers online

whitecoat

Medical services directory where customers can rate, review and book appointments with providers but not pay providers online or get quotes from insurance providers

HICAPS

Payments platform connecting customers, private insurers, Medicare and allied providers that allows payment to providers from insurer funds

UBER

Ridesharing mobile application that allows consumers to submit trip requests that are routed to crowd-sourced drivers, with integrated invisible payment function

HealthEngine

Online booking portal for 10 medical service categories that allows customers to search provider profiles, book appointments and rate and review providers.

Value

- Reduced friction and delay in claims processing improving customer experience
- Greater data visibility and lower processing costs
- Increased participation of providers due to ease of payment

- Combined data visibility on costs and outcomes
- Increased customer choice combined with capacity for icare to monitor and influence treatment
- Opportunity for cost efficiency through preferred supplier agreements, bundling and volume discounts

- Increased control for customer driven by increased access to providers and more informed choice
- Greater transparency on quality and price to enable improved outcomes and cost management

icare

Embracing these changes requires innovation and the results will completely reshape the customer experience

Persona: Using the example of Paul, who needs to get physiotherapy whilst he's on holiday, we can see how Paul can leverage a digital marketplace and payments system to efficiently self-direct his care. Paul doesn't know any local providers so he peruses the marketplace and profiles of local physios. Paul finds Barbara, who specialises in back pain and has the right experience and good reviews

	Needs	Request service / quote	Approval	Treatment	Services Completed	Invoice & pay
Paul's needs based journey	Paul needs physio for his back pain	He would like to make an informed choice and direct his care	Paul doesn't want to bother with approval admin…	..he just wants the best treatment to relieve his pain	Paul is happy with his service and wants to share his experience	Paul only needs trust that payment was accurate and completed
Customer Journey - Vision -	Paul no longer needs to call his case manager for approvals, he will log on through the portal to check his icare plan	Paul is self-directed and peruses the marketplace and assesses fit based on availability, credentials and reviews	Pre-approvals have eliminated delays from back-office processing and Paul is managing his icare plan	Treatment is provided, and Paul's guided choice means the outcome is better	Paul logs on to the marketplace to leave a review and logs services completed	Paul doesn't see the payment – it's immediately processed through the marketplace and Paul's icare plan is updated

Paul is leveraging the marketplace to self-direct his care

The payments process is made invisible

icare™

The marketplace landscape consists of three service types, each with varying customer autonomy and provider controls

Risk of service

Controlled Market → **Open Market**

Physician services

Payments systems that are moving into appointment bookings and a wider range of providers

medipass →

carrum health

Ratings directories that have moved into appointment booking and into physician services

Non-physician medical services

HealthEngine

ndis   Whitecoat

Care

clickability

CarePilot

Non-medical services

hireup

bettercaring.com.au

Optimal place to play

Non-medical services

Characteristics

- Covers all treatment by physicians, including a spectrum from generalist GPs to highly specialized surgeons
- Few providers with requisite expertise
- High level of qualifications required
- Outcome not easily discernible by patient
- Poor service poses high risk to patient recovery

- Covers services including allied health, therapy, dentistry and nursing
- Many potential providers with sufficient expertise
- Some level of professional qualification required
- Customer experience and engagement is important
- Poor service poses medium risk to patient recovery

- Covers all non-medical services including domestic assistance, social support and personal care
- Many potential providers with sufficient expertise
- Minimal or no required qualifications
- Customer experience, flexibility and convenience is an important component of service
- Poor service poses low patient recovery risk

Optimal Marketplace

- **Controlled market with provider restrictions**
- Valuable role for icare in determining optimal treatment pathway using outcomes based data
- Crowd-sourced ratings unreliable for provider quality determination
- Focus on streamlining payments and reducing friction

- **Moderately open market with medium customer autonomy, free information flow and some barriers to entry for providers**
- Combined role for data and customer ratings to determine quality of providers
- Focus on streamlining payments/claims and increasing informed customer choice and control

- **Open market with high customer autonomy, free information flow and low barriers to entry for providers**
- Customer ratings are reliable indicator of quality of providers
- Focus on enhancing customer choice to achieve convenience, flexibility and control

icare™

Five main strategic options exist for marketplace engagement

Marketplace Engagement Options

Attractiveness

Level of Proactive Engagement	Potential engagement option	Rationale	Driving outcomes	CX	Data	Difficulty[1]
5 — Build or Co-Create a New Marketplace	• Marketplace designed for icare • Providers / service types aggregated as per icare needs	Ability to develop tailored marketplaces and control / influence choice, experience and outcomes	●	●	●	○
4 — Customise Existing Marketplaces	• Licensed arrangements with existing marketplace providers • Could include icare branding, exclusive usage and control over providers	Belief that icare branding brings additional value and that we may want to control which providers can be on the marketplace; building a marketplace is not an icare core capability	◔	●	●	◑
3 — Plug in Payments System to Existing Marketplaces	• icare payments system integrated into existing marketplaces • Payments processing invisible	Existing market places already meet our needs, we just want to streamline our payments processing	◔	●	●	◑
2 — Direct Customers to Use Specific Marketplaces	• Direct customers to specific marketplaces - tried and trusted • Possible manual payments workaround to avoid customer interaction	Ability to increase engagement immediately, efficiently managing manual pre-approvals by limiting the number of marketplaces. Interim state until #3	◑	◑	◔	●
1 — Encourage Customers to Use Marketplaces	• Customers find and use marketplaces to hire providers with discretionary funds and are reimbursed afterwards (current state for some CDC programs)	Ability to increase engagement immediately however payments processing could be no better than today. Interim state until #3	◔	◔	◔	●

Payments functionality (options 5, 4, 3)
No payments functionality (options 2, 1)

Current focus area of opportunity

1) The criteria of "Difficulty" encompasses complexity, risk, cost and time to implement

● = Attractive
○ = Not Attractive

icare

Our engagement strategy may pass through several phases as our capability and marketplace maturity evolves

Marketplace Engagement Options

Where we will play in this service category depends on maturity of future available marketplaces

Level of Proactive Engagement

FOR DISCUSSION AT STRATEGY DAY

5 — Build or Co-Create a New Marketplace

4 — Customise Existing Marketplaces

3 — Plug in Payments System to Existing Marketplaces

2 — Direct Customers to Use Specific Marketplaces

1 — Allow Customers to Use Marketplaces

- Is building a marketplace congruent with our business capabilities?
- Are existing and future marketplace operators likely to sufficiently meet our needs?
- Will there be market failure that prevents marketplaces operating for key customer needs?
- Will the benefits over existing marketplaces be worth significant upfront and ongoing costs?

C

Given the limited spend and low risk to customers, is it worth customizing marketplaces for non-medical services?

B

A

Current focus area of opportunity

Due to the high risk to customers and high spend this service category:
- Do we require transactional oversight?
- Do we want a higher level of control than options 1 and 2 afford?

Level of Risk

Non-medical services
(FY17 Spend: $97m)

Non-physician medical services
(FY17 Spend: $324m)

Physician services
(FY17 Spend: $385m)

Phase 1 **A**

We can start here immediately developing engagement capabilities with existing marketplaces

Phase 2 **B**

Once integrated payments capability developed, we can plug into or customize existing marketplaces and no longer need to engage in zone A

Phase 3 **B** + **C**

In the future, we may choose to build or co-create a marketplace depending on future available marketplaces and the needs of our various customer segments

icare™

Leveraging current momentum, we have a program of work to develop the strategy through to Dec 2017...

Marketplace & Payments Next Steps to December GLT

Future

Marketplaces

Marketplace Scan

- Prep for Strategy Day
  - Marketplace landscape, value, and alignment to icare

1 Marketplace Analysis

- Detailed analysis on areas of opportunity
- Detailed analysis on marketplace capabilities
- Early identification of payments requirements
- Alignment to PHI strategy

2 Size the Prize

- Identify value drivers
- Constraints / challenges
- Opportunities to partner to leverage existent capabilities
- Updated payments requirements

3 Pilot & scale

- Identify customer segments and marketplaces suitable for pilot program
- Scope & run pilot
- Develop business case to scale access to marketplaces
- Business requirements for integrated payments system

Payments

Payments Scan

- Prep for Strategy Day
  - Clear articulation of Payments capability build
  - Engage with providers as part of the partner selection process

1 Partner Selection

- Further analysis on areas of opportunity
- Undertake a robust partner selection process based on the documented payments ambition
- Find an innovation partner to deliver the ambition
- Alignment to PHI strategy

2 MVP in Care

- Early stage design of Minimum Viable Product payments solution in Care business *(Note – dependent on vendor selection outcomes)*

3 Deploy MVP & scale

- Develop and deploy MVP in Care
- Continue Test & Learn approach to validate solution concepts that apply to the rest of icare

icare™

...and we maintain focus in the long run on an integrated strategy that will shift towards outcomes based sourcing

Payments & Marketplaces Long Term Roadmap

	Improve data visibility (~1 year)	**Drive cost efficiency** (~3 years)	**Targeted treatment for outcomes** (~10 years)
3. Whole Person Outcome Based Commissioning			• Extend marketplaces or co-create new marketplace to allow customers to issue requests for service, rather than just responding to provider profiles
2. Focused Outcome Based Commissioning		• Pursue options to bundle service commissioning for multiple providers on existing platforms to allow limited outcomes commissioning and drive cost savings	• Increase alliance contracting with multi-disciplinary health providers to encourage providers to go to market collectively and promote outcome based commissioning
1. Activity Based Commissioning	• Integrating new payments system into existing marketplaces to obtain real time transactional and outcomes data	• Create preferred supplier agreements, including bulk purchasing discounts and tiered pricing based on scale	• Devise targeted triage system to refer simple cases to preferred providers with strong results to achieve improved outcomes, experience and cost efficiency
Capability Build	• Partner with payment provider to build new payments system • Develop infrastructure to link payments system to marketplaces	• Utilize data analytics to identify most effective and cost-efficient providers • Scale payments system to whole of icare and integrate with NISP	• Develop predictive analytics/AI platform to determine suitable services to achieve outcomes • Train case managers to guide customers in outcome commissioning

icare™

Payments Capability Build

A

We are embarking on developing capabilities to fulfil our payments ambitions

AMBITION

1

icare has significant ambition in leveraging payments to make step change in transforming the user experience across participants and providers.

There is also a long term focus involving greater data integration using artificial intelligence and machine learning – to continuously augment our core capabilities in triage rules and EBM, and to enable longer term strategic intents such as Smart Pathways.

OPPORTUNITY

2

Payments processing at icare today remains manually driven - which is both labor intensive and error prone, with a need to shift towards an "Invisible Payments" model in order to fulfil icare's ambition.

Initial estimate of optimisation opportunity circa 100 FTEs is identified, with assumptions to be verified in detailed business case.

Pending on technology sourcing and integration approach, the indicative development costs is estimated to be up to $6m to $9m, to be determined in parallel to procurement process.
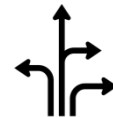
POTENTIAL SOLUTIONS

3

To achieve icare's payments ambitions, 4 capabilities are identified as requirements. The service initiation channel is the most critical requirement in vendor selection due to user experience impact and degree of innovation. Authorisation and control capability should be an icare IP which allows for flexibility for icare to switch service channels as innovation evolves.

All up 11 market incumbents were engaged as an initial market scan. Preliminary research highlighted that payment industry incumbents are not ubiquitous - they have different focus in core offering among the required payments capabilities.
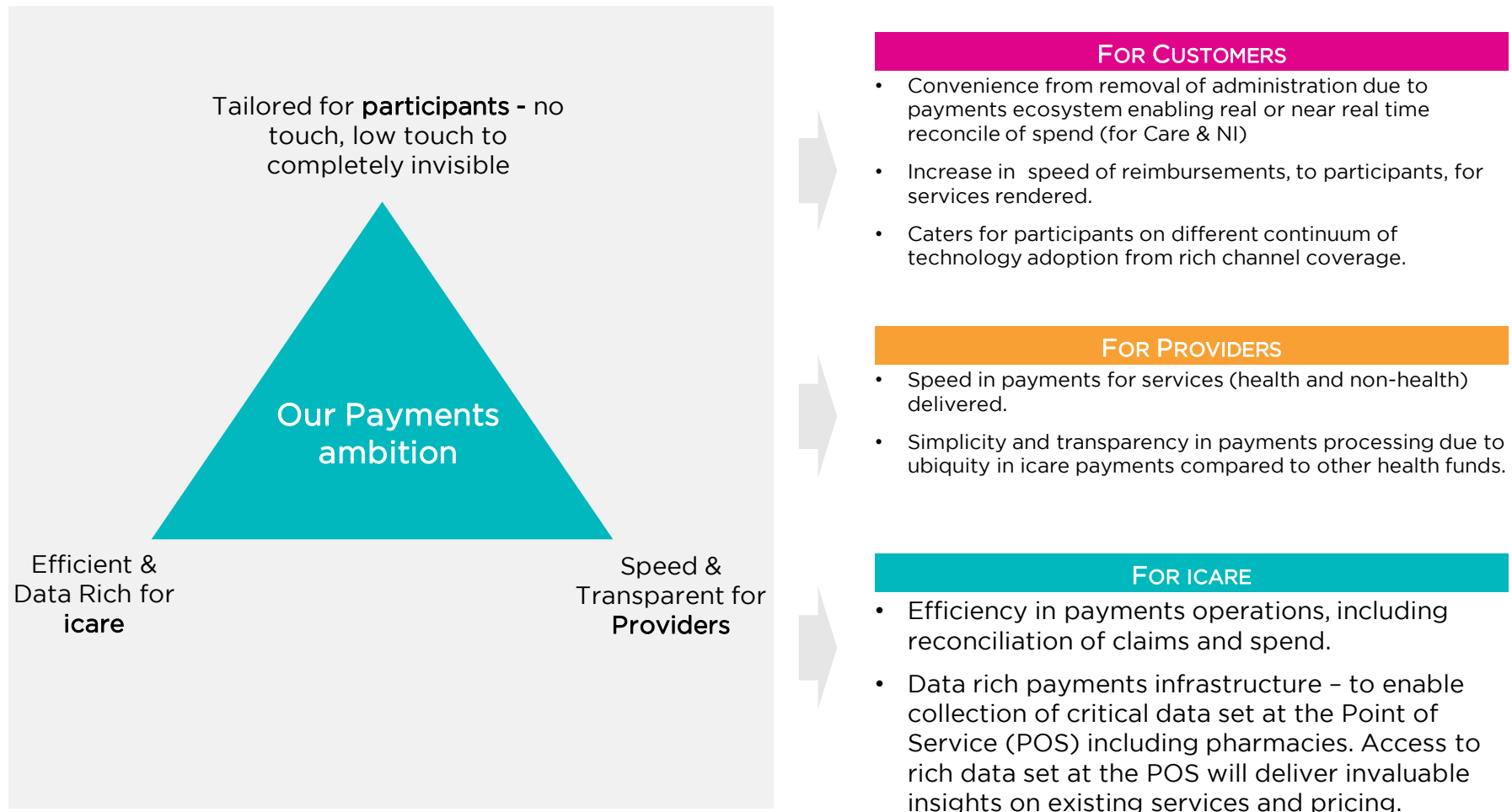
PLAN AHEAD

4

The payments project has kicked off a closed RFI process in August centered around experience-led evaluation of suitability, with a plan towards mobilising a project team to begin implementation of a minimum viable product at Care.

icare™

Our ambition is participant led with the aim to unlock opportunities across participants, providers and icare

Tailored for **participants -** no touch, low touch to completely invisible

Our Payments ambition

Efficient & Data Rich for **icare**

Speed & Transparent for **Providers**

For Customers

- Convenience from removal of administration due to payments ecosystem enabling real or near real time reconcile of spend (for Care & NI)
- Increase in speed of reimbursements, to participants, for services rendered.
- Caters for participants on different continuum of technology adoption from rich channel coverage.

For Providers

- Speed in payments for services (health and non-health) delivered.
- Simplicity and transparency in payments processing due to ubiquity in icare payments compared to other health funds.

For icare

- Efficiency in payments operations, including reconciliation of claims and spend.
- Data rich payments infrastructure – to enable collection of critical data set at the Point of Service (POS) including pharmacies. Access to rich data set at the POS will deliver invaluable insights on existing services and pricing.

We are focussed on efficiency gains initially, followed by enabling invisible payments and self-learning ecosystem

	Making current payments capability to work better	Implementing invisible payments with new operating model	Enabling self-sustaining ecosystem with access to rich data
PARTICIPANT	• Less friction in current state service provision	• Enable innovative means to further lift the participant experience through better services requisition and provider engagement	• Continue to have empowered interaction with icare in relation to service requisition and care
PROVIDER	• Reduce administration and friction in invoice processing and being paid	• Providers benefit from faster payment cycle and timely authentication of transactions	• Continue to have empowered interaction with icare in relation to partner management and pricing
ICARE	• Efficiency gains from incremental reduction in error rates and administrative processing	• icare can re-direct resources towards better social outcomes, instead of undertaking inefficient administrative processing	• Collection of critical data points will unlock artificial intelligence and machine learning based improvements to the case triage and EBM capabilities; leading to a self-correcting infrastructure

Our core design principle is to be customer experience-led

DESIGN PRINCIPLES

- Solution will be customer experience led
- Payments industry based innovations in market will guide the parameters of icare's payments ambition
- Flexibility in pursuing a consortium of solutions to achieve payments ambition
- Care business needs will define the MVP solution with the view to scale whole or part of the solution for whole of icare
- Payments partner selection would be agnostic of the current banking or payment gateway relationship

WHAT DOES SUCCESS LOOK LIKE?

- Payments capability that significantly lifts participants experience, improves payment authentication and approval from provider perspective and delivers efficiency for icare.
- MVP implementation in Care business
- Integration to NISP as the appropriate time
- Continual program for deployment across icare
- Access to rich data points delivering the ability to enable Smart Pathways

CAPABILITY REQUIRED BY PARTNER(S)

- Rules engine for payments processing
- Integration to established provider networks
- Payments channel breadth and footprint
- Data availability and timeliness
- MIS, insights and machine learning

SCOPE

In
- Out-bound payments interactions between participants, provider and icare
- Coverage of medical and non-medical payments needs by participants

Out
- In-bound payments
- Payment interaction with employers

icare™

Currently payments processing at icare is conventional and requires significant manual effort

Building the payments capability will shift icare towards the 'Invisible Payments' and fulfil icare's payments ambition across both horizons

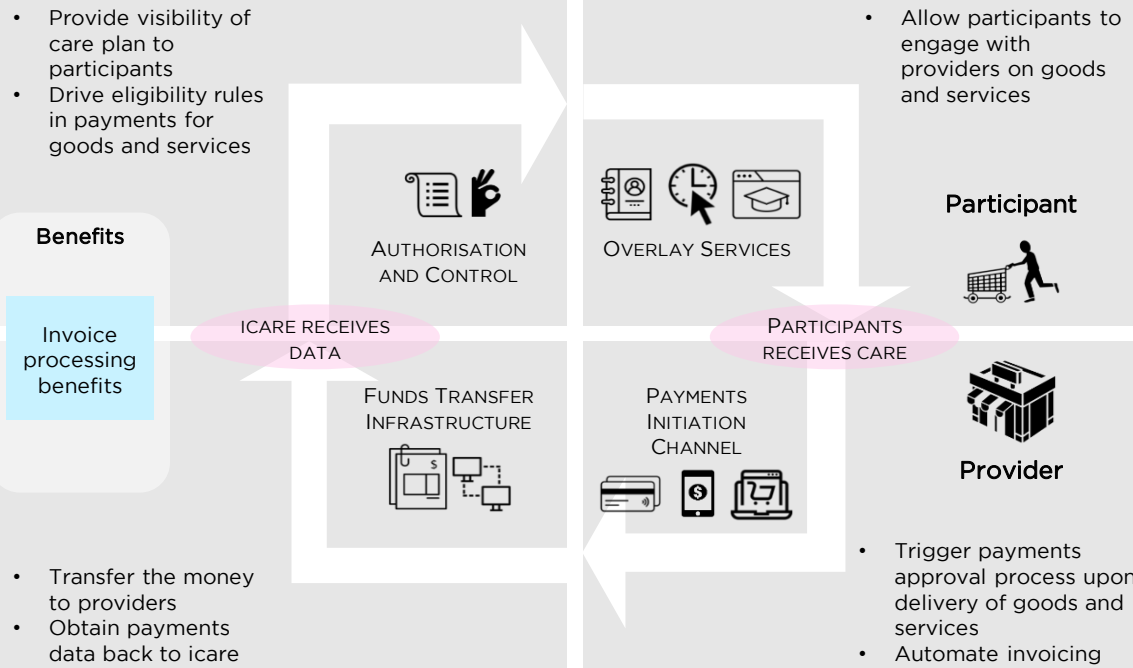|	Participant Experience	Provider Experience	icare process efficiency	icare data insights	icare Processing Volume	
Invisible Payments – Participant obtain service and go, payments occur in background	➕	➕	➕	➕	None	icare espoused position - great user experience and access to rich data insights
Easy Payments – Participant receives service and pays provider with semi-automatic claims after	➕	➕	➕	➖	None	
Bill Back – Providers make a claim to icare after service	➕	➖	➖	➖	• Care - $121.8m • Self-managed care - $1.8m • WI - $1,360m	Opportunity to deliver efficiency across an estimated 1.33m of transactions amounting to $1,830 million p.a. (Care - $128.7 million, WI – estimated $1,700 million)
Claim Back – Participant pay providers after service then make a claim	➖	➕	➖	➖	• Care - $1.2m • WI - $340m	* Numbers as stipulated here are based on preliminary figures and triangulations, subject to change following detailed business case

icare™

An integrated payments ecosystem positions icare as a payments user experience leader, as well as deriving administration efficiency gains

ILLUSTRATIVE

TARGET PAYMENTS ECOSYSTEM PROVIDING A SEAMLESS PAYMENTS USER EXPERIENCE AND ICARE DATA INSIGHTS

icare

- icare will maintain control, ie. an internal IP, of the rules engine and care plans to participants.
- Administrative tasks in eligibility and quotation are reduced by providing visibility of care plan plus opening connectivity between participants and providers
- Invoice approval and processing administration by coordinators are minimised through innovative payments initiation channel by icare's payments partner
- Finance processing is significantly reduced due to funds transfer infrastructure provided by payments partner
- icare obtain payments data enriched with information on provision of goods and services
- Data will be updated on the rules engine and care plan, and allowing for analytics and insights

- • Provide visibility of care plan to participants
- • Drive eligibility rules in payments for goods and services

- • Allow participants to engage with providers on goods and services

Benefits

Invoice processing benefits

ICARE RECEIVES DATA

AUTHORISATION AND CONTROL

OVERLAY SERVICES

Participant

PARTICIPANTS RECEIVES CARE

FUNDS TRANSFER INFRASTRUCTURE

PAYMENTS INITIATION CHANNEL

Provider

- • Transfer the money to providers
- • Obtain payments data back to icare

- • Trigger payments approval process upon delivery of goods and services
- • Automate invoicing

Participant

- icare will allow participants to see what they are eligible for
- Participants will have the connectivity required to search and book eligible services, eg. providers directory or booking engine, without delay

Providers

- Upon providing the goods and services, providers will be able to initiate the payments process with much automation and minimal administration
- Minimal manual intervention in payments processing means quicker funds settlement to providers

Payments Partner

- • icare's payments partners will deliver an seamless payments initiation experience between participant and providers
- • The corresponding funds transfer will be facilitated through the appropriate infrastructure as part of the partnership, with minimal manual intervention and faster settlement
- • Payments partner will also make enriched payments data available to icare according to the latest industry standards

icare™

Indicative estimates across benefits and costs are in place for developing invisible payments capabilities, direct benefits alone likely pay off development and on-going costs in 5 years

PROGRAM BENEFIT DRIVERS AND INDICATIVE ESTIMATES –
Direct benefits and cost avoidance of estimated $2.5m per annum

ESTIMATED PROGRAM AND OPERATIONAL COSTS –
Initial estimate of development costs at $5m, with indicative on-going costs at $1.2m per annum

DIRECT BENEFITS TO ICARE

Care Invoice Processing
Efficiency gains from current invoice processing across Care

Potential optimisation opportunity of processing resources and cost avoidance, equivalent to at least 20,000 people-hours per annum or an indicative estimate of $2.5m per annum.

Corporate Bill Back
Corporate payments efficiency from OCR implementation

Incremental efficiency gains from current process improvements and reduction in administration, estimated to be up to $100k per annum

ENABLING BENEFITS TO ICARE AND THE PAYMENTS ECOSYSTEM

NI/WI Invoice Processing
Benefits surrounding the enablement of NISP claims handling

Potential optimisation opportunity in cost reduction across the icare, scheme agents and providers, which are already embedded in current NISP benefit profile.

Further claims cost reduction benefits as a result of payments data enabling Claims Triage and Evidence Based Medicine.

Data Benefits
Benefits surrounding the enablement of AI and machine learning

Customer Experience
Intangible benefits in better payments experience across customer and providers

Increase customer satisfaction from better service requisition and outcome.

Better provider engagement through faster payments

PROGRAM DEVELOPMENT AND IMPLEMENTATION COSTS

Development costs
One off costs to implement new payments systems and processes

Indicative program cost in the range of $3m to $9m, current estimate at $5m based on TAC program provision

OPERATIONAL COST DRIVERS

Payments cost per transaction
Payments provider taking a clip of transaction in an on-going basis

Estimated on-going costs at $200k per annum based on current HICAPS debit transfer fee at $0.15 per transaction * 1.33m transactions at icare

Operations costs
Covering future costs in Target Operating Model, plus future technology support and maintenance
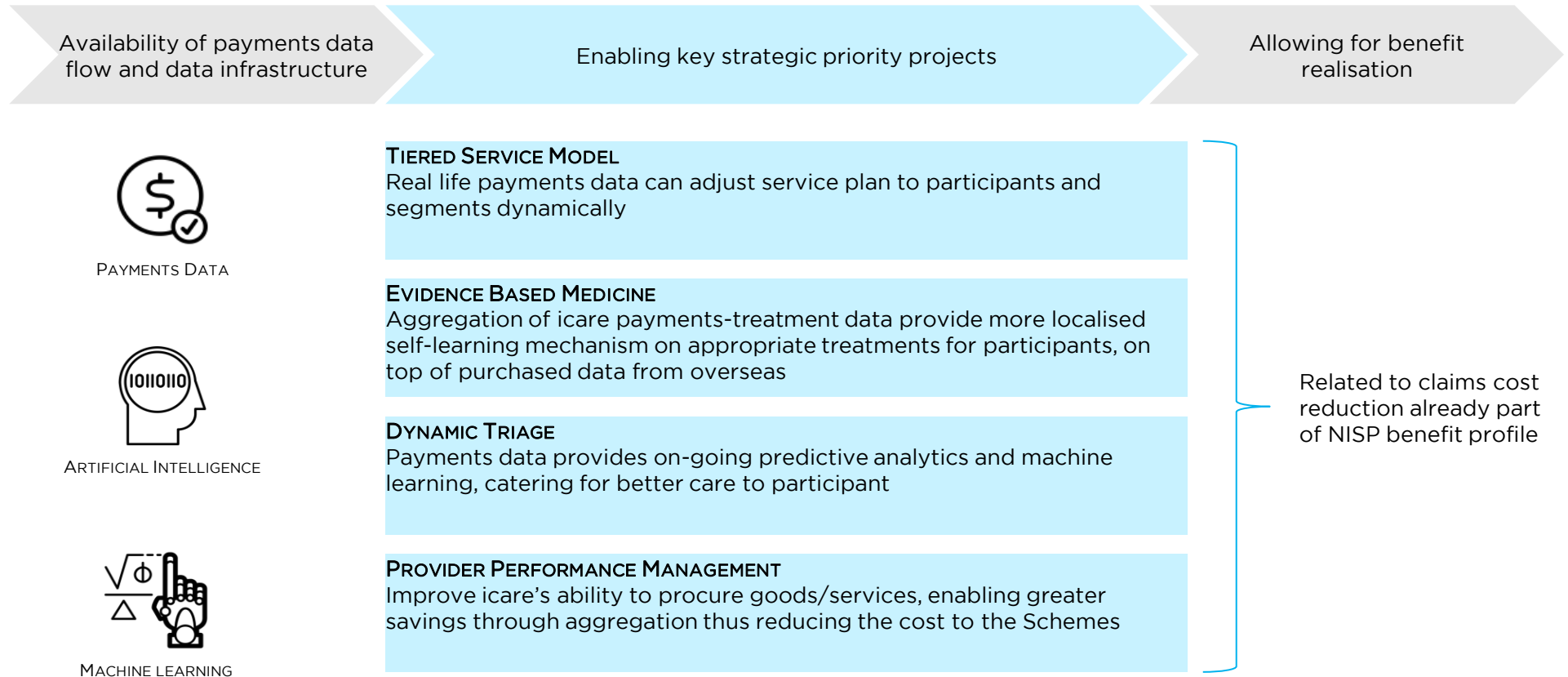
Current estimate at 20% of total development costs, thus indicating $1m per annum

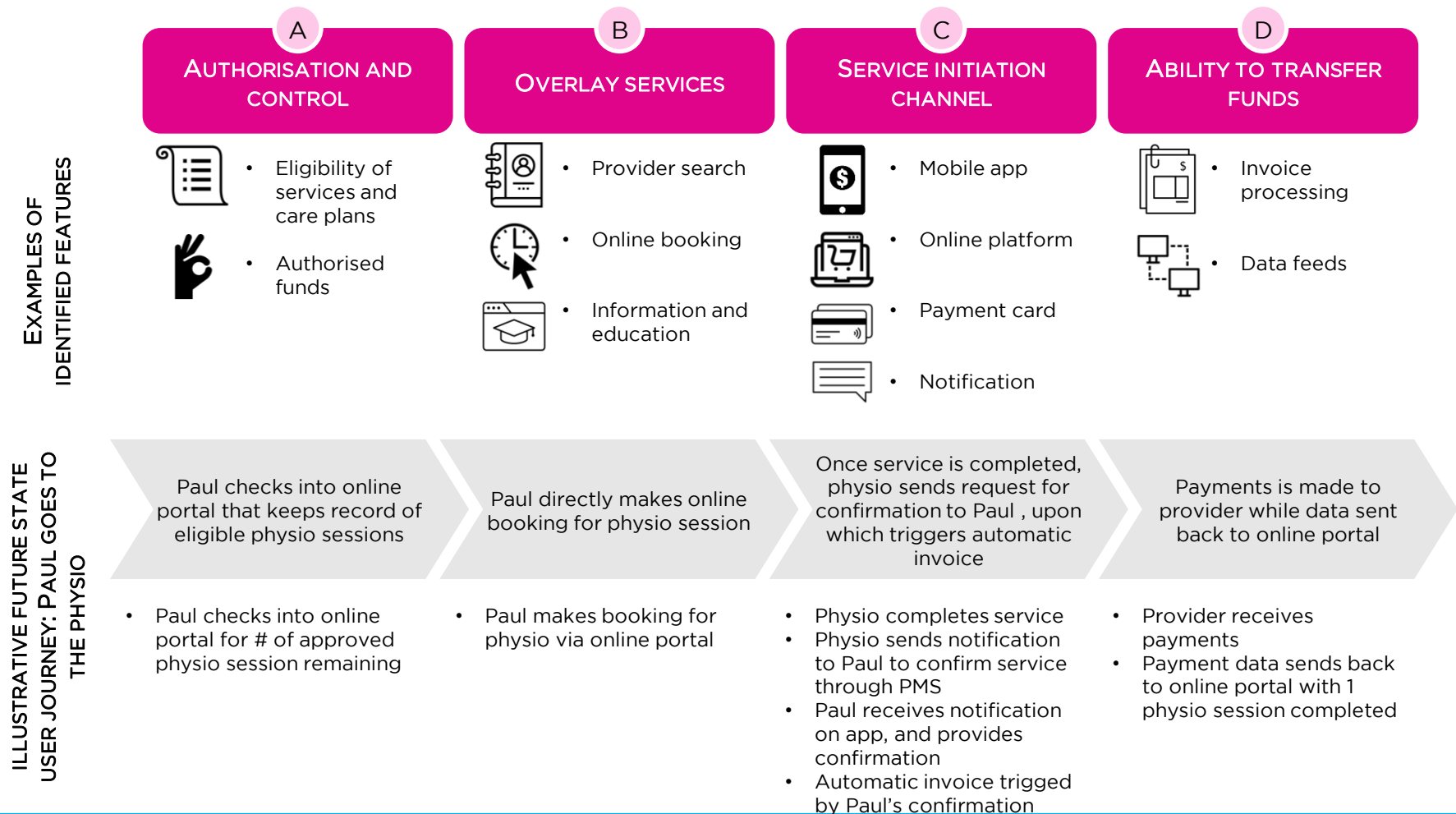**Working capital requirements**
Reduction in interests earned as a result of faster payments to providers

Currently under investigation and maybe offset by reduction in late payment penalties

icare™

Payments data will enable artificial intelligence and machine learning capabilities which allow for benefits realisation at Smart Pathways
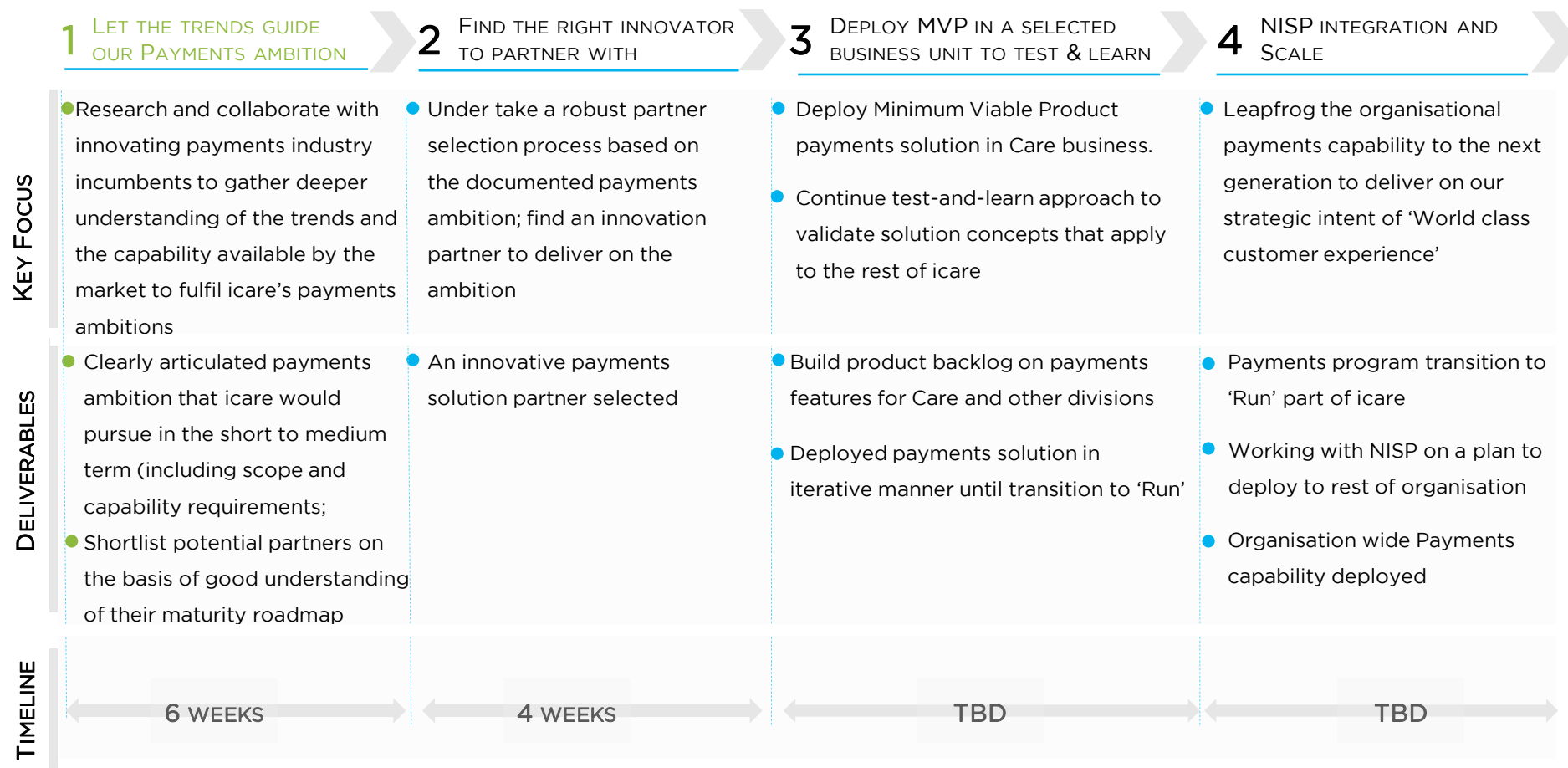
| Availability of payments data flow and data infrastructure | Enabling key strategic priority projects | Allowing for benefit realisation |

PAYMENTS DATA

ARTIFICIAL INTELLIGENCE

MACHINE LEARNING

TIERED SERVICE MODEL
Real life payments data can adjust service plan to participants and segments dynamically

EVIDENCE BASED MEDICINE
Aggregation of icare payments-treatment data provide more localised self-learning mechanism on appropriate treatments for participants, on top of purchased data from overseas

DYNAMIC TRIAGE
Payments data provides on-going predictive analytics and machine learning, catering for better care to participant

PROVIDER PERFORMANCE MANAGEMENT
Improve icare's ability to procure goods/services, enabling greater savings through aggregation thus reducing the cost to the Schemes

Related to claims cost reduction already part of NISP benefit profile

icare™

Four capabilities are identified as requirements of our future state payments process based on user journey exercise

	A AUTHORISATION AND CONTROL	B OVERLAY SERVICES	C SERVICE INITIATION CHANNEL	D ABILITY TO TRANSFER FUNDS
EXAMPLES OF IDENTIFIED FEATURES	• Eligibility of services and care plans • Authorised funds	• Provider search • Online booking • Information and education	• Mobile app • Online platform • Payment card • Notification	• Invoice processing • Data feeds

ILLUSTRATIVE FUTURE STATE USER JOURNEY: PAUL GOES TO THE PHYSIO

Paul checks into online portal that keeps record of eligible physio sessions	Paul directly makes online booking for physio session	Once service is completed, physio sends request for confirmation to Paul, upon which triggers automatic invoice	Payments is made to provider while data sent back to online portal
• Paul checks into online portal for # of approved physio session remaining	• Paul makes booking for physio via online portal	• Physio completes service • Physio sends notification to Paul to confirm service through PMS • Paul receives notification on app, and provides confirmation • Automatic invoice trigged by Paul's confirmation	• Provider receives payments • Payment data sends back to online portal with 1 physio session completed

icare™

Of these capabilities, service initiation channel is the most critical in vendor selection due to user experience

	A AUTHORISATION AND CONTROL	**B** OVERLAY SERVICES	**C** SERVICE INITIATION CHANNEL	**D** ABILITY TO TRANSFER FUNDS
	ICARE IP – SEPARATE FROM PAYMENTS PARTNERSHIP	OPEN TO MARKET ECOSYSTEM	COMPULSORY PAYMENTS PARTNERSHIP REQUIREMENT	A 'GIVEN' FROM PAYMENTS PARTNERSHIP
PARTNERSHIP APPROACH	icare's eligibility rules and authorisation should be an IP of icare and separate from payments partnership. icare's ownership of the rules engine will enable flexibility to switch payments providers as industry involves.	Allow for an open ecosystem where any overlay services providers can engage with icare's Participants.	Considered critical in payments partnership due to direct impact to Participant and Provider experience. icare needs to maintain flexibility to open or switch service channels as significant product innovation is happening in this space.	Considered a 'given' by icare when partnering with a payments provider icare does not have sufficient scale in payments to build or own its dedicated payments network.
DESCRIPTION	An engine or system that captures all the business rules of icare, and provides the decision to authorise or decline a transaction	Add-on services on top of payments that allows for increase in user experience or greater engagement by Participants and Providers	The instrument or application that allows for the initiation of payments by either the Participant or Provider	The underlying payments infrastructure that facilitates the transfer of funds from icare to Providers
SOLUTION EXAMPLES	• Rules engine that is part of insurance platforms	• Online booking • Marketplace • Provider assessment • Information and education portal • Communication such as web chat	• Payment card • Card not present solution such as mobile app or online eCommerce • Provider PMS integration that initiate invoices	• An acquiring bank • An insurance claims hub • A payments network

icare™

Following the Strategy discussion, we should re-cap payments next steps

	1 LET THE TRENDS GUIDE OUR PAYMENTS AMBITION	**2** FIND THE RIGHT INNOVATOR TO PARTNER WITH	**3** DEPLOY MVP IN A SELECTED BUSINESS UNIT TO TEST & LEARN	**4** NISP INTEGRATION AND SCALE
KEY FOCUS	● Research and collaborate with innovating payments industry incumbents to gather deeper understanding of the trends and the capability available by the market to fulfil icare's payments ambitions	● Under take a robust partner selection process based on the documented payments ambition; find an innovation partner to deliver on the ambition	● Deploy Minimum Viable Product payments solution in Care business. ● Continue test-and-learn approach to validate solution concepts that apply to the rest of icare	● Leapfrog the organisational payments capability to the next generation to deliver on our strategic intent of 'World class customer experience'
DELIVERABLES	● Clearly articulated payments ambition that icare would pursue in the short to medium term (including scope and capability requirements; ● Shortlist potential partners on the basis of good understanding of their maturity roadmap	● An innovative payments solution partner selected	● Build product backlog on payments features for Care and other divisions ● Deployed payments solution in iterative manner until transition to 'Run'	● Payments program transition to 'Run' part of icare ● Working with NISP on a plan to deploy to rest of organisation ● Organisation wide Payments capability deployed
TIMELINE	6 WEEKS	4 WEEKS	TBD	TBD

icare™

icare™

Marketplaces Capability Build

B

Chapter 1 – Marketplace Landscape

Key Strategic Questions for Discussion	Approaches to Answer

How can we engage in marketplaces to best deliver value for our customers?

① Marketplace landscape
- How do we define a marketplace?
- What is the landscape and opportunity set within which we could operate both now and in the future?
- What is the mapping to our spend profile (current / future)?

Approaches to Answer:
- Breadth of marketplace definition
- Clarity in marketplaces framework and payments strategy and alignment
- Marketplace landscape

② Value
- What are the issues we are solving for / opportunities to leverage?
- What are the value drivers for engaging in a marketplace?

Approaches to Answer:
- Key Pain Points across the business units and the key functions
- Strategic value drivers

③ Alignment
- What are our marketplace use cases that map our injured customer needs to a marketplace that can fulfil them

Approaches to Answer:
- Alignment to major initiatives (scheme agent, NISP, PHI, payments strategy)
- Needs mapped to marketplaces – Use cases

④ Engagement
- What are our engagement principles?
- What are our marketplace engagement options and our preferred ways to play?

Approaches to Answer:
- Compatible payment systems
- Progressive engagement strategy

icare™

Our engagement with marketplaces can be enabled by a payments system to deliver transactional capability

How do we define a marketplace?

Customers

A **marketplace** is a forum for the exchange of products, services or information in either a physical or digital location. Marketplace transactions may be processed by the marketplace operator, third parties or outside the marketplace itself.

Providers

What are the key marketplace interactions?

Products	Services	Information
Exchange of medical and non-medical products to support the needs of icare customers eg • Medical devices • Orthopedic accessories • Preventative health accessories	Exchange of medical and non-medical services to support the needs of icare customers eg • Medical services • Attendant care • Domestic services • Social support	Sharing of information about the nature and quality of products and services eg • Provider profiles (credentials and capabilities) • Customer reviews • Customer ratings

What are the marketplace enablers?

Enablers

HICAPS	Payments System	lantern pay

Claims Processing System

Data / Analytics Platform

Customer Relationship Management System

Software and Infrastructure

An integrated payments system will provide transaction data on its own, but marketplaces also offer additional benefits

icare™

The marketplace landscape consists of three service types, each with varying customer autonomy and provider controls

Risk of service

Controlled Market / **Open Market**

Physician services

Payments systems that are moving into appointment bookings and a wider range of providers

medipass →

carrum health

Ratings directories that have moved into appointment booking and into physician services

Non-physician medical services

HealthEngine

ndis   Whitecoat

clickability

CarePilot

Care

Non-medical services

hireup

bettercaring.com.au

Optimal place to play

Non-medical services

Characteristics

- Covers all treatment by physicians, including a spectrum from generalist GPs to highly specialized surgeons
- Few providers with requisite expertise
- High level of qualifications required
- Outcome not easily discernible by patient
- Poor service poses high risk to patient recovery

- Covers services including allied health, therapy, dentistry and nursing
- Many potential providers with sufficient expertise
- Some level of professional qualification required
- Customer experience and engagement is important
- Poor service poses medium risk to patient recovery

- Covers all non-medical services including domestic assistance, social support and personal care
- Many potential providers with sufficient expertise
- Minimal or no required qualifications
- Customer experience, flexibility and convenience is an important component of service
- Poor service poses low patient recovery risk

Optimal Marketplace

- **Controlled market with provider restrictions**
- Valuable role for icare in determining optimal treatment pathway using outcomes based data
- Crowd-sourced ratings unreliable for provider quality determination
- Focus on streamlining payments and reducing friction

- **Moderately open market with medium customer autonomy, free information flow and some barriers to entry for providers**
- Combined role for data and customer ratings to determine quality of providers
- Focus on streamlining payments/claims and increasing informed customer choice and control

- **Open market with high customer autonomy, free information flow and low barriers to entry for providers**
- Customer ratings are reliable indicator of quality of providers
- Focus on enhancing customer choice to achieve convenience, flexibility and control

icare™

We have assessed existing marketplaces to consider our range of strategic options

Market Scan of Existing Marketplaces

Marketplace	Description
medipass	Platform limited to health providers allied to participating insurers that will allow customers to search healthcare providers, obtain fees and insurance quotes, book appointments, pay out-of-pocket expenses to providers and debit their insurance fund
carrum health	Platform that connects self-insured employers to regional US healthcare providers through bundled payment solutions
HealthEngine	Online booking portal for 10 medical service categories including GPs, dentists, chiropractors and psychology, that allows customers to search providers by suburb and book appointments. Providers create profiles outlining services and prices and customer can provide ratings and reviews
whitecoat	Medical services directory where customers can rate, review and book appointments with providers but cannot pay providers online or get quotes from insurance provider
clickability	Disability services directory where customers can review and rate providers but not interact with providers or make appointments. Providers pay a subscription fee to be listed on the site.
CarePilot	Platform offering home care packages to the elderly from selected providers plus care management and budget services. Customers can select providers and pay for them by credit care through the site.
hireup	Care services marketplace where providers are employed and managed by hireup and charge rates set by hireup, where customers can select, communicate with and engage providers online
bettercaring.com.au	Care services marketplace where providers set own price and customers can directly contact and hire providers, negotiate terms and pay providers online

The health sector is moving from current activity based sourcing towards outcome based sourcing models

While the market is moving towards an outcomes focus, there will always be a role for all three models to cater for the range of complexity of outcomes and services required

Evolving Maturity of Health Sector

Commoditization

	1. Activity/Service Based Commissioning	**2. Focused Outcome Based Commissioning**	**3. Whole Person Outcome Based Commissioning**
Principle	Commissioner has to identify what service activities they believe the patient requires for their treatment and then engage each provider independently for these services	Providers determine services to achieve a patient outcome, but these outcomes are relate to only part of a patient's holistic wellbeing	Commissioners work with patients to define their desired outcome and a multi-disciplinary team or organization creates and provides a solution to achieve that overall outcome
Example	Medicare Benefits Schedule (MBS) sets rates and funds medical provider based on activities provided to patients (eg 2 hours of physiotherapy)	Primary Health Networks (PHNs) are funded to provide pre-determined "programs" such as treatment for mental health or alcohol addiction – they commission for outcomes but on a program by program basis	Accountable care organizations in the US, the "Swedish hip" model and Gesundes Kinzigtal in Germany are all models of providers creating integrated multi-disciplinary solutions to achieve whole person outcomes
Integration	No (or very limited) integration between different providers and the services they provide	Partial integration between providers to achieve certain outcomes but no whole of patient view (eg that alcohol problems may be caused by mental health issues)	Full integration of services between all providers, where payment is conditional on the providers successfully achieving the holistic patient outcome together
Incentive	Providers' incentive is to perform as many activities as possible rather than to achieve patient outcomes	Providers' incentive is to achieve the outcomes associated with that particular program aspect	Providers' incentive is to ensure the patient achieves their overall desired outcome (eg return to work in 6 months)
Risk	Commissioner bears the risk that the combination of activities requested will achieve the patient's outcomes	Provider bears risk of achieving fragmented outcomes connected with particular services/programs but not for the overall outcome for the patient	Team of providers bears the risk for achieving the outcome, both through selecting the right services/interventions and performing them successfully

This trend is being supported by the Outcomes Based Funding Model work being run by the icare Medical Office

icare™

There are 4 main clusters of marketplaces across the range of service categories and customer functions

Customer Functions

In broader health market, paying out of pocket costs and claiming from private insurers are both required and distinct customer functions

	Determine services required	Search provider profiles/reviews	Book appointment online	Pay provider	Claim from insurer

Risk of service

Physician services: Surgery, Other Specialist Physicians, GPs

Non-physician medical services: General Dentistry, Allied Health Specialists, Nursing

Non-medical services: Personal Care, Domestic Assistance / Transport, Social Support

No marketplaces currently provide this function

A medipass
Only for customers and linked providers of participating health insurance funds

B whitecoat | HealthEngine

C bettercaring.com.au | hireup | CarePilot

D clickability

icare™

Chapter 2 – Value

Key Strategic Questions for Discussion	Approaches to Answer
How can we engage in marketplaces to best deliver value for our customers?	

1 Marketplace landscape
- How do we define a marketplace?
- What is the landscape and opportunity set within which we could operate both now and in the future?
- What is the mapping to our spend profile (current / future)?

Approaches to Answer:
- Breadth of marketplace definition
- Clarity in marketplaces framework and payments strategy and alignment
- Marketplace landscape

2 Value
- What are the issues we are solving for / opportunities to leverage?
- What are the value drivers for engaging in a marketplace?

Approaches to Answer:
- Key Pain Points across the business units and the key functions
- Strategic value drivers

3 Alignment
- What are our marketplace use cases that map our injured customer needs to a marketplace that can fulfil them

Approaches to Answer:
- Alignment to major initiatives (scheme agent, NISP, PHI, payments strategy)
- Needs mapped to marketplaces – Use cases

4 Engagement
- What are our engagement principles?
- What are our marketplace engagement options and our preferred ways to play?

Approaches to Answer:
- Compatible payment systems
- Progressive engagement strategy

icare™

To determine value for icare, we need to understand current pain points across the key functions...

Current Pain Points

	Search provider profiles/reviews	Book appointment online	Pay provider	Claim from insurer
Pain Points *Customer*	• Uncertain who the best providers are (based on clinical outcomes) • Typically need to obtain preapproval on provider, which limits customer choice and control	• Manual process to book appointments • Typically need to obtain pre-approval from icare as to eligibility, which limits customer choice and control	• Significant process variation and very manual process causing friction • At times injured person will pay provider costs out of pocket and be reimbursed long afterwards	• Significant process variation and very manual process causes friction in invoicing and reconciliation process • Knowledge of the process only after service undertaken
Pain Points *icare*	• Some providers will not offer services to government insurers as they are perceived as inefficient and difficult, reducing access	• We don't know about appointments until service completed and invoice incurred	• We are paying above market rate for services • We cannot meet expectations for customer experience	• Significant labour costs in manually processing claims (eg WI team spends 4,800 man hours on 18,000 invoices annually)
Pain Points *provider*	• Providers cannot get access to icare customers unless they have existing relationship with icare or partnered care managers	• Providers cannot fill availability as easily due to inflexibility of our pre-approval process	• Payment delays and inefficiencies mean best providers are not willing to engage with our schemes	• Our invoice process is slow and burdensome which affects cash flow of small providers and makes it difficult for sub-contractors to get paid

icare™

...and how the emergence of marketplaces as new operating models provides value to address

Strategic Value Drivers

Customer Outcomes
- Access to better quality of providers (eg specialists who do not treat scheme patients)
- Easier access to more non-medical services accelerates recovery
- Customer choice of provider drives engagement and faster treatment
- Holistic and integrated care through bundling of services (future model possibility)
- Emphasis on prevention and wellbeing programs (earlier in value chain)

Customer Experience
- Improved flexibility and convenience due to increased availability and range of services
- More informed customer choice and increased awareness through provider ratings and reviews
- Increased customer control improves satisfaction and experience
- Faster payments processing reduces administration and friction

Cost Management
- Greater transparency on price comparisons between providers
- Reduction in back office processing costs through online claim/payments systems integration
- Potential to develop preferred supplier arrangements with savings through bulk purchasing / discounts / tiered pricing based on scale
- Cost management through dis-intermediation opportunities

icare™

We can also leverage best practices from marketplaces in other industries to enhance value and customer experience

Key Functions from Marketplaces in Other Industries

Examples

Community Content — Online community creates feature rich content such as recommendations, product reviews, blogs, forums and wish lists which provides information and helps inform customer choice
amazon, ebay

Online Support — Live chat functionality and FAQ guides for technical support, plus community forums to discuss user issues with platform, to ensure ease of use
Gumtree, Airtasker

Dual Website and App Functionality — Marketplaces accessible through website and app to allow use from different devices and flex for customer preference and technological ability
Airtasker, Gumtree, ebay

1 Click Technology — Can store multiple payment and delivery details to provide fast and secure ordering
deliveroo, amazon, UBER

Personalized Recommendations — Records searches and purchases of all customers and uses data analytics to discern patterns from similar customers to make recommendations of other services that may be suitable for a customer based on their recent purchases
amazon, ebay

Location Mapping — Use location tracking and integrated map functionality to show nearest providers to the customer and provide directions to help customers find providers
deliveroo, UBER

Two Way Feedback — Allows customers and providers to give feedback on each other for a transaction, with providers removed if they fall below a certain average score (would want feedback on icare customers to be available to marketplace operator/icare but not providers to avoid risk of refusal of service)
Airtasker, UBER, amazon

icare

A breakdown of our spend shows a direct mapping of our major cost categories to marketplace services

Care and Support Expenses Breakdown ($m, 2016)

Total	Physician Services (Addressable by marketplaces)	Physician Services (Not addressable by marketplaces)	Non-Physician medical Services	Non-medical Services	Goods	Management Overhead
875	232 (26%)	153 (17%)	324 (37%)	97 (17%)	42 (5%)	27 (3%)

icare™
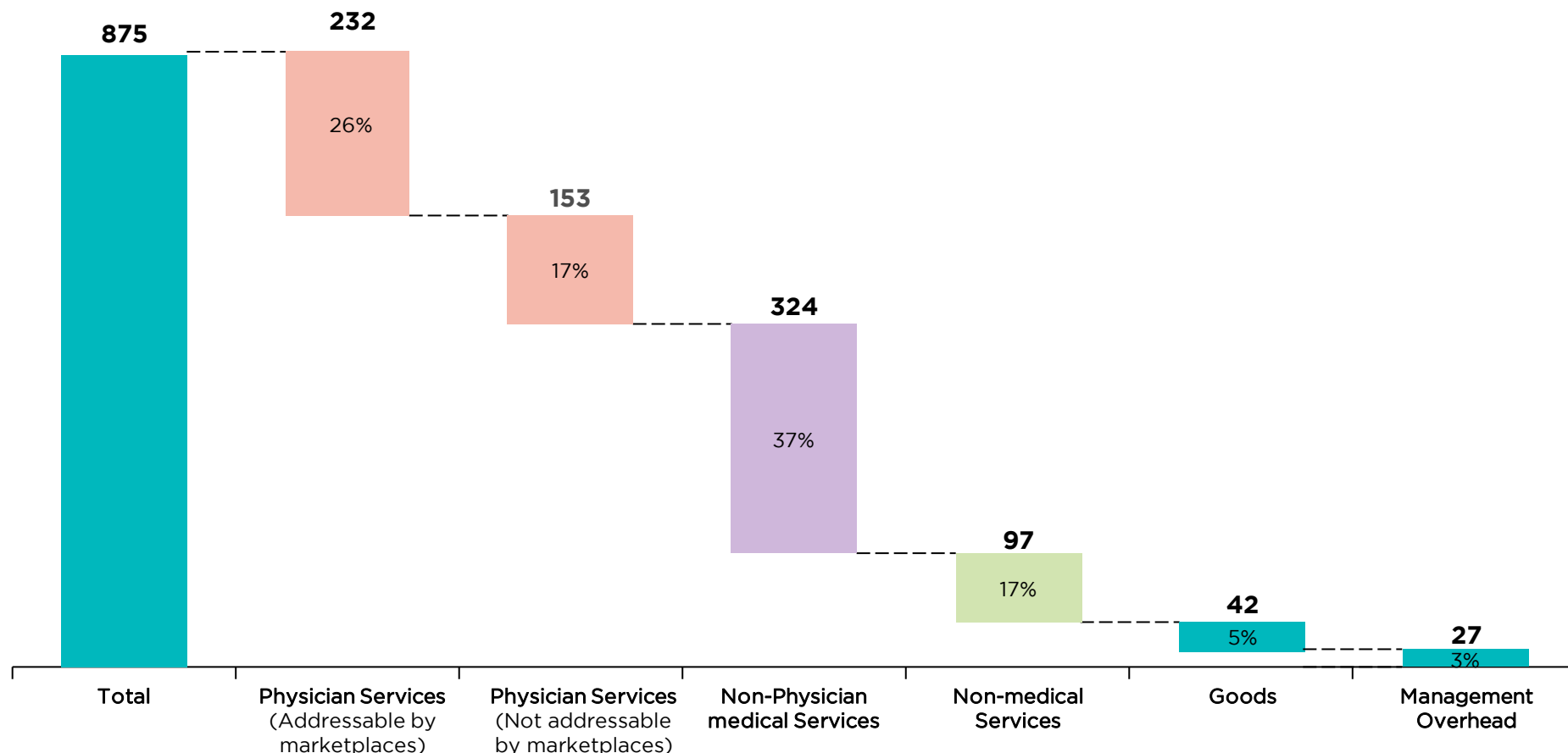
The marketplaces that offer access to the largest provider bases do not currently have payments capability

Number of Providers on Existing Marketplaces

> *Partnering with Whitecoat or HealthEngine would give our customers the greatest choice of providers and would focus on our main spend categories (medical specialists and allied health providers). However, obtaining transactional data through these marketplaces would require us to co-create a payments capability that these marketplaces do not currently have.*

- 210,000 — Whitecoat
- 38,000 — Health Engine
- 3,585 — Clickability
- 1,000 — Better Caring
- 700 — Hireup
- 600 — CarePilot
- 300 — Medipass[1]

■ Marketplaces without Payments System
■ Marketplaces with Payments System

1. Medipass currently operating on small pilot program with particular service categories and three participating insurers; will gradually expand to broader provider base on HICAPS platform
Source: All numbers sourced from relevant website or directly form the marketplace operator.

icare™

Chapter 3 - Alignment

Key Strategic Questions for Discussion	Approaches to Answer

How can we engage in marketplaces to best deliver value for our customers?

① Marketplace landscape
- How do we define a marketplace?
- What is the landscape and opportunity set within which we could operate both now and in the future?
- What is the mapping to our spend profile (current / future)?

Approaches:
- Breadth of marketplace definition
- Clarity in marketplaces framework and payments strategy and alignment
- Marketplace landscape

② Value
- What are the issues we are solving for / opportunities to leverage?
- What are the value drivers for engaging in a marketplace?

Approaches:
- Key Pain Points across the business units and the key functions
- Strategic value drivers

③ Alignment
- What are our marketplace use cases that map our injured customer needs to a marketplace that can fulfil them

Approaches:
- Alignment to major initiatives (scheme agent, NISP, PHI, payments strategy)
- Needs mapped to marketplaces – Use cases

④ Engagement
- What are our engagement principles?
- What are our marketplace engagement options and our preferred ways to play?

Approaches:
- Compatible payment systems
- Progressive engagement strategy

icare™

Our injured customers will engage in the marketplace dependent on their needs

1 | Which segment is the customer in?

2 | What is the customer's level of independence?

3 | What are the products or services required?

4 | What function am I looking for?

5 | Is there a marketplace fit?

1 — Which segment is the customer in?	2 — What is the customer's level of independence?	3 — What are the products or services required?	4 — What function am I looking for?	5 — Is there a marketplace fit?
Empower	Independent	Physician Services	Determine services required	1 medipass
Guide			Search provider profiles/reviews	2 HealthEngine
Support	Partially dependent on others	Non-physician medical services	Book appointment online	3 whitecoat
Specialised			Pay providers	4 clickability
Care	Dependent on others	Non-medical services	Claim from insurer (incl. icare)	5 CarePilot
				6 hireup
				7 bettercaring.com.au
				No – use other channels

The purpose of the use cases is to illustrate an illustrative set of scenarios in which our customers segments will engage different marketplaces available today. These are not exhaustive use cases.

icare™

Use Case 1: Empower

Persona description – Gerry works in a warehouse and suffered a deep laceration when unloading materials. His injury requires some treatment and pain relief. A full recovery is expected within 4 weeks.

1 Which segment is the customer in?

2 What is the customer's level of independence?

3 What are the products or services required?

4 What functions do I want from a marketplace?

5 Is there a marketplace fit?

Empower
- I need simple one-off treatment and can direct my own care

Guide

Support

Specialised

Care

Independent

I am independent and want to organize my own treatment so that I can recover as quickly as possible

Partially dependant

Dependent on others

Physician Services

Non-physician medical

I need to visit a GP a few times to treat and monitor my wounds

Non-medical

Determine services required

Search provider profiles/reviews

I want information to help me choose a GP

Book appointment online

Once I have found a local GP online, I want to book each appointment online

Pay provider

I want invisible payment of my GP from scheme funds

Claim from insurer

Today:
- Gerry could search profiles, ratings and reviews of GPs on **whitecoat** and **HealthEngine** and book appointments online

Future:
- Through an integrated payments system (e.g. Medipass or Latern Pay) Gerry could leverage STP for payment and claims

icare™

Use Case 2: Guide

Persona description – Mark suffered a torn meniscus while in a workplace injury. He requires assistance in finding suitable treatment however he is expected to make a full recovery and return to work within 2 months

1 Which segment is the customer in?

2 What is the customer's level of independence?

3 What are the products or services required?

4 What functions do I want from a marketplace?

5 Is there a marketplace fit?

Empower	**Independent** • *I can walk around and have returned to work in a limited capacity* • *Given my age, I'm tech savvy and will search online for the best resources*	**Physician Services** • *I need to find a shortlist of surgeons who perform meniscus repair in my area; I want to validate my GP's referral*	Determine services required	**Today** • Mark would not be able to find any surgeon profiles, reviews or ratings, or book an appointment or pay online • Mark could go to **HealthEngine** or **Whitecoat** to select a GP and make further appointments
Guide • *I need surgery however my health profile indicates a routine surgical procedure and rehabilitation pathway*			**Search provider profiles/reviews** *I want information to help me choose a surgeon*	
Support	Partially dependent on others	Non-physician medical	**Book appointment online** *Once I have found a surgeon, I want to book each appointment online*	*Future* • If we created a payments system with Medipass or Lantern Pay, Mark could select from a list of participating surgeons and pay them and make a claim through the app
Specialised			**Pay provider** *I want my surgeon to be paid from scheme funds*	
Care	Dependent on others	Non-medical	Claim from insurer	

icare™

Use Case 3: Support

Persona description –John has suffered a serious head injury which is likely to involve many years to recover. He has been off work for 18 months and now suffers from clinical depression and social isolation

1 Which segment is the customer in?

2 What is the customer's level of independence?

3 What are the products or services required?

4 What functions do I want from a marketplace?

5 Is there a marketplace fit?

Empower	Independent	Physician Services	Determine services required	**Today**
Guide	• I am relatively independent and wish to choose the providers that I think will work best for me		*I want to know what services may help me*	• John could search profiles and reviews of psychologists on **whitecoat** and **Health Engine** and book online
Support		**Non-physician medical**	**Search provider profiles/reviews**	• John can get ongoing pain treatment from a GP through **Whitecoat** or **HeakthEngine**
• I require ongoing support to help me deal with the consequences of my injury and return to work		• I see a psychologist regularly to treat my depression	*I want information to help me choose a psychologist*	• John could access **BetterCaring** or **HireUp** to organize social support
	Partially dependant		**Book appointment online**	
			I want to book appointments and organize service times online	**Future**
Specialised		**Non-medical**	**Pay provider**	• We aim to create a payments system that connects with sites like **BetterCaring** to allow John to pay providers on the platform invisibly out of icare funds
	Dependent on others	• I seek social support to help deal with my injury	*I want invisible payment out of scheme funds*	
Care			Claim from insurer	

icare™

Use Case 4: Specialised

Persona description – Penny was held at gunpoint for many hours at the café she works at before being released. She now suffers from PTSD and is expected to require specialist intervention and close support to recover from the psychological impact of her experience.

1 Which segment is the customer in?

- Empower
- Guide
- Support
- **Specialised**
  - *I require ongoing psychiatric treatment and empathic support from a case manager*
- Care

2 What is the customer's level of independence?

- Independent
- **Partially dependent**
  - *I require support and assistance to help me seek treatment and recover*
- Dependent on others

3 What are the products or services required?

- **Physician Services**
  - *I see a psychiatrist fo seek treatment for my PTSD*
- Non-physician medical
- Non-medical

4 What functions do I want from a marketplace?

- **Determine services required**
  - *I want to know what services may help me*
- **Search provider profiles/reviews**
  - *I want information to help me choose providers*
- **Book appointment online**
  - *I want to book appointments and organize service times online*
- **Pay provider**
  - *I want invisible payment out of scheme funds*
- Claim from insurer

5 Is there a marketplace fit?

Today
- We would interact with the marketplace and guide Penny's treatment decisions through a specialist case manager due to the unique nature of her experience, her need for empathic support and the fragmented nature of current marketplaces

Future
- In the future state, we aim to engage with marketplaces for outcomes and invite providers to devise a customized solution

icare™

Use Case 5: Care

Persona description – After an accident, Hazel lost the use of her legs. Hazel requires long-term medical treatments such as physiotherapy and ongoing domestic assistance and personal care

1 Which segment is the customer in?

Empower

Guide

Support

Specialised

Care
- I have lost the use of my legs and needs lifetime care to support her day to day living

2 What is the customer's level of independence?

Independent

Partially dependent
- I have home modifications and a level of independence
- I'm feisty and will do what I can to grow my independence

Dependent on others

3 What are the products or services required?

Physician Services

Non-physician medical
- I need ongoing weekly physiotherapy treatment

Non-medical
- I have an agency that provides me with regular services such as shopping and cleaning

4 What functions do I want from a marketplace?

Determine services required
I want to know what services may help me

Search provider profiles/reviews
I want information to help me choose providers

Book appointment online
I want to book appointments and organize service times online

Pay provider
I want invisible payment out of scheme funds

Claim from insurer

5 Is there a marketplace fit?

Today
- Hazel could access **BetterCaring** or **HireUp** to read profiles and reviews and select a physiotherapist, cleaner, and various personal care services.
- She can negotiate fees and times for them to come to her house and pay them online through credit card

Future
- We aim to create a payments system that connect withs sites like **BetterCaring** to allow Hazel to pay providers on the platform invisibly out of icare funds

icare™

CONTENTS - To consider how we engage, we must look at landscape, value and alignment to our strategy and needs

Key Strategic Questions for Discussion	Approaches to Answer

How can we engage in marketplaces to best deliver value for our customers?

1 — Marketplace landscape
- How do we define a marketplace?
- What is the landscape and opportunity set within which we could operate both now and in the future?
- What is the mapping to our spend profile (current / future)?

Approaches:
- Breadth of marketplace definition
- Clarity in marketplaces framework and payments strategy and alignment
- Marketplace landscape

2 — Value
- What are the issues we are solving for / opportunities to leverage?
- What are the value drivers for engaging in a marketplace?

Approaches:
- Key Pain Points across the business units and the key functions
- Strategic value drivers

3 — Alignment
- What are our marketplace use cases that map our injured customer needs to a marketplace that can fulfil them

Approaches:
- Alignment to major initiatives (scheme agent, NISP, PHI, payments strategy)
- Needs mapped to marketplaces – Use cases

4 — Engagement
- What are our engagement principles?
- What are our marketplace engagement options and our preferred ways to play?

Approaches:
- Compatible payment systems
- Progressive engagement strategy

icare™

We have used icare's customer design principles to develop marketplace engagement imperatives

icare design principles

We demonstrate **empathy** in action

We make things **transparent**

We **collaborate** for better outcomes

We make it **simple**

We set the **bar**

Imperative

1. Our engagement strategy must cater to the wide variety of our **customer needs**

2. We will only engage in marketplaces where we **can monitor the outcome and manage our brand**

3. We will seek maximum value by **exploiting the synergies between marketplaces and payments** however each strategy will also function independently and achieve its own objectives

4. The payment solutions must enable direct transaction between providers and customers utilizing scheme funds both within and outside marketplaces

5. Our strategy must support **activity / service based commissioning** (model 1) now with a vision to build our own capability and influence the **market towards outcomes based commissioning** (models 2 and 3)

6. Marketplaces will enhance customer outcomes and experience through encouraging **informed customer choice** and **removing friction** from the payments process and will enable more **cost efficient procurement**

icare™

There are five main strategic options for how we could engage with marketplaces

Marketplace Engagement Options

Attractiveness

	Potential engagement option	Rationale	Driving outcomes	CX	Data	Difficulty[1]
5 Build or Co-Create a New Marketplace	• Marketplace designed for icare • Providers / service types aggregated as per icare needs	Ability to develop tailored marketplaces and control / influence choice, experience and outcomes	●	●	●	○
4 Customise Existing Marketplaces	• Licensed arrangements with existing marketplace providers • Could include icare branding, exclusive usage and control over providers	Belief that icare branding brings additional value and that we may want to control which providers can be on the marketplace; building a marketplace is not an icare core capability	◔	●	●	◐
3 Plug in Payments System to Existing Marketplaces	• icare payments system integrated into existing marketplaces • Payments processing invisible	Existing market places already meet our needs, we just want to streamline our payments processing	◔	●	●	◐
2 Direct Customers to Use Specific Marketplaces	• Direct customers to specific marketplaces - tried and trusted • Possible manual payments workaround to avoid customer interaction	Ability to increase engagement immediately, efficiently managing manual pre-approvals by limiting the number of marketplaces. Interim state until #3	◑	◑	◔	●
1 Encourage Customers to Use Marketplaces	• Customers find and use marketplaces to hire providers with discretionary funds and are reimbursed afterwards (current state for some CDC programs)	Ability to increase engagement immediately however payments processing could be no better than today. Interim state until #3	◔	◔	◔	●

Level of Proactive Engagement (vertical axis, increasing upward)

Payments functionality (options 3–5) / *No payments functionality* (options 1–2)

Current focus area of opportunity

● = Attractive
○ = Not Attractive

1) The criteria of "Difficulty" encompasses complexity, risk, cost and time to implement

icare™

Our engagement strategy may pass through several phases as our capability and marketplace maturity evolves

Marketplace Engagement Options

Level of Proactive Engagement

FOR DISCUSSION AT STRATEGY DAY

Where we will play in this service category depends on maturity of future available marketplaces

5 Build or Co-Create a New Marketplace

4 Customise Existing Marketplaces

3 Plug in Payments System to Existing Marketplaces

2 Direct Customers to Use Specific Marketplaces

1 Allow Customers to Use Marketplaces

- Is building a marketplace congruent with our business capabilities?
- Are existing and future marketplace operators likely to sufficiently meet our needs?
- Will there be market failure that prevents marketplaces operating for key customer needs?
- Will the benefits over existing marketplaces be worth significant upfront and ongoing costs?

C

Given the limited spend and low risk to customers, is it worth customizing marketplaces for non-medical services?

B

A

Current focus area of opportunity

Due to the high risk to customers and high spend this service category:
- Do we require transactional oversight?
- Do we want a higher level of control than options 1 and 2 afford?

Level of Risk

Non-medical services
(FY17 Spend: $97m)

Non-physician medical services
(FY17 Spend: $324m)

Physician services
(FY17 Spend: $385m)

Phase 1 **A**

We can start here immediately developing engagement capabilities with existing marketplaces

Phase 2 **B**

Once integrated payments capability developed, we can plug into or customize existing marketplaces and no longer need to engage in zone A

Phase 3 **B** + **C**

In the future, we may choose to build or co-create a marketplace depending on future available marketplaces and the needs of our various customer segments

Leveraging current momentum, we have a program of work to develop the strategy through to Dec 2017...

Marketplace & Payments Next Steps to December GLT

Future

Marketplaces

Marketplace Scan

- Prep for Strategy Day
  - Marketplace landscape, value, and alignment to icare

1 Marketplace Analysis

- Detailed analysis on areas of opportunity
- Detailed analysis on marketplace capabilities
- Early identification of payments requirements
- Alignment to PHI strategy

2 Size the Prize

- Identify value drivers
- Constraints / challenges
- Opportunities to partner to leverage existent capabilities
- Updated payments requirements

3 Pilot & scale

- Identify customer segments and marketplaces suitable for pilot program
- Scope & run pilot
- Develop business case to scale access to marketplaces
- Business requirements for integrated payments system

Payments

Payments Scan

- Prep for Strategy Day
  - Clear articulation of Payments capability build
  - Engage with providers as part of the partner selection process

1 Partner Selection

- Further analysis on areas of opportunity
- Undertake a robust partner selection process based on the documented payments ambition
- Find an innovation partner to deliver the ambition
- Alignment to PHI strategy

2 MVP in Care

- Early stage design of Minimum Viable Product payments solution in Care business *(Note – dependent on vendor selection outcomes)*

3 Deploy MVP & scale

- Develop and deploy MVP in Care
- Continue Test & Learn approach to validate solution concepts that apply to the rest of icare

icare™

...and we maintain focus in the long run on an integrated strategy that will shift towards outcomes based sourcing

Payments & Marketplaces Long Term Roadmap

Targeted treatment for outcomes

Drive cost efficiency

Improve data visibility

3. Whole Person Outcome Based Commissioning

- Extend marketplaces or co-create new marketplace to allow customers to issue requests for service, rather than just responding to provider profiles

2. Focused Outcome Based Commissioning

- Pursue options to bundle service commissioning for multiple providers on existing platforms to allow limited outcomes commissioning and drive cost savings

- Increase alliance contracting with multi-disciplinary health providers to encourage providers to go to market collectively and promote outcome based commissioning

1. Activity Based Commissioning

- Integrating new payments system into existing marketplaces to obtain real time transactional and outcomes data

- Create preferred supplier agreements, including bulk purchasing discounts and tiered pricing based on scale

- Devise targeted triage system to refer simple cases to preferred providers with strong results to achieve improved outcomes, experience and cost efficiency

Capability Build

- Partner with payment provider to build new payments system
- Develop infrastructure to link payments system to marketplaces

- Utilize data analytics to identify most effective and cost-efficient providers
- Scale payments system to whole of icare and integrate with NISP

- Develop predictive analytics/AI platform to determine suitable services to achieve outcomes
- Train case managers to guide customers in outcome commissioning

~1 year   ~3 years   ~10 years

icare™

A deeper dive into payments and marketplaces activity (1/2)

	Key Activities	Questions to answer
Payments and marketplaces – strategy integration	• Integrate payments and marketplaces strategy 　• Joint governance 　• Align workplans	• What does the integrated capability build look like? • What are the capability drops? • What are the major inter-dependencies / shared requirements?
Detailed analysis on areas of opportunity	• icare Customer Interviews / HCD - Refine early views on pain points; delight points for icare customers • Develop Demand / Supply Model for marketplaces: 　a. Demand – Cost analysis of services procured by service category (Physician, non-physician, non-medical) and customer segment 　b. Supply – Marketplace mapping to demand 　c. Opportunity identification • Re-fine payments pathway and progression towards invisible payments; definition of end state as a hybrid of capability • Complete Payments RFI process: 　a. Confirm payments opportunities and vendor delivery roadmap	• What are the HCD-led insights and how will the anecdotal evidence tell the compelling story? • What are the business case value drivers? • What are the specific opportunities that can add value between now and Dec / early proof points to provide a compelling case for investment?
Detailed analysis on marketplace / integrated payments capabilities	• Conduct further due diligence on major marketplaces (reputation, risk assessment, quality (certification), growth ambitions, new players) 　a. Desktop analysis and undertake face to face engagement with providers to build relationship / discuss partnership / payments opportunities based on icare scale • Engagement model definition 　a. Processes (including payments), business rules (e.g. authorities, pre-approvals, financial limits), scope of services and or marketplaces, service monitoring, performance measurement / outcomes tracking	• What are the marketplaces we want to engage with? • What are the opportunities to benefit from preferred relationships based on icare's scale • How will our customers engage? Which customers? • What would we pilot?

icare™

A deeper dive into payments and marketplaces activity (2/2)

Key Activities		Questions to answer

Alignment to PHI Strategy	• Payments and marketplaces alignment to PHI strategy
	  a. Ability to leverage scale and co-design for capability build or
	  b. Ability to leverage existing payments and marketplaces capability
		• How does a PHI partner enhance our payments and marketplaces strategy

Create payments and marketplaces business case	• Identify value drivers (note these will vary depending on payments capability)
	  a. Customer experience – linkage back to customers interviews (pain points and opportunities to delight)
	  b. Customer outcomes – e.g. access to wider set of providers, top-tier providers
	  c. Financial outcome – scale / preferred arrangements from marketplace providers, greater competition, multi-buy / packaged care purchasing, fraud detection, RTW metrics enhanced as a result of improved customer experience and outcomes
		• What are the business case drivers?

Constraints / challenges	• Payments and marketplaces implementation constraints / challenges
	  – Integrating icare payments capability into marketplaces
	  – Risk management
	  – Consideration of a 2-phase engagement model (pre and post payments capability)
		• What are the implementation considerations and challenges and how are these addressed / managed?
		• What is the approach to a 2-phase delivery model (deferred phase 2 to aligned with payments capability)?

icare™

icare™

Reimagined Insurance

Pre-Reading for September GLT Strategy Day 2017

Context and Purpose of GLT Strategy Day Discussion

Reimagined Insurance

Context	The adequacy of **conventional insurance coverage** protecting workers within the boundaries of a traditional workplace **is becoming less relevant** as technology continue to blur the lines between work and life. Combined with a shift towards an **on-demand** or 'gig' economy is **transitioning workers towards being more independent** and mobile and, this effect has resulted in a **proliferation of insurance** option covering personal liabilities which are seen as confusing and **difficult to navigate**. In addition, new business models and entrants are disrupting traditional insurance companies by offering tailor-made solutions for customers to better suits their needs. With a rapidly evolving industry, a changing workforce model, and shifts in customer demand, how must icare evolve the products and services we deliver to exceed our customers' expectations? Furthermore, how can icare continue to provide exceptional value and outperform private sector expectations in supplying insurance coverage to NSW agencies. The key question we aim to solve is: **How can icare best evolve its products and services to stay relevant in the horizon of next 3-5 years?**
September GLT Strategy Day Discussion	At the GLT Strategy Day discussion on 8 September, the discussion will focus on: 1. **What criteria should we consider** to identify those opportunities we should focus on? (Slide 11,12) 2. **What opportunities should we prioritise** for in the short term / explore for the long term? (Slides 6-9) 3. **Are there any natural dependencies** that exist which create value? (Slides 10-12) 4. Considering the outputs of all of the above, forming a view of **which opportunities we want to prioritise for FY18/19**.
Next Steps	Post this Strategy Day, we anticipate that the following will need to be undertaken for each selected opportunity: Short Term Opportunities: (Slide 8) • Analyse opportunity value, alignment to current initiatives, analyse/plan for any anticipated implementation challenges Long Term Opportunities: (Slide 9) • Detailed analysis on opportunity size, alignment to future operating construct, and evolution across time horizons • Detailed planning for any anticipated operational challenges

icare™

Reimagined Insurance

Key question: How does our proposition need to evolve in order to meet the future needs of our customers, in the context of emerging trends?

Opportunity	▶	Considerations	▶	Recommendation

Opportunity

Why are we exploring this opportunity?
- We are uniquely positioned to shape better outcomes for the NSW community through an evolved insurance proposition
- We need a perspective to best position our offering and/or repoint our operation to continue to deliver customer value, and remain relevant and financially sustainable

What is our objective?
- <u>Primary</u>: (1) Ensure we remain relevant by evolving our proposition to meet the needs of our future customer
- <u>Secondary</u>: (2) All types of workers and government agencies in NSW are adequately insured and covered for both current and emerging risks

What questions do we need to answer?
- What criteria should we consider to identify those opportunities we should focus on? (Slides 11-12)
- What opportunities do we prioritise for in the short term / explore for the long term? (Slides 6-9)
- Are there any natural dependencies that exist which create value? (Slides 10-12)

Considerations

Why are we uniquely positioned?
- We cover the majority of businesses in NSW and their employees
- We are obligated to provide insurance and care for NSW workers and the community
- We have the reach and ability to influence our stakeholders and broader community

What are we already doing?
There are a number of product enhancements currently underway, including changes to our Care proposition (i.e. Empowered Living), and existing customer focused initiatives being considered

There are no opportunities currently being considered beyond the 2yr timeframe

What assumptions have we made?
- No change or modification to icare's business strategy, vision and purpose
- Existing legislation governing icare's obligations will not change
- We have a strong social purpose
- Our DNA should govern the potential opportunities we select

Recommendation

What is the recommendation?
There are 16 opportunities identified across the short and long term. (Slide 6,7)

It is recommended that the GLT select the top opportunities to proceed with and the preferred opportunities that require further investigation.

What the rationale?
- Opportunities that deliver the most value to icare that directly align to our DNA
- Focus on those opportunities that reside within our current operating construct
- Target opportunities that leverage existing initiatives and current transformation program

What might the next steps be?
Short Term Opportunities: (Slide 8)
- Analyse opportunity value implementation challenges

Long Term Opportunities: (Slide 9)
- Detailed analysis on opportunity size, and evolution across time horizons
- Plan for operational challenges

icare™

Building on the strategy and vision, Reimagined Insurance (RI) identifies opportunities to evolve our proposition

Background

- icare's leadership team has established its strategy for 2020 by clearly defining icare's vision and purpose in the NSW community
- With transformation roadmap well underway, icare has identified four acceleration opportunities to further its customer value proposition
  - Employee Wellbeing
  - Provider Marketplaces & Payments
  - **Reimagined Insurance**
  - Artificial Intelligence

Objective

Identify opportunities to evolve icare' offering to ensure future relevance to customers:

- Consider macro trends that are most relevant to icare and asses the implications
- Analyse icare's current offering against Insurance innovation trends and forecast changes in customer needs
- Identify key short-term and long-term potential opportunities for icare

Scope

- The focus of Reimagine Insurance is Workers Insurance (NI, SI), and Self Insured Government agencies
- The project has not considered the following:
  - a review or assessment or refinement of icare's strategy, vision or purpose
  - a quantitative cost / benefits analysis of the identified opportunities
  - a detailed design of product structure or implementation plan

Source: icare Strategy project briefs and Stakeholder Interviews

icare™

icare seeks to explore opportunities to evolve its offering to ensure future customer relevance and sustainability

GLT Session	Key Questions for Discussion	Key Considerations	Outcomes
Covered in previous GLT discussions	**1** What are the macro trends that are most relevant to us and what are the implications?	• Macro-level detailed trends identification and implication assessment • Trends assessment for relevance, impact and scale	• GLT conversations have informed few key questions to consider potential opportunities: – *Do we want to be primarily known as Insurer?* – *Should we extend our Insurance horizon beyond WI and SI?* – *Do we want to compete with Brokers, PHI, Life & Health Insurers?*
	2 What can we learn from peer comparisons and innovation in global market on emerging Insurance products and practices?	• Peer benchmark primary service lines (WI, SI) with Schemes in other states • Global scan for innovation case studies • Develop initial proposition hypotheses	
	3 What are the set of emerging opportunities for further consideration?	• Test trends, identified peer practices and potential opportunities for coverage and completeness	
Friday 8th September *(Focus of today)*	**4** Which opportunities do we prioritize for the short term and which should we start to explore for the long term?	• Prioritise opportunities based on operational considerations and risk appetite • Align opportunities to short and long term horizons	
	5 What are the next steps?	• Plan for further development of prioritised opportunities	

icare™

Our ecosystem is evolving, however, our unique position allows us to shape better outcomes for our stakeholders

Factors impacting the ecosystem

Changing Nature of Work
- Ageing workforce leading to sophisticated care and RTW needs
- Increased stress levels due to 24/7 work (enabled by tech.) & automation led job-loss
- Volatile risk pool due to rise of individual contractors and sole traders ("gig" economy)

Evolving Insurance Industry
- Convergence between life, health and accident Insurance offering
- Erosion of trust e.g. lack of transparency in product coverage and value given rising prices
- Rising consumer demand for personalised Insurance offerings

Changing Health & Society
- Rising healthcare costs due to ageing population, chronic disease and access to new medical technologies
- Current healthcare delivery siloed and not patient-centric - potential for New models of care, enabled by data and analytics

icare's role and purpose in NSW

icare

commercial mind — **social heart**

icare's Purpose
We **protect, insure** and **care** for the people, businesses and assets that make NSW great

icare's Vision
To change the way people think about insurance and care by providing world-class services to people, businesses and communities

Target Outcomes

Person-Centric Experiences	Optimal Outcomes For Our Customers	Financially Sustainable Schemes

Protect → Insure → Care

icare's unique opportunity

	Short-Term	Long-Term
For Employees	Enhanced prevention measures through holistic wellbeing support	Coverage for under-insured and convenience of integrated model of Insurance
For Employers	Incentives and services to improve employee safety and health for peace of mind	Personalised offerings based on profile and preferences
Our Community	Protect community from risks impacting society as whole, fulfilling its role of social insurer	Provide wider care and coverage to under insured as a "safety net"
For NSW Government Agencies	Act as trusted risk advisor, providing tailored risk solutions, insurance cover and advice	Protect and insure govt. assets for emerging risks
For icare	Create best possible outcomes for customers through a fair and empathetic experience	Build a stronger connection with customers to optimise position in a potential open future market

Source: icare Strategy project briefs and Stakeholder Interviews

icare

Trends analysis and external industry scans has produced a set of short and long-term opportunities...

Value Chain

Protect	Insure	Care

Injury and loss prevention	Product Management & Pricing	Origination, Underwriting & R'ship Mgmt.	Claims Mgmt.	Treatment & Support

Macro Trends

- *Greater stress at workplace* — *Rise of automation (loss of white and blue collar jobs)* — *Emerging models of care (e.g. Virtual Care)*
- *Personalisation of Insurance products*
- *Low Customer Interface* — *Rise of "gig" economy workforce* — *Low Customer Interface*
- *Changing nature of risk – Cyber threats / Climate change / Terror threats* — *Advent of advanced Medical treatments*
- *Ageing Workforce* — *Emerging Insurance business models* — *Ageing Workforce*
- *Enhanced use of Data and Digital*
- *Convergence of health, life and injury Insurance* — *Increasing health inequality*

Short Term Opp. (1-2) Years

S1 Provide employees with easy access to digital applications (e.g. Headspace) for health management

S2 Conduct workplace on-site health check-up (physical & mental) sessions to diagnose and monitor health issues early

S3 Extend Risk Advisory Services by offering consultation for emerging threats and capabilities (e.g. Cyber security threat, data and analytics)

S4 Provide top-up options to employers for additional coverage (e.g. cover for commute or work from home)

S5 Offer white labelled or co-branded B2C convergent offering with PHI, Life and General insurers and leverage the end customer channel

S6 Personalise WC at employer level – premium calculation, communication and service recommendation based on risk profile and preferences

S7 Enhance care proposition by providing information and better access to service providers (e.g. provider marketplaces, provider service benchmarking)

S8 Improve effectiveness and reach of care programs by adopting new models of care such as community care, home care, mobile clinics and virtual care

Legend: Under Investigation | WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare™

...which link to our customer value chain and align to our DNA and core business purpose

Value Chain

Protect	Insure	Care
Injury and loss prevention	Product Management & Pricing / Origination, Underwriting & R'ship Mgmt.	Claims Mgmt. / Treatment & Support

Macro Trends

Greater stress at workplace	Rise of automation (loss of white and blue collar jobs)	Emerging models of care (e.g. Virtual Care)
	Personalisation of Insurance products	
Low Customer Interface	Rise of "gig" economy workforce	Low Customer Interface
	Changing nature of risk – Cyber threats / Climate change / Terror threats	Advent of advanced Medical treatments
Ageing Workforce	Emerging Insurance business models	Ageing Workforce
	Enhanced use of Data and Digital	
	Convergence of health, life and injury Insurance	Increasing health inequality

Long Term Opp. (2-4) Years

L1 Provide holistic wellbeing offering to empower employees to better manage their health

L2 Provide personal injury Insurance to self-employed professionals in NSW

L5 Personalise WC to employers at employee level – provide premium discount or services by leveraging individual health and behavioural data

L3 Offer a tap-on/ tap-off model of insurance for rising on-demand workforce

L6 Work with NSW govt. to improve outcomes for workers displaced due to automation (e.g. offer temp. job loss Insurance or re-skill)

L4 Offer B2B2C Insurance offering by bundling health, life and workplace injury policies for end customers

L7 Provide top-up options to employees for better services and coverage (e.g. access to advanced medical treatments and medicines)

L8 Identify and exploit opportunities relating to convergence of WC, P&C, Life and Private Health Insurance for NSW residents without Private Health Insurance to cover for health risks in an integrated manner

Under Investigation | WI (Nominal & SI) | WI (Nominal) | General (SI) | Care | **icare**™

Trade-off decisions arise when reimaging our proposition through icare's DNA – Commercial Mind, Social Heart

Short Term Opp. (1-2) Years

Enhance icare's role as social insurer

Person-Centric Experiences

Optimal Outcomes For Customers

High

S8 Improve reach and cost efficiency of care programs by incorporating new models of care

S2 Conduct workplace / on-site holistic health check-ups

S4 Provide top-up options to employers for additional coverage (e.g. cover for commute or work from home)

Moderate

S1 Provide employees with easy access to digital applications

S7 Enhance care proposition by providing better access to service providers

S6 Personalise WC at employer level based on risk profile and preferences

Low

S3 Extend Risk Advisory Services by offering consultation for emerging threats

S5 Offer B2C white labelled or co-branded converged insurance offering

Low   **Moderate**   **High**

icare's appetite for social good at the cost of commercial viability or vice-e-versa will drive the prioritisation of opportunities

Financially Sustainable Schemes | Enhance icare's commercial position

Source: icare's social value overview document

9 | Reimagined Insurance - September GLT Strategy Day Pre-Reading

WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare™

Trade-off decisions arise when reimaging our proposition through icare's DNA – Commercial Mind, Social Heart

Long Term Opp. (2-4) Years

High

L8 Identify opportunities relating to convergence of WC, P&C, Life and Private Health Insurance for NSW residents without

L6 Work with NSW govt. to improve outcomes for workers displaced due to automation

L1 Provide holistic wellbeing offering to empower employees to better manage their health

L3 Offer a tap-on / tap-off model of insurance for rising on-demand workforce

L2 Provide personal injury Insurance to self-employed professionals in NSW

L5 Personalise WC to employers at employee level by leveraging individual health and behavioural data

L7 Provide top-up options to employees for better services and coverage

L4 Offer B2B2C Insurance offering by bundling health, life and workplace injury policies for end customers

Moderate

Low

♥ **Enhance icare's role as social insurer**

Person-Centric Experiences

Optimal Outcomes For Customers

Low | **Moderate** | **High**

icare's appetite for social good at the cost of commercial viability or vice-e-versa will drive the prioritisation of opportunities

Financially Sustainable Schemes | **Enhance icare's commercial position**

Source: icare's social value overview document

WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare™

GLT conversation thus far has considered three key questions to assess these opportunities in details

Key questions considered in GLT conversation

| i | *Do we want to be primarily known as Insurer?* | ii | *Should we extend our Insurance horizon beyond WI and SI?* | iii | *Do we want to compete with Brokers, PHI, Life & Health Insurers?* |

Considerations

- **Purpose and role in NSW society**
- **Balance between social heart and commercial mind**
- **Core capabilities**

- **Potential future customers**
- **Emerging needs of current customers**
- **Evolving landscape of the Insurance industry**
- **Adequate coverage for under insured**

- **Relationship with outer Insurance industry**
- **Customer's preference for convergent insurance**
- **Core capabilities**

icare™

These questions help frame our ambition, and inform prioritisation of the short and long term opportunities (1/2)

Key questions to answer and degree of relevance for each opportunity

Opportunities (Short Term)	Implication	(i) Do we want to be primarily known as Insurer?	(ii) Should we extend our Insurance horizon beyond WI and SI?	(iii) Do we want to compete with Brokers, PHI, Life & Health Insurers?
S1 Provide employees with easy access to digital applications	• Quick win opportunity to promote "wellbeing" • Partnering with external service providers will be imperative	◔	○	○
S2 Conduct workplace / on-site holistic health check-ups	• Strengthens icare's current "protect" efforts within the current construct of Workers Insurance	◑	○	◑
S3 Risk Advisory Services by offering consultation for emerging threats	• Offering advisory services may put icare in direct competition with brokers	○	◔	●
S4 Top-up options to employers for additional coverage (e.g. cover for commute)	• Stretches icare's Workers Insurance horizon to the intersections of work and personal lives	◔	◔	◔
S5 Offer B2C white labelled or co-branded converged insurance offering	• Brings icare's Insurance offering to the centre of focus for the business and customers	● *Pushing the boundaries of icare as an insurer*	●	◔
S6 Personalise WC at employer level based on risk profile and preferences	• Personalisation of WC entails significant investment in icare's core Insurance construct across WI and SI	●	○	○
S7 Enhance care proposition by providing better access to service providers	• Improvement to care proposition impacts both WI and Lifetime Care with an opportunity to partner with 3rd party providers	◔	○	◔
S8 Improve reach and efficiency of care programs by incorporating new models of care	• Improvement to care proposition impacts both WI and Lifetime Care with an opportunity to partner with 3rd party providers	◔	○	◔

Legend: WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare™

These questions help frame our ambition, and inform prioritisation of the short and long term opportunities (2/2)

Key questions to answer and degree of relevance for each opportunity

Opportunities (Long Term)	Implication	(i) Do we want to be primarily known as Insurer?	(ii) Should we extend our Insurance horizon beyond WI and SI?	(iii) Do we want to compete with Brokers, PHI, Life & Health Insurers?
L1 Provide holistic wellbeing offering to empower employees to better manage their health	• Significantly strengths icare's "Protect" program • Objectives oriented towards larger social good and not just limited to Workers Compensation	◔	○	◔
L2 Provide personal injury Insurance to self-employed professionals in NSW	• Significantly extends icare's proposition as an Insurer and beyond the current construct of Workers Compensation offerings	●	◔	◑
L3 Offer a tap-on / tap-off model of insurance for rising on-demand workforce	• Major extension to current Insurance construct • Considerable implications for brand perception as an Insurer	●	◔ *(Major extension to current Insurance offerings)*	◔
L4 Offer B2B2C Insurance offering by bundling health, life and workplace injury policies	• Entry into new markets with wider Insurance offerings • Consequential impact to brand identity and core of business	◔	●	●
L5 Personalise WC to employers at employee level by leveraging data	• Value addition to current WI customers within the boundaries of current construct	◔	◔	◔
L6 Work with NSW govt. to improve outcomes for workers displaced due to automation	• Extends icare's role in the community beyond working population • Moderate impact to brand identity	◑	●	◔
L7 Provide top-up options to employees for better services and coverage	• Stretches icare's Workers Insurance horizon to additional benefits, bolsters Insurer identity	◔	◔	◑
L8 Convergence of WC, P&C, Life and Private Health Insurance for NSW residents without PHI	• Significant impact to icare's Insurer identity with equally significant addition to product portfolio	●	◔	◑

Legend: WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare™

Strategy day outcomes will pave way to further develop the identified opportunities through to Dec 2017...

Reimagine Insurance Development Plan until December GLT

Opportunity Identification

Activities

- Prep for Strategy Day
  – Determine macro trends that are most relevant to icare and asses the implications
  – Analyse icare's current offerings against Insurance innovation trends and changes in customer demand
  – Identify key short-term and long-term potential opportunities for icare

- Facilitate Strategy Day

Deliverables

- Suite of short-term and long-term opportunities for further consideration

Short-Term Initiatives

1 Further Analysis

Input: Strategy Day Outcomes
- Analysis on opportunity value
  – Opportunity size
  – Quick wins
  – Outcomes for Stakeholders
- Analysis on implementation challenges
  – Capital management
  – Legal consideration
  – People & talent
  – Processes required
  – Technology & systems
  – Distribution / Channel Dev.
  – Synchronization with existing work
  – TOM Implications

2 Solution Design

- Determine solution form for optimum:
  – Financial outcome
  – Customer experience
  – Customer outcomes
  – Brand positioning
- Engage stakeholders to refine solution
- Early identification of potential partnerships

3 Business Case Development

- Develop business case to seek pilot / execution assistance

Long-Term Initiatives

1 Further Analysis

Input: Strategy Day Outcomes
- Detailed analysis on opportunity size, evolution of opportunity across time horizons and operational challenges

2 Engagement with Stakeholder

- Engage with key stakeholders to refine the proposition hypothesis
  - NSW Government
  - Regulators
  - Employers / Employees
  - NSW Govt. Agencies

3 Re-visit

- Re-visit the identified initiatives to assess fresh understanding of the benefits, challenges and risk

icare™

Appendix

Reimagined Insurance

Appendix: Approach

Approach

Trend Analysis

Case Studies

Peer Benchmarking

icare™

Our approach combines trends analysis and external industry scans to align opportunities for GLT discussion

icare™
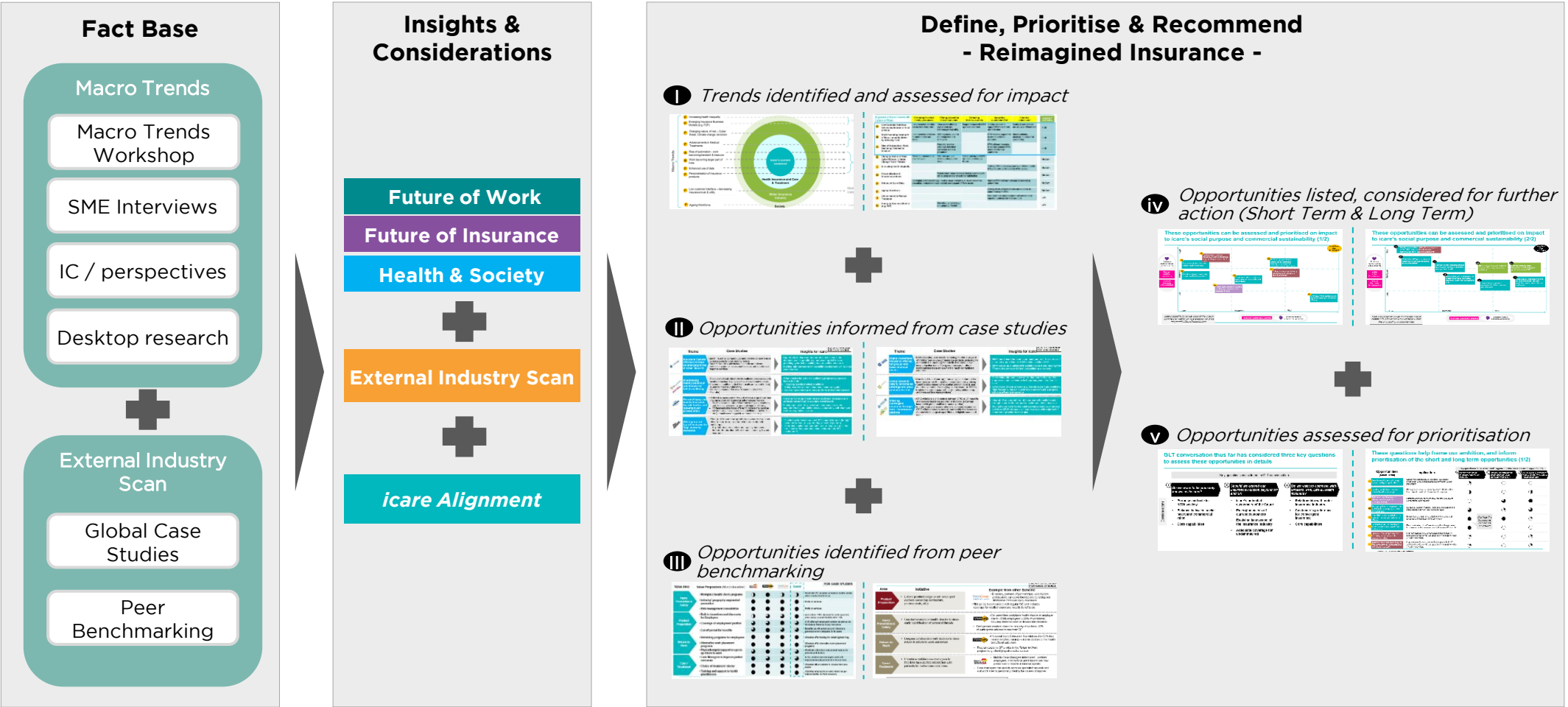
Appendix: Trend Analysis

Approach

Trend Analysis

Case Studies

Peer Benchmarking

icare™

Our future is being shaped by trends impacting the customers we serve & our broader ecosystem (1/2)...

	[Reimagined Insurance] Macro Trends Analysis		
Domain	**Trend**	**Implications (Primary)**	**Key Question**
Future of Work	A **Rise of automation (loss of white/ blue collar jobs)**	• *Implication* – Hallowing out of economy, poor mental and physical health outcomes • *Threat* – Negative impact on lives of sections of NSW society, shrinking "employee" pool under cover	How should icare play a role in improving health and return to work outcomes for displaced workers?
	B **Greater stress at workplace**	• *Implication* – Poor wellness outcomes, blurring of work duties and personal activities • *Opportunity/ Threat* – Rising cost for mental health issues, Opp. To take leading positon by offering wellness mgmt. service	How should icare provide employers/employees with an integrated offering on mental wellness?
	C **Rise of "gig" economy workforce**	• *Implication* – Rise of uncovered non-traditional workforce; income becomes unreliable / hard to predict • *Threat*– Uncovered "gig" economy workforce will drive premium increases for traditional employers	How should icare adequately cover rising population of self-employed individuals to create better outcomes for these workers, traditional employers and icare?
	D **Ageing workforce**	• *Implication* - Costs attached to treatment for this age group will rise gradually • *Threat* - Variably increasing claims cost; longer RTW in the event of an injury	How should icare best secure itself against the rising costs of treatment and RTW for older workers?
Future of Insurance	E **Low customer interface – decreasing Insurance trust & utility**	• *Implication*– Customer interface becomes critical factor for customer loyalty; Healthier customer may drop out of Insurance • *Threat* – Offering ancillary / value added services will potentially become a critical competitive tool	What value added range of services should icare offer to build trust and enhance value for customers?
	F **Convergence of health, life and injury Insurance**	• *Implication* – Insurance carriers vying to become one stop shop for customers • *Threat* – Losing customers in a potential open B2C market for Workers Insurance	How should icare prepare itself to operate in a world with convergent Insurance offerings?

icare™

Our future is being shaped by trends impacting the customers we serve & our broader ecosystem (2/2)...

		[Reimagined Insurance] Macro Trends Analysis	
Domain	**Trend**	**Implications (Primary)**	**Key Question**
Future of Insurance	**G** Changing nature of Risk– Cyber threats / Climate change/ Terror threats	• *Implication* - Emerging market for end-to-end offering to cover emerging threats • *Opportunity* – Opportunity to gain early mover advantage	What offering should icare offer to employers to cover emerging risks such as Cyber threat?
	H Enhanced use of Data and Digital	• *Implication* – Data and Analytics becoming table-stakes capability • *Opportunity* – Improve customer outcomes throughout all customer pillars by using data/analytics	How should icare leverage available data and digital to improve outcomes for customers (e.g. person-centric experience) and icare's financial sustainability?
	I Emerging Insurance business models (e.g. P2P)	• *Implication* – Customers will gradually expect similar level of innovation from traditional carriers • *Threat* – Emerging business models will challenge the financial sustainability of Insurance carriers	What role should icare play in the ecosystem as a positive response to emerging business models in Insurance?
	J Personalisation of Insurance products	• *Implication* – Employers and end customers (employees) expect customised and tailored form of Insurance products • *Opportunity* - To provide employers with tailored offerings, before potentially moving to personalisation at employee level	How should icare provide tailored offerings to the various customer profiles?
Health & Society	**K** Advancement in medical treatments	• *Threat – Could increase treatment costs (and premiums) but also allow targeted interventions (e.g. precision medicine & genomics)*	How prepared is icare in assessing new medical treatments as part of its offering?
	L Increasing health inequality	• *Implication* –Increasingly unequal societies are marked by lower trust and unhealthy health habits • *Threat* – Gradually increasing claims from similar profile customers adding complexity to care programs	How should icare best manage care and treatments for sections of society at different levels of health and wellbeing, recognising its "safety net" role as a social insurer?
	M Emerging models of care (e.g. virtual care)	• *Implication* – Wider acknowledgement and usage of community or digital tech. driven care programs • *Opportunity* – Optimise care programs by incorporating greater degree of community and tech based solutions	How should icare adapt its care programs to include new models of care to improve treatment and RTW outcomes for patients?

icare™

Our future is being shaped by 13 trends impacting the customers we support & our broader ecosystem

Macro Trend Analysis					
Theme	**Trends**	**Implications (Primary)**	**Reimagined Insurance**	**Provider Marketplace**	**Employee Wellbeing**
Future of Work	**A** Rise of automation (loss of white/ blue collar jobs)	• *Implication* – Customer income becomes unreliable; Hollowing out of economy • *Threat* – Negative impact on lives of NSW society, shrinking "employee" pool under cover	✔		
	B Rise of "gig" economy workforce	• *Implication* – Rise of uncovered workforce; income becomes unreliable • *Threat*– Uncovered workers will drive premium increase for traditional employers	✔		
	C Greater stress at workplace	• *Implication* – Increased volume of work will drive poorer wellness outcomes • *Opportunity* – Take market leading positon by offering wellness mgmt. services	✔	✓	✓
	D Ageing workforce	• *Implication* - Costs attached to treatment for this age group will rise gradually • *Threat* - Variably increasing claims cost; longer RTW in the event of an injury	✔	✓	✓
Future of Insurance	**E** Low customer interface / lowering Insurance trust & utility	• *Implication*– Customer interface becomes critical factor for customer loyalty • *Threat* – Offering ancillary services will become a critical competitive tool	✔		
	F Convergence of health, life and injury Insurance	• *Implication* – Insurance carriers vying to become one stop shop for customers • *Threat* – Losing customers in a potential open B2C market for Workers Ins.	✔		
	G Changing nature of Risk– Cyber/ Climate change/ Terrorism	• *Implication* - Emerging market for end-to-end offering to cover emerging threats • *Opportunity* – Opportunity to gain early mover advantage	✔		
	H Enhanced use of Data and Digital	• *Implication* – Data and Analytics becoming table-stakes capability • *Opportunity* – Improve customer outcomes by using data/analytics	✔	✓	✓
	I Emerging insurance business models (e.g. P2P)	• *Implication* – Customers will expect similar level of innovation from carriers • *Threat* – Challenge to sustainability of traditional Insurance carriers	✔		
	J Personalisation of Insurance products	• *Implication* – Employers and employees expect customised Insurance products • *Opportunity* - To personalise offerings at employer and employee level	✔	✓	
Health & Society	**K** Advancement in medical treatments	• *Implication* – Gradually increasing take up of advanced treatments in future • *Threat* – Variable impact on treatment cost	✔		
	L Increasing health inequality	• *Implication* - Increasingly unequal societies marked by violence and less trust • *Threat* – Rise in workplace injury and high cost of RTW for certain segment	✔		✓
	M Emerging models of care (e.g. virtual care)	• *Implication* – Wider usage of community or digital tech. driven care programs • *Opportunity* – Optimise cost and scale by incorporating new models of care	✔	✓	✓

icare™

Trend importance was determined based on overall scale and impact to our customer value proposition

Alignment of Macro Trends with Customer Pillars

	Partnering for safe & healthy workplaces	Offering proposition that delivers value	Protecting NSW Govt. assets	Supporting sustainable RTW	Ensuring optimal care	Scale[1]
A Rise of automation (loss of white/ blue collar jobs)		Offering that provide financial cover for temp. job loss		RTW for displaced workers will require re-skilling		●●○
B Greater stress at workplace	Loss prevention initiatives for mental health and stress	Offering adding value to both employers and employees		RTW services augmented by mental wellbeing programs	Mental wellbeing becoming a core part of care offering	●●●
C Rise of "gig" economy workforce		Offer works comp. cover for individual contractors		Evolution of RTW for complex needs of individual traders		●●●
D Ageing workforce				Ageing customers will need simpler care solutions to speed them up to RTW		●●○
E Low Customer Interface – decreasing Insurance Trust & Utility	Loss prevention activities are key to building trust	Value added offerings supplement core Insurance product utility	Deeper connect with NSW agencies build trust	Ancillary services to support RTW builds trust and add value	Quality of care services are key value differentiator	●●●
F Convergence of health, life and injury Insurance		Offer bundled Insurance products				●●○
G Changing nature of Risk– Cyber/ Climate/ Terrorism	Prevention measures for new risk types	Offer new products covering emerging risk types	Advise and support NSW agencies on emerging threats			●●○
H Enhanced use of Data and Digital	Leveraging customer data (e.g. medical record and behaviours) will impact risk-prevention, product economics and risk management of State assets			Improve RTW and care outcomes by leveraging patient data		●●○
I Emerging business models (e.g. P2P)		New offerings to leverage emerging bus. Models				●○○
J Personalisation of Insurance products		Personalised (menu-driven) product proposition in WI will be a key enabler of customer satisfaction				●●○
K Advancement in Medical treatment				New treatments and procedures will have material impact on pathways for RTW and care		●○○
L Increasing health inequality				Tailoring RTW and Care programs on different needs of healthier and at risk sections of the society		●●○
M Emerging models of care (e.g. virtual care)				Improve care reach and RTW by incorporating low cost flexible car models such as community care, mobile clinics		●●○

1) Scale: ●●● - *Happening now at scale*   ●●○ -*Happening now with low scale*   ●○○ - *Trend will evolve in 5+ years*

icare™

...however, to understand the relevance of these trends, we need to know the implications on our business

Trends assessment for relevance to icare informs opportunity generation

Macro Trends

I	Emerging Insurance business models	
F	Convergence of life, health and injury Insurance	
G	Changing nature of risk – Cyber threat, Climate change, terrorism	
H	Enhanced use of Data and Digital	
J	Personalisation of Insurance products	
B	**Greater stress at workplace**	
C	**Rise of "gig" economy workforce**	
E	**Decreasing trust in insurance**	
A	Rise of automation	
D	Ageing workforce	
M	Emerging models of care	
K	Advancement in medical treatments	
L	Increasing health inequality	

Wider Insurance Industry

icare's current Insurance construct

Wider Health and Care Industry

Society

Lower relevance

Moderately relevant Insurance Trends

Highly relevant

Moderately relevant Future of Work Trends

Moderately relevant Health Trends

- **Icare's current Insurance construct** – icare's core sphere of influence (WI & SI)
- **Wider Insurance Industry** – icare's secondary sphere of influence and interaction
- **Wider Health and Care Industry** – icare's primary sphere of influence and interaction
- **Society** – overarching sphere within which icare and the insurance industry operates

icare™

Appendix: Case Studies

Approach

Trend Analysis

Case Studies

Peer Benchmarking

icare™

S3 Extend Risk Advisory Services by offering consultation for emerging threats and capabilities (e.g. Cyber security threat, data and analytics)

ZURICH

Case Study 1: Tailored cyber security threat insurance offering
Zurich Insurance Company, Canada

Situation

- Significant increase in cyber risks (eg 36% increase in malware globally in 2015-16[1]) is driving need for data protection, privacy and cyber security measures
- Zurich Insurance Company (Canada) makes cyber security one its top priorities; uses predictive analytics to provide cyber security insurance offering to its clients

Approach

- Zurich cyber security proposition includes:
  - Security and privacy protection – third party coverage (incl. security and privacy liability, civil fines, etc), privacy coverage (incl. legal and PR expenses, identity monitoring, etc), first party coverage (incl. business income loss coverage, cyber extortion threat coverage, etc)
  - Cyber risk assessment – analysis of business cyber risk exposures and co-development of data security strategy (in partnership with Net Diligence Inc. – a cyber risk management services company)
  - Data breach response services – access to cyber-breach coaches and privacy lawyers (via third party providers)
  - DigitalResolve Solutions – access to incident response plan and a centralised incident manager to help businesses after a cyber attack
- To drive efficiency, Zurich maintains a dedicated cyber risk management team that closely collaborates with claims and underwriting teams

1) 2016 Annual Symantec Security Threat Report
2) Cyber Risks – Implications for the Insurance Industry in Canada. 2015

Results and further opportunities

- By 2020 cyber insurance will likely become a standard purchases for most Canadian businesses that could be affected by data breaches[2]

Key Considerations for icare:

- Partner with NSW government to develop deeper understanding of materiality of cyber threats for state agencies (already considered by icare)

- Discuss and debate what role does icare want to play in securing customers against cyber threats - choice has to be made between a holistic offering, loss prevention and standalone underwriting offerings

- Depending on icare's role, explore opportunities to partner with third parties with deeper cyber expertise

- Determine what will be the extent of coverage offerings - third party coverage (eg civil fines), privacy coverage (eg identity monitoring) and first party coverage (eg income loss)

WI (Nominal & SI)   WI (Nominal)   General (SI)   Care   icare™

Case Study 2: Enhanced proposition offering (incentives & wellness)
Discovery, South Africa

Situation

- Competing issues decrease of trust in insurers is putting pressure on carriers to add greater value for non-claiming customer, on the other hand changing lifestyle choices of customers is increasing insurance cost
- Discovery, a South African life and health insurer, introduces 'Vitality' - a customer wellness program that aims to decrease modifiable health risks and increase customer retention

Approach

- Discovery targeted three lifestyle choices (smoking, poor nutrition and poor physical activity) that contribute to four medical conditions (diabetes, cancer, heart disease and lung disease) and cause 50% of mortality cases

- In 1997, Discovery launched Vitality Program that uses behavioural economics to promote healthier lifestyle and increase client retention:

  – Vitality encourages consumers to engage in healthy activities (e.g. regular medical examinations, exercising, quitting smoking, etc.) and rewards them with redeemable points for doing so

  – The program allows Discovery to collect health data from its customers via wearable devices (eg Fitbit) and their own mobile application

  – Discovery then uses advanced analytics to re-assess customer health risks in order to refine product pricing (eg offers premium discounts to healthy customers) and to enable more efficient underwriting

Results and further opportunities

- Key results:

  – Over 6M registered program users in multiple countries (eg UK, USA, China, Australia)

  – EPS have grown 25% / year, compounded for the last two decades

- Discovery now grows via partnerships as they use their Vitality program to enter markets otherwise inaccessible due to high barriers of entry (including Australia via AIA)

Key Considerations for icare:

- When considering a holistic wellbeing program key success factors include:
  – Targeting specific medical conditions
  – Using rewards systems to increase customer loyalty
  – Leveraging technology to engage clients and monitor success

- To achieve this, icare can consider partnering with a technology provider

WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare™

BIMA

Case Study 3: Customer-tailored on demand insurance proposition
BIMA, Sweden

📈 Situation

- Low income families in developing countries cannot afford traditional insurance and are hard to reach via traditional channels
- BIMA uses mobile technology to offer a range of affordable "pay-as-you-go" insurance products, including life and health insurance (eg 3 month life insurance)

🔍 Approach

- BIMA offers a range of innovative insurance products tailored to clients' needs:
  - Micro-insurance solutions (e.g. mobile life insurance for as low as $0.02 / day) offered through mobile operators. BIMA tailors its products to mobile operator's KPI and handles product distribution and claims processing through proprietary Mobile Insurance Platform
  - A range of 'pay-as-you-go' prepaid simplified insurance products linked to client's SIM card (e.g. life, personal accident etc.) sold in 3, 6,or 12 month packages
  - Mobile health services – customers may purchase pre-paid membership to access medical consultations over the phone (i.e. tele-doctors)
- To reach customers, BIMA relies on an expansive network of local distribution agents (3,500 agents in 15 countries) and partners with local mobile operators and banks to deliver services

🤝 Results and further opportunities

- Between 2012-17 BIMA reached 24M customers in 15 countries across 3 continents
- BIMA achieved growth rate of 0.5M customers per month, 90% accessing insurance for the first time
- BIMA keeps growing partner network (e.g. receives ~$20M investment from Axiata Group - a major Asian telecom group)

Key Considerations for icare:

- BIMA model could be used as an analogue for a "tap-on-tap-off" insurance proposition

- Richness of data and supporting analytics capabilities must be uplifted to enable tailoring products to niche segments

- Discuss the value proposition of on-demand insurance for dynamic workforce working multiple jobs as individual contractors

Source: BIMA website

WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare™

Case Study 4: Insurance products for self-employed workers
NRMA Insurance, Australia

Situation

- In 2016 there were 2M self-employed workers in Australian workforce (18%), with 1.3M workers without employees (e.g. contractors, sole traders, etc.)[1]

- NRMA Insurance (part of IAG Ltd) offers a range of business insurance products targeted at self-employed workers

Approach

- NRMA Insurance offers two types of insurance products targeted at self-employed workers:

  - Tradies insurance – targeted at tradesmen with specific offerings for plumbers, carpenters and electricians. Includes personal accident and illness, public and product liability, general property insurance (incl. tools) & fire and defined events insurance

  - Professionals insurance – offered to professional services providers (e.g. lawyers, medical practitioners, architects, etc.). Primarily covers public and product liability

- All products are offered with a high degree of customisation (e.g. level of Public and Product liability cover, additional cover options, including building and vehicle insurance, etc.)

Results and further opportunities

- Self-employed workers constitute a large and attractive market segment (i.e. typically highly experienced above-average income earners)[2]

- Current socioeconomic trends (e.g. rise of sharing economy, further growth in services sector, etc.) indicate potential for future growth in Australian self-employed worker numbers

Key Considerations for icare:

- Consider the full range of individual contractors (traditional tradesman, professional services and "gig" economy workers) to examine overall needs

- Explore options for how a workers compensation can be expanded to include additional cover required by self-employed workers (eg public liability) as a non-compulsory offering

- Determine the extent of coverage for a potential future offering

1) ABS - Characteristics of Employment, Australia 2016
2) CEDA - Australia's future workforce? , 2015

WI (Nominal & SI)   WI (Nominal)   General (SI)   Care   **icare**™

sureify

Case Study 5: Enhanced use of data
Sureify, USA

Situation

- Exponential increase in available customer data enabled insurers to use predictive techniques to automate underwriting process and tailor premiums to customers
- Sureify offers data collection and analytics platform to life insurance providers that enables personalised policy pricing and helps drive revenue

Approach

- Sureify offers a cloud-based white label life insurance technology platform built around collecting data from wearable devices (supplied by insurer or BYOD)
- The platform allows insurers to digitally acquire clients and engage with current policyholders to up- and cross-sell insurance products
  - Sureify allows insurers to directly engage with their users anytime and to collect premium holder health data from a variety of real-time data sources
  - Collected data is used to sell additional insurance products, enables dynamic premium modelling and helps to develop new offers and tailor them to specific customer needs
  - Sureify also encourages policyholders to live a healthier life by meeting health goals in return for premium discounts
- Collected data helps insurers to create analytical models that replicate fully underwritten decisions and then use algorithms from these models to predict underwriting decisions for future applicants

Results and further opportunities

- Sureify's platform has been recognised by notable industry players:
  - Finalist of MetLife's COLLAB engagement program
  - Finalist of Plug and Play InsurTech innovation competition
  - In 2016, Sureify formed strategic global partnership with Hannover Life Reassurance (US) – subsidiary of Hannover Re, world's third largest reinsurance company

Key Considerations for icare:
- Collect customer health data and use it to improve product underwriting and optimise premiums
- Partner with third party technology providers to obtain and analyse policyholder data

WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare™

Case Study 6: Enhanced proposition offering (incentives & wellness)
AIA, GMHBA, and Discovery, Australia

Situation

- Consumers' trust in insurers is decreasing, and non-claiming customers feel that insurance lacks value
- Life insurer AIA, health insurer GMHBA, and South African insurer Discovery partnered to produce "myOwn Health Insurance with AIA Vitality" - a combined insurance and wellbeing product that incentivizes users to decrease health risks by rewarding physical activity and health check-ups

Approach

- In 2017 South African life and health insurer Discovery partnered with AIA and GMHBA to launch the AIA Vitality Wellbeing Program under the myOwn line of insurance products.

- Established by Discovery in 1997, the Vitality program uses behavioural economics to promote healthier lifestyle and increase perceived value:

  - The AIA Vitality Wellbeing program offers points for healthy activities (e.g. nutrition assessments, gym visits) which users can redeem for rewards and discounts with partners (e.g. Rebel Sport, Virgin Active gyms)

  - The insurers can collect health data (e.g. sleep, activity, and nutrition) from customers via mobile apps and wearable devices (e.g. Fitbit)

  - Advanced analytics helps the insurer re-assess customer health risks in order to refine product pricing (e.g. 5% premium discount for customers who retain their point status) and enables more efficient underwriting

Results and further opportunities

- Key results:
  - Vitality has over 6M registered program users in multiple countries (eg UK, USA, China, Australia)
  - The myOwn product is currently limited to health insurance (with discounts on AIA life insurance available), but there is scope to develop comprehensive life *and* health policies

Key Considerations for icare:

- icare can offer customers better value by using rewards systems to increase perceived value

- icare can leverage technology to engage customers, monitor success, and collect data (improving both health outcomes and insurers' underwriting)

- To achieve this, icare can consider partnering with a technology provider

WI (Nominal & SI)   WI (Nominal)   General (SI)   Care   icare™

Case Study 7: Insurance for the sharing and gig economies
Slice, USA

Situation

- Proliferation of apps like Uber and Airbnb has created significant demand for temporary, on-demand insurance products
- Slice allows users to purchase short-term insurance products for homeshare operators (e.g. Airbnb) and rideshare drivers (e.g. Uber)

Approach

- Slice are targeting the high-growth "gig economy" and "sharing economy" segments
- Via their mobile app, Slice sell on-demand insurance that temporarily covers customers
  - Example: Airbnb users can take out a policy that covers them for the duration of their tenant's stay e.g. 1 week insurance
  - Uber drivers can take out a policy that only covers them during their driving hours
- Slice manage the customer experience, but do not deal with risk/underwriting:
  - Slice price and issue their own products online (e.g. insurance for Airbnb hosts)
  - They process claims and billing via the mobile app
  - Slide *do not* handle underwriting (it is provided by Munich RE)
- Benefits of Slice include:
  - Insuring tenants for an Airbnb stay typically costs users US$4-7
  - Slice insure small claims (as low as ~$40) and unusual claims like unexpected utility bills

Results and further opportunities

- After a successful soft-launch in Iowa, Slice has expanded to twelve other states (as of June 2017):
  - Licensed to sell insurance in 50 US states
  - Slice have successfully raised US$3.9M from Horizons Ventures, XL Innovate, Munich Re and Tusk Ventures
- Slice plan to grow by partnering directly with service providers like Uber

Key Considerations for icare:

- Decide how to develop a direct B2C channel (e.g. partnering with technology company to build a mobile app)

- Determine capital management structure (separate pools for traditional workers compensation customers and B2C customers?)

- Consider which other customers may want on-demand insurance and what platforms will capture the largest overall share

Source: Slice website, Forbes, Crunchbase

WI (Nominal & SI)　　WI (Nominal)　　General (SI)　　Care　　**icare**™

Case Study 8: Convergent Insurance proposition via tech partnership
CPIC-Allianz's partnership with Alibaba, China

Situation

- CPIC-Allianz is a joint venture between CPIC (a Chinese life and property insurance provider) and Allianz (a German insurer with global health insurance expertise).
- In order to provide a comprehensive customer experience, CPIC-Allianz entered a strategic partnership that leverages Alibaba's technological capabilities and digitally connected users.

Approach

- CPIC-Allianz tap into Alibaba's digitally engaged customers via their mobile health platform called "Alijk".
  - CPIC-Allianz sell insurance through Alijk, and customer data is collected in order to further personalize insurance offerings
  - The insurer also sells other forms of insurance via Alibaba (e.g. travel)
- CPIC-Allianz's customers continue to utilize Alijk after purchasing insurance:
  - Users take a photo of their prescription and Alijk will send it to nearby pharmacies. The pharmacies bid to fill the prescription and on average the customer pays 20% less than market rates
- The insurer ultimately aspires to engage with customers from the purchase of insurance, to diagnosis, to care. This allows them to improve health outcomes through rich data and new service platforms:
  - Alijk is currently building an online "cloud hospital" through which customers will receive medical checks and e-prescriptions

Results and further opportunities

- Alibaba's recent acquisitions provide a license to sell more drugs online, and, the technology required to provide internet-based medical imaging services
- CPIC-Allianz can minimize the cost of claims as Alijk users take advantage of more efficient forms of care (e.g. medical imaging kiosks)
- Total health expenditure in China is expected to exceed $1 trillion by 2020

Key Considerations for icare:

- icare should consider using internet/mobile platforms to deliver both insurance sales *and* care (e.g. medical advice and prescriptions)
- Partnerships may allow icare to provide emerging services on a much shorter time horizon
- Discuss what capabilities icare wants to develop internally (e.g. To what extent does icare want to rely on Allied health professionals?)

Source: Forbes Asia, Technode

WI (Nominal & SI)   WI (Nominal)   General (SI)   Care   **icare**™

Appendix: Peer Benchmarking

Approach

Trend Analysis

Case Studies

Peer Benchmarking

icare™

Workers Compensation Scheme Review – WorkSafe VIC

Key Areas

Findings

Injury Prevention & Safety

- Customers can access specific safety training and workplace checks via their respective insurer (e.g. Allianz or EML), but the quality of the service subsequently varies by agent

- WorkSafe's preventative program assists 31 employers in high-risk industries (bullying and mental health are targeted)[1]
- WorkHealth - conducted workplace health checks for 800k workers from 2008-13. Initiative re-launched in 2017 with mental health focus[2]

Risks Covered

- Physical, mental, and hearing injuries are covered (includes work breaks and travel)
- Coverage for travel-related injuries will depend on specific circumstances

- Claim types include permanent impairment, treatment, lost wages (80-95% of pre-injury earnings), and death/funeral entitlements[3]

Product Proposition

- Insurers are selected via a competitive tender process (recently resulted in QBE being replaced by EML and Xchanging)
- Uses industry-specific claim ratings to set employer premiums; premiums can be reviewed/appealed

- Offers premium discounts for early payment (3-5%)[4]
- Victoria's Average Premium Rate for 2017.18 is 1.27%

Return to Work

- Employers must provide suitable post-injury work for up to 52 weeks—provided it is reasonable to do so
- Employees are allocated Return to Work Coordinators for rehab, training, and alternative work arrangements

- 88% Return to Work rate in 2016 (vs 87% Aus avg.)[5]
- Physiotherapists can access free training videos and a guidebook on their role in Return to Work, identifying barriers to return, and completing the Certificate of Capacity [6,7]

RTW / Treatment

- WorkCover produce an Allied Health Table of Costs that stipulates the maximum amount that they will pay for medical and rehabilitation treatment [8]
- Disputes can be resolved via Agent Senior Managers, conciliation, or legal proceedings

- Employees can choose any allied health professional who is registered with WorkSafe
- WorkSafe invested $25m in an electronic documents and records management system[9]

Workers Compensation Scheme Review – WorkCover QLD

Key Areas

Findings

Injury Prevention & Safety
- Rather than relying on insurers, WorkCover deliver their own Injury Prevention and Management (IPaM) program. Under this program, a representative works with the employer to develop a comprehensive program (ie risks *and* culture)

- Specific initiatives target key problem areas:
  - Young workers (skills development, mental health)
  - Blue collar and ageing workers (health and wellbeing at work, chronic diseases, etc)

Risks Covered
- Covers physical, mental, and hearing injuries (includes work breaks and travel)
- Coverage for travel-related depends on specific circumstances

- Claim types include: permanent impairment, treatment, lost wages (100% of award or 85% of pre-injury earnings), and death/funeral entitlements[1]

Product Proposition
- Large employers (wages >$1.5m) - premiums are based on claims history, industry and workplace size
- Small employers (wages <$1.5M) - premiums are based on claims rating (eg rating 1 = 80% of industry premiums)

- Average premiums are currently 1.2%
- A 5% discount is available for early payment [2]
- Employers have option to self-insure
- Offers personal accident cover to self-employed workers [3]

Return to Work
- In 2016 Returned to Work Rate was 86% (vs. 87% national average)[4]
- Mandates collaboration between the employer, doctor, and employee; Uses return-to-work plans and customer advisor/claim manager

- The Recover at Work program provides short term employment with an employer that has a successful return to work record among their own employees
- "Short retraining courses" are available through Return to Work services [5]

RTW / Treatment
- As of July 2016, doctors are required to prepare Work Capacity Certificates. Doctors are asked to promote the health benefits of an early return to work, and provide suitable alternative employment duties[6]

- Common treatments such as chiro and physio don't require WorkSafe agent approval, but less common items such as aids, appliances, and childcare do
- Workers have the right to choose their own doctor[7]

icare

Workers Compensation Scheme Review – Return to Work SA

Key Areas

Findings

Injury Prevention & Safety

- Employer premiums are set based on current claims rate
- Provides support hotline that offers "tailored advice" on reducing premiums
- Utilises data analytics to identify high/growing risk areas (e.g. fraudulent claims)[1]

- Uses risk management consultants and mental health consultants to reduce risk of work-related physical and psychological injuries
- Offers mental health starter kits that target workplace stress and bullying[2]

Risks Covered

- Covers physical, mental, and hearing injuries
- Lump sum payments are not available for hearing loss or mental injury

- Claims types include: Income support (typically 104 weeks), lump sum payments for economic and non-economic losses (if whole person impairment exceeds 5%), reasonable and necessary medical treatment, return to work services[3]

Product Proposition

- The premium calculation formula is designed to be "easy to understand" (it is based on total remuneration, industry premium rate, and income support costs paid to workers during the previous year)

- Average premiums are currently 1.8%
- Self-insurance is available for periods of up to 5 years
- Premiums can be disputed via the Premium Review Panel

Return to Work

- In 2016, Return to Work Rate was 81% (vs. 87% national average)[4]
- Employers may face SA Employment Tribunal if they do not provide suitable employment within a reasonable time
- RISE incentivizes employers to provide alternative work

- Mobile caseworkers visit both employee and employer in the days following the injury (recent initiative with very positive response)
- ReSkilling program for employees who cannot return to pre-injury work[4]

RTW / Treatment

- Claims and records management systems are fully integrated and enable consistent treatment of workers and employers by any agent
- Doctors must receive accreditation in order to give impairment assessment (includes mental impairment framework)[6]

- Claims can be disputed via the South Australian Employment Tribunal
- Return to Work SA set fees and conditions for treatment provided by Allied Health Services
- Workers can choose their own doctor[7]

Workers Compensation Scheme Review – icare

Key Areas

Findings

Injury Prevention & Safety
- Workplace safety consultants are available via insurers
- Employer Safety Incentives provide discounts (allowing employers to invest in safety programs)

- icare invested $3.5 in SafeWork NSW's Get Healthy at Work program
- icare proactively engage with employers to promote safe work environments and prevent injuries (e.g. helped Teys Australia beef processing facility established fitness centre)[1]

Risks Covered
- Covers physical, mental, and hearing injuries
- Employees may be able to claim for injuries received during work breaks. They can be claimed for travel if there is a real and substantial link between the employees work and the injury

- Claims types include: Income support (80-95% of wages), permanent impairment (up to $577,050 + 5% for back injuries), and death entitlements

Product Proposition
- Discounts of up to 10% are available for safe employers
- Discounts of 3-5% are available for early payment
- Premiums are based on total wages paid, cost of claims made, industry, and discounts

- Average premiums are currently 1.4%
- 10% of the NSW workforce is self-insured
- Self-employed workers cannot be insured

Return to Work
- In 2016, Return to Work Rate was 90% (vs. 87% national average) [2]
- New Employment Assistance offers up to $1000 for training, clothing, equipment and similar assistance
- Education or Training Assistance offers up to $8000 [4]

- Employee is assigned a caseworker who coordinates treatment and care in the early stages after an injury [3]
- Alternative employment programs include: Transition to Work, Work Trials, and the JobCover Placement Program [5]

RTW / Treatment
- Employees are allowed to elect a Nominated Treating Doctor
- Doctors must receive accreditation in order to give impairment assessment (includes mental impairment framework) [5]

- SIRA provide doctors with guidelines on their role in filling Certificates of Capacity and supporting a return to work

Workers Compensations schemes across Australia are largely similar with minor differences in proposition...

Value Area	Proposition (Non Exhaustive)	Return to WorkSA	WorkSafe	WorkCover QUEENSLAND	icare		
Injury Prevention & Safety	• **Workplace health check programs**	◐	●	◐	◑	WorkSafe VIC includes workplace health checks with a mental health focus	**i**
	• **Industry/ geography segmented prevention**	●	●	●	●	Parity in services	
	• **Risk management consultation**	●	●	●	●	Parity in services	
Product Proposition	• **Built-in incentives and discounts for Employers**	◑	◔	◔	●	icare offers ~10% discount for early payment, other states except WorkSA offer ~5%	
	• **Coverage of employment profiles**	◑	◔	●	◔	WorkCover QLD offer self-employed workers insurance via Workplace Personal Injury Ins.	**ii**
	• **Cut off period for benefits**	◑	●	◔	◔	Benefits cut-off period policy in Victoria is generous when compared to its peers	
Return to Work	• **Retraining programs for employees**	●	●	◐	●	All states offer funding for retraining/reskilling	
	• **Alternative work placement programs**	●	●	●	◔	All states offer alternative work placement programs	
	• **Physiotherapist support to speed-up return to work**	◔	●	◔	◔	WorkSafe VIC offers free educational material to physios and doctors	**iii**
RTW / Treatment	• **Case Managers to improve patient outcomes**	●	◔	◔	◔	ReturntoWork SA - mobile case managers work with employees/employers/doctors face-to-face	**iv**
	• **Choice of treatment / doctor**	●	●	●	●	All states allow workers to choose their own doctor	
	• **Training and support to health practitioners**	●	●	●	●	All states emphasize an early return as per national Better at Work research	

Source: WorkCover QLD, ReturntoWork SA, WorkSafe Victoria, icare data

Enhancement Opportunities for icare

...however, enhancement opportunities exist as quick and short term wins for icare

Area	Initiative	Example from other Scheme
ii **Product Proposition**	• Extend product range to self-employed workers cover (eg contractors, professionals, etc)	**WorkCover QUEENSLAND** • Directors, partners of partnerships, sole traders and trustees can cover themselves by taking out *Workplace Personal Injury Insurance* • This policy is comparable with regular WC and includes coverage for medical expenses, weekly benefits etc.
i **Injury Prevention & Safety**	• Conduct workplace health checks to drive early identification of potential threats	**WorkSafe** • Delivered free workplace health checks at employer site to ~800k employees (~30% of workforce), focusing diabetes and cardiovascular diseases • First general medical check for majority of workers; 52% of participants advised to see their GP
iii **Return to Work**	• Deepen collaboration with doctors to drive return to work outcomes	**WorkSafe** • Personal Injury Education Foundation offer GPs free Return to Work training - informs doctors of the health benefits of safe work • Program explains GP's roles in the Return to Work program (e.g. identifying alternative duties)
iv **RTW / Treatment**	• Introduce mobile case managers to facilitate face-to-face interaction with patients for better care outcomes	**Return to WorkSA** • Mobile Case Managers introduced - workers, employers, and medical practitioners are now given face-to-face by insurance agents • Case managers can quickly approve specialist requests and visit work sites to personally identify the causes of injuries

Legend ▶ New Initiative ▶ Initiative currently being considered (customer pillar activities)

icare™

To truly reimagine our proposition, we need to look more broadly to global and cross-sector innovators (1/2)

Theme	Case Studies	Insights for icare
Insurance Carriers offering **coverage for** emerging threat in **Cyber Security**	• Zurich Insurance Company (Canada) provide comprehensive coverage suite for cyber security threats • Zurich's Canada based suite includes security and privacy protection, cyber risk assessment services and data breach response services	• Opportunity for icare can be framed across value chain depending on its appetite (e.g. underwriting civil fines vs providing cyber risk consulting as a preventive measure) • Building right partnership for capability development will be a key consideration

Incentivising healthy behaviour and lifestyle for holistic wellbeing	• Discovery's (South Africa) Vitality wellbeing program rewards healthy behaviour (e.g. gym visits) with redeemable points
	• Customers health data (incl. test results and wearable data) is used to improve underwriting
	• Vitality has expanded to several countries (via AIA & GMHBA in Australia)
		• When considering a holistic wellbeing program key success factors include:
		  – Targeting specific medical conditions
		  – Using rewards systems to increase customer loyalty
		  – Leveraging technology to engage clients and monitor success

Personal Injury and liability **Insurance for sole traders and self-employed** professionals	• NRMA Insurance (part of IAG Ltd) offers a range of business insurance products targeted at self-employed workers
	  – Tradies insurance: targeted at tradesmen (e.g. plumbers, and electricians) covering personal injury and liability
	  – Professionals insurance: offered to professional services providers (e.g. lawyers, medical practitioners, architects, etc.) primarily covering public and product liability
		• Consider full range of sole traders (traditional tradesman and professional services) to examine overall needs
		• Explore options for how a workers compensation can be expanded to include additional cover required by self-employed workers (e.g. public liability)

Offering **tap-on/ tap-off Insurance** to "gig" economy workforce	• Slice (a US based start-up) offers gig workers (e.g. Uber drivers) short-term, on-demand insurance via their mobile app – E.g. Airbnb users can take out a policy that covers them for the duration of their tenant's stay e.g. 1 week insurance	• Decide how to develop a direct B2C channel to reach the "gig" economy workers (e.g. partnering with talent platform) • Determine capital management structure (potential separate pools for traditional workers compensation customers and B2C customers)

To truly reimagine our proposition, we need to look more broadly to global and cross-sector innovators (2/2)

Theme	Case Studies	Insights for icare
BIMA — Highly **customised Insurance offering** for groups with lower financial means	• BIMA (Sweden) uses mobile technology to offer a range of affordable "pay-as-you-go" insurance products, including life and health insurance (e.g. 3 month life insurance) to low income families in developing countries cannot afford traditional insurance and are hard to reach via traditional channels	• BIMA model could be used as an analogue for a low cost insurance proposition for NSW residents without PHI • BIMA serves as a validated financially viable model ranging from "Protect, Insurance and Care" proposition at a low cost
sureify — Using customer data to **personalise offerings** and price premium for risk	• Sureify (US based start-up) offers analytics platform to life insurance carriers that enables personalised policy pricing • Sureify's cloud-based white labelled solution collects user data from wearable devices (supplied by insurer or BYOD) • Enables Insurers engage with current policyholders to up- and cross-sell insurance products)	• Determining right use cases where data can be leveraged to improve customer outcomes is the primary consideration for icare • Upfront cost of data sensors (e.g. wearables) is high; identifying "high frequency impact" customers to start of such a program will align efforts to most value
CPIC-Allianz / ali.com — Offering **convergent insurance** through tech. / online platform	• CPIC-Allianz is a joint venture between CPIC (a Chinese life and property insurance provider) and Allianz (a German insurer with global health insurance expertise) • In order to provide a comprehensive customer experience, CPIC-Allianz entered a strategic partnership that leverages Alibaba's technological capabilities and digitally connected users	• Integrated/ convergent form of Insurance will mostly be sold through channels that are part of customer's day to day lives • Buying Insurance is fast becoming a transactional e-commerce activity and B2C channels will tend to merge with major tech./ ecommerce provider in region

icare™

WELCOME

10.00 – 10.15

THE TWO SIDES OF LEADERSHIP

> " The first step is to establish that something is possible; then probability will occur "

ELON MUSK

> " "That's the hard thing about hard things—there is no formula for dealing with them." "

BEN HOROWITZ

icare

PURPOSE OF TODAY

CONNECT WITH EACH OTHER

INSPIRE AND MOTIVATE

MAKE DECISIONS AS A TEAM

CELEBRATE PROGRESS

icare

leadership forum
differently

10: 00 ● welco me

10: 15 ● integrated planning

10: 45 ● rhythm strategic priorities for

11: 30 18/19 board

12: 00 address leadinghsbc

12: 30 hcd clos 3: 45 canapés + 4:0 drinks 0

INTEGRATED PLANNING RHYTHM

10.15-10.45

DILBERT BASICS OF BUSINESS PLANS

TOPIC AGENDA

1. Why it matters & what it is

2. The planning rhythm

3. The outcome

icare

WHY INTEGRATED PLANNING?

| The context | 'The WHY' |

The context

- Business planning can happen without connecting the dots

- Good planning can help us anticipate needs early

'The WHY'

1 Connecting strategy to delivery

2 Receiving inputs in time

3 Clarity on how KPIs cascade

4 Line of sight across the business

icare

WHAT DOES SUCCESS LOOK LIKE?

Strategy

Business plans

Functional Plans

icare

WHAT DOES SUCCESS LOOK LIKE?

Strategy

Business plans

Functional Plans
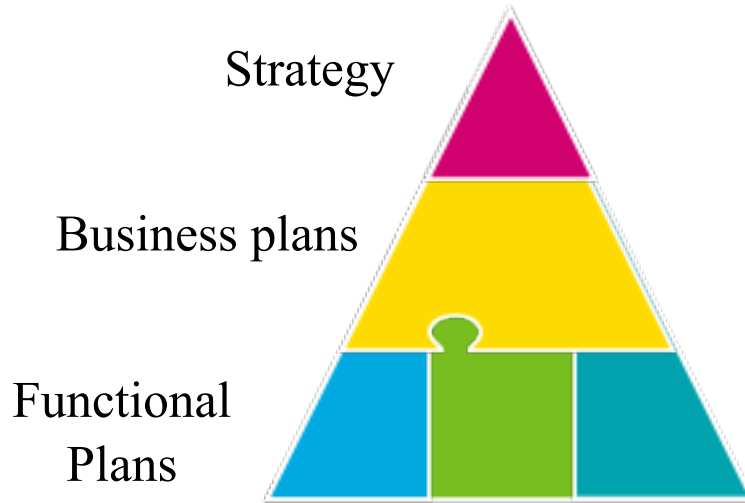
icare
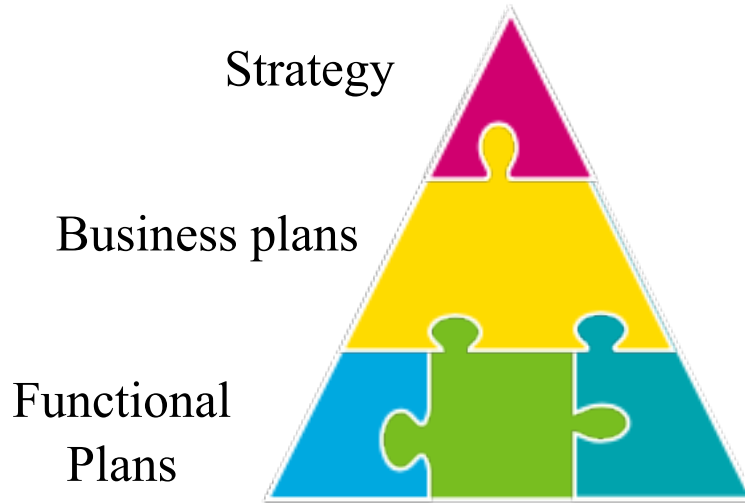
SHIFTING TO CUSTOMER ALIGNED

From…

icare strategy

WI — SI — Care

Partnering for safe and healthy workplaces
Supporting sustainable return to work
Ensuring optimal care
Offering propositions that deliver value
Protecting NSW government assets

People Engagement
Finance
COO
Actuarial Services
Risk & Governance

…To

icare strategy

Partnering for safe and healthy workplaces	Offering propositions that deliver value	Protecting NSW government assets	Supporting sustainable return to work	Ensuring optimal care
WI	WI	SI	WI	Care
SI	SI		SI	WI
				SI

People Engagement
Finance
COO
Actuarial Services
Risk & Governance

Business Plan

icare™

PILLARS LED BY 1, BENEFITING MANY

icare strategy

Business Plans	Partnering for safe and healthy workplaces	Offering propositions that deliver value	Protecting NSW government assets	Supporting sustainable return to work	Ensuring optimal care
Collaborating Service Lines	WI / SI	WI / SI	SI	WI / SI	Care / WI / SI

Enabling Services

- People Engagement
- Finance
- COO
- Actuarial Services
- Risk & Governance

Business Plan

icare™

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4
Jun	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun

Engagement and Communication

Board
4 — Board Strategy Day

GLT
8 — GLT Strategy Day #2
8 — GLT Strategy Day #1
— GLT Strategy Day #2
— GLT Delivery Check In

SLT
14 — Senior Leader Forum
6 — Senior Leader Forum
13 — Senior Leader Forum
1 — Senior Leader Forum

All
Chapter 5 — 25
Chapter 6 — 25
Chapter 7

Strategic & Business Planning Activities

Strategic Planning
Develop high level
Develop detailed strategy
Document strategy
Finalise Strategic Plan

Business Planning
Validate commitments and carry out 'big rocks'
High level planning financial commit...
Document final service line enabling plans
Submit SBI and Business Plan to Treasurer
Business plans complete

Functional Planning

Finance
Half year forecast
Develop budgets
Document budget

People
Performance reviews and objec...
Mid-year reviews
People planning
Talent review, succession planning

Risk
Risk appetite review
Risk management
Org objectives go to May PRC

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4
Jun	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun

Engagement and Communication

Board
- 4 Board Strategy Day

GLT
- 8 GLT Strategy Day #2
- 8 GLT Strategy Day #1
- GLT Strategy Day #2
- GLT Delivery Check In

SLT
- 14 Senior Leader Forum
- 6 Senior Leader Forum
- 13 Senior Leader Forum
- 1 Senior Leader Forum

Agree strategic priorities

All
- Chapter 5 — 25
- Chapter 6 — 25
- Chapter 7

Strategic & Business Planning Activities

Strategic Planning
- Develop high level...
- Develop detailed strategy
- Document strategy
- Finalise Strategic Plan

Business Planning
- Validate commitments and call out 'big rocks'
- High level planning financial commit...
- Document final service line enabling plan...
- Submit SBI and Business Plan to Treasurer
- Business plans complete

Functional Planning

Finance
- Half year forecast
- Develop budgets
- Document budget

People
- Performance reviews and objectives
- Mid-year reviews
- People planning
- Talent review, succession planning

Risk
- Risk appetite review
- Risk management
- Org objectives go to May PRC

Integrated Strategic and Business Planning

	Q4 16/17	Q1			Q2			Q3			Q4		
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Engagement and Communication

Board
- 4 — Board Strategy Day

GLT
- 8 — GLT Strategy Day #2
- 8 — GLT Strategy Day #1
- GLT Strategy Day #2
- GLT Delivery Check In

SLT
- 14 — Senior Leader Forum
- 6 — Senior Leader Forum
- 13 — Senior Leader Forum
- 1 — Senior Leader Forum

All
- Chapter 5 — 25
- Chapter 6 — 25
- Chapter 7

Strategic & Business Planning Activities

Strategic Planning
- Develop high level
- Develop detailed strategy
- Document strategy
- Finalise Strategic Plan

Business Planning
- Validate commitments and call out 'big rocks'
- High level planning financial commit
- Document final service line enabling plan
- Submit SBI and Business Plan to Treasurer
- Business plans complete

Functional Planning

Finance
- Half year forecast
- Develop budgets
- Document budget

People
- Performance reviews and objectives
- Mid-year reviews
- People planning
- Talent review, succession planning

Risk
- Risk appetite review
- Risk management
- Org objectives go to May PRC

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4
Jun	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun

Engagement and Communication

Board
- 4 Board Strategy Day

GLT
- 8 GLT Strategy Day #2
- 8 GLT Strategy Day #1
- GLT Strategy Day #2
- GLT Delivery Check In

SLT
- 14 Senior Leader Forum
- 6 Senior Leader Forum
- 13 Senior Leader Forum
- 1 Senior Leader Forum

All
- Chapter 5 — 25
- 25
- Chapter 7

Communicate strategic priorities

Strategic & Business Planning Activities

Strategic Planning
- Develop high level
- Develop detailed strategy
- Document strategy
- Finalise Strategic Plan

Business Planning
- Validate commitments and call out 'big rocks'
- High level planning financial commit
- Document final service and enabling plan
- Submit SBI and Business Plan to Treasurer
- Business plans complete

Functional Planning

Finance
- Half year forecast
- Develop budgets
- Document budget

People
- Performance reviews and objectives
- Mid-year reviews
- People planning
- Talent review, succession planning

Risk
- Risk appetite review
- Risk management
- Org objectives go to May PRC

Integrated Strategic and Business Planning

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4
Jun	Jul · Aug · Sep	Oct · Nov · Dec	Jan · Feb · Mar	Apr · May · Jun

Engagement and Communication

Board
- Board Strategy Day (4)

GLT
- GLT Strategy Day #2 (8)
- GLT Strategy Day #1 (8)
- GLT Strategy Day #2
- GLT Delivery Check In

SLT
- Senior Leader Forum (14)
- Senior Leader Forum (6)
- Senior Leader Forum (13)
- Senior Leader Forum (1)

All
- Chapter 5 (25)
- Chapter 6 (25)
- Chapter 7

Strategic & Business Planning Activities

Strategic Planning
- Develop high level
- Develop detailed strategy
- Document strategy
- Finalise Strategic Plan
- Submit SBI and Business Plan to Treasurer

Business Planning
- Validate commitments and call out 'big rocks'
- High level planning financial commit
- Document final service line enabling plan
- Business plans complete

Functional Planning

Finance
- Half year forecast
- Develop budgets
- Document budget

People
- Performance reviews and objectives
- Mid-year reviews
- People planning
- Talent review, succession planning
- Org objectives go to May PRC

Risk
- Risk appetite review
- Risk management

Integrated Strategic and Business Planning

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4
Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Engagement and Communication

Board

Drive recommendations regarding strategic priorities in detail

Provide implementation considerations

GLT

8 — GLT Strategy Day #2

8 — GLT Strategy Day #1

GLT Strategy Day #2

GLT Delivery Check In

SLT

14 — Senior Leader Forum

6 — Senior Leader Forum

13 — Senior Leader Forum

1 — Senior Leader Forum

All

Chapter 5 — 25

Chapter 6 — 25

Chapter 7

Strategic & Business Planning Activities

Strategic Planning

Develop high level

Develop detailed strategy

Document strategy

Finalise Strategic Plan

Business Planning

Validate commitments and carve out 'big rocks'

High level planning financial commit

Document final service and enabling plans

Submit SBI and Business Plan to Treasurer

Business plans complete

Functional Planning

Finance

Half year forecast

Develop budgets

Document budget

People

Performance reviews and objectives

Mid-year reviews

People planning

Talent review, succession planning

Risk

Risk appetite review

Risk management

Org objectives go to May PRC

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4

Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun

Engagement and Communication

Board

4 — Board Strategy Day

GLT

8 — GLT Strategy Day #2

8 — GLT Strategy Day #1

GLT Strategy Day #2

GLT Delivery Check In

SLT

14 — Senior Leader Forum

6 — Senior Leader Forum

Senior Leader Forum

1 — Senior Leader Forum

All

Chapter 5 — 25

Chapter 6 — 25

7

Review delivery progress

Share recommendations and implementation considerations regarding strategic priorities for endorsement

Strategic & Business Planning Activities

Strategic Planning

Develop high level

Develop detailed strategy

Document strategy

Finalise Strategic Plan

Business Planning

Validate commitments and carry out 'big rock'

High level planning financial commi

Document final service line enabling plan

Submit SBI and Business Plan to Treasurer

Business plans complete

Functional Planning

Finance

Half year forecast

Develop budgets

Document budget

People

Performance reviews and objectives

Mid-year reviews

People planning

Talent review, succession planning

Org objectives go to May PRC

Risk

Risk appetite review

Risk management

Integrated Strategic and Business Planning

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4
Jun	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun

Engagement and Communication

Board
- 4 Board Strategy Day

GLT
- 8 GLT Strategy Day #2
- 8 GLT Strategy Day #1
- Set guardrails for strategic plan and delivery roadmap
- GLT Strategy Day #2
- GLT Delivery Check In

SLT
- 14 Senior Leader Forum
- 6 Senior Leader Forum
- 13 Senior Leader Forum
- 1 Senior Leader Forum

All
- Chapter 5 — 25
- Chapter 6 — 25
- Chapter 7

Strategic & Business Planning Activities

Strategic Planning
- Develop high level...
- Develop detailed strategy
- Document strategy
- Finalise Strategic Plan

Business Planning
- Validate commitments and... out 'big rocks'
- High level planning financial commit...
- Document final service... enabling plan...
- Submit SBI and Business Plan to Treasurer
- Business plans complete

Functional Planning

Finance
- Half year forecast
- Develop budgets
- Document budget

People
- Performance reviews and... objectives...
- Mid-year reviews
- People planning
- Talent review, succession planning

Risk
- Risk appetite review
- Risk management
- Org objectives go to May PRC

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4

| Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |

Engagement and Communication

Board
- 4 — Board Strategy Day
- Strategic plan guardrails to February Board for endorsement

GLT
- 8 — GLT Strategy Day #2
- 8 — GLT Strategy Day #1
- GLT Strategy Day #2
- GLT Delivery Check In

SLT
- 14 — Senior Leader Forum
- 6 — Senior Leader Forum
- 13 — Senior Leader Forum
- 1 — Senior Leader Forum

All
- Chapter 5 — 25
- Chapter 6 — 25
- Chapter 7

- Design strategic plan delivery roadmap

Strategic & Business Planning Activities

Strategic Planning
- Develop high level
- Develop detailed strategy
- Document strategy
- Finalise Strategic Plan

Business Planning
- Validate commitments and call out 'big rocks'
- High level planning financial commit
- Document final service and enabling plan
- Submit SBI and Business Plan to Treasurer
- Business plans complete

Functional Planning
- **Finance**
  - Half year forecast
  - Develop budgets
  - Document budget
- **People**
  - Performance reviews and objectives
  - Mid-year reviews
  - People planning
  - Talent review, succession planning
  - Org objectives go to May PRC
- **Risk**
  - Risk appetite review
  - Risk management

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4

Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Engagement and Communication

Board

Board Strategy Day (4)

GLT

GLT Strategy Day #2 (8)

GLT Strategy Day #1 (8)

GLT Strategy Day #2

GLT Delivery Check In

SLT

Senior Leader Forum (14)

Senior Leader Forum (6)

Senior Leader Forum (13)

Senior Leader Forum (1)

Design next tranche of delivery.

All

Chapter 5 (25)

Chapter 6 (25)

Chapter 7

Strategic & Business Planning Activities

Strategic Planning

Develop high level strategy

Develop detailed strategy

Document strategy

Finalise Strategic Plan

Business Planning

Validate commitments and call out 'big rocks'

High level planning financial commit...

Document final service line enabling plan

Submit SBI and Business Plan to Treasurer

Business plans complete

Functional Planning

Finance

Half year forecast

Develop budgets

Document budget

People

Performance reviews and objectives

Mid-year reviews

People planning

Talent review, succession planning

Org objectives go to May PRC

Risk

Risk appetite review

Risk management

Integrated Strategic and Business Planning

Q4 16/17	Q1	Q2	Q3	Q4
Jun	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun

Engagement and Communication

Board

Board Strategy Day

Review delivery progress
Finalise next tranche of delivery.

GLT

8 GLT Strategy Day #2

8 GLT Strategy Day #1

GLT Strategy Day #2

GLT Delivery Check In

SLT

14 Senior Leader Forum

6 Senior Leader Forum

13 Senior Leader Forum

1 Senior Leader Forum

All

Chapter 5   25

Chapter 6   25

Chapter 7

Strategic & Business Planning Activities

Strategic Planning

Develop high level

Develop detailed strategy

Document strategy

Finalise Strategic Plan

Business Planning

Validate commitments and call out 'big rocks'

High level planning financial commit

Document final service line enabling plan

Submit SBI and Business Plan to Treasurer

Business plans complete

Functional Planning

Finance

Half year forecast

Develop budgets

Document budget

People

Performance reviews and objectives

Mid-year reviews

People planning

Talent review, succession planning

Risk

Risk appetite review

Risk management

Org objectives go to May PRC

STRATEGIC PRIORITIES FOR 18/19

10.45 – 11.30

THE STRATEGIC PRIORITIES FOR 18/19

Employee Wellbeing

Our opportunity:

To improve the wellbeing of workers in NSW by developing a holistic worker wellbeing proposition for our employers to offer their employees.

Sponsor: Vivek

Marketplaces and Payments

Our opportunity:

To improve outcomes for people who are injured by developing our payments capabilities and leveraging provider marketplaces.

Sponsor: Don + Rob

Artificial Intelligence

Our opportunity:

To leverage advanced analytics such as AI and machine learning to become a world class customer and data driven organisation.

Sponsor: Nick

icare

Employee wellbeing

Vivek Bhatia

EMPLOYEE WELLBEING

icare

Marketplace and payments

Don Ferguson and Rob Craig

Industry trends of disruption and a shift towards self-directed care requires ambitious change

Context

Digital disruption has brought about business models offering new opportunities in service delivery – customers' expectations have increased accordingly

As the healthcare market disaggregates, we are seeing the increase of **self-directed care** with the **locus of control** shifting towards the customer

In Care, our customers have experience using marketplaces. **We want to be more active**, driving engagement more broadly but we are unsure how

Our **payments processing** is **inefficient** and we need to streamline this process; we need to make the process invisible

Our Ambition

We look at integrated examples like Uber and believe we too can develop a **holistic marketplace and payments solution** that will deliver the innovation our customers require

We are developing a marketplace engagement strategy to bring our customers closer to market providers and create opportunities for customer choice and control and self-directed care pathways

The marketplace initiates the payment process which becomes invisible to the customer

The payments process further drives operational efficiencies

Why

Customer Experience

The integrated solution streamlines the customer experience removing process rub-points causing frustration and delay whilst creating opportunities for customers to increase control of their treatment pathway

Customer Outcomes

The marketplace can be the mechanism to source multi-disciplinary teams to drive towards health outcomes

Scheme sustainability

Greater cost efficiency creates opportunities to allocate our resources more effectively

icare

Embracing these changes requires innovation and the results will completely re-shape the customer experience

Persona: *Using the example of Paul, who needs to get physiotherapy whilst he's on holiday, we can see how Paul can leverage a digital marketplace and payments system to efficiently self-direct his care. Paul doesn't know any local providers so he peruses the marketplace and profiles of local physios. Paul finds Barbara, who specialises in back pain and has the right experience and good reviews*

Paul's needs based journey	Needs	Request service / quote	Approval	Treatment	Services Completed	Invoice & pay
	Paul needs physio for his back pain	*He would like to make an informed choice and direct his care*	*Paul doesn't want to bother with approval admin…*	*..he just wants the best treatment to relieve his pain*	*Paul is happy with his service and wants to share his experience*	*Paul only needs trust that payment was accurate and completed*

Customer Journey - **Vision** -	Paul no longer needs to call his case manager for approvals, he will log on through the portal to check his icare plan	Paul is self-directed and peruses the marketplace and assesses fit based on availability, credentials and reviews	Pre-approvals have eliminated delays from back-office processing and Paul is managing his icare plan	Treatment is provided, and Paul's guided choice means the outcome is better	Paul logs on to the marketplace to leave a review and logs services completed	Paul doesn't see the payment – it's immediately processed through the marketplace and Paul's icare plan is updated

Paul is leveraging the marketplace to self-direct his care

The payments process is made invisible

icare

We will exploit the synergy between marketplaces and payments, and each will also create value independently

Interrelationship between Marketplaces and Payment Systems with Illustrative Examples

Payments

Marketplaces

Payments system only

System that allows customers to pay providers for goods and services but has no online or physical place where customers can communicate with or hire providers

Marketplace with payments system

Forum that allows customers to communicate with, select, hire and pay providers for goods or services, and may allow claims against insurers

Marketplace without payments system

Online or physical forum for customers to communicate with and hire providers but no transactional capability, with all payments occurring outside the marketplace

lantern pay

Healthcare focused payment wallet that integrates with existing health marketplaces and allows claims form insurers and payments of out of pocket expenses

bettercaring.com.au

Care services marketplace where providers set own price and customers can directly contact and hire providers, negotiate terms and pay providers online

whitecoat

Medical services directory where customers can rate, review and book appointments with providers but not pay providers online or get quotes from insurance providers

HICAPS

Payments platform connecting customers, private insurers, Medicare and allied providers that allows payment to providers from insurer funds

UBER

Ridesharing mobile application that allows consumers to submit trip requests that are routed to crowd-sourced drivers, with integrated invisible payment function

HealthEngine

Online booking portal for 10 medical service categories that allows customers to search provider profiles, book appointments and rate and review providers.

Reduced friction and delay in claims processing improving customer experience

Greater data visibility and lower processing costs

Increased participation of providers due to ease of payment

Combined data visibility on costs and outcomes

Increased customer choice combined with capacity for icare to monitor and influence treatment

Opportunity for cost efficiency through preferred supplier agreements, bundling and volume discounts

Increased control for customer driven by increased access to providers and more informed choice

Greater transparency on quality and price to enable improved outcomes and cost management

Value

icare

Our payments journey is underway, we are now exploring customer outcome optimisation through marketplace synergies

Payments Program Journey

1. Progress towards RFI with the shortlisted payments services provider, with considerations on vendors' capabilities in context to future state user journeys

2. Continue alignment discussions on all icare payments project to ensure a unified roadmap for execution

Plan

3. Deliver a program of work with an immediate focus on a MVP deployment at Care, with a roadmap towards NISP integration and scaling

Marketplaces Program Journey

1. GLT has agreed on the importance of exploring marketplaces and our approach to building relevant capability that enables our customers to interact

2. Perspectives on marketplace landscape developed, value drivers articulated and 'ways to play' considered – to be presented to the GLT

Plan

3. Further define the engagement strategy in line with icare's capability build and broader transformation agenda

icare

Our next steps will flow from the GLT discussion and debate directed by our key questions

GLT Session	Key Questions	Considerations
Friday 18th August (i)	How does icare achieve optimal customer outcomes by leveraging synergies between marketplaces and payments	1. Customer outcomes and the linkages to payments and marketplaces 2. Broader icare alignment considerations (outcomes commissioning, NISP)
Friday 8th September (ii)	What factors require consideration to determine which marketplaces to engage with and on what basis?	1. Given the marketplace landscape, where are the 'zones' we want to play in, and how will these evolve as our capability and the market maturity evolves 2. What is our engagement strategy – plug-in, build, co-design?
(iii)	How can icare deliver a superior payments experience to customers and obtain data to create a self-sustaining eco-system?	1. Who should icare partner with to deliver the payments capability and achieve the future state user experience? 2. What does the unified roadmap look like for icare to execute all the payments initiatives across the organisation?

icare

Artificial Intelligence

Dr Nick Allsop

There are some common myths about A.I.

Myth #1: All types of problems can be solved by a single AI solution (e.g., Watson, Palantir, ….insert your favorite solution)	**Fact #1:** Different types of problems require different types of AI techniques and solutions to be used
Myth #2: Machine Learning automatically (magically) learns from data without any human intervention	**Fact #2:** Machine Learning requires a laborious process of acquiring and cleansing large amounts of data, selecting, training, and guiding the algorithm
Myth #3: AI can fix data gaps and deficiencies without human intervention	**Fact #3:** Data gaps and deficiencies still need to be resolved by human intervention
Myth #4: AI can replace analytical and operational skill sets	**Fact #4:** AI enables people with analytical and operational skill sets to be more productive
Myth #5: AI is a distinct monolithic area of study	**Fact #5:** AI is an interdisciplinary area with many distinct sub-fields

AI Uses

- *Searching, Querying & Conversing*
- *Describing, Classifying, Understanding & Visualizing*
- *Diagnosing, Discovering & Reasoning*
- *Trending, Forecasting, Projecting & Predicting*
- *Simulating, Learning, Optimising & Adapting*
- *Recognising, Sensing, and Recommending*

icare

A.I. is about embedding human intelligence into machines, enabling systems to learn, adapt and develop solutions to problems with varying degrees of supervision

- A.I. is a subset of analytical techniques and capabilities. Also referred to as cognitive computing.

- As shown below, A.I. covers a range of capabilities (not exhaustive).

- These capabilities can overlap, and can be used in conjunction with each other to achieve business outcomes. It's therefore important to identify the outcome you are seeking to achieve before choosing the capabilities to apply.

- Most of these applications need to be customised or fitted to be useful.

Artificial intelligence / Cognitive computing

Machine Learning
- Deep learning
- Predictive analytics

Natural language processing
- Translation
- Document clustering
- Information extraction

Speech
- Speech to text
- Text to speech

Expert Systems
- Inference engine
- Knowledge base

Planning, Optimisation
- Reduction
- Probabilistic

Robotics
- Reactive machines
- Limited memory

Vision
- Image recognition

Note: hard robotics (i.e. where a machine takes physical action) is not in scope for this project
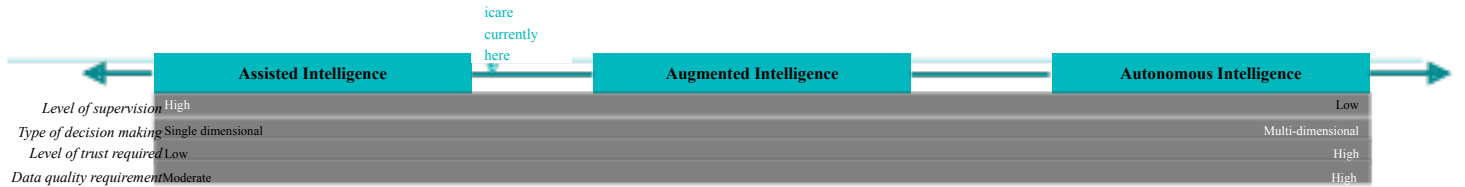
icare

A.I. operates across a spectrum of increasing machine autonomy

icare currently here

	Assisted Intelligence	**Augmented Intelligence**	**Autonomous Intelligence**

Level of supervision	High		Low
Type of decision making	Single dimensional		Multi-dimensional
Level of trust required	Low		High
Data quality requirement	Moderate		High

	Assisted Intelligence	**Augmented Intelligence**	**Autonomous Intelligence**
Level of supervision	**Human makes decisions** **Machines assist humans with what they already can do**	**Human guides machine to make decisions** **Machines improve human capability; can perform tasks at scales and speeds not possible by humans**	**Machine makes decisions** **Machines take autonomous action: can learn and adapt to different situations without human assistance**

Type of decision making	**Rules based**
	  Single dimensional analysis - limited variables
	  Hard-wired systems that do not self-learn
	  Includes: advanced data analytics; process automation e.g. data entry and form filling
		Task oriented
		  Multiple variables, complex analysis
		  Human assisted learning
		  Includes: natural language processing, chatbots, machine learning to micro-segment customer base
			Decision oriented
			  Highly complex, multi dimensional analysis off unstructured data
			  Dynamic self-learning (continuous feedback loops)
			  Includes: deep learning, speech and voice recognition and processing

Level of risk / complexity	**Low**
	  Low risk and low complexity: rules based models are modular in nature and can be easily abandoned and/or replaced
	  Models only govern a specific set of data so impacts are contained
		Medium
		  Medium risk and complexity: machines typically work off a largely integrated database so changes are more complex than with rules based models
		  Likely to involve process change
			High
			  High complexity and risk: having an integrated data system where machines operate independently means negative impacts may take time to notice
			  Will involve change to business model and processes

Importance of Data integrity	**Moderate** Human likely to note impact of poor data and remediate	**High** Human may not note impact of poor data	**High** Poor data likely to lead to bad decisions
Trust required	**Low** Human maintains understanding and control of decision making	**Medium** Human maintains control of decision; may not fully understand it	**High** Computer is making decisions; humans may be unaware of how decisions are made

The current standard and application of A.I. continues to evolve

icare

For analytics projects to be effective the right balance between delivery, data exploration, and modelling as required

icareQ's Data Modelling Process

The size of the bubble indicates amount of effort, with the large grey circles indicating the need for a collaborative effort between the business and the analysts to define the problem and to drive value from analytical model outcomes.

The building and validation of the model (green circles) only represents 15% of the analytical effort.

Achieving Outcomes

Analytics and AI projects will not deliver ROI unless the business acts on the insights, by integrating the insights and decisions into operational workflows.

Defining the Problem

Size of Effort | Business Operations | Data Discovery | Model Building | Model Run

15% of effort (2)

10% of effort (1)

10% of effort (3)

5% of effort (4)

Define success
Develop an understanding of business requirements. Write success criteria statements.

Explore the data
Develop an understanding of business requirements. Get to know quality and gaps.

Condition the data
Assemble a functioning dataset that can be used as a basis for analytical modelling. Ensure data is complete and strictly numerical.

Select variables
Decide which variables or combination of variables should be used in the modelling process (this will be model dependent).

Operationalisation of model
Develop and deploy business solution based on model outputs. Overlay model with expert business knowledge to deliver optimal solution.

10% of effort (5)

5% of effort (6)

Build the model
Train or fit the model on the dataset, calibrate the data against a test set and get ready to validate.

20% of effort (10)

Driving value

Data balancing
Involves more vigorous sampling of data to segment it into data sets that best support the model. This includes identifying training, testing and validation data sets.

Validate the data model
Test robustness as well as data accuracy. Test boundary and limit values, ensure there is no over fitting and document the models predictive power.

10% of effort (7)

10% of effort (8)

5% of effort (9)

Software engineering
Put model outputs into action. Turn the model into an application that can be deployed to production.

Model deployment
Deploys the model to production and sets benchmarks for performance and measurement. Get ready to collect statistics and monitor performance over time.

icare Q

The Data Modelling Process
The distribution of effort across each step

icare

What is next in icare's AI journey

icare™

BOARD ADDRESS

11.30 – 12.00

ABOVE AND BEYOND: COVER-MORE

icare™

LUNCH

12.00 – 12.30

LEADING HCD TEAMS

12.30 – 3.45

AFTERNOON TEA

REFLECTION

3.45 – 4.00

REFLECTION

- How did today make you feel?

- What are you excited about?

- What surprised you?

icare™

CANAPES AND DRINKS

4.00 – 5.30

icare™

Reimagined Insurance

COO Leadership Workshop – SLT Update

17th August 2017

Agenda

Reimagined Insurance – COO Leadership Workshop - SLT Update

1 Why are we doing this?

2 What is our approach to solving RI?

3 What are some of the key insights?

4 What potential opportunities are we looking at?

5 What's next for RI?

icare™

Agenda

Reimagined Insurance – August SLT Update

1	Why are we doing this?
2	What is our approach to solving RI?
3	What are some of the key insights?
4	What potential opportunities are we looking at?
5	What's next for RI?

icare™

icare's ecosystem is evolving; our unique role positions us to shape better outcomes for the NSW community

Macro factors impacting the ecosystem

Changing Nature of Work
- Ageing workforce leading to sophisticated care and RTW needs
- Increased stress levels due to 24/7 work (enabled by tech.) & automation led job-loss
- Volatile risk pool due to rise of individual contractors and sole traders ("gig" economy)

Evolving Insurance Industry
- Convergence between life, health and accident Insurance offering
- Erosion of trust e.g. lack of transparency in product coverage and value given rising prices
- Rising consumer demand for personalised Insurance offerings

Changing Health & Society
- Rising healthcare costs due to ageing population, chronic disease and access to new medical technologies
- Current healthcare delivery siloed and not patient-centric - potential for New models of care, enabled by digital and analytics

icare's unique role in NSW

icare

commercial mind   **social heart**

icare's Purpose

We **protect**, **insure** and **care** for the people, businesses and assets that make NSW great.

icare's Vision

To change the way people think about insurance and care by providing world-class services to people,

Target Outcomes

Person Centric Experiences	Optimal Outcomes For Customers	Financially Sustainable Schemes

Protect   Insure   Care

The Opportunity

Short-	Long-
For Employee	
• Enhanced prevention measures through holistic wellbeing support	• Coverage for workers in self-employed roles • Convenience of an integrated model of Insurance
For Employers	
• Incentives and services to improve employee safety and health for peace of mind	• Personalised offerings based on profile and preferences
For Community	
• Enhance care and return to work outcomes for the community	• Provide wider care and coverage to under insured as a "safety net"
For icare and NSW	
• Maintain future customer relevance and scheme viability	• Build a stronger connection with end customers to optimise position in a potential open future market

icare

Agenda

1. Why are we doing this?

2. **What is our approach to solving RI?**

3. What are some of the key insights?

4. What potential opportunities are we looking at?

5. What's next for RI?

icare™

Our approach combines trends analysis and external industry scan to align on opportunities for GLT discussion
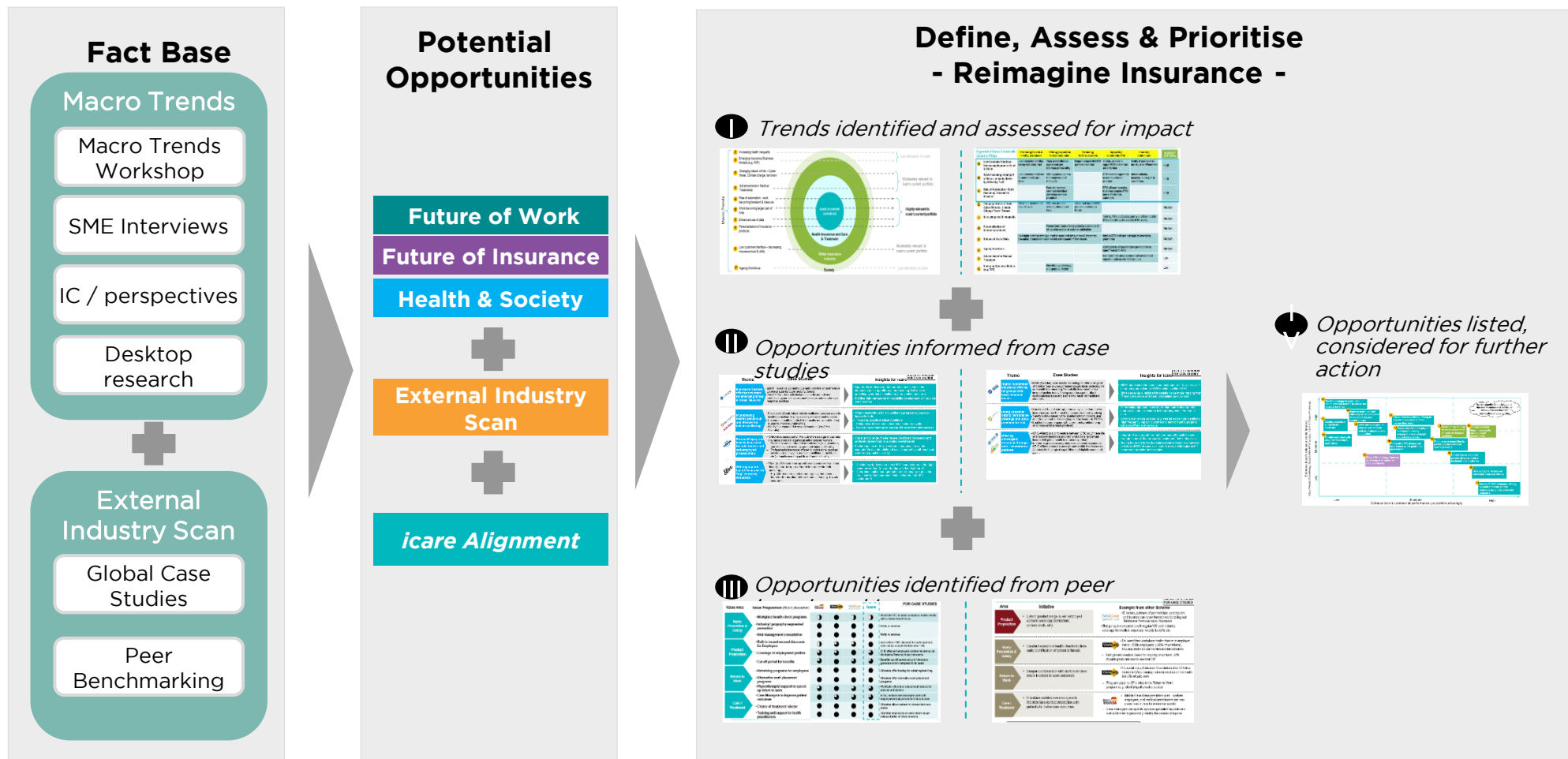
Fact Base

Macro Trends

- Macro Trends Workshop
- SME Interviews
- IC / perspectives
- Desktop research

External Industry Scan

- Global Case Studies
- Peer Benchmarking

Potential Opportunities

- **Future of Work**
- **Future of Insurance**
- **Health & Society**
- **External Industry Scan**
- *icare Alignment*

Define, Assess & Prioritise
- Reimagine Insurance -

I *Trends identified and assessed for impact*

II *Opportunities informed from case studies*

III *Opportunities identified from peer*

Opportunities listed, considered for further action

icare™

Agenda

Reimagined Insurance – August SLT Update

1. Why are we doing this?

2. What is our approach to solving RI?

3. What are some of the key insights?

4. What potential opportunities are we looking at?

5. What's next for RI?

icare™

What are some of the key insights?

1. **What are the macro trends impacting icare?**

2. What are the other state schemes doing?

3. What global propositions and business models can we learn from?

icare™

The scope of the RI opportunities is framed by a set of macro trends and key questions to be answered – (1/2)

			[Reimagined Insurance] Macro Trends Analysis	
Domain		**Trend**	**Implications (Primary)**	**Key Question**
Future of Work	**A**	**Rise of automation (loss of white/ blue collar jobs)**	• *Implication* – Hallowing out of economy, poor mental and physical health outcomes • *Threat* – Negative impact on lives of sections of NSW society, shrinking "employee" pool under cover	How should icare play a role in improving health and return to work outcomes for displaced workers?
	B	**Greater stress at workplace**	• *Implication* – Poor wellness outcomes, blurring of work duties and personal activities • *Opportunity/ Threat* – Rising cost for mental health issues, Opp. To take leading positon by offering wellness mgmt. service	How should icare provide employers/employees with an integrated offering on mental wellness?
	C	**Rise of "gig" economy workforce**	• *Implication* – Rise of uncovered non-traditional workforce; income becomes unreliable / hard to predict • *Threat* – Uncovered "gig" economy workforce will drive premium increases for traditional employers	How should icare adequately cover rising population of self-employed individuals to create better outcomes for these workers, traditional employers and icare?
	D	**Ageing workforce**	• *Implication* - Costs attached to treatment for this age group will rise gradually • *Threat* - Variably increasing claims cost; longer RTW in the event of an injury	How should icare best secure itself against the rising costs of treatment and RTW for older workers?
Future of Insurance	**E**	**Low customer interface – decreasing Insurance trust & utility**	• *Implication* – Customer interface becomes critical factor for customer loyalty; Healthier customer may drop out of Insurance • *Threat* – Offering ancillary / value added services will potentially become a critical competitive tool	What value added range of services should icare offer to build trust and enhance value for customers?
	F	**Convergence of health, life and injury Insurance**	• *Implication* – Insurance carriers vying to become one stop shop for customers • *Threat* – Losing customers in a potential open B2C market for Workers Insurance	How should icare prepare itself to operate in a world with convergent Insurance offerings?

icare™

The scope of the RI opportunities is framed by a set of macro trends and key questions to be answered – (2/2)

	[Reimagined Insurance] Macro Trends Analysis		
Domain	**Trend**	**Implications (Primary)**	**Key Question**
Future of Insurance	(G) **Changing nature of Risk– Cyber threats / Climate change/ Terror threats**	• *Implication* - Emerging market for end-to-end offering to cover emerging threats • *Opportunity* – Opportunity to gain early mover advantage	What offering should icare offer to employers to cover emerging risks such as Cyber threat?
	(H) **Enhanced use of Data and Digital**	• *Implication* – Data and Analytics becoming table-stakes capability • *Opportunity* – Improve customer outcomes throughout all customer pillars by using data/analytics	How should icare leverage available data and digital to improve outcomes for customers (e.g. person-centric experience) and icare's financial sustainability?
	(I) **Emerging Insurance business models (e.g. P2P)**	• *Implication* – Customers will gradually expect similar level of innovation from traditional carriers • *Threat* – Emerging business models will challenge the financial sustainability of Insurance carriers	What role should icare play in the ecosystem as a positive response to emerging business models in Insurance?
	(J) **Personalisation of Insurance products**	• *Implication* – Employers and end customers (employees) expect customised and tailored form of Insurance products • *Opportunity* - To provide employers with tailored offerings, before potentially moving to personalisation at employee level	How should icare provide tailored offerings to the various customer profiles?
Health & Society	(K) **Advancement in medical treatments**	• *Threat – Could increase treatment costs (and premiums) but also allow targeted interventions (e.g. precision medicine & genomics)*	How prepared is icare in assessing new medical treatments as part of its offering?
	(L) **Increasing health inequality**	• *Implication* –Increasingly unequal societies are marked by lower trust and unhealthy health habits • *Threat* – Gradually increasing claims from similar profile customers adding complexity to care programs	How should icare best manage care and treatments for sections of society at different levels of health and wellbeing, recognising its "safety net" role as a social insurer?
	(M) **Emerging models of care (e.g. virtual care)**	• *Implication* – Wider acknowledgement and usage of community or digital tech. driven care programs • *Opportunity* – Optimise care programs by incorporating greater degree of community and tech based solutions	How should icare adapt its care programs to include new models of care to improve treatment and RTW outcomes for patients?

These macro trends can be assessed on the basis of relevance to icare's Insurance business

Macro Trends

- **L** Increasing health inequality
- **I** Emerging Insurance business models
- **G** Changing nature of risk – Cyber threat, Climate change, terrorism
- **F** Convergence of life, health and injury Insurance
- **K** Advancement in medical treatments
- **A** Rise of automation
- **B** Greater stress at workplace
- **C** Rise of "gig" economy workforce
- **J** Personalisation of Insurance products
- **H** Enhanced use of Data and Digital
- **M** Emerging model of care
- **E** Low customer interface – decreasing Insurance trust & utility
- **D** Ageing workforce

icare's current Insurance construct

Health Insurance and Care & Treatment

Wider Insurance Industry

Society

Lower relevance

Moderately relevant

Highly relevant

Moderately relevant

Lower relevance

- **Icare's Insurance construct** – *icare's core sphere of influence (WI & SI)*
- **Wider Insurance Industry** – *icare's secondary sphere of influence and interaction*
- **Health Insurance and Care & Treatment** – *icare's primary sphere of influence and interaction*
- **Society** – *overarching sphere within which icare and the insurance industry operates*

Source: SME interviews, Strategy& analysis

icare™

The trends have different levels of importance and timing of impact on icare's strategic pillars

Alignment of Macro Trends with Customer Pillars	Partnering for safe & healthy workplaces	Offering proposition that delivers value	Protecting NSW Govt. assets	Supporting sustainable RTW	Ensuring optimal care	Scale[1]
A **Rise of automation (loss of white/ blue collar jobs)**		Offering that provide financial cover for temp. job loss		RTW for displaced workers will require re-skilling		●●○
B **Greater stress at workplace**	Loss prevention initiatives for mental health and stress	Offering adding value to both employers and employees		RTW services augmented by mental wellbeing programs	Mental wellbeing becoming a core part of care offering	●●●
C **Rise of "gig" economy workforce**		Offer works comp. cover for individual contractors		Evolution of RTW for complex needs of individual traders		●●●
D **Ageing workforce**				Ageing customers will need simpler care solutions to speed them up to RTW		●●○
E **Low Customer Interface – decreasing Insurance Trust & Utility**	Loss prevention activities are key to building trust	Value added offerings supplement core Insurance product utility	Deeper connect with NSW agencies build trust	Ancillary services to support RTW builds trust and add value	Quality of care services are key value differentiator	●●●
F **Convergence of health, life and injury Insurance**						●●○
G **Changing nature of Risk– Cyber/ Climate/ Terrorism**	Prevention measures for new risk types	Offer new products covering emerging risk types	Advise and support NSW agencies on emerging threats			●●○
H **Enhanced use of Data and Digital**	Leveraging customer data (e.g. medical record and behaviours) will impact risk-prevention, product economics and risk management of State assets			Improve RTW and care outcomes by leveraging patient data		●●○
I **Emerging business models (e.g. P2P)**		New offerings to leverage emerging bus. Models				●○○
J **Personalisation of Insurance products**		Personalised (menu-driven) product proposition in WI will be a key enabler of customer satisfaction				●●○
K **Advancement in Medical treatment**				New treatments and procedures will have material impact on pathways for RTW and care		●○○
L **Increasing health inequality**				Tailoring RTW and Care programs on different needs of healthier and at risk sections of the society		●●○
M **Emerging models of care (e.g. virtual care)**				Improve care reach and RTW by incorporating low cost flexible car models such as community care, mobile clinics		●●○

1) Scale: ●●● *- Happening now at scale* ●●○ *-Happening now with low s...* ●○○ *- Trend will evolve in 5+ years*

Source: icare Strategy brief, SME interviews and Strategy& analysis

icare™

What are some of the key insights?

1. What are the macro trends impacting icare?

2. What are the other state schemes doing?

3. What global propositions and business models can we learn from?

icare™

Workers Compensations schemes across Australia are largely similar with minor differences in value proposition

Value Area	Value Proposition (Non Exhaustive)	Return to WorkSA	WorkSafe VICTORIA	WorkCover QUEENSLAND	icare	
Injury Prevention & Safety	• **Workplace health check programs**	◐	●	◑	◐	WorkSafe VIC includes workplace health checks with a mental health focus **i**
	• **Industry/ geography segmented prevention**	●	●	●	●	Parity in services
	• **Risk management consultation**	●	●	●	●	Parity in services
Product Proposition	• **Built-in incentives and discounts for Employers**	◐	◕	◔	●	icare offers ~10% discount for early payment, other states except WorkSA offer ~5%
	• **Coverage of employment profiles**	◔	◔	●	◔	WorkCover QLD offer self-employed workers insurance via Workplace Personal Injury Ins. **ii**
	• **Cut off period for benefits**	◔	●	◔	◔	Benefits cut-off period policy in Victoria is generous when compared to its peers
Return to Work	• **Retraining programs for employees**	●	●	◑	●	All states offer funding for retraining/reskilling
	• **Alternative work placement programs**	●	●	●	●	All states offer alternative work placement programs
	• **Physiotherapist support to speed-up return to work**	◕	●	◕	◕	WorkSafe VIC offers free educational material to physios and doctors **iii**
	• **Case Managers to improve patient outcomes**	●	◔	◔	◔	ReturntoWork SA - mobile case managers work with employees/employers/doctors face-to-face **iv**
Care / Treatment	• **Choice of treatment / doctor**	●	●	●	●	All states allow workers to choose their own doctor
	• **Training and support to health practitioners**	●	●	●	●	All states emphasize an early return as per national Better at Work research

Enhancement Opportunities for icare

icare

Peer assessment suggests there are some quick wins to enhance our offering

Area	Initiative	Example from other Scheme
ii **Product Proposition**	• Extend product range to self-employed workers cover (eg contractors, professionals, etc)	WorkCover QUEENSLAND • Directors, partners of partnerships, sole traders and trustees can cover themselves by taking out Workplace Personal Injury Insurance • This policy is comparable with regular WC and includes coverage for medical expenses, weekly benefits etc.
i **Injury Prevention & Safety**	• Conduct workplace health checks to drive early identification of potential threats	WorkSafe VICTORIA • Delivered free workplace health checks at employer site to ~800k employees (~30% of workforce), focusing diabetes & cardiovascular diseases • First general medical check for majority of workers; 52% of participants advised to see their GP
iii **Return to Work**	• Deepen collaboration with doctors to drive return to work outcomes	WorkSafe VICTORIA • Personal Injury Education Foundation offer GPs free Return to Work training - informs doctors of the health benefits of safe work – Program explains GP's roles in the Return to Work program (e.g. identifying alternative duties)
iv **Care / Treatment**	• Introduce mobile case managers to facilitate face-to-face interaction with patients for better care outcomes	Return to WorkSA • Mobile Case Managers introduced - workers, employers, and medical practitioners are now given face-to-face by insurance agents – Case managers can quickly approve specialist requests and visit work sites to personally identify the causes of injuries

Legend ▶ New Initiative   ▶ Initiative currently being considered (customer pillar activities)

icare™

What are some of the key insights?

1. What are the macro trends impacting icare?

2. What are the other state schemes doing?

3. What global propositions and business models can we learn from?

icare™

To truly reimagine insurance we need to look more broadly to global and cross-sector innovations (1/2)

Theme	Case Studies	Insights for icare
Insurance Carriers offering coverage for emerging threat in Cyber Security	• Zurich Insurance Company (Canada) provide comprehensive coverage suite for cyber security threats • Zurich's Canada based suite includes security and privacy protection, cyber risk assessment services and data breach response services	• Opportunity for icare can be framed across value chain depending on its appetite (e.g. underwriting civil fines vs providing cyber risk consulting as a preventive measure) • Building right partnership for capability development will be a key consideration

Incentivising healthy behaviour and lifestyle for holistic wellbeing	• Discovery's (South Africa) Vitality wellbeing program rewards healthy behaviour (e.g. gym visits) with redeemable points
	• Customers health data (incl. test results and wearable data) is used to improve underwriting
	• Vitality has expanded to several countries (via AIA & GMHBA in Australia)
		• When considering a holistic wellbeing program key success factors include:
		  – Targeting specific medical conditions
		  – Using rewards systems to increase customer loyalty
		  – Leveraging technology to engage clients and monitor success

Personal Injury and liability Insurance for sole traders and self-employed professionals	• NRMA Insurance (part of IAG Ltd) offers a range of business insurance products targeted at self-employed workers
	  – Tradies insurance: targeted at tradesmen (e.g. plumbers, and electricians) covering personal injury and liability
	  – Professionals insurance: offered to professional services providers (e.g. lawyers, medical practitioners, architects, etc.) primarily covering public and product liability
		• Consider full range of sole traders (traditional tradesman and professional services) to examine overall needs
		• Explore options for how a workers compensation can be expanded to include additional cover required by self-employed workers (e.g. public liability)

Offering tap-on/ tap-off Insurance to "gig" economy workforce	• Slice (a US based start-up) offers gig workers (e.g. Uber drivers) short-term, on-demand insurance via their mobile app – E.g. Airbnb users can take out a policy that covers them for the duration of their tenant's stay e.g. 1 week insurance	• Decide how to develop a direct B2C channel to reach the "gig" economy workers (e.g. partnering with talent platform) • Determine capital management structure (potential separate pools for traditional workers compensation customers and B2C customers)

icare™

To truly reimagine insurance we need to look more broadly to global and cross-sector innovations (2/2)

Theme	Case Studies	Insights for icare
Highly customised Insurance offering for groups with lower financial means	• BIMA (Sweden) uses mobile technology to offer a range of affordable "pay-as-you-go" insurance products, including life and health insurance (e.g. 3 month life insurance) to low income families in developing countries cannot afford traditional insurance and are hard to reach via traditional channels	• BIMA model could be used as an analogue for a low cost insurance proposition for NSW residents without PHI • BIMA serves as a validated financially viable model ranging from "Protect, Insurance and Care" proposition at a low cost
Using customer data to personalise offerings and price premium for risk	• Sureify (US based start-up) offers analytics platform to life insurance carriers that enables personalised policy pricing • Sureify's cloud-based white labelled solution collects user data from wearable devices (supplied by insurer or BYOD) • Enables Insurers engage with current policyholders to up- and cross-sell insurance products)	• Determining right use cases where data can be leveraged to improve customer outcomes is the primary consideration for icare • Upfront cost of data sensors (e.g. wearables) is high; identifying "high frequency impact" customers to start of such a program will align efforts to most value
Offering convergent insurance through tech. / online platform	• CPIC-Allianz is a joint venture between CPIC (a Chinese life and property insurance provider) and Allianz (a German insurer with global health insurance expertise) • In order to provide a comprehensive customer experience, CPIC-Allianz entered a strategic partnership that leverages Alibaba's technological capabilities and digitally connected users	• Integrated/ convergent form of Insurance will mostly be sold through channels that are part of customer's day to day lives • Buying Insurance is fast becoming a transactional e-commerce activity and B2C channels will tend to merge with major tech./ ecommerce provider in region

icare™

Agenda

Reimagined Insurance – August SLT Update

①	Why are we doing this?
②	What is our approach to solving RI?
③	What are some of the key insights?
④	What potential opportunities are we looking at?
⑤	What's next for RI?

icare™

Trends analysis and external scan informs a set of short-term opportunities...

Value Chain

Protect	Insure	Care
Injury and loss prevention	Product Management & Pricing — Origination, Underwriting & R'ship Mgmt.	Claims Mgmt. — Treatment & Support

Macro Trends

Protect	Insure	Care
Greater stress at workplace	Rise of automation (loss of white and blue collar jobs)	Emerging models of care (e.g. Virtual Care)
	Personalisation of Insurance products	
Low Customer Interface	Rise of "gig" economy workforce	Low Customer Interface
	Changing nature of risk – Cyber threats / Climate change / Terror threats	Advent of advanced Medical treatments
Ageing Workforce	Emerging Insurance business models	Ageing Workforce
	Enhanced use of Data and Digital	
	Convergence of health, life and injury Insurance	Increasing health inequality

Short Term Opp. (1-2) Years

S1 Provide employees with easy access to digital applications (e.g. Headspace) for health management

S2 Conduct workplace on-site health check-up (physical & mental) sessions to diagnose and monitor health issues early

S3 Extend Risk Advisory Services by offering consultation for emerging threats and capabilities (e.g. Cyber security threat, data and analytics)

S4 Provide personal injury Insurance to self-employed professionals

S5 Offer white labelled or co-branded B2C convergent offering with PHI, Life and General insurers and leverage the end customer channel

S6 Personalise WC at employer level – premium calculation, communication and service recommendation based on risk profile and preferences

S7 Provide top-up options to employees for better services and coverage (e.g. access to advanced medical treatments and medicines)

S8 Enhance care proposition by providing information and better access to service providers (e.g. provider marketplaces, provider service benchmarking)

S9 Improve effectiveness and reach of care programs by adopting new models of care such as community care, home care, mobile clinics and virtual care

WI (Nominal & SI) | WI (Nominal) | General (SI) | Care

icare

...and a set of long-term opportunities

Value Chain

Protect	Insure	Care
Injury and loss prevention	Product Management & Pricing	Origination, Underwriting & R'ship Mgmt.	Claims Mgmt.	Treatment & Support

Macro Trends

Greater stress at workplace	Rise of automation (loss of white and blue collar jobs)	Emerging models of care (e.g. Virtual Care)
	Personalisation of Insurance products	
Low Customer Interface	Rise of "gig" economy workforce	Low Customer Interface
	Changing nature of risk – Cyber threats / Climate change / Terror threats	Advent of advanced Medical treatments
Ageing Workforce	Emerging Insurance business models	Ageing Workforce
	Enhanced use of Data and Digital	
	Convergence of health, life and injury Insurance	Increasing health inequality

Long Term Opp. (3-5) Years

L1 Provide holistic wellbeing offering to empower employees to better manage their health

L2 Offer a tap-on/ tap-off model of insurance for increasingly rising on-demand workforce

L3 Offer B2B2C Insurance offering by bundling health, life and workplace injury policies for end customers

L4 Personalise WC to employers at employee level – provide premium discount or services by leveraging individual health and behavioural data

L5 Work with NSW govt. to improve outcomes for workers displaced due to automation (e.g. offer temp. job loss Insurance or re-skill)

L6 Provide low cost coverage and care to NSW residents without Private Health Insurance to cover for health risks that are outside the scope of Medicare and happen outside the scope of Workers Insurance and Lifetime Care (e.g. dental and physio)

Source: Macro Trend Workshop, Stakeholder Interviews and Strategy& analysis

WI (Nominal & SI)	WI (Nominal)	General (SI)	Care

icare™

These opportunities can be assessed on the basis of impact to icare's social purpose and commercial sustainability

Enhance icare's role as social insurer

Person Centric Experiences

Optimal Outcomes For Customers

icare's appetite for social good at the cost of commercial viability or vice-e-versa will drive the prioritisation of opportunities

L6 Provide coverage to people without PHI to cover for health risk outside the scope of Medicare

S9 Improve reach and cost efficiency of care programs by incorporating new models of care

S2 Conduct workplace on-site health check-ups

L5 Work with NSW govt. to improve outcomes for workers displaced due to automation

S1 Provide employees with easy access to digital applications

L1 Provide holistic wellbeing offering to empower employees to better manage their health

L4 Personalise WC to employers at employee level by leveraging individual health and behavioural data

L2 Offer a tap-on / tap-off model of insurance for rising on-demand workforce

S4 Provide Personal Injury Insurance to self-employed professionals

S6 Personalise WC at employer level based on risk profile and preferences

S8 Enhance care proposition by providing better access to service providers

L3 Offer B2B2C Insurance offering by bundling health, life and workplace injury policies for end customers

S3 Extend Risk Advisory Services by offering consultation for emerging threats

S7 Provide top-up options to include advanced medical treatments and medicines

S5 Offer B2C white labelled or co-branded converged insurance offering

High — *Moderate* — *Low* (vertical axis)

Low — *Moderate* — *High* (horizontal axis)

Financially Sustainable Schemes

Enhance icare's commercial position

Source: icare's social value overview document and Strategy& analysis

WI (Nominal & SI)   WI (Nominal)   General (SI)   Care

icare™

Agenda

Reimagined Insurance – August SLT Update

1. Why are we doing this?

2. What is our approach to solving RI?

3. What are some of the key insights?

4. What potential opportunities are we looking at?

5. What's next for RI?

icare™

Next Steps to finalise for Strategy Day (8th September)

1. Refine opportunity set based on GLT discussion

2. Develop high level summary of the prioritised opportunities

3. Analysis of operational considerations to further develop these opportunities

Source: icare's social value overview document and Strategy& analysis

icare™

icare Board conflicts of interest register

Declared by	Active / Inactive	Board/ Committee/ Other	Declaration Date (Minutes Reference, if applicable)	Date Disclosed in Pecuniary Interest Register	Type of Conflict of Interest (Actual, Apparent/ Perceived or Potential)	Nature of the Conflict of Interest (Pecuniary or Non-Pecuniary)	Details of the Conflict of Interest	Details of how the conflict will be/was managed
DAVID PLUMB	Inactive	Email	19/11/2020, via Directors' Pecuniary Interests Declaration and Undertaking sent by email to Board Governance; 23/11/2020, Board meeting, item 1.2	Nov-20	Potential	Pecuniary	Mr Plumb's self-managed superannuation fund (Plumb Superannuation Fund) has a shareholding to the value of $19,000 in Suncorp, which is a parent company of GIO. An update on the GIO Tail Claims Contract is being provided by management at item 2.8 of the agenda.	The Board determined that any actual, potential or perceived conflict of interest is sufficiently remote and that Mr Plumb could remain in the meeting for the item, continue to receive the papers and participate in the decision-making because the shareholding is small and could not be taken to influence his decision as an icare Board director, nor is the contract material enough to Suncorp to affect the value of his shareholding. In addition, it was noted that the item was an item for update and did not require a decision from the Board in this instance.
DAVID PLUMB	Inactive	Board	17/12/2020, Board meeting, item 1.2	Nov-20	Potential	Pecuniary	Mr Plumb's self-managed superannuation fund (Plumb Superannuation Fund) has a shareholding to the value of $19,000 in Suncorp, which is a parent company of GIO. A decision was being made about the consolidation of GIO Tail Claims at item 3.1	As per the Board's determination on 19/11/2020, any actual, potential or perceived conflict of interest is sufficiently remote and Mr Plumb may remain in the meeting for the item, continue to receive papers and participate in decision-making because the shareholding is small and could not be taken to influence his decision as an icare Board director, nor is the contract material enough to Suncorp to affect the value of his shareholding.
DAVID PLUMB	Inactive	IAC	21/11/19, Investment and Asset Committee, item 1.3	Nov-15	Perceived	Pecuniary	David Plumb noted his previously disclosed position as Chair of the Compliance Committee for BlackRock Investment Management (Australia) Limited (BlackRock), which owns the Aladdin system being implemented by TCorp as part of its Total Portfolio Approach (TPA).	The Committee noted that there is no actual conflict because Mr Plumb is not involved with the Aladdin system as part of his role with BlackRock.
DAVID PLUMB	Inactive	IAC	25/6/2018, Investment and Asset Committee, item 1.2; 26/08/2018, Board meeting, item 1.2; and 27/3/20, Board meeting, item 3.4;	Nov-18	Perceived	Pecuniary		The Board noted David Plumb's standing disclosure as Chair of Allianz Life, noting that it is a separate company from Allianz Australia but that both Allianz Life and Allianz Australia are owned by Allianz in Munich, Germany.
DAVID PLUMB	Inactive	Board	26/10/2015, Board meeting, noted in disclosure section	Oct-15			Minor amendments to disclosures	Noted on disclosure register
ELIZABETH CARR	Inactive	Board	28/2/20, Board meeting, item 6.1	N/A	Perceived	Non-Pecuniary	Previous professional relationship with Hannah Challis of Challis & Co, who were external providers engaged to conduct Board Effectiveness Review	Elizabeth Carr noted that she has previously worked with Hannah Challis (the provider recommended by management to undertake the Board Effectiveness Review (item 7.2)). It was noted that the provider had been selected among a group of four providers by management, not the Board.
ELIZABETH CARR	Inactive	Email	29/01/2021, email; Also COI form dated 4/2/21	COI form dated 8/02/2021	Perceived	Pecuniary	Glenn Barrett from ASG is a co-Board member of Elizabeth Carr's on the NFP Board. ASG provides IT services within icare's data migration program.

By the time Elizabeth was made aware of the contract between ASG and icare, the contract had been signed. | Elizabeth will not participate in any discussions regarding ASG's performance, renewal or termination during the life of the contract with icare. |

ELIZABETH CARR	Inactive	PRC	16/11/20, People and Remuneration Committee, **item 2.1**	N/A	Potential	Non-Pecuniary	The Chair noted that one of the papers mentioned the Harvard Club of Australia, of which she is President.	The Chair advised if there is any discussion regarding the Harvard Club of Australia, she will excuse herself from discussions.
GAVIN BELL	Inactive	Board	30/11/2015, notified interest via email to Company Secretary; and 27/02/2017, Board meeting, **item 1.2**	Feb-16	Potential	Pecuniary	Director and shareholder of IVE Group Limited, which is a provider of printing services to icare (and has provided such services to its predecessor). Decisions about engagement of IVE Group Limited by icare are not made by the icare Board.	If a decision relating to IVE is required to be made at the Board, Mr Bell will not be present in the room or participate in decision-making. Note: Conflict of Interest Declaration Form was formally provided in July 2020 (following change in COI Policy and Procedure in 2019). This process is currently being clarified.
GAVIN BELL	Inactive	CITC	28/11/2016, Customer Innovation & Technology Committee, **item 1.2**	N/A	Potential	Pecuniary	Gavin Bell was a Director of IVE Group Limited, who owns Bluestar.	If a decision relating to IVE is required to be made at the Board, Mr Bell will not be present in the room or participate in decision-making
GAVIN BELL	Inactive	Board	Verbally 2016; 29/07/2019, Board meeting, **item 1.4**; 15/7/2020, Board (OOS Workshop) **item 0.1**; and 31/7/2020, Board meeting, **item 1.2**	N/A	Perceived	Non-Pecuniary	Social connection with Mark Coyne (CEO of EML) Not close relationship (has not spoken to Mr Coyne in a number of years); does not regularly socialise with Mr Coyne; spouses are friends.	Board determined that: 1) the Board makes decisions as a collective; and 2) the connection is sufficiently remote, and accordingly, Mr Bell can continue to participate in decisions relating to EML.
GAVIN BELL	Inactive	Board	28/2/20, Board meeting, **item 6.1**	N/A	Actual	Non-Pecuniary	Close friendship with one of the candidates for Interim General Counsel role	Gavin Bell noted that one of the candidates for the interim General Counsel position is a close personal friend. However, it was noted that Mr Bell was not involved in the recruitment of the interim General Counsel.
GAVIN BELL	Inactive	Board	31/07/2020, Board meeting, **item 1.2**	N/A	Potential	Non-Pecuniary	Friendship with two potential Non-Executive Director candidates currently being considered as part of a long list of candidates for the 2021 Board appointments process. (NOTE: Candidates may not proceed)	Mr Bell and Mr Carapiet are the Board representatives interviewing candidates. If the relevant candidates proceed to interview, Mr Bell will not interview the candidates and another director will attend in his place. Mr Bell would also not been involved in any decision making in respect to the relevant candidates.
GAVIN BELL	Inactive	Board	30/11/2015, Board meeting, noted in disclosure section	Nov-15			Updates to disclosures	Noted on disclosure register
GAVIN BELL	Inactive	Board	29/2/2016, Board meeting, noted in disclosure section	Feb-16	Perceived	Non-Pecuniary	Updates to disclosures - Gavin Bell noted he was no longer a Director of AIMSC Ltd or a member of the Law Society of NSW and the Law Council of Australia	Noted on disclosure register
JOHN ROBERTSON	Active	Board	25/09/2020, Board meeting, **item 1.2** (related to **item 6.1 Significant Litigation Report**)	N/A	Perceived	Non-Pecuniary	John Robertson noted that item 6.1 (Significant Litigation Update) provides an update on a matter relating to the Obeids and, for abundant clarity, noted that he has no relationship with them.	No conflict - N/A
JOHN ROBERTSON	Active	Verbal	Dec-2020 Verbal and COI declaration form dated 5/10/21	Sep-20	Perceived	Pecuniary	John Robertson advised the Head of Board Governance and Chief Risk Officer that it has come to his attention that the icare Foundation does work with the NSW Council of Social Services of which he is a Board Member	John Robertson does not sit on the Foundation Committee. John Robertson will not be involved in any decision-making in relation to the work done by the icare Foundation with NCOSS, nor receive any papers related to these matters.
JOHN ROBERTSON	Active	Verbal	19/10/2020, Board meeting, **item 1.2**	Oct-20	Perceived	Non-Pecuniary	Formally disclosed his membership of the Australian Labor Party, noting that it will be recorded on the Disclosure of Interests Register.	Noted on disclosure register

JOHN ROBERTSON	Active	Board	26/02/2021, Board meeting, **item 1.2** (related to **item 4**	N/A	Potential Perceived	Non-Pecuniary	John Robertson noted that item 6.1 (Significant Litigation Update) provides an update on a matter relating to the Obeids and, for abundant clarity, noted that he has no relationship with them.	No conflict – N/A
JOHN ROBERTSON	Active	Board	3/12/2021, Board meeting, **item 1.2**	N/A	Potential Perceived	Non-Pecuniary	John Robertson noted that he has been elected the President of NSW Council of Social Services	Note the above management strategy remains appropriate noting the dissolution of the Foundation Committee
JOHN WALSH	Active	Verbal	N/A	N/A	Potential Perceived	Pecuniary	The Chief Risk Officer was advised by staff working with the Foundation that the icare Foundation does work with the John Walsh Centre for Rehabilitation Research. Noting that John Walsh does not appear to have any active involvement in the Centre, there remains a perception of a conflict of interest, as the Centre was named after him.	This conflict will be managed as follows: 1) John Walsh will not be appointed to the Foundation Committee; and 2) John Walsh will not be involved in any discussions regarding funding applications or grants to the John Walsh Centre and will not be involved in any discussions with the John Walsh Centre regarding funding applications to the Foundation. 3) If the Board is asked to make any decision relating to the John Walsh Centre for Rehabilitation Research, John Walsh will declare this at the beginning of the meeting and the Board will decide, depending on the circumstances, whether John Walsh can participate in the decision-making related to the matter.
JOHN WALSH	Active	Audit Committee	25/5/2023, Board Audit Committee, **item 1.2**	May-23	Potential	Pecuniary	Mr Walsh has no knowledge of what is happening in relation to the Australian Government's Tax Practitioners Board investigation into PricewaterhouseCoopers (PwC) apart from what has been reported in the media.	Mr Walsh will not participate during discussions on PwC matters.
JOHN WALSH	Active	Risk Committee	25/05/2023, Board Risk Committee, **item 4.1**	May-23	Potential	Pecuniary	Mr Walsh left the meeting while discussion commenced in relation to PwC.	Mr Walsh will not participate during discussions on PwC matters.
JOHN WALSH	Active	Audit Committee	27/7/2023, Board Audit Committee, **item 1.2**	Jul-23	Potential	Pecuniary	Due to a conflict of interest in relation to the Australian Government's Tax Practitioners Board investigation into PricewaterhouseCoopers (PwC), Mr Walsh will not participate in discussions relating to PwC, except where deemed appropriate.	Mr Walsh will not participate during discussions on PwC matters.
JOHN WALSH	Active	Risk Committee	27/7/2023, Board Risk Committee, **item 1.2**	May-23	Potential	Pecuniary	• Due to a conflict of interest in relation to the Australian Government's Tax Practitioners Board investigation into PricewaterhouseCoopers (PwC), Mr Walsh will not participate in discussions relating to PwC, except where deemed appropriate; • Mr Walsh, Mr Bain and Mr Price will not participate in discussions at item 2.2.	Mr Walsh did not participate in discussion at item 2.2.
JOHN WALSH	Active	Board	29/5/2023, Board meeting, item 4.2	23-May	N/A	N/A	John Walsh advised the Board that he was previously on the Financial Advisory Council of the Good Samaritans.	No conflict – N/A
JOHN WALSH	Active	Board	29/5/2023, Board meeting, item 7.1	23-May	Perceived	Pecuniary	John Walsh advised the Board that he would not be participating in any decision making relating to PwC as he is a former Partner of PwC.	Mr Walsh will not participate during discussions on PwC matters.
KIRSTEN ARMSTRONG	Active	Board	29/5/2023, Board meeting, item 7.1	23-May	Perceived	Non-Pecuniary	Kirsten Armstrong advised the Board that she would not be participating in any decision making relating to PwC as she is a former Partner of PwC.	Ms Armstrong will not participate during discussions on PwC matters.

KYLIE WILLMENT	Active	Board	Aug-21	N/A	Actual	Pecuniary	Kylie Willment is currently in an executive management position (Chief Investment Officer) at Mercer, who is icare's incumbent provider for investment management advice. There is a current RFP to market for asset consulting services and they will be responding to the RFP as well as a number of other firms. It may be seen that as a Board member I am in a position to influence decisions involving Mercer and vice versa.	This conflict will be managed as follows: 1. No involvement in the RFP process at all - including no emails on the process, no attendance at any meetings that discuss the process or the tenderers (including IAC and Board meetings - Kylie will recuse herself from these items) and no involvement in the decision making. No papers that contain information about the process or the decision will be provided. 2. Between now and the expiry of the current Mercer arrangement, I will declare my conflict at the start of each meeting where Mercer attends or has a paper and will not be involved in any decisions that are based on the Mercer advice. 3. At all times, I will maintain confidentiality of any information I am aware of from my role as the CIO of Mercer.
KYLIE WILLMENT	Active	Board	01/08/2021 and COI form dated 12/11/21	Nov-21	Potential Perceived	Pecuniary	Ms Willment is currently the Pacific Chief Investment Officer and Responsible Manager for Mercer Investments. Mercer currently provides icare with Investment Management Advice. Optically, it could be seen that Ms Willment's position as a Board Director and Chair of the Investment and Asset Committee could influent decisions made in relation to Mercer and vice versa.	This conflict will be managed as follows: 1. Prior to any icare Board meeting, Ms Willment will meet with Mercer's CRO to discuss any potential conflicts of interest and what actions are being undertaken to manage this. 2. Ms Willment will recuse herself from any decision pertaining to Mercer, including any decision making about the RFP/tender processes for Mercer services 3. icare Head of Board Governance will review the icare Board and IAC papers prior to any meeting and identify instances where Ms Willment must be given redacted papers or otherwise not be included in the decision making process. Furthermore, any conflicts of interest are managed by the following: - Mercer Investment Consulting teams involved with providing advice to icare and TCorp have different reporting lines. Ms Willment reports to the Global Chief Investment Officer Hooman Kaveh, and the Investment Consulting Mercer Teams report into Simon Eagleton, Senior Partner, Head of Investments - icare does not invest in the Mercer Funds which are managed by Ms Willment and are prevented from doing so by existing regulation - Ms Willment is not involved in the icare/TCorp relationship for investment advisory services - Ms Willment will maintain separate email addresses for correspondence and will maintain confidentiality of any information she is aware of from her role at Mercer. 4. With the appointment of Ms Willment as Chair of the IAC from 15 February 2023, the following additional step has been agreed to between the Board Chair, CFO and Ms Willment: - All future updates or briefings (by Mercer) to ICARE relating to upcoming IAC meetings will be given to the ICARE management team and not to the IAC Committee. Management will then consider this advice and present their views to the IAC.
KYLIE WILLMENT	Active	Board	3/12/2021, Board meeting, **item 1.2** (related to **item 4.1**)	N/A	Potential Perceived	Pecuniary	Ms Willment is currently the Pacific Chief Investment Officer and Responsible Manager for Mercer Investments. Recovre are noted within the target Claims Service Provider landscape. Ms Willment noted that Recovre is part of the Marsh & McLennan group of companies and is therefore a sister company to Mercer.	The Board noted that no decision was required in relation to this item and determined that no further action was required.

KYLIE WILLMENT	Active	IAC	Item 2.1	Nov-21	Potential	Non-Pecuniary	Kylie Willment left the meeting at 9:05am noting her conflict of interest as the Chief Investment Officer of Mercer Australia Pty Ltd, and in accordance with the agreed conflict of interest management actions.	Did not participate in discussion for item 2.1 - Asset Consultant Request for Proposal.
LISA MCINTYRE	Inactive	**Foundation Committee**	23/08/2019, Foundation Committee, **item 1.2**; and 30/8/2020, Email from Lisa to Chair of Foundation Committee	N/A	Perceived	Non-Pecuniary	In relation to the Psychiatry Fellowship with the University of Sydney, Ms McIntyre had recently discovered (following the investment being approved and contracted) that the Head of the Psychiatry College is a personal friend. Lisa advised on 30/8/2020 further details about this relationship advising her personal friend was one of the key people on an earlier grant - Dr Ralf Ilchef - who is a personal family friend.	Decision has already been made, Ms McIntyre was not previously aware of her friends position.
LISA MCINTYRE	Inactive	**Foundation Committee**	23/08/2019, Foundation Committee, **item 1.2**	Sep-17	Potential	Pecuniary	Investments relating to the University of Sydney noting Ms McIntyre is a Fellow of the Senate of the University of Sydney	Mc McIntyre advised the Committee that in relation to any investments relating to the University of Sydney she is a Fellow of the Senate of the University of Sydney which is recorded in the Disclosure of Interest Register.
LISA MCINTYRE	Inactive	**Board**	26/06/2017, Board meeting, **item 2.1** (and mentioned again on 19/10/2020, Board meeting, **item 4.2**)	Oct-15	Potential	Pecuniary	icare had considered a potential expression of interest seeking a partnership with a private health insurer including HCF (of which Ms McIntyre is a director), which would be released to market. This did not eventuate.	Ms McIntyre advised the Board that she may have a potential conflict of interest in the matter and would inform the Board should it arise. In October 2020, the Board discussed the previous consideration by icare of partnership with a private health insurer and Ms McInture again noted her conflict of interest in the matter for abundant clarity.
LISA MCINTYRE	Inactive	**Foundation Committee**	30/8/2020, Email from Lisa to Chair of Foundation Committee	N/A	Potential	Pecuniary	Lisa met the head of the Brain and Mind Centre at a University of Sydney dinner for outstanding researchers and Ian Hickie invited her to tour the centre in her capacity as a Fellow.	As a time for the tour has yet to be decided, Lisa will make this after the grant is decided to avoid any appearance of conflict. Lisa will also declare her position as fellow of the University of Sydney prior to any decisions being made at Foundation Committee meetings that relate to the uni.
LISA MCINTYRE	Inactive	**Email**	22/10/2020, via Directors' Pecuniary Interests Declaration and Undertaking sent by email to Board Governance	Nov-15	Potential	Pecuniary	Email from Lisa noting potential conflict of interest as part of Directors' Pecuniary Interests Declaration and Undertaking for HCF because as a private health insurer, icare may interact in the health care space	Ms McIntyre will raise the issue as per the Board's COI process if it should arise as a decision to be made by the Board.
LISA MCINTYRE	Inactive	**Email**	22/10/2020, via Directors' Pecuniary Interests Declaration and Undertaking sent by email to Board Governance	Nov-17	Potential	Pecuniary	Email from Lisa noting potential conflict of interest as part of Directors' Pecuniary Interests Declaration and Undertaking for University of Sydney: icare Foundation funds some research which comes out of various Usyd Institutes e.g. Brain and Mind, etc.	Ms McIntyre will raise the issue as per the Board's COI process if it should arise as a decision to be made by the Board or Foundation Committee.
LISA MCINTYRE	Inactive	**Board**	26/10/2015, Board meeting, noted in disclosure section	Oct-15			Further disclosures provided prior to papers being issued	Noted on disclosure register
LISA MCINTYRE	Inactive	**Board**	27/6/2016, Board meeting, noted in disclosure section	Jun-16	Perceived	Pecuniary	Lisa McIntyre advised she was now a Senior Advisor of L.E.K Consulting Pty Ltd	Noted on disclosure register
LISA MCINTYRE	Inactive	**Board**	31/10/2016, Board meeting, noted in disclosure section	Oct-16	Perceived	Pecuniary	Updates to disclosures - Informed the Board that she was stepping down from the Genesis Care Board	Noted on disclosure register
LISA MCINTYRE	Inactive	**CITC**	21/11/2019, Customer, Innovation & Technology Committee	Nov-19	Perceived	Pecuniary	Appointed as Director of Nanosonics.	Noted on disclosure register

LISA MCINTYRE	Inactive	Board	23/04/2018, Board meeting item 1.2	Apr-18	N/A	N/A	Lisa McIntyre requested the Disclosures of Interest Register be updated to include that she is a Director of HCF and the subsidiary company Manchester Unity and that she is a Director, as opposed to Chair, of Studiosity (formally Your Tutor Pty Ltd)	Noted on disclosure register
LISA MCINTYRE	Inactive	Board	23/07/2018 Board Meeting, item 1.2	Jul-18	N/A	N/A	Lisa McIntyre noted some errors in the record of disclosures she had made and requested they be corrected. Ms McIntyre also noted she had been appointed as a Member, Advisory Board for the NSW Generations Funds (established under the NSW Generations Funds Act 2018).	Noted on disclosure register
MARK GOODSELL	Active	Email	11/02/2022, email	COI form dated 11/02/2022	Perceived	Non-Pecuniary	Role with Ai Group - Head of WHS Policy which requires Mark Goodsell to primarily view the operations of the NSW Workers Compensation and Dust Diseases Schemes from the perspective of the employer members of Ai group	By declaring the perceived conflict; By undertaking my duties as a director of icare with the overall interests of the schemes in mind; By contributing the perspectives I have obtained as an employer advocate to relevant board discussions in the interests of the schemes; By stepping back from public advocacy on NSW workers compensation in my role with Ai Group. If any situation arises which poses an actual conflict of interest, I will recuse myself from the decision making process.
MARK GOODSELL	Active	Board	25/02/2022, Board meeting, **item 1.2** (in relation to **item 2.2**)	N/A	Perceived	Non-Pecuniary	In relation to a reference to Bevington Group in item 2.2, Mark Goodsell noted that Bevington Group are members of Ai Group and that the Bevington CEO has recently joined Ai Group's State Advisory Committee.	The Board noted that no decision was required in relation to this item and determined that no further action was required.
MARK GOODSELL	Active	Board	30/05/2022, Board meeting, **item 1.2**	N/A	Perceived	Non-Pecuniary	Mark is involved in the independent review of the Independent Legal Advice and Referral Service (ILARS) within his role at Ai Group, noting that the icare Legal team are also involved in the review.	The Board noted the disclosure, noting that no Board decision is required. This perceived conflict will be reviewed further if anything related to ILARS is escalated to the Board.
MARK GOODSELL	Active	Board	31/3/22, Board meeting, noted in disclosure section	22-Mar	Perceived	Pecuniary	Mark Goodsell has been appointed to the Safe Work NSW - Manufacturing Safety Group	Noted on disclosure register.
MARK LENNON	Inactive	Board	27/03/2020, Board meeting, **item 2.2**	N/A	Perceived	Non-Pecuniary	In relation to Kim Garling, Mark Lennon disclosed to the Board that Mr Garling is a close personal friend.	It was noted that Mr Lennon was not involved in the engagement of Mr Garling by management.
MARK LENNON	Inactive	Foundation Committee	25/09/2018, Foundation Committee item **1.2**; and 27/11/2018 **item 1.2**	Nov-16	Perceived	Pecuniary	Mark Lennon declared an interest in Item 3.1 - one of the shortlisted partners by the Foundation for the WorkUp program is Settlement Services International. Settlement Services International is a founding member of Sydney Alliance for Community Building Limited of which Mark Lennon is a Director.	The Committee noted Mr Lennon's interest.
MARK LENNON	Inactive	Audit & Risk	23/08/2018, Audit and Risk Committee **item 2.4**; 19/09/2018, Audit and Risk Committee **item 2.7**	Nov-15	Potential	Pecuniary	The Committee noted Mark Lennon's interest and previous disclosure as a director of First State Super, which is an interested party in the Sydney Light Rail.	In relation to item 2.4 the Committee noted Mark is to remain silent in discussion. In relation to item 2.7 the Committee's consideration related only to accounting issues and it was appropriate for Mr Lennon to participate. Note that in future Significant Litigation Reports in which the Sydney Light Rail was reported to the Board, Mr Lennon received a redacted version of the paper, which did not include the Sydney Light Rail update.

MARK LENNON	Inactive	CITC	23/07/2018, Customer Innovation and Technology Committee, **item 1.2** ; and 27/08/2018, Customer Innovation and Technology Committee, **item 1.3**	Nov-15	Perceived	Non-Pecuniary	In relation to Item 3.5 (Recovrey Plus update) – Mark Lennon noted that the Phase 1 pilot is taking place at Royal North Shore Private Hospital, at which his sister runs a physiotherapy practice.	Since 2015, Mr Lennon has recorded on the Board Disclosure of Interest Register that his sister owns Therapy Services, Physiotherapy.
MARK LENNON	Inactive	Board	28/11/2016, Board meeting, item 1.2	N/A	Perceived	Non-Pecuniary	Mark Lennon disclosed a family member worked for North Shore Private hospital in relation to item 4.3	No conflict – N/A.
MARK LENNON	Inactive	Board	27/6/2016, Board meeting, noted in disclosure section	Jun-16	Perceived	Pecuniary	Updates to disclosures - Mark Lennon noted he was now a director of First State Super Financial Services Australia Pty Ltd	Noted on disclosure register
MARK LENNON	Inactive	Board	31/10/2016, Board meeting, noted in disclosure section	Oct-16	Perceived	Pecuniary	Updates to disclosures - Informed the Board that he was now Director of the Sydney Alliance for Community Building Ltd	Noted on disclosure register
MARK LENNON	Inactive	Board	28/11/2016, Board meeting, item 4.3	Nov-16	Perceived	Pecuniary	Updates to disclosures - Informed the Board that a family member worked for North Shore Private Hospital	Noted on disclosure register
MARK LENNON	Inactive	Board	26/02/2018, item 1.2	Feb-18	Perceived	Pecuniary	Mark Lennon noted that the First State Superannuation Scheme had acquired a share of the former Land Titles Office (NSW Land Registry Services) and requested that the Disclosure of Interests Register be updated.	Mr Lennon is a director of the First State Superannuation Scheme and of FSS Trustee Corporation, the trustee of the Scheme.
MARK LENNON	Inactive	Board	23/07/2018 Board Meeting, item 1.2	Jul-18	N/A	N/A	Mark Lennon noted that the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry had approached a number of superannuation funds, requesting their directors be available to give evidence if required. Mr Lennon had agreed to give evidence if required on behalf of First State Super.	No conflict – N/A.
MICHAEL CAMERON	Active	Board	17/12/2020, Board meeting, **item 1.2**	Disclosed at meeting, will be recorded on Register from December 2020 onwards	Potential	Pecuniary	Former CEO and director at Suncorp, noting that a decision was being made about the consolidation of GIO Tail Claims at item 3.1.GIO is a subsidiary of Suncorp Group.	The Board determined that in this instance, as Mr Cameron is no longer an employee or director of Suncorp and in light of the materiality of the contract to Suncorp, any perceived or potential conflict of interest is sufficiently remote and Mr Cameron could remain in the meeting for the item and participate in the decision-making. NOTE: The Board will consider the potential for any actual conflict in relation to each decision involving Suncorp / GIO to be considered by the Board at the relevant meeting
MICHAEL CAMERON	Active	COI Form	COI form - 26/03/2021	As above	Potential	Pecuniary	Former CEO and director of Suncorp	Michael Cameron noted that, for completeness, he is completing a formal conflict of interest declaration form relating to Suncorp and its subsidiaries, however there are no related matters on the agenda.

MICHAEL CAMERON	Active	Audit & Risk	23/2/21 - Audit & Risk Meeting, **item 1.2**	Feb-21	Potential	Pecuniary	Former CEO and director at Suncorp	No conflict – N/A.
MICHAEL CAMERON	Active	Audit Committee	24/11/2022 - Board Audit Committee, **item 1.2**; Also COI form dated 28/6/23		Potential	Pecuniary	Mr Cameron advised he will be undertaking advisory work for InnovoTech and has been appointed as the Chairman of the Strategic Advisory Board.	No conflict – N/A.
MICHAEL CAMERON	Active	Audit Committee	25/5/2023 - Board Audit Committee, **item 1.2**	Disclosed at meeting.	Potential	Non-Pecuniary	Mr Cameron has taken out a Certificate of Insurance with the Home Building Compensation Fund (HBCF) for renovations he is currently undertaking to his home.	No conflict – N/A.
MARK LENNON	Inactive	Board	29/06/2020, Board Meeting, **item 1.2**	01-Jun	N/A	N/A	Mark Lennon declared that he is no longer a director of the Sydney Alliance for Community Building Limited.	Noted on disclosure register.
MICHAEL CAMERON	Active	IAC	23/07/2021, item 1.2		Perceived	Non-Pecuniary	In relation to item 2.1.1, Michael Cameron declared that he was the CEO and Managing Director of The GPT Group six years ago, he has no current interest in the company. The Committee determined that there were no real or potential conflicts and that no further action was required.	No conflict – N/A.
MICHAEL CAMERON	Active	Board	29/5/2023, Board meeting, item 2.2, 2.3 & 3.7	23-May	Perceived	Pecuniary	Advised the Board he has taken out insurance with HBCF for current home renovations	Abstained from the conversation.
MICHAEL CAMERON	Active	Board	31/3/22, Board meeting, noted in disclosure section	22-Mar	Perceived	Pecuniary	Michael Cameron retired from the Great Barrier Reef Board in February 2022;	Noted on disclosure register.
MICHAEL CARAPIET	Inactive	IAC	28/11/16, Investment and Asset Committee, **item 1.1** and **3.1**; and 28/11/16, Board meeting, **item 1.2**	Sep-15	Actual	Pecuniary	Director of Link Group who are a supplier to JP Morgan Considered at item 3.1 as part of Common Custodian decision.	Mr Carapiet was not present in the room for the decision, nor did he participate in decision-making.
MICHAEL CARAPIET	Inactive	IAC	27/06/2016, Investment and Asset Committee, item 1.1	Jun-16			Mr Carapiet informed the committee that he resigned as Director of Norton Rose.	No conflict – N/A.
MICHAEL CARAPIET	Inactive	IAC	27/06/2016, Investment and Asset Committee, **item 2.4**	N/A	Potential	Non-Pecuniary	Mr Carapiet informed the Committee that his son-in-law was an employee of EG but did not have any role relating to this fund.	No conflict – N/A.
MICHAEL CARAPIET	Inactive	PRC	22/02/2017, People and Remuneration Committee, **item 4.1**	Feb-17	Potential	Pecuniary	Mr Carapiet identified a potential conflict of interest with BIG - Brand Influence Group	Mr Carapiet excused himself from the meeting at 11.23am to manage a potential conflict of interest with a related party associated with the item.

MICHAEL CARAPIET	**Inactive**	**Board**	29/7/19, Board meeting, **item 1.2**	Sep-15	Perceived/Potential	Pecuniary	Adexum Capital Limited, of which Mr Carapiet is also Chair, previously had a financial interest in Stride Learning, a company that operates a group of registered training organisations. During the time that Adexum held the interest in Stride: 1) Adexum provided loans to Stride (and/or the organisations controlled by Stride); and 2) Mr Carapiet also provided a loan to Stride in his personal capacity. Stride Learning was seeking to undertake work for icare or the entities administered by icare.	While Adexum no longer holds a financial interest in Stride, Mr Carapiet advised that he and management would ensure no proposals from the company or the organisations controlled by it would be considered by Mr Carapiet nor would he have any discussions about such proposals with any person.
MICHAEL CARAPIET	**Inactive**	**Board**	27/6/2016, Board meeting, noted in disclosure section	Disclosed at meeting	Perceived	Pecuniary	Updates to disclosures - Stepping down from the Norton Rose Board	Noted on disclosure register
MICHAEL CARAPIET	**Inactive**	**Board**	25/7/2016, Board meeting, noted in disclosure section		N/A	N/A	Updates to disclosures - Informed the Board that he had made amendments to his disclosures	Noted on disclosure register
MICHAEL CARAPIET	**Inactive**	**Board**	28/11/2016, Board meeting, item 3.2	Nov-16	Perceived	Pecuniary	Informed the Board of a conflict as a Director of Link Group who are a supplier to JP Morgan and would abstain from the common custodian decision	Abstained from the conversation
MICHAEL CARAPIET	**Inactive**	**Board**	26/03/2018	Mar-18	N/A	N/A	The chair noted his resignation from a number of Boards, and requested the company secretary update the disclosure register.	Noted on disclosure register
MICHAEL PRATT	**Inactive**	**Board**	30/11/2015, Board meeting, noted in disclosure section	Nov-15			Updates to disclosures	Noted on disclosure register
MICHAEL PRATT	**Inactive**	**Board**	31/10/2016, Board meeting, noted in disclosure section	Oct-16	Perceived	Pecuniary	Updates to disclosures - Informed the Board that he was stepping down as Chair of the Bennelong Fund Board on 31 December 2016	Noted on disclosure register
MIKE PRATT	**Inactive**	**Board**	26/10/2015, Board meeting, noted in disclosure section	Oct-15			Further disclosures provided prior to papers being issued	Noted on disclosure register
MIKE PRATT	**Inactive**	**Board**	31/07/2017, Board meeting, noted in item 1.2	Jul-17	Perceived	Pecuniary	Mike Pratt informed the Board that following his appointment as the Secretary of the Treasury, he was stepping down from other roles, and requested that the Company Secretary update the Board's register.	Noted on disclosure register
PEEYUSH GUPTA	**Inactive**	**IAC**	28/11/16, Investment and Asset Committee, **item 1.1 and 3.1;** and 28/11/2016, Board meeting, **item 1.2**	Nov-15	Actual	Pecuniary	Director of Link Group Considered at item 3.1 as part of Common Custodian decision. Considered at item 3.2 for Board	Mr Gupta was not present in the room for the decision, nor did he participate in decision-making.
PEEYUSH GUPTA	**Inactive**	**CITC**	26/11/18, Customer Innovation and Technology Committee, **item 1.2** and **2.1**	Nov-15	Actual	Pecuniary	Medipass, a FinTech company partially funded by NAB Ventures, which is a division of National Australia Bank, was selected by management as the preferred payments solution provider to deliver icare's Enterprise-wide Payments Capability program. Mr Gupta is a director on the NAB Board.	Management undertook a tender process and selected Medipass as preferred provider; the Committee only "noted" its selection. The Committee only approved and authorised icare's CEO to enter into a contractual arrangement with its preferred solution provider. Mr Gupta abstained from participating in the Committee's decision-making.

PEEYUSH GUPTA	Inactive	Board	30/11/2015, Board meeting, noted in disclosure section	Nov-15			Updates to disclosures	Noted on disclosure register
PEEYUSH GUPTA	Inactive	Board	27/6/2016, Board meeting, noted in disclosure section	N/A	N/A	N/A	Updates to disclosures - Informed the Board that he had provided new disclosures	Noted on disclosure register
PEEYUSH GUPTA	Inactive	Board	28/11/2016, Board meeting, item 3.2	Nov-16	Perceived	Pecuniary	Informed the Board of a conflict as a Director of Link Group who are a supplier to JP Morgan and would abstain from the common custodian decision	Abstained from the conversation
VIRGINIA MALLEY	Active	Board	4/11/2021, Board meeting, **item 1.2**	N/A	Perceived	Pecuniary	In relation to item 2.6 (noting that Moray & Agnew are panel legal providers), Virginia Malley noted that her brother is a partner at Moray & Agnew.	The Board noted that no decision was required in relation to this item and determined that no further action was required.
VIRGINIA MALLEY	Active	Board	25/02/2022, Board meeting, **item 1.2**	N/A	Perceived	Pecuniary	Virginia Malley is undertaking minor building works. Ms Malley's contracted builder is insured under the Home Building Compensation Fund (HBCF)	No conflict - N/A
VIRGINIA MALLEY	Active	**Audit & Risk**	24/02/2022, Audit & Risk Committee **item 1.2**	N/A	Perceived	Non-Pecuniary	Virginia Malley is undertaking minor building works. Ms Malley's contracted builder is insured under the Home Building Compensation Fund (HBCF)	No conflict - N/A
VIRGINIA MALLEY	Active	Board	25/2/2022, Board meeting, Item 2.2	22-Feb	Perceived	Pecuniary	Undertaking minor building works. Ms Malley's contracted builder is insured under the Home Building Compensation Fund (HBCF);	Will not participate during the meeting.
VIRGINIA MALLEY	Active	Board	31/3/22, Board meeting, noted in disclosure section	22-Mar	Perceived	Pecuniary	Virginia Malley is stepping down from two Perpetual Compliance Committees as of today .	Noted on disclosure register
LISA MCINTYRE	Inactive	Board	25/02/2019, Board Meeting, item 1.2	25-Feb			No longer Chair of Silex Systems Limited.	No conflict - N/A
MARK LENNON	Inactive	Board	25/02/2019, Board Meeting, item 1.2	25-Feb			No longer Director of First State Super, First State Super Financial Services or First State Super Trustee Corporation.	No conflict - N/A
ELIZABETH CARR	Inactive	Board	25/02/2019, Board Meeting, item 1.2	25-Feb			Change from Chair to Member of the Department of Family & Community Services Audit & Risk Committee (NSW); and Addition of Member of the Murrumbidgee Local Health District Audit & Risk Committee.	

MICHAEL CARAPIET	Inactive	Board	29/07/2019, Board Meeting, item 1.2	29-Jul			Adexum Capital Limited, of which he is also Chair, previously had a financial interest in Stride Learning, a company that operates a group of registered training organisations. During the time that Adexum held the interest in Stride, it provided loans to Stride (and/or the organisations controlled by Stride). The Chair also provided a loan to Stride in his personal capacity. It now appears that Stride Leaning is seeking to undertake work for icare or the entities administered by icare. While Adexum no longer holds a financial interest in Stride, the Chair advised that he and management will ensure no proposals from the company or the organisations controlled by it will be considered by the Chair nor will he have any discussions about such proposals with any person. The Board noted the disclosure and the processes that will be implemented to manage any conflict of interest	Noted, disclosures register to be revised.
MARK GOODSELL	Active	PRC	24/5/2023, PRC Meeting, item 1.2	24-May	Pecuniary	Pecuniary	The Chair advised the Committee that he would be ending his employment with Ai Group on 31 August 2023.	Noted, disclosures register to be revised.
VIRGINIA MALLEY	Active	Board	29/8/22, disclosure section	Aug-22	Perceived	Pecuniary	s Malley has joined a Future Super Group as a Member of the Investment Committee.	Noted, disclosures register to be revised.
JOHN WALSH	Active	Board	29/8/22, item 3.3	Aug-22	Perceived	Pecuniary	Due to a conflict of interest and associations with PricewaterhouseCoopers, Mr Walsh will not participate in discussion at item 3.3.	Will not participate during the meeting
KYLIE WILMENT	Active	Board	26/10/22, disclosure section	Oct-22	Perceived	Pecuniary	Kylie Willment lodged a Conflict of Interest form declaring a potential conflict relating to an icare RFP for Workplace Rehabilitation Provider Services.	Noted, disclosures register to be revised.
JOHN ROBERTSON	Active	Board	26/10/22, disclosure section	Oct-22	Perceived	Pecuniary	John Robertson lodged a Conflict of Interest form declaring a potential conflict relating to an icare RFP for Workplace Rehabilitation Provider Services.	If the matter were to be determined by the Board, John would remove himself from the decision making process.
MARK GOODSELL	Active	Board	26/10/22, disclosure section	Oct-22	Perceived	Pecuniary	Mark Goodsell has taken out an owner builder policy with Build safe.	Noted, disclosures register to be revised.
MARK GOODSELL	Active	Board	28/11/22, disclosure section	Nov-22	Perceived	Pecuniary	Mark Goodsell has notified Build safe of a material event in relation to a claim under his owner builder policy. Mr Goodsell will provide the CEO with details of his policy so that an assessment can be made on whether a conflicts management plan needs to be implemented.	Noted, conflict to be reviewed.
MICHAEL CAMERON	Active	Board	28/11/22, disclosure section	Nov-22	Perceived	Pecuniary	Will be undertaking advisory work for InnovoTech and has been appointed Chairman of its Strategic Advisory Board. Is no longer Chairman of Demyst.	Noted, disclosures register to be revised.
JOHN WALSH	Active	Board	20/12/21, disclosure section	Dec-21	Perceived	Pecuniary	Mr Walsh has been engaged by the Disability Royal Commission in relation to a cost study	Noted, disclosures register to be revised.
JOHN WALSH	Active	Board	20/12/21, disclosure section	Dec-21	Perceived	Pecuniary	Mr Walsh has been inducted as an Honorary Affiliate of the Personal Injury Education Foundation	Noted, disclosures register to be revised.

VIRGINIA MALLEY	**Active**	**Board**	20/12/21, disclosure section	Dec-21	Perceived	Pecuniary	Ms Malley is currently the Acting Chair of the Biodiversity Conservation Trust of NSW	Noted, disclosures register to be revised.
VIRGINIA MALLEY	**Active**	**Board**	20/12/21, disclosure section	Dec-21	Perceived	Pecuniary	Ms Malley has been appointed the Chair of the Bell Asset Management Compliance Committee	Noted, disclosures register to be revised.
JOHN ROBERTSON	**Active**	**Board**	26/2/21, item 4.3	Feb-21	Perceived	Pecuniary	Declaration by John Robertson in respect of item 4.3 of the agenda (Significant Litigation Matters)	Noted, disclosures register to be revised.
JOHN ROBERTSON	**Active**	**Board**	26/2/21, disclosure section	Feb-21	Perceived	Pecuniary	It was noted that Eddie Obeid is a former colleague of the Chair. The Board determined that this is a past association, that there is no personal connection and the Chair can remain in the meeting for the item discussion.	No conflict - N/A
MICHAEL CAMERON	**Active**	**Board**	26/2/21, disclosure section	Feb-21	Perceived	Pecuniary	For completeness, Mr Cameron and Mr Walsh noted that they are in the process of completing a formal conflict of interest declaration form relating to Suncorp and its subsidiaries and the John Walsh Centre for Rehabilitation Research respectively, however there are no related matters on the agenda.	Noted
JOHN WALSH	**Active**	**Board**	26/2/21, disclosure section	Feb-21	Perceived	Pecuniary	For completeness, Mr Cameron and Mr Walsh noted that they are in the process of completing a formal conflict of interest declaration form relating to Suncorp and its subsidiaries and the John Walsh Centre for Rehabilitation Research respectively, however there are no related matters on the agenda.	Noted
JOHN WALSH	**Active**	**Board**	4/6/2021, disclosure section	Jun-21	N/A	N/A	It was noted that Mr Walsh has accepted a keynote speaking engagement at the Personal Injury Education Foundation (PIEF) national conference to be held in July 2021.	Noted
MARY MIANI	**Active**	**Board**	4/6/2021, disclosure section	Jun-21			The CEO advised that icare is a member of PIEF and Ms Maini is a member of the PIEF Board.	Noted
KYLIE WILMENT	**Active**	**Board**	3/12/21, disclosure section	Dec-21	Potential	Pecuniary	Ms Willment noted that Recovre is part of the Marsh & McLennan group of companies and is therefore a sister company to Mercer. The Board noted that no decision was required in relation to this item and determined that no further action was required.	No conflict - N/A
JOHN ROBERTSON	**Active**	**Board**	3/12/21, disclosure section	Dec-21			The Chair has been elected the President of the NSW Council of Social Services.	Noted
VIRGINIA MALLEY	**Active**	**Board**	4/11/21, disclosure section	Nov-21			Ms Malley has retired from the Board of Perpetual Superannuation (as of 28 October 2021) and the Perpetual Investment Management Compliance Committee (as of 1 November 2021); and	The Board noted that no decision was required in relation to this item and determined that no further action was required.
VIRGINIA MALLEY	**Active**	**Board**	4/11/21, disclosure section	Nov-21			That Moray & Agnew are noted as panel legal providers in item 2.6, Ms Malley noted that her brother is partner at Moray & Agnew (Newcastle).	The Board noted that no decision was required in relation to this item and determined that no further action was required.
LISA MCINTYRE	**Active**	**Board**	3/9/21, disclosure section	Sep-21			It was noted that Ms McIntyre has recently been appointed as a non-executive director to the Fisher and Paykel Healthcare Board.	Noted, disclosures register to be revised.

KYLIE WILMENT	Active	Board	COI form dated 17/10/21	Oct-21	Potential	Pecuniary	Ms Willment lodged a Conflict of Interest form declaring a potential conflict of interest relating to Recovre (an incumbent icare rehab service provider and a sister company for Mercer) that is responding to an icare RFP for rehab services with a due date of 7 October.	Ms Willment will remove herself from any board decision regarding the appointment of Recovre. The management strategy will include non-receipt of any board paper regarding Recovre's appointment, and non-attendance at the board meeting during any item that deals with the appointment/reappointment of Recovre.
MICHAEL CAMERON	Active	Board	COI form dated 11/11/21	Nov-21	Perceived	Non-financial	Mr Cameron advised that he had previously worked with one of the candidates for the role of GE IfNSW &HBCF, being Suncorp and St George Bank 2007.	A robust application and interview process, including: an application which was shortlisted for a first interview by the CEO and Interim GE PEWO, an initial interview with the CEO and GE digiTech and a second interview with the Chair and myself. The ultimate decision maker on this role was the CEO.
MICHAEL CAMERON	Active	Board	COI form dated 13/12/21	Nov-21	Potential	Non-financial	The B Team Australasia Mr Cameron is involved in an initiative called The B Team Australasia. It is associated with a broader network globally called the B Team which is a Richard Branson lead initiative and it is a collective of local Chief Executive Officers and other people that are working in collaboration on various issues such as climate change, mental health and wellness and the impact of technology in the workplace. It is not a charity, it is also not a company, there is no profit and no one gets paid. He is just a member. The B Well Mr Cameron also co-Chairs "B Well" initiative. This is an initiative looking to develop a tool and process to measure the mental health within an organisation. Mr Cameron thought that Richard Harding, CEO icare could be a good candidate to trial both the tool and also to participate. Mr Cameron suggested that Mr Harding meet with a few of the team members which he believes he had done and he did not attend these meetings. Mr Cameron is not receiving no financial benefit from this initiative and all that has progressed is that Mr Harding has met with them and Mr Cameron does not know what he intends to do. He may participate in this collection of people.	Mr spoke with Jane McGovern, Group Executive Risk and Governance, who advised that given that Mr Cameron is not influencing any decision and not participating and not receiving any financial benefit, it is best to just note this so that there is an official document. The Chair of the Board has also been briefed in this regard and does not perceive any problems.
KIRSTEN ARMSTRONG	Active	Board	COI form dated 22/8/23	Aug-23	Potential	Financial	My current employer Social Ventures Australia is a consulting firm which has from time to time provided consulting advice to icare. This has predominantly been targeted research or advice in relation to strengthening social impact of the scheme (for example, understanding whether the factors that cause young people to have road traffic acidents could be addressed through innovative approaches)	Kirsten will not have any role in any decisions regarding any consulting contracts for which Social Ventures Australia might apply. If the board were to have any role, I would recuse myself from any discussions or decisions. Further, all information available to me as a board member of icare is strictly confidential. As a result, Social Ventures Australia will have no access to confidential information not already available to other potential tenderers. I will have no role in any bids or submissions which Social Ventures Australia make to icare for consulting work, and no role in any project work.

| KIRSTEN ARMSTRONG | Active | Board | COI form dated 22/8/23 | Aug-23 | Potential | Financial | Taylor Fry, which I am a shareholder and recent former employee of, has from time to time provided consulting advice to icare. Note that my shareholding relates to my previous employment with Taylor Fry, and is expected to be sold over time to continuing Taylor Fry staff as part of a standard Taylor Fry managed share transfer process that occurs every six months. | Kirsten will not have any role in any decisions regarding the majority of consulting contracts for which Taylor Fry might apply. If the board were to have any role, I would recuse myself from any discussions or decisions. Further, all information available to me as a board member of icare is strictly confidential. As a result, Taylor Fry will have no access to confidential information not already available to other potential tenderers. |

icare

Independent Review of icare governance, accountability and culture

February 2021 – Final Report

pwc

Disclaimer

We prepared this report solely for icare's use and benefit in accordance with and for the purpose set out in our Standard Form of Agreement with icare dated October 2020. In doing so, we acted exclusively for icare and considered no-one else's interests.

We accept no responsibility, duty or liability:

- to anyone other than icare in connection with this report
- to icare for the consequences of using or relying on it for a purpose other than that referred to above.

We make no representation concerning the appropriateness of this report for anyone other than icare. If anyone other than icare chooses to use or rely on it they do so at their own risk.

This disclaimer applies:

- to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute; and
- even if we consent to anyone other than icare receiving or using this report.

Liability limited by a scheme approved under Professional Standards legislation.

Contents

1. Executive summary

Insurance and Care NSW (icare) is a NSW government agency established in 2015 which manages over 12 insurance and care schemes within NSW. The schemes include Lifetime Care, Dust Diseases, Care and Sporting Injuries insurance, and each of these has unique governance, accountability and risk profiles due to having different customers, different funding arrangements and scheme reserve capital positions as well as being governed by different NSW legislation. This creates complexity in icare's operations and requires a nuanced approach from icare to govern and manage accountability, risk, compliance and culture effectively.

The Workers Compensation Nominal Insurer (NI) Scheme is the largest scheme and is the subject of this review of governance and accountability; culture has been reviewed for the whole of icare due to the presence and influence of icare's culture beyond the NI.

The NI scheme is responsible for the provision of workers compensation services to over 3 million workers and 328,000 employers. These services are provided by icare and its four significant outsourced service providers (scheme agents). The legislation governing NI includes the *Workers Compensation Act 1987*, the *Workplace Injury Management and Workers Compensation Act 1998 No 86*, *Workers Compensation Regulation 2016* and guidelines issued by the State Insurance Regulatory Authority (SIRA).

Having also been established in 2015, SIRA's regulatory guidelines and standards have been evolving and maturing since inception. There is also complexity and some lack of certainty for icare over the regulatory standards that icare must comply with. The NI is exempt from some regulatory requirements applicable to NSW Government agencies and it is not required to comply with APRA standards or guidance, however these standards are a relevant guide to better practice for the schemes and we used and referred to them in our review.

Following ongoing concerns about the compliance and performance of the NI, SIRA commissioned an independent review of the NI which resulted in the Dore Report, released in December 2019.

The findings of the Dore Report, along with significant media and public scrutiny, triggered a range of actions and remediations from both icare and SIRA to drive steady and sustainable improvements in icare's performance and operations, including SIRA's 21-Point Action Plan. Action #9 of the 21-point plan recommended an independent review into the governance, accountability and culture of icare and the agents managing the NI.

icare commissioned PwC on 6 October 2020 to undertake an independent review and this report is the outcome of that review. We completed our fieldwork at the end of January 2021, shortly after the appointment of the new CEO. We expect the new CEO will address the report recommendations on a timely basis.

1.1 Progress to date

Our review included input from over 1,200 stakeholders through interviews, focus groups and an icare-wide survey, in addition to a sample review of select documents. The review considered governance and accountability in the NI, and culture across the whole of icare. We identified both strengths and weaknesses which have affected icare's performance over time. We have observed some progress in the ongoing development of governance, accountability and culture, most notably over the past six months. These have included:

- **Executive leadership:** Despite the challenges resulting from turnover of executive positions in 2020, the interim CEO[1] led actions to begin to improve the relationship with SIRA and the management of risk. Examples include the appointment of a new Chief Risk Officer (CRO), and re-appointment of the CRO and General Counsel as standing members of Group Executive Team (GET) meetings. icare leadership has taken steps to address issues raised in the Dore Report, such as establishing working groups to target GET attention on key areas.

- **Board leadership:** icare has welcomed three new non-executive directors to the board in 2020, including a new chair, resulting in a significant refresh of board composition. From the middle of 2020, the board has set a more deliberate tone from the top in relation to the importance of risk management and icare's relationship with the regulator. The Governance Committee of the Board was established in August 2020 as an interim Committee established to consider, review and take advice on better practice governance and regulatory engagement. The board has recognised areas of past weakness and is actively working with

---

[1] Following the resignation of the CEO in August 2020, an interim CEO was in place from August 2020 to January 2021, when a new, permanent CEO commenced. The new chair commenced in September 2020 and two new directors were appointed in December 2020.

icare management to address these, including improving the detail and nature of reports received from the GET.

- **Processes, policies and procedures:** Improvements have been made to icare's processes, policies and procedures in 2020 to address gaps or immaturities in existing governance. There have also been steps taken to improve risk policies, refresh the risk management framework and risk management statement. There are also changes that are planned or completed and are awaiting operationalisation such as improved complaints policies.

- **Engagement with SIRA:** icare's engagement with SIRA has improved over 2020 with processes put in place to enhance the relationship between the two organisations. Meetings between icare and SIRA boards have occurred to enhance cohesion and build understanding at a leadership level, while operational decisions such as voluntary reporting of significant issues have improved compliance and engagement. Recent sentiment suggests that greater listening to SIRA has occurred, resulting in critical agreements such as how return to work (RTW) is defined.

- **Service provider relationship:** icare has identified weaknesses in service provider contractual arrangements and ways of working with EML, the main claims management service provider for the NI. icare has sought to address these, for example by clarifying roles and responsibilities in the renewed contract and improving the function and nature of this relationship.

1.2 Summary findings

While improvements have been made in governance, accountability and culture, significant changes are still required in the NI and the broader organisation. The following is a synthesis of our key findings:

- There is a lack of clarity in the type of organisation icare is seeking to be and the compliance standards it is seeking to achieve. icare is a NSW government agency, however icare and the NI are exempt, in part, from some regulatory obligations that are generally applicable to NSW Government agencies. The board and the GET have expressed their desire to comply with regulatory standards akin to an APRA-type standard, but this has not been reflected as a requirement in icare's policies, processes and procedures.

- A customer vision continues to be at the core of what drives and energises icare; however, the discipline for delivering timely and quality outcomes to customers and listening to the voice of customers has not been appropriately represented in governance processes, and employees have not been fully held to account.

- Accountability, voice, challenge and framework for risk and compliance requires significant improvement and embedding into the organisation. This needs to be supported by appropriate capability and capacity across the three lines of defence (3LoD).

- There is a need to significantly improve the identification, escalation and approach to issues management. This should be supported by adequate policies, procedures and processes as well as organisation-wide training in relation to what an issue is, clear roles and responsibilities, and how resolution will be oversighted and monitored.

- icare's relationship with external stakeholders, in particular SIRA and EML, has not been as constructive as it should be. Deliberate shifts in behaviour over the past six months have started to rebuild these relationships. However, this will require a continued focus on formalising the approach, roles, responsibilities and accountabilities for managing the relationship, communication, supervision and monitoring.

- Accountabilities for decisions, outcomes and performance have not been well-defined or embedded. They will also need to be supported by an appropriate performance and consequence management framework.

- icare's leadership has not invested sufficient time in reflecting, learning and course-correcting. A preoccupation with transformation tasks and speed to deliver rather than outcomes has created a tendency to look forward, without adequate space and time provided to understand lessons learned and apply these to future initiatives.

icare's culture

icare's culture, like that of any organisation, sits at the heart of both its successes and failures. It is ultimately the way things are done within icare, what is reinforced, seen as acceptable and role modelled, which leads to a positive outcome, or a not-so-positive outcome. At the outset, we acknowledge the contribution many people at icare make each day in doing the right thing for their customers.

As has been documented in the media and previous reviews, the actions and behaviours however, of some have contributed to poorer outcomes and negative perceptions. To this extent, we found no evidence to

suggest the weaknesses in governance and accountability observed throughout this review occurred as a result of malice.

We summarised our observed five cultural traits that exist across icare and the strengths and challenges associated:

icare's cultural traits

Cultural trait	Strengths	Challenges
Commitment to vision: Strong commitment and unity around icare's 'vision' as it relates to both focus on customers and the vision of transformative change	• Driven by positive intent for customers • Courage and confidence to transform • Resilience in times of adversity	• Speed over process and execution discipline • Tunnel-vision when on a path • Overlook 'hygiene' factors, such as active management of risks and issues
Alignment seeking: The value of collaboration and consensus and pride sought from the influence of others	• Collaboration and collective problem-solving • Strong task deliverable focus • Generates momentum and engagement	• Decisioning outside formal channels • Consensus-bias • Lack of robust challenge
We are the experts: Self-reliance and confidence with a high value placed on expertise and robust design	• Confidence and self-reliance • Navigate uncertainty and ambiguity • Pride in leading others	• Over-reach in activity management • Lack of trust • Dismissive of advice • Limits productive working partnerships
In the tribe: Tight connections and support for team members exist in icare with an ability to form tight teams across functions	• Belonging and loyalty • Tight connections and support for colleagues • Rapid formation of cross-functional teams	• Incongruence in priorities • Lack of uniform identity across icare • Protection of 'patches' and combative behaviours
	• Energises the organisation around sense of achievement • Recognition of strong performance • Provides sense of achievement	• Complacency and ineffective response to risks • Selective reporting and positive spin • Inhibits speak-up, raising concerns and confrontation

These traits sit at the root of many governance and accountability challenges and drive behaviours that were apparent during our review. Addressing the weaknesses in governance and accountability through structural remediations and the building of new infrastructure will be critical, but so too will be addressing the perceptions, attitudes and cultural norms that affect whether and how that infrastructure is adopted. Importantly, these traits also provide icare with unique strengths which it can leverage to accelerate change in the future - such as a pride in adopting new ideas; collaboration and collective problem solving; and willingness to take on new challenges.

Findings in terms of what is working well, opportunities for improvement and recommendations have been set out in each chapter.

1.3 Next steps

To rebuild trust with customers and the community, icare will be judged not by the quality of its plan to respond to this report, but by the sustainable improvements made to customer, performance and risk outcomes.

We have developed a set of detailed recommendations for management and the Board to action or oversee. Implementation of the 76 recommendations without consideration of the root cause behind them nor the desired outcome will fall short of achieving the end goal of sustainable improvement. They are all important in driving maturity in governance, risk and accountability and transforming the culture of the organisation.

 In responding to the recommendations, management should:

- determine the set of priorities and align the delivery of these recommendations within the strategic plans and current and proposed initiatives
- develop an action plan to address opportunities for improvement, taking into account the prioritisation and urgency of the recommendation, estimated effort, interdependencies, benefits realisation and any risks that are not being managed effectively and are outside the risk appetite
- assign owners, accountabilities and provide adequate resources and hold people to account on timeframes, milestones, benefits and reporting requirements
- monitor and seek assurance for the implementation of all recommendations to resolution.

1.4 Detailed Recommendations

#	Recommendation
Role of the board	
Outcome: A diverse board that actively ensures icare's obligations are met and sets a strong tone from the top through challenge on accountability, performance and culture	
1	The board should continue providing a clear tone from the top on icare's role as a NSW government agency with adherence to the standards expected of such an agency, including by tracking regulatory requirements, requiring management reporting on compliance, and engaging with regulatory bodies to build positive working relations that cascade through icare.
2	The board to: • strengthen and refine the board skills matrix including mapping skills and capabilities at the committee level • review the composition of board committees and ensure that there are adequate skills and experience aligned to the remit and purpose of the committee • develop strategies for addressing any ongoing skills gaps, such as through the appointment of external advisers, board development and future succession planning.
3	Consult further with NSW Treasury to set up a separate risk committee or risk sub-committee to provide adequate focus and time to manage the risk issues facing icare. Once established; review the role and remit of the Governance Committee to ensure clarity.
4	Update the charter for the ARC (or separate Audit and Risk Committees) to include the requirement to form a view on icare's risk culture and to assess the adequacy of icare's risk management framework (both its design and effective implementation).
5	Customer Innovation and Technology Committee (CITC) to increase the time it spends on the voice of the customer and customer outcomes.
6	Enhance management reporting, most notably in the areas of customer outcomes, non-financial risk, root cause analysis, regulator engagement, management of material issues and remediation monitoring, and scheme-based dashboards.
7	Adopt a more rigorous approach to actions arising, including naming accountable persons, setting a time for delivery of actions and ensuring effective monitoring completion.
8	icare board to introduce a regular agenda item at board meetings to receive reports on the regulator relationship and ensure the voice of the regulator is understood and being addressed.
9	Update the board charter to reflect the requirement to regularly report to the NSW Treasurer in accordance with s6(3) of the SICG Act. Governance processes should: • consider, at regular intervals, whether it should inform the Treasurer of an issue because it is a material development in icare activities • table correspondence received from the Treasurer requesting information from the board on the activities of icare.

Senior leadership oversight

Outcome: An executive team that governs and leads high performance and customer outcomes, while proactively managing risks and obligations

10	icare GET to set a clear tone from the top on the importance of the role of risk management and the role of SIRA as the regulator, by role-modelling expected behaviours and attitudes.
11	GET meetings to be governed by established terms of reference with mapped collective accountabilities to ensure that material decisions are made with appropriate GET oversight.
12	Challenge behaviours of making decisions 'outside the room' and ensure GET brings its full capability and diversity of experience to the issues brought before it.
13	GET governance to ensure that decisions, risks and issues are discussed and decided at the right levels of the organisation using timely and relevant data and reporting.
14	Establish a financial risk management sub-committee and a non-financial risk management sub-committee with all GET members as standing members; committee meetings to be of a length to allow sufficient agenda time to discuss, manage and oversee icare risks and issues.
15	Enhance customer outcome reporting provided to GET by incorporating broader leading and lagging metrics on an individual scheme basis to complement NPS reporting.

Risk management & compliance

Outcome: A risk aware organisation that consistently makes sound decisions and actively prevents loss or harm to customers or operations

16	Review and update the Risk Management Framework (RMF) to ensure there is a consistent approach to identifying, measuring and monitoring risks that reflects appetite. Consideration should be given to incorporating better practice guidance from other key regulators eg. APRA, ASIC, and ensure the RMF is rolled out and communicated.
17	icare to create, strengthen and update risk profiles for each business unit using a bottom-up approach and roll out procedures, controls and other mechanisms to support implementation and operating effectiveness.
18	In relation to the Risk Appetite Statement (RAS), review and refine metrics to reflect the key risks, metrics and tolerance levels relevant to a business of icare's nature and complexity, and ensure tolerances reflect the appetite of icare's refreshed board.
19	Take action regarding the various financial risks that require improvement via better documentation, oversight and assurance, including medical cost payment, compliance and leakage and the integrity of operating cost allocation between schemes.
20	Develop comprehensive compliance registers and implement procedures, controls and other mechanisms to ensure compliance and effective risk mitigation.
21	Strengthen the non-financial risk framework and operationalise this through the development and implementation of policies and procedures, leveraging external better practice.
22	Further strengthen policies and procedures in relation to conflicts of interest and ensure this has been communicated and effectively implemented.
23	Significantly strengthen the reporting of operational risk, compliance risk and conduct risk to enable consistent oversight of emerging risks, thematic control weaknesses, issues identified through internal audit, conduct risk and incident root causes and trends.

24	Update the RMF to reflect the TPP 20-08 attestation process and increase the level of rigour and assurance to support the signing of this.
25	Enhance and roll out education and awareness activities to lift employees' understanding of icare's and individuals' risk and compliance obligations, the management of risk, key operational risk processes, systems and tools, incidents management, and relevant consequences for non-compliance.
26	Establish and implement a Line 1 risk committee to oversee risk and compliance in each business unit.
27	Build the capability and resourcing of Line 1 (including the Assurance and Quality (A&Q) team), by equipping and enabling people with greater risk awareness and an understanding of icare's frameworks, and encourage their use. Review the reporting line of A&Q.
28	Provide sufficient resources for Line 2 to design and communicate the risk management framework to employees to build awareness and understanding of their role in risk.
29	Install the CRO as a permanent, standing member of GET meetings with a direct reporting line to the CEO to ensure the voice of risk is heard.
30	The CRO to be made accountable for management of the regulator relationship.
31	Internal Audit's reporting line to be changed from a dotted to a hard line into the ARC and the ARC Charter to be amended state that Internal Audit has unfettered access to that committee, to support its independence.
32	Internal Audit to strengthen record keeping in relation to investigations commenced due to ICAC referral or other relevant stakeholders. The ARC to improve its oversight of the closure of high rated actions arising from audit reports

Issue identification, escalation & resolution

Outcome: Management and employees are capable, confident and disciplined in identifying, escalating, mitigating and learning from issues, breaches, complaints or wrongdoing

33	Expand the incident management policy to describe the roles, responsibilities and accountabilities for: ● effective identification and escalation of incidents ● the risk assessment and rating of incidents Also reconsider the roles, responsibilities and reporting of the Regulatory & Affinity Partners (RAP) team in light of the 3LoD principles.
34	Add a risk rating to all incidents in the incident register and take the necessary action required based on the rating and significance of the incident.
35	Improve record-keeping over incidents and ensure appropriate monitoring and oversight over closure.
36	Improve awareness and training of icare employees on the importance of escalating incidents in a timely way. Update the incident management policy to better define both an incident and governance roles, to support effective escalation and response actions including remediation.
37	Extend the incidents management policy to incorporate root causes analyses of material or high rated incidents by Line 2, 3 or an independent reviewer (where relevant) to bring an objective and unbiased approach to identifying root causes.
38	Define and document a remediation framework which sets the guiding principles, roles, responsibilities and accountability for when and how a remediation program should be established and the governance required to oversee remediation activities.
39	Improve Line 1 and Line 2 reporting on incident identification, management and closure and feed into consequence management as appropriate.

40	Establish a significant matter committee to assist with expediting decision-making regarding what should be reported. This should be supported by terms of reference and appropriate composition.
41	Uplift employee awareness of icare's commitment to report significant matters to the regulator SIRA within five days.
42	Improve coordination of complaints management to provide oversight/reduce duplication and ensure learnings from complaints are more routinely sought as feedback loops into design and execution.
43	Update and implement policies and procedures in relation to wrongdoing to enable and better support 'speak-up'. Ensure reporting channels are in place to support the anonymity, safety from potential reprisal and independence of the wrongdoing process. Any changes should be communicated to all staff.
44	Coordinate and report to ARC on the complete set of material grievance and wrongdoing issues to provide oversight and an understanding of systematic themes. Implement a system of feedback to help inform future behaviours and ensure lessons are learned.
45	Ensure that management takes action efficiently and effectively in formal and informal matters of wrongdoing and other complaints and there is effective communication in support of this.

Scheme agents

Outcome: Outcomes-focused partnerships with scheme agents based on commerciality, transparency and accountability

46	Strengthen and further embed the outsourcing policy and design the underpinning processes and procedures to fully operationalise and implement the updated policy.
47	Set up the proposed outsourcing committee with standing members of GET members and relevant executives involved in outsourcing, with a terms of reference providing a clear remit which considers the committee's interfaces with other committees and roles and includes the requirement to escalate material issues to the GET and ARC.
48	Review existing key material outsourcing contracts against the revised outsourcing policy requirements and update accordingly.
49	Improve the governance over scheme agent adherence to relevant internal icare policies and ensure that scheme agents are performing to these standards.
50	Review the KPIs used to measure scheme agent performance. Ensure they adequately capture compliance with regulatory requirements and include leading measures as well as lagging measures focused on the injured worker.
51	Identify and map the key obligations, risks and controls related to claims management and how roles and responsibilities are delineated between icare and the scheme agents.
52	Once obligations, risks and controls have been documented: ● document assurance roles and responsibilities in relation to scheme agents across the 3LoD ● significantly improve assurance activities by the 3 LoD over scheme agents in accordance with a documented framework, supported by procedures, reporting and governance oversight.
53	GET meetings to receive regular individual scheme agent scorecards to ensure visibility and accountability of scheme performance.

Prioritisation & decision-making

	Outcome: Prioritisation of investment and execution, guided by disciplines that enable strategic alignment, risk management and learnings to be incorporated
54	Review and update icare's Instrument of Delegations to ensure it considers the materiality of risk in addition to project financials. Examples of this are risk to strategy, brand and reputation risk, operational risk (eg. IT, cybersecurity, delivery) and customer (eg. experience, outcomes, retention).
55	Document icare's approach to strategic planning and prioritisation of projects.
56	Define and embed multi-dimensional criteria that consider customer outcomes, financial impacts, strategic alignment, risk appetite and alignment to icare's ethical Decision-Making Framework (DMF). This will allow independent evaluation of the feasibility of each project, as well as support trade-off decisions across projects.
57	Line 2 to establish a formalised 'risk in change' approach. This should consider the nature and types of change that can affect the risk environment and the need to assess icare's capacity, appetite, impact, complexity, interdependencies and dependencies as it relates as a result of change (including project change).
58	Ensure Line 2 risk capability has a continuing presence and is embedded as a standing member of material steering committees and in prioritisation forums.
59	Clarify and operationalise accountabilities for risk management within program roles and improve the management and oversight of risk in project decision-making and delivery.
60	GET to bring a stronger risk management and governance lens to decision-making on the magnitude and complexity of change across multiple programs of work.
61	Further embed the key elements of the Program Management Handbook and ensure key project principles (eg. post implementation reviews, benefits realisations, risk assessment) are adhered to and with sufficient quality/depth or documentation so that lessons can be learned for future projects.

Accountability

	Outcome: Clear accountabilities across all levels, enabled by real performance management and consequences
62	Adopt a better practice accountability framework that provides clarity on standards, holds people to account with strict board and GET governance and oversight, cascades accountabilities through the organisation, and effectively applies consequence management. Ensure these accountabilities are documented and communicated and consideration given to leveraging practices and requirements set by other regulators.
63	Amend the People and Remuneration Committee's (PRC) charter to include a role to oversee the setting-up of an effective accountability framework for icare complementing a new consequence management framework, and including the cascade of this through the organisation.
64	Improve role descriptions of the GET and their teams to ensure that accountabilities for scheme agents, risk and other matters are clearly captured and then cascaded through the organisation. Ensure there is a process of regular review.
65	As part of the better practice framework, develop an accountability map for icare as a whole, referencing how accountabilities come together from individual schemes to ensure there are no gaps or overlaps.
66	Define and document a consequence management policy and/or approach that considers other levers besides financial consequences.

67	Continue to reinforce balancing of performance measurement with reward through increased risk assessment monitoring, guidance over the inclusion of customer and risk metrics in individual performance goals, and enhanced leadership capability in managing performance.
68	icare to implement a regime imposing individual accountability on the CEO, CRO and GET executives to engage with SIRA in an open, constructive and cooperative way.
69	Develop a formal stakeholder accountability framework and develop and communicate to employees clear expectations on how icare must engage with its stakeholders in a positive, open and constructive way.

Culture

Outcome: A culture whereby perceptions, attitudes and behaviours of icare staff reinforce the importance of governance, risk and accountability

70	icare should translate its strategic priorities into cultural aspirations and make them tangible for individuals across the organisation.
71	Create a greater understanding of the expectations for all icare employees with respect to governance and accountability and align these to processes, policies and tools set around incident management, issue management and risk management. This supplements recommendations made in Chapter 5. Risk management & compliance, Chapter 6. Issues identification, escalation & resolution, and Chapter 9. Accountability.
72	Build and promote further learning and feedback mechanisms and both project and team levels both formally and informally. This supplements recommendations made in Chapter 6. Issues identification, escalation & resolution.
73	Build leadership (GET, Chiefs and SLT) capability around effective risk, governance and accountability practices, but also in how they role model and communicate change to their teams as a collective. This supplements recommendations made in Chapter 4. Senior leadership oversight, and Chapter 5. Risk management & compliance.
74	Enhance its performance management system, with particular focus on clarifying individual expectations so as they can overcome the diffusion of responsibility and hold people to account. In doing so, icare should confirm the KPIs, scorecards, charters, accountability frameworks and cascade that exist to support this. This supplements recommendations made in Chapter 9. Accountability.
75	Identify and embed the critical few behaviours it needs to drive effective governance and accountability practices. The may include behaviours associated with constructive challenge, speaking up and safety in doing so, listening to other areas of expertise, learning and responding, but also to further embed collaborative partnering.
76	Implement a robust behavioural measurement framework that enables monitoring of behavioural change to drive governance, accountability and performance outcomes. This supplements recommendations made in Chapter 9. Accountability.

2. About this report

2.1 Background to this report

The New South Wales Government established Insurance and Care NSW (icare) under the *State Insurance and Care Governance Act 2015* (NSW) (SICG Act). The SICG Act also established the State Insurance Regulatory Authority (SIRA) and SafeWork NSW. The second reading speech in relation to the SICG Act references the creation of the three separate organisations and the intention of *"supporting injured workers to recover and return to work, providing proper assistance to workers with the highest needs, and making sure that any changes to benefits will not compromise the financial sustainability of the scheme."*[2]

It is important that icare demonstrate it is working to meet the highest standards of integrity, transparency and governance as a NSW government agency. The SICG Act established icare as a "NSW government agency" and it is therefore subject to a range of public agency legislative obligations including, for example, the *Government Information (Public Access) Act 2009* and the *Government Sector Finance Act 2018*. However, some regulatory provisions that apply to NSW government agencies do not apply to icare (such as the Government Sector Employment Act 2013 in relation to the employment of icare staff) and the Nominal insurer is also exempt from some NSW government agency regulatory requirements.

icare is governed by an independent board of directors who are appointed by the NSW Treasurer.

icare's strategy states that its purpose is to *"protect, insure and care for the people, businesses and assets that make NSW great"*. icare delivers a broad range of insurance and care services to the people and businesses of NSW, including operating the following schemes and insurance services:

- Acting for the Nominal Insurer in accordance with s154C of the Workers Compensation Act
- Lifetime Care
- Dust Diseases Care
- Sporting Injuries insurance
- Building Insurers' Guarantee Corporation.
- Motor Accident Injuries Treatment and Care Benefits Fund (MAITCBF)
- Self-insurance by NSW of the following schemes:
  - NSW Treasury Managed Fund
  - Construction Risks Insurance Fund
  - Transport Accidents Compensation Fund
  - Pre-Managed Fund Reserve
  - Governmental Workers Compensation Account
  - Residual Workers Compensation Liabilities of the Crown
  - Bush Fire Fighters Compensation Fund
  - Emergency and Rescue Workers Compensation Fund
  - Supplementary Sporting Injuries Fund
  - Home Building Compensation Fund (HBCF).

The Nominal Insurer (NI) scheme is the largest of the schemes managed by icare and, like all schemes, has its own regulatory obligations. The NI scheme specifically must comply with the requirements of the *Workers Compensation Act 1987*, the *Workplace Injury Management and Workers Compensation Act 1998 No 86*, *Workers Compensation Regulation 2016* and guidelines issued by SIRA. There are detailed provisions in the legislation relating to the management of claims and entitlements of injured workers. We considered these legislative requirements in our review. The Dore Report described the NSW workers compensation NI scheme

---

[2] State Insurance and Care Governance Bill 2015, second reading speech, the Hon. Dominic Perrottet MP, August 2015

as Australia's largest defined benefit scheme. In FY20 the NI scheme collected $2.8B from 328,000 businesses to insure 3 million workers.

SIRA

SIRA was established by the SICG Act in 2015 to be the regulator of icare in relation to a number of its schemes and other relevant self insured entities. SIRA's purpose is:

● to promote the efficiency and viability of the insurance and compensation schemes for workers compensation, motor accidents, the scheme under the *Home Building Act 1989* and other relevant acts

● to minimise the cost to the community of workplace injuries and injuries arising from motor accidents and to minimise the risks associated with such injuries

● to promote workplace injury prevention, effective injury management and return to work measures and programs

● to ensure persons injured in the workplace or in motor accidents have access to treatment that will assist with their recovery

● to provide for the effective supervision of claims handling and disputes under the workers compensation and motor accidents legislation and the *Home Building Act 1989*

● to promote compliance with the workers compensation and motor accidents legislation and the *Home Building Act 1989.*

icare's regulatory framework

There is complexity and some lack of certainty for icare over the regulatory standards that icare must comply with.

Each of the insurance and care schemes managed by icare is unique and governed by different NSW legislation. icare was itself created by an Act of NSW Parliament (the SICG Act) and is a NSW government agency, but is exempt from some of the requirements generally applicable to NSW public agencies around certain recruitment and employment matters. The Nominal Insurer is also exempt from other requirements, such as NSW public sector procurement rules.

While SIRA has published a range of guidelines that icare must comply with, including matters such as premiums, claims management and complaints, they relate only to the schemes managed by SIRA and not all schemes operated by icare.

Although icare is operating large insurance operations at scale, it is not an APRA regulated entity and consequently is not required to comply with APRA prudential standards applicable to Australian private insurers. The NSW Treasurer is vested with the power to create prudential standards or reporting and auditing requirements for icare's scheme funds under the SICG Act. To date, prudential standards have not been issued.

NSW Treasury has issued risk guidelines for icare to follow as a NSW government agency (TPP 20-18) and they require icare to establish a risk management system consistent with ISO 31000:2018. This international standard is broad in nature and does not provide the level of guidance or specificity relevant to a complex insurance organisation.

The Dore Report

In February 2019, SIRA commissioned an independent review of the Nominal Insurer of the NSW workers compensation scheme, led by Janet Dore. icare acts on behalf of the nominal insurer. The review arose as a result of SIRA's ongoing concerns over the operation and performance of the NI scheme. The terms of reference for the Dore Report were to:

● assess NI compliance with SIRA's Market Practice and Premiums Guidelines and identify any unintended consequences, risks and priorities for improvement in SIRA regulation of the premiums of the NI

● identify the benefits and risks to the performance of the NSW workers compensation system arising from icare's implementation changes to the NI operating model and supporting digital platforms

● assess the NI's performance in relation to return to work outcomes, claims management (including guidance, support and services for workers, employers and health service providers), customer experience and data quality and reporting.

The Dore Report was released in December 2019 and identified "significant deterioration in the performance of the NI, through poorer return to work rates, underwriting losses, no competition and therefore concentration of risk".

icare's initial response to the Dore Report supported 11 of the report's 13 recommendations (recommendations #4 and #12 were considered not matters for icare but required action by SIRA and the NSW Government).

SIRA released a 21-point plan in response to the Dore Report to provide a foundation for a fact-based and steady improvement in icare's operations. Action #9 of the 21-point plan recommended icare to commission an independent review into the governance, accountability and culture in the icare team and agents managing the NI.

2.2 Independent review by PwC

Following SIRA's Action #9 recommendation, icare commissioned PwC on 6 October 2020 to undertake an independent review of icare's governance, accountability and culture.

PwC conducted this review using a range of information sources set out in more detail below. The review was conducted in the four-month period from October 2020 to February 2021.

2.3 What this review covered

In accordance with the Standard Form of Agreement between PwC and icare dated 06 October 2020, our review covered:

● the assessment and identification of gaps in governance, accountability and culture including senior leadership oversight, through quantitative and qualitative measurement

● the development of findings for icare to address the observed gaps in culture, governance and accountability.

The following matters were out of scope for the review:

● assessment of the culture of NI scheme agents or other service providers to icare

● governance and accountabilities relating to schemes other than the NI, including: icare Lifetime Care, Dust Diseases Care, the icare Home Building Compensation Fund, icare Insurance for NSW, icare Sporting Injuries insurance, Treasury Managed Fund (TMF) scheme and insurance services to NSW government

● review of the claims management process.

We undertook an extensive review to form a comprehensive view of icare's governance, accountability and culture and to identify strengths and weaknesses. Our review comprised an investigation of evidence related to activities performed over 2019 and 2020. However, where necessary to understand relevant information pre-dating this timeframe, we included information from earlier years.

Although our focus was a current state assessment, we identified:

● where icare has worked to address recognised weaknesses in its governance and accountability practices over 2019-20

● where it is working to further improve its governance and accountability practices, including initiatives that have been recently approved and are underway.

On icare's request, given its single brand and the desire to support ongoing cohesion across the organisation, our culture review took a broader scope than the governance and accountability reviews and considered icare's culture across all functions.

2.4 How PwC conducted this review

The four-month review (Oct 2020 - Jan 2021) involved the following activities to assess and evaluate icare's governance, accountability and culture:

● document review

● icare board and executive interviews

● focus groups with the icare employees

● interviews with stakeholders and focus groups with some stakeholders, including scheme agents

● case studies

● a PwC-issued icare-wide survey.

Interviewees were chosen with reference to the scope of the review focussing on the NI and icare enterprise matters, with respect to G&A, and the whole of icare with respect to culture.

Document review

icare provided documents for review covering 2019 and 2020. A number of issues raised in the Dore Report occurred before November 2018, but we did not conduct a document review on matters earlier than November 2018.

The documents we reviewed were board and board committee agendas, papers and minutes; GET agendas, papers and minutes; risk and governance policies, frameworks, charters and terms of reference; icare people surveys, eNPS reports, People Matter Employment Survey results and external reports.

icare board and executive interviews

More than 35 formal individual interviews were conducted with icare stakeholders, including:

- chair of the board
- board non-executive directors
- interim chief executive officer
- icare Group Executive Team (GET) and Chiefs.

A full list of board and executive interviews is in Appendix A.

icare stakeholder interviews

We held formal interviews with over 40 external stakeholders including SIRA, WIRO, NSW Business, Unions NSW, ICAC, EY and NSW Treasury. We also interviewed EML principals and managers to more deeply understand the nature of the relationship and commercial arrangements between icare and third parties.

A full list of external interviews is in Appendix A.

icare focus groups

We held eight focus groups across all icare functions. The focus groups were independently facilitated without icare leadership presence. Participants were randomly selected and invited to participate. Participants were asked to consider moments of pride working for icare as well as moments of challenge, along with exploration of areas relating to governance, accountability and culture.

Scheme agent focus groups

Five focus groups were held with 38 scheme agent participants: two with EML and one each with GIO, Allianz and QBE. Additional time and emphasis was given to engaging with EML due to its role managing the majority of claims as well as its long-standing and extensive interactions with icare.

Participants were identified by the scheme agents' principals to provide a range of perspectives and insights relating to icare and the NI. Focus group participants were asked to reflect on their interactions with icare that they considered positive and ones they considered challenging.

Case studies

We conducted three case studies to further understand specific governance, accountability and culture themes relating to icare's management and response to issues:

- Wrongdoing: A review of how icare responded to and managed allegations of misconduct, corrupt conduct, maladministration, or serious and substantial waste as defined by the *Public Interest Disclosure Act 1994*.
- Decline in RTW outcomes: How icare identified, investigated and responded to declining RTW rates.
- COVID-19: How icare responded to the COVID-19 pandemic to manage the risks and mitigate their impact on injured workers, employers, employees and other stakeholders.

Other incidents and events arose throughout the review, which we examined and reviewed in addition to the above case studies.

The insights from these case studies have been weaved through this report.

PwC survey

We developed and released an independent survey for completion by icare personnel. The PwC survey asked respondents to answer a series of questions, including the extent to which they agree or disagree about icare's operations, attitudes and ways of working, and enabled free text responses relating to their experiences working with icare. Around 1,042 valid responses were received from across all levels and functions in the business – this is approximately 56% of icare personnel.

Assessment criteria

In determining our observations and findings, we applied robust assessment criteria of governance, accountability and culture that were developed by PwC and are based on our experience undertaking similar reviews.

2.5 Structure of the report

This report is set out in nine chapters, set out below. Chapters 3-10 present the findings of the review as they relate to the broader themes of governance, accountability and culture; each chapter includes a summary, background, observations and key recommendations arising from the review.

Governance

- Chapter 3: The role of the board

- Chapter 4: Senior leadership oversight

- Chapter 5: Risk management & compliance

- Chapter 6: Issue identification, escalation & resolution

- Chapter 7: Scheme agents

- Chapter 8: Prioritisation & decision-making

Accountability

- Chapter 9: Accountability

Culture

- Chapter 10: Culture

Recommendations

- Chapter 11: Recommendations

Section A: Governance

3. Role of the board

3.1 Summary

icare's board brings commitment and dedication to its oversight of icare and support towards the purpose of icare; there is evidently a depth of experience and knowledge among the directors, particularly in relation to insurance and complex financial institutions.

However, we observed a number of weaknesses in performance and in oversight of governance. Until mid-2020, the board did not set a clear or strong enough tone from the top on matters of risk, on the importance of meeting NSW government agency compliance requirements and on the need to build a cooperative and open relationship with the regulator SIRA. Gaps and weaknesses in management reporting have meant the board has not always been armed with all the information it needed to support strong governance oversight. Recent changes and additions to the board composition will help rectify under-weighted skills, capabilities and experience in governing a public organisation and personal injury management.

In the last four months, there have been four new board directors and a shift in board governance and progress on action to address known issues. Additional enhancement to the reporting of operational, compliance and conduct risks will result in stronger and more effective challenge to management, further strengthening governance by the board.

We assessed the effectiveness of the icare board's governance and oversight of the NI by examining the following areas:

1. Setting the tone from the top

2. Board skills and competency to enable effective oversight

3. Board structure and operating pattern

4. Quality of management reporting to the board

5. The board's relationship with management and holding management to account

6. The board's oversight of the regulator relationship

7. The board's obligation to keep the Treasurer informed.

Our findings and recommendations are set out below.

3.2 Context for this chapter

icare's board consists of the CEO and up to eight directors appointed by the NSW Treasurer under the *State Insurance and Care Governance Act 2015*. The NSW Treasurer selects directors with the skills and experience that are relevant to the administration of the State's insurance and care schemes as well as to assist in the exercise of icare's functions. To ensure separation of duties, a person cannot be a director of both the SIRA board and the icare board. The board meets regularly, with directors committing significant time to board and committee meetings every year. The Board met an average of 10 times a year in 2019 and 2020 and also held additional workshops. On average, Board Committees meet between 4 and 8 times per year. The board meets for a day and other committees meet for between 2 and 4.5 hours.

The board publishes a communique, being a high-level summary of the board minutes, on the icare website which is an example of good governance and transparency to stakeholders. Board minutes are comprehensive and detailed on issues discussed; however, there are relatively few actions arising that are identified and tracked.

icare is accountable to the NSW Treasurer, who has the power to issue a written direction to the board if necessary after consultation with the board and in the public interest. The board must comply with this direction.

Under the SICG Act, all decisions relating to the functions of icare are made by or under the authority of the board, including the appointment of the CEO. This means that the board is a governance board rather than an advisory board, which is different to the way that many NSW government agencies operate. Each director is required to exercise the degree of care and diligence that a reasonable person in a like position would exercise in the circumstances.

Audit and Risk Committee

The Audit and Risk Committee (ARC) was established in compliance with the NSW Public Sector's Internal Audit and Risk Management Policy, to assist the board in discharging its responsibilities by overseeing icare's framework and management of risk. The ARC oversees icare's financial and actuarial reporting, risk management framework and risk profile, regulatory compliance, and internal and external audit plans. It meets at least quarterly and consists of at least four, but not more than five, non-executive directors appointed by the board.

A summary of the ARC's responsibilities include:

● overseeing the organisation's financial reporting

● reviewing and approving the organisation's risk management framework and risk profile

● reviewing the organisation's compliance risks, compliance processes, policies and procedures, issues and significant breaches and compliance projects

● reviewing and approving the organisation's annual internal and external audit plans, including the scope of audit work, the use of any external expertise to assist the audit functions, and any changes that may be required.

Representatives of the NSW Audit Office attend meetings of the ARC.

Governance Committee

The Governance Committee was established in August 2020 to consider, review and take advice on the best practice governance and regulatory engagement in light of the emerging issues in the external environment and changing stakeholder expectations relevant to icare. The committee appointed a corporate governance expert to act as a standing advisor to the committee. The committee considers the operation and effectiveness of icare's governance processes in light of those emerging issues, or any particular issues that are of concern to the board or stakeholders. The terms of reference of the Committee include reviewing and providing advice on icare's approach to this CGA review.

The committee reports and makes recommendations to the board on better practice internal and external governance and stakeholder engagement, having regard to the requirements and expectations of:

● icare's regulators, including SIRA and the Information and Privacy Commissioner

● key government stakeholders, including the Treasurer, NSW Treasury, the NSW Audit Office, the NSW Public Service Commissioner, NSW Procurement and the Department of Premier and Cabinet.

icare has indicated that the committee is intended to be interim and its operations will be rolled back into the ARC or the board by the end of 2021.

Customer Innovation and Technology Committee

Established in 2015 as an IT Committee and expanded in September 2016 to the Customer Innovation and Technology Committee (CITC), the CITC's role is to assist the board in overseeing icare's information technology and customer operations, customer and technology strategy, information systems and data management risks and controls. It meets at least quarterly, and consists of at least four non-executive directors appointed by the board.

A summary of the CITC's responsibilities include:

● reviewing, evaluating and monitoring the implementation of icare's major customer experience strategies and report strategies back to the board

● approving icare's approach to innovation in relation to customer and technology strategy, including the development of innovation capabilities and vehicles, and a proposed funding and governance model

● reviewing, evaluating and monitoring implementation of icare's major technology plans and strategies, including its research and development activities as well as the technical and market risks associated with product development and investment

● approving proposals to spend funds and to enter into commitments of up to the value of $30 million, and report to the board on significant items covered at each committee meeting.

People and Remuneration Committee

Established in 2015, the People and Remuneration Committee (PRC) assists the board in overseeing icare's remuneration and other human resources policies and practices. It meets at least quarterly, and consists of at least four non-executive directors appointed by the board.

A summary of the PRC's responsibilities include:

● keeping itself apprised of the latest legislative, regulatory or industry developments, trends and NSW Government policies in relation to remuneration, employment, work health and safety, and human resources matters likely to have a significant impact on icare

● monitoring and overseeing the development and implementation of the people strategy and workplace health and safety framework

● determining and recommending to the Board a remuneration framework and policy and ensure remuneration is managed in accordance with this framework

● approving human resources policies, other than those requiring board approval in which case review, endorse and recommend to the Board for approval on human resources policies.

Investment and Asset Committee

Established in 2015, the Investment and Asset Committee (IAC) assists the board in setting icare's investment strategy and related investment policies, and overseeing the investments of icare's funds.[3] The responsibility for the oversight, management and performance of the SI Corp Scheme Funds[4] is governed by a memorandum of understanding between icare and the NSW Treasury. The IAC typically meets six times a year, and consists of at least four independent non-executive directors.

A summary of the IAC's responsibilities include:

● conducting a review of the investment strategy as often as deemed necessary but no less than once every two years, where the investment strategy includes the statement of investment beliefs, investment risk appetite statement, investment policy statement and overarching investment strategy for all icare funds

● endorsing for recommendation to the board the master financial services agreement between icare and NSW Treasury Corporation, and MoU between icare and NSW Treasury

● endorsing for recommendation to the board the strategic asset allocation to asset classes for all funds and portfolio construction within asset classes.

Foundation Committee

The Foundation Committee (FC), established in 2016 oversees the strategy and assurance of icare's Foundation, which was established to consolidate and maximise the impact of icare's social investments under one governance framework, with a strategic narrative that aligns social and commercial initiatives across the organisation.

It meets at least quarterly, and consists of at least four non-executive directors appointed by the icare board and CEO.

A summary of the FC's responsibilities include:

● approving and monitoring the Foundation's strategy and relevant policies governing its operations

● recommending the Foundation's operational budget and overseeing the investment and funding of prevention and intervention programs.

The CEO is a member of all Board committees, other than the ARC of which the CEO is a standing attendee.

3.3 Review observations

3.3.1 Setting the tone from the top

The icare board has an important role to play in setting a strong tone from the top, role-modelling desired behaviours and actions to employees.

---

[3] Workers Compensation Insurance Fund, Lifetime Care and Support Authority Fund, Sporting Injuries Fund and Workers' Compensation (Dust Diseases)

[4] Treasury Managed Fund, Home Building Compensation Fund, Construction Risks Insurance Fund, Transport Accidents Compensation Fund, Residual Workers Compensation Liabilities of the Crown Fund, Government Workers Compensation Account, Bush Fire Fighters Compensation Fund and Emergency and Rescue Workers Compensation Fund

The board oversaw a significant transformation program of initiatives, including the implementation of a single claims management platform and supporting the less adversarial approach to claims management. Until the middle of 2020, the board did not set a strong enough tone from the top on the management of risk, on the need for icare to meet the standards expected of a NSW government agency, and on building a cooperative and constructive relationship with SIRA particularly as it relates to the NI.

In response to the recent unveiling of issues through the Law and Justice Committee[5], the media and other reviews, the following examples illustrate how the board is now setting a stronger tone from the top:

- establishing a governance committee to support further improvements to icare's governance and transparency. The committee meets monthly with a mandate to address current issues and the adequacy and operation of icare's governance policies and structures

- since February 2019, holding joint meetings with the SIRA board and listening to its feedback and concerns

- appointing an interim and then a permanent CEO charged with re-building the relationship with SIRA

- increasing its challenge to the executive team, in particular since September 2020

- hearing the voice of the newly appointed CRO and supporting the accelerated development of effective risk and policy frameworks to address known gaps

The Board also withheld bonus payments (long-term incentives and annual bonuses) and held remuneration flat for the CEO and executives in 2020 as a result of COVID and icare underperformance (referencing lower RTW rates and the issues with the transformation as examples).

Prior to mid-2020, however, the tone from the top revealed weakness. icare did not fully view itself as a NSW government agency until after the current scrutiny. There was no evidence to suggest the board was sufficiently emphatic or insistent enough in holding management to account to ensure that icare met its obligations as a NSW government agency. Shortcomings were allowed to continue for lengthy periods - for example, in the areas of procurement and conflicts of interest management. This was driven, in part, by the delineation of the NI not being a government agency and the complexity of this, while icare itself was, and therefore subject to certain requirements. In addition, the immaturity of the risk and compliance framework did not provide adequate guidance.

The board and executive proudly described icare as a "start-up"[6] when it was established in 2015, with the flow-on benefits of team energisation to navigate a major transformation. However the term 'start-up' was also likely to encourage management to take on higher levels of risk and to favour urgency and speed over quality, process and controls.

The board was slow to respond to signals from SIRA on concerns it raised over management's interactions with the regulator. Management did not provide the board with regular updates on regulator communications or the state of the regulatory relationship between icare and SIRA, nor did it signal a red flag to the board on the deterioration of the regulatory relationship between icare and SIRA. Further, the board tended to side with management's view and, as a result, did not set a strong enough tone from the top on the importance of a cooperative and open relationship with the regulator. When the Dore Report was issued in December 2019, the board was silent, making no public comment and sending no clear message to employees on the board's expectations or views, despite the report being critical of the organisation and its approach to the regulator[7].

Board members acknowledged the fractious relationship between icare and SIRA's CEO, however did not take action early enough. The board was slow to respond to concerns over the suitability of the CEO[8] and slow to respond to the decline in RTW and the deterioration of the scheme.

While we identify the board's failings in not setting a strong tone from the top on a number of specific matters, we acknowledge their more decisive action in recent months, particularly in response to the public criticisms, to remediate and address issues raised in the December 2019 Dore Report, and to set a stronger tone. An executive interviewee noted the recent efforts of the board, in "fronting up to challenges and being proactive at recognising risk and being transparent with the regulator". There is a greater sense of urgency and momentum to set up an effective risk and policy framework appropriate for a large public finance corporation and to address past issues.

---

[5] The Standing committee on Law and Justice is appointed by the Parliament of NSW to enquire into and report on legal and constitutional issues affecting NSW. In March 2020, it announced a review into the NSW workers compensation scheme.

[6] At the time, icare had over $38B in assets, experienced employees and service providers who had been managing workers compensation for decades.

[7] The CEO and managing director of icare made an announcement https://www.icare.nsw.gov.au/news-and-stories/statement-from-john-nagle-on-the-release-of-the-review-into-nsw-workers-compensation-nominal-insurer

[8] Challis & Company, Insurance & Care NSW, Board Effectiveness Review, 29 May 2020

Recommendation 1

The board should continue providing a clear tone from the top on icare's role as a NSW government agency with adherence to the standards expected of such an agency, including by tracking regulatory requirements, requiring management reporting on compliance, and engaging with regulatory bodies to build positive working relations that cascade through icare.

3.3.2 Board skills and competency to enable effective oversight

The NSW Treasurer appoints the directors to the board and as a result, the board does not manage its own succession, which is common in the public sector, but different to the usual practice in the private sector. As a result, the board does not have a formal nominations committee with an ongoing focus on its capability, effectiveness and development.

The board has undergone significant change in the last six months. Three non-executive directors resigned over July to September 2020, including the chair. Three new non-executive directors joined the board in late 2020, including a new chair in September 2020. The CEO resigned in August 2020 and a new CEO commenced in January 2021, bringing further change to board composition[9]. This has led to a significant refresh of the board and will also result in refresh of board committee composition.

The board has a range of relevant and deep skills and experience in insurance and financial services, with large and complex financial institutions, as well as in government and health. However, until recently, it has had limited experience in the public sector. The appointment of a new chair who is experienced in the public sector has strengthened the board's public sector experience.

It has also lacked depth of experience in personal injuries, in particular workers compensation. The board recognised this gap in the independent evaluation carried out of the board in May 2020[10].

The board has developed a board skills matrix, but it is rudimentary and does not track the strengths and weaknesses of the board's skills and capabilities, nor the skills and capabilities of each board committee. This makes it difficult to assess the depth of the board's experience on a range of matters, including outsource management and transformation.

Although the board does not manage its own succession, it is able to make recommendations to the Treasurer on the skills and capabilities that need to be strengthened and to ensure that the board is augmented by specialist advisers where this is required.

Board succession planning should be designed to ensure the icare Board and each committee has the collective skills, experience and diversity for the Board to effectively fulfil its role. The term of appointment of Icare board members is set out in the Instrument of appointment for the director, but must not exceed three years (per clause 3, schedule 3 SICG Act).

Board refreshment ideally involves a staggered process taken to retiring directors and onboarding new ones, to strike an appropriate balance between bringing on fresh thinking v.s retaining corporate memory, experience and expertise. There are different mechanisms to achieve this, including the Treasurer having the flexibility to appoint some directors for longer terms (such as four years) or managing the retirement of directors at different three year horizons.

Recommendation 2

The board to:

- strengthen and refine the board skills matrix including mapping skills and capabilities at the committee level
- review the composition of board committees and ensure that there are adequate skills and experience aligned to the remit and purpose of the committee
- develop strategies for addressing any ongoing skills gaps, such as through the appointment of external advisers, board development and future succession planning.

---

[9] An interim CEO was a member of the board between August 2020 and January 2021

[10] Challis & Company, Insurance & Care NSW, Board Effectiveness Review, 29 May 2020. The board has undertaken two independent evaluations of its performance at three year intervals, which is better practice.

3.3.3 Board structure and operating pattern

Since 2015, icare has operated a combined audit and risk committee and, in accordance with the NSW Public Sector Internal Audit and Risk Management Guideline TPP 15-03, now replaced by TPP 20-08. Under TPP 20-08, icare is required to attest in each annual report that the ARC is operational. The ARC oversees icare's risk and issues management.

Given the scale and complexity of icare, there is justification in having a stand-alone risk committee to oversee all non-financial risk and an audit committee to oversee finance & audit matters and financial risk control. This will enable stronger focus on risk and accords with better practice by Australian insurers. We understand, through management, that icare asked NSW Treasury in late 2020 whether it was possible for icare to establish a stand-alone risk committee. Treasury responded that TPP15-03 (now TPP 20-08) requires icare to have a combined Audit and Risk Committee, however, it is possible for the ARC to have two sub-committees - a risk and an audit sub-committee. It is recommended that icare establish a stand alone risk sub-committee if a separate risk committee is not possible.

In August 2020, the board established a Governance Committee in response to recent public criticism of icare, to "review icare's response to issues that have been raised in NSW Parliament and media enquiries, and the adequacy and operation of icare's governance policies and structures". The Governance Committee oversees issues such as Pre-Injury Average Weekly Earnings (PIAWE), conflicts of interest, procurement issues and governance matters. These matters would normally be overseen by the ARC and therefore this committee has an overlapping remit (although icare advises the committee is interim and will cease in late 2021).

There is also a need for clearer delineation and hand-off between ARC's risk oversight role and CITC's customer impact oversight role.

Other considerations to achieve good practice include the following:

● The remit of ARC or a stand-alone committee should be extended to include the requirement to form a view on icare's risk culture.

● The remit of ARC or a stand-alone committee should assess the adequacy of icare's risk management framework (both its design and effective implementation).

● CITC's role should include a focus on customer outcomes, for example RTW rather than the experience of customers assessed through NPS.

Recommendation 3

Consult further with NSW Treasury to set up a separate risk committee or risk sub-committee to provide adequate focus and time to manage the risk issues facing icare. Once established; review the role and remit of the Governance Committee to ensure clarity.

Recommendation 4

Update the charter for the ARC (or separate Audit and Risk Committees) to include the requirement to form a view on icare's risk culture and to assess the adequacy of icare's risk management framework (both its design and effective implementation).

3.3.4 Quality of management reporting to the board

The board receives regular reporting on financial risk, such as a six-monthly report on financial reserves of the schemes operated by icare, which is prepared by an independent actuary and peer-reviewed. Generally however, reporting of non-financial risk has been limited and is a root cause of the board's inability to challenge and respond to, at least in part, the issues raised in the Dore Report. Reporting to the board suggests there has been a bias to 'selling' a positive picture. During focus groups, participants reflected on management reporting, one employee stating that "it wasn't wrong but I knew [senior leadership] weren't getting the full picture".

The board was largely unaware of the gaps in the information it was receiving and declined to accept red flags raised with it. For example, when SIRA queried the ARC in September 2019 on whether the board and its committees were receiving the right information to "do their job", there was reassurance to SIRA this was the case. The ARC believed the board was receiving the right information, however they acknowledged it was common for management teams to "put their best foot forward" and that "compared to the 2015 position, the icare Board is receiving much stronger information but there is still a way to go". There is evidence of the Board

seeking an uplift in management reporting following the SIRA meeting. In late 2019, the Board requested an uplift in reporting to enable better oversight of the organisation, including a clearer operational scorecard, customer interface points, KPI outcomes and issues and challenges facing management. In February 2020, the Board requested management to report SIRA's RTW trend data rather than management's view of RTW.

There is also evidence over 2018-19 that management was slow to bring forward a number of material non-financial risks and issues, and that reporting was filtered in some material respects. An example is the reporting on the decline in RTW and deterioration of EML's performance as the primary service provider of the NI scheme which was raised to the board in October 2018. Continued reference to EML's underperformance or data quality issues were accepted as an explanation for the declining performance of RTW and poor claims management performance. There was limited challenge from the board in relation to icare's role in the design and management of the model.

CEO report

The CEO report is a key communication tool by which the board is informed of material issues and the business performance at every board meeting. The quality and substance of the CEO report has improved significantly over 2020 from a general narrative to reporting of dashboards with metrics. However, the dashboards are organised around icare's business lines rather than reporting against the individual schemes that icare operates.

Each of icare's schemes serves a different customer group, has different funding sources, has a unique capital reserve and is subject to different regulatory regimes and contractual requirements. The board's oversight of icare's performance will be improved if the board receives a regular dashboard with metrics reporting against agreed performance measures for each individual scheme (financial, NPS, risk, etc).

CITC and the voice of the customer

The CITC spent around 20 minutes of each two-hour committee meeting on customer-focused matters (customer insights, complaints reporting) based on our review of 2019 meeting agendas[11]. This was because the CITC agenda was dominated by icare's technology transformation and issues arising from the two guidewire implementations. However customers may be discussed within the context of other agenda items, such as section 39 changes, Account management, Clinical governance or similar.

The CITC committee has now lifted its focus on the customer and over 2020 spent an average of 45 minutes (according to meeting agendas[12]) on customer matters at each meeting. We recommend that icare continue to uplift dedicated reporting on the voice of the customer.

NPS and customer outcomes

There was a strong focus on the customer experience and an over-emphasis on NPS (net promoter score) as the driver of scheme success rather than on the delivery of material outcomes to customers. One interviewee commented there was "too much focus on NPS - icare isn't running a retailer". The board also received reports that aggregated NPS metrics across schemes, which had the effect of diluting issues 'in the tail', such as high levels of negative NPS for employers in the NI workers compensation scheme.

To further illustrate, employer NPS declined from -16 to -31 over the course of FY19 and was explained as a consequence of the shift to a less adversarial model. In 2018, complaints from NSW employers resulted in the NSW Chamber of Commerce (now NSW Business) issuing a press release calling for an independent review of the NI. In response, the then CRO reported to ARC on the matter in the context of its impact on icare's reputation rather than recommending actions to address the underlying concerns of employers. In June 2019, Employer NPS continued to be -30 and the CRO report noted "Management action plan: Programs of work based on targeted areas are in place to improve this result". There was no request by the ARC for a concrete plan to respond to what was a systemic pattern and further deterioration over an extended period. (September 2019 CRO report).

---

[11] February 2019 (Customer Insights Report: 20 minutes), May 2019 (*Customer Insights Evolution Update:* 15 minutes), July 2019 (*Employer end-to-end Customer Engagement:* 15 minutes), September 2019 (*Customer Insights – Provider Selection:* 10 minutes) and November 2019 (*Customer Insights Report:* 15 minutes)

[12] February 2020 (*Customer Insights & Complaints Reports (Feb 2020 & Nov 2019), Customer Impacting Operational Issues, Personal Injury Operational Dashboard:* 90 minutes), May 2020 (*Customer Insights & Complaints Reports:* 20 minutes), July 2020 (*Customer Insights & Complaints Reports:* 20 minutes), September 2020 (*Customer Insights & Complaints Reports, Customer Advocate Report:* 55 minutes), November 2020 (*Customer Insights & Complaints Reports, Customer Advocate Report, Response to the Customer Advocate's HBCF Recommendations*: 40 minutes)

Over FY20, management improved customer reporting to CITC by providing NPS by scheme or segment and greater thematics on insights behind trend lines. The voice of the customer was also enhanced through the use of verbatim quotes.

	Recommendation 5
☑	Customer Innovation and Technology Committee (CITC) to increase the time it spends on the voice of the customer and customer outcomes.

	Recommendation 6
☑	Enhance management reporting, most notably in the areas of customer outcomes, non-financial risk, root cause analysis, regulator engagement, management of material issues and remediation monitoring, and scheme-based dashboards.

3.3.5 The board's relationship with management and holding management to account

There is evidence of increasing board challenge to management over 2020. There is also evidence of the board acting decisively when informed of serious allegations of wrongdoing and when requiring independent review by third parties on issues such as the ex-CEO's failure to report a conflict of interest.

However, as described above, there has been a weakness in reporting on non-financial risk matters which prevented the board from being able to fully challenge management and hold it to account.

There are also several examples where the board did not effectively challenge management:

● The board allowed a large-scale program of procurement to proceed to support the transformation without ensuring compliance with *Government Information (Public Access) Act 2009* requirements, even though this was a known issue from 2016.

● There were long-standing issues rated red in risk appetite statement reporting that did not receive sufficient challenge over 2018-19, with management actions vague and lacking in detail. Board minutes of November 2019 state the need for 'reporting against formal action plans' and this improved since then.

● When instances of employee fraud were identified they were reported to ICAC and the police, however the board did not take the opportunity to signal to employees the importance of ethical practices.

● Too much confidence placed in management's belief in its ability to resolve issues.

● A failure to require management to provide concrete plans to manage material challenges.

● Issues were often raised too late by management with the board and when they were acknowledged, management explained the issue or error as caused by external factors beyond its control rather than recognising its own role in contributing to the issue.

In 2018, when the board challenged management for allowing slippage in the timeline to address procurement compliance issues, management indicated it was prioritising resources to support the business in its procurement activities versus ensuring the control environment and processes for procurement were improved "at the right pace". While the board challenged management to improve to meet NSW government agencies practices, it did not ensure that management was held to account to do this within an appropriate timeframe and the issue remained unresolved until late in 2020. Further improvements could be made to the actions arising registers and to monitoring processes to enhance timeliness of resolution of them.

The board failed to apply a 'show me, don't tell me' approach and require clear plans from management, giving management more latitude than was desirable. The 2020 Challis & Company Report stated there was a common view held by the board that icare had tended to overestimate its ability to execute on its transformation and, while there were impressive outcomes, there had been too many misses. The board acknowledged that the bias towards positivity and a 'glass half full' approach by management resulted in weakness in management reporting and the need to narrow the gap between "Executives' continued optimism and NEDs' concern for ongoing surprises".

In recent times, there is increasing evidence of challenge from the board on material matters. The FY21 budget went through multiple rounds of challenge. The extension of the EML contract for one year was the subject of robust challenge by the board following a 'show me, don't tell me' approach, such as requiring evidence that

the new remuneration arrangement would provide appropriate incentives to encourage positive outcomes for injured workers and the NI scheme. The board also challenged the recent round of proposed remuneration increases and annual performance payments, which we address further in Chapter 7 Scheme agents.

> **Recommendation 7**
> Adopt a more rigorous approach to actions arising, including naming accountable persons, setting a time for delivery of actions and ensuring effective monitoring completion.

3.3.6 The board's oversight of the regulator relationship

There was a progressive breakdown of the relationship between SIRA and icare over 2018-20. This was described in the Dore Report as characterised by "misunderstanding, disagreement and non-cooperation".

While the extent of the regulator issues evolved over time, the board was unaware of the seriousness of the issue until August 2019. The board was likely influenced by management's version of events prior to this time, which tended to lay fault to the regulator. However, there were earlier red flags that should have alerted the board to the need for more insistent action on the icare/SIRA relationship which challenged management's version, namely:

● The continuous disagreement on how to measure RTW, which was preventing icare from addressing the decline of RTW, which was apparent no matter what metric was used.

● SIRA was being increasingly insistent and challenging of icare over 2018-19 as it sought more engagement and visibility of the deterioration of performance issues.

● In the wake of the 2018 Banking Royal Commission and higher expectations of ASIC and APRA, icare's CRO reported to the ARC on the desire to mitigate the risk that SIRA might seek to over-regulate (Nov 2018 ARC).

● The CRO report to the ARC in August 2019 refers to the upcoming release of the Dore Report and preparations being undertaken by management. The CRO references management initiating a positive media program, ahead of the Dore Report's release, noting "A Positive Change communication campaign is being developed with the aim of focusing attention on the long-term nature of the icare strategy. The campaign has components aimed at both an external audience and our employees". An interviewee shared their perspective in relation to board reporting that *"...it all felt quite stage managed. We wanted to show the board that everything was under control, that there was nothing to see."*

The board continued to be largely influenced by management's attitude towards SIRA and management's desire to keep the regulator at arm's length and did not understand the true extent of the issues until the icare/SIRA relationship had seriously deteriorated. By the board meeting of late August 2019, it became clear to the board that there were significant areas of icare's relationship with SIRA that were not going well and that a reset was required, with the board needing to play a more assertive role. In the lead-up to the release of the Dore Report, the board began to engage with the SIRA board by holding joint board meetings from time to time. However, when the Dore Report was released in December 2019, the icare board did not release a public statement acknowledging it, missing an opportunity to set a strong tone from the top in relation to the regulator.

Again, in May 2020 the independent evaluation of icare's board documented a consensus that the CEO was unable to improve the relationship with the regulator and that the board required a clear, agreed strategy to improve the relationship with SIRA.[13]

Since mid 2020, there has been some change, indicating a desire to improve the relationship. For example:

● The interim CEO took immediate actions to improve the relationship in late 2020, namely the immediate shift to SIRA's preferred RTW measurement approach and opened improved lines of communication with the SIRA CEO.

● The icare and SIRA boards are meeting regularly and engaging in an open and respectful manner.

● The new board chair, interim CEO and Head of Performance Improvement worked in a transparent manner to share the recent end-of-year financials with SIRA and Treasury.

● While there remains a challenge over some factual discrepancies in the Dore Report, the management team and board have accepted the findings and are seeking to move forward to work with SIRA in a more productive and sustainable manner.

---

[13] Challis and Company Board Report on the Board Effectiveness Review, 29 May 2020

- icare has been willing to cooperate with PwC in this independent review into its governance, accountability and culture, a requirement of SIRA's 21-point plan.

In the future, the board should implement a number of mechanisms to ensure it is receiving the right information on the health of its relationship with SIRA and to enable it to set a strong tone from the top.

Recommendation 8

icare board to introduce a regular agenda item at board meetings to receive reports on the regulator relationship and ensure the voice of the regulator is understood and being addressed.

3.3.7 The board's obligation to keep the Treasurer informed

Under section 6(3) of the SICG Act the board of icare is obligated to:

- keep the Minister informed of the general conduct of icare activities and of any significant development in icare activities
- give the Minister any information relating to the activities of icare that the Minister requests.

Throughout 2020, it is evident that icare has provided the Treasurer and NSW Treasury with regular updates on core challenges, operational matters and items to be noted. The Treasurer has also attended icare board meetings from time to time. However, we did not see the regular reporting on icare or board communications to the Treasurer, or NSW Treasury, tabled at or discussed at board meetings.

Recommendation 9

Update the board charter to reflect the requirement to regularly report to the NSW Treasurer in accordance with s6(3) of the SICG Act. Governance processes should:

- consider, at regular intervals, whether it should inform the Treasurer of an issue because it is a material development in icare activities
- table correspondence received from the Treasurer requesting information from the board on the activities of icare .

4. Senior leadership oversight

4.1 Summary

icare has embarked upon a significant transformation, with its greatest impact affecting the NI both in terms of a new operating model consolidating areas of the claims support model, and in the delivery of a new claims platform. The shift towards a less adversarial approach has been commended by those we interviewed, including SIRA; however, the size and complexity of this transformation was described as "almost overwhelming". Management of the size and complexity of change has been the source of major challenge, creating points of delivery failure that have affected injured workers and employers. Blind spots were evident in the areas of risk, operational performance and delivery of customer outcomes. The cultural tendency to believe in icare's own expertise, sometimes described by interviewees as "we know best", played out across many stakeholder relationships including those with the regulator, employers, and EML as the prime service provider, and it dulled management's willingness to acknowledge or respond to red flags raised on performance issues.

The change in leadership positions has created an opportunity to bring new perspectives and disciplines. The willingness of the interim CEO to listen and respond to the voice of stakeholders and to the voice of risk has proven positive. Management must assess the cultural traits that underlie the actions and behaviours evident in day-to-day practices and focus on role-modelling more effective behaviours and practices to overcome cultural challenges and set the expectations for cascading through the organisation.

We assessed the effectiveness of senior leadership oversight across the following areas:

1. Tone from the top set by the GET

2. The GET's remit

3. Composition of the GET

4. GET's operations as a decision-making, governance forum

5. GET's oversight of risk management.

6. GET's oversight of the voice of the customer and customer outcomes.

4.2 Context for this chapter

The icare board, in consultation with the Treasurer, selects the icare CEO. icare has had three CEOs since its creation in 2015, including the CEO who has been in the role since January 2021.

icare's Group Executive Team (GET) consists of the CEO and Group Executive leads of the following functions:

- Personal Injury (interim)
- Care
- Prevention and Underwriting
- Organisational Performance
- Digital and Technology
- Strategy and Governance (interim)
- People and Workplace
- Customer and Community.

The Personal Injury, Care, and Prevention and Underwriting functions manage one or more of icare's insurance schemes and Insurance NSW, including the NI. The remaining five functions provide operational and strategic support. Interim Group Executives are in place for Group Executive for Personal Injury and Group Executive for Strategy and Governance.

Under the current leadership structure, the Chief Risk Officer (CRO), and the General Counsel report to the CEO but are not considered part of the GET. This reporting line has been operating since September 2020.

There are four other 'Chief' direct reports to the Group Executive:

- Chief Claims Operations who reports to the Group Executive Personal Injury

- Chief Actuary who reports to the Group Executive Organisational Performance

- Chief Assurance and Quality who reports to the Group Executive Organisational Performance

- Chief Medical Officer who reports to the Group Executive Strategy and Governance.

In April 2020[14], icare established five working groups reporting to the GET as part of the senior leadership team governance structure:

- Customer-Centricity Forum: The core purpose of the Customer-Centricity Committee is an enterprise-level stewardship and governance of enterprise customer strategies with initiatives, key activities and objectives driving continuous improvement. This group provides monthly reporting to GET of key enterprise key customer insights and decisions affecting customers.

- Risk and Compliance Working Group: The group's objective is to support the GET in delivering strong risk foundations across icare through monthly meetings, ensuring risk and compliance activities are aligned with business needs.

- Business Planning Forum: The group aims to provide oversight of the delivery of icare's strategic calendar, meeting monthly and overseeing the delivery and productivity of the Transformation Portfolio.

- Financial Sustainability Committee: The FSC has two areas of focus - underwriting and the broader financial status of icare's assets and liabilities. The committee typically meets monthly, providing a whole-of-business lens to icare's financial risks to enable informed decision-making to achieve financial sustainability for the schemes managed by care (in particular underwriting and asset and liability financial impacts on the schemes)

- Driving Performance Through Leadership: The working group aims to support the GET in delivering a strong organisational development program of work across icare, ensuring an enterprise view of culture and leadership required to deliver business and customer outcomes. The group meets monthly, raising awareness of central organisational development initiatives through active engagement and communication back into business lines.

Each working group consists of a chair and representatives from different parts of the business (at General Manager or Head Of level, ie. direct reports to the executive layer); each working group operates under established terms of reference. The purpose of the working groups is to involve a broader group of leadership to support the GET's operation, including the delivery of FY21 goals, cascading of decision-making, enhancing enterprise-level insights and growing a stronger enterprise mindset.

4.3 Review observations

4.3.1 Tone from the top set by the GET

There is a strong tone from the top in relation to icare's purpose. The GET refers with pride to its codified purpose statement, or the sentiment around its purpose "to protect, insure and care for the people, businesses and assets that make NSW great". As we interviewed and surveyed each member of the GET, they indicated they believe icare is effective in enhancing quality of life outcomes and that day-to-day behaviours are guided by what is best for icare's customers. This belief in the purpose of icare has also been cascaded below the executive level. We heard multiple stories during focus groups drawing a direct link to the purpose of icare, positively affecting people's degree of engagement, for example, "I love working at icare" and "love contributing to people's wellbeing" as part of their role.

Other examples of where the GET sets a strong tone from the top are:

- strong desire and courage to transform as seen through the large icare transformation agenda

- aspirational agenda with a focus on customer-centricity as the key rationale for many projects

- importance of icare as part of the broader community, as evidenced by the establishment of the icare Foundation

- belief and commitment to icare people - "our people are great, they all signed up to be part of what icare believes in"

- reducing bureaucracy and encouraging individual problem-solving.

---

[14] Other than the FSC, which was established in 2019, originally as the Underwriting committee

These attributes helped to create a connected organisation linked by social purpose and a genuine sense to do the right thing. However, there were also significant failures, caused by major blind spots resulting from a single focus on delivery against the icare transformation.

Identity as a NSW government agency

When icare was created by the *State Insurance and Care Governance Act 2015*, executives noted in interviews that from that time "icare had the desire to demonstrate our difference" by departing from the way in which the public sector operates. Select Group Executives were recruited from the private sector, remunerated based on private sector benchmarks and expected to bring private sector attitudes and experience to the fore. A new pace and way of working was encouraged with the view that if icare continued to act within standard governmental constraints "we would still be sitting here today to the detriment of our customers".[15] It was noted on multiple occasions through interviews with executives that icare viewed itself as a 'start-up', which drove attitudes of rapid advancement and ambitious change and also sought to excuse immaturity or inadequacy of formal processes and procedures. As highlighted previously, while icare is a NSW government agency, the NI has an exemption from NSW government procurement rules. Executive interviewees noted the "fog of NI exemption" acted as a rationalisation for "taking short cuts". GET members were "confused about our identity" which drove inadequate procurement processes that departed too strongly from government or better practice standards and were consistent with a start-up culture.

icare sought to deliver on both aspects of "commercial mind" and "social heart". While reminding icare of its social purpose, the often-echoed phrase "commercial mind, social heart" has not provided the clarity required on how to deliver against financial performance and customer outcomes, particularly in how they should be traded off.

Executives noted in hindsight they had had limited appreciation of the complexity of public sector standards, reporting and public scrutiny under NSW government agency requirements. Instead, speed was prioritised over the 'voice of risk', with program task delivery and pace valued over compliance and process excellence.

Relationship with the regulator

SIRA is responsible for regulating five of the schemes that icare is responsible for managing, including the NSW workers compensation scheme. icare is expected to maintain a constructive and respectful relationship with SIRA as the regulator, however we note the relationship between SIRA and icare was strained (particularly at the CEO level), which set the tone from the top for the GET and the teams below it. Although SIRA made ongoing efforts to raise matters of concern with icare over the performance of the NI scheme, icare sought to keep SIRA "at arm's length".

During interviews, there were references to icare's perceived superiority over SIRA and the belief "the better talent went to icare" after the split of the prior Workcover authority of NSW. This was amplified by a 'We are the experts' attitude in icare (see Chapter 10) in relation to workers compensation and by icare's urgency and ambition to deliver a world-class transformation. Interestingly, this was in contrast to the other schemes that SIRA supervises such as TMF, where both SIRA and EML executives referred to a more harmonious relationship with icare.

Our review found a number of areas where icare's approach to its regulator SIRA requires improvement:

● The SIRA relationship is coordinated by the Head of Regulatory and Affinity Partners (RAP), who reports into the Communications and Stakeholder Engagement team. Icare's CRO has had limited input or oversight of the regulatory relationship

● SIRA's engagement with icare is channelled through the RAP to ensure "consistency, visibility, triage and governance", however, in the case of the NI, SIRA is not permitted to engage directly with Line 1 management in workers compensation, even after RAP plays its conduit role. This had the effect of preventing SIRA from getting close to the business to understand or investigate matters of concern and has caused extended delays in the resolution of issues[16]. It was also observed that this channel became the mechanism to "manage the message in and out to SIRA".

● EML was not permitted to participate in tripartite meetings with icare and SIRA on matters relating to EML operations.

● RAS (Risk Appetite Statement) reporting does not adequately monitor or call out the health of the regulator relationship. However, we did see evidence of reporting on the regulator relationship in the Compliance Report, which is tabled at GET meetings and provided to the ARC on a quarterly basis.

---

[15] icare senior executive interview

[16] Although some joint meetings were also held between SIRA and icare executives

Furthermore, there is no formal documented framework in place to govern how the relationship with SIRA will be managed (outside of significant matter reporting),[17] including a lack of guidance on the importance of the relationship and defining the roles and responsibilities for maintaining that relationship. The stakeholder management plan developed in response to the perception of "external noise" around NSW Workers Compensation, its regulation and injury prevention especially from the NSW Business Chamber and EML[18] allocated SIRA to a "Tier 2" relationship status, which did not recognise the importance of the role played by its regulator and the other public agencies with which it worked. Focus groups discussed the lack of formal approach to engaging SIRA, one participant reflecting upon the 'ad-hoc' approach, stating that "we don't think about SIRA like other organisations think about their regulator".

Given the focus on the pace of transformation, coupled with confusion over the scope of SIRA's powers and a general belief that SIRA tended to be overstepping its powers or was unclear in its messaging, there was a lack of appreciation or understanding of the role of the regulator.

Response to the Dore Report

The Dore Report raised a number of critical issues which required attention from the GET, with SIRA's 21-point plan supplementing the report following engagement with icare.

The initial public response from icare accepted the findings of the report but also noted "[disappointment that] the report didn't present a true reflection of the overall performance of the NI and omitted some key facts". The response signalled that icare was aware of and addressing many of the concerns raised. However, the tone from the top also signalled an attitude of 'We are the experts' and an enduring confidence in leadership's ability to deliver despite the findings of the report.

The GET agreed to immediate actions at its January 2020 meeting (for example, to providing additional funding to respond to the report); however, from then on, the GET received limited reporting that tracked icare's progress against SIRA's 21-point plan, nor did it discuss how icare was working to improve the SIRA relationship. A steering committee was set up to oversee icare's response, however that committee did not provide reports into GET meetings and the GET did not have the opportunity to set a strong tone from the top on the need for urgency and responsiveness to the 21 point plan.

It was not until September 2020, when a new interim CEO was appointed and media scrutiny intensified, that icare's progress against the 21-point plan became a regular item on the GET agenda. This was more than eight months after the release of the Dore Report. This change in approach has had an impact, with icare executives noting that there has been significant progress in the relationship with SIRA and actions against the 21-point plan in recent months.

Case study: Leading through crisis

icare's response to the COVID pandemic demonstrated an effective and coordinated approach to managing crisis and icare's people and customers in line with specific action plans under the Pandemic Response Group. icare stood up a senior leadership team (the SLT) from across the business (effectively building a 'tribe' as described by the culture trait 'In the tribe' in Chapter 10) and able to rapidly coalesce around COVID as a major challenge. icare had a contingency plan in place and was able to leverage the expertise of the Incident Response team who had dealt with major crises before.

Some of the strengths of GET leadership are evident through the COVOID response:

● people prioritisation and the emphasis on communications and updates
● elements of good governance in place; for example, a COVID inbox to report incidents, development of a "policy on the management of COVID-19 in the workplace", development of a detailed register of COVID advice and decisions[19], which included common principles for decision-making in the context of the pandemic as well as descriptions, decisions, actions and endorsement involved in each issue and decision raised
● the creation of the COVID-19 Response Committee Charter with a remit of icare's people and business
● the establishment of the Pandemic Response Group, with regular meetings (between daily and weekly as the pandemic evolved) and reporting to the GET for effective decision-making
● an executive focused on customers, with a review of levers they could pull to provide assistance to injured workers (working from home claims, treatment, managing wellbeing) and find opportunities to provide premium relief where possible.

The response to the COVID crisis generated a sense of pride within the GET and the Incident Response team and we acknowledge this response as a strength in leadership.

---

[17] Addressed in Chapter 6 - Issues identification, escalation and resolution
[18] 7 June 2019 GET meeting, Stakeholder Engagement Plan Briefing Note
[19] icare register of COVID advice and decisions

Recommendation 10

icare GET to set a clear tone from the top on the importance of the role of risk management and the role of SIRA as the regulator, by role-modelling expected behaviours and attitudes.

4.3.2 GET forum remit

The GET's weekly meetings operate as a gateway for management reporting to the board. It is the key way in which operational performance, risks and issues are brought forward for collective review and challenge by the leadership team. To ensure that leadership oversight is appropriately and consistently applied to the right issues, it is best practice for these meetings to have a clear remit and terms of reference.

Although the GET members have individual accountabilities and there is a performance scorecard identifying individual and collective accountability, there is no terms of reference governing its role and operations. Better practice would be to develop a terms of reference that addresses the GET's purpose, areas of focus for meetings, meeting logistics and decision-making governance. This should align with the outcomes the GET is accountable to deliver.

Despite the lack of terms of reference, icare maintains good records of the agenda and papers to the GET meeting, minutes, and an actions schedule with actions arising from meetings.

Recommendation 11

GET meetings to be governed by established terms of reference with mapped collective accountabilities to ensure that material decisions are made with appropriate GET oversight.

4.3.3 GET composition

The GET members bring a breadth and depth of experience and skills to icare's senior leadership. In particular, there are notable strengths in insurance industry expertise, actuarial skills, government and public sector knowledge, transformation and large project delivery experience, and personal injury. There is also clear evidence of strong interpersonal skills across the GET. Although there is a clear set of skills and strength within the GET, the inclusion of specific risk experience and perspectives in GET meetings has varied over the years.

icare has a mixed history of CRO attendance at GET meetings. From 2015 to 2019 the CRO attended GET meetings as a standing member. In August 2019, the CRO was stood down as a standing member of GET meetings and only invited to a limited number of meetings (approximately one a month) until November 2020 when the interim CEO approved their regular attendance again. In addition, interviews with executives indicated that many material leadership decisions were made outside formal GET meetings up until September 2020; the extent of CRO input and oversight in these decisions is also unclear. As a result, the 'voice of risk' has not been sufficiently represented in GET meetings and decision-making, which contributed to leadership's focus on delivery, vision and speed at the expense of risk assessment.

In September 2020, the interim CEO re-appointed the CRO and General Counsel as interim standing members of all GET meetings. This decision is an important and positive step towards improving risk management and decision-making at the senior leadership level. Further consideration of CRO membership of GET meetings is set out in Chapter 4. Risk management & compliance.

4.3.4 GET's operations

Over 2020, GET met as follows (as could be gleaned from calendas, agendas and minutes):

● Weekly: for up to 2.5 hours with five rotating agenda focuses: Risk, Finance, Projects, People and Customer

● Quarterly: GET icare Foundation meeting

● Quarterly: GET Culture and Leadership offsite day

● Twice yearly: GET Team Calibration, involving the GET calibrating talent across senior leaders reporting to the GET.

Reporting

Our review of GET meeting documents demonstrated strengths in the succinctness and consistency of reporting to the GET.

However, there were gaps in how information was reported at the GET, including performance metrics (such as NPS and RTW) being reported at an aggregate level rather than on a per-scheme basis, without sufficient commentary, and without a root cause analysis undertaken on incidents. The aggregation of operational performance has in some cases obscured the individual health of each scheme and means that issues or key risks are not sufficiently highlighted on a per scheme basis. It also facilitates a bias towards 'positive news' reporting and does not allow monitoring of remediation activities at the appropriate level.

Executive interviews noted that there was a lack of RTW reporting to the GET as the issue arose and it was not adequately discussed at the GET over 2018-19. A number of executives held the belief that the RTW decline was due to data rather than icare performance issues. Interviewees noted the reporting was "confusing". As a result, GET did not sufficiently address RTW in a timely manner. The cultural trait of *We are the experts* can be seen in behaviours that dismissed any evidence that was contrary to an established narrative or plan.

Decision-making governance

Robust decision-making governance not only enhances transparency and clarity of decisions, it also embeds and encourages accountability for decisions and subsequent outcomes. While icare has demonstrated a number of positive governance practices (for example, a well documented actions register), some GET decision-making governance does not reflect best practice.

The cultural norms observed by GET members were that decisions on matters of materiality were often made "outside the room", also preventing input and challenge from the broader team. These actions can be explained by the In the tribe cultural trait which can be seen in exclusive decision-making among a select few, and *We are the experts* which can be seen in confidence in one's own capabilities to make optimal decisions. GET members also noted in interviews that until September 2020, it was not uncommon for individuals to seek the endorsement of the CEO on decisions before meetings to ensure they were passed. As a result, critical decisions may have lacked the necessary oversight, input and challenge that can be created by inviting multiple perspectives in a meeting or forum.

We also heard from executive interviews that there was a tendency for some executives to manage material issues within their function and not escalate them to the GET, as well as some executives being uncomfortable to constructively challenge issues in another part of the business. This meant that the GET did not always have the necessary visibility of material issues or the opportunity to challenge them as a team.

Real-time data

An additional impact on the quality of decision-making by the GET was access to real-time data. Historically, claims management has been managed by scheme agents on their own claims platforms. The scheme agents reported claims management data directly to SIRA and SIRA then reported this on to icare after its own analysis. This meant that icare received information with a time lag of up to three months, inhibiting its ability to respond quickly to emerging issues. Today, EML, Allianz and QBE manage new claims on icare's Guidewire claims management system and, as a result, icare is able to access more timely reporting from scheme agents for new claims.

Although each executive holds individual accountabilities and decision rights, many issues have interdependency between executives and each member of the GET has unique perspectives to include in discussions. It is therefore crucial that critical decisions are made in the formal GET meeting setting, that issues are raised to this meeting, and that timely data and reporting enable effective and informed decision-making.

Recommendation 12
Challenge behaviours of making decisions 'outside the room' and ensure GET brings its full capability and diversity of experience to the issues brought before it.

GET agendas

GET meeting agendas are divided into standing items, decision matters, other business, and noting (no action required). There are reviews of different topics based on the rotating meeting agenda focus referenced above. A review of GET meeting agendas and minutes noted a considerable time spent on people and HR matters over 2019-2020. Focus groups and interviews also confirmed this, noting the GET had extensive oversight of personnel decisions within teams. This may be a reflection of new leadership for the people agenda, and also an intention to put people first and invest in issues such as human-centred design programs, executive recruitment updates and HR policy reviews. However, the relative time for strategy, operational or material risk matters was smaller as a result. There is an opportunity for the GET to review the relative time spent on agendas to ensure appropriate balance of risk and robust challenge during meetings.

Recommendation 13

GET governance to ensure that decisions, risks and issues are discussed and decided at the right levels of the organisation using timely and relevant data and reporting.

4.3.5 GET's oversight of risk

Risk committees

Following the release of APRA's CBA Prudential Inquiry into the systemic issues with governance, culture, remuneration and accountability, icare's CRO tabled a paper to the GET summarising the report findings for their relevance to icare and addressing whether icare should take actions in response. The GET's subsequent review in February 2019 noted the effectiveness of icare's risk management procedures and did not note any further actions or weaknesses to be addressed. The GET minutes do not address whether it should form a non-financial risk committee nor did it address its gap in not having a management risk committee.

Following this, an Underwriting Committee was formed, which re-established as a Financial Sustainability Committee (FSC) in June 2019. This has a focus on underwriting and asset and liability financial risk and is chaired by the Chief Actuary. A number of Group Executives are members.

While icare has the FSC and a Compliance Working Group that report to the GET, it does not have an executive level risk committee or non-financial risk committee comprising all members of the GET and led by the CEO, to bring appropriate priority and focus to the management of financial and non-financial risk.

Holistic risk profile

A holistic profile of an organisation's top material risks and the agreed mitigations of those risks is an important tool for the executive to understand and manage the material risks affecting the business. An enterprise risk profile requires each executive member to undertake a bottom-up review of the risk profile for their function and feed this into an aggregated risk profile for the organisation, which then undergoes executive endorsement and ongoing review and monitoring.

Our review found that only two of icare's business units have a risk profile and while icare has an enterprise risk profile, it was not created from a bottom up exercise of each business line nominating their material risks. Other business units are currently developing a risk profile.

GET agenda for risk

Our review found that GET meetings have insufficient time dedicated to risk on the agenda. During 2019, for example, the GET meeting agendas committed an average of 1.5 dedicated hours per quarter on risk matters. Each quarter, the CRO tabled a quarterly risk report that would go forward to the ARC. The GET meetings did not contain standing risk management items, sections or discussion, and risk matters were mostly discussed in an ad hoc manner. Certain risk documents were tabled for discussion. However, it is evident from meeting agendas and minutes that risk received a disproportionately low level of attention which limited the effectiveness of risk oversight by the GET.

On a positive note, within a month of the Dore Report being released, Line 2 proposed to GET that it increase the time being spent on risk matters. This was acted upon in February 2020 and GET agendas now contain at least one hour a month dedicated to risk. Monthly GET meetings now include a 'Risk and Compliance Deep Dive' that covers monthly and ad hoc risk items; for example:

● Risk and Compliance Dashboard

● Internal Audit Management Actions tracking

● Conflicts of Interest register

● Risk Appetite Statements and Risk Management Frameworks

● CRO Reports

● Policy Governance Frameworks.

A risk and compliance dashboard prepared by Line 2 is now tabled to the GET monthly. It reports incidents by service line, rating and type, supplemented by commentary. Residual risk ratings are provided on material icare risks and there is an overview of active conflicts of interest by business function. Various papers are also reported to the GET for updates and approvals at each meeting, including Internal Audit GET reports and Internal Audit ARC papers. These are typically discussed for 10 minutes. The GET also receives a quarterly compliance report which contains icare's current regulatory and compliance matters.

GET members told us in interviews that risk conversations continue to happen outside the formal risk discussion agenda item in GET meetings, and that in particular there has been increased discussion since September 2020.

Although there has been an improvement, the time dedicated by the GET to risk continues to be insufficient for an organisation as complex as icare, especially given recent scrutiny and challenges. Furthermore, each function should also be providing a report of its financial and non-financial risks to GET or risk committee meetings to ensure full coverage of risks across the organisation.

Further recommendations relating to risk are set out in Chapter 5. Risk management & compliance.

Recommendation 14

Establish a financial risk management sub-committee and a non-financial risk management sub-committee with all GET members as standing members; committee meetings to be of a length to allow sufficient agenda time to discuss, manage and oversee icare risks and issues.

4.3.6 GET's oversight of the voice of the customer and customer outcomes

Continuous improvement in customer reporting

Reporting to the GET on the 'voice of the customer' and customer outcomes has not armed the GET with the insights needed to respond effectively to customers' issues. Although icare has worked to continuously improve customer reporting over 2019-2020, it does not adequately address customer outcomes.

NPS has historically been the key metric used to guide the GET on the health of the customer relationship, and also used in determining executives' incentive payments. It was generally reported to the GET monthly. Although receiving NPS scores is an important metric of the voice of the customer, it was relied upon at the expense of other customer measures such as serious customer complaints or the health of drivers of customer outcomes.

In November 2018, the board received information about a complaint made to ICAC alleging a conflict of interest in respect of the third party providing NPS services to icare. This provided an impetus to change providers and increase reporting on the customer, tabled at GET meetings from mid 2019.

From June 2019 the GET began receiving a monthly customer experience performance report which provided significantly more customer insights, including:

● aggregate NPS score with trend information, providing insights at the customer segment level and to drivers of the customer experience

● NPS broken down into schemes: lifetime care,TMF and NI

● NPS broken down by customer segment; eg. Employers - NI

● social media sentiment

● verbatim comments from customers

● complaints analysis

● discussion on "Getting closer to what drives our customers' experience".

By October 2019 the GET began including a new agenda section to discuss customer-related items at the start of each meeting. Following this, customer dialogue matters were discussed weekly, with conversations regularly reviewed to ensure appropriateness of focus.

By mid 2020, customer-centricity and customer 'deep dive' sessions were being discussed at GET meetings at least monthly for up to 30 minutes each session. This increase in customer focus typically covers updates to discuss "How customer-centric is icare today?" and Customer-Centricity Committee updates and is also where the GET Quarterly Complaints Report is discussed. This is a further example of improved practices.

Lack of focus on customer outcomes

Despite improvements to customer reporting, icare customer reporting is focused on tracking the customer experience and high level NPS metrics, rather than tracking customer outcomes. For example, key desired outcomes for injured workers could include:

● being paid the correct wage entitlements without undue delay

● access to medical diagnosis and treatment in a timely manner to expedite recovery

- achieving fitness for work and RTW outcomes without undue delay

- being paid monetary amounts in settlement of claims in accordance with workers' compensation legislation.

Key outcomes for employers could include:

- receiving premium invoices in a timely fashion

- receiving accurate invoices

- early warning of any increase in premiums and an explanation of the drivers of this

- adequate involvement in return to work discussions

- getting their injured worker back to work as quickly as is reasonably possible.

Better practice would be for the GET to receive, on a monthly basis, a dashboard of leading and lagging metrics of customer outcomes, on an individual scheme basis. Some of these measures (such as payment to injured workers within seven days and production of timely injury management plans) are already tracked by icare as a compliance metric.

Recommendation 15

Enhance customer outcome reporting provided to GET by incorporating broader leading and lagging metrics on an individual scheme basis to complement NPS reporting.

Oversight of customer complaints

icare receives complaints through a number of different channels. Customers may raise them directly with icare, via a scheme agent, or through SIRA or WIRO, which both have powers to investigate customer complaints.

icare does not have a centralised repository to capture and track complaints. This limits its ability to build a holistic picture of the number and nature of the complaints being made. While there is an effort to centralise complaints on icare's CRM (customer relationship management database), some complaints continue to be stored on several other platforms.

Scheme agents also use separate systems to manage complaints that come into their organisation. Governance of complaints operations occur in monthly meetings with EML, GIO and the icare Claims Operations team.

icare requires monthly reports from scheme agents covering frontline complaints not already recorded by icare. Complaints raised by SIRA and WIRO are entered into icare's system when received by icare.

The Customer and Community team has been providing a monthly report on complaints to the GET since July 2019[20]. The report details:

- complaint volumes by month and trend line

- complaint volumes by scheme

- claims complaints by customer type

- policy complaints by customer type

- claims complaints themes

- policy complaints themes.

The report also identifies themes such as the drivers of advocacy and experience measures with employers, what employers are saying, trends in key service metrics for injured workers, and feedback from disability workers. Issues relating to scheme agents are captured in report commentary. Customer complaints reporting is supplemented with customer quotes, both positive and negative, which is good practice.

Average handling time for complaints is tracked if the complaint is logged into the complaints management system, Guidewire. Historically, complaint handling times have been slow and classified as 'Resolved in more than 20 days' or 'Resolved in under 20 days'. Executive interviews revealed that the majority of complaints are resolved within two days, and complaints which take longer to resolve are escalated to the relevant GM.

---

[20] Customer Experience Performance monthly report.

The GET receives a variety of customer complaints reporting and information from a range of sources. While this broad oversight is positive, a lack of centralised repository of complaints means that the ability to analyse for systemic issues and themes is limited.

Customer complaints management and reporting is set out in further detail in Chapter 6. Issue identification, escalation & resolution.

5. Risk management & compliance

5.1 Summary

When icare was created it brought together all the specialist insurance services operated by the NSW government under one umbrella. As a result, icare operates a broad range of insurance schemes, such as Lifetime Care, Dust Diseases Care, NI and Sporting Injuries insurance. Each of them has a unique risk profile due to different customers, different funding arrangements, and relevant scheme reserve capital positions, as well as being governed by different NSW legislation. This creates complexity in icare's operations and ability to manage risk across its operations.

We observed considerable gaps and weakness in icare's risk frameworks and practices and in the operation of its three Lines of Defence (3LoD). Line 2 has been slow to establish a comprehensive risk management framework and policies to a level appropriate for the size and complexity of icare's operations. Line 1 demonstrates low risk maturity which has been influenced, in part, by Line 2 not being adequately resourced over time or having a strong enough voice to guide and challenge Line 1. We also saw the need to strengthen the Line 3 reporting line into the ARC into a hardline reporting line, to strengthen its independence.

icare has been undertaking important work over 2020 to strengthen its risk management framework, supported by the new Governance committee created in August 2020, but there remains significantly more work to be done. The business line risk profiles that feed into the enterprise risk profile require establishment or improvement. While icare has strengthened many risk policies such as procurement, outsourcing and conflicts of interest, it is too early to assess the extent to which they have been effectively implemented. Procedures are yet to be written, business line risk committees yet to be set up and significant work is required to enhance the risk awareness and training of employees to embed the improved risk standards and practices day-to-day.

The appointment of a new CRO in September 2020 and the approval by the GET in November 2020 of a new organisational structure and team for the CRO function are positive signs of a desire to build stronger risk capability.

icare needs to further mature its understanding of the stakeholders who have a role in supervising and overseeing icare's operations, including SIRA, NSW Auditor General, Motor Accidents Authority, Fair Trading, WIRO, ICAC, Workers Compensation Commission and IPC. This requires a strong tone from the top set by the board on a continuous basis.

We assessed icare risk management and compliance across the following areas:

1. Risk management framework
2. Financial risk management
3. Non-financial risk management
4. Risk reporting to senior leadership
5. Annual attestation process over audit and risk management
6. Risk and compliance training programs
7. Risk systems and tools
8. Three lines of defence (3LoD).

5.2 Context for this chapter

Regulatory framework for risk management applying to icare

When SIRA was established at the same time as icare, it was vested with powers and oversight over three of icare's schemes but not all of icare's operations. When SIRA began in 2015, it also had to establish its supervisory approach and guidelines.

The regulatory standards set for icare on risk management include:

- Under the *Government Sector Finance Act 2018*, icare's board is required to establish and review an effective system for risk management, internal control and assurance (including by means of internal audits) and arrangements to protect the integrity of icare's financial and performance information. The NI is excluded from these requirements, but icare itself is not.

- NSW Treasury has published a number of risk guidelines that apply to icare as a NSW government agency, including TPP 20-08 Internal Audit and Risk Management Policy for the General Government Sector (replacing TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector, as of December 2020). In late 2020, Treasury also released the Risk Management Toolkit for NSW Public Sector Agencies[21], Guidance on Shared Arrangements and Subcommittees of Audit and Risk Committees[22]and a Risk Maturity Assessment Tool[23].

- TPP 20-08 requires icare to meet the standard of risk management set by ISO: 310000:2018 Risk Management. This requires icare to establish reasonable assurance that each material risk in icare's business is prudently and soundly managed, it has a board-approved RAS and a risk management strategy describing icare's approach to managing risk.

The risk management requirements set for icare in these regulatory requirements are broad in nature. They are designed for a wide range of NSW government agencies and do not address the specific risk management challenges of an organisation running complex insurance operations. The board and the GET have expressed their desire to comply with regulatory standards akin to an APRA-type standard in line with better practice, however this has not been reflected in policies, processes and procedures.

Self-assessment

Aligned with better practice, the NSW Treasury requested icare to undertake a self-assessment in early 2019, akin to those undertaken by APRA-regulated institutions in 2018. icare conducted a high-level review in response and MinterEllison provided independent perspectives on the assessments undertaken by icare and other public agencies. MinterEllison's assessment identified opportunities for improvement in the management of non-financial and third party service provider risk.

Three lines of defence

icare has adopted a three lines of defence (3LoD) risk governance approach from its establishment in 2015. The roles of Line 1, 2 and 3 are defined in the RMF and summarised below:

Figure 1: Three lines of defence at icare

Line 1	- Line 1 owns and manages icare's risks and controls. It is responsible for identifying risk, monitoring the effectiveness of controls, promoting a strong risk culture, operating within icare's risk appetite and making risk-informed decisions. - Line 1 comprises all employees in the business lines operating icare schemes or insurance operations and in the functional teams supporting them. - Line 1 does include the assurance and quality team (A&Q). This team has a reporting line to the Group Executive Organisational Performance.
Line 2	- Line 2: owns, oversees and challenges the implementation of risk and compliance policies and frameworks. - Line 2 consists of: - Risk Management team - responsible for risk policies and processes, defining the risk appetite statement, risk reporting, data analytics and outsourcing risk - Compliance team - responsible for compliance policies and processes, regulatory change, incidents and issues and compliance reporting.

---

[21] TPP 12-03b

[22] TPP 12-04

[23] TPP 20-06

Line 3	These teams provide independent verification of icare's control environment and risk framework and include:
	● icare's Internal Audit team which has a dotted line into the ARC
	● icare's external auditor, EY, acting on behalf of the Audit Office of NSW
	● Finity Consulting, providing independent actuarial services and PwC as its peer reviewer
	Internal and external audit prepare an annual audit plan which is reviewed and approved by the ARC and the reports on the results of audits are provided to the ARC

The RMF identifies the following material categories of risk for icare:

● Strategic risk

● Financial and Investment risk

● Brand and Reputation Risk

● Operational Risk

● Customer Risk

● Insurance Risk.

The RMF does not define the material risk taxonomy or identify sub-categories under them (eg. cyber, fraud and conduct risk within Operational Risk), however a risk taxonomy is in development.

5.3 Review observations

5.3.1 Risk management framework

Risk and compliance management framework

icare has a documented Risk Management Framework (RMF) supported by a number of policies and procedures, including a Risk Appetite Statement (RAS). These documents are owned and developed by the Line 2 Risk and Compliance team, with the board reviewing and approving the RAS, and the ARC doing the same in relation to the RMF, annually.

The RMF is high level, identifying the core elements of icare's framework, such as the importance of risk culture, icare's governance forums overseeing risk, and the 3LoD. The RMF has several gaps to better practice; for example, it does not reference consequence management, risk in change, delegations of authority or the role of SIRA and other NSW government bodies with a role in the regulatory framework for icare's schemes.

icare needs to undertake further work on its assessment and management of the material risks affecting its business. Although icare has a high-level enterprise risk profile, it was developed by Line 2 without input from the risk profiles of each BU. Two icare business units recently created a BU risk profile and the risk profiles for other business units are planned or in development. As a result, the icare enterprise risk profile needs further input and validation by Line 1.

icare has documented how it will manage compliance in line with regulatory and legislative requirements within a Compliance Policy and Compliance Management Program. The documentation sets out key principles and a proposed approach for managing regulatory risk and compliance risks. However, icare's compliance management framework has not yet been adequately embedded and operationalised across the organisation.

A significant amount of work remains to embed effective risk management and address the material gaps in icare's risk framework, in particular in the area of regulatory compliance. Line 2 has been slow to establish risk documentation and frameworks and has not provided sufficient guidance for Line 1, with employees generally acknowledging that they have a limited understanding of risk management frameworks. Moreover, leadership confidence that "people at icare understand how to use prescribed risk management frameworks, policies and procedures" is low, with only 36% of Chiefs and the GET, 41% of General Managers, and 27% of Heads Of agreeing with this statement.

Recommendation 16

Review and update the RMF to ensure there is a consistent approach to identifying, measuring and monitoring risks that reflects appetite. Consideration should be given to incorporating better

practice guidance from other key regulators eg. APRA, ASIC, and ensure the RMF is rolled out and communicated.

Recommendation 17

icare to create, strengthen and update risk profiles for each business unit using a bottom-up approach and roll out procedures, controls and other mechanisms to support implementation and operating effectiveness.

Risk appetite statement

icare has a RAS which is approved by the board annually. Reporting against the RAS enables icare's board and GET to monitor whether material risks sit outside of icare's risk tolerance and appetite, to enable action in response. The board approved the latest RAS in June 2020. Previously, the RAS was arranged on a scheme-based approach with individual metrics tracked for each insurance scheme. However, the 2020 refresh of the RAS reorganised the measures and metrics to an enterprise rather than a scheme-centric level.

While icare has worked to enhance the RAS to date, further work is required to the underlying metrics in relation to the material risk classes. In particular, there are no, or limited, metrics for:

● outcomes for injured worker and other customers

● outsourcing

● data governance, security and cyber

● conduct risk and risk culture (as part of operational risk)

● regulatory or agency relationships (with SIRA, ICAC, IPC and other agencies)

● complaints resolution and outcomes

● control effectiveness.

Recommendation 18

In relation to the RAS, review and refine metrics to reflect the key risks, metrics and tolerance levels relevant to a business of icare's nature and complexity, and ensure tolerances reflect the appetite of icare's refreshed board.

5.3.2 Financial risk management

Effective capital management is an essential and integral part of icare's RMS. To support this process, icare has established Capital Management Policies for each of its schemes, which are subject to annual review in consultation with Actuarial and Finance teams. In accordance with the Capital Management Policies, the measures of required capital are presented to the ARC, where the ARC considers a forecast of available financial resources and agrees on a strategy for monitoring required capital against them. Given that the outstanding claims liabilities were 92.1% of the total liabilities of the NI at 30 June 2020[24], our focus in this section is on the impact of this key financial risk on the NI's funding position.

Core accountability for this has been delegated to the Chief Actuary who reports to the Group Executive, Organisational Performance. The Chief Actuary has significantly increased the competency and size of the internal actuarial team since 2015.

Review of capital reserves of schemes

The NI's funding position of the NI scheme has been in decline since 2015, due primarily to ongoing underwriting losses. An underwriting loss occurs when the total cost of operating the NI scheme exceeds total premiums collected from employers. In the insurance sector, an underwriting loss can often be offset by the total income earned from the investment of the assets of the scheme. (Assets can be invested according to icare's investment mandate with the intent of achieving a long-term investment return that is higher than risk-

---

[24] icare Annual Report 2020

free). Given the significance of recent underwriting losses and the impact of weak investment returns (particularly in 2020), this has not been the case.

There are a number of factors that may have contributed to underwriting losses and the decline in the funding position of the NI scheme (noting the list below is not exhaustive):

● The 2012 legislative reforms significantly improved the funding position of the nominal insurer at that time. However, the claims experience has subsequently emerged to be poorer than the assumptions made on matters such as annual total costs.

● Legislative changes in 2015, which gave injured workers higher entitlements to compensation (reversing some of the limitations introduced in the 2012 reforms).

● Accounting standards require claims liabilities be discounted at risk free rates of return. Government bond rates are at historically low levels, which has significantly increased claims liabilities.

● Investment performance in the period to 30 June 2020 has been poor as a result of economic challenges created by the coronavirus pandemic.

● RTW performance has declined, resulting in injured workers for new claims being paid for a longer period while off work, thereby increasing total claims paid out of the scheme.

● icare chose not to increase premium charges to employers in 2020 in response to the COVID pandemic and the challenges faced by NSW businesses.

● There has been an increase in medical costs paid out per injured worker, due to increases in the number and cost of medical treatments.

An independent actuarial expert values the insurance liabilities of the NI every six months. The icare board has also sought independent advice to perform an independent peer review of the liability valuation. Both provide their reports to the icare board.

The Auditor-General for NSW audits the accounts of the NI and engages an independent auditor to support this. The most recent reports from PwC and EY on the NI scheme's capital reserves have concluded that the assumptions used to calculate the capital reserves are reasonable to meet its projected liabilities. Each of these reviews assessed the reasonableness of the assumptions used to calculate the reserves and determined them to be reasonable.

The Auditor General has recommended that icare improve its documentation and processes for the allocation of services fees to the NI scheme and other icare schemes. When icare incurs operating expenses such as employee salaries and costs, facilities, claims management costs paid to scheme agents etc, these are paid for by the schemes via direct and indirect service fees to icare.

Financial risk reporting

Financial and Actuarial matters are standing items on the ARC agenda. The items presented are typically led by the Group Executive, Organisational Performance and the Group Executive, Prevention and Underwriting. Time dedicated to financial matter oversight in the ARC was significant compared to the risk agenda. The Chief Actuary is a standing attendee and regularly presents.

Items are presented relating to outcomes that align to the cycle of financial audit and reporting over the year, for example annual financial statements, CFO certifications and insurance liability valuation reports.

In addition to items presented by the Finance and Actuarial teams, icare's CRO provides a quarterly risk report to the ARC (discussed in subsection 5.3.5) which includes reporting on icare's performance against its financial and investment risk appetite. This includes reporting against metrics relating to:

● capital ratio of NI, Lifetime Care and HBCF
● deviation of current year loss ratios from budget after adjusting for economic assumption changes for NI, Lifetime Care and HBCF
● prior year reserve movements after adjusting for economic assumption changes
● liability bond rate return for NI, Lifetime Care and HBCF
● average weekly earnings
● consumer price index
● compliance with the investment risk appetite statement.

Subsection 5.3.5 presents a broader consideration of risk reporting to senior executives.

There are a number of financial risks where improvement is needed in relation to the icare's document standards, controls and oversight. These include

- medical cost compliance and leakage: there has been an increase in medical costs paid out per injured worker, due to increases in the number and cost of medical treatments.

- How icare allocates costs to the NI scheme and other schemes: the NS Auditor General has recommended# that icare should improve its documentation and processes on the allocation of costs between the NI scheme and other icare operated schemes. Current icare documentation does not accord with how the costs are being allocated in practice

Recommendation 19

Take action regarding the various financial risks that require improvement via better documentation, oversight and assurance, including medical cost payment, compliance and leakage and the integrity of operating cost allocation between schemes.

5.3.3 Non-financial risk management

icare has been working on making improvements to non-financial risk management; for example, the continuous improvement in the CRO's quarterly compliance report since November 2018 and icare's agreement with SIRA to commit to voluntary reporting of significant matters in September 2018. However, we observed that icare's management and reporting of non-financial risk is not at the same level of maturity as its management and reporting of financial risk. icare needs to improve its understanding and actioning of non-financial risks and their flow-through impact on the funding position of the schemes.

In this regard, we assessed icare's management and reporting of compliance risk, operational risk and conduct risk. We identified:

- While icare has established compliance obligations and some risk profiles, these are incomplete or not up-to-date. The result is that icare does not have a comprehensive understanding of its compliance obligations or key risks, nor taken steps to allocate accountabilities to individual managers to ensure management of them. This limits effective monitoring activity as well as the GET and board's understanding of icare's actual risk profile and whether material risks are out of tolerance.

- icare has not determined how it will implement the procedures, measures and controls to ensure compliance with regulatory obligations nor has it organised an adequate system of control testing by the three lines of defence to ensure measures are working as intended to meet these obligations.

- While icare's Compliance Management Program notes that there are "processes in place to identify new and changed laws", we did not observe these processes to be documented, how often the compliance register is to be reviewed or if there are assurance processes in place to oversee the timeliness and effectiveness of these processes.

- Policies and frameworks addressing operational risk were slow to be developed, are too high level and have gaps. While Line 2 has worked to redress a number of gaps over 2020, significant work is still required to develop and enhance foundational risk processes and procedures to support strong operational risk management.

- icare has a number of conduct risks to be managed such as conflicts of interest, gifts and benefits, wrongdoing or other misconduct. While icare has established an improved framework for the disclosure of conflicts of interests, it is unclear how a conflict will be resolved once it is disclosed. In addition, it is unclear whether all of the necessary controls, registers and work flows to support the effective implementation of the policy have been designed and implemented.

Recommendation 20

Develop comprehensive compliance registers and implement procedures, controls and other mechanisms to ensure compliance and effective risk mitigation.

Recommendation 21

Strengthen the non-financial risk framework and operationalise this through the development and implementation of policies and procedures, leveraging external better practice.

Recommendation 22

Further strengthen policies and procedures in relation to conflicts of interest and ensure this has been communicated and effectively implemented.

5.3.4 Risk reporting to senior leadership

icare's CRO provides a quarterly risk report to the ARC which reports on icare's performance against its risk appetite. This was historically an exception-based report, but since early 2019 icare has reported against all RAS measures in accordance with better practice. However, the depth and scope of reporting on operational, compliance and conduct risk needs to be significantly improved. For example, through regular reporting on:

- aggregation incidents, complaints, audit issues and breach data including numbers, ageing and divisional accountabilities for resolution

- outcomes of root cause analysis work undertaken to identify emerging risks and thematic control weaknesses including who is responsible and expected timeframe to resolve

- state of control health and outcomes of any monitoring activity, thematic reviews or deep-dives

- concrete plans providing clarity on what is being done to address risk sitting outside appetite, with follow-up actions for accountable people and due dates

- insights on key areas of concern and emerging themes and their impact

- upcoming regulatory change and ongoing communication with regulators or other key stakeholders.

Recommendation 23

Significantly strengthen the reporting of operational risk, compliance risk and conduct risk to enable consistent oversight of emerging risks, thematic control weaknesses, issues identified through internal audit, conduct risk and incident root causes and trends.

5.3.5 Annual attestation process over audit and risk management

Under TPP 20-08, the CEO of icare must sign an annual attestation of the following matters and publish this in icare's annual report:

- icare's CEO is accountable for risk across the organisation[25].

- icare has established a risk management system consistent with ISO 31000:2018.

- icare maintains an internal audit function that operates to better practice standards[26] including independent reporting lines and consistency with the 'model charter'[27].

- icare has established an independent board ARC with appropriate expertise to operate as an advisory committee to the CEO[28] and provide assistance on icare's governance processes, risk management and control frameworks.

icare publishes the attestation in its annual report and it is signed by both the chair and the CEO. We observe that the board reviews and approves the attestation before it is signed by the CEO and chair. The RMF does not make any reference to an assurance process to support this attestation.

Since July 2020, the RMF has referenced a periodic review of the RMF, to ensure it is fit for purpose and operating effectively. A triennial "or every 5 years" review by an independent third party is also suggested. However these processes are not linked to the annual attestation process and we did not see evidence of management supporting the board with outputs of any review activity as a means of supporting the attestation certificate before it is signed off.

---

[25] Noting that care's board is in fact ultimately accountable for risk under the SICG Act, unlike other NSW government agencies

[26] International Standards for the Professional Practice for Internal Auditing

[27] TPP 20-08 Model Internal Audit Charter

[28] Noting that icare's board is not an advisory body but a governance board, unlike the boards of other NSW government agencies

Recommendation 24

Update the RMF to reflect the TPP 20-08 attestation process and increase the level of rigour and assurance to support the signing of this.

5.3.6 Risk and compliance training programs

Training materials for Line 1 observed by PwC were immature and not sufficient to support employees to develop competency in risk. For example, they do not detail key areas such as roles, responsibilities and key operational risk processes that support icare's RMF, nor does the training cover matters such as incident management or the difference between compliance and risk.

In our survey, only 57% of employees reported that they "understand how to use prescribed risk management frameworks, policies and procedures". In addition, only 48% believe "there are consequences if people at icare do not use risk management processes and procedures". This has the effect of deprioritising risk in daily activities.

5.3.7 Risk systems and tools

icare has established a central database called GENIE, to capture risk records and provide up-to-the-minute status of the progress of risk management activity. icare's RMF notes that all risks, controls, action plans, issues and incidents need to be entered into GENIE by the accountable employee.

GENIE was upgraded in 2020 to improve workflows and ease of use, however there is a pattern of employees not actively recording all material risks and incidents into GENIE. We note that icare is aware of this gap and in July 2020 introduced training relating to incident reporting. Given the recent efforts to improve the risk policies and the significant additional work to be done, employee training requires a further review.

Recommendation 25

Enhance and roll out education and awareness activities to lift employees' understanding of icare's and individuals' risk and compliance obligations, the management of risk, key operational risk processes, systems and tools, incidents management, and relevant consequences for non-compliance.

5.3.8 The three lines of defence (3LoD)

Line 1

Line 1 is immature in its approach to the management of risk, and is unlikely aware of material obligations and how to manage key risks. Interviews, focus groups and document reviews revealed limited understanding of how to effectively identify risks and escalate them appropriately.

We note the Assurance and Quality team (A&Q) established in August 2018 which reports to the Group Executive, Organisational Performance. The A&Q team is charged with supporting the business and management in meeting policy and framework requirements, implementing risk controls and assisting in the documentation and recording of risk activities. The A&Q team has an assurance plan approved by the ARC, and the ARC receives quarterly reports on the outcomes of the team's reviews.

The following weaknesses in Line 1 were identified and cited during interviews:

● Whilst the FSC and Risk and Compliance Working Group act as forums for Line 1 and 2 to discuss and manage risk at an enterprise level across icare, there is a lack of Line 1 risk ownership for risk and compliance, with no business line risk committees or forums and no reporting on the management of the key risks or obligations relevant to their business.

● Although there are dedicated risk SMEs to support line 1 to manage risk in their business (being the A&Q team), they do not report into the business units they are supporting which can create a blurring of the lines[29].

● There are unclear and blurred roles and responsibilities between Line 1 and Line 2 and this has been exacerbated by inadequate resources.

---

[29] A&Q report into the GE Organisational performance rather than the relevant business line they are supporting

- We saw some weakness in the quality of the A&Q team's program and reporting. For example we did not see systematic testing of the design and operational effectiveness of controls by the A&Q team[30], the nomination of accountable persons for corrective action and due dates for completion of actions. Normally, Line 2 has the role of reviewing and challenging the effectiveness of Line 1's assurance program to ensure it is appropriately testing risks and controls, however this is not occuring.

Recommendation 26

Establish and implement a Line 1 risk committee to oversee risk and compliance in each business unit.

Recommendation 27

Build the capability and resourcing of Line 1 (including the Assurance and Quality (A&Q) team), by equipping and enabling people with greater risk awareness and an understanding of icare's frameworks, and encourage their use. Review the reporting line of A&Q.

Line 2

From 2015, icare prioritised the resourcing and capability build of its internal audit (Line 3) and the A&Q team (Line 1) over building a strong and effective Line 2 risk and compliance function. The limited investment in Line 2 occurred with the CRO not having a continual presence at GET meetings, and not being invited to meetings with the regulator or managing the regulator response. Together, this had the effect of limiting Line 2's stature in the business and reducing the voice of risk.

icare recognises the need to increase the resourcing of the Risk and Compliance team and to this end has appointed a new CRO (from September 2020) and a Head of Compliance in April 2020. The CRO has proposed further changes to the Line 2 organisational structure and additional resourcing to strengthen icare's risk framework and the voice of risk. The enhanced operational structure of Line 2 was approved by the GET and presented to the ARC in November 2020, and included:

- Risk management: Responsible for the design and development of the risk management framework, as well as risk reporting, data analytics, business continuity management, risk governance and assurance activities.

- Risk and compliance business partnering: act as the first point of contact for business lines for risk and compliance matters. To be responsible for business-as-usual risk and compliance advice, incident management, risk and compliance training, risk culture activities and supporting risk and control assessments. This function is in the process of being established.

- Enterprise compliance function: Responsible for managing compliance policies and processes, regulatory change, regulatory breaches and incidents, assurance activities, data privacy, compliance reporting and compliance operations.

- Regulatory affairs function: To be responsible for regulatory reporting, responding to regulatory requests and managing all regulators, including SIRA. This function is in the process of being established.

While the above is yet to be implemented, interviews, focus groups and document reviews revealed:

- Until recently, there had been a lack of visibility in the level of oversight and challenge of the Line 2 Risk team.

- The current level of Line 2 resources and capability is not sufficient to support the size and complexity of all divisions.

- There is no proactive monitoring by Line 2 over Line 1. We note that icare has acknowledged the gap in Line 2's assurance processes, and has proposed the introduction of Line 2 risk assurance activities using a 'show me, don't tell me' methodology, to be owned by both the Risk Management and Compliance teams.

- Line 2 oversight of projects, lack of guidance and support from dedicated risk expertise, from the early stages of projects.

---

[30] Although icare advises some work has commenced on design effectiveness testing

- Reporting lines for the CRO to the CEO are interim only.

Although a new organisational model for risk has been approved, it has not been operationalised and should be reviewed to ensure the gaps described above are addressed.

Recommendation 28

Provide sufficient resources for Line 2 to design and communicate the risk management framework to employees to build awareness and understanding of their role in risk.

Recommendation 29

Install the CRO as a permanent, standing member of GET meetings with a direct reporting line to the CEO to ensure the voice of risk is heard.

Line 2 and the regulator relationship

icare's relationship with SIRA was coordinated by the Head of Regulatory & Affinity Partners, who reports into the GM of Communications & Stakeholder Relations. We are informed by icare that the engagement of SIRA was managed at the direction of the CEO.

Historically, meetings with SIRA were attended by the Head of Regulatory and Affinity Partners and relevant Line 1 executives, but not by the CRO or other Line 2 representatives, who bore no accountability for the regulator relationship. The relationship between icare and its regulator has been strained, characterised in the Dore Report as involving "frequent misunderstandings and non-cooperation".

icare has adopted a Regulatory Compliance Incident Reporting and Management Framework which sets out protocols for icare's reporting of significant matters to SIRA. This framework needs to be broadened to address other bodies with regulatory oversight, such as ICAC, IPC and the Auditor General for NSW and to describe the roles, responsibilities and principles which icare will follow in dealing with regulators and key stakeholders. The framework should address matters such as breach reporting, responding to regulator or regulatory requests, and other mechanisms.

See Chapter 6. Issues identification, escalation & resolution for further discussion of the regulator relationship.

Recommendation 30

The CRO to be made accountable for management of the regulator relationship.

Line 3

icare's Line 3 consists of an Internal Audit team, the external auditor (EY on behalf of the Auditor General of NSW), Finity Consulting as independent actuary and PwC as peer reviewer on actuarial matters.

There has been a significant increase in the size and depth of the internal audit program over time, with activity growing from 274 days to over 2000 days and the internal audit team growing from one auditor to 14. Internal Audit's annual plan for 2019-20 stated that over the three-year cycle ending 2019-20, 89.6% of material areas of the audit universe would be covered. Coverage is expected to reach 100% by the end of FY21. The ARC approves the annual assurance plans of both Internal Audit and the external auditor.

We observed the following in relation to internal and external audit:

- Audit activity has been affected by the underlying weakness of icare's RMF, RAS and controls. For example, Internal Audit did not undertake assurance over scheme agents in 2019 (see subsection 7.3.5).

- Record-keeping in relation to work undertaken by internal audit could be further strengthened, particularly in relation to matters referred to icare by ICAC and SIRA for Internal Audit investigation.

- While internal audit tracks and reports to the ARC on the status of overdue audit action items, further rigour could be introduced into their management. For example, high rated audit actions should involve the accountable Line 1 executive to explain the findings and remediation plans to the ARC in person and any extension of the due date for closure of a high rated item should be permitted only after review by the ARC, informed by Line 1 executive presenting the reasons for an extension.

- Reporting lines do not align to NSW Treasury guidelines that state icare must implement a direct (ie. hard not dotted) reporting line from Internal Audit to the ARC and attest to this.

The ARC has overseen a strengthening of Line 3 external assurance via the appointment of Finity Consulting to provide independent actuarial services to icare, which is peer reviewed by PwC. Independent auditing of icare was also strengthened by the appointment of EY to bring specialist insurance services to the Auditor General.

Recommendation 31

Internal Audit's reporting line to be changed from a dotted to a hard line into the ARC and the ARC Charter to be amended state that Internal Audit has unfettered access to that committee, to support its independence.

Recommendation 32

Internal Audit to strengthen record keeping in relation to investigations commenced due to ICAC referral or other relevant stakeholders.

The ARC to improve its oversight of the closure of high rated actions arising from audit reports.

6. Issue identification, escalation & resolution

6.1 Summary

icare's approach to identifying and responding to material risks and issues is a vital element of strong risk management. However, there are gaps in frameworks that are needed to support icare in identifying a risk or issue and providing the guidance to respond with the appropriate urgency and priority.

Policy guidance is in part immature, and processes do not drive the importance of and accountability for managing and remediating issues. To illustrate, the definition of an 'incident' is not clear, and though reporting channels are somewhat clear, employees do not have a mechanism to report wrongdoing with sufficient confidence that they will remain anonymous. Registers exist to capture risks and issues, but they have not been used in a coordinated manner nor have they captured all material matters.

There is no central complaints management system which records and tracks the end-to-end lifecycle of complaints made by customers or others, to support a single view of all customer complaints across the organisation. Instead, there are multiple reporting systems across business areas and scheme agents. This does not give management a holistic view of customer complaints and it hinders the identification of systemic themes to support future prevention.

icare has been too slow to escalate issues to the GET, the board or SIRA. This also resulted in delayed reporting and responses to significant matters. There have also been weaknesses in the governance and oversight of actions to remediate.

We assessed the effectiveness of issue identification, escalation and resolution across the following areas:

1. icare's Incident management, reporting and escalation framework
2. Significant matter management and reporting to the regulator
3. Complaints management (customers and third party complaints)
4. Employee 'speak-up.'

6.2 Context for this chapter

Incident framework

The incident framework is icare's framework of policies, processes and management pathways to provide clarity and guidance for employees on the identification, management and reporting of incidents.

icare has an Incident Management and Reporting Policy approved by the CRO in July 2017 and supported by the Incident Management and Reporting Guidelines issued in August 2018. An incident is defined as "any event which resulted in or could have reasonably resulted in an adverse impact on icare, our customer or employees that was caused by a breakdown in processes, controls, systems, a workplace injury, illness or hazard, a breach of law, regulation or contract". The framework also defines a 'near miss' as an incident which has been narrowly avoided. The policy states, "Everyone at icare has a responsibility to identify and report incidents". icare operates multiple systems for reporting of incidents, depending on the type of incident.

When an incident is of a regulatory or compliance nature, icare needs to assess the matter to determine whether it is a "significant matter" in accordance with its agreement with SIRA and report it to SIRA within specific timeframes, described below.

Regulatory breach framework

SIRA released a Compliance and Enforcement Policy in July 2017 describing the enforcement mechanisms it will use in the event of a compliance breach. In September 2018, icare entered into an agreement with SIRA to voluntarily report significant matters (as defined by the agreement) to SIRA in relation to workers compensation and Treasury Managed Fund matters, with the following protocols:

- icare must provide an initial notification of significant matters to SIRA within five business days of becoming aware that the matter is significant.
- icare is to provide updates to SIRA where there is a material change to the initial notification.

In November 2019, icare's board approved a Regulatory Compliance Incident Reporting and Management Framework (SIRA – Workers Compensation Insurance) that describes the process by which regulatory compliance incidents are identified, assessed, rated, reported and escalated, including the time period for notification of incidents to regulators. This framework supports the Incident Management and Reporting Policy.

The framework differentiates between three types of incidents: a "regulatory compliance incident", a "notifiable regulatory compliance incident" and a "regulatory incident". The framework defines significant compliance matters.

Figure 2 shows icare's management of regulatory compliance incidents, as reflected in the framework. The reporting process is as follows:

● The business notifies the Regulatory & Affinity Partners (RAP) team within 24 hours of becoming aware of an incident's capture in GENIE.

● The RAP team must notify the accountable GMs and GET members (low risk) within 24 hours and Risk & Compliance (including CRO) and the General Counsel and Company Secretary (medium/high risk) within 24 hours.

● The CRO must escalate regulatory compliance incidents (medium/high risk) to the ARC and/or board within 24 hours.

● The CRO must update the ARC and/or board at appropriate times of progress in the management of regulatory compliance incidents.

Each regulatory compliance incident will be reviewed by Legal for whether it is notifiable to SIRA because it is a significant matter, with ultimate decision-making authority residing with the CRO. We note that it is common practice by other organisations to report to the regulator before the board to ensure the organisation is able to comply with tight timeframes set for regulatory reporting.

Figure 2: Management of regulatory compliance incidents (Extract: from the Regulatory Compliance Incident Reporting and Management Framework)
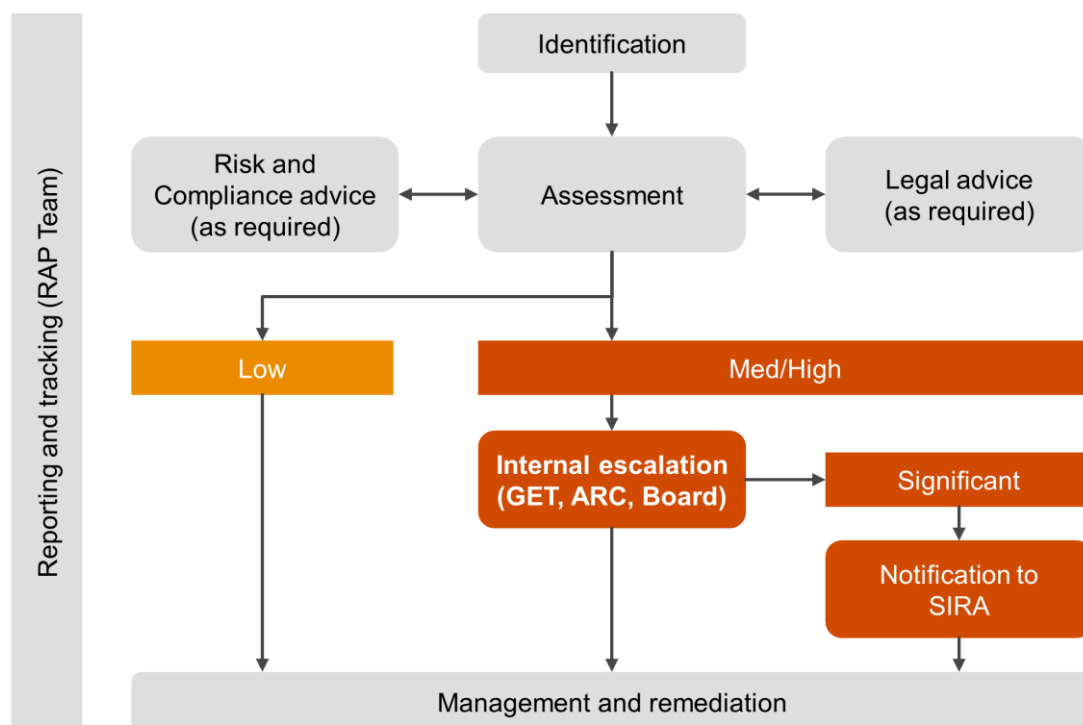
The RAP team (which sits in Line 1) is responsible for the tracking (lodgement, monitoring and closing) of regulatory incidents, with the accountable business responsible for investigating, remediating and reporting outcomes to the RAP team.

icare has a Significant Matters Notification register[31] that contains records of significant matter notifications to SIRA related to litigation, compliance, privacy and "other" categories from September 2018 to November 2020.

Complaints framework

icare has an overarching complaints policy and framework that provides support and guidance to icare customers and relevant third parties such as scheme agents. The policy distinguishes between a complaint, a dispute, feedback and an enquiry. There is a separate "Managing Unreasonable Conduct by Complainants" policy which provides a complaints framework for specific areas such as Personal Injury, providing greater clarity to meet the needs of those areas.

There are numerous channels a customer or third party may use to raise a complaint, as shown in Figure 3:

● direct to icare

● to a scheme agent managing claims on behalf of icare

● to SIRA as regulator

● to WIRO in relation to injured workers disputes over workers compensation matters

● to other third parties,. eg. ICAC, the Minister etc.

Both WIRO and SIRA have dispute and complaint resolution powers.

Figure 3: Channels for receiving customer complaints
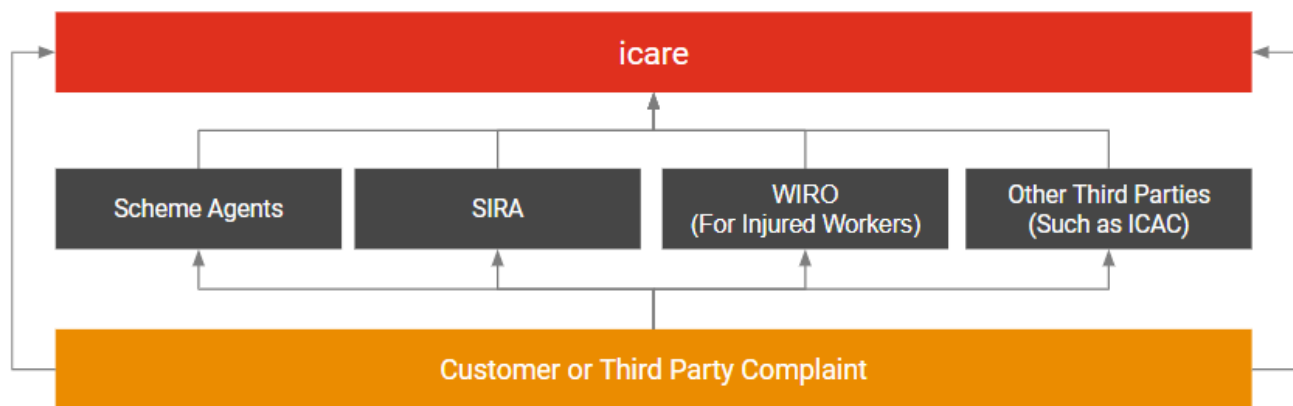
Once a complaint has been received, various icare teams are responsible for recording, triaging and resolving complaints using different data repositories:

● Customer Advocacy team (CAT)

● PI Complaints teams

● Ministerial & Parliamentary Services (MAPS) for ministerial complaints

● icare PU teams including Service NSW

● Privacy team

● Scheme agent teams (x5)

● Lifetime Care & Workers Care

● DDC.

Complaints are captured through multiple systems. icare's CRM is the predominant system and additional systems include the scheme agents' CRM and GENIE (used by the Privacy team). SIRA and WIRO complaints are manually transferred into icare's CRM. WIRO customer complaints are now managed by icare, which adds an additional intervention in the process - previously, claims went direct to the case manager and resulted in more efficient resolution.

Complaints are 'ticketed' and managed through the system to enable transparency and accountability; however, there are a number of existing and ongoing challenges, such as inability to see a customer's previous history of complaints, resulting in multiple recordings of the same customer. There are also silos such that a

---

[31] Significant Matters Notification register was provided to PwC

customer complaint in one complaints team cannot be viewed by another complaints team, which led to multiple teams working with the same customer on the same or different complaints.

Governance of scheme agent complaints management occurs through monthly meetings with EML, GIO and the icare Claims Operations team. Due to the low volume of complaints, there are no monthly governance meetings with other tail claims service providers, or with authorised providers.

After the Dore Report, a Customer Advocate was appointed by icare to work independently and investigate targeted areas of concern, namely the complaints submitted by customers submitted as part of the Dore review. icare received a number of recommendations from the Customer Advocate and has acted on them.

icare also has a framework to hear employee complaints. Policies are documented that encourage employees to speak up on matters of wrongdoing or misconduct, including the Reporting Wrongdoing Policy, Code of Conduct and Ethics Policy, and Fraud and Corruption Control Policy. icare has induction and mandatory training that covers 'speak up', however it does not cover reporting wrongdoing.

icare has established a number of specific channels to encourage 'speak up':

- Town Hall sessions: a public forum led by management which allows people to speak up.
- Reporting through Public Interest Disclosures (16 recorded since August 2016).
- External channels such as (but not limited to) ICAC, SIRA, WIRO and the Minister.
- A more recent addition is the speak-up email where employees are able to share grievances with management (we observed more than 10 instances of this happening).

Informal mechanisms are also in place such as speaking up to managers and HR team members and the round of listening sessions introduced in 2020 (see section 10.4).

Management of wrongdoing

icare established a Reporting Wrongdoing Policy, approved by the ARC in February 2019, to encourage employees to report public interest disclosures in accordance with the Public Interest Disclosure Act 2013. Employees can access the policy, along with the Reporting Wrongdoing Form and a supporting Reporting Wrongdoing Fact Sheet, on icare's intranet HUGO. Interviewees said the policy and process are often referred to in internal communications.

The policy sets out the framework for icare's response to employee complaints over matters of misconduct, corrupt conduct, maladministration or serious and substantial waste. It encourages icare employees to "report wrongdoing, provide protection to employees who make a 'public interest disclosure' (as defined by the Act) and ensure the disclosure is properly investigated."[32] The board stated that the policy incorporates "all elements of a Whistleblowing Policy as well as additional information covering what to do prior to 'whistleblowing'"[33].

The policy provides protection to those making a public interest disclosure under the Act from reprisals by other employees, which would include serious corruption, serious maladministration, serious and substantial waste of resources and breaches of the *Government Information (Public Access) Act 2009*.

6.3 Review observations

6.3.1 Incident management, reporting and escalation

Identifying an incident

Our review of the incidents management policy suggests that the policy has not been kept current (last review 2017 and it should be reviewed on an annual basis[34]) and is not providing the necessary guidance to employees to support rigorous incident identification and management. With this weakness, governance roles are not clearly defined to support effective escalation and actions in response.

We observed a weakness in documentation and management of incidents. The definition of 'incident' varies across different documents[35]. 'Near misses' are vaguely explained without providing examples or further guidance to employees. Potential regulatory breaches are not defined and employees would have to seek guidance from SIRA's Regulatory Compliance Incident Reporting and Management Framework.

The policy owner is unknown due to absence of document control information. icare has advised the policy was approved by the ARC in May 2017.

---

[32] Fact Sheet - Reporting Wrongdoing Policy: November 2018
[33] ARC Committee November 2018: Reporting Wrongdoing Policy
[34] Next review date is shown as 25 May 2018
[35] Definition of 'incident' differs in Incident Management and Reporting Policy and Incident Management and Reporting Guidelines

Recommendation 33

Expand the incident management policy to describe the roles, responsibilities and accountabilities for:

- effective identification and escalation of incidents
- the risk assessment and rating of incidents

Also reconsider the roles, responsibilities and reporting of the Regulatory & Affinity Partners (RAP) team in light of the 3LoD principles.

Reporting an incident

icare has recognised that incidents are generally under-reported by employees[36] and there is a need to improve employees' awareness and understanding of their role in reporting incidents.

icare operates multiple systems for reporting incidents, depending on the type of incident. There is a register for incidents within the GENIE platform. A current extract[37] from the GENIE incident register contains 1027 incidents. Of those:

- 31% (319) incidents are not rated

- 23% (246) are rated high

- 48% (118) of those rated 'high' relate to compliance breaches, including icare policy breaches, legislation breaches, fraud/corruption and privacy breaches.

Unrated WHS incidents are rated in the WHS system but this rating is not shown in GENIE. Due to the high percentage of unrated incidents, the number of incidents rated high is likely higher.

For employees reporting an incident, we observed multiple reporting channels depending on whether the incident relates to a privacy breach, process breakdown, fraud and corruption, cyber security or system failure. Procedures are vague (eg. "Speak to your people leader") and do not provide enough guidance. Escalation within icare is unclear (eg. to the GET, ARC board or other committee) and the process for notifying external parties such as SIRA, ICAC or law enforcement agencies of a relevant incident is vague.

Recommendation 34

Add a risk rating to all incidents in the incident register and take the necessary action required based on the rating and significance of the incident.

Recommendation 35

Improve record-keeping over incidents and ensure appropriate monitoring and oversight over closure.

Escalation of material incidents to the board

We observed delays in the way that incidents are escalated, reported to the board and responded to. We provide two detailed examples (PIAWE and RTW) to illustrate.

Example 1 - PIAWE (Pre-Injury Average Weekly Earnings):

The PIAWE matter relates to the underpayment and overpayment of average weekly earnings to approximately 10,000 injured workers over an extended period. It has been widely published that the calculation process for PIAWE is particularly complex, so we have included this example to explain the process of raising the issue both internally and with the regulator, rather than the time taken to mitigate the issue.

Timeline of events:

---

[36] Quarterly Risk Report November 2018

[37] As of 9 December 2020

Figure 4: Timeline - PIAWE

March 2019	● icare commenced an internal risk discovery review in March 2019 as a result of errors identified over 2017-2018 in the calculation of weekly payments for injured workers between 2012 and 2018 (KPMG review).
October 2019	● Incident logged in GENIE noting it was identified on 15 October 2019; incident rated 'high'.
November 2019	● Incident first reported to the icare board, and the board was informed that management had first discovered the issue in May 2019.
February 2020	● Incident self-reported to SIRA in breach of the reporting obligations agreed between the two parties to report within five business days on any matter that may have a significant regulatory impact, has the potential to bring a government agency, SIRA and/or icare into disrepute, or be of significant public interest.
March 2020	● icare was still working to quantify the scope of the issue and prepare a remediation plan. In March SIRA expressed serious concerns.[38]
November 2020	● icare invited injured workers who received weekly workers compensation payments over 2012–2019 to come forward if they believed they had been underpaid their weekly entitlements by their insurer. Applications are still open and the remediation process is ongoing.

This timeline highlights the inadequacies in managing a 'high' rated incident and the delays in raising the issue to the board and to SIRA to ensure appropriate communication and oversight.

Example 2 - icare's response to the decline in RTW (Return to Work)

This example shows the decline in RTW for injured workers in the NI scheme over 2018-2020 and provides observations of the management of RTW issues. The decline in RTW has adversely affected many individual injured workers and their employers and, while it has not had a material impact on capital reserves, this could change in the future if the RTW issues were not sustainably resolved and are able to permeate into the longer tail reserves of the NI scheme fund.

A high-level chronology of reporting to the icare board, ARC and CITC on RTW is set out below.

---

[38] SIRA letter sent to icare CEO on 3 March 2020

Figure 5: Timeline - RTW

January 2018	● Go-live claims management model, EML managing 100% of new claims
May 2018	● RTW metrics available for the new claims model
October 2018	● EML requested ~150 more staff to operationalise the new system; however, icare management declined. An icare team of ~80 people was established to demonstrate the new system could be effectively run by a smaller team ● Management still working towards agreeing definition and measurement of RTW *(Board CITC report)*
November 2018	● External consultant raises material issues on deterioration of EML/icare relationship and drivers of poor performance *(The Bridge International & AT Kearney report)*
December 2018	● External consultant raises material issues on EML's ability to operate at scale, gaps in the implementation of governance, reporting inaccuracies and integrity, capacity issues, customer issues *(PwC paper)*
June 2019	● External consultants raise the service model quality issues, poor outcomes. Advice to icare to focus on EML upskilling and the development and retention of people to address systemic operational issues *(The Bridge International)*
July 2019	● Management report to ARC on the front end deterioration of RTW and was having an adverse impact on NI scheme financials; Management advised that improvements were expected and it was not expected to be an ongoing issue ● ARC questioned the root causes behind the poor RTW results and the degree of certainty over whether the improvement in RTW would rectify in the merium term. Management provided reassurance that "no big changes...are anticipated". Agreed action to invest in training and upskilling of EML *(ARC Committee reporting)*
October 2019	● SIRA and ARC note different RTW measures between icare and SIRA ● ARC advised the issues with the claims model had not resulted in a material impact on scheme total liabilities; "the Committee noted that to date issues with the Claims Management model have not had a material impact, but the Committee is acutely aware that this could alter in the future if the RTW issues were not resolved and permeated into the longer tail". ● SIRA stated there was a need to view RTW as about customer outcomes, not just financial ● SIRA expressed concerns over the absence of root cause analysis on issues *(ARC joint meeting with SIRA board on draft Dore Report)*
November 2019	● Board requested an explanation of different RTW methodologies of icare and SIRA ● Management report to board issues with the performance of the NI that were more systemic and more difficult to turn around than previously indicated. Recommends (large) employer has choice of the scheme agent they want to use (GIO, Allianz or QBE) *(Board reporting)*

| Feb 2020 | ● "...net $357M deterioration in current and prior accident year results due to Return to Work (RTW) performance...The experience of the lower RTW rate and higher active claims has already negatively impacted scheme results" |
| | *(ARC reporting)* |

Through this chronology we observe gaps in governance frameworks and systems for raising and managing issues in a timely manner and in the board holding management to account. icare management was slow to raise the RTW issue with the board and its committees and did not demonstrate an appreciation of the impacts of a RTW decline. Management's *Positive news bias* (see Chapter 10) was not adequately challenged, nor was adequate respect demonstrated by management for the concerns raised by the regulator.

Behaviours and actions to defer accountability (data issues, service provider issues) were prioritised ahead of actions such as root cause analysis and interventions that would have otherwise addressed the decline in RTW.

Incident reporting and management is considered in further detail in Chapter 3. Role of the board and Chapter 4. Senior leadership oversight.

Recommendation 36
Improve awareness and training of icare employees on the importance of escalating incidents in a timely way. Update the incident management policy to better define both an incident and governance roles, to support effective escalation and response actions including remediation.

Root cause analysis

The incidents management policy does not provide guidance or emphasis on the importance of root cause analysis to allow the organisation to learn and prevent recurrence. In addition, there is no threshold set for when an independent investigation is required to prevent a conflict of interest from a team or executive investigating an incident in relation to their own performance.

Recommendation 37
Extend the incidents management policy to incorporate root causes analyses of material or high rated incidents by Line 2, 3 or an independent reviewer (where relevant) to bring an objective and unbiased approach to identifying root causes.

Remediation

There is no remediation framework that sets out an obligation to develop a remediation plan and no reference to principles of remediation, including both making customers whole and strengthening control weakness to prevent future similar incidents.

There is no reference to consequence management for employees who contributed to the incident arising or for failing to report an incident as required by the policy. We did not observe procedures for the CRO to report against the incident register and feed this into discretionary remuneration outcomes.

Recommendation 38
Define and document a remediation framework which sets the guiding principles, roles, responsibilities and accountability for when and how a remediation program should be established and the governance required to oversee remediation activities.

Recommendation 39

Improve Line 1 and Line 2 reporting on incident identification, management and closure and feed into consequence management as appropriate.

Thematic review of incidents

The CRO provides reporting on incidents to the GET on a quarterly basis through the GET Risk Dashboard and includes matters such as WH&S, system failure (workflow or technical), process breakdown, privacy (external and internal), fraud/corruption (external), cyber security, contract significant matter and legislative compliance breach. We examined the current database[39] of incidents which shows 1027 reported incidents[40] between August 2017 and November 2020. Of these, 23% (246) are rated 'high' of which 48% (118) relate directly to compliance breaches (icare policy breaches, legislation breaches, fraud/corruption and privacy breaches).

Approximately one-third of the registered items do not have a rating. icare advises that unrated incidents are reported to the GET and the board.

6.3.2 Significant matter management and reporting to the regulator or other agency

We observed weakness in the framework and documentation that would provide guidance on significant matter reporting. icare's Regulatory Compliance Incident Reporting and Management Framework has high-level information on the escalation process to be followed for regulatory and compliance significant matters. However, this framework only applies to SIRA Workers Compensation Insurance and does not cover other relevant agencies, such as ICAC. The Regulatory Compliance Incident Reporting and Management Framework is vague on the detail of process, timelines and information to be provided to SIRA and there is limited detail on the types of issues that give rise to a SIRA notification.

The incident framework outlines icare's undertaking to report significant matters to SIRA within five business days of becoming aware that the matter is significant. The internal process for escalating a significant matter specifies 24 hours and the board must be alerted within three days. icare does not have a regulatory breach committee to expedite actions and decisions to support icare in meeting its five-day reporting obligation to SIRA. Instead, icare's framework places reliance on the business line responsible for resolving the issue, but offers no further detail on the point of responsibility, principles for remediation and governance. We note, icare is committed to further engagement with SIRA to improve the voluntary reporting process.

The Significant Matter Notification register records 12 matters reported to SIRA between September 2018 and November 2020: 7 litigations, 1 privacy matter, 1 compliance matter and 3 classified "other".

The register appears incomplete: the PIAWE incident is missing, despite SIRA being informed of the breach on 27 Feb 2020 and it being a significant matter. An improvement in icare's processes regarding the identification, tracking and analysis of regulatory significant matters is required, as well as further training to lift employee understanding of what icare's compliance and regulatory obligations are. icare should also look to better practice significant matter reporting regimes, such as the guidance provided by ASIC to Australian companies, to help guide management to understand what event will trigger a requirement to report to SIRA.

Recommendation 40

Establish a significant matter committee to assist with expediting decision-making regarding what should be reported. This should be supported by terms of reference and appropriate composition.

Recommendation 41

Uplift employee awareness of icare's commitment to report significant matters to the regulator SIRA within five days.

---

[39] As of 9 December 2020

[40] The total number of incidents in the GENIE register includes active, draft and closed incidents

6.3.3 Complaints management (customers and third party complaints)

Across icare, there were ~24k customer complaints in FY20[41]. This was down 33% from 36k in FY19 and the average resolution time fell from five days in FY19 to three days in FY20. Most complaints relate to individual policies or claims across the schemes that icare operates.

Complaints resolution

The lack of a single complaints management system, and issues in the recording of complaints, do not allow for sufficient analysis of data to perform a root cause analysis of key themes and to pinpoint systemic issues. There are no standardised processes for 'deep dives'/ root cause analysis of key themes, and there are missed opportunities for continuous improvement and actions to increase the capability and awareness of icare teams.

The Customer Insights team has started reporting quarterly and presenting 'deep dive' themes to the GET. There are opportunities to expand this with A&Q and frontline teams. For example:

● The Complaints Quarterly Report Q4 FY20 (Apr-Jun) includes a deep dive into Aged Complaints. It was revealed that a sizable portion of cases had actually been resolved but the agent failed to close the complaint in CRM. An increased administrative and management focus will be necessary to reduce numbers significantly moving forward.

● The Customer Insights team's PI Monthly Report (July 2020) includes a deep dive into the impact that changing a case manager has on injured workers' experience.

icare does not track the percentage of complaints resolved in favour of the complainant and report this under its RAS, in accordance with better practice.

Improving complaints management

Internal Audit's review of complaints management in April 2019 did not identify high rated issues[42] but highlighted broad areas for improvement. The audit confirmed icare has an established framework for complaints management that is broadly aligned with the Australian Standard for complaints handling.

To drive further improvements in the complaints management process, icare established an internal Complaints Working Group in March 2019[43]. This team meets monthly and includes representatives from operational complaints teams, customer insights, quality assurance, CRM and the Customer Advocate. This working group initiated the Complaints Uplift Project in May 2020, with specific actions for 13 areas to improve understanding of complaints, create efficiencies, and increase capability to use complaints as a source of insight to drive continuous improvement. The action plan was endorsed by the GET but did not go to the board. To date, one of 13 actions has been completed: the complaints policy was finalised in August 2019 (however they have been slow to operationalise). Implementation of the new complaints policy and that of the framework are still underway.

The Complaints Working Group will provide a progress update to the GET in early 2021[44] and will address[45] readiness for complaints (framework and policies, working towards one complaint management system), response to complaints (quality of data capture, quality assurance), and learning from complaints (enterprise-wide reporting and connecting Complaints, Customer Insights and QA teams to drive continuous improvement).

Work is also underway within Personal Injury to review its complaints model, including the overall strategy, a review of levels/tiers, escalation points, reporting internally and reporting by scheme agents.

Recommendation 42
Improve coordination of complaints management to provide oversight/reduce duplication and ensure learnings from complaints are more routinely sought as feedback loops into design and execution.

6.3.4 Employee 'speak-up'

Speak-up channels

icare recognises the importance of creating a speak-up culture, and we observed effort to create speak-up

---

[41] icare Annual Report for FY20
[42] Complaints Management Audit (April 2019)
[43] As per email from icare employee, Manager of the Customer Advocacy team
[44] As per email from icare employee, Head of Organisational Effectiveness
[45] As per GET Briefing June 2020 - Complaints Uplift update

norms that not only enable employees to speak up but also to see action taken to address concerns. This is particularly important in the current environment as the organisation responds to a greater level of scrutiny.

Speak-up channels are listed above in section 6.2. Through our review we observed a flow through these channels and a disaggregated approach to capturing the issue and assigning an accountable owner. We observed a proactive approach to creating new opportunities to be heard, such as the creation of listening sessions and the speak-up email to address the more recent impacts of the media scrutiny. The channels are actively promoted; for example, on taking on the role in September 2020, the interim CEO sent an organisation-wide encouragement email to encourage speak-up. However, policies, procedures and guidance supporting this process are hard to navigate and make it very difficult to understand what type and to whom certain matters should be escalated.

Confidentiality and independence

Of note is the extent to which the speak-up channels give employees confidence in the assurance of confidentiality regarding public interest disclosures (which have obligations to keep the complainant anonymous) and other sensitive matters.

Until early 2021, an employee wishing to lodge a wrongdoing complaint had to do so by sending it to an internal icare email address, with the complaint reviewed by the designated icare employee. This was not better practice for a company of the size and complexity of icare. An independently operated service helps to build the confidence of employees to raise matters of concern due to its independence. In late 2020, icare appointed an independent third party to provide a "Speak up" hotline service. This is expected to become operational in early 2021.

Encouragement to speak up

A further weakness we observed is the role of managers across the business being adequately equipped to support the formal and informal mechanisms with the response and behaviours required to address matters as they are raised.

We observed numerous evidence points where individuals felt that although the channels were in place, cultural elements did not support disclosure. At a Town Hall session, the then CEO, in seeking to create a culture of openness and speak-up, asked a team member who asked an anonymous question to reveal their name. The culture trait of Commitment to vision is revealed here, as multiple executives pointed out in interviews that the then CEO sought to create an open culture where people could speak up (the Commitment to vision), but failed because of the sharp delivery of the message in seeking the desired outcome.

We heard from interviewees about matters where budget constraints were driving workarounds and their speak-up was not addressed. In focus groups we heard examples where employees were asked to tell a more favourable narrative in reporting but they could not address this directly with their manager. Another interviewee was uninvited to follow-up executive conversations on strategic matters following a challenge on a strategic move.

In the 2019 state-wide People Matters Employee Survey (PMES) 92% of employees stated they were comfortable notifying their manager of any risks, but only 52% were confident in the way icare resolves grievances (48% in 2018).[46] The PwC survey revealed consistent findings, with only 51% agreeing that matters were handled in a timely manner and 52% in an effective manner. Further, 32% of icare respondents agreed or strongly agreed "there is a negative consequence if I raise a risk, issue or difference in opinion" and this was amplified in the Care division at 44% and Customer and Community at 47%. Further verbatims were consistent with some of the interview themes, for example "if you voice your concerns you are not heard" and "there was often a lack of action, particularly when it involved negative news". Although we acknowledge the 50% of issues that staff do feel are heard and managed in a timely manner, there is work to be done to further encourage speak-up at icare.

Recommendation 43

Update and implement policies and procedures in relation to wrongdoing to enable and better support 'speak-up'.

Ensure reporting channels are in place to support the anonymity, safety from potential reprisal and independence of the wrongdoing process.

Any changes should be communicated to all staff.

---

[46] Noting that in 2019 the average NSW public sector response to this question was 41% (11% lower than icare)

Taking action

The types of issues raised vary in nature and degree. As such we do not expect a uniform approach to their management and action. However, there were gaps in central coordination of providing visibility of matters raised of a material nature.

Public interest disclosures and general complaints are managed by the risk team with support from the Internal Audit and Legal teams, while employment-related grievances are managed by the Human Resources and Legal teams, and both require regularly scheduled discussions. There is no overarching approach to matters of wrongdoing, which interviewees described as "ad hoc". There is no central tracker or set of trackers that present the collective set of matters icare is dealing with. Because of this fragmentation, the challenge in understanding the full extent of matters being dealt with, and due to the necessity for confidentiality in managing sensitive matters, we are unable to determine the extent to which these matters are systemic. Likewise, management and the board would also be challenged to understand thematics and appropriate actions in response.

For those cases we were able to consider, we observed that investigation procedures for internal complaints have been thorough and comprehensive. External providers have been engaged to conduct independent investigations where necessary, although responses appear slow, particularly in starting. Matters that are slower to start fail to send an early signal of importance or responsiveness. The wrongdoing policy commits icare to provide the complainant with an acknowledgement that their complaint has been received, within 45 days of the disclosure being made to icare, in accordance with the *Public Interest Disclosure Act 2013*. However, for non-PID matters, employees are not offered assurance that their matters will be dealt with in a timely manner.

Interviewees noted a marked change in the commitment of leaders over time, referencing how leaders have "come a long way since when they were a start-up," and noting that the "level of vigilance is higher than ever before". However, icare leaders still have a long way to go. The lack of feedback loops on completing investigations should be remedied and communicated to icare employees, where appropriate, to instil confidence that issues are dealt with appropriately. We recommend that icare pursue its intention to implement "a system for feedback following an investigation to help inform future behaviours and to ensure lessons are learned."[47]

Recommendation 44

Coordinate and report to ARC on the complete set of material grievance and wrongdoing issues to provide oversight and an understanding of systematic themes. Implement a system of feedback to help inform future behaviours and ensure lessons are learned.

Recommendation 45

Ensure that management takes action efficiently and effectively in formal and informal matters of wrongdoing and other complaints and there is effective communication in support of this.

---

[47] Media Issues Response for the icare and SICG Act Independent Review - September 2020

7. Scheme agents

7.1 Summary

This chapter is focused on icare governance and oversight of scheme agents providing services to the NI.

icare's scheme agents play a critical role in enabling the delivery of icare's service mandate to customers. icare has outsourced the majority of its claims management in the NI to specialist third party providers to act on its behalf: insurers EML, GIO, Allianz and QBE. Today, EML manages the majority of NSW workers compensation claims, however a recent change has implemented an Authorised Provider model enabling larger employers to choose their claims provider from between GIO, Allianz QBE or EML.

icare has experienced significant issues in the claims management of workers compensation, on behalf of the NI, resulting in poor customer experiences and customer outcomes, including a decline in RTW in relation to new claims.

The nature, scale and types of services provided by the scheme agents to icare are significant, requiring appropriate arrangements to manage the risks effectively. We observe that in November 2020, icare improved the policy expectations set for the management of its outsourcing arrangements. This helps to set the guardrails for the scheme agent relationships, but significant work remains to build this out further and operationalise it. An improvement in reporting to the board and the GET is required and icare's assurance activities are too heavily reliant on external audit rather than utilising the full checks and balances across the three lines of defence.

We assessed icare's governance and oversight of scheme agents in the following areas:

1. icare's outsourcing policies to assess, select, oversee and govern scheme agents
2. Outsourcing agreements in place, including service levels and performance requirements
3. Roles, responsibilities and accountabilities for the NI scheme agents
4. icare's supervision and oversight of scheme agent performance across the 3LoD.

7.2 Context for this chapter

At icare's inception five scheme agents provided services to the NI, with each scheme agent having its own platform and processes. In April 2017, icare announced it would move to a single service provider model for most new claims, selecting EML as the service provider. GIO and Allianz continued to manage the claims in their portfolio that were lodged before 1 January 2018 and to manage some larger customers who did not wish to move to a new scheme agent. icare changed the model in 2020 to provide employers paying premiums over $500,000 a year with the option to choose their claims manager.

Each scheme agent is appointed by icare and governed by one or more contracts between icare and the agent. The agreements entered into between icare and each of GIO, QBE and Allianz are Authorised Provider agreements while the agreement between icare and EML is a Service Provider Agreement.

In late November 2020, icare announced an extension of the EML contract for one year and its intention to run a new tender process in mid 2021 for claims management services to the NI. The remuneration arrangements in the EML contract were changed to acknowledge their role in driving intended RTW outcomes.

7.3 Review observations

7.3.1 icare's outsourcing policies to assess, select, oversee and govern scheme agents

Outsourcing policy

icare established its first outsourcing policy in May 2019; however, the first iteration of the policy (operating until November 2020) was very high level and did not incorporate clear guidelines or expectations in relation to the selection, setting up and oversight of outsourced providers. The new policy expressly states the intention to align with the requirements of APRA's prudential standard CPS 231 relating to the outsourcing of material business activities.

Key improvements include:

* the requirement for a materiality assessment of proposed outsourced business activities (and contract renewals) overseen by Line 2

- a new Outsourcing Committee, chaired by the CRO, to oversee proposed material outsourced arrangements and monitor them. This is a positive development to enable the voice of risk to be heard and facilitate better GET challenge of scheme agent performance

- mandatory contract clauses to be included in icare outsourcing arrangements

- material outsourcing arrangements requiring endorsement by the GET and ARC and approval by the board

- SIRA to be informed of material new outsourced arrangements or changes to existing ones (for SIRA regulated schemes), as early as possible

- full risk assessments required before offshoring services

- the obligation for ongoing monitoring of the outsourced provider to ensure they are meeting their KPIs and for adequate icare resources to be in place to do so.

The Outsourcing Committee is vested with the following delegated authority:

- to oversee the management of outsourcing risks associated with material outsourcing arrangements

- to report to the ARC on any relevant issues relating to material outsourcing arrangements.

The material outsourcing agreements that are currently in place with scheme agents (other than the extension to the EML contract approved in November 2020) were entered into before November 2020 and therefore did not have to comply with these higher standards for the management of risk in outsourced arrangements. icare considered the compliance of the EML extension against the terms of the prior outsourcing policy and indicated an intention to comply with the updated November policy however, we did not see evidence of confirmation provided to the Board on this matter.

Strengthening the outsourcing policy further

The policy could be further strengthened by including the following requirements:

- Reinforce the principle that although icare may outsource day-to-day management of a business activity, icare itself remains accountable for complying with all regulatory requirements and for the outcomes delivered to stakeholders.

- Provide more details on the prerequisites that must be met for new outsourcing arrangements, including preparing a business case, adequacy of due diligence of the chosen service provider, disclosing icare policies to be complied with, and disclosing the selection criteria and assessment process.

- The requirement for a full risk assessment of the outsourcing policy (not just in relation to offshoring).

- Specify the role of Internal Audit to pre-approve outsourcing arrangements.

- Provide more specific guidance on monitoring and oversight practices that must be met, such as the obligation on the contract owner to undertake control testing.

- Provide more specifics on contract requirements such as:
  - a statement of the content, frequency and format of services being provided
  - service levels, performance requirements and KPIs to be met and timelines for delivery
  - access by internal or external audit to undertake on-site inspections and sampling to confirm the adequacy of risk management systems and compliance to performance standards
  - escalation provisions to govern how icare can escalate action for ongoing performance issues by an outsourced provider (eg. warnings, tracking of performance issues, requirement for a remediation plan, financial penalties, ability to remove services, or to terminate).

As the new outsourcing policy has only recently been approved, we are unable to fulsomely observe the effectiveness of the mechanisms to implement it. That said, Line 2's involvement in the EML contract extension process is promising.

> **Recommendation 46**
> Strengthen and further embed the outsourcing policy and design the underpinning processes and procedures to fully operationalise and implement the updated policy.

Outsourcing committee

As of February 2021, the outsourcing committee is not yet in operation. We would expect standing members to be appointed and terms of reference to be put in place. When setting up the new outsourcing committee, icare should also give consideration to its interface with:

● the joint committees between icare and each scheme agent (pursuant to each outsourcing agreement) which reviews agent performance to KPIs, for icare to receive and monitor reporting, review audits etc

● icare's remuneration committee[48] (reporting to the Group Executive PI) which authorises payments of remuneration to agents in accordance with relevant agreements; and

● the exercise by standing member executives on the outsourcing committee of their individual accountabilities.

> **Recommendation 47**
> Set up the proposed outsourcing committee with standing members of GET members and relevant executives involved in outsourcing, with a terms of reference providing a clear remit which considers the committee's interfaces with other committees and roles and includes the requirement to escalate material issues to the GET and ARC.

7.3.2 Outsourcing agreements in place, including service levels and performance requirements

icare has a number of contracts in place with its scheme agents to manage different tranches of claims within each claims book. The agreements follow similar templates and have similar clauses.

icare's 2018 contract with EML reflected icare's intention, at the time, to move to a different operating model to that used in the GIO, Allianz and QBE arrangements. The new operating model was intended to bring EML closer to icare and give icare greater control over elements such as the claims procedures and processes, delivery of the customer experience, recruitment, ways of working and significant decision rights. The remuneration of EML under the 2018 contract was also very different, with a cost plus model, low incentives and no financial penalties.

icare has agreed changes and an extension to the EML contract (to apply from 1 January to 31 December 2021). The new arrangement:

● changes the governance and removes the significant decision rights vested in icare

● changes the incentives and financial penalty arrangements for EML performance

● improves the mechanisms for EML to cooperate with SIRA.

icare also announced a number of operational changes relating to nominated case managers, reducing claims management team sizes and aligning teams to industry lines. When icare announced on 26 November 2020 an extension to the EML contract for one year, it was not clear that the requirements of the recently approved outsourcing policy were finalised and confirmed to the board.

Our review of the agreements highlighted:

● further clarity is required in relation to the key services being outsourced and level to which they are to be delivered. Currently the agreements refer to the "Highest Standard" and in accordance to applicable laws (such as NSW Workers Compensation legislation)

● the requirement on icare to notify the scheme agent in writing of internal icare policies that the scheme agent must comply with. We did not observe evidence of how icare notifies scheme agents of these policies, or ensures scheme agents are performing to those icare policy standards.

> **Recommendation 48**
> Review existing key material outsourcing contracts against the revised outsourcing policy requirements and update accordingly.

---

[48] We did not receive a terms of reference for this committee

Recommendation 49

Improve the governance over scheme agent adherence to relevant internal icare policies and ensure that scheme agents are performing to these standards.

KPIs and performance standards

All the icare scheme agent agreements establish a set of KPIs that scheme agents' performance is to be monitored against, with some of these determining remuneration outcomes. Each of icare's contracts should have a detailed list of KPIs to be complied with across categories such as customer, operational, financial and people. Example metrics include RTW, timeliness of key activities and the efficiency, effectiveness and cost of claims. Each KPI sets out the details of the performance metric to be used, assessment frequency, methodology for measuring the KPI and the accountable individual for reporting.

However, our review highlighted further work was required in relation to the KPIs. Many are lagging rather than leading indicators and more work is required in the compliance and customer service KPIs. This will provide better early warning of service failures that may cause longer-term issues in the tail.

Recommendation 50

Review the KPIs used to measure scheme agent performance. Ensure they adequately capture compliance with regulatory requirements and include leading measures as well as lagging measures focused on the injured worker.

7.3.3 Roles, responsibilities and accountabilities for the NI scheme agents

icare executive accountability for scheme agents

APRA standard CPS 231 states that a person or committee should be nominated as accountable for the management of an outsourcing arrangement.

The EML contract nominates an Account Manager to act on behalf of the Nominal Insurer Principal as the first point of contact for the Service Provider Principal. All other scheme agent contracts (eg. Allianz and GIO) have a similar provision.

Our review of the icare executive role descriptions shows they need to specify who has overall accountability for each individual scheme[49] and also state explicitly the accountability for the performance of scheme agents. For more information on this, see Chapter 8. Accountabilities.

7.3.4 icare's partnering relationship with scheme agents

icare's relationships with scheme agents are intended to be a partnership. Within the NI, the relationship in practice worked quite differently from the perspectives of EML (as the largest provider to the NI) and other scheme agents (Allianz, QBE and GIO) also providing services to the NI.

In the past, there was a sentiment, more pronounced in EML, that icare created a 'master-servant' relationship rather than treating the agent as a valued partner. At least in part, this was attributed to a lack of clarity over hand-offs and accountabilities between icare and its agent and in our focus groups with scheme agents; icare was reported to take on accountabilities and oversight which effectively "shadowed" and / or micromanaged the scheme agent. Decision rights were held tightly by icare that could be more appropriately delegated or decision rights in grey areas left actions in a void. As an example, a scheme agent reported an alleged privacy breach by a customer, was unable to make a determination and believed contractually, they were not in a position to do so. icare also did not make a determination putting the onus back on the scheme agent, which ultimately left the case unresolved and the customer's complaint unaddressed.

A further concern voiced by scheme agents was a perceived 'double standard' between themselves and icare: "when icare wants something, we have to reply in hours but when we need something, we can wait months for a response". Whilst it is recognised icare's intent was to control delivery outcomes and implement the less-adversarial operating model (an example of the 'commitment to vision' culture trait), this often created additional process steps and subsequent delays for the scheme agents and impacted their ability to partner effectively.

---

[49] Some schemes have a GE nominated with overall accountability for the scheme, yet others do not

There were, however, indicators that the relationships between icare and scheme agents are improving with further room for growth. Following a heavy consultation period between icare and EML in the period prior to extending the contract (approved in November 2020), icare recognised the need to pull back from its approach to tightly manage EML through control of day to day decisions and in turn implemented new decision rights in its contract extension. In the period during which we conducted interviews (just prior to the contract extension), there were references from both EML and icare to notable shifts in the behaviours of icare staff and leadership role modeling that were empowering EML in certain areas to expedite decisioning and deliver customer value.

At an operational level, through our focus groups we also observed positive experiences between icare and the scheme agents, particularly those outside of EML, where mid-level staff just got on with issues that they could resolve when not bound by contractual inefficiencies. A focus group participant explained that "when we were able to share, open up and be honest about how things were going we were able to work together to find the best solution for the customers". icare's ability to leverage the essence of this productive partnering will provide the rapid response and beneficial outcomes all parties are seeking to achieve.

7.3.5 icare's supervision and oversight of scheme agent performance across the 3LOD

The November 2020 outsourcing policy states that the business is to maintain appropriate levels of regular contact with the service provider and have a process for regular monitoring of performance under the agreement, including meeting service level criteria.

To this end, each scheme agent contract includes a "Performance Management Governance Framework" which describes the processes, decision-making and performance assessment framework used by icare and the service providers in reviewing the scheme agent's performance against KPIs and other standards. This is described in Schedule 4: Performance Management and Remuneration of the agent agreements. The schedule outlines the following key interactions with icare and scheme agents:

- Monthly Operational Meetings - to monitor performance commitments to support the delivery of the services. Members include the principal account manager, claims manager, account manager and other nominated personnel with relevant levels of experience and expertise.

- Operational Escalation Meetings - as and when required, escalation meetings address escalation items that have not been resolved at operational meetings. Attendees are the principal authorised representative, the claims manager authorised representative, principal account manager and the claims manager account manager.

- Quarterly Strategy and Performance Meetings - to consider strategic issues relating to the claims manager and the management of the portfolio, scheme trends and portfolio performance. Meetings involve the discussion of operational issues that have been escalated via escalation meetings, but have not been resolved, facilitating initiatives of continuous improvement in achieving scheme outcomes. Attendees are icare's Group Executive Personal Injury and the scheme agent's executive representative, authorised representative and account manager.

The effective deployment of the three lines of defence by icare over scheme agent operations is vital to give confidence to the GET and the board that outsourced providers are performing effectively, providing value, and delivering outcomes to customers against the promises made by icare and to regulatory requirements. Figure 6 below summarises the current status of icare's monitoring and supervision assurance approach over scheme agents.

Figure 6: Monitoring and supervision of scheme agents

3 LoD	Monitoring and supervision activity over ongoing scheme agent performance
Line 1	- Scheme agents are required to undertake detailed supervisory activities according to the contract. - The A&Q team undertakes scheme agent and service level reviews.
Line 2	- Line 2 does not currently perform any activity over scheme agent
Line 3	- Outsourcing contracts have relevant provisions for access and the execution of independent audits.

There is a need for icare to develop more detailed procedures and principles to govern ongoing oversight over scheme agent performance. Our key findings in relation to monitoring and supervision over scheme agents indicate the following:

● Obligations, risks and control measures as they relate to service delivery by scheme agents have not been defined or documented.

● Further clarity is needed on roles and responsibilities for monitoring and overseeing the scheme agents. This includes procedures to escalate risks, incidents and/or performance issues, and any impacts they may have on payments.

● Reporting in relation to the outcomes of Line 1 activities could be strengthened, as they are currently focused on activity rather than providing insights and analysis on key issues/risks identified and their impact

● Line 2 does not undertake monitoring of scheme agent oversight processes and controls.

● There was no internal audit activity over the scheme arrangements during 2019-2020 due to ongoing deferrals by management, although Internal audit activities recommenced in the 2020-21 period.

● External audit performed testing of financial controls, in the context of their audit of financial statements, but did not test non-financial controls in 2019/20. An external audit firm has been engaged to undertake a detailed service standard review and internal controls work to improve the control environment.

● Insights from monitoring and supervision teams do not appear to be systematically analysed to identify trends and root causes of issues.

The ARC has recognised the need to uplift controls in relation to scheme agent operations and to improve audit activity to achieve end-to-end coverage and has been working to improve this.

Recommendation 51

Identify and map the key obligations, risks and controls related to claims management and how roles and responsibilities are delineated between icare and the scheme agents.

Recommendation 52

Once obligations, risks and controls have been documented:

● document assurance roles and responsibilities in relation to scheme agents across the 3LoD

● significantly improve assurance activities by the 3 LoD over scheme agents in accordance with a documented framework, supported by procedures, reporting and governance oversight.

Recommendation 53

GET meetings to receive regular individual scheme agent scorecards to ensure visibility and accountability of scheme performance.

8. Prioritisation & decision-making

8.1 Summary

Throughout this report we have raised a number of observations and recommendations in relation to decision-making. In this chapter we focus more specifically on how icare prioritises proposed projects for investment, decision-making through the project lifecycle and how it manages risk through prioritisation choices and delivery. We have considered the balance between the voice of finance, customer and risk.

From 2015 to 2020, icare has been undertaking an ambitious program of change. Management and the board have spoken proudly of the way that icare embarked on a "world class" transformation, based on a global scan of better practice. While icare has delivered on many aspects of its change program, the focus on transformation projects has resulted in significant challenges.

While documentation and guidance exist to support the evaluation of proposed projects and prioritisation, our observations include:

- an emphasis on larger transformations up until 2019 (eg. NISP), which led to a lack of focus on other projects or requirements that were critical in making sure the infrastructure to deliver icare's operations was set up correctly

- multi-dimensional prioritisation criteria were lacking, which resulted in narrow evaluations of proposed projects and the portfolio of projects in order to make trade-off decisions

- Limited 'risk in change' guidance from Line 2 to guide the management of risk when business change is underway

- a tendency to take on a much higher level of risk, for both icare and customers, in decision-making during program execution, than management has been aware of

- a failure to embed mechanisms that would look for, and enable action on, early warning signals of issues

- inconsistency in how risk management was applied in project execution

- an absence of adequate reflection, learning and course-correction as part of project management.

There has been growing recognition in icare that the organisation tried to take on too much, too soon, and likely did not have the right skills and experience to drive the scale of transformation undertaken. Many of these issues are anchored in the way icare approaches prioritisation and a weakness in managing 'risk in change'. A stronger approach would require icare leadership to stand back and objectively consider the customer outcomes and potential impacts, apply a rigorous review of "what might go wrong?", consider whether these investments would lead to the best outcomes for customers, work through scenarios in a disciplined way and to 'think around corners'.

We assessed how well icare balances investment in risk management capability, systems and processes against investments in customer outcomes and performance, by examining:

1. Investment prioritisation and governance

2. Trade-off decisions and the balance between transformation, risk objectives and customer outcomes

3. Voice of risk during program execution and course-correction.

8.2 Context for this chapter

Delegation of authority

icare uses its Instrument of Delegations which provides the framework for approval of various types of expenditure, as well as the roles which have the authority to give or to delegate approval at particular levels of expenditure. The Instrument of Delegations is largely focused on financial remits including those relevant to investment and funding decisions. It also extends to other items such as personnel, travel, sponsorships and general expenditure categories.

In July 2020, icare reviewed and updated its Delegations of Authority (DoA). This was supported by icare-wide training and communications to relevant employees, including a mandatory training module which had very high completion rates.

From a project and contracts perspective, icare's Instrument of Delegations specifies financial thresholds for approvals, but does not specify other criteria to be considered, such as the size, materiality and risk associated with a proposal. The 2020 Instrument of Delegations[50] specifies the following financial thresholds:

● Projects and contracts of up to $1M may be approved by selected GMs (with support from GET members as the project sponsor). The CEO must be informed of transactions of this value.

● Projects and contracts between $1M – $3M may be approved by a GET member. The CEO must be informed of transactions of this value.

● Projects and contracts between $3M – $15M may be approved by the CEO. The board must be informed of transactions of this value.

● Projects and contracts in excess of $15M must be approved by the board.

A GET member may exercise their discretion to delegate their approval limit within the respective division. If they do so, they must first establish and document how the Financial Delegations and Authorities apply to their division. It is the relevant GET executive's responsibility to determine the level and nature of risk associated with the relevant projects, rather than it being formally defined within the instrument.

The new delegations framework, which took effect on 1 July 2020[51], requests employees to acknowledge and accept their standing delegated authority on the Performance and Learning Dashboard at the start of every financial year[52].

For projects which exceed $10M for infrastructure, $10M for information and communication technology, or major projects which are recurring and exceed a total cost of $100M over 4 years or $50M, icare is subject to additional government oversight at various stages during the project's lifecycle pursuant to the NSW Government's TPP 17-01 Gateway Policy.

Decision-making framework

icare has not had a long-standing decision-making framework which has been uniformly applied across the organisation. Noting this as a gap, in February 2019, icare's management team worked with The Ethics Centre to develop a whole-of-icare Decision-Making Framework (DMF). Its purpose is to incorporate ethics-based thought processes and approaches into decision-making across the organisation. Establishing the DMF is a positive step for icare in evolving the maturity of decision-making processes.

The DMF incorporates decision principles of:

● Impactful

● Socially accountable

● Observant and thoughtful

● People-centric.

Despite the existence of the DMF, we did not observe evidence of its use in GET decision-making practices, icare has indicated it is looking to reinvigorate the DMF for roll out.

Annual strategy and business planning process

Each year, icare is required by the SICG Act to develop a Statement of Business Intent and submit it to the Treasurer. The statement is to include icare's objectives for the year, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of icare is to be judged. icare is required to share its annual business plan with SIRA and then address any matters that SIRA raises.

As part of its annual strategic planning process, icare develops the strategy and business plan in the lead-up to its board strategy offsite held in December each year[53].The roll-up of icare's annual strategy and business plan process by the GET results in icare's annual strategic plan. In July 2020, icare's strategic plan for FY20-22 was published publicly, highlighting icare's strategic priorities, enablers and specific focus areas for FY21.

---

[50] icare Instrument of Delegations - 2020

[51] Board Meeting Minutes - 29 June 2020

[52] icare Delegations Factsheet - 1 July 2020

[53] FY21 Business Plan

Prioritisation and selection of projects

In the past, there were governance bodies in place to provide collective oversight of icare's selection and prioritisation of major projects, and strategic pillars to which they align, however there were some gaps in the execution of the process. Through our interviews, we heard multiple instances where leaders would often consider their projects (and funding requests) within silos with an absence of consideration as to what an increase in their spend might have on other organisational priorities. With processes and practices newly developed or already embedded by Finance that sought to curb over-runs and bring further discipline, leaders had, in the past, found effective workarounds such as going direct to the Board to gain funding approvals. The balance is shifting and we note there is greater maturity continuing to be injected into project prioritisation and funding. Embedded behaviours will however need more time to weed out previously inconsistent practices or lacking rigour.

A number of people made reference to strategic planning workshops which occur annually in December each year, wherein proposed strategic initiatives are assessed for alignment against the strategy and the benefits are assessed over different horizons. The CEO determines the forward, three-year view of discretionary investment priorities based on GET inputs, and this is submitted to the board. The outcomes of this work feed into the strategic plan which is shared with SIRA on an annual basis.

Over FY20, there was increased focus on prioritisation of projects. In FY20, the GET met multiple times to build themes, performance targets and a "scalability review" to produce a revised set of initiatives that better aligned to its strategic priorities. As part of this, planned initiatives were considered and decisions made to deprioritise or reprioritise accordingly. In FY19, total project expenditure was at 15% of total controllable expenses. icare is forecast to reduce this to 3% by FY22, reflecting an intention to stabilise the business and enter the operations[54] phase of its plan, but also the requirement to continue to prioritise with discipline.

Governance over project execution

Under the Group Executive, Strategy & Governance sits a Portfolio Governance and Delivery team that provides governance and oversight of icare's program of initiatives, by, for example:

● standardising the way icare delivers projects - publishing a Project Management Handbook which acts as a 'how to' guide for delivering projects

● operating a stage-gate approach to managing project phases

● supporting program sponsors to provide appropriate program governance

● recommending sequencing, and developing an integrated strategic program roadmap

● reporting on execution and delivery of program benefits

● reporting to the GET as the forum providing governance oversight of strategic project initiatives.

Once a project has been prioritised and launched, icare sets up steering committees to oversee the project, including members of the GET and SMEs. The role of steering committee members is to make decisions on key elements of the project, including approving progress between stage-gates, driving successful project completion and realising the agreed benefits.

The handbook sets out the expectations, responsibilities and reporting lines across icare's organisational structure throughout the seven phases of a project, set out in Figure 7 below.:

---

[54] Expense Savings Board Paper - 12 November 2020

Figure 7: Project lifecycle framework from icare's Project Management Handbook
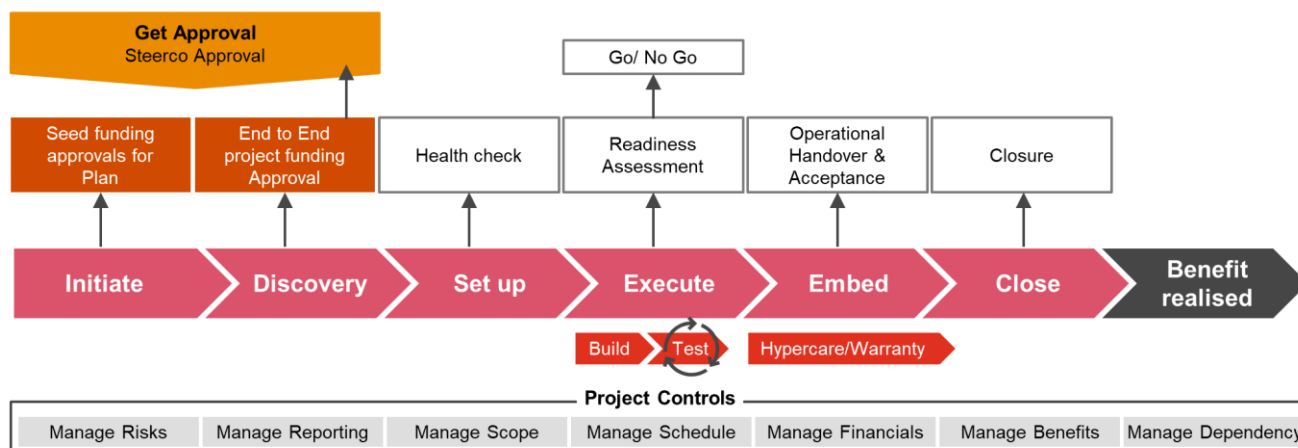
Under NSW Government's TPP 17-01 Gateway Policy, a number of government agencies play a role in creating risk-based frameworks for assessment and independent review of icare's progress against project plans.

8.3 Review observations

8.3.1 Investment prioritisation and governance

As previously mentioned, icare employs its Instrument of Delegations in order to guide decision-making across the organisation. In reviewing this instrument, we noted that there is a strong focus on expenditure thresholds, but limited guidance on the identification, assessment, thresholds and tolerance for risks associated with projects and program expenditure. It is the relevant GET executive's responsibility to determine the level and nature of risk associated with the relevant projects, rather than it being formally defined within the instrument.

Without having specific thresholds for the materiality of risk, icare is exposed to poor investment decisions. There was some evidence that lack of controls around delegations had led to a lack of prudent decision-making, even when within delegations. For example, interviews and focus groups indicated that when leaders had funding available, they would push ahead with projects outside business and strategic planning, without detailed or holistic consideration of whether this was appropriate at the organisational level. Whilst this was not always the case, this would, at times, create inefficiencies and duplication across icare.

Recommendation 54

Review and update icare's Instrument of Delegations to ensure it considers the materiality of risk in addition to project financials. Examples of this are risk to strategy, brand and reputation risk, operational risk (eg. IT, cybersecurity, delivery) and customer (eg. experience, outcomes, retention).

The prioritisation of large transformations, such as the NISP, has meant such large transformations have been at the forefront of icare's delivery effort and historically overshadowed smaller projects across the organisation. As a result, the breadth of projects which occur across icare, and still serve important purposes, have not received sufficient attention and focus. icare's tendency to search for a positive news story and seek alignment has, at times, biased the necessity or inflated the outcomes of projects, and evaluation has typically only focused on cost and benefit assessments. In a number of interviews with the board and executives, as well as through focus groups, we heard such comments as:

- the "transformation-ethos" and "project obsession" within icare has historically received a lot of "support and thrust", detracting from senior leadership's ability to look across the broader portfolio of projects

- there is inconsistent application of the guidance on strategic planning and prioritisation of projects, for projects undertaken both in support of the strategic plan, and outside it

- inputs to decisions were often tunnel-visioned in terms of their considerations and there are examples where establishment of projects had been decided outside governance forums

- Line 2 risk has not always been adequately represented or consistently involved in project steering groups or prioritisation decision-making forums, although this has shifted in the last year

- limitations in accessing the information required to make informed decisions, but also an acknowledgement of a lack of rigour and discipline in asking more specific questions at the point of making decisions

- when prioritising projects, inconsistent view of the whole project slate of inflight and proposed projects, creating perceived duplication and strain on capacity as it drove significant transformation with high complexity and size of change

- limited alignment of portfolio resourcing requirements to enterprise resourcing capacity.

While work in understanding and reconciling the number of projects has begun, we observed that icare does not currently:

- make active trade-offs between projects using comprehensive evaluation criteria and principles

- seek to understand the size and complexity of concurrent changes across the set of projects

- evaluate the sequence or prioritisation of projects as a portfolio across the organisation.

Had such assessments been made historically, this would have required articulation of costs and benefits across multiple dimensions and enabled clearer trade-offs between different objectives such as benefits for customers, financial impacts, strategic impacts, alignment to the ethical decision-making framework and risk.

Recommendation 55

Document icare's approach to strategic planning and prioritisation of projects.

Recommendation 56

Define and embed multi-dimensional criteria that consider customer outcomes, financial impacts, strategic alignment, risk appetite and alignment to icare's ethical DMF. This will allow independent evaluation of the feasibility of each project, as well as support trade-off decisions across projects.

Recommendation 57

Line 2 to establish a formalised 'risk in change' approach. This should consider the nature and types of change that can affect the risk environment and the need to assess icare's capacity, appetite, impact, complexity, interdependencies and dependencies as it relates as a result of change (including project change).

Recommendation 58

Ensure Line 2 risk capability has a continuing presence and is embedded as a standing member of material steering committees and in prioritisation forums.

8.3.2 The voice of risk during program execution and course-correction

An ongoing consideration and focus on risk is critical to effective program delivery for any organisation. Without this, program delivery teams fail to recognise and respond to key challenges which can derail project timelines, and reduce benefits realisation. icare's Project Management Handbook sets the expectation around project stage-gates, reporting lines and obligations with an intent to manage controls over project delivery. However, we did not receive any strong evidence to suggest that the voice of risk had been adequately and consistently embedded or applied throughout this, creating challenges for how icare monitors, evaluates and takes actions on risk. Chapter 9. Accountabilities also speaks to a number of shortcomings around this observation.

In considering icare's application of project management discipline and specifically the focus on risk management, we observed a number of weaknesses:

- Teams were unaware of the true extent of risk being taken on in a project. While risk, compliance and customer outcomes are increasingly being considered in inflight change programs, icare has not always been consistent in giving these matters sufficient time or emphasis.

- Projects have gone live before they were completely ready to do so (eg. Guidewire II proceeded to go live despite some stage gate criteria not being passed), despite feedback from key stakeholders that the project was not ready to go live.

- Although icare's project teams regularly undertake a review at the close of a project, there is a need to uplift this approach to Post Implementation Reviews (PIRs) conducted by a party outside of the immediate project team who tests whether the project has been effective in delivering the business case, in particular the promised benefits. PIRs provide an important mechanism to step back, reflect on the events that have occurred and identify successes and challenges to improve project execution in the future. We note in November 2020, the icare board has requested a PIR be undertaken on the 2018 single claims operating model program.

This was validated through interviews and focus groups where the following was cited:

- There was a tendency towards "tunnel vision" when projects were in progress, creating challenges for how operational risks and delivery issues were managed. One interviewee mentioned that "we were so focused on transforming, that we didn't pause and assess whether what we were doing was right". The over-emphasis on delivering to icare's visions encouraged blind spots that turned into issues that icare would later have to react to.

- Priority was placed on timeliness of delivery rather than outcomes, management of interdependencies, visibility and management of risk, leading to oversight and inaction during project execution.

- Warning signs were sometimes missed or ignored and focused on timely delivery of tasks. For example, one individual said that "when they wanted something done, if others could not help, they were told to get out of the way...we'll [icare] build the team internally and deliver against the ambitious timeframes we've set."

Without clear accountabilities for risk, and appropriate discipline in reflecting, learning and course-correction, icare will continue to encounter financial, reputational and customer challenges in future initiatives. Ultimately, a balance across all three of these outcomes needs to be reached.

Recommendation 59
Clarify and operationalise accountabilities for risk management within program roles and improve the management and oversight of risk in project decision-making and delivery.

Recommendation 60
GET to bring a stronger risk management and governance lens to decision-making on the magnitude and complexity of change across multiple programs of work.

Recommendation 61
Further embed the key elements of the Program Management Handbook and ensure key project principles (eg. post implementation reviews, benefits realisations, risk assessment) are adhered to and with sufficient quality/depth or documentation so that lessons can be learned for future projects.

Section B: Accountability

9. Accountability

9.1 Summary

We observed a poor cascading of accountabilities through the organisation and a failure to build a strong and connected system that links clear individual accountabilities to KPIs and performance targets, to incentive design, and then to consequence management.

icare people do not sufficiently understand their accountabilities, as indicated in the PwC survey, where only 51% of respondents agreed that people are clear about their accountabilities. Although there are prominent examples of the board applying consequence management to executives over FY20, the governance framework for consequence management needs to be further strengthened and cascaded to levels below the GET.

We also observed gaps in collective accountabilities where icare has not demonstrated sufficient accountability to SIRA in the context of the NI nor fully appreciated its accountabilities as a NSW government agency.

However, in the last 4-6 months we have seen a shift in attitudes and a growing sense of accountability by icare as a significant NSW government agency.

We assessed the effectiveness of both individual and collective accountability in the following areas:

● The regulatory regime for accountabilities which applies to icare

● The extent to which icare sets clear accountabilities for its people

● How icare embeds accountabilities in its systems, governance and ways of working

● Individual performance and consequence management to hold its people to account

● Accountability of icare to its stakeholders.

9.2 Context for this chapter

icare must ensure that it meets its legal and policy compliance obligations and community expectations of probity, accountability and transparency[55], and deliver to customers in accordance with the requirements of each insurance scheme operated by icare and governed by different Acts.

An effective accountability framework ensures that employees "fully understand, agree and readily accept their responsibilities as appropriate to their role, see objectives as attainable to achieve desired outcomes, and are prepared to accept the consequences of achieving (or not) those outcomes"[56].

Clarity of individual accountabilities is the foundation for establishing collective accountabilities. Collective decisions are managed through icare's governance forums such as the GET, through steering team oversight of projects, and when employees come together to work on shared initiatives. Individual accountabilities make it clear how ownership of an end-to-end process will work and how hand-offs are to occur.

Our review assesses the adequacy of not only the accountability framework but also the clarity of accountabilities and extent to which they are embedded, as evidenced or perceived through staff consultation and managed through consequence management.

9.3 Review observations

9.3.1 The regulatory regime for accountabilities which applies to icare

At present, there is no accountability framework in place for NSW government agencies that is similar to the BEAR (Banking Executive Accountability Regime applicable to banks) or FAR (the Financial Accountability Regime to be rolled out to other financial institutions, including all Australian private insurers).

Voluntarily adopting an enhanced individual accountabilities regime would bring several benefits for icare: it would help the GET in its understanding of the board's expectations; it would clarify the implications if things go

---

[55] TPP 12-03b Risk management toolkit for NSW Government agencies

[56] APRA. April 2018. Prudential Inquiry into the Commonwealth Bank of Australia p.57 <https://www.apra.gov.au/sites/default/files/CBA-Prudential-Inquiry_Final-Report_30042018.pdf>

wrong; and would support the board in holding executives to account and applying improved consequence management for high and poor performance outcomes.

	Recommendation 62
✓	Adopt a better practice accountability framework that provides clarity on standards, holds people to account with strict board and GET governance and oversight, cascades accountabilities through the organisation, and effectively applies consequence management. Ensure these accountabilities are documented and communicated and consideration given to leveraging practices and requirements set by other regulators.

9.3.2 The extent to which icare sets clear accountabilities for its people

The board is ultimately accountable for "all decisions relating to the functions of ICNSW (icare)", under section 6 of the SICG Act. Under section 8(2), the CEO has responsibility for "for day-to-day management of the activities of ICNSW (icare) in accordance with the general policies and specific directions of the ICNSW (icare) board"[57].

Accountabilities are defined through formal frameworks, including the charter of CEO delegated authority limits, position descriptions, delegations of authority, internal controls, and in various committee charters and terms of reference. The 2020 Challis & Company evaluation of the icare board emphasised a lack of clarity over executive accountabilities and recommended that icare prepare and maintain a guide clarifying the responsibilities of the GET[58].

Setting clear accountabilities

The board has a dedicated People and Remuneration Committee (PRC) which has responsibility for a wide range of people matters, including talent, inclusion and diversity, leave policies, flexible working, etc as described in Chapter 3. Role of the board. This committee is also responsible for overseeing the remuneration framework and reviewing the "performance assessment processes and results for the CEO and Group Executives as they reflect the capability of management to realise the business strategy and report to the Board as required"[59].

However, the PRC's charter does not refer to its role in overseeing the establishment of clear accountabilities for GET members that are cascaded down. Accountabilities are a cornerstone requirement for the board to be able to challenge executives and hold them to account. Remuneration decisions also need to reference back to clear accountability statements and aligned performance targets and KPIs of the individual executive.

The board approves delegations of authority as they are updated based on structural changes. Better practice would suggest a review of delegations should be undertaken on a regular and more structured basis.

	Recommendation 63
✓	Amend the People and Remuneration Committee's (PRC) charter to include a role to oversee the setting-up of an effective accountability framework for icare complementing a new consequence management framework, and including the cascade of this through the organisation.

GET role descriptions

Each GET member has their accountabilities documented in a role description and a list of delegations attached to the role, which links back to icare's delegation of authority charter. However, role descriptions are not always clear or straightforward in describing what is expected of the executive. For example, Group Executive Customer and Community is accountable to "negotiate and provide persuasive and commercially sound advice and solutions in a complex and dynamic environment of divergent views and agendas, legislative requirements and conflicting priorities." [60] Similarly, Group Executive Digital and Technology is accountable to "provide persuasive, commercially sound, professional advice and solutions in a complex and dynamic environment of time pressure, divergent views and agendas, legislative requirements and conflicting

---

[57] *State Insurance and Care Governance Act 2015 No 19*, Section 6(1).
[58] Challis and Company Board Report on the Board Effectiveness Review, 29 May 2020
[59] People & Remuneration Committee Charter, Version 4.0 - Board Approval: 25 March 2019
[60] RD-Group Executive Customer and Community

priorities."[61] Unclear, conflicting or inconsistent roles and responsibilities have had the effect of diffusing accountability.

Our review of the icare executive role descriptions shows they need to be clarified to specify who has overall accountability for each individual icare scheme[62]. For example the GE of PI is stated as accountable for the NI, however, not all schemes have this clarity. Role descriptions should also explicitly state the accountability for performance of scheme agents, where relevant to a scheme.

Other gaps in the GET role descriptions relate to risk accountabilities. Due to the deficiencies described in icare's risk management and compliance frameworks, the accountabilities of owners of controls, audit issues and incidents are not well defined or understood. This has resulted in a blurring of accountabilities across the three lines of defence (as described in Chapter 3. Role of the board).

We noted in some role descriptions in levels below the GET; for example, within PI and PU, there were some accountabilities tied to risk and compliance. However, these were not specific to the roles, responsibilities and accountabilities of the individuals concerned.

Understanding the interdependencies between GET accountabilities

We heard from executives that executives have clearer accountabilities since the functional organisation model was introduced. There is day-to-day interaction between executives on joint initiatives and inter-dependencies between roles however, for continuous improvement, we would expect the further step of running structured sessions on accountabilities at the point of inter-dependencies as would occur with the introduction of an Accountability regime.

In July 2019, a new scorecard was introduced for the GET involving 70% of remuneration linked to a common list of KPIs. This had the effect of encouraging more open and frank challenge between executives and reduced the former 'siloed' approach to individual accountabilities.

Accountability cascade

While GET members have a high level of confidence in understanding their accountabilities, this confidence is not shared by employees further down the line with significant more work required to improve accountabilities deeper in the organisation..

Despite accountabilities being documented in job descriptions, delegations of authority in place and dashboard reporting against KPIs, many employees are not clear on their accountabilities. icare executives stated during interviews "our accountability frameworks are not sufficiently mature", resulting in low clarity of performance expectations. Through the cascade, we saw a 'frozen middle' where only 31% of middle management (below the GET) agree that people at icare are clear about their accountabilities.

All icare employees have a role description summarising the primary purpose of the role, key accountabilities, key relationships, role dimensions and delegations, and there is an expectation that delegations be approved online on an annual basis. However, updates to role descriptions, along with delegations of authority updates, tend to occur as required or when structural changes occur. Better practice would be to consider each role description and apply to the setting of individual performance objectives on an annual basis and ensure alignment to the strategy and risk appetite.

Interviews and focus groups highlighted the issue of icare's accountability environment, with many participants sharing their frustrations and concerns about lack of enforcement and clarity of accountability.

However, some areas of icare provide more clarity than others. Our survey revealed 63% of employees in Digital and Technology agree that people at icare are clear on their accountabilities, compared to 37.9% in Strategy and Governance.

Unclear accountabilities in risk management

A number of interviewees called out a lack of clarity between the roles of the 3LoD. We saw, for example, in Chapter 6. Issue identification, escalation & resolution that the accountabilities between Line 1 and Line 2 in relation to assurance have been blurred, resulting in a lack of checks and balances.

There has also been historical weakness in employees' understanding of their accountabilities in risk management. This has resulted in employees being unaware of material obligations and how to manage key risks. For example, as noted in Chapter 6, icare has not clearly defined responsibilities for issue identification and escalation and there is no policy asking employees to identify, assess and report risks up the line.

---

[61] RD-Group Executive Digital and Technology

[62] Although some schemes have a clearly nominated accountable executive, others do not

Recommendation 64

Improve role descriptions of the GET and their teams to ensure that accountabilities for scheme agents, risk and other matters are clearly captured and then cascaded through the organisation. Ensure there is a process of regular review.

9.3.3 How icare embeds accountabilities in its systems, governance and ways of working

While icare has worked to increase the clarity of the GET's accountabilities, more work is required to build and embed a connected system that links individual accountabilities to individual performance targets and KPIs, to the design of incentives, and then to consequence management.

Collective accountability

icare has an enterprise scorecard which aligns performance metrics to icare's strategy at a high level. 70% of GET member Annual Performance Payment (APP) incentives are linked to the enterprise scorecard metrics, with 30% driven by individual performance targets.

The board approves the enterprise scorecard and receives a report against it in the CEO's report to the board at every meeting. The board discusses icare performance against the scorecard throughout the year.

Employee perception is that performance targets have been set too low, limiting the stretch required to achieve them. A focus group participant noted "KPIs often are subjective and aren't hard targets". This was also observed by SIRA in relation to RTW targets for FY20.

In FY21 we observed further increase and board challenge on the performance targets. The FY21 scorecard includes risk and compliance and prevention initiatives with clear single-point accountability and a notable improvement in the rigour applied to the most recent performance target setting process. The scorecard also provides clarity at the executive level where there are intersecting functions or processes for single point accountability and collective responsibility.

The GET does not have a charter in place to describe its remit (as described in Chapter 3) This should include a statement on the collective accountabilities of the GET.

Communicating the enterprise scorecard

In 2019, the enterprise scorecard was cascaded, in PaL (icare's Performance and Learning portal), to employees who are eligible to participate in the APP plan, under the updated 2019 remuneration framework[63].

In 2020, the enterprise performance scorecard was shared with all employees on icare's intranet site HUGO and has been widely discussed at town halls and other employee sessions. While icare is currently working to cascade the scorecard to team and individual performance objectives, in addition to establishing stretch targets, the alignment to organisational strategy and the performance scorecard varies, depending on eligibility for APP payments. As noted in icare's performance scorecard FAQs for employees, "For some employees, the performance scorecard is directly related to bonus potential. For others, less so". icare should revise its performance metrics and review assessment process to reflect the changes being introduced by the updated performance scorecard.

Recommendation 65

As part of the better practice framework, develop an accountability map for icare as a whole, referencing how accountabilities come together from individual schemes to ensure there are no gaps or overlaps.

Leading people

icare has spent significant time in developing senior managers and executives. Leadership reviews and succession planning is undertaken to assess collective and individual talent against desired skills. Leaders have participated in the Leadership Circle's 'Collective Leadership Assessment', although references to risk attitude are absent from assessment criteria. However, the *Leadership at icare* briefing tabled in the June GET meeting emphasised that measurement of progress towards "improved leadership effectiveness will be developed and piloted in Q1 FY21 in the form of a Leadership Effectiveness dashboard", reflecting an increased focus on leadership accountability.

---

[63] Executive Remuneration Policy - PRC Meeting 22 August 2019

We also acknowledge the approach to managing people risks is a new and notable addition to the PRC agenda (tabled Nov 2020) and includes definitions and drivers for major people risk categories, namely:

● WHS

● Grievances and legal matters

● Capability, engagement performance

● Talent attraction and retention

● Leave

● Role clarity and ways of working.

The completion of this framework would see executives each understand their individual accountabilities in the context of people risk, and how they will be held to account for management of these risks.

9.3.4 Individual performance and consequence management

Individual KPIs and scorecards are set through a performance planning and review process, whereby employees establish and manage performance objectives with their people leader through PaL. The Performance Planning and Review Policy details individual responsibilities including "developing and maintaining clear and measurable performance and development objectives that are approved by your people leader"[64]. However, while these performance measures should be linked to the organisation's objectives, the alignment between individual performance and its contribution to the wider icare performance could be clearer. Numerous respondents to the PwC survey reflected on feeling unclear in the performance expectations, with one employee stating "really bad days for me are due to staff not taking responsibility or not performing their role, often due to lack of role clarity".

In our survey, only 47% believe people are held to account for their decisions. Furthermore, 77% believe that process and system inadequacies affect the ability to fulfil accountabilities. Interviews and focus groups highlighted the issues of icare's accountability environment, with many participants sharing their frustrations and concerns about lack of enforcement and clarity of accountability.

icare's accountability framework is not sufficiently mature in the area of consequence management. While employees see icare as doing well in the way that it recognises and rewards good behaviour, it has not taken a sufficiently hard line on poor performance over time. This was observed in focus groups, with one participant stating that some employees "aren't doing their jobs well but nothing is being done about it".

However, there is evidence of this shifting, with two recent examples where the board has demonstrated robust consequence management:

● First, in 2019, when the previous CEO failed to declare a conflict of interest in relation to the employment of their spouse, the board applied remuneration consequences by removing the CEO's APP and one year of LTPP (long-term performance payment) and applied a 50% reduction in APP for two other executives.

● Second, the GET and the CEO received a zero APP for FY20. Multiple factors were considered by the PRC in making this determination, including the COVID-affected economic climate, pressure on icare expenses, lower RTW rates and issues with icare's transformation. During the same session it was decided not to pay the FY17-19 LTPP to two remaining executives eligible under this scheme, and while acknowledging COVID-19 impacts on performance, still cited failure to meet LTPP hurdles.

One board member shared the regret the board felt over not taking the further step of making all employees aware of this consequence management action, to create a signal and catalyst for the organisation to emphasise the importance of risk management and performance. The organisation had not understood the action taken by the board, other executives did not understand the facts, and so its significance did not permeate through the organisation.

Addressing poor performance

We observed documentation to support a number of examples of performance management at the executive level and throughout the organisation over the period 2019-2020. There was, however, feedback through our review that suggested poor performers were not managed out of the business. Whilst we acknowledge the challenge and sensitivity in communicating messages to teams to demonstrate proactive management and lessons, there does remain a view this could be improved going forward.

The Managing Performance Framework has mechanisms to uplift employee performance, as stated below:

---

[64] Performance Planning and Review Policy - August 2020

"Everyone is responsible for:

- Participating in the performance planning and review process by establishing and managing your performance objectives in consultation with your people leader using our Performance and Learning portal (PaL);

- Using your performance objectives as the basis of real time conversations, discussing appropriate workplace behaviours, providing two-way feedback and coaching with your people leader;

- Actively participating in the performance plan process;

- Documenting informal and formal performance conversations as advised in the Managing Performance Process; and

- Completing any mandatory training associated and/or is agreed to when applying this policy."

Despite this framework, icare's cultural trait of 'Positive news bias' (described in Chapter 10) results in a tendency to overlook the negative and emphasise positive aspects of a situation. This inherently creates a challenge for icares' people to manage and enforce accountabilities. Both internal and scheme agent focus groups noted that accountabilities are often not enforced due to lack of clarity or a desire to avoid "hurting someone's feelings" when performance has dropped. Leaders noted that even when an employee was not meeting their accountabilities, it was difficult to raise the matter and performance-manage that individual due to a reluctance to avoid confrontation and hold negative conversations. This theme is reinforced in PwC survey responses in which only around 22% of middle management respondents believe that people are held to account in the decisions they make.

The link between risk outcomes and remuneration outcomes

icare's board and PRC set out the remuneration policy, which establishes how icare leaders are paid. This is reviewed at least every three years, using independent external consultants with expertise in executive remuneration.

The independent review ensures icare's remuneration practices meet the better practice standards of the publicly listed company environment, with consideration given to recommendations coming out of the Banking Royal Commission with regards to executive remuneration practices.

Recognising the need for executives to take greater accountability for risk, the board approved an updated executive remuneration policy in September 2019 which allows for risk-based adjustments of remuneration to align outcomes with prudent risk-taking: "the Board may adjust variable remuneration awards, including to zero, where a person or group of persons has been found to have exposed icare to risk beyond its risk appetite or control or where role accountabilities have not been met".[65]

Remuneration governance has been strengthened by including the CRO with the CEO and CHRO when assessing performance against risk and compliance obligations as an input to variable remuneration recommendations to PRC and the board. The CRO assesses all eligible participants (except their own) in the APP and LTPP incentive schemes for adherence to the code of conduct, risk management in line with the RAS and the consistent demonstration of behaviours to icare values. In addition, Line 2 reviews policy implementations periodically for "compliance with regulatory requirements and alignment of remuneration with the icare risk framework".

Consequence management framework

icare needs to build on the steps it has taken to date to develop and embed a stronger culture of accountability, which includes demonstrating to employees that there are consequences, both positive and negative, for performance and behaviour.

This will require more robust processes to ensure that all risk, issues, reputation and conduct-related matters are specifically considered when determining remuneration outcomes and that this is consistently signalled to employees (recognising that icare must comply with Individual Employment Agreements (IEA), relevant awards and certain public sector obligations in the way it manages this out for some employee groups).

icare should clearly articulate to employees that consequences will be applied over incidents and risks (where the employee has accountability) and conduct issues such as breach of icare policy or misconduct. Mechanisms may include:

- further training

- the removal of delegated authorities or permissions

---

[65] Board Meeting Minutes - 23 September 2019.

- a reduction in APP, including to zero

- a reduction in LTPP (for relevant executives)

- impacts on promotion

- a formal warning letter

- termination of employment.

The framework should consider whether certain conduct issues should be treated as a 'gate' to an APP or LTPP incentive payment or involve discretion to apply a percentage reduction in remuneration.

Recommendation 66
Define and document a consequence management policy and/or approach that considers other levers besides financial consequences.

Recommendation 67
Continue to reinforce balancing of performance measurement with reward and recognition through increased risk assessment monitoring, guidance over the inclusion of customer and risk metrics in individual performance goals, and enhanced leadership capability in managing performance.

9.3.5 Accountability of icare to its stakeholders

We acknowledge the large number of external stakeholders that icare is accountable to. Along with this accountability is a need for open and cooperative relations and a recognition of the public scrutiny which comes to icare as a NSW government agency.

During our interviews, an executive reflected that icare was not always open to public scrutiny and accountability: "we wanted more time to fix our issues in a silo and we did not recognise the need for accountability to the broader community and stakeholders who supervise us and to whom we are accountable as custodians of the funds".

The NSW Treasurer and NSW Treasury

icare has a number of obligations under the SICG Act to keep the NSW Treasurer informed, including by submitting an annual Statement of Business Intent. We address the role of the board in Chapter 3.

The powers of the Treasurer to issue directions to icare have some limitations (eg. they must be in the public interest, exercised after consultation and any decision must be published in the Gazette). Although NSW Treasury has published its expectations for public financial corporations (of which icare is one) including the need to advise ministers of critical current and emerging issues affecting the businesses, icare stated in its submission to the McDougall review "For the avoidance of doubt, icare is not accountable to NSW Treasury…". It also goes on to say however that icare is bound by various NSW Government directions, policies and guidelines, as well as specific legislation which regulates the activities of government agencies.

We saw evidence in 2020 of icare sharing its Statement of Business Intent with Treasury and inviting Treasury to an annual review of performance and also saw icare providing the Treasurer and NSW Treasury with regular updates on core challenges, operational matters and items to be noted.

SIRA

We have made a number of recommendations in earlier chapters on the need for icare to improve its regulatory engagement with SIRA and for the board to receive enhanced reporting on the voice of the regulator.

A further recommendation is for the board to implement a regime placing personal accountability on the CEO and other executives, to engage with the regulator in an "open, constructive and cooperative way"[66]. Remuneration decisions for the CEO and other key executives would be determined, in part, by the quality of their engagement with the regulator.

---

[66] BEAR requires an accountable person to deal with APRA in an open, constructive and cooperative way. ADIs must defer a minimum percentage of a senior executive's variable remuneration for at least four years and have a remuneration policy that provides for reduction of the deferred variable remuneration where a senior executive has not met this and other obligations under BEAR. Commissioner Haynes recommended that s37C and 37CA of the Banking Act 1959 (Cth) be amended to extend this obligation to ASIC as well as APRA

Recommendation 68

icare to implement a regime imposing individual accountability on the CEO, CRO and GET executives to engage with SIRA in an open, constructive and cooperative way.

Other NSW agencies and regulators

As described in the compliance and regulatory risk section of Chapter 5. (Risk management & compliance) icare needs to have a much stronger appreciation of other NSW Government agencies that play an regulatory or other role in relation to icare, such as ICAC, WIRO and IPC.

We observed that executives have not always felt accountable as a NSW government agency and at times there has been a perception that due processes tended to "get in the way". The weaknesses in procurement processes identified in Chapter 5 demonstrated a tone from the top of an organisation that did not see itself as accountable to the requirements of a NSW government agency over 2016-2020. Work is underway to address this.

Employers

For the NI as an employer-funded scheme, icare needs to build a stronger sense of accountability to employers and listen to their concerns and feedback. There have been instances when icare has not acted on the concerns of employers in a timely manner. This includes understanding outcomes sought by employees and building better day-to-day involvement of employers in supporting injured workers' recovery, among other mechanisms.

Customers

icare needs to bring a sharper lens to the unique customer groups that are served by each scheme and move away from the tendency to manage the business using an aggregate NPS score.

Stakeholders in general

When icare developed its first stakeholder matrix and approach in January 2019, the tone of the management proposal was more about icare's control and influence over stakeholders and less about listening to stakeholders and responding to their concerns.

Recommendation 69

Develop a formal stakeholder accountability framework and develop and communicate to employees clear expectations on how icare must engage with its stakeholders in a positive, open and constructive way.

Section C: Culture

10. Culture

10.1 Summary

icare's culture, like that of any organisation, has both strengths and challenges. It is without doubt that many at icare seek every day to do the right thing for their customers, and we acknowledge the contribution and commitment of these people. The actions and behaviour of some have contributed to poor outcomes and negative perceptions, but in any weaknesses in governance and accountability, we did not observe malice from any person in icare. That is to say that we did not receive evidence that any major failures were as a result of fraud, corruption or deliberate self-interest by any one person(s).

This chapter supplements the governance and accountability chapters by assessing cultural aspects such as helpful or unhelpful behaviours that have enabled and reinforced the strengths and weaknesses observed and allowed practices to become accepted norms.

Our review of culture identified five cultural traits that are generally common to all of icare, irrespective of scheme, level, function or team. The scope of our review was broader than that of other governance and accountability reviews, acknowledging that there is a cultural ecosystem that extends beyond the NI. We also know the impacts of the media scrutiny will go beyond the NI.

In the commentary behind each trait, we share stories and examples of both the strengths and challenges, highlighting where possible the functions, cohorts or teams from which these emerged.

The cultural traits we observed at icare, and their associated strengths and challenges, are set out in Figure 8 below.

Figure 8: icare's cultural traits

Cultural trait	Strengths	Challenges
Commitment to vision: Strong commitment and unity around icare's 'vision' as it relates to both focus on customers and the vision of transformative change	● Driven by positive intent for customers ● Courage and confidence to transform ● Resilience in times of adversity	● Speed over process and execution discipline ● Tunnel-vision when on a path ● Overlook 'hygiene' factors, such as active management of risks and issues
Alignment seeking: The value of collaboration and consensus and pride sought from the influence of others	● Collaboration and collective problem-solving ● Strong task deliverable focus ● Generates momentum and engagement	● Decisioning outside formal channels ● Consensus-bias ● Lack of robust challenge
We are the experts: Self-reliance and confidence with a high value placed on expertise and robust design	● Confidence and self-reliance ● Navigate uncertainty and ambiguity ● Pride in leading others	● Over-reach in activity management ● Lack of trust ● Dismissiveness of advice ● Limits productive working partnerships
In the tribe: Tight connections and support for team members exist in icare with an ability to form tight teams across functions	● Belonging and loyalty ● Tight connections and support for colleagues ● Rapid formation of cross-functional teams	● Incongruence in priorities ● Lack of uniform identity across icare ● Protection of 'patches' and combative behaviours

Positive news bias:	● Energises the organisation around sense of achievement	● Complacency and ineffective response to risks
Positive news energises the team around a common sense of achievement and a strong recognition of good performance	● Recognition of strong performance ● Provides sense of achievement	● Selective reporting and positive spin ● Inhibits speak-up, raising concerns and confrontation

Each trait describes how people within icare tend to behave or make decisions in their day-to-day work. The traits are neither good nor bad, but rather, reflect a propensity to behave either positively or negatively in different circumstances. These traits, both individually or collectively, explain some of the findings and observations with respect to governance and accountability. For example, the avoidance of robust challenge and debate during decision-making is reinforced by the challenges of being tunnel-visioned (ie. Commitment to vision) and an overemphasis on selective reporting (ie. Positive news bias). Similarly, obfuscation of risks can be created by a tendency to explain away data through technicalities (ie. We are the experts) as well as groupthink (ie. Alignment seeking).

For icare, an awareness of how strengths can be leveraged or challenging behaviours avoided is the first step in ensuring that failures of the past do not predict challenges of the future. We observed that the awareness of these challenges has been maturing within icare, and that they are starting to be addressed in a number of initiatives icare has introduced to shape its culture.

Our recommendations are framed around creating behavioural shifts that will improve governance and accountability. Addressing these recommendations is no easy feat - it will require sustained effort across icare and most notably strong leadership and role modelling and the time for cascade supplemented by changes to the infrastructure and environment that currently enables and reinforces unhelpful behaviours.

10.2 Context for this chapter

What is culture and why is it important?

Organisations, whether public, private, small or large, have formal processes, procedures, frameworks and other infrastructure which are used to manage their day-to-day operations. As we have observed at icare, these formal mechanisms vary in their maturity and while they play a key role in managing practices, they seldom explain in isolation why failures to achieve better practice occur. It is ultimately the way this infrastructure is interpreted, implemented and adopted that contributes to explaining effective or ineffective behaviours and the resulting outcomes. These practices and norms form part of the culture of the institution, and they can present both sources of advantage, and challenges.

Culture can be thought of as an organisation's "self-sustaining patterns of behaving, feeling, thinking and believing"[67], which ultimately determines how things are done within an organisation. It is self-sustaining because an organisation's culture has a natural inertia – without a really strong and persistent force, it does not change quickly or easily. The behaviours which people display reflect not only what people feel, think and believe, but what is reinforced by the systems, processes and people around them.

---

[67] Katzenbach, J., Thomas, J.; Anderson, G. 2018., 'The critical few - Energize your company's culture by choosing what really matters'. Produced in collaboration with the Katzenbach Center Community of Practice. Berrett-Koehler Publishers, Inc.

Figure 9: PwC's definition of culture

An organisation's culture is…

…its <u>self-sustaining patterns</u> of <u>behaving</u>, <u>feeling, thinking and believing</u> – that determine "how we do things around here"

Self-sustaining patterns
Because culture has inertia – without really strong and persistent force, it won't change its course

Behaving
Because what people feel, think and believe is reflected in – and shaped by – their daily behaviours

Feeling, thinking and believing
Because both the emotional as well as the rational side matter

Management and remediation

Our approach to conducting the culture review

Our review focused on understanding the culture of icare as a whole, including the perceptions of board members, senior executives and employees. As with every organisation, sub-cultures within functions, teams and specific cohorts of people can exist. We did not receive any strong evidence to suggest unique traits exist in different parts of icare, however there was some evidence that the traits were more pronounced in some areas than others. Where relevant, we share examples where this is the case in discussion of each trait.

A number of principles shaped the approach we took to understanding icare's culture:

● Culture is rarely all bad or all good: We consider each trait to be neutral, in that it reflects a tendency or predisposition. Each trait is examined for both positive and challenging aspects to identify short-comings, and strengths to build on.

● Culture is persistent: Organisational cultures don't change quickly or easily. Much like a personality trait, they remain fairly stable over time creating behavioural tendencies which are pronounced (positively or negatively) when the organisation is under stress or in crisis. Behaviours can be adopted, and in icare's case have been adopted with the change in leadership at the board and executive, to make rapid gains in remedying gaps in governance and accountabilities.

● Both the formal and informal organisation contribute to creating culture: Organisational culture can be understood through norms, commitments and mindsets, but also through the formal organisation which exists and reinforces patterns of behaviour; for example, structures, decision rights, processes and procedures. This chapter focuses primarily on what we observed from people, noting that the impact of the formal organisation has shaped or enabled patterns of behaviour. In considering actions to remedy gaps in governance and accountability, icare should consider the critical few behaviours that will have a disproportionate impact on outcomes, and how these are reinforced by formal elements of icare.

10.3 icare's current cultural realities

Five dominant cultural traits emerged in our review. These provide context for a number of findings observed in the preceding chapters, but also offer insight into the cultural realities facing icare today as it seeks to re-build. The five traits are:

● Commitment to vision

● Alignment seeking

● We are the experts

● In the tribe

● Positive news bias.

In the following sections, we outline stories that illustrate behavioural norms associated with each trait, and the key factors which have contributed to and reinforced it. Specific examples for each trait have been redacted to protect the anonymity of individuals who contributed to this process.

10.3.1 Commitment to vision

People within icare are committed and energised by the organisation's vision, and the contribution it makes in "providing best-in-class services to people, businesses and communities"[68]. icare's 'vision' in this context includes both icare's purpose "to protect, insure and care for the people, businesses and assets that make NSW great", as well as the internal transformations that have progressed to date, for example the implementation of a single claims management platform.

Being committed to icare's vision was a trait observed across all levels and functions of icare, from the board through to operational staff who directly serve customers day-to-day. Our review highlighted the value people place on doing the right thing by customers - it was a unifying and connecting ideology that was consistent across icare. A number of icare's people noted that this is what attracted them to join icare in the first instance, and why they continue to work at icare today.

However, being so committed to vision has also created a number of challenges for icare, especially as highlighted through a number of examples in the transformation agenda of the NI. Throughout our review, it was remarked that icare's focus on transforming around a vision was akin to being "cult-like", and that an unwavering focus on what icare wanted to achieve had, historically, created blind spots in terms of delivery.

Strengths of Commitment to vision

People at icare are galvanised by their purpose to create better outcomes for customers. Whether it is injured workers or employers or victims of the summer 2020 bushfires, the sense of energy and intent to do the right thing was unwaveringly positive. To illustrate, focus group participants recalled with pride their work to support and "follow the journey" of NSW residents affected by bushfires in 2020. Moreover, in the context of icare's response to legislative changes on benefits capping (Section 39), we observed strong commitment to provide additional support for injured workers who were experiencing significant change to their weekly benefits. We saw a further moment of pride from the Care team frontline case managers who teamed together to support a mentally-injured claimant over the course of a week, in order to ensure the right support and treatment was being provided. In another example, we heard pride in a junior staff member elevating an idea on the proactive early intervention of a medical condition, and having their voice heard by senior leaders across the organisation. People clearly valued the ability to bring new ideas that would help drive better customer outcomes to the table.

Working in an organisation that operated as a 'start-up' in its early years signalled the desire and intent to move at speed when driving toward the vision. Whilst this language has been phased out as icare has matured, when interviewing board members and the GET, especially those with tenure dating back to the formation of icare, it was apparent that the challenge of being a "start-up with $32B of assets under management" added to people's motivation. We heard a number of examples around projects, but also in the context of setting up business-as-usual operations, where individuals were given licence to rapidly form teams and drive towards an outcome. For instance, a team member from Organisational Performance spoke about the establishment of new financial reporting mechanisms (eg. ledgers, dashboards and reports) that were set up in "weeks, rather than months" because of the buy-in they had from leadership to take a "clean sheet approach". The mindset that icare had to "build from scratch" amidst a significant agenda gave people a clear sense of purpose, direction and licence to move at speed.

Commitment to vision has also provided icare's people with the courage and confidence to transform. This is best evidenced by icare's FY19 review of costs, where approximately 15% of controllable expenses were allocated to programs of work. Senior leaders, as well as junior team members, have not been afraid to take on transformative agendas. For example, we heard many people being supportive of icare's decision to move to the single claims operating model, noting that the intent to simplify and create single source-of-truth platforms was a positive initiative. In pursuing ambitious objectives, people have felt courageous about stepping into bold, stretching projects and leaning into uncertain situations. We heard anecdotes of people considering those working on icare's transformations as "talent", given the complexity, challenge and ambition behind their work.

We also observed that when things haven't gone so smoothly with icare, Commitment to vision has generated resilience amongst employees. That is, they were able to rationalise challenges in the context of the broader aspiration and continue to move forward in the face of adversity. A number of staff, especially within PI and Organisational Performance, reflected on the size and complexity of the changes icare was undertaking through the period of transformation, and have accepted the challenges that have come with it. One

---

[68] Our strategy: icare. <https://www.icare.nsw.gov.au/about-us/our-strategy#gref>

interviewee noted that in hindsight, "declines to RTW were somewhat inevitable" given "we took on the largest merger and technology transformation at the same time". Another person noted that given icare was set up "to make it more injured worker friendly...it was going to be inevitable that the RTW would suffer to an extent", because of not simply forcing people back into work. They noted that challenges like this were "underplayed" in the media, with focus being more on the metric itself..

Challenges arising from Commitment to vision

Despite the energy and momentum created by icare's vision for customers and transformation, the over-emphasis of this trait has created a number of challenges, particularly relevant to icare's governance of performance in the context of transformation within the NI.

First, commitment to vision has, at times, led to the prioritisation of speed over outcomes, process compliance and execution excellence. icare has committed to transforming within specified deadlines, and this has come at the expense of detailed design for implementation (eg. challenges with the policy and billing system developed during release 1 (R1) of the single claims operating model, which whilst outsourced, sat with icare for oversight and management) or a tendency not to align feasible milestones to overall timelines (eg. selection of appropriate external vendors during procurement processes). Evidently, this undermined achievement of intended outcomes. As reflected in survey responses, only half of respondents (53%) across icare believed that "people at icare are effective at enacting change".

Prioritisation of speed was particularly challenging when the outcomes being delivered were not clear - that is, whether an initiative was targeted towards commercial outcomes (eg. financial management of the scheme) or customer outcomes (eg. NPS). For example, in the Guidewire R1 implementation, icare moved too quickly from design to implementation and release before adequate quality control checks and balances were made. A number of executives and board members interviewed noted that "[icare]..needed to be able to stop, challenge and pivot if projects aren't working". When the vision around transformation, and in particular speed to transform, was prioritised, we observed that this caused leadership to focus less on performance outcomes (eg. declining RTW rates). Ultimately, this has had impacts both internally for icare, as well as for its customers.

Second, people also noted that when it came to transformation, icare became so focused on the path that had been set and activated, that stopping, reassessing. course-correcting and challenging was not prioritised or carried out effectively. Particularly emphasised by those outside of the NI, words like "fixed mindset", "tunnel vision" and "in hindsight" were used to describe icare's posture during periods of transformation. So strong was this focus that people became uncomfortable in raising timely challenges, which in turn had implications for effective governance, given the failures to raise risks and take necessary action. One participant observed that no action was taken to improve the outsourcing policy that was used to select, manage and oversee contracts with the NI scheme agents until third party service provider issues reached the media (November 2020). That is, Commitment to vision led to a lack of response until the issue had reached a crisis point. As further support for this observation, we noted that inadequate time and attention was spent on due diligence and compliance-type activities; for example, confirmation of GIPA compliance requirements during the implementation of the NI single claims operating model. Complacency about risks or issues, which could have been anticipated at the outset of transformation activities meant that hurdles downstream had to be met reactively, rather than with proactive mitigation.

The third challenge arises when the focus on transformation and achievement results in a tendency to look past the hygiene elements of its operations, and deal with risks and issues reactively rather than proactively. Although working in a 'start-up' environment has positive aspects, some of the behaviours associated with start-ups run counter to the proper and consistent operation of a public organisation, for example compliance with NSW procurement processes. icare's tendency to be "project obsessed" and "ambitious" had led to behaviours counterproductive to disciplined risk management; for example, lack of regularly updated compliance register or focus on compliance and legislation, as evidenced by significant gaps in the operation of icare's three lines of defence. One interviewee noted "it is fantastic what's been achieved in three years, but we've rewarded and talked only about the [people working on] transformation.. [we have] left behind the great workers who do the more boring roles'', indicating an overlooking of business-as-usual operations during this period.

10.3.2 Alignment seeking

A good day at icare, regardless of the team we consulted, is often described as when "everyone agreed with the approach so we could move forward". The trait Alignment seeking sits at the core of how icare works, how it operates and where it places emphasis. It directly influences the preparatory work people put in to develop a board paper, how presentations are delivered to the GET, how icare prepares for its engagement with stakeholders like SIRA, and even in the way cases are managed. Consensus through rapid collaboration and alignment of individuals within icare was a key to "getting work done", and an indicator of how people view whether they were successful in their roles.

Alignment seeking manifests itself in different ways across the organisation, and in particular across the levels of management. For board members and the GET specifically, Alignment seeking is apparent in the desire to influence others and in "being heard". An executive shared a moment of pride in being able to credibly present their point of view, and for this to be acknowledged and heard by their executive peers, board members and external stakeholders like the regulator. At the middle management level, success was less defined by influence, and driven more by the ability to "work together to get this done". Evidently, the idea of working efficiently, quickly and without roadblock was valued as a key contributor to icare's ability to drive progress on new ideas. At more operational and junior levels of the organisation, Alignment seeking is a means to drive progress and to generate a sense of contribution.

This trait has a number of associated strengths. It creates a strong outcomes orientation and focus, which can help navigate situations of uncertainty. At the same time, it can create a sense of collegiality and a perception that "we are in it together". However, Alignment seeking can also result in a lack of robust challenge or confrontation, because of trying to please others. It can also lead to a tendency to make decisions outside formal channels, and a reluctance to accept or own change.

Strengths of Alignment seeking

For icare, Alignment seeking has at least three positive attributes. First, the ability for people to collaborate and collectively problem-solve is highly valued. Particularly in terms of cross-functional project teams, individuals noted that the ability of teams to come together and solve problems was an energising experience, and something which contributes strongly to the fabric of how work is performed within icare. One example cited was in the development of icare's strategic priorities, which involved internal workshops where people from different functions co-designed these ahead of executive presentations. A number of people who were involved in this program from both within and outside the NI, noted the ability to come together and work productively as a memorable experience.

Second, Alignment seeking was also observed to be a particular strength in situations where a rapid turnaround on a key deliverable was required. A number of staff cited examples concerning an urgent request for a board paper or presentation, where their teams were able to quickly coalesce around the problems, define the plan of action, complete the analysis and produce outputs. In an environment where the frequency of reporting and requests for information are voluminous, staff noted that gaining rapid alignment and buy-in from key stakeholders was typically a positive experience. They also pointed out that this led to a can-do attitude among many of their peers, with confidence being developed through repetition and validation of progress.

The third strength is the sense of momentum and engagement this trait creates across icare. Throughout focus groups and executive interviews, people often reflected on others within icare as being "nice", "collaborative" and "dedicated". Numerous people commented on the fact that within icare, people are generally easy to work with, future-focused and collegial when the direction being taken is clear and aligned. In particular, people took pride in influencing others on key decisions or inputs to a decision, and when recognised for this, felt a heightened sense of contribution. For example, one executive commented on the support she received from other executives during an external presentation as a key moment of pride, noting that in that moment it was clear to them all "their role and why they were here". Many staff quoted icare as being a "nice place to work", a key reason staff continued to work there.

Challenges arising from Alignment seeking

Alignment seeking has also created a number of challenges for icare. At the executive level, the need for alignment manifests in instances where executives seek alignment and endorsement from select individuals outside forums. This can lead to a lack of robust challenge through formal governance, given key individuals are already briefed. One interviewee, when asked about a significant presentation being made to an external party, noted that in an "ideal world" they would have had the chance to do a dry run and "gather feedback" from the CEO in advance of the session. When adding that due to timelines this was not possible, they stated that this experience was a significant source of "stress" for them, because they wanted the "buy-in" and "support" of the CEO before the presentation. The impact of such approval-seeking can be pervasive on governance. It can lead to a lack of visibility and meaningful discussion if influencing and decision-making are conducted 'outside the room'. Our review highlighted a number of situations where this was the case, and as a result people who could have contributed to robust discussions were (either intentionally or unintentionally) excluded.

The tendency to seek alignment also creates consensus-bias, which can further limit effective and robust challenge, as well as create hurdles in terms of delivery. A participant in our survey referred to "incestuous groupthink" resulting in the avoidance of confrontation, unwillingness to reflect and opportunities to learn being overlooked. For example, board members reflected on the Policy and Claims Management technology release and the lack of "interrogation" of the CITC sub-committee on risk matters. It was noted that in "all of the excitement to design and build…there was a focus on whether it [technology solution] worked, rather than

whether it complied". Clearly this has implications for the board's effectiveness in overseeing and governing risk as well as in interrogating management.

Finally, we observed that Alignment seeking can also result in a lack of awareness of potential blind spots in decisions and actions. In examples such as the ongoing RTW metric decline, we noted that selected GET members who held accountability for RTW metrics aligned others, including board members, around their belief that RTW metrics appeared to be in such decline due to data problems. In such examples, board members reflected on the lack of "robust questioning" that in hindsight was necessary to get to the bottom of this (noting however the complexity of this metric and the expertise required to fully unpack the underlying workings of this as a limitation to effective challenge) . A participant in a listening session noted a lack of "open[ess] to change/owning mistakes", suggesting a tendency to support each other with a risk of turning a blind eye to errors or failures. It should, however, be noted that icare's awareness of this particular matter has been heightened, and more deliberate actions are being taken by leadership to introduce effective challenge in formal governance and decision-making forums.

10.3.3 We are the experts

icare people believe icare is the expert in the services it provides (eg. workers compensation, personal injury, care of dust diseases) and the functions it manages (eg. financial management, legal services and technology). This belief has its roots in the board and leadership teams set up at the creation of icare, when they were brought together because of their skills and experience in administering state insurance and care schemes. The belief that icare is the glue that holds together the ecosystem of institutions that together deliver workers compensation, lifetime care, dust diseases care and other state-based insurance services was consistently promoted by interviewees. icare's identification with such a pivotal role in delivering state-based insurance services is encapsulated in the We are the experts trait.

This mentality often translates to the view that - particularly given the complexity of the schemes icare manages - only icare's employees and experts can solve the issues that arise within its unique operating environment. Most recently in the case of COVID-19, we heard that executives were connected to daily updates and changes in mandate being provided by the State Government. However, some actions to respond to the pandemic (for example, communications to staff) were independently developed by icare without leveraging crisis management teams of other state departments (e.g. NSW Treasury). There was frequent reflection on icare's complexity, particularly in the NI, which was often used to explain the context behind decisions, but also a justification for previous failures. During executive interviews, the phrase "we know best" was mentioned in several contexts, including icare's engagement with regulators, instances when business function activities were deemed to be inadequate, or concerns over process quality were being raised to previous CEOs and their executives.

Strengths of We are the experts

We are the experts leads to confidence and self-reliance, and emerges because of the value placed on being leaders in their field. For example, in both their position on which RTW metric to use, as well as their decision to push ahead on the introduction of the single claims operating model, we observed that icare was willing to defend key decisions made and contest 'conventional wisdom' from other parties.

Confidence and self-reliance are strong assets for icare, particularly as they have been required in the past to support transformation. A number of leaders and staff reflected on the experience of establishing icare as a 'start-up', and the ability of icare to draw on its internal expertise to support the setting-up of key frameworks, tools and processes. One focus group participant noted that the "clean slate" offered at the establishment of icare provided an opportunity to reevaluate the accounting and financial management frameworks which could be introduced without the "overhang" of legacy practices and systems.

The sense of expertise also allows icare to navigate uncertain or ambiguous situations. The value and emphasis placed on internal expertise was high across all levels. For example, leaders emphasised the individual capabilities and experience of various board members and senior leaders, and at more operational levels, people called out with pride the pockets of unique skills and expertise that were available to support them in their work. As an example, one focus group attendee noted an instance where an individual with specialist psychological skills in crisis management was able to help them navigate the requirements of a complex case.

In lower levels of the organisation, this trait was best noted when subject matter expertise was affirmed. Focus group participants and PwC survey respondents appreciated being in the "spotlight" and being acknowledged publicly for their work. One respondent noted that "being able to help another area through providing subject matter expertise…to further the analysis" was a specific moment of pride. Receiving "positive feedback" for the "effort" spent on work activities, such as preparation for a meeting, workshop or analysis was consistently highlighted.

Challenges arising from We are the experts

The challenges of this reliance on one's own - or icare's - expertise were discussed in the context of internal affairs as well as of interactions with external stakeholders.

A number of focus group participants reflected on leadership's strong desire to control outcomes, based on how they "wanted to approach things". The tendency to trust one's judgement rather than needing to consult is best exemplified in the disparity between responses to one survey question: "When leaders make decisions, they seek input from people across the organisation". 93% of the GET and Chiefs agreed with this statement, whereas just one level down in the General Manager cohort, only 53% of respondents agreed. Multiple survey respondents detailed instances where decisions were made that directly affected them "without any discussion or involvement". One survey respondent described negative experiences of "updates from executive groups, GET updates, executive decisions announcements lacking operational staff input".

External stakeholders also commented on icare's unwillingness to listen or tap in to external expertise. One interviewee, when asked about RTW, flagged that icare "have not engaged with the community of practice that includes academics and are absent from the knowledge base of this industry". They noted that icare's tendency to be "confident" in their position has led to failures to look for best practice. icare's self-reliance has led to an ignorance about adopting empirically-based methodologies and practices, which has resulted, on occasion, in poorer customer outcomes.

At operational levels, this trait explains instances where subject matter expertise was disregarded or devalued. Contrary to the examples of positive affirmation, a number of people highlighted "frustration" with situations when their opinions or voice were not heard. In listening sessions conducted in October 2020, a key point of reflection from icare people was that they would like to see more "trust in, and reliance on people's expertise on the ground". One focus group participant commented on being instructed to change RTW metrics displayed on a dashboard, despite being confident in their analysis. This person's manager consequently provided a directive and instead relied on their own judgement, rather than the data available. Ultimately, actions like this can lead to an undermining of governance processes because it creates an over-reliance on one point of view, rather than trust in data to inform decision-making.

This trait has also flowed on to interactions with external parties more broadly, as outlined in previous chapters. In executive interviews, there was acknowledgement that SIRA, as the regulator of the NI scheme, was held at "arm's length", especially when "performance issues were emerging". It was commented that while there was "no obligation of continuous disclosure", it would have "provided confidence that they [SIRA] know what is going on in our organisation and the issues we are working on". Similarly, with regard to the contractual arrangements and interactions with scheme agents, there has been a noted tension around the "master-servant" relationship that has transpired, and the over-reach that has occurred in managing contracts. Some scheme agents, such as GIO and Allianz, reflected on positive interactions with icare where there was mutual trust and respect. However, the overwhelming impression of how icare manages its relationships was that it reflected a transactional, contractor-based relationship, rather than partnership. In the case of EML for example we heard that icare was so focused on embedding tighter controls around certain spend categories, which certainly has an upside, it also lost sight of customer outcomes. Similarly, the decision to funnel complaints from WIRO, in some instances inadvertently created process inefficiencies and challenges to effective customer outcomes.

To illustrate the nature of the relationship between icare and scheme agents, one participant reflected on a situation as recent as April 2020, in which an escalation was passed to icare regarding an alleged privacy breach. In line with its contractual arrangement and decision rights framework, icare was required to make a formal decision on this matter and relay it to the scheme agent. The participant noted that more than six months later no advice or ruling had been provided. Significant time delays in responding, or no response at all, was considered the typical interaction with icare. "When we [scheme agent] request information, it can take weeks, however when icare requests it, they expect it in hours".

Historically, the barriers to building productive working relationships with other institutions in the workers compensation ecosystem has been challenging for icare. In particular, icare's emphasis on expertise has been perceived as "arrogance" and even internally, there has been reflection that icare can appear to be "dismissive of advice" provided to it.

10.3.4 In the tribe

icare teams are tightly connected and tribe-like in their mentality. When individuals are In the tribe, they are supported by their peers, highly collegial and loyal. However, when individuals are perceived to be outside the tribe, they can be met with combative and territorial behaviours while people attempt to "protect their patch".

Tribes within icare can take different shapes and forms - they are not simply divided by functions. We observed tribes reflecting different teams, different functions, different leadership cohorts, and the old (ie. legacy schemes such as WorkCover, Lifetime Care, Dust Diseases Control, etc.) vs new (ie. employed into icare) employee segments.

The existence of tribes manifests itself in numerous interconnected ways, and has created sources of advantage, as well as disadvantage, for icare.

Strengths of In the tribe

Individuals within icare's tribes are deeply connected to one another, and this has created a sense of belonging and loyalty among staff. Particularly apparent in tribes that were functional in nature (eg. Personal Injury, Care), a number of focus group participants noted the support both provided and received from their immediate colleagues as a key contributor to positive work experiences. Loyalty to an individual's immediate team, grounded in purpose and sense of direction, was a stand-out feature for many individuals. This may go in part to explain the relatively low attrition rates icare has maintained over the past five years[69], despite the amount of media scrutiny and public criticism the organisation has received.

We observed that when tribes have formed, they have been deeply connected to a uniting purpose or element of icare's vision. For example, we noted the consistent way in which icare's customer-facing workforce speak about their role and the evident singularity of their thought and direction - for example, regarding the delivery of appropriate and timely care services for those less fortunate. The tribe's 'purpose' was seen to be both a uniting and motivating factor for those within the tribe.

Operating as tribes was also observed to be an advantage when it comes to projects, especially when coupled with the Commitment to vision trait. A number of people noted that they found purpose and connection through common projects or activities. For example, in icare's response to COVID-19, there was a rapid formation of an incident response team, whereby executives and response specialists worked in tandem to ensure delivery of customer outcomes through this phase. The ability of icare to rapidly mobilise and then demobilise cross-functional program teams was perceived to be a real strength, such that when people were called on to be part of a team, they were able to do this seamlessly. Examples were cited where teams across the business had collaborated effectively to solve a problem. This was particularly amplified when there was a perception of having the "right people in the room" - in other words, the tribe having the right skills and experiences to progress the work. However, people also noted a tendency for icare's tribes to defend themselves and represent projects favourably to the rest of the organisation.

Challenges arising from In the tribe

On the flip side to working collegially, when outside a tribe, participants mentioned incongruence in priorities across leadership levels, functions and even projects as a source of both distraction and conflict. icare was noted to be "operat[ing] as separate schemes" in the experience of both internal icare people and external service providers. Particular to the NI, we heard multiple examples of the emphasis and priority given to this scheme over and above others within icare.

Fragmentation in the identity and behaviours of different tribes was observed through a number of stories and anecdotes shared in our review. In one focus group, a service provider who interacted with icare across multiple schemes noted that the processes, experiences and responsiveness of teams varied significantly across both the NI scheme and the TMF. They shared their experience of working with different teams who perform similar functions across each of the schemes, but do so in vastly different ways. This suggests effective practices are not shared and potential efficiency opportunities are ignored. In addition, within the NI, this service provider described limited visibility of key stakeholder contacts and accountable owners for selected processes. For example, it was not uncommon for service providers to be told they would need to contact "another team" within icare in response to requests for information or guidance. In practice, the tribal mentality of icare has meant that hand-off points between teams are fragmented, resulting in a poor service experience for providers, delays in response to requests and ultimately a negative impact on customer outcomes.

---

[69] ARC August 2020: Headcount and Attrition Aug 20

At the executive level, a number of interviewees also noted the divergence in mindset among staff and teams as to either being icare first and team second, or vice versa. One respondent commented on their personal fear that the current media scrutiny and public debate would amplify the fragmentation across the business, noting "it feels like we have gone backward". The challenge of uniting functions, teams and cohorts of staff into a single identity is significant. We note that while it is normal and often healthy for pockets of an organisation to have distinct identities, it becomes difficult when the identity of separate tribes is stronger than the collective. For icare at large, and more so in specific tribes where this is more pronounced, a reluctance to accept institutional knowledge and practices is apparent. In this regard, a number of participants in focus groups drew awareness to "shadow" processes, which have become accepted across the organisation. For example, the adoption of the new platform to be used to capture customer complaints data has not been uniformly adopted across functions and teams within icare. The flow-on impact of this is a lack of ability to report accurately across all of icare, as well as additional effort required to reconcile numbers in each reporting period to "stitch together the icare-wide view of customer complaints.

Finally, the protection of patches also emerged as a symptom of operating in tribes. Particularly prevalent between leadership levels, as well as functions, there is a perception within icare that individual "agendas" have historically shaped the work of teams rather than consistency in objectives at the enterprise level. Lack of clarity and enforcement of accountabilities was hypothesised to be the cause of this. In response to our survey question "People at icare are held to account for the decisions they make", only 47% of respondents agreed with this statement. Even at senior levels, only 57% of the GET and Chiefs agreed with this statement, and the number decreased to 22% and 24% agreement at the General Manager and Head Of levels, respectively. Protection of patches was also used to explain a range of combative and poor behaviours internally and externally, in the interactions with service providers. While we didn't receive strong evidence of widespread bullying, and nor was the scope of this review specifically geared at understanding the magnitude of it, a number of examples were shared where the use of "raised voices" and "blame" were seen to be normal in interactions. As discussed in subsection 6.3.3 Complaints management, the encouragement of speak up can be hindered by such behaviours, particularly as they relate to creating an environment with the required psychological safety for individuals to raise issues.

10.3.5 Positive news bias

We observed a wide-spread tendency to share good news across the organisation, with a bias towards the positive aspects, and to ignore negative aspects. The focus on positive news, and over-emphasis on selective reporting, was identified consistently across all levels and functions. It was also reinforced by service providers in their reflections of messaging provided in their dealings with icare.

Internally, the tendency to share positive news was described as "inherited" particularly from the period of icare's establishment. Board members and executives interviewed noted the behaviour arising from a need to "prove" icare and wanting to be the best. Interviewees and focus group participants referred to icare as "Australia's largest start-up", referencing the complex journey of establishing the organisation.

Strengths of Positive news bias

Demonstrating and communicating progress is a powerful symbol. We heard from a number of board members and senior leaders that the sharing of positive news, especially in the earlier stages of icare's establishment, was critical in motivating staff. In this regard, the tendency towards sharing positive news has been an effective lever to generate momentum.

Employees both within and outside the NI noted that they have felt energised by the sense of achievement and accomplishment within icare, and that the sharing of positive news has been a key contributor to this. Good news, for example the successes of key projects and individuals, has amplified the motivation of staff to work harder, faster and better. The ability to contribute positive stories has led staff to innovate and think outside the box for solutions to some of the challenges present in workers compensation. A participant in one focus group from Strategy and Governance shared a story about their team's drive to introduce early detection technologies into the proactive detection of specific diseases, noting that this would have the benefit of receiving internal recognition.

The propensity to spread positive news also means that people tend to recognise each other's contributions more frequently than would be normal practice. Recognition of performance is a valued currency at icare. Certainly, people we interviewed and engaged placed great importance on standing out and wanting to be the best in the eyes of others, particularly when expertise is valued so greatly. The desire amongst staff to be right and to be seen as a valued contributor, coupled with affirmation on doing so, has been a motivation for some. One respondent to our survey noted that a memorable day for them involved "unprompted positive feedback" and that this "confirmed that I was doing a good job". Equally, people leaders and managers that we interviewed suggested that positive affirmation was common practice, and the norm in this organisation. Recognising others and giving thanks are common practices in many organisations, but we note the higher importance of such behaviours in an organisation like icare, which exists for social purpose. To this extent,

managers should be commended for explicitly expressing gratitude for the hard work and effort put in by their teams, and for reinforcing desired behaviours and the performance of their teams.

Challenges arising from Positive news bias

Awareness of this trait is common. In response to our survey question "People at icare are reluctant to share bad news", over 55% of all staff agreed with this statement. Interestingly only 14% of the GET and Chiefs agreed, whereas almost 71% of Heads Of agreed. When investigating why bad news wasn't shared, reasons such as reputation sensitivity, avoidance of confrontation and impacts to morale were often discussed.

icare's tendency to share only positive news results in problems that include a sense of complacency, and at times, ineffective responses when significant risks are raised. People, particularly those who worked in Personal Injury, regularly highlighted instances where challenges were raised either to their immediate manager or to an executive, and the responses were to ignore or downplay the nature of the risk. Our survey also supported this, identifying that more than half of the organisation's people (52.4%) do not believe that "risks and issues raised within icare are dealt with in a timely or effective fashion".

Selective reporting and positive spin were also observed to be issues in the broader organisation. In one example, a focus group participant described a situation where the data being presented on an executive-level dashboard was repeatedly "re-cut" in order to convey the message their leader wanted to present. The participant mentioned that, while no data was falsified, senior management was making a judgement call on what data would be displayed to the board based on the messages the GET wanted to convey. The participant described the shaping of the information as building a "grand narrative", but there was no evidence that implications of the changes were considered for their impact on customer outcomes. In another example, a survey respondent mentioned that their leader had asked them to "specifically give positive feedback to balance the negative voices" in our (PwC's) review. In other words, an overt request to create and maintain a positive narrative occurred in the collection of data for our review.

The consequences of not openly reporting, sharing or discussing bad news have had far-reaching implications for icare, both strategically and operationally. At the strategic level, a lack of transparency of facts and information has led to false expectations. Board members commented on being "surprised" and "caught off-guard" when a more accurate description of affairs emerged. While acknowledging that more could have been done by the board to "interrogate" facts, there were examples noted of the management team putting their "best foot forward". The tendency to ignore risks - or to not actively manage them - for example, those associated with the new claims operating model, was observed frequently. Without acknowledgement of errors, failures or risks, the opportunity to look for improvements, learnings and to course-correct are nil. In other words, this trait undermines the opportunity to improve or learn.

Similarly, bias towards positive news has created barriers for staff in speaking up and raising concerns, whether through formal escalations or informal questioning. We observed a number of marked signals for this. First, and perhaps most tellingly, a number of individuals from across different functions contacted our review team for confidential discussions about instances of poor behaviour and practices, despite having opportunities to provide this feedback through our survey and focus groups. In discussions with these individuals, it was apparent that the perception of safety to speak up for at least some individuals was not apparent, and that trust in formal avenues of escalation were low. Our survey results also supported this, with almost 30% of the organisation agreeing that there "are negative consequences if I raise a risk, issue or difference in opinion". In focus groups, the construct of learned helplessness was discussed with a number of participants reflecting on icare's leadership tendency to dismiss or ignore the concerns raised by its people. While the majority of staff acknowledge that there are sufficient mechanisms in place to raise risks and issues to leaders, a potential failure to create psychological safety for all individuals - and the perception that timely and effective action is not taken to address issues raised - has reduced the use of such channels, and in turn has implications for how icare can constructively challenge and act on issues.

At the operational level, the reluctance to discuss bad news has also had implications for staff morale and development. Among focus group participants, it was agreed that bad news was often identified through informal channels and what they had heard second-hand or via corridor talk. One participant from the Care team noted that hear-say was a key mechanism by which they accessed information, and that often key pieces of information would "come as a surprise" to them. This trait has caused a lack of formal and open dialogue about instances of icare's performance, the reality of progress in key projects, and key decisions being made across the organisation. In one focus group, it was stated that the transparency of communication on the "realities" was very manager- or leader-dependent. In pockets, staff felt that they had access to information freely and openly, but this was certainly not uniform across icare.

Avoidance of confrontation and difficult - or even candid - conversations is another byproduct of this trait. Specifically, poor performance appears to be seldom addressed within icare (as discussed in Chapter 9. Accountability). One participant mentioned that "when performance isn't at the right level, it [is] basically a taboo to mention it or raise it with people. We don't like hurting feelings or creating a negative light". The desire

to protect others and save face has come, for certain teams and individuals, at the expense of constructive development feedback. The result of this, in pockets, is an appetite for greater discernment of performance; high performers are discouraged by poor performance not being addressed and a sense of complacency ensues.

10.4 icare's recent work on culture

Historical challenges and failures within icare are well documented and understood across icare. In fact, the multiple reviews, commissioned reports and media articles that have been written (or are being written) on icare have resulted in positive reaction, even if sometimes delayed as noted in previous chapters. People within icare have acknowledged that changes have started to occur in response to these reviews, multiple hearings at the Law & Justice committee, public scrutiny and recent leadership changes. In response to our survey question "I have observed significant changes in the way that icare works over the past 18 months", approximately 79% of respondents agreed.

Over the past two years, icare has progressed a range of initiatives that demonstrate culture as a priority for the organisation. While the scope of our review did not include assessing the effectiveness of these actions, we acknowledge some of the mechanisms that icare has put in place to remediate cultural challenges and leverage existing strengths. Examples of this work are provided below.

Hearing the voice of icare's people

icare has invested, and continues to invest, significant time, effort and resources into hearing the voice of its employees. The emphasis and attention placed on listening to employees is commendable, and is symbolic of shifts in leadership behaviour, particularly during the last 12 months in which a number of issues have been made public. Such initiatives are early steps in helping icare overcome the challenges of Positive news bias and We are the experts, in that they give leaders the opportunity to listen, reflect and action change by hearing the voices, both positive and negative, from individuals on the ground. They also reflect an opportunity to leverage the strengths of traits such as Commitment to vision and Alignment seeking, in that they invite collective problem-solving around how icare can improve for its customers.

Throughout our review, we were made aware of three examples which showcase icare's commitment to hearing the voice of its people:

● Over the course of 2018-2020, staff eNPS has been measured twice a year. icare employees are given opportunities to say whether they would promote icare as a place to work, share reflections on what icare does well, and share sentiments on customer service.

● During 2018-2020, icare participated in the state-wide People Matters Employee Survey commissioned by the NSW Public Service Commission. While this survey is not compulsory, it is open to all staff who work in the NSW public sector and we note that icare has historically promoted participation to its staff, resulting in higher than average response rate.

● Between September and October 2020, the GET conducted virtual listening sessions which consisted of 31 facilitated forums across the organisation. Group Executives and Senior Leaders moderated open dialogue sessions with approximately 250 employees in order to understand where icare's values are best demonstrated, where they have lagged, and what in icare's culture must start or continue. While the actions arising from this are yet to be mobilised, insights from these sessions have been collated into a report for board sub-committee consideration.

Defining values-led leadership competencies and behaviours

Over the last two years, icare has striven to be a values-led organisation, and placed increased attention on what this means for its leaders and people. The work on defining values began in 2016, and has been a key anchor for much of icare's work on culture. Defined by its people, icare was founded on the values of displaying integrity, courage, accountability, respect and empathy.

We note that these values are not only a foundational component of all induction, training and communications processes, but that they are continuously referred to and used to guide leadership development and behavioural change initiatives. For example, in 2019 the GET and the SLT completed a project to translate these values into a set of key leadership culture priorities. Each value was further defined into key leadership competencies, sub-competencies and indicative behaviours as to what would be required to live the value day-to-day.

While further work is necessary to codify expected behaviours into individual performance agreements, development plans, and embed as behavioural norms, this will help icare in both establishing consistency in the tone from the top, and facilitating the behavioural changes required to overcome a number of the challenging aspects associated with each cultural trait. For example, by aligning and reinforcing expectations around active

listening, leaders will be able to build more productive working relationships across icare and with external partners.

Investing effort in creating a more diverse and inclusive workforce

icare is showing commitment to create a more welcoming and inclusive workforce, whether it be through recognition of under-represented communities, or through acknowledgement of people's working preferences.

Plans and initiatives were provided to us in support of this, including diversity and inclusion website pages (HUGO), the Multicultural Inclusion Action Plan, and the Disability Inclusion Action Plan. We also note that over the past four years, a number of celebrations and acknowledgements of diverse peoples have occurred across icare, including NAIDOC week, Mardi Gras, and religious festivals.

Investing in diversity and inclusion is positive in two aspects. First, the recognition, participation and celebration of such events is valued by icare's people, and supports the organisation in recognising the contribution of individuals across the business. Second, it helps to overcome challenges of traits such as In the tribe and Positive news bias, in that it invites people to share, reflect and consider how their actions affect others in the organisation. Through ongoing dialogue about diversity and inclusion, implicit barriers between functions, teams and individuals can be broken down and help foster an environment where people feel safe in speaking up and bringing their authentic selves to work.

Defining clear strategic and enabling priorities that unite the organisation

icare operates in a complex system. It manages eight distinct schemes and must balance their respective purposes, obligations and operations. Creating alignment and unity across these is no easy feat. In order to move the organisation towards common goals, icare revisited its 2020-2022 strategic plan based on feedback received from SIRA, its customers and on reflection of the current operating environment. As part of this plan, icare produced its FY20 strategy-on-a-page.

We acknowledge the work involved in creating this strategy, and in particular the way icare has connected its external-facing objectives with its internal priorities to achieve it. Defining and uniting icare's people to a consistent and clear set of strategic priorities enables icare to harness the strengths of Commitment to vision and Alignment seeking. People are clear on where the organisation must focus and what they are contributing toward, at the highest level. It also helps overcome challenges associated with We are the experts and In the tribe, in that the strategic priorities are symbolic of having listened to external parties and demonstrating leadership's commitment to working more collaboratively internally and externally in delivering improved customer outcomes.

10.5 Implications of icare's culture on governance and accountability findings

As highlighted throughout this report, the culture of icare underpins a number of the key challenges and findings we have observed. These are provided in Figure 10 below.

Figure 10: How icare's culture contributes to governance and accountability findings

G&A findings	Underpinning cultural traits
Unclear identity of icare as a NSW government agency	● Commitment to vision - speed over outcomes ● We are the experts - inward orientation
Lack of governance discipline in hearing the voice of customer and execution excellence	● Commitment to vision - focus and courage to transform ● Alignment seeking - lack of openness to change/own mistakes
Absence of effective challenge around risk and compliance	● Alignment seeking - groupthink ● Positive news bias - ignoring action on risk
Challenges to identification, escalation and management of risks and issues	● Positive news bias - conflict avoidance ● Commitment to vision - ignoring of evidence that challenges grandiose vision

Strained relationships with external stakeholders, for example SIRA and EML	- We are the experts - dismissiveness of advice - Positive news bias - selective reporting and spin
Absence of consequence management for accountabilities, outcome delivery, and poor performance	- Positive news bias - conflict avoidance - In the tribe - bystander effect
Insufficient investment in reflecting, learning and course-correcting from previous experiences	- Alignment seeking - lack of openness to change/own mistakes - Commitment to vision - tunnel-vision

Even with the best practice infrastructure, artefacts, tools, and processes, cultural norms can undermine the adoption of change. Therefore, while it is critical that these cultural tendencies are addressed by removing the mechanisms that reinforce them (eg. unclear articulation of accountabilities), sustainable change can only be achieved if complementary behavioural intervention is enacted. Without a focus on both the formal and informal levers of change, icare can expect failures of the past to repeat themselves in the future.

The good news, however, is that icare's culture also provides sources of strength which can be used to overcome such challenges. By focusing on how it can use its culture as a source of advantage, icare can work with the predispositions of its organisation to accelerate change. For example, icare can:

- utilise its orientation and energy on wanting to do the best by customers (ie. a strength of its Commitment to vision) to better listen to feedback and galvanise around future change outcomes

- leverage its propensity towards collaborating and influencing others (ie. a strength of Alignment seeking) in order to drive improved partnering with external agencies such as SIRA and scheme agents (some of which has already been observed in the most recent engagement)

- drive its focus around Positive news bias to create good news stories for how the broader ecosystem of partners have worked together in improving outcomes for injured workers and employer customers.

10.6 Where behavioural shifts could improve governance and accountability

Ultimately, evolving any organisation's culture is a multi-year journey that will require sustained effort not only from icare's leadership team, but from all its people and in some cases with support from ecosystem partners as well. Cultural change does not occur quickly or easily – it requires a dedicated program with purposeful action, clear allocation of responsibilities and follow-through.

For icare, effective governance and accountability practices can only be embedded with deliberate and focused attention on staff behaviours. The first step in this journey will be for icare and its people to acknowledge their cultural predispositions and draw awareness to these as they manifest day-to-day. Awareness of challenges as they emerge 'in the moment' creates a powerful platform and prompt for changes to behaviour. These will be particularly evident when moments of stress arise for people or for icare.

Creating a plan to evolve culture is complex. There's a lot that can and should be done, however timing, sequencing and readiness for change are all important factors to be considered before investing time and effort. Our review suggests that icare needs to place its focus on addressing seven key recommendations.

Defining meaningful cultural aspirations which enable icare's strategic priorities

As part of its FY20-22 strategic planning, icare has set a bold ambition to deliver three strategic priorities: delivering value and affordability; improving injury outcomes; and enhancing quality of life outcomes. Setting these strategic priorities is a positive first step in unifying the organisation around what it needs to deliver and by when.

However, while the strategy defines the aspirations for the organisation as a whole in terms of its business objectives, it does not articulate how icare's culture will enable their achievement. In our experience, culture is as critical as the broader strategy and operating model, and achievement of objectives requires all three elements to work congruently.

To really understand and help icare's people in achieving their strategic priorities, we recommend that icare start by identifying a set of cultural aspirations - that is, define what icare's culture needs to evolve toward. For example, if icare is to truly deliver value and affordability to its customers, it will need its people to drive benefits-oriented change and to take ownership of outcomes. Without such expectations and associated behaviours in place, attempts to manage the organisation towards the creation of value and affordable services will be met with inertia.

In defining these aspirations, icare must also consider two things. First, how do icare's cultural traits help or hinder achieving each aspiration, and to this extent, are there any sub-cultural traits that stand out? That is, are there any strengths in icare's culture that will be advantageous to harness, or particularly challenging to mitigate, when considering the feasibility of each aspiration? Second, what governance and accountability practices most need cultural help, and how do each of these cultural aspirations also enable effective governance and risk practices? For example, balancing innovation appetite with risk will be critical to ensuring that icare does not put excessive focus on innovation in pursuit of driving toward an objective. To this end, icare should be vigilant and deliberate in how aspirations are defined so that it balances the achievement of strategic priorities with its compliance and regulatory obligations.

Recommendation 70

icare should translate its strategic priorities into cultural aspirations and make them tangible for individuals across the organisation.

Mobilising the formal and informal levers for change

As previously discussed, icare has invested considerable effort into communicating and engaging staff on the concept of culture in recent months. Although actions like the listening sessions and diversity and inclusion initiatives are positive steps forward, we also note that, for example, driving behavioural change through only communication will be ineffective in isolation of broader systemic changes that do not consider how behaviours are reinforced. It was our observation that there are still major gaps in how icare currently addresses many of the underlying cultural challenges previously mentioned within this chapter.

In order to mitigate the challenges of its cultural predispositions, icare must take action on a number of areas.

First, it must create a greater understanding of the expectations of individuals across the organisation with respect to governance and accountability - that is, it must clearly articulate the expectations of all individuals concerning incident management, issue management and risk management, so these are clearly embedded within the accountabilities of all individuals. Such expectations must be in accordance with the corresponding risk frameworks, processes, policies and tools that are established to manage these practices. We would expect that successful action in this regard will help to clarify any areas of current uncertainty and ambiguity which may lead to failures in adopting standard practices today.

Recommendation 71

Create a greater understanding of the expectations for all icare employees with respect to governance and accountability, and align these to processes, policies and tools set around incident management, issue management and risk management. This supplements recommendations made in Chapter 5. Risk management & compliance, Chapter 6. Issues identification, escalation & resolution, and Chapter 9. Accountability.

Second, icare must focus on building the organisational capabilities to support previously made recommendations for improving governance and accountability. Where we have suggested there are gaps in root cause diagnosis and post-implementation reviews for example, icare needs to build the organisational muscle to not only prioritise this work effort but to ensure quality output. icare should build an organisation whereby learning and feedback mechanisms are actively sought after and change is encouraged and delivered from the executive and throughout.

Recommendation 72

Build and promote further learning and feedback mechanisms and both project and team levels both formally and informally. This supplements recommendations made in Chapter 6. Issues identification, escalation & resolution.

Third, the role of icare's leadership will be critical in setting the tone for incident, risk and issues management, but also in developing their own leadership habits as a collective group. Soft skills such as constructive challenge, creating psychological safety and balancing communications will be required in all leaders, including the GET and SLT. Without first building the capability and know-how of leaders to action these types of behaviours in their roles, icare will face difficulty in setting the standard for those below the executive.

Recommendation 73

Build leadership (GET, Chiefs and SLT) capability around effective risk, governance and accountability practices, but also in how they role model and communicate change to their teams as a collective. This supplements recommendations made in Chapter 4. Senior leadership oversight, and Chapter 5. Risk management & compliance.

Throughout our review, we observed significant opportunities to codify performance expectations, translated from the organisation's objectives, accountabilities, and behavioural expectations into performance standards. In a number of focus groups and interviews, people commented on the lack of clarity around individual KPIs, and attributed failures in holding others to account as a direct repercussion of this.

Although the GET has identified this as a gap and begun work to establish enterprise-level performance objectives, an end-to-end performance management system should also be reviewed and gaps closed. In our view, icare must focus on translating enterprise-level performance objectives down to functions and teams, so that people are clear on the expectations of them in their role, and more broadly, to have a clear line of sight on accountabilities. This will help icare in managing and holding people to account, particularly in an operating model where there responsibilities are diffused across the schemes.

Recommendation 74

Enhance its performance management system, with particular focus on clarifying individual expectations so as they can overcome the diffusion of responsibility and hold people to account. In doing so, icare should confirm the KPIs, scorecards, charters, accountability frameworks and cascade that exist to support this. This supplements recommendations made in Chapter 9. Accountability.

And fourth, underpinning all of this, icare should focus on identifying and defining those few critical behavioural changes which are required to enable effective risk, issue and governance practices across the organisation. To define these behaviours icare should consider the key shifts needed to achieve its cultural aspirations, including lifting the bar on governance and accountability, but also those that address some of the challenging behaviours we have observed in moments of strain, for example combativeness and blame. Given some of the challenges we heard, examples of such behavioural shifts may include aspects of active listening, due consideration of alternative perspectives and expertise, inviting feedback, constructive challenge, and partnering collaboratively with external agencies. Behaviours to embed might also include those that reinforce and spread current cultural strengths. Particularly as they relate to different levels, functions and teams, icare must set clear expectations for what 'good' behaviour looks like, so there is no room for interpretation about what this means for different people within icare.

Planning for behavioural change must be calculated and sequenced. Adopting a 'big-bang' approach to change often creates additional complexity and fatigue across the organisation, especially in environments where frequent and ongoing change is a norm. While multiple behaviours will be important, focusing on a critical few in the first instance will have the impact of bringing other positive behaviours along. Once those behaviours are embedded, the organisation can focus on adopting the next tranche of critical behaviours.

To ensure behavioural change is rapidly embedded to form new norms, sustainable and reinforced, icare must also balance speed and effectiveness with regard to future initiatives. This will involve considering the change readiness, willingness and ability of different pockets within the organisation, as well as the business imperative to change and other constraints which may create natural inertia to receive and enact change (for example, any organisational restructuring activities which are occurring in parallel). We suggest leveraging informal levers such as peer norming, symbolic actions and role modelling to ensure these critical behaviours are adopted in an accelerated and viral fashion.

Recommendation 75

Identify and embed the critical few behaviours it needs to drive effective governance and accountability practices. The may include behaviours associated with constructive challenge, speaking up and safety in doing so, listening to other areas of expertise, learning and responding, but also to further embed collaborative partnering.

Developing and embedding a measurement framework

Aside from having a plan to enable behavioural change, icare also needs to introduce a measurement framework and approach to track the effectiveness and impact of this work on business, governance and accountability. The onus to demonstrate and prove that changes in behaviour are improving governance and accountability falls with icare, and therefore icare itself will need to demonstrate where change is occurring and what impact this is having.

Throughout our review, we observed that the measurement of behavioural change and how this helps or hinders business performance is a gap in icare's practices. Rather than having a clear line of sight between staff behaviour and business performance, there was a tendency to rely on lag metrics, such as eNPS data and employee sentiment, as a means to flag cultural challenges.

The development and ongoing measurement of both interventions and staff behaviour will be critical for icare as it moves forward. Without such mechanisms in place, icare is left with very little insight into what is driving performance, and perhaps more importantly, how to course-correct when future issues arise.

In our experience, the development and embedding of behavioural measurement frameworks is effective for three reasons:

- They provide the ability to measure and monitor issues as they arise - that is, to understand potential causes of failure in a timely fashion.

- They provide the ability to take corrective action with specificity - that is, to isolate pockets within the business where an issue is amplified and determining where to focus effort.

- They provide the ability to gauge whether the right levers or initiatives are in place - for example, whether more work is required on enabling processes and structures, or whether further work is needed in building staff capability and reinforcing behaviours.

Recommendation 76

Implement a robust behavioural measurement framework that enables monitoring of behavioural change to drive governance, accountability and performance outcomes. This supplements recommendations made in Chapter 9. Accountability.

Ultimately, evolving icare's culture will be a multi-year journey. Our seven recommendations are necessary next steps in that journey. The role of icare's leaders will be to continually develop and improve, and demonstrate their willingness to accept personal responsibility for driving acceptable practices throughout the organisation. With sustained effort and monitoring, icare will rebuild the trust of its broader ecosystem partners and regulators, demonstrating meaningful change and progress along the way.

Appendices

Appendix A: Stakeholders Interviewed

Interviews:

Conducted 27 interviews with key management and and board members of icare:

- board members
- Group Executives
- Chiefs
- Internal Audit
- Selected other subject matter experts as required.

Conducted 20 external interviews with key stakeholders:

- SIRA Board, CEO, Senior Executive
- NSW Treasury
- EY
- Customer Advocate
- PwC internal stakeholders
- ICAC
- EML - multiple stakeholders
- CFMEU
- Business NSW
- Ombudsman - NSW Workers Compensation Independent Review Office (WIRO).

Conducted three anonymous icare interviews.

Case studies:

Conducted three case studies

Focus groups:

Conducted 13 focus groups in total:

- eight icare focus groups
  - SLT
  - Care
  - Personal Injury 1
  - Personal Injury 2
  - Prevention & Underwriting
  - Organisational Performance
  - People & Workplace/Customer & Community
  - Digital & Technology/Strategy & Governance
- five service provider/scheme agent focus groups
  - EML RTWSS
  - EML WI

- GIO
- Allianz
- QBE

Appendix B: Glossary

3LoD	Three Lines of Defence
A&Q	Assurance and Quality
APRA	Australian Prudential Regulation Authority
ARC	Audit and Risk Committee
ASIC	Australian Securities and Investments Commission
CAT	Customer Advocacy Team
CEO	Chief Executive Officer
CFMEU	Construction, Forestry, Maritime, Mining and Energy Union (Construction & General NSW)
CITC	Customer Innovation and Technology Committee
COVID-19	Novel coronavirus SARS-CoV2
CRM	Customer Relationship Management
CRO	Chief Risk Officer
DDC	Dust Disease Care
DOA	Delegation of Authority
Dore Report	'Independent reviewer report on the Nominal Insurer of the NSW workers compensation scheme' for the State Insurance Regulatory
EML	Employers Mutual Limited
eNPS	Employee Net Promoter Score
FC	Foundation Committee
FSC	Financial Sustainability Committee
GET	General Executive Team
HUGO	icare's Intranet
IAC	Investment and Asset Committee
ICAC	Independent Commission Against Corruption
KPI	Key Performance Indicator
MAPS	Ministerial & Parliamentary Services
NI	Nominal Insurer
NPS	Net Promoter Score
PaL	icare's Performance and Learning Portal
PI	Personal Injury
PIAWE	Pre-injury Average Weekly Earnings

PRC	People and Remuneration Committee
QA	Quality Assurance
RAP	Regulatory & Affinity Partners
RAS	Risk Appetite Statement
RMF	Risk Management Framework
RTW	Return to Work
SICG Act	State Insurance and Care Governance Act 2015
SIRA	State Insurance Regulatory Authority
TMF	Treasury Managed Fund
WCC	Workers Compensation Commission
WH&S	Work Health & Safety
WIRO	Workers Compensation Independent Review Office