



Institute of Actuaries of Australia

XIth Accident Compensation Seminar 2007

Workers' Compensation Scheme Comparison

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Are we reinventing the wheel?

- CPM reports (now at 8th edition)
- HWCA benefit comparison (annual)
- Campbell RTW Monitor (annual)
- ASCC/NOHSC reports
- paper at conferences such as this
- and more!

Our Purpose

- overview of some key indicators
 - for those who don't study the other sources
 - highlight similar/different [Note: not good/bad!]
 - to help define our environment; put conference discussion in context
- first step in a process
 - move from “as at” stats to development-based
 - develop some additional stats
- common themes

Sources of data

- data request to Schemes
 - premium and covered wages
 - claim reporting development
 - claim payment development
 - payment profile
 - claim profile (gender, age, injury)
 - changes required for the next one
- public information – websites, annual reports, CPM studies etc

Data received from Schemes

	A	B	C	D	E	F	G
Years	11	11 [9]	11	11	6	11	11
Earned Wages	YES	YES	YES	YES	YES	YES	NO
Earned Premium	YES	YES	YES	YES	YES	YES	NO
Reporting Δ	YES	INCOMPLETE	YES	INCOMPLETE	INCOMPLETE	YES	INCOMPLETE
Finalisation Δ	YES	NO	YES	NO	NO	YES	YES
Payment Δ	YES	YES	YES	YES	INCOMPLETE	YES	NO
Estimate Δ	YES	NO	NO	NO	INCOMPLETE	NO	NO
Payments by HOD	NO	YES	YES	YES	INCOMPLETE	NO	NO
Gender Profile	YES	YES	YES	YES	YES	NO	YES
Age Profile	NO	YES	YES	YES	YES	NO	YES
Injury Type	NO	YES	NO	NO	NO	NO	YES
Injury Severity	NO	YES	NO	NO	NO	NO	NO

YES

NO

INCOMPLETE

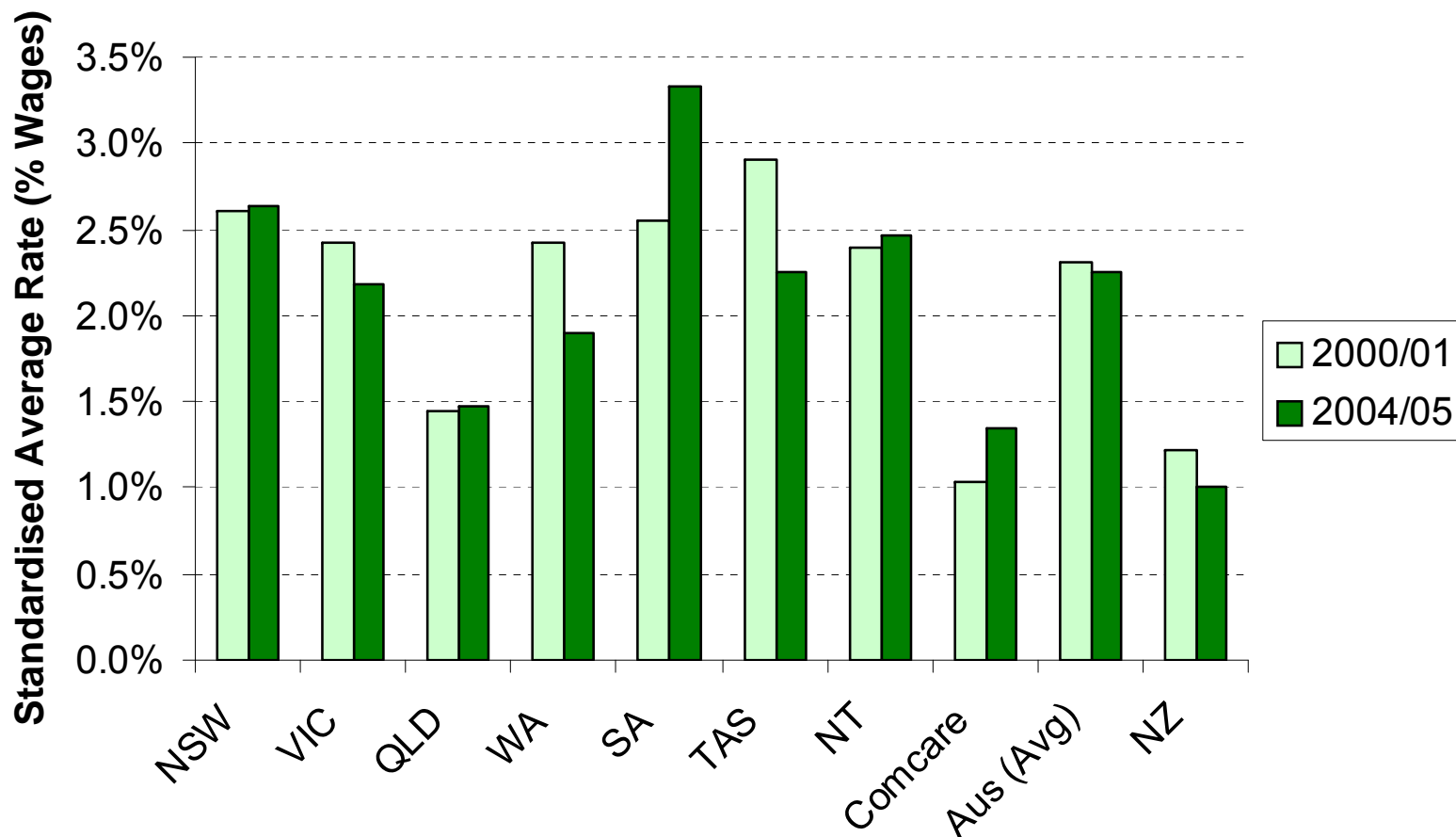
Financials

- premium rates
- funding ratio
- risk margins
- net claim development tables

Standardised Average Premium Rate

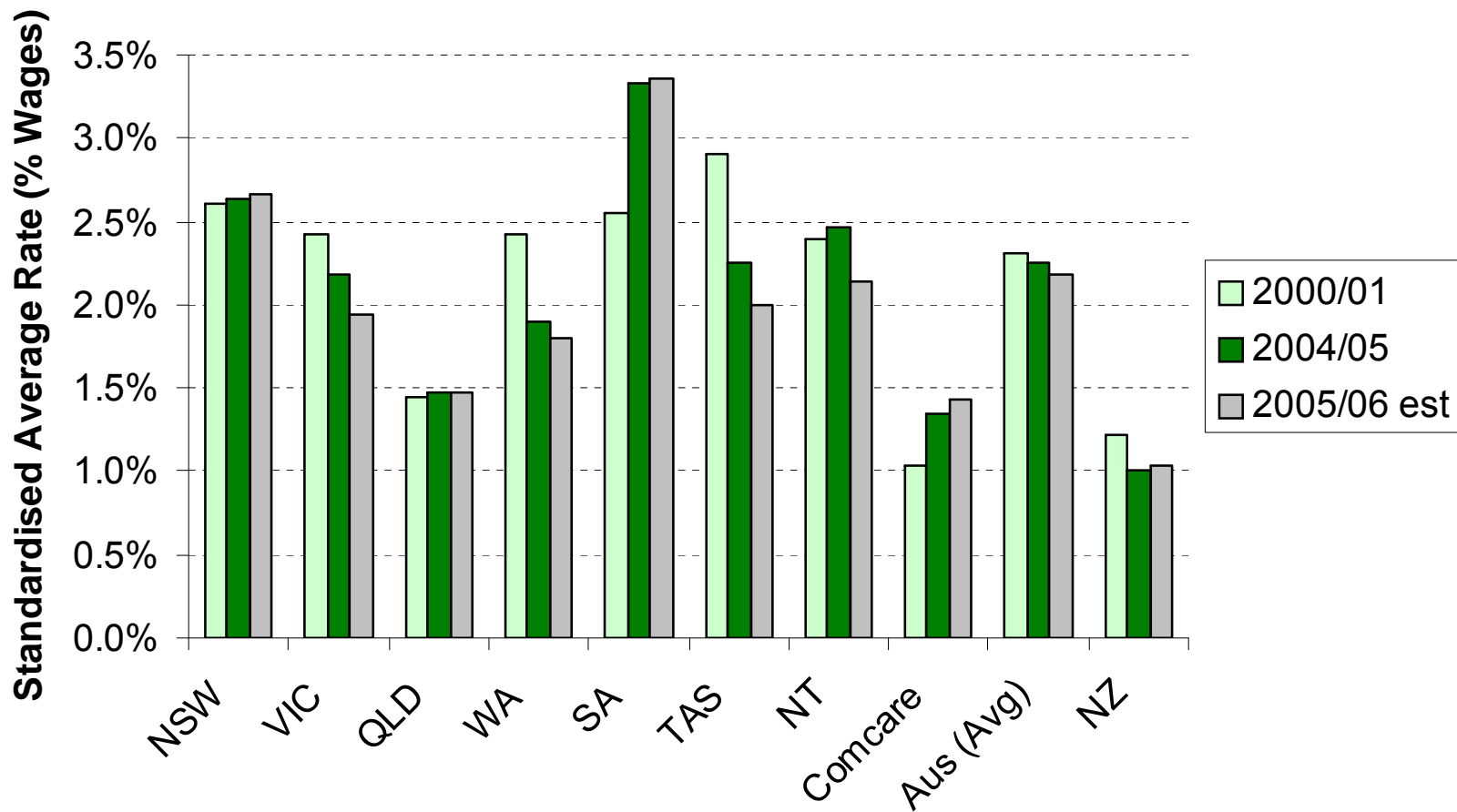
- a political favourite
- standardisation for CPM report
 - adjusted for wage base (superannuation)
 - inclusion of premium-equivalent for self insurers
 - adjusted for different employer excess
 - adjusted for journey claims
 - no longer incorporates industry-mix adjustment

Standardised Average Premium Rate



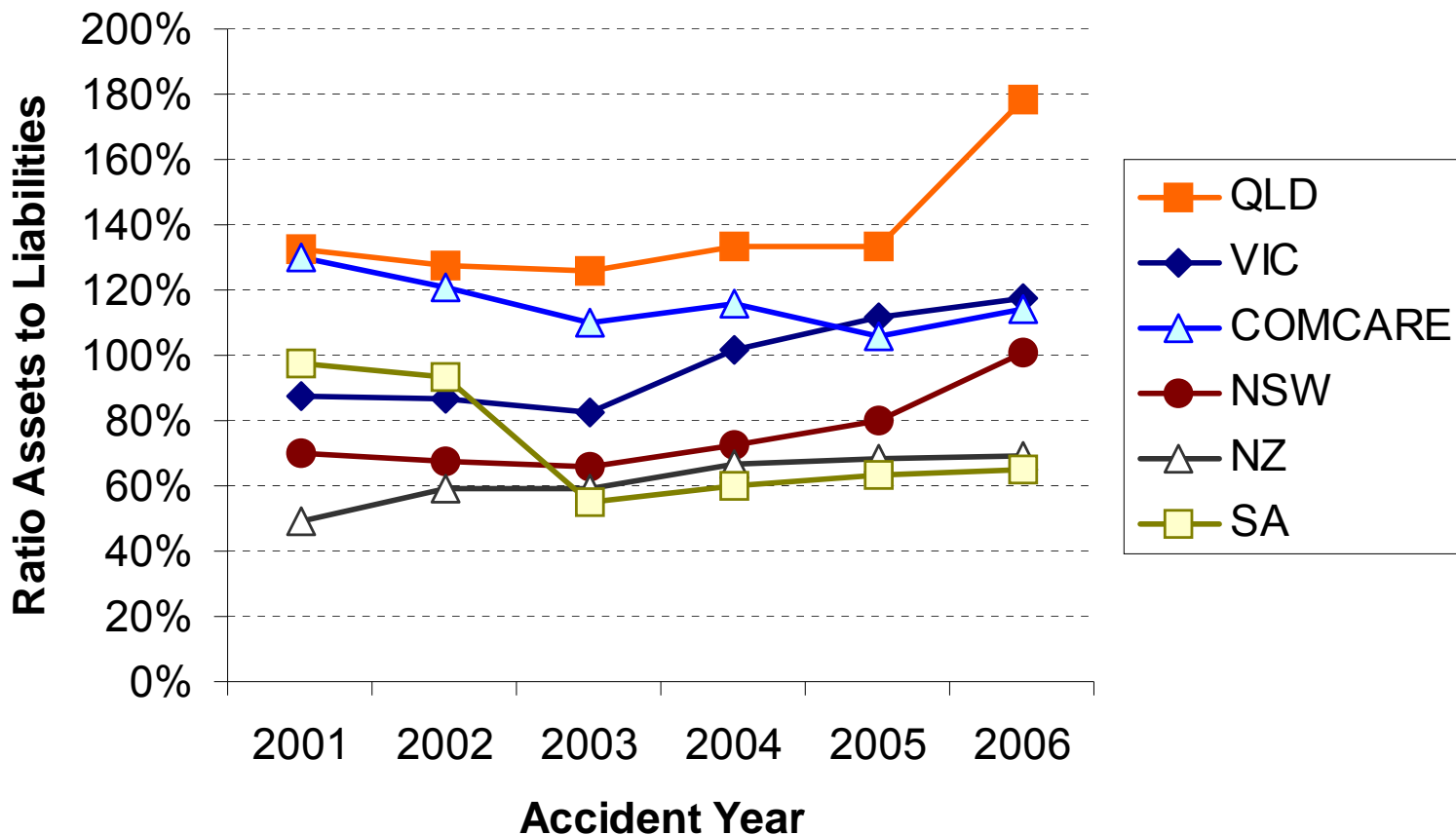
Sources: Comparative Performance Monitoring 8th Edition. Indicator 15 for 00/01 & 04/05
 Scheme data and public sources for 05/06 (with pro-rata “standardisation” adjustment)

Standardised Average Premium Rate



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Funding Ratio



Sources: HWCA publications: Comparison of Workers Compensation Arrangements
Scheme annual reports for 05/06

Risk Margins for 2005/06

	Risk Margin (% net)	Probability of Adequacy	Funding Ratio
NSW	3.0%	60%	101%
VIC	8.5%	75%	119%
QLD	11.6%	80%	Comfortably > 100%
SA	5.2%	65%	65%
Comcare			
- 05/06	reporting under AASB137		
- 04/05	10.6%	85%	106%

Sources: Annual Reports of the Schemes

Claims Development Tables

- little consistency at this point
- gross and net; or just net
- undiscounted “above the line”; or discounted to accident year
- “below the line” by year or in aggregate
- treatment of prior years

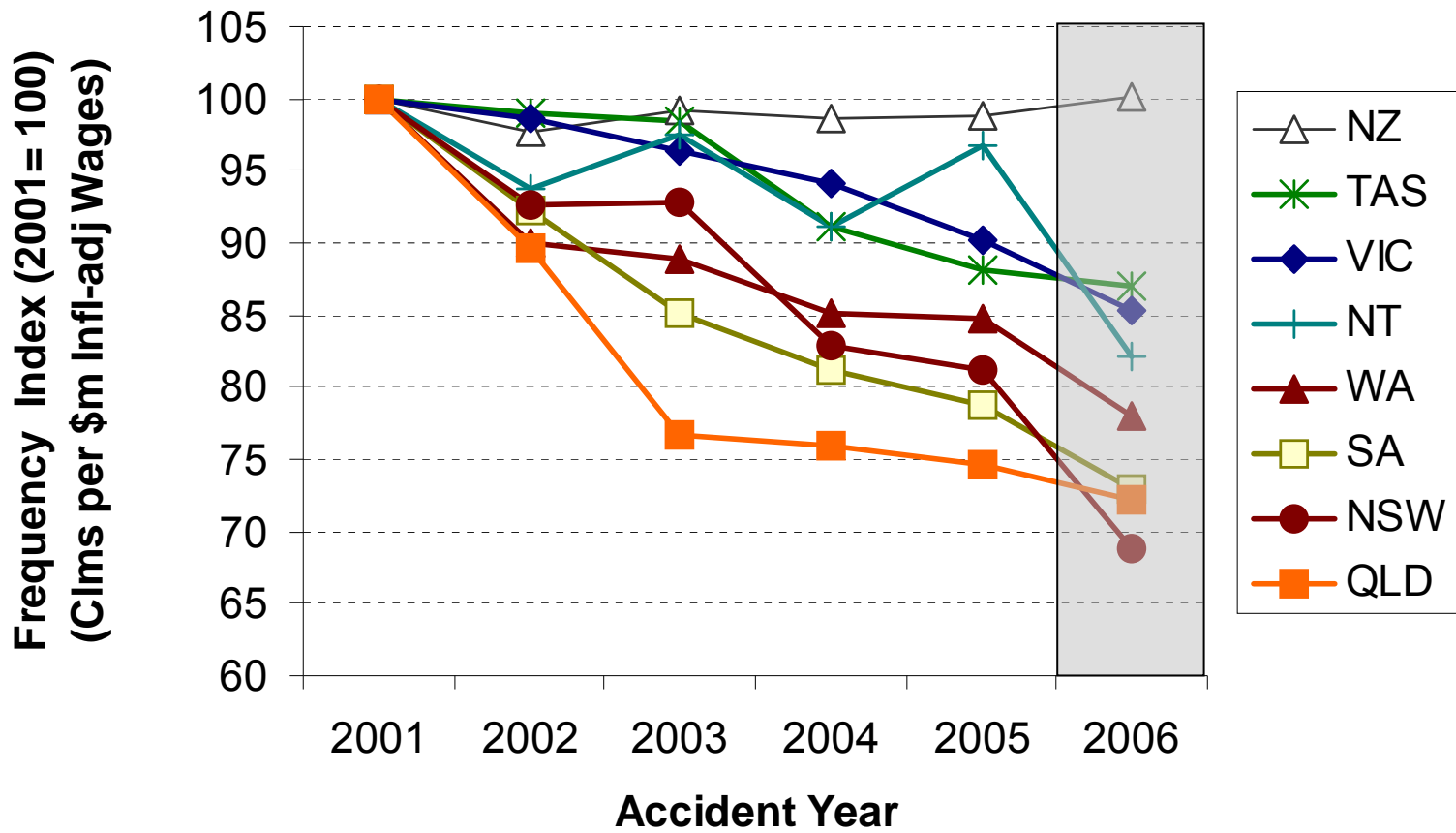
Example: VWA Gross

GROSS	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	Total \$m
Estimate of Ultimate Claims Cost						
* at end of accident year	1,567	1,608	1,696	1,595	1,667	
* one year later	1,541	1,574	1,508	1,582		
* two years later	1,443	1,406	1,503			
* three years later	1,389	1,394				
* four years later	1,424					
Current estimate of cumulative claims cost	1,424	1,394	1,503	1,582	1,667	7,571
Cumulative payments	-582	-461	-377	-279	-122	-1,821
Outstanding Claims (undiscounted)	842	933	1,126	1,303	1,545	5,749
Prior Years						4,031
Total Outstanding Claims (undiscounted)						9,780
Discount						-2,914
Claims handling expenses						723
Risk Margin						626
Total Gross OSC (Balance Sheet)						8,215

Claims

- claim frequency
- reporting pattern
- average size
- mix by payment type
- demographics

Trends in Claim Frequency



Sources: Data from Schemes and public sources (websites etc.)

Wages data adjusted for inflation to \$Jun-06 values, using ABS stats

Claim Reporting Pattern

- Seek out an “underlying” reporting pattern

Run-off triangle
analysis

NSW, VIC, QLD,
WA, SA, NT
[TAS], [NZ]

A little bit of
creativity

Claim Reporting Pattern

- Indicative “underlying” reporting pattern

Development Year (where Accident Year = 0)								
0	1	2	3	4	5	6	7	8+
90.60%	8.15%	0.45%	0.25%	0.15%	0.10%	0.07%	0.05%	0.18%

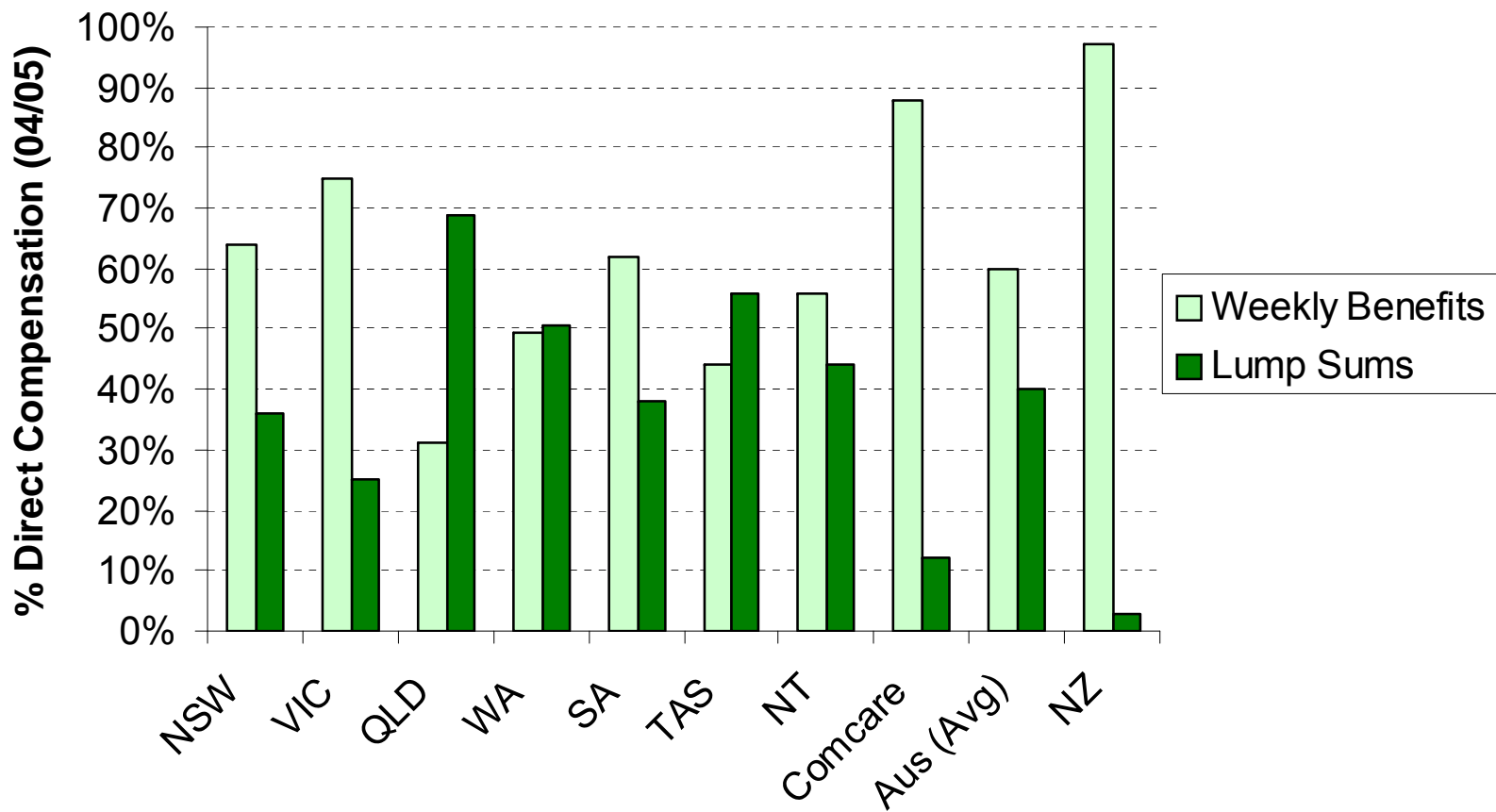
What does “underlying” mean?

- Doesn't fit any one Scheme absolutely
- Needs adjustment for special features
 - example: VWA “standard” -vs- “minor”
- Uncertainty regarding the tail

Payments & Sizes

- limited use for payments without estimates
- “heads of damage” approach to be refined
- CPM Indicator 20
 - Direct compensation, split between weekly benefits & lump sums

Direct Payments: Weekly -vs- LS

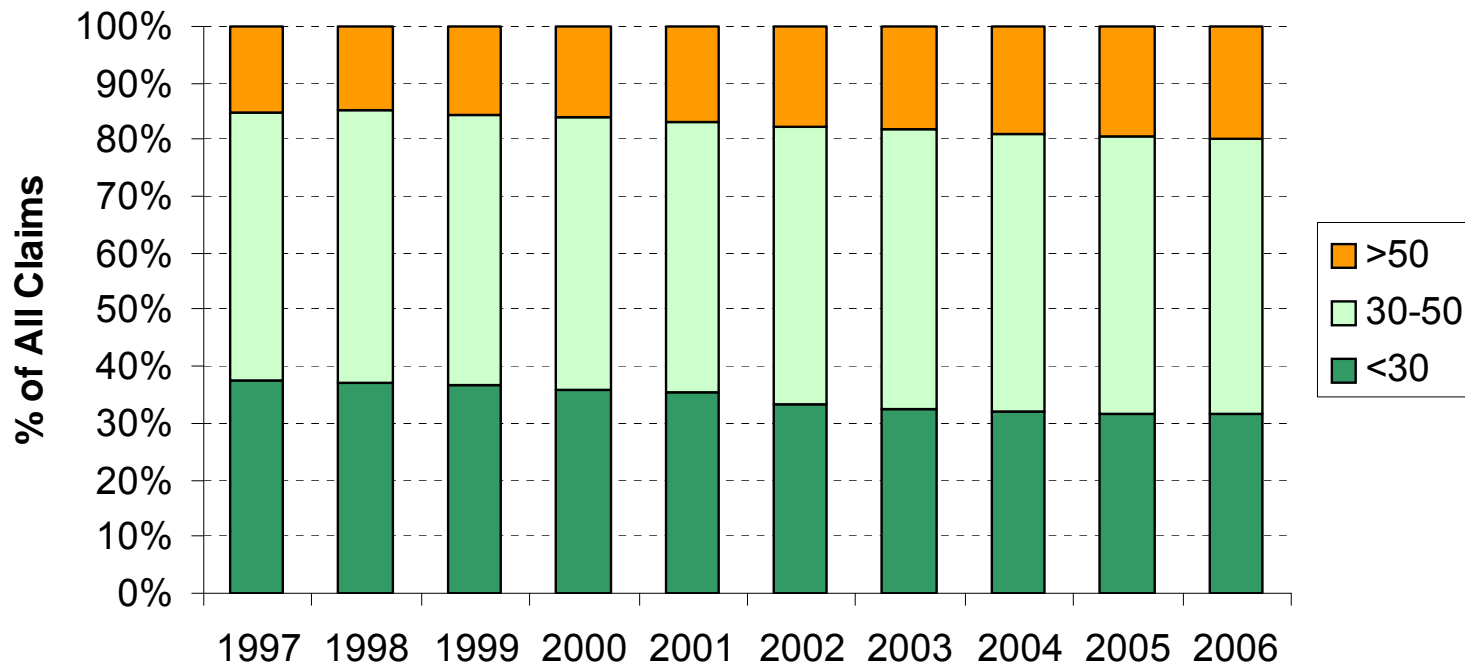


Demographics

- injury mix
 - the rise & rise of stress
- age profile
 - aggravation & recurrence
 - pre-existing or degenerative conditions
 - different RTW issues for older claimants

Age profile

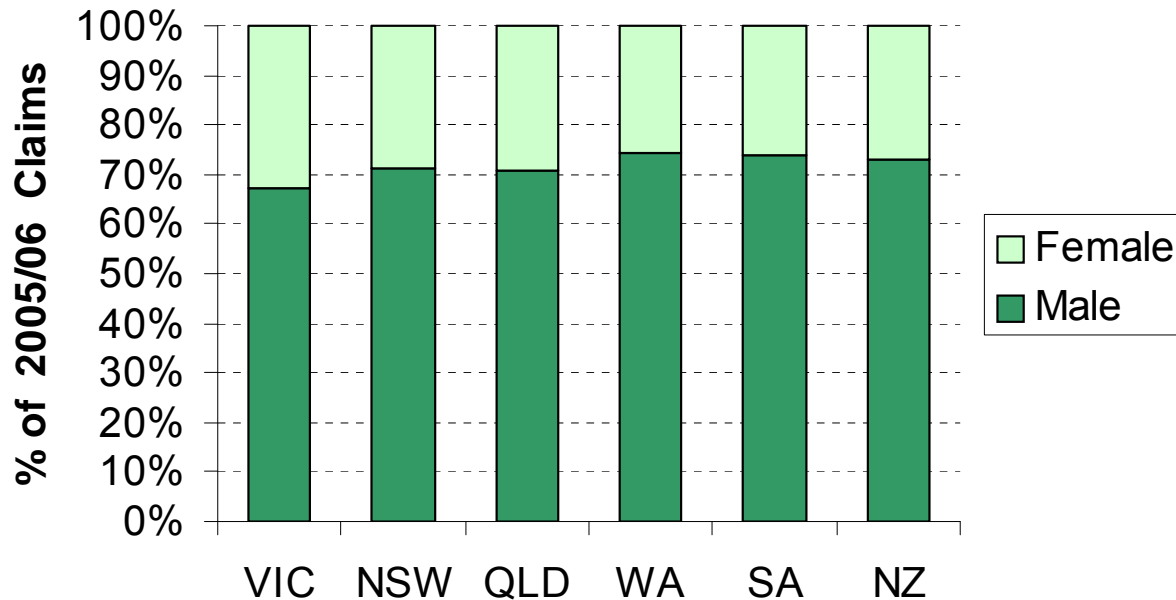
- shows an increasing age trend



- VIC has an “older” profile

Gender Mix

- pretty consistent across Schemes



- female proportion is increasing
 - last 5 yrs around 28%; 5 years prior 25%

Other Observations

Common Themes

- Provider performance & incentives
 - Claims Agents
 - Rehabilitation Providers
- Projects targetting long-term claims
- Self insurance “crack down”
 - including the Comcare dimension
- Relatively low-key legislative changes
 - exceptions: SA & Comcare

Where can we take the stats?

- “comparisons” are here to stay
- develop down the existing path?
- steer focus away from comparison to pooled knowledge?
 - latent claims
 - severity
 - hot topics

Feedback

- Opinions and suggestions through feedback forms and/or directly to me

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