

WorkCover WA

31 December 2011 Quarterly

Overview of WA Workers

Compensation Experience

March 2012



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9 March 2012

Dear Leona

Please find enclosed our report on the quarterly overview of WA workers compensation experience as at 31 December 2011.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Lurie'.

Peter Lurie
Fellow of the Institute of Actuaries of Australia

A handwritten signature in black ink, appearing to read 'Adam Jupp'.

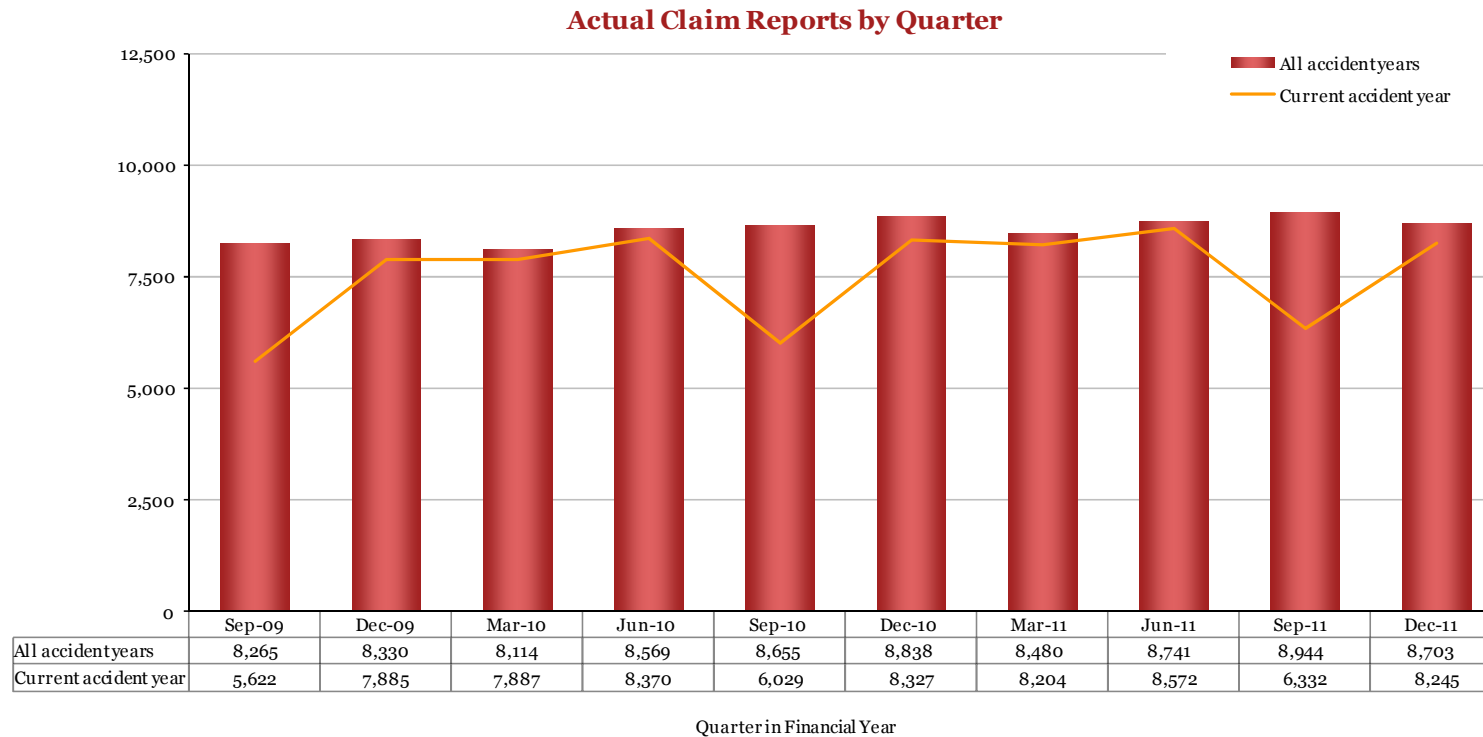
Adam Jupp
Fellow of the Institute of Actuaries of Australia

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1 Claim numbers reported

1.1 Actual claim reports

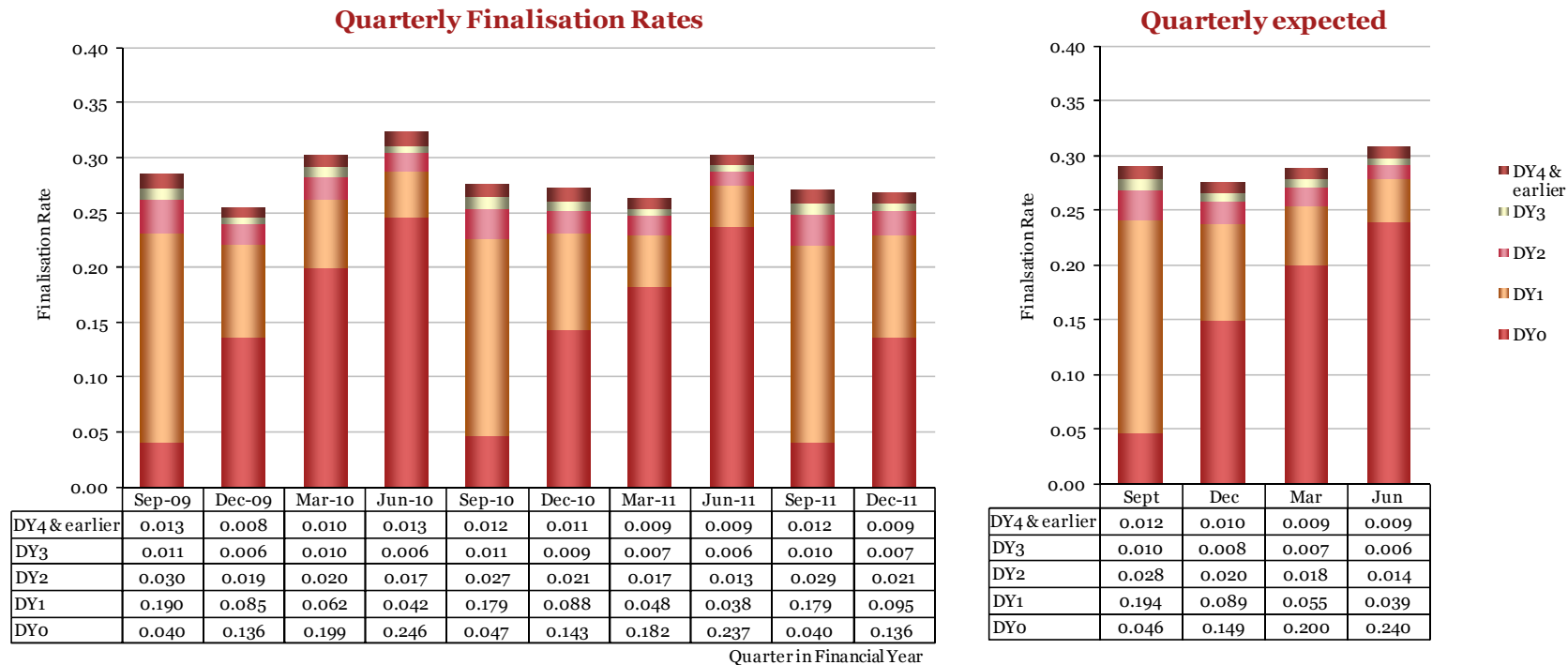


There has been a generally increasing trend in claim reports since the low in March 2010, to around 8,700 claim reports per quarter. However, total reported claims in the December 2011 quarter (8,703) were 2.7% lower than the September 2011 quarter, and 1.5% lower than December 2010.

In aggregate, total claims reported over the twelve months to December 2011 was 2.0% higher than total claims reported over the twelve months to December 2010.

2 Claim finalisation rates

2.1 Quarterly finalisation rates



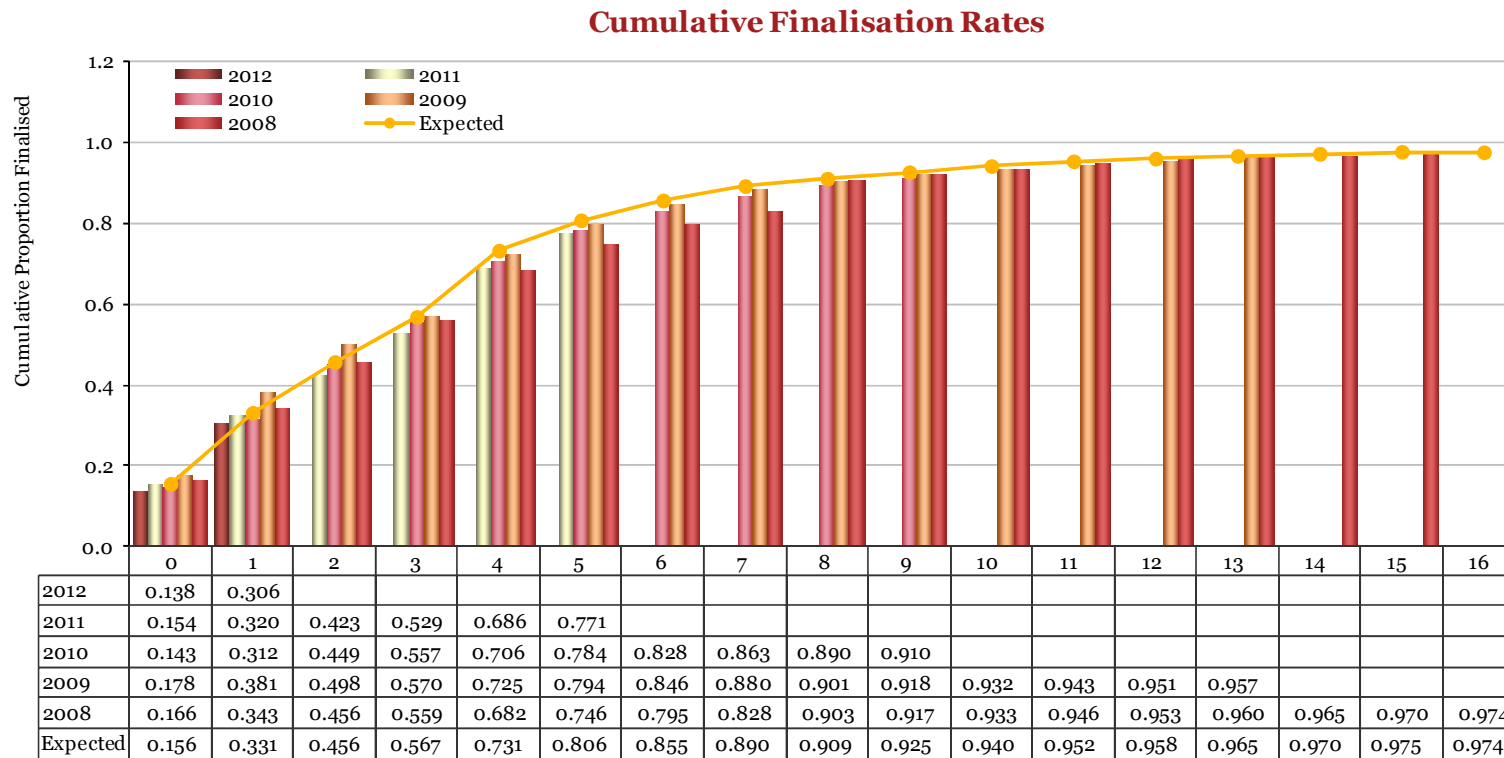
The December 2011 finalisation rate was slightly slower than the December 2010 quarter and expected, due to a slower than expected finalisation rate in DY0, partially offset by a faster than expected finalisation rate in DY1. All other development years were close to expected.

All quarters in 2011 were slower than expected and their 2010 counterpart.

Expected = average of previous three years' finalisation rates (updated from 1 July 2011)

Finalisation rate = proportion of claims that were active during the period that had been finalised by the end of the period.

2.2 Cumulative finalisation rates as a proportion of incurred



DQ in AYR

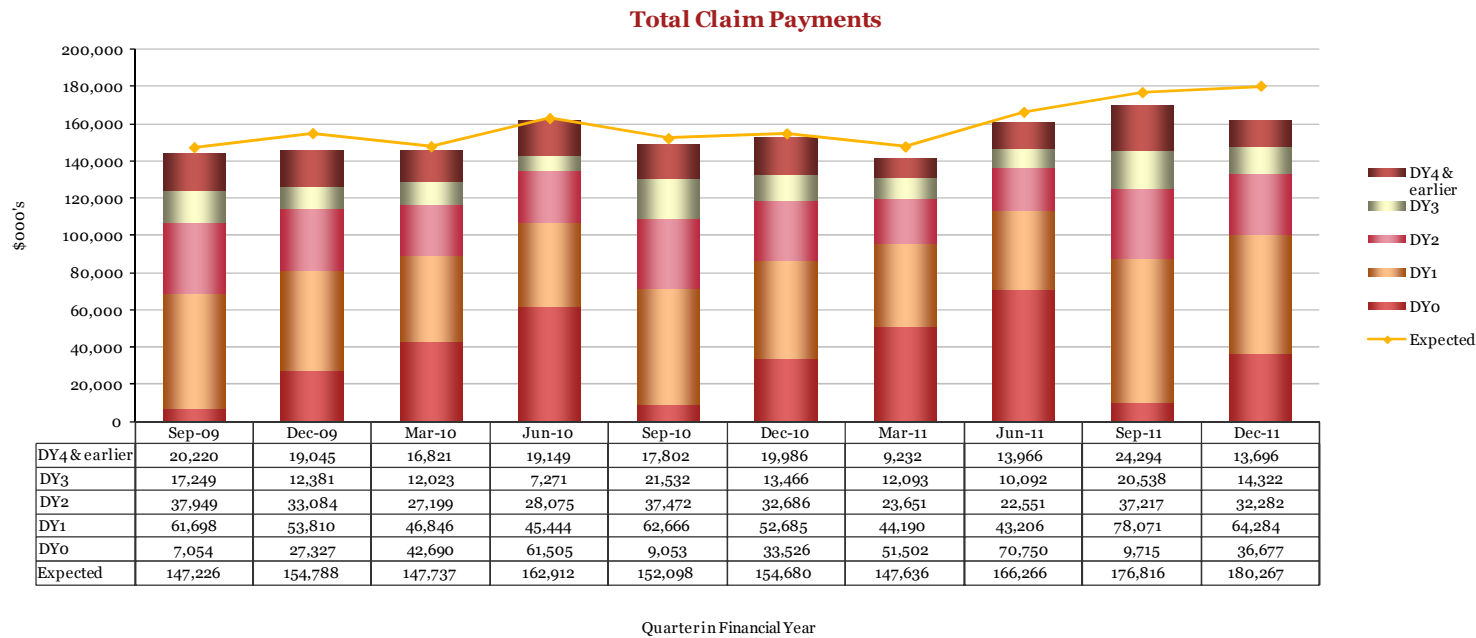
The cumulative claim finalisation rate for DQ0 of the 2012 financial year (September 2011) was slower than expected and all previous years however it sped up in DQ1 (December 2011) to be on par with 2011 albeit still below expected. As at 31 December 2011 none of the cumulative claim finalisation rates were above expected.

Finalisation for the 2011 accident year has generally been slower than prior years. The 2009 accident year was above expected up to DQ3, and all other years up to DQ10 when it falls below the 2008 accident year. The 2008 accident year is above expected for DQs 0 and 1, but then falls below expected for all other development quarters.

Expected = using data from our 8 April 2011 recommended premium rates report (updated from 1 July 2011).

3 Claim payments in total and by payment type

3.1 Total claim payments



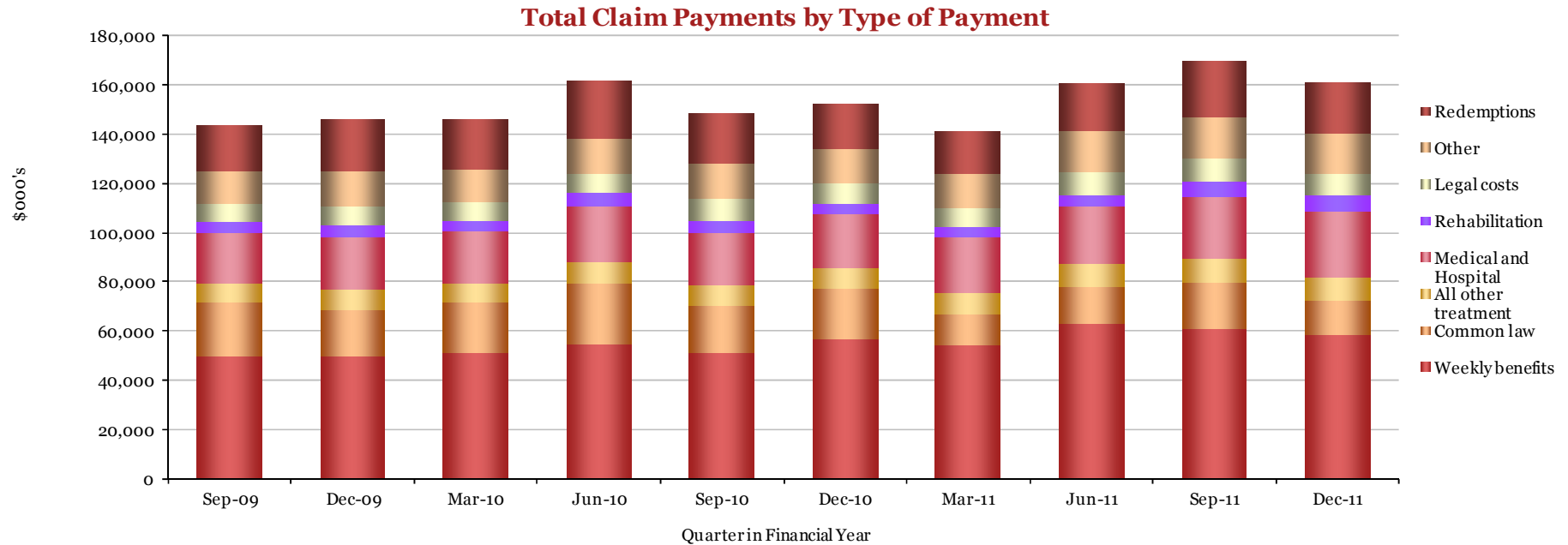
In aggregate, actual payments for the 2012 financial year to date (December 2011) are 7.3% lower than expected. Over the 2010 and 2011 financial years actual payments were 2.6% and 3.0% lower than expected respectively. Payments for the December 2011 quarter were 5.0% lower than payments made in the September 2011 quarter, but 5.8% higher than the December 2010 quarter.

Total claim payments exhibit a generally increasing trend over the period with seasonal lows in March.

Note that the total claim payments in 3.1 (from Form WC20) differ slightly from 3.2 (from Form WC101). See the note in table 7.1.

Expecteds = payments from our actuarial projections where 2010 is from our 30 June 2009 model and 2011 is from our 30 June 2010 model. 2012 is a mechanistic forecast using the sum of quarterly data to June 2011 (updated from 1 July 2011).

3.2 Total by payment type

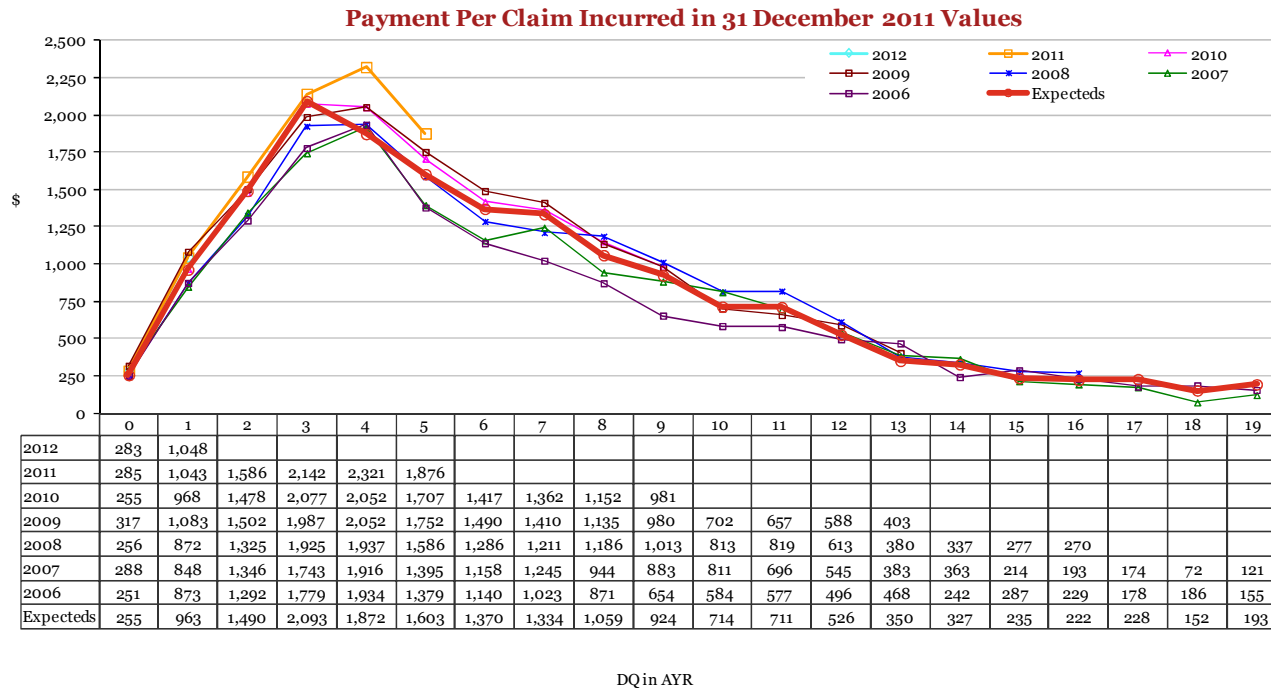


Total claim payments by type of payment (\$'000s)											Increase in Dec 11 from	
Payment type	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11	Sep 11	Dec 10
Redemptions	49,879	50,007	51,022	54,848	51,125	56,824	53,870	62,996	61,054	58,832	-3.6%	3.5%
Other	13,209	13,932	13,156	15,054	14,537	13,857	13,721	16,856	16,978	16,217	-4.5%	17.0%
Legal costs	7,446	8,012	7,249	7,487	8,480	7,983	7,547	9,044	9,711	9,182	-5.4%	15.0%
Rehabilitation	4,534	4,950	4,656	5,331	4,915	4,663	4,809	4,895	5,688	6,105	7.3%	30.9%
Medical and Hospital	20,732	21,457	21,047	22,834	21,706	21,804	22,394	23,051	25,244	26,824	6.3%	23.0%
All other treatment	7,560	7,698	7,936	8,417	8,430	8,333	8,884	9,174	9,407	9,846	4.7%	18.2%
Common law	21,738	18,856	20,426	24,679	19,077	20,478	12,873	15,231	19,069	13,299	-30.3%	-35.1%
Weekly benefits	49,879	50,007	51,022	54,848	51,125	56,824	53,870	62,996	61,054	58,832	-3.6%	3.5%

Most payment types decreased over the December 2011 quarter, especially common law (30%), however, medical and hospital, rehabilitation and all other treatment costs increased. All payment types increased from December 2010 to December 2011, except common law. While redemptions and weekly benefits increased by 3.5%, all other increases were significant ie 15% to 31%.

4 Payments per claim incurred

4.1 PPCI in 31 December 2011 values – discrete

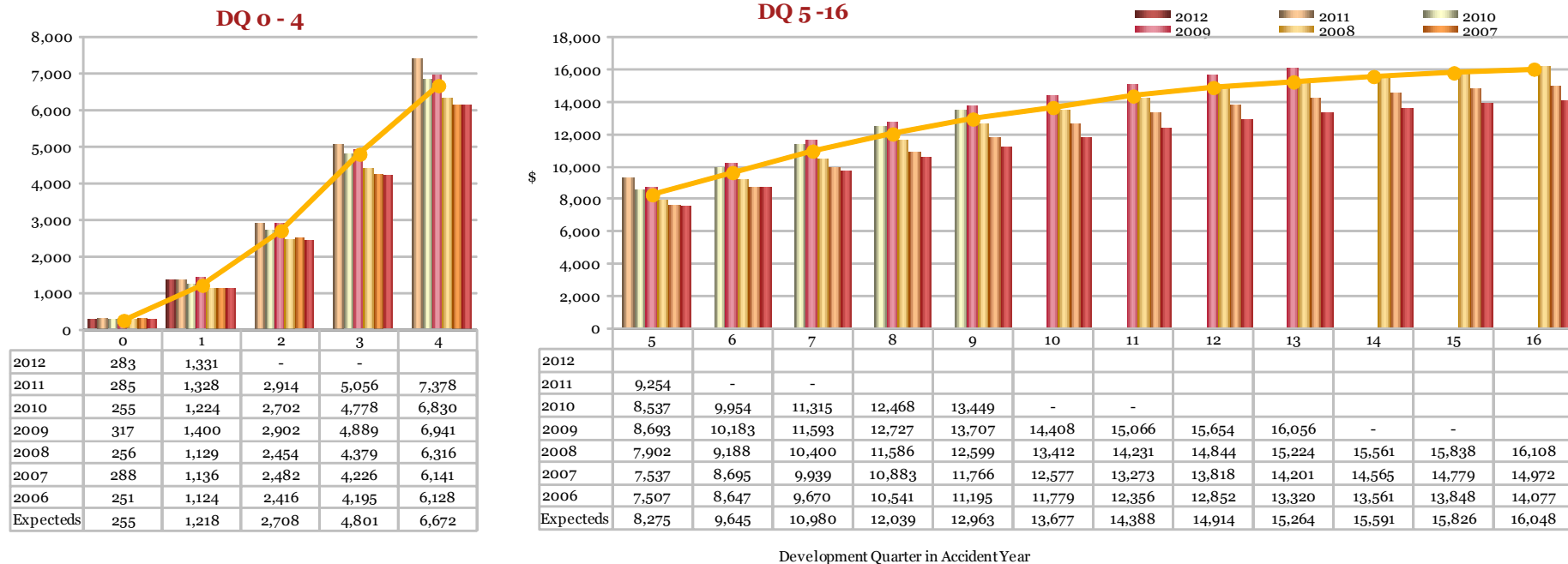


This chart shows a gradual increase in real payments per claim incurred (PPCI) over time, the 2012 accident year is greater than expected but on par with previous years. The 2011 accident year is higher than expected and all other accident years up to DQ5. 2010 was on par with expected up to DQ3, but has been above expected since then. 2009 is higher than all prior years up to DQ7 but from DQ8 to DQ13 falls below 2008.

Expecteds = expected real PPCI from our 8 April 2011 recommended premium rates report. They are not adjusted for the 2004 Reform Act but are based on a material portion of actual post-Act change claims data.

4.2 PPCI in 31 December 2011 values – cumulative

Cumulative Payment Per Claim Incurred in 31 December 2011 Values



The chart above is an accident year aggregation of Chart 4.1. The progress of the real average claim size shows a general increasing trend from the 2005 accident year onwards, with a noticeable increase to 2009. 2011 is above 2010 for all DQs and above 2009 from DQ2. To date, the 2012 accident year is on par with the high 2011 year.

Experience has generally been above expected in the 2009 to 2012 accident years and from DQ12 for the 2008 accident year.

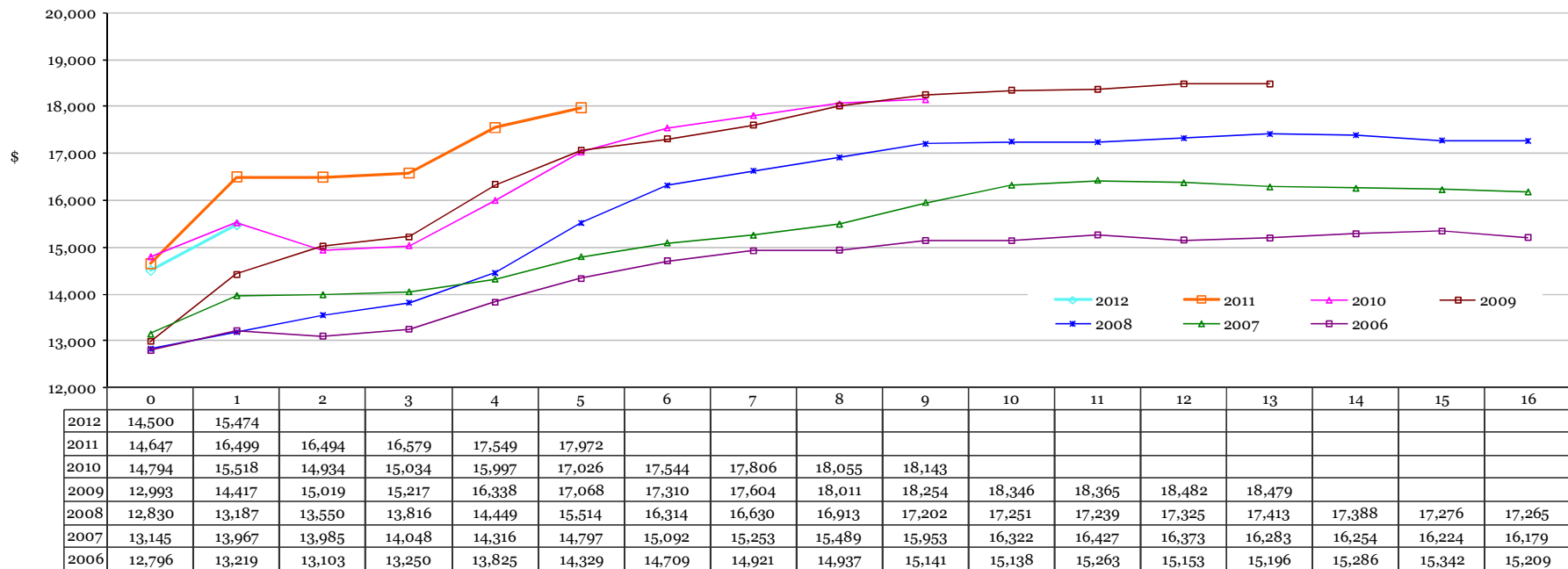
Cumulatively at 31 December 2011, the 2008 accident year is 0.4% above expected, the 2009 accident year is 5.2% above expected, the 2010 accident year is 3.7% above expected, the 2011 accident year is 11.8% above expected, and the 2012 accident year is 9.3% above expected.

This chart is based purely on actual payments and does not involve projections other than for the expected values.

Expecteds = expected real payments per claim incurred from our 8 April 2011 recommended premium rates report. They are not adjusted for the 2004 Reform Act but are based on a material portion of actual post-Act change claims data.

5 Average total case estimate per reported claim in 31 December 2011 values

Average Total Case Estimate per Reported Claim in 31 December 2011 Values



DQ in AYR

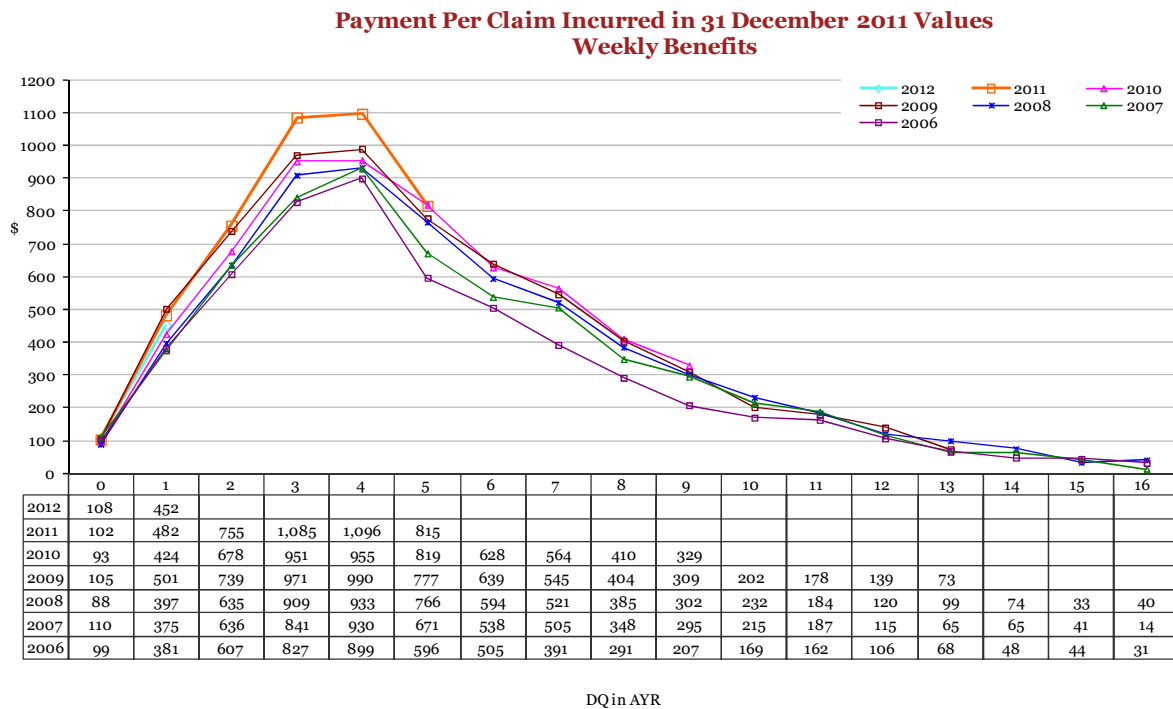
This chart is based on cumulative real claim payments plus insurers' outstanding case estimates. All accident years increase steadily after DQ3.

At this stage of development the 2012 accident year is on par with the 2010 accident year, but below the 2011 accident year which is significantly higher than all previous accident years for all DQs. 2010 is higher than all prior accident years in DQ0 and 1 but closely follows 2009 from DQ2 onwards. 2009 started at a similar level to 2007, but then increased to have the highest average total case estimate compared to prior accident years from DQ2 to DQ13.

The most noticeable feature is the gap 2011 opens above all other years from DQ1, following similar increases in the 2008 and 2009 accident years.

6 Payments per claim incurred by payment type

6.1 PPCI in 31 December 2011 values – weekly benefits



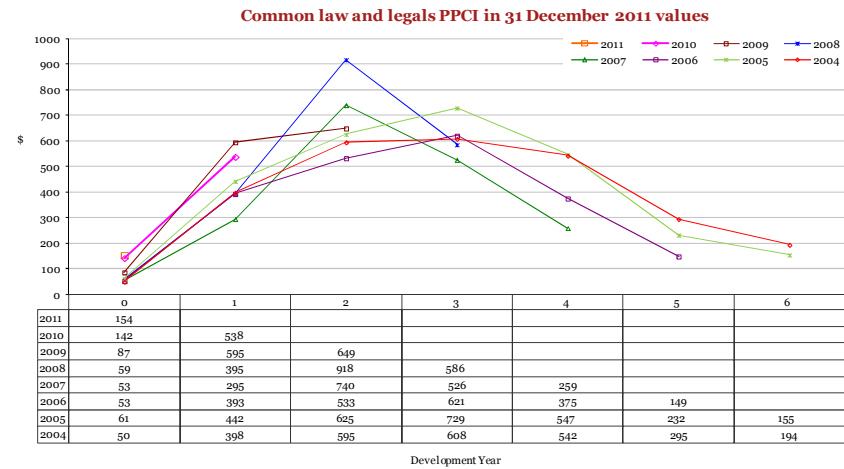
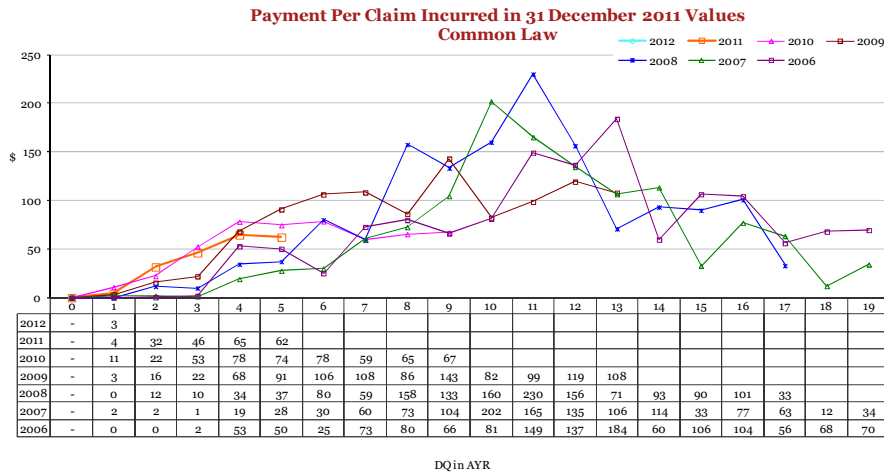
This chart follows the total PPCI increased payment trends (4.1 above) with each accident year being generally higher than the prior year, except for 2010.

DQs 0 and 1 for the 2012 accident year are on par with the 2011 accident year. For DQs 2 to 4, 2011 is noticeably above all previous accident years.

2010 started below the strong 2009 accident year for DQs 0 to 2, before it increased to be on par in DQs 3 to 9. 2009 is significantly higher than all previous years for DQ1 to 9. 2008 commenced at a lower level than 2006 and 2007 but is generally higher than all prior years from DQ1 to 13.

The PPCIs for all accident years peak in either DQ3 or 4.

6.2 PPCI in 31 December 2011 values – common law



As expected, common law payment rates are very low during the first four development quarters and then begin increasing. The volatility in the later periods is due to the influence of a few large claim settlements.

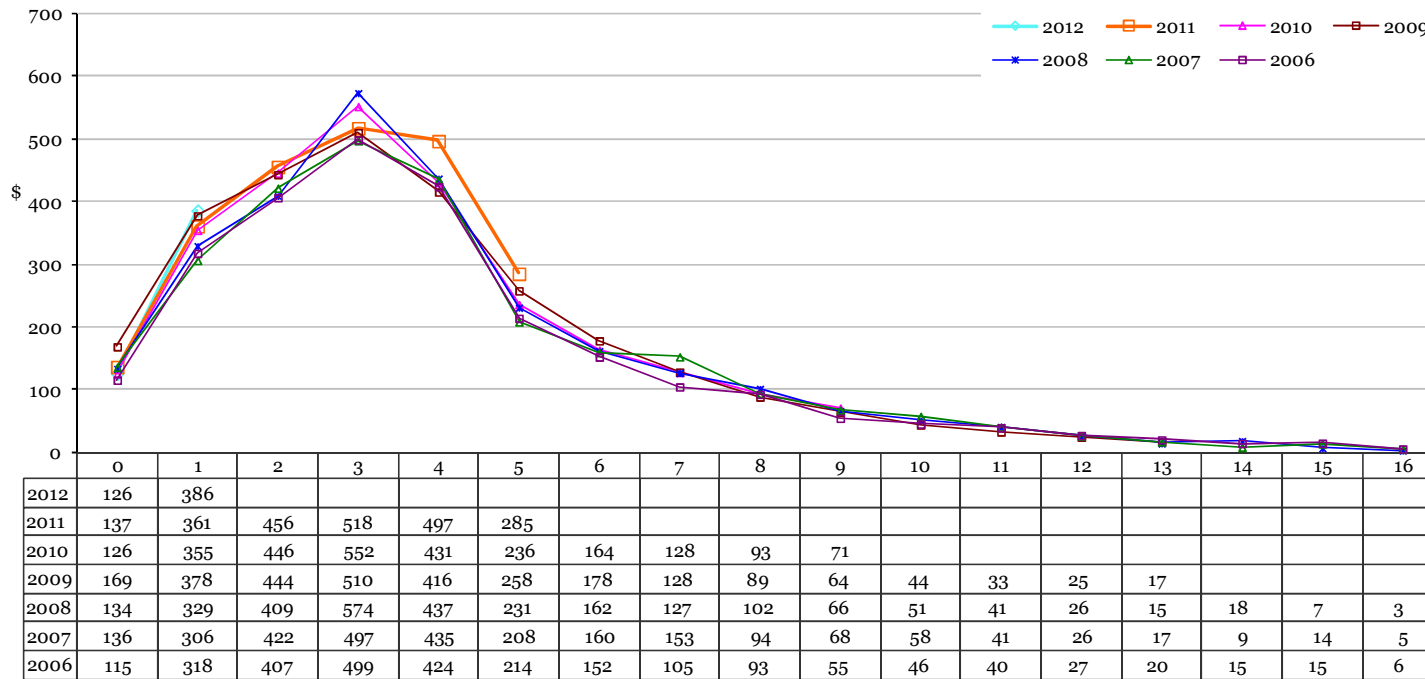
From 2007/08 onwards the WorkCover WA forms have included payments for section 92(f) claims within the common law payment type. This is the reason for the relatively high early PPCI values for the 2009 to 2012 accident years and the reduced volatility (because of the higher claim numbers). Generally 2007 to 2011 have shown increasing trends to DQ10.

The common law trend has been relatively stable due to the robustness of the October 1999 legislation. Since the introduction of Stage 2 of the 2004 Reform Act there have been a few spikes, e.g. DQs 8 and 11 for the 2008 accident year and DQ10 for the 2007 accident year.

On a development year basis common law and legals payments increase from DY0 to reach a peak in DY2 or DY3. The increase seen in DYs 0 and 1 for the 2009 to 2011 accident years are due to the increase in the number of 92(f) settlements. The increasing trend seen in the 2004 and 2005 accident years has changed since implementation of Stage 2 of the 2004 Reform Act which altered the eligibility of a claim to access common law and increased the timeframe to elect to access common law. This reporting delay caused the 2006 to 2008 accident years to reduce in DY0 and 1 and most likely explains the significant increase for 2007 and 2008 in DY2.

6.3 PPCI in 31 December 2011 values – medical and hospital

Payment Per Claim Incurred in 31 December 2011 Values
Medical and hospital



DQ in AYR

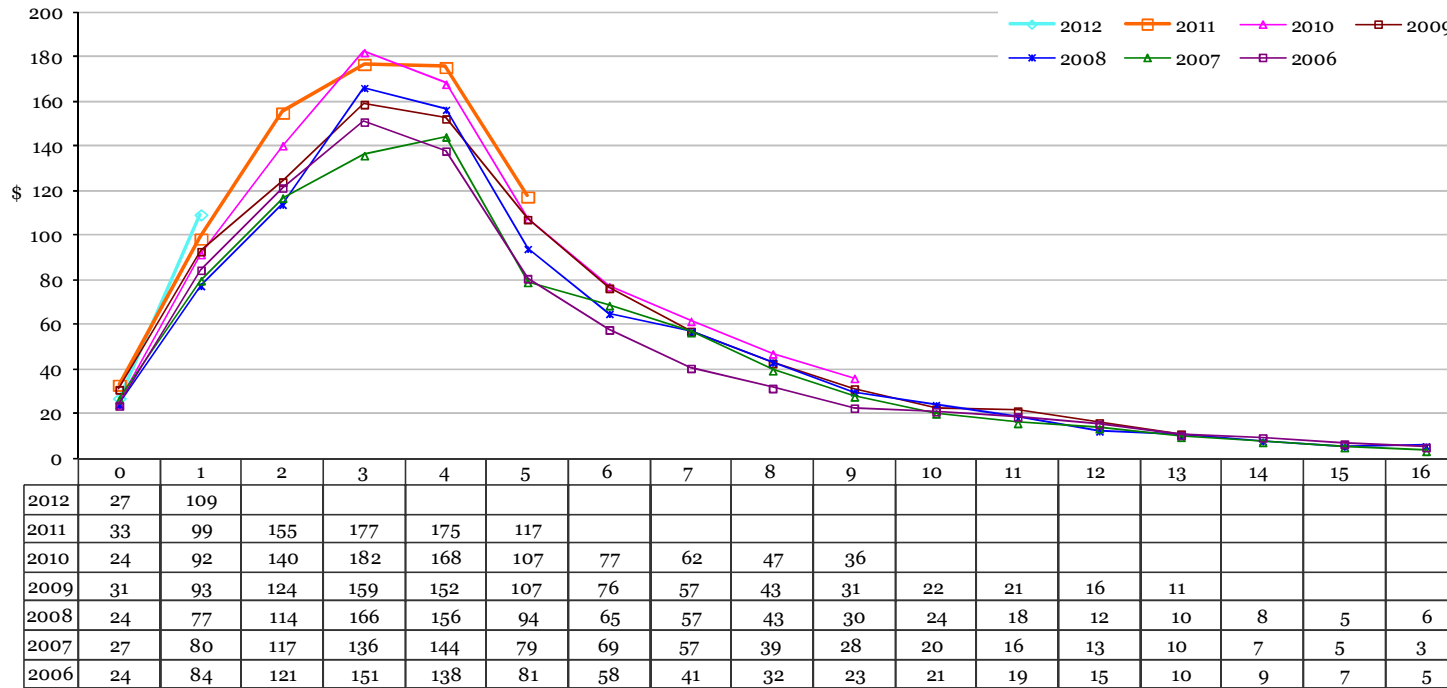
Medical and hospital closely follows weekly benefits, but at a lower level and with greater uniformity across accident years.

2012 commenced on par with 2010 but has the highest DQ1 so far. 2011 is on par to slightly above 2010. Generally 2010 is on par with all other accident years, except for DQ3 where it is greater than all others except for 2008. All other accident years are generally on par with each other for all DQs, with the exception of 2008, which has a peak in DQ3.

These trends show that hospital and medical costs have continued to escalate and, together with weekly benefits and redemptions, explain most of the increases for the 2006 to 2012 accident years.

6.4 PPCI in 31 December 2011 values – all other treatment

Payment Per Claim Incurred in 31 December 2011 Values
All Other Treatment



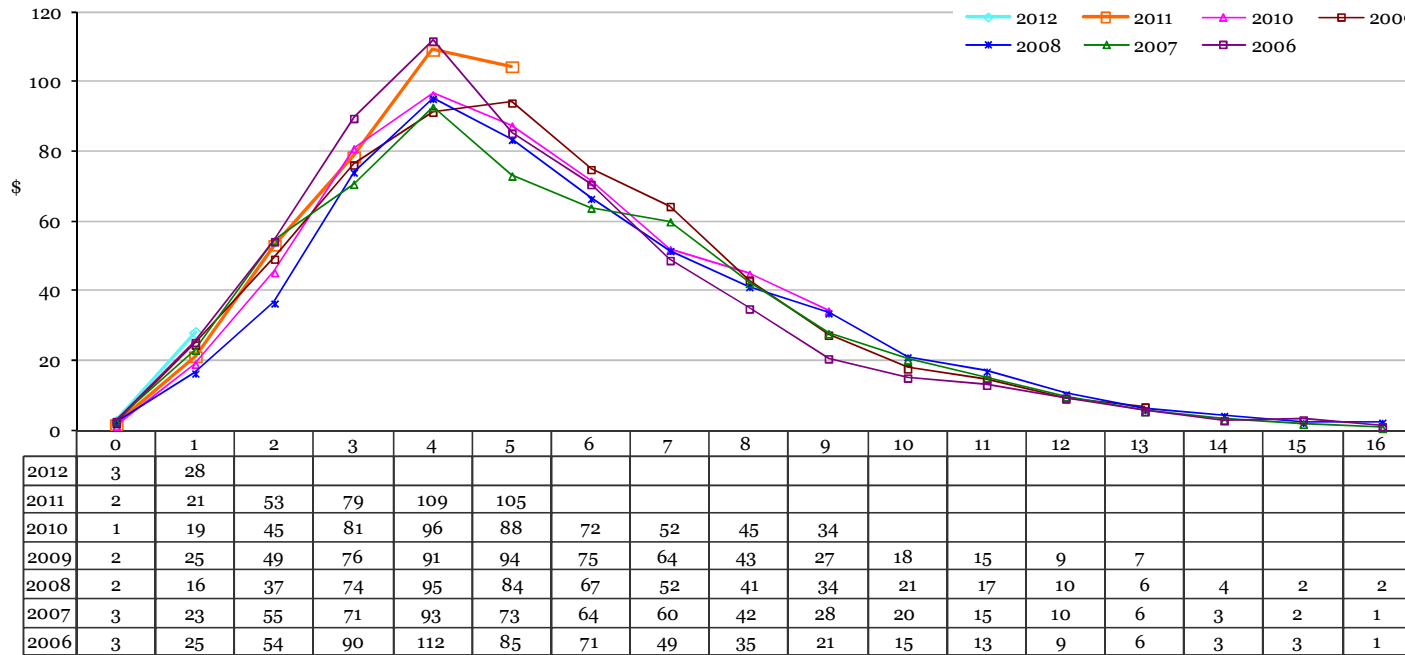
DQ in AYR

All other treatment costs closely follows medical and hospital, but at a lower level. It also displays a high rate of recent increase.

2012 commenced on par with 2010, but has the highest DQ1 value to date. 2011 is above all previous years except for 2010 in DQ3. 2010 is generally above all previous accident years, except for DQs 0 and 1, and 2009 is also above all prior years except DQs 3 and 4 when it falls below 2008. Accident years 2006, 2007 and 2008 are generally on par, except for the peak in DQs 3, 4, and 5 when 2008 is greater than previous years.

6.5 PPCI in 31 December 2011 values – rehabilitation

Payment Per Claim Incurred in 31 December 2011 Values
Rehabilitation



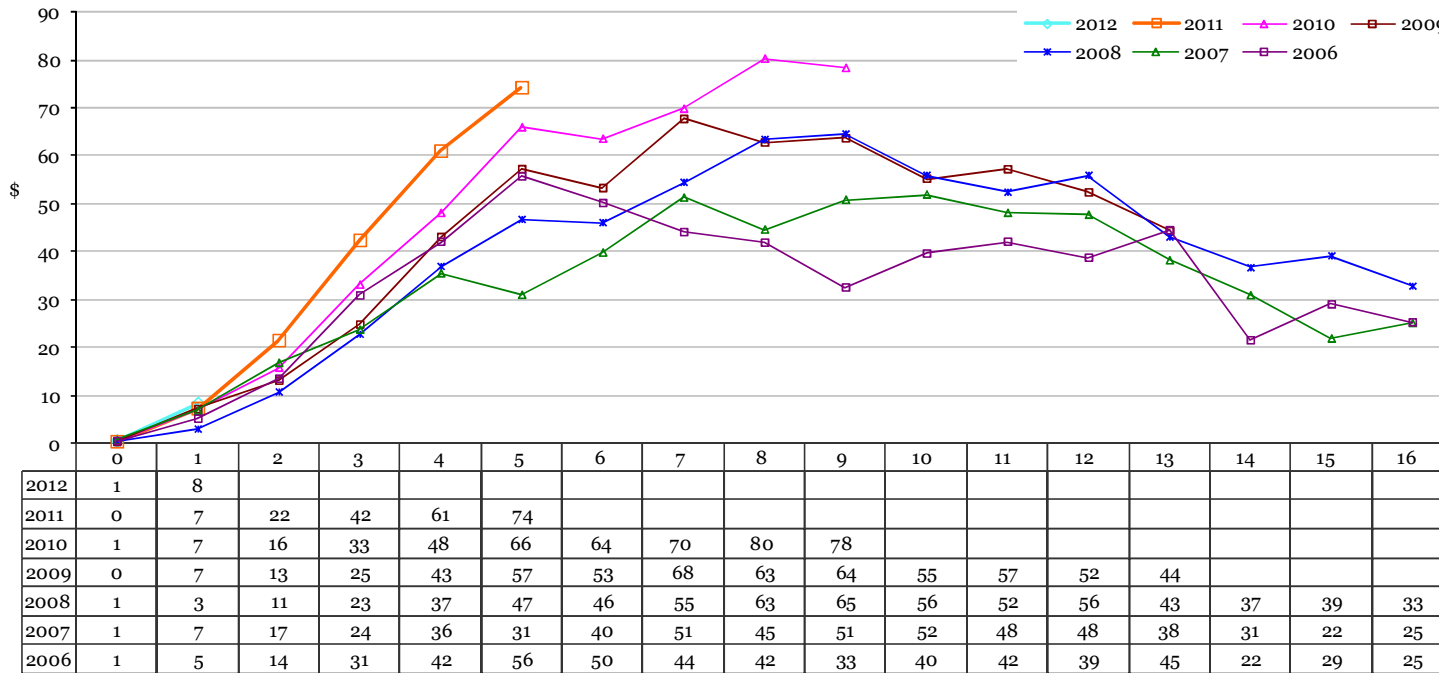
DQ in AYR

Rehabilitation has a similar, but lower, payment pattern to *medical and hospital* and *all other treatment*, peaking later in DQ4 and with a more gradual decline. Unlike other payment types the most recent years are not higher than the older years and although there is an increasing trend across the 2007 to 2012 accident years, they are generally lower than the 2006 accident year up to DQ4.

2012 and 2011 are on par with prior years, but 2011 spiked in DQ4 to be above all prior years except 2006. 2010 starts low but increases to be above 2009 in DQs 3 and 4. 2009 increases slowly peaking slightly later in DQ5, from there it is one of the highest accident years. The 2008 accident year starts significantly lower but is in line with all other accident years from DQ3 onwards.

6.6 PPCI in 31 December 2011 values – legal costs

Payment Per Claim Incurred in 31 December 2011 Values
Legal Costs



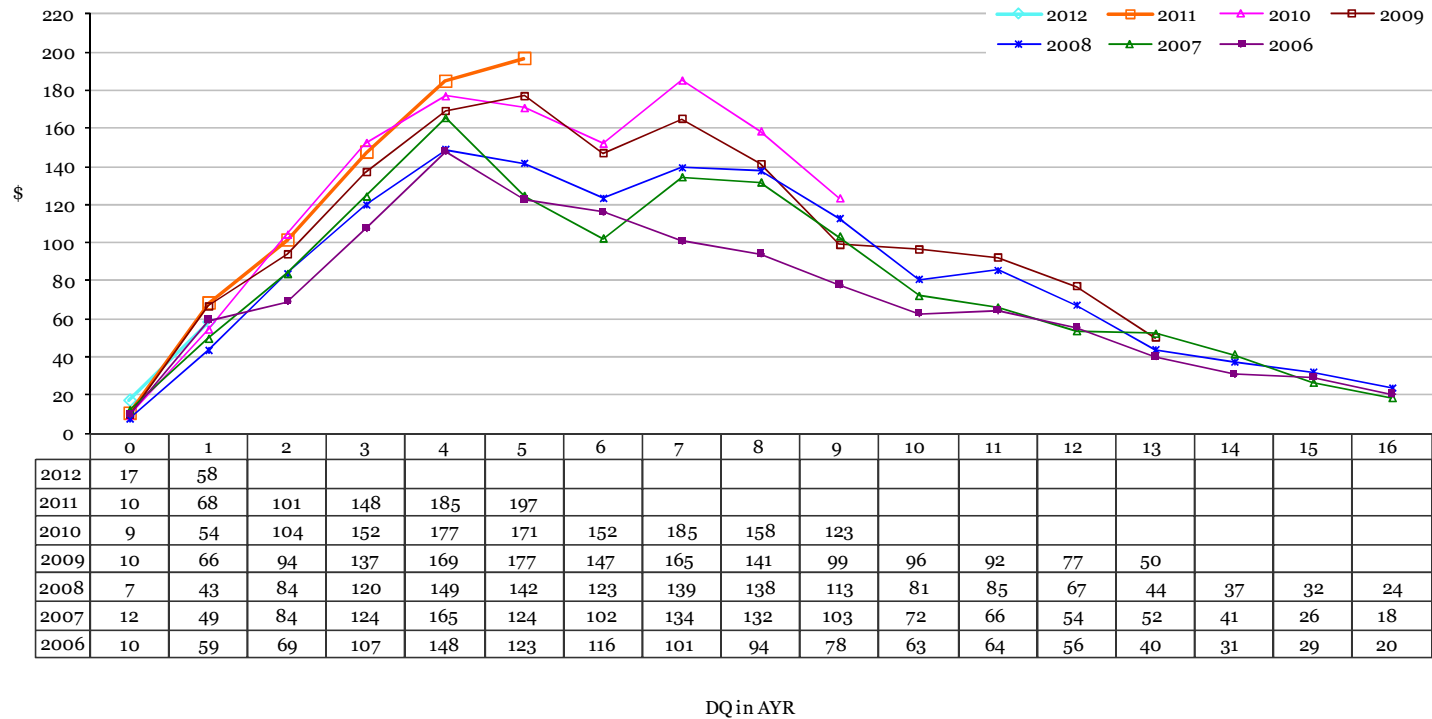
DQ in AYR

Legal payment rates generally increase over the first eight quarters before gradually starting to decline. The legal pattern develops earlier than common law, which is to be expected since legal advice would precede the claim settlement.

The 2011 accident year is significantly higher than all previous years in DQs 2 to 5. The 2010 accident year has the highest legal payments of all prior accident years and is notably higher in DQs 6 to 9. 2009 is on par with all other accident years, except DQ7 which is significantly higher than prior years. The 2008 accident year is generally low up to DQ2, but increases to become higher than all prior years from DQ7.

6.7 PPCI in 31 December 2011 values – other

Payment Per Claim Incurred in 31 December 2011 Values
Other



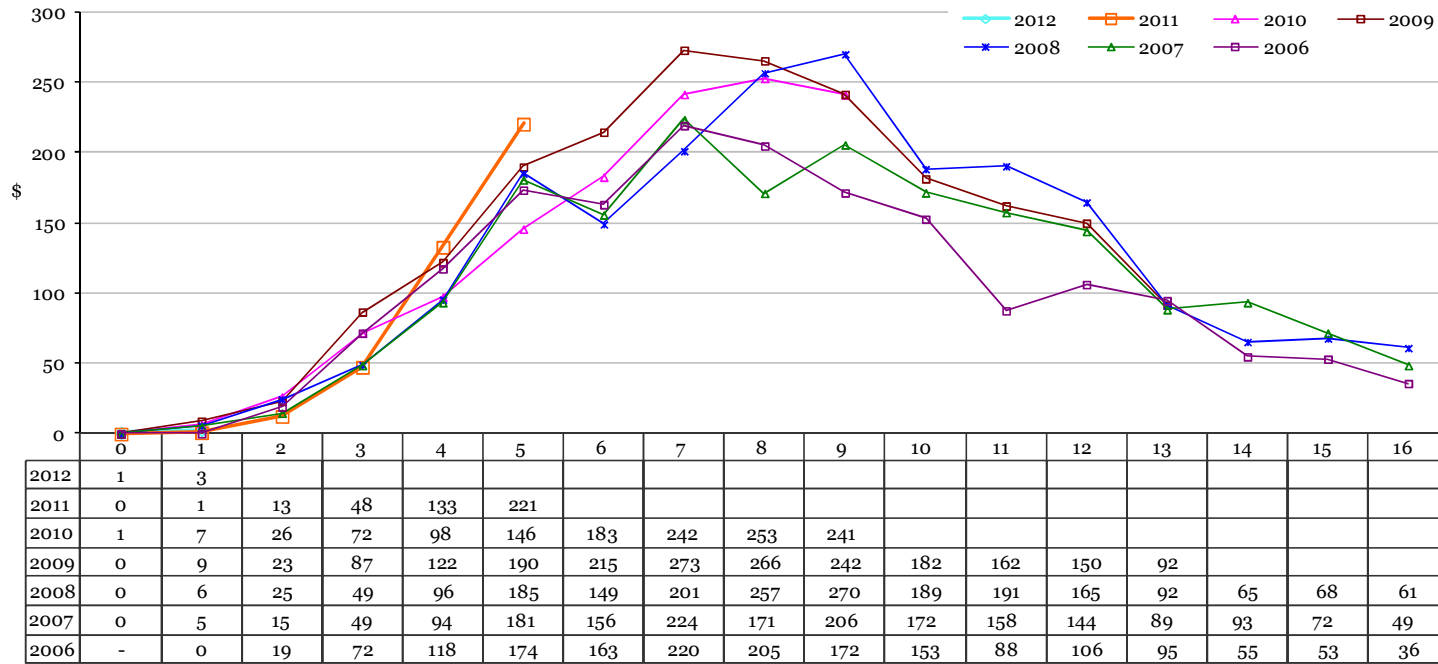
Other has a similar payment pattern to *rehabilitation* but at a higher level (see DQ5 and DQ4 peaks) and the tail is much fatter.

DQ0 for 2012 is greater than all prior years, but this doesn't continue through to DQ1. 2011 is on par or higher than all prior accident years, and is notably higher in DQ5. 2010 began on par with previous years in DQ0 and 1 but has generally been higher than all prior years since DQ2. The 2009 accident year is higher than all prior accident years for DQs 1 to 8. The 2007 and 2008 accident years are similar up to DQ3 with 2007 being significantly higher than 2008 in DQ4. From DQ5 onwards they follow a similar pattern but 2008 is at a higher level.

Specific injury (schedule 2) payments and miscellaneous payments are causing the increase in the *Other* PPCI.

6.8 PPCI in 31 December 2011 values – redemptions

Payment Per Claim Incurred in 31 December 2011 Values
Redemptions



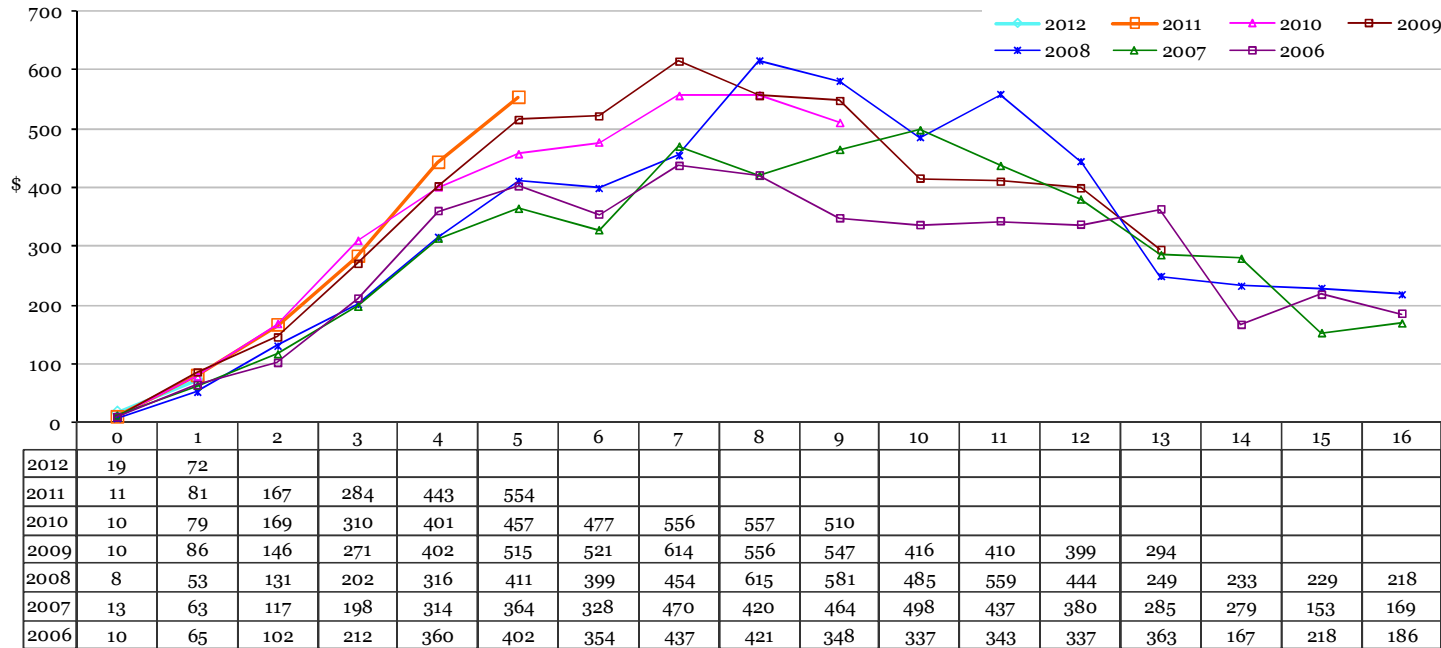
DQ in AYR

Following DQ4, *Redemptions* show some volatility in PPCI from one accident year to the next.

2011 started much lower than most previous accident years, but has increased to be greater than all prior years in DQ5. 2010 is generally below 2009 which had generally been higher than all prior accident years up to DQ9 onwards where it is below 2008. 2007 and 2008 are very similar up to DQ6, with the exception of 2008's high DQ2. 2008 is then higher than all prior years from DQ8 to 12.

6.9 PPCI in 31 December 2011 values – common law, legals, redemptions and other combined

**Payment Per Claim Incurred in 31 December 2011 Values
Common law, legals, redemption & other combined**



DQ in AYR

This graph is designed to show the trends in aggregate lump sum payments.

All accident years, up to 2008, are fairly close up to DQ4 before some quarterly variation emerges. The 2009 to 2012 accident years are significantly higher than prior years.

The high 2010 to 2012 accident years are mainly due to an increase in 92(f) settlements which are within the common law payment type and also an increase in other payments. The increases in DQs 5 to 7 for 2009 are due to strong increases across all payment types except legal, while the increase in DQ8 and 11 for 2008 is mainly due to common law (including 92(f) settlements) and redemptions.

7 Aggregate quarterly Form WC20 and WC101 data

7.1 Form WC20

YEAR TO DATE SUMMARY OF FORM WC20 (QUARTERLY)

FOR THE YEAR TO 31 DECEMBER 2011

INSURANCE CO: Premium rates returning entities: Private Insurers & the ICWA (RiskCover and ICGF funds)

YEAR OF ACCIDENT	Number of claims lodged in the year to date (classified by accident year)	Amount of claims paid during the year to date (classified by accident year)	Number of reported claims outstanding at the end of the current quarter (classified by accident year)	Provision for claims outstanding at the end of the current quarter (classified by accident year)
	(a)	(b) \$	(c)	(d) Case estimates (\$)
CURRENT YEAR				
2011/2012	14,577	\$46,391,546	9,165	\$178,555,646
2010/2011	2,797	\$142,354,890	7,261	\$289,778,469
2009/2010	61	\$69,499,082	2,700	\$151,725,818
2008/2009	25	\$34,860,273	1,266	\$81,611,453
2007/2008	15	\$14,118,497	667	\$37,379,209
2006/2007	16	\$4,915,728	386	\$21,053,447
2005/2006	12	\$3,631,065	242	\$15,749,618
2004/2005	9	\$2,775,349	183	\$11,056,695
2003/2004	8	\$4,072,793	129	\$9,571,573
2002/2003	6	\$651,687	94	\$3,720,038
2001/2002	4	\$773,960	69	\$3,923,908
All Earlier Years	117	\$7,050,614	490	\$21,787,993
TOTAL	17,647	\$331,095,484	22,652	\$825,913,869
Private Ins, ICWA(RiskCover & ICGF) - WC101's		331,123,803		
excl. Bishopsgate, NEM, Palmdale & WWF (do not return WC20)		28,315 (a)		
		331,095,488		
Difference		(4)		

7.2 Form WC101

YEAR TO DATE SUMMARY OF FORM WC101 RETURNS BY ACCIDENT YEAR													
2011/12													
FOR THE YEAR TO 31 DECEMBER 2011													
Summary - RPR RETURNING ENTITIES (ie Private Insurers, Insurance Commission of WA - Riskcover and ICGF)													
Payment Type	All Earlier Years	Accident Year											TOTAL
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	
Weekly Benefits	266,956	102,611	166,280	209,853	156,726	591,738	347,785	2,162,022	7,466,756	24,080,770	64,803,612	19,530,464	119,885,574
Redemptions	773,580	133,299	22,274	116,532	836,521	659,845	1,503,102	2,829,654	8,505,829	16,123,144	12,031,418	131,654	43,666,851
For Specific Injuries (Schedule 2)	257,702	24,124	131,469	110,600	192,131	455,938	555,454	1,012,586	2,808,666	5,348,315	3,500,824	137,859	14,535,667
Fatal (including funeral expenses)	28,952	0	3,510	4,787	6,859	7,620	15,629	-134,940	233,825	93,640	813,514	266,557	1,339,952
Medical Practitioners and Specialists	36,718	22,380	19,707	42,278	33,090	132,777	100,040	237,084	958,047	3,793,952	17,512,484	11,418,437	34,306,992
Hospital Expenses	172,429	5,243	1,275	20,807	20,770	17,539	31,776	38,984	503,996	1,547,984	8,975,757	6,425,079	17,761,641
All Other Treatment	189,252	72,260	24,086	52,999	59,179	94,793	106,382	318,720	953,713	2,704,872	9,920,024	4,757,380	19,253,659
Vocational Rehabilitation	10,906	2,360	5,367	8,114	8,137	51,070	48,929	165,768	566,506	2,584,884	7,256,127	1,085,744	11,793,912
Miscellaneous (eg. transport, maintenanc	191,739	26,171	46,757	70,760	90,041	196,406	204,935	458,930	1,438,914	3,730,132	8,635,812	2,227,870	17,318,468
Legal Expenses	954,708	95,513	163,962	272,933	540,737	670,065	659,324	2,046,871	3,407,798	5,171,586	4,593,975	315,567	18,893,039
Common Law and Other Acts	4,195,987	290,000	67,000	3,163,131	831,159	753,272	1,342,373	4,982,819	8,016,222	4,319,806	4,311,347	94,934	32,368,049
TOTAL	7,078,928	773,962	651,687	4,072,794	2,775,348	3,631,063	4,915,730	14,118,498	34,860,271	69,499,083	142,354,892	46,391,545	331,123,803

8 *Glossary*

The following terminology is used in this report:

AYR

Accident year

Cumulative finalisation rate

= (cumulative number of claims finalised by DY) / (number of claims incurred by DY)

DQ

Development quarter

DY

Development year

Finalisation rate

= (number finalised in quarter by DY) / (total number handled in quarter for all DYs)

Miscellaneous payments

Miscellaneous payments cover travelling meals, lodgings etc.

Other

Other includes categories schedule 2, fatal and miscellaneous from the Form WC101.

