



**WORKERS' COMPENSATION AND INJURY MANAGEMENT ACT 1981
EMPLOYERS' INDEMNITY POLICIES (PREMIUM RATES) ACT 1990**

**Guideline for completing Form WC20
Summary of Cost of Claims**

Date issued: 30 June 2017 (Insurer Version)

2017-2018 Year

Due Date: Quarterly and Annually

Refer to Premium Rating Returns Deadline Schedule for due dates

Penalties

For late or non-submission

Section 103A of the *Workers' Compensation and Injury Management Act 1981* (the Act) stipulates a **\$2,000** fine for refusing or failing to furnish to WorkCover WA information or returns requested in writing by WorkCover WA to enable it to compile and record statistics, records and reports for the better administration of the Act.

A suspension and/or revocation of approval may also be invoked under section 161 of the Act.

For actuarial time after the first revision

Insurers/self-insurers requiring more than one revision of returns conducted by the Actuary of WorkCover WA may be billed directly by WorkCover WA for the additional processing time for subsequent revisions.

If Form WC20 requires revisions then all Forms on the electronic version need to be resubmitted.

Please also refer to the "Guidelines for Completing Quarterly Forms & Checklist" or "Guidelines for Completing Annual Forms & Checklist" prior to completing the Form WC20.

Information that is collected on the Form WC20

The Form WC20 contains information on the number of claims lodged and the amounts paid in one quarter/year. Data is also collected on the number of claims that are outstanding and the amounts being held in order to pay these outstanding claims.

Important notes before completing the Form WC20

1. Claim Payments should be reported as the **real net cost** to the Insurer. That is, claim payments should be **exclusive** of any GST payable. For example, if a payment is made of \$1100 (inclusive of GST) and the Insurer was entitled to an ITC of \$100 (the GST component) then the Insurer would report \$1000 (the net cost, **exclusive** of GST).
2. Payments include all legal, assessor, witness and surveillance fees directly attributable to workers' compensation cases.
3. Exclude office or administration expenses.
4. Claim payments are to be classified by accident year, regardless of when the claims were reported.
5. Include any recoveries received (for example, compulsory motor vehicle third party recoveries, recoups against payments, stopped payments, cancelled cheques, et cetera).
6. Exclude any reinsurance recoveries.
7. Claim payments are to be reported according to transaction date, regardless of when the payments were reported to WorkCover WA via monthly returns (Q2).

How to complete this form

Section (a): Number of claims

The number of claims lodged in the current quarter/year, apportioned by accident year. Include all reported claims, even those where no payments have been made or estimates provided.

Section (b): Amount of claims

The amount paid for claims in the current quarter/year, apportioned by accident year. This refers to the amounts actually paid in respect of claims gross of reinsurance recoveries but net of other recoveries.

Section (c): Number of reported claims outstanding

The number of reported claims that remain outstanding at the end of the current quarter/year, apportioned by accident year.

That is, claims that have not yet been finalised. This includes those on which no payments have been made.

Section (d) and (e): Provision for claims outstanding

(d) Case estimates

The total amount estimated to be owing for claims that are outstanding at the end of the current quarter/year, apportioned by accident year.

Case estimate is defined as the estimate straight from the claim file, less any amounts that have already been paid, without adjustment for any reinsurance.

Case estimates are not to be reduced for any reinsurance recoveries.

(e) Development and IBNR estimates – Annual return only

This includes provisions for incurred but not reported claims and any future claim development assessed using actuarial techniques where applicable.

The sum of (d) and (e) should be the total provision held by the company in respect of workers' compensation business in Western Australia on an inflated but undiscounted basis. That is, **excluding** allowance for:

1. claim management expenses
2. prudential margin
3. reinsurance recoveries.

Prudential margin

This is required for the Annual Return only and is supplied by the insurer's Actuary.

Two types of Prudential Margin are now required. The first is the prudential margin that is used in the Company's' financial accounts and the second is the diversified prudential margin at a level of sufficiency of 75% which is the margin that is supplied to APRA (Australian Prudential Regulation Authority). On the Annual WC20 the prudential margin section will be:

Prudential Margin as used in the Financial Accounts

Level of sufficiency used for the Financial Accounts Prudential Margin

Prudential Margin at a 75% level of sufficiency (as supplied to APRA)

It is common practice for the Actuary to provide a central estimate of outstanding claim liabilities to insurers. Such an estimate contains no deliberate or conscious over or under estimation and statistically has an even chance of being sufficient. The prudential margin is in addition to the central estimate, which quantifies the risk that the actual outcome may be greater than the central estimate.

Calculation:

$$\text{Prudential margin (\%)} = \frac{(\text{Outstanding claims provision in accounts} - \text{Central estimate})}{\text{Central estimate}}$$

Note:

- This calculation can only be done by the insurer, as the outstanding claims provision taken up in the accounts is not disclosed to WorkCover WA.
- In cases where an insurer decides to adopt a provision in its accounts that is less than or equal to the Central Estimate, this would be disclosed as a negative or zero prudential margin.
- The prudential margin is additional to the central estimate and is entirely independent of the relationship between Form WC20 columns (d) and (e). That is, it cannot be calculated from figures that appear elsewhere on WC20.

For further information regarding Prudential Margins and calculations, please email schemeinformation@workcover.wa.gov.au

Definitions

Date report generated

Is the date that the data was extracted from your computer system to complete the premium rating returns.

Accident year

Is the financial year (1 July in a year to 30 June the following year) in which the accident event occurred, irrespective of when the claim is reported, paid or finalised.

Financial year

Financial year is from 1 July in a year to 30 June in the following year.

Other information

Returns to Insurance Commissioner

The information required on Form WC20 is similar to that required by the Australian Prudential Regulatory Authority (APRA) under the *Insurance Act 1973*, with the relevant forms being 105 and 106. Where provisions are included in the Form 106, over and above those made as a result of local case estimates, similar provisions should be included in the Form WC20.

Name of company

If the return is being submitted on behalf of a group of companies, each individual company comprising the group must be named.

Automatic sum totals

Enter the data into the cells as indicated. All amounts are to be shown to the nearest dollar.

The spreadsheet will automatically total the number of claims and/or amounts paid in each column.

Reporting the cost of claims by insurers involved in mergers/takeovers

Insurers are to include all relevant claims data where one insurer takes over another and manages the claims on behalf of the merged insurer.

Claim data, including number of claims (both reported and active), claim payments and case estimates outstanding is required to ensure that:

- all claims experience is reported
- claims experience for a group of policies/portfolio is not excluded
- claims experience for a group of policies/portfolio is not double counted (that is, included in the merged insurer's returns).

Reinsurance

Do not allow for claims estimated, paid or recovered in respect of any reinsurance contract. Enter the information as though **no** reinsurance in any form had been effected.

Recoveries

Include compulsory motor vehicle third party recoveries, recoups against payments, stopped payments and cancelled cheques, etcetera but **exclude** reinsurance recoveries.

Nearest dollar

Do not include cents in the return. Round each entry to the nearest dollar.

Nil return

If you have a nil return, an electronic version with null values is still required to be submitted until all claims are finalised and approval in writing has been provided by WorkCover WA exempting the insurer from having to complete this form.

Checks

Before forwarding the completed spreadsheet to WorkCover WA, please ensure that you have been through the checklist tab and rectified any “fails” and/or provided an explanation for any “checks”. For further information regarding the checklist tab, refer to “Guidelines for Completing Quarterly Forms & Checklist” or “Guidelines for Completing Annual Forms & Checklist” as appropriate.

Remember

1. The following fields are to be filled in on the checklist tab only (the information will automatically flow through to all other Forms):
 - Name of insurer(s) included on forms
 - Insurer Number(s)
 - Date report generated
 - Name of person completing the Forms
 - Date the Forms are signed off
 - The quarter currently being reported (quarterly returns only).
2. Forms that do not clearly identify the Insurer on the Form, will be returned.
3. The Electronic versions are to be emailed by the authorised officer to schemeinformation@workcover.wa.gov.au.
4. Hardcopies are no longer required.