

Queensland workers' compensation scheme Performance update

Keeping you informed – March 2017

The Office of Industrial Relations presents an update on the Queensland workers' compensation scheme to key stakeholders every six months. This report provides an update of the scheme for the six months to March 2017. The figures in this report have been technically and peer reviewed by Finity Consulting Pty Ltd.

Executive summary

Scheme trends

- Estimated statutory claim frequency for injury year 2017 of 5.9 per cent has increased from injury year 2015 of 5.4 per cent due to higher numbers of statutory claim intimations resulting in part from changes to public hospital payments.
- Common law intimations of 1,300 during the past six months to March 2017 were (11.9 per cent or 175 claims) lower than the forecast of 1,475.
- Over the past six months, net statutory claim payments of \$420M have been slightly lower (down 2.0 per cent or \$8M) than expectations of \$428M.
- Common law payments of \$194M over the past six months have been (16.7 per cent or \$39M) lower than expectations of \$233M, largely due to lower than expected finalisations and lower than expected average damages.

What's happening in the scheme?

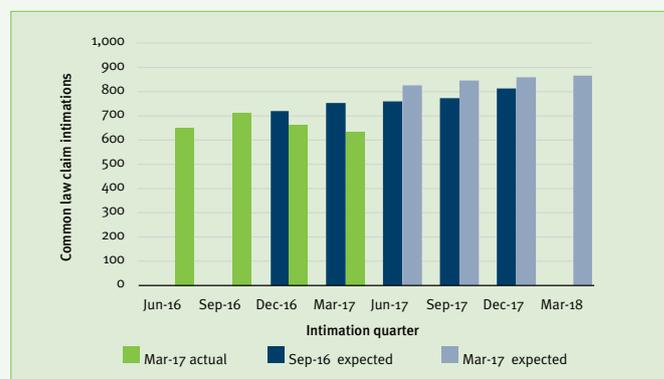
- The Workers' Compensation and Rehabilitation (National Injury Insurance Scheme) Amendment Act 2016* commenced on 8 September 2016. The Act implements the National Injury Insurance Scheme for workplace accidents connected with Queensland to provide eligible injured workers with a lifetime statutory entitlement to treatment, care and support payments. In addition, if an injured worker can establish that their injury was caused by negligence, they can elect to seek common law damages for the cost of treatment, care and support. This hybrid model follows the arrangement in place for motor vehicle accidents.
- The Coal Workers' Pneumoconiosis (CWP) Select Committee was established by the Queensland Parliament on 15 September 2016 to conduct an inquiry and report on CWP amongst coal mine workers in Queensland. The Committee has so far undertaken 27 public hearings, including in mining towns throughout Queensland, and received 44 submissions. The Committee's report was due to be tabled on 12 April 2017, however this has now been extended to 29 May 2017. An interim report was issued on 22 March 2017.

Highlights

Statutory claim frequency rate has reduced substantially since 2012. However the 2016 and 2017 injury years see a reversal of this trend.



Common law claim intimations are lower than expected over the past six months.



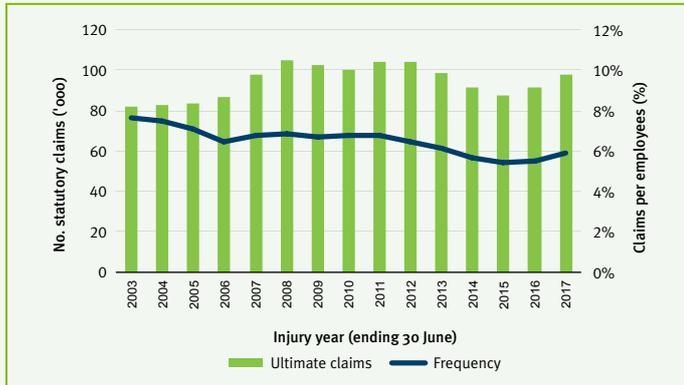
Updated projections 2016-17 (Based on March 2017 estimates)

Headline measures	2016-17 expected	2017-18 expected
Statutory new claims	98,500	99,000
Statutory payments (net)	\$845M	\$855M
Common law new claims	2850	3450
Common law payments (net)	\$395M	\$460M

Statutory

New statutory claims stabilised in the five quarters to December 2015 at approximately 22,000 per quarter. However, in March 2016 statutory new claims increased, primarily due to the changes to the way public hospital payments are made. New statutory claims reported over the past five quarters have remained high at around 24,500 claims per quarter and are expected to remain high for 2018 financial year.

Statutory claim frequency rate has reduced substantially since 2012. However, the 2016 and 2017 injury years see a reversal of this trend.



Statutory claim frequency rate has trended downwards over the past four injury years to 2015. However 2016 and 2017 injury years show a reversal of this trend. Estimated frequency rate for 2017 is around 5.9 per cent.

Statutory claims are in line with expectations over the past six months.



Statutory claim intimations post March 2016 have increased from prior quarters. However, they are in line with expectations over the last six months and expected to remain high for the next four quarters.

Overall, statutory claim payments are slightly lower than expected over the past six months.



Future payments are expected to be in line with and stable with recent experience.

Overall, statutory payments for most payment types are in line with expectations over the past six months.



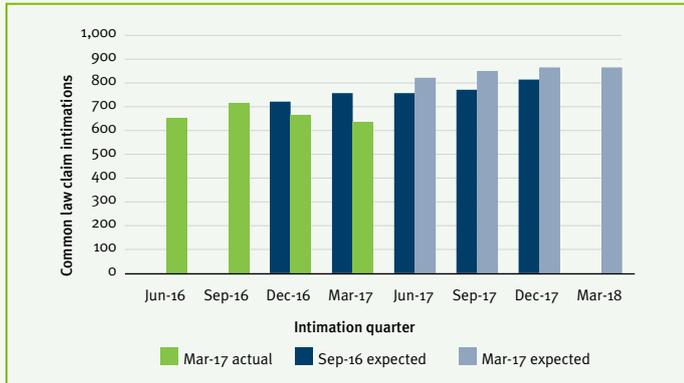
Lump sum payments are lower than expected over the past six months.

Note: Excludes expected and actual payments relating to the Statutory Adjustment Scheme.

Common law

Common law intimations in the scheme have been slow to return to pre-threshold levels post the unwinding of the common law threshold.

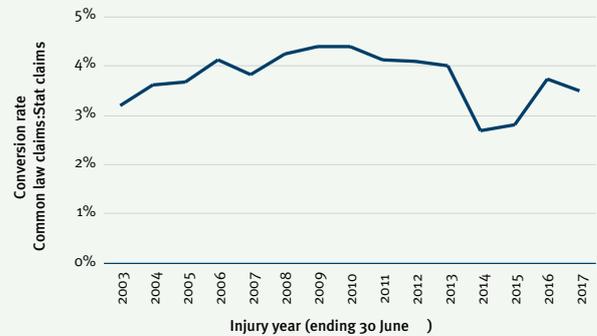
Common law claim intimations are lower than expected over the past six months.



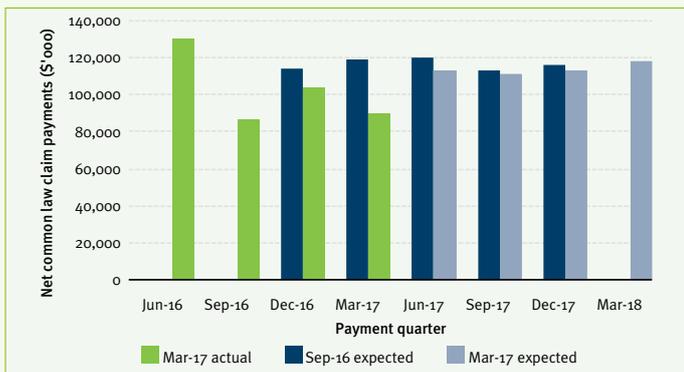
Common law intimations are projected to increase as unwinding of the common law threshold flows through. Future projections are higher than previous to allow the catch-up from recent experience.

Following October 2015 amendments unwinding of the common law threshold, the conversion rate from statutory to common law is expected to revert to pre-threshold levels.

The introduction of the threshold for common law claims in October 2013 resulted in a steep reduction in the conversion rate for 2014 and 2015 injury years. An estimated 3.5 per cent conversion rate is expected for injury year 2017. This is equivalent to an estimated 3.9 per cent, excluding the additional estimated statutory claims from the changes to the way public hospital payments are made. This is slightly below the pre October 2013 amendments.



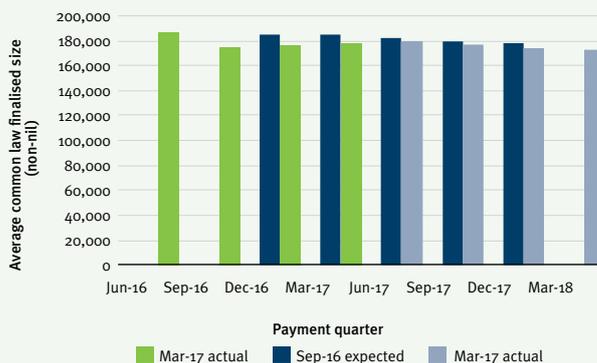
Common law payments are lower than expected over the past six months.



Common law claim payments are lower than expected in the past six months largely due to a lower than expected number of settlements. However, common law payments are projected to increase as unwinding of the common law threshold flows through.

Average size of common law claims are lower than expected for the past six months.

Average common law size is expected to remain in line with recent experience.



National Injury Insurance Scheme

The *Workers' Compensation and Rehabilitation Amendment Act 2016* commenced 8 September 2016. The Act implements the National Injury Insurance Scheme (NIIS) for workplace accidents connected with Queensland to provide eligible injured workers with a lifetime statutory entitlement to treatment, care and support payments. In addition, if an injured worker can establish that their injury was caused by negligence, they can elect to seek common law damages for the cost of treatment, care and support. This hybrid model follows the arrangement in place for motor vehicle accidents.

Workers' compensation insurers will contract to use the existing services of the National Injury Insurance Agency, Queensland (established for motor vehicle accidents) to manage the provision of treatment, care and support services for eligible workers.

As at the 24 April 2017 no matters have been assessed as eligible and referred to National Injury Insurance Scheme Queensland (NIISQ) from workers' compensation insurers. However there are up to three cases that once assessed may be eligible.

Notes on NIISQ:

- NIISQ has conducted an evaluation after the first seven months of operation. An internal audit by PricewaterhouseCoopers found only minor HR and IT issues.
- There has been much interest in places on the NIIS board. The board membership will be announced by the Treasurer in the near future.
- NIISQ has six full-time staff, with in-kind assistance from the Motor Accident Insurance Commission. A number of key positions are yet to be filled, awaiting the appointment of the board and CEO.
- Taylor Fry has been appointed NIISQ actuary.
- NIISQ has collected \$70 million in levies since 1 October 2016.

Most stakeholder feedback to date has been around treatment and case management. NIISQ is working closely with the hospitals on this.

Coal workers' pneumoconiosis (CWP)

The Coal Workers' Pneumoconiosis (CWP) Select Committee was established by the Queensland Parliament on 15 September 2016 to conduct an inquiry and report on CWP amongst coal mine workers in Queensland. The Committee has undertaken 27 public hearings, including in mining towns throughout Queensland, and received 44 submissions. The Committee's report was due to be tabled on 12 April 2017, however this has now been extended to 29 May 2017. An interim report was issued on 22 March 2017.

In addition, the terms of reference for the committee's inquiry were extended to include inquiry, and report by 29 September 2017, on occupational respirable dust exposure for:

- coal port workers
- coal rail workers

- coal-fired power station workers
- other workers.

The expanded terms of reference also bring into scope other matters the committee determines are relevant to occupational respirable coal or silica dust exposure. The Minister for Employment and Industrial Relations established a stakeholder reference group specifically to consider whether there are any gaps within the workers' compensation scheme for these workers and ways that rehabilitation and return to work outcomes for workers with CWP can be enhanced.

On 23 March 2017, the Minister announced the following four recommendations made by the reference group will be implemented:

- medical examinations for former coal workers concerned they may have CWP, and who have retired or left the coal mining industry prior to 1 January 2017, with costs to be borne by insurers
- ensuring workers with 'simple' CWP who experience disease progression will be able to apply to re-open their claim to access further benefits under the workers' compensation scheme
- extra rehabilitation support to assist workers back into suitable alternative employment
- streamlining workers' compensation arrangements so they properly align with the Coal Mine Workers' Health Scheme.

Reliances and limitations

We have relied on the accuracy and completeness of all data and other information (qualitative, quantitative, written and verbal) provided to us for the purpose of this presentation. We have not independently verified or audited the data but we have reviewed it for general reasonableness and consistency. It should be noted that if any data or other information is inaccurate or incomplete, we should be advised so that our estimates can be revised, if warranted.

There is uncertainty in making projections of potential workers' compensation claim numbers and payments. This uncertainty is higher than usual because of legislative amendments to the Queensland workers' compensation scheme in 2010, October 2013, September 2015 and August 2016. As well as difficulties caused by limitations on the historical information, outcomes remain dependent on future events, including legislative, social and economic forces. In our judgement, we have employed techniques and assumptions that are appropriate, and the conclusions presented herein are reasonable, given the information currently available. However, it should be recognised that future claim emergence will likely deviate, perhaps materially, from our estimates.

This publication has been prepared by the Office of Industrial Relations.

Obtaining information

Inquiries about technical aspects of this publication should be forwarded to the Office of Industrial Relations.
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Providing feedback

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