

Queensland workers' compensation scheme

Performance update

Keeping you informed – September 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 September 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 has increased from 5.4 per cent for injury year 2015 to 5.8 per cent for injury year 2017 due to higher numbers of statutory claim intimations resulting in part from changes to public hospital payments. Frequency for injury year 2018 is estimated to remain stable at 5.8 per cent.
- Common law intimations of 1,419 during the past six months to September 2017 were (15.1 per cent or 252 claims) lower than the forecast of 1,671.
- Over the past six months, net statutory claim payments of around \$445M have been slightly higher (up 3.4 per cent or \$14M) than expectations of around \$431M.
- Common law payments of around \$233M over the past six months have been (2.8 per cent or \$6M) higher than expectations of around \$227M, largely due to higher than expected settlement sizes in the June quarter.

What's happening in the scheme?

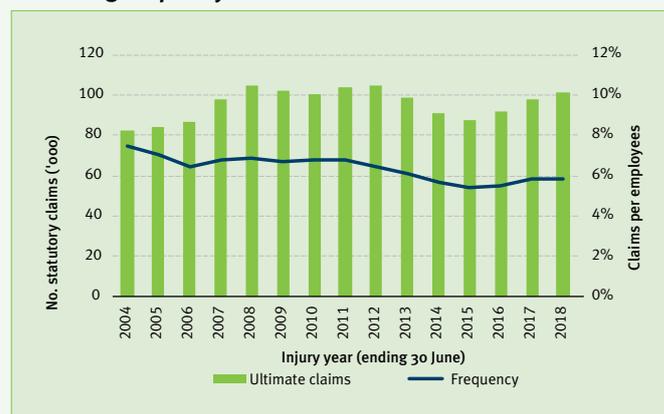
On 23 August 2017, the Queensland Parliament passed the Workers' Compensation and Rehabilitation (Coal Workers' Pneumoconiosis) and Other Legislation Amendment Act 2017. The amendment Act amends the Workers' Compensation and Rehabilitation Act 2003 and regulation by:

- introducing free medical examinations for former coal workers concerned they may have coal workers' pneumoconiosis (CWP) or a coal mine dust lung disease (CMDLD), and who have retired or left the coal mining industry prior to 1 January 2017
- ensuring workers with simple CWP or other pneumoconiosis who experience disease progression can apply to re-open their claim to access further benefits under the workers' compensation scheme
- introducing a new lump sum compensation for pneumoconiosis up to a maximum of \$120,000 based on the severity of the workers' pneumoconiosis injury as graded under the International Labour Organization (ILO) guidelines.

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.

Highlights

Statutory claim frequency rate has reduced substantially since 2011. However the 2016 injury year and onwards has seen an increasing frequency.



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



Updated projections 2017-18

(Based on September 2017 estimates)

Headline measures	2016-17 actual	2017-18 expected
Statutory new claims	98,600	100,100
Statutory payments (net)	\$865M	\$875M
Common law new claims	2,750	3,380
Common law payments (net)	\$410M	\$520M

*values have been rounded to the nearest significant value.

Statutory

New statutory claims stabilised in the five quarters to December 2015 at approximately 22,000 per quarter. However, in March 2016 new statutory claims increased, primarily due to the changes in the way public hospital payments are processed. New statutory claims reported over the past four quarters have remained high at around 24,500 claims per quarter and are expected to increase to around 25,000 claims per quarter in line with labour force growth.

Statutory claim frequency has reduced substantially since 2011. However the 2016 injury year and onwards has seen an increasing frequency.



The 2016 injury year and onwards shows a gradual increase in the frequency - primarily due to larger volumes of minor claims being reported with the change in Queensland Health arrangements.

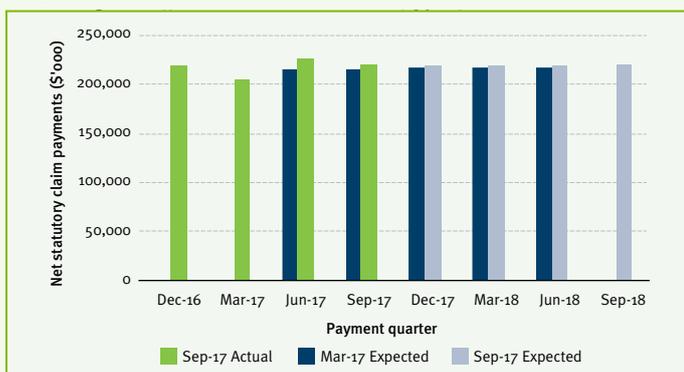
The estimated frequency for 2018 is around **5.8** per cent.

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



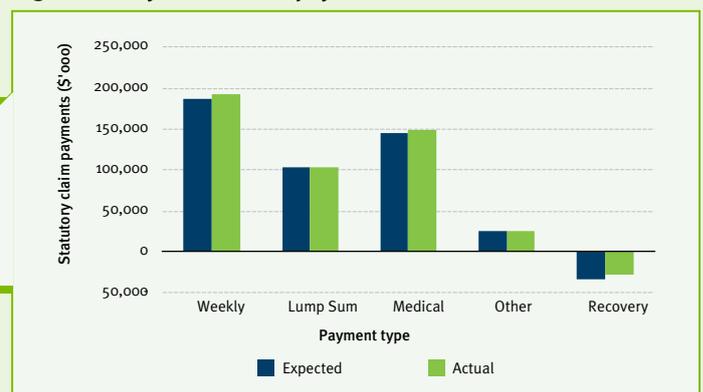
Statutory claim intimations are expected to increase slightly over the next four quarters in line with exposure growth.

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



June 2017 quarter was higher than expected due to higher than expected weekly payments. Future payments are expected to be in line with and stable with recent experience.

Higher than expected statutory claim payments are mainly due to higher weekly and medical payments.

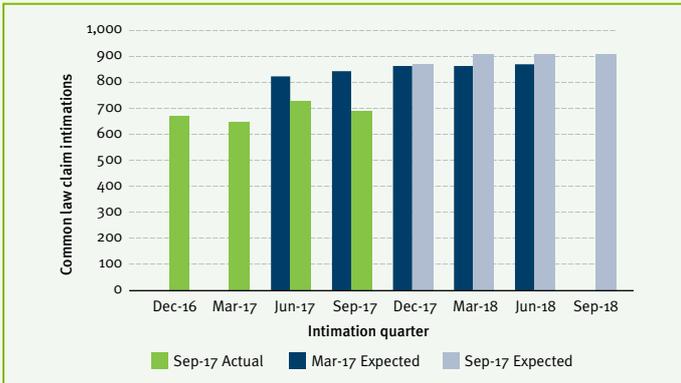


Medical payments over the past six months (\$150M) are higher than expected (\$145M). Weekly payments over the past six months (\$192M) are higher than expected (\$187M).

Common law

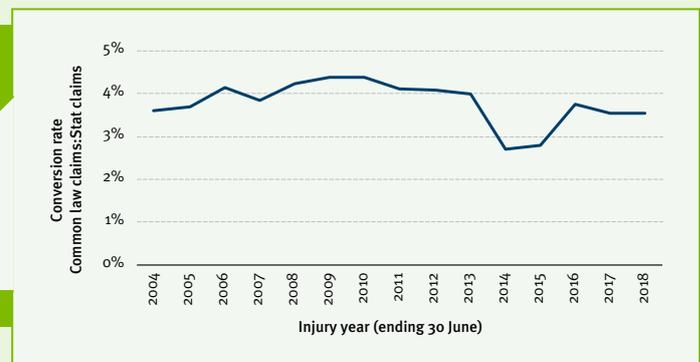
Common law intimations in the scheme have been slow to return to pre-threshold levels post the unwinding of the common law threshold.

Common law intimations have been lower than expected over the past six months.



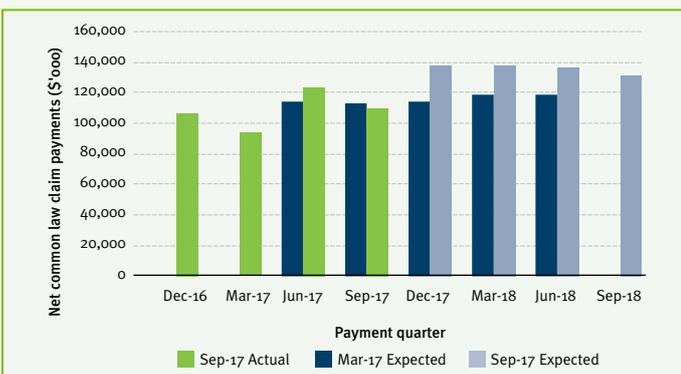
Common law intimations are projected to increase as unwinding of the common law threshold flows through. We are still allowing for some catch-up, based on recent experience.

Following October 2015 amendments - unwinding of the common law threshold, the conversion rate from statutory to common law has not returned 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 3.6 per cent conversion rate is expected for injury year 2018. 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 higher than expected over the past six months.



Common law claim payments are higher than expected in the past six months largely due to higher than expected settlement sizes in the June 2017 quarter. Projections have increased from the March 2017 expectations due to an increase in expected number of finalisations and slightly higher settlement sizes.

Average size of common law claims are higher than expected over the past six months.



The June 2017 quarter was higher due to a number of larger settlements. Average common law size is expected to increase as a result of the recent experience.

Coal workers' pneumoconiosis (CWP)

On 23 August 2017, the Queensland Parliament passed the Workers' Compensation and Rehabilitation (Coal Workers' Pneumoconiosis) and Other Legislation Amendment Act 2017. The amendment Act amends the Workers' Compensation and Rehabilitation Act 2003 and regulation by:

- introducing free medical examinations for former coal workers concerned they may have CWP or a coal mine dust lung disease (CMDLD), and who have retired or left the coal mining industry prior to 1 January 2017
- ensuring workers with simple CWP or other pneumoconiosis who experience disease progression can apply to re-open their claim to access further benefits under the workers' compensation scheme
- introducing a new lump sum compensation for pneumoconiosis up to a maximum of \$120,000 based on the severity of the workers' pneumoconiosis injury as graded under the International Labour Organization (ILO) guidelines.

National Injury Insurance Scheme

The Workers' Compensation and Rehabilitation Amendment Act 2016 commenced 8 September 2016. The Act implements the 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 now have contracts in place 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 6 October 2017, there are currently five claims being managed by the Agency.

Queensland ordinary time earnings

Monetary entitlements of injured workers and dependants of deceased workers under the Workers' Compensation and Rehabilitation Act 2003 (the Act) are subject to indexation in accordance with variations in Queensland Ordinary Time Earnings (QOTE). QOTE is based on data published by the Australian Bureau of Statistics regarding average full-time adult weekly earnings for Queensland. This data is published twice yearly and QOTE is based on the latest data as at 1 July.

Amendments to the Act in 2016 ensured that if average weekly earnings decrease in a given year, QOTE is to remain at the level it was in the year before the decrease in the value of QOTE. This was designed to prevent financial hardship to those relying on workers' compensation payments. In 2016-17 QOTE remained at \$1,456.90, as the average weekly earnings had decreased. If the value of QOTE

increases in the next financial year to a value above the current value, then the new amount of QOTE will apply and the variation will be the change from the current level of QOTE and the new amount of QOTE.

According to the latest Australian Statistician's report released on 23 February 2017, average Queensland full-time adults ordinary time earnings is \$1,482.10. As the variation in QOTE for 2016-17 was zero per cent (QOTE remained at \$1,456.90), a variation to \$1,482.10 in 2017-18 equals an increase of 1.73 per cent.

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.
Email OIRdata@oir.qld.gov.au**

Providing feedback

**We welcome your feedback on this publication.
You can provide feedback to:
sebastian.bielen@oir.qld.gov.au**