

ACT Workers' Compensation Review of Scheme Performance to 30 June 2013

The Chief Minister and Treasury
Directorate

May 2014



ACT Workers' Compensation Review of Scheme Performance to 30 June 2013

The Chief Minister and Treasury Directorate (CMTD) have requested that Finity Consulting (Finity) undertake an actuarial review of the performance of the ACT private sector workers' compensation scheme (the Scheme) in order to inform the CMTD on key developments in the scheme experience.

This report includes:

- An investigation of trends in the private sector claims experience to 30 June 2013
- An estimate of reasonable premium rates for the 2014/15 financial year.

The terms of reference of our work are set out in our contract with the Chief Minister and Treasury Directorate (number 2012.20117.210).

Karen Cutter

Mimi Shepherd

Fellows of the Institute of Actuaries of Australia

Finity Consulting Pty Limited

ABN 89 111 470 270

www.finity.com.au

www.finityconsulting.co.nz

Sydney

Level 7, 155 George Street

The Rocks NSW 2000

Ph: +61 2 8252 3300

Fax: +61 2 8252 3399

Melbourne

Level 3, 30 Collins Street

Melbourne VIC 3000

Ph: +61 3 8080 0900

Fax: +61 3 8080 0999

Auckland

Level 27, 188 Quay St

Auckland 1010

Ph: +64 9 363 2894

Fax: +64 9 363 2895

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Part I Executive Summary

1 Introduction & Background

The Chief Minister and Treasury Directorate (CMTD) have requested that Finity Consulting (Finity) undertake an actuarial review of the performance of the ACT private sector workers' compensation scheme (the Scheme) in order to inform the CMTD on key developments in the scheme experience. As part of this review, we were required to investigate trends in the claims experience to 30 June 2013 and to provide an estimate of reasonable premium rates for the 2014/15 financial year.

We note that the scope of our review is limited to the insured private sector workers' compensation scheme, i.e. it does not include self-insured employers. Our review encompasses:

- Identifying major trends in the private sector claims experience
- Estimating future claim costs for past accident years
- Developing a reasonable premium pool and average premium rate for the insured scheme for the 2014/15 policy year
- Developing premium rates at the ANZSIC Class level for the 2014/15 policy year
- Comparisons of market share, industry mix, premium rates, and claims experience between the insurers.

2 Scheme Claim Experience

Section 2 of the main body of the report details various elements of claims experience that have emerged in the last year, as follows:

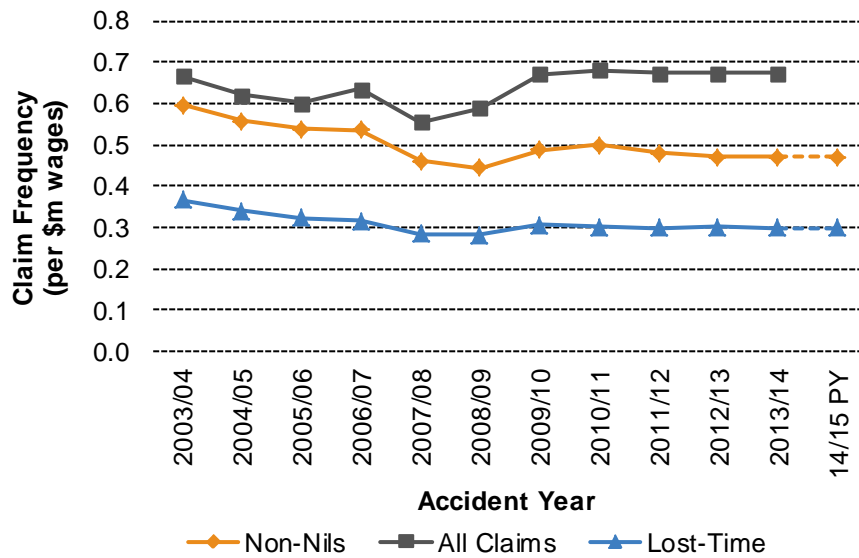
- The total number of claims reported fell by 2.5%, with around 4,850 new claims reported in 2012/13.
- The number of non-nil claims fell by 5% with around 3,400 new non-nil claims reported in 2012/13.
- The number of new lost time claims fell 1%, with just under 2,200 new lost time claims in 2012/13.
- There were over 500 new lump sums during 2012/13, the highest level since 2003/04 and around 12% higher than expected.
- Claim payments increased by 12% in real terms in 2012/13, with around \$126 million in net payments in the year. Payments were \$12 million (10%) higher than expected, driven by lump sum payments which were 26% higher than expected. Medical costs were \$1.5 million (9%) lower than expected, while payments for all other benefit types were close to expected.

3 Actuarial Estimates

Claim Frequency

Figure 1 shows our estimated ultimate claim frequency for the Scheme. We have shown three different measures – all claims, non-nil claims and lost time claims. The estimated ultimate number of claims is divided by earned wages to arrive at a measure of the ultimate claim frequency per \$ million earned wages (inflated to December 2013 values).

Figure 1 – Estimated Ultimate Claim Frequency



While total claim frequency increased between the 2007/08 and 2009/10 accident years, much of this increase is attributable to an increase in the number of nil claims. We estimate that total claim frequency has been stable since 2009/10.

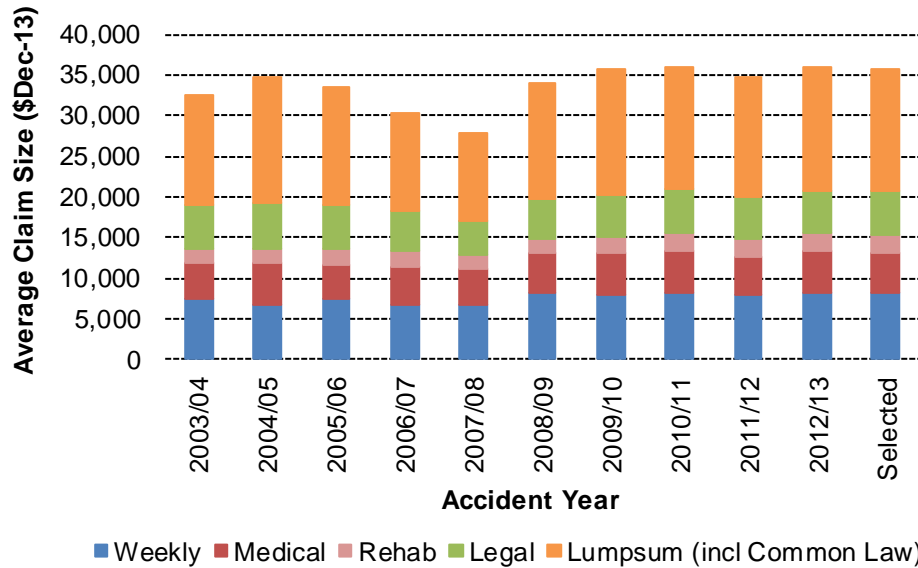
Non-nil claim frequency reduced between the 2010/11 and 2012/13 accident years and we are projecting the non-nil frequency to be 0.47 claims per \$ million wages for 2012/13. Claim reports in the first quarter of 2013/14 indicate that the non-nil frequency will continue at this level for the 2013/14 accident year. We have adopted a non-nil claim frequency of 0.47 claims per \$ million of wages for the 2014/15 policy year. This is 4% lower than the assumption adopted for the 2013/14 policy year.

The frequency of claimants receiving weekly benefits has remained stable since the 2009/10 accident year at 0.30 claims per \$ million wages. As non-nil claim frequency fell slightly, lost time claims as a proportion of non-nil claims have increased from 62% in 2011/12 to 64% in 2012/13. We have adopted a lost time claim frequency of 0.30 claims per \$ million of wages for the 2014/15 policy year.

Average Claim Size

Figure 2 summarises the adopted gross average claim sizes for each past accident year, and our selection for the 2014/15 policy year.

Figure 2 – Adopted Gross Average Claim Size (per Non-Nil Claim) by Payment Type



The selected gross average claim size for the 2014/15 policy year is around \$36,000 per non-nil claim. After allowing for recoveries, the selected net average claim size is \$34,700 per non-nil claim. This is 8% higher than that selected in our previous review (\$32,000 in December 2013 dollars). The increase in the adopted average claim size reflects:

- A 6% increase in the average cost of weekly benefits reflecting the increase in the number of lost time claims (relative to non-nil claims) and a slight increase in the average size of weekly benefits themselves.
- A 16% increase in the average cost of lump sum benefits reflecting:
 - ▶ An increase in the adopted number of lump sum claims following higher than expected numbers of lump sums during 2012/13
 - ▶ An increase in the adopted average size of each lump sum.

We note that the low number of lump sum claims per annum (relative to non-nil claims) and the high average cost of such claims means that small changes in our assumed numbers of lump sum claims can have a high impact on the overall expected cost of the scheme.

- A 4% increase in average legal costs, with legal cost payment experience during 2012/13 higher than expected which is likely related to the higher lump sum activity.

4 Economic Assumptions

We have made allowance for the following economic assumptions in forming reasonable premium rates:

Element	Assumption	Change from Previous Review
Discount rate	3.45% p.a.	Up 0.45% p.a., reflecting increases in yields available on Commonwealth Government bonds
Wage Inflation	3.50% p.a.	Down 0.25% reflecting medium term wage inflation forecasts
Superimposed inflation	2.0% p.a. for medical benefits and rehabilitation costs	Unchanged

5 Expense Assumptions

The reasonable premium rate for 2014/15 includes a total expense loading of 21.6% of premium, down slightly from 21.9% of premium adopted for our previous review. Our expense assumptions are discussed further in Section 4.4.

6 Reasonable Insurer Margin

The reasonable premium rate for 2014/15 includes an insurer margin of 12.5% of premium, unchanged from that adopted previously. The derivation of our insurer margin is discussed further in Section 4.6.

7 Average Premium Rate for 2013/14

Our estimate of a reasonable premium pool for 2014/15 is \$195.8 million, as shown in the table below.

Table 1 – Total Premium Pool

Premium Rate Component	(\$m)	Previous (\$m)
Risk Premium Pool	129.0	129.3
Expense Loading	42.3	43.2
Profit Loading	24.5	24.6
Total Premium Pool	195.8	197.1
Wages Estimate	7,961.9	8,130.9
Average Risk Premium (% wages)	1.62%	1.59%
Average Premium Rate (% wages)	2.46%	2.42%

The reasonable average premium rate for 2014/15 is 2.46% of wages. This compares to the reasonable premium rate for 2013/14 of 2.42% of wages. The premium rate has increased by 0.03% of wages (a 1% proportionate increase) due to the offsetting impact of:

- A decrease in wages estimates for 2014/15, reflecting lower than expected actual wages in 2012/13. This acted to increase the required premium rate by 0.17% of wages
- Lower non-nil claim frequency assumptions which were partially offset by higher lump sum number and average claim size assumptions. The net impact reduced the required premium rate by a 0.08% of wages
- Lower wage inflation and higher discount rate assumptions reduced the required premium rate by 0.02% and 0.03% of wages respectively
- A lower adopted expense loading reduced the premium rate by 0.01% of wages.

8 ANZSIC Division Premium Rates

To derive reasonable premium rates at the ANZSIC Class level in the ACT, we have separately considered frequency relativities and cost relativities, as shown in Appendix H.

The experience across the range of ANZSIC Classes shows considerable variation, with our reasonable rates falling in the range 0.36% to 13.36%.

9 Achieved Premium Rates

The insurers achieved premium rate (estimated ultimate premium divided by estimated ultimate wages) for past accident years are shown in Figure 3. Note we have shown the estimated risk premium component separately.

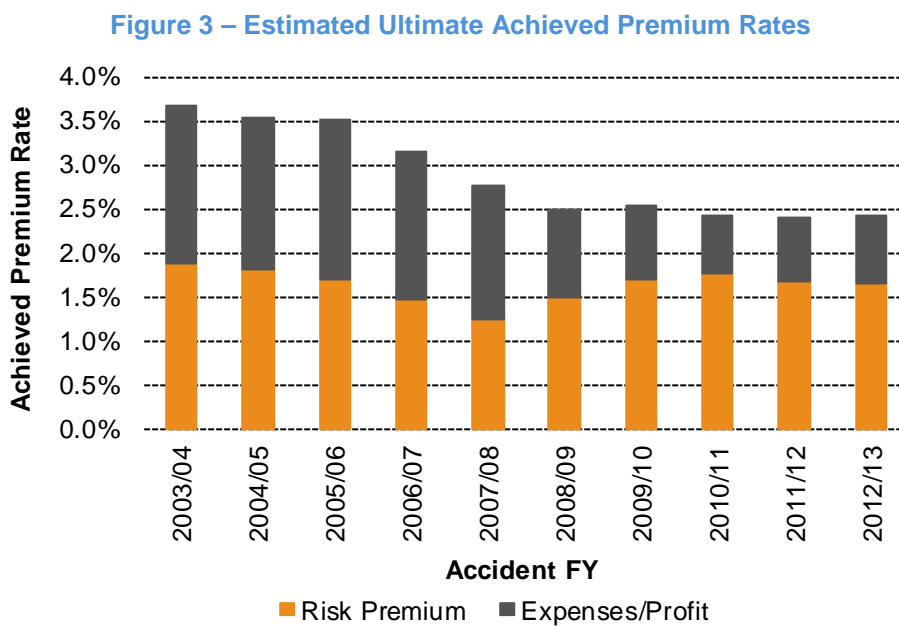


Figure 3 shows that the gap between insurer achieved premium rates and the reasonable premium rate has narrowed since 2003/04 as –

- Insurer achieved rates reduced by around 10-15% per annum in the period 2006/07 to 2008/09. Since then, achieved rates have remained relatively stable at around 2.4% of wages
- We estimate that the risk premium, by comparison, increased over the period 2007/08 to 2010/11 before stabilising at around 1.7% of wages (noting that there is considerable uncertainty over the estimated risk premium for more recent accident years).

As a result, the amount of premiums left to cover expenses and profit will have declined. We estimate this margin is currently around 0.75% of wages.

10 Reliances and Limitations

Our reliances and limitations are an important part of this report and are detailed in Section 11.

Part II Detailed Findings

1 Introduction

1.1 Purpose

The Chief Minister and Treasury Directorate (CMTD) have requested that Finity Consulting (Finity) undertake an actuarial review of the performance of the ACT private sector workers' compensation scheme (the Scheme) in order to inform the CMTD on key developments in the scheme experience. As part of this review, we were required to investigate trends in the claims experience to 30 June 2013, and provide an estimate of a reasonable premium rate for the 2014/15 financial year. We have also included a detailed comparison of the experience of individual insurers.

We note that the scope of our review is limited to the insured private sector workers' compensation scheme, i.e. it does not include self-insured employers.

This is the sixth review of its kind that Finity has conducted. Our previous review is contained in the report "2011/12 Review of the ACT Workers' Compensation Scheme" dated 3 April 2013 (the previous report).

Our review is based on data to 30 September 2013. We note however that the last full financial year of data is for the year ending 30 June 2013, and many of the graphs and commentary in this report are prepared using data to 30 June 2013 only. Note that we have specifically utilised the claims data for the three months to 30 September 2013 in projecting ultimate claim numbers and in forming our lump sum assumptions.

1.2 Scope

Our review of the ACT private workers' compensation scheme encompassed:

- Identifying trends in the private sector experience that impact on Scheme cost, including consideration of:
 - ▶ Claim numbers and frequency for all claims, non-nil claims, lost time claims and lump sums
 - ▶ Claim payments, average claim sizes and payment patterns by the following benefit type groupings:
 - ▶ Weekly benefits
 - ▶ Medical and related benefits (including medical, hospital, and other treatment/appliances)
 - ▶ Rehabilitation
 - ▶ Lump sum benefits (including common law settlements, statutory impairment lump sums, commutations and death benefits)
 - ▶ Legal and investigation costs (including legal costs, investigation and medico-legal costs, and other non-compensation benefits)
 - ▶ Recoveries (including sharing, employer and other recoveries)
- Estimating future claim costs for past accident years

- Developing a reasonable premium pool and average premium rate for the insured scheme as a whole for the 2014/15 policy year
- Developing reasonable premium rates at the ANZSIC Class level for the 2014/15 policy year
- Comparisons of market share, industry mix, premium rates, and claims experience between the insurers.

Appendix B of this report summarises the various historical legislative reforms that have had a significant impact on the cost of the ACT workers' compensation scheme.

1.3 Structure of the Report

The details of our review are set out in the following report parts and sections:

Part II – Scheme Review and Reasonable Premium Rates

- | | |
|-----------|--|
| Section 2 | provides an overview of trends in claims experience |
| Section 3 | includes our assessment of Scheme claim number and payment experience, including the assumptions required to estimate ultimate claim costs |
| Section 4 | summarises other assumptions adopted, namely economic, expense and profit assumptions |
| Section 5 | summarises our estimated ultimate costs for each past accident year and compares our results to insurer reserves |
| Section 6 | estimates a reasonable premium pool and the average premium rate |
| Section 7 | includes a summary of the selected relativities and reasonable premium rates by ANZSIC Division |

Part III – Further Information

- | | |
|------------|---|
| Section 8 | describes the data we were supplied with for this investigation |
| Section 9 | sets out our approach to analysis of Scheme performance and the development of reasonable premium rates |
| Section 10 | sets out our compliance with the relevant professional standards and the basis of our estimates |
| Section 11 | details the reliances and limitations to which this report is subject. |

Part IV – Appendices

Part IV contains the Appendices which include a detailed description of the data used and our analysis.

2 Overview of Claims Experience

This section summarises trends in the Scheme claims experience. Full details of claim frequency and average claim size, including projections by payment type, follow in Section 3.

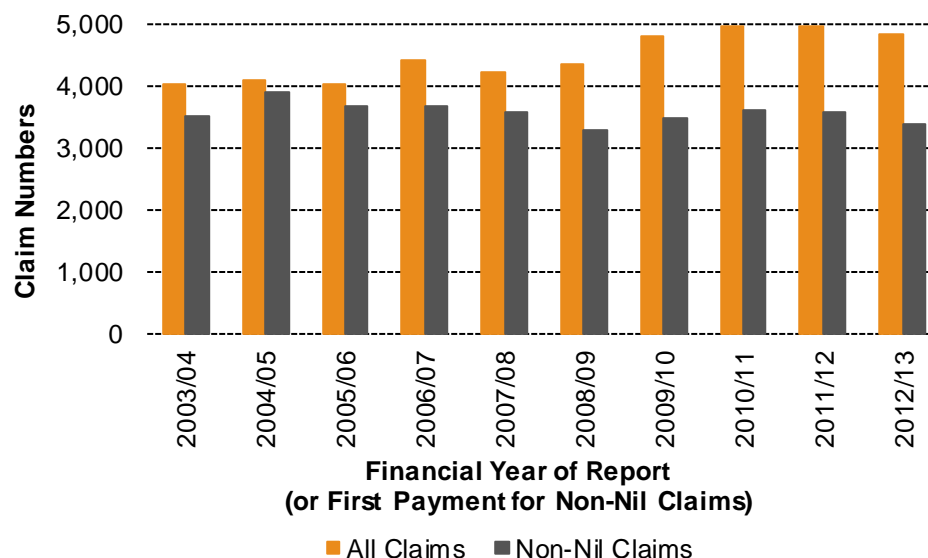
Key Findings

- The total number of claims reported fell by 2.5%, with around 4,850 new claims reported in 2012/13.
- The number of non-nil claims fell by 5% with around 3,400 new non-nil claims reported in 2012/13.
- The number of new lost time claims fell 1%, with just under 2,200 new lost time claims in 2012/13.
- There were over 500 new lump sums during 2012/13, the highest level since 2003/04 and around 12% higher than expected.
- Claim payments increased by 12% in real terms in 2012/13, with around \$126 million in net payments in the year. Payments were \$12 million (10%) higher than expected, driven by lump sum payments which were 26% higher than expected. Medical costs were \$1.5 million (9%) lower than expected, while payments for all other benefit types were close to expected.

2.1 Numbers of Claims Reported

The following graph shows the number of claims reported in each year of report, and also the number of non-nil claims (counted in the year of their first payment).

Figure 2.1 – Claim Numbers



There were around 4,850 claims reported in 2012/13, a decreased of 2.5% on the previous year. The number of non-nil claims fell by 5%, with only around 3,400 new non-nil claims in the year.

The following table compares the claims experience in the year to 30 June 2013 with expected experience taken from our previous report.

Table 2.1 – Actual vs. Expected Claims Reported in 12 months to 30 June 2013

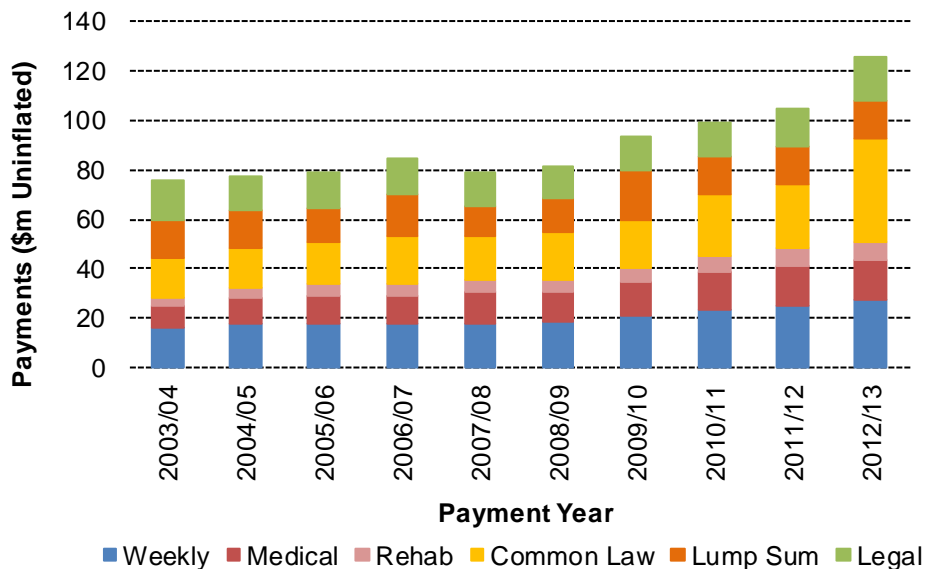
Accident Year	All Claims Reported				Non-Nil Claims Reported			
	Actual	Expected	Difference	Difference	Actual	Expected	Difference	Difference
Prior	13	10	3	33%	13	11	2	24%
2009/10	7	9	-2	-21%	4	13	-9	-70%
2010/11	22	24	-2	-7%	28	32	-4	-11%
2011/12	209	217	-8	-4%	419	439	-20	-4%
2012/13	4,603	4,817	-214	-4%	2,932	3,188	-256	-8%
Total	4,865	5,086	-221	-4%	3,406	3,693	-287	-8%

Both total claims and non-nil claims reported in the year were lower than expected, by 4% and 8% respectively, driven by the lower number of reports in the 2012/13 accident year.

2.2 Claim Payments

The following two graphs show the mix of gross claim payments by payment year and payment type. Figure 2.2 shows the payments in actual historical values while Figure 2.3 shows payments inflated with wage inflation to December 2013 values.

Figure 2.2 – Gross Payments by Type – Actual Historical Values



Payments were around \$80 million per year until 2008/09, but have increased in every year since then. Almost \$126 million was paid in 2012/13, a 20% increase on the previous year, largely driven by common law payments.

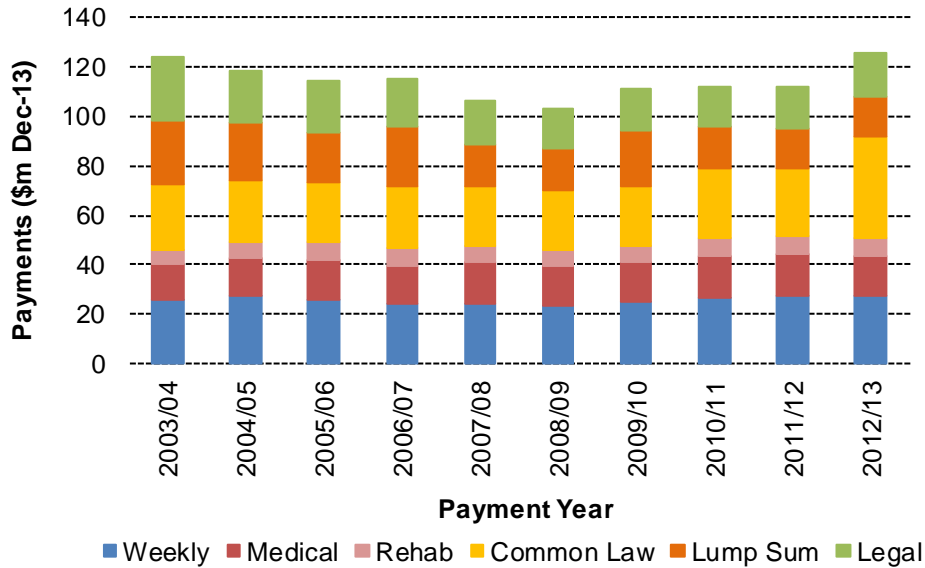
Figure 2.3 – Gross Payments by Type – Inflated to Dec-13

Figure 2.3 shows that, after adjusting for wage inflation, payments in real terms fell from a peak in 2003/04 to a low in 2008/09. Gross claim payments then increased by 7% in 2009/10 to around \$114 million, and remained at this level until 2011/12. In 2012/13 however, payments increased to \$127 million (12%) due to significantly higher common law payments.

Insurers received \$3.7 million in non-reinsurance recoveries in 2012/13, to bring net payments in the year to \$122.2 million.

It is important to note that payment year data contains a mix of payments from various accident and legislative periods; so it does not necessarily indicate underlying trends in Scheme costs. The accident year analysis in Section 3 investigates underlying cost trends.

The following table compares the (net of recoveries) payments made in the 12 months to 30 June 2013 by payment type against those expected from our previous report.

Table 2.2 – Actual vs. Expected Payments in the 12 months to 30 June 2013

Payment Type	Actual \$m	Expected \$m	Difference \$m	Difference %
Weekly	27.4	27.1	0.3	1%
Medical	16.1	17.6	-1.5	-9%
Rehab	7.6	7.5	0.0	1%
Lumpsums ¹	57.1	44.8	12.2	27%
Legal	17.8	17.2	0.6	3%
Recoveries	-3.7	-3.7	0.0	0%
Total	122.2	110.6	11.6	10%

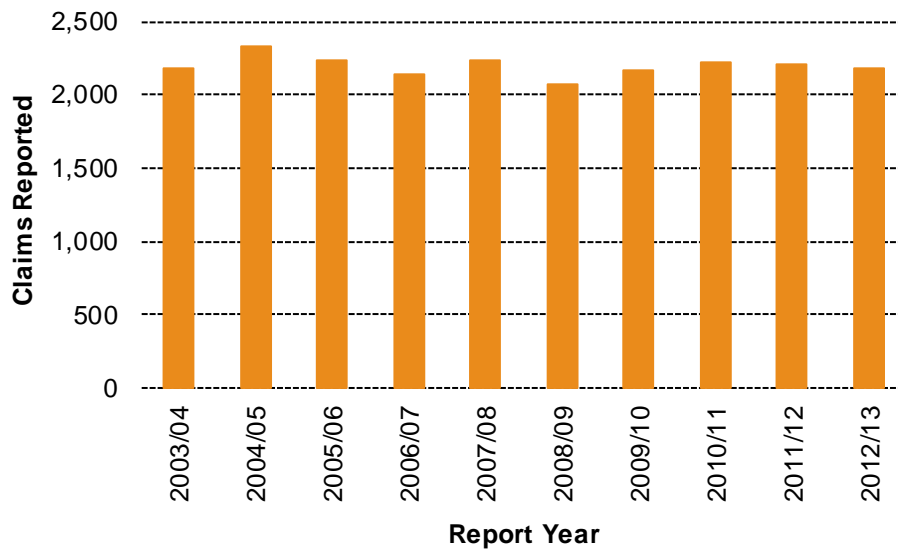
¹Includes Common Law

Payments in total in the 12 months to 30 June 2013 were \$11.6 million (10%) higher than expected. This is driven mainly by an increase in common law lump sum payments in the year. Medical costs were \$1.5 million (9%) lower than expected, and payments for all other benefit types were close to expected.

2.3 Weekly Benefits

Figure 2.4 below shows the number of new weekly benefit claims (lost time claims) reported in each year. We have counted claims as “new” lost time claims in the year that they first receive a weekly benefit payment.

Figure 2.4 – Lost Time Claims Reported



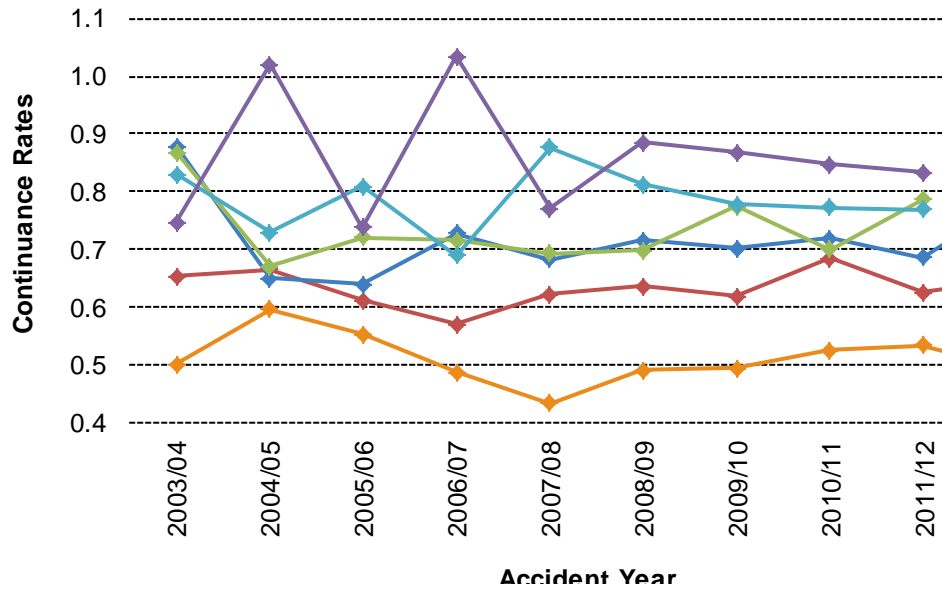
There were just under 2,200 new lost time claims in 2012/13, a 1% decrease relative to the previous year. This was 4% lower than expected as shown in the following table.

Table 2.3 – Actual vs. Expected Claims Reported in 12 months to 30 June 2013

Accident Year	Lost Time Claims Reported			
	Actual	Expected	Difference	Difference
Prior	1	7	-6	-85%
2009/10	6	6	0	-7%
2010/11	34	30	4	13%
2011/12	481	481	0	0%
2012/13	1,664	1,749	-85	-5%
Total	2,186	2,274	-88	-4%

The following graph shows the weekly benefit continuance rates in the first two years (8 quarters) following the date of injury i.e. the proportion of lost time claims that “continue” to be on benefits from one period to the next. All else being equal, a lower continuance rate implies better outcomes for the Scheme (as more claimants are returning to work).

Figure 2.5 – Weekly Benefit Continuance Rates



Continuance rates between development quarters 2:3 appear to have improved slightly in 2012/13, while continuance rates between development quarters 4:5 and 5:6 deteriorated in the year. Continuance rates in other development quarters have been stable.

2.4 Common Law and Other Lump Sums

Injured workers may choose to pursue either:

- A common law claim
- A redemption of statutory entitlements (a 'commutation')
- A statutory permanent impairment benefit.

Pursuing either a common law claim or a commutation results in finalisation of the claim, as all of the worker's entitlements are settled via this path. However, payment of a statutory permanent impairment benefit results in the settlement of the impairment benefit component only – the worker continues to have an entitlement to receive future weekly benefits and medical costs.

In reality, very few claimants pursue statutory permanent impairment benefits relative to common law or commutations. We understand that the statutory benefit may not be as attractive as common law or commutations, to both:

- Claimants, as the amount of statutory entitlements is viewed as "low" relative to what may be paid via the other two routes
- Insurers, as they prefer to settle claims via common law or commutations as they are able to permanently finalise the claim through a deed of release, hence obtaining some certainty of their claims costs.

Figure 2.6 shows the number of claims that have received common law, commutation, statutory impairment benefits or death benefits in each payment year. Note that around 5% of claimants receive more than one

type of lump sum, with the bulk of these claims (around 80%) receiving both a common law and a commutation payment. For the purpose of this graph we have counted claims using the following hierarchy:

- If a claim has a common law payment then it is counted as common law
- If a claim has no common law payment but has a commutation payment, then it is counted as a commutation lump sum
- If a claim has no common law or commutation payments but has a statutory impairment benefit, then it is counted as a statutory impairment lump sum

If a claim has no common law, commutation, or impairment benefit payments but has a death benefit, then it is counted as a death benefit.

Figure 2.6 – Number of Lump Sum Claims

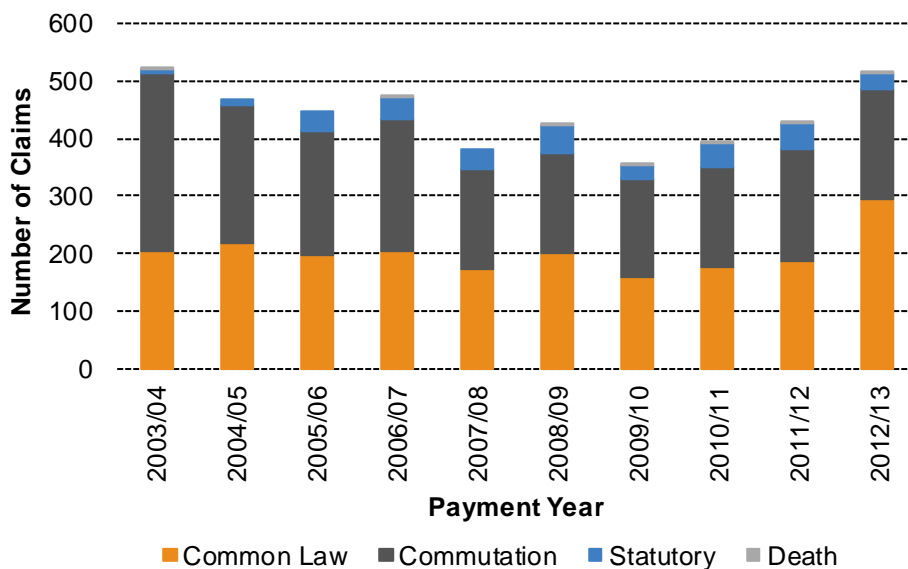


Figure 2.6 shows:

- There were over 500 lump sums paid in the year, the highest level since 2003/04
- The number of claimants receiving common law damages increased by around 50%, from less than 200 per annum in recent years to almost 300 in 2012/13
- The number of commutations has been stable, with just under 200 new commutations paid over each of the last two years
- In 2012/13 there were slightly fewer statutory benefits paid than normal, with just 28 new statutory lump sum paid, compared to an average of around 38 per annum since 2005/06
- As expected, there are very few death benefit claims in each year. In 2012/13 there was just one new lump sum death benefit paid.

The following table shows the number of lump sum claims paid during 2012/13, compared with expectations from our previous review.

Table 2.4 – Actual vs. Expected New Lump Sum Claims in 12 months to 30 June 2013

Accident Year	Lump Sum Claims Reported			
	Actual	Expected	Difference	Difference
Prior	9	31	-22	-71%
2004/05	6	6	0	-4%
2005/06	12	14	-2	-13%
2006/07	20	14	6	42%
2007/08	35	30	5	18%
2008/09	58	54	4	7%
2009/10	119	101	18	17%
2010/11	158	123	35	29%
2011/12	86	70	16	23%
2012/13	7	10	-3	-28%
Total	510	454	56	12%

There were 510 lump sums paid in the 12 months to 30 June 2013, which was 12% higher than expected. This is driven mainly by much higher numbers of lump sum claims paid for the 2009/10 to 2011/12 accident years.

We have also investigated the total average cost of claims that receive common law payments and commutations (i.e. for those claims which receive a common law or commutation payment, the average across all benefit payments received, not just the common law/commutation component). Figure 2.7 to Figure 2.9 show the average amount received for the following claims:

- Those that have received a common law benefit but no commutation
- Those that have received a commutation benefit but no common law, and
- Those that have received both common law and commutation benefits.

Figure 2.7 – Average Size of Claims Receiving Common Law

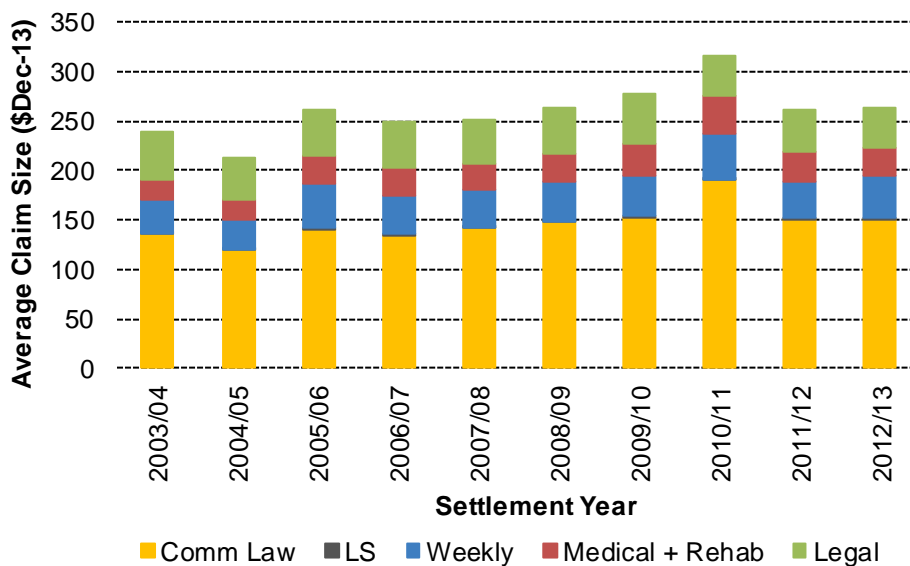


Figure 2.7 shows the overall average cost of claims receiving common law payments (but no commutation) has averaged around \$260,000 (in December 2013 values) over the period 2005/06 to 2012/13, with 2010/11 being significantly higher than this due to two large common law settlements (in excess of \$1 million). The total cost of a common law claim is approximately made up as follows:

- The common law component of the claim is around \$150,000 per claim (approximately 58% of the cost)
- Other lump sums are negligible, adding just \$1,000 to the cost of the claim
- Weekly benefits add around \$40,000 per claim. Of these weekly benefits, 99% of payments are made prior to the common law settlement
- Medical and rehabilitation costs add around a further \$30,000 per claim. Of these medical and rehabilitation payments, 99% are paid prior to the common law settlement
- Legal costs account for around a further \$40,000 per claim.

Figure 2.8 – Average Size of Claims Receiving Commutations

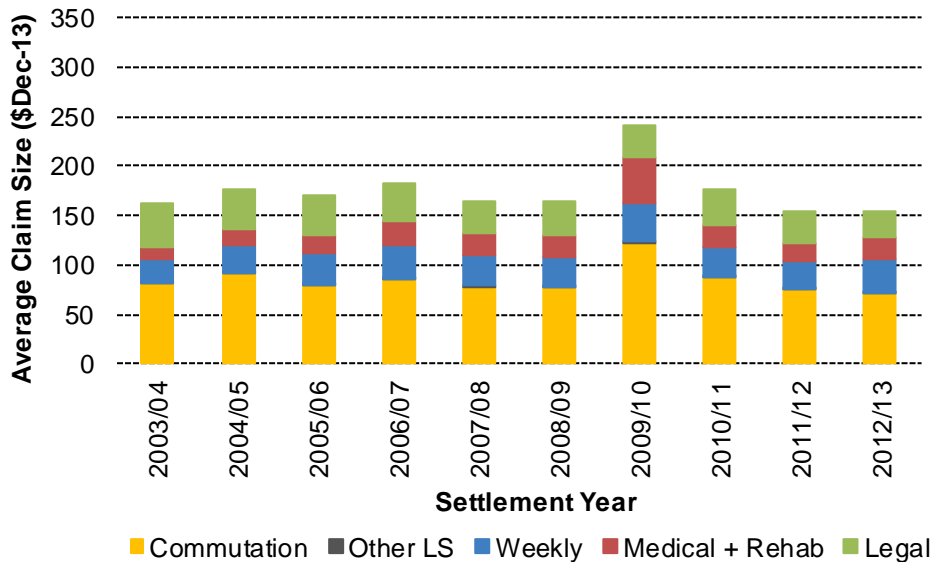


Figure 2.8 shows that the overall average cost of claims receiving commutations (but no common law) is around \$160,000 (in December 2013 values), noting that the 2009/10 year is impacted by a single large jockey claim (such claims are no longer covered in the Scheme). The average claim size is broken down as follows:

- The commutation component of the claim is around \$75,000 per claim (almost 50% of the total cost of the claim). This is around half the amount that common law claims receive as a common law component.
- Other lump sums are negligible
- Weekly benefits add around \$30,000 per claim. Of these weekly benefits, around 98% of payments are made prior to the commutation
- Medical and rehabilitation costs add around \$22,000 per claim. Of these medical and rehabilitation payments, 99% are paid prior to the commutation
- Legal costs account for around a further \$32,000 per claim, a little lower than the amount paid on common law claims.

Figure 2.9 – Average Size of Claims Receiving both Common Law & Commutation

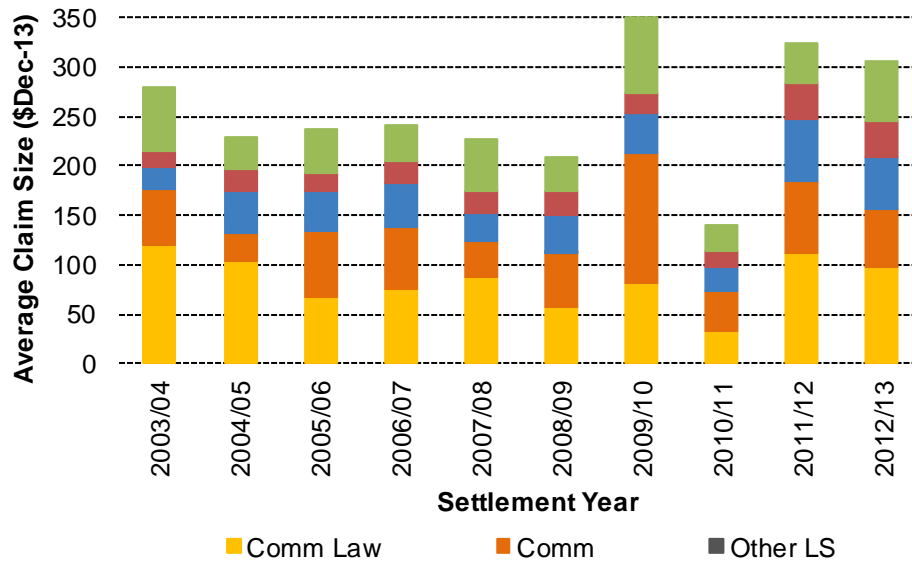


Figure 2.9 shows the overall average cost for those claims that receive both a common law and commutation is similar to the average cost for those claims that receive just common law alone, although more variable from year to year due to the smaller numbers of such claims. The average size of these claims has averaged around \$250,000 (in December 2013 values) over the period shown, with each of the components also similar to claims that receive only a common law:

- The common law component total around \$85,000 and the commutation component is around \$55,000 (total of \$140,000)
- Other lump sums are negligible
- Weekly benefits add around \$40,000 per claim. Of these weekly benefits, around 95% of payments are made prior to the commutation
- Medical and rehabilitation costs add around \$25,000 per claim. Of these medical and rehabilitation payments, 95% are paid prior to the commutation
- Legal costs account for around a further \$45,000 per claim.

Figure 2.10 shows:

- The number of lump sum settlements in each year expressed as a proportion of scheme non-nil claims reported in that year
- The amount spent on lump sum settlements in each year (including the weekly benefit, medical, rehabilitation and legal cost components) expressed as a proportion of total payments made in each year.

Figure 2.10 – Contribution of Lump Sum Claims

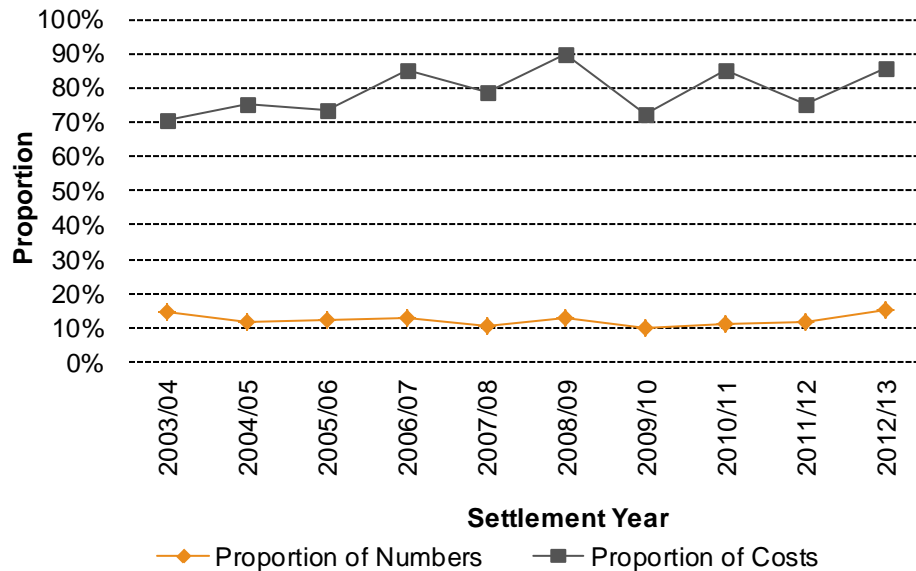


Figure 2.10 demonstrates the importance of lump sum claims to the scheme financials as they represent just over 10% of non-nil claims by number, but around 80% of claim cost.

The following table shows the claim size distribution of all common law and other lump sum claims paid between 1 July 1999 and 30 September 2013 (in December 2013 values) and includes all benefit payments made on these claims (i.e. not just the lump sum component).

Table 2.5 – Claim Size Distribution

Size of Settlement (\$Dec-13)	Common Law			Lump Sums		
	Number of Claims	Proportion	Average claim size in band (\$Dec-13)	Number of Claims	Proportion	Average claim size in band (\$000 Dec-13)
0-50k	258	10%	29,900	730	20%	30,000
50k-100k	358	13%	75,900	861	23%	74,000
100k-150k	413	15%	123,200	645	17%	124,000
150k-200k	339	13%	174,300	454	12%	173,500
200k-300k	496	18%	246,100	537	14%	244,900
300k-400k	343	13%	344,600	253	7%	342,700
400k-500k	189	7%	445,100	121	3%	439,000
500k-1m	272	10%	657,700	102	3%	621,800
>1m	33	1%	1,357,500	13	0%	2,403,700

Almost 50% of common law claims settle for more than \$200,000 and around 30% settle for more than \$300,000.

2.5 Open Claims

In this section we provide some information on “open” claims. There is \$283 million in case estimates on open claims in AIMS as at 30 September 2013.

As discussed in Section 8.2, we have some concerns around the quality of the 'claim finalised' flag. As such, in the table below we show the number of open claims based on three different bases:

- Where the claim finalised flag in AIMS is showing as not finalised
- If the claim has a non-zero case estimate at 31 December 2013
- If the claim has had a payment in the September 2013 payment quarter.

The following table shows the number of "open" claims on each of these bases.

Table 2.6 – Number of "Open" Claims

Accident Year	Finalised flag = 'Open'	Non-Nil Case Est.	Payment in S13 Qtr
2002/03	15	40	3
2003/04	30	38	5
2004/05	14	45	5
2005/06	26	49	15
2006/07	33	66	17
2007/08	58	90	34
2008/09	98	111	83
2009/10	165	229	119
2010/11	245	536	266
2011/12	441	1,190	449
2012/13	1,005	1,489	1,403
Total	2,130	3,883	2,399

Based on the finalisation flag, the total number of open claims for the 2002/03 and later years is around 2,130. Based on case estimates, the number is around 3,880. Based on whether or not the claim had a payment in the last quarter, the number is 2,400.

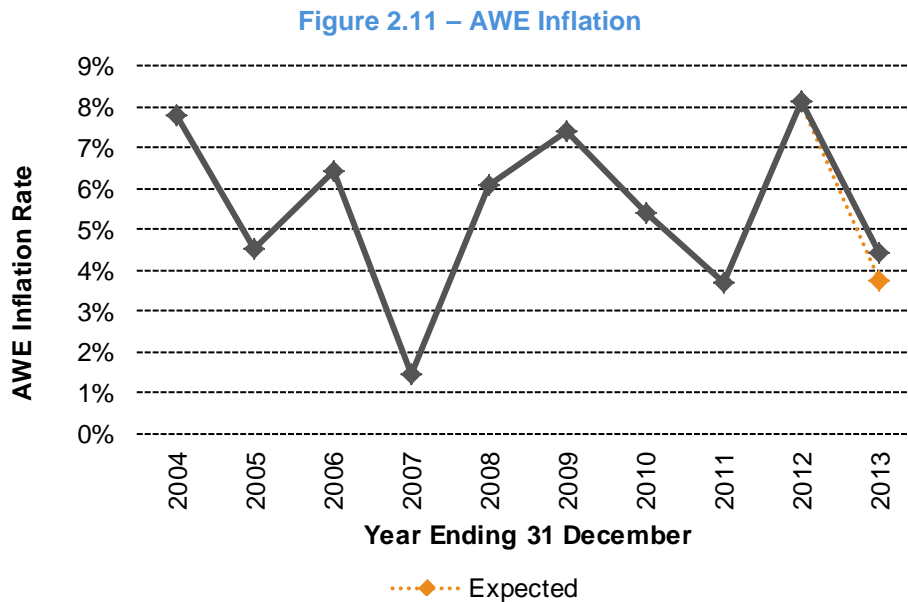
We note the following:

- There is an error with AIMS case estimate records for one larger insurer; this will overstate the number of open claims with non-nil case estimates
- One smaller insurer does not submit case estimates to AIMS which will understate the number of claims with non-nil case estimates. This impact is expected to be much smaller than the error noted above
- The case estimate definition is likely to underestimate the true number of open claims for the most recent year, as claims that have recently been reported may not have had sufficient time for a case estimate to be established on the file
- The case estimate definition may overstate the number of open claims for older years if there are processing delays in setting the estimate to zero
- The payment based definition is likely to overstate the true number of open claims, for the most recent year in particular, as many recently reported claims of short duration will have had a payment in the quarter and be finalised, but won't be captured as "closed" under this definition

- The payment based definition may understate the number of open claims for older years if, for example, there are no ongoing weekly or medical payments but a common law or lump sum claim is yet to be settled.

2.6 Wage inflation

The following graph shows the historical rate of change in the Australian Bureau of Statistics' Average Weekly Earnings (AWE) in the ACT. The grey line shows the actual rate of change (i.e. wage inflation) whereas the orange dotted line shows the rate of inflation assumed for our previous review.



AWE inflation of 4.45% in the 2013 calendar year was 0.7% higher than expected. The impacts of this difference on our projections are:

- Higher than expected wage inflation will result in higher projected wages for the 2014/15 policy year (compared with our previous review)
- Benefits such as weekly benefit payments are linked to wages, and as such, higher than expected wage inflation can mean claims payment experience is also higher than expected, resulting in an increase to the selected average size of such benefits.

As a result, the projected ultimate claims costs and the risk premium pool will increase. However as both wages and ultimate claims costs have increased, the impact on the risk premium rate is minimal.

3 Claim Analysis and Assumptions

This section describes our findings in relation to trends in exposure and claim experience – considering claim numbers and frequency, claim payments and average claim size. We also document the assumptions required to estimate ultimate claim costs.

Key Findings

- Earned wages fell by 3% in real terms to \$7.2 billion in 2012/13.
- We estimate there will be around 3,400 non-nil claims for 2012/13, down 5%. This reflects both a lower exposure base (i.e. wages are lower) plus a slight increase in the proportion of claims with nil cost.
- We have adopted a non-nil claim frequency of 0.47 claims per \$ million of wages for the 2014/15 policy year. This is 5% lower than adopted for the 2013/14 policy year.
- The selected average claim size per non-nil claim is around \$34,700 for the 2014/15 policy year, up 8% since our previous review primarily due to an increase in:
 - ▶ Both the number and average size of lump sums
 - ▶ Legal costs, reflecting higher than expected legal costs in the year which are likely related to the higher lump sum activity
 - ▶ Weekly benefits, due to an increase in the number of lost time claims relative to non-nil claims and a small increase in the average weekly benefit paid.

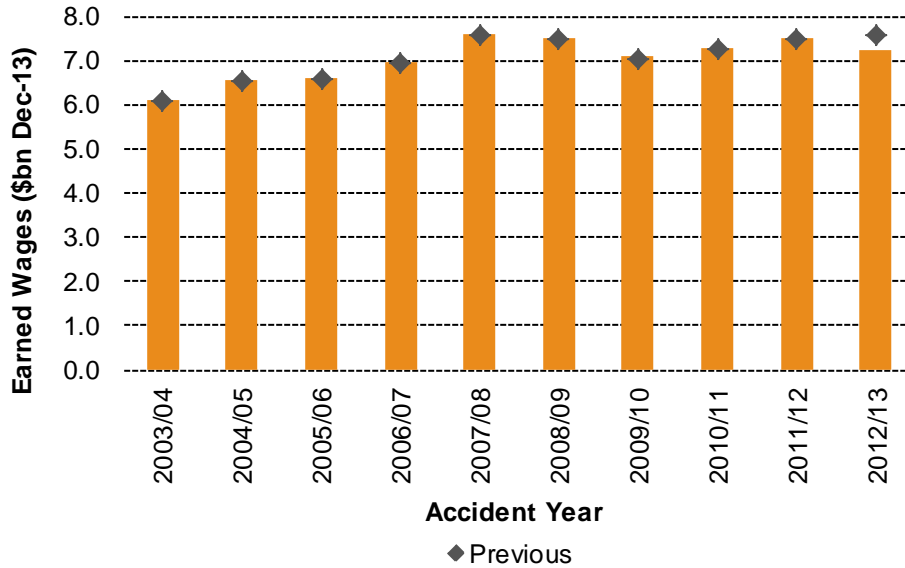
3.1 Exposure

3.1.1 “Earned” Wages

Wages are used as a measure of exposure in the calculation of ultimate claim frequency. When an employer purchases workers’ compensation cover, the amount they pay is usually expressed as a premium rate that is a percentage of “wages covered” for the policy year. In our analysis of claim numbers, we estimate the ultimate number of claims for each accident year (as opposed to policy year). In order to determine the relevant wages for each accident year, we use policy-year wages spread over the period of cover (“earned” wages for each accident year).

Figure 3.1 shows earned wages by accident year. In this graph the wages have been increased for historical wage inflation, i.e. all amounts are expressed in December 2013 values so that the graph shows real growth in total wages. Note, the figures shown are estimates based on information to September 2013 (wages are often revised from initial estimates to actual figures at the end of the policy year and the figures shown here allow for the expected movement from initial to final wages); see Appendix G.

Figure 3.1 – Estimated Ultimate Earned Wages

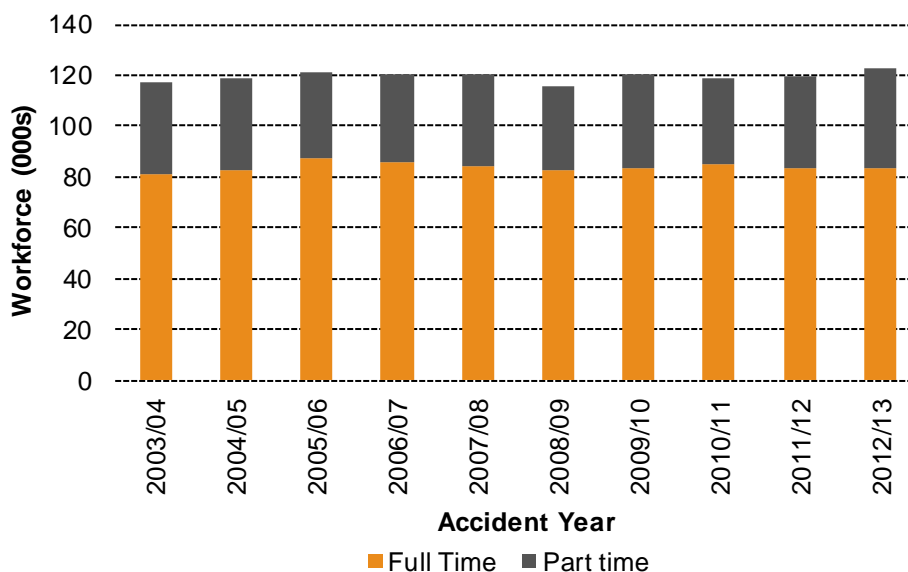


Earned wages fell by 3% during 2012/13, compared to our expectation that they would grow by 1% in the year. We estimate that earned wages for the 2012/13 year are \$7.2 billion, 4% lower than expected.

3.1.2 Number of Employees

Figure 3.2 shows our estimate of the ACT private sector workforce relevant to each accident year, split between full time and part time workers. The number of employees is calculated as the ACT total (as shown in ABS figures), less the number of Commonwealth and ACT Government employees (as provided by the CMTD).

Figure 3.2 – Workforce (000s)



Total employee number grew by 2.3% in 2012/13. This was driven by an increase in the number of part time and casual employees, while full time employee numbers remained stable. We have used the number of full time ACT private sector employees as a measure of exposure in the calculation of ultimate claim frequency.

3.2 Total Claim Numbers and Frequency

Figure 3.3 shows the number of nil and non-nil claims that have been reported to the insurers to 30 June 2013 and our estimate of ultimate numbers of claims for each accident year.

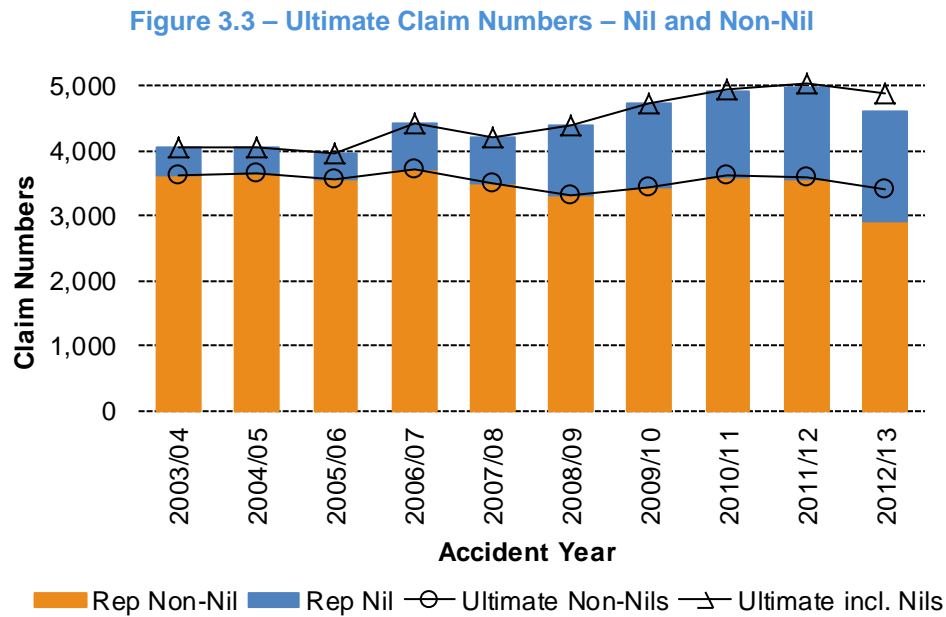


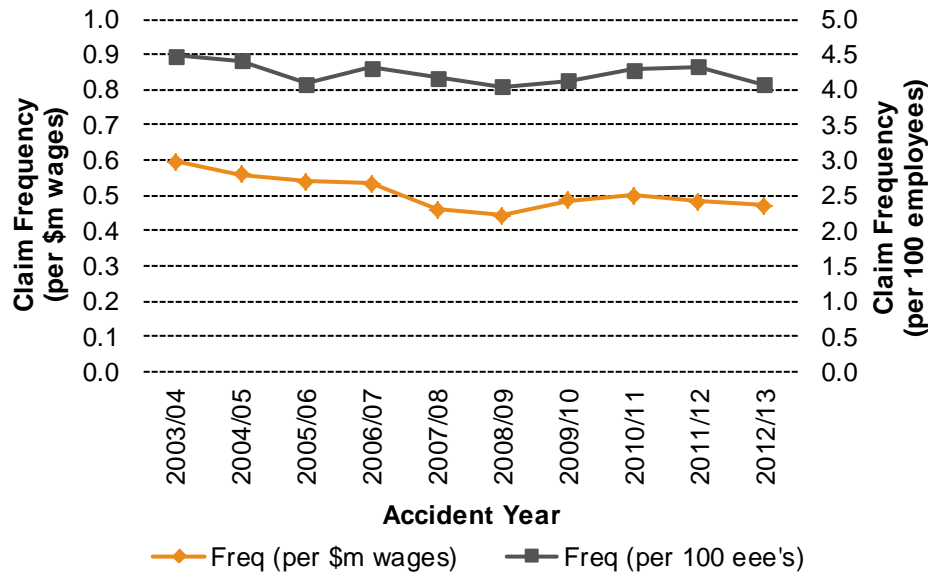
Figure 3.3 shows that the number of Incurred But Not Reported (IBNR) claims is small for all but the most recent accident year. We also expect only small numbers of claims to move from nil to non-nil for all but the latest accident year.

We estimate that the ultimate number of claims in total (i.e. including nils) decreased by 3% in the 2012/13 accident year, in line with the decrease in earned wages in the year.

The estimated ultimate number of non-nil claims fell by 5% in 2012/13, reflecting both the lower exposure base and also a slight increase in the proportion of claims with nil cost. We estimate there will be around 3,400 non-nil claims for 2012/13.

The estimated ultimate number of non-nil claims is divided by both earned wages and full time employees to arrive at a measure of the ultimate claim frequency per \$ million earned wages and per 100 full time employees respectively, as shown in Figure 3.4 below.

Figure 3.4 – Ultimate Non-Nil Claim Frequency



Non-nil claim frequency (per \$million of wages) decreased by 2% in 2012/13 to 0.47 claims per \$ million wages.

Claim frequency expressed per 100 full time employees was 4.0, the lowest seen since 2008/09. As the employee figures are not provided by the insurers, and are compiled from two different sources of data, we rely more heavily on the frequency per \$ million wages measure rather than per full time employee in our premium estimates.

We have adopted a non-nil claim frequency of 0.47 claims per \$ million of wages for the 2014/15 policy year. This is 5% lower than adopted for the 2013/14 policy year (0.49 per \$ million of wages in December 2013 dollars) reflecting lower than expected claim numbers that have emerged in the year.

Appendix E provides further details of our claim number analysis.

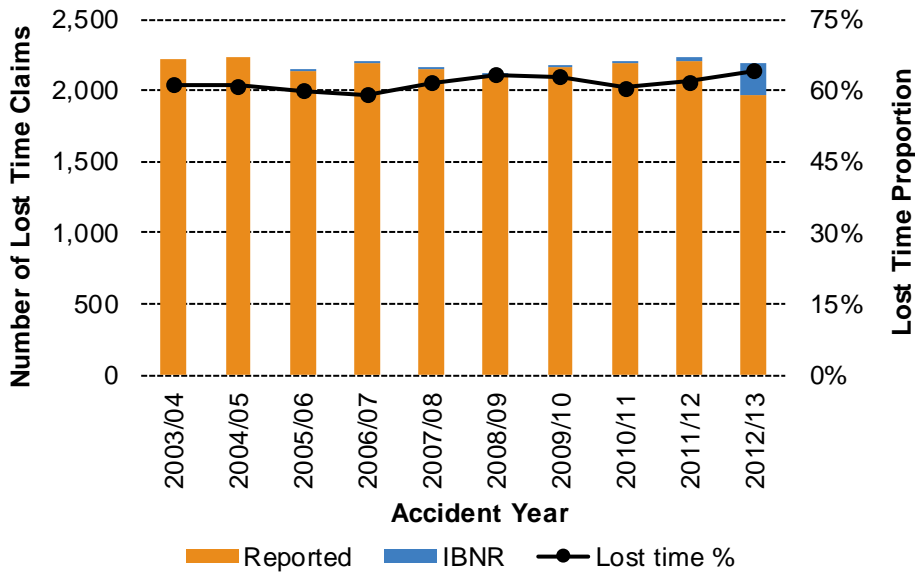
3.3 Weekly Benefits

3.3.1 Lost Time Claims

In order to understand the trends in the numbers of claimants receiving weekly benefit payments, we have estimated the ultimate number of lost time claims.

Figure 3.5 shows our estimated ultimate number of lost time claims and the estimated proportion of non-nil claims that involve weekly benefits.

Figure 3.5 – Estimated Ultimate Lost Time Claims and Proportion

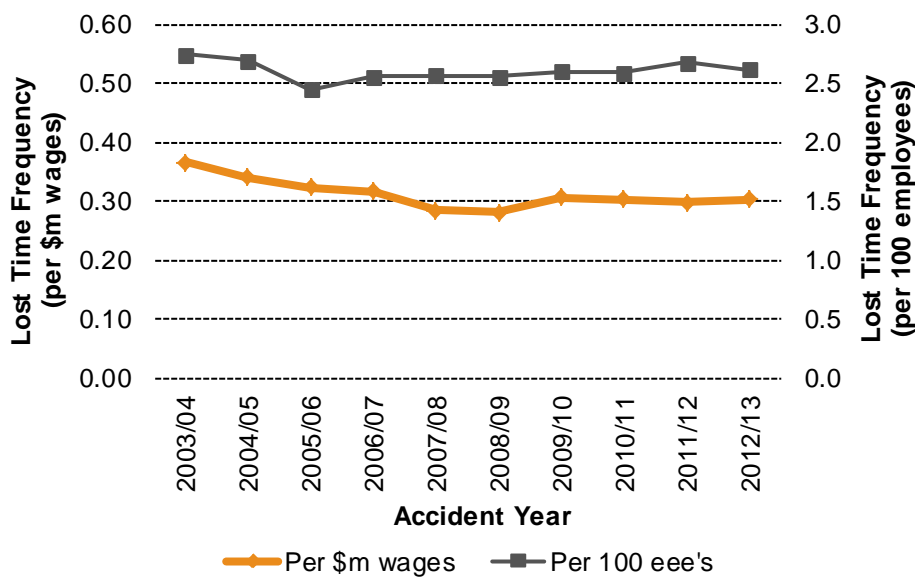


The estimated ultimate number of lost time claims has been reasonably stable over the period shown. We estimate ultimate number of lost time claims for the 2012/13 accident year to be 2,190 a 2% decrease on the previous year.

While the number of lost time claims reduced by 2%, the number of non-nil claims declined by 5%. As a result, the estimated ultimate lost time proportion increased to 64% in 2012/13. For the 2013/14 policy year, we have adopted a lost time proportion of 63.5%, in line with the average over the two most recent years.

Figure 3.6 shows the ultimate lost time claims expressed as a frequency (per \$ million of wages and per 100 full time employees respectively).

Figure 3.6 – Estimated Ultimate Lost Time Claim Frequency

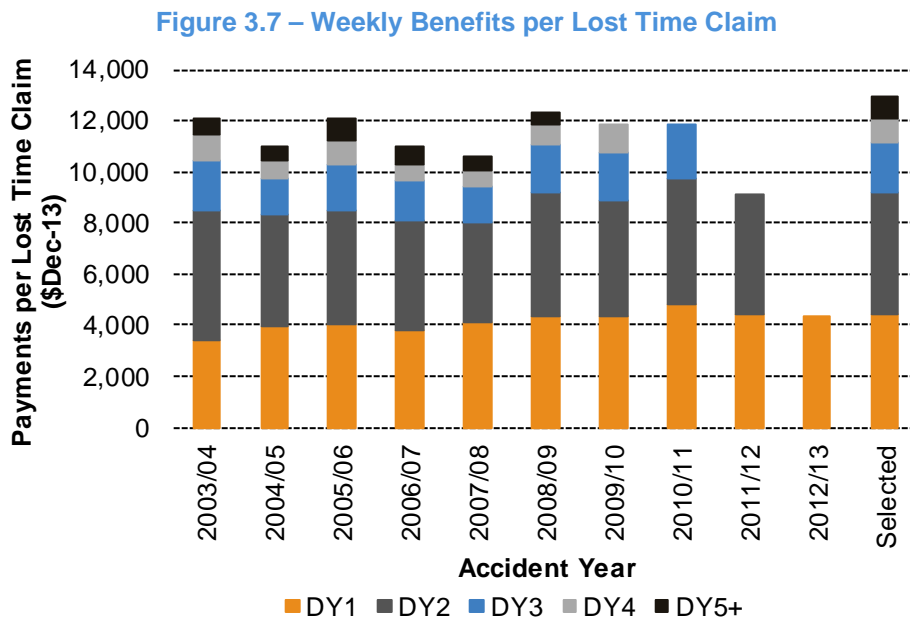


The frequency of claimants receiving weekly benefits has remained stable at around 0.30 claims per \$ million wages over the last four years.

The lost time claim frequency was stable at just under 2.60 claims per 100 full time employees for the 2006/07 to 2010/11 accident years, before increasing slightly in 2011/12 and then declining again to around 2.61 claims per 100 full time employees in 2012/13.

3.3.2 Average Weekly Benefit Payments

Figure 3.7 below shows the average weekly benefits paid per lost time claim by accident year. Each of the accident years is split into payments made in the year of accident (“DY1”), the year following the year of accident (“DY2”), etc. Our selected average weekly benefit claim size per lost time claim for the 2014/15 policy year is also shown.



Average weekly benefits per lost time claim in development year one and two remained stable in 2012/13, but increased slightly in development year three and four.

Our selected average claim size for the 2013/14 policy year for weekly benefits is \$12,911 (in December 2013 dollars) per lost time claim. This is 3% higher than our selected average claim size at the previous review reflecting the emerging experience in development years three and four.

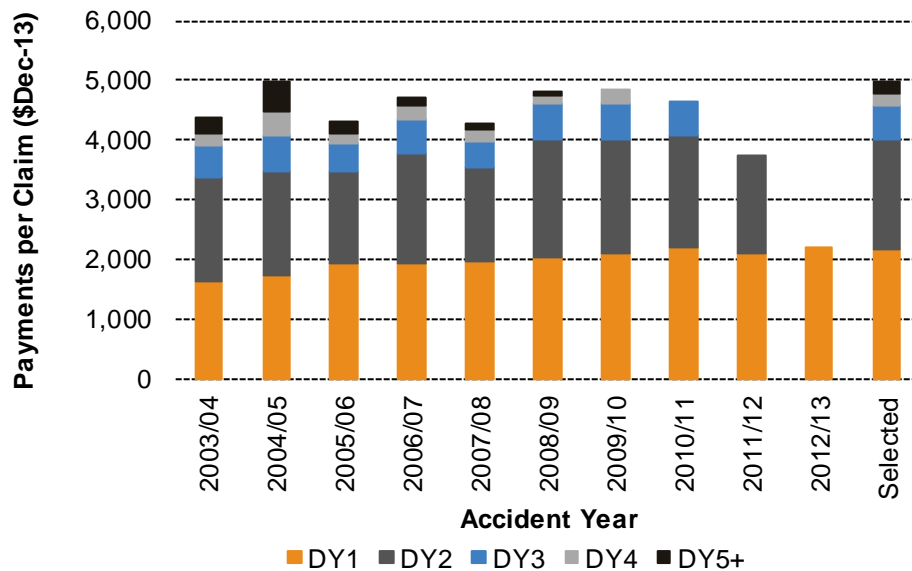
The average claim size expressed over all non-nil claims (not just lost time claims) is \$8,198. This is 6% higher than selected in our previous review (\$7,718 after adjustment to December 2013 dollars) due to both the increase the average claim size and the increase in lost time claims as a proportion of non-nil claims.

The full analysis of weekly benefit average claim sizes can be found in Appendix F.

3.4 Medical and Related Payments

Figure 3.8 shows the average medical payments per non-nil claim for each past accident year and our selected average medical claim size per non-nil claim for the 2014/15 policy year.

Figure 3.8 – Medical Benefits per Non-Nil Claim



Average medical benefits per non-nil claim have remained reasonably stable in development year one for the four most recent years. However the average medical benefit paid in development year two reduced in the year.

The selected average claim size for the 2013/14 policy year for medical benefits is \$4,985 per non-nil claim in December 2013 dollars. This is 2% lower than selected in our previous review (\$5,082 after adjustment to December 2013 dollars).

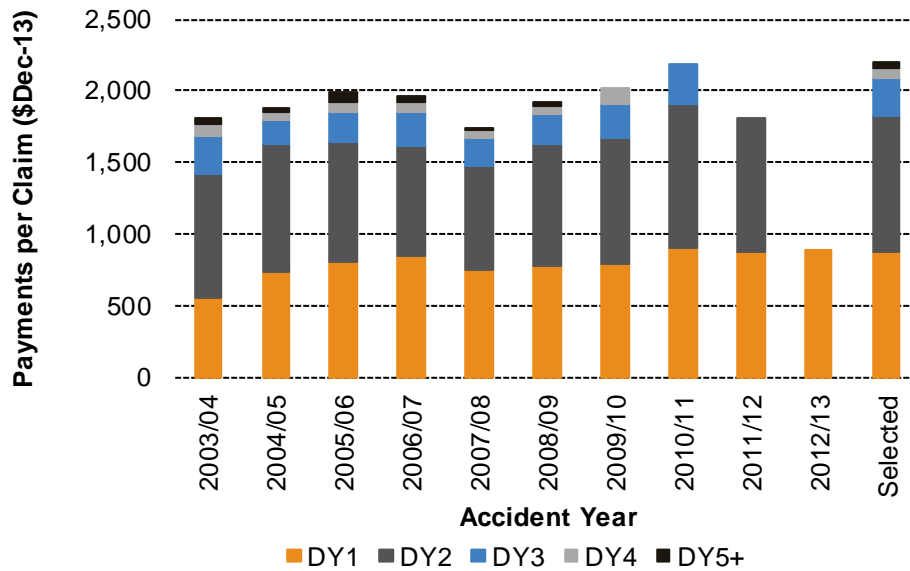
We continue to allow for future superimposed inflation of 2% for this payment type (see Section 4.3).

The full analysis of medical and related payment average claim sizes can be found in Appendix F.

3.5 Rehabilitation

Figure 3.9 shows the average rehabilitation benefits per non-nil claim along with our selected average rehabilitation claim size per non-nil claim for the 2014/15 policy year.

Figure 3.9 – Rehabilitation Benefits per Non-Nil Claim



Average rehabilitation benefits per non-nil claim for development year one and two have been reasonably stable in the past three years. Payments in development year three and four have however increased.

Our selected average claim size for the 2013/14 policy year for rehabilitation benefits is \$2,204 per non-nil claim in December 2013 dollars. This is 1% higher than selected in our previous review (\$2,175 after adjustment to December 2013 dollars).

We continue to allow for future superimposed inflation of 2% for this payment type (see Section 4.3).

The full analysis of rehabilitation benefit average claim size can be found in Appendix F.

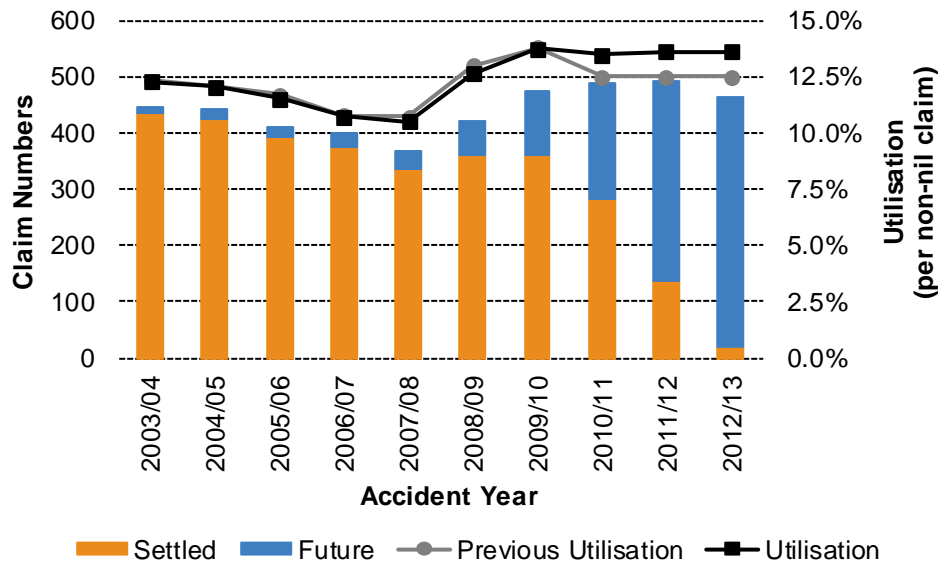
3.6 Lump Sums

3.6.1 Number of Lump Sums

Due to differing practices in the classification of lump sum payment types between insurers (as discussed in Appendix C.4) we have grouped all lump sum claims together when performing our analysis.

The following graph shows the estimated ultimate number of lump sum claims for each past accident year. We also show the rate of lump sum utilisation (expressed as the ultimate number of lump sum claims over ultimate number of non-nil claims).

Figure 3.10 – Estimated Ultimate Lump Sum Claim Numbers and Utilisation



With the higher than expected number of lump sum claims emerging in 2012/13 for accident years 2009/10 to 2011/12 (see Section 2.4), we have increased our estimated ultimate number of lump sum claims for these years. The utilisation rate for 2010/11 and later years has therefore increased from 12.5% at the previous review to around 13.6%.

We estimate the ultimate number of lump sum claims to be just over 460 in 2012/13. We note the considerable level of uncertainty in these projections and the large IBNR component, even for quite old accident years.

We have adopted a lump sum utilisation rate of 13.6% for the 2014/15 policy year, which is up 1.1% relative to that adopted at the previous review (12.5%) reflecting the higher than expected numbers of lump sums during the year.

3.6.2 Settlement Experience and Adopted Average Size of Lump Sums

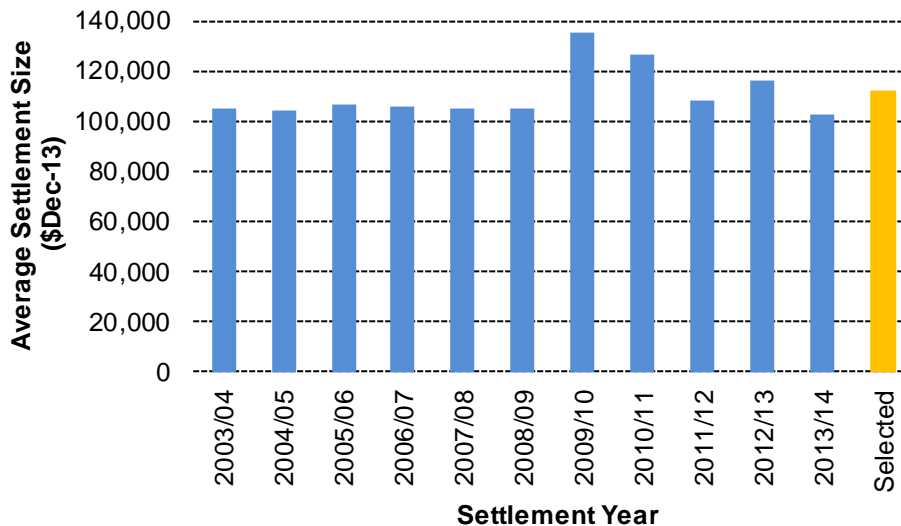
The following table shows the number and average size (inflated to December 2013 dollars) of lump sum claims by year of settlement. Note that the table also shows the three months' worth of settlement experience to 30 September 2013. Figure 3.11 shows the information in graphical form.

Table 3.1 – Average Size of Common Law & Other Lump Sum Settlements

Year of Settlement	Common Law			Lump Sums			Lump Sums & Common Law		
	Number of Claims	Average size (\$Dec-13)	Change (%)	Number of Claims	Average size (\$Dec-13)	Change (%)	Number of Claims	Average size (\$Dec-13)	Change (%)
2003/04	205	131,700		347	79,000		517	105,245	
2004/05	218	119,200	-9%	280	84,100	6%	472	104,944	0%
2005/06	196	131,700	10%	277	77,000	-8%	444	106,176	1%
2006/07	204	126,100	-4%	314	80,000	4%	479	106,147	0%
2007/08	174	133,900	6%	234	71,200	-11%	380	105,156	-1%
2008/09	200	136,500	2%	253	69,500	-2%	427	105,114	0%
2009/10	157	146,800	8%	213	115,500	66%	353	134,983	28%
2010/11	177	182,900	25%	229	78,600	-32%	397	126,883	-6%
2011/12	188	148,200	-19%	253	70,600	-10%	428	106,830	-16%
2012/13	293	145,600	-2%	248	66,800	-5%	515	115,004	8%
2013/14 *	112	125,000	-14%	79	64,000	-4%	189	100,825	-12%

* Note: 2013/14 shows settlements in the three months to 30 September 2013 only

Figure 3.11 – Average Size of Lump Sum Settlements



After a period of relative stability in the overall average claim size of around \$105,000 (December 2013 values), the average claim size for the 2009/10 and 2010/11 years was significantly higher (\$135,000 and \$127,000 respectively). The experience in these years is driven by large claims, with:

- The 2009/10 year including the settlement of a large claim related to injury of a jockey. We understand that such claims are no longer covered in the ACT. Excluding this claim, the average settlement size in 2009/10 is similar to prior years
- The 2010/11 year including two larger common law settlements in excess of \$1 million. In addition, there were a higher proportion of 'larger' (over \$300,000) common law and lump sum settlements.

The average size of lump sum and common settlements in 2011/12 at \$107,000 was more in line with longer-term levels.

Settlements during 2012/13 however averaged around \$115,000, which is around 10% higher than long-term levels.

The average settlement experience in the first three months of 2012/13 is low relative to prior years at around \$100,000.

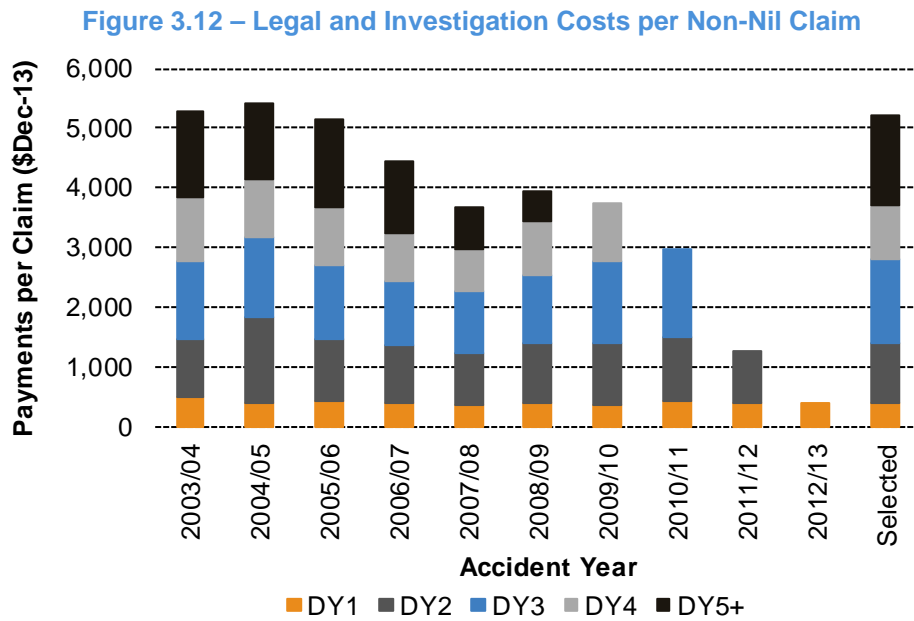
We have adopted an average settlement size of \$111,000 (in December 2013 values) for lump sum claims in the 2014/15 policy year. This partially recognises the higher average claim size for the 2012/13 settlement year but also responds to the lower size for the first three months of the 2013/14 year. Our assumption is 6% higher than our previous selection of \$105,000 (inflated to December 2013 values). We test the sensitivity to this assumption in Section 6.5.

The average lump sum size across all non-nil claims (not just lump sum claims) is \$15,162. This is 16% higher than in the previous report (\$13,090 after adjustment to December 2013 dollars) due to a combination of the 6% increase in the adopted average size for lump sum settlements coupled with the adoption of a higher rate of lump sum utilisation.

The full analysis of average claim size for lump sum benefits can be found in Appendix F.

3.7 Legal and Investigation

Figure 3.12 shows legal and investigation costs per non-nil claim along with our selected average claim size per non-nil claim for the 2014/15 policy year.



The average legal and investigation costs in development years 1 and 2 have been reasonably stable over the last three years, while for development years 3 and 4 the average size in the most recent year has increased, which is likely related to the higher lump sum activity.

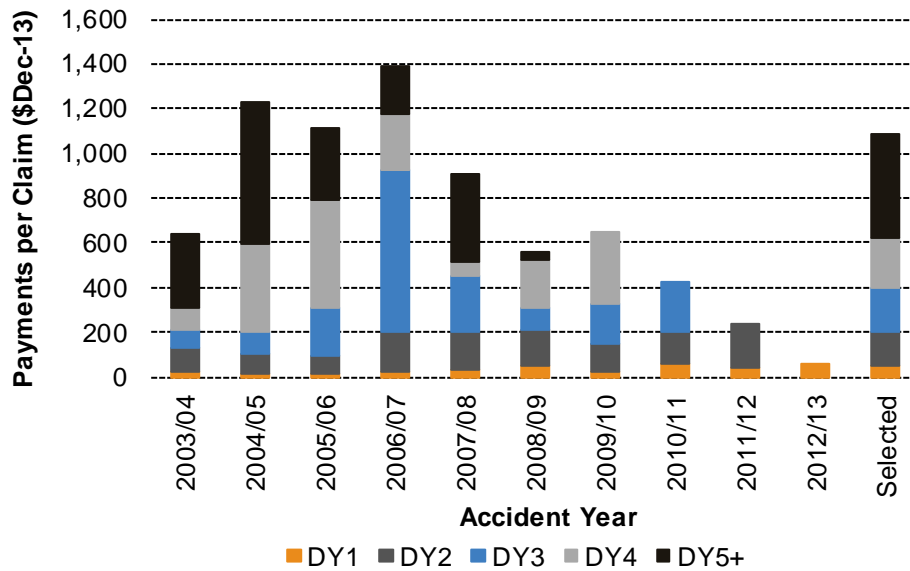
Our selected average claim size for the 2013/14 policy year for legal and investigation costs is 5,214 per non-nil claim in December 2013 dollars. This is 4% higher than the average claim size adopted in the previous report (\$5,019 after adjustment to December 2013 dollars).

The full analysis of the average claim size for legal and investigation costs can be found in Appendix F.

3.8 Recoveries

Figure 3.13 shows the amount recovered by insurers per non-nil claim along with our selection for the 2013/14 policy year. Recoveries include recoveries from other insurers (sharing), employers (excess) and other sources.

Figure 3.13 – Recoveries per Non-Nil Claim



Recoveries vary significantly from year to year. Our selected average size for the 2014/15 policy year for recoveries is \$1,086 per non-nil claim in December 2013 dollars. This is unchanged from the previous report (\$1,082 after adjustment to December 2013 dollars).

The full analysis of the average size of recoveries can be found in Appendix F.

3.9 Overall Average Claim Size

Figure 3.14 summarises the adopted gross average claim sizes for each past accident year, and our selection for the 2014/15 policy year.

Figure 3.14 – Adopted Gross Average Claim Size (per Non-Nil Claim) by Payment Type

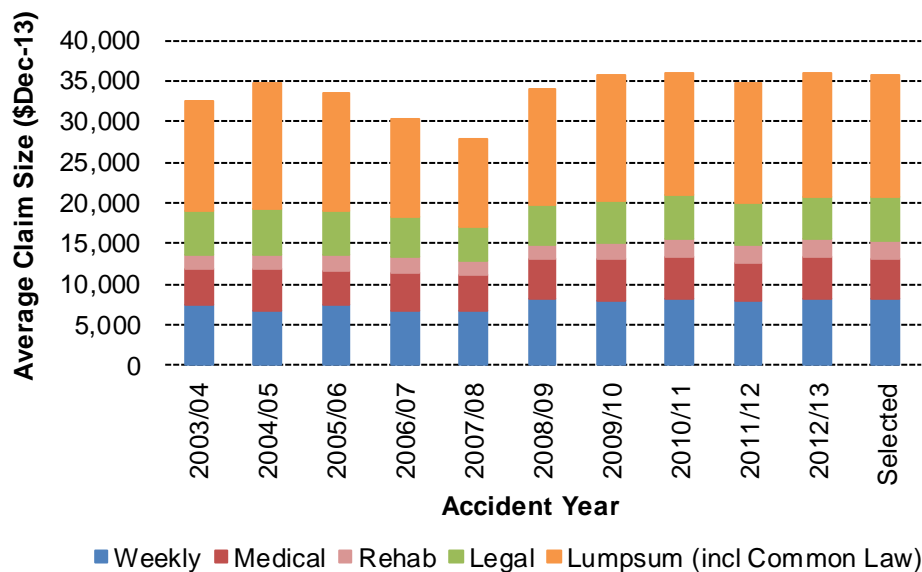


Figure 3.14 shows our selected gross average claim size per non-nil claim for the 2014/15 policy year is around \$35,800. After allowing for recoveries, the selected net average claim size per non-nil claim is around \$34,700 for the 2014/15 policy year. This is 8% higher than that selected in our previous review (\$32,000 after adjustment to December 2013 dollars).

3.10 Payment Pattern

The valuation methods incorporate assumptions about the pattern of payments by development year. The analysis is done by payment type, and the resulting payment pattern is shown below in Figure 3.15 for all payment types combined. Full details of each of the selected payment patterns can be found in Appendix F.

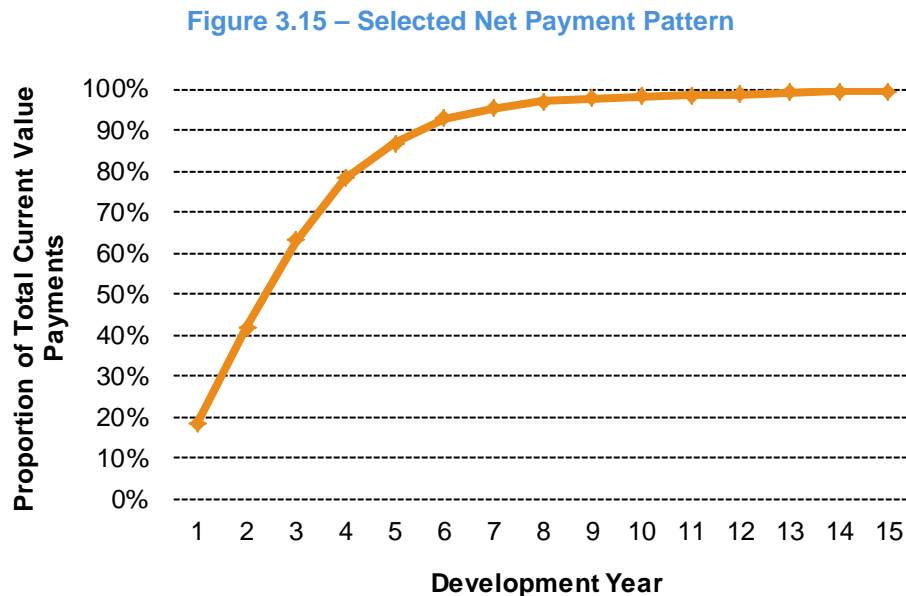


Figure 3.15 shows the majority of payments tend to be made within the first few years after the accident, with almost 90% of payments being made within 5 years of the accident.

3.11 Summary of Assumptions for 2014/15 Policy Year

Table 3.2 summarises the adopted claim number and average claim size assumptions for estimating reasonable premium rates for the 2014/15 policy year.

Table 3.2 – Claim Assumptions for 2014/15 Policy Year

Payment Type	Number basis	Claim Frequency (per \$m)	Ultimate Claim Numbers	Average Claim Size (\$Dec-13)	Average Claim Size per Non-Nil (\$Dec-13)
Weekly benefits	Lost time claims	0.30	2,284	12,911	8,198
Medical	Non-Nil claims	0.47	3,597	4,985	4,985
Rehabilitation	Non-Nil claims	0.47	3,597	2,204	2,204
Lump Sums	Lump Sum claims	0.06	489	111,457	15,162
Legal & Investigation	Non-Nil claims	0.47	3,597	5,214	5,214
Recoveries	Non-Nil claims	0.47	3,597	-1,086	-1,086
Total	Non-Nil claims	0.47	3,597		34,678

4 Economic, Expense and Profit Assumptions

This section outlines the economic assumptions, expense assumptions and insurer margins incorporated into our assessment of a reasonable premium pool.

4.1 Summary of Assumptions

Table 4.1 summarises the assumptions used in estimating a reasonable premium for the 2014/15 policy year along with the assumptions adopted in our previous review. These are discussed in the remainder of this section.

Table 4.1 – Summary of Economic, Expense and Profit Assumptions

Assumption	Selected	Previous
Discount Rate (p.a.) - valuation assumption	3.30%	2.70%
Discount Rate (p.a.) - premium rate assumption	3.45%	3.00%
Wage Inflation (p.a.)	3.50%	3.75%
Economic growth (p.a.)	1.00%	1.00%
Superimposed Inflation (p.a.) ¹	0.23%	0.25%
Expenses (% of premium)	21.61%	21.90%
Insurer margin (% of premium)	12.50%	12.50%

¹ average across all payment types

4.2 Discount Rate

We have calculated the discount rate applicable to the duration of the ACT workers' compensation claims, based on the yields available on Commonwealth Government bonds at 30 June 2013. The yields available on Commonwealth bonds have increased since our previous review. As a result, the discount rate is now 3.30% per annum (up 0.6% per annum from the previous valuation assumption of 2.7% per annum).

We also need to allow for the time value of money when estimating a reasonable premium rate for 2014/15. We have used a risk free rate based on forward rates implied by yields available on Commonwealth Government bonds as at 28 February 2014 in the determination of the premium rate. Any margin above the risk free rate earned by the licensed insurers from their actual investments contributes to profits and is taken into account in deriving an appropriate insurer margin.

The discount rate applicable for the 2014/15 policy year is 3.45% per annum (up from 3.00% previously).

To discount past payments back to the premium receipt date in calculating hindsight risk premiums we have used the actual average historical cash rates (as published by the Reserve Bank of Australia) applicable in each year from 1999 to 2013.

4.3 Inflation

Two types of inflation are incorporated into our cost models: normal economic inflation (in this case wage inflation based on AWE increases, given the income-related nature of the workers' compensation benefits) and superimposed inflation.

4.3.1 Wage Inflation

We have adopted a uniform assumption of 3.5% per annum for all future periods, in line with market forecasts. This assumption is 0.25% per annum lower than that adopted at our previous review.

4.3.2 Superimposed Inflation

Superimposed inflation is the tendency for payments to increase at a higher rate than normal economic inflation (i.e. wage inflation). Some examples of the forms superimposed inflation can take are:

- Longer periods of payment – for example, in the case of weekly benefits and medical costs
- More claims for particular heads of damage – for example, more claimants seeking lump sum benefits
- Costs per claim increasing in real terms – e.g. medical costs, common law awards.

We analysed the experience of the ACT workers' compensation portfolio in order to detect any evidence of superimposed inflation; this was done for each payment type. We observed evidence of superimposed inflation in the medical and rehabilitation payment types, although for medical costs the rate of superimposed inflation in the most recent couple of years has been lower than for previous years. However we believe there may still be long term inflationary pressures in this area.

We have therefore incorporated a superimposed inflation assumption of 2% per annum for medical benefit payments and rehabilitation benefits (unchanged).

The overall superimposed inflation allowance is equivalent to 0.23% per annum across all payment types.

We believe our assumption takes a balanced view of the likely rates of future superimposed inflation, but acknowledge that this is one of the areas in the actuarial basis that is highly subjective.

The sensitivity to the superimposed inflation assumption is demonstrated in Section 6.5.

4.4 Economic Growth

In order to project exposure for the coming policy year, we need to make an assumption about the growth of the workforce due to general growth in the economy. We have adopted an assumption of 1% per annum for economic growth to 2014/15, based on market forecasts (including budgetary forecasts) available to us at the time of this review. This assumption is unchanged since our previous review.

4.5 Expenses

4.5.1 Commission/Brokerage

The average commission/brokerage rates paid by the licensed insurers were 3.3% in 2011/12 and 3.4% in 2012/13. We have allowed for commission/brokerage of 3.4% of premium in our estimated reasonable premium pool for 2014/15 (up from 3.25% of premium adopted at the previous review).

4.5.2 Administration Expenses

The weighted average expense rates included in the insurer's filed rates have been 15.8% for 2011/12, 15.9% for 2012/13 and 15.0% for 2013/14.

We have included an allowance for other administration costs after consideration of these expense rates and the expense levels in the other privately underwritten workers' compensation schemes. We have adopted an allowance equal to 15% of premium which is 1% lower than that adopted in our previous review.

4.5.3 Statutory Charges and Levies

Our recommended premium rates also include the following levies for 2014/15:

- Magistrates Court Levy of 0.3% of premium (unchanged) for the 2014/15 year based on the expected collection during 2014/15, as informed by the CMTD
- Default Insurance Fund (DIF) levy of 1.4% of premium (unchanged), as informed by the CMTD
- Regulatory Funding Levy of 1.5% of premium (up from 0.95% of premium previously) resulting in total levies of \$2.96 million. While the target levy collection for 2014/15 is \$6.59 million, the increase on the levy is capped at 0.015% of wages (excluding GST for insurers) resulting in a maximum allowed levy collection of \$2.96 million. The shortfall between target and allowed levy collections will be funded out of ACT government consolidated revenues.

4.5.4 Total Expense Loadings

Table 4.4 below breaks down the total expense loading we have adopted into the component parts.

	Loading (% of premium)	Equivalent Dollars (\$m)
Commission & Brokerage	3.4%	6.7
Administration	15.0%	29.4
Statutory Charges & Levies		
<i>Magistrates Levy</i>	0.3%	0.6
<i>DIF Levy</i>	1.4%	2.7
<i>Regulatory Funding Levy</i>	1.5%	3.0
Total Expense Loading	21.6%	42.3

Our total expense loading is 21.6% of premium, down slightly from 21.9% of premium adopted for our previous review.

4.6 Insurer margin

In determining an appropriate insurer margin for profit for this business we have utilised a model that projects the after tax profits of the 2014/15 business in each future year until the cohort of business has completely run off. In applying this model we have made the following long-term assumptions (in addition to those detailed above in relation to claims costs and expenses):

- Technical provisions will all be invested in risk free assets and will, on average, earn the risk free rate of 3.0% per annum. The duration of these assets is assumed to match the duration of the technical liabilities (around 3 years)
- Additional capital allocated to the business will be invested in a mix of risk free and riskier assets (equity, property, managed trusts) which earn on average 3.0% per annum above the risk free rate.

The duration of these assets is assumed to be longer than the duration of the technical liabilities (around 5 years)

- Claims provisions will be established incorporating a 12.5% risk margin
- Capital will be allocated at a level necessary to achieve 1.5 to 2.0 times the APRA Prudential Capital Requirement
- Shareholders will demand a return on capital of 12% after tax.

The results of our modelling indicate that under these assumptions an appropriate insurer margin for this business is around 11% to 14% of premium for an insurer which desires to hold capital at 1.5 to 2.0 times the APRA minimum.

We have adopted an insurer margin of 12.5% of premium in determining a reasonable premium for the 2013/14 policy year. This compares to insurer margins of –

- 12.5% of premium adopted at the previous review
- An average (weighted by premium volume) of 12.5% of premium adopted in the insurer filed rates for 2013/14
- 12.5% of premium included in Tasmania's 2013/14 suggested premium rates
- 11% of premium in the Western Australia 2013/14 gazetted premium rates.

The adopted insurer margin is unchanged relative to that adopted for the 2013/14 premium rates.

5 Results of Hindsight Analysis

We have prepared estimates of the future payments for outstanding workers' compensation claims and the ultimate claims cost for each accident year, using the valuation methods referred to in Section 9, the claim assumptions detailed in Section 3, and the economic and other assumptions described in Section 4. This section summarises these results.

Key Findings

- Estimated ultimate claims costs have increased by 7% per annum over the last ten years, 2% per annum more than wage inflation.
- Insurers appear to be adequately reserved; insurer central estimates of outstanding claims liabilities are close to our central estimate.
- Risk premiums (ultimate costs expressed as a proportion of wages) are estimated to be 1.65% of wages for the 2012/13 accident year.

5.1 Estimated Ultimate Cost

Table 5.1 summarises our central estimate of ultimate costs by accident year, split between what has been paid to 30 June 2013 and what we estimate to be outstanding at that date. The ultimate costs shown are inflated to the time of payment and are undiscounted.

Table 5.1 – Estimated Ultimate Cost

Accident Financial Year	Paid to 30-Jun-13	Estimated Outstanding	Estimated Ultimate Claims Cost ¹	Change Year-on-Year
	\$m	\$m	\$m	%
2001/02	60.4	1.4	61.9	
2002/03	71.4	2.1	73.5	19%
2003/04	75.9	2.2	78.1	6%
2004/05	84.4	3.1	87.5	12%
2005/06	82.9	3.6	86.5	-1%
2006/07	77.7	5.1	82.7	-4%
2007/08	68.6	7.9	76.6	-7%
2008/09	80.5	14.5	95.0	24%
2009/10	83.8	25.5	109.3	15%
2010/11	75.2	46.6	121.8	11%
2011/12	47.0	75.8	122.8	1%
2012/13	20.6	104.5	125.1	2%

¹ Net of recoveries, inflated and undiscounted

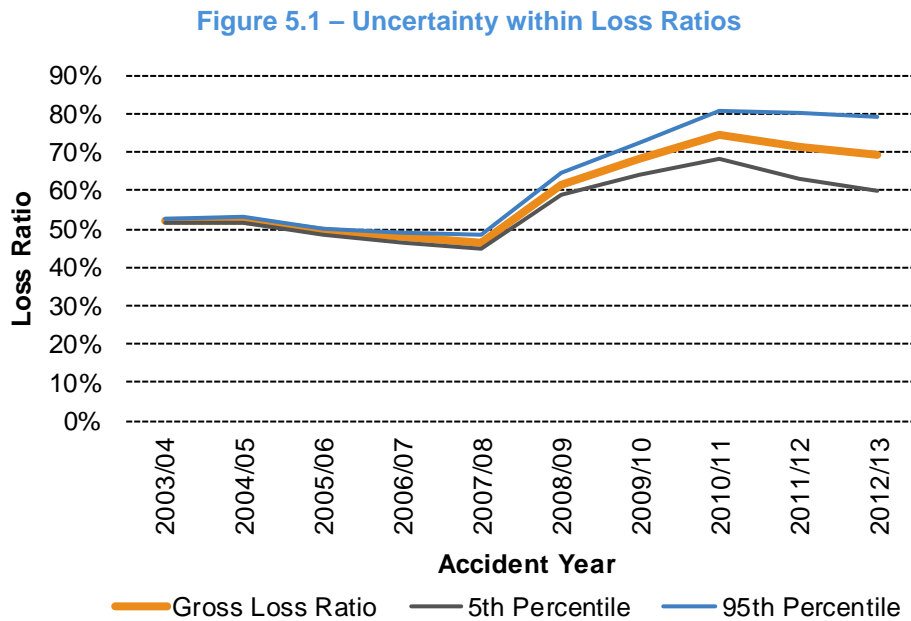
As the ultimate costs shown in are inflated but undiscounted, if there were no trends in claim numbers, average claim sizes or superimposed inflation, then we would expect each year to be higher than the previous year by the amount of wage inflation.

We can see that the growth in ultimate costs has been somewhat variable over the years shown, with both large increases (2002/03, 2004/05, 2008/09 to 2010/11) and some smaller reductions (2005/06 to 2007/08) in costs. Across the whole period, growth in ultimate costs has averaged 7% per annum, 2% higher than wage

inflation which averaged 5% per annum across the period. In 2012/13, we estimate that ultimate costs will grow by 2%. This is less than wage inflation of around 4% in the year due to the fact that claim numbers fell during the year.

5.2 Uncertainty within Ultimate Costs

Figure 11.4 provides an indication of the level of uncertainty contained in claims costs. Claims costs shown are expressed as a loss ratio which is calculated as ultimate claim costs divided by earned premium in each accident year. We have modelled the historical variability in the payments by accident year and development year. The graph shows the 5th and 95th percentiles of the resulting distribution of claims outcomes.



The graph shows:

- For the 2003/04 to 2007/08 accident years, where the bulk of claim payments have already been made, our modelling indicates that the loss ratios will be close to our central estimates
- As we move closer to the most recent accident year, where a higher proportion of payments are still to be made, the uncertainty increases. For the 2012/13 accident year, our modelling indicates that the loss ratio will vary between 60% and 79% with a 90% probability.

Note that these ranges do not reflect any variability due to investment income.

5.3 Comparison to Insurer Central Estimates

The following table compares our estimated outstanding claims cost (inflated to date of payment and discounted to 30 June 2013) and the central estimate of insurer reserves (i.e. case estimates plus IBNR/ER reserves) at 30 June 2013.

Table 5.2 – Comparison to Insurer Central Estimates

Accident Financial Year	Finity Central Estimate	Insurer Case Estimates	Insurer IBNR/ER	Insurer Central Estimate	Difference in CE (Insurer less Finity)	
	\$m	\$m	\$m	\$m	\$m	%
2001/02	1	0	0	1	0	-33%
2002/03	1	1	1	2	1	62%
2003/04	2	1	0	0	-1	-75%
2004/05	3	1	0	2	-1	-28%
2005/06	3	3	2	5	2	64%
2006/07	5	5	2	8	3	68%
2007/08	7	6	5	11	4	59%
2008/09	13	14	5	19	6	43%
2009/10	24	22	8	29	6	25%
2010/11	43	41	5	46	2	6%
2011/12	70	55	12	67	-4	-5%
2012/13	96	42	28	70	-26	-27%
Total	269	192	69	260	-8	-3%

Our central estimate of outstanding claims liability is \$269 million. This compares to insurer case estimates plus IBNR/ER reserves of \$260 million, which is just \$8 million (3%) lower than our central estimate. The insurer reserves tend to be higher than the Finity estimates for the 2010/11 and prior accident years, however the insurer reserves are lower than our estimates for the two most recent accident years.

Insurers are also required by APRA to hold a risk margin in addition to this IBNR/ER reserve, which we expect would be of the order of around 10% to 15% of the insurer central estimates as a whole (i.e. around \$26 million to \$39 million). This would indicate that as whole, the insurer group is adequately reserved.

The above estimate of reserve adequacy is performed at a high level, for the scheme as a whole. The adequacy of any individual insurer's reserves will vary depending on the insurer's own reserving practices.

5.4 Scheme Risk Premiums

Table 5.3 shows our estimate of the historical risk premium rates. Historical risk premiums are calculated from actual past payments plus our latest estimate of outstanding claims. Claims costs are then discounted to the beginning of the accident year and expressed as a proportion of earned wages for that year.

Table 5.3 – Risk Premiums

Accident Financial Year	Estimated Ultimate Claims Cost ¹	Earned Ultimate Wages	Cost as a % of Earned Wages
	\$m	\$m	%
2003/04	66.5	3,555	1.87%
2004/05	74.4	4,135	1.80%
2005/06	73.3	4,355	1.68%
2006/07	71.2	4,868	1.46%
2007/08	67.1	5,398	1.24%
2008/09	84.5	5,651	1.50%
2009/10	97.5	5,728	1.70%
2010/11	109.4	6,201	1.76%
2011/12	111.4	6,637	1.68%
2012/13	114.3	6,939	1.65%

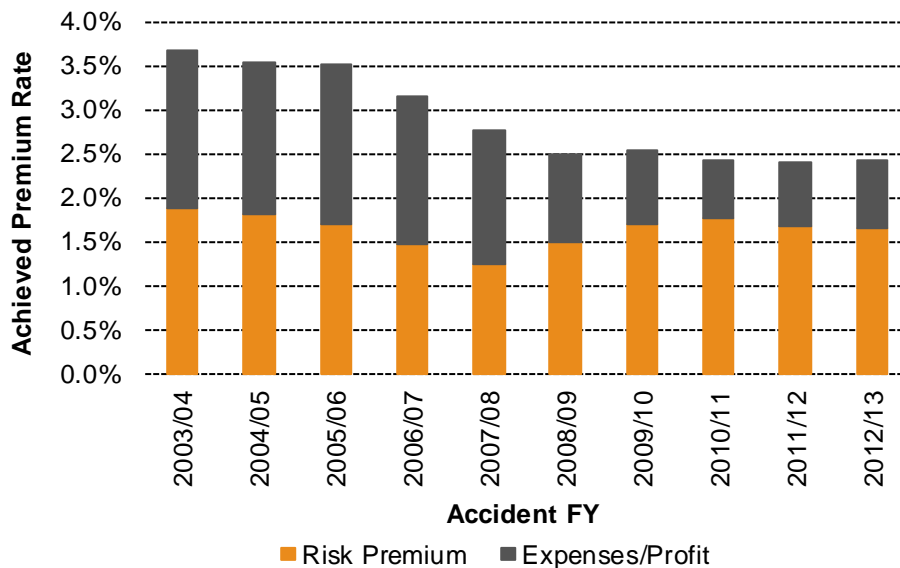
¹ Net of recoveries, inflated and discounted to beginning of accident year

The estimated risk premiums have reduced from almost 1.9% of wages in 2003/04 to a low of 1.24% of wages in 2007/08. Estimated risk premiums then increased over the next three years, but have fallen again in 2011/12 and 2012/13. The risk premium is projected to be 1.65% of wages in 2012/13.

5.5 Achieved Premium Rates

The following graph shows the estimated ultimate achieved premium rates split between the risk premium component and insurer expenses/profit.

Figure 5.2 – Estimated Ultimate Achieved Premium Rates



The gap between insurer achieved premium rates and the reasonable premium rate has narrowed since 2003/04 as –

- Insurer achieved rates reduced by around 10%-15% per annum between 2006/07 to 2008/09. Since then, achieved rates have remained relatively stable at around 2.4% of wages

- The risk premium, by comparison, increased over the period 2007/08 to 2010/11 before stabilising at around 1.7% of wages (noting that there is considerable uncertainty over the estimated risk premium for more recent accident years)..

As a result, the amount of premiums left to cover expenses and profit will have declined. We estimate this margin is currently around 0.75% of wages. This compares to allowances in our reasonable premium rates of around 0.85% of wages.

6 Premium Pool for 2014/15

This section brings together the analysis of previous sections, establishing our estimate of a reasonable premium pool and the average premium rate.

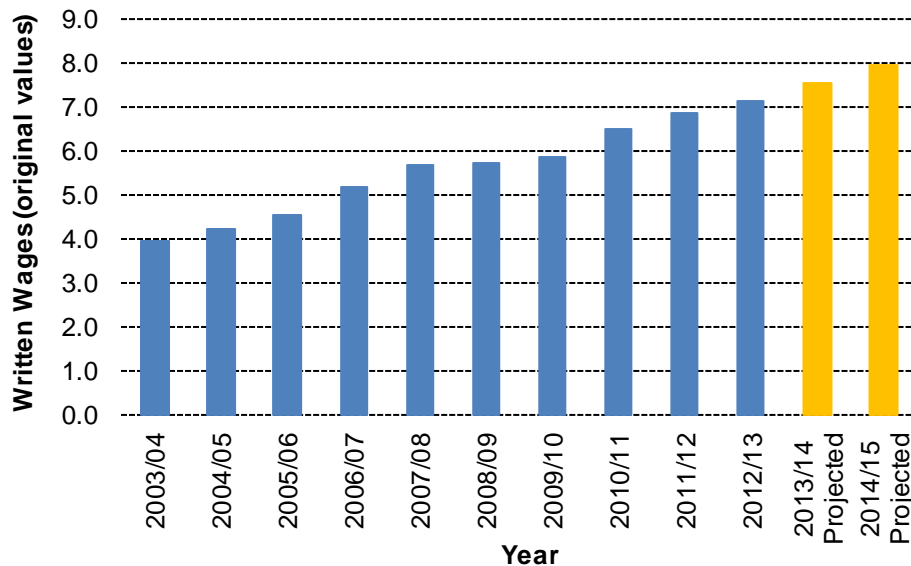
Key Findings

We estimate a reasonable premium rate for the 2014/15 policy year to be 2.46% of wages. This compares with 2.42% estimated for the 2013/14 policy year.

6.1 Wages

Consistent with the assumptions used in our estimate of the risk premium pool, we have assumed wage inflation of 3.5% per annum from 2012/13 to 2014/15 and employment growth of 1% per annum. Hence we have assumed covered wages of \$7.962 billion for policies written in the 2014/15 policy year, as shown in Figure 6.1 below.

Figure 6.1 – Estimated Wages Covered



6.2 Average Renewal Date

Based on past patterns of wages covered and earned wages, we have estimated that the average renewal date for workers' compensation policies in the ACT is in mid-September of each year.

Hence the dates of key events we have assumed for the 2014/15 policy year are:

- 15 September 2014 – average renewal date, assumed equal to the average premium receipt date
- 15 March 2015 – average accident date, average date of first year's claim payments
- 15 March 2015 – average date of second year's claim payments, etc.

As we have selected our average claim size in December 2013 values, the above dates mean that claims payments in the first year will need 14.5 months of inflation (including superimposed inflation) added, payments in the second year need 26.5 months of inflation added, etc. All payments are then discounted back to the average date of renewal, i.e. 15 September 2014.

6.3 Reasonable Premium Pool

The total scheme risk premium for 2014/15 represents the total expected claim costs, and is derived as non-nil claim numbers adopted for 2014/15 times the adopted average claim size (refer Section 3.11), plus allowance for inflation and discounting (refer Sections 4.2 and 4.3). This results in a risk premium of \$129.0 million, or 1.62% of wages.

When expenses (Section 4.3.2) and insurer profit margins (Section 4.4) are added to the risk premium, our estimate of a reasonable premium pool for 2013/14 is \$195.8 million. Table 6.1 shows the breakdown of this amount into the component parts.

Table 6.1 – Total Premium Pool

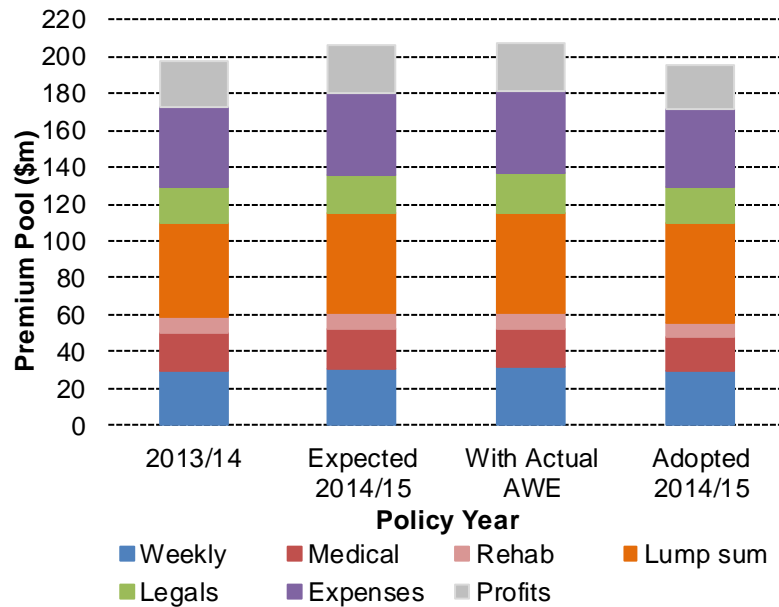
Premium Rate Component	(\$m)
Risk Premium Pool	129.0
Expense Loading	42.3
Profit Loading	24.5
Total Premium Pool	195.8
Wages Estimate	7,961.9
Average Risk Premium (% wages)	1.62%
Average Premium Rate (% wages)	2.46%

The estimated reasonable average premium rate for 2014/15 is 2.46% of wages. This compares to our estimated reasonable premium rate for 2013/14 of 2.42% of wages.

6.4 Comparison with 2013/14 Premium Rates

The following graph shows the components of the total premium pool for 2014/15 compared with 2013/14. Note that the pool shown is an inflated and discounted premium pool. Also, we have netted recoveries off each of the claim payment types in the same proportion so that it is the net claims cost that is shown.

Figure 6.2 – Components of the Reasonable Rates



The total reasonable premium pool has reduced by \$1.3 million. This is 5% lower than expected when compared to the 2013/14 premium pool inflated with expected inflation. The decrease reflects the offsetting impacts of the:

- Reduction in non-nil claim numbers which reduced the required premium pool
- Increase in lump sum number and average claim size which increased the required premium pool
- Increase in the discount rate and decrease in inflation which reduced the premium pool.

When expressed as a proportion of wages, the total premium rate has increased by 0.03% of wages (a 1% proportional increase). The following table shows a reconciliation of the movement in the reasonable premium rate.

Table 6.2 – Movement in the Reasonable Premium Rate

	Average Premium Rate	Increase/ (Decrease) (% of Wages)	Increase/ (Decrease) (% of Rate)
Suggested rate for 2013/14	2.42%		
Expected rate for 2014/15	2.43%	0.01%	0%
Change in wage estimates	2.60%	0.17%	7%
Change in claim numbers and average claim size	2.52%	-0.08%	-3%
Change in inflation	2.50%	-0.02%	-1%
Change in discount rate	2.47%	-0.03%	-1%
Change in expense loadings	2.46%	-0.01%	0%
Total change	2.46%	0.03%	1%

The increase in the reasonable rate for 2014/15 is due to:

- The decrease in wages for 2012/13 means that our starting point for projecting 2014/15 wages is lower than at the previous review. This increased the premium rate by 0.17% of wages or 7% proportionately.
- The reduction in claim numbers was only partially offset by increases to lump sum numbers and average claim sizes. The net impact reduced premium rates by 0.08% of wages; a 3% proportionate decrease.
- The reduction in inflation and increase in the yield curve reduced the premium by 0.02% and 0.03% of wages respectively.
- Change in the expense rate reduced premiums by 0.01% of wages.

6.5 Sensitivity Analysis

The estimate of the average premium rate is sensitive to the assumptions used, and the selection of our assumptions is subject to uncertainty. The effect on the average premium rate of changing each of the assumptions is shown in the table below. Note that the scenarios tested do not indicate the full range of possible outcomes for the average premium rate. Note also that each scenario is independent of the others shown.

Table 6.3 – Sensitivity Analysis

Scenario	Best		Premium Rate	Percentage Difference	Percentage Difference
	Estimate Value	Sensitivity Assumption			
Base Case	n/a	n/a	2.46%		
Claim frequency up 10%	0.47	0.52	2.70%	0.25%	10%
Average claim size up 10%	34,675	38,143	2.70%	0.25%	10%
Lump sum numbers up 10%	489	538	2.57%	0.11%	4%
Lump sum average size up 5%	111,457	117,030	2.51%	0.05%	2%
Discount rate up 1% p.a.	3.45%	4.45%	2.39%	-0.07%	-3%
Superimposed inflation at 2% p.a.	0.23%	2.00%	2.62%	0.16%	6%
Expense loadings up 1%	21.61%	22.61%	2.50%	0.04%	2%
Insurer margins up 1%	12.50%	13.50%	2.50%	0.04%	2%

The scenarios presented show:

- A 10% increase in frequency or a 10% increase in overall average claim size would result in a 10% increase in the average premium rate
- If the number of claims receiving lump sum or common law benefits were to increase by 10%, our estimate of average premium rate would increase by 4%
- If the average size of lump sum claims were to increase by 5%, the suggested premium rate would increase by 2%
- A 1% per annum increase in the risk-free discount rate would result in a 3% reduction in our estimate of the average premium rate
- If benefit payments were to increase as a result of superimposed inflation at a rate of 2% per annum, our estimate of average premium rate would increase by around 6%
- If expenses or insurer margins were to increase by 1% of premium, the average premium rate required would be 2% higher.

7 Suggested Relativities and Reasonable Premium Rates

This section documents our suggested relativities and average premium rates by ANZSIC Division, and provides some comparisons with insurer achieved rates.

Key Findings

The experience across the range of ANZSIC Classes shows considerable variation, with our reasonable rates falling in the range 0.36% to 13.36%.

7.1 Relativities

Our approach to calculating the relativities is explained in Section 9.3. Appendix H contains a summary of the results of our analysis for each ANZSIC Division with non-nil wages in the ACT. The table shows:

- ANZSIC Class and description
- The Finity grouping used
- Observed claim frequency relativities – average for latest three years
- Observed capped claims cost relativities – average for latest five years
- Our selected relativity
- Our estimate of a reasonable premium rate.

We note that the relativity analysis shown in Appendix H uses data from different sources, with the claims data being sourced from AIMS while the wages and premium data was sourced directly from insurers. This may lead to some discrepancies with the classification of information by ANZSIC Division and/or year between the two data sources.

7.2 Reasonable Premium Rates

The following example (for ANZSIC Code 7834 – Computer Consultancy Services) shows how we have applied the selected relativities shown above to determine the ANZSIC premium rates:

1. average risk premium for Scheme = 1.62% (see Section 6.3)
2. suggested relativity for ANZSIC 7834 = 15 (see Appendix H)
3. average risk premium for ANZSIC 7834 = 0.24%
*[equals 1.62% * 15/100]*
4. average premium rate for ANZSIC 7834 = 0.36%
*[equals (2.39%)/(1 – 21.6% – 12.5%) * 0.99 which is (average risk premium for ANZSIC 7834)/(1 – expenses as % of premium – insurer margin) * scaling factor].*

The scaling factor is applied to ensure that the overall average premium rate is achieved. We followed this process to derive an average premium rate for each ANZSIC Class.

The experience across the range of ANZSIC Classes shows considerable variation, with our reasonable rates falling in the range 0.36% to 13.36%.

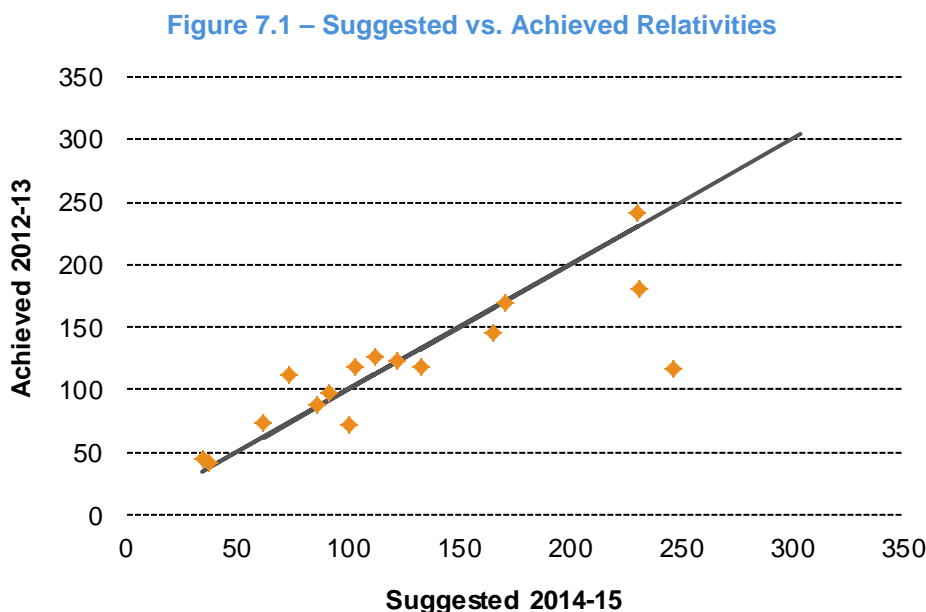
The rates shown in Appendix H are indicative of the average rates that we consider to be appropriate for the employers at the ANZSIC Class level, consistent with a target average rate of 2.46% overall. The actual rates charged by insurers to individual employers would be expected to differ from these rates, reflecting the following:

- The actual expense loadings and profit requirements will differ from insurer to insurer
- The experience of an individual employer will be taken into account by the insurer in determining the appropriate rate to be charged; inferior risks will likely be charged additional premiums, while superior risks may be given discounts (compared with the average)
- The rates are determined on the basis of an assessment of the profitability for a single year's business; insurers who write business over a period of years increase or decrease rates in response to accumulated profitability and competitive positioning
- The application of minimum premiums (reflecting administration costs which are incurred independent of the claims cost or "riskiness").

7.3 Comparison with Insurer Relativities

The following graph compares the relativities of the 2014/15 reasonable rates with the relativities of licensed insurers' achieved rates for 2012/13. Each point on the graph represents one of the 17 ANZSIC Divisions.

The 45-degree line indicates suggested relativities equal to the achieved relativities. A point above the 45-degree line is one where our suggested relativity is lower than the achieved relativity, and a point below the 45-degree line is one where our suggested relativity is higher than the achieved relativity.



At the Division level, the achieved relativities tend to be close to or higher than our recommended relativities for Divisions where the relativity is less than around 125. For Divisions where the relativity is more than 125 our suggested relativities tend to be higher than the achieved relativities.

The outlier in Figure 7.1 relates to the Mining Division, with a suggested relativity for 2014/15 of around 250 and an achieved relativity in 2012/13 of around 120. This Division is subject to year on year volatility, having achieved a relativity of around 420 in 2011/12.

There is greater variability between recommended and achieved relativities at the ANZSIC Class level. The following graph shows the achieved and recommended relativities for the top 50 ANZSIC Classes (as measured by wage volume in 2011/12).

Figure 7.2 – Suggested vs. Achieved Premium Relativities – Top 50 ANZSIC Divisions

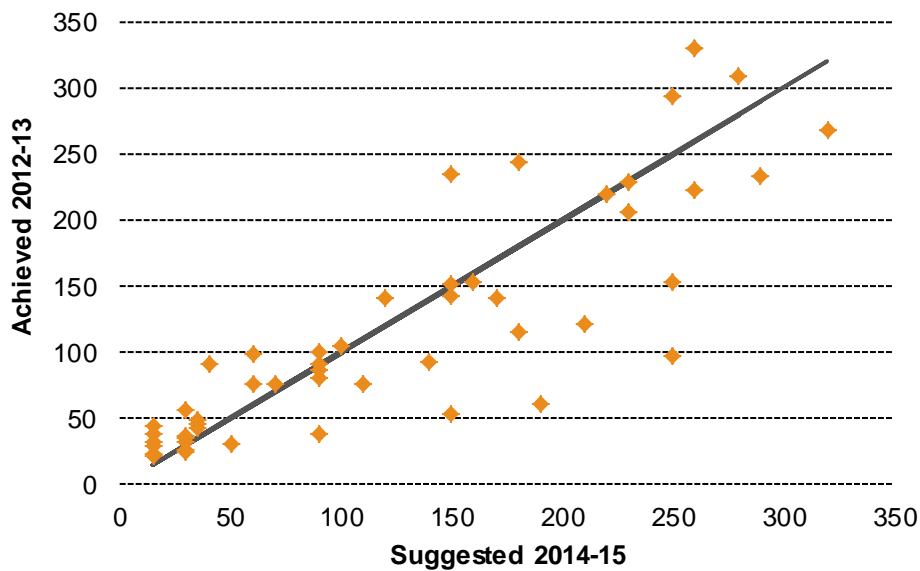


Figure 7.2 shows a similar picture to Figure 7.1, i.e. the industry achieved relativities tend to be higher than our suggested relativities where the relativity is less than around 125, but for industries where the relativity is more than 125, our suggested relativities tend to be higher than the achieved relativities. This suggests that lower risk industries tend to be over-priced relative to higher risk industries.

Part III Further Information

8 Data

This section describes the data items we were supplied with for this investigation, the results of our reconciliations and the data summaries produced.

8.1 Data Supplied

WorkSafe ACT administers the Accident Information Management System (AIMS) database. AIMS was established in 1999 and contains workers' compensation premium and claim information from all insurers and self-insurers operating in the Scheme. As part of our review, WorkSafe ACT supplied us with the following information from AIMS:

- Individual claim file showing the accident and report date, insurer code, current liability status, total payments to date and estimated future payments outstanding for each claim reported or having had a payment between 1 July 1999 and 30 September 2013
- Claim payment transaction file with payments made (by type and month) between 1 July 1999 and 30 September 2013
- Individual policy files, with the ANZSIC Division and insurer codes for each policy written or renewed between 1 July 1999 and 30 September 2013.

In addition to the information provided, we also received the following summarised data from each of the insurers:

- Policies, premiums and wages written in each year
- Earned premiums and wages in each year, split by ANZSIC Division
- Triangulations of claims reported and claim payments to 30 September 2013
- Case estimates and IBNR/ER allowances as at 30 June 2013.

We have also compiled workforce figures from information available from the Australian Bureau of Statistics (ABS) and the Australian Public Service Employment Database (APSED), plus information on the number of ACT public sector employees supplied by the CMTD.

Refer to Appendix A for a more detailed listing of the data.

8.2 Reconciliation

Key findings in respect of the AIMS data

- Claim number information on AIMS is fairly reliable and is satisfactory for the purposes of our actuarial review.
- Claim payment information on AIMS for 2001/02 and later years is of reasonable quality and is satisfactory for the purposes of our actuarial review. Significant amounts of payments prior to 2001/02 are missing (around 25%), primarily due to one insurer.
- Premium and wages information on AIMS is inadequate and cannot be used because the current system does not adequately capture policy adjustments. We have instead relied on information sourced directly from insurers.
- Case estimates from AIMS are approximately \$91 million (47%) higher than the estimates provided by insurers in these years, due mainly to discrepancies associated with one insurer.

As such, in preparing this advice we have relied on the claims information supplied by WorkSafe ACT and premium and wages information supplied by the insurers. For the comparison of our estimates to insurer case estimates in Section 5.3, instead of using the case estimates on AIMS, we have adopted those supplied directly by insurers.

We have compared the AIMS data provided for this review with the data provided for our previous review (see Appendix C.3). The data from the two extracts matched closely.

We have also reviewed and checked the AIMS data for reasonableness and consistency. Reliance was placed on, but not limited to, the accuracy of the information described in this report.

8.3 Workforce Information

We have calculated an approximate private sector workforce as follows:

- Total workforce in the ACT
- *less* ACT public sector employees
- *less* Commonwealth public sector employees.

We do not have a “full time equivalent” number of workers, and have therefore used the numbers of full time workers to approximate the total ACT private sector workforce; see Appendix G.

8.4 Reinsurance and Other Recoveries

The data supplied for the purposes of our review did not include details of reinsurance recovery amounts. Therefore, all data and projections contained in this review are gross of reinsurance, but net of all other recoveries.

8.5 Data Summaries & Adjustments

8.5.1 Scheme Performance Analysis

In performing our claims analysis we have identified and separately considered claims which have zero payments made to date (“nil claims”).

Further, in determining the number of claims in receipt of common law and lump sum benefits, we have excluded from our claim number summaries those claims which received total common law or lump sum benefits of less than \$500. We found that one insurer in particular had a large number of such claims. We have excluded these from all lump sum claim counts (noting the costs of such claims continue to be included in our claim payment summaries).

8.6 Relativities Analysis

For the premium relativities analysis, we have:

- Calculated claim frequency based on non-nil claims only
- Calculated burning cost relativities using wage-inflation adjusted payments to date plus current case estimates.

9 Approach

This section describes the approach used for the projection of ultimate costs and premium rates in aggregate and by ANZSIC Division.

9.1 Methodology for Actuarial Analysis

For the purpose of analysis, all data has been grouped into accident years, i.e. the year in which the injury occurred which gave rise to the claim. Development of this data is then analysed and projected by development year (which is a measure of the number of years since the year in which the accident occurred, e.g. development year 2 is the year after the year in which the injury occurred). All analysis has been carried out on a financial year basis (i.e. years ending 30 June).

In conducting our analysis of the ACT workers' compensation experience, we have followed the same approach as in the previous review. This involved examining claim numbers and frequency, and average size by benefit type. The development analysis allows us to project future claim reports and costs in respect of injuries which have already occurred, from which we can estimate the ultimate number and cost of claims arising from each accident year. This allows analysis of the underlying trends in Scheme experience and provides a basis for assessing a reasonable level of premium.

9.1.1 Claim Numbers

In order to estimate ultimate numbers of claims we use the Chain Ladder method to estimate the number of claims relating to accidents that occurred prior to 30 June 2013 that are yet to be reported (i.e. "Incurred But Not Reported" or "IBNR" claims). The estimated ultimate number of claims (reported to date plus IBNR claims) is then expressed as a claim frequency by dividing the ultimate number of claims in each accident year by a measure of exposure.

Claim numbers were modelled by the following groups:

- All claims – we analysed the number of claims and the frequency of such claims relative to ultimate inflation-adjusted wages earned in the period. Further detail on the calculation of ultimate inflation-adjusted wages can be found in Appendix G
- Non-nil claims – as for all claims, we estimated the ultimate number and frequency of claims that are expected to result in a payment by the insurer
- Lost time – we analysed the numbers of claims receiving weekly benefits ("lost time") and the frequency of lost time claims relative to non-nil claims
- Lump sums – we analysed the numbers of lump sum claims (common law, statutory impairment, commutations and death benefits, excluding claims with total lump sum payments less than \$500) and utilisation rate (the ultimate number of lump sum claims divided by ultimate number of lost time claims).

9.1.2 Claim Duration

We examined trends in duration of weekly benefit claims by analysing the number of claims that remain active in each development quarter. A claim received an "active" flag and was counted once if it received a weekly payment in the quarter. We excluded from our active count any claims where total weekly payments to date were negative or where the weekly payments made in a quarter total zero.

9.1.3 Average Claim Size

Claim payments were analysed and projected using the following benefit type groupings:

- Weekly benefits – modelled using a Payments Per Claim Incurred (PPCI) approach, where the claim count used is the estimated ultimate number of lost time claims. We supplemented this primary model with a Payments Per Active Claim (PPAC) model
- Medical and related benefits – modelled using a PPCI approach, where the claim count used is the estimated ultimate number of non-nil claims
- Rehabilitation benefits – modelled using a PPCI approach, where the claim count used is the estimated ultimate number of non-nil claims
- Lump sums – modelled using a Payments Per Claim Settled (PPCS) approach, where the claim count used is the ultimate number of lump sum claims
- Legal and other benefits – modelled using a PPCI approach, where the claim count used is the estimated ultimate number of non-nil claims
- Recoveries – modelled using a PPCI approach, where the claim count used is the estimated ultimate number of non-nil claims.

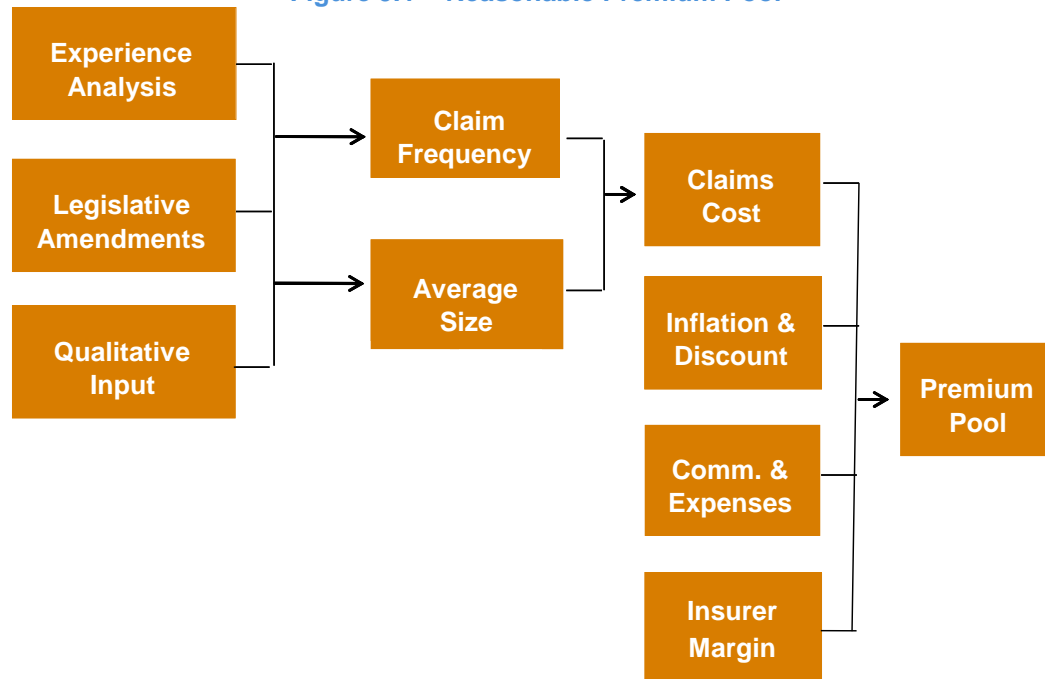
An explanation of these methods can be found in Appendix D.

From each of the above models we estimate the average payment, by payment type and development year. The overall average claim size for each accident year is the result of adding our estimated payments for each payment type and dividing by the projected ultimate number of claims.

9.2 Reasonable Premium Pool

The estimation of a reasonable premium pool includes allowance for claims, expenses and profit. Diagrammatically this can be represented as follows:

Figure 9.1 – Reasonable Premium Pool



We have assessed each element separately, and then tested the reasonableness of the estimated premium pool resulting from the combination of all assumptions.

The estimate of the total premium pool, which includes allowances for expenses, levies and reasonable insurer profit margins, is divided by insured wages to derive a reasonable Scheme average premium rate. The derived rate for past years can be compared with the actual rates charged by insurers.

9.2.1 Claims Cost

The claims cost assumptions come from the actuarial analysis of the historical Scheme claims experience discussed in Section 3.

9.2.2 Inflation and Discount

The long-tailed nature of workers' compensation means that it is appropriate to allow for both future inflation and the time value of money in assessing the premium rate.

For the purpose of establishing the average rates for this report we have based our assumptions on the following:

- Discount rate – expected returns on Australian government bonds over the period in which claim payments are made
- Normal economic inflation – current economic forecasts for medium term wage inflation
- Superimposed inflation – analysis of recent Scheme experience, together with expectations for the future (necessarily judgemental).

9.2.3 Commission and Expenses

We were supplied with average commission rates currently paid by each of the licensed insurers writing workers' compensation insurance in the ACT. Based on their market share (as measured by premium volume), we have estimated the overall average commission paid by the Scheme as a whole.

We have allowed for other administration costs based on the expense rates included in the insurer's rates for 2013/14, supplemented with our knowledge of expense rates in other state workers' compensation schemes. We have also allowed for costs associated with funding the Regulatory Funding Levy, Default Insurance Fund (the DIF levy) and Magistrates Court Levy.

9.2.4 Insurer margin

In determining an appropriate margin for profit for this business we have utilised a model that projects the after tax profits of a single underwriting year's business in each future year until the cohort of business has completely run-off. On the basis of a series of assumptions regarding investment returns earned by insurers, the capital required to support this business, and the return on capital required by the insurer shareholders, we have derived an insurer margin we view as appropriate for this business.

9.3 ANZSIC Division Premium Rates

The ANZSIC codes have a "tree" structure comprising categories at four levels, namely Divisions (1 digit level), Subdivisions, Groups and Divisions (4 digit level). There are 17 Divisions within the ANZSIC coding, each identified by an alphabetical character (A is agriculture, B is mining, etc.).

The determination of a reasonable premium rate for each ANZSIC Division proceeds from the estimate of the total premium pool. The procedure adopted is to analyse the past claims experience and wages by ANZSIC Division to determine cost "relativities" between Divisions. The resulting relativities are then applied to the Scheme average premium rate to determine a set of rates for each ANZSIC Division, which should produce the total premium pool. These rates will spread total premium costs across ANZSIC Divisions in proportion to each industry's contribution to the costs of the workers' compensation scheme.

9.3.1 Relativities

In considering the ACT experience by ANZSIC Division we have separately considered frequency relativities and cost relativities (both with and without capping of large claims).

The frequency relativity for an ANZSIC Division is calculated as follows:

- Divide the number of non-nil claims reported in each year by the remuneration for that year, to determine the reported claim frequency
- Divide the frequency for that ANZSIC Division by the frequency for the Scheme as a whole, to determine the relativity (the experience of the ANZSIC Division relative to the experience of the Scheme).

The claims cost ("burning cost") relativity for an ANZSIC Division is calculated as follows:

- Divide the incurred claims cost for each year by the remuneration for that year to derive a burning cost rate

- Divide the burning cost rate for that ANZSIC Division by the overall burning cost rate for the year to derive the relativity.

The frequency relativities tend to be more stable than the cost relativities, simply because the latter are affected by the volatility of the claim sizes.

To reduce this volatility we also calculated a “capped” cost relativity. This capped cost relativity was calculated in the same fashion as the uncapped cost relativity, but with individual claims capped at \$300,000.

We have calculated the relativities for each accident year from 2003/04 to 2012/13 and the combined relativity across all years examined. The relativities considered together give an indication of the underlying relativity for the Division being considered.

One of the biggest difficulties with derivation of ANZSIC Division specific premium rates in the ACT is the size of the employer base and the statistical credibility of the experience at the Division level.

To overcome this difficulty, we have grouped like ANZSIC Divisions, noting that “like” in this instance refers to the riskiness in relation to workers’ compensation claims experience. Our approach to grouping like Divisions has been based on a combination of empirical evidence, judgement about the underwriting risks associated with similar industries, and utilising findings from assessment of other workers’ compensation schemes.

The process to select an appropriate relativity for each ANZSIC Division was to:

- Start with the selected ANZSIC groupings and relativities for 2013/14 and examine the ANZSIC Divisions within each group to decide whether any needed to move to another group bearing in mind the experience which has emerged in 2012/13
- For the larger ANZSIC codes, calculate a “default” relativity by weighting the average claim frequency relativity and the average incurred cost relativity. Judgement is then be used to determine if the “default” relativity was appropriate for selection or whether the 2013/14 relativity remains appropriate
- For the smaller ANZSIC codes, calculate a default relativity based on the experience for the group rather than the individual code. Judgement is then used to determine if the default relativity is appropriate for the group or whether the 2013/14 relativity remains appropriate
- Check that the selected relativities are comparable with the relativities implied by the current premium rates charged by ACT insurers.

Having formed assumptions regarding appropriate relativities for each ANZSIC Division, the final steps in the process are to consider the reasonableness of the implied rates by ANZSIC Division and to test that the reasonable rates, when applied, produce the total premium pool required.

10 Compliance and Basis of Estimates

10.1 Compliance with Relevant Australian Standards

The purpose of this report is to provide an overview of the performance of the Scheme, not to advise any individual entity on the financial reporting of its workers' compensation liabilities. Accordingly, Professional Standard 300 "Valuations of General Insurance Claims" (PS 300) issued by the Institute of Actuaries of Australia does not apply to this report. In the absence of any other applicable professional standard, we have used PS 300 for guidance on our approach to the review, but our report is not intended to comply with all requirements of PS 300.

This report has been prepared in accordance with the Institute of Actuaries of Australia's Code of Professional Conduct for the provision of actuarial advice.

10.2 Basis of Estimates

The estimates of future claims costs provided in this report are intended to be central estimates, which means they are based on assumptions selected without deliberate bias towards either over-estimation or under-estimation.

The premium rate estimates have been developed on the basis of the following principles:

- (i) Estimates of expected claims costs should be "central estimates", incorporating allowance for both "normal" and "superimposed" inflation
- (ii) Claim costs are to be discounted to allow for the time value of money
- (iii) Estimates of claims costs should take into account any amounts recoverable in respect of the claims
- (iv) Premiums should allow for the expenses of writing the business and administering claims
- (v) Premiums should include an appropriate allowance for profit.

11 Reliances & Limitations

11.1 Data

We have relied on the accuracy and completeness of all data and other information (qualitative, quantitative, written and verbal) provided to us by WorkSafe ACT and private insurers for the purpose of this report. 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 advice can be revised, if warranted.

Specific data limitations identified and the impact of these on our review are discussed further in Appendix B.

11.2 Uncertainty

The estimates of future claims costs are intended to be a central estimate and are based on assumptions selected without deliberate bias towards either over-estimation or under-estimation. Please note however, that it is not possible to put a value on future claims cost with certainty. As well as difficulties caused by limitations on the historical information, outcomes remain dependent on future events, including legislative, social, and economic forces. Although we have prepared estimates in conformity with what we believe to be the likely future experience, actual experience could vary considerably from our estimates. Deviations are normal and are to be expected.

We have generally assumed that the payment of claims will proceed as in the recent past, and we have not anticipated any extraordinary changes to the legal, social or economic environment that might affect the cost, frequency or future reporting of claims.

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.

11.3 Distribution and Use

This report is being provided for the use of the CMTD for the purposes stated in Section 1.1 of this report. It is not intended, nor necessarily suitable, for any other purpose. This report should only be relied on by CMTD for the purpose for which it is intended. No other use of, or reference to, this report may be made without the prior written consent of Finity, nor should any part of the report be disclosed to any other person. The report should be considered as a whole.

Third parties, whether authorised or not to receive this report, should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Finity to the third party.

Finity has performed the work assigned and has prepared this report in conformity with its intended utilisation by a person technically competent in the areas addressed and for the stated purposes only. Judgements about the conclusions drawn in this report should be made only after considering the report in its entirety, as the conclusions reached by a review of a section or sections on an isolated basis may be incorrect.

Part IV Appendices

A Glossary of Terms

The terms described below may have different meanings ascribed to them in other actuarial reports.

A.1.1 Term Definition

Accident Year	The year (years ending 30 June) in which the injury occurred which gave rise to a claim. E.g. a claim occurring on either 30 September 2008 or 30 March 2009 is said to belong to the 2008/09 accident year.
Active claim	A claim which has received a weekly payment in the quarter, excluding any claims where total weekly payments to date were negative or where the weekly payments made in the quarter total zero.
Central Estimate	An estimate of the liability which is intended to contain no deliberate bias to either over- or under-estimation and does not include allowance for claims handling expenses.
Claim Frequency	Estimated ultimate number of claims divided by a measure of exposure (either wages or employees).
Continuance Rate	The number of claimants in receipt of weekly benefits in one quarter divided by the number in receipt of weekly benefits in the preceding quarter. For example, the rate for development quarter 1:2 is calculated as the number of claimants receiving weekly benefits the second quarter after the accident quarter, compared with the number receiving weekly benefits in the accident quarter.
Development Year	The number of years since the year in which the accident occurred, e.g. development year 1 is the same as the year of accident, development year 2 is the year following the accident year, etc.
Earned Premium	Policy-year premiums spread over the period of cover. All premiums shown are exclusive of GST and inclusive of brokerage/commissions.
Earned Wages	Policy-year wages spread over the period of cover. All wages shown are exclusive of superannuation, but include salary, overtime, shift and other allowances, over-award payments, bonus, commissions, payments for public and annual holidays (including loadings), payments for sick and long service leave, value of board/lodging provided by employer, reimbursement for expenses incurred by the worker due to employment, any amount expended on behalf of the worker, directors' fees, and fringe benefits costs.
Loss Ratio	Estimated ultimate cost (net of recoveries) divided by gross earned premium for that year. Ultimate costs have been discounted to the mid-point of the relevant accident year.
IBNR	Incurred but Not Reported Claims – i.e. claims that have occurred at the review date but have not yet been reported.
Nil claims	Claims which have no payments made to date. Some nil claims will always remain nil (“report only claims”) while others will become non-nil claims as payments are made

Outstanding Claims Costs	Includes the costs of IBNR claims and allowance for further payments on already reported claims.
PPCF	Payment per Claim Finalised
PPCI	Payment per Claim Incurred
PPCS	Payment per Claim Settled
Premium Pool	Estimated claims costs plus allowance for expenses and insurer margins.
Premium Rate	Premiums divided by wages. The premium rate may be calculated on either a written or earned basis.
Risk Premium	Total expected claim costs divided by wages. Historical risk premiums are calculated from actual past payments plus our estimate of outstanding claims.
Superimposed Inflation	The tendency for claims costs to increase at a higher rate than normal economic inflation (i.e. wage inflation).
Ultimate Claim Numbers	The total expected number of claims for an accident year. This will include all claims reported to the review date together with any IBNR claims for the accident year.
Ultimate Claims Costs	The total expected claim costs for an accident year. This includes all amounts paid to the review date (net of recoveries) plus outstanding claims costs.

B Scheme Background

This section covers the background to the workers' compensation scheme in the ACT, including the impacts of the major legislative amendments.

B.1 Introduction

The ACT workers' compensation scheme (Scheme) is a privately underwritten scheme, operating under the Workers' Compensation Act 1951 (the Act). WorkSafe ACT is responsible for the administration of the Act.

Under the Act, employers are required to take out a workers' compensation insurance policy with an approved insurer (approved by the Minister) or be granted an exemption to self-insure these risks by the Minister.

There are currently seven licensed insurers providing workers' compensation insurance in the ACT:

- QBE (including the run-off of Mercantile Mutual Insurance)
- Allianz
- IAG (including the run-off of CGU, FAI, HIH, NZI and VACC)
- Suncorp (written through the GIO licence and including the run-off of Vero)
- Zurich
- Guild
- Catholic Churches Insurance (CCI).

B.1.1 The Default Insurance Fund

The Default Insurance Fund (DIF) is a body established under the Act to cover the cost of claims for compensation where the employer is uninsured, bankrupt or insolvent. The DIF is funded by a levy on premiums, and on notional premiums in the case of self-insurers. We have excluded the cost of claims covered by the DIF from the analysis of claim performance of the Scheme and have included an allowance for the DIF levy in determining the reasonable premium pool.

B.2 Compensation Types

Under the Act, a worker is entitled to compensation as described below.

B.2.1 Weekly Benefits

Compensation is provided to a worker who is incapacitated for work as a result of an injury or disease arising out of, or in the course of, the worker's employment. Weekly payments may continue for the duration of the incapacity, or to age 65. The level of the weekly payment ("the replacement ratio") varies by duration of incapacity as shown in Table B.1 below.

Table B.1 – Weekly Benefit Entitlements

Weeks on Benefit	Total Incapacity	Partial Incapacity
0-26 weeks	100% of average pre-incapacity weekly earnings.	100% of the difference between average pre-incapacity weekly earnings and average weekly amounts the worker is being paid or could earn in reasonably available suitable employment.
26 weeks +	* 100% of average pre-incapacity weekly earnings, if average pre-incapacity weekly earnings are less than the pre-incapacity floor (i.e. the federal minimum wage immediately before the incapacity); or * Maximum of either 65% of average pre-incapacity weekly earnings and the statutory floor.	A percentage of the difference between average pre-incapacity weekly earnings (subject to the minimum statutory floor and maximum statutory ceiling of 150% of AWE) and average weekly amounts the worker is being paid or could earn in reasonably available suitable employment, with this percentage varying depending on the weekly hours worked relative to pre-incapacity hours of the employer.

The weekly benefits described above have been in place since 1 July 2002.

B.2.2 Medical and Rehabilitation Benefits

The Act provides for compensation to the injured worker for costs associated with medical treatment (including hospital), rehabilitation services, alterations to the worker's place of residence, wages lost by the worker whilst attending treatment, transport to/from treatment, accommodation (including meals) while at treatment, repair/replacement of damaged clothing, etc. The total amount of medical costs relating to repair or replacement of contact lenses, crutches, prosthesis, spectacles, artificial aids and for loss or damage to a worker's clothing is capped at \$500 (currently around CPI indexed to approximately \$685).

B.2.3 Death Benefits

Dependants are entitled to lump sum compensation on the death of the worker, capped at \$150,000 (CPI indexed to approximately \$205,400). In addition, dependants may be entitled to receive weekly payments of \$50 per week (CPI indexed to \$68.50 per week) and funeral expenses of \$4,000 (CPI indexed to just under \$5,500).

B.2.4 Impairment Lump Sums

Workers who suffer a permanent impairment from a work-related injury or disease are entitled to receive a maximum lump sum payment of \$100,000 (CPI indexed to approximately \$137,000) for a single injury or \$150,000 (CPI indexed to approximately \$205,400) for multiple injuries. The level of the lump sum payment varies between 2% and 100% of the maximum amount for a total loss as shown in Schedule 1 of the Act. For partial losses, the claimant is entitled to a proportionate reduction on the Schedule 1 amount. In most cases, a claim for an impairment lump sum cannot be made earlier than two years after the injury. Weekly benefits may continue to be payable despite payment of a lump sum benefit, subject to negotiation between the injured worker and employer or insurer.

B.2.5 Redemptions of Statutory Entitlements

In certain circumstances, subject to negotiation between the injured worker and the employer or insurer, claimants may commute their statutory benefits. The redemption may include amounts for the worker's entitlement to weekly benefits, medical and other expenses. Throughout the report we refer to the redemption of statutory entitlements as "commutations".

B.2.6 Common Law

A worker may be entitled to seek compensation damages under common law where the work-related injury or disease was caused or contributed to by the negligence of a third party. Damages awarded are reduced by the amount of compensation already paid to the worker. Access to common law and the maximum amount of compensation available are unlimited under the Act.

B.2.7 Legal Costs

An injured worker may also seek reimbursement for the costs of legal and other expenses incurred as a result of pursuing common law damages or negotiating a settlement of their statutory entitlement.

B.3 Journey Claims

Workers are covered for injuries arising out of journeys both to and from work and undertaken for work purposes.

B.4 Employer Excess

The level of employer excess is not prescribed under the Act, but can be negotiated between the employer and the insurer.

B.5 Legislative Reform

This section summarises the legislative reforms that have had a significant impact on our review. The reader is referred to the relevant legislation for full details of the changes.

B.5.1 2002 Amendments

The Workers' Compensation Amendment Act 2001 came into effect on 1 July 2002, and applies to injuries where the accident occurred on or after this date.

The amendments from the previous legislation may be summarised as follows:

- Weekly benefits
 - ▶ Benefits cease upon return to work or pension age (previously death)
 - ▶ Benefits depend on average pre-injury earnings including overtime (previously did not include overtime or allowances)
 - ▶ Benefits for incapacity post 26 weeks drop to 65% of pre-injury earnings (previously based on a statutory rate) subject to a minimum of a statutory floor
 - ▶ Benefits for partial incapacity subject to a minimum of a statutory floor (the federal minimum wage) and statutory ceiling (150% of AWE) (previously based on a statutory amount).
- Lump sums
 - ▶ Introduction of 6% threshold for access to compensation for hearing loss
 - ▶ Expanded the Table of Maims

- ▶ Increased maximum impairment, death and funeral benefits
- ▶ Introduction of a two year waiting period before a worker could claim for permanent impairment benefits.
- Medical benefits
 - ▶ Increased maximum amount for specified medical costs.
- Common Law
 - ▶ Reduced statute of limitations for common law to 3 years (previously 6 years).
- Other
 - ▶ Definition of worker expanded to include volunteers
 - ▶ Definition of employment-related diseases tightened
 - ▶ Definition of journey claims tightened
 - ▶ Increased focus on injury management processes, including the strengthening of requirements for employers to provide suitable return to work
 - ▶ Encouraged early notification of claims.

B.5.2 Civil Law (Wrongs) Act 2002

The amendments introduced as part of the Civil Law (Wrongs) Act 2002 came into force in late 2002 and resulted in changes to legal proceedings in the ACT. In September 2003, the legislation was amended to exclude workers' compensation claims from the Wrongs Act.

B.5.3 2006 Amendments

The Workers' Compensation Act 2006 and Workers' Compensation Amendment Act 2006 (No 2) became effective 1 July 2006 and resulted in the:

- Establishment of the Default Insurance Fund
- Change in definition of maximum duration of weekly compensation to 65 years of age
- Categorisation of some 'carers' as workers
- Encouragement of early reporting of injury
- Specific mention of rehabilitation costs.

B.5.4 2009 Amendments

The Workers' Compensation Amendment Act 2009 introduced a range of amendments that:

- Allowed the appointment of a rehabilitation service provider in the event that an injured worker had been unable to return to work in their pre-injury hours and duties within 4 weeks
- Introduced new offences and penalties for non-compliance by employers.

B.5.5 2011 Amendments

The Workers' Compensation Amendment Regulation 2011 came into effect on 1 September 2011 and introduced amendments requiring compliance audits of Approved Insurers and Self-Insurers.

C Data

This section summarises the data provided to us for this review and documents the reconciliations performed.

C.1 AIMS Data

The AIMS data provided to us by WorkSafe ACT is detailed below.

C.1.1 Claim File

We received an individual claim file listing all claims reported or having had a payment between 1 July 1999 and 30 September 2013, which included the following variables:

- Insurer Reference Code
- Policy Number
- Claim Reference Number
- Date of Lodgement of Claim
- Date of Occurrence/Report
- Date Claim Finalised
- Payments – Total to Date
- Estimated Payments – Outstanding
- Claim finalised flag – ‘Claim Details – Finalised’
- Claim reopened flag – ‘Claim Details – Reopened’
- Reason Reopened
- Current Liability Status
- Estimate of Recoveries.

C.1.2 Payment Transaction File

We received a claim payment transaction file with payments made (by payment type and month) between 1 July 1999 and 30 September 2013, which included the following variables:

- Claim Reference Number
- Payment Type Code
- Month End Date
- Total of all Monthly Payments.

C.1.3 Policy File

We received an individual policy file for all policies written or renewed between 1 July 1999 and 30 September 2013, which contained the following variables:

- Insurer Reference Code
- Policy Number
- Inception Date
- Expiration Date.

C.1.4 Industry File

We received an individual file for all policies written or renewed between 1 July 1999 and 30 September 2013, which contained the following variables:

- Policy Number
- Industry Class Code
- Industry Class
- Anticipated No. of Employees (current policy period)
- Actual No. of Employees (previous policy period)
- Anticipated Wages (current policy period)
- Actual Wages (previous policy period)
- Initial Gross Premium (current policy period)
- Actual Gross Premium (previous policy period).

C.2 Information Provided by Insurers

Each of the insurers of workers' compensation in the ACT provided us with summarised premium, wages and claims information, including:

- Written policies by policy year
- Written premiums and wages by policy year – both initial amounts and amounts after adjustment for actual wages and premium adjustments
- Earned premiums and wages by year and by ANZSIC Division
- Numbers of claims reported, subdivided by accident year and report year
- Claim payments made, subdivided by accident year and payment year
- Case estimates and IBNR/ER allowances as at 30 June 2012, subdivided by accident year.

In order to improve the comparability and consistency of the information supplied by insurers, the data required adjustment in some cases so that:

- Premiums include brokerage and commissions
- Wages exclude superannuation.

We compared the premium and wages information supplied for this review with that supplied for the previous review and found some increases in wages and premiums recorded for more recent policy years. This

reflects expected development on policies as information is updated with final wages estimates and changes to burner policies reflect emerging claims experience. The differences were not unexpected.

We compared the claim number, claim payment and case estimate information supplied by the insurers to that on AIMS. The reconciliations are detailed in Appendix C.3. Our findings were:

- There are some significant differences between AIMS claim number data and insurer records arising from differences in recording and reporting of nil claims and notifications for one insurer. This is not expected to impact our analysis as our average payment models are based on the number of non-nil claims
- There were some substantial differences in the case estimate information between AIMS and insurer data, relating primarily to one insurer whose case estimates in AIMS were almost \$91 million (65%) higher than their own records. There were also some less material differences relating to one insurer who don't appear to record any case estimates in AIMS and another insurer who have a number of records which show case estimates of below zero.

We have utilised AIMS case estimate information for all insurers.

C.3 Data Reconciliations

We compared the AIMS data provided for this review with the data provided for our previous review. The following table summarises the comparison of claim reports and claim payments to 30 June 2012 from the two data sources.

Table C.1 – Reconciliation to Previous Data

Accident Year	Claim Numbers				Claim Payments (\$m)			
	Current Dataset	Previous Dataset	Difference	% Difference	Current Dataset	Previous Dataset	Difference	% Difference
2002/03	3,884	3,884	0	0%	71.4	71.4	0.0	0%
2003/04	4,048	4,047	1	0%	75.7	75.7	0.0	0%
2004/05	4,067	4,067	0	0%	83.6	83.6	0.0	0%
2005/06	3,970	3,970	0	0%	79.0	79.0	0.0	0%
2006/07	4,414	4,414	0	0%	74.1	74.1	0.0	0%
2007/08	4,213	4,214	-1	0%	63.9	63.9	0.0	0%
2008/09	4,396	4,396	0	0%	69.8	69.8	0.0	0%
2009/10	4,724	4,724	0	0%	64.0	64.0	0.0	0%
2010/11	4,891	4,890	1	0%	46.1	46.1	0.0	0%
2011/12	4,780	4,773	7	0%	20.4	20.4	0.0	0%
Total	43,387	43,379	8	0%	648.0	648.0	0.0	0%

The data from the two sources matched closely.

We also received summaries of claim and policy data from the insurers operating in the Scheme in response to our request to confirm the validity of the AIMS data.

Table C.2 shows a reconciliation of the number of claims on the AIMS database to those supplied by insurers.

Table C.2 – Claim Numbers Reported - AIMS vs. Insurer Data

Accident Year	AIMS Data	Insurer Data	Difference	% Difference
2002/03	3,884	3,917	-33	-1%
2003/04	4,048	4,879	-831	-17%
2004/05	4,069	5,103	-1,034	-20%
2005/06	3,971	3,983	-12	0%
2006/07	4,416	4,419	-3	0%
2007/08	4,214	4,219	-5	0%
2008/09	4,402	4,403	-1	0%
2009/10	4,732	4,732	0	0%
2010/11	4,915	4,919	-4	0%
2011/12	4,997	5,020	-23	0%
2012/13	4,769	4,794	-25	-1%

The differences between the AIMS data and insurer data are significant in the 2003/04 and 2004/05, but this relates to one insurer that had an abnormally high number of nil claims recorded on their databases against these years, while the AIMS database did not include these nil claims. As such, our view is that the number of claims on the AIMS database reconciles satisfactorily to the insurer data.

Table C.3 shows a reconciliation of claim payments in AIMS to that supplied by insurers.

Table C.3 – Claim Payments - AIMS vs. Insurer Data

Payment Year	AIMS Data	Insurer Data	Difference	% Difference
	\$000	\$000	\$000	%
2002/03	47,297	44,755	2,541	6%
2003/04	59,497	58,348	1,150	2%
2004/05	67,269	66,540	729	1%
2005/06	73,115	72,648	468	1%
2006/07	80,263	80,345	-82	0%
2007/08	75,093	75,307	-214	0%
2008/09	73,504	71,368	2,136	3%
2009/10	89,176	89,431	-255	0%
2010/11	97,018	94,578	2,440	3%
2011/12	101,338	98,521	2,817	3%
2012/13	122,208	115,318	6,890	6%

Differences in payments between the insurer data and AIMS database for the 2002/03 to 2012/13 years are minimal. As such, our view is that the claim payment data on the AIMS database reconciles satisfactorily to the insurer data.

Table C.4 shows a reconciliation of case estimates in AIMS to that supplied by insurers.

Table C.4 – Case Estimates - AIMS vs. Insurer Data

Accident Year	AIMS Data	Insurer Data	Difference	Difference
	\$000	\$000	\$000	%
Prior	1,928	2,929	-1,001	-34%
2003/04	516	447	70	16%
2004/05	2,669	1,272	1,397	110%
2005/06	7,059	2,969	4,089	138%
2006/07	6,097	3,933	2,165	55%
2007/08	7,725	5,422	2,303	42%
2008/09	17,102	9,845	7,257	74%
2009/10	35,632	18,207	17,425	96%
2010/11	55,857	32,360	23,497	73%
2011/12	72,671	51,518	21,153	41%
2012/13	75,034	65,635	9,400	14%

The case estimates from AIMS are overstated relative to insurer data by approximately \$90 million. As discussed previously, the differences relate to one insurer only.

As a result of the reconciliation differences observed in older years, we do not rely on case estimates in our analysis of ultimate claim size or costs, and use case estimates supplied directly by insurers instead of that in AIMS when comparing to our projected central estimates.

Table C.5 shows a reconciliation of the AIMS wages data to that supplied by insurers.

Table C.5 – Written Wages - AIMS vs. Insurer Data

Policy Year	AIMS Data	Insurer Data	Difference	Difference
	\$m	\$m	\$m	%
2004/05	3,765	4,258	-493	-12%
2005/06	4,150	4,566	-416	-9%
2006/07	4,445	5,224	-779	-15%
2007/08	4,490	5,772	-1,283	-22%
2008/09	4,326	5,676	-1,350	-24%
2009/10	4,186	5,960	-1,773	-30%
2010/11	3,702	6,469	-2,767	-43%
2011/12	2,797	6,964	-4,167	-60%
2012/13	311	7,023	-6,712	-96%

The AIMS data is significantly different to the insurer data. The wage information from AIMS has therefore not been used in our analysis, and we have instead relied on the information provided directly by insurers.

Table C.6 shows a reconciliation of the AIMS premium data to that supplied by the insurers.

Table C.6 – Written Premiums - AIMS vs. Insurer Data

Policy Year	AIMS Data	Insurer Data	Difference	Difference
	\$m	\$m	\$m	%
2004/05	131	149	-18	-12%
2005/06	138	153	-15	-10%
2006/07	139	151	-12	-8%
2007/08	127	152	-24	-16%
2008/09	119	138	-20	-14%
2009/10	116	147	-31	-21%
2010/11	101	150	-49	-33%
2011/12	79	165	-86	-52%
2012/13	9	163	-153	-94%

Again, the AIMS data is significantly different to the insurer data. The premium information from AIMS has therefore not been used in our analysis, and we have instead relied on the information provided directly by insurers.

C.4 Premiums & Wages Data

Due to the limitations with the AIMS premium and wages information, we were supplied with the following information directly from each of the insurers:

- Written policies for policy years ending 30 June 2004 to 30 June 2014, separately for burner and all other policies
- Written wages for policy years ending 30 June 2004 to 30 June 2014. Insurers provided both initial (i.e. that initially estimated at the start of the policy period) and final adjusted written wages, separately for burner and all other policies
- Written premium for policy years ending 30 June 2004 to 30 June 2014. Insurers provided both initial and adjusted written premiums, separately for burner and all other policies
- Earned wages for accident years ending 30 June 2004 to 30 June 2014, and by ANZSIC Division. Insurers provided adjusted earned wages
- Earned premium for accident years ending 30 June 2004 to 30 June 2014, and by ANZSIC Division. Insurers provided adjusted earned premiums.

We have also adjusted the wages data received from some insurers to ensure that all the data was on a consistent basis. In particular, we adjusted the wages supplied by some insurers to remove the estimated superannuation component.

C.5 Coding of Data on AIMS

There are a number of areas of uncertainty regarding the definition of claim payments recorded on the AIMS database. This is partly due to a lack of clarity in the AIMS data specification, but is also a function of the ACT being a privately underwritten market with a number of insurers participating – hence recording practices between insurers may vary.

We note that CMTD implemented its new data system in early 2014, collecting all information from 1 October 2013. The new system has been developed based on the national data specification developed jointly with

the other privately underwritten jurisdictions in Australia. We expect data quality to improve substantially once the new system is implemented.

C.5.1 Common Law, Commutations and Impairment Benefits

Discussions with the CMTD have revealed differences in coding practices of common law, commutation and impairment benefit payments. Specific examples include:

- For claims where a common law action is commenced and is subsequently settled out of court, some insurers code the payments as common law while others code the payment as a commutation
- Some insurers are negotiating commutations with the claimant and having the claimant sign a common law deed of release. These are being coded as common law rather than commutations
- Some insurers are coding what are essentially impairment benefit payments as commutations.

As a result of these differences in practices, we have grouped all common law, commutation and impairment benefit payments together in undertaking this review.

C.5.2 Legal Payments

It is not clear whether all insurers are coding their legal costs consistently. We understand that the legal costs payment field includes the insurer's legal costs, and may also include plaintiff legal costs to the extent that they can be identified. Plaintiff legal costs associated with common law settlements are unlikely to be coded as "legals", but will be included in the common law payment amount.

C.5.3 Rehabilitation

It is not clear whether the rehabilitation payment type captures only vocational rehabilitation or if it also includes some elements of medical rehabilitation.

C.5.4 GST and ITCs

We understand that all claim payments made in the post-GST environment are reported inclusive of GST for all insurers. However, practices vary in relation to the treatment of ITC recoveries – some insurers net them off in payments captured on AIMS while others do not. We understand that the AIMS data specification is in the process of being amended to offer greater clarity to insurers on the treatment of ITCs. However, historical information will not be amended.

As we have analysed payment data net of ITC recoveries, we have had to adjust the data for those insurers who have not netted off the ITC recoveries. Given that the majority of workers' compensation payments do not attract GST, we have only netted off estimated ITC amounts from legal and investigation costs for these insurers. Some elements of medical and rehabilitation payments will also attract GST (e.g. home modifications, vocational rehabilitation services) and hence should have ITC recoveries netted off. However we do not know what proportion of medical and rehabilitation payments attract GST, and have therefore not adjusted these payments. We believe this is immaterial in the context of our review.

C.5.5 Incident notifications

We understand that some insurers are submitting incident notifications as well as claim records to AIMS, and that the treatment of this varies by insurers.

D Valuation Approach

D.1 Chain Ladder Method

The chain ladder method estimates the ultimate number of claims incurred in each accident year by analysing past claim reporting patterns and estimating a pattern for the future.

The chain ladder method can be applied to any cumulative data triangle that summarises the experience by accident year and development period.

Chain ladder ratios are calculated from the data triangle by taking, for each accident period:

Cumulative Number of Claims reported to Development Period t

Cumulative Number of Claims reported to Development Period $(t - 1)$

Ratios for projection are selected taking into account the observed ratios in recent periods and changes expected in the future. The ratios generated are then applied to the most recent cumulative claim figures (separately for each accident period) to project reported claims to ultimate.

D.2 Payments Per Claim Incurred

The Payments Per Claim Incurred (PPCI) method models the claim process by assuming that the payments in respect of a group of claims will develop in a predictable pattern over a period of years. This pattern is defined by:

- An average claim size
- The proportion of claim payments that will be made in each development year.

The PPCI method proceeds as follows:

- (i) Estimate the ultimate number of claims incurred in each accident year by using the Chain Ladder method.
- (ii) Inflate past claim payments, subdivided by accident and payment years, to the monetary values of the latest accident year using an appropriate measure of past inflation.
- (iii) For each accident year divide the inflation adjusted claim payments [derived in (ii)] by the estimated ultimate number of claims incurred [calculated in (i)] to obtain an historical PPCI pattern of payments.
- (iv) Taking into account the result for (iii) and expectations for the future, select the average claims size together with the proportion of the payments made in each development year.
- (v) Using an assumed future rate of claim inflation calculate projected future payments for each accident year by multiplying together:
 - (a) The estimated ultimate number of claims incurred
 - (b) The average claim size in current dollars
 - (c) The proportion of payments by development year
 - (d) The assumed inflation factor.

The present value of liabilities is calculated by discounting projected payments to the valuation date at the assumed discount rate.

D.3 Payments Per Claim Settled

This method models the claims process by assuming that the payments in respect of a group of claims will develop in a predictable pattern over a period of years. This pattern is often expressed as the payments per claim settled together with the proportion of claims which will be settled in each development year.

There can sometimes be a timing mismatch between the date a claim first receives a lump sum payment and the date of final payment, and we note that a small amount of common law and lump sum claims do involve multiple common law or lump sum payments. We therefore define date of settlement to be the date of last payment. We note that the method may be susceptible to changes in data due to re-openings and payment of further benefits, but this is not expected to materially alter the results of our analysis providing the rate of such re-openings remains stable over time.

In order to use this method, we need to make assumptions about:

- The number of claims incurred in each accident year
- The average payment per claim settled in the monetary values of the latest accident year (not necessarily the same average cost for all accident years)
- The proportion of claims settled in each development period, before allowance for claim inflation
- Rates of future claim inflation and investment earnings.

Future payments are projected by multiplying together:

- The number of claims outstanding
- The payment per claim settled in current dollars
- The proportion of claims settled by development period
- The proportion of future settlements paid by development period
- The inflation index based on projected rates of claims inflation.

The present value of liabilities is then calculated by discounting projected payments to the valuation date at the assumed discount rate.

D.4 Continuance model

The continuance model is in effect a Payments Per Active Claim (“PPAC”) model which assumes that the payments in respect of a group of claims will develop in a predictable pattern over a period of years. This pattern is defined by:

- An average claim size
- The proportion of claims will remain active and receiving benefits in each development year.

The PPAC method proceeds as follows:

- (i) Estimate the ultimate number of active claims incurred in each accident year by using the Chain Ladder method, taking into account the number of claims active in the most recent period and assumed continuance rates in future.
- (ii) Inflate past claim payments, subdivided by accident and payment years, to the monetary values of the latest accident year using an appropriate measure of past inflation.
- (iii) For each accident year divide the inflation adjusted claim payments [derived in (ii)] by the estimated ultimate number of active claims [calculated in (i)] to obtain an historical pattern of average weekly benefits per continuing claim.
- (iv) Taking into account the result for (iii) and expectations for the future, select the average claims size together with the proportion of the payments made in each development year.
- (v) Using an assumed future rate of claim inflation, calculate projected future payments for each accident year by multiplying together:
 - (a) The estimated ultimate number of active claims incurred
 - (b) The average claim size in current dollars
 - (c) The proportion of payments by development year
 - (d) The assumed inflation factor.

The implied payments were then converted into PPCIs for comparison with the PPCI model.

E Claim Number Analysis

ACT Workers' Compensation Scheme Review

All Claims
Includes Nil Claims
Chain Ladder Model

E1.1 Cumulative Number of Claims (including nil claims)

Accident Quarter	Development Quarter (delay to report)																													Reported to date			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29		30		
Sep-06	842	952	1,015	1,027	1,030	1,033	1,034	1,035	1,036	1,038	1,038	1,038	1,038	1,039	1,039	1,039	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	1,040	
Dec-06	1,005	1,030	1,033	1,035	1,037	1,040	1,041	1,045	1,045	1,046	1,046	1,047	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	
Mar-07	1,015	1,188	1,206	1,212	1,213	1,218	1,218	1,218	1,221	1,222	1,222	1,222	1,223	1,223	1,224	1,225	1,225	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	1,226	
Jun-07	914	1,067	1,074	1,084	1,088	1,090	1,092	1,095	1,095	1,095	1,097	1,097	1,098	1,099	1,099	1,099	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	
Sep-07	915	1,050	1,071	1,074	1,078	1,080	1,082	1,083	1,083	1,083	1,084	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	
Dec-07	883	1,003	1,024	1,029	1,035	1,039	1,041	1,042	1,043	1,043	1,044	1,044	1,045	1,046	1,047	1,047	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	1,048	
Mar-08	831	999	1,016	1,026	1,028	1,028	1,030	1,032	1,035	1,037	1,040	1,041	1,041	1,041	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	
Jun-08	883	999	1,010	1,018	1,021	1,027	1,028	1,029	1,032	1,035	1,036	1,037	1,037	1,037	1,037	1,037	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	1,038	
Sep-08	971	1,091	1,107	1,120	1,125	1,128	1,129	1,133	1,136	1,137	1,137	1,137	1,138	1,138	1,138	1,138	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	1,140	
Dec-08	886	996	1,011	1,018	1,022	1,025	1,028	1,030	1,031	1,031	1,032	1,032	1,032	1,032	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	1,033	
Mar-09	907	1,068	1,086	1,091	1,096	1,096	1,097	1,098	1,098	1,098	1,099	1,101	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	1,102	
Jun-09	919	1,084	1,097	1,107	1,114	1,117	1,121	1,121	1,121	1,121	1,121	1,122	1,123	1,123	1,123	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	1,124	
Sep-09	889	1,119	1,138	1,143	1,146	1,146	1,147	1,147	1,149	1,149	1,149	1,149	1,149	1,149	1,149	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	
Dec-09	962	1,068	1,081	1,090	1,093	1,096	1,098	1,098	1,098	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Mar-10	1,064	1,215	1,227	1,236	1,243	1,243	1,246	1,247	1,247	1,248	1,249	1,249	1,249	1,249	1,249	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	
Jun-10	1,060	1,199	1,215	1,217	1,224	1,224	1,226	1,226	1,227	1,228	1,229	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	
Sep-10	1,138	1,277	1,290	1,297	1,298	1,301	1,305	1,306	1,307	1,308	1,310	1,310	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	
Dec-10	1,057	1,170	1,187	1,191	1,195	1,198	1,199	1,201	1,201	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202	1,202
Mar-11	1,010	1,148	1,163	1,166	1,171	1,175	1,180	1,181	1,183	1,184	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185	
Jun-11	1,083	1,195	1,205	1,208	1,211	1,212	1,214	1,215	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	1,217	
Sep-11	1,124	1,258	1,274	1,282	1,284	1,286	1,289	1,289	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	
Dec-11	1,047	1,171	1,185	1,193	1,196	1,201	1,204	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	1,205	
Mar-12	1,074	1,217	1,232	1,240	1,246	1,253	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	1,257	
Jun-12	1,096	1,225	1,237	1,240	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	1,243	
Sep-12	1,062	1,183	1,199	1,204	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	
Dec-12	1,000	1,127	1,147	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	
Mar-13	1,054	1,205	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	1,220	
Jun-13	1,047	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	

E1.2 Chain Ladder Factors

Accident Quarter	Development Quarter (delay to report)																													
	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	
Sep-06	1.1781	1.0232	1.0118	1.0029	1.0029	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010	1.0010
Dec-06	1.1686	1.0249	1.0029	1.0019	1.0019	1.0029	1.0000	1.0010	1.0038	1.0000	1.0010	1.0000	1.0010	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0010	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Mar-07	1.1704	1.0152	1.0050	1.0008	1.0041	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Jun-07	1.1674	1.0066	1.0093	1.0037	1																									

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Lost Time Claims
Excludes Nil Claims
Chain Ladder Model

E3.1 Cumulative Number of Claims

Accident Year	Development Year (of first Weekly Benefit Payment)								Reported to date
	1	2	3	4	5	6	7	8	
2005/06	1,634	2,101	2,119	2,129	2,133	2,138	2,138	2,138	2,138
2006/07	1,622	2,143	2,185	2,195	2,197	2,197	2,197		2,197
2007/08	1,679	2,115	2,144	2,148	2,152	2,152			2,152
2008/09	1,583	2,071	2,097	2,103	2,104				2,104
2009/10	1,635	2,119	2,151	2,157					2,157
2010/11	1,694	2,150	2,184						2,184
2011/12	1,706	2,187							2,187
2012/13	1,664								1,664

E3.2 Chain Ladder Factors

Accident Year	Development Year (of first Weekly Benefit Payment)						
	1:2	2:3	3:4	4:5	5:6	6:7	7:8
2005/06	1.2858	1.0086	1.0047	1.0019	1.0023	1.0000	1.0000
2006/07	1.3212	1.0196	1.0046	1.0009	1.0000	1.0000	
2007/08	1.2597	1.0137	1.0019	1.0019	1.0000		
2008/09	1.3083	1.0126	1.0029	1.0005			
2009/10	1.2960	1.0151	1.0028				
2010/11	1.2692	1.0158					
2011/12	1.2819						
2012/13							

E3.3 Selected Chain Ladder Factors

	Development Year (of first Weekly Benefit Payment)						
	1:2	2:3	3:4	4:5	5:6	6:7	Tail
Dec-13 Selected	1.2890	1.0155	1.0028	1.0015	1.0005	1.0003	1.0003

E3.4 Incremental Projected Number of Claims

Accident Year	Development Year (of first Weekly Benefit Payment)								Tail	Ultimate Claims
	1	2	3	4	5	6	7	8		
2005/06	1,634	467	18	10	4	5	0	0	0	2,138
2006/07	1,622	521	42	10	2	0	0	0	0	2,198
2007/08	1,679	436	29	4	4	0	1	0	0	2,153
2008/09	1,583	488	26	6	1	1	1	0	0	2,106
2009/10	1,635	484	32	6	3	1	1	0	0	2,163
2010/11	1,694	456	34	6	3	1	1	0	0	2,196
2011/12	1,706	481	34	6	3	1	1	0	0	2,233
2012/13	1,664	481	33	6	3	1	1	0	0	2,190

ACT Workers' Compensation Scheme Review

Claim Number Summary

E4.1 Ultimate Number of Claims

Accident Year	All Claims (incl Nils)			All Claims (excl Nils)			Lost Time Claims		
	Reported	IBNR	Ultimate	Reported	IBNR	Ultimate	Reported	IBNR	Ultimate
2005/06	3,971	0	3,971	3,564	1	3,565	2,138	0	2,138
2006/07	4,416	0	4,416	3,714	2	3,716	2,197	1	2,198
2007/08	4,214	1	4,215	3,497	3	3,500	2,152	1	2,153
2008/09	4,402	6	4,408	3,322	5	3,327	2,104	2	2,106
2009/10	4,732	12	4,744	3,434	8	3,442	2,157	6	2,163
2010/11	4,915	21	4,936	3,606	19	3,625	2,187	9	2,196
2011/12	4,997	41	5,038	3,565	42	3,607	2,202	31	2,233
2012/13	4,769	107	4,876	3,272	140	3,412	1,964	226	2,190

ACT Workers' Compensation Scheme Review

Common Law & Lump Sum
Excludes Nil Claims
Chain Ladder Model

E5.1 Cumulative Number of Claims

Accident Year	Development Year (of first Common Law Payment)							Reported to date
	1	2	3	4	5	6	7	
2005/06	11	89	192	289	339	367	381	391
2006/07	10	82	201	282	330	353	372	372
2007/08	11	78	188	261	300	330		330
2008/09	12	83	200	300	350			350
2009/10	12	93	243	345				345
2010/11	13	90	245					245
2011/12	13	105						105
2012/13	9							9

E5.2 Chain Ladder Factors

Accident Year	Development Year (of first Common Law Payment)						
	1:2	2:3	3:4	4:5	5:6	6:7	7:8
2005/06	8.0909	2.1573	1.5052	1.1730	1.0826	1.0381	1.0262
2006/07	8.2000	2.4512	1.4030	1.1702	1.0697	1.0538	
2007/08	7.0909	2.4103	1.3883	1.1494	1.1000		
2008/09	6.9167	2.4096	1.5000	1.1667			
2009/10	7.7500	2.6129	1.4198				
2010/11	6.9231	2.7222					
2011/12	8.0769						
2012/13							

E5.3 Selected Chain Ladder Factors

	Development Year (of first Common Law Payment)							Tail
	1:2	2:3	3:4	4:5	5:6	6:7		
Dec-13 Selected	8.0000	2.6500	1.4200	1.1450	1.0750	1.0400	1.0721	

E5.4 Incremental Projected Number of Claims

Accident Year	Development Year (of first Common Law Payment)								Tail	Ultimate Claims
	1	2	3	4	5	6	7	8		
2005/06	11	78	103	97	50	28	14	10	19	410
2006/07	10	72	119	81	48	23	19	8	19	399
2007/08	11	67	110	73	39	30	13	8	17	368
2008/09	12	71	117	100	50	26	15	9	20	420
2009/10	12	81	150	102	50	30	17	10	22	473
2010/11	13	77	155	110	52	31	17	10	23	488
2011/12	13	92	147	106	52	31	18	10	23	491
2012/13	9	81	148	100	49	29	17	10	22	464

F Claim Size Analysis

ACT Workers' Compensation Scheme Review

Weekly Benefits
PPCI Model

F1.1 Incremental Inflated Payments (\$000 Dec-13)

Accident Year	Development Year (of Payment)								Acc Yr Total	Pay Yr Total
	1	2	3	4	5	6	7	8		
2005/06	8,629	9,497	3,937	1,916	1,044	456	233	155	25,867	8,629
2006/07	8,384	9,393	3,418	1,414	884	382	259		24,133	17,881
2007/08	8,856	8,485	2,944	1,404	885	166			22,741	22,186
2008/09	9,209	10,230	3,849	1,719	989				25,995	23,029
2009/10	9,384	9,806	3,985	2,368					25,544	25,015
2010/11	10,554	10,800	4,721						26,074	26,952
2011/12	9,871	10,408							20,278	27,875
2012/13	9,543								9,543	28,608

F1.2 Inflated Payment Per Claim Incurred

Accident Year	Development Year (of Payment)							
	1	2	3	4	5	6	7	8
2005/06	4,036	4,442	1,841	896	488	213	109	72
2006/07	3,815	4,274	1,555	643	402	174	118	
2007/08	4,113	3,941	1,367	652	411	77		
2008/09	4,372	4,857	1,827	816	469			
2009/10	4,339	4,534	1,843	1,095				
2010/11	4,806	4,918	2,150					
2011/12	4,421	4,661						
2012/13	4,358							

F1.3 Selected Payments per Claim Incurred

	Development Year (of Payment)								Tail
	1	2	3	4	5	6	7	8	
Dec-13 Selected	4,390	4,790	1,950	960	440	130	110	60	81

F1.4 Actual & Projected Payments Inflated to Payment Date (\$000)

Accident Year	Development Year (of Payment)								Tail	Ultimate	
	1	2	3	4	5	6	7	8		Costs	Outstanding
2005/06	5,746	6,703	2,790	1,442	829	386	209	148	186	18,440	186
2006/07	5,855	6,633	2,572	1,128	750	341	247	132	198	17,857	330
2007/08	6,349	6,385	2,347	1,192	786	160	237	134	201	17,789	571
2008/09	6,924	8,133	3,261	1,544	946	274	240	135	203	21,660	852
2009/10	7,685	8,297	3,553	2,267	952	291	255	144	216	23,659	1,857
2010/11	9,037	9,617	4,528	2,108	1,000	306	268	151	227	27,243	4,060
2011/12	8,989	9,948	4,354	2,219	1,052	322	282	159	239	27,564	8,627
2012/13	9,220	10,490	4,420	2,252	1,068	327	286	162	242	28,466	19,247

ACT Workers' Compensation Scheme Review

Medical & Related Costs (excl. rehab)
PPCI Model

F2.1 Incremental Inflated Payments (\$000 Dec-13)

Accident Year	Development Year (of Payment)								Acc Yr Total	Pay Yr Total
	1	2	3	4	5	6	7	8		
2005/06	6,895	5,519	1,570	689	349	204	81	36	15,342	6,895
2006/07	7,196	6,822	2,141	842	366	114	64		17,545	12,715
2007/08	6,873	5,520	1,544	629	401	14			14,980	15,265
2008/09	6,787	6,533	1,980	500	216				16,016	15,137
2009/10	7,242	6,589	2,084	791					16,706	16,510
2010/11	7,997	6,826	1,991						16,814	17,765
2011/12	7,587	5,935							13,522	17,592
2012/13	7,537								7,537	16,584

F2.2 Inflated Payment PerClaim Incurred

Accident Year	Development Year (of Payment)							
	1	2	3	4	5	6	7	8
2005/06	1,934	1,548	440	193	98	57	23	10
2006/07	1,936	1,836	576	227	98	31	17	
2007/08	1,963	1,577	441	180	115	4		
2008/09	2,040	1,964	595	150	65			
2009/10	2,104	1,914	605	230				
2010/11	2,206	1,883	549					
2011/12	2,104	1,645						
2012/13	2,209							

F2.3 Selected Payments per Claim Incurred

	Development Year (of Payment)								Tail
	1	2	3	4	5	6	7	8	
Dec-13 Selected	2,155	1,840	585	200	95	50	20	11	29

F2.4 Actual & Projected Payments Inflated to Payment Date (\$000)

Accident Year	Development Year (of Payment)								Tail	Ultimate	
	1	2	3	4	5	6	7	8		Costs	Outstanding
2005/06	4,583	3,908	1,113	518	279	172	73	34	118	10,798	118
2006/07	5,039	4,813	1,611	665	310	102	61	42	129	12,772	171
2007/08	4,915	4,153	1,222	533	360	13	70	42	128	11,436	240
2008/09	5,104	5,157	1,676	444	207	166	70	42	129	12,994	407
2009/10	5,917	5,563	1,852	757	327	182	77	46	141	14,861	772
2010/11	6,839	6,070	1,904	725	363	202	85	51	156	16,395	1,582
2011/12	6,874	5,664	2,110	761	381	212	89	53	164	16,309	3,771
2012/13	7,271	6,279	2,106	760	381	211	89	53	164	17,313	10,043

ACT Workers' Compensation Scheme Review

Rehabilitation
PPCI Model

F3.1 Incremental Inflated Payments (\$000 Dec-13)

Accident Year	Development Year (of Payment)								Acc Yr Total	Pay Yr Total
	1	2	3	4	5	6	7	8		
2005/06	2,870	2,998	728	254	113	57	38	25	7,084	2,870
2006/07	3,149	2,857	849	293	103	36	6		7,293	6,147
2007/08	2,622	2,549	695	156	34	-10			6,045	6,208
2008/09	2,574	2,831	714	179	73				6,371	6,226
2009/10	2,734	3,014	824	382					6,955	6,666
2010/11	3,271	3,654	1,008						7,934	7,315
2011/12	3,124	3,389							6,513	7,890
2012/13	3,013								3,013	7,887

F3.2 Inflated Payment PerClaim Incurred

Accident Year	Development Year (of Payment)							
	1	2	3	4	5	6	7	8
2005/06	805	841	204	71	32	16	11	7
2006/07	847	769	229	79	28	10	2	
2007/08	749	728	198	44	10	-3		
2008/09	774	851	215	54	22			
2009/10	794	876	239	111				
2010/11	902	1,008	278					
2011/12	866	940						
2012/13	883							

F3.3 Selected Payments per Claim Incurred

	Development Year (of Payment)								Tail
	1	2	3	4	5	6	7	8	
Dec-13 Selected	875	950	260	70	25	10	7	5	2

F3.4 Actual & Projected Payments Inflated to Payment Date (\$000)

Accident Year	Development Year (of Payment)								Tail	Ultimate	
	1	2	3	4	5	6	7	8		Costs	Outstanding
2005/06	1,911	2,124	515	191	90	48	34	24	11	4,949	11
2006/07	2,205	2,013	639	232	87	32	6	19	7	5,239	26
2007/08	1,878	1,918	551	132	30	-10	25	18	7	4,548	50
2008/09	1,936	2,248	604	159	70	33	25	19	7	5,100	83
2009/10	2,239	2,547	737	366	86	36	27	20	8	6,066	177
2010/11	2,802	3,250	964	254	96	40	30	22	8	7,465	450
2011/12	2,845	3,236	938	266	100	42	31	24	9	7,491	1,411
2012/13	2,908	3,242	936	266	100	42	31	24	9	7,558	4,650

ACT Workers' Compensation Scheme Review

Legal & Investigation Costs
PPCI Model

F4.1 Incremental Inflated Payments (\$000 Dec-13)

Accident Year	Development Year (of Payment)								Acc Yr Total	Pay Yr Total
	1	2	3	4	5	6	7	8		
2005/06	1,449	3,763	4,389	3,527	2,469	1,310	641	790	18,338	1,449
2006/07	1,373	3,659	3,991	2,989	1,987	1,546	983		16,528	5,136
2007/08	1,255	3,072	3,574	2,526	1,204	1,184			12,815	9,303
2008/09	1,293	3,373	3,798	2,919	1,733				13,115	11,883
2009/10	1,188	3,635	4,646	3,422					12,891	13,592
2010/11	1,560	3,893	5,248						10,700	14,816
2011/12	1,357	3,156							4,513	16,206
2012/13	1,264								1,264	17,780

F4.2 Inflated Payment PerClaim Incurred

Accident Year	Development Year (of Payment)							
	1	2	3	4	5	6	7	8
2005/06	406	1,056	1,231	990	693	367	180	222
2006/07	370	985	1,074	804	535	416	264	
2007/08	358	878	1,021	722	344	338		
2008/09	389	1,014	1,141	877	521			
2009/10	345	1,056	1,350	994				
2010/11	430	1,074	1,448					
2011/12	376	875						
2012/13	370							

F4.3 Selected Payments per Claim Incurred

	Development Year (of Payment)								Tail
	1	2	3	4	5	6	7	8	
Dec-13 Selected	380	1,025	1,380	930	525	370	210	155	239

F4.4 Actual & Projected Payments Inflated to Payment Date (\$000)

Accident Year	Development Year (of Payment)								Tail	Ultimate	
	1	2	3	4	5	6	7	8		Costs	Outstanding
2005/06	965	2,644	3,114	2,654	1,984	1,111	571	756	935	14,733	935
2006/07	960	2,603	3,002	2,387	1,689	1,398	943	576	995	14,554	1,571
2007/08	899	2,310	2,881	2,146	1,070	1,135	735	562	970	12,708	2,266
2008/09	972	2,710	3,232	2,605	1,665	1,231	723	552	954	14,645	3,461
2009/10	974	3,093	4,158	3,283	1,807	1,318	774	592	1,022	17,022	5,513
2010/11	1,337	3,495	5,043	3,371	1,970	1,437	844	645	1,114	19,255	9,381
2011/12	1,237	3,030	4,977	3,472	2,028	1,480	869	664	1,147	18,904	14,637
2012/13	1,223	3,498	4,874	3,400	1,986	1,449	851	650	1,123	19,054	17,831

ACT Workers' Compensation Scheme Review

Recoveries
PPCI Model

F5.1 Incremental Inflated Payments (\$000 Dec-13)

Accident Year	Development Year (of Payment)								Acc Yr Total	Pay Yr Total
	1	2	3	4	5	6	7	8		
2005/06	-44	-280	-772	-1,735	-558	-440	-137	0	-3,966	-44
2006/07	-95	-644	-2,695	-926	-345	-49	-416		-5,169	-375
2007/08	-123	-566	-900	-217	-966	-397			-3,170	-1,539
2008/09	-174	-518	-328	-706	-121				-1,847	-5,170
2009/10	-71	-432	-622	-1,114					-2,239	-2,972
2010/11	-200	-544	-790						-1,534	-1,961
2011/12	-138	-719							-856	-3,164
2012/13	-205								-205	-3,762

F5.2 Inflated Payment PerClaim Incurred

Accident Year	Development Year (of Payment)							
	1	2	3	4	5	6	7	8
2005/06	-12	-79	-217	-487	-157	-123	-38	0
2006/07	-26	-173	-725	-249	-93	-13	-112	
2007/08	-35	-162	-257	-62	-276	-114		
2008/09	-52	-156	-99	-212	-36			
2009/10	-21	-125	-181	-323				
2010/11	-55	-150	-218					
2011/12	-38	-199						
2012/13	-60							

F5.3 Selected Payments per Claim Incurred

	Development Year (of Payment)								Tail
	1	2	3	4	5	6	7	8	
Dec-13 Selected	-45	-160	-190	-230	-150	-100	-85	-81	-45

F5.4 Actual & Projected Payments Inflated to Payment Date (\$000)

Accident Year	Development Year (of Payment)								Tail	Ultimate	
	1	2	3	4	5	6	7	8		Costs	Outstanding
2005/06	-30	-195	-550	-1,305	-445	-373	-123	0	-166	-3,187	-166
2006/07	-66	-461	-2,023	-736	-289	-45	-397	-300	-179	-4,496	-479
2007/08	-89	-426	-725	-185	-901	-381	-298	-292	-174	-3,470	-764
2008/09	-131	-417	-278	-635	-115	-333	-293	-288	-171	-2,659	-1,085
2009/10	-59	-367	-565	-1,072	-516	-356	-313	-308	-184	-3,741	-1,678
2010/11	-172	-486	-758	-834	-563	-388	-342	-336	-200	-4,078	-2,662
2011/12	-127	-692	-685	-859	-580	-400	-352	-346	-206	-4,245	-3,427
2012/13	-200	-546	-671	-841	-568	-392	-344	-339	-202	-4,101	-3,902

ACT Workers' Compensation Scheme Review

Common Law & Lump Sum
Excludes Nil Claims
PPCS Model

F6.1 Incremental Number of Claims Settled as LS_CL

Accident Year	Development Year (of Last LS_CL Payment)								Settled to date
	1	2	3	4	5	6	7	8	
2005/06	8	70	95	102	51	36	16	12	390
2006/07	4	63	116	82	54	31	20		370
2007/08	9	65	97	76	43	35			325
2008/09	12	55	110	100	58				335
2009/10	6	63	140	119					328
2010/11	9	59	158						226
2011/12	10	86							96
2012/13	7								7

F6.2 LS_CL Proportion Settled (% of Ultimate Common Law Claims)

Accident Year	Development Year (of Last LS_CL Payment)							
	1	2	3	4	5	6	7	8
2005/06	2.0%	17.1%	23.2%	24.9%	12.4%	8.8%	3.9%	2.9%
2006/07	1.0%	15.8%	29.1%	20.6%	13.5%	7.8%	5.0%	
2007/08	2.4%	17.7%	26.4%	20.7%	11.7%	9.5%		
2008/09	2.9%	13.1%	26.2%	23.8%	13.8%			
2009/10	1.3%	13.3%	29.6%	25.1%				
2010/11	1.8%	12.1%	32.4%					
2011/12	2.0%	17.5%						
2012/13	1.5%							

F6.3 Selected LS_CL Proportion Settled

	Development Year (of Last LS_CL Payment)								Tail
	1	2	3	4	5	6	7	8	
Dec-13 Selected	1.70%	14.00%	27.50%	22.50%	12.00%	8.00%	4.60%	3.50%	6.20%

F6.4 Incremental Projected Number of Claims Settled as LS_CL

Accident Year	Development Year (of Last LS_CL Payment)								Tail	Ultimate Finalised
	1	2	3	4	5	6	7	8		
2005/06	8	70	95	102	51	36	16	12	20	410
2006/07	4	63	116	82	54	31	20	10	18	399
2007/08	9	65	97	76	43	35	14	11	19	368
2008/09	12	55	110	100	58	30	17	13	23	420
2009/10	6	63	140	119	51	34	20	15	26	473
2010/11	9	59	158	104	55	37	21	16	29	488
2011/12	10	86	129	105	56	37	22	16	29	491
2012/13	7	65	128	105	56	37	21	16	29	464

ACT Workers' Compensation Scheme Review

Common Law & Lump Sum
Excludes Nil Claims
PPCS Model

F6.5 Incremental Inflated Payments (\$000 Dec-13)

Accident Year	Development Year (of Last LS_CL Payment)								Acc Yr Total	Pay Yr Total
	1	2	3	4	5	6	7	8		
2005/06	476	5,016	9,285	14,184	6,033	8,599	2,030	3,409	49,031	476
2006/07	208	6,314	11,128	9,743	7,012	4,240	2,764		41,409	5,224
2007/08	345	4,212	8,899	10,502	4,893	4,248			33,098	15,944
2008/09	399	4,138	12,310	10,938	8,282				36,067	29,923
2009/10	64	5,018	15,049	14,707					34,839	28,877
2010/11	271	3,745	17,781						21,797	43,712
2011/12	352	5,811							6,163	41,247
2012/13	203								203	57,203

F6.6 Inflated Payments per Claim Settled in \$Dec-13 (\$000)

Accident Year	Development Year (of Last LS_CL Payment)							
	1	2	3	4	5	6	7	8
2005/06	60	72	98	139	118	239	127	284
2006/07	52	100	96	119	130	137	138	
2007/08	38	65	92	138	114	121		
2008/09	33	75	112	109	143			
2009/10	11	80	107	124				
2010/11	30	63	113					
2011/12	35	68						
2012/13	29							

F6.7 Selected Payments per Claim Settled in \$Dec-13 (\$000)

	Development Year (of Last LS_CL Payment)								Tail
	1	2	3	4	5	6	7	8	
Dec-13 Selected	34.4	67.5	110.0	125.0	125.0	135.0	135.0	113.8	113.8

F6.8 Actual & Projected Payments Inflated to Payment Date (\$000)

Accident Year	Development Year (of Payment)									Ultimate	
	1	2	3	4	5	6	7	8	Tail	Costs	Outstanding
2005/06	328	3,932	7,476	9,434	6,144	6,156	1,796	2,998	2,525	40,790	2,525
2006/07	406	4,806	8,833	7,357	5,852	3,406	2,684	1,043	2,424	36,813	3,467
2007/08	254	3,183	7,520	8,810	4,418	3,807	1,822	1,131	2,630	33,574	5,583
2008/09	300	4,394	9,747	10,088	7,970	4,732	1,968	1,222	2,841	43,262	10,763
2009/10	90	4,584	13,746	14,147	6,684	5,343	2,222	1,380	3,208	51,403	18,836
2010/11	277	4,068	17,379	12,240	7,654	6,119	2,544	1,580	3,673	55,534	33,809
2011/12	546	5,468	14,339	13,192	8,249	6,595	2,742	1,703	3,959	56,795	50,780
2012/13	213	5,197	14,523	13,361	8,355	6,679	2,778	1,725	4,010	56,840	56,627

ACT Workers' Compensation Scheme Review

All Payments

F7.1 Actual & Projected Payments Inflated to Payment Date (\$000)

Accident Year	Development Year (of Payment)																													Acc Yr	
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	Tail	Ultimate
2005/06	13,504	19,117	14,459	12,935	8,879	7,500	2,559	3,961	805	499	409	340	348	262	209	193	186	78	70	36	37	33	34	35	36	0	0	0	0	0	86,524
2006/07	14,398	20,408	14,634	11,033	8,400	5,236	3,545	1,511	785	502	415	339	347	260	207	190	181	77	69	35	36	31	32	33	35	0	0	0	0	0	82,739
2007/08	14,207	17,522	13,795	12,627	5,762	4,725	2,591	1,594	826	523	429	356	365	275	219	202	194	81	73	38	39	34	35	36	38	0	0	0	0	0	76,584
2008/09	15,104	22,225	18,243	14,206	10,743	6,104	2,733	1,682	869	547	446	374	384	290	231	215	207	86	78	40	41	37	38	39	41	0	0	0	0	0	95,002
2009/10	16,845	23,718	23,481	19,748	9,339	6,814	3,041	1,873	966	606	492	416	427	324	258	241	233	95	87	45	46	41	43	44	46	0	0	0	0	0	109,269
2010/11	20,120	26,015	29,060	17,864	10,519	7,715	3,430	2,113	1,089	680	551	469	481	367	292	273	265	108	99	51	53	47	49	51	53	0	0	0	0	0	121,814
2011/12	20,366	26,654	26,033	19,051	11,232	8,250	3,662	2,257	1,162	723	584	500	513	392	312	293	285	115	106	55	56	51	53	55	57	0	0	0	0	0	122,818
2012/13	20,635	28,159	26,188	19,197	11,323	8,317	3,691	2,275	1,170	727	585	503	516	395	314	296	288	116	107	55	57	52	54	55	57	0	0	0	0	0	125,130

F7.2 Actual & Projected Payments Inflated to Payment Date & Discounted to Middle of Accident Year (\$000)

Accident Year	Development Year (of Payment)																													Acc Yr	
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	Tail	Ultimate
2005/06	13,504	18,011	12,754	10,915	7,227	5,832	1,907	2,862	568	340	270	217	216	157	121	109	101	41	36	18	18	15	15	15	15	0	0	0	0	0	75,284
2006/07	14,398	19,106	13,106	9,531	6,933	4,142	2,719	1,131	569	352	282	223	221	160	123	109	101	42	36	18	18	15	15	15	15	0	0	0	0	0	73,377
2007/08	14,207	16,762	12,730	11,132	4,868	3,871	2,070	1,233	618	379	301	242	240	175	135	121	112	45	40	20	20	17	17	17	17	0	0	0	0	0	69,387
2008/09	15,104	21,438	16,812	12,547	9,200	5,099	2,210	1,317	658	401	317	257	255	187	144	130	121	48	43	21	21	18	18	18	18	0	0	0	0	0	86,405
2009/10	16,845	22,661	21,500	17,533	8,087	5,712	2,468	1,471	735	446	351	287	285	210	161	146	137	54	48	24	24	21	21	21	21	0	0	0	0	0	99,267
2010/11	20,120	24,932	27,003	16,191	9,230	6,553	2,820	1,682	839	507	398	328	326	241	185	168	158	62	55	28	27	24	24	24	24	0	0	0	0	0	111,947
2011/12	20,366	25,844	24,620	17,442	9,955	7,079	3,042	1,815	904	545	426	353	351	260	200	182	171	67	60	30	30	26	26	26	26	0	0	0	0	0	113,843
2012/13	20,635	27,465	24,727	17,547	10,019	7,124	3,060	1,826	909	547	426	355	352	261	201	183	172	67	60	30	30	26	26	26	26	0	0	0	0	0	116,102

G Workforce, Wages and Premiums

G.1 Workforce

We have compiled workforce figures from information available from the Australian Bureau of Statistics (ABS) and the Australian Public Service Employment Database (APSED), plus information on the number of ACT public sector employees supplied by the CMTD.

We have calculated an approximate private sector workforce as:

- Total full time workforce in the ACT
- Less full time Commonwealth public sector employees
- Less full time ACT public sector employees.

This is shown in Table G.1 below.

Table G.1 – Calculation of ACT Private Sector Workforce (Full Time Employees)

Account Year	ABS	ACT		ACT Private Sector Workforce
		Commonwealth Government Public Servants	Government Public Servants	
2003/04	131,261	38,713	11,407	81,141
2004/05	135,791	39,783	13,084	82,924
2005/06	143,560	43,522	12,699	87,339
2006/07	145,583	47,289	12,258	86,036
2007/08	146,190	49,461	12,844	83,885
2008/09	146,819	50,739	13,646	82,434
2009/10	149,140	51,958	13,869	83,313
2010/11	152,663	53,594	14,317	84,752
2011/12	154,701	56,313	14,897	83,491
2012/13	153,821	54,612	15,424	83,784

G.2 Earned Wages

Recorded wages can change over time as employers update their initial estimate over the course of the policy period. In order to arrive at an estimate of the ultimate earned wages we examined the development of reported wages for older policy years and as a result selected a multiplier to gross up the reported wages for the more recent policy years to ultimate. This is shown in Table G.2 below.

Table G.2 – Earned Wages Data

Accident Year	Reported	Gross-up Factor	Estimated Ultimate	Inflated Ultimate ¹
	\$m		\$m	\$m
2003/04	3,555.1	1.000	3,555.1	6,086.9
2004/05	4,135.0	1.000	4,135.0	6,568.9
2005/06	4,355.3	1.000	4,355.3	6,619.4
2006/07	4,868.2	1.000	4,868.2	6,950.8
2007/08	5,398.4	1.000	5,398.4	7,598.7
2008/09	5,651.2	1.000	5,651.2	7,496.4
2009/10	5,722.3	1.001	5,728.0	7,073.7
2010/11	6,188.6	1.002	6,200.9	7,264.2
2011/12	6,610.7	1.004	6,637.2	7,496.3
2012/13	6,862.9	1.011	6,938.7	7,247.2

¹ In 31 December 2013 values

G.3 Earned Premium

Table G.3 shows the reported earned premium amounts by calendar year. As for wages, they have been inflated and grossed-up to ultimate estimates by analysing the development of reported premiums for older policy years.

Table G.3 – Earned Premium Data

Accident Year	Reported	Gross-up Factor	Estimated Ultimate	Inflated Ultimate ¹
	\$m		\$m	\$m
2003/04	130.6	1.000	130.6	223.6
2004/05	145.8	1.000	145.8	231.7
2005/06	152.7	1.000	152.7	232.1
2006/07	153.6	1.000	153.6	219.3
2007/08	148.8	1.000	148.8	209.4
2008/09	140.3	1.000	140.3	186.1
2009/10	145.3	1.000	145.3	179.4
2010/11	149.7	1.005	150.5	176.3
2011/12	157.4	1.015	159.7	180.4
2012/13	163.7	1.025	167.8	175.3

¹ In 31 December 2013 values

G.4 Historical Premium Rates

Table G.4 shows the calculation of the historical premium rate. The earned premiums and wages have both been grossed up to ultimate as discussed above, and are expressed in December 2013 values.

Table G.4 – Calculation of Premium Rate

Accident Year	Gross Earned Premium	Gross Earned Wages	Premium to Wages
	\$m	\$m	
2003/04	130.6	3,555.1	3.67%
2004/05	145.8	4,135.0	3.53%
2005/06	152.7	4,355.3	3.51%
2006/07	153.6	4,868.2	3.16%
2007/08	148.8	5,398.4	2.76%
2008/09	140.3	5,651.2	2.48%
2009/10	145.3	5,728.0	2.54%
2010/11	150.5	6,200.9	2.43%
2011/12	159.7	6,637.2	2.41%
2012/13	167.8	6,938.7	2.42%

H Recommended Rates by ANZSIC Division

ACT Workers' Compensation Scheme Review

H.1 Premium Rates by ANZSIC Class

ANZSIC	Description	Rel. Group	Estimated Wages for 2014/15 (\$m)	Claim Freq Rel - last 3 years	Capped Claim Cost Rel - last 5 years	2014/15 Selected Relativity	2014/15 Suggested Premium Rate
0111	Plant Nurseries	1	1.2	251	106	200	4.86%
0123	Sheep-Beef Cattle Farming	5	0.9	259	175	350	8.51%
0124	Sheep Farming	5	0.2	486	1,511	350	8.51%
0125	Beef Cattle Farming	5	0.1	0	0	350	8.51%
0142	Poultry Farming (Eggs)	6	2.5	87	284	250	6.08%
0219	Services to Agriculture n.e.c.	8	1.0	241	83	260	6.32%
0301	Forestry	10	0.1	0	0	550	13.37%
0302	Logging	10	0.8	907	640	550	13.37%
0303	Services to Forestry	11	0.9	91	153	350	8.51%
1411	Gravel and Sand Quarrying	14	1.0	246	678	250	6.08%
1419	Construction Material Mining n.e.c.	13	28.1	382	188	250	6.08%
2129	Dairy Product Manufacturing n.e.c.	17	6.7	85	32	250	6.08%
2130	Fruit and Vegetable Processing	17	0.1	0	0	250	6.08%
2161	Bread Manufacturing	18	5.7	221	49	250	6.08%
2163	Biscuit Manufacturing	18	0.1	0	0	250	6.08%
2179	Food Manufacturing n.e.c.	18	0.6	139	2	250	6.08%
2181	Soft Drink, Cordial and Syrup Manufacturing	18	0.8	263	152	250	6.08%
2183	Wine Manufacturing	18	0.4	122	13	250	6.08%
2221	Made-Up Textile Product Manufacturing	23	0.1	376	499	120	2.92%
2249	Clothing Manufacturing n.e.c.	24	0.3	0	0	180	4.37%
2311	Log Sawmilling	25	0.9	801	80	400	9.72%
2313	Timber Resawing and Dressing	27	0.5	200	17	270	6.56%
2323	Wooden Structural Component Manufacturing	28	13.4	253	455	300	7.29%
2329	Wood Product Manufacturing n.e.c.	29	0.6	102	245	190	4.62%
2412	Printing	30	55.8	106	89	90	2.19%
2413	Services to Printing	30	1.1	0	8	90	2.19%
2421	Newspaper Printing or Publishing	30	12.6	28	42	90	2.19%
2422	Other Periodical Publishing	30	2.7	29	8	90	2.19%
2423	Book and Other Publishing	30	2.3	32	69	90	2.19%
2520	Petroleum and Coal Product Manufacturing n.e.c.	31	1.2	59	52	300	7.29%
2531	Fertiliser Manufacturing	32	0.1	0	0	180	4.37%
2543	Medicinal and Pharmaceutical Product Manufacturing	40	2.6	0	4	60	1.46%
2547	Ink Manufacturing	28	0.1	0	0	300	7.29%
2562	Plastic Extruded Product Manufacturing	34	0.2	0	0	300	7.29%
2564	Plastic Product, Rigid Fibre Reinforced, Manufacturing	34	0.1	539	475	300	7.29%
2610	Glass and Glass Product Manufacturing	35	1.0	549	232	500	12.15%
2633	Concrete Slurry Manufacturing	33	4.6	66	476	140	3.40%
2635	Concrete Product Manufacturing n.e.c.	36	0.9	77	183	200	4.86%
2640	Non-Metallic Mineral Product Manufacturing n.e.c.	36	2.3	36	524	200	4.86%
2741	Structural Steel Fabricating	31	4.1	409	283	300	7.29%
2742	Architectural Aluminium Product Manufacturing	31	15.0	201	234	300	7.29%
2749	Structural Metal Product Manufacturing n.e.c.	31	3.7	273	95	300	7.29%
2759	Sheet Metal Product Manufacturing n.e.c.	37	4.6	129	263	200	4.86%
2762	Spring and Wire Product Manufacturing	31	0.4	1,078	1,270	300	7.29%
2764	Metal Coating and Finishing	31	0.3	0	0	300	7.29%
2769	Fabricated Metal Product Manufacturing n.e.c.	31	6.5	292	230	300	7.29%
2819	Automotive Component Manufacturing n.e.c.	39	0.3	805	8,055	150	3.65%
2824	Aircraft Manufacturing	39	2.1	82	4	150	3.65%
2832	Medical and Surgical Equipment Manufacturing	40	1.0	0	0	60	1.46%
2839	Professional and Scientific Equipment Manufacturing n.e.c.	40	0.6	0	0	60	1.46%
2841	Computer and Business Machine Manufacturing	40	1.6	249	307	60	1.46%
2842	Telecommunication, Broadcasting and Transceiving Equipment Manufacturing	40	2.7	101	21	60	1.46%
2849	Electronic Equipment Manufacturing n.e.c.	40	1.7	136	252	60	1.46%
2854	Electric Light and Sign Manufacturing	29	0.1	0	0	190	4.62%
2859	Electrical and Equipment Manufacturing n.e.c.	29	1.5	153	420	190	4.62%
2862	Mining and Construction Machinery Manufacturing	39	0.4	190	28	150	3.65%
2865	Lifting and Material Handling Equipment Manufacturing	37	8.9	138	104	200	4.86%
2866	Pump and Compressor Manufacturing	33	0.5	327	442	140	3.40%
2867	Commercial Space Heating and Cooling Equipment Manufacturing	33	1.1	387	99	140	3.40%
2869	Industrial Machinery and Equipment Manufacturing n.e.c.	33	7.7	71	14	140	3.40%
2911	Prefabricated Metal Building Manufacturing	41	0.2	0	0	450	10.94%
2919	Prefabricated Building Manufacturing n.e.c.	41	0.8	117	81	450	10.94%
2921	Wooden Furniture and Upholstered Seat Manufacturing	29	14.4	221	111	190	4.62%
2922	Sheet Metal Furniture Manufacturing	41	0.5	0	7	450	10.94%
2929	Furniture Manufacturing n.e.c.	33	24.0	169	142	140	3.40%
2941	Jewellery and Silverware Manufacturing	40	0.3	0	0	60	1.46%
2949	Manufacturing n.e.c.	34	0.8	101	8	300	7.29%
3610	Electricity Supply	57	47.2	321	116	150	3.65%
3620	Gas Supply	43	13.8	97	91	110	2.67%
3701	Water Supply	42	71.0	33	16	70	1.70%
3702	Sewerage and Drainage Services	42	2.5	53	39	70	1.70%
4111	House Construction	44	50.6	136	126	150	3.65%
4112	Residential Building Construction n.e.c.	44	23.7	80	175	150	3.65%
4113	Non-Residential Building Construction	44	127.8	88	147	150	3.65%
4121	Road and Bridge Construction	45	40.3	314	371	380	9.23%
4122	Non-Building Construction n.e.c.	130	50.0	241	210	250	6.08%
4210	Site Preparation Services	46	54.3	204	291	250	6.08%
4221	Concreting Services	49	27.3	195	556	500	12.15%
4222	Bricklaying Services	49	14.6	439	521	500	12.15%
4223	Roofing Services	49	12.3	299	424	500	12.15%
4224	Structural Steel Erection Services	49	12.8	380	692	500	12.15%
4231	Plumbing Services	47	71.1	217	261	230	5.59%
4232	Electrical Services	48	116.0	147	90	120	2.92%
4233	Air Conditioning and Heating Services	47	65.7	181	206	230	5.59%
4234	Fire and Security System Services	48	40.2	132	131	120	2.92%

ACT Workers' Compensation Scheme Review

H.1 Premium Rates by ANZSIC Class

ANZSIC	Description	Rel. Group	Estimated Wages for 2014/15 (\$m)	Claim Freq Rel - last 3 years	Capped Claim Cost Rel - last 5 years	2014/15 Selected Relativity	2014/15 Suggested Premium Rate
4241	Plastering and Ceiling Services	124	18.6	162	243	260	6.32%
4242	Carpentry Services	124	47.2	264	266	260	6.32%
4243	Tiling and Carpeting Services	31	16.2	158	275	300	7.29%
4244	Painting and Decorating Services	124	23.6	147	263	260	6.32%
4245	Glazing Services	124	6.0	363	407	260	6.32%
4251	Landscaping Services	50	33.8	319	346	350	8.51%
4259	Construction Services n.e.c.	31	34.4	193	433	300	7.29%
4512	Cereal Grain Wholesaling	51	0.2	354	8	100	2.43%
4519	Farm Produce and Supplies Wholesaling n.e.c.	51	1.2	358	538	100	2.43%
4521	Petroleum Product Wholesaling	43	3.0	59	9	110	2.67%
4522	Metal and Mineral Wholesaling	43	8.4	142	211	110	2.67%
4523	Chemical Wholesaling	43	2.9	113	67	110	2.67%
4531	Timber Wholesaling	23	2.3	268	307	120	2.92%
4539	Building Supplies Wholesaling n.e.c.	123	26.0	155	172	160	3.89%
4611	Farm and Construction Machinery Wholesaling	52	0.7	0	12	140	3.40%
4612	Professional Equipment Wholesaling	53	7.5	29	40	50	1.22%
4613	Computer Wholesaling	83	49.4	26	32	15	0.36%
4614	Business Machine Wholesaling n.e.c.	53	15.2	61	41	50	1.22%
4615	Electrical and Electronic Equipment Wholesaling n.e.c.	53	37.4	45	51	50	1.22%
4619	Machinery and Equipment Wholesaling n.e.c.	54	13.1	129	103	120	2.92%
4621	Car Wholesaling	52	1.3	72	69	140	3.40%
4622	Commercial Vehicle Wholesaling	52	0.2	0	0	140	3.40%
4623	Motor Vehicle New Part Dealing	52	14.9	218	112	140	3.40%
4624	Motor Vehicle Dismantling and Used Part Dealing	52	0.2	0	0	140	3.40%
4711	Meat Wholesaling	56	1.8	52	103	300	7.29%
4712	Poultry and Smallgood Wholesaling	56	0.8	276	382	300	7.29%
4713	Dairy Produce Wholesaling	56	0.3	0	865	300	7.29%
4714	Fish Wholesaling	56	0.1	0	0	300	7.29%
4715	Fruit and Vegetable Wholesaling	56	2.1	71	134	300	7.29%
4716	Confectionery and Soft Drink Wholesaling	52	5.5	111	126	140	3.40%
4717	Liquor Wholesaling	52	3.1	135	98	140	3.40%
4718	Tobacco Product Wholesaling	52	0.6	0	0	140	3.40%
4719	Grocery Wholesaling n.e.c.	56	15.6	198	263	300	7.29%
4721	Textile Product Wholesaling	52	0.3	0	0	140	3.40%
4722	Clothing Wholesaling	52	2.0	52	1	140	3.40%
4731	Household Appliance Wholesaling	23	0.9	75	33	120	2.92%
4732	Furniture Wholesaling	52	0.6	135	933	140	3.40%
4733	Floor Covering Wholesaling	52	1.3	57	8	140	3.40%
4739	Household Good Wholesaling n.e.c.	52	6.9	426	492	140	3.40%
4793	Toy and Sporting Good Wholesaling	52	0.1	0	0	140	3.40%
4794	Book and Magazine Wholesaling	52	0.9	0	0	140	3.40%
4795	Paper Product Wholesaling	23	6.0	82	237	120	2.92%
4796	Pharmaceutical and Toiletry Wholesaling	52	10.6	108	110	140	3.40%
4799	Wholesaling n.e.c.	23	0.9	81	490	120	2.92%
5110	Supermarket and Grocery Stores	125	128.0	301	367	320	7.78%
5121	Fresh Meat, Fish and Poultry Retailing	59	8.9	177	130	110	2.67%
5122	Fruit and Vegetable Retailing	60	5.7	36	147	110	2.67%
5123	Liquor Retailing	60	3.8	84	5	110	2.67%
5124	Bread and Cake Retailing	60	15.6	89	95	110	2.67%
5125	Takeaway Food Retailing	59	34.8	116	99	110	2.67%
5126	Milk Vending	59	1.4	48	142	110	2.67%
5129	Specialised Food Retailing n.e.c.	60	7.2	96	182	110	2.67%
5210	Department Stores	126	18.6	219	251	250	6.08%
5221	Clothing Retailing	126	56.3	268	223	250	6.08%
5222	Footwear Retailing	58	9.2	124	163	150	3.65%
5223	Fabric and Other Soft Good Retailing	61	6.7	185	188	220	5.35%
5231	Furniture Retailing	55	29.3	140	170	140	3.40%
5232	Floor Covering Retailing	61	7.1	214	168	220	5.35%
5233	Domestic Hardware and Houseware Retailing	61	47.3	238	237	220	5.35%
5234	Domestic Appliance Retailing	62	34.3	67	50	60	1.46%
5235	Recorded Music Retailing	62	10.0	79	42	60	1.46%
5241	Sport and Camping Equipment Retailing	62	15.9	73	19	60	1.46%
5242	Toy and Game Retailing	62	4.9	248	302	60	1.46%
5243	Newspaper, Book and Stationery Retailing	62	16.2	88	68	60	1.46%
5244	Photographic Equipment Retailing	62	0.9	0	0	60	1.46%
5251	Pharmaceutical, Cosmetic and Toiletry Retailing	62	44.3	77	34	60	1.46%
5252	Antique and Used Good Retailing	62	0.7	62	4	60	1.46%
5253	Garden Equipment Retailing	61	6.9	146	160	220	5.35%
5254	Flower Retailing	55	3.7	269	117	140	3.40%
5255	Watch and Jewellery Retailing	62	13.4	68	136	60	1.46%
5259	Retailing n.e.c.	64	50.1	206	212	210	5.10%
5261	Household Equipment Repair Services (Electrical)	55	7.4	169	93	140	3.40%
5269	Household Equipment Repair Services n.e.c.	55	5.9	90	8	140	3.40%
5311	Car Retailing	65	94.1	91	92	110	2.67%
5312	Motor Cycle Dealing	65	5.2	135	84	110	2.67%
5313	Trailer and Caravan Dealing	65	0.3	0	0	110	2.67%
5321	Automotive Fuel Retailing	55	9.6	140	275	140	3.40%
5322	Automotive Electrical Services	55	4.1	37	18	140	3.40%
5323	Smash Repairing	65	22.1	116	176	110	2.67%
5324	Tyre Retailing	65	7.3	159	278	110	2.67%
5329	Automotive Repair and Services n.e.c.	65	40.8	112	90	110	2.67%
5710	Accommodation	67	92.5	263	143	170	4.13%
5720	Pubs, Taverns and Bars	69	16.7	136	164	180	4.37%
5730	Cafes and Restaurants	68	224.2	102	106	100	2.43%
5740	Clubs (Hospitality)	69	78.6	167	182	180	4.37%

ACT Workers' Compensation Scheme Review

H.1 Premium Rates by ANZSIC Class

ANZSIC	Description	Rel. Group	Estimated Wages for 2014/15 (\$m)	Claim Freq Rel - last 3 years	Capped Claim Cost Rel - last 5 years	2014/15 Selected Relativity	2014/15 Suggested Premium Rate
6110	Road Freight Transport	70	27.5	314	630	500	12.15%
6121	Long Distance Bus Transport	70	5.4	317	558	500	12.15%
6122	Short Distance Bus Transport (Including Tramway)	71	1.5	21	165	250	6.08%
6123	Taxi and Other Road Passenger Transport	71	5.7	163	388	250	6.08%
6200	Rail Transport	73	0.7	0	32	150	3.65%
6402	Scheduled Domestic Air Transport	74	35.6	159	104	120	2.92%
6403	Non-Scheduled Air and Space Transport	74	0.2	152	126	120	2.92%
6509	Transport n.e.c.	75	6.2	87	225	210	5.10%
6611	Parking Services	74	0.8	265	674	120	2.92%
6619	Services to Road Transport n.e.c.	75	0.8	0	0	210	5.10%
6629	Services to Water Transport n.e.c.	77	1.7	193	1	130	3.16%
6630	Services to Air Transport	78	10.6	301	275	180	4.37%
6641	Travel Agency Services	62	19.7	41	37	60	1.46%
6642	Road Freight Forwarding	79	1.6	163	698	200	4.86%
6643	Freight Forwarding (Except Road)	79	0.3	0	0	200	4.86%
6644	Customs Agency Services	80	0.1	0	0	30	0.73%
6649	Services to Transport n.e.c.	79	3.2	219	404	200	4.86%
6709	Storage n.e.c.	81	9.4	157	520	220	5.35%
7111	Postal Services	62	16.5	30	83	60	1.46%
7112	Courier Services	71	12.9	290	240	250	6.08%
7120	Telecommunication Services	84	45.1	42	29	30	0.73%
7321	Banks	84	12.5	6	33	30	0.73%
7322	Building Societies	84	1.5	0	5	30	0.73%
7323	Credit Unions	85	13.2	114	78	90	2.19%
7329	Deposit Taking Financiers n.e.c.	84	0.2	0	0	30	0.73%
7330	Other Financiers	84	1.3	162	149	30	0.73%
7340	Financial Asset Investors	84	2.9	0	0	30	0.73%
7411	Life Insurance	84	0.2	0	0	30	0.73%
7412	Superannuation Funds	84	5.2	14	12	30	0.73%
7421	Health Insurance	84	1.9	93	6	30	0.73%
7422	General Insurance	85	15.4	115	88	90	2.19%
7511	Financial Asset Broking Services	131	13.3	23	11	15	0.36%
7519	Services to Finance and Investment n.e.c.	131	55.3	14	4	15	0.36%
7520	Services to Insurance	84	23.8	43	41	30	0.73%
7711	Residential Property Operators	84	3.1	89	236	30	0.73%
7712	Commercial Property Operators and Developers	84	40.8	34	21	30	0.73%
7720	Real Estate Agents	84	125.1	34	23	30	0.73%
7741	Motor Vehicle Hiring	88	7.6	168	163	200	4.86%
7742	Other Transport Equipment Leasing	88	0.2	0	0	200	4.86%
7743	Plant Hiring or Leasing	88	16.0	136	233	200	4.86%
7810	Scientific Research	84	51.3	50	38	30	0.73%
7821	Architectural Services	83	40.9	14	19	15	0.36%
7822	Surveying Services	84	18.8	52	75	30	0.73%
7823	Consulting Engineering Services	83	187.6	22	16	15	0.36%
7829	Technical Services n.e.c.	84	31.3	47	20	30	0.73%
7831	Data Processing Services	84	7.4	29	13	30	0.73%
7832	Information Storage and Retrieval Services	84	8.4	0	20	30	0.73%
7833	Computer Maintenance Services	84	20.8	13	80	30	0.73%
7834	Computer Consultancy Services	83	1,441.1	9	12	15	0.36%
7841	Legal Services	84	118.1	42	37	30	0.73%
7842	Accounting Services	83	178.5	12	13	15	0.36%
7851	Advertising Services	80	16.5	30	28	30	0.73%
7852	Commercial Art and Display Services	80	16.2	39	22	30	0.73%
7853	Market Research Services	80	16.7	13	25	30	0.73%
7854	Business Administrative Services	128	171.0	49	39	50	1.22%
7855	Business Management Services	80	429.9	28	27	30	0.73%
7861	Employment Placement Services	90	50.9	230	169	190	4.62%
7862	Contract Staff Services	90	9.2	208	312	190	4.62%
7863	Secretarial Services	80	1.9	78	51	30	0.73%
7864	Security and Investigative Services (Except Police)	91	77.6	109	151	150	3.65%
7865	Pest Control Services	92	3.7	230	142	350	8.51%
7866	Cleaning Services	93	92.5	160	275	280	6.80%
7869	Business Services n.e.c.	94	57.5	34	55	60	1.46%
8111	Central Government Administration	95	0.4	0	0	110	2.67%
8113	Local Government Administration	96	1.9	73	113	180	4.37%
8130	Foreign Government Representation	95	35.8	112	88	110	2.67%
8410	Preschool Education	97	4.2	273	70	120	2.92%
8421	Primary Education	97	5.1	197	117	120	2.92%
8422	Secondary Education	98	182.1	72	23	40	0.97%
8423	Combined Primary and Secondary Education	99	112.3	104	94	90	2.19%
8424	Special School Education	97	0.1	364	23	120	2.92%
8431	Higher Education	100	21.3	37	44	40	0.97%
8432	Technical and Further Education	100	10.2	28	94	40	0.97%
8440	Other Education	99	46.3	100	83	90	2.19%
8611	Hospitals (Except Psychiatric Hospitals)	101	52.1	121	82	90	2.19%
8613	Nursing Homes	127	52.9	300	262	260	6.32%
8621	General Practice Medical Services	103	80.4	30	25	35	0.85%
8622	Specialist Medical Services	103	97.5	32	35	35	0.85%
8623	Dental Services	103	52.0	77	35	35	0.85%
8631	Pathology Services	104	3.8	200	183	100	2.43%
8632	Optometry and Optical Dispensing	105	17.8	9	2	20	0.49%
8633	Ambulance Services	101	1.9	82	9	90	2.19%
8634	Community Health Centres	106	11.6	78	75	160	3.89%
8635	Physiotherapy Services	103	18.7	23	22	35	0.85%
8636	Chiropractic Services	103	6.7	131	29	35	0.85%

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H.1 Premium Rates by ANZSIC Class

ANZSIC	Description	Rel. Group	Estimated Wages for 2014/15 (\$m)	Claim Freq Rel - last 3 years	Capped Claim Cost Rel - last 5 years	2014/15 Selected Relativity	2014/15 Suggested Premium Rate
8639	Health Services n.e.c.	106	26.6	170	124	160	3.89%
8640	Veterinary Services	107	16.1	336	80	100	2.43%
8710	Child Care Services	106	112.4	285	139	160	3.89%
8721	Accommodation for the Aged	102	34.7	171	196	180	4.37%
8722	Residential Care Services n.e.c.	102	45.7	196	165	180	4.37%
8729	Non-Residential Care Services n.e.c.	132	57.3	334	267	290	7.05%
9111	Film and Video Production	108	1.6	35	58	40	0.97%
9112	Film and Video Distribution	108	0.2	0	0	40	0.97%
9113	Motion Picture Exhibition	108	5.9	147	12	40	0.97%
9121	Radio Services	109	19.1	19	18	40	0.97%
9122	Television Services	109	25.4	60	19	40	0.97%
9220	Museums	110	3.0	0	30	20	0.49%
9231	Zoological and Botanic Gardens	111	1.1	325	229	200	4.86%
9239	Recreational Parks and Gardens	111	0.5	476	142	200	4.86%
9241	Music and Theatre Productions	112	1.8	118	358	160	3.89%
9242	Creative Arts	112	0.6	0	0	160	3.89%
9252	Performing Arts Venues	112	5.9	231	27	160	3.89%
9259	Services to the Arts n.e.c.	112	3.1	274	443	160	3.89%
9311	Horse and Dog Racing	113	2.9	413	222	450	10.94%
9312	Sports Grounds and Facilities n.e.c.	114	38.9	107	92	100	2.43%
9319	Sports and Services to Sports n.e.c.	133	32.2	55	34	70	1.70%
9321	Lotteries	84	0.5	0	0	30	0.73%
9322	Casinos	115	11.8	127	165	160	3.89%
9329	Gambling Services n.e.c.	115	2.9	90	4	160	3.89%
9330	Other Recreation Services	111	4.5	180	158	200	4.86%
9511	Video Hire Outlets	108	1.3	0	0	40	0.97%
9519	Personal and Household Goods Hiring n.e.c.	129	5.4	133	100	140	3.40%
9521	Laundries and Dry-Cleaners	116	4.8	161	255	230	5.59%
9522	Photographic Film Processing	129	0.9	86	7	140	3.40%
9523	Photographic Studios	129	1.3	61	58	140	3.40%
9524	Funeral Directors, Crematoria and Cemeteries	129	2.9	102	174	140	3.40%
9525	Gardening Services	117	16.7	341	336	400	9.72%
9526	Hairdressing and Beauty Salons	118	43.2	82	94	90	2.19%
9529	Personal Services n.e.c.	112	3.4	70	116	160	3.89%
9610	Religious Organisations	119	32.0	205	45	50	1.22%
9621	Business and Professional Associations	80	195.6	33	25	30	0.73%
9622	Labour Associations	80	8.6	69	61	30	0.73%
9629	Interest Groups n.e.c.	120	50.7	222	132	140	3.40%
9633	Fire Brigade Services	121	1.6	0	0	170	4.13%
9634	Waste Disposal Services	122	14.5	233	392	320	7.78%
9700	Private Households Employing Staff	112	0.8	0	0	160	3.89%