



Injury Schemes Seminar*

Balancing Outcomes

10–12 November 2013
Sheraton Mirage Gold Coast

* Formerly the Accident Compensation Seminar



**Actuaries
Institute**

**Call for Papers
and Presentations**

SYNOPSIS

LARGE CLAIMS COST IN WORKERS' COMPENSATION

Greg Moran and Julie Evans

Key words: large claims, workers' compensation, WorkSafe Victoria

Purpose of your paper: To examine the frequency and size distribution of large claims incurred for a large monopoly workers' compensation insurer. This will help inform pricing and reserving decisions for market participants and may assist with benchmarking for other schemes.

Synopsis: The paper will present the results of an investigation of the frequency and size distribution of large claims incurred for a large monopoly workers' compensation insurer (WorkSafe Victoria). In particular the cost of large claims above large limits such as \$500,000 or \$1,000,000 will be investigated.

The analysis will focus on the more mature claims (the cut-off date is yet to be determined, but is likely to be such that all claims are at least five or six years old). The cost of individual large claims will use both past payments and the statistical case estimate (SCE). Use of a more mature book – at least in the initial stages – will help ensure that most large claims have been reported and recognised in the payments and estimates.

The experience will be grouped by accident year and industry risk group, and will be compared against past exposures – wages and/or FTE. This will provide an indication of trends in part costs and claims rate.

Benefits of the research:

- **Self Insurers** - Each self-insurer is required to purchase excess of loss cover to provide protection from the potential large claim or event (multiple claims from one event). It may be possible to compare a notional cost of large claims for self-insurers in broad industry categories against the excess of loss premiums charged in the market.
- **Actuaries advising self insurers** – One of the more difficult aspects of reserving for small portfolios is establishing the appropriate allowance for large claims. This analysis will provide actuaries with additional information on the scheme experience which may help inform their self insurer valuations.
- **WorkSafe** - The premiums charged by WorkSafe provide unlimited claims cover to all premium paying employers. The past history of large claims cost and trends will enable a hindsight view of the cost and distribution of cost of claims above various limits.
- **Other Underwriters** - The analysis will assist underwriters by providing information on the large claim distribution for a large monopoly workers' compensation underwriter. This may assist with their own pricing, reserving or benchmarking.