

12th Accident Compensation Seminar 2009

Rising to the Challenge



Institute of Actuaries of Australia

Melbourne • 22nd – 24th November 2009

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Long Term Trends in Worker Compensation Claims Incidence

Rod McInnes and Rob Thomson



Introduction & Purpose

- Presentation will focus on results and conclusions
- The aim of this paper is to
 - Analyse long term trends in workers compensation claims incidence
 - Identify underlying trends
 - Assess and quantify causal factors
 - Return historical information to the public domain



Approach

- Claims data from 1926/27
 - 3 Days or more
- ABS Employment data adjusted for scheme exposure
 - Some extrapolation required
- Calculate incidence rates
- Analysis done at scheme and high level industry groups (from 1962/63)

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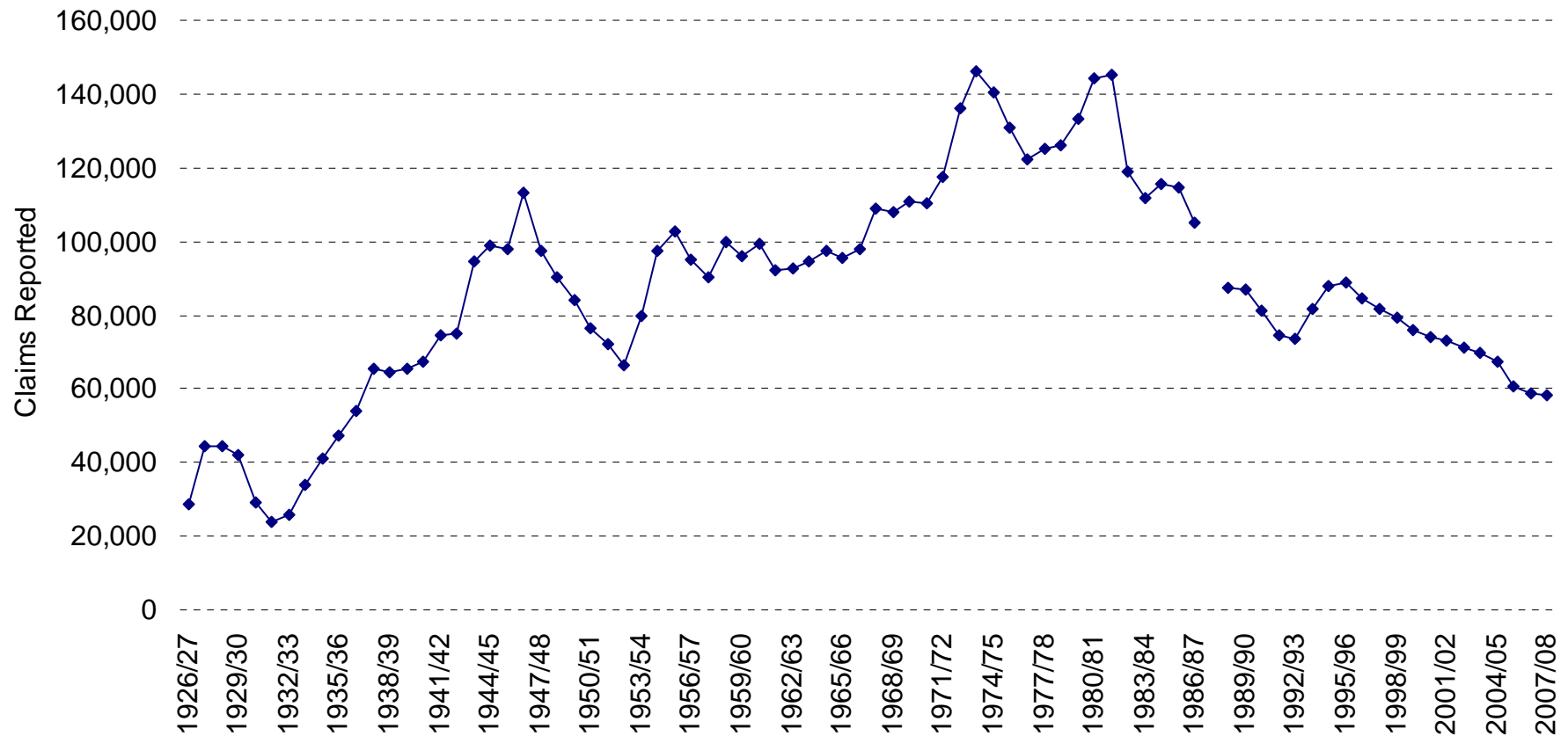
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New Claims Reported



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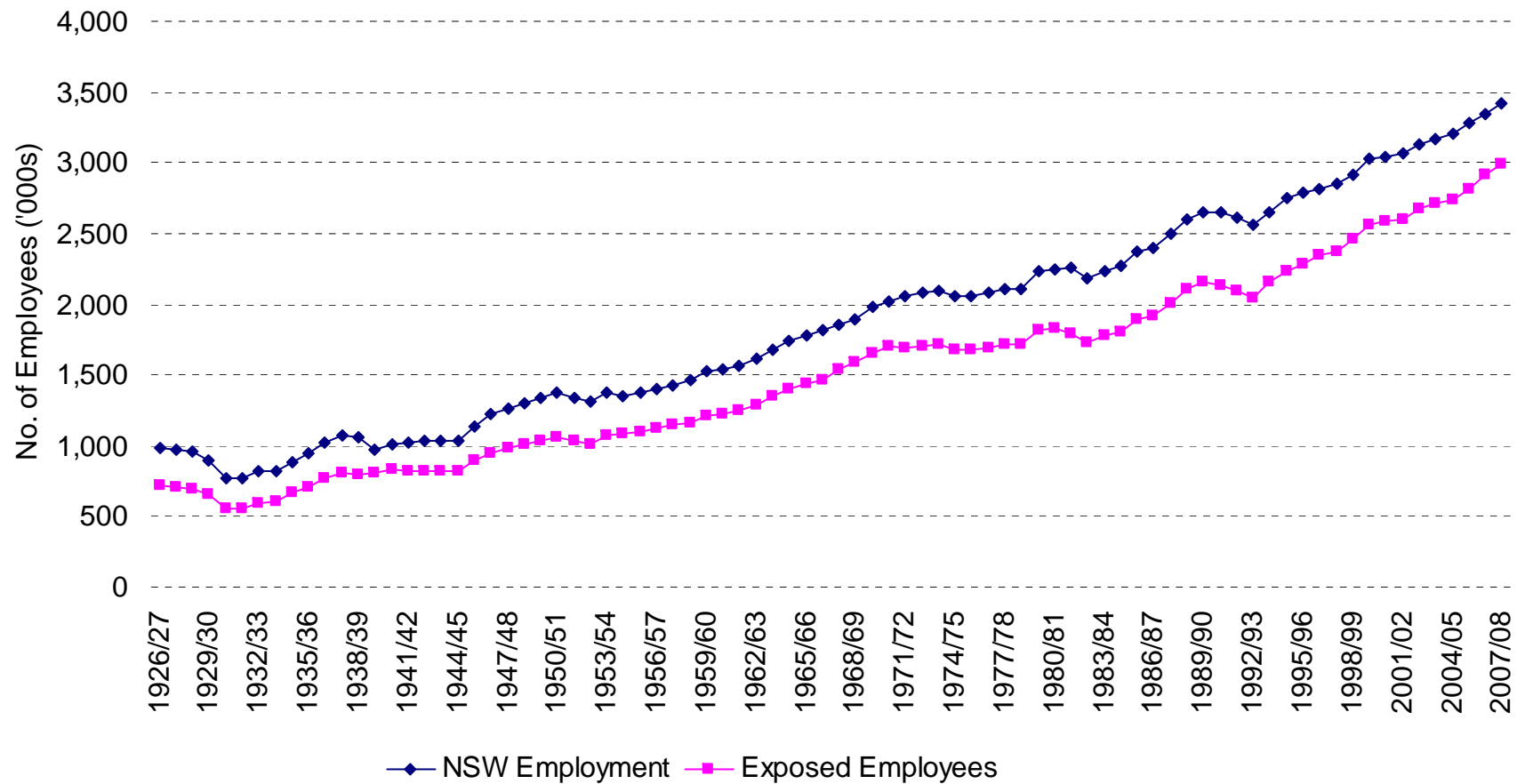
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Employment



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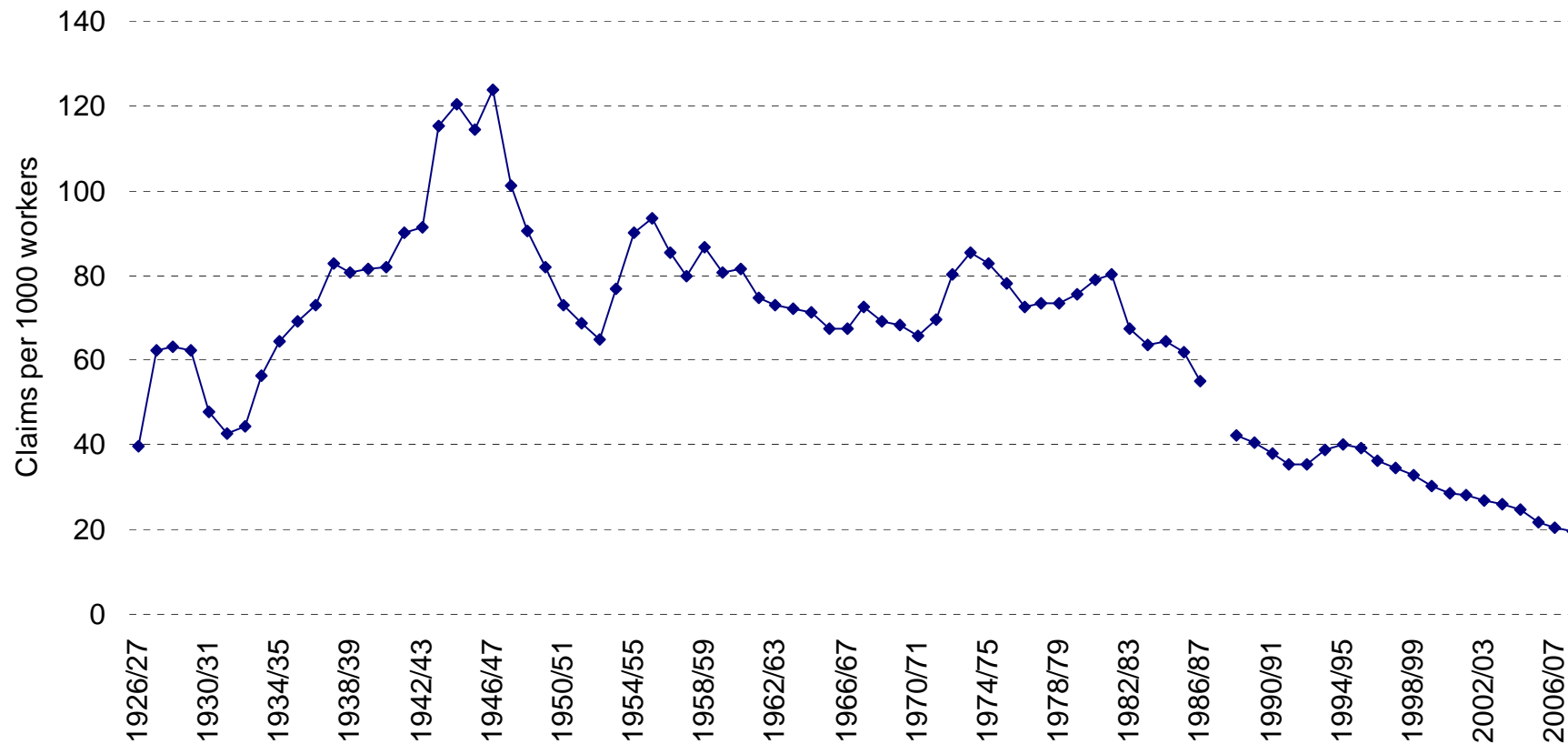
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Incidence Rates



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Causal Factors

We considered:

- Industry Mix
- Economic Trends
- Legislative Changes
- Other factors, including safety improvements

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Industry Mix

- Industry Mix has changed since 1962/63
- Manufacturing reduced
- “Other” industry group grown (finance and service industries)

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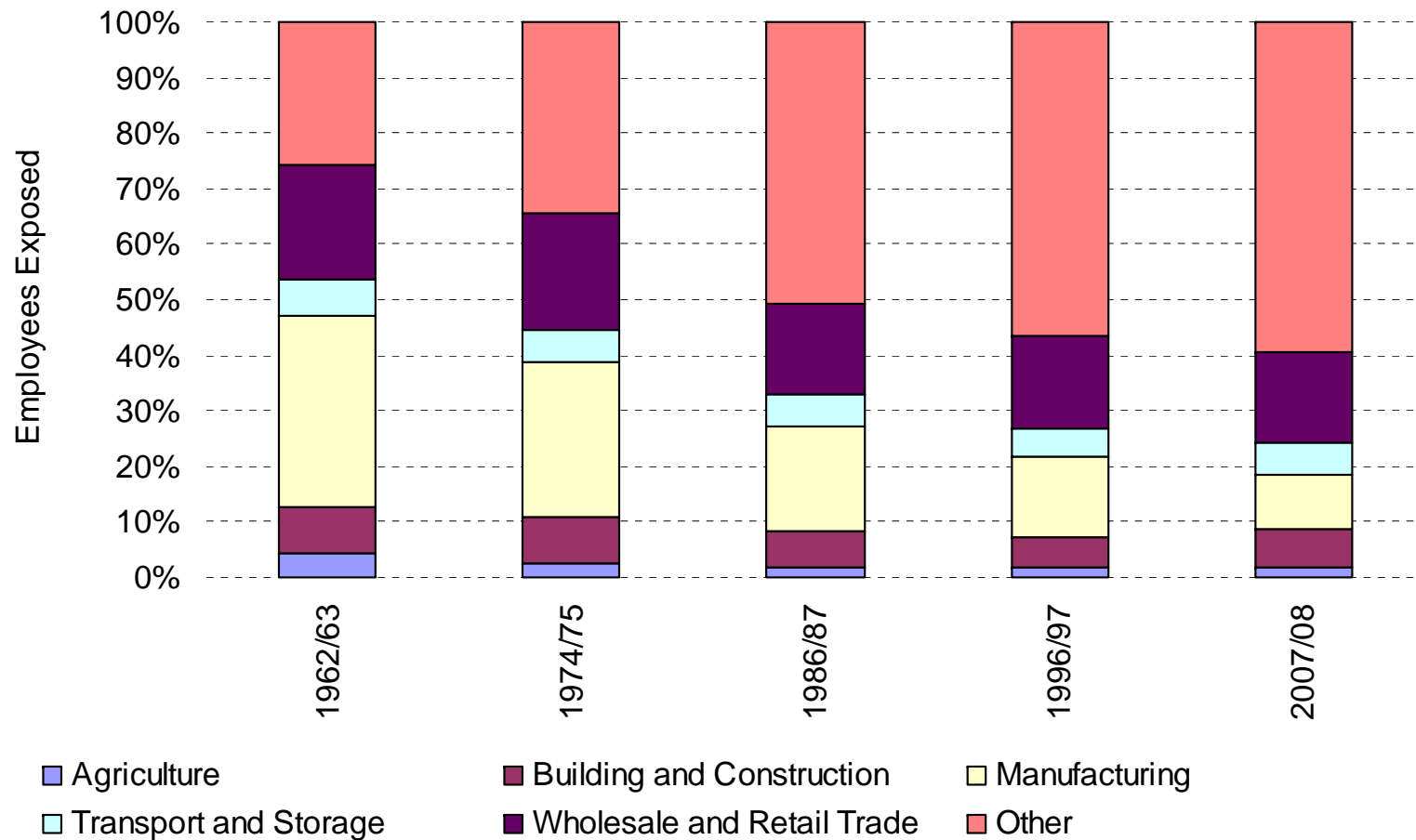
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Industry Mix



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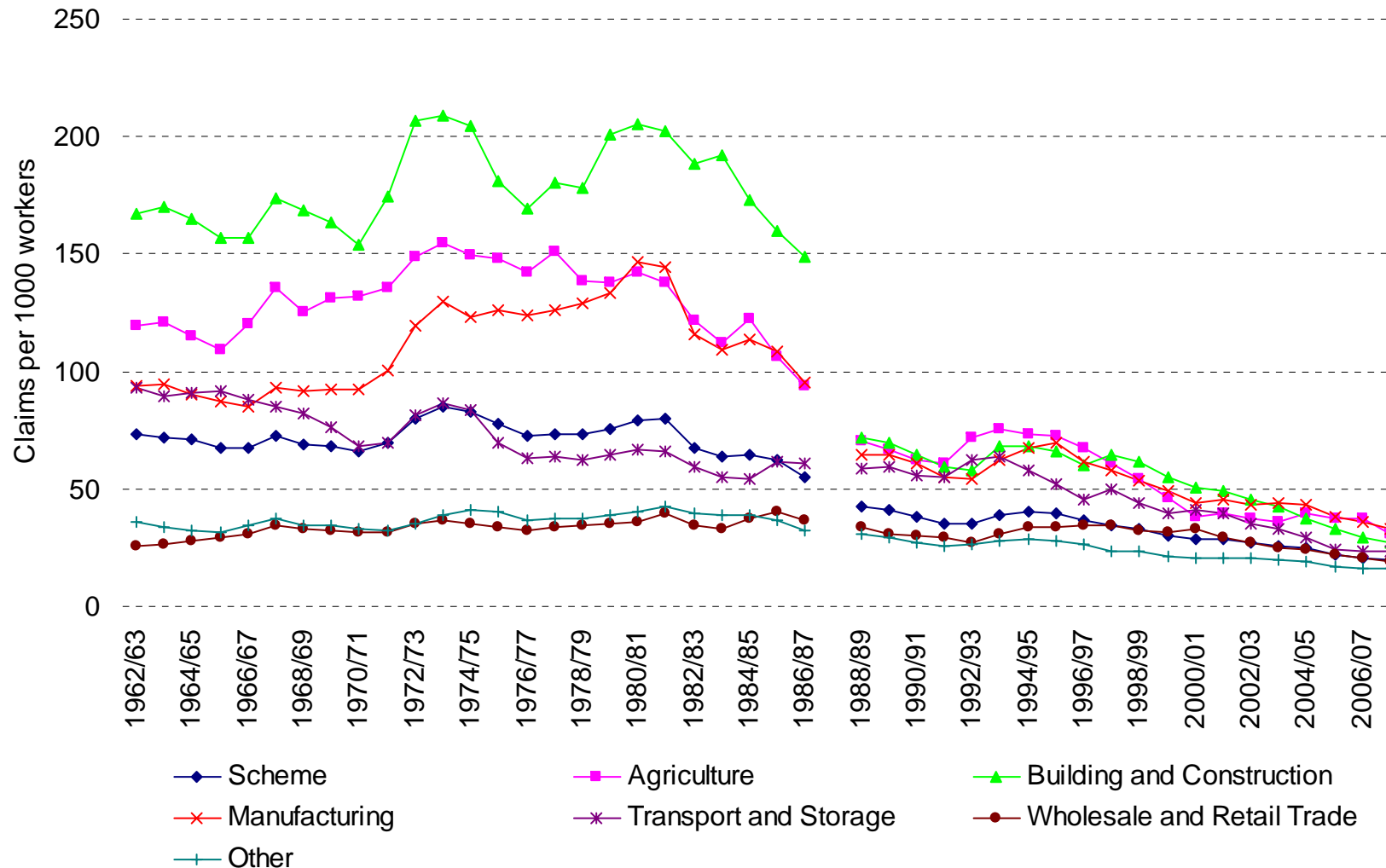
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Incidence Rates



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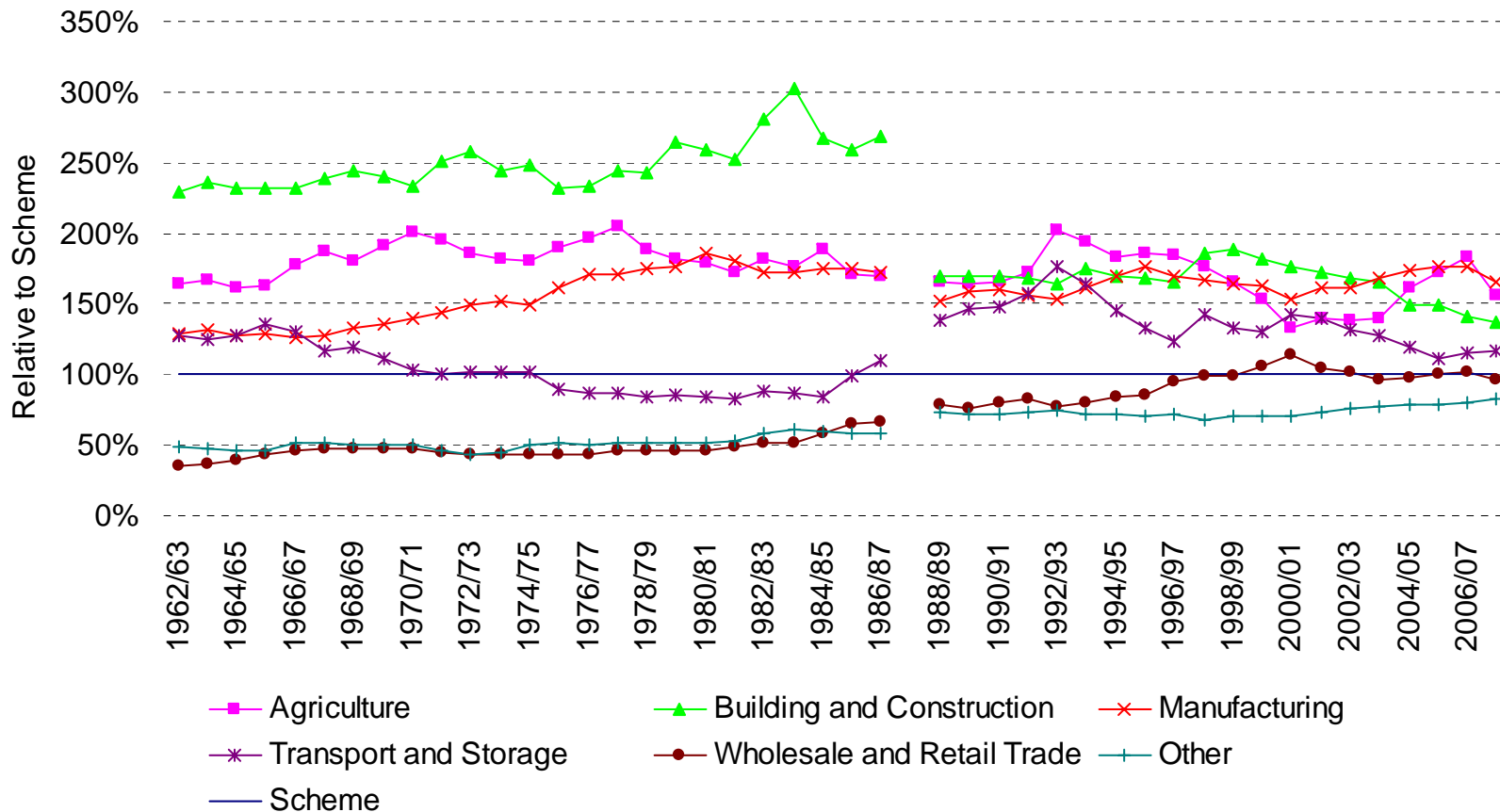
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Relative Incidence Rates





Industry Mix

- Industry mix has changed since 1962/63
- Manufacturing reduced
- “Other” industry group grown (finance and service industries)
- Adjusted for industry mix changes using 2007/08 mix as standard
- Significant impact but only explains a small proportion

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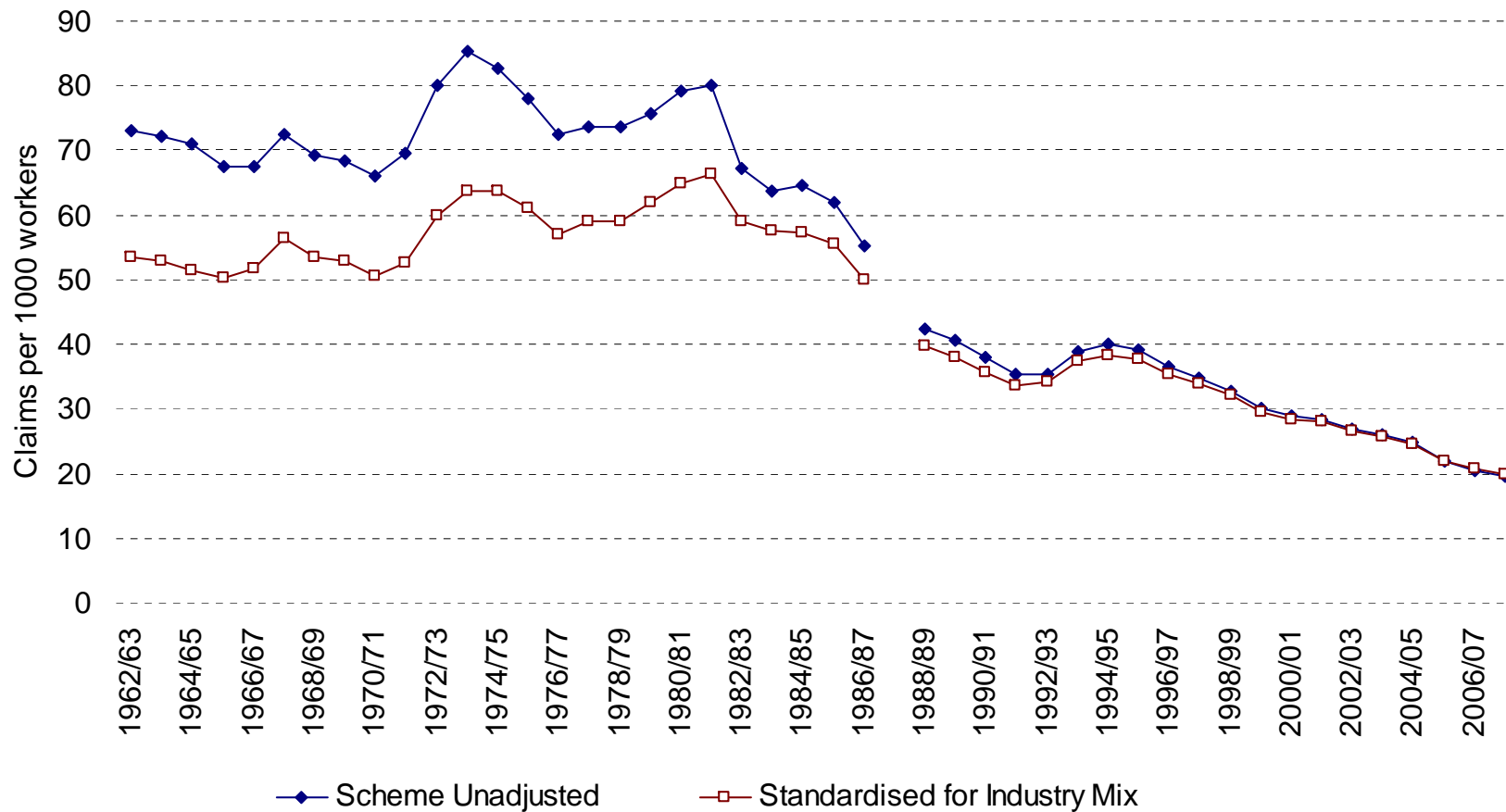
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Industry Adjusted Incidence Rates



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Economic Factors

- Weak positive correlation between movements in GDP and incidence rates
- In recessions incidence rates tend to fall
- Perhaps more interesting to note claims incidence peaks with substantial industrial change

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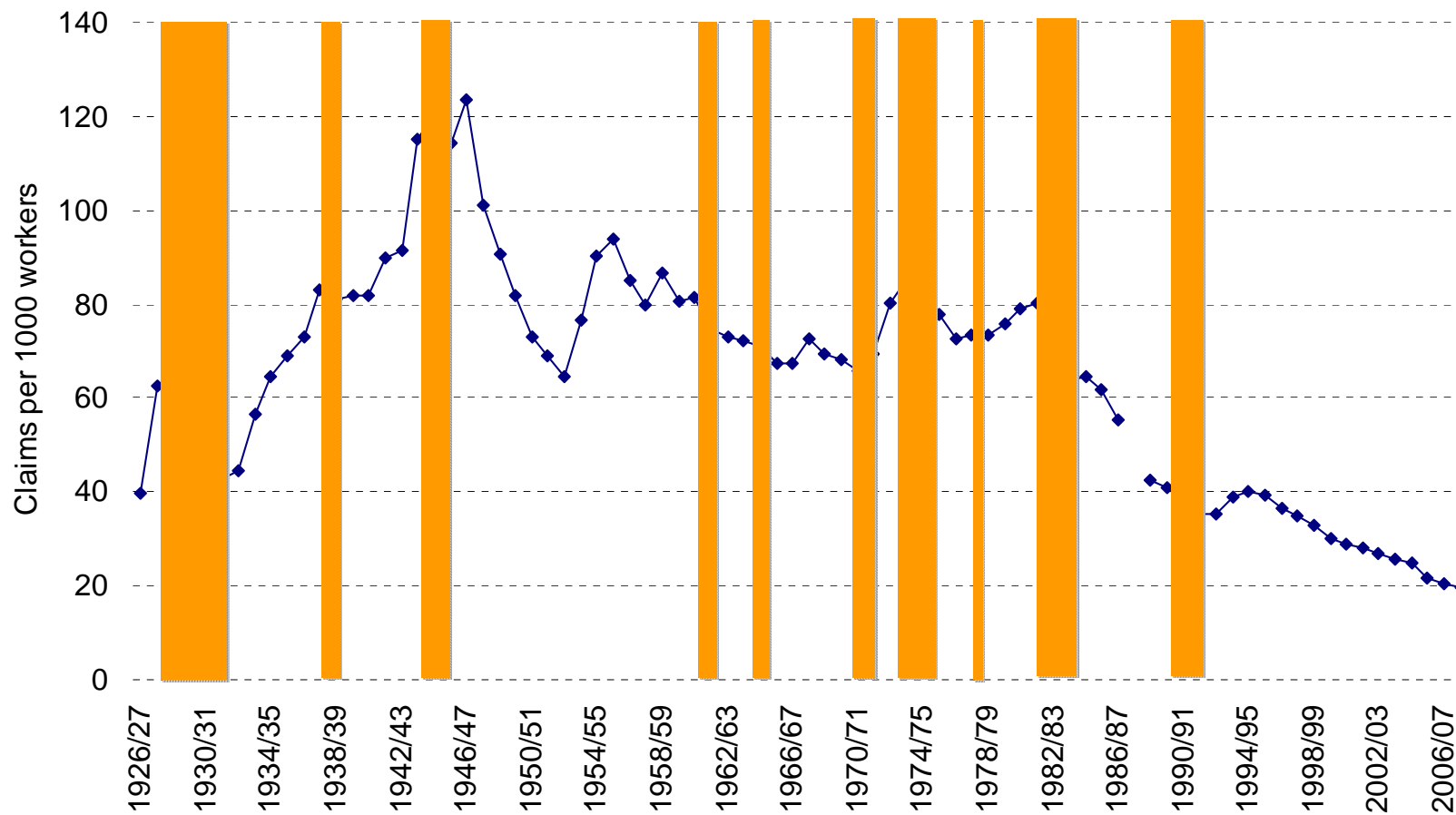
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Incidence Rates and Recessions



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Legislative Changes

- Journey and Deafness claims
- Provisional liability
- Workers Compensation Act 1987
- Occupational Health and Safety Act 1983

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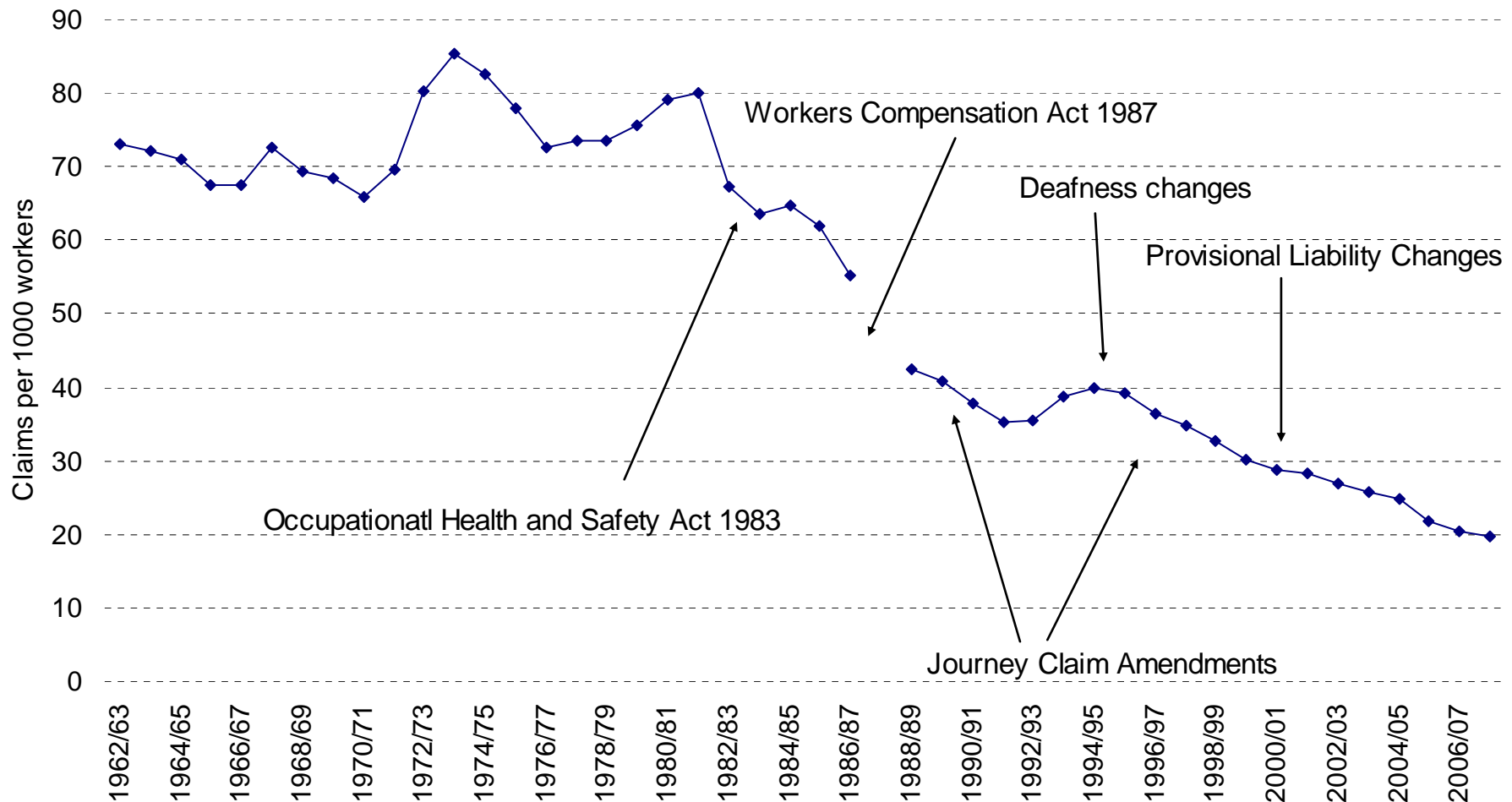
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Legislative Impacts



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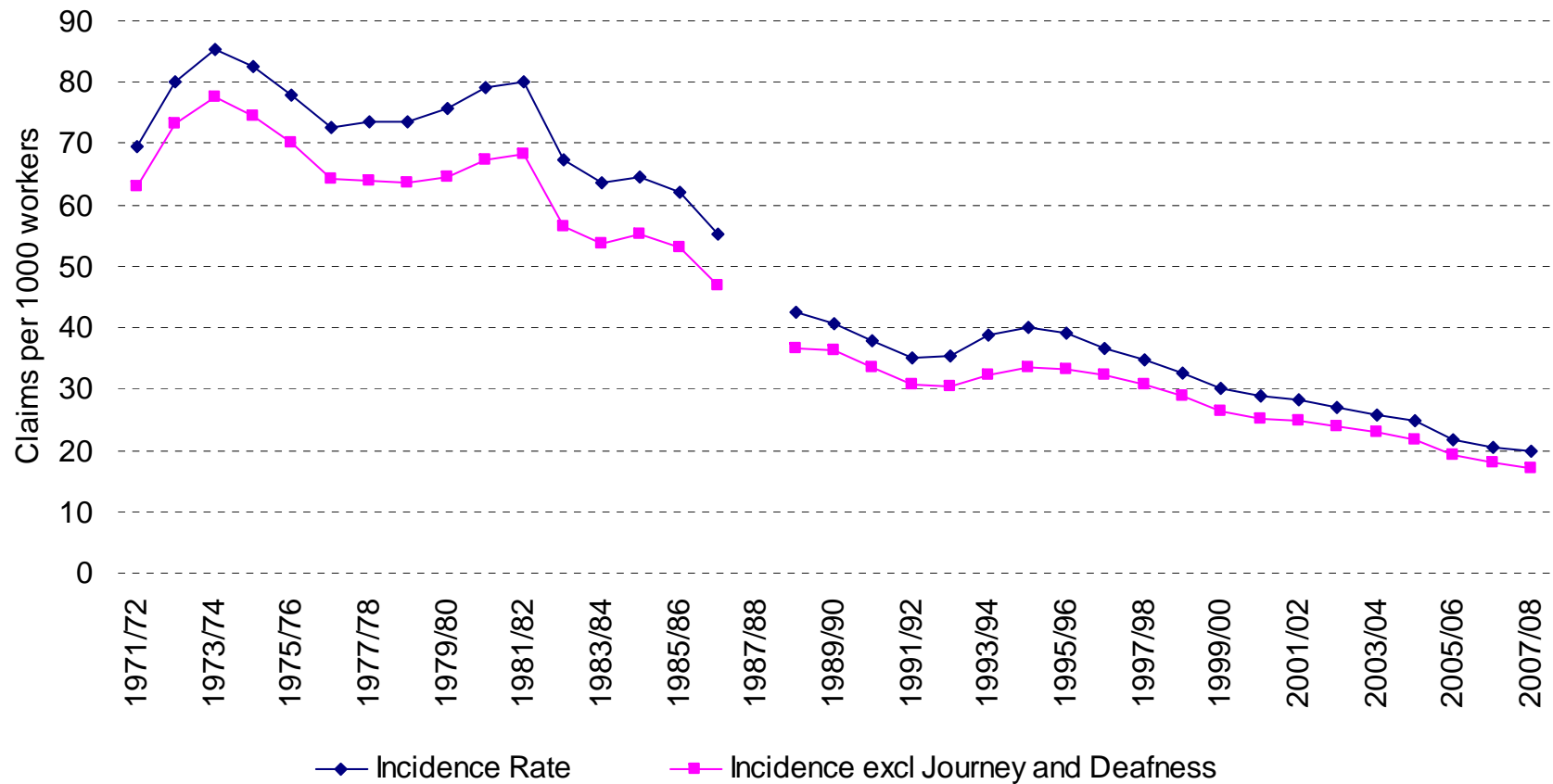
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Deafness and Journey Claims



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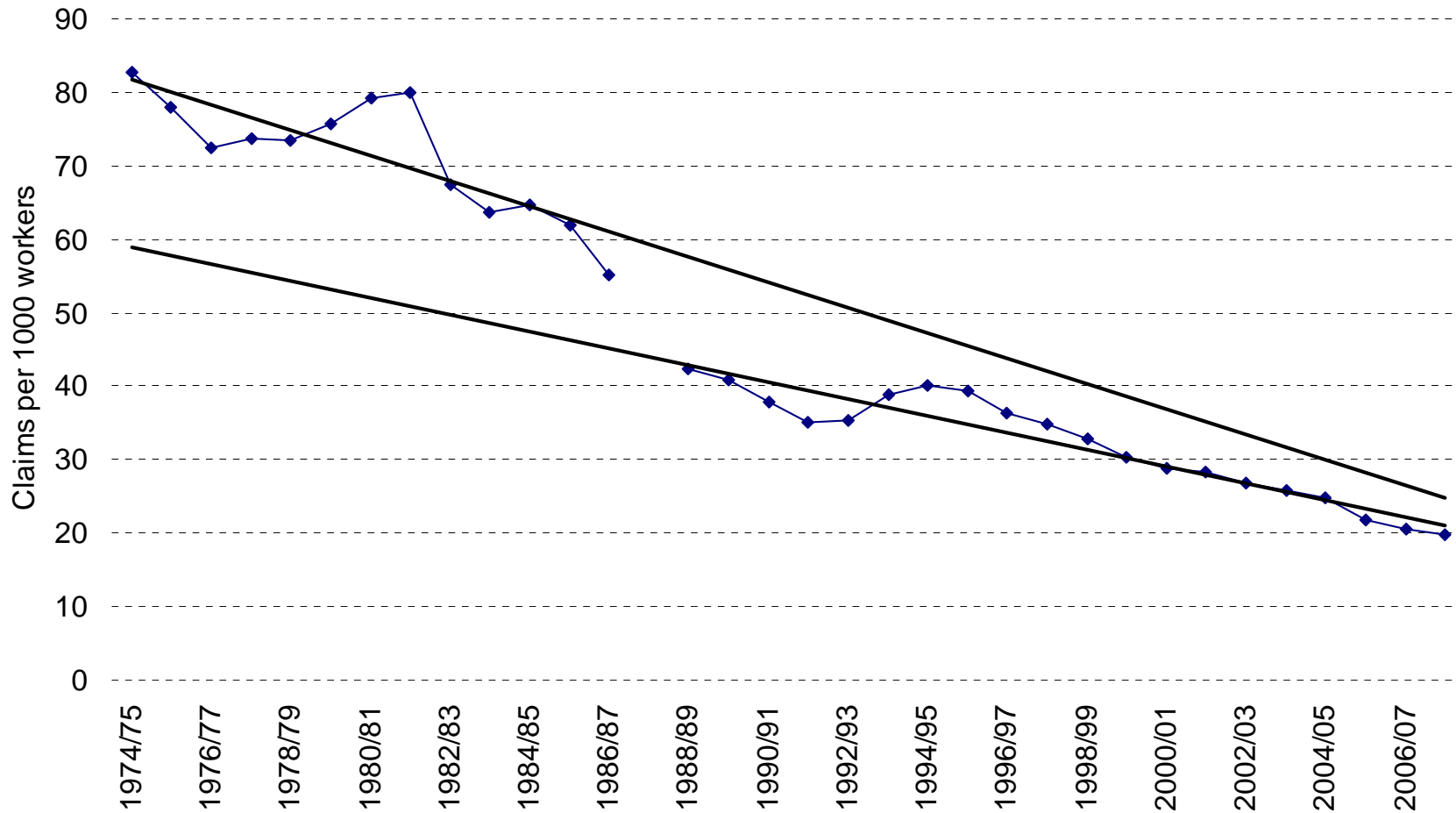
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1987 Act Impact





Health and Safety (1)

- Incidence rates relatively stable from 1938/39 to 1981/82 (at around 80)
- Since 1981/82 has been a long term downward trend
- OH&S Act commenced in 1983
- Is this a coincidence??



Health and Safety (2)

- Since 1981/82 peak incidence rates reduced from 80 to 20 (ie 60 points or 75% reduction)
- Quantified identified impacts
 - Industry Mix – 14 points
 - Economic Effects – 7 points
 - 1987 Act – 10 points
- (Maximum) total quantified impacts 31 points
- Remainder underlying improvements in workplace safety



Health and Safety (2)

- Remainder underlying improvements in workplace safety
- Includes:
 - Improved awareness
 - Better technology
 - Reduced human involvement
 - Stronger community attitudes
 - Better training
 - Improved management



Other Factors

- Aging of the workforce
 - Likely upward effect but not seen
- Alternate systems of support
 - Commonwealth has got tougher on cost shifting
- Propensity to claim
 - Proportions of subjective claims increasing
- Overall not quantified but considered small



Conclusions

- Incidence rates relatively stable up to 1981/82
- Trended down since 1981/82
- Changes in industry mix significant
- Economic activity impacts short term
- The 1987 Act significant one-off effect
- Most substantial factor appears to be improvements in workplace safety
- NSW Workplaces are now safer than ever