

12th Accident Compensation Seminar 2009 Rising to the Challenge

Melbourne 22nd – 24th November 2009



Institute of Actuaries of Australia



Exploring the Impact of Financial Crises on Workers Compensation Schemes (Victoria)

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WorkSafe Victoria

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PricewaterhouseCoopers



Overview

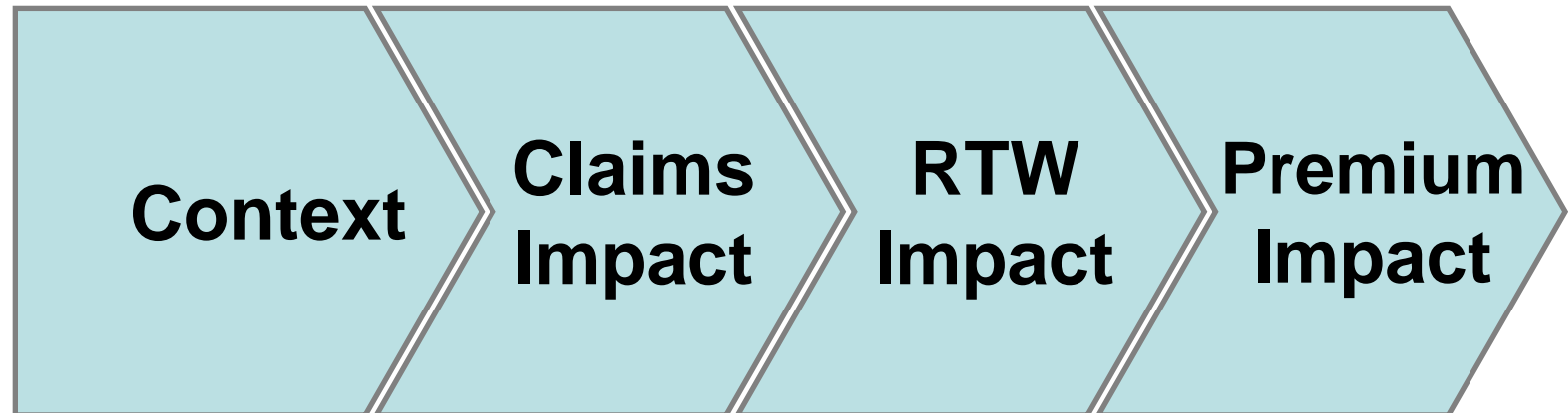
- October 2008
 - Limited knowledge
 - Literature review
 - Historical review
 - Develop hypotheses about impact
 - Inform scheme management
- November 2009
 - Start to assess impact
- Thanks to schemes for participating

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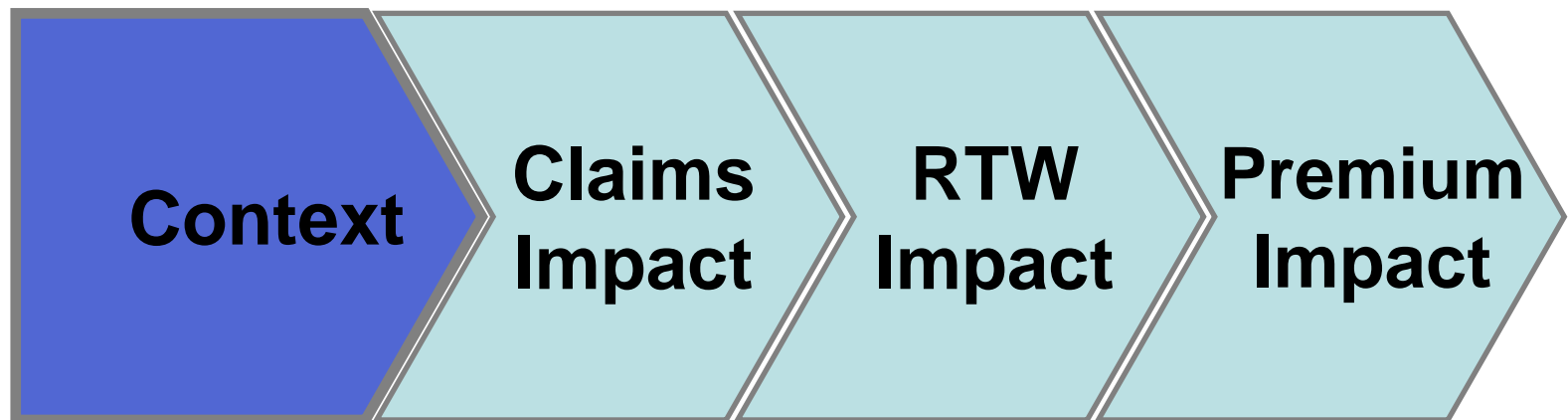
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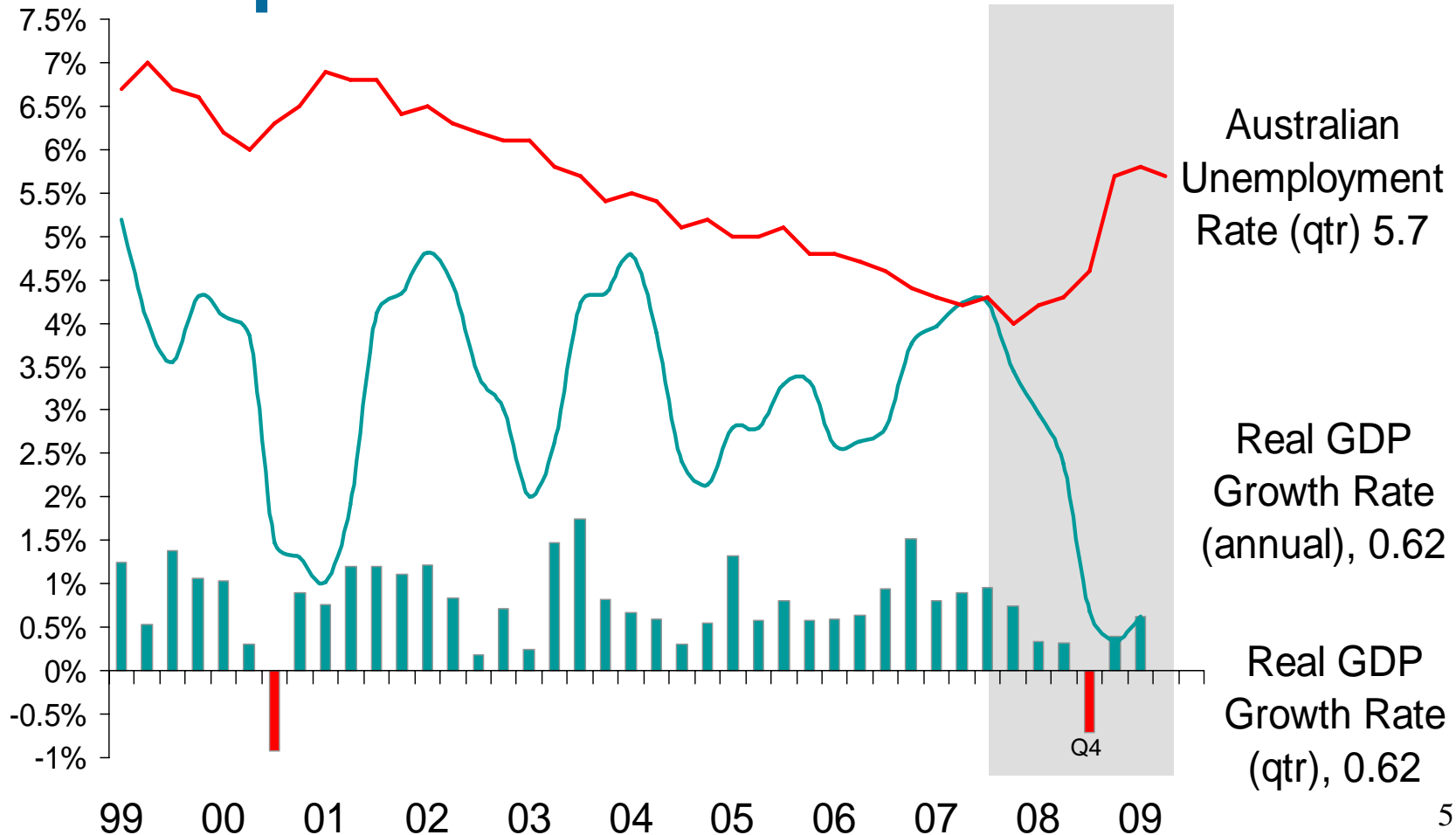
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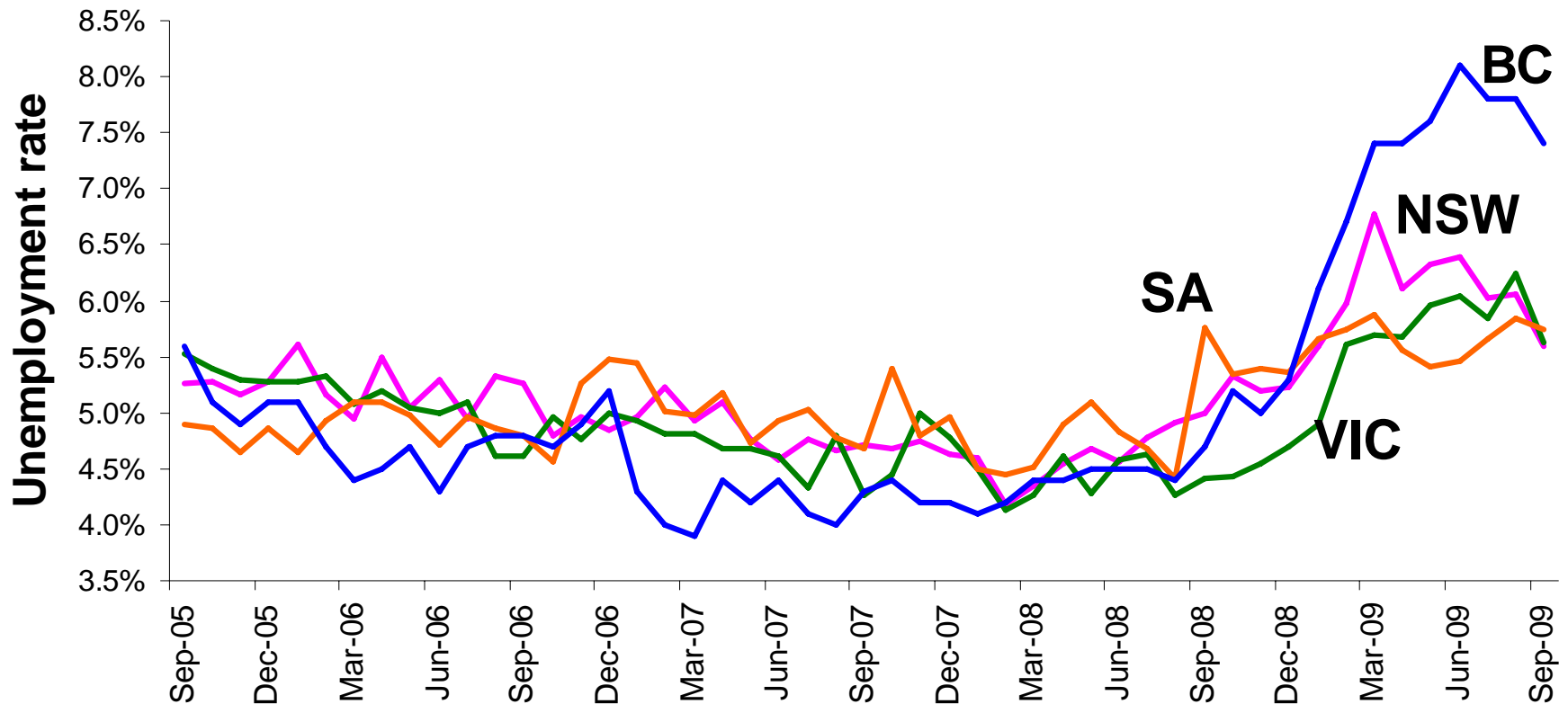


Unemployment & GDP has seen a sharp turnaround in recent months





While Australian States have been impacted by the GFC, BC has fared worse



Note: BC = British Columbia

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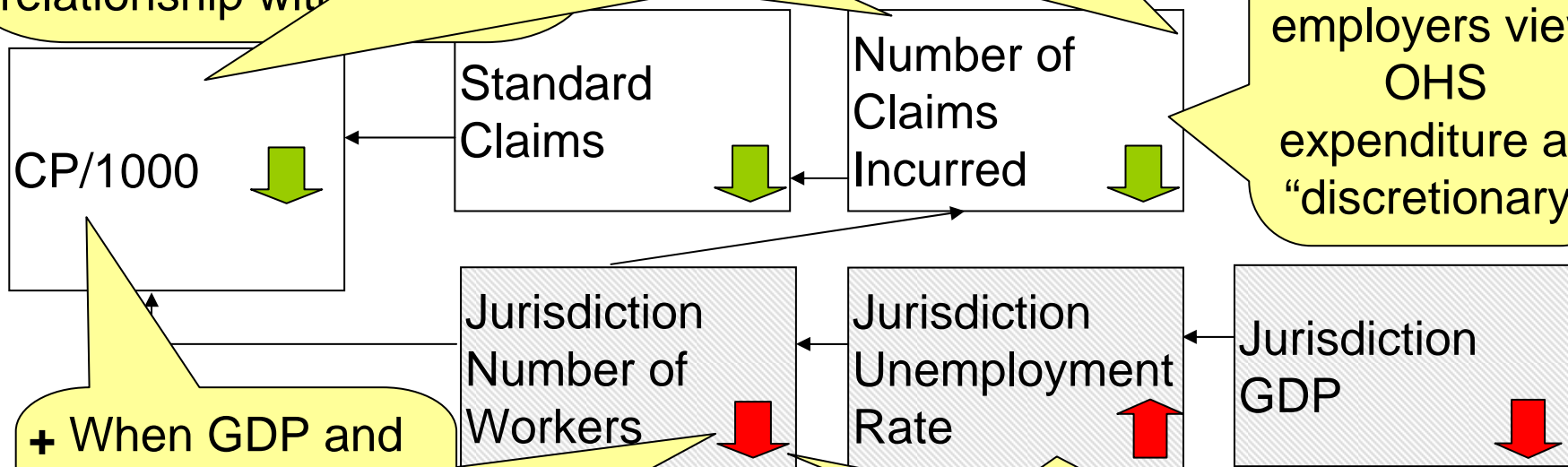
- Decrease in claims or average claims cost as workers with an injury do

+ Increase in higher cost claims as workers who become or believe they

not m
small
relationship with

- Decrease in CP/1000 likely to occur as rate of decrease in claims is higher than rate of decrease in employment

+ Increase in injuries as employers view OHS expenditure as "discretionary"



+ When GDP and employment recovers claims increase

- Lower OH&S risk workers remain employed

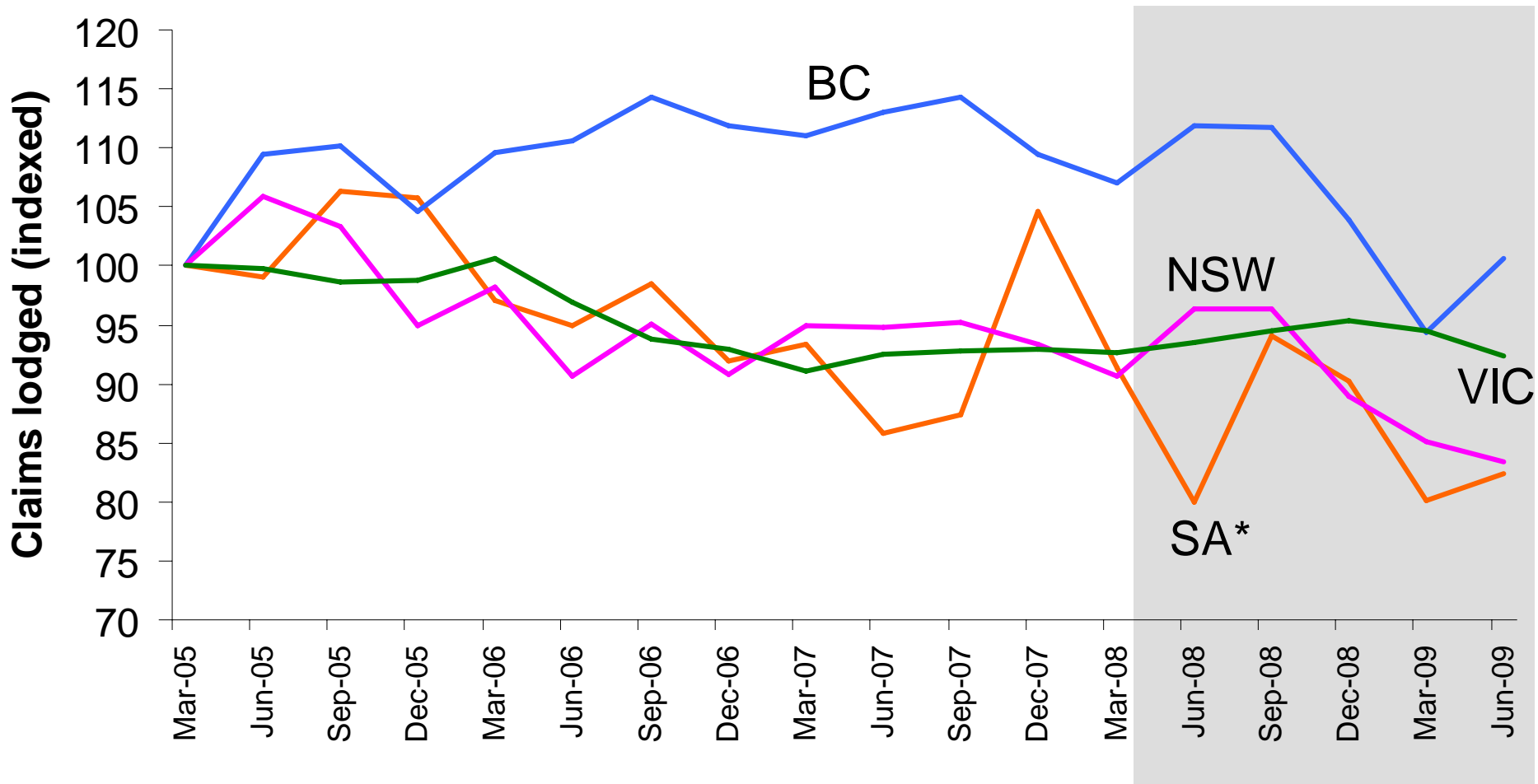
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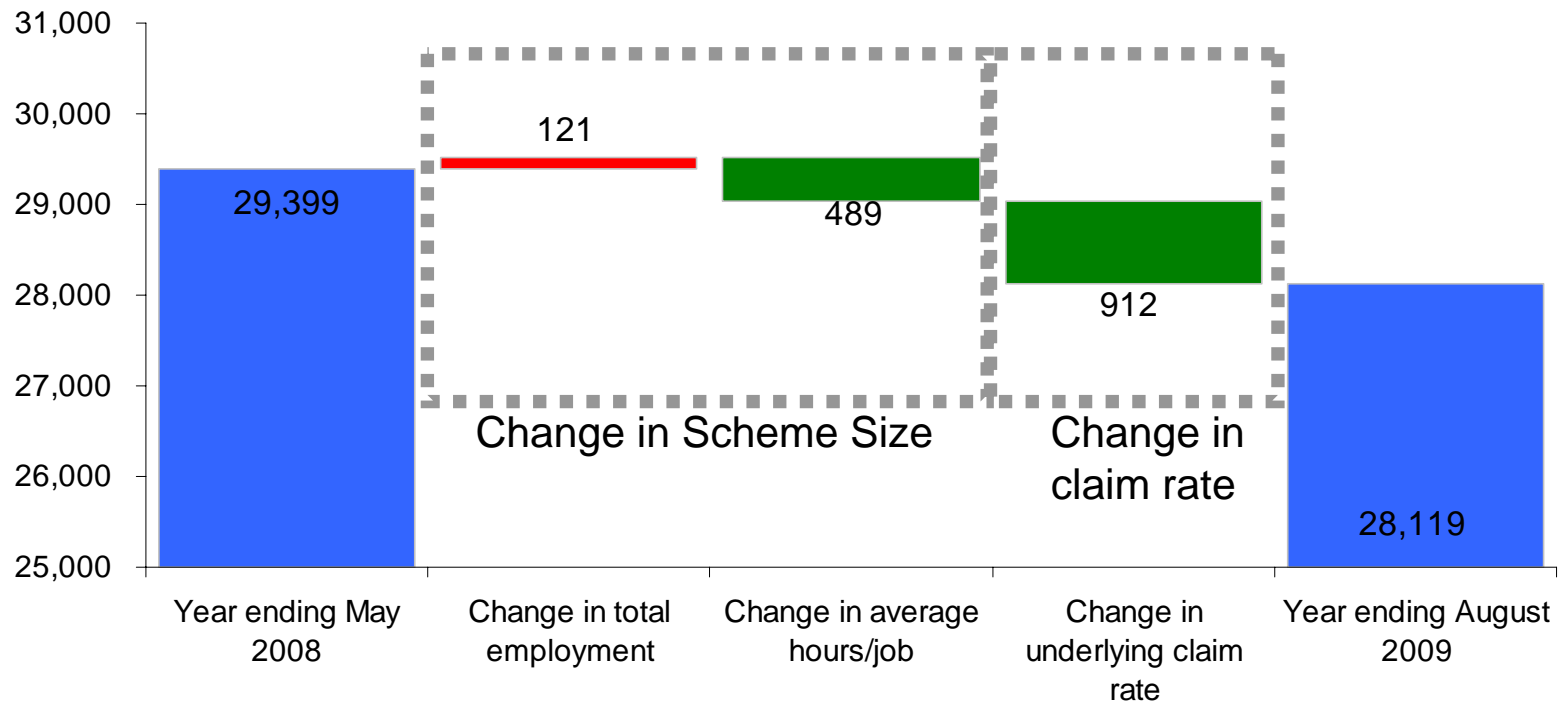
Claim levels



Note: * SA affected by changes in scheme design



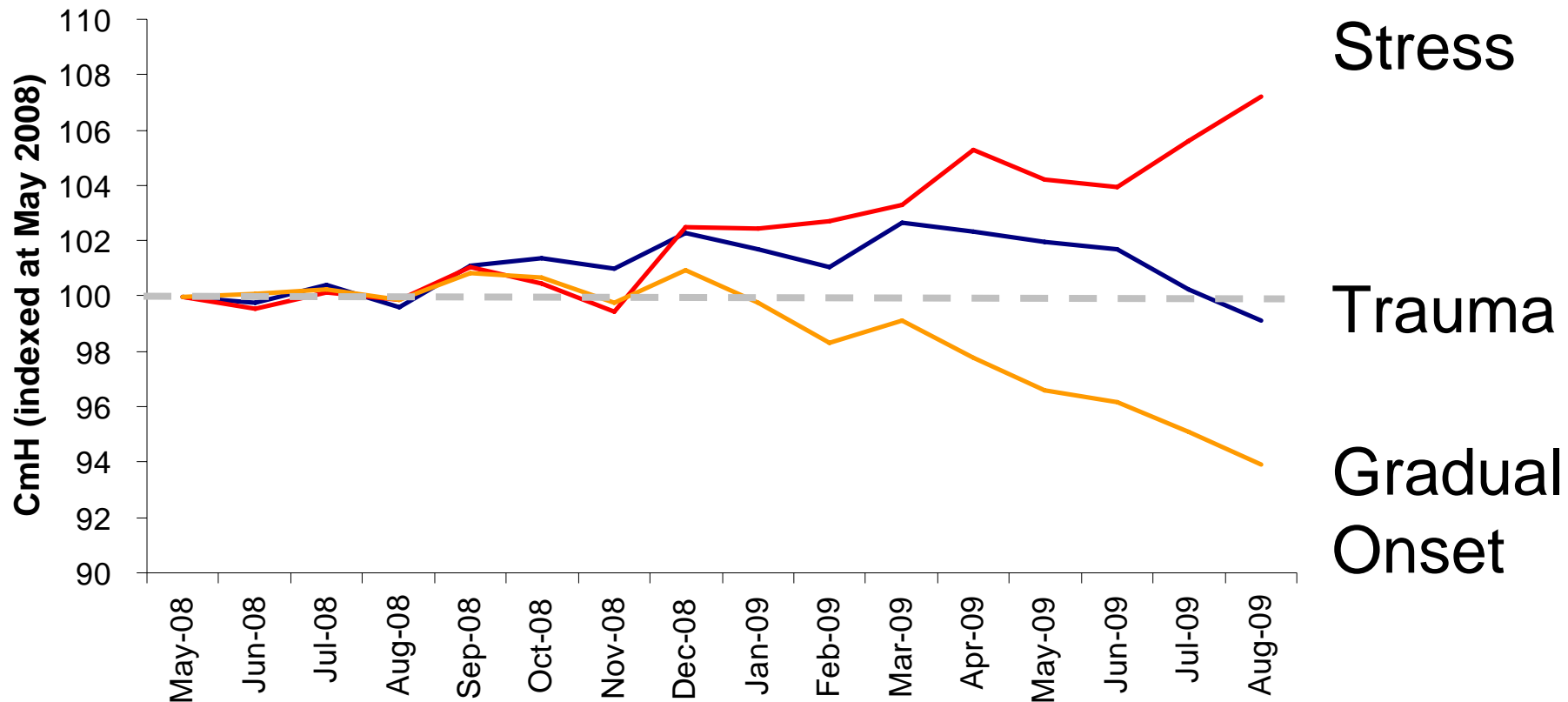
5% drop in Victorian claims is partly explained by reduced Scheme size



~30% of the change in injuries can be explained purely by a change in average working hours

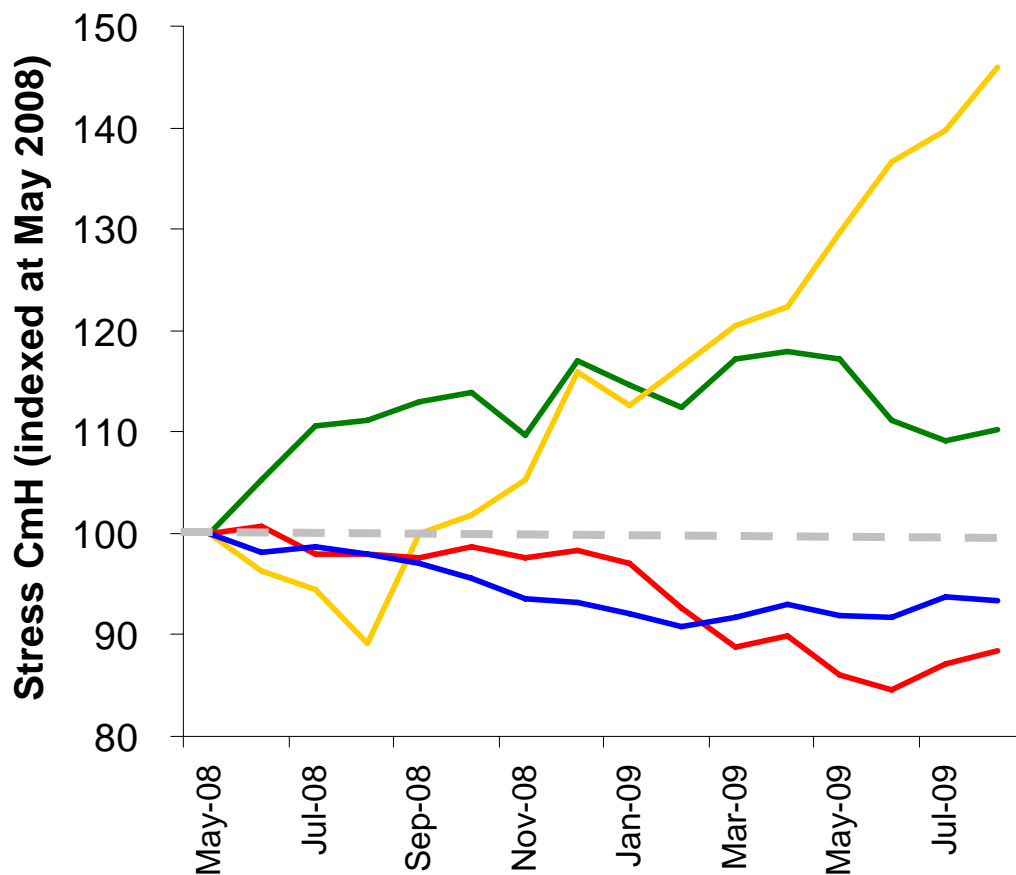


At the aggregate level, CmH supports our key hypothesis





We expected stress to increase with concerns over job security...



Construction - 2%

Manufacturing - 4%

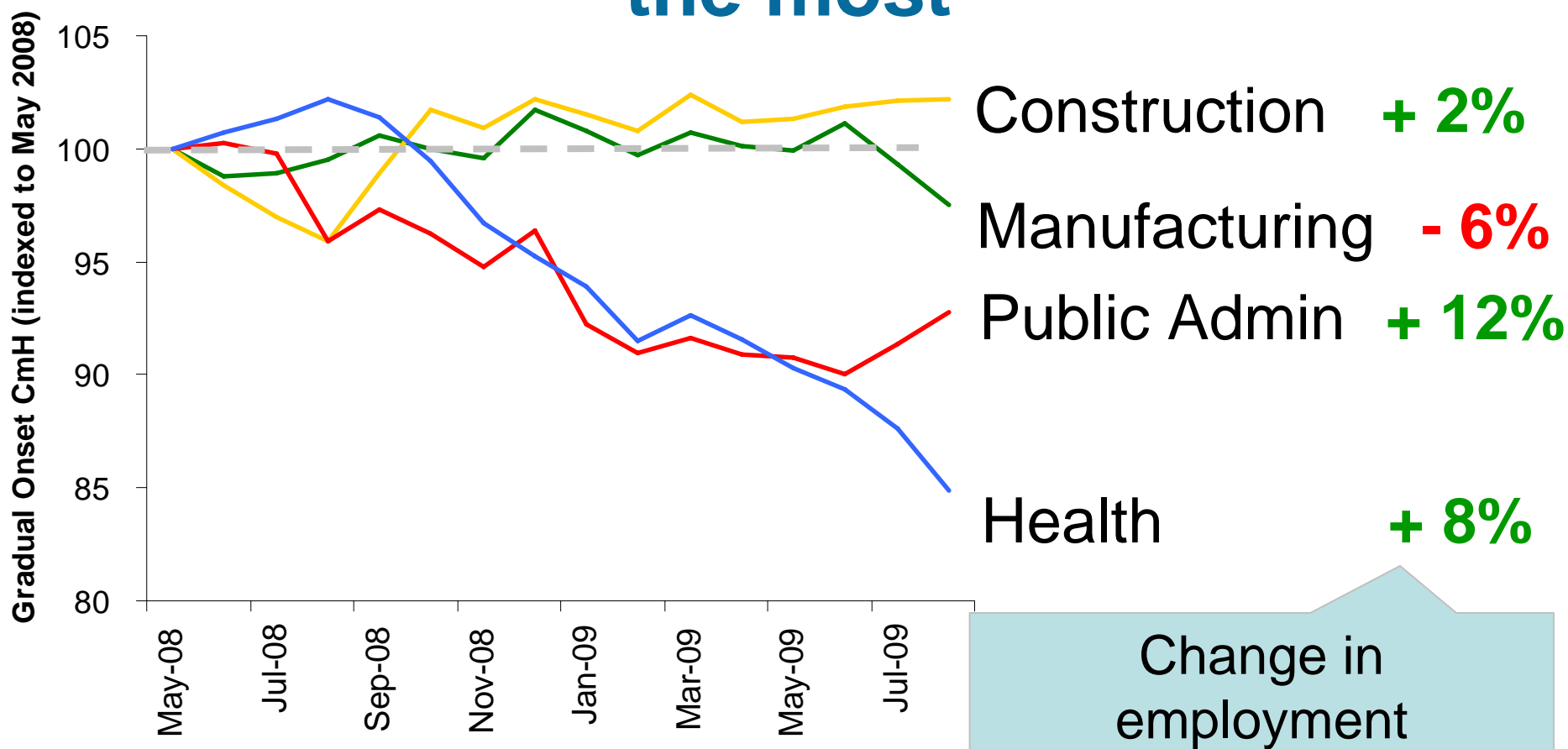
Health - 1%

Public Admin + 4%

Change in average hours / job

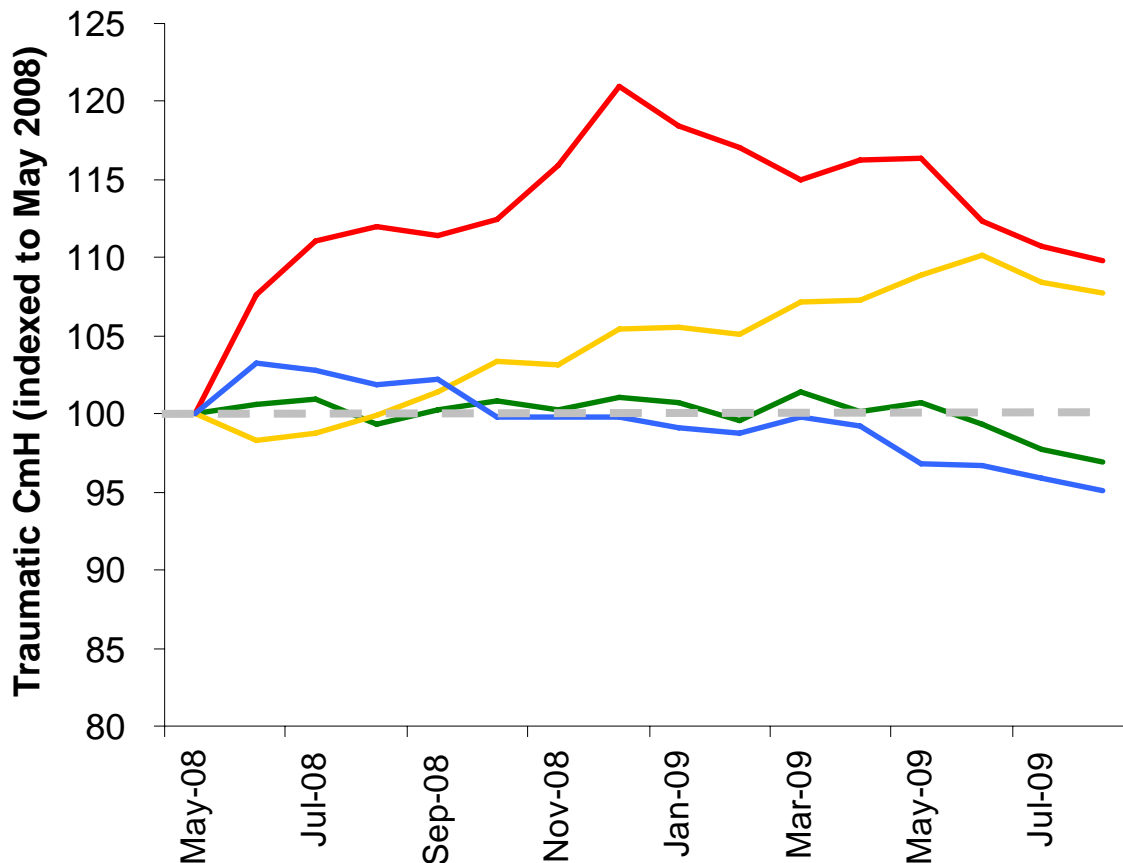


Gradual onset claims have fallen in industries which have grown the most





Traumatic injury rates have not consistently risen or fallen



Public Admin **+ 12%**

Construction **+ 2%**

Manufacturing **- 6%**

Health **+ 8%**

Change in
employment

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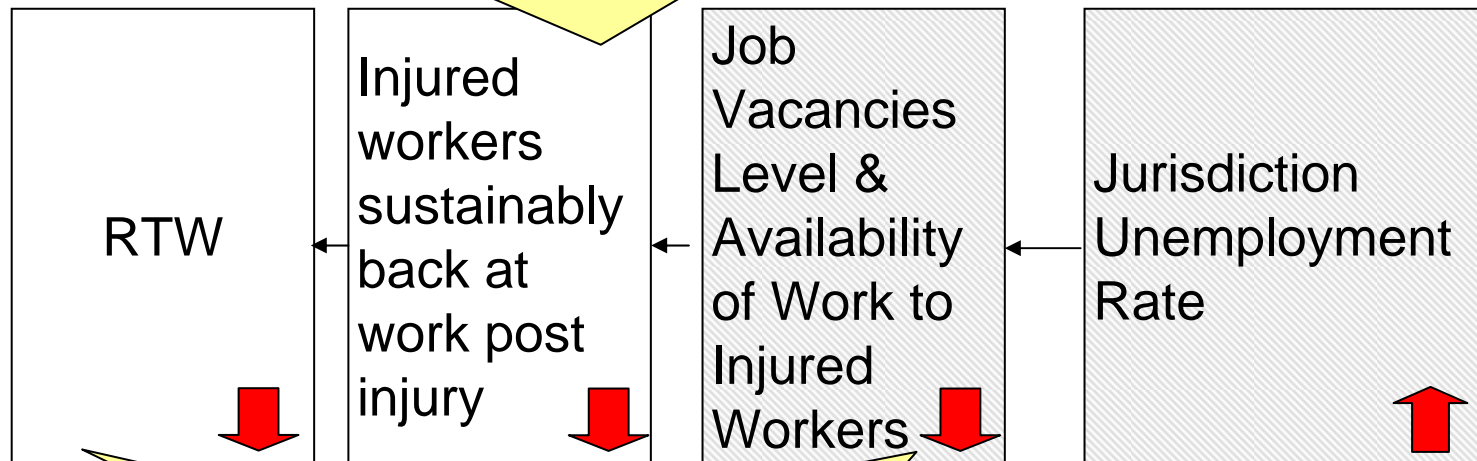
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Sustainable RTW outcomes may deteriorate due to reduced job opportunities

- Decrease due to a reduction in the number of injured workers finding employment post injury



+ As a GFC evolves, a... injured are lik... relationships and en...

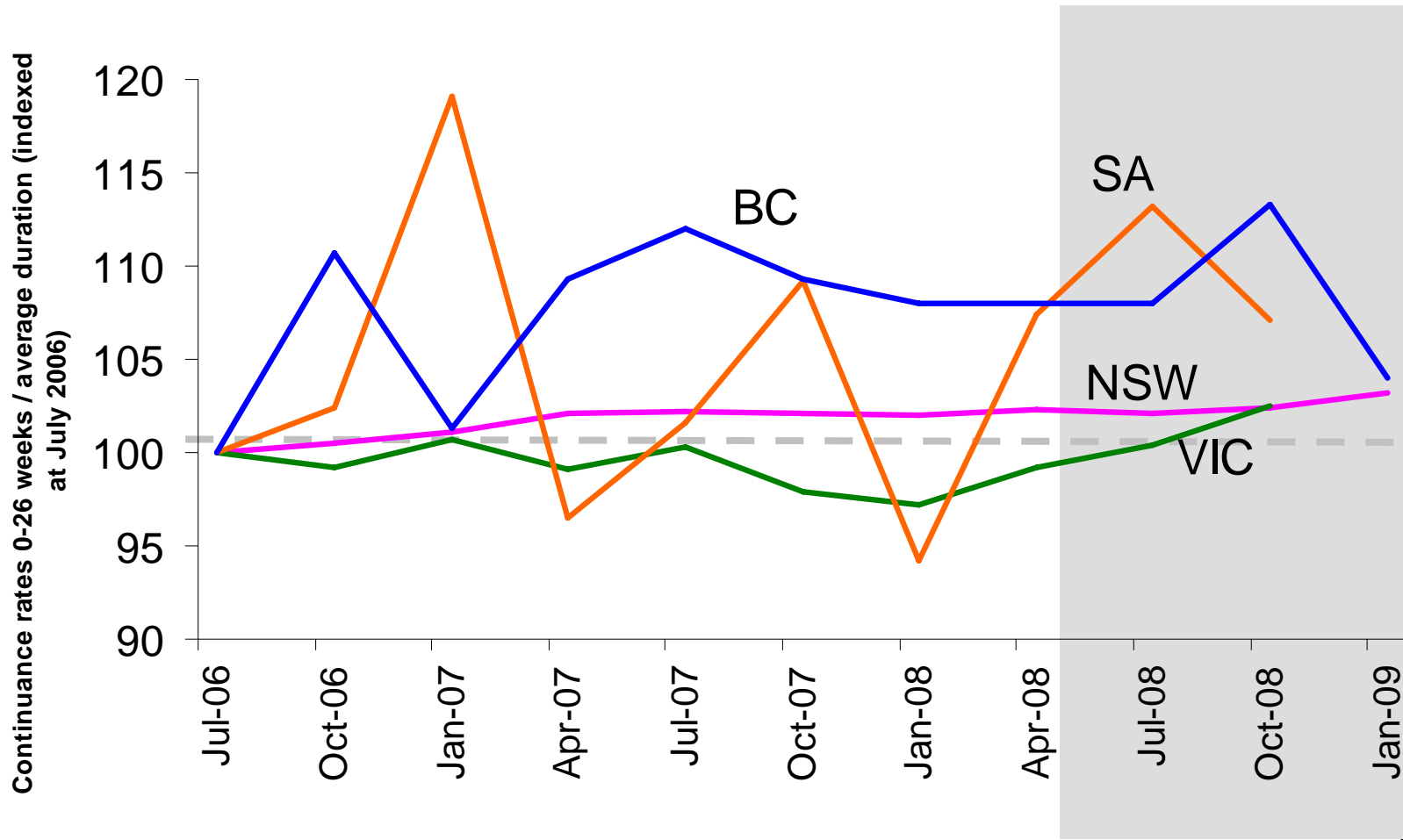
- Those injured workers off work prior to GFC remain off work longer increasing continuance rates



Not within our influence



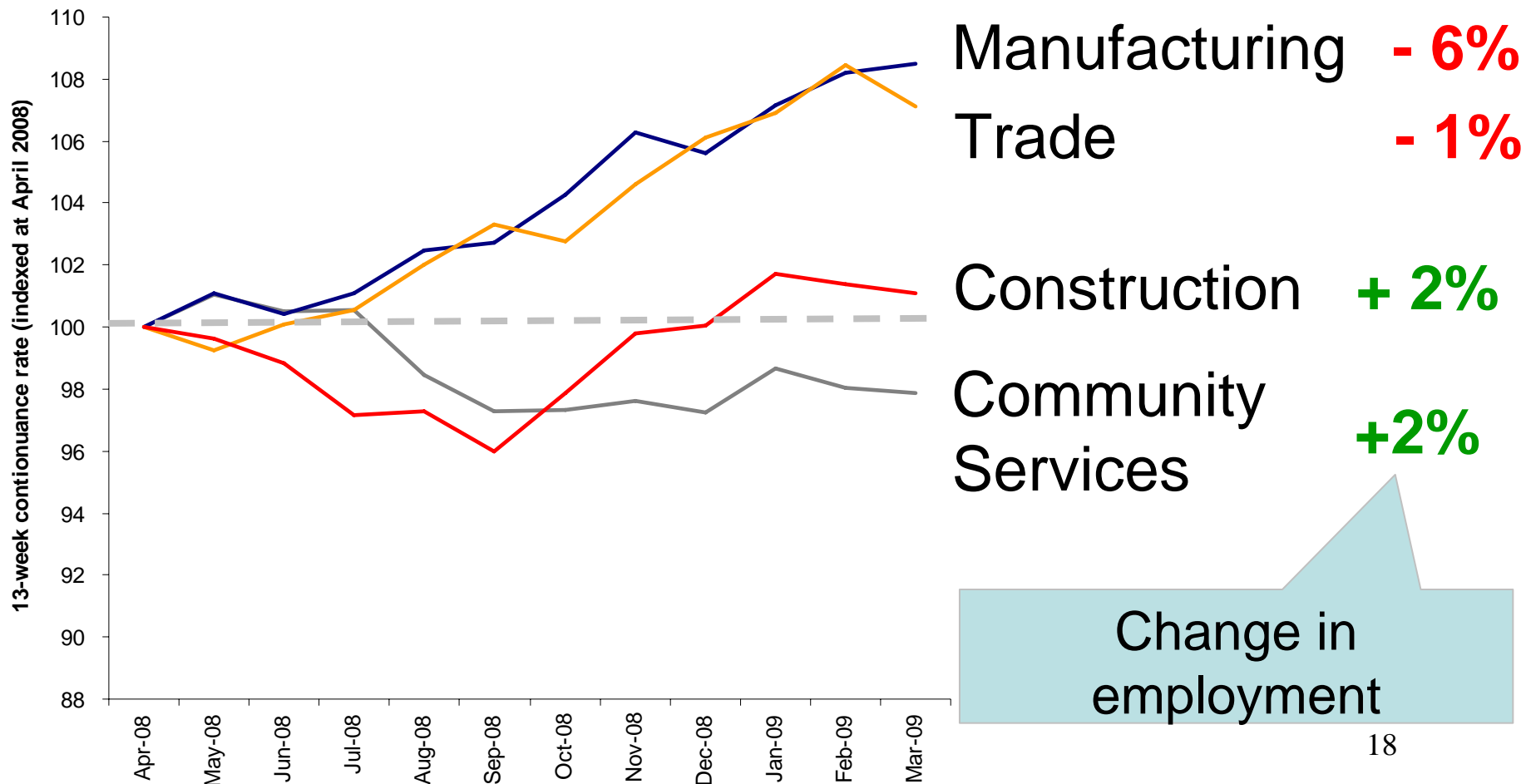
Continuance rates 0-26 weeks



Note: *BC continuance rate indexed by % of successful RTW work outcome ** rates by report date where possible

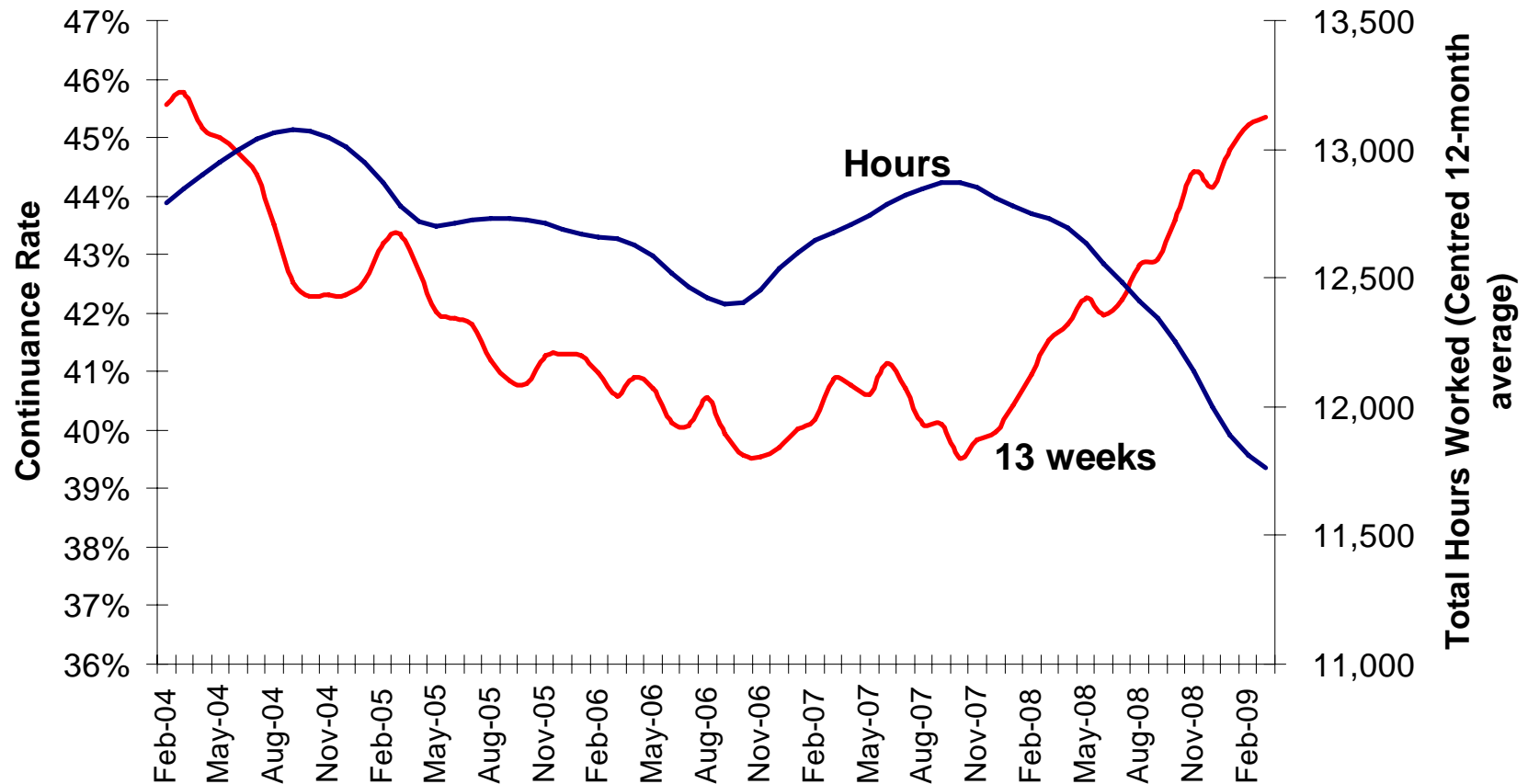


RTW outcomes in industries hit hardest with job losses have been worse





In Manufacturing, the deterioration in jobs and RTW occurred simultaneously



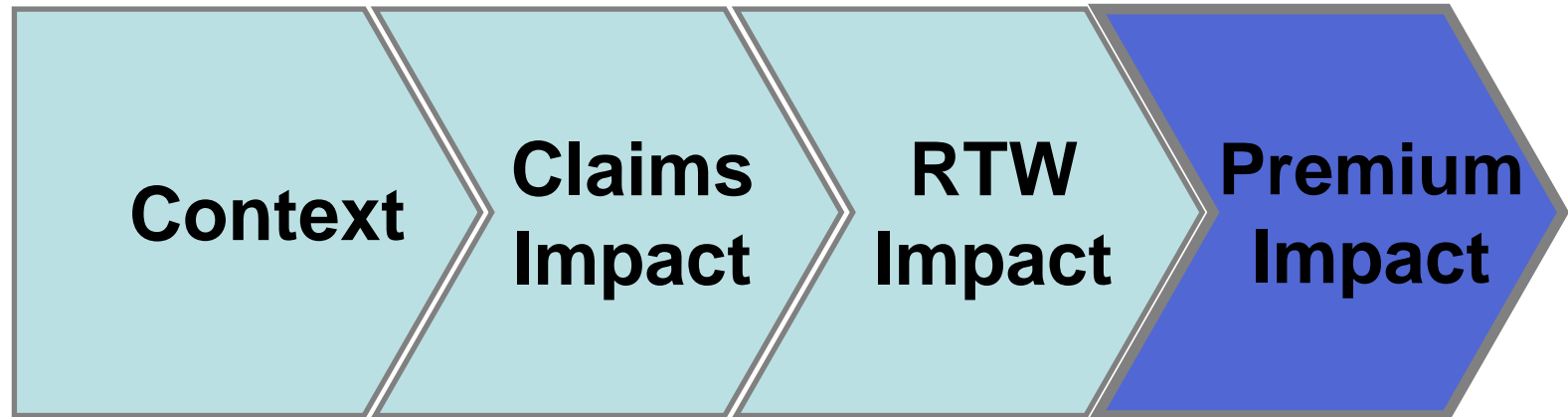
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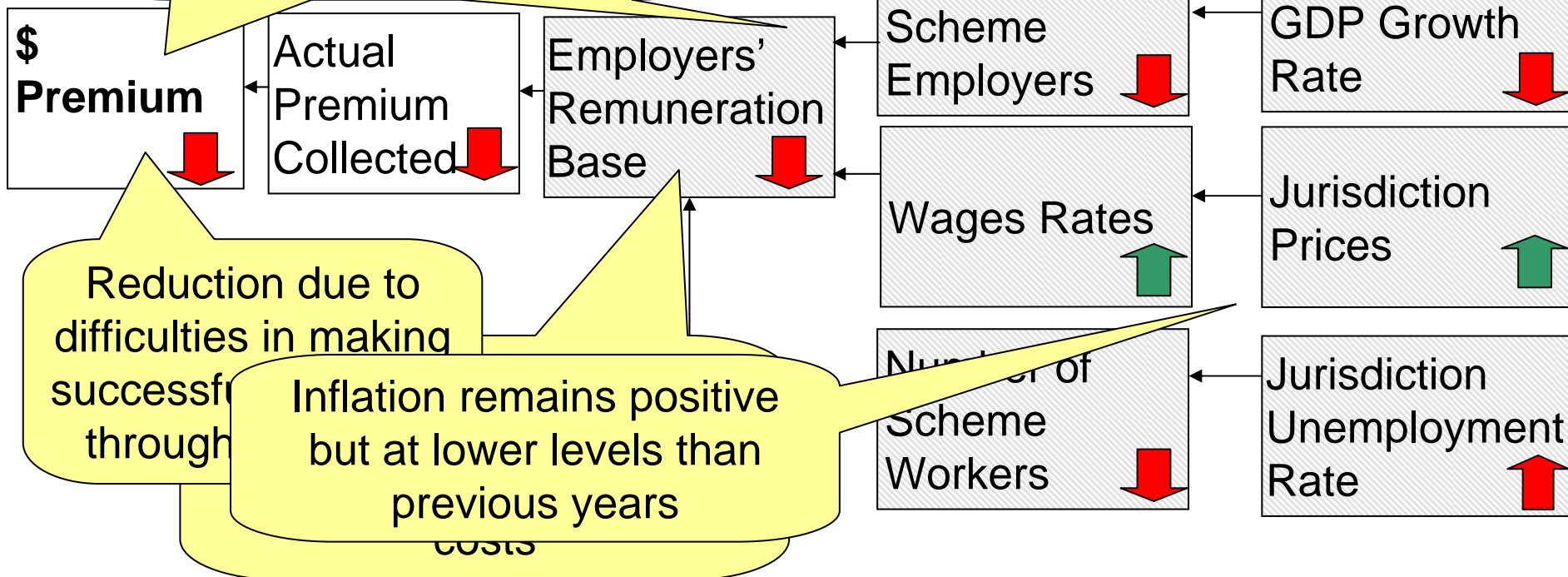




Our hypothesis was the premium may contract

Overall real reduction in amount of premium revenue collected significant lag to impact effects

Employers due to company size/scale of employers



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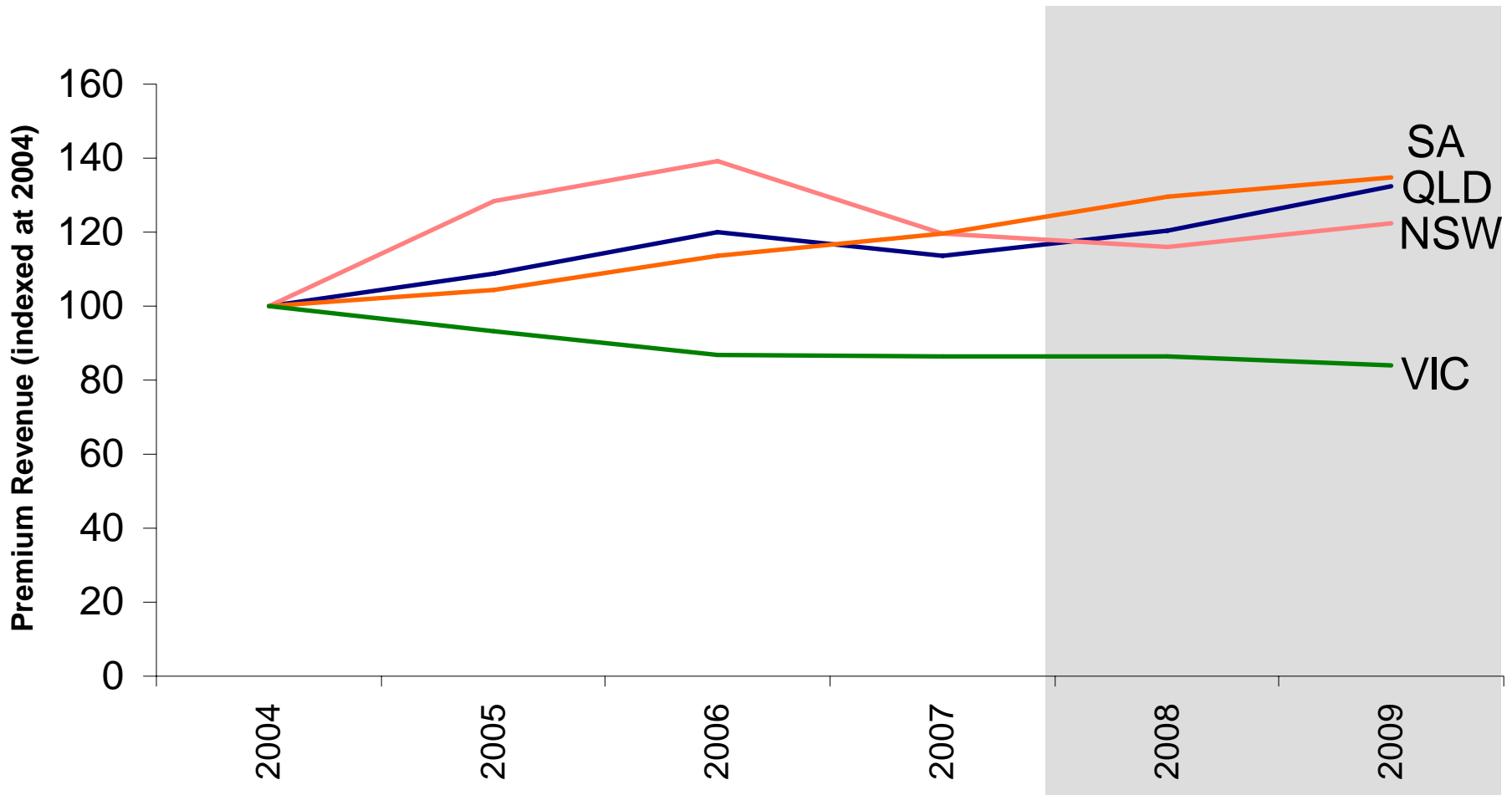
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Victoria's premium revenue has consistently gone down since 2004



Note: Premium revenue recognised in year, across policy years

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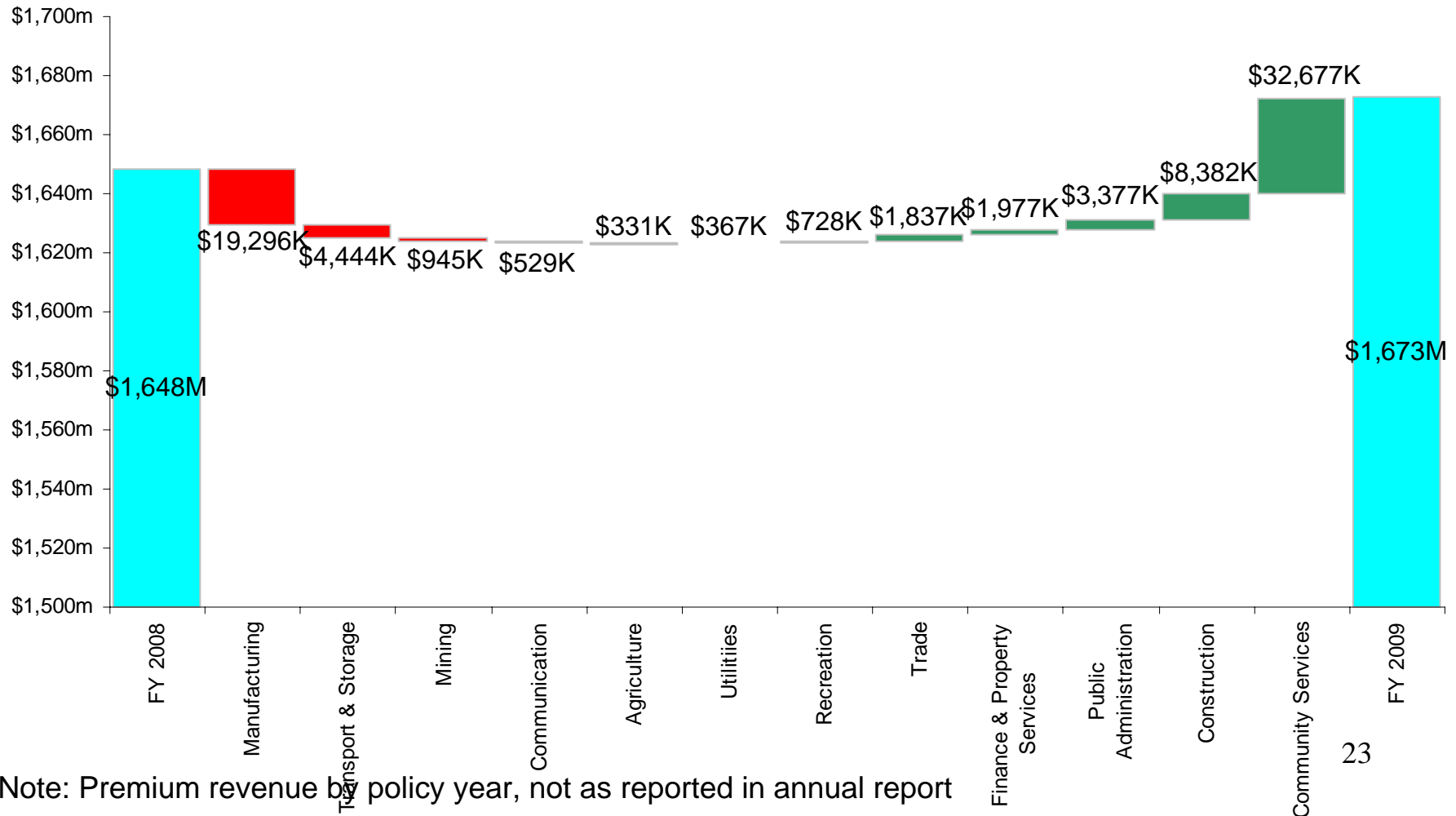
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As with claims, we can explain this at the industry level



Note: Premium revenue by policy year, not as reported in annual report

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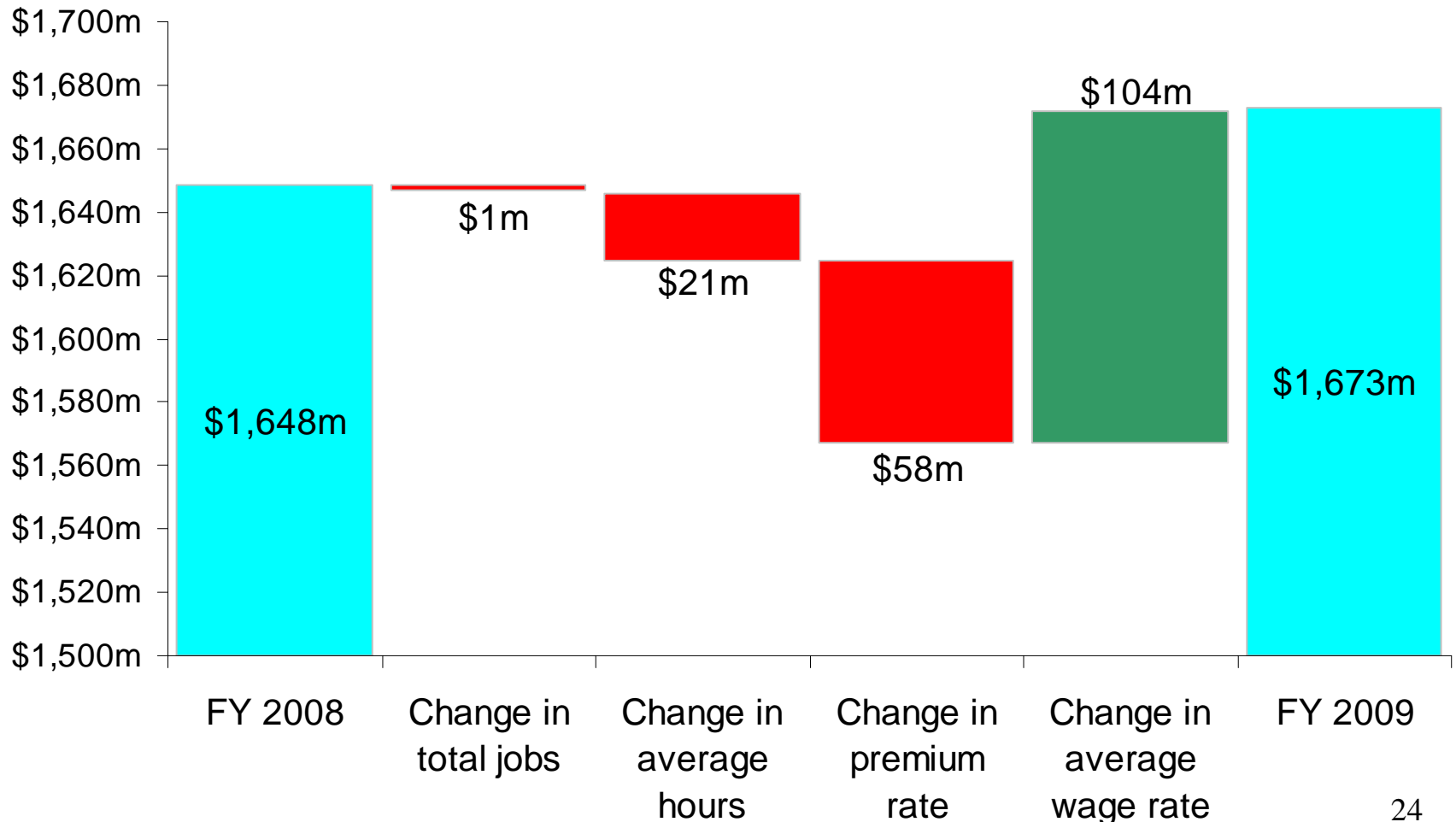
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Wage growth eclipsed the contraction in hours



Note: Premium revenue by policy year, not as reported in annual report

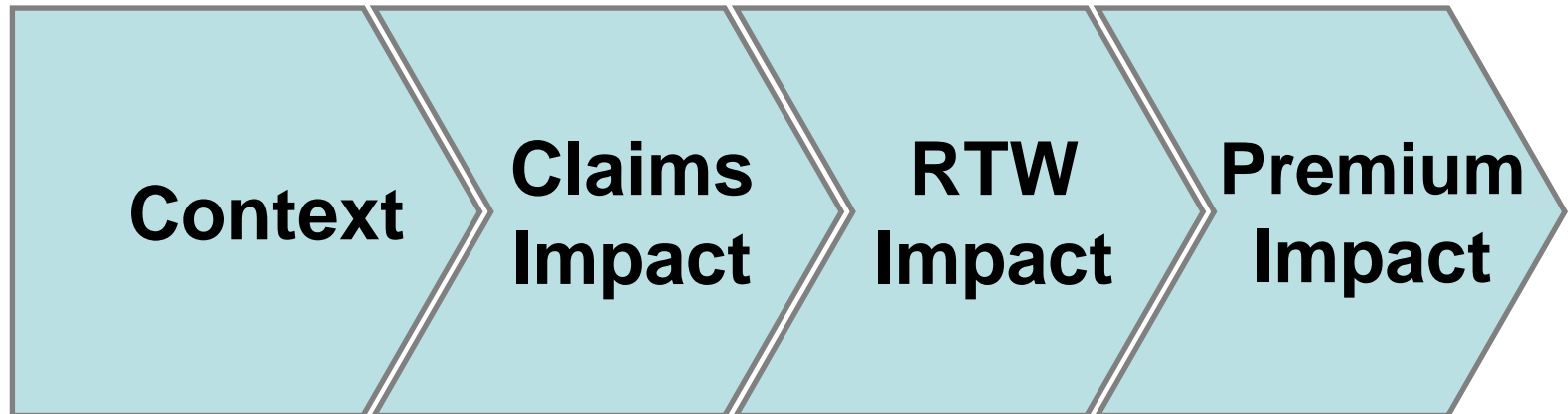
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Summary

- The economic downturn has not been as dire as predicted in October 2008
- Key hypotheses on scheme effects have held up
 - Claim rates have dropped – partly through reduced exposure
 - RTW, continuance rates and durations have deteriorated
- However, premium has held up



What does the future look like?

- Unemployment rebounds slowly – over 8 years in 1991 recession
- Claim / claim rate ‘bounceback’ – increase exposure
- Long duration continuance rates – a ‘recession cohort’