



Workers compensation inquiry
Submission No. 70

Office of Executive

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5 February, 2003

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Ms Cheryl Scarlett
Inquiry Secretary, House of Representatives
Standing Committee on Employment and Workplace
Relations
Parliament House
CANBERRA ACT 2600

Dear Ms Scarlett

**INQUIRY INTO ASPECTS OF WORKERS' COMPENSATION: PAUL
O'HALLORAN SUBMISSION**

Thank you for the opportunity to respond to comments referring to Mr Daryl Cameron and myself contained in Mr Paul O'Halloran's oral submission to the current enquiry of the House of Representatives Standing Committee made on Employment and Workplace Relations into aspects of Workers' Compensation in Australia.

At the outset I refute the suggestion our presentation to the Law Society regarded the actions of any worker or lawyer as fraudulent. Instead the presentation concentrated on the ease with which injured workers could access common law rights via the second gateway.

By way of background, I am able to provide the following account of the presentation to the Personal Injury Committee of the Law Society referred to by Mr O'Halloran in his submission.

Daryl Cameron and I attended the meeting on behalf of the Insurance Industry to explain the significant problems faced by the Workers' Compensation system in WA due to the unintended consequences of the so called second gateway. Common law restrictions were introduced in 1993 in response to a blow out in common law claims costs.

While the primary gateway involved a 30% disability, a second gateway was introduced for injured workers who had not suffered a serious injury but were *significantly* financially disadvantaged. The second gateway, therefore, allowed workers to obtain leave to pursue a common law claim if they could establish a potential pecuniary loss of greater than \$100,000 (the prescribed amount at the time). The number of claims was not expected to be large with the estimated cost to the system being actuarially assessed at around \$2M.

Unfortunately the second gateway did not operate as intended and common law claims numbers increased from about 400 in 1995 to around 2,000 in 1999 due to the ease of obtaining leave via the second gateway. Prior to the gateway being closed in October 1999, recommended premium rates increased by around 35% and the cost to the system of the second gateway was estimated at around \$150M.

Ms Cheryl Scarlett
5 February, 2003

At our meeting with the Personal Injury Committee of the Law Society, we briefed the Committee on the problems facing the Workers' Compensation system and provided a number of examples of minor accidents that had led to common law actions not in the spirit of the legislation. I recall offering a confidential viewing of a number of our claims by a nominated member of the Committee, but this was not taken up due to concerns about confidentiality.

We gave the Committee examples of how easy it was for injured workers to access common law via the second gateway but at no stage did we indicate that we regarded the actions of any worker or lawyer as fraudulent. Workers and plaintiff lawyers were quite within their rights to take action via the second gateway and in each case required leave to pursue a common law claim. The gist of our message to the Committee was that the huge increase in the volume of common law claims was merely the unintended consequence of the use of the second gateway.

The eventual closure of the second gateway and its consequent impact on system costs supported our comments to the Committee.

It is important to note that Mr O'Halloran has been running an advertising campaign on Perth radio over several months and many of his broadcast messages contain grossly misleading information in relation to Workers' Compensation in Western Australia.

The Committee should also be aware of serious inaccuracies and misrepresentations contained in Mr O'Halloran's oral submission to the Committee. I note from the Hansard (page 228) that Mr O'Halloran presented a table comparing premiums collected and claims paid in the WA Workers' Compensation system alleging a \$1.8B surplus over 21 years covered by the table. The table is extracted from the 2002 WorkCover Annual Report and ignores the explanatory notes and a further table which includes all relevant costs for assessing the financial position of the scheme. For your information I have attached a letter from the actuarial firm, PriceWaterhouseCoopers, which puts the table in context. Also attached is an extract from the WorkCover Annual Report.

It is interesting to note the advice from PriceWaterhouseCoopers suggests the material presented by Mr O'Halloran "produces a materially misleading \$706M net result for the period 1994/95 to 2000/01. Notes in the WorkCover Annual Report highlight the dangers of inappropriate use of these two tables."

If you require any further information or clarification, do not hesitate to contact me.

Would you please treat this letter as a submission and make the attachments public.

Yours sincerely



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23 December 2002

Dear Mr Moore

Table of Western Australian Workers' Compensation Premium Income and Claim Payments

Thank you for referring the attached table to us for comment regarding the validity of comparing premiums received in a year with claim payments in the same year for a long tail class of business like workers' compensation.

We understand that this table has been raised in evidence given to the House of Representatives Standing Committee on Employment and Workplace relations.

We note that the table combines premium income and claim payments from two separate and unrelated tables in Workcover's 2001-2002 annual report (on pages 13 and 14) and produces a materially misleading \$706M net result for the period 1994/95 to 2000/01. Notes in the WorkCover annual report highlight the dangers of inappropriate use of these two tables in particular (see below).

On the other hand, the table on page 15 of WorkCover's 2001/02 annual report addresses issues of interpretation and consistency and shows a net profit of only \$48.2M for the period 1994/95 to 2000/01. This is significantly lower than the \$706M net result implied by the attached table, which fails to address these issues and is hence materially misleading.

Mr Garry Moore

23 December 2002

A further relevant issue is that estimated future payments from past claim events are uncertain and are subject to future uncertain economic, social and legislative conditions and hence the actual ultimate outcome may be different from what the current conditions imply.

For example, prior to the October 1999 Act amendments the workers' compensation cost trends were significantly adverse due to a rapid escalation in common law frequency. The number of 93D applications to the District Court increased from around 400 in 1995/96 to over 2,000 in 1998/99, translating into around 1,800 common law claims per annum.

The Act was amended to limit access to common law and the number and cost of common law claims reduced significantly. This saving also affected the cost of the 1998/99 and earlier years.

These comments and the discussion below go to show that long tail classes like workers' compensation are complex systems which require careful and consistent treatment of all relevant factors in order to obtain a proper assessment of financial performance.

The comparison between premium income and claim payments is subject to the following limitations in WorkCover's 2001-2002 annual report :

- *In assessing the workers' compensation scheme performance it is important to note that workers' compensation claims are long tail in nature which means it may take up to five to seven years for the more serious claims to reach finalisation.*

Consequently premium collected by insurers in any given underwriting year is required for the payment of all claims incurred during that year for the life of these claims.

- *Actual premium income received in the year shown does not necessarily reflect the premium earned in the year ie. it may include premium outstanding from the previous year or pre paid for the following year.*
- *Claim payments represent the actual payments for all accident years and do not reflect liabilities incurred but not yet paid.*

Mr Garry Moore
23 December 2002

Comparing gross written premium and aggregate claim payments by year can be significantly misleading since it fails to recognise that:

- part of the gross written premium covers risks beyond the 30 June balance date
- the premium earned in a year covers the cost of workplace accidents which occur in that year, irrespective of when the resulting claims are reported, paid and closed
- workers compensation is a long tail class of insurance and it can take up to 10 years for the ultimate cost of the current year's claims to become known
- wage inflation and superimposed inflation (ie. real escalation over and above normal inflation) act to increase future claim payments arising from claim events occurring in a year
- the obligation to meet future claim payments for past claim events translates into the need to hold a significant balance sheet provision to meet these future expected payments
- acquisition, administration and claims handling costs need to be accounted for
- investment earnings on the remaining balance of funds needs to be credited
- the cost of servicing the capital supporting the solvency of the risks underwritten needs to be included
- the impact of past and future potential legislative changes needs to be considered
- changes in social and economic circumstances can cause behavioural changes which impact the ultimately revealed incurred cost of claims.

Mr Garry Moore
24 December 2002

While investment earnings may be sufficient to cover administration costs in times of moderate to high rates of investment return, this is not always the case. Further, the impact of the remaining items is generally material in relation to the premium collected, in particular:

- the outstanding claim provision
- the influence of normal and superimposed inflation
- the cost of raising/borrowing the capital to meet APRA's solvency and capital adequacy standards.

Careful consideration of all these complex issues is required in forming a view about the financial performance of the participants in the Western Australian workers' compensation system.

This letter is provided in the context of the brief received and data table supplied. Judgements based on the contents of this letter should be made only after studying the letter, attachment and references in their entirety. We accept no responsibility to any other person or entity in relation to this letter and no one else should rely on it for any purpose. Excepts may not be made without our prior approval.

Please contact us if we can be of any further assistance.

Yours sincerely



Peter Lurie
Actuary

COPY

WORKCOVER (WA) ANNUAL REPORT 1.7.2001 - 30.6.2002

WORKER'S COMPENSATION SURPLUS MADE BY THE INSURANCE INDUSTRY AND SELF - INSURERS

TOTAL SURPLUS: JULY 1980 - JUNE 2002 = \$BILLION 1.801.312

Year	Total Workers Compensation Payments Received by Self-Insurers & Insurance Industry	Total Workers Compensation Costs Payed by Self-Insurers & Insurance Industry	Surplus Made by Self-Insurers & Insurance Industry
1.7.2001 - 30.6.2002	\$ M 661.653	\$ M 388.352	\$ MILLION 273.301
1.7.2000 - 30.6.2001	\$ M 698.994	\$ M 400.373	\$ MILLION 298.621
1.7.1999 - 30.6.2000	\$ M 667.670	\$ M 475.510	\$ MILLION 192.160
1.7.1998 - 30.6.1999	\$ M 511.630	\$ M 448.433	\$ MILLION 63.197
1.7.1997 - 30.6.1998	\$ M 438.033	\$ M 406.938	\$ MILLION 31.095
1.7.1996 - 30.6.1997	\$ M 408.725	\$ M 374.349	\$ MILLION 34.376
1.7.1995 - 30.6.1997	\$ M 372.371	\$ M 326.065	\$ MILLION 46.306
1.7.1994 - 30.6.1995	\$ M 365.328	\$ M 324.783	\$ MILLION 40.545
1.7.1993 - 30.6.1994	\$ M 347.994	\$ M 318.104	\$ MILLION 29.890
1.7.1992 - 30.6.1993	\$ M 299.026	\$ M 290.298	\$ MILLION 8.728
1.7.1991 - 30.6.1992	\$ M 285.036	\$ M 253.613	\$ MILLION 31.423
1.7.1990 - 30.6.1991	\$ M 305.074	\$ M 232.192	\$ MILLION 72.882
1.7.1989 - 30.6.1990	\$ M 324.984	\$ M 219.894	\$ MILLION 105.090
1.7.1988 - 30.6.1989	\$ M 323.189	\$ M 212.345	\$ MILLION 110.844
1.7.1987 - 30.6.1988	\$ M 299.179	\$ M 199.138	\$ MILLION 100.041
1.7.1986 - 30.6.1987	\$ M 264.755	\$ M 176.771	\$ MILLION 87.984
1.7.1985 - 30.6.1986	\$ M 245.071	\$ M 158.976	\$ MILLION 86.095
1.7.1984 - 30.6.1985	\$ M 199.546	\$ M 142.501	\$ MILLION 57.045
1.7.1983 - 30.6.1984	\$ M 173.356	\$ M 117.343	\$ MILLION 56.013
1.7.1982 - 30.6.1983	\$ M 140.221	\$ M 111.406	\$ MILLION 28.815
1.7.1981 - 30.6.1982	\$ M 103.523	\$ M 80.483	\$ MILLION 23.040
1.7.1980 - 30.6.1981	\$ M 87.581	\$ M 63.760	\$ MILLION 23.821
TOTALS	Billion \$6,861,286	\$ Billion 5,333,275	\$ Billion 1,801,312

On 20th November 2001, the Hon John Kobelke MLA was quoted as saying "The surplus shown here do not include insurance company overheads. However, the interest made by investing these profits would more than cover the cost of the insurance company overheads".

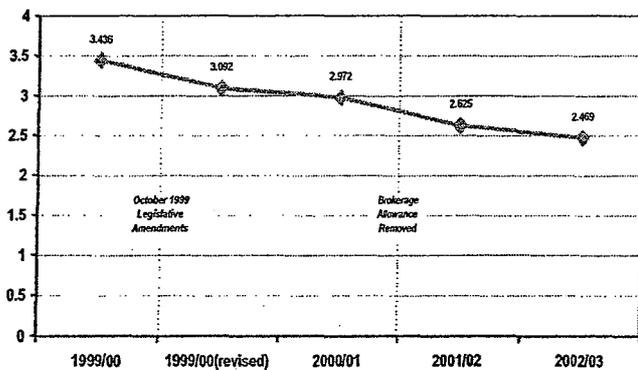
The Workers' Compensation Environment

In the following section, statistics should be interpreted in conjunction with the explanatory notes which accompany the data.

Average Recommended Premium Rate

The average recommended premium rate provides an indication of the average rate for the scheme based on the gazetted recommended premium rates. Recommended premium rates are set for the privately underwritten market, inclusive of State and Local Government.

The following graph demonstrates the decreasing trend in the average recommended premium rate over the past four years.



Premium Income

The Western Australian workers' compensation scheme is operated by insurers in the private market approved by the Workers' Compensation and Rehabilitation Commission. The legislation also provides the Workers' Compensation and Rehabilitation Commission with the ability to approve employers who wish to self insure. As at the 30 June 2002 there were 10 insurers and 27 self insurers in the State.

The statutory obligations of the State Government as an employer are managed by RiskCover through the Insurance Commission of Western Australia.

In assessing the workers' compensation scheme performance it is important to note that workers' compensation claims are long tail in nature which means it may take up to five to seven years for the more serious claims to reach finalisation.

Consequently premium collected by insurers in any given underwriting year is required for the payment of all claims incurred during that year for the life of these claims.

Premium Income 2001/02

In the annual determination of the recommended premium rates, the Premium Rates Committee includes an allowance for the:

- Target loss ratio which is the expected cost of all claims for each respective underwriting year;
- Claims administration expenses;
- Statutory charges; and
- Profit.

The premium dollar collected by insurers (as reported in this section) incorporates all these expenses. It does not represent the premium dollar collected solely for the purpose of paying for the cost of claims.

The premium income of the scheme is derived from contribution returns provided by insurers and self insurers under section 109 of the Workers' Compensation and Rehabilitation Act 1981. Insurers declare actual premiums received whilst self insurers declare a notional premium based on the gross wages paid and the industry premium rate.

The Workers' Compensation Environment

The premium income of the scheme, for the year ending 30 June 2002, as reported in the contribution returns lodged by insurers, the Insurance Commission of Western Australia and self insurers was as follows:

Premium Income of the Scheme 2001/2002

	\$Million
Insurers ⁽¹⁾	\$593.951
Self Insurers (notional)	\$67.702
Total	\$661.653

⁽¹⁾ The premium income for the Insurance Commission of WA is included in the category for insurers.

Premium Income History

The following table shows a history of premium income and notional premium income for the scheme from 1980/1981 to 2001/2002.

Financial Year	Insurers (Premium Income) \$M	Self Insurers (Notional Income) \$M	Scheme Total \$M
2001/02	593.951	67.702	661.653
2000/01	636.475	62.519	698.994
1999/00	610.733	56.937	667.670
1998/99	463.286	48.344	511.630
1997/98	401.007	37.026	438.033
1996/97	374.289	34.435	408.725
1995/96	346.531	25.840	372.371
1994/95	347.325	18.130	365.328
1993/94	323.500	24.494	347.994
1992/93	276.001	23.025	299.026
1991/92	258.734	26.302	285.036
1990/91	278.032	27.042	305.074
1989/90	297.525	27.459	324.984
1988/89	298.506	24.683	323.189
1987/88	280.125	19.054	299.179
1986/87	247.813	16.942	264.755
1985/86	228.437	16.634	245.071
1984/85	185.908	13.638	199.546
1983/84	160.936	12.420	173.356
1982/83	131.650	8.571	140.221
1981/82	90.951	12.572	103.523
1980/81	75.645	11.936	87.581

Claims Payments

Claims payments information includes expenses for all workers' compensation claims reported by approved and former insurers under section 161 of the Workers' Compensation and Rehabilitation Act 1981, by the Insurance Commission of Western Australia in relation to insurance arrangements for State Government workers and industrial diseases, and by self insurers.

Claims payments are the actual expenses incurred during each financial year regardless of the claim's date of accident for the cost of unfinalised claims. The payments do not relate to claims incurred in each financial year.

Claim payments do not include the cost of claims not yet incurred and of other expenses which are allowed within the determination of recommended premium rates.

Claims Payments by Category 2001/02

In 2001/02 the total cost of claims incurred against all accident years was \$388.352 million, 3.0% lower than the total payments made in 2000/01.

In 2001/02 weekly payments accounted for 30.9% and common law and other acts for 12.8% of the total claim payments. In 2000/01, these payments accounted for 30.9% and 20.1% respectively of the total claim payments.

These two categories of payments accounted for 43.7% of the total scheme payments in 2001/02; 51.0% in 2000/01; and for 60.5% of total payments in 1999/00.

The category relating to redemptions has continued to increase now representing 14.7% of total payments compared to 8.6% in 2000/01 and 2.9% in 1999/00. This payment pattern indicates payments are correctly being made within the provisions of the statutory scheme.

Medical practitioner and specialist payments has increased as a total accounting for 11.4% of the total payments.

Legal expenses have reduced by 7% but still account for 8.0% of the total cost of claims, compared with 8.3% in 2000/01 and 7.0% in 1999/00.

The Workers' Compensation Environment

Workers' Compensation Scheme – Claims Payments made in 2001/02

Payment Category	Scheme Total	% of Scheme Total
By Weekly Payments	110,939,196	30.9%
Redemptions	57,009,725	14.7%
For Specific Injuries (2nd Schedule)	16,694,915	4.3%
Fatal (including funeral expenses)	2,055,000	0.53%
Medical Practitioners and Specialists	44,145,075	11.4%
Hospital Expenses	12,895,163	3.3%
All Other Treatment (a)	23,340,537	6.0%
Vocational Rehabilitation (b)	15,126,975	3.9%
Miscellaneous (eg. transport, maintenance)	16,264,680	4.2%
Legal Expenses (c)	31,091,719	8.0%
Common Law and Other Acts	49,789,494	12.8%
Scheme Total	388,352,480	100.00%

Notes:

- Comprised of payments made under Clauses 17(1), (3), (4), (5) and (6) of Schedule 1 of the Workers' Compensation and Rehabilitation Act 1981 ('Act') other than medical and hospital expenses.
- Comprised of payments made under Clause 17(1a) of Schedule 1 of the Act in respect of counselling, occupational training, work assessment, aids and appliances.
- Comprised of insurers' and self insurers' cost of legal advice and representation, witness fees and the costs of these services incurred by the worker where the insurer or self insurer is ordered to meet these costs.

- These are costs reported as at 30 June 2002 and may be subject to change due to payment variations subsequently reported by approved, former approved insurers and self insurers.
- Claims payments represents the actual payments and do not reflect liabilities incurred but not yet paid.

Claims Payment History

Claims payments represent the actual payments for all accident years but do not reflect liabilities incurred but not yet paid. Actual claims payments amounts (with no adjustment for inflation) are provided in the following table for all years.

Financial Year	Insurers \$M	Self Insurer \$M	Scheme Total \$M
2001/02	314.929	73.423	388.352
2000/01	323.898	76.475	400.373
1999/00	393.857	81.653	475.510
1998/99	367.232	81.200	448.433
1997/98	389.451	17.487	406.938
1996/97	359.924	14.425	374.349
1995/96	312.127	13.938	326.065
1994/95	309.494	15.289	324.783
1993/94	304.451	13.653	318.104
1992/93	278.553	11.745	290.298
1991/92	242.977	10.636	253.613
1990/91	221.733	10.459	232.192
1989/90	211.565	8.329	219.894
1988/89	204.860	7.485	212.345
1987/88	192.770	6.368	199.138
1986/87	170.530	6.241	176.771
1985/86	154.131	4.845	158.976
1984/85	137.901	4.600	142.501
1983/84	113.734	3.609	117.343
1982/83	108.120	3.286	111.406
1981/82	77.669	2.814	80.483
1980/81	61.734	2.026	63.760

Notes:

- The term 'Insurers' for premium income comprises those approved and formerly approved under section 161 of the Workers' Compensation and Rehabilitation Act 1981 and the Insurance Commission of Western Australia (formerly the State Government Insurance Commission) in relation to insurance arrangements for Government workers and industrial diseases (ie. mining).
- Actual premium income received in the year shown does not necessarily reflect the premium earned in the year ie. it may include premium outstanding from the previous year or pre paid for the following year.
- Claims payments represent the actual payments for all accident years and do not reflect liabilities incurred but not yet paid.
- The notional premium income of self insurers is calculated by applying recommended premium rates to declared wages. The premium income statistics of insurers are actual and account for surcharges and discounting.
- Actual premium income and claim payments represent returns as at 30 June each year and may be subject to change due to income and payment variations subsequently reported by approved, former approved insurers and self insurers.
- From 1998/99 onwards the Insurance Commission of Western Australia's claims payments data is included under Self Insurers.

The Workers' Compensation Environment

An accurate appraisal of the financial health of the Western Australian workers' compensation is illustrated in the table below commencing with the 1994/95 financial year. The table provides an outline of the precise state of the workers' compensation system.

All data items in this table are adjusted annually to reflect all transactions relating to each specific financial year, whereas the premium income and claims payment information (previous) reflect the actual outcome as of 30 June each year.

The data in the table is the combined experience of insurers, past insurers, the Insurance Commission of Western Australia and the Municipal WorkCare Scheme.

The source of the below table is PricewaterhouseCoopers; *Premium Rates Committee of Western Australia – Actuarial Assessment of the Recommended Premium Rates for 2002/2003 – March 2002, Page 14.*

	Estimated Profit and Loss in the WA Workers' Compensation System							
	Year ending 30 June							Estimated
	1995	1996	1997	1998	1999	2000	2001	2002
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Gross earned premium: (a)	349,126	344,195	372,646	393,370	467,309	602,953	633,134	636,930
Cumulative claim payments: (b)	335,705	345,593	378,726	354,885	279,268	190,607	74,396	86,737
Outstanding estimate: (c)	20,545	29,138	63,577	115,652	190,322	277,703	366,105	395,135
Net claims incurred: (d)	356,250	374,731	442,304	470,537	469,590	468,310	440,501	481,872
Underwriting profit/loss: (e)	(7,124)	(30,536)	(69,658)	(77,166)	(2,281)	134,643	192,633	155,058
Commission: (f)	10,474	10,326	11,179	11,801	14,019	18,089	18,994	19,108
Other expenses: (g)	48,878	54,039	60,741	62,939	64,021	67,757	79,536	80,013
Estimated investment income: (h)	56,003	58,908	69,530	73,968	68,835	58,035	55,224	60,411
Estimated profit/loss: (i)	(10,473)	(35,983)	(72,049)	(77,938)	(11,487)	106,833	149,328	116,349
Loss ratio: (j)	102%	109%	119%	120%	100%	78%	70%	76%
				Total profit/loss: (k)		(101,107)	49,226	164,569
				Total profit/loss: % of EP: (l)		1%	2%	4%
GWP on Gazette Rates: (m)	499,034	483,085	498,497	497,774	576,085	700,290	699,925	657,821
Est EP on Gazette Rates: (n)	499,034	487,869	493,874	497,991	552,592	663,029	700,034	670,452
Difference in EP: (o)	149,907	143,674	121,228	104,621	85,283	60,076	66,900	33,523
Estimated profit/loss on Gazette rates: (p)	139,435	107,681	49,180	26,683	73,796	166,908	216,228	149,871
	26%	22%	10%	5%	13%	25%	31%	22%
				Total profit/loss: (q)		563,683	779,910	929,782
				Total profit/loss: % of EP: (r)		13%	20%	20%

- Notes:
- (a), (b) from section 5.5 of this report, estimated for the 2002 accident year. Assumed a 5% discount on Gazette rates in 2002.
 - (c) = (GD5 item (b)) / 1.05 from this report, estimated as inflated average claim size x number incurred for 2002 accident year, with 18% assumed paid in DY0
 - (d) = (b) + (c)
 - (e) = (a) - (d)
 - (f) = 0.03 x (a) estimated
 - (g) = {total expense % from B2.4 in this report x (a)} - (f)
 - (h) = upto 1998, (1 - 0.8428) x (d) estimated using a range of Commonwealth bond yield curves over the period, actual rates applied for 1999 onwards
 - (i) = (e) - (f) - (g) + (h), where the % in the row below is of (a)
 - (j) = (d) / (a) %
 - (k) = sum of (i) in \$M
 - (l) = (k) / sum of (a) %
 - (m) = gross written premium on the Gazette rates which applied for the year
 - (n) = estimated earned premium on Gazette rates allowing for 30% of GWP to be unearned at each 30 June. (n) = (m) for 1995
 - (o) = (n) - (a) ie Gazette earned premium minus insurer earned premium
 - (p) = (o) + (f) ie estimated profit on Gazette rates, where % in row below is of (n)
 - (q), (r) = defined as for (k) and (l) with reference to (p) and (n)

The Workers' Compensation Environment

Claim Statistics

Claims data represents information on lost time workers' compensation claims by the financial year in which the claim was lodged. This is in contrast to claims payments, which reflect actual payments during a financial year.

Claims data is analysed based on average costs, with costs attributed to the financial year the claim was lodged.

It should be noted that no adjustments have been made to costs to account for inflation, as costs are grouped according to the year the claim was lodged, and expenses may span more than one year.

While claims payments represent the total cost, claims data includes many other claim details, such as worker demographics and details of the incident (arranged by year of lodgement), enabling detailed analysis.

WorkCover continuously updates its lost time claims database as information is received from insurers and self-insurers.

Claims data provided by insurers is subject to a comprehensive validation process. As claims information is dynamic in nature, this information should be considered as a snapshot in time of the workers' compensation system in Western Australia. The claims data for the report was extracted in February 2002.

It should be noted that over time a greater proportion of lost time claims become finalised and subsequent snapshots of the system provide more up-to-date claims information.

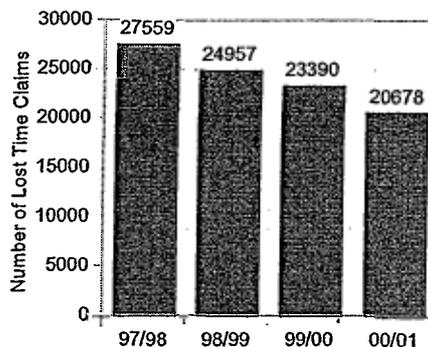
For example, when data used for the present report was extracted, 85.5% of claims lodged in 2000/01 were finalised, and 94.4% of claims lodged in 1999/00 were finalised.

To maintain consistency the following claims were excluded from descriptions of lost time claims:

- Journey claims between home and work (this provision was removed from the legislation in 1993);
- Asbestos-related diseases, including mesothelioma and pneumoconiosis;
- Duplicated or disallowed claims;
- Claims with less than one working day absence from work; and
- Claims with less than one whole shift absence from work.

Number of Claims Lodged

Number of Claims Lodged
1997/98 - 2000/01



In 2000/01, 20,678 lost time workers' compensation claims were lodged. The number of claims lodged between 1997/98 and 2000/01 decreased over each successive year, indicating an overall decrease of 25.0% in the four-year period.

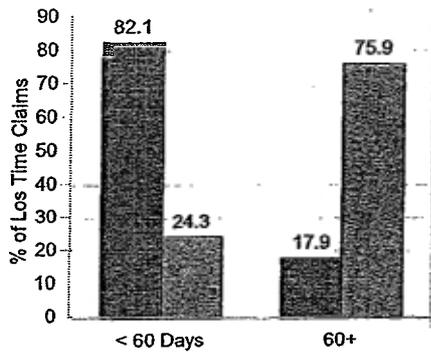
In 2000/01, 72.7% of all lost time claims were reported by male workers, representing a decrease in claims lodged since 1997/98 of 27.9%.

In 2000/01, 27.3% of all lost time claims were reported by female workers, representing a decrease in claims lodged since 1997/98 of 15.9%.

The Workers' Compensation Environment

Proportion of Claims and Cost: 2000/01

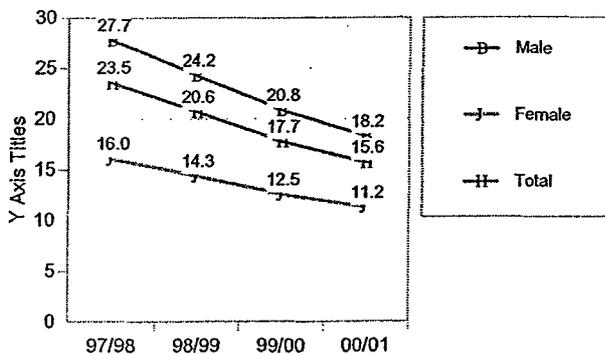
**Proportion of Claims and Costs
2000/01**



Long duration lost time claims (claims of 60 or more working days absence from work) accounted for 17.9% of reported claims, and 75.7% of the reported cost in 2000/01.

Frequency Rate by Gender

**Frequency Rate
1997/98 - 2000/01**

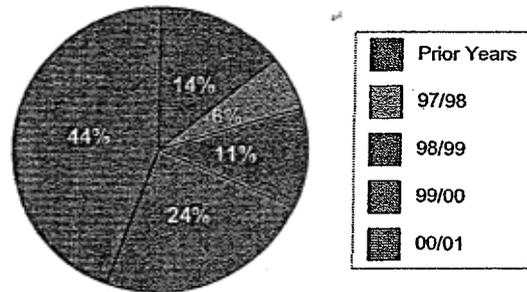


The frequency rate represents the number of lost time claims per million hours worked. There has been an overall decrease of 33.6% in the frequency rate of total lost time claims over the four-year period.

Frequency rates for male workers have declined more rapidly than for female workers. Over the period 1997/98 to 2000/01 the frequency rate for male workers decreased by 34.3%. In the same period the frequency rate for female workers decreased by 30.0%.

Claims Active in 2000/01

**Active Claims
2000/01**



Note: Only claims lodged after 1991/1992 have been included.

In 2000/01, 46,615 active lost time claims were reported. Of these, 20,678 were lodged in 2000/01 and 25,937 were lodged prior to 2000/01. Of claims active in 2000/01, 31.6% were lodged in or prior to 1998/99.