



Western Australia

June 2020



WA Workers Compensation scheme review guide

**Understanding the WorkCover WA 2020/21
recommended premium rates report**

WorkCover WA recently released the 2020/21 recommended premium rates report (the Report) for the Western Australia (WA) Workers Compensation scheme (the Scheme).

The Report analyses Scheme performance and the environment it's operating in, helping the government and industry set future premiums and manage risks.

To help our partners and customers understand the Report and what it means to them, we've summarised important information including:

- Scheme performance and recommended premium rates
- Claims experience and trends
- Economic environment and other influencing factors.



Key findings and recommendations

- The Report shows the recommended average premium rate has remained fairly consistent over the last decade with an upward trend in recent years.
- The Report recommended a 0.4% decrease in the recommended premium rate for 2020/21 to 1.638% of wages.
- Public administration and safety industry classes and construction had the highest recommended rate increases.
- The economic environment including impact of COVID-19 will influence the Scheme and key premium drivers including wages, claims and return to work rates but this is a key uncertainty.



Scheme performance and premium rates

Scheme performance and historical recommended premium rates

The Report shows the recommended average premium rate has remained fairly consistent over the last decade, with a modest upward trend from 2018 through to 2020. This consistency shows the Scheme is relatively financially stable.

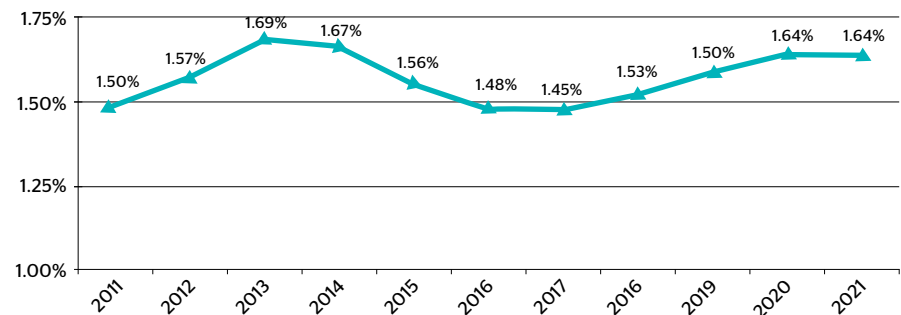
Rises in the recommended rate were mainly driven by higher expenses and margins - including claims costs. Because of this, customers may have seen modest premium increases in recent years.

Claims costs, expense margins, risk cost of claims, wages, and risk profiles are key drivers influencing Scheme premium rates.

Year	Increase/decrease	Main drivers
2018	3.2% +	<ul style="list-style-type: none"> • Average claim size increase • Reduction in wages • Increase in contingency margin and expenses • Reduction in people employed July - Dec 2016 • Decrease in claims numbers • Decreases in future rate of inflation
2019	3.9% +	<ul style="list-style-type: none"> • Reduction in wages • Average claim size increase • Increase in expenses • Changes in fatalities benefits • Lower claim numbers • Increase in employment
2020	3.7% +	<ul style="list-style-type: none"> • Reduction in wages • An increase in expenses • Lower claim numbers for 2017/18 • A decrease in superimposed inflation for the outstanding claims valuation

Source: 2020/21 recommended premium rates report, 2020

Average recommended premium rates by underwriting year



Note: Above reflects appropriate values for year listed and have not been brought into current values.

Source: 2020/21 recommended premium rates report, 2020

Recommended 2020/2021 premium rates

The Report recommended a 0.4% decrease in the premium rate for 2020/21 to 1.638% of wages, from the current rate of 1.645% (not including an allowance for brokerage).

The new recommend rate was influenced by:

- A 2.8% increase in projected earned returned wages
- A 2.4% increase in the cost of claims
- Higher average claim size
- Lower claim numbers for 2018/19 and in the half year to 31 December 2019
- Slightly higher expenses and margins.

It's important to point out the wage increase, driven by rising employment growth (employment in WA increased by 0.4% between June and December 2019), saw the estimated premium pool expand and was a key driver behind the recommended decrease. Notably this decrease was however, partly offset by the higher claims' costs.

Recommended premium rates, and actual rates, are also driven by the experience and risk profiles of industry divisions and classes.

Notably, the public administration and safety and construction categories had the highest recommended rate increases, based on calculations and their risk profiles for 2020/21. The most significant decrease was a 7% decrease seen by Administrative and support services.

Actual premiums charged were not included in the Report and are likely to be driven by more detailed data on claims, costs and risks from individual insurers as well as economic cycles.

Recommended premiums rates at division level by underwriting year

ANZSIC Division	2018/19	2019/20	2020/21	Difference (a)
Agriculture, forestry and fishing	5.22%	5.47%	5.38%	-1.7%
Mining	1.32%	1.41%	1.39%	-1.9%
Manufacturing	2.40%	2.44%	2.39%	-1.8%
Electricity, gas, water and waste services	1.34%	1.31%	1.24%	-5.8%
Construction	1.93%	2.01%	2.08%	3.4%
Wholesale trade	1.43%	1.45%	1.45%	-0.5%
Retail trade	1.52%	1.57%	1.59%	1.1%
Accommodation and food services	1.71%	1.76%	1.68%	-4.3%
Transport, postal and warehousing	2.53%	2.68%	2.70%	0.6%
Information media and telecommunications	0.45%	0.45%	0.46%	2.4%
Financial and insurance services	0.30%	0.29%	0.27%	-6.2%
Rental, hiring and real estate services	0.81%	0.84%	0.86%	2.6%
Professional, scientific and technical services	0.31%	0.33%	0.34%	2.0%
Administrative and support services	1.84%	2.12%	1.96%	-7.3%
Public administration and safety	2.12%	2.22%	2.42%	8.8%
Education and training	1.18%	1.23%	1.24%	1.0%
Health care and social assistance	1.97%	2.01%	1.95%	-2.9%
Arts and recreation services	1.78%	1.82%	1.75%	-4.2%
Other services	1.63%	1.68%	1.64%	-2.4%
Overall	1.59%	1.64%	1.64%	-0.4%

Note: (a) = (2020/21 rate) / (2019/20 rate) - 1 as a percentage
Source: 2020/21 recommended premium rates report, 2020

Claims experience and trends

The estimated projected outstanding claims cost for Accident year ending June 2019 was \$1,303.45 million and was significantly higher than 2018 thanks to an increased number of active claims.

Claim reports, payments and average case estimates for the 2018/19 accident year were however lower than expected.

Notably, since the Global Financial Crisis the number of incurred claims across accident years has been decreasing. The accident years from 2014 to 2017 have seen significant decreases, with the number of small (time lost less than five days) claims reducing by more than claims with longer durations. There were smaller decreases in the 2018 and 2019 accident years.

Economic environment and other influencing factors

WA legislative changes

The Workers' Compensation and Injury Management Amendment Act 2018 was put in place on 1 July 2018. It increased the benefits available to dependents for fatality claims, making a higher lump sum available and stipulated benefits would no longer be reduced based on dependency levels. It also set an increase in weekly allowance for children.

The Act and its impact on claims were considered in recommended premium rates.

Economic environment and COVID-19

The COVID-19 pandemic has caused significant uncertainty around Australia's economic future and the Report noted these uncertainties had not been considered in recommended premium rates. It however, noted the potential impacts to the scheme and premium rate drivers could include:

- Longer and more costly claims durations caused by delays in accessing services
- Reduced claim numbers as a result of fewer people working
- Changed risks and claims as a result of more people working from home
- More claims across the healthcare due to the high demand on the sector
- Lack of employment opportunities to allow for people to return to work
- Companies reducing their internal risk management capabilities to save costs potentially leading to slower intervention and worsened claim severity possibly increasing costs.

For more information specific to COVID-19 and its impact to Workers Compensation in WA from WorkCover please visit their [COVID-19 information page](#).

Find out more

Read the full **Report** or visit the **Work Cover WA** website to find out more about Workers Compensation in Western Australia.

For more information on our **Workers Compensation offering**, or a personalised analysis of what the Report findings or recent changes might mean for your business, please get in touch with your QBE Business Relationship Manager or broker.

qbe.com/au/workers-compensation





Please note this is a summary of selected information only. The full WorkCover WA 2020/21 recommended premium rates report should be read to understand findings, projections and data in full context. The advice in this article is general in nature and has been prepared without taking into account your objectives, financial situation or needs. You must decide whether or not it is appropriate, in light of your own circumstances, to act on this advice.

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