

Appendix C

Claim severity distribution assumptions

We are aware of two surveys which have been carried out in recent times which consider the proportion of common law claims corresponding to various levels of assessed severity.

The first is a review carried out in Tasmania in 2000 in preparation of amendments to the Workers Compensation and Rehabilitation Act 1988. The results of this review were provided to PwC Actuarial for the purposes of preparing a report costing the reforms for the Insurance Council of Australia. Prior to the 2000 amendments workers compensation common law operated in Tasmania an unrestricted manner. The amendments introduced a threshold and assessment of severity according to the AMA Impairment Guidelines. Prior to the 2000 amendments assessment of severity was a judicial decision.

The second is a review carried out in Victoria of workers compensation common law prior to the reintroduction of common law in 1999, as contained in the Department of Treasury and Finance Restoration of Common Law Working Party (Victoria) report “Restoration of Access to Common Law Damages for Seriously Injured Workers”. The report considers changes in assessed severity from where assessment is a jurisdiction decision compared to assessment via AMA Impairment guidelines.

Both of these reviews contain information linking the proportion of claims which are assessed at various levels of severity and the corresponding average claims size of claims in each severity band. Summary tables are shown below.

We have extrapolated the results of these two severity reviews as being a reasonable basis for determining the effect of introducing general damages awards which are proportionate to a “most extreme” case.

B1 Impairment size distribution from Tasmanian common law

Impairment level			Equivalent Com Law lump sum (top of range)	Est percentage of common law claims	Est cumulative % of common law claims
			\$		
0%	-	5%	21125	42.0%	42.0%
5%	-	10%	42250	19.6%	61.6%
10%	-	15%	63374	12.5%	74.1%
15%	-	20%	84499	8.0%	82.1%
20%	-	25%	105624	4.9%	87.0%
25%	-	30%	126749	3.1%	90.1%
30%	-	35%	147874	2.1%	92.2%
35%	-	40%	168998	1.8%	93.9%
40%	-	45%	190123	1.6%	95.5%
45%	-	50%	211248	1.3%	96.8%
50%	-	55%	232373	0.6%	97.4%
55%	-	60%	253498	0.8%	98.2%
60%	-	65%	274622	0.3%	98.5%
65%	-	70%	295747	0.3%	98.8%
70%	-	75%	316872	0.3%	99.1%
75%	-	80%	337997	0.1%	99.2%
80%	-	85%	359121	0.1%	99.3%
85%	-	90%	380246	0.0%	99.4%
90%	-	95%	401371	0.1%	99.4%
95%	+	100%	1000000	0.6%	100.0%
Total				100%	

B2 Impairment size distribution from Victorian common law

Impairment level			Equivalent Com Law lump sum (top of range)	Est percentage of common law claims	Est cumulative % of common law claims
			\$		
0%	-	5%	39137	57.6%	58%
5%	-	10%	60956	14.7%	72%
10%	-	15%	83429	8.8%	81%
15%	-	20%	112019	6.5%	88%
20%	-	25%	154165	5.0%	93%
25%	-	30%	190085	2.6%	95%
30%	-	35%	213518	1.5%	97%
35%	-	40%	238065	0.9%	98%
40%	-	45%	268258	0.8%	98%
45%	-	50%	293159	0.5%	99%
50%	-	55%	313272	0.4%	99%
55%	-	60%	341392	0.2%	99%
60%	-	65%	445163	0.2%	100%
65%	-	70%	474428	0.1%	100%
70%	-	75%	509489	0.1%	100%
75%	-	80%	543908	0.1%	100%
80%	-	85%	550005	0.0%	100%
85%	-	90%	605984	0.0%	100%
90%	-	95%	605984	0.0%	100%
95%	+	100%	1000000	0.0%	100%
				100%	