

Personal injury compensation costs

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Summary

Arguments about the appropriateness of personal injury compensation are sometimes made in a local, short-term context. This note compares payments for personal injury benefits in different states, allowing for differences in the numbers of persons and changes in average weekly earnings. These estimates may help APLA make better-informed submissions to governments.

There have been some large long-term increases - for example, Queensland workers compensation payments per worker have quadrupled in the 15 years up to 1997-98. Western Australian workers compensation payments, by contrast, have increased only 18% in the same period. South Australian and Tasmanian workers compensation payments have risen sharply in the last 6 years, and in spite of recent drops, are amongst the most expensive states. Victoria and WA have similarly moderate payments, and Queensland has by far the lowest workers compensation payments.

Western Australian road injury compensation payments per road fatality quadrupled in the 12 years to 1992-93, until checked by common law thresholds. Tasmanian payments increased sixfold in the 17 years to 1996-97, until restrictions were placed on common law care benefits. Victorian payments have climbed a little since '87-88. NSW has the highest payment levels, but these may reflect recent clearances of court backlogs. Victoria, SA, WA and Tasmania all have similar road injury compensation payments.

Some of the reasons for long-term increases in compensation costs may be

- ageing populations
- sharply reduced tariffs, reducing jobs for unskilled workers
- privatised government operations
- increased workplace stress and

- insecurity
- less trust between employers and employees
- uncontrolled treatment by doctors and other service providers
- more numerous and skilful lawyers.

Comparisons between workers compensation costs

Concern is sometimes expressed about the growth in claim payments, even when this growth is largely due to

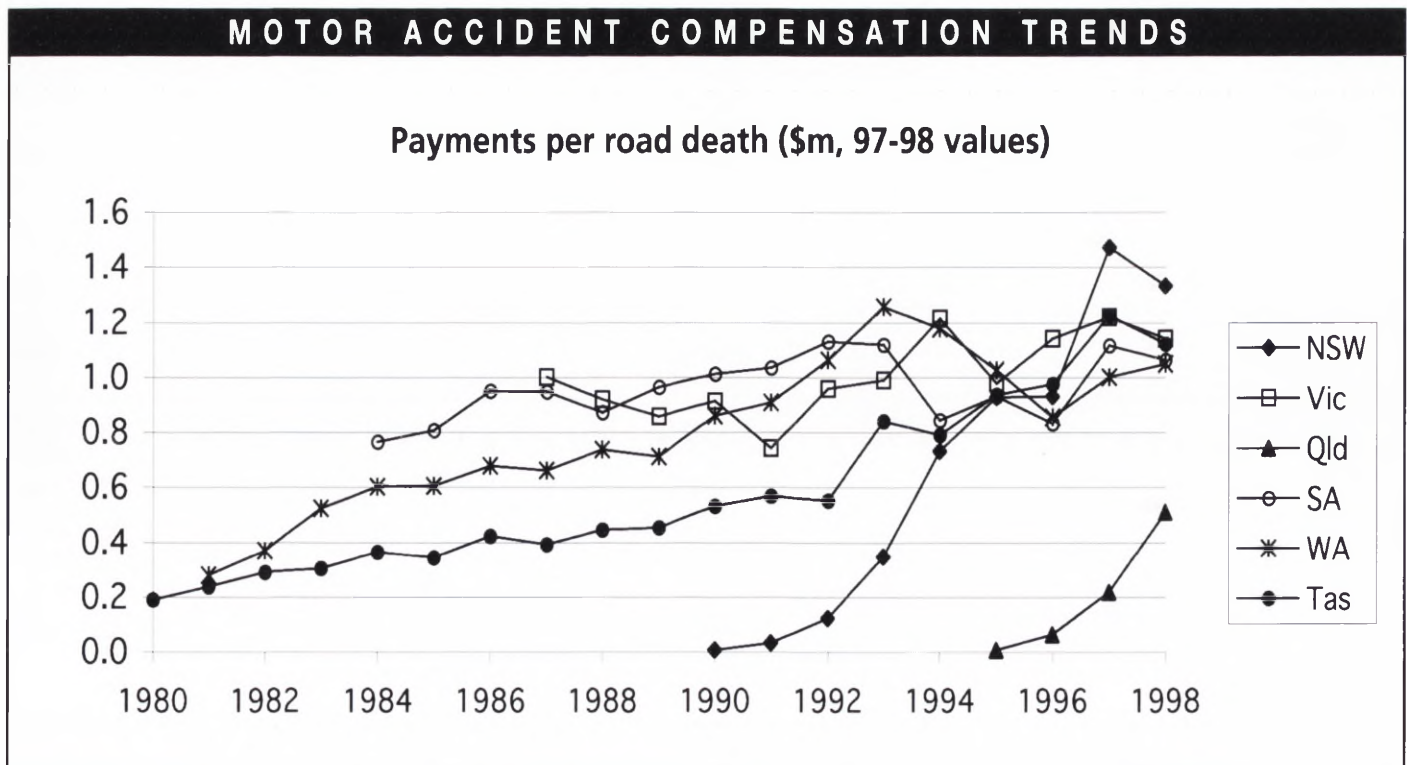
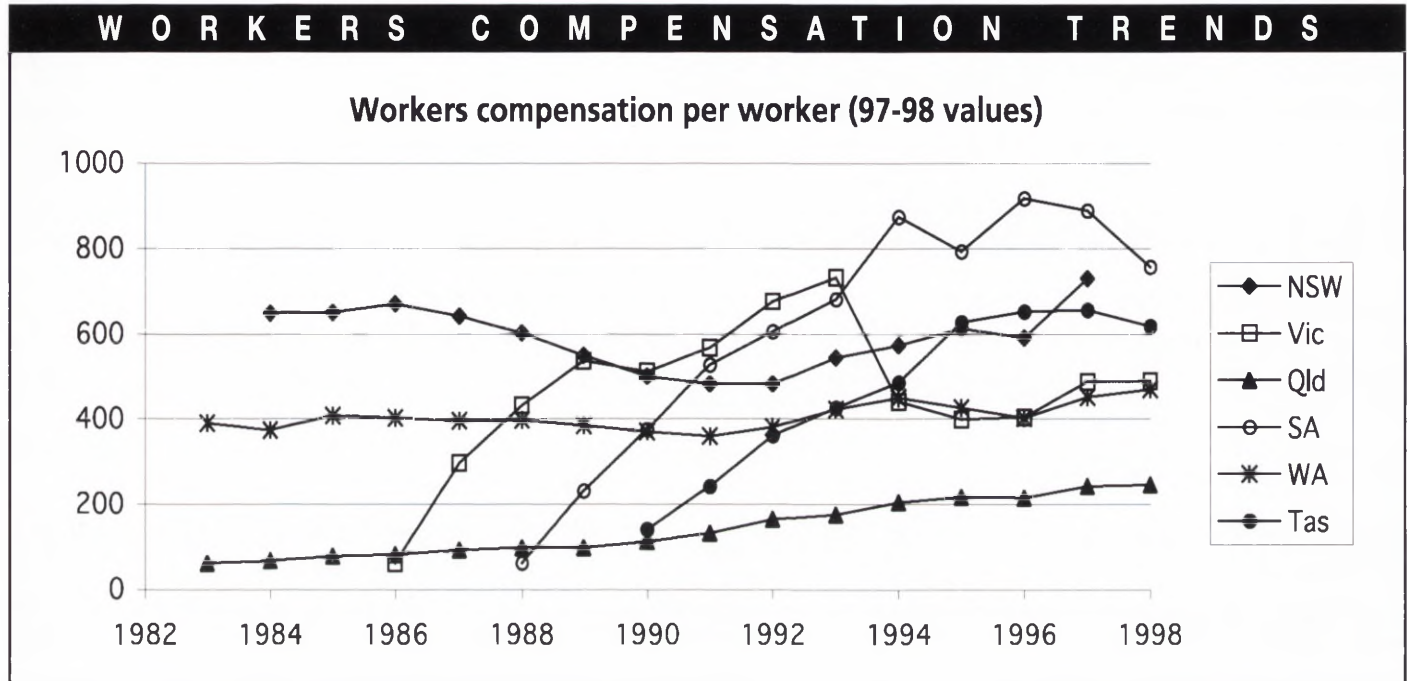
changes in the numbers of workers and increases in average weekly earnings. To allow valid comparisons, we have divided the claim payments in a state by the number of persons employed in that state in the year. We have also increased payments in years before '97-98 by the increase in average weekly earnings in that state. The resulting "compensation costs per worker in '97-98 values" allow comparisons to be made between years for each state, and between states.

COMPENSATION PAYMENTS PER WORKER IN 97-98 VALUES						
Year (1998=97-98)	NSW \$	Vic (injuries from 31/8/85) \$	Qld (injuries from 1/7/78) \$	SA (injuries from 30/9/87) \$	WA \$	Tas (injuries from 15/11/88) \$
1983			61		390	
1984	648		67		373	
1985	649		77		409	
1986	670	61	81		402	
1987	642	295	91		396	
1988	602	432	98	62	398	
1989	549	536	97	232	384	
1990	501	511	113	375	370	140
1991	481	567	132	527	360	241
1992	482	675	165	606	380	360
1993	543	731	174	681	422	426
1994	572	441	204	874	450	485
1995	613	400	217	793	426	626
1996	590	405	15	917	402	652
1997	729	487	241	887	451	655
1998		490	246	756	469	618
Growth pa	1%		10%	1%		

In Victoria, payments were only available for injuries from 31/8/85 (when the Accident Compensation Commission was established). In Queensland payments were only available for injuries from 30/6/78 (with the establishment of the Workers Compensation Board), and in

South Australia for injuries from 30/9/87 (the WorkCover Corporation). In Tasmania payments were only available for injuries from 15/11/88, when new legislation required more comprehensive reporting by insurers and self-insurers. For NSW, WA and Tasmania, our data includ-

ed payments to employees of insured and self-insured employers. For Victoria we only had data for insured employees, and we assumed these represented 92% of total payments. Similarly for South Australia we assumed that the insured data represented 60% of total payments. ▶



Legislative reforms in 1987 temporarily reduced NSW's high workers compensation payments, but subsequent benefit increases and claim escalation has resulted in NSW having the highest payments per worker (together with SA). Victoria's high payments were greatly reduced by 1/12/92 legislative amendments. In November 1997 common law actions were eliminated, and permanent impairment benefits severely restricted. Payments per worker have quadrupled in Queensland in the 15 years to '97-98, but are still much lower than in any other state. South Australia has had high payments, but benefit reductions in 1995 saw lower payments in '96-97 and '97-98. Even though poorly conceived legislative reforms in WA in 1993 resulted in some payment increases, overall payments per worker have only increased by about 20% in the 15 years to '97-98. Not enough data is available to follow long-term trends for Tasmania, but payments seem to have stabilised recently at a relatively high level.

Compensation payments per road death in '97-98 values

We have divided the claim payments in a state by the average number of persons killed in road accidents in the state in the last three years. Payments are common law payments, plus no-fault benefits in Victoria, Tasmania and NT. As for workers compensation, we increased payments in the years before '97-98 by the increase in average weekly earnings in that state. The resulting "compensation payments per road death in '97-98 values" allow comparisons to be made between years for each state, and between states.

In NSW, payments were only available for injuries from 1/7/89, when the Motor Accidents Act came into force. In Queensland, payments were only available for injuries from 1/10/94, when amendments to the Motor Vehicle Insurance Act 1936 ensured the provision of data by insurers.

NSW payments per road death were clearly higher than those in any other state in '96-97 and '97-98, and this may partly reflect the reduction in the District Court's backlog and the transfer of most motor vehicle cases from the Supreme Court. Victorian payments per road death have fluctuated, but overall have been relatively stable in the 12 years to '97-98. Nothing

Year (1998= 97-98)	NSW (injuries from 1/7/89) \$m	Vic \$m	Qld (injuries from 1/10/94) \$m	SA (injuries from 1/7/72) \$m	WA \$m	Tas (injuries from 1/10/74) \$m
1980						0.19
1981					0.28	0.23
1982					0.37	0.29
1983					0.52	0.30
1984				0.76	0.60	0.36
1985				0.80	0.60	0.34
1986				0.95	0.68	0.42
1987		1.00		0.94	0.66	0.39
1988		0.92		0.87	0.73	0.44
1989		0.86		0.96	0.71	0.45
1990	0.01	0.91		1.01	0.86	0.53
1991	0.03	0.74		1.03	0.91	0.57
1992	0.12	0.96		1.13	1.06	0.55
1993	0.34	0.99		1.12	1.25	0.84
1994	0.73	1.21		0.84	1.18	0.79
1995	0.93	0.98	0.01	0.93	1.02	0.93
1996	0.93	1.14	0.06	0.83	0.85	0.97
1997	1.47	1.22	0.22	1.12	1.00	1.22
1998	1.33	1.14	0.51	1.06	1.05	1.12
Growth pa		1%		2%	8%	9%

can be concluded from the few years of Queensland data available. Payments per road death have grown at about 2% pa in SA, 8% pa in WA and 9% pa in Tasmania.

Data sources

The major data sources used have been annual reports from

- WorkCover New South Wales
- Victorian WorkCover Authority
- WorkCover Queensland
- South Australian WorkCover Corporation
- WorkCover Western Australia
- Tasmanian Workers Compensation Board
- NSW Motor Accidents Authority
- Victorian Transport Accident Commission

- Queensland Motor Accident Insurance Commission
- South Australian Motor Accident Commission
- Insurance Commission of Western Australia
- Tasmanian Motor Accidents Insurance Board

Statistics on average weekly earnings and employed persons were obtained from the Australian Bureau of Statistics, and road deaths from the Commonwealth Department of Transport and Regional Services. ■

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