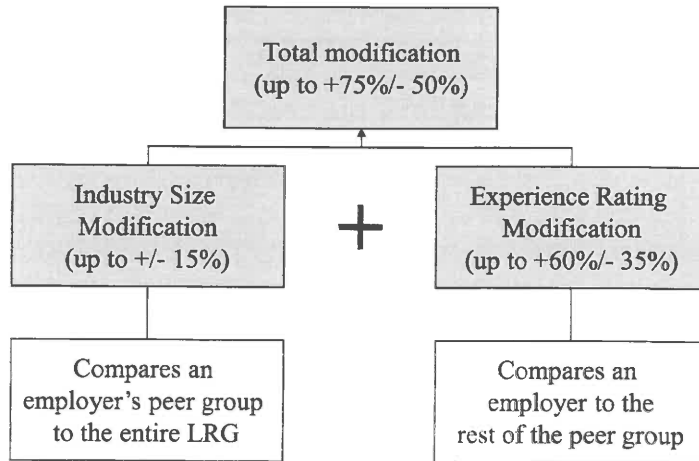
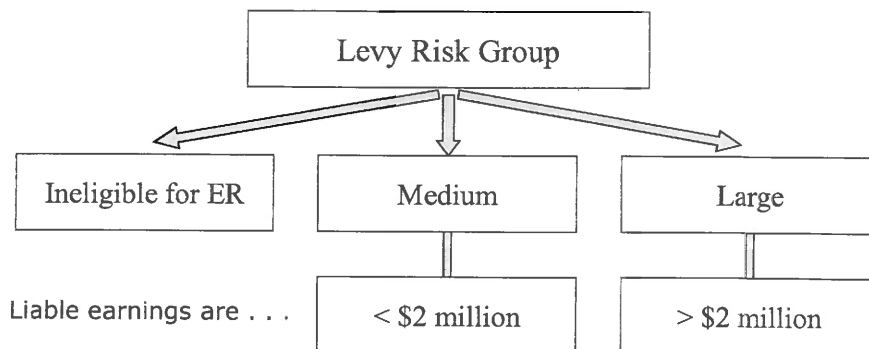


Experience Rating Programme Structure



Industry Peer Groups

Large and small businesses within an LRG will tend to have different claims experience



Experience Rating Programme Criteria

- Risk Management Component – based on the number of claims incurred during the experience period with medical costs greater than \$500 during the claims activity period (and fatal claims)
- Rehabilitation Component – based on the number of paid weekly compensation days during the claims activity period on claims incurred during the experience period

Levy Years				
1/4/07 – 31/3/08	1/4/08 – 31/3/09	1/4/09 – 31/3/10	1/4/10 – 31/3/11	1/4/11 – 31/3/12
Experience Period				2011/12 Levy
Claims Activity Period (to 30/9/10)				Application Year

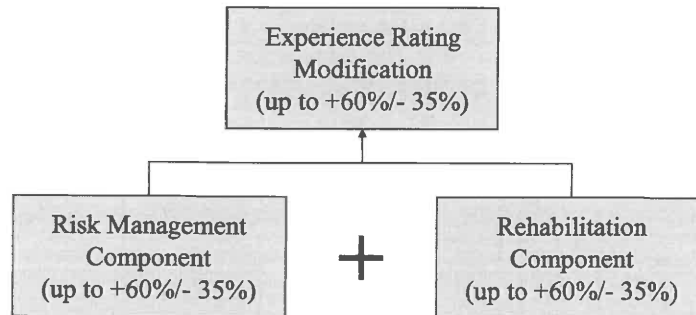
Industry Size Modification

- Compares the experience of a peer group to the entire LRG.
- The rate of (WC days / liable earnings) is used as a basis.
- Modification is a weighted average of the peer group's rate and LRG's rate, with a peer group's weight equal to its representation in the LRG

$$W = \text{Liable earnings}_{PG} / \text{Liable earnings}_{LRG}$$
- Modification is capped at +/-15%

Experience Rating Modification

Formula = (25% * Risk Mgmt) + (75% * Rehab)



Experience Modification Components

Compare a business group's experience to its peer group

Formula =

$$\frac{[\text{Rate}_{\text{BG}} * W + \text{Rate}_{\text{PG}} * (1 - W)] - \text{Rate}_{\text{PG}}}{\text{Rate}_{\text{PG}}}$$

A business group's credibility (W) is based on the business group's size as measured by liable earnings during the experience period.

Modification is capped at +60%/-35%



Credibility for E-Mod components

A business group's credibility (W) is based on the business group's size as measured by liable earnings.

Liabe Earnings During Experience Period (\$M)	Credibility
0 - 2	0 - 5%
2 - 5	5 - 10%
5 - 10	10 - 15%
10 - 20	15 - 20%
20 - 50	20 - 30%
50 - 100	30 - 40%
100 - 200	40 - 50%
200 - 1,350	50 - 100%



Credibility for E-Mod components

A business group's credibility (W) is based on the business group's size as measured by liable earnings.

Liabe Earnings During Experience Period (\$M)	Credibility	Distribution of groups
0 - 2	0 - 5%	31.5%
2 - 5	5 - 10%	29.7%
5 - 10	10 - 15%	17.4%
10 - 20	15 - 20%	10.6%
20 - 50	20 - 30%	7.02%
50 - 100	30 - 40%	2.36%
100 - 200	40 - 50%	0.91%
200 - 1,350	50 - 100%	0.42%

Experience Modification Components

Off balance adjustment

- The off balance adjustment ensures that the programme is revenue neutral.
- Factors are determined at a peer group level, one for large peer groups and one for medium peer groups.
- Based on estimated levies to be collected in the applicable year

Experience Rating Programme Structure

