

In this issue:

Welcome	1
2001-02 Annual Report	1
Workers' compensation in Tasmania	2
Workers' compensation in 2002-03	2
Workers' compensation contributions may increase in 2003-04	3
Motor vehicle claims	3
4WD fatal crash data	4
Review of the Fund Administration Agent's policies and procedures	6
Investigate workers' compensation claims early	6
Workers' compensation open forum	6
Risk Management seminars in March 2003	7
Changes to NRMA personnel	7
Treasury Contacts	7

2001-02 Annual Report

Finalisation of the 2001-02 Tasmanian Risk Management Fund Annual Report has been delayed and will now be available in early April 2003. The Annual Report will be available online from the TRMF section of Treasury's web site at www.treasury.tas.gov.au. Printed copies of the Annual Report will be sent to Heads of Agencies and to the members of the Steering Committee and the Sub-Committees. Issues which delayed the auditing of the Fund's financial statements have been addressed to ensure the more timely release of the 2002-03 Annual Report.

Any suggestions for feature articles in future Annual Reports would be welcome. Please send suggestions to Bindi Knoop at bindi.knoop@treasury.tas.gov.au.

Welcome

Welcome to the fourth edition of the Tasmanian Risk Management Fund (TRMF) newsletter, *riskmatters*, published by the Department of Treasury and Finance. This is the first edition of *riskmatters* for 2003.

The Fund Unit is currently in the process of finalising estimated agency contributions for the 2003-04 financial year. Agencies will be sent a memorandum outlining the estimated contributions in early March 2003 to assist in agency budgeting for 2003-04. The TRMF Steering Committee will confirm 2003-04 contributions as soon as possible after 30 June 2003.

Treasury and the Fund Administration Agent, Marsh Pty Ltd, are organising three risk management seminars to be held at Salamanca Inn from 24 to 28 March 2003. For more information on these seminars, see page 7.

The claims experience of the Fund in 2002-03 has so far been mixed. Of major concern is the increase in weekly benefits for workers' compensation and the increase in the average cost of motor vehicle claims. For more information on the performance of the Fund with regard to workers' compensation and motor vehicles as at 31 January 2003, see pages 2 to 4.

One of the Fund Unit's members, Sarah Hazell, has recently left the Fund on promotion to another position within Treasury. I would like to take this opportunity to wish Sarah all the best in her new position and to thank her for her contribution to the Fund over the past year.

Philip Mussared

Chairman

Tasmanian Risk Management Fund Steering Committee

Workers' compensation in Tasmania

In recent years, there has been some evidence that the workers' compensation performance of the Tasmanian Risk Management Fund has improved – eg as reflected in decreases in the total contribution pool. However, a more complete picture of the performance requires a comparison with the performance of other insurers and self-insurers.

The WorkCover Tasmania Board recently released its report on the performance of insurers and self-insurers operating

under the *Workers Rehabilitation and Compensation Act 1988* for the 12 month period ending 30 June 2002. The report on the TRMF indicates that, while workers' compensation contributions fell between 2000-01 and 2001-02, payments in a number of key areas increased at a greater rate than for all Tasmanian employers. As a number of these trends have continued in 2002-03, it has been necessary to increase the total estimated contribution pool for 2003-04.

A summary of the findings in the report is below.

Workers' Compensation in Tasmania

	Cost for all Tasmanian employers			Cost for TRMF		
	2000-01	2001-02	% change	2000-01	2001-02	% change
Total premium	\$118.3m	\$119.6m	+1.1	\$19.0m	\$17.1m	-10.2
Av premium rate	3.09%	3.09%	0	1.99%	1.69%	-15.1
Claims reported	11 370	10 532	-7.4	1 632	1 614	-1.1
Claim payments	\$122.8m	\$120.7m	-1.7	\$18.8m	\$21.2m	+12.8
Weekly benefits	\$29.0m	\$27.6m	-4.9	\$5.6m	\$6.0m	+6.2
Common law	\$54.5m	\$55.9m	+2.6	\$6.0m	\$7.3m	+21.8
Medical	\$24.7m	\$24.5m	-0.9	\$5.0m	\$5.7m	+12.8
Legal	\$13.5m	\$11.8m	-12.9	\$2.0m	\$2.1m	+3.3
Lump sum	\$1.1m	\$1.0m	-7.4	\$0.1m	\$0.2m	+36.1

Performance of the Fund in 2002-03

Workers' Compensation Claims Reported

In the period 1 July 2002 to 28 February 2003, a total of 1 038 workers' compensation claims have been reported, regardless of when the accident leading to the claim occurred. If claims continue to be reported at this rate, a total of 1 557 claims will be reported in 2002-03, compared to 1 614 claims in 2001-02. This represents a decrease of three per cent.

The number of claims reported has steadily decreased for a number of reasons, including: amendments to the *Workers Rehabilitation and Compensation Act 1988* tightening the rules regarding compensable claims; a greater proportion of "white collar" employees covered by the Fund since the withdrawal of authorities such as the Civil Construction Services Corporation and Metro Tasmania Pty Ltd; and more emphasis being placed on occupational health and safety by participating agencies. However, the rate of decrease in the number of claims reported has slowed significantly in recent years.

Claims Payments

In the period 1 July 2002 to 28 February 2003, a total of \$14.3 million has been paid. If payments continue to be made at this rate, a total of \$21.4 million will be paid in 2002-03, compared to \$21.2 million in 2001-02. This represents an increase of one per cent.

The following details the main categories of payments.

Weekly Benefits

In the period 1 July 2002 to 28 February 2003, a total of \$5.3 million in weekly benefits (inclusive of under excess amounts) has been paid. If payments continue to be made at this rate, a total of \$8.0 million in weekly benefits will be paid in 2002-03, compared to \$6.0 million in 2001-02. This represents an increase of 33 per cent.

Common Law settlements

There has been a slight increase in payments made by the Fund in respect of common law settlements. In the period 1 July 2002 to 28 February 2003, a total of \$4.0 million in common law payments has been paid. If payments continue to be made at this rate, a total of \$6.0 million in common law payments will be paid in 2002-03, compared to \$7.3 million in 2001-02. This represents a decrease of 18 per cent.

Medical Expenses

In the period 1 July 2002 to 28 February 2003, a total of \$3.5 million in medical expenses has been paid. If payments continue to be made at this rate, a total of \$5.3 million in medical expenses will be paid in 2002-03, compared to \$5.7 million in 2001-02. This represents a decrease of seven per cent.

Legal and Miscellaneous expenses

In the period 1 July 2002 to 28 February 2003, a total of \$1.4 million in legal and miscellaneous expenses has been paid. If payments continue to be made at this rate, a total of \$2.1 million in legal and miscellaneous expenses will be paid in 2002-03, compared to \$2.1 million in 2001-02.

Lump Sum payments

In the period 1 July 2002 to 28 February 2003, a total of \$61 659 in lump sum payments has been paid. If payments continue to be made at this rate, a total of \$92 500 in lump sum payments will be paid in 2002-03, compared to \$125 000 in 2001-02. This represents a decrease of 26 per cent.

Impact of recent amendments to the Act

The Actuary estimated that the amendments to the Act, which came into force from 1 July 2001, would result in an increase of between 9 and 10 per cent in weekly benefits paid by the Fund in respect of claims occurring after 1 July 2001. The Actuary also estimated that the amendments to the Act would also result in cost savings of between 11.4 and 12.4 per cent in common law payments in respect of claims occurring after 1 July 2001.

The Fund has yet to experience the full effect of the amendments as they relate only to claims in respect of accidents occurring after 1 July 2001. To some extent, there will be timing differences relating to when the amendments will have their full impact – ie increases in weekly benefits may not be offset at the same rate as decreases in common law payments. However, it should be noted that, even taking the amendments into account, there has been a significant deterioration in weekly benefits claims experience.

Increases in estimated workers' compensation contributions in 2003-04

The Tasmanian Risk Management Fund has been able to reduce the total contribution pool for workers' compensation cover each year since 1997-98 because agencies have been successful in reducing both the number and total cost of claims, while the average cost of claims has remained relatively stable. However, it has been necessary to increase the total estimated contribution pool in 2003-04 because of the negative trends evident in 2001-02 and in the first six months of 2002-03.

Based on claims experience as at 31 December 2002, the Actuary has recommended that a total contribution pool of \$20.432 million is collected in 2003-04 (inclusive of GST and HIH levy, but prior to optional excess reductions), compared to \$19.027 million in 2002-03, an increase of 7.4 per cent.

Greater assistance for agencies

Treasury has requested both the Fund Administration Agent, Marsh Pty Ltd, and its workers' compensation sub-contractor, NRMA, to increase their assistance to agencies through:

- scheduling more regular file reviews with agencies, including file reviews conducted with the Office of the Director of Public Prosecutions; and
- increasing emphasis on outstanding case estimates.

How these actions will help reduce the workers' compensation contribution

It is anticipated that regular file reviews will improve communication between all stakeholders, ensuring that claims are administered as efficiently and effectively as possible.

Case estimates are built up over a number of years based on the current knowledge of each individual claim. Initially, only a relatively small estimate is placed on each claim because the majority of claims involve little or no cost. However, as more details come to light concerning a claim, the estimate can be revised accordingly. In the past, it appears that insufficient emphasis has been placed on developing and maintaining case estimates, primarily because such estimates have not been taken into account in calculating contributions payable to the Fund. However, case estimates can be used to:

- identify potentially large claims. The small number of large claims – ie greater than \$100 000 - comprise a considerable proportion of the total cost of all claims and, as a result, should receive greater management attention than other claims; and
- better monitor overall claims performance. If case estimates are not developed and maintained, a misleading picture of workers' compensation claims performance may emerge. Monitoring claim payments only will not reveal the fact that a significant payment may need to be made in the near future to settle a claim or series of claims. These payments may have a considerable effect on the workers' compensation contribution payable in the coming financial years.

Challenges facing agencies

The challenges facing agencies will increase significantly when the number of claims to which the 10-year weekly benefits period applies increases. Careful management - eg actively monitoring the fitness of injured employees to participate in rehabilitation programs, to be assigned permanent alternative duties or to return to work - will be required to ensure that weekly benefits on claims of potentially long duration are minimised. While there has been an increase in agency expenditure on rehabilitation, it would not appear to have been totally effective in curbing weekly benefit costs.

Major Motor Vehicle Accidents Report

Losing control of a vehicle has been the most common reason for a large motor vehicle claim – both in terms of cost and number in 2001-02 and in 2002-03 to date.

In 2001-02, a total of 19 accidents occurred where the cost of the vehicle damage exceeded \$5 000. Of these 19

accidents, six were due to the driver losing control of the vehicle, resulting in claims costs of \$83 776.

As at the end of February 2003, a total of 19 accidents have occurred in the 2002-03 year where the cost of the vehicle damage exceeded \$5 000. Of these 19 accidents, five were due to the driver losing control of the vehicle, resulting in claims costs of \$68 550. If the trend in 2002-03 continues, there could be up to another 3 accidents involving a driver who loses control of their vehicle.

It should also be noted that, in the last two years, a total of 16 government vehicles have been written off, costing a total of \$252 147. Of the total write offs:

- 4 were due to fire/arson;
- 4 drivers lost control of their vehicle;
- 3 vehicles were stolen;
- 2 vehicles were involved in single vehicle accidents involving an object;
- 2 drivers failed to give way; and
- 1 vehicle was hit from behind.

Given that a number of these accidents appear to involve driver error, agencies need to be more proactive in providing both vehicles suitable to the environment in which the employee is driving, and appropriate driver training to increase the safety of the employee and to reduce the incidence of accidents, and ensuring vehicles have appropriate safety features such as ABS and air bags.

Four wheel drive fatal crash data

Below is an extract of Monograph 11 (ATSB Series) 'Four Wheel Drive Crashes' published by the Australian Transport Safety Bureau (ATSB). This monograph examines the involvement of four wheel drive (4WD) vehicles in fatal crashes. It reports on the characteristics of fatal crashes involving 4WDs and compares them with the characteristics of crashes involving other passenger vehicles.

In the monograph, 4WDs are classified as vehicles not based on a car design. They include short and long wheel based vehicles such as the Suzuki Serria and Toyota Landcruiser as well as 4WD utilities such as the Mitsubishi Triton. The data used in this monograph were extracted from the 1998 ATSB Fatality Crash Database and are the most recent data available. Australian Bureau of Statistics data were also used.

The popularity of 4WDs has increased significantly over the last decade. In 1990, 4WDs made up 12 per cent of all new car sales and by 1998 this had increased to 17 per cent. 4WDs are also starting to replace more traditional passenger cars on urban roads. This increase in popularity has given rise to an interest in the implications of 4WD safety in the road environment.

Key Findings

- The incidence of fatal 4WD crashes increased by 85 per cent between 1990 and 1998 (up 28 per cent between 1994 and 1998). By comparison, the incidence of all fatal crashes decreased by 25 per cent between 1990 and 1998 (down 10 per cent between 1994 and 1998);

- This increase in fatal 4WD crashes is likely to be due to the growing number of kilometres travelled by 4WDs, rather than any decrease in the safety of 4WDs. The number of kilometres travelled by 4WDs almost doubled between 1995 and 1998. By comparison, the overall number of vehicle kilometres travelled increased by only four per cent over the same time period;
- For those crashes where the 4WD driver contributed to the crash, road user impairment (for example fatigue, alcohol, other drugs, etc) was the most common contributory factor involved (54 per cent);
- The proportion of alcohol intoxication amongst 4WD drivers involved in fatal crashes (29 per cent) was higher than for all other types of vehicle operators (for example, 21 per cent of passenger car drivers involved in fatal crashes had a blood alcohol concentration of over 0.05g/100ml);
- In all fatal crashes, a significantly higher proportion of 4WD vehicles rolled over compared with passenger cars (35 per cent and 13 per cent respectively); and
- In 4WD crashes involving multiple vehicles, passenger car occupants accounted for the largest proportion of fatalities (64 per cent). 4WD occupants accounted for the second largest but a significantly lower proportion of fatalities (18 per cent).

Fatal crash rates

Table 1, on the following page, compares the rate of different vehicles involved in fatal crashes per 100 million vehicle kilometres travelled. It shows that when taking into account the level of activity, 4WDs had a lower involvement in fatal crashes than motorcycles and heavy trucks. However, passenger cars and light trucks had slightly lower fatal crash involvement rates than 4WDs.

Crash Type

Figure 2 also compares crash types for 4WD and passenger car crashes. The proportion of 4WD crashes involving pedestrians (11 per cent) was almost half the proportion of passenger car crashes involving pedestrians (20 per cent). However, 4WD and passenger cars had a similar level of involvement in single vehicle crashes (38 per cent and 41 per cent respectively).

Location

Even though 4WDs are becoming more popular on urban roads, the majority of 4WD crashes occur on rural roads and this number has been increasing. In 1990, 57 per cent of 4WD crashes occurred on rural roads and by 1998 this had increased to 68 per cent.

An almost even proportion of passenger car crashes occurred on rural and urban roads (51 per cent and 49 per cent respectively), and this ratio has remained fairly stable between 1990 and 1998.

Roll-overs

Previous research has concluded that 4WDs are more likely to roll-over than passenger cars as they have a higher centre of gravity relative to their wheel-base². Table 2 supports this conclusion as it shows that a significantly higher proportion of 4WDs involved in fatal crashes rolled over compared with passenger cars (35 per cent and 13 per cent respectively).

Table 2 also shows that the proportion of 4WDs that rolled over without a previous collision was over three times the proportion for passenger cars (21 per cent and six per cent respectively). These crashes mostly involved single vehicles

that had driven off a straight or curved road and rolled over. It is unlikely that the increased incidence of roll-overs can be fully explained by different terrain and roads used by 4WDs compared with other vehicles.

Fatalities

In crashes where the 4WD was the sole vehicle involved, 41 4WD drivers and 37 4WD passengers were fatally injured. In pedestrian-4WD crashes, 20 pedestrians were fatally injured.

In multiple vehicle crashes involving at least one 4WD, 114 road users were fatally injured with passenger car occupants accounting for the largest proportion of fatalities (64 per cent). 4WD occupants accounted for 18 per cent of all fatalities (11 per cent 4WD drivers and seven per cent 4WD passengers) (see fig. 4).

Table 1: The number and rate of vehicles involved in fatal crashes per 100 million kilometres travelled^a, 1998

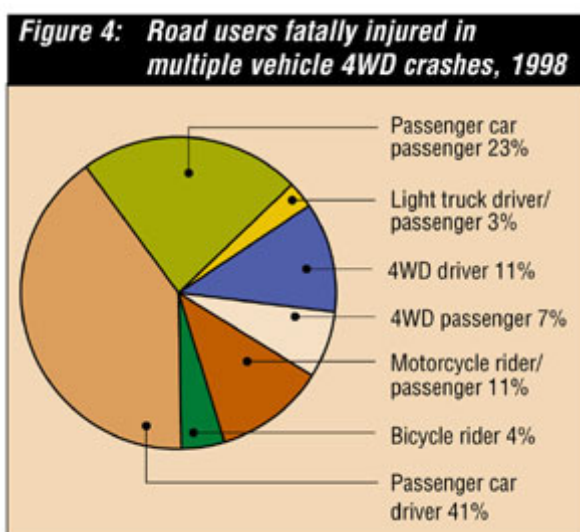
Vehicle type	Number of vehicles involved in fatal crashes	Rate per 100 million vehicle kilometres travelled
Motorcycles	184	13.6
Heavy trucks ^b	244	2.4
4WDs	191	1.2
Passenger cars	1281	1.0
Light trucks ^c	145	0.8

^a 100 million vehicle kilometres travelled (1998). Unpublished ABS data.
^b More than 4.5 tonne gross vehicle mass.
^c Less than 4.5 tonne gross vehicle mass.

Table 2: Roll overs in fatal crashes by vehicle type, 1998

Roll-over status	4WD	Passenger car
Vehicle rolled over		
After major collision	12%	6%
After minor collision	2%	1%
Without previous collision	21%	6%
Total	35%	13%
Vehicle did not roll-over		
Total	65%	87%

² Fildes B, Kent S, Lane J, Lenard J, and Vulcan P. (1996). CR150 Vehicle Occupant Protection: Four-wheel-drives, utilities and vans. Canberra: FORS. p7.



Review of Fund Administration Agent's policies and procedures – February 2003

The Department of Treasury and Finance performs no direct monitoring of the operations of the Tasmanian Risk Management Fund in assessing and paying claims. Treasury relies on the claims management policies and procedures of the Fund Administration Agent, Marsh Pty Ltd, and its claims administration sub-contractors, NRMA Insurance Ltd and Lumley General. Consequently, it is necessary for the preparer of the Fund's financial statements (currently KPMG) to perform additional work in order to verify the figures used to compile the financial statements. KPMG was requested to perform a review of the policies and procedures of Marsh Pty Ltd and NRMA Insurance Ltd to ensure compliance with the *Workers Rehabilitation and Compensation Act 1988* and the licence conditions for self-insurers. Although not required to be a licensed self-insurer, the Fund aims to operate consistently with those conditions.

Generally, the statement of findings prepared by KPMG for 2001-02 reports that the claims management policies and procedures of the Fund Administration Agent and its sub-contractor were satisfactory to ensure that only bona fide claims were reimbursed. However, the following exceptions were noted:

New findings

- some instances were noted where incomplete claim forms were being processed, thus there is no way of ensuring details regarding claims are correct;
- one instance was noted where the documentation was not stamped after being entered into STARS, thus increasing the risk of payments being processed twice;

Prior period findings yet to be resolved

- the reimbursement schedules provided by agencies differ in detail and format and not all agencies submit the schedules on a regular basis, making verification difficult;
- some instances were noted where the step down of the wage rate was not stated on the schedule and thus was unable to be determined;
- some wage rates could not be fully verified due to a lack of detail on the schedules and claims files;
- three instances were noted where the wages cap had been exceeded, thus incurring greater expenditure for the agency and the Fund;
- some claims estimates were not monitored effectively;
- some claims estimates were not approved in accordance with policy;
- some problems were encountered reconciling payments taken from the electronic claims management system to the documentation held on file;
- in many instances there was a lack of authorisation of payments;

- the performance standard for processing and payment of expenses was not being met on a consistent basis; and
- bank reconciliations were not conducted on a regular basis.

The statement of findings notes, however, that Marsh Pty Ltd and NRMA Insurance Ltd had identified the majority of issues and, in most cases, progress had been made to remedy the underlying causes of the issues. KPMG also noted that some of the issues identified in 2000-01 have now been improved or resolved.

In 2000-01, testing by KPMG revealed one significant error in relation to an under-claimed wage reimbursement, whereas no such instances were identified in 2001-02. There were no instances noted where emails were being used as the basis for payments to agencies, as was previously revealed in 2000-01. A significant number of old claims have now been closed and claims officers are now using the diary function in STARS for recording file review dates.

Investigate workers' compensation claims early

At *The Investigator* conference held in Melbourne in October of 2002, Deacons lawyer Brian Gurry recommended that non-genuine workers' compensation claims be identified early to avoid them becoming "massive". Mr Gurry told the conference that many employees with non-genuine claims lacked motivation to return to work. Whilst they may have a legitimate injury, Mr Gurry advised that non-genuine claimants could develop chronic pain syndrome, which enhanced the pain experience out of proportion to the injury.

Mr Gurry advised claims officers to develop a detailed knowledge of cases to assist them in managing genuine claims. A chronology of the claimant, including personal, employment, medical history and treatment details, could assist in this regard. Mr Gurry advised insurers to improve the quality of medical opinions through better selection of medical examiners and by providing more comprehensive letters of engagement. Medical reports should contain comprehensive histories and evidence the fact that a full clinical examination has been carried out.

Workers' compensation open forum

Treasury is pleased to report that it has received a great response from agencies regarding the workers' compensation open forum to be held in March/April of this year. To date, over twenty-five agency personnel involved in workers' compensation matters have registered to attend the forum.

The forum will be a great opportunity for workers' compensation personnel to meet with their agency counterparts to discuss particularly difficult claims and issues, as well as establish communication networks.

If you would like to attend the forum, please register with Tom Saltmarsh on 6233 3763 or by email at tom.saltmarsh@treasury.com.au. For those who have already

registered, you will be contacted shortly regarding a proposed date and time for the forum.

Changes to NRMA personnel

There have been a number of recent changes to the personnel and staffing structure at NRMA Insurance.

Mr Greg Rowell has been appointed to the position of Assistant Claims Manager (Manager Tasmanian State Service). Greg has 20 years experience in workers' compensation claims management.

NRMA will be appointing another Injury Claims Consultant in the near future to provide advice to agencies on the management of claims.

Malcolm Grimes will continue to work closely with agencies and NRMA to ensure that claims are handled in accordance with established guidelines.

Risk Management seminars in March 2003

A half-day Risk Management seminar and two two-day Risk Management seminars are being organised by Treasury and Marsh Pty Ltd. These seminars will be held at Salamanca Inn from 24-28 March 2003.

The principal presenters are Alan Champness, of Champness Risk Consulting, and Stuart Bassett, Director, Marsh Risk Consulting (Australia).

The half-day seminar is being held on Monday 24 March from 9am-12:45pm and is aimed at members of the Fund's Steering Committee and Sub-Committees and other managers with a sound knowledge of risk management.

The two-day seminars will be similar to those held in October last year and will be held on 25-26 and 27-28 March 2003 from 8:30-4:15pm.

There are still a few places left on the two-day seminars, so if you haven't already registered and are keen to attend, please contact Tom Saltmarsh on 6233 3763 or by email at tom.saltmarsh@treasury.tas.gov.au.

Treasury contacts

Tom Saltmarsh

Principal Policy Analyst

Ph: 6233 3763

E-mail: tom.saltmarsh@treasury.tas.gov.au

Bindi Knoop

Senior Policy Analyst

Ph: 6233 6597

E-mail: bindi.knoop@treasury.tas.gov.au

Kate Daley

Senior Policy Analyst

Department of Treasury and Finance

Ph: 6233 6627

E-mail: kate.daley@treasury.tas.gov.au

riskmatters

Subscription Service

Why not become a subscriber to the electronic version of *riskmatters* on www.treasury.tas.gov.au and receive an e-mail alert and link to the site on the day of publication.

To register, contact the Newsletter Editor, Bindi Knoop, at the Department of Treasury and Finance on 03 6233 6597 or e-mail bindi.knoop@treasury.tas.gov.au.