

Tasmanian Risk Management Fund

Annual Report 2014-15

Tasmanian Risk Management Fund Annual Report 2014-15

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For further information please contact:
Department of Treasury and Finance
GPO Box 147
Hobart TAS 7001
Telephone: +61 3 6166 4444
Website: <http://www.treasury.tas.gov.au>

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Policy Statement

Purpose of the Fund

The Tasmanian Risk Management Fund is the Tasmanian Government's self-insurance fund. It was established on 1 January 1999 and provides a whole of government approach to funding and managing specific identified insurable liabilities of participants.

All inner-Budget agencies are required to participate in the Fund and, subject to their date of joining, are covered for identified risks to which they are exposed or for which they wish to accept responsibility and which the Fund agrees to cover. A number of other Government entities also participate in the Fund and may only be covered for specific risks. The risks covered by the Fund include:

- workers compensation/personal accident;
- legal liability;
- property; and
- travel.

Marine hull and travel insurance are insured through the private sector: the former due to cost efficiencies, the latter in order to benefit from a worldwide emergency assistance scheme. All other categories of risk are self-insured.

The Fund operates on a cost-recovery basis with contributions set to ensure adequate financial provision for the cost of risk now and in the future. All participants pay annual contributions to meet claim costs (for property, claims are capped at \$5 million)¹, administrative expenses and, where applicable, insurance premiums and reinsurance costs. The level of a participant's contribution is determined by an independent actuary and reflects its risk coverage, risk exposure, claims experience and nominated excess amounts.

In setting contributions, the Fund aims to achieve:

- the collection of sufficient moneys each year to fund claims costs and alleviate the financial impact of large unexpected events;
- equity for participants with minimal cross-subsidisation;
- stability in contributions over time; and
- incentives for risk management, through recognition of claims experience.

The Fund's finances are managed through the Tasmanian State Service Risk Management Account in the Special Deposits and Trust Fund.

In addition to cover provided to participants, the Fund also arranges for the external placement of Principal Nominated Contract Works Insurance for contractors engaged by the Government to undertake building works (civil and civic).

¹ For 2014-15, the Fund did not carry catastrophe insurance for losses in excess of \$5 million. The funding of the costs of any claim over \$5 million was determined post-event on a case by case basis - through either a contribution from the Consolidated Fund, an increase in contributions over time or a combination of both. The only exception to this would be the cover for bridges owned by the Department of State Growth, where losses exceed \$5 million. A loss of a substantial bridge would, in all likelihood, require contributions from the Consolidated Fund.

Structure of the Fund

Governance Structure

The Department of Treasury and Finance is responsible for the administration and management of the Fund and reports to the Treasurer on policy issues.

Internal Advisors

TRMF Steering Committee

The TRMF Steering Committee serves as a consultative forum through which participants can provide input into the operations of the Fund and feedback to Treasury, the Fund Administration Agent and the Actuary.

Department of Treasury and Finance

The key activities of Treasury in relation to the Fund are: operational policy and advice, administration of the Fund, stakeholder relations and the management of relevant contracts.

External Advisors

Fund Administration Agent

During 2014-15, Marsh Pty Ltd was retained on a contract basis for claims administration, provision of advice in relation to claims management and for the placement of insurance as required. From 1 July 2015, Jardine Lloyd Thompson Pty Ltd assumed Fund Administration Agent services.

Actuary

From 1 September 2014, DeeDeeRa Actuaries Pty Ltd was contracted to estimate future liabilities, advise on contributions and excesses and report on the Fund's performance. DeeDeeRa took over responsibility as Fund Actuary from Bendzulla Actuarial Pty Ltd who remained as Actuary until 31 August 2014.

Internal Auditor

As part of Treasury's annual audit program, an internal audit is undertaken of the controls and processes in place for the management of claims and to verify the accuracy of the figures included in Treasury's Financial Statements.

Office of the Director of Public Prosecutions

The Office of the Director of Public Prosecutions was exclusively responsible for providing legal advice on claims and provides legal representation in various courts and tribunals as required. This responsibility is now undertaken in the Office of the Solicitor-General (Litigation).

Financial Performance

Contributions

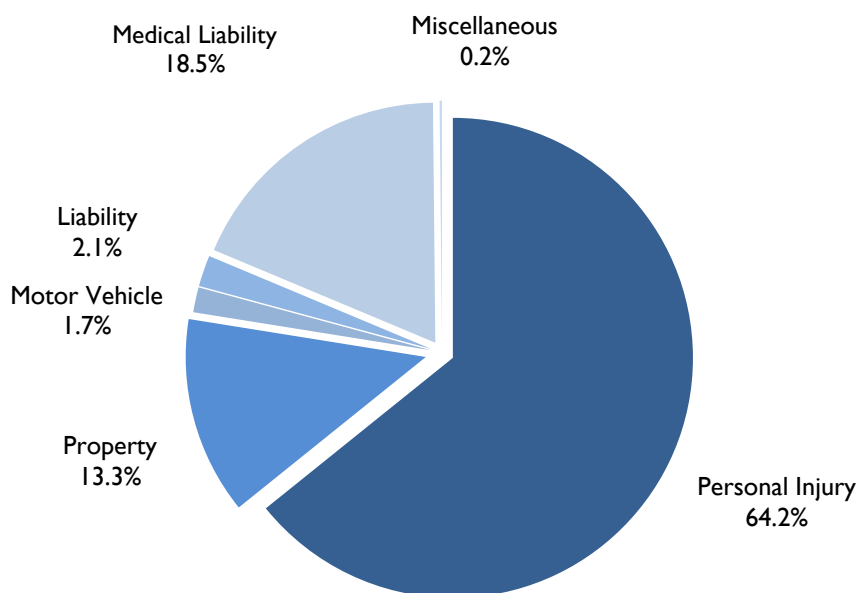
In 2014-15, agency contributions to the Fund totalled \$53.4 million. This compares with agency contributions of \$58 million in 2013-14.

Medical liability contributions increased reflecting the continuing rise in the number of large claims in the medical risk portfolio over the past decade. This increase was offset to some extent by a significant reduction in property contributions for 2014-15, due to lower than expected claims experience. It is also noted that the property contribution in 2013-14 included a contribution of \$5.9 million from the Consolidated Fund for the rebuild of the Dunalley Primary School following the January 2013 bushfires.

For the other major risk categories, personal injury contributions increased marginally due to an increase in workers compensation claim sizes which were largely offset by a decrease in the number of claims. Liability contributions remained similar to the previous year and motor vehicle contributions increased slightly, corresponding with the inflation rate for claim costs.

The percentage of agency contributions by class of risk is shown in Chart 1.

Chart 1 - Agency Contributions by Class of Risk

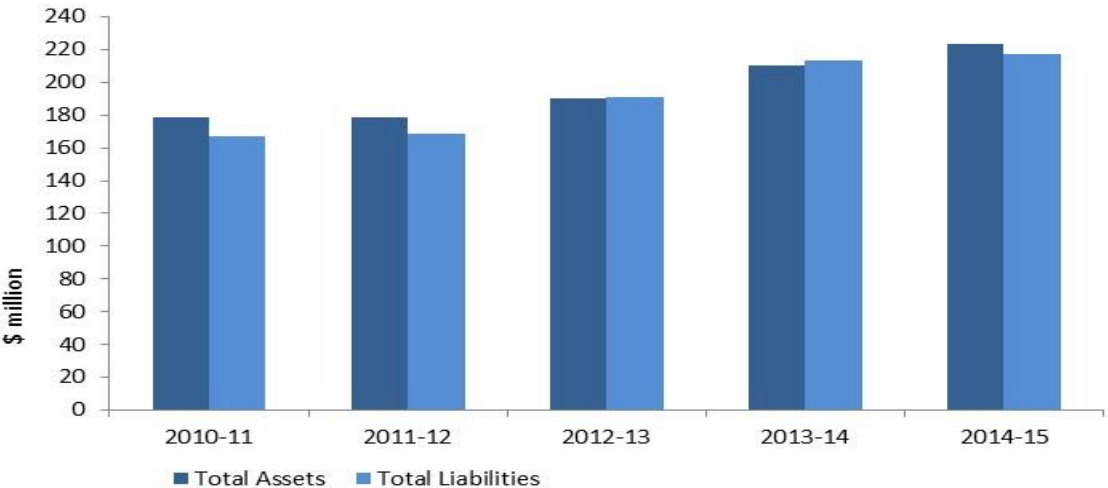


Financial Position

As at 30 June 2015, the Fund had total assets of \$223.3 million and estimated liabilities of \$217.6 million, resulting in net assets of \$5.8 million. This compares with the net liability result of \$2.9 million as at 30 June 2014. The improved funding position is mainly attributed to a surplus in the property portfolio, as a result of the absence of large claims. These improvements have been somewhat offset by deficits in the funding position of the medical liability risk and personal injury portfolios. The Fund's Actuary takes into account the level of assets and liabilities in each risk category when determining annual contributions. As the aim is to match assets and liabilities over time, the funding positions of each risk category will be taken into account by the Fund's Actuary at the time agency contributions are determined.

The position of the Fund for the past five years is represented in Chart 2.

Chart 2 - Assets and Liabilities as at 30 June 2015



Fund Administration Agent's Report

This section, prepared by the Fund Administration Agent, Jardine Lloyd Thompson Pty Ltd, provides an overview of the claims experience of the Fund as at 30 June 2015.

Figures in this report are inclusive of GST.

As at 30 June 2015, 1 973 claims were lodged for incidents which occurred during the period 1 July 2014 to 30 June 2015. These claims can be broken up as follows:

Table 1 - Claim Numbers and Incurred Cost - Incidents Occurring in 2014-15

	Number of Claims	Incurred Cost (\$m)
Workers Compensation	1 214	21.6
Property	316	4.2
Motor Vehicle	401	1.0
Liability	30	0.1
Medical Liability	7	3.6
Miscellaneous	5
Total	1 973	30.5

Notes:

- Total incurred cost is the sum of total amount paid and the estimated outstanding reserve.
- Miscellaneous incurred costs totalled \$23 271.

Chart 3 - Claim Numbers 2014-15 - Percentage by Class of Risk

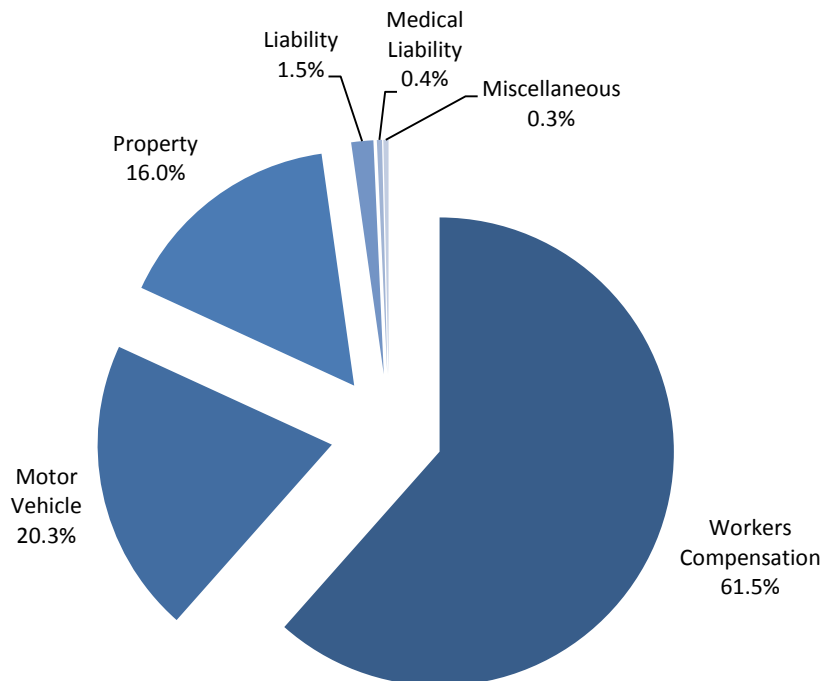
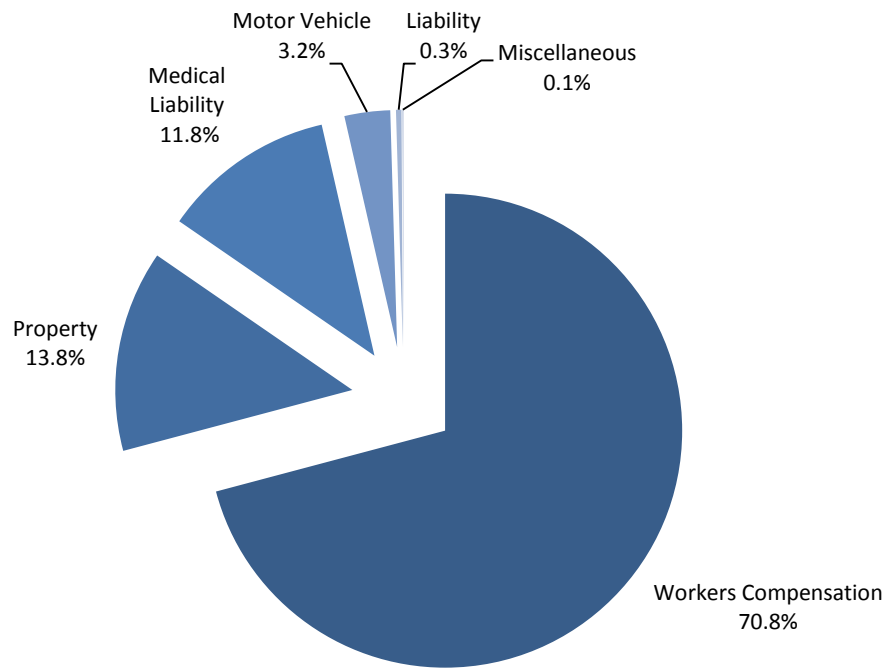


Chart 4 - Total Incurred Cost - 2014-15 Claims - Percentage by Class of Risk



Workers Compensation

As at 30 June 2015, there were 1 214 claims made for incidents that occurred in 2014-15. This compares with 1 339 claims occurring as at 30 June 2014. This is represented in Chart 5 below.

Chart 5 - Workers Compensation Claim Numbers and Incurred Costs by Year of Incident

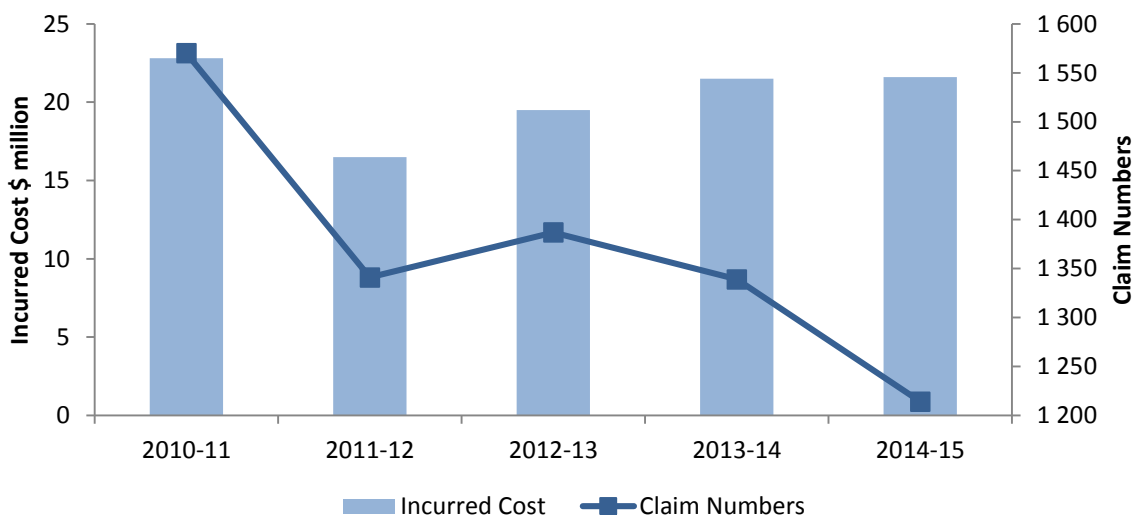


Chart 6 shows workers compensation payments, for claims occurring in 2014-15 and in previous years, during 2014-15 totalled \$35.7 million compared to \$34.5 million for 2013-14.

Chart 6 - Workers Compensation - Total Payments by Financial Year

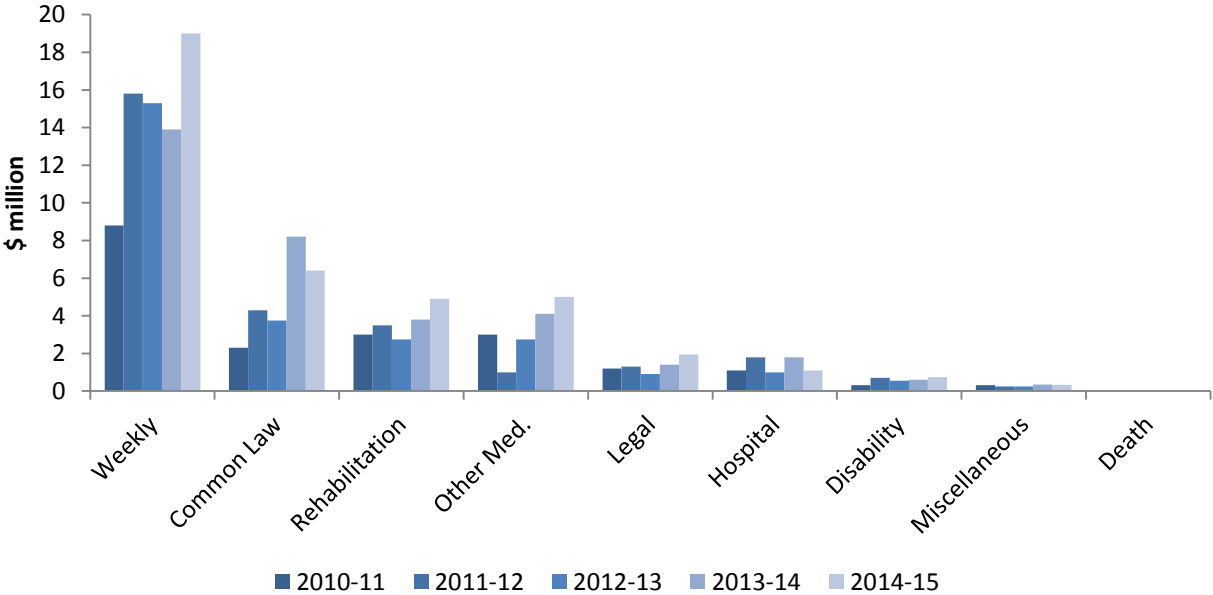


Notes:

- These figures include payments relating to claims with a date of occurrence prior to 1988 and therefore differs from the data published by WorkCover Tasmania.
- The reported payment figure includes all costs paid for claims occurring in each Financial Year, excluding weekly compensation excess costs, which are met by Fund participants and not paid by the Fund.

Chart 7 below outlines the composition of workers compensation payments by category from 2010-11. Payment of wages increased for 2014-15 compared to the previous years, but Common Law payments decreased compared to 2013-14.

Chart 7 - Workers Compensation Payments by Category by Financial Year



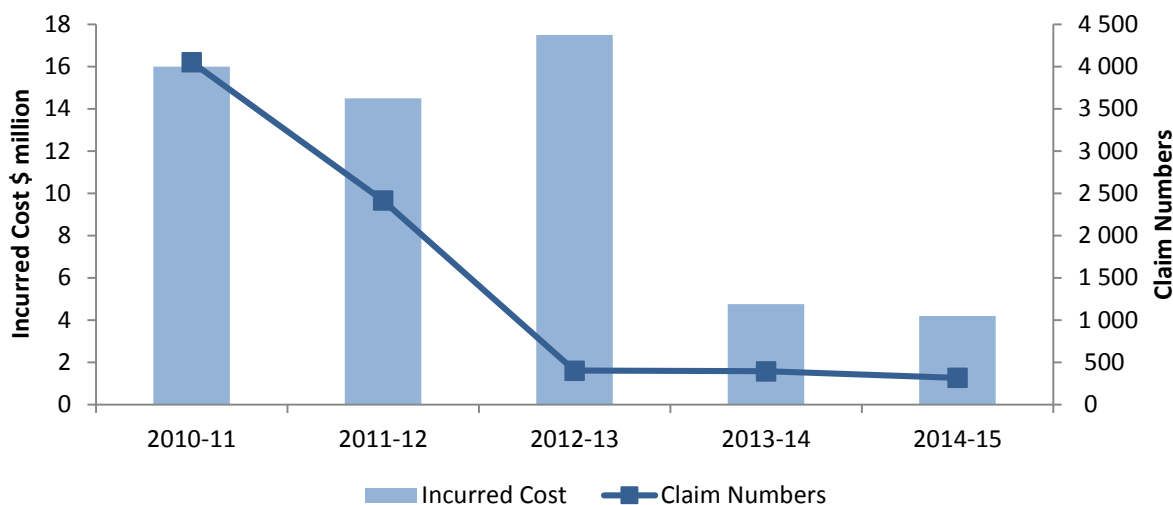
Note:

- These figures include payments relating to claims with a date of occurrence prior to 1988 and therefore differs from the data published by WorkCover Tasmania.

Property (excluding motor vehicle claims)

As at 30 June 2015, there were 316 claims made for incidents that occurred in 2014-15. This compares with 392 claims made in 2013-14.

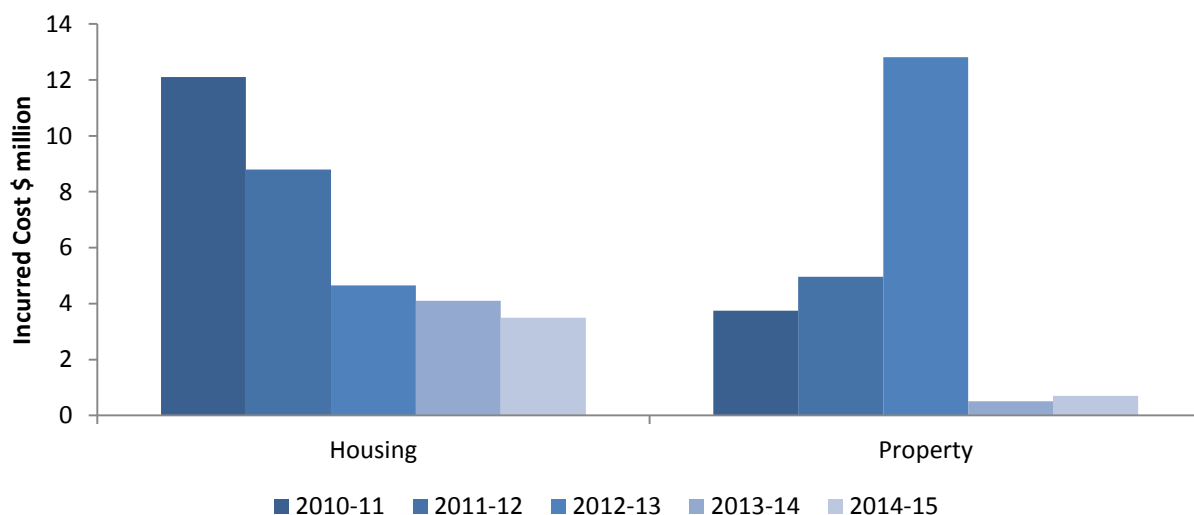
Chart 8 - Property - Claim Numbers and Incurred Costs by Financial Year



Note:

- Figures exclude data relating to the Department of Education’s Property Protection Scheme.

Chart 9 - Property Incurred Costs by Category by Financial Year



Notes:

- As the incurred costs for transit and marine hull are very low, they have not been included in Chart 9.
- The 2012-13 incurred cost for property is primarily attributable to the Dunalley School fire.

The Fund covers damage to, and loss of, Housing Tasmania properties under an “aggregate stop loss arrangement”. Housing Tasmania is required to pay the total costs of all losses and damage to Housing properties up to a selected excess in a financial year. The Fund meets the cost of any losses/damage above the excess. The Housing excess is adjusted annually. In 2014-15, the excess was \$10.2 million.

Motor Vehicle

Motor vehicle claim numbers decreased from 413 as at 30 June 2014, to 401 as at 30 June 2015. Incurred costs increased by 10.5 per cent compared with the prior year.

There were 10 total loss claims in 2014-15, compared to six total loss claims in 2013-14.

Chart 10 - Motor Vehicle - Claim Numbers and Incurred Costs by Financial Year

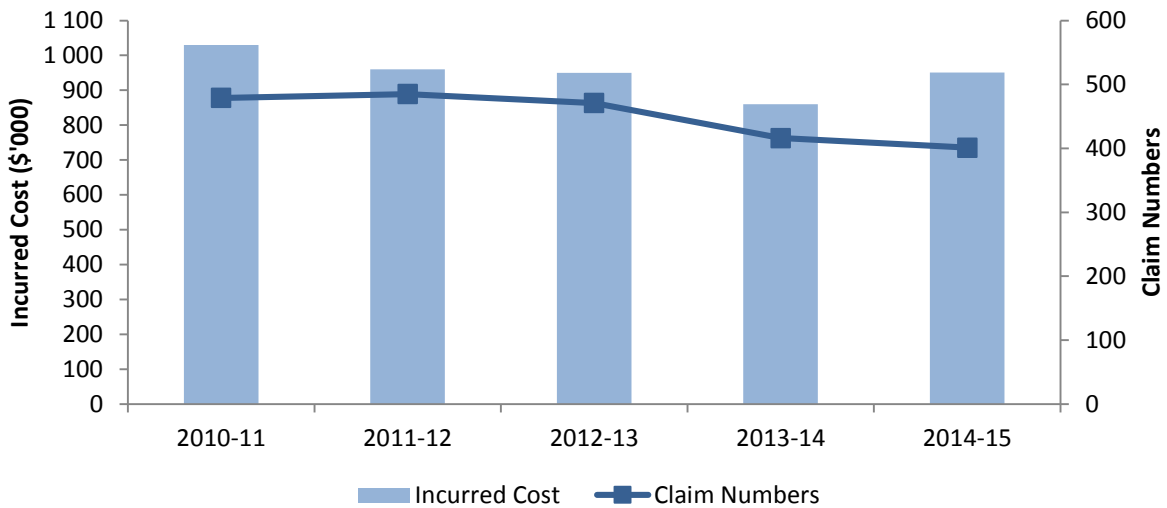
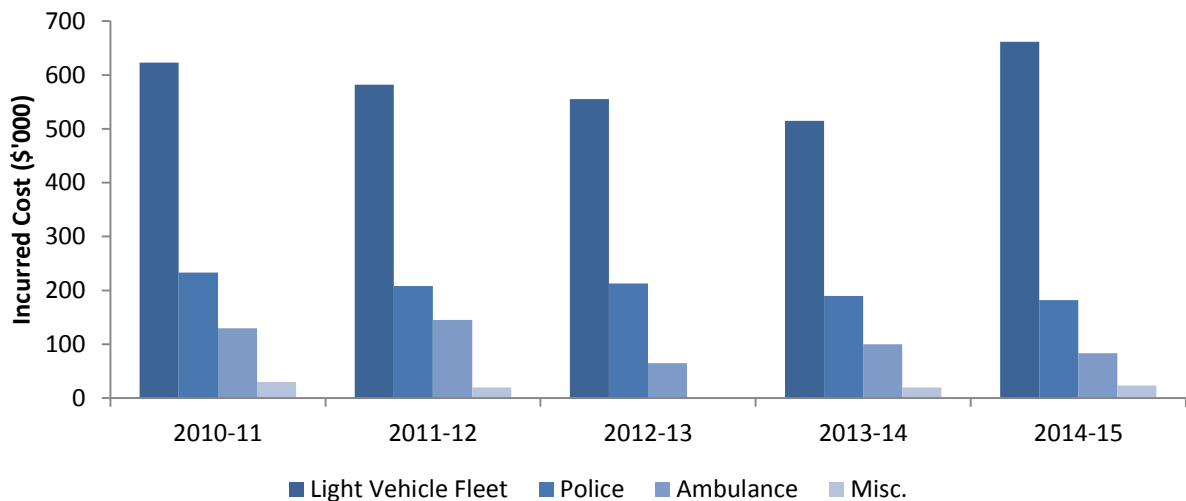


Chart 11 - Motor Vehicle Incurred Costs by category by Financial Year



Liability

As at 30 June 2015, there were 30 liability claims reported for incidents that occurred in 2014-15. This is the same number of claims as was reported in 2013-14.

Reported claim numbers may vary over time, as previously unreported claims become known. It is also expected that claim costs will vary over time as open claims develop towards finalisation.

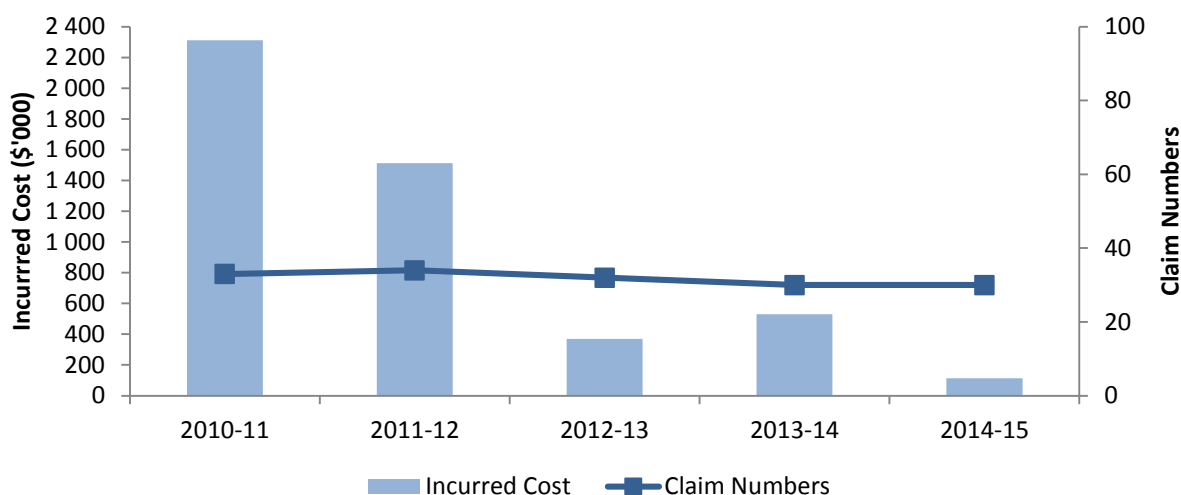
Table 2 identifies the number of claims recorded by year of incident², together with the total incurred costs for those claims, as at 30 June 2015.

Table 2 - Liability Claims Comparison by Year of Incident

	2010-11	2011-12	2012-13	2013-14	2014-15	Movement (2013-14 to 2014-15)
Claim Numbers	33	36	32	33	30	↓ (9.1%)
Total Incurred Cost (\$'000)	2 112	1 265	286	499	113	↓ (77.4%)
Total Paid (\$'000)	100	174	109	75	1	↓ (98.7%)
Outstanding Payments (\$'000)	1 901	1 090	176	424	112	↓ (73.6%)
Largest Incurred Claim (\$'000)	1 620	819	69	81	23	↓ (71.6%)

² The year in which the incident giving rise to the claim occurred.

Chart 12 - Liability - Claim Numbers and Incurred Costs by Financial Year



Medical Liability

From 1 July 2008, medical liability claims have been managed by the Fund Administration Agent in collaboration with the Department of Health and Human Services and the Office of the Director of Public Prosecutions (now the Office of the Solicitor-General).

The Fund covers the total cost of lump sum payments in excess of \$50 000 for all medical liability claims. Twenty five new claims were lodged in 2014-15.

Table 3 shows the number of claims by year reported³, together with the total incurred costs for each year, as at 30 June 2015. The incurred costs will vary over time as claims develop towards finalisation.

Table 3 - Medical Liability by Financial Year Reported

Year	Number of Claims	Total Incurred Cost (\$'000)
2010-11	37	6 723
2011-12	23	7 387
2012-13	34	17 923
2013-14	18	2 591
2014-15	25	6 262

³ Since 2011-12, the number of claims has been reported as at 30 June each year. Prior to 2011-12, the figures were based on an adjusted financial year figure.

Table 4 identifies the number of claims recorded by year of incident⁴, together with the total incurred costs for those claims, as at 30 June 2015. The number of claims may vary over time as previously unreported claims become known. The incurred costs will vary over time as claims develop towards finalisation.

Table 4 - Medical Liability by Financial Year of Incident

Year	Number of Claims	Total Incurred Cost (\$'000)
2010-11	23	2 144
2011-12	20	2 244
2012-13	16	1 453
2013-14	4	440
2014-15	7	3 610

Table 5 shows the total payments made in each financial year. These payments invariably relate to claims reported in previous years due to the “long tail” nature of these claims.

Table 5 - Medical Liability Payments by Financial Year

Year	Payment (\$'000)	Movement
2010-11	1 853	↓ 11.4%
2011-12	6 785	↑ 266.2%
2012-13	1 882	↓ (72.3%)
2013-14	2 618	↑ 39.1%
2014-15	4 296	↑ 64.1%

The medical liability payments in 2011-12 reflect two substantial payments made during that year.

Miscellaneous

There were five miscellaneous claims reported for 2014-15. These were personal accident claims with incurred costs of \$23 271.

⁴ The year in which the incident giving rise to the claim occurred.

Supporting Information

Resources

A number of useful resources on the operation of the Fund are available from the TRMF section (www.treasury.tas.gov.au/trmf) of the Treasury website. These documents, including the date when they were last updated, are listed below:

Title	Last Updated
Policy and Disclosure Document of the Tasmanian Risk Management Fund	September 2015
Agency excess levels	July each year
Guidelines for Determining Appropriate Levels of Insurance for Goods and Services Contracts	October 2011
Business Travel Brochure	July 2015
Cover for Agency Volunteers Brochure	December 2013

Financial Statements

The Fund is managed within Finance-General, through the Tasmanian State Service Risk Management Account in the Special Deposits and Trust Fund. The Fund's activities are reported within the Financial Statements of the Department of Treasury and Finance, which can be found in the Department's 2014-15 Annual Report.

Concise TRMF Income Statement for the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
Revenue and other income from transactions		
Agency contributions	53 359	57 970
Investment income	5 079	5 733
Total revenue and other income from transactions	58 438	63 703
Expenses from transactions		
Claims expense	43 847	44 054
Other expenses	3 588	3 088
Total expenses from transactions	47 435	47 142
Net result from transactions	11 003	16 561
Other economic flows included in net result		
Net actuarial gain/(loss) of the Tasmanian Risk Management Fund	(2 372)	(18 684)
Total other economic flows included in net result	(2372)	(18 684)
Net Result	8 631	(2 123)

Concise TRMF Balance Sheet as at 30 June 2015

	2015	2014
	\$'000	\$'000
Assets		
<i>Financial Assets</i>		
Cash and cash equivalents	219 783	209 134
Prepayments	3 544
Receivables	1 241
Total assets	223 327	210 375
Liabilities		
<i>Financial Liabilities</i>		
Payables	645	1 134
Outstanding claims	216 846	212 031
Employee entitlements	64	68
Total liabilities	217 555	213 234
Net assets (liabilities)	5 772	(2 859)
Equity		
Accumulated funds	5 772	(2 859)
Total equity	5 772	(2 859)

Contact details

All queries for the Tasmanian Risk Management Fund should be directed to:

Risk Management Unit
Procurement and Property Branch
Department of Treasury and Finance
21 Murray Street
Hobart TAS 7000

or

GPO Box 147
Hobart TAS 7001

Phone: (03) 6166 4229

Email: trmf@treasury.tas.gov.au