

TASMANIAN RISK  
MANAGEMENT FUND  
ANNUAL REPORT 2021-22

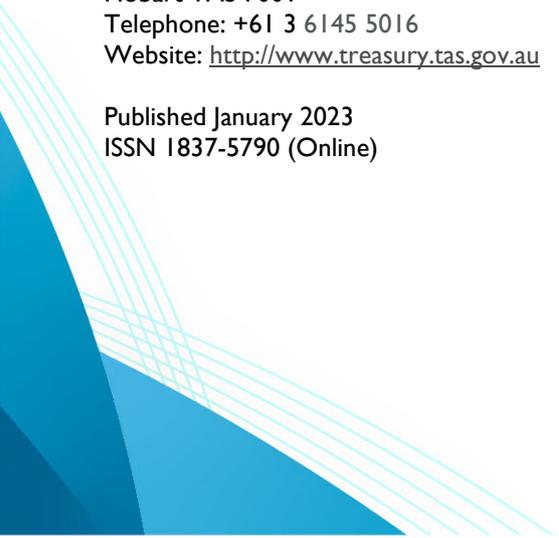
## **Tasmanian Risk Management Fund Annual Report 2021-22**

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# Policy Statement

## Purpose of the Fund

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

All inner-Budget agencies are required to participate in the Fund. Subject to their date of joining, inner-Budget agencies 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 are covered for certain specific risks.

The risk categories self-insured by the Fund are:

- personal injury (workers compensation and personal accident);
- legal liability (including medical liability); and
- property (including motor vehicle).

The funding of property risk is supplemented through the placement of a commercial Industrial Special Risks (ISR) insurance policy. This policy covers catastrophe risk for all State-owned property assets (with the exception of those assets owned by State-owned Companies, Government Business Enterprises and Local Government) for claims of over \$6 million.

In addition, commercial insurance policies are placed for two risks covered by the Fund, namely:

- marine hull; and
- corporate travel.

Marine hull is insured through the private sector due to cost efficiencies. Corporate travel is insured through the private sector

in order to benefit from a worldwide emergency assistance scheme.

The Fund operates on a cost-recovery basis and participants pay annual contributions to meet current and anticipated claim costs, administrative expenses and, where applicable, insurance premiums and reinsurance costs. The Fund Actuary recommends the appropriate level of contributions required and reflects each participant's risk coverage, risk exposure, claims experience and nominated excess amounts.

Contributions are reviewed and adjusted annually to ensure adequate financial provision for the cost of risk now and in the future. A mid-year review is also undertaken to ensure that the initial contribution recommendations are still adequate to meet the emerging cost of risks covered by the Fund.

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.

In addition to cover provided to participants through the Fund, the Fund also arranges for the external placement of Principal-nominated insurance for contract works and legal liability for contractors engaged by the Government to undertake building works (civil and civic).

# 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 Fund Actuary.

In particular, the role of the Steering Committee is to:

- monitor the financial performance of the Fund;
- monitor the performance of the Fund Administration Agent;
- provide input on policies to improve the performance of the Fund;
- review and provide feedback on issues affecting participant performance; and
- identify opportunities for participants to collaborate on issues and share information.

Membership of the Steering Committee is representative of the agencies participating in the Fund. Membership as at 30 June 2022 was:

- James Craigie, Chairperson  
Department of Treasury and Finance;
- Abigail Shelley  
Department of Treasury and Finance;
- Mandy Clarke  
Department of Police, Fire and  
Emergency Management;
- Shane Bond  
Department of Health;

- Kathy Baker  
Department of Communities  
Tasmania;
- Adrian Pearce  
Department of Natural Resources and  
Environment Tasmania;
- Paul Turner  
Office of the Solicitor-General  
(Litigation);
- Jason Sowell  
Department of Education;
- Tony Prenter  
Department of Premier and Cabinet;
- Gavin Wailes  
Department of Justice; and
- Joe Kanizay  
Department of State Growth.

The Committee meets on a bi-annual basis.

#### 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 2021-22, following a competitive procurement process, JLT Risk Solutions Pty Ltd (JLT) was retained as the Fund Administration Agent on a contract basis for claims administration, provision of advice in relation to claims management or insurance matters, and for the placement of insurance as required.

### Actuary

During 2021-22, following a competitive procurement process, GM Actuaries Pty Ltd was contracted to estimate future liabilities, advise on contributions and excesses and report on the Fund's performance.

### Auditor

As part of Treasury's annual audit program, WLF Accounting & Advisory undertook a review of the controls and processes that the Fund Administration Agent has in place for the administration of claims and to verify the accuracy of the figures included in Treasury's Financial Statements.

### Office of the Solicitor-General

The Office of the Solicitor-General (Litigation) was exclusively responsible for providing legal advice on claims and provides legal representation in various courts and tribunals as required.

# Financial Performance

## Contributions

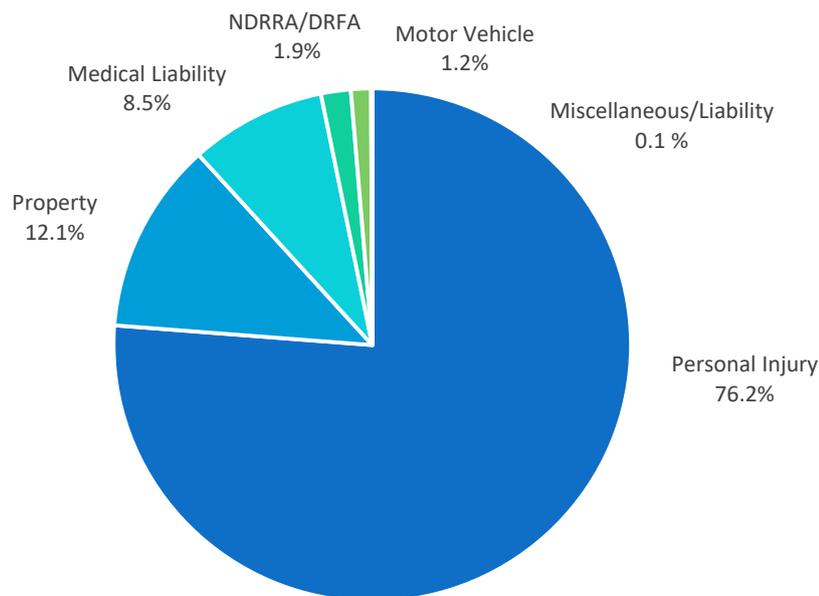
In 2021-22, contributions to the Fund totalled \$111.1 million, reflecting an increase from \$85.6 million in 2020-21.

Personal injury contributions increased significantly from the previous year principally due to materially higher claim costs in recent years, an increase in the number of claims, a lower discount rate, an increase in salaries and inflationary factors. Contributions for general property increased moderately reflecting unfavorable claims experience.

For 2021-22, payments received through the Natural Disaster Relief and Recovery Arrangements (NDRRA) and the Disaster Recovery Funding Arrangements (DRFA) in relation to the May 2018 extreme weather event and the 2018-19 bushfires have been recorded separately in Chart 1.

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

Chart 1 - Contributions by Class of Risk



Notes:

- Discount rates are used to adjust future claim payments to current values. The discount rate is based on the forecast interest rates applying to the Fund's assets over the next few years.
- The NDRRA is an Australian Government initiative providing financial assistance directly to the states to assist with certain relief and recovery measures associated with natural disaster events occurring before 1 November 2018. Natural disaster events occurring on or after this date are funded through the DRFA.
- Participant contributions for Miscellaneous and Liability risks have been added together but do not appear in the chart above, given the small balance they each represent (\$60 066 and \$18 483 respectively).

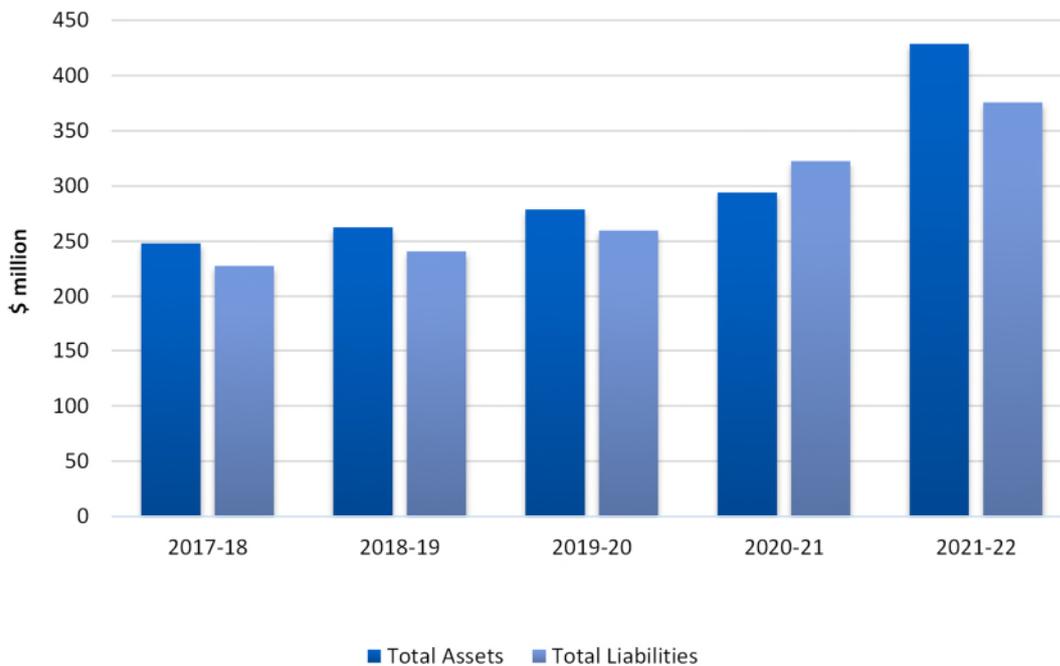
## Financial Position

As at 30 June 2022, the Fund had total assets of \$428.5 million and estimated liabilities of \$375.7 million, resulting in net assets of \$52.8 million. This compares with a negative net asset result of -\$28.6 million as at 30 June 2021. The variance is primarily as a result of additional funding of \$105 million injected into the Fund from the Public Account in 2021-22, through the *Appropriation (Supplementary Appropriation for 2021-22) Act 2022*, to meet the Fund Actuary's projected shortfall, primarily in the personal injury risk category and a very minor amount in the motor vehicle risk category within the Fund as at 30 June 2022.

The Fund Actuary takes into account the level of assets and liabilities in each risk category when determining annual contributions. As the aim is to maintain assets that are relatively close to the liabilities, the funding positions of each risk category is taken into account by the Fund Actuary at the time participant contributions are determined.

The total assets and liabilities reflecting the position of the Fund for the past five years is represented in Chart 2.

Chart 2 - Assets and Liabilities as at 30 June 2022



## Fund Administration Agent's Report

This section, prepared by the Fund Administration Agent, JLT, provides an overview of the claims experience of the Fund as at 30 June 2022.

Figures in this report are exclusive of GST and the total incurred cost is the sum of the total amount paid and the estimated outstanding reserve. The incurred cost will vary over time as claims develop towards finalisation and adjustments are made to the cost estimate on claims. As a result, there will be differences in incurred cost figures reported in the Annual Report from year to year.

During the period 1 July 2021 to 30 June 2022, claims were reported for incidents that occurred in 2021-22 and in previous years. These claims can be further detailed as follows:

Table 1 - Claim Numbers and Incurred Cost – Claims Reported in 2021-22

	Claim Numbers	Incurred Cost (\$m)
Workers Compensation	1 646	56.6
Property	519	17.8
Motor Vehicle	565	1.7
Liability	38	2.2
Medical Liability	15	3.3
Miscellaneous	2	...
<b>Total</b>	<b>2 785</b>	<b>81.7</b>

Notes:

- The incurred cost is rounded to one decimal place. As a consequence, rounded figures do not exactly sum to the total.
- The incurred cost for the Miscellaneous claims category is \$1 000.

Chart 3 - Percentage of Total Number of Claims Reported in 2021-22 by Class of Risk

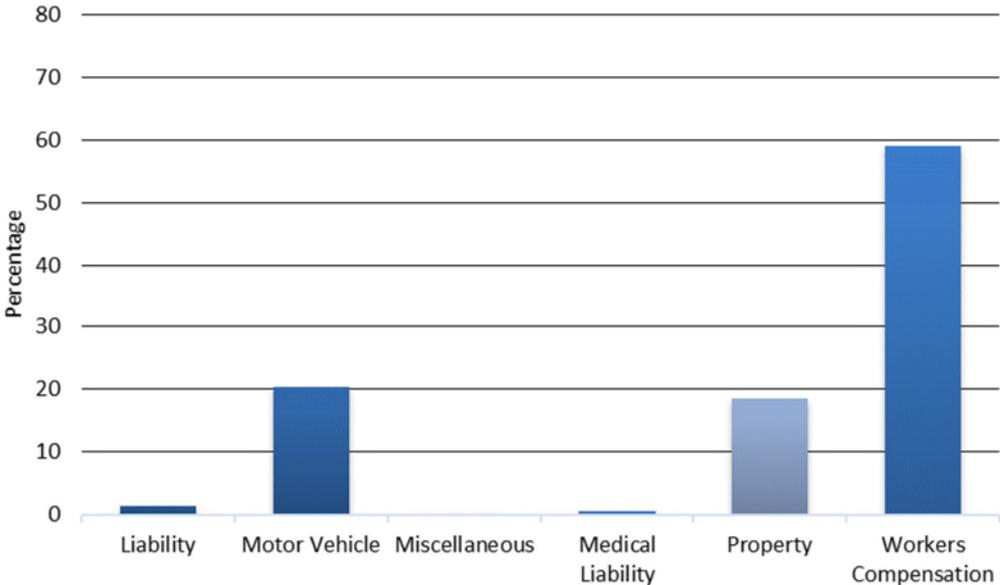
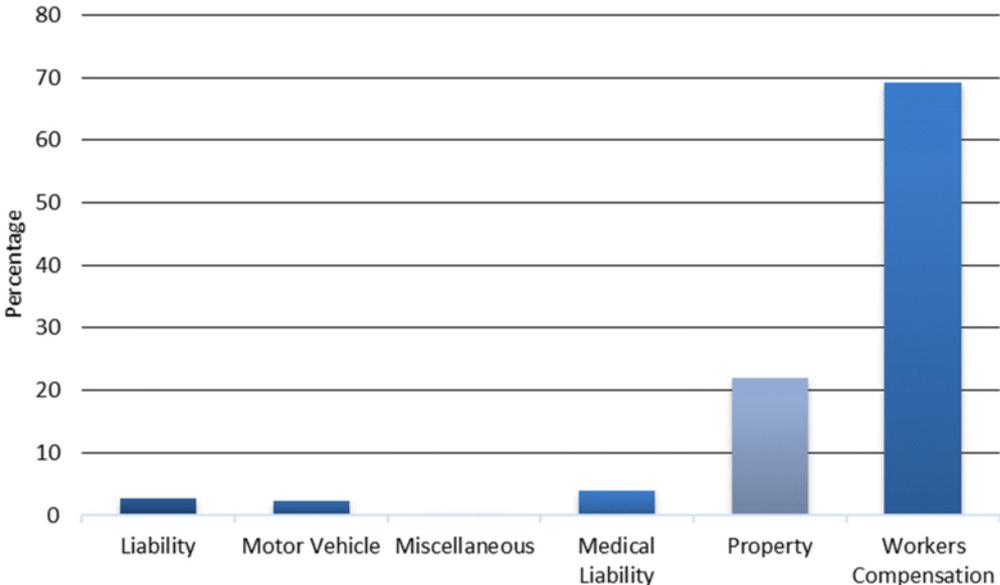


Chart 4 - Percentage of Total Incurred Cost for Claims Reported in 2021-22 by Class of Risk



# Workers Compensation

The number of workers compensation claims reported during 2021-22 was 1 646, an increase from 1 553 claims reported during 2020-21. A number of claims reported during 2021-22 involved dates of injury in previous financial years. The incurred cost for claims reported during 2021-22 was \$56.6 million. The incurred cost for claims reported during 2020-21 increased from \$43.4 million to \$51.9 million during 2021-22. This demonstrates how the incurred cost varies over time as claims develop towards finalisation. Claims data is reported on a claims reported basis; that is, by year in which a claim is lodged with the Fund Administration Agent.

Chart 5 - Workers Compensation - Claim Numbers and Incurred Cost by Financial Year Reported

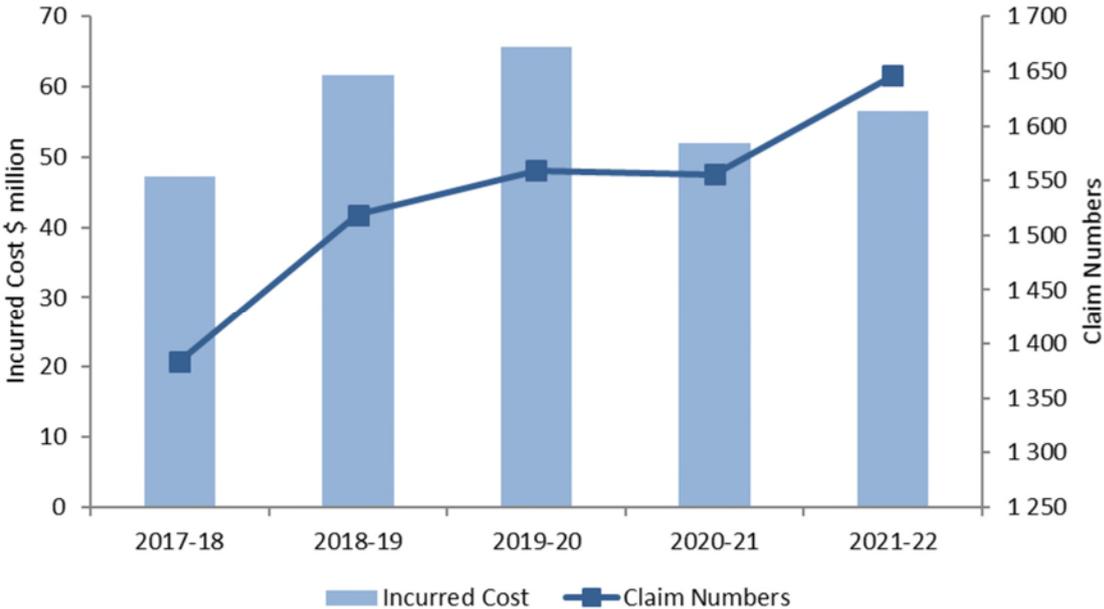


Chart 6 shows the average incurred cost for claims reported in each financial year. During 2021-22, the average incurred cost was \$34 354.

Chart 6 - Workers Compensation - Average Incurred Cost by Financial Year Reported

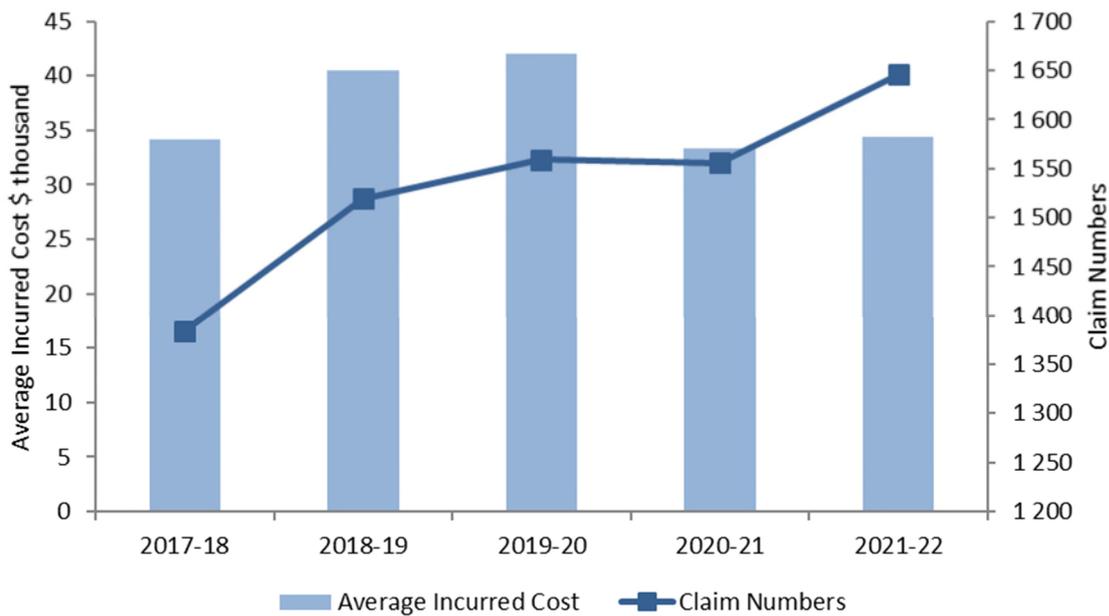
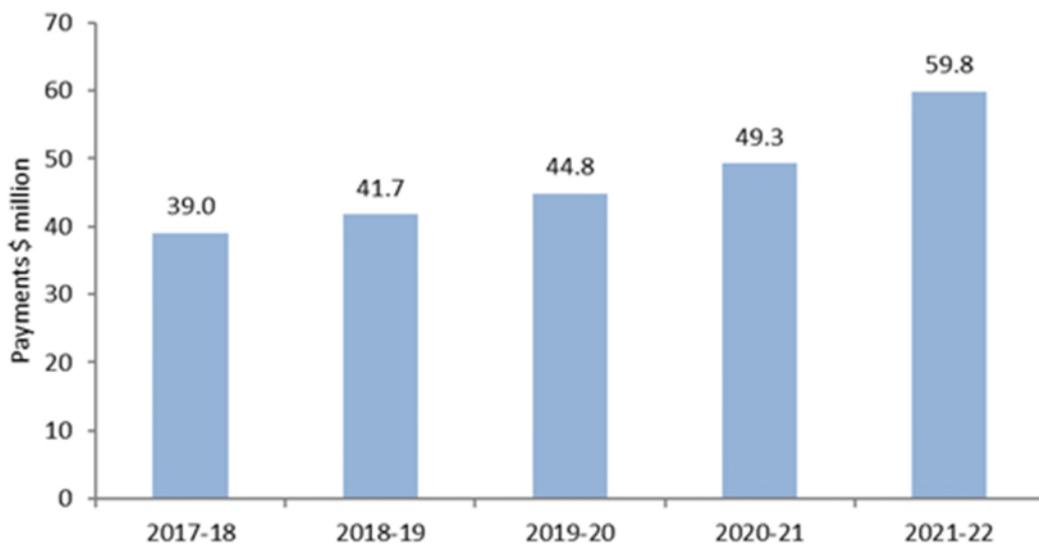


Chart 7 shows workers compensation payments made from 2017-18 to 2021-22. During 2021-22, payments totalled \$59.8 million compared to \$49.3 million for 2020-21.

Chart 7 - Workers Compensation - Payments by Financial Year



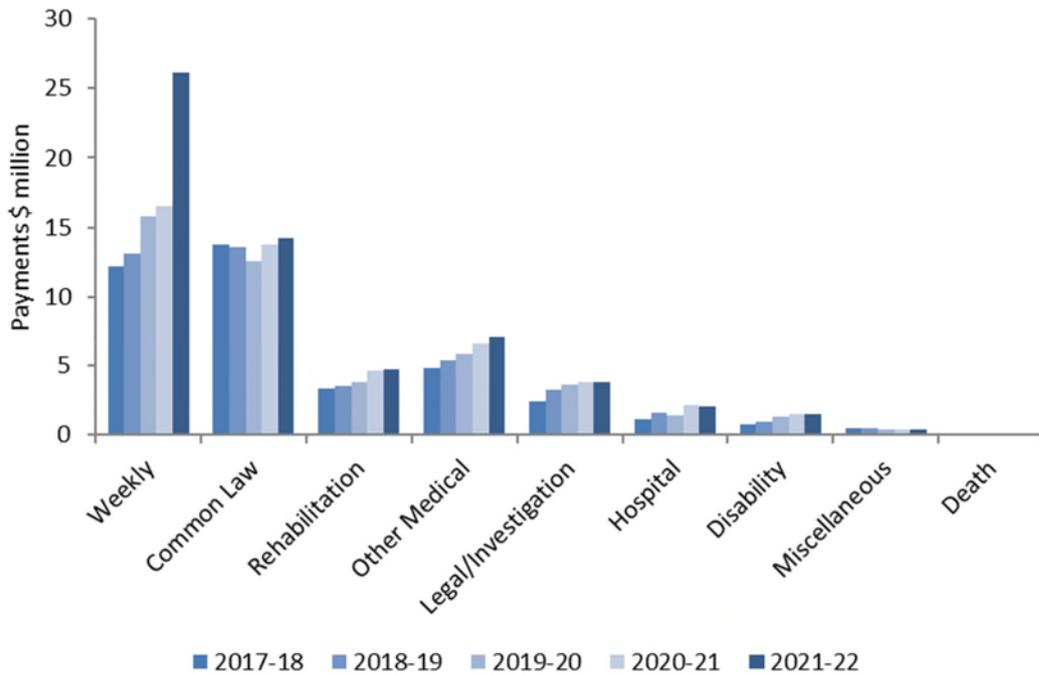
Notes:

- These figures include payments relating to claims with a date of occurrence prior to 1988 and therefore differ from the data published by WorkCover Tasmania.
- The reported payment figure incorporates all cost components of claims (including Office of the Solicitor-General costs that are centrally funded), excluding the costs associated with the excess which are met by Fund participants and not paid by the Fund.
- The reported payment figure for 2017-18 included in previous reporting has been adjusted to exclude recoveries.

- The reported payment figure for 2020-21 included in the Tasmanian Risk Management Fund Annual Report 2020-21 has been adjusted to include a previously excluded settlement payment which occurred in 2020-21.

Chart 8 outlines the composition of workers compensation payments by category from 2017-18. With the exception of miscellaneous payments, all categories increased for 2021-22 compared to the previous year.

Chart 8 - 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 differ from the data published by WorkCover Tasmania.

## Property (excluding motor vehicle claims)

The number of property claims reported during 2021-22 was 519 with an incurred cost of \$18.0 million. This is an increase from 334 claims reported during 2020-21 with an incurred cost of \$13.1 million as at 30 June 2021.

Chart 9 identifies the number of claims recorded by year reported, together with the total incurred cost for those claims, adjusted as at 30 June 2022 for prior years. The incurred cost will vary over time as claims develop towards finalisation.

The number of claims reported and incurred costs relative to 2017-18 is attributable to a severe storm event in May 2018 that impacted southern Tasmania.

The increase in the incurred cost in 2019-20 is attributable to bush fire events in December 2018 and January 2019 that impacted the south-west of the State.

A further increase in the number of claims reported and incurred costs during 2021-22 is attributable to a combination of damage caused by a weather event in May 2022 and an increase in building material supply costs.

Claim numbers may vary over time due to adjustments made by the Fund Administration Agent in relation to the categorisation of claims.

Chart 9 - Property - Claim Numbers and Incurred Cost by Financial Year Reported

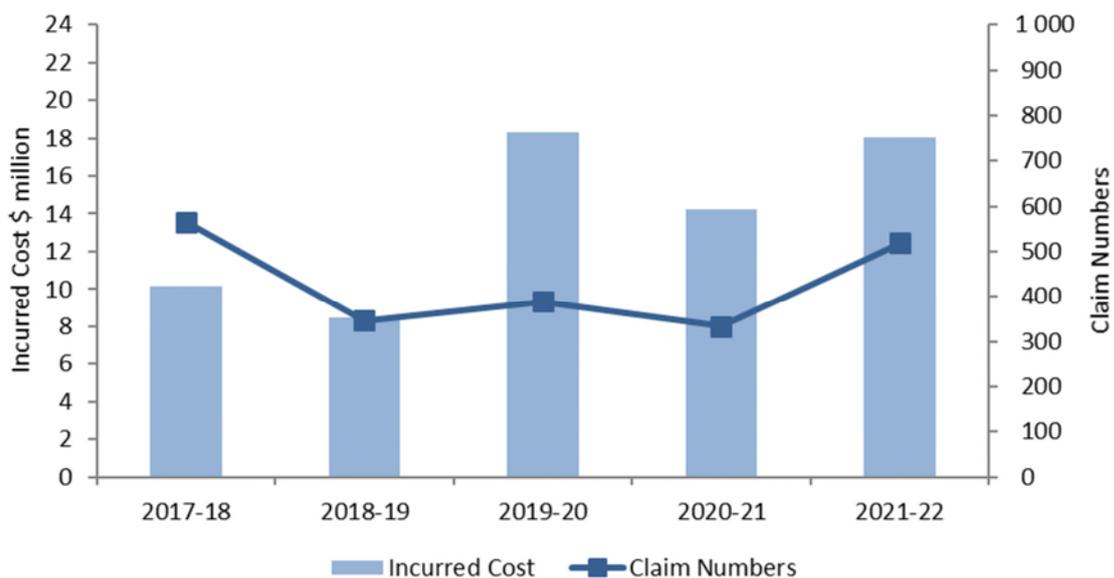


Chart 10 shows the average incurred cost for claims reported in each financial year adjusted as at 30 June 2022 for prior years. During 2021-22, the average incurred cost decreased to \$34 724, compared to \$39 260 for 2020-21 (as at 30 June 2021).

Chart 10 - Property - Average Incurred Cost by Financial Year Reported

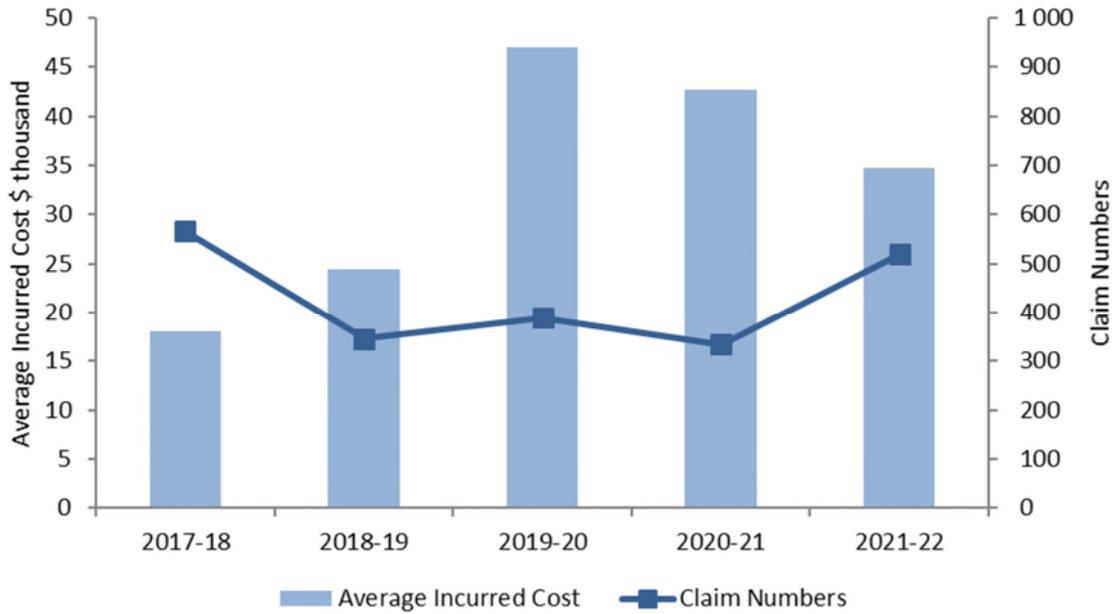
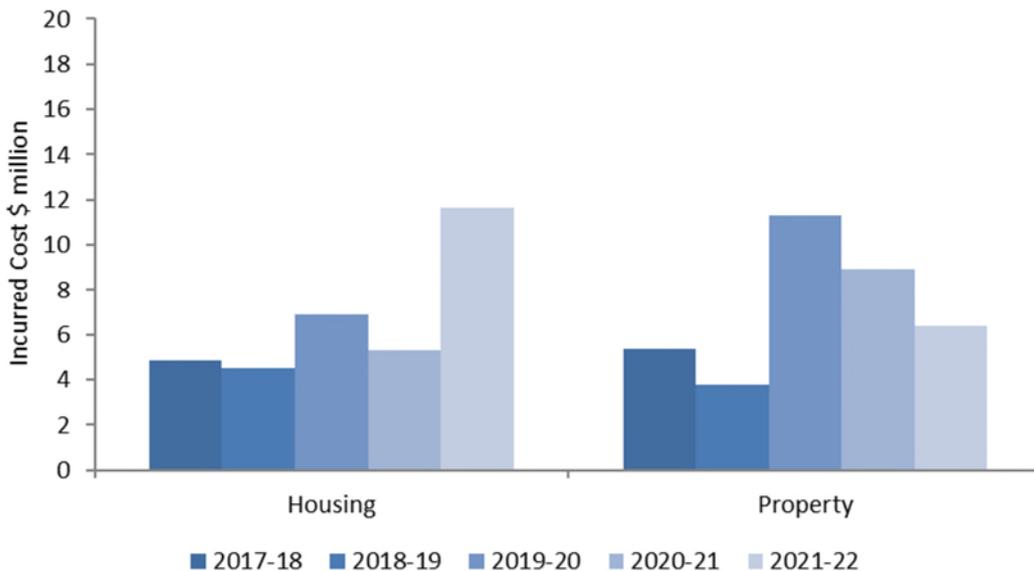


Chart II shows the incurred cost for claims reported in each financial year for Housing Tasmania and other property (non-Housing Tasmania). The Fund covers damage to, and loss of, Housing Tasmania properties under an aggregate stop loss arrangement. Housing Tasmania is required to pay the total costs of all losses and damage to Housing Tasmania properties up to a selected excess in a financial year. The Fund meets the cost of any losses/damage above the excess. The Housing Tasmania excess is reviewed annually. In 2021-22, the excess was \$13.5 million.

Chart II - Property - Incurred Cost by Category by Financial Year Reported



Note:

- Other property includes transit and machine breakdown risks however, as the incurred costs for transit and machine breakdown are relatively low, they have not been included in Chart II.

## Motor Vehicle

The number of motor vehicle claims reported during 2021-22 was 565 with an incurred cost of \$1 797 033. This is an increase from 527 claims reported during 2020-21 with an incurred cost of \$1 438 189 as at 30 June 2021.

Chart 12 identifies the number of claims recorded by year reported, together with the total incurred cost for those claims, adjusted as at 30 June 2022 for prior years. The incurred cost will vary over time as claims develop towards finalisation.

There were 8 total loss claims in 2021-22, compared to 17 total loss claims in 2020-21.

The increase in the incurred cost in 2021-22 is due to an increase in the number of claims reported and an increase in the average repair cost.

Chart 12 - Motor Vehicle - Claim Numbers and Incurred Cost by Financial Year Reported

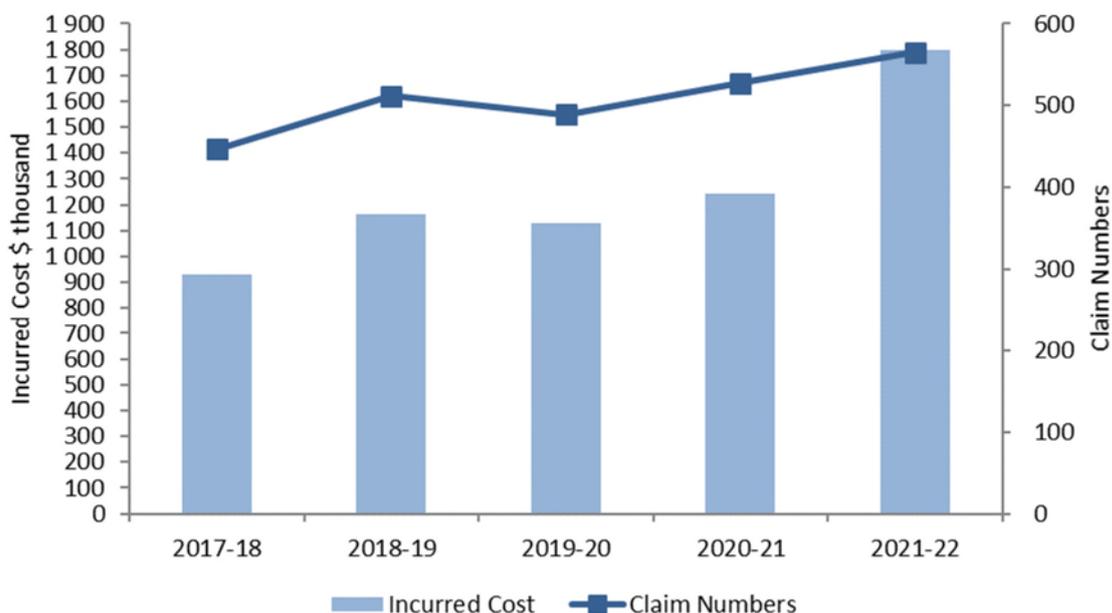


Chart 13 shows the average incurred cost for claims reported in each financial year. During 2021-22, the average incurred cost was \$3 181, compared to \$2 729 for 2020-21 as at 30 June 2021.

Chart 13 - Motor Vehicle - Average Incurred Cost by Financial Year Reported

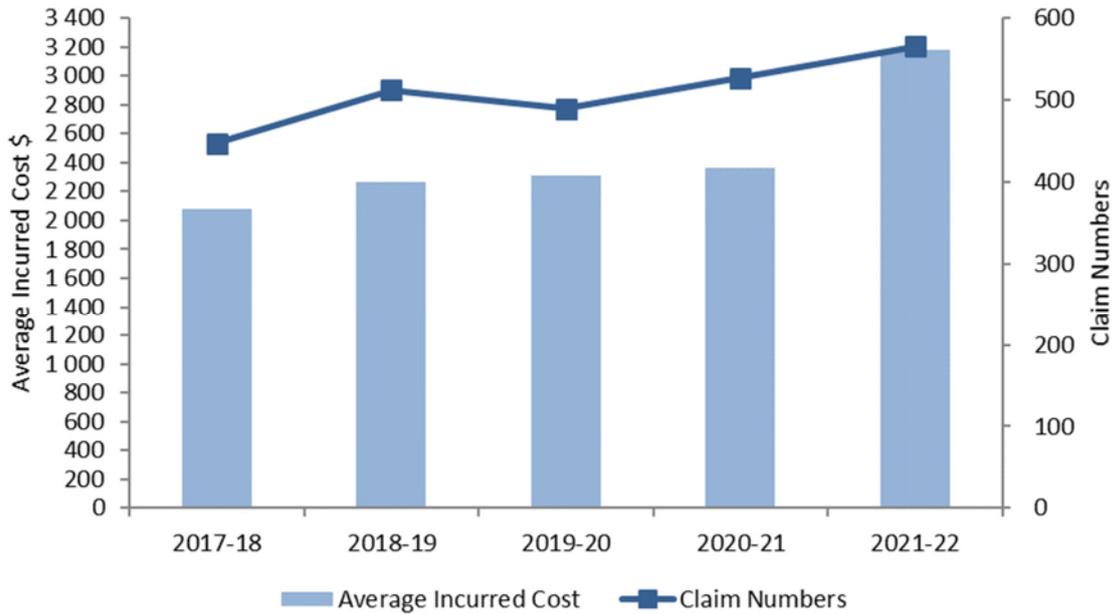
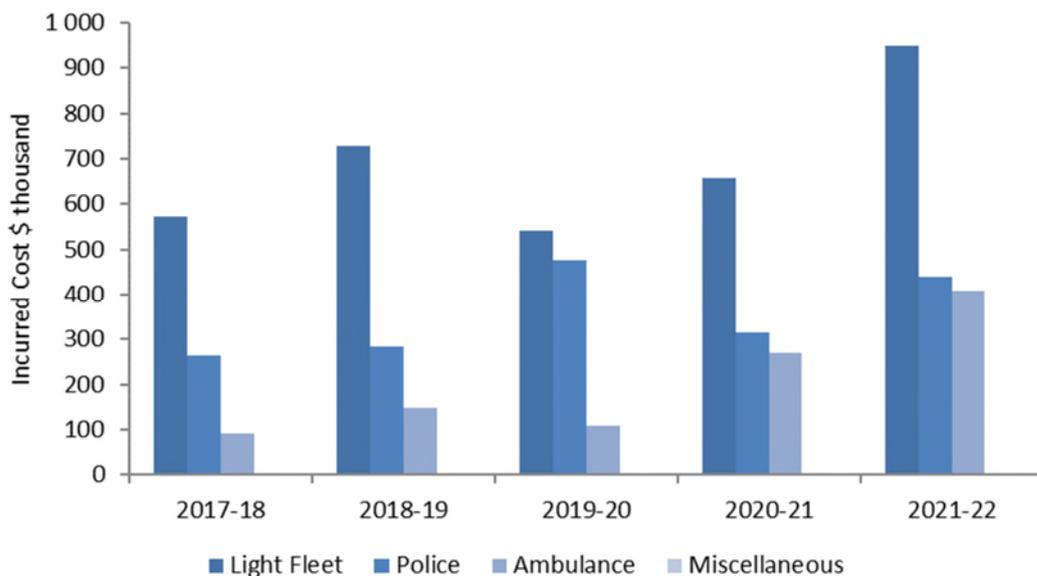


Chart 14 shows the incurred cost for claims reported in each financial year by category of motor vehicle. The low value of claims involving miscellaneous vehicles cannot be represented within the chart.

Chart 14 - Motor Vehicle - Incurred Cost by Category by Financial Year Reported



## Liability

The number of liability claims reported for incidents that occurred in 2021-22 was 28. This is a decrease from 55 claims reported for incidents that occurred in 2020-21 (as at 30 June 2021). There were ten liability claims reported in 2021-22 relating to incidents that occurred in prior years. The higher incurred costs in 2021-22 are primarily attributable to the lodgement of two significant claims.

Reported claim numbers may vary over time, as previously unreported claims become known.

Table 2 and Chart 15 identify the number of claims recorded by year of incident, together with the total incurred cost for those claims, as at 30 June 2022. The incurred cost will vary over time as claims develop towards finalisation.

**Table 2 - Liability - Claims Comparison by Year of Incident**

	2017-18	2018-19	2019-20	2020-21	2021-22		Movement (2020-21 to 2021-22)
Claim Numbers	46	47	81	64	28	↓	(56.3)%
Total Incurred Cost (\$'000)	657	756	798	477	1 406	↑	194.8%
Total Paid (\$'000)	230	52	203	32	6	↓	(81.3)%
Outstanding Payments (\$'000)	427	705	595	445	1 400	↑	214.6%
Largest Incurred Claim (\$'000)	320	560	306	270	550	↑	103.7%

Chart 15 - Liability - Claim Numbers and Incurred Cost by Financial Year of Incident

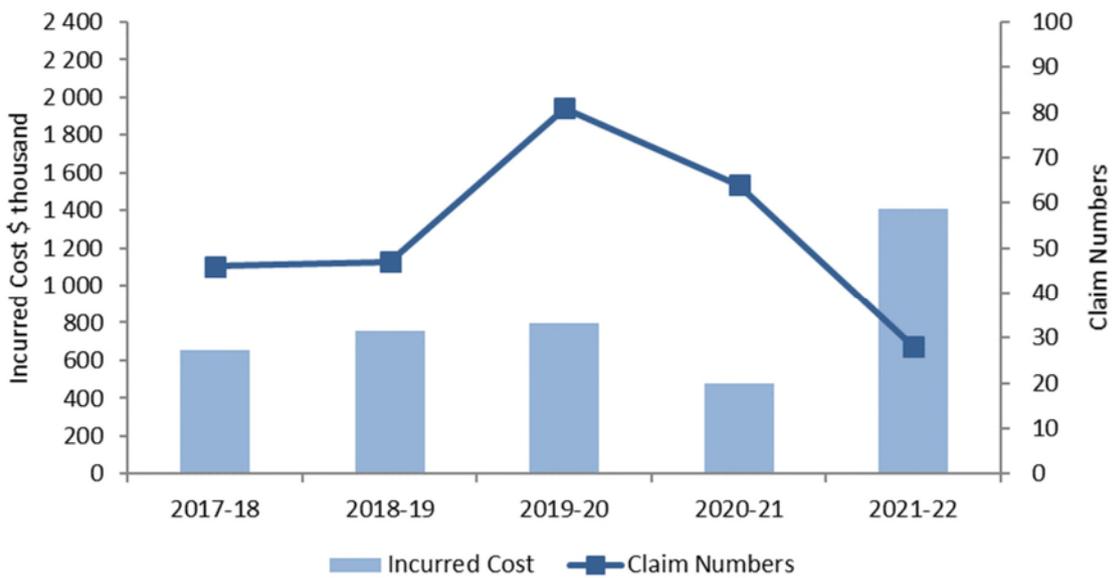
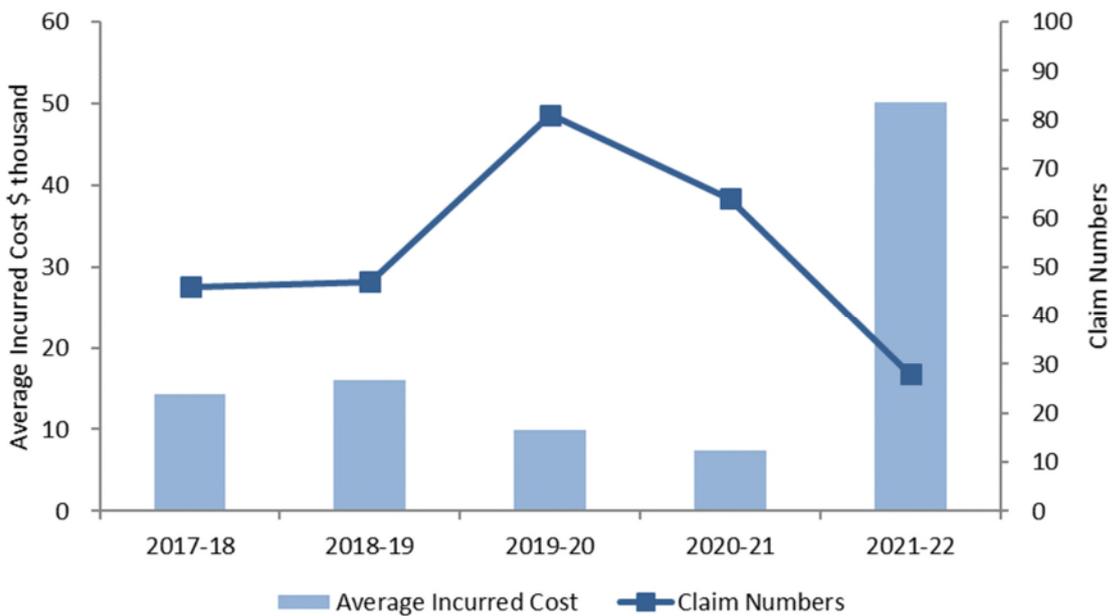


Chart 16 shows the average incurred cost for claims occurring in each financial year. During 2021-22, the average incurred cost was \$50 216.

Chart 16 - Liability - Average Incurred Cost by Financial Year of Incident



## 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 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. Two new claims were reported in 2021-22 relating to incidents that occurred in 2021-22, with another 13 claims reported in 2021-22 relating to incidents that occurred in prior years.

Table 3 shows the number of claims by year reported, together with the total incurred cost for each year, as at 30 June 2022. The incurred cost will vary over time as claims develop towards finalisation.

**Table 3 - Medical Liability - Claim Numbers and Incurred Cost by Financial Year Reported**

<b>Year</b>	<b>Claim Numbers</b>	<b>Total Incurred Cost (\$'000)</b>
2017-18	23	8 764
2018-19	21	3 211
2019-20	35	18 993
2020-21	23	3 193
2021-22	15	3 253

Table 4 identifies the number of claims recorded by year of incident, together with the total incurred cost and average incurred cost per claim, as at 30 June 2022. The number of claims may vary over time as previously unreported claims become known. The incurred cost will vary over time as claims develop towards finalisation.

**Table 4 - Medical Liability - Claim Numbers, Incurred Cost and Average Incurred Cost by Financial Year of Incident**

<b>Year</b>	<b>Claim Numbers</b>	<b>Total Incurred Cost (\$'000)</b>	<b>Average Incurred Cost (\$'000)</b>
2017-18	18	3 978	221
2018-19	12	1 905	159
2019-20	11	2 936	267
2020-21	7	763	109
2021-22	2	565	283

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**

<b>Year</b>	<b>Payment (\$'000)</b>	<b>Movement</b>	
2017-18	2 681	↑	37.7%
2018-19	1 677	↓	(37.4) %
2019-20	6 407	↑	282.1%
2020-21	4 154	↓	(35.2)%
2021-22	1 478	↓	(64.4)%

Notes:

- The 2019-20 payment amount for medical liability is primarily attributable to one settlement in excess of \$1 million and three in excess of \$500 000.
- The 2020-21 payment amount for medical liability is attributable to four payments in excess of \$500 000.

## Miscellaneous

There were two miscellaneous claims reported for 2021-22. Both involved personal accident claims with a total incurred cost of \$1 000.

## Financial Statements

For 2021-22, the Fund's finances were managed within Finance-General, through the Tasmanian Risk Management Fund in the Public Account. The Fund's activities are also reported within the Financial Statements of the Department of Treasury and Finance, which can be found in the Department's 2021-22 Annual Report.

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. As a consequence, rounded figures may not add to totals. Amounts less than \$500 are rounded to zero and are indicated by the symbol "...".

**Table 6 - TRMF Concise Income Statement for the year ended 30 June 2022**

	2022 \$'000	2021 \$'000
<b>Revenue and other income</b>		
Appropriation revenue - operating	105 000	...
Agency contributions	111 125	85 553
Investment income	2 521	756
<b>Total revenue and other income</b>	<b>218 646</b>	<b>86 309</b>
<b>Expenses from transactions</b>		
Claim expenses	124 466	87 611
Other expenses	...	4 338
<b>Total expenses</b>	<b>124 466</b>	<b>91 949</b>
<b>Net result</b>	<b>94 180</b>	<b>(5 640)</b>
<b>Other comprehensive income</b>		
Net actuarial gain/(loss) of the Tasmanian Risk Management Fund	(12 703)	(42 238)
<b>Total other economic flows included in net result</b>	<b>(12 703)</b>	<b>(42 238)</b>
<b>Net result</b>	<b>81 477</b>	<b>(47 879)</b>

Table 7 - TRMF Concise Balance Sheet as at 30 June 2022

	2022 \$'000	2021 \$'000
<b>Assets</b>		
<i>Financial assets</i>		
Cash and cash equivalents	424 389	290 868
Receivables	4 099	3 097
<b>Total assets</b>	<b>428 488</b>	<b>293 966</b>
<b>Liabilities</b>		
<i>Financial liabilities</i>		
Payables	1 215	1 148
Outstanding claims	374 338	321 371
Employee entitlements	124	84
<b>Total liabilities</b>	<b>375 678</b>	<b>322 603</b>
<b>Net assets (liabilities)</b>	<b>52 810</b>	<b>(28 638)</b>
<b>Equity</b>		
Accumulated funds	52 810	(26 638)
<b>Total equity</b>	<b>52 810</b>	<b>(26 638)</b>

Table 8 - Outstanding Claims Liabilities

	2022 \$'000	2021 \$'000
<b>Claims liabilities</b>		
Personal injury	219 563	157 716
Property	17 198	16 887
Motor vehicle	907	517
General liability	5 560	6 091
Medical liability	131 110	140 160
<b>Total</b>	<b>374 338</b>	<b>321 371</b>
<b>Settled within 12 months</b>	<b>88 176</b>	<b>70 898</b>
<b>Settled in more than 12 months</b>	<b>286 162</b>	<b>250 473</b>
<b>Total</b>	<b>374 338</b>	<b>321 371</b>

#### Timing of estimated claim expenditure

Based on information provided by the Actuary, the Tasmanian Risk Management Fund has recognised a total provision of \$374 million. For all insurance risks, the actual claim costs are uncertain. Even a modest deviation from the central estimate basis can have a material effect on the net outstanding liability. The timing of estimated expenditure is based on claims experience. The schedule below shows the average time to settle for each risk category:

Category	Average Settlement
Workers compensation	2.5 years
Personal accident cover	<1 year
Property risk	<1 year
Motor vehicle risk	<1 year
General liability	3.0 years
Medical liability	6.0 years

Table 9 - Reconciliation of movements in provision

2022	Workers compensation \$'000	Medical liability \$'000	Other liabilities \$'000	Total \$'000
<b>Balance at 1 July</b>	<b>157 675</b>	<b>140 160</b>	<b>23 536</b>	<b>321 372</b>
Claims paid	(61 171)	(1 030)	(10 899)	(73 100)
Increase in provision	89 388	13 251	10 725	113 364
Actuarial losses/(gains)	33 659	(21 271)	315	12 703
<b>Balance at 30 June</b>	<b>219 551</b>	<b>131 110</b>	<b>23 677</b>	<b>374 338</b>

2021	Workers compensation \$'000	Medical liability \$'000	Other liabilities \$'000	Total \$'000
<b>Balance at 1 July</b>	<b>122 835</b>	<b>119 958</b>	<b>15 215</b>	<b>258 008</b>
Claims paid	(50 011)	(4 464)	(5 677)	(60 152)
Increase in provision	57 959	12 513	10 806	81 278
Actuarial losses/(gains)	26 892	12 151	3 192	42 238
<b>Balance at 30 June</b>	<b>157 675</b>	<b>140 160</b>	<b>23 536</b>	<b>321 372</b>

The provision for workers compensation does not reconcile with the personal injury liability, which also includes provision for personal accident and aero-medical retrieval activities.

Workers compensation and medical claim liabilities are the only risk categories with discounting applied. As a consequence, the remaining risk categories are not shown in the reconciliation of movements in provisions.

## Contact Details

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

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Procurement, Risk and Contract Management Branch  
Department of Treasury and Finance  
21 Murray Street  
Hobart TAS 7000

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HOBART TAS 7001

Phone: (03) 6145 5016  
Email: [trmf@treasury.tas.gov.au](mailto:trmf@treasury.tas.gov.au)



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