

TASMANIAN RISK MANAGEMENT FUND ANNUAL REPORT 2022-23


Tasmanian Risk Management Fund Annual Report 2022-23

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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 the following two risks covered by the Fund:

- 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. 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 contribution required, based on 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 remain adequate to meet the emerging cost of risks covered by the Fund.

In setting contributions, the Fund aims to achieve:

- the collection of sufficient funding each year to meet 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 contract works and public liability insurance 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 is 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 2023 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;

- Adrian Pearce
Department of Natural Resources and
Environment Tasmania;
- Paul Turner
Office of the Solicitor-General
(Litigation);
- Glenn Lucas
Department for Education, Children
and Young People;
- 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 Advisers

Fund Administration Agent

During 2022-23, 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 2022-23, 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 2022-23, contributions to the Fund totaled \$136.2 million, representing a 22.6 per cent increase on the total contributions figure of \$111.1 million in 2021-22.

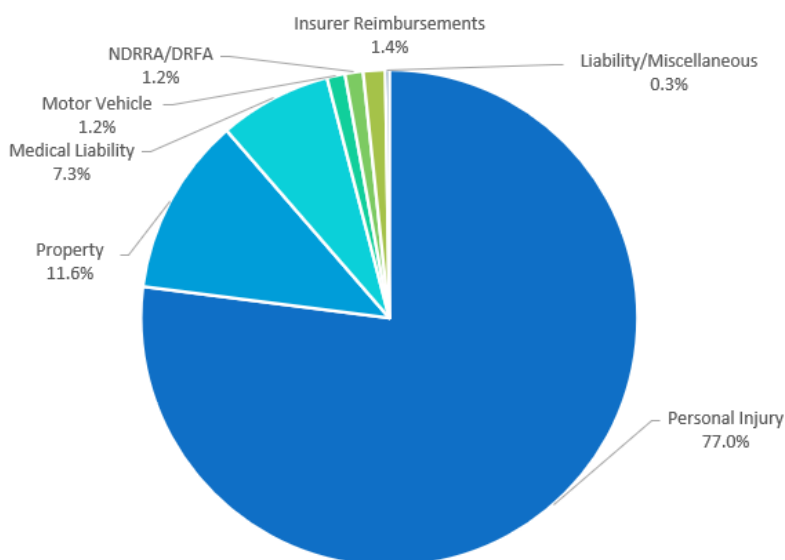
Personal injury contributions increased significantly from the previous year due to materially higher claim costs in recent years; an increase in the number of claims (most notably in psychological claims); an increase in salaries; and inflationary factors.

Contributions for general property increased moderately, primarily due to increases in the value of assets as a result of the 2021 asset review and an allowance to restore the provision for large claims over time. Medical liability contributions also increased moderately, primarily due to cost development on two large claims and higher levels of medical activity.

Funding received through the Natural Disaster Relief and Recovery Arrangements (NDRRA) and the Disaster Recovery Funding Arrangements (DRFA) in relation to the 2018-19 bushfires and insurer reimbursements for a number of historical workers' compensation claims (see note below), 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 in 2022-23



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 Liability and Miscellaneous risks have been added together but do not appear significantly in the chart above, given the small balance they each represent.
- Insurer reimbursements relate to workers' compensation claims made under an insurance policy that was placed in the external insurance market prior to the establishment of the Fund.

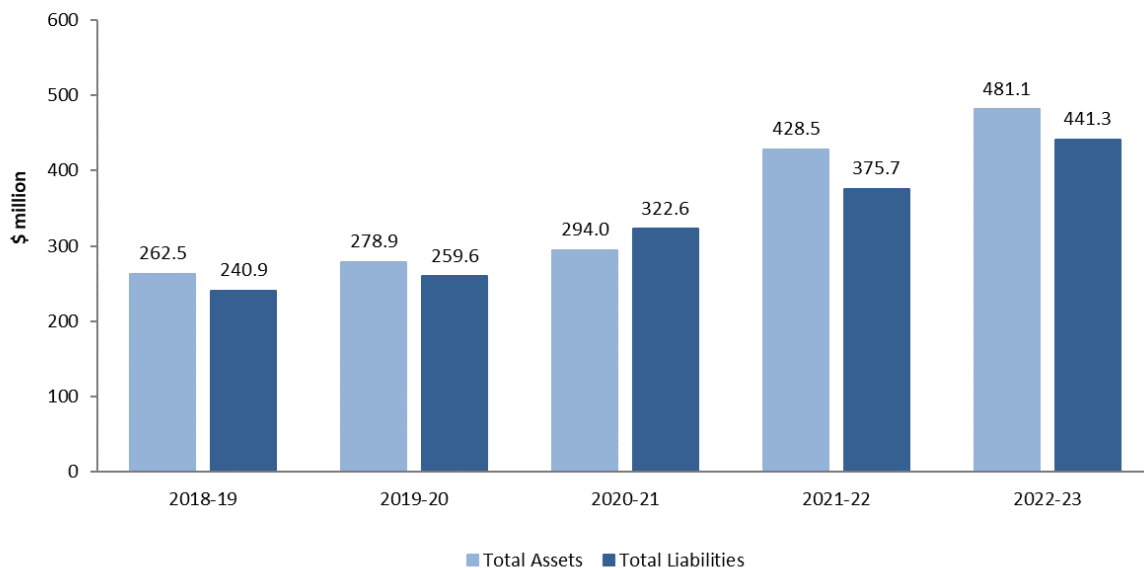
Financial Position

As at 30 June 2023, the Fund had total assets of \$481.1 million and estimated liabilities of \$441.3 million, resulting in net assets of \$39.7 million. This compares with a net asset result of \$52.8 million as at 30 June 2022. The change in the funding position is primarily attributable to a weakening in the funding level for personal injury and property risks, and a reduced surplus for general liability risk. This has been offset by an improvement in the funding level for medical liability risk.

The Fund Actuary takes into consideration the level of assets and liabilities in each risk category when determining annual participant contributions, with the aim of maintaining asset balances that are broadly reflective of liabilities.

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 2023



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 2023.

Figures in this report are exclusive of GST. The total incurred cost is the sum of the total amount paid, together with 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 2022 to 30 June 2023, claims were reported for incidents that occurred both in 2022-23 and in previous years. An overview of these claims is detailed in Table 1, Chart 3 and Chart 4 below.

Table 1 - Claim numbers and incurred cost – Claims reported in 2022-23

	Claim Numbers	Incurred Cost (\$m)
Workers' Compensation	1 674	60.2
Property	505	29.5
Motor Vehicle	591	1.2
Liability	30	2.2
Medical Liability	39	12.0
Miscellaneous	4	...
Total	2 843	105.2

Notes:

- The incurred cost is rounded to one decimal place. As a consequence, rounded figures may not exactly sum to the total.
- The incurred cost for the Miscellaneous claims category is \$13 844.

Chart 3 - Percentage of total number of claims reported in 2022-23 by class of risk

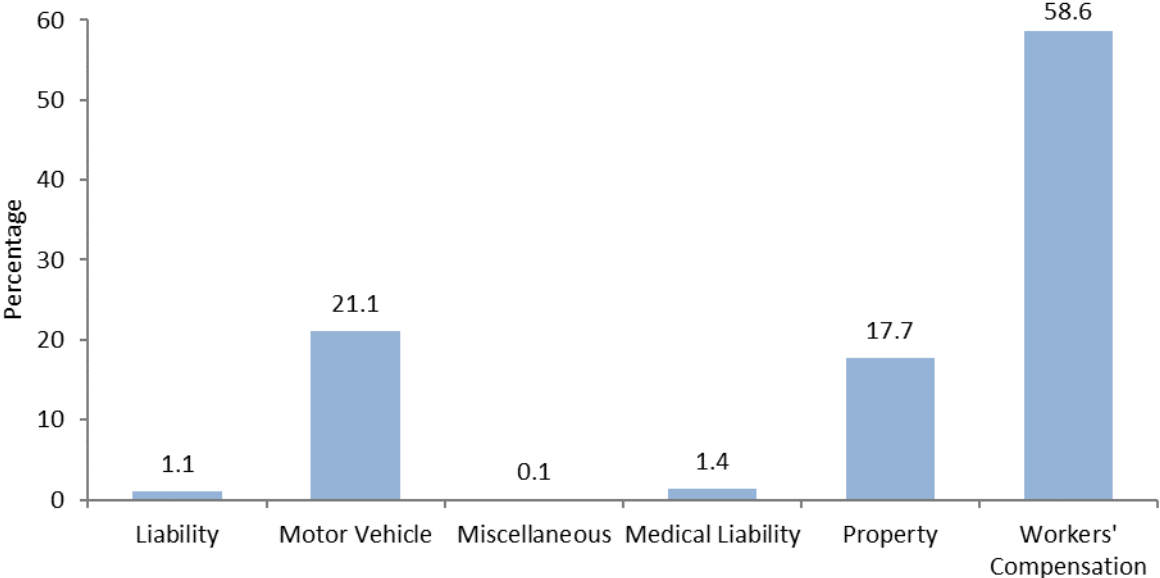
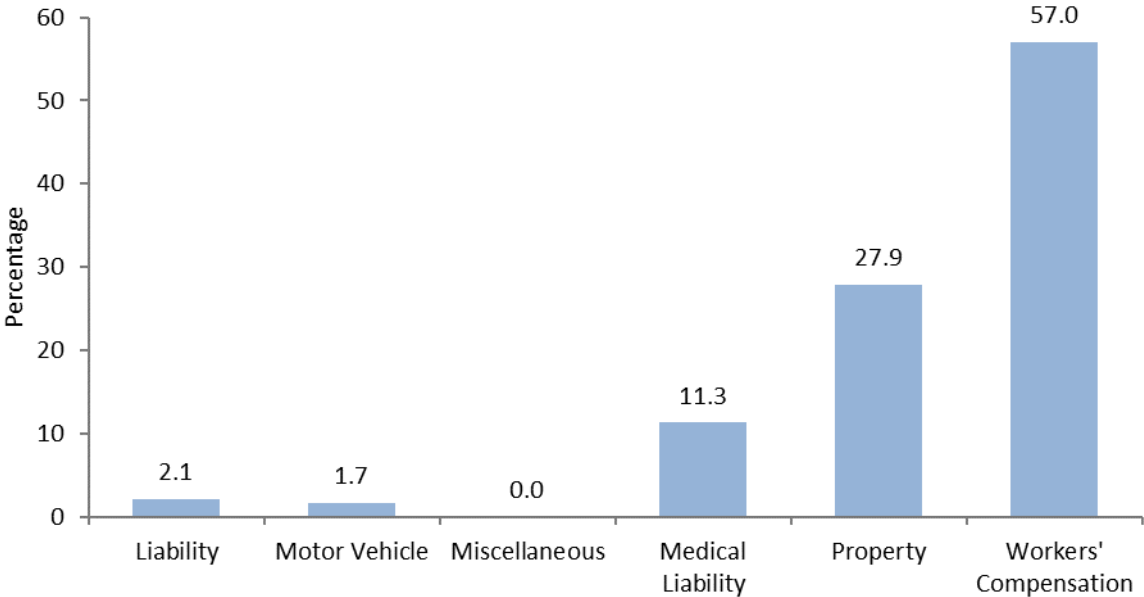


Chart 4 - Percentage of total incurred cost for claims reported in 2022-23 by class of risk



Workers' Compensation

The number of workers' compensation claims reported during 2022-23 was 1 674, representing a slight increase from the 1 646 claims reported during 2021-22. A number of claims reported during 2022-23 involved dates of injury related to previous financial years.

The incurred cost for claims reported during 2022-23 was \$60.2 million. The incurred cost for claims reported during 2021-22 increased from \$56.6 million to \$71.8 million during 2022-23, representing a 26.9 per cent increase. 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 the 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

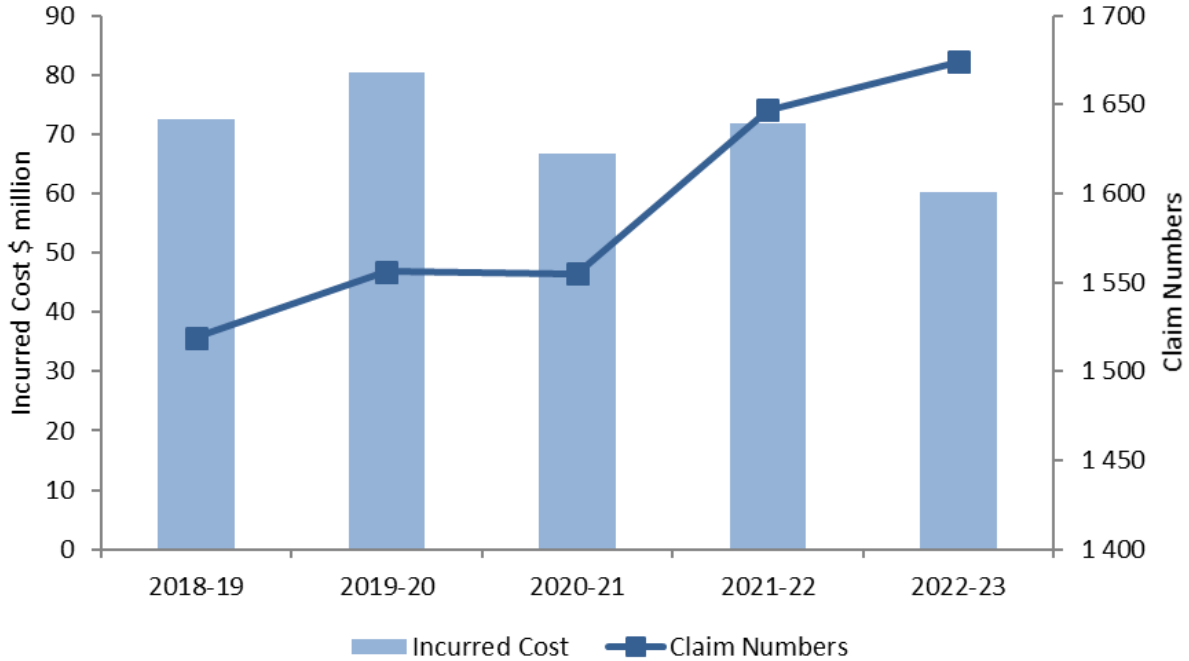


Chart 6 shows the average incurred cost for claims reported in each financial year. During 2022-23, the average incurred cost was \$35 981.

Chart 6 - Workers' Compensation - Average incurred cost by financial year reported

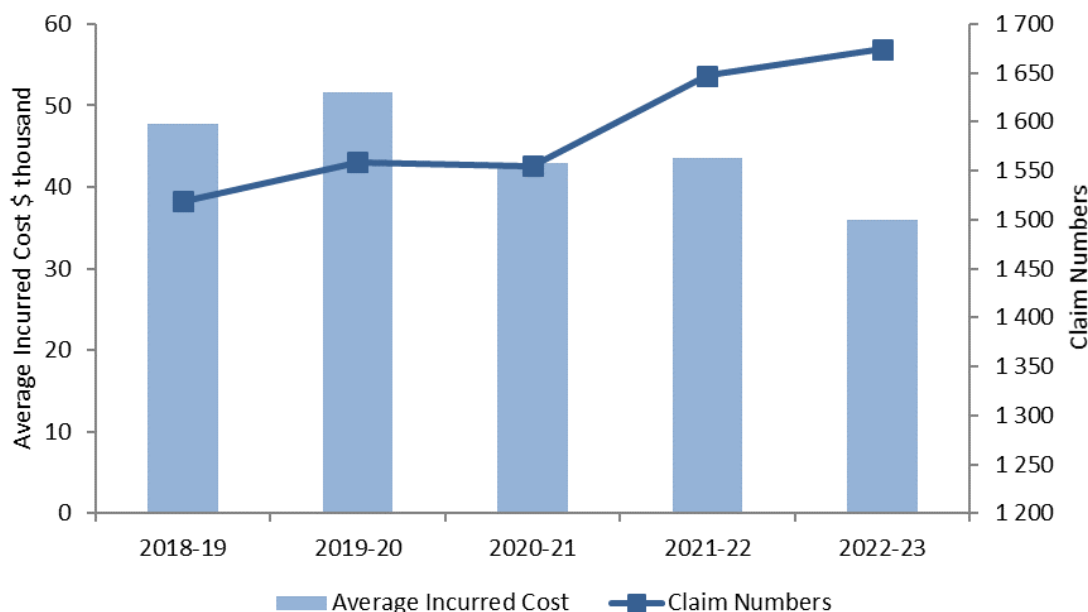
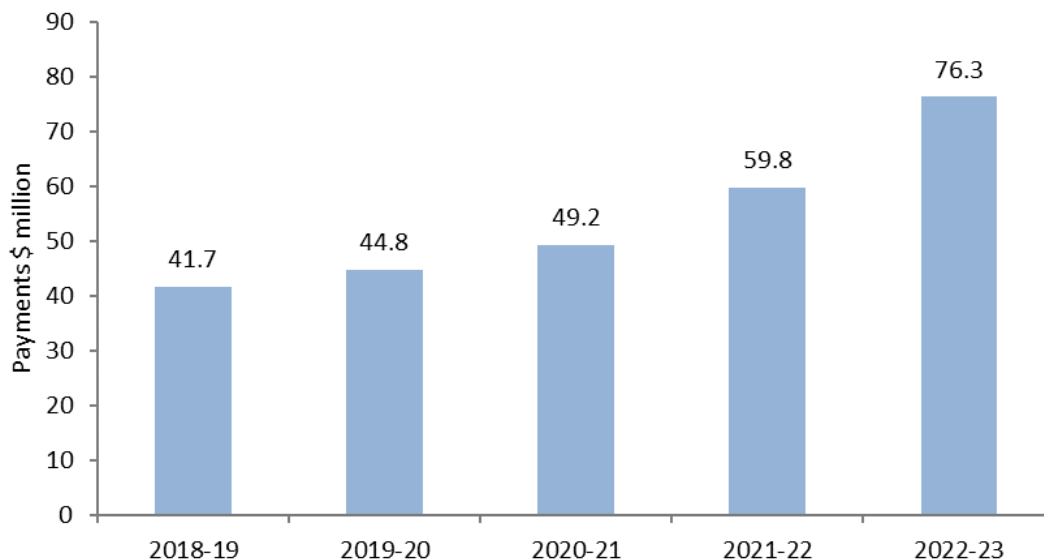


Chart 7 shows workers' compensation payments made from 2018-19 to 2022-23. During 2022-23, payments totalled \$76.3 million compared to \$59.8 million for 2021-22.

Chart 7 - Workers' Compensation - Payments by financial year

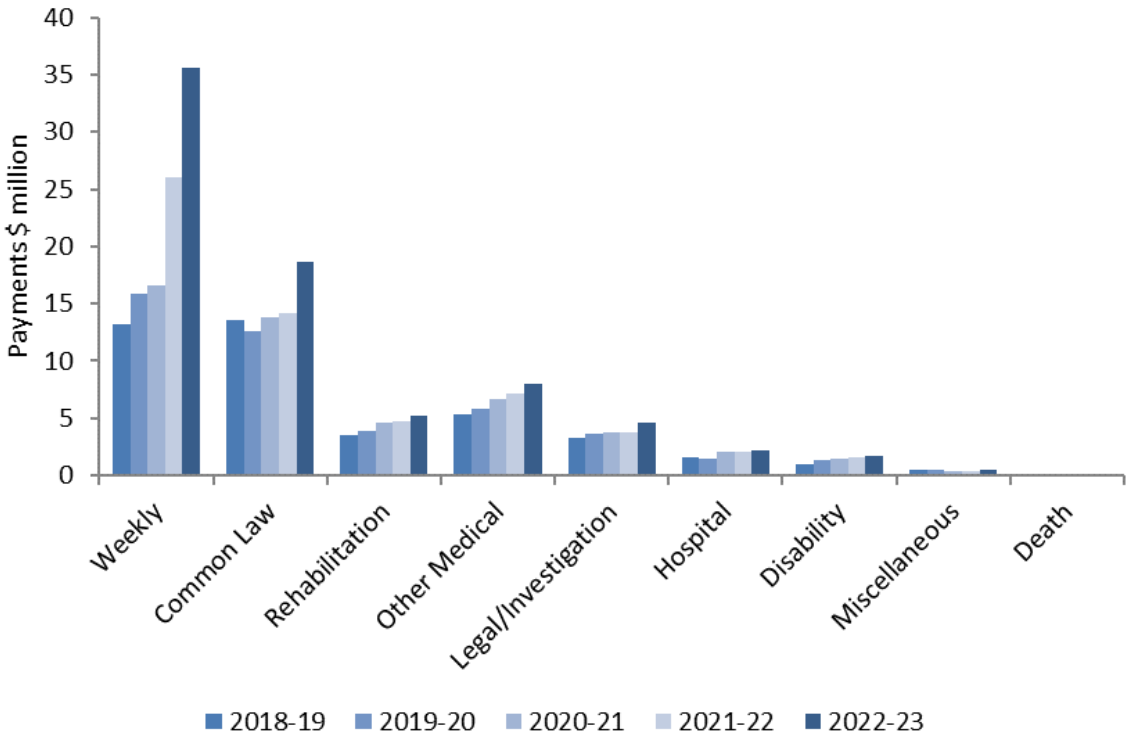


Notes:

- 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). The reported payment figure does not include the costs associated with any excess applicable to the claim which are met by Fund participants and not paid by the Fund.
- The reported payment figure for 2020-21 included in the *Tasmanian Risk Management Fund Annual Report 2021-22* has been revised to reflect an adjustment related to a correction to the rounding of GST payments.

Chart 8 outlines the composition of workers' compensation payments by category from 2018-19. All categories increased in 2022-23 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 2022-23 was 505 with an incurred cost of \$29.5 million as at 30 June 2023. This represents a slight decrease from the 519 claims reported during 2021-22. However, the incurred cost has increased by 63.9 per cent on the \$18 million estimate as at 30 June 2022.

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 2023 for prior years. The incurred cost will vary over time as claims develop towards finalisation.

- The increase in the incurred cost in 2019-20 was largely attributable to bush fire events in December 2018 and January 2019 that impacted the south-west of the State.
- The increase in the number of claims reported and incurred costs during 2021-22 was largely attributable to a combination of damage caused by a weather event in May 2022 and an increase in building material supply costs.
- A further increase in the incurred cost of claims in 2022-23 is attributable to a number of high value fire and water damage claims. Anecdotally, property claim costs are also being impacted by cost escalation in the building and construction market.

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

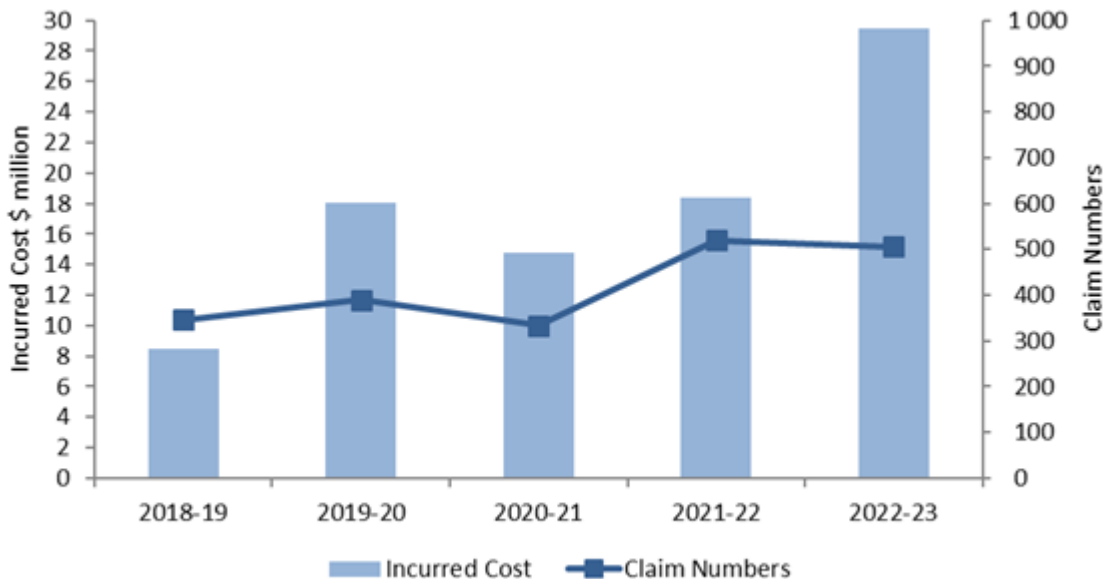


Chart 10 shows the average incurred cost for claims reported in each financial year, adjusted as at 30 June 2023 for prior years. During 2022-23, the average incurred cost for property claims increased to \$58 335, compared to \$34 724 for 2021-22 as at 30 June 2022.

Chart 10 - Property - Average incurred cost by financial year reported

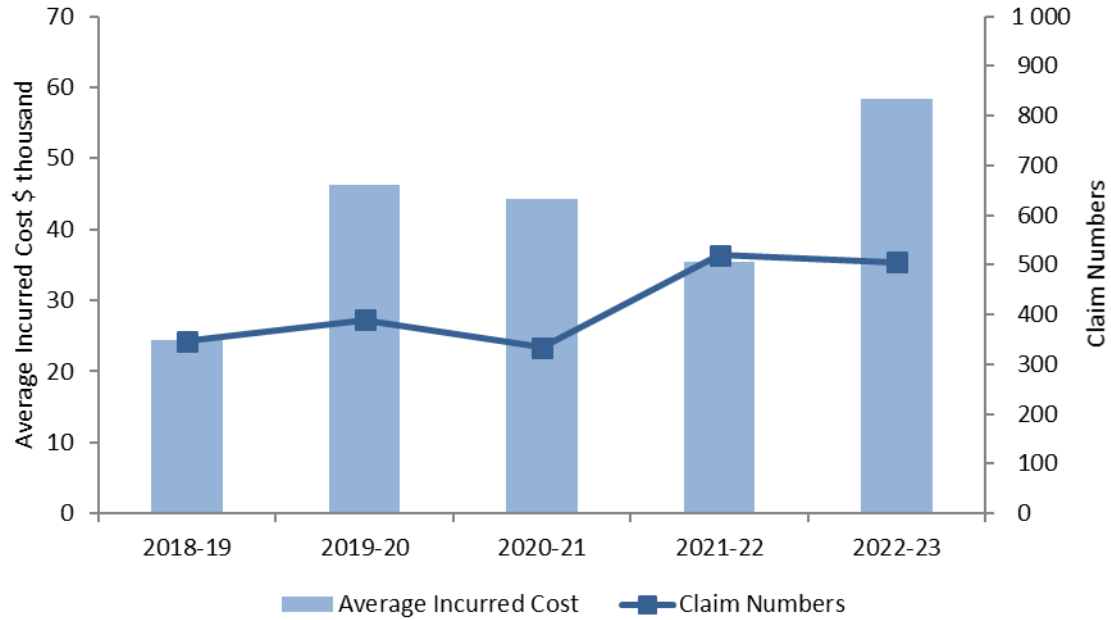
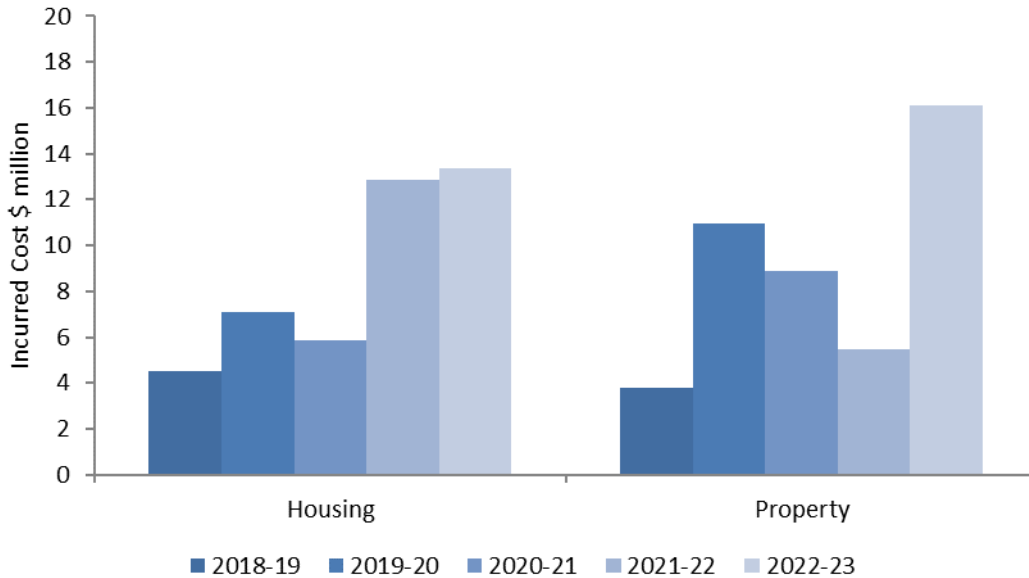


Chart 11 shows the incurred cost for claims reported in each financial year for Homes Tasmania and other property (non-Homes Tasmania). The Fund covers damage to, and loss of, Homes Tasmania properties under an aggregate stop loss arrangement. Homes Tasmania is required to pay the total costs of all losses and damage to Homes Tasmania properties up to a selected excess in a financial year. The Fund meets the cost of any losses/damage above the excess. The Homes Tasmania excess is reviewed annually. In 2022-23, the excess was \$15.75 million.

Chart 11 - Property - Incurred cost by category by financial year reported



Motor Vehicle

The number of motor vehicle claims reported during 2022-23 was 591 with an incurred cost of \$1 247 889. This represents an increase from the 565 claims reported during 2021-22. However, there has been a 30.6 per cent decrease in the incurred cost when compared with the \$1 797 033 incurred cost as at 30 June 2022.

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 2023 for prior years. The incurred cost will vary over time as claims develop towards finalisation.

There were six total loss claims in 2022-23, compared to eight total loss claims in 2021-22.

The decrease in the incurred cost in 2022-23 is due to a greater proportion of low value claims reported.

Chart 12 - Motor Vehicle - Claim numbers and incurred cost by financial year reported

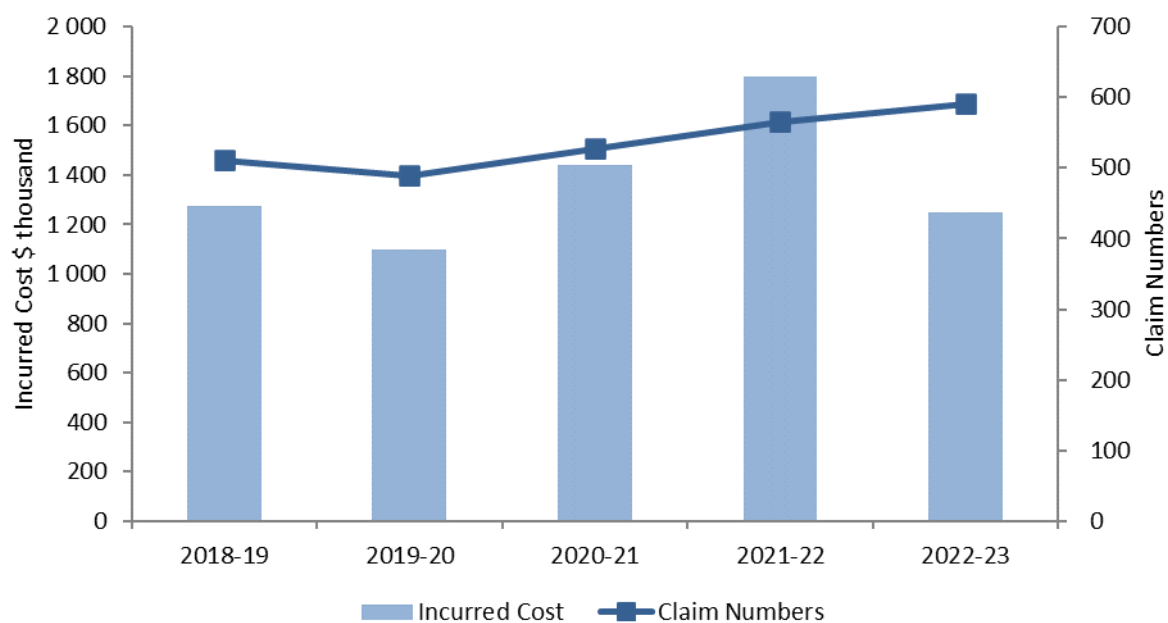


Chart 13 shows the average incurred cost for claims reported in each financial year. During 2022-23, the average incurred cost was \$2 111, compared to \$3 181 for 2021-22 as at 30 June 2022.

Chart 13 - Motor Vehicle - Average incurred cost by financial year reported

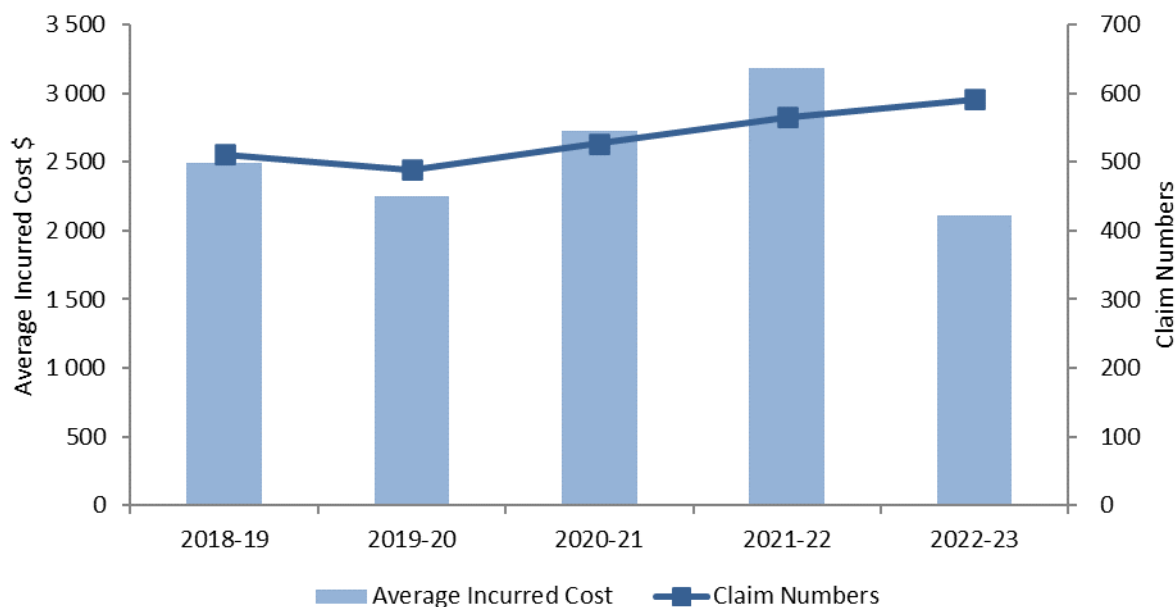
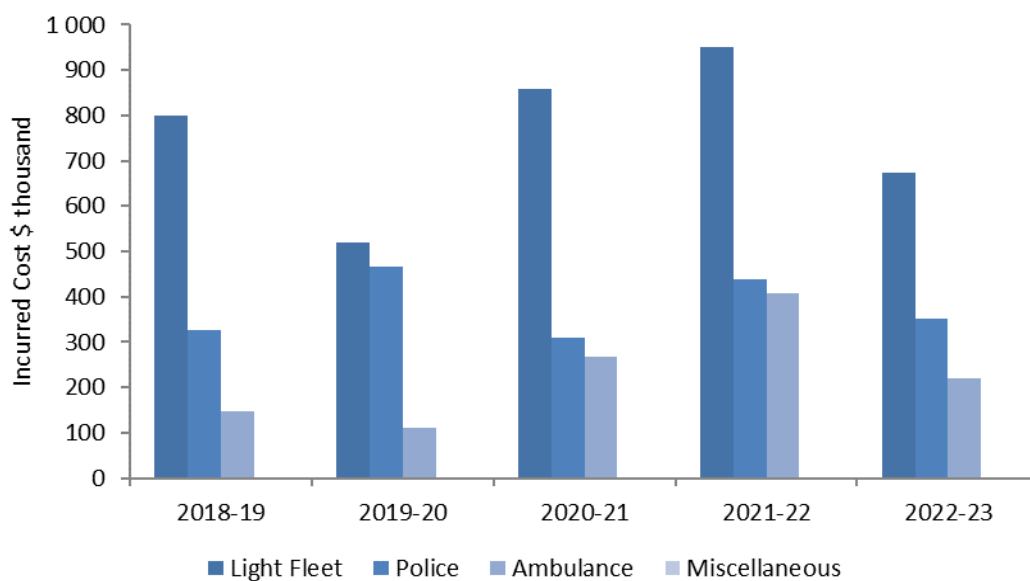


Chart 14 demonstrates the incurred cost for claims reported in each financial year by category of motor vehicle. The low value of claims involving miscellaneous vehicles cannot be represented within the chart.

Chart 14 - Motor Vehicle - Incurred cost by category by financial year reported



Liability

The number of liability claims reported for incidents that occurred in 2022-23 was 15. This represents a decrease of 46.4 per cent on the 28 claims reported for incidents that occurred in 2021-22. There were also 15 liability claims reported in 2022-23 relating to incidents that occurred in prior years.

The lower incurred cost of \$101 297 in 2022-23 is largely attributable to a reduction in the number of claims reported.

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 2023. The incurred cost will vary over time as claims develop towards finalisation.

Table 2 - Liability - Claims comparison by year of incident

	2018-19	2019-20	2020-21	2021-22	2022-23		Movement (2021-22 to 2022-23)
Claim Numbers	48	82	65	37	15	↓	(59.5)%
Total Incurred Cost (\$'000)	114	997	475	1 929	101	↓	(94.8)%
Total Paid (\$'000)	52	203	43	33	2	↓	(93.9)%
Outstanding Payments (\$'000)	62	794	432	1 896	99	↓	(94.8)%
Largest Incurred Claim (\$'000)	560	306	270	550	30	↓	(94.5)%

Chart 15 - Liability - Claim numbers and incurred cost by financial year of incident

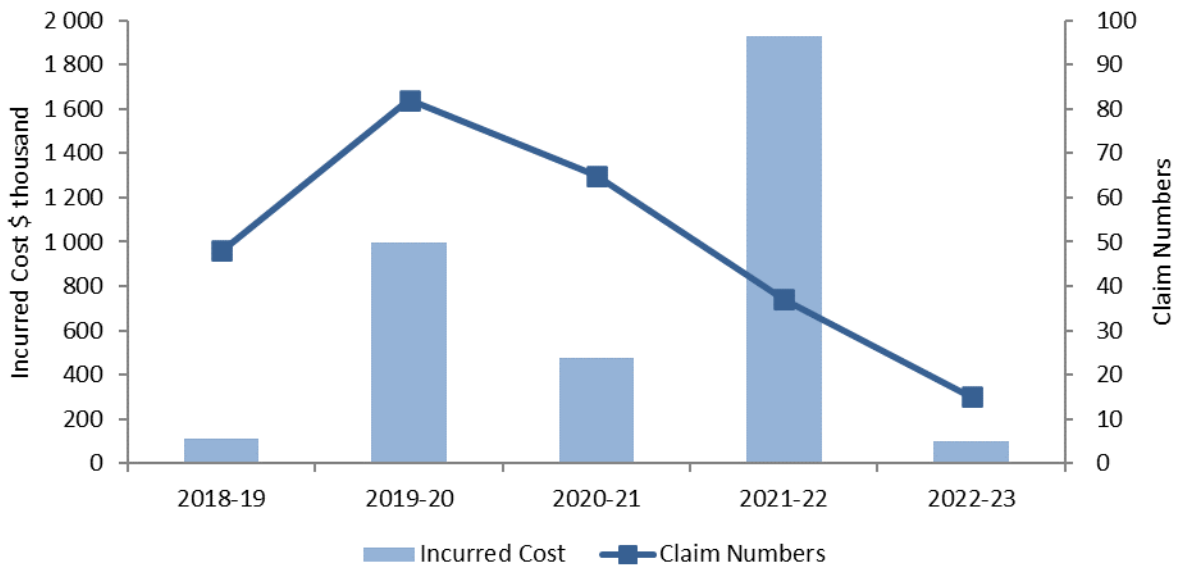
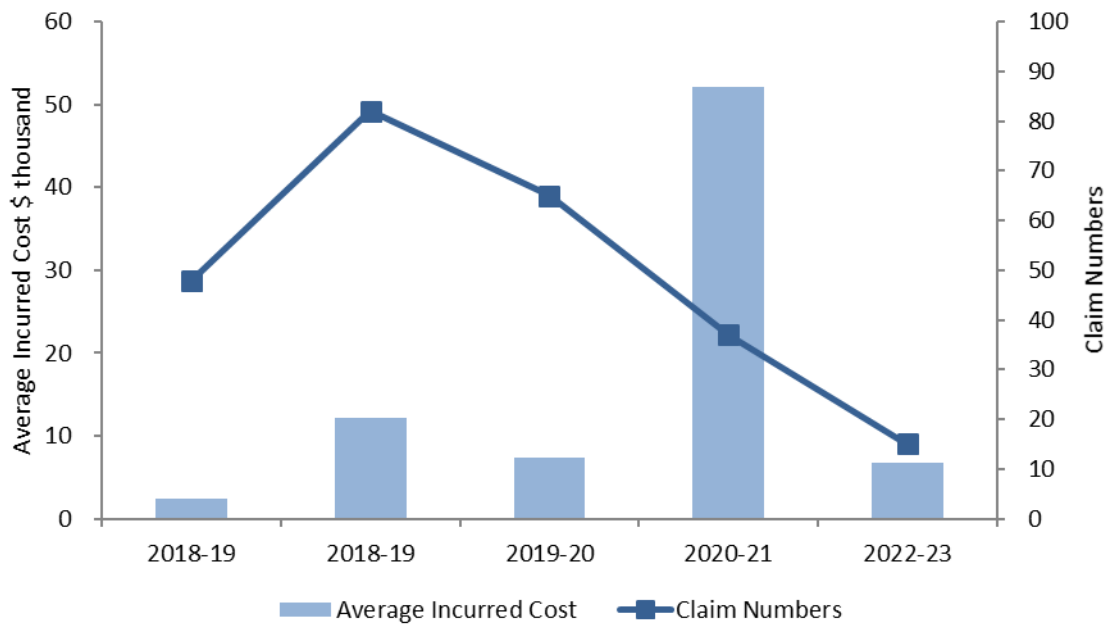


Chart 16 shows the average incurred cost for claims occurring in each financial year. During 2022-23, the average incurred cost was \$6 753.

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. Seven new claims were reported in 2022-23 relating to incidents that occurred in that financial year, with another 32 claims reported in 2022-23 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 2023. 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

Year	Claim Numbers	Total Incurred Cost (\$'000)
2018-19	21	2 954
2019-20	35	17 916
2020-21	23	4 337
2021-22	15	3 445
2022-23	39	11 953

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 2023. 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

Year	Claim Numbers	Total Incurred Cost (\$'000)	Average Incurred Cost (\$'000)
2018-19	19	5 037	265
2019-20	21	5 624	268
2020-21	11	2 168	197
2021-22	8	2 829	354
2022-23	7	357	51

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
2018-19	1 677	↓	(37.4)%
2019-20	6 407	↑	282.1%
2020-21	4 154	↓	(35.2)%
2021-22	1 478	↓	(64.4)%
2022-23	2 427	↑	64.3%

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 2022-23. Both involved personal accident claims with a total incurred cost of \$13 844.

Financial Statements

For 2022-23, 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 2022-23 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 2023

	2023 \$'000	2022 \$'000
Revenue and other income		
Appropriation revenue - operating	105 000
Agency contributions	136 225	111 125
Investment income	14 313	2 521
Total revenue and other income	150 538	218 646
Expenses from transactions¹		
Claim expenses	148 181	118 881
Other expenses	5 173	5 585
Total expenses	153 354	124 466
Net result	(2 816)	94 180
Other comprehensive income		
Net actuarial gain/(loss) of the Tasmanian Risk Management Fund	(10 264)	(12 703)
Total other economic flows included in net result	(10 264)	(12 703)
Net result	(13 080)	81 477

Note:

- The Tasmanian Risk Management Fund Annual Report 2021-22 combined expenditure data relating to the year ended 30 June 2022 into the 'Claim expenses' line only; to enable appropriate comparison with 30 June 2023 information, these figures have been separated in this Annual Report.

Table 7 - TRMF Concise Balance Sheet as at 30 June 2023

	2023 \$'000	2022 \$'000
Assets		
<i>Financial assets</i>		
Cash and cash equivalents	480 078	424 389
Receivables	982	4 099
Total assets	481 060	428 488
Liabilities		
<i>Financial liabilities</i>		
Payables	3 051	1 215
Outstanding claims	438 145	374 338
Employee entitlements	134	124
Total liabilities	441 330	375 678
Net assets (liabilities)	39 730	52 810
Equity		
Accumulated funds	39 730	52 810
Total equity	39 730	52 810

Table 8 - Outstanding Claims Liabilities

	2023 \$'000	2022 \$'000
Claims liabilities		
Personal injury	268 917	219 563
Property	28 303	17 198
Motor vehicle	946	907
General liability	7 769	5 560
Medical liability	132 210	131 110
Total	438 145	374 338
Settled within 12 months	112 861	88 176
Settled in more than 12 months	325 284	286 162
Total	438 145	374 338

Timing of estimated claim expenditure

Based on information provided by the Actuary, the Tasmanian Risk Management Fund has recognised a total provision of \$438 million as at 30 June 2023. 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 years
Medical liability	6 years

Table 9 - Reconciliation of movements in provision

2023	Workers' compensation \$'000	Medical liability \$'000	Other liabilities \$'000	Total \$'000
Balance at 1 July	219 551	131 110	23 677	374 338
Claims paid	(75 608)	(2 358)	(5 924)	(83 890)
Increase in provision	105 606	14 626	17 201	137 433
Actuarial losses/(gains)	19 338	(11 168)	2 094	10 264
Balance at 30 June	268 887	132 210	37 048	438 145

2022	Workers' compensation \$'000	Medical liability \$'000	Other liabilities \$'000	Total \$'000
Balance at 1 July	157 675	140 160	23 536	321 372
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
Balance at 30 June	219 551	131 110	23 677	374 338

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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