



Tasmania

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

**ANNUAL REPORT
2000-01**

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WORKERS' COMPENSATION SCHEME**

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TASMANIAN STATE SERVICE WORKERS' COMPENSATION SCHEME

1. MISSION

To ensure that employees of agencies participating in the Tasmanian State Service Workers' Compensation Scheme (TSSWCS) who suffer injury or illness out of and in the course of their employment are rehabilitated and compensated in accordance with the *Workers Rehabilitation and Compensation Act 1988*.

2. BACKGROUND

The Scheme, which began operation on 1 July 1989, was an arrangement established within the Tasmanian State Service to meet the cost of workers' compensation and common law claims made by employees of Government agencies. The Scheme was intended to operate on a fully funded basis.

From 1 July 2001, the Scheme merged with the Tasmanian Risk Management Fund (TRMF). The Government established the TRMF on 1 January 1999 to provide a whole of government approach to the treatment of risks to which agencies are exposed.

Up until 30 June 2001, the Scheme operated on a fully funded basis. The reserves accumulated to meet workers' compensation liabilities under the Scheme were transferred to the Fund on 1 July 2001.

The agencies participating in the Scheme paid actuarially determined contributions. These contributions were paid into the Tasmanian State Service Workers' Compensation Account (T837) that formed part of the Special Deposits and Trust Fund. All costs associated with the operation of the Scheme were met from this Account. However, from 1 July 2001, all outstanding liabilities of the Scheme will be met from the Fund. The Fund will also meet the cost of all future workers' compensation claims.

The Tasmanian Risk Management Fund Steering Committee, an inter-departmental committee with representatives from participating portfolio agencies, is responsible for the strategic management of the Fund. The Department of Treasury and Finance provides secretariat and administrative support for the Committee. Financial matters are also managed by the Department.

A Fund Administration Agent is retained on a contract basis to assist agencies to manage claims made by employees. The Fund Administration Agent also provides information to agencies to assist in the formulation of appropriate rehabilitation and risk management policies as well as to the Steering Committee to assist in the management of the Fund. The Fund Administration Agent bears no insurance risk in performing these duties.

Finally, an Actuary is retained to provide advice to the TRMF Steering Committee on contributions and associated matters.

3. OPERATION OF THE SCHEME

3.1 History of the Scheme

The Scheme was established following the enactment of the *Workers Compensation Act 1988* (now known as the *Workers Rehabilitation and Compensation Act 1988*). The Tasmanian Government Insurance Office (TGIO) was engaged as the first Fund Manager for the new Scheme from the inception of the Scheme until June 1992.

In 1991-92, it was decided to revise the arrangements under which the Scheme operated and put the fund management of the Scheme to public tender. Switzerland Insurance (which was subsequently taken over by MMI Insurance Group) was appointed Fund Manager for a three year period from 1 July 1992. The revised arrangements also involved each agency paying a deposit contribution based on claims experience in the previous year. If the deposit contribution was greater than the cost of claims to which the contribution related, there was provision for any surplus contribution to be returned to the agency. Conversely, if the cost of claims was greater than the contribution, the agency was required to make up any shortfall.

The revised arrangements came into effect from 1 July 1992, with the resultant "agency accounts" being operated for a number of agencies participating in the Scheme in the years 1992-93 to 1994-95. The final balance of the agency accounts was determined two years after the end of the year to which the contribution relates - eg the 1994-95 agency accounts were closed on 30 June 1997.

In 1994-95, a further review of the arrangements under which the Scheme operated was conducted. As a result, the Committee decided that agency accounts would not be opened in 1995-96. The 1993-94 and 1994-95 agency accounts, the final balances of which had yet to be determined, would remain open until they were due to be closed on 30 June 1996 and 30 June 1997 respectively. Agencies with deficits in their 1993-94 agency accounts as at 30 June 1996 were required to make up those deficits in 1996-97. Agencies with deficits in their 1994-95 agency accounts as at 30 June 1997 were required to make up those deficits in 1997-98.

In place of the agency accounts, the Steering Committee decided in October 1995 that all agencies would be subject to a compulsory one week excess payable on weekly benefits on all claims in respect of injuries occurring from 1 July 1995. Agencies were not given a reduction in their 1995-96 contributions as a result of having to bear this portion of claims cost. In addition, agencies were given the option of being subject to a higher excess on weekly benefits, for which a reduction in contributions was given. Similar arrangements have applied in each year since 1995-96.

The contribution reductions to be offered in exchange for a voluntary excess on weekly benefits are reviewed annually by the Actuary. Appendix 1 shows the number of weeks excess selected by agencies in 2000-01 and the percentage discount that applied.

The Agreement with MMI Insurance to perform the functions of Fund Manager for the Scheme expired on 30 June 1998. In September 1997, the Government decided that the fund management for the Scheme for the two years from 1 July 1998 would be determined through an open tender process.

As part of the tender process, it was decided that the term “Fund Administration Agent” more accurately reflected the functions to be performed than the existing term of “Fund Manager”. As a result of the tender process, FAI Insurance was appointed as Fund Administration Agent for the Tasmanian State Service Workers’ Compensation Scheme from 1 July 1998 to 30 June 2000. In January 1999, there was a merger between HIH Insurance and FAI Insurance.

On 15 March 2001, HIH was placed into provisional liquidation. HIH operated a float for the Scheme. In order to meet the claims cost incurred by employees and service providers, HIH drew cheques against this float and then sought reimbursement from the Scheme. Consequently, the Scheme funded all claims made by agency employees and service providers.

In a letter of 10 April 2001, NRMA Insurance advised that, effective from 15 March 2001, it had taken over responsibility for the provision of the services previously sourced from HIH.

Notwithstanding the letter of 10 April 2001 from NRMA, the Scheme continued to monitor the performance of the Fund Administration Agent on an ongoing basis. The monitoring was carried out in conjunction with:

- agencies to ensuring that service levels are maintained. This was particularly important in relation to the management of long term claims, which contribute significantly to the total cost of claims; and
- service providers ensuring that payments are made promptly by HIH and that cheques drawn against the bank account are honoured in a timely manner by the financial institutions to which the cheques are presented. This ensured that there was no disruption in the treatment of employees with claims against the Scheme.

3.2 Contribution Calculation

In a fully funded self insurance arrangement, the aggregate contribution should be an amount sufficient to meet the cost of all claims in respect of injuries that will occur in the coming financial year, plus an allowance for administrative expenses. The cost of claims is determined by estimating the number of claims that is expected to occur during the year and their average cost. The aggregate contribution is then apportioned between the agencies participating in the Scheme based on an examination of both the claims history of each agency (ie the number and cost of claims) and the estimated size of the agency (expressed as estimated salaries) compared to the previous financial year. The contribution is then expressed as a product of a contribution rate (as a percentage of \$100 salary) and the agency’s estimated salaries for the coming financial year. At the end of each accident year, the contribution is adjusted to take

into account the actual size of the agency (expressed as actual salaries) for the financial year.

In 2000-01, the aggregate contribution was determined after consideration of the funding requirements of the Scheme for 2000-01. The Committee determined that the total contribution pool for 2000-01 should be \$19 million, comprised of \$18 million, for an estimated 1 800 claims in respect of accidents occurring in 2000-01 at an average cost of \$10 000 per claim, plus administrative expenses of approximately \$2 million less interest earnings of approximately \$1 million. The aggregate contribution of \$19 million for 2000-01 was then apportioned between participating agencies on the same basis as described above.

Appendix 2 contains a table showing contribution rates and total contributions of agencies participating in the Scheme for each of the years 1998-99 to 2000-01.

3.3 Catastrophe Insurance

In order to protect the Scheme from claim costs associated with a single catastrophic event, reinsurance is purchased annually by the Scheme. Quotes for catastrophe insurance for 2000-01 were provided by the Scheme's insurance broker, Marsh Pty Ltd. MMI was selected to provide catastrophe insurance cover for the scheme for 2000-01. The policy provided for unlimited cover for any one event occurring during 2000-01, with an indexed excess of \$1.4 million at an annual cost of \$242 747 (excluding GST).

Under an indexed policy, the excess increases in proportion to the difference between the Average Weekly Earnings (AWE) at the inception of the policy and the AWE at the date when the excess payment level is actually reached. An unindexed policy is preferable to an indexed policy, but due to the considerable additional cost of an unindexed policy, an indexed policy was purchased.

Following the Port Arthur tragedy in April 1996, the Scheme formally notified MMI (the catastrophe insurer for 1995-96) of the occurrence of an event that was likely to lead to a claim under the catastrophe cover. During 1996-97, claims costs paid in respect of Port Arthur claims exceeded the \$1 million excess and, to 30 June 2001, total claim payments had exceeded \$6 million. Further details regarding the impact of the Port Arthur tragedy on the Scheme are contained in Section 4.5 below.

3.4 Role of the Fund Administration Agent

The responsibilities of the Fund Administration Agent were set out in a two year Agreement operating from 1 July 1998 to 30 June 2000 between the Crown and the FAI Insurance Group. This Agreement was renewed for one year from 1 July 2000 to 30 June 2001 between the Crown and HIH Insurance. The key responsibilities of the Fund Administration Agent are as follows:

- The primary task of the Fund Administration Agent is the administration of all workers' compensation and common law claims on behalf of and in accordance with the requests and directions of agencies. This involves file

management, processing of payments and reimbursement of wages, collecting recoveries from third parties, investigating liability, and estimating the cost of claims. The Fund Administration Agent is also responsible for managing the claims disputation process on behalf of agencies.

- The Fund Administration Agent is responsible for maintaining a database concerning all claims made by employees covered by the Scheme. Each claim is classified according to:
 - the division in the agency where the employee was working at the time of the injury took place; and
 - the year of accident - ie when the injury occurred, not when it was reported.

The database includes not only information concerning the cost incurred to date, but also the estimated cost outstanding on each claim.

- The Fund Administration Agent is responsible for providing data to agencies to assist with risk management and rehabilitation. It is the responsibility of agencies to interpret that data and act on it. For example, the Fund Administration Agent could be requested to provide an agency with data to assist that agency in identifying individual employees requiring rehabilitation - eg all those claims where the absence from work exceeded two weeks.
- The Fund Administration Agent reports periodically to the Steering Committee on the performance of the Scheme as a whole. Reports are made to Committee meetings at least once every quarter.
- The Fund Administration Agent is also responsible for meeting the reporting requirements of the Scheme under the *Workers Rehabilitation and Compensation Act 1988*.

A total of \$1.057 million was paid to HIH Insurance in 2000-01 for providing these services.

3.5 Role of the Actuary

The Actuary, Bendzulla Tasmania, provided the following services to the Scheme in 2000-01:

- Calculation of the portion of the total contribution required from each participating agency.
- Calculation of the breakdown of contributions to division level where requested by an agency.
- Provision of an Annual Report on the Scheme's performance.

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- Provision of advice to the Steering Committee on the effect on claims costs of reforms to workers' compensation legislation.
 - Provision of reports on administrative arrangements for the Scheme, including the reduction in contributions for higher optional excesses.
 - Provision of miscellaneous reports on the calculation of agency contributions.
 - Attendance at meetings with agencies to discuss contributions where required.

A total of \$48 805 was paid to Bendzulla Tasmania in 2000-01 for providing these services.

3.6 Role of the Office of the Director of Public Prosecutions

The Office of the Director of Public Prosecutions (the DPP) provided the following services in 2000-01:

- Legal advice to the Fund Administration Agent on individual claims files as part of the day to day administration of files.
- Legal representation for agencies in the Workers Rehabilitation and Compensation Tribunal.
- Legal representation in the Supreme Court of Tasmania where employees bring common law actions for injuries suffered whilst at work. This is coordinated through the Fund Administration Agent.
- Legal representation in the case of an appeal, whether that appeal results from a decision of the Workers' Compensation Commission or the Supreme Court. This is coordinated through the Fund Administration Agent.

The DPP is paid on a fee for service basis for providing legal advice and representation for the Scheme. A total of \$736 379 was paid to the DPP for providing these services in 2000-01. It should be noted that, in Appendix 3, the fees paid to the DPP for providing legal advice and representation to the Scheme are included in compensation payments.

4. SIGNIFICANT DEVELOPMENTS IN 2000-01

4.1 TSSWCS Trust Account

As mentioned in Section 2 of this Report, the Scheme operated through the Tasmanian State Service Workers' Compensation Scheme Trust Account (T837), which formed part of the Special Deposits and Trust Fund. All contributions made by agencies are paid into this Account. Similarly, all costs associated with the operation of the Scheme are met from the Account. Appendix 3 contains a summary of transactions in the Account during 2000-01. The following points should be noted:

- The Trust Account had a credit balance of \$58.473 million as at 1 July 2000.

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- Contributions made by agencies to the Scheme decreased from \$31.8 million in 1999-00 to \$20.6 million in 2000-01.
 - Total recoveries of \$1.41 million were made in 2000-01, relating to the Port Arthur tragedy and agencies withdrawing from the Scheme.
 - Administrative expenses increased from \$1.62 million in 1999-00 to \$1.93 million in 2000-01.
 - Compensation payments decreased from \$20.97 million in 1999-00 to \$16.89 in 2000-01.
 - The Trust Account had a balance of \$63.852 million as at 30 June 2001.

4.2 Trends in Claims

Appendix 4 shows the number and cost of claims from 1996-97 to 2000-01 by nature of injury. The figures for the number of claims represent the number of claims occurring in each period that were actually reported as at 30 June 2001. The estimated cost of claims represents the Fund Administration Agent's estimated cost of those claims that were reported and are calculated on a claim by claim basis.

Since 1996-97, the number of claims has decreased each year. In 2000-01, 1 580 claims were made. There were also a number of injuries which occurred during the course of 2000-01, but which had yet to be reported at 30 June 2001. Based on past experience, there is a possibility of 10 per cent more claims being reported for the 2000-01 period than was reported as at 30 June 2001. Accordingly, there may be as many as 1 738 claims in respect of 2000-01.

It is difficult to draw any firm conclusions regarding the total cost of claims based on the case estimates of the Fund Administration Agent. This is due to the fact that case estimates tend to increase over time as more information is gathered concerning the likely total cost of each claim. This pattern is evident when comparing the total cost of claims in respect of accidents occurring from 1996-97 (\$15.89 million) to 2000-01 (\$10.74 million) as shown in Appendix 4.

4.3 Accrual Accounts

Financial statements on an "accrual" basis have been prepared for 2000-01. Those statements were compiled by KPMG and were audited by the Tasmanian Audit Office.

The 2000-01 Accrual Accounts and the Audit Report are contained in Appendix 5. The main features are as follows:

- Agency contributions in 2000-01 were \$20.573 million (\$31.808 million in 1999-00), and investment revenue was \$3.841 million (\$3.093 million in 1999-00). Offsetting this, claims expenses (on an accrual basis) were

\$18.722 million (\$19.786 million in 1999-00) and other expenses were \$0.872 million (\$1.017 million in 1999-00), giving an operating profit of \$4.82 million (\$14.098 million in 1999-00);

- Total assets were \$64.843 million as at 30 June 2001 (\$59.246 million as at 30 June 2000), while total liabilities were \$50.66 million (\$49.883 million as at 30 June 2000), resulting in net assets of \$14.183 million (\$9.363 million as at 30 June 2000); and
- There was a net cash inflow to the Scheme of \$5.379 million (\$11.723 million in 1999-00), resulting in the Trust Account being in credit \$63.852 million as at 30 June 2001 (\$58.473 million as at 30 June 2000).

4.4 Arrangements for the Scheme from 1 July 2000

All agencies are subject to a compulsory one week excess payable on weekly benefits on all claims in respect of injuries occurring in that financial year. This arrangement is consistent with the August 1995 reforms to *Workers Rehabilitation and Compensation Act 1988*. The Committee also determined that agencies would not be given a reduction in their contributions as a result of having to bear this portion of claims costs.

Agencies are also given the option of being subject to a higher excess on weekly benefits, for which a reduction in contributions is given. Each agency is given an opportunity to nominate whether it wishes to be subject to a higher optional excess at the start of each financial year. The excess selected would apply to all claims in respect of injuries occurring in that financial year.

In 2000-01, the Scheme continued to operate under the same arrangements as in previous years.

The following table shows the various levels of excess that have applied in recent years:

Period of Excess in Weeks	Reduction in Contributions 1997-98 and 1998-99 %	Reduction in Contributions 1999-00 %	Reduction in Contributions 2000-01 %
2	1.8	1.6	1.5
4	4.5	3.9	3.7
6	6.5	5.7	5.5
8	8.3	7.3	6.9
13	12.0	10.6	10.0
26	n/a	17.1	16.0

4.5 The Port Arthur Tragedy

The circumstances surrounding the Port Arthur tragedy in April 1996 and its aftermath have had a significant impact, both in human and financial terms.

As mentioned in Section 3.3 above, the Scheme carried catastrophe insurance to limit the financial impact of such tragedies by meeting the cost of claims that resulted from one “event”. The 1995-96 catastrophe policy was held with MMI (now Allianz) and provides for unlimited cover with an excess of \$1 million - ie the Scheme must meet the first \$1 million in claims costs arising from an event, with any subsequent costs payable by the insurer.

Claims costs exceeded the \$1 million excess. A method was devised to allocate the \$1 million cost that the Scheme had to bear under the catastrophe policy among agencies participating in the Scheme. The Committee agreed that only those agencies that had incurred claims as a result of the tragedy should meet the excess and that the amount of the \$1 million excess that each affected agency should pay would be equal to the proportion of total costs incurred by each agency, to the total costs incurred by the Scheme, as a result of the tragedy.

It was further agreed that this amount would be paid over three financial years, ie 1997 -98 to 1999-00, in addition to the contributions required of the agencies that incurred claims as a result of the tragedy.

At present, it is not possible to accurately predict the total cost of claims arising from the Port Arthur tragedy. The eventual total cost will not be known for a number of years. The vast majority of claims costs are likely to arise from claims made for stress-related conditions. At 30 June 2000, 82 workers’ compensation claims had been lodged with the Scheme in respect of the Port Arthur tragedy and as at 30 June 2001 no more claims had been made. It is considered unlikely that there will be any further claims. At 30 June 2001, the estimated total cost of these claims was \$7.036 million. The amount paid on these claims was \$5.882 million, with outstanding case estimates of \$938 175.

MMI (now Allianz), the reinsurer for the Scheme at the time of the tragedy, initially denied coverage under the catastrophe cover for 31 of the 82 claims. The Solicitor-General advised that, in his opinion, 16 of the 31 claims did not meet the requirements of the catastrophe cover (on the basis that the claimants were not directly exposed to the Port Arthur tragedy or its immediate aftermath). However, the Solicitor-General advised that, in his opinion, the remaining 15 disputed claims meet the requirements of the catastrophe cover.

In April 2001, the matter was referred to the Director of Public Prosecutions to institute proceedings against Allianz in relation to the 15 disputed claims. Allianz has now admitted liability in respect of the 15 disputed claims.

5. MEMBERSHIP OF THE TASMANIAN STATE SERVICE WORKERS' COMPENSATION COMMITTEE

The members of the Committee as at 30 June 2001 were:

Members of the Committee:

Philip Mussared	Treasury and Finance (Chairman)
Rob Cockerell	Treasury and Finance
Michele Mosely	Primary Industries, Water and Environment
David Cookson	Health and Human Services
Richard Hughes	Police and Public Safety
Paul Leitch	State Development
David Vickery	Justice and Industrial Relations
Geoff Owen	Premier and Cabinet
Amanda Russell	Infrastructure, Energy and Resources
Leigh Taylor	Education
David Salisbury	Education
Paul Turner	Director of Public Prosecutions

The advisers to the Committee as at 30 June 2001 were:

Roger Campbell	Treasury and Finance (Executive Officer)
Craig Jeffery	Treasury and Finance
Tom Saltmarsh	Treasury and Finance
David Tadd	Treasury and Finance
Libby Lawler	NRMA
Ben Bessell	NRMA

6. THE REPORT OF THE ACTUARY

The Actuary has advised that the trends and outcomes for the 2000-01 year were very favourable, in particular:

- the balance of the Trust Account increased from \$58.473 million as at 30 June 2000 to \$63.852 million as at 30 June 2001;
- the number of claims lodged continued to decrease. The number of claims occurring in 2000-01 that were reported by 30 June 2001 was 1 476. This is compared to 1 590 claims lodged by 30 June 2000; and
- the present value of the outstanding claims liability has remained stable at \$48.981 million as at 30 June 2001 (the outstanding claims liability was \$48.922 million as at 30 June 2000).

There are two factors that determine the total cost of claims made during a reporting period - the number of claims and the average cost of each claim. Since 1996-97, the projected number of claims (claims reported plus an estimate of future claims in respect of the accident year) has trended down, but the average cost has increased significantly:

	Projected Number of Total Claims	Estimated Average Cost Per Claim \$
1996-97	2 121	7 751
1997-98	1 905	8 601
1998-99	1 792	10 103
1999-00	1 737	10 232
2000-01	1 623	10 816

1. The actual number of claims reported as at 30 June 2001 was only 1 476 (including zero cost claims) but, based on past claims experience, a provision has been included for claims that will be reported after 30 June 2001.

These figures are based on actuarial calculations and vary slightly from the figures used in Section 4.2 that are based on case estimates made by the Fund Administration Agent.

Weekly benefit payments remain the most significant cost driver of the Scheme. The amount paid in weekly benefits decreased from \$7.59 million in 1999-00 to \$5.65 million in 2000-01. Efforts by agencies to reduce this cost through the implementation of effective rehabilitation programs, amongst other things, offer the greatest scope to reduce the total cost of claims.

Common law payments have remained relatively constant, at 32 per cent of total payments in 2000-01, compared to 31 per cent in 1999-00 and 31 per cent in 1998-99. Common law payments, at \$6.031 million for 2000-01, contribute significantly to the cost of claims. The fact that common law payments contribute significantly to the overall costs of the Scheme highlights the need for agencies to robustly defend common law claims made by employees and to place a high priority on occupational health and safety to reduce the likelihood of such claims being made in the first place.

Legal costs were \$2.072 million in 2000-01, compared with \$1.124 million in 1999-00. This was due to a change in the coding between legal costs and miscellaneous costs – ie – miscellaneous costs decreased from \$1.09 million to \$0.319 million in the same period.

The total estimated amount outstanding on claims in respect of injuries occurring during each period, regardless of when the claims were reported, is as follows:

	Payments	Estimated Outstanding	Total Estimated Cost
	\$	\$	\$
1996-97	13 490 878	2 948 024	16 438 902
1997-98	11 650 606	4 733 952	16 384 558
1998-99	10 862 311	7 242 884	18 105 195
1999-00	7 031 622	10 741 208	17 772 830
2000-01	2 717 637	14 836 164	17 553 801

At 30 June 2001, the discounted value of the outstanding liabilities of the Scheme in regard to post 1 July 1994 claims is \$39.392 million.

The discounted value of outstanding liabilities in regard to pre 1 July 1994 claims at 30 June 2001 was \$5.961 million. Thus, the present value of the outstanding liabilities of the Scheme as at 30 June 2001 was \$45.353 million. This is the amount the Scheme would require to settle all outstanding claims costs as at 30 June 2001. In addition, there was an expense provision of \$3.628 million, giving the Scheme gross liabilities as at 30 June 2001 of \$48.981 million.

The Scheme was designed with the intention that it be fully funded. That is, the Scheme should build up reserves to meet the outstanding claims liabilities as they arise. However, until 1995-96, as a result of consistently underestimating the cost of each accident year when settling agency contributions, this did not occur. The process of establishing sufficient reserves to obtain full funding commenced in 1995-96. In 1999-00, for the first time since its implementation, the Scheme was fully funded and this continued in 2000-01.

APPENDIX 1

EXCESSES SELECTED BY AGENCIES FOR 2000-01

Agency	Period of Excess	Reduction in Contribution %
Education	1 week	0
Health and Human Services	13 weeks	10
House of Assembly	13 weeks	10
Infrastructure, Energy and Resources	13 weeks	10
Inland Fisheries	26 weeks	16
Justice and Industrial Relations	13 weeks	10
Legislative Council	1 week	0
Legislature General	1 week	0
Office of the Governor	1 week	0
Police & Public Safety	13 weeks	10
Port Arthur Historic Site Management Authority	1 week	0
Premier and Cabinet	13 weeks	10
Primary Industries, Water and Environment	13 weeks	10
Private Forests Tasmania	1 week	0
Retirement Benefits Fund Board	1 week	0
Royal Tasmanian Botanical Gardens	1 week	0
State Development	13 weeks	10
TAFE Tasmania	8 weeks	6.9
Tasmanian Audit Office	1 week	0
Treasury and Finance	26 weeks	16

APPENDIX 2

RATES AND CONTRIBUTIONS FOR AGENCIES PARTICIPATING IN THE TSSWCS FROM 1998-99 TO 2000-01

	1998-99		1999-00		2000-01	
	Rate Per \$100	Contribution \$	Rate Per \$100	Contribution \$	Rate Per \$100	Contribution \$
Education	3.6059	11 169 816	3.1909	10 433 670	1.9400	6 557 161
Health and Human Services	5.3122	16 681 158	4.7169	14 114 578	2.5400	8 201 889
House of Assembly	1.0200	9 353	0.6000	5 634	0.5000	4 840
Infrastructure, Energy and Resources	2.0700	535 695	1.5700	401 710	0.6590	202 918
Inland Fisheries	1.4000	18 060	1.0000	14 160	0.7500	15 263
Justice and Industrial Relations	6.1516	1 675 573	5.0719	1 601 645	2.5000	865 550
Legislative Council	0.7000	5 502	0.6000	4 962	0.5000	4 208
Office of the Governor					0.9000	9 720
Police and Public Safety	7.3154	4 254 856	5.5592	3 521 006	2.6000	1 750 334
Port Arthur Historic Site Management Authority	1.8000	55 854	1.9500	60 119	1.6000	47 744
Premier and Cabinet	0.7500	122 648	0.6000	98 076	0.5000	84 150
Primary Industries, Water and Environment	2.1241	1 146 717	1.6763	942 827	1.0000	549 030
Private Forests Tasmania	1.4700	11 319	0.8000	5 760	0.5000	4 190
Retirement Benefits Fund	2.3400	87 676	1.7500	74 865	1.3500	610583
Royal Tasmanian Botanical Gardens	3.0000	25 500	3.3000	38 280	2.7500	32 187
State Development	1.4000	174 897	0.8000	100 672	0.5500	69 446
TAFE Tasmania	2.1818	850 902	2.0956	911 274	1.0000	452 577
Tasmanian Audit Office	0.7000	10 983	0.6000	9 786	0.5000	9 240
Tasmanian Dairy Industry Authority	0.7000	5 705	0.6000	4 710	0.5000	220
Treasury and Finance	0.8500	107 545	0.8000	116 176	0.5000	69340
Total		37 000 480		32 498 047		19 001 749

Note: The above contributions are gross contributions and do not take into account reductions due to the selection of a higher optional excess.

APPENDIX 3

TASMANIAN STATE SERVICE WORKERS' COMPENSATION SCHEME TRUST ACCOUNT (T837)

Transactions for year ended 30 June 2001

	\$	\$
Opening Balance as at 1 July 2000		58 473 003
Receipts		
2000-01 Contributions	18 756 361	
Recoveries	875 170	
Port Arthur tragedy additional contributions	538 000	
Interest Received	4 128 210	
Total Receipts		24 297 741
Total Revenue		<u>82 770 744</u>
Less Expenditure		
Fund Administration	(1 057 161)	
Actuarial Expenses	(48 805)	
Workplace Safety Board	(509 591)	
Accountant Fees	(13 000)	
Audit Fees	(774)	
Reinsurance	(242 747)	
Miscellaneous Expenses	(9 185)	
Salary and related expenses	(48 822)	
Compensation Payments	(16 887 194)	
Other Refunds	(101 546)	
Total Expenditure		<u>(18 918 825)</u>
Balance of Account T837 as at 30 June 2001		<u><u>63 851 919</u></u>


APPENDIX 4

NUMBER AND COST OF CLAIMS FROM 1996-97 TO 2000-01 BY NATURE OF INJURY AS AT 30 JUNE 2001

	1996-97		1997-98		1998-99		1999-00		2000-01	
	No of Claims	Estimated Cost \$	No of Claims	Estimated Cost \$	No of Claims	Estimated Cost \$	No of Claims	Estimated Cost \$	No of Claims	Estimated Cost \$
Industrial Deafness	0	0	4	49 931	3	12 614	1	374	3	16 650
Amputations	0	0	0	0	0	0	1	38 297	0	0
Multiple Injuries	0	0	4	6 797	3	22 669	9	70 950	9	107 777
Hernia	3	6 334	1	2 012	1	4 805	3	17 445	1	20 000
Dislocations	6	8 601	7	22 559	5	24 467	10	16 504	9	142 479
Internal Injuries	2	27 115	0	0	2	114	5	7 395	5	28 262
Respiratory Diseases	4	12 097	6	26 097	8	29 542	8	6 742	13	48 626
Dermatitis	12	5 577	5	4 072	19	151 164	3	76 125	11	62 462
Foreign Body	31	10 310	29	4 601	31	5 562	40	51 527	20	33 215
Burns	24	8 451	19	4 069	18	7 292	15	16 308	24	53 896
Poisoning	61	175 475	88	22 387	19	107 702	16	17 433	8	31 241
Muscle and Tendon Injury	44	650 292	36	260 517	26	242 699	46	34 778	75	653 666
Fractures	49	342 478	38	179 712	42	397 042	48	384 126	41	416 425
Other	44	97 510	44	153 171	82	1 313 235	75	461 095	58	493 818
Superficial Injury	136	492 792	94	109 691	201	443 902	166	186 928	141	377 759
Lacerations	134	79 062	136	46 965	62	251 339	91	60 443	87	280 182
Stress	178	4 417 233	157	4 220 903	133	2 844 645	147	3 939 766	139	2 098 854
Contusions	293	1 149 512	249	798 697	153	529 296	129	221 053	122	346 507
Sprains and Strains	1 099	8 404 639	987	8 423 699	973	8 649 444	916	5 519 715	814	5 531 603
TOTAL	2 120	15 887 478	19 04	14 335 880	1 781	15 037 533	1 729	11 127 004	1 580	10 743 422

APPENDIX 5

FINANCIAL STATEMENTS OF THE TASMANIAN STATE SERVICE WORKERS' COMPENSATION SCHEME FOR 2000-01



Tasmanian Audit Office

INDEPENDENT AUDIT REPORT

**To the Secretary, Department of Treasury and Finance
Tasmanian State Service Workers' Compensation Scheme**

Scope


I have audited the financial report of the Tasmanian State Service Workers' Compensation Scheme comprising Financial Performance, Financial Position and Cash Flows Statements and notes thereto, for the year ended 30 June 2001. The Secretary of the Department of Treasury and Finance is responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Secretary.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the financial position of the Tasmanian State Service Workers' Compensation Scheme and the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial report presents fairly in accordance with Accounting Standards and other mandatory professional reporting requirements, the financial position of the Tasmanian State Service Workers' Compensation Scheme as at 30 June 2001, and the results of its operations and cash flows for the year then ended.


C M Stanton
Director
TASMANIAN AUDIT OFFICE

Delegate of the Auditor-General

3 July 2002
HOBART

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Accountability on Your Behalf

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

Statement of Financial Performance

for the Year ended 30 June 2001

	Notes	2001 \$'000	2000 \$'000
REVENUE FROM ORDINARY ACTIVITIES			
Agency Contributions and Recoveries	2	20 573	31 808
Investment Revenue	2	3 841	3 093
TOTAL REVENUE FROM ORDINARY ACTIVITIES		24 414	34 901
 EXPENSES FROM ORDINARY ACTIVITIES			
Claims Expense	3	(18 722)	(19 786)
Outwards Reinsurance Expense	3	(243)	(252)
Other Underwriting Expense	3	(509)	(641)
General Administration expense	3	(120)	(124)
Expenses from ordinary activities	3	(19 594)	(20 803)
 NET OPERATING SURPLUS FROM ORDINARY ACTIVITIES	 9	 4 820	 14 098

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

Statement of Financial Position

as at 30 June 2001

	Notes	2001 \$'000	2000 \$'000
CURRENT ASSETS			
Trust Account	10	63 852	58 473
Receivables	5	<u>991</u>	<u>773</u>
		<u>64 843</u>	<u>59 246</u>
TOTAL ASSETS		<u><u>64 843</u></u>	<u><u>59 246</u></u>
CURRENT LIABILITIES			
Outstanding Claims	8	17 539	18 413
Creditors	6	1 676	958
Provisions	7	<u>3</u>	<u>3</u>
		<u>19 218</u>	<u>19 374</u>
NON-CURRENT LIABILITIES			
Outstanding Claims	8	<u>31 442</u>	<u>30 509</u>
		<u>31 422</u>	<u>30 509</u>
TOTAL LIABILITIES		<u><u>50 660</u></u>	<u><u>49 883</u></u>
Net Assets / (Liabilities)		<u>14 183</u>	<u>9 363</u>
EQUITY			
Retained Surplus / (Deficit)	9	<u>14 183</u>	<u>9 363</u>

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

Statement of Cash Flows

for the Year ended 30 June 2001

	Notes	2001 \$'000	2000 \$'000
Cash flows from operating activities			
Agency Contributions		31 322	31 322
		538	-
Interest received		4 128	2 985
Payment of Outward reinsurance		(243)	(252)
Claims and Expenses paid		(16 888)	(20 968)
Fund Management Fees		(1 066)	(599)
Underwriting Expenses		(509)	(641)
General and Administration Expenses		<u>(111)</u>	<u>(124)</u>
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	10	<u>5 379</u>	<u>11 723</u>
NET INCREASE (DECREASE) IN CASH HELD		5 379	11 723
Cash at beginning of the Financial Year		58 473	46 750
CASH AT END OF THE FINANCIAL YEAR	10	<u>63 852</u>	<u>58 473</u>

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

Notes to and forming part of the Financial Statements

for the Year ended 30 June 2001

The Tasmanian State Service Workers Compensation Scheme (TSSWCS) is a self-insurance arrangement established within the Tasmanian State Service to meet workers compensation claims made by employees of agencies of the Government of the State of Tasmania. The Scheme was established on 1 July 1989 and is intended to operate on a fully funded basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Compliance with Accounting Standards and other requirements*

The financial statements have been drawn up in accordance with Approved Accounting Standards, Statements of Accounting Concepts and other relevant requirements.

(b) *Agency Contributions*

Agency contributions comprise amounts required to be paid by participating agencies of the TSSWCS to meet the cost of claims made by their employees. The earned portion of the contributions received and receivable is recognised as revenue. The contribution is treated as earned from the date of attachment of risk.

(c) *Outwards Reinsurance*

Contribution ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received.

(d) *Claims*

Claims incurred expense and a liability for outstanding claims are recognised in the financial statements. The liability covers claims incurred, but not yet paid, incurred but not reported claims and the anticipated direct and indirect costs of settling those claims. Claims outstanding (and estimated, unnotified claims and settlement costs) are reassessed by the Fund Manager in consultation with an independent actuary.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and "super-imposed inflation". Super-imposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The expected future payments are then discounted to a present value at the balance date using discount rates based on investment opportunities available to the organisation on the amounts of funds sufficient to meet claims as they become payable. The details of rates applied are included in note 11.

COMPENSATION SCHEME

Notes to and forming part of the Financial Statements for the Year ended 30 June 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Goods and Services Tax (GST)*

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

GST transactions are administered by the Department of Treasury and Finance with only the net amounts reflected in the accounts to the TSSWCS. As such, the net amount of GST recoverable from, or payable to the ATO is not included as a current asset or liability in the balance sheet.

Similarly, cash flows are included in the statement of cash flows on a net basis. Records of the Department of Treasury and Finance indicate that GST relating to revenue items amounted to \$1.812m and GST relating to expense items amounted to \$0.479m.

(f) *Tax Status*

The activities of the scheme are exempt from taxation.

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

*Notes to and forming part of the Financial Statements
for the Year ended 30 June 2001*

	2001 \$'000	2000 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES		
Agency Contributions & Recoveries	20 035	31 808
Funds re commercialisation of Civic Constructions	538	-
Investment Revenue		
- Interest on Trust Account	3 841	3 090
- Interest Adjustment	-	3
Total revenue from ordinary activities	24 414	34 901
3. EXPENSES FROM ORDINARY ACTIVITIES		
Claims expense		
Claims Paid	16 055	18 625
Claims Accrued	1 562	833
Movement in Outstanding Claims	59	(272)
Management Expenses	1 046	600
	18 722	19 786
Outwards reinsurance expense	243	252
Other Underwriting Expenses		
Payment to Workplace Safety Board	509	641
General Administration Expenses		
Actuarial Expenses	53	35
Accounting and Audit Fees	15	49
Salaries	52	40
	120	124

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

*Notes to and forming part of the Financial Statements
for the Year ended 30 June 2001*

	2001	2000
	\$'000	\$'000
4. UNDERWRITING RESULT		
Agency Contributions & Recoveries	20 035	31 808
Funds re commercialisation of Civil Construction	538	-
Outwards Reinsurance Expense	(243)	(252)
Claims Expense	(18 722)	(19 786)
Other Underwriting Expenses	(509)	(641)
	<u>(1 099)</u>	<u>(11 129)</u>
5. RECEIVABLES		
Accrued Interest	-	287
Contributions Receivable from Agencies	53	486
Insurance recoveries	938	-
	<u>991</u>	<u>773</u>
As a result of the Port Arthur Tragedy the Scheme has claimed under its Excess Workers' Compensation Insurance Policy.		
The total costs incurred in respect of Port Arthur claims as at 30 June 2001 was \$7,035,716 (30 June 2000 \$6,867,369).		
In relation to claims accepted by the insurer:		
Amounts paid to 30 June 2001	\$5,881,506	
Less excess	\$1,000,000	
Less amounts reimbursed	<u>\$3,943,331</u>	
Amount recoverable from insurer	<u>\$ 938,175</u>	
6. CREDITORS		
Unreimbursed Claims	1 562	833
Other	114	125
	<u>1 676</u>	<u>958</u>
7. PROVISIONS		
Employee Entitlements	<u>3</u>	<u>3</u>

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

Notes to and forming part of the Financial Statements
for the Year ended 30 June 2001

	2001	2000
	\$'000	\$'000
8. OUTSTANDING CLAIMS		
The liability for outstanding claims is determined by the consulting independent actuary, Bendzulla Tasmania Pty Ltd.		
Expected future claims payments (undiscounted)	52 757	53 359
Less Discounted to present values	(3 776)	(4 437)
Liability for outstanding claims	48 981	48 922
Current	17 539	18 413
Non-Current	31 442	30 509
	48 981	48 922

- (a) The weighted average expected term of settlement from the balance date is estimated to be 1.94 years (2000 1.85 years)
- (b) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims:

Claims expected to be paid:

Not later than one year

Inflation rate	5.0%	7.0%
Discount rate	5.0%	5.5%

Later than one year

Inflation rate – years 2 & 3	5.0%	7.0%
Thereafter	4.0%	4.0%
Discount rate	5.0%	5.5%

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

*Notes to and forming part of the Financial Statements
for the Year ended 30 June 2001*

	2001	2000
	\$'000	\$'000
9. RETAINED SURPLUS		
Retained surplus (deficit) at the beginning of the year	9 363	(4 735)
Current year net surplus	4 820	14 098
Retained surplus at the end of the year	14 183	9 363
 10. NOTES TO STATEMENT OF CASH FLOWS		
(1) Reconciliation of Cash		
Cash at the end of the financial year as shown on the statement of cash flows is reconciled to the related item in the Statement of Financial Position as follows:		
Trust Account	63 852	58 473
Note: Effective 1 July 2001, the balance of Trust Account has been transferred to the Tasmanian Risk Management Fund.		
(2) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus		
Operating Result	4 820	14 098
(Increase)/Decrease in Agency Contributions	433	(594)
(Increase)/Decrease in Interest Receivable	287	-
(Increase)/Decrease in Insurance Recoveries	(938)	
Increase/(Decrease) in Creditors	718	83
Increase/(Decrease) in Claims Payable	59	(1 864)
Net Cash Inflow/(Outflow) from Operating Activities	5 379	11 723

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

*Notes to and forming part of the Financial Statements
for the Year ended 30 June 2001*

11. FINANCIAL INSTRUMENTS

Interest Rate Risk

Financial instruments for the purposes of the Scheme are limited to Receivables, Creditors and the Trust Account investment. Creditors and Receivables of the Scheme are not subject to any interest rate risk. The Trust Account investment is subject to a variable interest rate, which resulted in an average interest rate for the year ended 30 June 2001 of 5.84% (30 June 2000 of 5.82%).

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. The Scheme has the policy of only dealing with creditworthy counterparties. Therefore, the company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Net Fair Value

The carrying amount of the Trust Account investment approximates the net fair value due to its short maturity. Receivables are carried at nominal amounts due and Creditors are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Scheme.

**TASMANIAN STATE SERVICE WORKERS'
COMPENSATION SCHEME**

Certification of Financial Statements for the Year ended 30 June 2001

The accompanying financial statements of the Tasmanian State Service Workers' Compensation Scheme are in agreement with the relevant accounts and records and have been prepared in compliance with Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 2001 and the financial position as at 30 June 2001.

At the date of signing, I am not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



D W Challen

Secretary
Department of Treasury and Finance

Date: 20 June 2001