


WorkCover  
Tasmania  
Board  
Annual  
**REPORT**  
2001 – 02





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Annual Board  
**REPORT**  
2001-02



**The Hon. Jim Cox MHA**

**Minister for Infrastructure**

**WorkCover Tasmania Board  
Annual Report for 2001–2002**

On behalf of the WorkCover Tasmania Board, I have pleasure in submitting to you, for presentation to Parliament, the Board's Annual Report for the year ended 30 June 2002.

The financial statements contained in this report have been prepared in accordance with the provisions of the *Financial Management Audit Act 1990*.



**Mark Addis**

**CHAIR**

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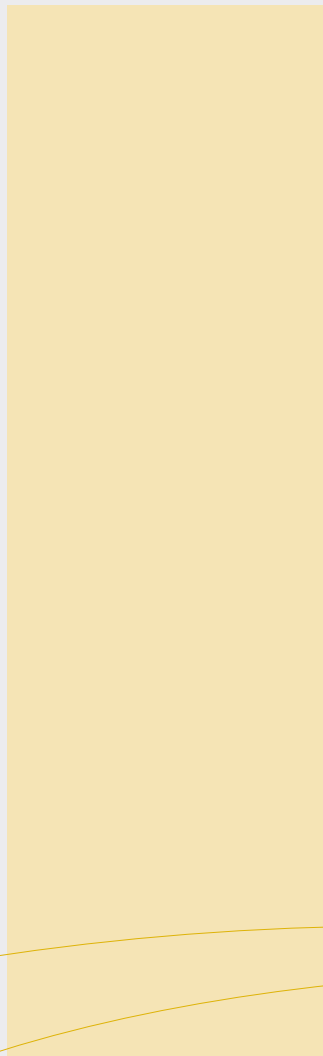
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## **General Information**



## From the Chair

This is the first report of the WorkCover Tasmania Board which was established in July 2001 following amendments to *Workers Rehabilitation and Compensation Act 1988*. The WorkCover Tasmania Board's composition now better reflects the principal role of workers and employers in the Tasmanian workers rehabilitation and compensation scheme.

The new Board recognises that it needs to put as much effort into how it undertakes its work it does as in actually doing it. A focus on end-user needs and consultation with stakeholders is vital to having a successful workers compensation scheme.

I congratulate the Workplace Safety Board of Tasmania for its considerable achievements during its period of tenure.

I am pleased to report that during the year to 30 June 2002, workplace accidents continued to decline, falling from 11,326 to 10,514 (a more detailed analysis of the scheme's performance follows later in this annual report). This continued decline in the number of workplace accidents is in no small part due to the continued success of the *Workplace Safe* campaign. The campaign is currently focussed on raising awareness of and overcoming problems caused by manual handling. Manual handling represents almost one third of all claims lodged in Tasmania and accounts for 44% of total claims costs. The campaign's three testimonial style advertisements and the body strain prevention kit have been well received by workers and employers. The campaign supported by Workplace Standards Tasmania's inspectorate, is making inroads into this significant workplace hazard. However, much good work still needs to be done and this can best be carried out co-operatively by employers and workers.

Other significant issues that arose during the year in review included the terrorist actions of September 11, the legislative response to the collapse of the HIH Insurance Group, the development of the National Occupational Health and Safety Strategy and on 1 July 2001, the commencement of the amendments to the *Workers Rehabilitation and Compensation Act 1988*.

The Government responded to the terrorist attacks in the United States in September 2001 by amending the legislation to deal with the significant reinsurance cost implications that came with the heightened likelihood of further terrorist activity. The amended legislation transfers liability for acts of terrorism to the Nominal Insurer.

The collapse of the HIH Insurance Group continued as a significant issue for the Tasmanian workers compensation scheme. The government implemented amending legislation at the beginning of the year to provide a more equitable and affordable means of funding the substantial liability imposed on the Nominal Insurer. The legislation provides for a levy (currently 4%) on all workers compensation policyholders, self-insurers and State government agencies.

The National Occupational Health and Safety Strategy, as endorsed by the Workplace Relations Minister's Council, sets a framework for achieving agreed national priorities for workplace safety. The agreed strategic objectives are detailed later in this annual report.

The amended *Workers Rehabilitation and Compensation Act 1988* provides greater financial security to long-term injured workers and their families at the same time as reducing the overall scheme costs.

A major part of this annual report is focussed on the workers compensation scheme performance during the preceding 12 months. Key points include the continued reduction of projected claims costs, which for the past three financial years have reduced from \$113.3 million through to \$112.5 million and for the financial year just completed are projected to be \$108.6 million. Average claim size also continues to decrease along with claims numbers as previously mentioned.

It is disappointing, however, that the average premium rate is stalled at 3.09% of wages. The Board is keen to ensure that a competitive insurance market delivers the lowest sustainable workers compensation premiums. To this end the Board will be introducing a system to monitor and report on workers compensation premiums charged on policies written by licensed insurers.

I encourage each of you to study this annual report and, with the Board, strive to achieve safer and more competitive Tasmanian workplaces that contribute to making Tasmania an even better place to work and live.

## WorkCover Tasmania Board — Governance and Operations



(Back L to R) Ian Davey, Robert Walters, Damon Thomas, Peter Tullgren, Mark Addis  
(Front L to R) Leigh Mackey, Neale Buchanan, Lynne Fitzgerald,

The WorkCover Tasmania Board is established by the *Workers Rehabilitation and Compensation Act 1988* and is responsible for:

- overseeing the operation of Tasmania's workers rehabilitation and compensation scheme
- reviewing the incidence and cost of occupational injuries and disease
- reviewing insurer performance and premium levels
- issuing licences and permits to insurers and self-

insurers and overseeing the operation of the Nominal Insurer

- managing the workers compensation fund
- monitoring and reviewing the Department of Infrastructure, Energy and Resources in connection with the exercise of powers and performance of functions under the *Workers Rehabilitation and Compensation Act 1988* and the *Workplace Health and Safety Act 1995*
- managing the workers compensation database to allow review of and reporting on scheme performance
- advising the Minister on matters relating to workers compensation, workplace health and safety and rehabilitation programs
- promoting and educating workers and employers about accident prevention strategies, developing healthy and safe workplaces, and effective occupational rehabilitation of injured workers and their early return to work.
- making recommendations to the Minister or the Secretary of DIER with respect to such matters as it considers necessary for the purposes of the *Workplace Health and Safety Act 1995*.
- Workplace Standards Tasmania provides administrative and other support to the Board.

The Board members are:

		<i>Number of meetings attended 2001-2002</i>
Mark Addis	Chair, Secretary of the Department of Infrastructure, Energy and Resources	9 of 10
Neale Buchanan	proposed by the Tasmanian Chamber of Commerce and Industry	9 of 10
Damon Thomas	proposed by the Tasmanian Chamber of Commerce and Industry	9 of 10
Lynne Fitzgerald	proposed by Unions Tasmania	10 of 10
Peter Tullgren	proposed by Unions Tasmania	8 of 10
Leigh Mackey	nominated by the Minister for Infrastructure	10 of 10
Ian Davey	nominated by the Minister for Infrastructure	8 of 10
Robert Walters	nominated by the Minister for Infrastructure	9 of 10

*All meetings were held in Hobart except for the December meeting, which was held in Launceston.*

### Disclosure of Interest Policy

The WorkCover Board's Disclosure of Interest Policy is, that where a member of the Board has a pecuniary interest in any matter being considered or about to be considered by the Board (other than as a member of, and in common with the other members of, an incorporated company consisting of not less than 25 persons and of which he/she is not a director) the member shall, as soon as possible after the relevant facts have come to his/her knowledge, disclose the nature of that interest to the Board.

Such disclosures are recorded in the minutes of the meeting of the Board. The member is then not present during, nor partakes in, any deliberation or decision of the Board in relation to that matter. Once a member has identified a conflict of interest, the Board Secretariat ensures that future meeting papers regarding matter are not be forwarded to that member. There have not been any issues requiring the enactment on this policy during the reporting period.

### Secretary to the WorkCover Tasmania Board

In June 2002 the WorkCover Tasmania Board made an interim appointment of Martin Shirley to the position of Secretary to the Board.

The Board recognised the need for employers, employees and other scheme participants to have a single focal point for its communication with both the Board and the State employees who administer the *Workers Rehabilitation and Compensation Act 1988*.

As well as being a focal point for communication to the Board it is envisaged that the Secretary will have a significant role in disseminating information and the

Board's policy decisions to key participants in the Tasmanian workers compensation scheme. Insurers, self-insurers, medical practitioners and lawyers each have an important and distinct role in making Tasmania's workers compensation arrangements function effectively. It is expected that the Secretary will identify and distribute information to each of these groups to assist them in their day-to-day workers compensation activities.

The Secretary is responsible for coordinating and facilitating the activities of the WorkCover Tasmania Board, and its various committees, to ensure the effective and efficient operation of the Board's system of governance. The Secretary will work closely with the Chair of the Board, Board members, and the General Manager of Workplace Standards Tasmania to provide advice and guidance on jurisdiction, strategy, policy and process.

### Communication Policy

The WorkCover Tasmania Board recognises that communication plays an integral role in its ability to achieve scheme objectives. Its ability to communicate a clear, persuasive and targeted message is vital to achieving safer Tasmanian workplaces, effective rehabilitation and appropriate compensation. It recognises that the information needs of employers, workers and other scheme participants are varied and accordingly it uses a variety of communication channels. These include (but are not limited to) technical publications, seminars, mail outs, advertising, a telephone inquiry line (1300 366 322), magazine articles and the Internet ([www.workcover.tas.gov.au](http://www.workcover.tas.gov.au)). These channels are used to communicate compliance, educational, administrative and strategy messages.

## Working Groups/Committees – July 2001-June 2002

Date Established	Name	Purpose	Members
Ongoing (Carried over from previous Board)	Performance Standards Review Group – Self Insurers	To ensure that self insurers maximise performance in the areas of injury management and commitment to occupational health and safety as required under section 105 of the Workers Rehabilitation and Compensation Act 1988	Ian Davey (chair), Neale Buchanan, Lynne Fitzgerald, John McDonald, Phil Hickey, Ray Pickett, Martin Shirley
September 2001	Psychiatric Impairment Guidelines Sub-committee	To review proposed psychiatric guidelines and to prepare a full implementation plan for endorsement by the Board	Rod Lethborg (chair), Damon Thomas, Lynne Fitzgerald, Peter Tullgren, Leigh Mackey, Dr Robert Walters, Dr Ian Sale, Tania Foale, Martin Shirley
October 2001	Notional Premium Calculations Working Group	Established under section 144 of the Workers Rehabilitation and Compensation Act 1988. To review the method of calculating notional premiums for self-insurers	Ian Davey (chair), Peter Donaldson, Patrick Mineely, Myrna McHugh, Ray Pickett
8 February 2002	Workplace Steering Committee	To manage and monitor the Workplace Safe campaign	Neale Buchanan (chair), Angela Ayling, Christine Bray, Jane Melross, Martin Shirley
8 March 2002	Industry Premium Rates Working Group	Established under section 102B of the Workers Rehabilitation and Compensation Act 1988. To determine the approach the Board needed to take regarding the development of the suggested industry premium rates and their subsequent publication	Ian Davey (chair), Lynne Fitzgerald, Rod Lethborg, Myrna McHugh, Ray Pickett
19 March 2002	Formula for Bank Guarantees Review Group	Established under section 105 of the Workers Rehabilitation and Compensation Act 1988. To develop a formula for determining the quantum of a bank guarantee	Ian Davey (chair), Neale Buchanan, Ray Pickett

# The Year in Review

## Scheme Performance

The WorkCover Tasmania Board commissioned an actuarial review of the Tasmanian Workers Compensation Scheme's performance for the 2001–02 year.

Some of the key findings of that review were:

- the average claim cost has reduced for a second year in a row. The results for the past three years (re-expressed into 2001–02 dollar terms) have been \$10,081, \$9,791 and \$9,413
- the projected number of claims for the 2001–02 accident year is 10,514. This allows for an incurred but not reported (IBNR) development of 497 claims. This is a reduction of 7.2% in the number of claims. The projected ultimate number of claims for the past three years are 11,841, 11,326 and 10,514
- total claim payment for the year totaled \$120.446 million — a reduction of 1.9% over the previous twelve months. This is the first year in a number of years that common law payments have decreased, as have all other consolidated categories other than those fatal payments. Fatal payments have increased from \$0.43 million to \$0.513 million. The largest percentage decrease in the year was legal cost, down from \$13.491 million to \$7.176 million.

The actuary's full report is contained in this annual report.

## Compliance

During the year there were 6 prosecutions. All prosecutions were successful and all were prosecuted for failure to hold a workers compensation policy. Several potential prosecutions are before the courts.

A review of permit conditions for self-insurers continued during this year with particular emphasis on reviewing self-insurer prudential standards. In particular the Board is considering the need to develop a method of determining the quantum of bank guarantees for self-insurers.

The review of the permit conditions extends to a review of occupational health and safety and injury management aspects of a self-insurer's operations. It is expected that prudential and operational standards for this employer group will have been reviewed and the new permit conditions implemented midway through 2002–03.

## Legislative Change

The Rehabilitation and Compensation section of Workplace Standards Tasmania gave 54 presentations to private and public sector organisations on the changes to the *Workers Rehabilitation and Compensation Act 1988* which came into effect on 1 July 2001. There were a significant number of requests from all parts of the state for these information sessions.

## Workers Compensation Data

The National Occupational Health and Safety Commission once again commended the quality of the Tasmanian workers compensation data. A program of continuous improvement in data quality and consistency has resulted in the Tasmanian data collection being amongst the best in Australia for data supplied to a national data set for compensation-based statistics.

The primary purpose of the national data set is to produce national and nationally comparable workers compensation-based statistics.

October 2001 saw the launch of the Workplace Safe manual handling campaign. Manual handling is any activity where a person lifts, lowers, pushes, pulls, carries or otherwise moves, holds or restrains an object, person or animal.

A statistical report from the Workplace Standards workers compensation database had shown that between 1989–1990 and 1999–2000 over 54,5000 manual handling injuries had been reported. This represented almost one third (29%) of all claims for that 11 year period with an estimated cost of \$522 million for the eleven years—almost half (44%) of the total cost of all claims for that period.

Statistics also showed us that 51% of manual handling injuries occurred in the nine 'black spot' occupational groups most at risk of severe injury (43 occupations made up the remaining 49%). The occupational black spot groups are:

- nursing occupations (19%)
- machine operators (15%)
- metal tradespersons (14%)
- trades assistants (11%)
- sales assistants (11%)
- agricultural labourers (10%)
- cleaners (9%)
- road transport drivers (8%)
- school teachers (4%).

For this reason the manual handling campaign targets the working community in general and the black spot occupations in particular.

The manual handling campaign aims to:

- increase the level of awareness and understanding in the Tasmanian workforce and black spot occupations of what manual handling is, its impact and what causes manual handling injuries
- increase the use of risk management techniques in relation to manual handling in the Tasmanian workforce and in the black spot occupations
- reduce the number of manual handling injuries in the Tasmanian workforce and in the black spot occupations.

The manual handling campaign was launched during Workplace Safe Week with a series of three testimonial-style advertisements portraying the stories of three real people who had suffered a manual handling injury. Three advertisements set in a printery were also launched to promote the availability of the *Body Strain Prevention Kit*.

The *Body Strain Prevention Kit* is the crux of the manual handling campaign. Aimed at employers, the kit

provides a practical system for managing manual handling risks. The kit also provides general information and specific guidance for black spot occupations.

Those who received the kit were invited to provide their contact details; follow up research will be undertaken in late 2002 with these contacts. A complementary workers version of the kit will be launched during Workplace Safe Week 2002.

Workplace Safe Week, an annual feature of the campaign, was held from 14–21 October 2001 with over 100 safety-related activities taking place in Tasmanian workplaces.

Workplace Safe Week incorporated the Workplace Safe Awards, which were presented at a gala dinner on 21 October. This was a change from the previous format of a small invitation only, lunchtime ceremony for finalists. The strategy behind the change was that research undertaken in 2001 had indicated that Award winners would feel more rewarded receiving their accolade in front of their peers. It was felt that if the prestige of the presentation was increased then the number of entries to the Awards should also increase.

The Master of Ceremonies at the presentation dinner was entertainer Tim Ferguson, with Premier Jim Bacon presenting the Awards.

The event was considered a success with all performance measures being surpassed. There was a 36% increase in the number of entries in the 2001 Awards. Over 400 people attended the dinner and a phone survey undertaken following the event provided largely positive feedback about the event. All of those surveyed said they would attend the dinner again if they entered the Awards next year, and around half said that they would go regardless of whether or not they had entered. Over 80% indicated that they were likely to enter the Awards again next year.

A review of all Workplace Safe publications commenced in early 2000 and this review will continue into next year. New publications produced in 2000–2001 included:

- the *Body Strain Prevention Kit: Your guide to avoiding manual handling injuries in the workplace*
- *Workplace Issues* magazine in July, October, January and April plus a special edition for the Workplace Safe Week and Awards
- *Primer Vapours Ignited by Fan* safety alert
- *Violent Spattering of Molten Metal* safety alert
- *A Guide to Developing Codes of Practice*.

A full publications list is included on page 72.

## National Issues

The most significant issue for the Tasmanian workers compensation scheme in 2001-2002 was the decision by international reinsurers to withdraw cover for acts of terrorism, following the terrorist attacks in the US on 11 September 2001. Licensed insurers reacted by advising the Tasmanian Government that they would not continue to provide insurance cover unless they were relieved of the obligation to indemnify employers for acts of terrorism. The government responded to this crisis by undertaking to amend the legislation at the earliest opportunity to transfer liability for acts of terrorism to the Nominal Insurer. The government introduced amending legislation in 2002 to give effect to this undertaking.

The collapse of the HIH Insurance Group continued to receive significant media attention. The government implemented amending legislation at the beginning of the year to provide a more equitable and affordable means of funding the substantial liability imposed on the Nominal Insurer. The legislation provided for a levy to be imposed on all workers compensation policyholders, self-insurers and state government agencies. Under the legislation the Minister is required to make an annual determination of the amount of levy to be paid. After consulting with employers and taking into consideration the expected level of payments and the impact of premiums, the Minister determined that a levy of 4% of premiums would be required for the 12 month period commencing 30 June 2002.

For many years state and territory administrators have tried to identify a workable solution to clarify and simplify insurance and entitlement issues where workers are engaged in work in more than one state or territory. Although a solution did at one stage appear imminent, there is still no final agreement to this longstanding problem.

A substantial amount of work was undertaken to further develop the National Compensation Performance Monitoring System (CPM) for workers compensation and occupational health and safety systems. The fourth report, scheduled for release in September 2002, will include new performance indicators for dispute resolution, and legal costs as well as additional trend information for existing indicators. The CPM project represents a substantial commitment by the New Zealand and Australian federal, state and territory governments to compare the performance of workers compensation and occupational health and safety programs.

## National OHS Strategy

Another significant development was the endorsement by the Workplace Relations Minister's Council of a National Occupational Health and Safety Strategy. This strategy reflects a commitment made by the Australian federal, state and territory governments, the Australian Council of Trade Unions, and the Australian Chamber of Commerce to work co-operatively on agreed national priorities actions. The Strategy was developed by the members of the National Occupational Health and Safety Commission (NOHSC).

Over the first few years of the Strategy the focus will be on:

- reducing high incidence and severity risks
- improving the capacity of business operators and workers to effectively manage OHS
- preventing occupational disease more effectively
- eliminating hazards at the design stage
- strengthening the capacity of government to positively influence OHS outcomes.

### Workers Rehabilitation and Compensation Amendment Act 2000

The *Workers Rehabilitation and Compensation Amendment Act 2000* (the Amendment Act 2000) commenced on 1 July 2001 and made a number of significant changes to the *Workers Rehabilitation and Compensation Act 1988* (the Act). These changes aimed to provide greater financial security to long-term injured workers and their families whilst bringing the cost of the system into line with other states. The Amendment Act 2000 included changes to the benefits model and the dispute resolution process and the establishment of the WorkCover Tasmania Board (a detailed summary of the amendments was provided in last year's Annual Report). Their effect will be monitored over the next few years.

Most of the reforms initiated by the Amendment Act 2000 have now been implemented. The implementation process entailed various activities and tasks including

- preparing and distributing publications and presentations that outline the changes to the legislation
- developing the *Workers Rehabilitation and Compensation Regulations 2001* (the regulations)
- implementing the accreditation procedures and guidelines for assessing permanent impairment.

The regulations took effect on 25 July 2001. They prescribe procedures relating to the practices and procedures in the Workers Rehabilitation and Compensation Tribunal and other miscellaneous matters.

The Amendment Act 2000 introduced a new method of assessing permanent impairment for the purposes of lump sum compensation and access to common law damages. Under the amended legislation, permanent impairment is to be assessed in accordance with guidelines issued by the WorkCover Tasmania Board or in the absence of any guidelines, the American Medical Association Guides to the Evaluation of Permanent Impairment (Fourth Edition) (or AMA Guides). In November 2001, the Board issued the Tasmanian Workers Compensation Guidelines for the Assessment of Permanent Impairment under the *Workers Rehabilitation and Compensation Act 1988* (WorkCover Tasmania Guidelines). These WorkCover Tasmania Guidelines are substantially based upon the AMA Guides, only modifying them to take account of Australian clinical practice and Tasmanian legislative requirements.

Under the legislation, permanent impairment must be assessed by an accredited medical assessor. To be eligible for this accreditation, a medical practitioner

must have completed a training course approved by the Board. In November 2001, the Board arranged an approved training course in Hobart on assessing permanent impairment. Over thirty Tasmanian medical practitioners attended and were accredited as medical assessors. To ensure that there was a sufficient number of medical assessors from a variety of fields, the Board also granted interim accreditation to a large number of NSW and Victorian medical practitioners who had undertaken similar training in those jurisdictions. Further training courses will be held in Tasmania in November 2002.

### Workers Rehabilitation and Compensation Amendment Act 2001

The *Workers Rehabilitation and Compensation Amendment Act 2001* (the Amendment Act 2001) was introduced to address issues arising from the financial collapse of the HIH Insurance Group (HIH).

Following the HIH collapse in March 2001, all outstanding workers compensation claims became the responsibility of the Nominal Insurer. The Nominal Insurer is the body established under the Act to act as the insurer in certain circumstances, including when an insurer becomes insolvent.

Historically, the Nominal Insurer was funded by contributions from licensed insurers and self-insurers based on the amount of premium income collected in the previous year. Given the extent of the HIH liability, this funding mechanism was considered inequitable and likely to cause distortions in the insurance market and dramatic increases in premium rates.

To minimise the impact of the HIH liability and provide a more equitable and affordable method of funding the Nominal Insurer's costs, the Government introduced the Amendment Act 2001 to:

- provide for a special contribution (levy) to be applied on all workers compensation insurance policies
- allow the Nominal Insurer to borrow monies to meet its immediate obligations to workers compensation claimants.

Under the legislation, the Minister is to determine the need for and rate of the special contribution annually, taking into account a number of factors including:

- the expected level of payments that the Nominal Insurer will be required to make as a result of the insolvency of the licensed insurer
- the cost to the Nominal Insurer of borrowing money or entering into other arrangements to make the required payments

## Legislative Changes

- any other money expected to be received by the Nominal Insurer in relation to the insolvency of the licensed insurer
- the period during which the payment of the special contribution is likely to be required
- such other matters as may be prescribed.

In December 2001, after consulting with employers and taking into account the above factors, the Minister determined a special contribution at the rate of four per cent of premium payable for the 12 month period commencing on 30 June 2002. Another determination will be required by 15 December 2002. This process will be repeated each year until the full amount of the liability is recovered.

The Amendment Act 2001 also increased the membership of the Nominal Insurer to include a representative of the Treasurer and a representative of the Minister.

### Workers Rehabilitation and Compensation Amendment Act 2002

The *Workers Rehabilitation and Compensation Amendment Act 2002* (the Amendment Act 2002) was developed in response to the withdrawal of insurance and reinsurance cover for acts of terrorism, following the terrorist attacks in the US on 11 September 2001. Late in 2001, the Insurance Council of Australia announced that reinsurance companies would not provide reinsurance for acts of terrorism from 1 January 2002 onwards. Licensed insurers consequently advised that in the absence of reinsurance, they could not provide workers compensation insurance for acts of terrorism.

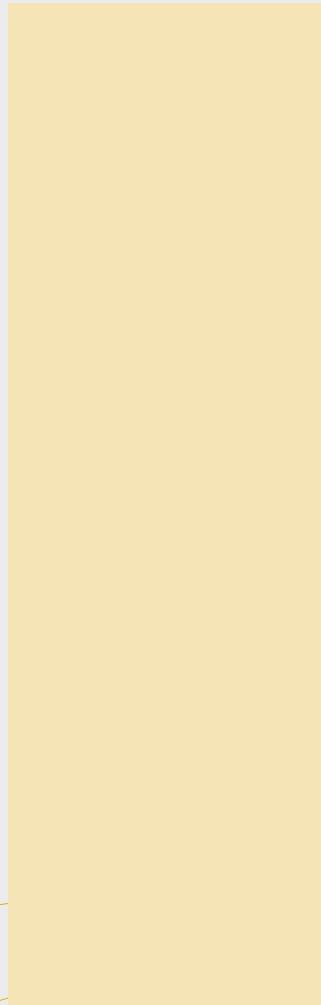
- where an act of terrorism has been declared, the legislation provides that employers are not liable to pay compensation for injuries or diseases arising out of the act of terrorism. Such claims may instead be made against the Nominal Insurer
  - claims arising out of the declared act of terrorism must be made within 90 days of the date of the Minister's order
  - the Nominal Insurer's liability in respect of an act of terrorism is limited to \$25 million
  - where the estimated total liability exceeds \$25 million, then a reduction factor is to be determined and applied to all claims to reduce the liability to \$25 million
  - once the total liability has been estimated, the Minister is to determine how the Nominal Insurer is to recover its costs for Licensed Insurers and Self-Insurers
  - The Minister is required to consult with interested parties prior to determining the funding mechanism
  - the chosen funding mechanism is to apply to State Service Agencies.
- the Minister may make two types of orders:
    - an order declaring that employers are not required to maintain insurance cover indemnifying them against acts of terrorism
    - an order declaring that an act of terrorism has occurred and the date on which that act is taken to have occurred. Prior to making this type of order, the Minister is to consult with interested parties such as employers representatives, workers representatives, licensed insurers, self-insurers and the Nominal Insurer.







## **Scheme Operation and Performance Review**



# Review of the Operation and Performance of the Tasmanian Workers Compensation Scheme for the 2001–02 Financial Year

Prepared by:

BRIAN BENDZULLA, BSc UED

Fellow of the Institute of Actuaries of Australia

Director

11 September 2002

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## Part A – Results

11 October 2002

Mr Mark Addis

Chairman

WorkCover Tasmania Board

PO Box 56

ROSNY PARK TAS 7018

Dear Mr Addis,

We have pleasure in presenting our report reviewing the operation and performance of the Tasmanian Workers Compensation Scheme for the 2001–02 financial year. This report has been presented in two parts. The first is in an easy to read format that concentrates on the recent results. The second part contains details on methodology and data to facilitate independent analysis including differentiation between licensed and self-insurers.

### 1. Introduction and Purpose of the Report

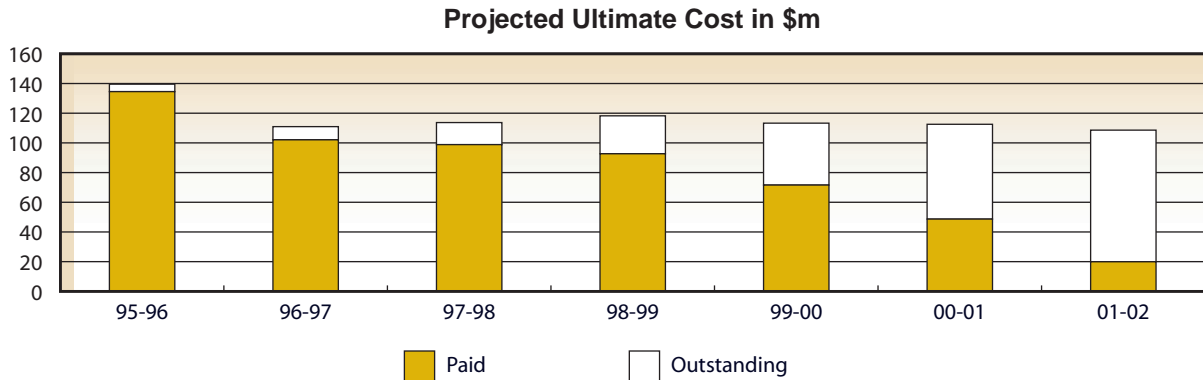
Prior to amendments to the *Workers Rehabilitation and Compensation Act 1988*, which came into effect on 1 July 2001, the WorkCover Tasmania Board had a statutory obligation to have an annual actuarial review of Scheme performance undertaken. While the amendments removed that requirement, the Board chose to continue this practice and has appointed Bendzulla Actuarial Pty Ltd to undertake the task. We prepared a similar investigation last year. This report complies with Professional Standard 300 of the Institute of Actuaries of Australia and associated Guidance Notes. The investigation has been undertaken by Brian Bendzulla BSc, UED, Fellow of the Institute of Actuaries of Australia.

The focus of this report is to evaluate outcomes from the past twelve months, including a projection of anticipated ultimate aggregate costs per accident year under current conditions and legislation. Bendzulla Actuarial Pty Ltd has also been appointed to prepare a separate report that contemplates likely future trends and possible scheme modifications. This report emphasis is also on the cost outcomes and profitability. The premium side of the equation has recently been covered in a report to the Board by Trowbridge Consulting.

### 2. Aggregate Outcomes

The undiscounted projected aggregate outcomes for recent accident years have dropped from \$139.551 million in 1995–96 to \$108.594 million in 2001–02. Most of the other years are in the range of \$110 – \$118 million. It is important to note that these results are in unadjusted nominal dollar terms – in real terms the improvement is greater.

The graph below shows the component that is actually paid and that which is the projected outstanding part. This provides the reader with an indication of how certain we are of the outcome. The latest year is obviously the outcome with the greatest uncertainty, as it has the largest projected component.



Aggregate outcomes have reduced from \$130 – \$140 million in the early 1990s to about \$110 million currently. For reasons that will be presented in the trends section, I think that some further improvement in outcomes will occur. The payment year information, that is a mixture of accident years and has no subjective component, has seen a reduction in the last three years from \$128.49 million to \$122.82 million and to \$120.47 million in 2001–02. Very little of this currently is from legislative change. However, there is indication that this is about to change and that this will help control costs.

In summary cost outcomes are at worst stable and probably decreasing. I believe the issue in the next few years will not be why are Tasmanian workers compensation costs too high, but rather why don't charged premiums reflect this. Licensed insurers badly misjudged premium requirements in the early 1990s and undercharged. Ten years later the conditions exist for them to do so again, but this time overcharge. The issue is what can be done so that a nexus and balance is achieved between costs and premiums. This report shows that 2001–02 aggregate cost outcomes should be having a beneficial effect on required premiums.

### 3. Claim Numbers and Aggregate Costs

Claim numbers are largely known a few months after the end of the year. Consequently little additional provision needs to be made for incurred but reported claim costs other than for the latest year. We estimate the number of not reported claims for the 2001–02 accident year is 497 making the projected ultimate claims 10514. This is a 7.2% improvement over the projected number of 2000–01 claims of 11326.

The number of claims has reduced from around 19500 in the early 1990s to 16887 for 1995–96 and then in steady steps to the current level.

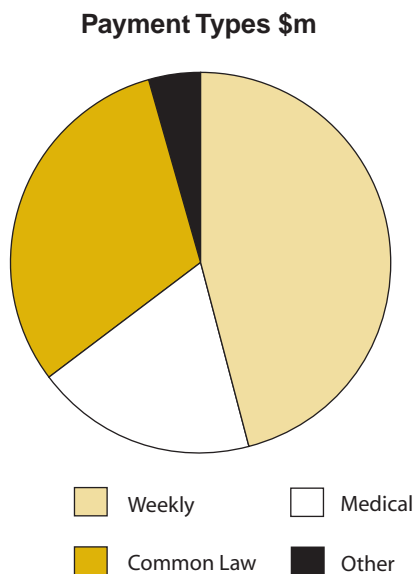
The average claim size for recent payment years, adjusted into 2001–02 dollar terms, have been:

Payment Year	Av. Claim Size	Level of Super Inflation
1997–98	8803	
1998–99	9308	5.7%
1999–00	10081	8.3%
2000–01	9791	-2.9%
2001–02	9413	-3.9%

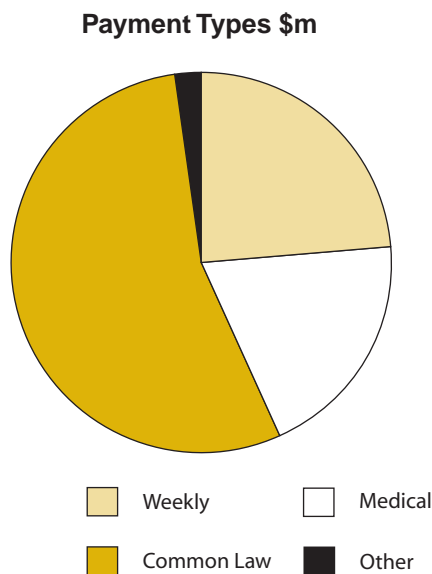
As predicted last year, the level of super inflation seems to have disappeared from Tasmanian workers compensation experience. As shown in the next section this is expected for the common law component. Some insurers are making 5% super inflation adjustments in their premium rates. With (say) an allowance of 4% for normal inflation, this makes a 9% adjustment. This may be possible for medical and allied costs. However it would be high for weekly benefit cost adjustments.

#### 4. Trends in Experience

The graph below show the major payment types in 1995–96:



while in 2001–02 the corresponding values are:



The other category includes lump sum payments, fatal pay and miscellaneous. The most obvious trend has been the explosion in common law. Excluding the legal cost component, the cost increased from \$30.702 million in 1995–96 to \$46.872 million in 1998–99 to \$55.952 million in 2001–02. The interesting feature this year is legal costs. These rose steadily from \$7.790 million in 1995–96 to a peak of \$13.491 million in 2000–01. However the legal fee cost in 2001–02 is \$7.176 million, back to the level that prevailed in the mid 1990s. The combined effect is a drop of 7.2% in common law costs in the past twelve months from \$67.999 million to \$63.129 million. This is the first time this has happened in many years.

Medical costs have been remarkably stable overall. Trends within the cost group have been for more Doctor and Rehabilitation services and less Hospital. Fatal Pay shows some individual year variation but has no major discernable trend. Lump sum payments have shown a considerable reduction including the latest year. Weekly benefits has been the counter balance to common law. It is expected that as the common law threshold begins to impact, that weekly benefit usage will increase. This has not yet occurred. In fact weekly benefit payments have decreased by 5.4% from \$28.959 million in 2000–01 to \$27.391 million in 2001–02.

The net effect of the above trends is an overall reduction in payment year terms of 5.7% in aggregate costs. Looking forward, I expect to see direct reduction in common law in the next twelve months followed by an even more significant fall the following year. How quickly weekly benefit payments pick up remain to be seen. The 2001–02 result provides encouragement that a sharp increase in this claim category will not occur ahead of the benefit of a reduction in common law costs.

Total management costs have been reasonably stable for self-insurers and have seen a modest decrease for licensed insurers. Overall costs have dropped about 3.5%, albeit from a historical peak in 2000–01. Some interesting internal structural changes have occurred. The cost of reinsurance and stop loss premiums have plunged from \$10.247 million in 2000–01 for licensed insurers to \$2.880. This reflects the turmoil in this area post HIH and World Trade Centre attack. Presumably this shows the inability of licensed insurers to find suitable contracts. The cost of these items for self-insurers has been stable around \$2.5 million. However I expect that the level of coverage that it has purchased has dropped considerably. The new prudential requirements put in place by the Board after the Blue Ribbon and Pasminco defaults have an element of the bank guarantee linked to this aspect. This will make sure self-insurers don't abandon holding this necessary coverage.

## Part A – Results

Another interesting feature is the increase by 46% in commission costs in the past twelve months from \$4.68 million to \$6.829 million. I have not investigated this feature but it may reflect a different delivery emphasis by the insurers. In addition they may be targeting a different segment of the market than in the past.

In summary, none of the features in trends in costs including the super inflationary aspect are of concern.

### 5. Licensed Insurer Profitability

The trend in this area is very clear, but the level of profit is open to a greater debate. I estimate the level of profit for the past 5 accident years to be:

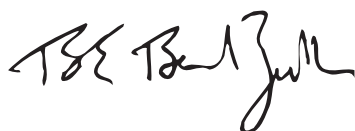
	Profit	% of Premium
1997–98	(\$6.8m)	-8.1%
1998–99	(\$5.3m)	-5.9%
1999–00	\$12.251m	11.9%
2000–01	\$18.767m	16.9%
2001–02	\$30.368m	25.7%

The reader should concentrate more on the trend than the absolute quantities. The model we currently use has a uniform inflationary expectation. The variation for individual years ranges from inflation that is close to double digits to others that are negative. This has a marked effect on the projected profit. However, when the net earned premium has increased from \$84.134 million in 1997–98 to \$118.237 million in 2001–02 in a stable/reducing cost environment, profitability has clearly increased. The Trowbridge Consulting report estimated that average written premium rate for licensed insurers in 2001–02 was 3.25% against a 2.62% required rate i.e. 24% higher. This was after they had allowed for an 8.5% profit loading. This analysis supports the conclusion that premiums being charged by licensed insurers in Tasmania are higher than those that should be charged by an efficient market.

Part B of this report contains more detailed statistical data and analysis to support the above commentary. A separate report is also being prepared that looks forward rather than the recent past experience emphasis of this report.

Please do not hesitate to contact us if you would like to discuss any aspect of this report or seek elaboration of any topic contained in it.

Yours sincerely,



BRIAN BENDZULLA, BSc, UED

Fellow of the Institute of Actuaries of Australia

Director

## Part B – Detailed Information

This part of the report provides information in a sufficiently detailed format to allow the interested reader to form his or her own opinion about what the value of a projection should be. In addition, information is provided separately for licensed and self-insurers. Care must be exercised in interpreting information at this level since significant movement has occurred at various times between the two classes.

### 6. Data Supplied

The claims and payments files have been compared to insurers' "Form Ds". While the match is not perfect, it shows the data as being adequate for the analysis. More information is shown as Appendix A.

The vast majority of claims are notified in the year of accident or the first few months after the close of the year. Very few claims are notified more than twelve months after the close of the accident year. The claims file supplied by the Board contains both the date of accident and the date the claim was lodged. The data file shows the following claims reported by 30 June 2002 in "development" format.

Accident Year	Reported by 30 June 2002							
	0	1	2	3	4	5	6	7+
1990-91	20,219	480	23	4	3	3	2	2
1991-92	19,055	841	20	10	4	2	1	3
1992-93	18,560	816	32	4	2	1	1	3
1993-94	18,790	859	18	2	4	1	0	0
1994-95	18,490	778	13	14	0	1	0	1
1995-96	16,110	742	17	9	4	1	2	
1996-97	14,059	604	14	7	4	4		
1997-98	12,617	593	8	4	5			
1998-99	11,826	566	19	6				
1999-00	11,256	552	20					
2000-01	10,792	506						
2001-02	10,017							

Appendix A shows the split of the above information into licensed and self insurer components.

The gross payment information in "development" or run off format is as follows:

Accident Year	Paid in Year \$m							
	0	1	2	3	4	5	6	7+
1990-91	17.768	22.155	14.325	10.726	9.261	5.201	2.934	8.856
1991-92	22.530	22.834	14.570	16.876	10.953	9.404	3.952	7.034
1992-93	22.254	27.622	22.764	16.041	11.491	5.767	3.747	5.567
1993-94	23.791	33.258	25.392	18.367	11.477	7.212	5.315	6.335
1994-95	25.940	36.130	28.074	20.641	14.541	7.906	6.188	3.249
1995-96	25.235	33.030	25.694	20.390	16.501	8.132	5.565	
1996-97	20.308	26.156	21.751	15.959	11.482	6.415		
1997-98	19.974	27.662	24.776	16.851	9.575			
1998-99	21.029	30.203	23.334	18.110				
1999-00	20.571	28.229	22.788					
2000-01	20.595	28.068						
2001-02	19.922							

The above includes payments incurred by the employers under the compulsory excess design and before any reinsurance recoveries.

## Part B – Detailed Information

The current record of payments incurred by employers for amounts under the excess is:

Again, Appendix A shows this information split into licensed and self-insurers.

Accident Year	Paid in Year \$m				
	0	1	2	3	4
1995–96	1.930	0.165	0.038	0.054	0.018
1996–97	2.749	0.704	0.179	0.054	0.030
1997–98	2.623	1.010	0.082	0.309	0.003
1998–99	2.695	1.039	0.127	0.019	
1999–00	2.563	1.005	0.088		
2000–01	2.750	1.041			
2001–02	2.747				

### 7. Projection Methodology

The report uses a Payment Per Claim Incurred (PPCI) model to project ultimate costs. A full description of the method is attached as Appendix B. A critical assumption in the model is the assumed emergence pattern.

The emergence pattern has been remarkably stable. The size of the payments in the “tail” continues to be modest. The assumed emergence of payment distribution adopted for this analysis (and that adopted last year) is as follows.

Accident Year Plus	This Analysis % Emergence	2001 Analysis % Emergence
0	20	20
1	26	26
2	20	20
3	14	14
4	9	9
5	5	5
6	3	3
7+	3	3
Total	100%	100%

The economic assumptions adopted for the analysis are:

Interest Rate 5.5%

Background Inflation 4.0% p.a

Super Inflation 0%

A workers compensation scheme will often have some level of super inflation. The Tasmanian scheme is unusual in this regard of having two years experience of negative super inflation.

### 8. 2001–02 Claim and Payment Experience

Using the claim information from Section 6 and a Chain Ladder algorithm to project the ultimate number of claims, we have:

Accident Year	Reported by 30–6–2002	IBNR Provision	Projected Ultimate Number of Claims
1991–92	19936	0	19936
1992–93	19416	0	19416
1993–94	19674	0	19674
1994–95	19297	0	19297
1995–96	16885	2	16887
1996–97	14692	3	14695
1997–98	13227	4	13231
1998–99	12417	6	12423
1999–00	11829	12	11841
2000–01	11298	28	11326
2001–02	10017	497	10514

The number of claims has improved yet again. At some stage this must bottom out. I would not be surprised if this point is reached soon.

The average claim size for the payment year experience has been calculated from payment information set out in Appendix A. The payments have been expressed per claim and adjusted for background inflation i.e. all are expressed in 2001–02 dollar values. The results are as follows:

Payment Year	Average Claim Size	Levels of Super Inflation
1997–98	8803	
1998–99	9308	5.7%
1999–00	10081	8.3%
2000–01	9791	-2.9%
2001–02	9413	-3.9%
5 Year Average	\$9479	
3 Year Average	\$9762	

This is an improvement since last year, both in terms of average claim size and level of super inflation.

The final table shows approximate total payment year type of cost values for the latest year, and how it has changed in the past 12 months. Additional details are included as Appendix F.

The first part of this report has commented upon this aspect.

Type of Cost	Payments 2001–02 \$m	Payments 2000–01 \$m	Percentage Change
Weekly	27.391	28.959	(5.4)
Medical	22.636	22.918	(1.2)
Common Law & Legal	63.128	68.999	(8.5)
Fatal	0.513	0.430	19.3
Lump Sum	0.488	0.723	(32.5)
Miscellaneous	1.686	1.790	(5.8)

### 9. Projected Ultimate Aggregate Cost Outcomes

Using the assumptions set out in the earlier sections, together with an average payment year cost of \$9500 in 2001–02 dollars, the projected ultimate claim costs (on an undiscounted basis) will be:

The projected ultimate outcomes show improvements in nominal dollar terms. Once inflation factors are taken into account the real improvement in results is even larger.

TOTAL PROJECTED COST — UNDISCOUNTED			
Accident Year	Payments made by 30–6–2002 \$m	Projected Future Payments \$m	Ultimate Claim Costs \$m
1995–96	134.546	5.005	139.551
1996–97	102.071	8.885	110.956
1997–98	98.838	14.856	113.694
1998–99	92.677	25.554	118.229
1999–00	71.587	41.709	113.296
2000–01	48.664	63.871	112.535
2001–02	19.922	88.672	108.594

### 10. Licensed Insurer Experience

The emphasis in this report has been placed on the overall Tasmanian experience since this is not influenced by any change between licensed and self-insurer components. After consideration of the claim reporting delays and payment emergence patterns, I concluded that they are sufficiently close to enable a common distribution to be adopted for both licensed and self-insurers. However, licensed insurers appear to have a slightly lower level of reported claims and a slightly lower percentage of claim costs settled in the first development year.

Accident Year	Reported by 30–6–2002	Projected Ultimate Number of Claims
1991–92	14,132	14,132
1992–93	14,171	14,171
1993–94	14,873	14,873
1994–95	15,398	15,398
1995–96	13,450	13,451
1996–97	11,637	11,639
1997–98	10,464	10,467
1998–99	9,996	10,001
1999–00	9,193	9,202
2000–01	8,732	8,754
2001–02	7,670	8,051

The first table shows the number of claims reported by 20 June 2002 and the anticipated ultimate number of claims for licensed insurers:

## Part B – Detailed Information

The payment year average claim sizes and level of super inflation are:

Payment Year	Average Claim Size \$	Levels of Super Inflation
1997–98	7756	
1998–99	8537	10.1%
1999–00	9540	11.7%
2000–01	9612	0.8%
2001–02	9215	-4.1%
5 Year Average	8932	
3 Year Average	9456	

The fall off in the super inflationary component is dramatic.

The anticipated ultimate cost for each of the accident years on an undiscounted basis is:

Accident Year	Paid by 30–6–2002 \$m	Estimated Outstanding \$m	Projected Ultimate Cost \$m
1995–96	93.460	3.987	97.447
1996–97	76.697	7.038	83.734
1997–98	76.302	11.753	88.056
1998–99	71.479	20.572	92.051
1999–00	56.502	32.413	88.915
2000–01	37.885	49.367	87.252
2001–02	15.194	67.900	83.094

Both claim numbers and average claim costs are working together to reduce the expected aggregate outcome.

### 11. Licensed Insurer Profitability

The profitability of the business of licensed insurers in a particular accident year can only be known with certainty after the final payment is made – this may be many years later. However, with the passage of time we become increasingly confident of the outcome. To emphasise this I have shown below the cost of claims to be two components viz the total of claim payments made so far, and the projected value of claim payments still to be made.

The analysis needs to allow for timing differences. This is taken into account by discounting all items at the rates set out in Appendix I to the start of the year of accident, in order to be directly comparable to the earned premium. The discounting has been taken to the start of the financial year because the vast bulk of premiums are renewed at the start of the year. Commissions and expenses incurred during the year have been taken as an appropriate provision for the year in question. In practice the expenses in any one year will be for claims from many years, however, under reasonably stable aggregate conditions the above approximation is appropriate. Reinsurance and stop loss costs have been excluded since a gross cost analysis has been undertaken.

Costs are those incurred by the insurers i.e. allowance must be made for those payments that are less than the excess.

## Part B – Detailed Information

TABLE OF PAST PROFITABILITY					
	1997-98 \$m	1998-99 \$m	1999-00 \$m	1999-01 \$m	2001-02 \$m
Net Earned Premium	84.134	90.002	103.265	111.218	118.237
Minus					
Claims Payments	67.765	64.399	51.867	35.737	14.787
Estimated Outstanding	8.376	15.312	25.205	40.068	57.405
Less Excess Payments	(2.648)	(2.455)	(2.368)	(2.566)	(2.735)
Expenses	17.447	18.059	16.310	19.212	18.412
Equals	90.940	95.315	91.014	92.451	87.869
Profit/Loss	-6.806	-5.313	12.251	18.767	30.368
% of Premium	-8.1%	-5.9%	11.9%	16.9%	25.7%

Tasmanian workers compensation is clearly highly profitable now for licensed insurers.

### 12. Self Insurer Experience

The first table shows the number of claims reported by 30 June 2002 and the anticipated ultimate number of claims.

Accident Year	Reported by 30-6-2002	Projected Ultimate Number of Claims
1991-92	5,804	5,804
1992-93	5,248	5,248
1993-94	4,801	4,801
1994-95	3,897	3,897
1995-96	3,495	3,495
1996-97	3,055	3,056
1997-98	2,763	2,764
1998-99	2,421	2,422
1999-00	2,635	2,638
2000-01	2,566	2,572
2001-02	2,347	2,463

Appendix E shows self insurer inflation adjusted and per claim information.

The payment year average claim size and level of super inflation is:

Payment	Year Average Claim Size \$	Levels of Super Inflation
1997-98	12476	
1998-99	12110	-2.9
1999-00	11994	-1.0
2000-01	10440	-13.0
2001-02	10223	-2.1
5 Year Average	11449	
3 Year Average	10886	

## Part B – Detailed Information

The anticipated ultimate cost for each of the accident years on an undiscounted basis is:

Accident Year	Paid by 30-6-2002 \$m	Estimated Outstanding \$m	Projected Ultimate Cost
1995-96	41.086	1.189	42.275
1996-97	25.375	2.120	27.495
1997-98	22.535	3.561	26.096
1998-99	21.197	5.716	26.913
1999-00	15.085	10.662	25.747
2000-01	10.779	16.642	27.420
2001-02	4.627	23.833	28.461

I believe a lot of the above is due to compositional changes to the number of self-insurers. As the licensed insurer market offers less attractive terms, there is a trend towards self-insurance.

### 13. Level of Certainty

In the report, a separation of actual and projected values has been provided so that the reader can evaluate how much is based on observed data. A more detailed commentary of the issues is attached as Appendix H. Models can have selection, specification, estimation and stochastic errors. Consequently, it is important to monitor how accurate the model has been and how the results may vary.

The total payments in any one financial year is an amalgamation of a whole series of components from the various accident years. Each time the outstanding liability provision is updated, it takes into account the extra information known about each accident year. In time, all claim payments for an individual accident year will be written down to zero. It is a worthwhile exercise to monitor the model expectation and that which actually occurred. The size and direction of adjustments will show whether the model tends to under or over estimate the outstanding claim cost liability.

These aspects and the sensitivity of future results to the key assumptions will be considered as part of the additional report to be prepared for the Board.

## Appendix A – Overall Payment and Claims Data

I have been supplied (by the Board) with full copies of the database accident claims and payments files. In addition, for data reconciliation purposes I have been provided with the aggregate result of the insurers' "Form Ds". All of this information is in respect of claims under the *Workers Rehabilitation and Compensation Act 1988* only, i.e. all claims from injuries on or after 15 November 1988.

As a data check, the following table shows the records I have extracted from the database versus the information on payments supplied directly by insurers and self-insurers in the Form Ds.

Payment Year	Analysis Data \$m	Form D Data \$m	Percentage Match
2001-02	120.466	120.334*	100.1%
2000-01	122.820	122.866	100.0%
1999-00	128.492	129.363	99.3%
1998-99	122.479	122.016	100.3%
1997-98	118.600	118.559	100.0%
1996-97	126.005	124.494	101.2%
1995-96	124.644	123.835	100.7%
1994-95	116.152	116.946	99.3%
1993-94	87.972	88.181	99.8%
1992-93	72.643	73.511	98.8%
1991-92	60.780	61.270	99.2%

\* estimated

It is important to note with each table whether the information being presented is in respect of an accident year or a payment year.

The 1988-89 to 1990-91 years have been excluded since they do not appear to have all the payments loaded. Since then the level of match has been good. The above includes under excess payments. Overall, the data appears to be suitable for this analysis and the differences should not materially affect the conclusions reached.

Corresponding comparisons for licensed and self-insurers are presented in the next two tables.

### Licensed Insurers – Payments File Versus Form D Information

Payment Year	Analysis Data \$m	Form D Data \$m	Percentage Match
2001-02	90.051	90.178	99.9%
2000-01	93.696	93.627	100.1%
1999-00	96.236	96.107	100.1%
1998-99	88.643	88.481	100.2%
1997-98	80.427	80.399	100.0%
1996-97	87.092	85.319	102.1%
1995-96	83.894	84.439	99.4%
1994-95	76.136	76.798	99.1%
1993-94	55.196	55.479	99.5%
1992-93	46.100	46.893	98.3%
1991-92	36.811	37.156	99.1%

## Appendix A – Overall Payment and Claims Data

### Self-insurers – Payments File Versus Form D Information

Payment Year	Analysis Data \$m	Form D Data \$m	Percentage Match
2001–02	30.414	30.156	100.9%
2000–01	29.124	29.239	99.6%
1999–00	32.256	33.256	97.0%
1998–99	33.836	33.535	100.9%
1997–98	38.173	38.159	100.0%
1996–97	38.914	39.174	99.3%
1995–96	40.750	39.397	103.4%
1994–95	40.015	40.148	99.7%
1993–94	32.776	32.702	100.2%
1992–93	26.543	26.618	99.7%
1991–92	23.969	24.115	99.4%

Payment information for the two groups in development format is as follows:

### Licensed Insurers – Payments in Development Table Format

Accident Year	Paid in Year							
	0	1	2	3	4	5	6	7+
1990–91	11,317,170	12,496,885	8,303,687	5,323,830	4,691,386	2,975,228	1,373,679	5,589,105
1991–92	14,012,723	14,204,918	8,780,207	11,217,796	6,777,111	6,157,330	2,567,782	4,197,892
1992–93	14,320,509	16,974,408	14,559,340	9,811,121	7,264,428	2,453,072	2,105,415	3,101,769
1993–94	16,169,302	21,774,585	16,885,001	12,357,258	6,861,121	4,518,058	2,367,349	3,349,277
1994–95	18,605,477	25,084,188	19,380,808	14,428,599	11,141,047	5,364,770	4,077,722	2,124,242
1995–96	18,302,975	23,081,429	17,215,278	13,283,034	12,281,710	5,487,689	3,808,321	
1996–97	15,821,026	19,460,070	16,319,216	12,250,670	8,510,049	4,335,515		
1997–98	14,829,986	21,210,246	19,468,397	14,117,967	6,675,779			
1998–99	15,744,620	23,654,461	18,897,081	13,182,869				
1999–00	15,334,979	21,931,489	19,235,543					
2000–01	16,104,360	21,780,675						
2001–02	15,194,449							

## Appendix A – Overall Payment and Claims Data

### Self-Insurers – Payments in Development Table Format

Accident Year	Development Year							
	0	1	2	3	4	5	6	7+
1990–91	6,450,914	9,658,168	6,021,403	5,402,078	4,569,448	2,225,512	1,560,049	3,267,068
1991–92	8,517,483	8,628,786	5,789,433	5,657,987	4,175,822	3,246,680	1,384,242	2,836,440
1992–93	7,933,240	10,647,110	8,204,565	6,230,204	4,226,652	3,313,677	1,641,344	2,465,628
1993–94	7,621,935	11,483,759	8,507,310	6,009,353	4,616,315	2,694,146	2,947,877	2,986,078
1994–95	7,334,749	11,046,198	8,692,722	6,212,663	3,399,543	2,541,414	2,110,357	1,124,767
1995–96	6,932,037	9,948,130	8,478,905	7,106,492	4,219,516	2,644,265	1,756,203	
1996–97	4,487,385	6,695,609	5,431,972	3,708,536	2,972,006	2,079,096		
1997–98	5,143,632	6,451,454	5,307,581	2,733,105	2,899,529			
1998–99	5,284,485	6,548,060	4,436,674	4,927,392				
1999–00	5,235,788	6,297,408	3,552,081					
2000–01	4,490,913	6,287,607						
2001–02	4,727,119							

The above information includes under excess workers compensation payments.

The next two tables show the number of claims reported by 30 June 2002 for licensed and self-insurers respectively.

### Licensed Insurers – Reported Claims by 30/06/2002

Accident Year	Reported in Year							
	0	1	2	3	4	5	6	7+
1990–91	14,196	260	15	3	0	1	0	1
1991–92	13,581	533	10	3	3	0	0	2
1992–93	13,573	570	22	2	2	1	1	0
1993–94	14,207	655	9	0	1	1	0	0
1994–95	14,799	587	6	7	0	0	0	1
1995–96	12,923	514	7	4	1	1	0	
1996–97	11,178	444	10	2	1	1		
1997–98	10,013	443	5	1	1			
1998–99	9,573	404	14	5				
1999–00	8,785	397	11					
2000–01	8,394	338						
2001–02	7,670							

## Appendix A – Overall Payment and Claims Data

### Self-Insurers – Reported Claims by 30/06/2002

Accident Year	Reported in Year							
	0	1	2	3	4	5	6	7+
1990–91	6,023	220	8	1	1	2	2	1
1991–92	5,474	308	10	7	1	2	1	1
1992–93	4,987	246	10	2	0	0	0	3
1993–94	4,583	204	9	2	3	0	0	0
1994–95	3,691	191	7	7	0	1	0	0
1995–96	3,247	228	10	5	3	0	2	
1996–97	2,881	160	4	4	3	3		
1997–98	2,604	150	2	3	4			
1998–99	2,253	162	5	1				
1999–00	2,471	155	9					
2000–01	2,398	168						
2001–02	2,347							

## Appendix B – Projection Model and Methodology

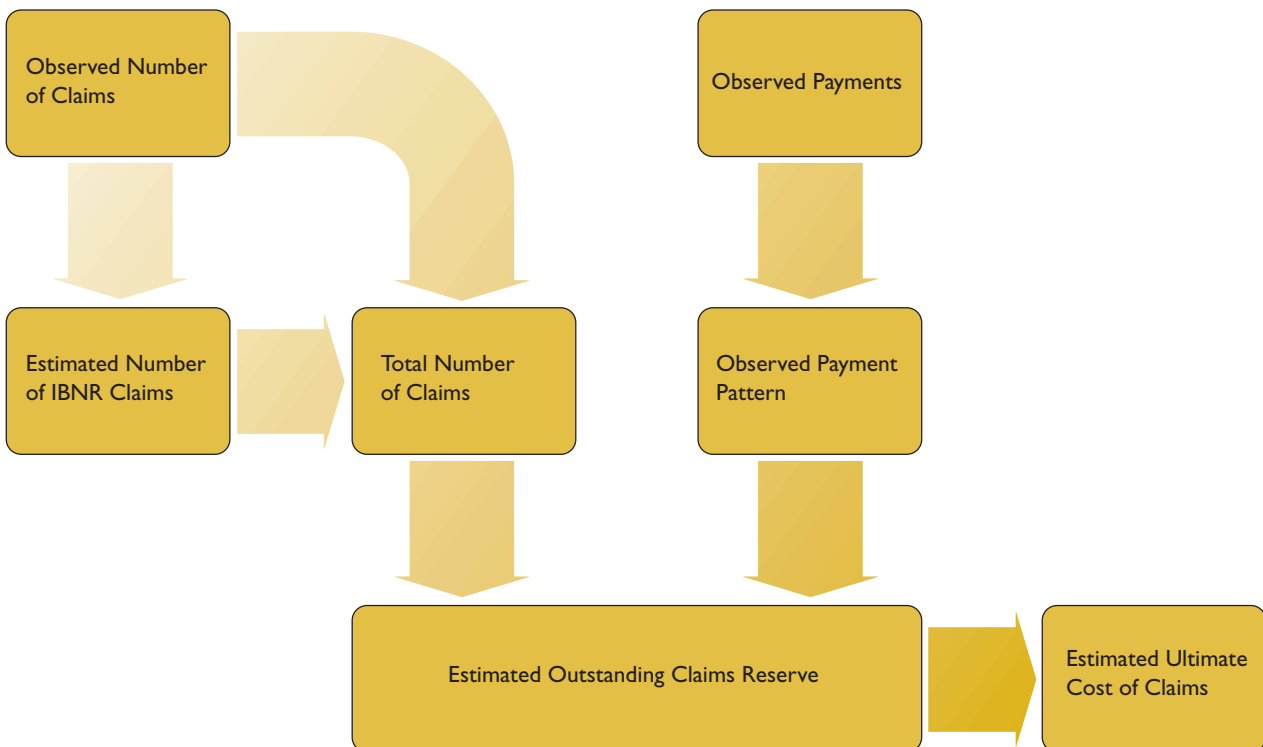
A Payment Per Claim Incurred method has been adopted for this report to quantify outstanding liabilities. The valuation basis is specified by:

- the number of claims incurred in each accident year
- the average cost per claim in the values of the latest payment year
- the proportion of claim payments expected to be made in each accident year
- the rates of future inflation
- the interest rates used for discounting.

This method relies on average claim payment patterns per incurred claim to estimate future payments on the basis of the past experience of the arrangement. The approach is refined by making adjustments for inflation, changes in the exposure to risk, trends evident etcetera.

Diagrammatically, the model is:

Estimates of the number of IBNR claims have been made by use of a “Chain Ladder Method”. The key assumption is that, apart from random errors with mean zero, the relative emergence pattern of IBNR claims is the same in all the accident periods. The ratios and parameters are estimated by a Chain Ladder Algorithm. If the pattern of lodging claims in the past is not representative of the pattern in the future because of external influences, the method breaks down.



The observed payment pattern has also assumed a stable emergence pattern i.e. the payment in a specific development period per claim as a proportion of the total average claim amounts, is not dependent on the period of accident, apart from random fluctuations. The payment pattern is estimated on a per claim basis since this has a number of advantages. The random fluctuations in the average claim are considerably less than in the payments. The uncertainty linked to the number of claims is eliminated. It allows the “super-inflationary” component to be directly observed. The run off distribution has been chosen after estimation of its shape using a non-linear regression analysis to fit the parameters.

## Appendix C – Per Claim Inflation Adjusted Payments (Total)

The table in this appendix shows the average claim payments for each accident year and development period. A number of calculation steps are involved to make the values directly comparable. The first is to take the payment data and eliminate background inflation. Inflation adjusted payments have been calculated by inflating each of the data cells by an appropriate AWE index. Further information on this aspect is contained in Appendix I. Once this is completed, the values are divided by the projected ultimate number of claims for the relevant accident year to yield a per claim incurred value.

The inflation adjusted values are:

Accident Year	Development Year							
	0	1	2	3	4	5	6	7+
1990–91	27,119,034	32,459,373	20,698,034	15,053,906	12,481,226	6,683,176	3,627,061	10,555,214
1991–92	33,009,009	32,991,959	20,448,618	22,744,221	14,074,992	11,626,477	4,710,213	8,046,828
1992–93	32,153,994	38,767,043	30,679,897	20,613,795	14,206,788	6,873,089	4,286,054	6,187,618
1993–94	33,391,210	44,823,706	32,630,216	22,707,226	13,679,362	8,250,302	5,907,355	6,698,729
1994–95	34,960,762	46,429,106	34,708,199	24,601,251	16,633,509	8,786,952	6,543,006	3,249,009
1995–96	32,428,080	40,835,495	30,623,566	23,324,320	18,339,502	8,598,375	5,564,524	
1996–97	25,107,935	31,173,599	24,881,974	17,737,099	12,140,627	6,414,611		
1997–98	23,805,521	31,643,224	27,536,080	17,817,592	9,575,308			
1998–99	24,055,957	33,567,153	24,672,100	18,110,261				
1999–00	22,862,399	29,848,011	22,787,624					
2000–01	21,776,548	28,068,282						
2001–02	19,921,568							

While the per claim values are:

Accident Year	Development Year							
	0	1	2	3	4	5	6	7+
1990–91	1,308	1,566	998	726	602	322	175	509
1991–92	1,656	1,655	1,026	1,141	706	583	236	404
1992–93	1,656	1,996	1,580	1,062	732	354	221	319
1993–94	1,697	2,278	1,659	1,154	695	419	300	340
1994–95	1,812	2,406	1,799	1,275	862	455	339	168
1995–96	1,920	2,418	1,813	1,381	1,086	509	330	
1996–97	1,709	2,121	1,693	1,207	826	437		
1997–98	1,799	2,392	2,081	1,347	724			
1998–99	1,936	2,702	1,986	1,458				
1999–00	1,931	2,521	1,924					
2000–01	1,923	2,478						
2001–02	1,895							

## Appendix D – Per Claim Inflation Adjusted Payments (Licensed Insurers)

For licensed insurers the inflation adjusted payments (\$m) per accident and development period are as follows:

Accident Year	Development Year							
	0	1	2	3	4	5	6	7+
1990–91	17,273,146	18,309,189	11,997,830	7,472,042	6,322,783	3,823,296	1,698,323	6,661,365
1991–92	20,530,043	20,524,400	12,323,098	15,118,708	8,708,880	7,612,503	3,060,406	4,802,121
1992–93	20,691,415	23,823,731	19,622,251	12,607,714	8,981,244	2,923,689	2,408,461	3,447,313
1993–94	22,693,757	29,346,548	21,697,956	15,277,671	8,177,415	5,168,371	2,631,077	3,541,380
1994–95	25,075,404	32,234,265	23,961,110	17,196,700	12,744,648	5,962,418	4,311,606	2,124,242
1995–96	23,520,113	28,536,305	20,517,998	15,194,945	13,649,921	5,802,444	3,808,321	
1996–97	19,560,038	23,193,450	18,668,144	13,615,424	8,998,157	4,335,515		
1997–98	17,675,092	24,263,171	21,637,222	14,927,726	6,675,779			
1998–99	18,010,843	26,289,624	19,980,953	13,182,869				
1999–00	17,043,332	23,189,405	19,235,543					
2000–01	17,028,051	21,780,675						
2001–02	15,194,449							

The payment per claim information is:

Accident Year	Development Year							
	0	1	2	3	4	5	6	7+
1990–91	1,193	1,265	829	516	437	264	117	460
1991–92	1,453	1,452	872	1,070	616	539	217	340
1992–93	1,460	1,681	1,385	890	634	206	170	243
1993–94	1,526	1,973	1,459	1,027	550	348	177	238
1994–95	1,628	2,093	1,556	1,117	828	387	280	138
1995–96	1,749	2,122	1,525	1,130	1,015	431	283	
1996–97	1,681	1,993	1,604	1,170	773	372		
1997–98	1,689	2,318	2,067	1,426	638			
1998–99	1,801	2,629	1,998	1,318				
1999–00	1,852	2,520	2,090					
2000–01	1,945	2,488						
2001–02	1,887							

## Appendix E – Per Claim Inflation Adjusted Payments (Self-Insurers)

The inflation adjusted payments (\$m) per accident and development period are as follows:

Accident Year	Paid in Year							
	0	1	2	3	4	5	6	7+
1990–91	9,845,887	14,150,184	8,700,204	7,581,864	6,158,442	2,859,879	1,928,738	3,893,849
1991–92	12,478,966	12,467,559	8,125,520	7,625,513	5,366,112	4,013,974	1,649,806	3,244,707
1992–93	11,462,579	14,943,312	11,057,646	8,006,081	5,225,544	3,949,400	1,877,593	2,740,305
1993–94	10,697,453	15,477,158	10,932,261	7,429,554	5,501,947	3,081,931	3,276,277	3,157,349
1994–95	9,885,358	14,194,841	10,747,089	7,404,551	3,888,861	2,824,534	2,231,400	1,124,767
1995–96	8,907,967	12,299,190	10,105,568	8,129,374	4,689,580	2,795,931	1,756,203	
1996–97	5,547,897	7,980,150	6,213,830	4,121,676	3,142,470	2,079,096		
1997–98	6,130,429	7,380,053	5,898,858	2,889,867	2,899,529			
1998–99	6,045,114	7,277,529	4,691,147	4,927,392				
1999–00	5,819,067	6,658,606	3,552,081					
2000–01	4,748,497	6,287,607						
2001–02	4,627,119							

The payment per claim information is:

Accident Year	Paid in Year							
	0	1	2	3	4	5	6	7+
1990–91	1,573	2,261	1,390	1,212	984	457	308	622
1991–92	2,150	2,148	1,400	1,314	925	692	284	559
1992–93	2,184	2,847	2,107	1,526	996	753	358	522
1993–94	2,325	3,364	2,376	1,615	1,196	670	712	686
1994–95	2,537	3,643	2,758	1,900	998	725	573	289
1995–96	2,549	3,519	2,891	2,326	1,342	800	502	
1996–97	1,815	2,611	2,033	1,349	1,028	680		
1997–98	2,218	2,670	2,134	1,046	1,049			
1998–99	2,496	3,005	1,937	2,034				
1999–00	2,206	2,524	1,347					
2000–01	1,846	2,445						
2001–02	1,879							

## Appendix F – Major Payment Type Experience

The payment year benefit costs per payment type are:

	95-96	96-97	97-98	98-99	99-00	00-01	01-02
Weekly	45,468,986	40,568,254	36,588,504	32,569,285	32,143,858	28,983,026	27,444,364
Redemption	11,741,895	2,484,393	908,159	125,237	0	-23,680	-53,065
Lump Sum	3,100,902	3,833,609	2,683,813	3,413,638	1,353,506	723,076	488,426
Fatal Pay	542,549	450,081	608,692	481,509	288,912	429,956	512,555
Doctor	7,936,186	8,601,149	7,988,705	7,496,828	7,097,885	8,318,635	8,915,169
Hospital	4,529,432	3,989,345	3,481,541	3,577,822	2,872,232	2,546,443	2,366,634
Rehabilitation	5,021,852	5,720,647	5,737,575	5,874,628	6,847,888	7,431,250	7,373,630
Other	5,926,167	5,895,092	6,175,860	7,186,242	7,335,663	4,621,639	3,980,149
Miscellaneous	1,856,994	2,394,630	2,432,467	2,963,132	2,884,398	1,789,975	1,686,367
Common Law	29,921,177	39,818,388	38,299,399	43,121,045	44,043,910	42,683,011	42,360,388
Legal	7,789,903	9,186,591	10,457,722	11,914,864	11,411,399	13,490,920	7,176,441
Settlement	781,086	2,998,176	3,200,638	3,750,871	12,209,181	11,825,411	13,592,024
<b>TOTAL</b>	<b>124,617,129</b>	<b>125,940,355</b>	<b>118,563,075</b>	<b>122,475,101</b>	<b>128,488,832</b>	<b>122,819,662</b>	<b>115,843,082</b>

## Appendix G – Analysis of Management Costs

Only a superficial analysis can be made of management costs. The reasons for this are:

- Insurers will have to make an apportionment of costs between workers compensation and other lines of business. Consequently, the value submitted is subjective.
- Commissions and expenses incurred during the year have been taken as an appropriate provision for the accident year in question. In practice the expenses in any one year will be for claims from many years, however, under reasonably stable aggregate conditions the above approximate is reasonable.
- Self-insurers often use internal resources. It is doubtful that they include all these costs, or that a consistent approach is adopted.

The licensed insurer management costs as a percentage of premium, and as a dollar amount per claim are as follows:

Accident Year	Management Costs \$m	Premium \$m	% of Premium	Projected Number of Claims	Inflation Adj Dollars per Claim
1990–91	7.216	35.283	20.5%	14,476	\$498
1991–92	9.401	37.693	24.9%	14,132	\$ 665
1992–93	9.218	45.588	20.2%	14,171	\$ 650
1993–94	9.313	53.888	17.3%	14,873	\$ 626
1994–95	12.286	75.397	16.3%	15,398	\$ 798
1995–96	15.223	89.649	17.0%	13,451	\$1,132
1996–97	17.793	94.211	18.9%	11,639	\$1,529
1997–98	17.447	84.134	20.7%	10,467	\$1,821
1998–99	18.059	90.002	20.1%	10,001	\$1,806
1999–00	16.310	103.265	15.8%	9,202	\$1,772
2000–01	19.212	111.218	17.3%	8,754	\$2,195
2001–02	18.412	118.237	15.6%	8,051	\$2,287

Management costs have been taken from the Form Ds (excluding reinsurance and stop loss costs). Costs appear to be lower than those incurred twelve months ago.

The corresponding values for the self-insurers are:

Accident Year	Management Costs \$m	Number of Claims	Dollars per Claim \$
1991–92	2.932	5,804	505
1992–93	2.986	5,248	569
1993–94	2.846	4,801	593
1994–95	2.703	3,897	694
1995–96	3.729	3,495	1,067
1996–97	4.258	3,056	1,393
1997–98	5.064	2,764	1,832
1998–99	3.787	2,422	1,564
1999–00	3.502	2,638	1,328
2000–01	3.714	2,572	1,444
2001–02	3.773*	2,463	1,532

\* Estimated

The 2001–02 value for self-insurers is only approximate since some results have not yet been reported.

## Appendix H – Level of Certainty

This report provides a number of items that allow the reader to evaluate the level of certainty that can be attached to any projections. All projections are on a best estimate basis. Firstly, the information has been presented in sufficient detail to allow the informed reader of the report to form their own view about the projection assumptions. The results have been presented in a manner that shows:

- the information separately by accident year
- in aggregate and split by self and licensed insurer
- the rate of discount allowed for in the calculation of present values
- the results on an undiscounted basis
- the level of superimposed inflation assumed.

Secondly, a sensitivity analysis has been included that shows how the outcomes would vary if different levels of super-inflationary increases were adopted. This is the most judgmental and volatile assumption.

The exact cost of claims incurred in an accident year may not be known for many years. This analysis uses the available information, particularly the past behaviour of similar claims to estimate outstanding liabilities in order to complete the picture. While some of the uncertainty can be removed by refining the data and projection methodology, a residual uncertainty will always remain.

There are a number of components to the uncertainty of workers compensation model projections, including:

- the model(s) chosen for the analysis and the projection will never exactly match the actual claim process
- past claim fluctuations will result in uncertainty in estimating the parameters of the model, even if a perfect model could be found
- undetected errors in the data may result in errors in estimating the parameters of the model
- future economic and environment conditions are not know and may be different from those assumed
- pure chance fluctuation.

In statistical terms, these errors are known as:

- |                      |   |   |
|----------------------|---|---|
| Selection errors     | – | arise out of the choice of variables upon which to base the model.  |
| Specification errors | – | arise when the underlying conditions change and disturb the relationships that applied in the past.         |
| Estimation errors    | – | past observation incorporates random variation, which is reflected in the estimate of the model parameters. |
| Stochastic errors    | – | the residual variability – the inherent variability of outcomes.  |

## Appendix I – Past Interest and Inflation Assumptions

### Interest Assumptions

The assumed past investment earnings used in the discounting of claim payments to the beginning of each accident year has been taken as the average of 2 or 3 year Treasury Bonds as published in Table F2 of the Reserve Bank of Australia's Bulletin.

Financial Year	Yield at Beginning of Year	Yield at End of Year	Average Yield
1989–90	14.45%	14.05%	14.25%
1990–91	14.05%	10.55%	12.30%
1991–92	10.55%	6.35%	8.45%
1992–93	6.35%	5.45%	5.90%
1993–94	5.45%	8.05%	6.75%
1994–95	8.05%	8.20%	8.13%
1995–96	8.20%	8.33%	8.27%
1996–97	8.33%	5.93%	7.13%
1997–98	5.93%	5.25%	5.59%
1998–99	5.25%	5.63%	5.44%
1999–00	5.63%	5.97%	5.80%
2000–01	5.97%	5.55%	5.76%
2001–02	5.55%	5.61%	5.58%
Future Years	-	5.50%	-

### Inflation Assumptions

Inflation adjustments have been made based on the December quarter Average Weekly Ordinary Time Earnings for full time persons – Australia – as published by the Australian Bureau of Statistics – Catalogue No. 6302.0. These have been:

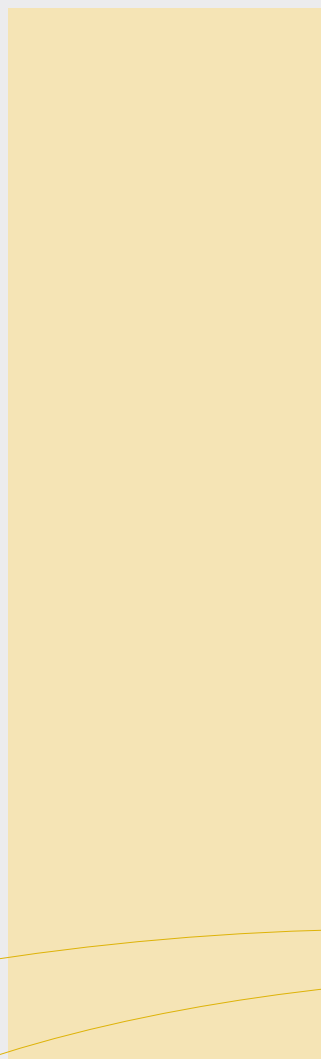
November 1989	\$516.60
November 1990	\$555.60
November 1991	\$578.80
November 1992	\$586.90
November 1993	\$604.20
November 1994	\$629.20
November 1995	\$659.90
November 1996	\$686.90
November 1997	\$711.50
November 1998	\$741.30
November 1999	\$763.00
November 2000	\$802.00
November 2001	\$848.00

The December quarter value has been chosen since it is approximately halfway through the year in question.





## Statistics



# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### Key Points

Below is a comparison of outcomes between the 12 months ending June 2002 and the previous 12 months ending June 2001.

- 10,532 claims lodged—a 7.4% decrease.
- Seven fatalities reported—four fatalities less than in previous year.
- All claims frequency rate (ACFR) of 39.0—a decrease of 8.1%.
- Lost time injury frequency rate (LTIFR) of 14.1—a 4.6% decrease.
- Average lost time per claim of 12.6 working days (one working day a month or less than one-quarter of a working day a week—a decrease of 10.6%.
- \$120.723m paid out in workers compensation—a decrease of 1.7%.
- Common law and negotiated settlements increased by 2.6%.
- Weekly benefits decreased by 4.9%.
- Average weekly benefits per claim of \$4,569—decreased by 1.6%.
- Total medical costs decreased at a negligible rate of 0.9%.
- Actual average premium rate of 3.09%—no change from previous year.
- Two largest insurers had a combined market share of 52.5% of the total earned premium pool—increased by 6.1%.
- Among the top 50 industries based on the number of employers in those industries, the logging industry continued to have the highest premium rate (15.38%)—an increase of 2.1%.

### Differences in numbers between the actuarial review and the quarterly statistical report

Please note that this section of the annual report has been reproduced from the latest quarterly statistical report. These statistics are prepared for regular scheme monitoring and benchmarking purposes. The figures differ from those presented in the previous section showing the results of the actuarial review of the operation and performance of the scheme conducted by Bendzulla Actuarial Pty Ltd.

The main reason for the differences is essentially conceptual in nature, for example, the quarterly statistical report (available from the Helpline on 1300 366 322) uses *lodgement year* (period when claims were lodged by workers with their employers) as the basis for counting claim numbers (10,532 claims *lodged* in 2001–02) whereas the actuarial report uses *accident year* (period when accidents or injuries actually occurred) as the basis plus allowance for IBNR claims (10,514 *projected ultimate number* of claims for 2001–02).

Likewise, aggregate outcomes with respect to total scheme costs differ between the two reports and can be explained by the difference in the concepts used. The actuarial report estimates the *projected aggregate outcome* for *accident year 2001–02* is \$108.594 million whereas the quarterly statistical report uses *payment year* (period when actual payments were made irrespective of when the injuries occurred) as the basis with total payments amounting to \$120.7 million in 2001–02.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### Executive Summary

#### Claims lodged

##### *Overall*

- 10,532 claims were lodged during the 12 months ending June 2002.
- This is a 7.4% decrease from the number of claims lodged during the 12 months ending June 2001 (11,370).
- Seven fatalities were reported in the 12 months ending June 2002—four fatalities less than the number reported in the previous year.
- The number of lost time claims (claims with lost time of one day or more) decreased by 3.8% from 3,959 to 3,807.
- Minor injuries, as represented by no lost time claims, declined by 9.2% from 7,400 to 6,718.

##### *Industry Sectors*

- Health/Education/State Government recorded the highest number of claims lodged (2,704) in the 12 months ending June 2002. This sector, however, experienced a small decrease in claim numbers (by 1.5%), from 2,746 in the 12 months ending June 2001.
- Eight out of ten sectors recorded a reduction in claim numbers. Manufacturing experienced the highest reduction (by 33.8%), followed by Mines/Quarries/Energy (by 17.1%) and Freight/ Transport/Ports (by 15.9%). Rural/Meat/Food/Beverage recorded an increase of 2.3%, whereas Clothing/Footwear/Textiles/Miscellaneous sector recorded a small increase of 1.0%.
- Average ACFR for All Industries was 39.0 claims per million hours worked, representing a decrease of 8.1% compared to ACFR of 42.4 in the 12 months ending June 2001.
- Decreases in ACFR were observed among nine of the ten sectors, with notable reductions in ACFR evident in Manufacturing (by 31.4%), Entertainment/Hospitality (by 22.6%) and Mines/Quarries/Energy (by 17.9%). ACFR increased slightly for Health/Education/ State Government (by 1.1%).
- Average LTIFR decreased by 4.6% from 14.8 to 14.1 lost time injuries per million hours worked.
- Improvements in LTIFR occurred in six out of ten sectors in the period ending June 2002. Improvements were notable in Entertainment/Hospitality (down by 26.0%), Manufacturing (down by 20.5%) and Rural/Meat/Food/ Beverage (down by 15.6%). LTIFR deteriorated for Retail (up by 7.5%) and Clothing/Footwear/Textiles/ Miscellaneous sector (up by 7.1%), Health/Education/ State Government (up by 5.8%) and Forestry/ Logging/Printing (up by 3.6%).

##### *Insurer Type*

- By type of insurer, the number of claims for the 12 months ending June 2002, the percentage change from the previous 12 month period, and the relationship to the set target were:
  - licensed insurers—8,004 claims, a 9.1% decrease, below the set target
  - self-insurers—914 claims, a 2.1% decrease, below the set target
  - Tasmanian State Service—1,614 claims, a 1.1% decrease, just below the set target.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### Lost Time

- Over the past three years lost time claims, on average, accounted for approximately 32.6% of all claims reported per payment year.
- During the 12 months ending June 2002, average lost time per claim was 12.6 working days or approximately one working day a month or slightly less than one-quarter of a working day a week.
- Average lost time per claim decreased in the 12 months ending June 2002 by 10.6%.

### Claim Payments

#### *Overall*

- A total of \$120.723m was paid out during the 12 months ending June 2002. This represents a decrease of 1.7% relative to the amount paid out in the previous year.
- Common law payments and negotiated settlements combined was the major component of total payments in the period to June 2002 (46.3%), followed by weekly benefits (22.8%) and medical costs (20.3%).
- Legal and investigation costs constituted 9.7% of total payments, while lump sum payments contributed 0.9% to the total.

### Average Weekly Benefits

- Over the past three years the number of claims receiving weekly benefits, on average, accounted for 34.8% of all claims reported per payment year.
- During the 12 months ending June 2002, average weekly benefits per claim amounted to \$4,569 or approximately \$381 a month or \$88 a week.
- Average weekly benefits per claim decreased in the 12 months ending June 2002 (by 1.6%), from \$4,642 for the previous year.

### Insurer Type

- Comparison of total claim payments by insurer:
  - licensed insurers—\$90.083m—a decrease of 3.7%
  - self-insurers—\$9.407m—a decrease of 9.7%
  - Tasmanian State Service—\$21.233m, an increase of 12.8%.
- Combined common law and negotiated settlements remained stable for licensed insurers, decreased by 4.6% for self-insurers and increased by 21.8% for the Tasmanian State Service.
- The ratio of negotiated settlements to common law payments was much higher for the Tasmanian State Service than for licensed and self-insurers.
- Overall, weekly benefits increased by 4.9%. Both licensed and self-insurers experienced a reduction in weekly benefits (by 5.9% and 20.8%, respectively), while weekly benefits increased by 6.2% for the Tasmanian State Service.
- Total medical costs remained stable overall. The self-insurers and Tasmanian State Service experienced increases in total medical costs (up by 8.0% and 12.8%, respectively), while total medical costs for licensed insurers decreased by 5.7%.
- Overall, there has been a decrease in legal and investigation costs of 12.9%. Legal and investigation costs increased by 3.3% for the Tasmanian State Service, but declined by 15.1% and 21.6% for licensed and self-insurers, respectively.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### Premiums

#### *Overall*

- The actual average premium rate for the 12 months ending June 2002 was 3.09%. This rate has not changed since the previous year.

#### *Rates Charged by Insurers*

- The actual average premium rates charged by licensed insurers ranged from 1.34% to 4.00% during the 12 months ending June 2002.
- Five insurers increased their actual average premium rates. Increases ranged from 4.1% to 21.3%. Four insurers decreased their average premium rates. Decreases ranged from 1.6% to 6.9%.
- Individual insurer's market share, as a percentage of the total earned premium pool, ranged from 0.7% to 33.7% for the 12 months ending June 2002, with the two largest insurers combined holding 52.5% of the total earned premium pool.

#### *Average Premium Rates by Industry*

- *Among the top 50 industries* based on the total number of employers in each industry, the highest actual average premium rates charged by insurers were for logging (15.38%), beef cattle farming (6.96%), cleaning services (6.71%), sheep farming (6.67%) and sheep-beef cattle farming (6.65%).
- The lowest actual premium rates charged were for accounting services (0.90%), real estate agents (0.99%) and computer consultancy services (also 0.99%).

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

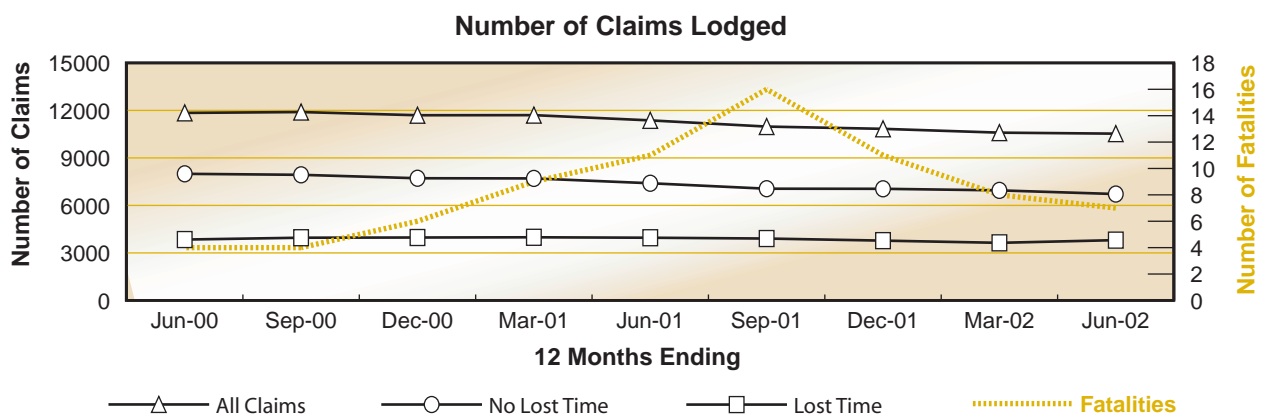
### 2. Claims

#### 1.1 Overall

Injury prevention programs aim to reduce the number of injuries, diseases and deaths in the workplace. The trend in claim numbers provides a broad indicator of performance in this area. The number of claims lodged for any period refers to the number of claims reported based on the date claims are lodged by workers with their employers. The total number of claims per 12 month period was counted as at 31 July 2002. The comparison of outcomes in this report generally relate to comparison between the 12 months ending June 2002 and the previous 12 months ending June 2001.

**Table 1: Total Number of Claims Lodged**

Rolling 12 Months Ending	Fatalities	Lost Time	No Lost Time	All Claims
Jun-00	4	3,844	7,995	11,843
Sep-00	4	3,960	7,932	11,896
Dec-00	6	3,973	7,716	11,695
Mar-01	9	3,987	7,705	11,701
Jun-01	11	3,959	7,400	11,370
Sep-01	16	3,908	7,055	10,979
Dec-01	11	3,776	7,049	10,836
Mar-02	8	3,637	6,950	10,595
Jun-02	7	3,807	6,718	10,532
% Change Jun-01 to Jun-02	-36.4%	-3.8%	-9.2%	-7.4%



Seven fatalities were reported in the 12 months ending June 2002, which were four less fatalities than the number reported in the period to June 2001.

The total number of lost time claims (claims with lost time of one day or more) decreased by 3.8% from 3,959 to 3,807 lost time claims.

The number of minor injuries as represented by no lost time claims declined at a higher rate of 9.2% from 7,400 to 6,718.

Overall, the total number of claims was 10,532, a decrease of 7.4% compared to the previous year's total of 11,370 claims.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### 1.2 Industry Sectors

#### 1.2.1 Claim Numbers

**Table 2: Claim Numbers by Industry Sectors**

Description of Sector	Rolling 12 Months Ending									% Change Jun-01 to Jun-02
	Jun-00	Sep-00	Dec-00	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	
Rural/Meat/Food/Bev	1,445	1,446	1,468	1,443	1,380	1,363	1,326	1,352	1,412	2.3%
Health/Educ/State Gov	2,909	2,863	2,730	2,745	2,746	2,691	2,714	2,763	2,704	-1.5%
Entertainment/Hosp	482	468	474	477	459	467	459	435	440	-4.1%
Clothing/Footw/Text/Misc	978	1,008	1,010	1,010	981	971	945	950	991	1.0%
Forestry/Logging//Printing	959	958	952	943	890	851	848	843	838	-5.8%
Freight/Transport/Ports	639	651	664	698	690	658	642	557	580	-15.9%
Mines/Quarries/Energy	435	427	438	455	451	432	416	399	374	-17.1%
Construction/Local Gov	1,238	1,238	1,218	1,183	1,133	1,074	1,068	1,065	1,073	-5.3%
Manufacturing	1,431	1,533	1,484	1,480	1,374	1,224	1,146	981	910	-33.8%
Retail	1,327	1,304	1,257	1,267	1,266	1,248	1,272	1,250	1,210	-4.4%
All Industries	11,843	11,896	11,695	11,701	11,370	10,979	10,836	10,595	10,532	-7.4%

The industry sectors presented in this report are based on the industry sector groups classified by the Workplace Safety Inspectorate of Workplace Standards Tasmania.

Health/Education/State Government, the largest of the ten industry sectors, recorded the highest number of claims lodged in the 12 months ending June 2002 (2,704). This sector, however, experienced a small decline in claim numbers relative to the previous year (by 1.5%).

Reductions in claim numbers were recorded in eight of the ten sectors. The most notable reductions were evident in Manufacturing (by 33.8%), Mines/Quarries/Energy (by 17.1%) and Freight/ Transport/Ports (by 15.9%).

The number of claims lodged increased for Rural/Meat/Food/Beverage (by 2.3%) and Clothing/Footwear/Textiles/Miscellaneous sector (by 1.0%).

#### 1.2.2 All Claims Frequency Rate

**Table 3: All Claims Frequency Rates by Industry Sector**

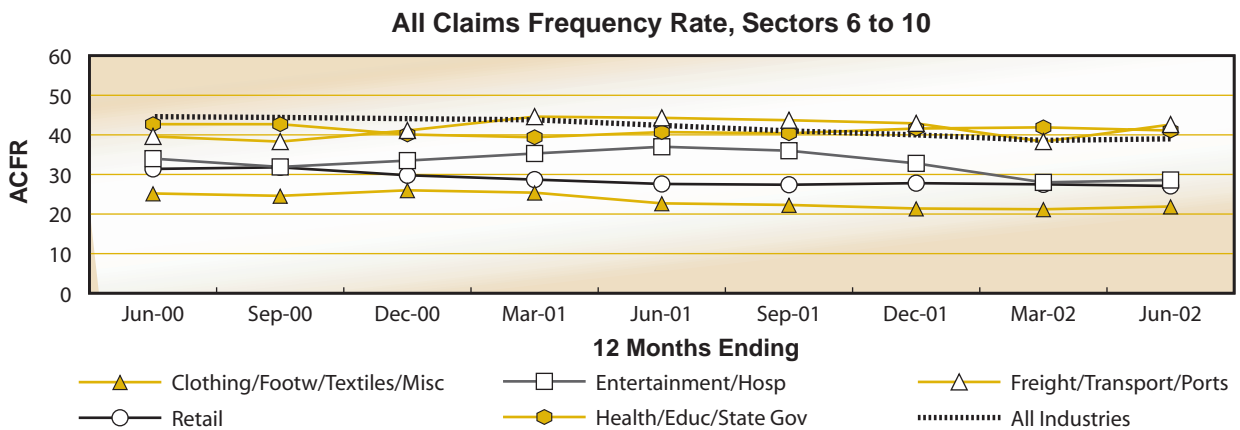
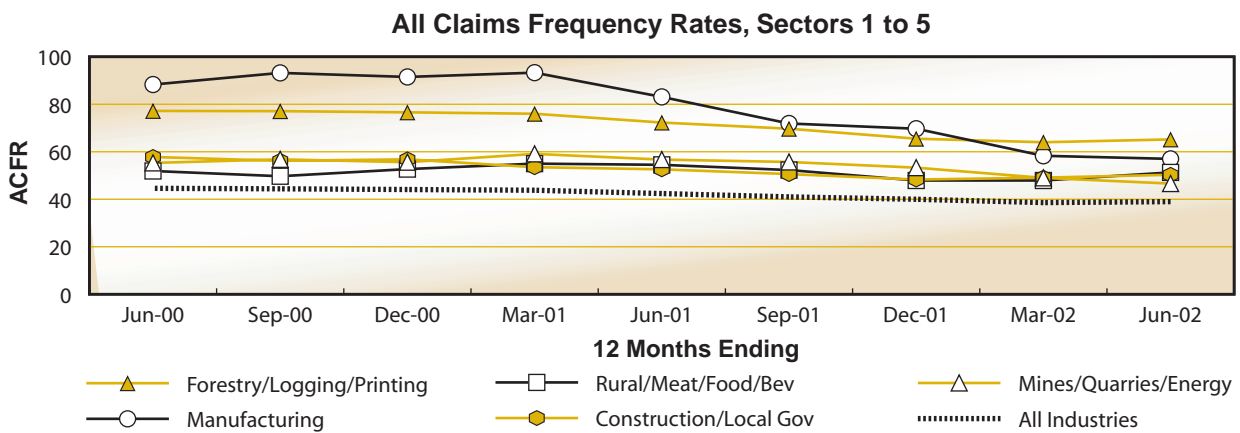
Description of Sector	Rolling 12 Months Ending									% Change Jun-01 to Jun-02
	Jun-00	Sep-00	Dec-00	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	
Rural/Meat/Food/Bev	51.9	49.7	52.7	55.0	54.5	52.3	47.9	47.9	51.3	-5.8%
Health/Educ/State Gov	42.7	42.7	40.1	39.4	40.7	40.4	41.6	41.9	41.1	1.1%
Entertainment/Hosp	34.0	31.9	33.5	35.3	37.0	36.0	32.8	28.0	28.6	-22.6%
Clothing/Footw/Text/Misc	25.2	24.6	26.0	25.4	22.7	22.3	21.4	21.2	21.9	-3.5%
Forestry/Logging//Printing	77.2	77.1	76.6	76.0	72.3	69.7	65.5	64.0	65.2	-9.9%
Freight/Transport/Ports	39.6	38.3	41.1	44.6	44.3	43.7	42.9	38.3	42.6	-3.8%
Mines/Quarries/Energy	55.3	56.8	55.6	59.1	56.7	55.7	53.3	49.0	46.6	-17.9%
Construction/Local Gov	57.8	56.2	56.8	53.5	52.6	50.6	48.3	49.1	50.3	-4.4%
Manufacturing	88.3	93.2	91.5	93.3	83.1	71.9	69.7	58.3	57.0	-31.4%
Retail	31.4	31.8	29.8	28.7	27.6	27.4	27.8	27.5	27.1	-1.7%
All Industries	44.6	44.4	44.1	43.8	42.4	41.0	40.0	38.6	39.0	-8.1%

In the 12 months ending June 2002, average ACFR for All Industries was 39.0 claims per million hours worked, representing a decrease of 8.1% compared to ACFR of 42.4 for the previous year.

Three sectors demonstrated significantly lower ACFRs than the All Industries average for the period ending June 2002. They were Entertainment/Hospitality (28.6), Retail (27.1) and Clothing/Footwear/Textiles/Miscellaneous (21.9).

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002



ACFRs for Forestry/Logging/Printing (65.2), Manufacturing (57.0), Rural/Meat/Food/Beverage (51.3), Construction/Local Government (50.3), Mines/Quarries/Energy (46.6), Freight/Transport/Ports (42.6) and Health/Education/State Government (41.1) were higher than the All Industries average (39.0) in the 12 months ending June 2002.

Decreases in ACFR were observed among nine of the ten sectors, with notable reductions evident in Manufacturing (by 31.4%), Entertainment/Hospitality (by 22.6%) and Mines/Quarries/ Energy (by 17.9%). ACFR increased slightly for Health/Education/State Government (by 1.1%).

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### 1.2.3 Lost Time Injuries

**Table 4: Lost Time Injuries by Industry Sector**

Description of Sector	Rolling 12 Months Ending									% Change Jun-01 to Jun-02
	Jun-00	Sep-00	Dec-00	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	
Rural/Meat/Food/Bev	542	602	614	639	638	613	577	549	585	-8.3%
Health/Educ/State Gov	1,004	1,005	928	931	946	970	849	869	975	3.1%
Entertainment/Hosp	161	158	154	133	144	144	150	133	132	-8.3%
Clothing/Footw/Textiles/Misc	364	376	402	400	372	379	368	364	417	12.1%
Forestry/Logging/Printing	280	267	284	274	267	285	300	312	289	8.2%
Freight/Transport/Ports	238	235	249	259	275	263	260	234	235	-14.5%
Mines/Quarries/Energy	111	130	117	122	118	124	123	110	103	-12.7%
Construction/Local Gov	357	375	385	373	357	329	332	308	308	-13.7%
Manufacturing	366	417	428	442	422	359	372	306	324	-23.2%
Retail	422	395	412	414	420	442	445	452	439	4.5%
All Industries	3,844	3,960	3,973	3,987	3,959	3,908	3,776	3,637	3,807	-3.8%

Lost time injury numbers were highest for Health/Education/State Government (975), Rural/Meat/ Food/Beverage (585), Retail (439) and Clothing/Footwear/Textiles/ Miscellaneous sector (364). These sectors accounted for 25.6%, 15.4%, 11.5% and 11.0% respectively of all lost time injuries during the 12 months ending June 2002.

Six industry sectors experienced reductions in the number of lost time injuries. The most substantial reductions were in Manufacturing (by 23.2%), Freight/Transport/Ports (by 14.5%), Construction/Local Government (by 13.7%) and Mines/Quarries/Energy (by 12.7%).

Increases in the number of lost time injuries were noted for Clothing/Footwear/Textiles/Miscellaneous sector (up by 12.1%), Forestry/Logging/Printing (up by 8.2%), Retail (up by 4.5%) and Health/Education/State Government (up by 3.1%).

### 1.2.4 Lost Time Injury Frequency Rate

**Table 5: Lost Time Injury Frequency Rates by Industry Sector**

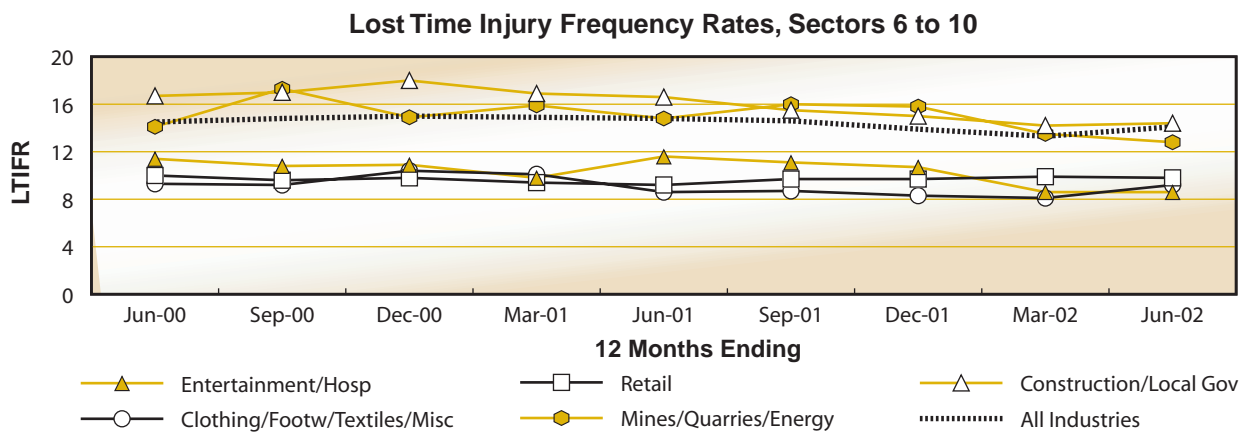
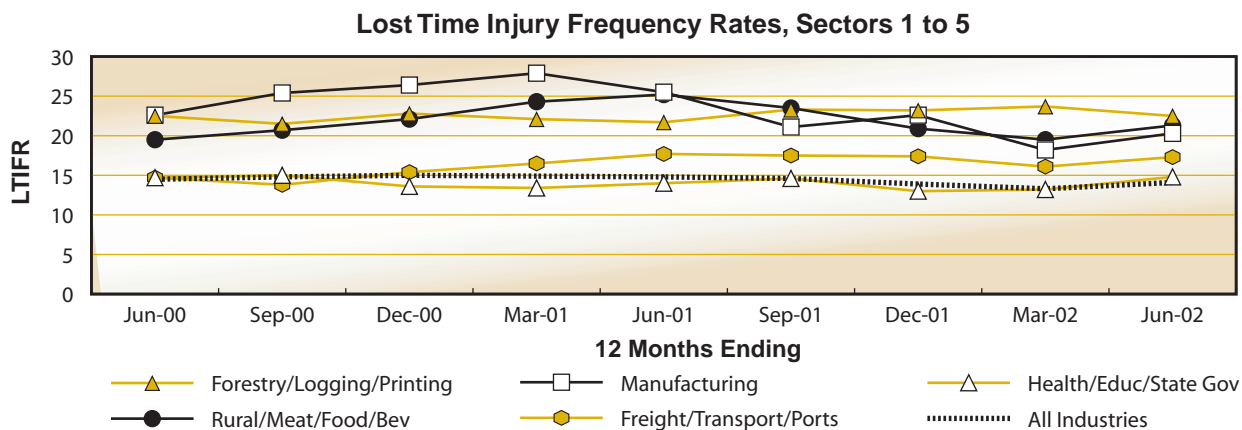
Description of Sector	Rolling 12 Months Ending									% Change Jun-01 to Jun-02
	Jun-00	Sep-00	Dec-00	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	
Rural/Meat/Food/Bev	19.5	20.7	22.1	24.3	25.2	23.5	20.9	19.5	21.3	-15.6%
Health/Educ/State Gov	14.7	15.0	13.6	13.4	14.0	14.6	13.0	13.2	14.8	5.8%
Entertainment/Hosp	11.4	10.8	10.9	9.8	11.6	11.1	10.7	8.6	8.6	-26.0%
Clothing/Footw/Textiles/Misc	9.3	9.2	10.4	10.1	8.6	8.7	8.3	8.1	9.2	7.1%
Forestry/Logging/Printing	22.5	21.5	22.8	22.1	21.7	23.3	23.2	23.7	22.5	3.6%
Freight/Transport/Ports	14.7	13.8	15.4	16.5	17.7	17.5	17.4	16.1	17.3	-2.2%
Mines/Quarries/Energy	14.1	17.3	14.9	15.9	14.8	16.0	15.8	13.5	12.8	-13.6%
Construction/Local Gov	16.7	17.0	18.0	16.9	16.6	15.5	15.0	14.2	14.4	-12.9%
Manufacturing	22.6	25.4	26.4	27.9	25.5	21.1	22.6	18.2	20.3	-20.5%
Retail	10.0	9.6	9.8	9.4	9.2	9.7	9.7	9.9	9.8	7.5%
All Industries	14.5	14.8	15.0	14.9	14.8	14.6	13.9	13.3	14.1	-4.6%

Average lost time injury frequency rate (LTIFR) decreased by 4.6%, from 14.8 to 14.1 lost time injuries per million hours worked.

The sectors with relatively lower LTIFRs than the All Industries average in the period ending June 2002 were Retail (9.8), Clothing/Footwear/Textiles/Miscellaneous sector (9.2) and Entertainment/ Hospitality (8.6).

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002



Forestry/Logging/Printing showed the highest LTIFR (22.5) followed by Rural/Meat/Food/Beverage (21.3) and Manufacturing (20.3). While recording one of the highest LTIFRs in the 12 months ending June 2002, Manufacturing experienced a high rate of decline in LTIFR (by 20.5%) from 25.5 to 20.3 lost time injuries per million hours worked.

Improvements in LTIFR also occurred in five other sectors. The other sectors that experienced notable reductions in LTIFR were Entertainment/Hospitality (by 26.0%), Rural/Meat/Food/Beverage (by 15.6%) and Mines/Quarries/Energy (by 13.6%).

The industry sectors that did not perform well on the basis of increases in LTIFR were Retail (up by 7.5%), Clothing/Footwear/Textiles Miscellaneous sector (up by 7.1%), Health/Education/State Government (up by 5.8%), and Forestry/Logging/Printing (up by 3.6%).

### 1.3 Claims by Type of Insurer

For licensed insurers, 8,004 claims were lodged during the 12 months ending June 2002. This was below the set target of 9,500 claims and represents a decrease of 9.1% compared to the 12 months ending June 2001.

For self-insurers, 914 claims were lodged during the 12 months ending June 2002. This number was below the set target of 1,000 claims. Claim numbers also declined for self-insurers although at a slower rate than for licensed insurers (down by 2.1%).

It should be noted that the trends in claim numbers reported for licensed and self-insurers were partly influenced by the move from private insurance into self-insurance by the Coles Myer Group from August 2001.

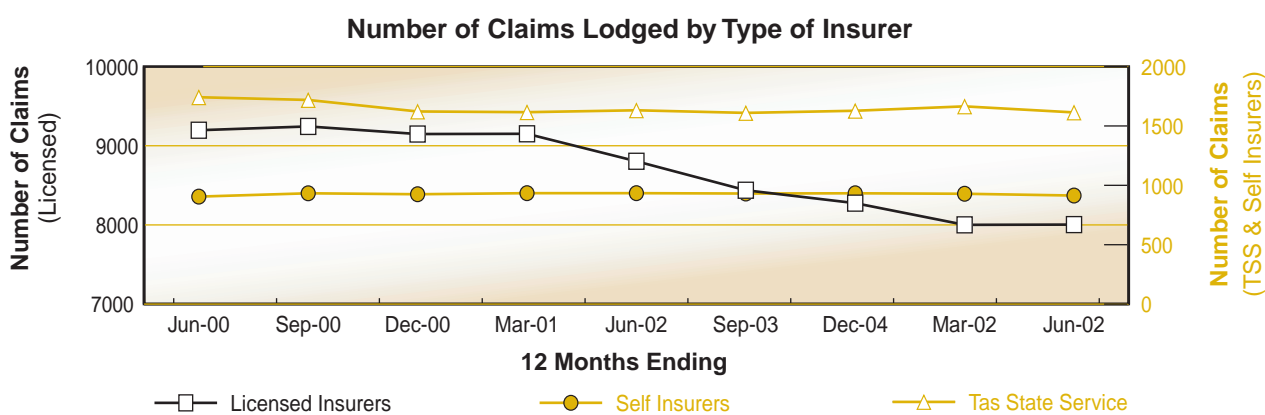
For the Tasmanian State Service, 1,614 claims were lodged during the 12 months ending June 2002. This was just below the set target of 1,700 claims. The Tasmanian State Service recorded a slight reduction in claim numbers of 1.1%.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

**Table 6: Number of Claims Lodged by Type of Insurer**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	9,196	905	1,742	11,843
Sep-00	9,244	933	1,719	11,896
Dec-00	9,148	925	1,622	11,695
Mar-01	9,151	934	1,616	11,701
Jun-01	8,804	934	1,632	11,370
Sep-01	8,438	931	1,610	10,979
Dec-01	8,275	933	1,628	10,836
Mar-02	8,001	929	1,665	10,595
Jun-02	8,004	914	1,614	10,532
% Change Jun-01 to Jun-02	-9.1%	-2.1%	-1.1%	-7.4%



## 2 Lost Time

In the absence of more appropriate data, lost time is generally used as a substitute indicator of injury ‘severity’, claim ‘duration’ or ‘return to work’. Indeed, it has its limitations and the way it may be interpreted as an indicator of injury severity, duration or return to work is arbitrary. When presented as trend data, however, movement over time should provide a reasonable indicator of either an improvement or deterioration in performance.

It is important to note that lost time in any 12 month period presented in this section has been aggregated based on ‘payment period’ information, and is therefore the sum of lost time incurred by claims from various accident or lodgement periods. This basis is different to that used in the estimation of the lost time injury frequency rates presented in the previous section, whereby lost time injuries per 12 month period were counted in respect to claims lodged in that period only.

Calculating average lost time on a payment period basis is a preferred approach to lodgement period as it provides a reasonable mix of claims from previous to current years. This methodology has the potential to remove the differential effect of ‘claims development’ (that is, ‘no lost time claims’ developing into ‘lost time claims’ over time or lost time claims at this point in time accumulating more lost time later on)—which would otherwise be present if lodgement period data were used. It should, as a result, facilitate comparisons to be made between earlier and more recent periods.

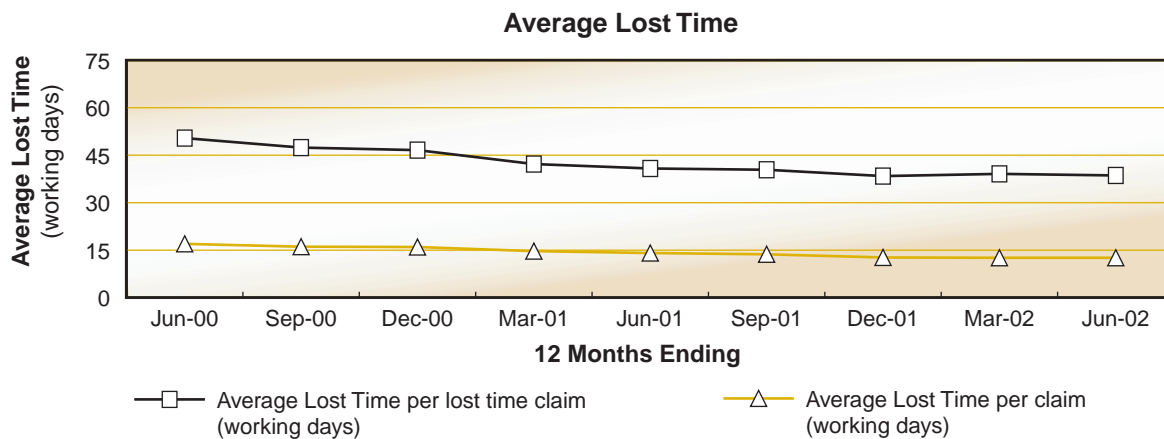
Depending on what one is trying to measure or how one might like to present it, average lost time may be expressed in terms of lost time per claim, ie, average is calculated as total lost time incurred for the period divided by the total number of claims during the period (ie, irrespective of whether lost time is incurred or not). Or it may be expressed in terms of lost time per lost time claim, ie, average is calculated as total lost time incurred for the period divided by the number of claims for which a lost time of one day or more has been incurred during the period. Both measures are useful. The results are presented in the table and chart below.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

**Table 7: Average Lost Time per Claim**

Rolling 12 Months Ending	Lost Time (working days)	Average Lost Time per lost time claim (working days)	Average Lost Time per claim (working days)	No of Claims with lost time	Total Number of Claims in Payment Year
Jun-00	304,865	50.4	17.0	6,052	17,885
Sep-00	283,658	47.4	16.1	5,979	17,575
Dec-00	278,540	46.6	16.0	5,982	17,395
Mar-01	252,939	42.2	14.7	5,988	17,215
Jun-01	241,777	40.8	14.1	5,921	17,198
Sep-01	238,531	40.4	13.7	5,904	17,355
Dec-01	220,783	38.4	12.7	5,756	17,435
Mar-02	218,714	39.1	12.6	5,588	17,357
Jun-02	217,237	38.6	12.6	5,634	17,294
% Change Jun-01 to Jun-02	-10.1%	-5.6%	-10.6%	-4.8%	0.6%



Over the past three years lost time claims, on average, accounted for approximately 32.6% of all claims in each payment year.

During the 12 months ending June 2002, average lost time per claim was 12.6 working days or approximately one working day a month or slightly less than one-quarter of a working day a week. Average lost time per claim decreased by 10.6%, from 14.1 working days.

In the same period, average lost time per lost time claim was 38.6 working days or approximately 3.2 working days a month or 0.7 of a working day a week. Average lost time per claim decreased by 5.6%, from 40.8 working days.

It is worth noting, but will not be pursued here at length, that in the 12 months ending June 2002 the injuries with both a relatively high number of occurrences and high average lost time in working days were: sprains and strains (8,444 claims; 14.3 average lost time), fractures (972 claims; 21.6 average lost time), stress/mental disorder (795 claims; 20.3 average lost time), occupational overuse syndrome (569 claims; 16.2 average lost time) and disorders of spinal vertebrae (408 claims; 26.7 average lost time). The total number of claims in the 12-month payment period ending June 2002 was 17,294.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### 3 Payments

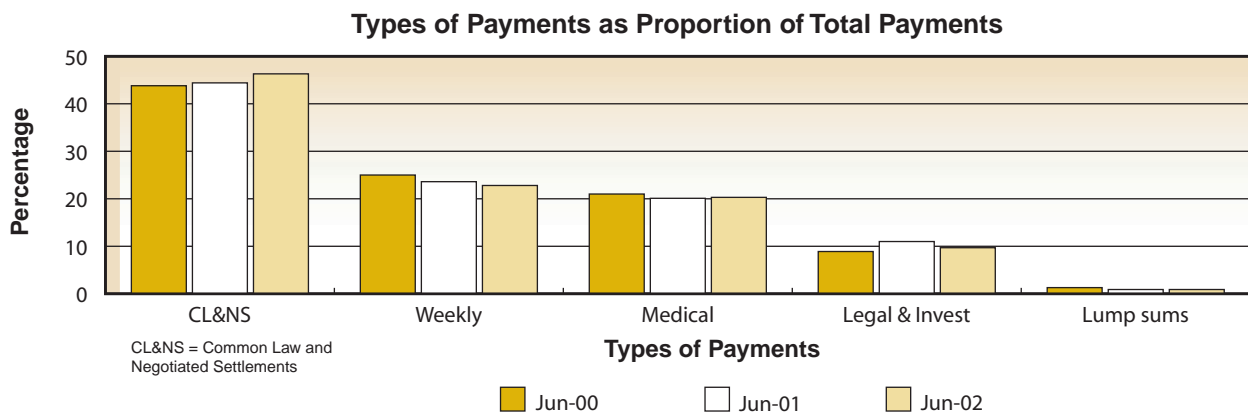
#### 3.1 Overall

Total claim payments include all payments made during the reference period, regardless of when the claim was made or when the injury occurred. Payments are presented in actual dollars.

**Table 8: Types of Payments**

Type of Payment	12 Months Ending									% Change Jun-01 to Jun-02
	Jun-00	Sep-00	Dec-00	Mar-01	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	
CL&NS	56.253	57.560	57.076	53.807	54.508	53.099	55.732	57.011	55.899	2.6%
Weekly	32.144	31.476	30.975	29.309	28.983	29.031	27.826	27.731	27.553	-4.9%
Medical	27.038	26.326	25.832	24.850	24.708	24.301	24.474	24.471	24.473	-0.9%
Legal & Invest	11.415	12.045	13.157	13.335	13.491	13.432	12.617	12.012	11.752	-12.9%
Lump sums	1.642	1.446	1.419	1.535	1.129	1.152	0.940	0.924	1.046	-7.4%
<b>Total</b>	<b>128.493</b>	<b>128.853</b>	<b>128.459</b>	<b>122.836</b>	<b>122.820</b>	<b>121.016</b>	<b>121.589</b>	<b>122.149</b>	<b>120.723</b>	<b>-1.7%</b>

During the 12 months ending June 2002, all insurers paid a total of \$120.723m for workers compensation claims incurred prior to and during that period. This is a small decrease of 1.7% relative to the amount paid in the 12 months ending June 2001.



During the 12 months ending June 2002, common law payments and negotiated settlements combined was the major component of total payments (46.3%), followed by weekly benefits (22.8%) and medical costs (20.3%). Legal and investigation costs constituted 9.7% of total payments, with lump sum payments contributing 0.9% to the total.

Over the three years covered by this report, common law and negotiated settlements as a proportion of total payments showed a steady increase, from 43.8% in the 12 months ending June 2000 to 44.4% in 2001 to 46.3% in 2002. Weekly benefits as a proportion of total payments have steadily declined (from 25.0% to 23.6% to 22.8%). Legal and investigation costs have increased from 8.9% in 2000 to 11.0% in 2001 but declined to 9.7% in 2002. Total medical costs have remained relatively stable over the three years.

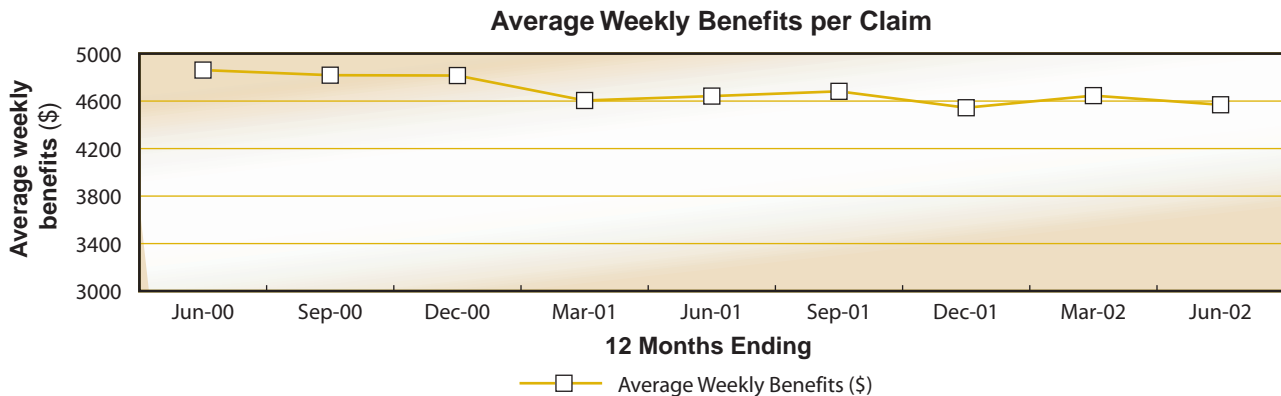
# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### 3.2 Average Weekly Benefits

**Table 9: Average Weekly Benefits per Claim**

Rolling 12 Months Ending	Weekly Benefits (\$m)	Average Weekly Benefits (\$)	Number of Claims with Weekly Benefits	Total Number of Claims in Payment Year
Jun-00	32.144	4,861	6,613	17,885
Sep-00	31.476	4,818	6,533	17,575
Dec-00	30.975	4,815	6,433	17,395
Mar-01	29.309	4,605	6,365	17,215
Jun-01	28.983	4,642	6,244	17,198
Sep-01	29.301	4,682	6,258	17,355
Dec-01	27.826	4,544	6,124	17,435
Mar-02	27.731	4,646	5,969	17,357
Jun-02	27.553	4,569	6,031	17,294
% Change Jun-01 to Jun-02	-4.9%	-1.6%	-3.4%	0.6%



As in average lost time, average weekly benefits per claim is based on payment period data. It is calculated as the total amount of weekly benefits paid during the period divided by the number of claims with weekly benefits during that period.

Over the past three payment years, the number of claims receiving weekly benefits on average accounted for approximately 34.8% of all claims.

During the 12 months ending June 2002, average weekly benefits per claim amounted to \$4,569 or approximately \$381 a month or \$88 a week.

Average weekly benefits per claim decreased slightly in the period ending June 2002 (by 1.6%), from \$4,642 in the previous year.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### 3.3 Insurer Type

#### 3.3.1 Total Claim Payments by Insurer Type

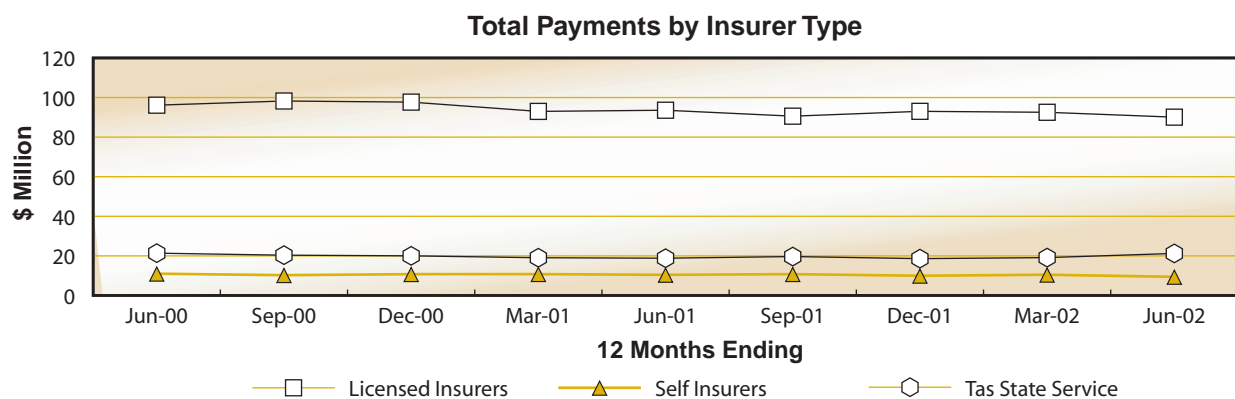
Licensed insurers paid out a total of \$90.083m during the 12 months ending June 2002. This is a decrease of 3.7% over the amount paid out during the 12 months ending June 2001. Reductions in weekly benefits, medical and legal and investigation costs were the main contributors to this decrease.

Self-insurers paid out a total of \$9.407m during the 12 months ending June 2002. This is a decrease of 9.7% over the amount paid out in the previous 12 months. Weekly benefits, legal and investigation costs, and lump sum payments mainly contributed to this decrease.

The Tasmanian State Service paid out a total of \$21.233m during the 12 months ending June 2002. This is an increase of 12.8% from the amount paid out in the previous year. Common law, medical and lump sum payments were the major contributors to this increase.

**Table 10: Total Payments by Type of Insurer (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	96.135	10.990	21.368	128.493
Sep-00	98.246	10.256	20.351	128.853
Dec-00	97.683	10.756	20.020	128.459
Mar-01	92.997	10.782	19.057	122.836
Jun-01	93.584	10.418	18.817	122.820
Sep-01	90.582	10.776	19.658	121.016
Dec-01	93.027	9.960	18.602	121.589
Mar-02	92.545	10.480	19.123	122.149
Jun-02	90.083	9.407	21.233	120.723
% Change Jun-01 to Jun-02	-3.7%	-9.7%	12.8%	-1.7%



#### 3.3.2 Common Law and Negotiated Settlements

A total of \$55.899m was paid out in combined common law payments and negotiated settlements during the 12 months ending June 2002. This is a 2.6% increase over the amount paid out during the 12 months ending June 2001 (\$54.508m).

Common law and negotiated settlements (\$44.171m) remained approximately the same as in the previous year for licensed insurers.

Self-insurers paid out \$4.410m in common law and negotiated settlements during the 12 months ending June 2002. This is a 4.6% decrease on the amount paid out during the previous 12 months (\$4.624m).

# Workers Compensation Quarterly Statistical Report

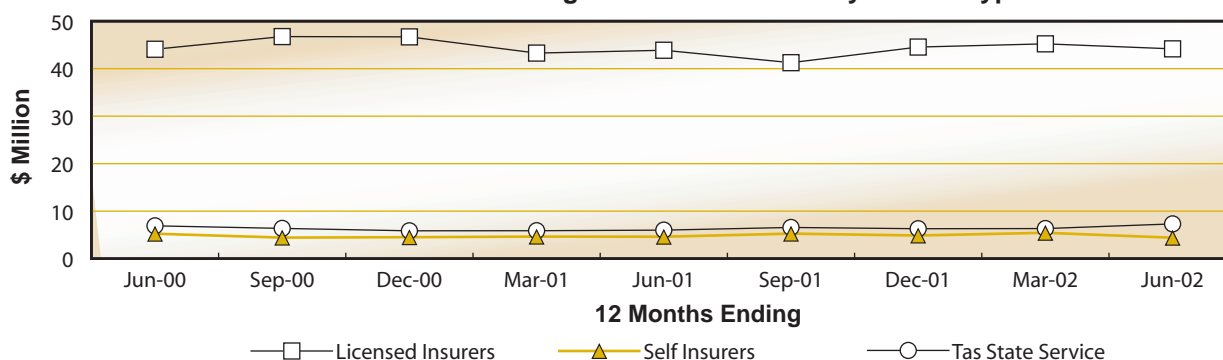
## 12 Months Ending June 2002

The Tasmanian State Service paid out \$7.318m in common law and negotiated settlements during the 12 months ending June 2002. This is a 21.8% increase on the amount paid out during the 12 months ending June 2001 (\$6.008m).

**Table 11: Common Law and Negotiated Settlement by Type of Insurer (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	44.086	5.254	6.912	56.253
Sep-00	46.754	4.433	6.373	57.560
Dec-00	46.692	4.519	5.865	57.076
Mar-01	43.278	4.645	5.884	53.807
Jun-01	43.876	4.624	6.008	54.508
Sep-01	41.258	5.269	6.572	53.099
Dec-01	44.548	4.879	6.306	55.732
Mar-02	45.225	5.449	6.337	57.011
Jun-02	44.171	4.410	7.318	55.899
% Change Jun-01 to Jun-02	0.7%	-4.6%	21.8%	2.6%

**Common law and Negotiated Settlements by Insurer Type**



For the 12 months ending June 2002, all insurers paid out \$13.572m in negotiated settlements. This represents 24.3% of the combined total of common law payments and negotiated settlements for that period.

Licensed insurers paid out the bulk of negotiated settlements (\$7.975m), with self-insurers paying out \$1.154m, and the Tasmanian State Service paying out \$4.443m. The ratio of negotiated settlements to common law payments was much higher for the Tasmanian State Service (6.1:3.9) than for either the licensed insurers (1.8:8.2) or the self-insurers (2.6:7.4).

**Table 12: Negotiated Settlements and Common Law Payments for the 12 Months ending June 2002**

	Licensed Insurers	Self-Insurers	Tasmanian State Service	All Insurers
Common Law \$m	36.196	3.256	2.875	42.327
Negotiated Settlements \$m	7.975	1.154	4.443	13.572

# Workers Compensation Quarterly Statistical Report

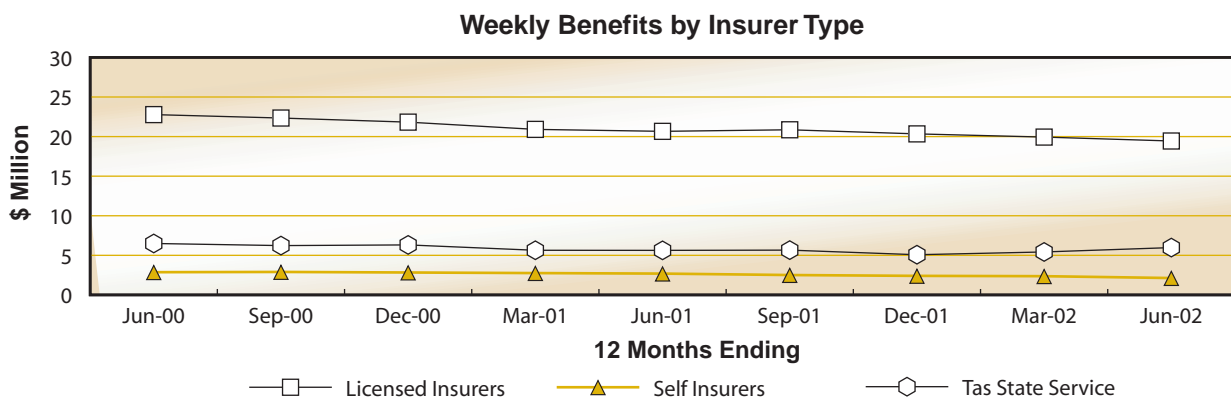
## 12 Months Ending June 2002

### 3.3.3 Weekly Benefits

In overall terms, weekly benefits amounted to \$27.553m for the 12 months ending June 2002, a decrease of 4.9% from the amount paid out during the 12 months ending June 2001.

**Table 13: Weekly Benefits by Type of Insurer (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	22.776	2.871	6.498	32.144
Sep-00	22.343	2.902	6.231	31.476
Dec-00	21.825	2.833	6.317	30.975
Mar-01	20.910	2.759	5.640	29.309
Jun-01	20.662	2.693	5.628	28.983
Sep-01	20.860	2.512	5.659	29.031
Dec-01	20.341	2.407	5.078	27.826
Mar-02	19.937	2.367	5.427	27.731
Jun-02	19.442	2.132	5.979	27.553
% Change Jun-01 to Jun-02	-5.9%	-20.8%	6.2%	-4.9%



Licensed insurers paid out \$19.442m in weekly benefits during the 12 months ending June 2002. This is a decrease of 5.9% over the amount paid out during the 12 months ending June 2001.

Self-insurers paid out \$2.132m during the 12 months ending June 2002, a reduction of 20.8% from the \$2.693m paid out in the previous year. The Tasmanian State Service paid out \$5.979m, an increase of 6.2% from \$5.628m paid out in the previous year.

### 3.3.4 Medical Costs

In overall terms, total medical costs remained relatively the same in the 12 months ending June 2002 as in the previous year, with a total of \$24.473m paid out. Reductions in hospital, allied medical and miscellaneous costs have been offset by the combined increase in the cost of doctors' services and the cost of rehabilitation services remaining constant (Appendix A).

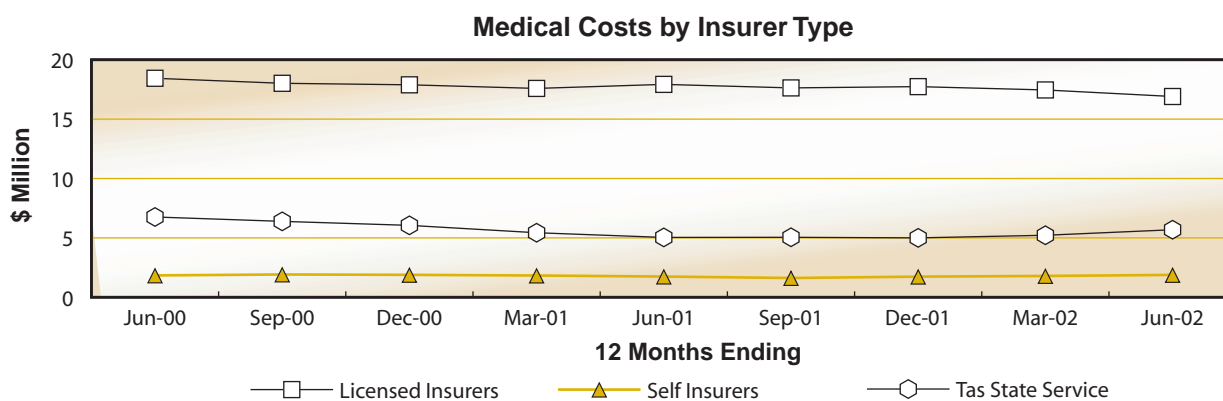
For the 12 months ending June 2002, the total cost of medical services for licensed insurers was \$16.905m. This is a decrease of 5.7%, from \$17.926m in the previous year. This is largely attributable to decreases in hospital, rehabilitation and allied medical services as well as miscellaneous costs associated with medical treatment of workers (Appendix A).

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

**Table 14: Medical Costs by Type of Insurer (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	18.440	1.838	6.760	27.038
Sep-00	18.017	1.918	6.391	26.326
Dec-00	17.890	1.887	6.054	25.832
Mar-01	17.586	1.831	5.433	24.850
Jun-01	17.926	1.743	5.039	24.708
Sep-01	17.629	1.623	5.049	24.301
Dec-01	17.737	1.737	5.001	24.474
Mar-02	17.457	1.794	5.220	24.471
Jun-02	16.905	1.882	5.686	24.473
% Change Jun-01 to Jun-02	-5.7%	8.0%	12.8%	-0.9%



For the 12 months ending June 2002, the total cost of medical services for self-insurers was \$1.882m, an increase of 9.0%. Significant increases in doctor and hospital costs contributed to this trend (Appendix A).

Total medical costs also increased for the Tasmanian State Service (by 12.8%), from \$5.039m to \$5.686m. Significant increases in doctor, rehabilitation and miscellaneous costs were the main contributing factors to this increase (Appendix A).

### 3.3.5 Legal and Investigation Costs

Legal and investigation costs for all insurers amounted to \$11.752m for the 12 months ending June 2002. This amount represents a decrease of 12.9%, from \$13.491m for the previous year.

Legal and investigation costs for licensed insurers decreased by 15.1%, from \$10.251m to \$8.706m.

Self-insurers paid out \$0.948m in legal and investigation costs during the 12 months ending June 2002, a significant decrease of 21.6%, from \$1.209m paid out in the previous year.

Legal and investigation costs increased for the Tasmanian State Service by 3.3% from \$2.031m to \$2.098m.

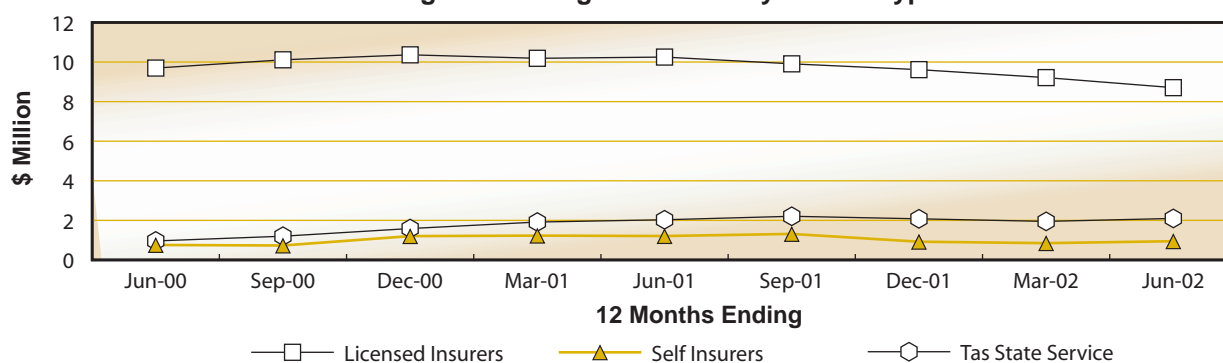
# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

**Table 15: Legal and Investigation Costs by Type of Insurer (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	9.695	0.758	0.961	11.415
Sep-00	10.113	0.731	1.200	12.045
Dec-00	10.364	1.205	1.588	13.157
Mar-01	10.189	1.230	1.916	13.335
Jun-01	10.251	1.209	2.031	13.491
Sep-01	9.909	1.316	2.207	13.432
Dec-01	9.616	0.922	2.079	12.617
Mar-02	9.214	0.850	1.949	12.012
Jun-02	8.706	0.948	2.098	11.752
% Change Jun-01 to Jun-02	-15.1%	-21.6%	3.3%	-12.9%

**Legal & Investigation Costs by Insurer Type**



Since July 2001, all insurers have been required to report legal and investigation costs separately. Legal expenses relate to payments associated with services provided by lawyers or legal practitioners and are made in respect to provision of legal advice, legal representation, costs arising from Workers Rehabilitation and Compensation Tribunal proceedings, or legal costs incurred by worker or insurer. Investigation costs relate to costs incurred with respect to investigating a claim including the provision of medico-legal reports, services of a loss assessor or a loss adjuster, police reports and court attendances of doctors and witnesses during the course of investigation.

For the 12 months ending June 2002, total legal costs amounted to \$7.209m or 61.3% of the combined legal and investigation costs. Total investigation expenses amounted to \$4.543m or 38.7% of the combined legal and investigation costs. The relative proportions for licensed insurers are 56.4% legal, 43.6% investigation; for self-insurers 79.9% legal, 20.1% investigation; and for the Tasmanian State Service 61.3% legal, 38.7% investigation.

### 3.3.6 Lump Sum Payments

Lump sum payments consist of maims, impairment payments, death benefits (including death benefits in the form of weekly payments to spouse and children) and redemptions. Impairment payments and weekly payments as part of death benefits to spouse and children have been added to the data collection from July 2001 as part of the 2000 amendments to the *Workers Rehabilitation and Compensation Act 1988*.

Overall, lump sum payments decreased from \$1.129m for the 12 months ending June 2001 to \$1.046m for the 12 months ending June 2002. This is a decrease of 7.4%. The major contributors to this decrease were the decrease in maims payments (down by 30.0%), and recovery of amounts previously paid as redemptions. These, however, have been partly offset by a 19.2% increase in death benefits and new payments associated with impairment as defined under the 2000 legislative amendments.

During the 12 months ending June 2002, there were seven cases in receipt of impairment payments. Of these, six related to physical and one to psychological impairment. Four cases were rated with less than 5%

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

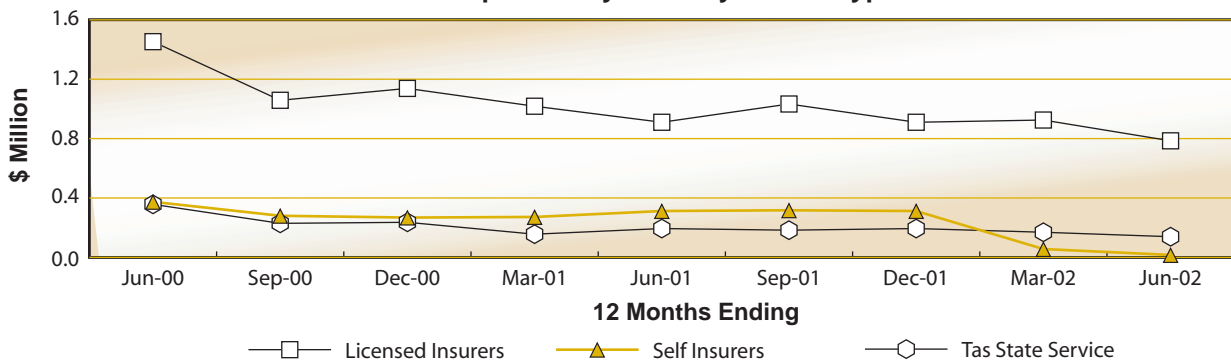
impairment, one case had 10% impairment, one case had 11% and one case had 30% impairment. The type of injuries varied from case to case, with injuries ranging from loss of joint function of a finger to partial amputations and stress. The total amount of impairment benefits paid out during the period was \$43,875.

Lump sum payments for licensed insurers remained practically the same; lump sum payments for self-insurers decreased significantly (by 77.0%), while lump sum payments for the Tasmanian State Service increased by 36.1%.

**Table 16: Lump Sum Payments by Type of Insurer**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	1.138	0.268	0.236	1.642
Sep-00	1.018	0.272	0.156	1.446
Dec-00	0.910	0.313	0.196	1.419
Mar-01	1.033	0.317	0.185	1.535
Jun-01	0.869	0.149	0.112	1.129
Sep-01	0.925	0.057	0.170	1.152
Dec-01	0.785	0.016	0.139	0.940
Mar-02	0.713	0.021	0.191	0.924
Jun-02	0.860	0.034	0.152	1.046
% Change Jun-01 to Jun-02	-1.1%	-77.0%	36.1%	-7.4%

**Lump Sum Payments by Insurer Type**



# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

### 4 Premiums

#### 4.1 Overall

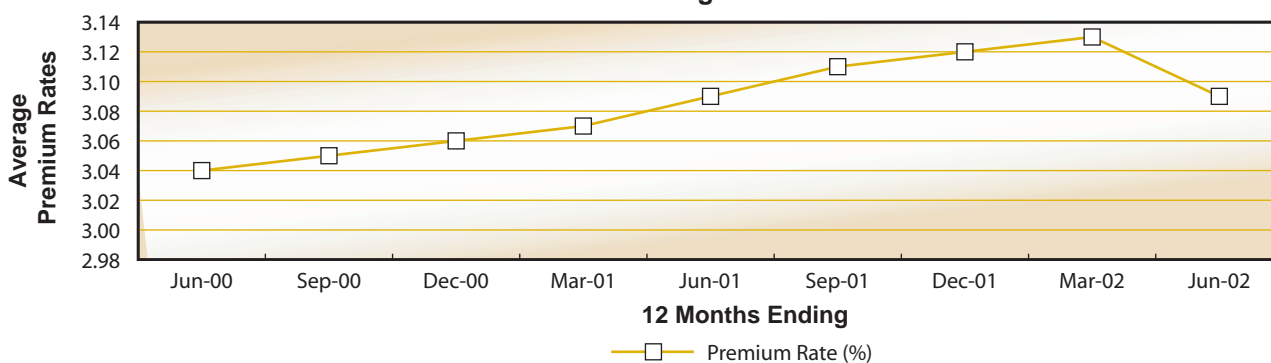
The actual average premium rate based on earned premium data supplied by licensed insurers for the 12 months ending June 2002 was 3.09%. This rate has remained unchanged since the 12 months ending June 2001.

The total earned premium pool increased only slightly (by 1.1%), from \$118.261m for the 12 months ending June 2001 to \$119.561m for the 12 months ending June 2002. Total earned wages increased by about the same rate—from \$3,827.576m to \$3,871.737m.

**Table 17: Policies and Premiums**

Rolling 12 Months Ending	Policies (number)	Exposed Workers (number)	Earned Wages (\$million)	Earned Premiums (\$million)	Average Premium Rate (%)
Jun-00	13,840	159,769	3,456.533	105.045	3.04%
Sep-00	13,721	160,588	3,539.506	108.032	3.05%
Dec-00	13,618	161,991	3,659.581	112.106	3.06%
Mar-01	13,512	162,950	3,757.125	115.193	3.07%
Jun-01	13,358	164,032	3,827.576	118.261	3.09%
Sep-01	13,153	162,142	3,838.934	119.355	3.11%
Dec-01	12,885	159,143	3,825.106	119.268	3.12%
Mar-02	12,589	156,240	3,812.465	119.414	3.13%
Jun-02	12,301	153,553	3,871.737	119.561	3.09%
% Change Jun-01 to Jun-02	-7.9%	-6.4%	1.2%	1.1%	0.0%

**Estimated Average Premium Rates**



#### 4.2 Average Premium Rates Charged by Insurers

The actual average premium rates for licensed insurers ranged from 1.34% to 4.00% during the 12 months ending June 2002. Premium rating is influenced by a variety of factors, such as type of risk exposure, the industry mix in each insurer's portfolio, claims experience, Tasmanian and national experience, allowance for prudential margins and economic assumptions about inflation, interest rates and discount rates applied.

Five insurers increased their average premium rates in the 12 months ending June 2002. The percentage increases ranged from 4.1% to 21.3%. Four insurers decreased their premium rates. Decreases ranged from 1.6% to 6.9%.

Individual insurer's market share, as a percentage of the total earned premium pool, ranged from 0.7% to 33.7% for the 12 months ending June 2002, with the two largest insurers holding 52.5% of the total earned premium pool.

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

**Table 18: Average Premium Rates Charged by Insurers**

Insurer	12 Months Ending Jun-00	12 Months Ending Jun-01	Market Share for Jun-01	% Change Jun-00 to Jun-01
A	3.49%	3.25%	32.8%	-6.9%
B	1.28%	1.42%	0.6%	10.9%
C	3.39%	3.93%	11.0%	15.9%
D	1.38%	1.56%	0.6%	13.0%
E	2.84%	2.42%	11.2%	-14.8%
F	2.35%	2.99%	6.2%	27.2%
G	2.56%	2.57%	13.9%	0.4%
H	3.04%	3.84%	12.8%	26.3%
I	2.99%	3.35%	6.4%	12.0%
J	n.a.	2.35%	4.6%	n.a.
All Insurers	3.01%	3.10%	100.0%	3.0%

### 4.3 Industry Average Premium Rates for the top 50 Industries

For the 12 months ending June 2002, the total number of employers that comprise the top 50 industries was 7,115. The top 50 industries accounted for 55.4% of the total number of employers for the 412 industries identified by insurers (12,301 employers).

Actual premium rates per industry group, as defined by the Australian and New Zealand Standard Industrial Classification, varied considerably by industry.

*Among the top 50 industries*, the highest overall premium rates were recorded for the logging industry (15.38%), beef cattle farming (6.96%), cleaning services (6.71%), sheep farming (6.67%) and sheep-beef cattle farming (6.65%).

The lowest premium rates were recorded for accounting services (0.90%), real estate agents (0.99%) and computer consultancy services (also 0.99%).

# Workers Compensation Quarterly Statistical Report

## 12 Months Ending June 2002

**Table 19: Premium Rates for the Top 50 Industries, 12 months ending June 2002 (%)**

Anzsic	Description	Number of Employers	Industry as % of Total Number of Employers										All Insurers
				A	B	C	D	E	F	G	H	I	
6110	Road Freight Transport	353	2.9%	4.90	-	5.58	14.86	6.62	7.92	7.89	5.64	4.90	5.55
5730	Cafes and Restaurants	328	2.7%	3.19	-	3.43	2.60	3.34	2.38	3.18	2.17	2.09	2.74
0130	Dairy Cattle Farming	323	2.6%	5.40	-	7.18	-	6.11	5.97	17.52	5.06	5.26	5.79
0123	Sheep-Beef Cattle Farming	290	2.4%	7.91	-	11.16	28.81	6.84	7.20	10.45	5.50	5.61	6.65
0124	Sheep Farming	290	2.4%	6.51	-	10.34	-	7.56	6.86	8.56	5.02	5.76	6.67
5125	Takeaway Food Retailing	289	2.3%	2.36	-	3.21	-	3.22	1.93	3.01	1.72	2.41	2.11
8621	General Practice Medical Services	252	2.0%	0.90	-	1.15	1.06	1.40	0.99	2.82	1.52	1.01	1.07
5710	Accommodation	249	2.0%	2.79	-	3.42	2.98	2.96	3.34	3.37	2.68	2.41	2.93
5329	Automotive Repair and Services	247	2.0%	3.53	-	3.41	-	3.69	2.82	2.36	2.86	2.62	3.12
9526	Hairdressing and Beauty Salons	237	1.9%	2.17	-	1.92	1.67	2.48	1.48	2.07	1.90	1.57	1.70
5720	Pubs, Taverns and Bars	193	1.6%	2.12	-	2.76	3.00	2.61	2.23	2.94	2.79	1.94	2.36
0113	Vegetable Growing	166	1.3%	5.29	-	7.09	8.68	6.26	5.02	7.35	5.06	4.58	5.35
4232	Electrical Services	151	1.2%	3.15	-	4.30	-	3.61	3.80	6.57	3.47	2.76	3.40
7855	Business Management Services	150	1.2%	1.04	-	1.28	1.16	1.41	1.31	1.43	1.51	1.09	1.27
5251	Pharmaceutical, Cosmetic Retail	148	1.2%	1.41	-	1.69	1.04	1.65	1.21	1.71	1.54	1.66	1.12
5321	Automotive Fuel Retailing	144	1.2%	2.46	-	2.91	-	2.86	2.54	2.99	3.33	2.30	2.58
5110	Supermarket and Grocery Stores	138	1.1%	2.36	-	3.59	2.40	2.68	2.17	2.84	2.48	1.98	2.34
4111	House Construction	136	1.1%	5.98	-	6.97	-	8.33	5.62	8.27	6.26	7.00	6.23
5740	Clubs (Hospitality)	136	1.1%	2.86	-	3.67	-	3.60	2.35	3.47	2.75	2.50	2.88
7834	Computer Consultancy Services	136	1.1%	0.76	-	1.00	1.20	1.35	1.26	1.65	1.71	0.98	0.99
5259	Retailing n.e.c.	134	1.1%	1.76	-	2.92	-	2.34	1.89	2.17	1.98	2.14	2.05
5243	Newspaper, Book and Stationery	132	1.1%	1.13	1.39	1.26	2.01	1.79	1.33	1.67	1.61	1.20	1.35
7842	Accounting Services	127	1.0%	0.78	-	0.88	0.92	1.01	0.88	1.16	1.09	0.83	0.90
4210	Site Preparation Services	114	0.9%	5.86	-	7.48	-	7.49	6.88	7.25	5.18	6.28	6.16
7823	Consulting Engineering Service	112	0.9%	1.07	-	1.50	0.75	0.92	1.47	1.72	1.62	0.99	1.14
0302	Logging	110	0.9%	15.88	-	-	-	16.90	12.06	15.09	22.90	12.32	15.38
0122	Grain-Sheep and Grain-Beef Cattle	108	0.9%	7.76	-	8.41	-	6.82	6.74	7.81	5.01	5.16	5.65
5221	Clothing Retailing	108	0.9%	1.39	-	1.75	1.90	1.22	1.38	1.37	1.39	1.66	1.44
7854	Business Administrative Services	107	0.9%	1.07	0.56	1.06	0.84	1.23	1.58	1.21	1.60	1.12	1.13
7841	Legal Services	105	0.9%	1.82	-	1.82	1.00	1.50	1.35	1.60	1.14	1.06	1.47
5233	Domestic Hardware & Houseware	102	0.8%	2.97	-	2.57	1.65	2.49	3.09	2.48	2.59	0.73	1.85
7720	Real Estate Agents	102	0.8%	0.74	-	0.93	0.88	1.05	1.05	1.19	1.21	1.10	0.99
7866	Cleaning Services	100	0.8%	7.41	-	9.38	5.38	10.61	6.27	6.75	6.51	5.36	6.71
8622	Specialist Medical Services	95	0.8%	1.23	-	1.03	-	1.46	1.37	-	1.42	1.04	1.25
8623	Dental Services	91	0.7%	0.86	-	1.07	1.39	1.58	1.07	-	1.45	0.95	1.18
9629	Interest Groups n.e.c.	91	0.7%	2.40	-	3.52	1.85	2.11	1.82	8.02	3.09	1.31	3.73
5323	Smash Repairing	80	0.7%	2.51	-	4.54	-	6.11	3.21	3.43	2.87	2.78	2.80
7520	Services to Insurance	78	0.6%	0.73	-	1.04	1.50	1.78	1.21	1.16	0.94	0.70	1.12
0125	Beef Cattle Farming	77	0.6%	8.79	-	9.79	8.00	8.29	5.99	35.79	3.94	33.38	6.96
4231	Plumbing Services	76	0.6%	4.25	-	8.08	-	6.13	5.56	7.26	6.77	4.60	4.87
9621	Business and Professional Assoc	76	0.6%	1.27	-	1.07	1.22	1.66	1.07	2.95	1.68	1.28	1.21
2769	Fabricated Metal Product Manuf.	74	0.6%	5.46	-	5.79	-	5.63	5.37	6.33	4.55	4.01	5.10
6122	Short Distance Bus Transport	74	0.6%	4.14	-	4.69	-	5.96	4.97	4.21	4.82	4.12	4.24
5121	Fresh Meat, Fish and Poultry Retail	73	0.6%	4.04	-	4.69	3.05	6.36	4.77	4.63	5.56	4.04	4.13
5124	Bread and Cake Retailing	72	0.6%	1.99	-	2.86	-	3.39	2.09	3.57	1.91	2.08	2.11
0420	Aquaculture	69	0.6%	4.93	-	6.38	-	7.24	5.44	12.59	6.64	5.10	5.23
4244	Painting and Decorating Services	69	0.6%	5.89	-	8.45	-	6.33	5.38	8.28	6.59	5.55	5.64
6123	Taxi and Other Road Passenger	68	0.6%	6.26	-	-	-	7.44	4.98	5.44	6.65	-	6.30
8710	Child Care Services	68	0.6%	5.30	-	2.32	2.66	7.03	2.00	4.65	2.81	1.63	3.23
0219	Services to Agriculture n.e.c.	67	0.5%	4.72	-	7.43	-	9.13	5.52	7.75	1.57	4.76	3.70

## Appendix A Medical Costs

**Table A1: Doctors Costs (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	5.474	0.710	0.913	7.098
Sep-00	5.487	0.767	1.033	7.287
Dec-00	5.599	0.797	1.227	7.623
Mar-01	5.658	0.747	1.397	7.803
Jun-01	6.004	0.749	1.566	8.319
Sep-01	6.044	0.724	1.665	8.434
Dec-01	6.274	0.797	1.762	8.832
Mar-02	6.143	0.843	2.052	9.038
Jun-02	5.877	0.867	2.277	9.022
% Change Jun-01 to Jun-02	-2.1%	15.8%	45.5%	8.5%

**Table A2: Hospital Costs (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	2.195	0.189	0.488	2.872
Sep-00	2.023	0.202	0.498	2.723
Dec-00	2.097	0.146	0.460	2.703
Mar-01	2.000	0.146	0.425	2.571
Jun-01	2.031	0.119	0.396	2.546
Sep-01	2.002	0.106	0.386	2.494
Dec-01	1.964	0.160	0.352	2.476
Mar-02	1.945	0.147	0.391	2.483
Jun-02	1.851	0.172	0.371	2.394
% Change Jun-01 to Jun-02	-8.9%	44.6%	-6.2%	-6.0%

**Table A3: Rehabilitation Costs (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	4.944	0.296	1.608	6.848
Sep-00	5.062	0.329	1.699	7.090
Dec-00	5.054	0.363	1.756	7.173
Mar-01	5.110	0.354	1.755	7.219
Jun-01	5.266	0.335	1.830	7.431
Sep-01	5.104	0.285	1.885	7.274
Dec-01	5.139	0.264	1.927	7.330
Mar-02	5.076	0.287	1.982	7.345
Jun-02	4.926	0.314	2.145	7.386
% Change Jun-01 to Jun-02	-6.5%	-6.3%	17.2%	-0.6%

## Appendix A Medical Costs

**Table A4: Allied Medical Costs (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	4.180	0.390	2.766	7.336
Sep-00	3.895	0.409	2.293	6.597
Dec-00	3.657	0.406	1.891	5.954
Mar-01	3.444	0.404	1.398	5.246
Jun-01	3.315	0.373	0.933	4.622
Sep-01	3.255	0.348	0.827	4.429
Dec-01	3.193	0.364	0.686	4.242
Mar-02	3.115	0.371	0.486	3.972
Jun-02	3.096	0.387	0.489	3.972
% Change Jun-01 to Jun-02	-6.6%	3.6%	-47.6%	-14.1%

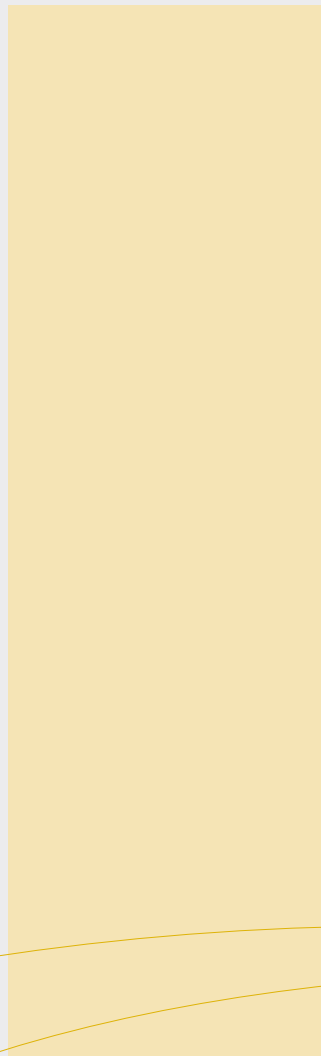
**Table A5: Miscellaneous Costs (\$million)**

Rolling 12 Months Ending	Licensed Insurers	Self-Insurers	Tas State Service	All Insurers
Jun-00	1.645	0.254	0.985	2.884
Sep-00	1.550	0.211	0.869	2.631
Dec-00	1.483	0.176	0.720	2.378
Mar-01	1.374	0.180	0.457	2.011
Jun-01	1.309	0.167	0.315	1.790
Sep-01	1.224	0.160	0.286	1.670
Dec-01	1.168	0.152	0.274	1.594
Mar-02	1.178	0.146	0.308	1.632
Jun-02	1.155	0.141	0.403	1.700
% Change Jun-01 to Jun-02	-11.7%	-15.2%	28.2%	-5.0%





## **Appendices**



## Appendix 1 – Licensed Insurers

Allianz Aust General Insurance Ltd

CGU Insurance

Zurich Aust Insurance Ltd

Guild Insurance Ltd

QBE Insurance Ltd

NRMA Insurance Group Ltd

Royal & Sun Alliance Aust Ltd

Catholic Church Insurances (Specialised Licence)

GIO General Limited

## Appendix 2 – Self-Insurers

ANZ

Cadbury Schweppes Pty Ltd

Comalco Aluminium (Bell Bay)

National Australia Bank Ltd

PaperlinX Limited

Gunns Forest Products Pty Ltd

Pasminco Hobart Smelter

Pasminco Rosebery

Westpac Banking Corporation

National Foods Milk Limited

Forestry Tasmania

Commonwealth Bank of Australia

Blue Ribbon Meat Products

Woolworths Tasmania

Blundstone Pty Ltd

BHP Temco

Coles Myer Ltd

## Appendix 3 – Publications List

### General

Publication List

Video Catalogue

Workplace Issues (quarterly magazine)

Long Service Leave Guide – A Guide to the *Long Service Leave Act 1976*

\*Internet only

Directory of Service Providers.

\*Internet only

### Workplace Health and Safety

Duty of Care

What You Don't Know Can Hurt You (wallet guide)

A Guide to the Workplace Health and Safety Act

Rural Workplace Health and Safety Guide

Forest Industry Occupational Health and Safety Information

\*Internet only

Rural Workplace Human Resource Management Guide

Welcome to the Workplace – A Safety Kit for New Workers

Hazard Management: Play it SAFE

The Workplace Health and Safety Regulations

Workplace Health and Safety Basics for Cleaners: Responsibilities, Problems and Solutions

Play it SAFE Working at Height

Tasmanian Transport Industry – Guide to OH&S Duty of Care

Body Strain Prevention Kit

### Rehabilitation and Compensation

Workers Compensation Insurers Tasmania – List of Main Offices

\*Internet only

*Workers Rehabilitation and Compensation Act 1988* – Summary A4 Poster

*Workers Rehabilitation and Compensation Act 1988* – Summary A3 Poster

So You've Been Injured at Work, What Happens Now?

*Workers Rehabilitation and Compensation Act 1988* – The Amendments

A Guide to Workers Compensation in Tasmania

### Hazardous Substances

How to HAZCHEM Placard Premises Storing Dangerous Goods

Play it SAFE with Chemicals: A Guide to Managing Hazardous Substances in the Workplace

### Plant

Plant Safety: Registration and Record Keeping Requirements Applying in Tasmania

Industrial Equipment Requiring an OHS Certificate of Competency

### Codes of Practice

A Guide to Developing Codes of Practice

Managing the Risk of Falling in Housing Construction  
\*Internet only or purchase from the Printing Authority of Tasmania via your industry association

Working at Heights in Commercial Construction

\*Internet only or purchase from the Printing Authority of Tasmania via your industry association

Draft Code of Practice for Sawmill Operation

Draft Forestry Safety Code

Code of Practice for the Safe Use of Reinforced Plastics

\*Internet only or purchase from the Printing Authority of Tasmania

Draft Code of Practice for the Tasmanian Abalone Industry

## Appendix 3 – Publications List

### Safety Bulletins

- SB001 A Guide for the Election of an Employees' Safety Representative
- SB001a Employees' Safety Representatives: A Guide to Duties, Responsibilities and Powers
- SB005 The Safe Use of Brushcutters
- SB007 Asbestos – Safe Removal and Disposal in Industry
- SB008 How Loud?
- SB009 How to Manage Shiftwork
- SB010 Shiftwork – How to Devise an Effective Roster
- SB013 Lifting Machinery – Safe Practices for Forklift Trucks (Powered)
- SB017 Statutory Requirements – Accident Notifications and Recording
- SB018 Abrasive Wheels – Safety in the Use of Portable Disc and Angle Grinders
- SB022 Safety Procedures for the Loading, Transporting and Unloading of Logs
- SB023 Recommended Procedure for the Modification of Fixed Two-post ROPs
- SB024 Occupational Overuse Syndrome (OOS)
- SB027 The Safe Use of Chainsaws
- SB028 Working with Lead and Products Containing Lead in Industry
- SB029 Photocopying Machines
- SB030 Chemical Safety in the Rural Industry
- SB031 Tractor Safety
- SB033 Protective Canopies for Excavator-type Machines Used in Forest Operations
- SB034 Skin Cancer and Outdoor Work
- SB035 Safety in the Shearing Industry
- SB036 Log Landing Safety
- SB037 Eye Injuries
- SB040 Information for Firewood Cutters
- SB042 Safe Use of Nail Guns
- SB043 Housing Construction Industry Guide to OHS
- SB044 A Guide to Operation of Mobile Equipment Near Overhead Powerlines
- SB046 First Aid for Asthma
- SB047 It's Your Farm, It's Your Machinery, It's Your Responsibility

### Safety Alerts

- SA003 3/96 – Chainsaw Use
- SA006 1/97 – Securing of Log Truck Jinkers
- SA007 1/97 – Dangers of Working Near Overhead Powerlines
- SA009 5/97 – Metal Working Machines – Drill Presses
- SA010 6/97 – Falling Object Protective Structure (FOPS) prevents Serious Injury
- SA011 6/97 – Meat Mincers – An Ongoing Concern – 1/7/97
- SA012 6/97 – Unsafe Chemical Storage – 4/7/97
- SA013 8/97 – Fatal Tree Falling Accident
- SA014 9/97 – Crusher Operator's Arm Caught in Conveyor
- SA015 10/97 – Surface Drill Rigs – Protection From Rotating Parts
- SA016 1/98 – Fork-lift Falls From Rear of Truck
- SA017 2/98 – Projectiles From Breast Bench Saws
- SA018 4/98 – Portable Drills
- SA019 5/98 – Falling Log Crushes Car
- SA020 6/98 – Asbestos Exposed in Playground Train
- SA021 7/98 – Ladder Safety
- SA022 10/98 – Inflatable Amusement Structures
- SA023 11/98 – Incompatible International Electric Fittings
- SA024 3/98 – Excavators are Dangerous
- SA025 1/99 – Bucket Elevators
- SA026 2/99 – Forklift Crushes Worker
- SA027 3/99 – Bakery Worker Loses Finger in Bread-slicing Machine
- SA028 5/99 – Don't Cut Steel Drums
- SA029 6/99 – Worker Receives Serious Electrical Burns after Concrete Pumping Accident
- SA030 7/99 – Concrete Pump Overturns – Worker Breaks Ankle
- SA031 4/99 – Woman Scalped in Go-Karting Accident
- SA032 1/00 – Faulty Engine Lifting Equipment
- SA033 2/00 – Mill Worker Suffers Serious Injury After Falling From Ladder

## Appendix 3 – Publications List

- SA034 3/00 – Kerosene Heater Ignites – Man Seriously Burnt
- SA035 4/00 – Worker Sustains Serious Injuries From Conveyor Accidents
- SA036 5/00 – Tiger Tails on Powerlines
- SA037 6/00 – Fatal Fireworks Explosion
- SA038 7/00 – Excavator Boom Failure
- SA040 9/00 – Machine Roller Safety
- SA041 10/00 – Machine Roll Over
- SA042 1/01 – Mobile Aluminium Prefabricated Scaffolds
- SA043 2/01 – Filling LPG Powered Fork Lift Trucks
- SA044 3/01 – Primer Vapours Ignited by Fan
- SA045 4/01 – Violent Splattering of Molten Metal
- SA046 1/02 – Chrome Plated Fire Hydrant Valve Failure

### Posters

- Eye Protection – Wear it
- Steel or Skin?
- Finger or Fuse?
- Timber or Toes?
- Farm Safety
- SAFE
- Injured Hand
- Injured at Work
- Workplace Safe Week 2002

### Electrical Standards and Safety

- Energy Efficiency of Clothes Washers and Dryers
- Energy Efficiency of Fridges and Freezers
- Energy Efficiency of Air-Conditioners
- Energy Efficiency of Dishwashers
- Code of Practice for the Sale of Electrical Installation Products to the Public
- Electrical Licensing in Tasmania
- Electrical Industry Bulletin (quarterly)
- Install Safety Switches
- Do It Yourself – Dead on Arrival
- Electricity Kills

## Appendix 4 – Telephone Enquiries and Publication Requests

### Information and Workers Compensation Branch

#### *Helpline Section*

The first point of contact for all telephone enquiries to Workplace Standards Tasmania is the Helpline Section. The Helpline Section deals with a wide range of queries covering workers compensation, workplace health and safety, worksafe campaigns and other legislation administered by the division. Stakeholders are provided with immediate information and matters requiring further research are directed to other parts of the division. Telephone calls are received during business hours and an after hours emergency service is maintained by the Helpline Section. The Helpline Section is also responsible for providing information via facsimile and the increasingly-popular option of email.

Over 96% of calls to the Helpline Section were dealt with immediately and required no further attention.

Businesses are advised about electronic and hard copy workplace publications; the Helpline Section maintains supplies of these in conjunction with the Promotions Section.

### Customer Service Initiatives

- Over 97.5% of requests for facsimile responses received attention within two hours.

### Publications Performance Indicators

- Over 90% of the publication requests were for workplace health and safety and workers rehabilitation and compensation publications.
- Over 3,800 requests for publications were processed.
- Over 117,200 publications were provided to callers.

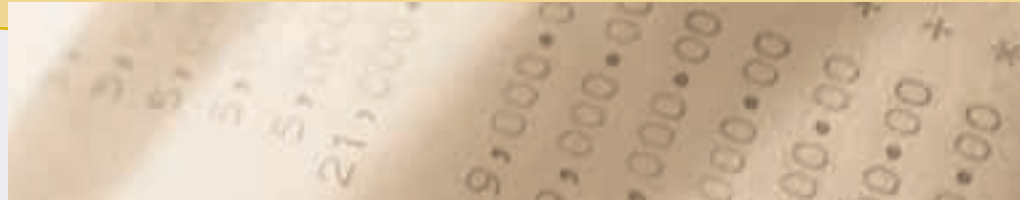
### Activities of the Helpline Section

- Over 58,280 telephone calls were attended to.
- Almost 25% of calls related to workplace health and safety or workers' rehabilitation and compensation.
- Over 900 emails were attended to.

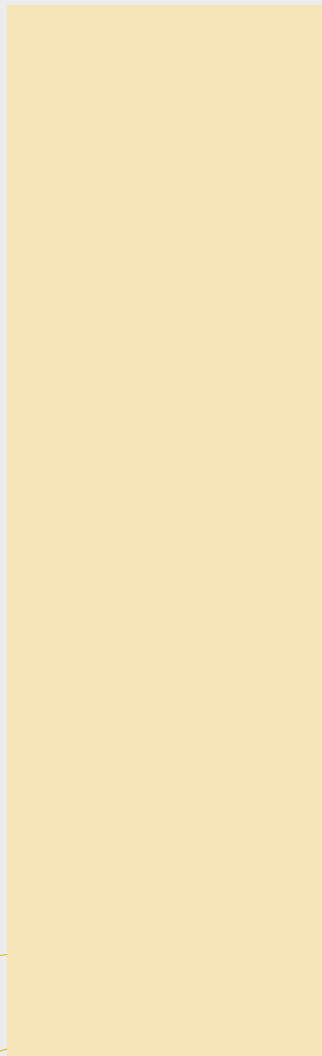
### Matters forwarded outside the Helpline Section for attention

- Over 50% of matters forwarded from the Helpline Section to other parts of the agency related to workplace health and safety.
- Over 17% of matters forwarded from the Helpline Section related to workers rehabilitation & compensation.
- There were 1,147 workplace health and safety matters.
- There were 400 workers rehabilitation and compensation matters.
- There were 731 other legislative matters.





## **Financial Statements**



# Nominal Insurer

## Terms of reference

The Nominal Insurer is an independent statutory body established under section 121 of the *Workers Rehabilitation and Compensation Act 1988*.

Its main purpose is to ensure that the worker is not disadvantaged in circumstances where

- the employer is not insured
- the employer cannot be located
- the employer or licensed insurer has become insolvent
- for any other reason there are reasonable grounds for believing that the employer or licensed insurer is, or is likely to be, unable to discharge in full any liability under the Act.

## Membership

Section 122 of the Act was amended in 2001 to provide for an increase in the Nominal Insurer of two members appointed by the Minister.

The Nominal Insurer is comprised of:

Mr R Walker (Chairman), representing licensed insurers

Mr P Donaldson, representing licensed insurers

Ms H Barclay, representing licensed insurers

Mr S Azzopardi, representing self-insurers

Mr P Mussared, appointed by the Minister

Mr R Lethborg, appointed by the Minister

Mr B Aherne, Secretary

## Functions

The Nominal Insurer is involved in managing claims incurred under the 1927 Act and the 1988 Act. In general, the Nominal Insurer is funded by contributions from licensed insurers and self-insurers.

The collapse of the HIH Insurance Group in 2001 resulted in amendments to the Act to provide for an alternative funding mechanism. Under this new mechanism, employers are required to pay a special contribution (levy) on workers compensation insurance policies.

## 1927 Act: Uninsured employers

Three claims remain open with estimates of \$45,000 in total.

## 1927 Act: National employers mutual (in liquidation)

Five claims are still outstanding with estimates totalling \$155,000

## 1988 Act

- Claims under the 1988 Act can be grouped into the following three categories:
- claims relating to uninsured employers
- claims relating to HIH (now in liquidation)
- claims relating to the self-insurer Blue Ribbon Meat Products (now in liquidation).

With respect to uninsured employers, there are 18 claims outstanding for uninsured employers with total estimates of \$298,000.

HIH claims: these claims are being managed by NRMA Insurance on behalf of the Nominal Insurer. Over 400 claims have been settled for a total payment of \$16.5 million. There are 200 claims that remain outstanding, with an actuarial estimation of \$31.5 million. On 30 June 2002, a collection of a special contribution against workers compensation premiums payable by employers to meet the cost of the HIH group outstanding claims began.

Blue Ribbon Meat Products: at the time of its liquidation, Blue Ribbon Meat Products had 19 claims taken over by the Nominal Insurer at an initial estimate of \$530,000. Ten claims have been settled at a cost of \$219,968 and eight remain outstanding estimated at \$312,905. As a self-insurer, Blue Ribbon Meat Products lodged a bank guarantee of \$425,000 with the WorkCover Tasmania Board. The Nominal Insurer is drawing funds from this guarantee to meet the cost of claims. Any additional funds required will be obtained in the usual manner or from funds obtained through the liquidation process.

# Independent Audit Report

## To the Committee of the Nominal Insurer

### Scope

I have audited the financial report of the Nominal Insurer comprising Statements of Financial Performance, Financial Position, Cash Flows and notes thereto, for the year ended 30 June 2002. The Committee of the Nominal Insurer 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 Committee.

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 Nominal Insurer, the results of its operations and its 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 applicable legislation, Accounting Standards and other mandatory professional reporting requirements, the financial position of the Nominal Insurer as at 30 June 2002, and the results of its operations and its cash flows for the year then ended.



Kate Tamayo

DIRECTOR

For the Auditor-General

24 February 2003

HOBART

# The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

## Financial Statement for the Year Ended 30 June 2002

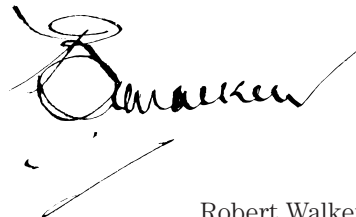
The accompanying Financial Statements of The Nominal Insurer are drawn up so as to give a true and fair view of the results and cash flows for the year ended 30 June 2002 and the state of affairs as at 30 June 2002.

The accounts have been made out in accordance with Australian Accounting Standards and in compliance with the Treasurer's Statements.

As at the date of this statement, there are reasonable grounds to believe The Nominal Insurer will be able to pay its debts as and when they fall due.



Brian Aherne  
Secretary Nominal Insurer Committee



Robert Walker  
Chairman Nominal Insurer Committee

February 11 2003

# The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

## Statement of Financial Position as at 30 June 2002

	Notes	2002 \$	2001 \$
<b>Current Assets</b>			
Bank Account	10	310,981	508,768
Receivables	11	12,991,600	17,111,000
HHH Expenses in Advance		-	32,440
		<u>13,302,581</u>	<u>17,652,208</u>
<b>Non Current Assets</b>			
Receivables	11	<u>32,390,750</u>	<u>33,258,000</u>
		32,390,750	33,258,000
<b>Total Assets</b>		<b>45,693,331</b>	<b>50,910,208</b>
<b>Current Liabilities</b>			
Outstanding Claim	11(b)	6,468,250	17,061,000
Tascorp Loan	11(a)	6,458,350	-
Provision for Administration & Claim Expenses	65,000	50,000	
Australian Taxation Office	13	9,596	-
		<u>13,001,196</u>	<u>17,111,000</u>
<b>Non Current Liabilities</b>			
Tascorp Loan	11(a)	9,854,000	-
Outstanding Claims	11(b)	22,536,750	33,258,000
Insurers' Funds	14	301,385	541,208
		<u>32,692,135</u>	<u>33,799,208</u>
<b>Total Liabilities</b>		<b>45,693,331</b>	<b>50,910,208</b>

# The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

## Statement of Cash Flows for the Year Ended 30 June 2002

	Notes	2002 \$	2001 \$
<b>Cash Flows from Operating Activities</b>			
Insurers Contribution	3	137,450	498,641
Claims Recovery	4	9,853	245,835
Interest Received	6	7,153	16,875
GST Collected - Blue Ribbon		10,000	-
GST Refunded	9	17,143	-
Claims Expenses	5	-16,134,098	-361,482
Administration Expenses	8	-85,940	-49,839
Input Tax Credits	7	-13,348	-
HIH Expenses		-	-32,440
Distribution To Insurers		-	-200,000
Net Cash Inflow From Operating Activities		-16,051,787	117,590
<b>Cash Flows from Financing Activities</b>			
Loan - Tascorp		15,854,000	-
Net Cash Flow From Financing Activities		15,854,000	-
Net Increase/(Decrease) in Cash Held		-197,787	117,590
Cash At Beginning Of The Financial Year		508,768	391,178
Cash At End Of The Financial Year	10	310,981	508,768

# The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

### 1. General

The Nominal Insurer is an independent statutory body under Section 121 of the *Workers Rehabilitation and Compensation Act 1988*. Its main purpose is to ensure that the worker is not disadvantaged in circumstances where an employer is not insured, where an employer cannot be located or has been declared bankrupt, or where an employer/insurer has defaulted in payment of an accepted claim.

In order to make payment of claims arising under the aforementioned circumstances a fund is established, known as the Nominal Insurer Fund.

The Nominal Insurer operates the following funds:

- *No 1 Account under sections 16A to 16D of the Workers Compensation Act 1927*
- The Nominal Insurer No 4 Account 1988 Act established under Sections 121 to 131 of the *Workers Rehabilitation and Compensation Act 1988*
- The Nominal Insurer No 5 Account (National Employers' Mutual) established under Sections 16A to 16D of the *Workers Compensation Act 1927*
- Nominal Insurer No 6 Account (HIH Group Insurance) established under Section 127B of the *Workers Compensation Rehabilitation & Compensation Amendment Act 2001*

### 2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards. The Nominal Insurer has no revenue or expenses of its own, all payments being recovered from the Insurers and or by way of special contributions from policy holders and self-insurers, so that a Statement of Financial Performance is not appropriate.

### 3. Insurers Contributions

Contributions by licensed insurers and self-insurers to the Fund are determined by the Nominal Insurer from time to time in accordance with Section 128 of the Act to meet the cost of claims made by the claimant. The contributions are based upon each individual insurer's proportion of the total earned premium, plus the nominal premiums determined by the Workcover Tasmania Board applying to self-insurers in accordance with Section 128 (2) of the Act.

<b>Insurers' Contributions</b>	<b>2002</b>	<b>2001</b>
The Nominal Insurer No 4 a/c	100,000	349,720
The Nominal Insurer No 5 a/c	37,450	148,921
a. Amount Received—Statement of Cash Flow	137,450	498,641

## The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

### 4. Claims Recoveries

Claims recoveries by the Nominal Insurer arise when proceedings are taken in accordance with Section 126 or orders or judgements are made in accordance with Section 127 against employers who have failed to take out a policy of workers compensation insurance, or from insurance brokers who, by their negligence, failed to obtain a policy of insurance on behalf of the employer/client.

The liabilities for outstanding claims is measured from particulars of claims lodged by claimants and assessments carried out by the Nominal Insurer by way of legal advice.

	<b>2002</b>	<b>2001</b>
The Nominal Insurer No 4 a/c	9,853	245,835
	<u>9,853</u>	<u>245,835</u>

### 5. Claims Expenses

Claims expenses comprise payments of weekly compensation paid to claimants and expenses incurred for medical and hospital treatments, rehabilitation fees and legal expenses and all other expenses associated with workers compensation claims.

The Nominal Insurer No 1 a/c	28,782	1,173
The Nominal Insurer No 5 a/c	1,333	515
The Nominal Insurer No 4 a/c	363,690	359,794
The Nominal Insurer No 6 a/c	15,740,293	-
	<u>16,134,098</u>	<u>361,482</u>

### 6. Investment Revenue

Investment revenue relates to bank interest received

The Nominal Insurer No 1 a/c	3,068	4,174
The Nominal Insurer No 4 a/c	3,691	7,401
The Nominal Insurer No 5 a/c	394	5,300
	<u>7,153</u>	<u>16,875</u>

### 7. Input Tax Credits

The Nominal Insurer No 1 a/c	1,001
The Nominal Insurer No 4 a/c	10,663
The Nominal Insurer No 5 a/c	54
The Nominal Insurer No 6 a/c	1,630
	<u>13,348</u>

## The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

### 8. General Administration Expenses

General administration expenses involve payment for secretarial services, including on costs for office expenses, audit fees and bank charges.

	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
The Nominal Insurer No 1 a/c		
Administration Expenses	2,412	3,377
Bank Charges	9	97
	2,421	3,474
The Nominal Insurer No 4 a/c		
Administration Expenses	10,099	39,726
Legal Opinion	285	-
Audit and Accountancy Fees	6,450	1,045
Bank Charges	97	618
	16,931	41,389
The Nominal Insurer No 5 a/c		
Administration Expenses	3,311	6,312
Bank Charges	4	164
	3,315	6,476
The Nominal Insurer No 6 a/c		
Administration Expenses	36,106	
Actuarial Fees	14,000	
L Banks & Associates	650	
Legal Opinion	1,650	
Administration Expenses	35,740	
Bank Charges	127	
	88,273	51,339
Less GST Reimbursed	-	1,500
	110,940	49,839
Less Stopped Cheque	25,000	-
	85,940	49,839

## The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

### 9. GST Refund

	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
The Nominal Insurer No 4 a/c	17,143	
	<u>17,143</u>	

### 10. Cash at end of the Financial Year

The Nominal Insurer No 1 a/c	142,557	171,694
The Nominal Insurer No 4 a/c	63,041	288,637
The Nominal Insurer No 5 a/c	81,579	48,437
The Nominal Insurer No 6 a/c	23,804	-
	<u>310,981</u>	<u>508,768</u>

### 11. Loan Liability/ Receivable, Outstanding Claims/Receivables

Current Liabilities/Receivables are represented by:

Tascorp loan (ref a)	6,458,350	
Outstanding claims (ref b)	6,533,250	
	<u>12,991,600</u>	

Non-current Liabilities/Receivables are represented by:

Tascorp loan (ref a)	9,854,000	
Outstanding claims (ref b)	22,536,750	
	<u>32,390,750</u>	

a) Tascorp Loan Liability /Receivable

The Nominal Insurer No 6 a/c		
Loans – Tascorp - current	6,000,000	
Interest Charged	458,350	
<b>Current Receivable/Loan</b>	<u>6,458,350</u>	

**Loans–TASCORP–non current**

	9,854,000	
<b>Total loan liability</b>	<u>16,312,350</u>	

## The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

### b) Outstanding Claims/Receivables

The liability for outstanding claims of Blue Ribbon and The Nominal Insurer No 1, No 5 and No 4 accounts, is based on advice from various solicitors who actually handle the claims. The amount outstanding is subject to annual review and the value can vary each year. The outstanding claims expected to be settled within 12 months and beyond 12 months are at current value.

The liability for outstanding claims of The Nominal Insurer No 6 account (HIH Group Insurance) is based on the recommendation by the actuarial report that the outstanding claims should be reported at a discounted present value in Financial Reporting. The outstanding claims expected to be settled within 12 months to 30 June 2003 is reported to be \$6,000,000 based on the average claims settled since 1 July 2002 at an average of \$500,000 per month.

The liability for outstanding claims expected to be settled beyond 12 months is reported at discounted present value as recommended in the actuarial report.

Claims that are expected to be settled in the 12 months to 30 June 2003:

Blue Ribbon	168,250	-
The Nominal Insurer No 1 Account	45,000	65,000
The Nominal Insurer No 5 Account	155,000	55,000
The Nominal Insurer No 4 Account	100,000	200,000
The Nominal Insurer No 6 Account	6,000,000	16,741,000
Current Outstanding Claim	6,468,250	17,061,000
Estimated Administration Expenses	65,000	50,000
<b>Current Receivable</b>	<b>6,533,250</b>	<b>17,111,000</b>

Claims expected to be settled beyond 12 months:

Blue Ribbon	243,000	-
The Nominal Insurer No 4 a/c	198,000	488,000
The Nominal Insurer No 6 a/c	22,095,750	32,770,000
<b>Non Current Receivable</b>	<b>22,536,750</b>	<b>33,258,000</b>

The Nominal Insurer is an independent statutory body established under Section 121 of the *Workers Rehabilitation and Compensation Act 1988*, but it is not an insurance company. The Nominal Insurer, therefore, does not receive insurance premiums and does not have reinsurance. The ability to pay claims settled is by way of contributions received from licensed insurers and self-insurers as and when necessary called up in accordance with Section 128 of the Act. Any surplus will ultimately be refunded to the licensed insurers and self-insurers in the proportions in which it was called up. In respect to No 6 Account, special contributions are obtained from policy holders and self-insurers.

The amount of outstanding claims is based upon the assessment by The Nominal Insurer Committee taking into account advice from legal advisors. The amount determined is not a fixed claim and is not subject to inflation or discounts allowed to bring it to a present day value. There is no need, therefore, to discount the amount.

## The Nominal Insurer Financial Statement for the Year Ended 30 June 2002

### 12. Non Current Liabilities: HIH Claims

It was recommended by the actuarial report that the Nominal Insurer was faced with a liability at 30 June 2002 of \$31.516 million. The current portion of the liability is estimated to be \$6 million, as reported in Note 12. The non-current portion of the liability is \$25 million, reported as the discounted present value of \$27.31 million.

Likewise, with the arrangements in place for the collection or recovery of the liability, the Nominal Insurer also has receivables of the same value at 30 June 2002.

### 13. Australian Taxation Office

	<b>2002</b>
GST Payable	7,252
Add Stopped Cheque adjustment	2,500
	<hr/> 9,752
Less GST on Audit Fees	-250
	<hr/> 9,502
PAYG Tax Payable	94
	<hr/> 9,596
	<hr/> <hr/>

### 14. Insurers' funds

This represents the surplus or deficit of insurers' funds that results each year due to timing differences between claims being made and recovery of those claims.

### 15. Income Tax Status

The Nominal Insurer is a body established under the Act and is Income Tax exempt.



# Independent Audit Report

## To the Members of WorkCover Tasmania Board

### Scope

I have audited the financial report of WorkCover Tasmania comprising Operating, Financial Position and Cash Flows Statements and notes thereto, for the year ended 30 June 2002. The Members of the Board are 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 Members.

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 that is consistent with my understanding of the financial position of the Board 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 WorkCover Tasmania as at 30 June 2002, and the results of its operations and cash flows for the year then ended.



C M Stanton  
DIRECTOR – FINANCIAL AUDITS  
DELEGATE OF THE AUDITOR-GENERAL

31 October 2002

HOBART

## WorkCover Tasmania

# Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

### Statement of Financial Performance for the Year Ended 30 June 2002

	Note	2000-01 \$'000	2001-02 \$'000
<b>Revenue from ordinary activities</b>			
Contributions	2(a) & (b)	3,206	3,463
Interest on trust account		47	38
Other revenue	2(c)	99	191
<b>Total revenue from ordinary activities</b>		<b>3,352</b>	<b>3,692</b>
<b>Expenses From ordinary activities (excluding borrowings)</b>			
Employee entitlements	3(a)	1,598	1,698
Advertising and promotion	3(b)	669	821
Communications		96	81
Consultancies	3(c)	145	226
Depreciation	1(e) & 8	28	24
Information technology		43	56
Property services	3(d)	111	168
Travel and transport	3(e)	105	74
Other operating expenses	3(f)	557	544
<b>Total expenses from ordinary activities (excluding borrowings)</b>		<b>3,352</b>	<b>3,692</b>
<b>Net operating surplus/(deficit) from ordinary activities</b>	2(b)	...	...

Notes 1-14 form an integral part of these accounts.

Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

Statement of Financial Position as at 30 June 2002

	Note	2000-01 \$'000	2001-02 \$'000
<b>Current assets</b>			
Treasury Trust Account balance	6 & 12(a)	777	937
Receivables and prepayments	7	7	23
<b>Total current assets</b>		<b>896</b>	<b>960</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	75	70
<b>Total non-current assets</b>		<b>75</b>	<b>70</b>
<b>Total assets</b>		<b>971</b>	<b>1,030</b>
<b>Current liabilities</b>			
Creditors and accrued expenses	9	408	250
Employee entitlements	10	314	291
Other current liabilities	11	....	332
<b>Total current liabilities</b>		<b>834</b>	<b>873</b>
<b>Non-current liabilities</b>			
Employee entitlements	10	137	157
<b>Total non-current liabilities</b>		<b>137</b>	<b>157</b>
<b>Total liabilities</b>		<b>971</b>	<b>1,030</b>
<b>Net assets (liabilities)</b>	2(b) & 5	....	....

Notes 1-14 form an integral part of these accounts.

Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

Statement of Cash Flows for the Year Ended 30 June 2002

	Note	2000-01 \$'000	2001-02 \$'000
		Inflows (Outflows)	Inflows (Outflows)
<b>Cash flows from operating activities</b>			
<i>Cash inflows</i>			
Industry contributions		3,209	3,310
Interest		105	45
Other cash receipts		173	602
<b>Total cash inflows</b>		<b>3,487</b>	<b>3,957</b>
<i>Cash outflows</i>			
Employee entitlements		1,577	1,706
Other cash payments		1,854	2,072
<b>Total cash outflows</b>		<b>3,431</b>	<b>3,778</b>
<b>Net cash from (used by) operating activities</b>	<b>12(b)</b>	<b>56</b>	<b>179</b>
<b>Cash flows from investing activities</b>			
<i>Cash inflows</i>			
Receipts from disposal of assets		....	....
<b>Total cash inflows</b>		<b>....</b>	<b>....</b>
<i>Cash outflows</i>			
Payments for purchase of non-current assets		6	19
<b>Total cash outflows</b>		<b>6</b>	<b>19</b>
<b>Net cash from (used by) investing activities</b>		<b>(6)</b>	<b>(19)</b>
Net increase (decrease) in cash held		50	160
Cash at the beginning of the year		727	777
<b>Cash at the end of reporting period</b>	<b>6 &amp; 12(a)</b>	<b>777</b>	<b>937</b>

Notes 1-14 form an integral part of these accounts.

# Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

## 1. Summary of Significant Accounting Policies

### (a) Basis of Accounting

WorkCover Tasmania is a body corporate, established by the *Workers Rehabilitation and Compensation Act 1988*. The financial statements have been prepared on an accrual accounting basis in accordance with applicable Australian Accounting Standards and all relevant legislation.

The financial statements have been prepared using historical cost accounting, with the exception that any land, buildings, infrastructure, heritage and cultural assets are valued on a fair value basis.

Assets and liabilities are recognised in WorkCover Tasmania's Statement of Financial Position when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Revenues and expenses are recognised in WorkCover Tasmania's Statement of Financial Performance when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

### (b) Operations of the Board

The role of WorkCover Tasmania Board (the Board) is to oversee, promote, review, and ensure the efficient operation of (so far as is practicable) workers rehabilitation and compensation procedures in accordance with the *Workers Rehabilitation and Compensation Act 1988*. Integral to this role is advising the Minister on matters relating to workers rehabilitation and compensation in this State. Other major functions within this role include reviewing the performance of licensed insurers and self-insurers and the operation of the Nominal Insurer, and managing the Workers Rehabilitation and Compensation Fund. A more comprehensive explanation of the WorkCover Tasmania's activities is contained in the body of the Annual Report.

### (c) Statutory Matters

The Department of Infrastructure, Energy and Resources was established under the Administrative Arrangements Order (No.2) 1998 and provides administrative support for WorkCover Tasmania. The Workers Rehabilitation and Compensation Tribunal is funded by WorkCover Tasmania Board and supported by the Department of Justice and Industrial Relations.

By virtue of Section 15 (1) of the *Workers Rehabilitation and Compensation Act 1988* the Board is required to report to the Minister for Infrastructure, Energy and Resources on its operations.

### (d) Valuation of Non-Current Assets

Valuation of assets is undertaken in accordance with the Department of Treasury and Finance publication "Guidelines for the Recording, Valuation and Reporting of Non-Current Physical Assets in Tasmanian Government Departments 2002". The guidelines mandate that land, buildings, infrastructure, heritage and cultural assets are to be valued on the fair value basis and other classes of non-current assets are to be valued on the historic cost basis.

In accordance with Treasurer's Instructions the asset capitalisation threshold adopted by the Board is \$5,000. Assets valued at less than \$5,000 are charged to the operating statement in the year of purchase.

### (e) Depreciation on Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation on assets is provided for on a straight-line basis using the rates as detailed in note 8(b).

**Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002**

**(f) Provision for Employee Entitlements**

Employee entitlements include entitlements to wages and salaries, annual leave, sick leave, long service leave and superannuation benefits.

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. The liability for sick leave is not material and has not been recognised.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels plus on costs, experience of employee departures and periods of service. On-costs include payroll tax and employer superannuation contributions and exclude workers compensation premiums and fringe benefits tax. Expected future payments are discounted using interest rates attaching, as at the reporting date, to Commonwealth Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. WorkCover Tasmania uses reliable estimations based on the process outlined above to determine its Long Service Leave Provision.

**(g) Superannuation**

No superannuation liability is recognised for the accruing superannuation benefits for employees. This liability is held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance.

During the reporting period, the applicable percentage of salary in respect of contributory members of the Retirement Benefits Fund was paid into the Superannuation Provision Account within the Special Deposits and Trust Fund. The appropriate Superannuation Guarantee Charge was paid into the nominated superannuation fund in respect of non-contributors. Under these arrangements there are no further superannuation liability for the past service of employees.

**(h) Comparative Figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**(i) Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

**(j) Tax Status**

WorkCover Tasmania is exempt from all forms of taxation except fringe benefits tax, payroll tax and the goods and services tax. WorkCover Tasmania's obligations for the goods and services tax are included in grouping arrangements with the Department of Infrastructure, Energy and Resources. Accordingly, no payments or receipts of goods and services tax are recorded directly against WorkCover Tasmania's operations.

# Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

## 2. Revenue from Ordinary Activities

### (a) Funding of the WorkCover Tasmania's Operations

As soon as it is practicable in respect of each financial year, the Board is obliged to estimate the amount of money required for the payment or discharge of expenses, charges and obligations of the Board and to estimate the amounts to be received by WorkCover Tasmania. A recommendation is then made to the Minister for Infrastructure, Energy and Resources of the rate to be levied on the premiums of licensed insurers and the notional premiums of self-insurers.

An advance contribution or levy payable by insurers is determined by calculating the percentage that the budget of WorkCover Tasmania bears to the Total Premium Income Pool and applying this percentage to the premium of each insurer. The amounts used for the Total Premium Income Pool and the premium of each insurer refer to the immediately preceding financial year.

Subsequent to the end of the financial year, and once the expenses of WorkCover Tasmania and the actual premiums of licensed insurers and the notional premiums of self-insurers are known, a final apportionment of the WorkCover Tasmania's expenses for the year is made.

### (b) 2001-02 Contributions Determination

Income for the financial year ending 30 June 2002 includes the final determination, under the terms of the *Workers Rehabilitation and Compensation Act 1988*, of contributions from Licensed Insurers and Self-Insurers for 2000-01.

As detailed in 2(a) the WorkCover Tasmania is funded by contributions from licensed insurers and self-insurers with the contributions based on an estimate of the amount of money required for the payment or discharge of expenses, charges and obligations of the Board. Therefore, WorkCover Tasmania does not accumulate surpluses with the necessary accrual adjustment made to contributions revenue to reflect this.

### (c) Other Revenue

The majority of revenue in this items reflects recoveries of consultancies expenditure relating to the audit of self-insurers and insurers. See also note 3(c) for further details.

## 3. Expenses from Ordinary Activities

### (a) Employee Entitlements

The increase in expenditure relates to award increases and an increase in the number of workers funded.

### (b) Advertising and Promotion

The majority of the increase relates to increased activity level in the Workplace Safe campaign.

### (c) Consultancies

The majority of expenditure for consultants relates to the audit of self-insurers and licensed insurers. WorkCover Tasmania incurs this expenditure and then seeks reimbursement for the audited insurers. The effect is cost neutral once all invoices have been paid. The revenue recovery is shown in "Other Revenue". The timing of the audit process meant increased audit costs and associated recoveries for 2001-02.

## Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

### (d) Property Services

The additional expenditure refers to building renovations carried out at the Workers Rehabilitation and Compensation Tribunal premises.

### (e) Travel and Transport

There was a decrease in the amount of travel conducted during 2001-02.

### (f) Other Operating Expenses

WorkCover Tasmania recognises administrative costs charged by the Department of Infrastructure, Energy and Resources against "Other Operating Expenses".

## 4. Net profit/(loss) from disposal of assets

There were no assets disposed of during 2001-02 or 2000-01.

## 5. Accumulated Surpluses

As detailed in note 2(b), the WorkCover Tasmania does not accumulate any surpluses.

## 6. Treasury Trust Account

WorkCover Tasmania processes all transactions through a Treasury Trust Account entitled T435 *Workers Rehabilitation and Compensation Act 1988* Fund Account. The transactions of the Workers Rehabilitation and Compensation Tribunal which are processed through the Department of Justice's Operating Account are reimbursed on a monthly basis out of the T435 Account. The cash balance as at 30 June 2002 is represented by:

	<b>2000-01</b>	<b>2001-02</b>
	<b>\$'000</b>	<b>\$'000</b>
Treasury Trust Account T435	839	1,025
Tribunal reimbursement deficit at 30 June	(62)	(88)
<b>Total</b>	<b>777</b>	<b>937</b>

## 7. Receivables and Prepayments

	<b>2000-01</b>	<b>2001-02</b>
	<b>\$'000</b>	<b>\$'000</b>
Receivables	7	21
Prepayments	....	2
<b>Total</b>	<b>7</b>	<b>23</b>

Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

**8. Non-Current Assets**

**(a) Items**

	<b>2000-01</b>	<b>2001-02</b>
	<b>\$'000</b>	<b>\$'000</b>
Office Equipment at Cost	57	57
Accumulated Depreciation	(20)	(27)
	<hr/> 37	<hr/> 30
Computer Equipment at Cost	25	44
Accumulated Depreciation	(17)	(26)
	<hr/> 8	<hr/> 18
Motor Vehicles at Cost	41	41
Accumulated Depreciation	(11)	(19)
	<hr/> 30	<hr/> 22
Leasehold Improvements at Cost	43	43
Accumulated Depreciation	(43)	(43)
	<hr/> ....	<hr/> ....
<b>Total Non-Current Assets</b>	<hr/> <b>75</b>	<hr/> <b>70</b>

**(b) Depreciation Allocated and Useful Lives**

	<b>Useful Lives</b>	<b>2000-01</b>	<b>2001-02</b>
	<b>(years)</b>	<b>\$'000</b>	<b>\$'000</b>
Office Equipment	10	8	7
Computer Equipment	3	7	9
Motor Vehicles	5	8	8
Leasehold Improvements	6	5	....
<b>Total Depreciation</b>		<hr/> <b>28</b>	<hr/> <b>24</b>

Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

**9. Creditors and Accrued Expenses**

	<b>2000-01</b>	<b>2001-02</b>
	<b>\$'000</b>	<b>\$'000</b>
Creditors and accrued expenses	24	20
Accrual refund for contributions	384	230
<b>Total</b>	<b>408</b>	<b>250</b>

**10. Employee Entitlements**

	<b>2000-01</b>	<b>2001-02</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued Salaries	43	39
Provision for Annual Leave	117	124
Provision for Long Service Leave	291	285
<b>Total</b>	<b>451</b>	<b>448</b>

**Classified as:**

Current	314	291
Non-current	137	157
	<b>451</b>	<b>448</b>

**11. Other Current Liabilities**

	<b>2000-01</b>	<b>2001-02</b>
	<b>\$'000</b>	<b>\$'000</b>
Deposits held in trust	....	332
<b>Total</b>	<b>....</b>	<b>332</b>

The Nominal Insurer (a separate legal entity to WorkCover Tasmania) is required under the *Workers Rehabilitation and Compensation Act 1988* to meet any outstanding claim costs incurred by BRMP. WorkCover Tasmania is reimbursing the Nominal Insurer for costs incurred in meeting claim costs until the \$425,000 held from bank guarantee funds is exhausted. The Nominal Insurer has indicated the outstanding claim costs will exceed the \$425,000 held by the Board. Liability for the claim costs exceeding \$425,000 will rest with the Nominal Insurer and not the WorkCover Tasmania. The \$332,000 balance represents the balance of the funds as at 30 June 2002.

Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

**12. Cash Flows**

**(a) Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows**

	2000-01	2001-02
	\$'000	\$'000
Cash at year end per Statement of Cash Flows	777	937
Statement of Financial Position Cash	777	937

**(b) Reconciliation of Operating Surplus/(Deficit) to Net Cash used in Operating Activities**

	2000-01	2001-02
	\$'000	\$'000
<b>Net operating surplus / (deficit)</b>	....	....
Depreciation	28	24
(Increase)/decrease in receivables and prepayments	154	(16)
Increase/(decrease) in refunds to contributors accrual	3	(154)
Increase/(decrease) in creditors and accrued expenses	(151)	(4)
Increase/(decrease) in employee entitlements	22	(3)
Increase/(decrease) in other current liabilities	....	332
<b>Net cash flows from operating activities</b>	<b>56</b>	<b>179</b>

**(c) Credit Arrangements**

WorkCover Tasmania does not have any credit stand-by arrangements or loan facilities.

**13. Additional Financial Instruments Disclosures**

**(a) Interest Rate Risk Exposures**

The interest rate applicable on Treasury trust account balances was an average of 4.62% for the year ended 30 June 2002. Exposure to interest rate and credit risks is considered to be minimal.

**(b) Credit Risk Exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the WorkCover Tasmania which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

WorkCover Tasmania extends 30 day credit terms for sundry receivables, and receives standard commercial credit terms for sundry creditors.

WorkCover Tasmania is not materially exposed to any individual overseas country or individual customer.

**(c) Net Fair Values of Financial Assets and Liabilities**

The carrying amount of Treasury trust account balances, receivables and prepayments, creditors and provisions for employees' entitlements approximates the net fair value because of the short term to maturity.

Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

**14. Operating Lease Commitments**

	<b>2000-01</b>	<b>2001-02</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Lease Commitments	138	714
	<b>138</b>	<b>714</b>

Future lease payments, rentals and commitments not provided in these statements include:

	<b>2000-01</b>	<b>2001-02</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than 1 year	126	127
Later than 1 year and not later than 5 years	12	447
Later than 5 years	...	140
	<b>138</b>	<b>714</b>

WorkCover Tasmania leases are represented by land and building rental costs and vehicle and office equipment lease costs.

Contingent rental costs relate to a land and building lease, and in the main comprise local government charges and the periodic escalation of leases by the Consumer Price Index. The total lease payment excludes local government and other executory costs where they are paid directly to a party other than the lessor. These costs are included elsewhere in WorkCover Tasmania's expenditures.

Since contingent rentals cannot be reliably determined, they have been excluded in the calculations of Total Lease Commitments. There is no difference between the value of minimum lease payments and the value of Total Lease Commitments.

WorkCover Tasmania does not have any purchase rights flowing from the lease of the land and building.

The increase in lease commitments reflects a new building lease agreement entered into during 2001-02 with the new lease term expiring in October 2008.

## WorkCover Tasmania

# Workers Rehabilitation and Compensation Fund Financial Statements for the Year Ended 30 June 2002

### CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of WorkCover Tasmania 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 2002 and the financial position as at end of the year.

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.

Dated this 30th day of October 2002



Mark Addis  
(CHAIR)

No job is more important.

**Workplace  
Safe**



*An initiative of*  
WorkCover Tasmania  
and Workplace Standards Tasmania