

WORKCOVER
TASMANIA
BOARD

ANNUAL REPORT
2002-03



Tasmania

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The Hon. Jim Cox MHA

Minister for Infrastructure

**WorkCover Tasmania Board
Annual Report for 2002-03**

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 2003.

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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GENERAL INFORMATION

From the Chair

This is the second report of the WorkCover Tasmania Board which was established in July 2001 following amendments to *Workers Rehabilitation and Compensation Act 1988*.

During the 12 months ending June 2003, the number of claims lodged was only slightly fewer than the number for the previous year (10,390 compared to 10,570). There were regrettably ten fatalities reported (the same number reported in the previous year) and the number of lost time claims moved in inverse proportion to the number of no lost time claims, increasing from 3,827 to 4,063 (up by more than 6%). A more detailed analysis of the scheme's performance follows later in this annual report. In this day and age, this level of workplace accidents is simply unacceptable. Accidents should no longer be considered 'just part of the job'.

In recognition of this fact the Board has revamped its advertising and education campaign. 'It's working—Workplace Safe' is the theme of this year's Workplace Safe campaign. The 'it's working' theme is deliberately ambiguous. It is shorthand for 'working safely is what working is all about'. It acknowledges where it 'isn't working'. It also acknowledges where it is working, for example, if employers and workers are talking about safety needs. It's working, if they're working together to create safer workplaces. The changed emphasis of the Board's advertising and education campaign include an intention to encourage workers to identify and report unsafe workplace conditions and to remind employers of their responsibility to provide a safe and healthy work environment.

The Board commissioned the updating of the occupational black spots report to facilitate better targeting of OHS resources. The report is available from the Board's website at www.workcover.tas.gov.au.

Other significant issues that arose during the year in review included the endorsement of the National OHS

strategy 2002–2012 which includes targets to reduce occupational injuries by 40% (20% in the first five years) and occupational deaths by 20% (10% in the first five years); the *Rutherford Review* being conducted to identify any unintended consequences of the benefits model introduced by the *Workers Rehabilitation and Compensation Act 2000*; the Productivity Commission's inquiry into National Workers Compensation and OHS frameworks; and the change to the state legislation to deem taxi drivers to have coverage under the *Workers Rehabilitation and Compensation Act 1988*.

A major part of this annual report is focussed on the workers compensation scheme performance during the preceding 12 months. The actuarial report, which is included in full later in this annual report, shows overall favourable outcomes, with both projected ultimate claim numbers and average payment year claim sizes reducing. It also shows negative superimposed inflation for the third year in a row; however, the level of improvement is slowing, and has been reversed for self-insurers. The impact of the legislative changes is beginning to be evident, with the level of common law and legal cost outlays reducing, while settlement and redemption costs are up. The actuary anticipates 11–13% overall savings may be exceeded.

During the year the Board's membership underwent an enforced change. Ian Davey, who was nominated by the Minister to provide insurance expertise to the Board, tendered his resignation on medical grounds effective 9 December 2002. Ian was a member of the WorkCover Tasmania Board from its inception, and was a member of its predecessor the Workplace Safety Board. Ian was a conscientious member whose diligence and insightful advice were valued by his fellow Board members.

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

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 (DIER) 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 2002-2003</i>
Mark Addis	Chair, Secretary of the Department of Infrastructure, Energy and Resources	11 of 11
Neale Buchanan	proposed by the Tasmanian Chamber of Commerce and Industry	11 of 11
Damon Thomas	proposed by the Tasmanian Chamber of Commerce and Industry	9 of 11
Lynne Fitzgerald	proposed by Unions Tasmania	10 of 11
Peter Tullgren	proposed by Unions Tasmania	10 of 11
Leigh Mackey	nominated by the Minister for Infrastructure	11 of 11
Ian Davey	nominated by the Minister for Infrastructure (<i>resigned 30 November 2002</i>)	2 of 5
Dallas Booth	nominated by the Minister for Infrastructure (<i>appointed 5 May 2003</i>)	2 of 2
Robert Walters	nominated by the Minister for Infrastructure	11 of 11

All meetings were held in Hobart.

WorkCover Tasmania Board — Governance and Operations

Disclosure of Interest Policy

The Board's Disclosure of Interest Policy is that where a member of the Board has a pecuniary or other interest in any matter being considered or about to be considered by the Board, the member shall, as soon as possible after the relevant facts have come to his/her knowledge, disclose the nature of that interest at a meeting of the Board.

This is in line with section 12 of the *Workers Rehabilitation and Compensation Act 1988*.

Such disclosures are recorded in the minutes of the Board meeting. Once a member has identified a conflict of interest, the member shall not be present during, nor partake in, any deliberation or decision of the Board in relation to that matter. The Secretariat ensures that future meeting papers regarding the matter are not forwarded to that member.

There have not been any issues requiring the enactment of the policy during the reporting period.

Working Groups/Committees — July 2002-03

Rehabilitation Providers Accreditation Working Group

Membership

Mark Dwyer
 Barry Heather
 Rod Lethborg
 Martin Shirley
 Damon Thomas (Chair)
 Maree Webber

Achievements

The Board, at a meeting held on 19 November 2002, agreed to establish a working group to examine the issues surrounding registration/accreditation of rehabilitation providers. The working group comprises Board member Damon Thomas, a representative of the Tasmanian Association of Vocational Rehabilitation Providers, and Workplace Standards Tasmania staff.

Section 77A(3) of the *Workers Rehabilitation and Compensation Act 1988* allows the Board to accredit other service providers, including rehabilitation providers, apart from medical practitioners. Additional to this, section 10(f) of the *Workers Rehabilitation and Compensation Act 1988* allows the Board to promote and support the efficient injury management of injured workers.

The working group has met on a few occasions and has considered how the other states and territories clarify or define the different services offered by rehabilitation providers and the means used by these different jurisdictions to administer the services provided by rehabilitation providers. The working group has also sought opinions on this subject from insurers involved in the workers compensation system in Tasmania.

In view of the information supplied to the working group, and due to the important role that rehabilitation providers undertake within the Tasmanian workers compensation system, it was decided a forum should be held to further discuss this matter.

Terms of reference

- To determine the definition of and the services provided by rehabilitation providers for the purposes of this review.
- To identify the involvement of rehabilitation providers in the workers compensation process, having regard to the number of referred cases, the outcomes of their involvement, the cost to the system and an analysis of these matters.
- To obtain and consider the views of all parties regarding the role and the performance of rehabilitation providers.
- To consider whether it is necessary and/or appropriate to regulate the provision of rehabilitation services provided by rehabilitation providers; and if so, recommend the most appropriate means by which this can be achieved. In addressing this issue the committee may consider the following:
 - the skills required to undertake the services identified in the first term of reference
 - entrance training and/or qualifications
 - the need for competency-based performance standards
 - the incorporation of a code of practice into the approval/accreditation system.
- To determine the cost and benefits of any of the options identified in the above term of reference.

In addressing the terms of reference, the working group will respond to the Board on the following items:

- the time frame for the completion of the review
- a list of recommendations at the conclusion of the review.

Working Groups/Committees — July 2002-03

Review of Insurer Licence Conditions Working Group

Membership

Neale Buchanan
 Therese Butler
 Mark Dwyer
 Lynne Fitzgerald
 Rod Lethborg
 Ray Pickett
 Martin Shirley (Chair)
 Bob Walker

Achievements

The Board, at its meeting on 27 August 2002, approved the start of the review of licence conditions for insurers to be undertaken by a review group.

The legislative authority for this review is contained in section 102 of the *Workers Rehabilitation and Compensation Act 1988*, which allows the Board to impose conditions on a licence and makes it an offence not to comply with the conditions. Section 11(3) of the Act provides that the Board may establish committees to advise the Board on any of its functions.

The current licence conditions for the approval and review of insurers have been in place since October 1996.

The review group first met on 2 December 2002 and has since made a systematic review of issues based on a project plan. The review group has consulted widely with other jurisdictions and has invited relevant people to make presentations to its meetings.

The review group made a number of suggested alterations and it is hoped that an amended document on licence conditions for insurers will be available for public comment within a reasonable time. After such input has been received and discussed by the review group, a final document will be placed before the Board for its consideration.

Terms of reference

- To identify the ambit in which the licensed insurers are involved in the workers compensation process.
- To examine the involvement of licensed insurers in issues affecting the operation of the workers compensation scheme, including but not limited to:
 - occupational health and safety
 - early claims reporting
 - involvement in disputation
 - rehabilitation
 - dealings with medical certificates and forms.
- To determine an effective system for evaluating and monitoring the standards of service provided by licensed insurers to the two principal stakeholders (employers and workers).
- To determine an appropriate set of prudential requirements to be placed on licensed insurers so as to protect the Tasmanian scheme against insurance failure.
- To determine the level and type of occupational health and safety, injury management and safety education programs that licensed insurers suggest or recommend to employers to enable them to focus on risk management and injury prevention and management.
- To examine the need for a modified set of conditions for specialised insurers.
- To examine the increasing use of independent insurance brokers and the impact they have on the delivery of workers compensation insurance services.
- To determine the appropriate level of authority and material resources to be maintained within Tasmanian by an insurer as a necessary requirement to obtaining a license.
- To set an appropriate timeframe for the completion of the Review, identify the resources required and prepare an information paper with which to consult widely with relevant stakeholders.
- To submit to the Board a recommended revised insurer licence conditions.

Working Groups/Committees — July 2002-03

Performance Standards Review Group Self Insurers

Membership

Neale Buchanan
Ian Davey (chairman)
Lynne Fitzgerald
Philip Hickey
John McDonald
Ray Pickett
Martin Shirley

Achievements

The Board, at a meeting held in November 2000, agreed to establish a review group to ensure self insurers maximize performance in the areas of injury management and a commitment to occupational health and safety, as required under section 105 of the *Workers Rehabilitation and Compensation Act 1988*.

The review group consulted widely during the period of the review, which involved current self-insurers providing feedback and seeking comment on proposed changes through the Self Insurers Association of Tasmania.

As a result of the work undertaken by the review group, the Board agreed (at its meeting held on 17 September 2002) to require all existing self-insurers permittees and new applicants for a permit to be audited against an audit tool approved by the Board. Furthermore, the Board decided that such audits were to be undertaken by trained staff from Workplace Standards Tasmania or by external auditors approved by the Board.

The Year in Review

Scheme Performance

The WorkCover Tasmania Board commissioned an Actuarial Review of the Tasmanian workers compensation scheme's performance for the year 2002–03.

Some of the highlights of the Review are:

- overall favourable outcomes, with both projected ultimate claim numbers and average payment year claim sizes reducing
- negative superimposed inflation for the third year in a row. However, the level of improvement is slowing and has been reversed for self-insurers, with average claim size for self-insurers in particular increasing in 2002–03
- licensed insurers enjoying another year of very good profitability, with profit level in 2002–03 remaining at about 23% of earned premiums
- impact of the legislative changes beginning to be evident, with the level of common law and legal cost outlays reducing, while settlement and redemption costs are up, and weekly benefits only modestly increasing. The anticipated 11–13% overall savings is likely to be achieved.
- The actuary's full report is contained in this annual report.

Compliance

No targeted compliance programs were conducted during the past 12 months, though 15 companies were investigated for failure to hold a policy of workers compensation insurance. The end result of these investigations was that 13 companies were successfully prosecuted through the Courts, with the remaining two cases still awaiting trial.

Workplace Safe

Much of 2002-03 was spent undertaking research and developing a new brand identity for Workplace Safe, following the appointment of a new advertising agency in July.

In late 2002, research company Essential Media Communications undertook focus group research with workers and employers from black spot occupations — those occupations most at risk of severe injury.

The research found:

- people were aware of the Workplace Safe campaign: they recognised the logo, could recall messages, had seen advertisements but they didn't feel the campaign was talking to them
- there was no conversation in the community about workplace health and safety
- workers don't feel empowered to act on workplace health and safety issues
- workers receive mixed messages: they are told to work safely but required to meet deadlines under pressure
- employers are perceived as 'not caring about workers'
- the campaign is seen as a government initiative
- the message 'No job is more important' was not talking to our audience or empowering them to act
- employers now pay more attention to health and safety issues, and all employers were concerned about the health and safety of their employees
- employers are more likely to be motivated by the need to observe safety regulations (compliance) and the fear of unexpected costs as a result of litigation from injured workers.

These were backed up by a series of stakeholder interviews.

From the research it was found that to improve our position, we needed to create a campaign brand that:

- spoke to Tasmanian workers and employers
- empowered Tasmanian workers and employers to take action on safety issues
- used common language
- worked across a wide number of scenarios across all demographics
- provided a 'seed message' that people will take with them as they go about their work
- motivated workers and employers to further change their workplace safety behaviour.

From the research we also developed the following key messages:

- Tasmanians have a right to expect they will not be injured or become ill as a result of their work
- workers are entitled to speak up about health and safety concerns
- employers have a legal obligation to provide a safe and healthy workplace
- employers who do not work within the law risk prosecution and public exposure.

In April 2003, the Board endorsed the Workplace Safe Communications Plan that set out the strategic direction for the campaign for 2003-05.

The campaign objectives are:

- to achieve 75% awareness and understanding of the overall campaign brand and key messages among Tasmanian workers and employers by 31 December 2004
- to achieve a positive improvement in individual behaviour and workplace practices, particularly in small-to-medium sized enterprises by 31 December 2004
- to achieve stakeholder interest and community debate about workplace health and safety issues by 31 December 2004.

These objectives are supported by detailed strategies that are documented in the communications plan, and performance against the objectives will be tracked quarterly.

The *It's Working* — Workplace Safe brand was endorsed by the Board in April 2003 and two versions of a new television campaign were produced in April and May. An historical ad was produced to show how safety has improved over the past few decades, while a Work to Live advertisement showed the link between safety at work and our ability to enjoy our leisure time. These advertisements were endorsed by the Board in June 2003 and were scheduled to be launched in August 2003.

Workplace Safe Week, an annual feature of the campaign, was held from 28 October to 1 November, with over 90 safety-related events taking place around Tasmania.

Workplace Safe Week incorporated the Workplace Safe Awards, which were presented at a gala dinner on Friday 1 November. The Master of Ceremonies was entertainer Frank Holden and over 400 attended the dinner. The winner of the overall Workplace Safe Award was J Boag and Son Brewing Ltd.

Workplace Safe

Many new publications were produced in 2002–03, including:

- *15 Minute Farm Safety Check*
- *A Guide to First Aid in the Workplace*
- *A Guide to the Workplace Health and Safety Legislation*
- *Body Strain Prevention for Workers*
- *Child Safety on Farms Checklist*
- *Electrocution Investigation Reveals Hazards of Working in Roof Spaces* safety alert
- *Forest Machine Fire* safety alert
- *Incident Involving Weining H22 Moulding machine* safety alert
- *Safe Use of Hand Router* safety alert
- *Safe Use of Self-Propelled Hydraulically-Operated Elevated Work Platforms (EWP) in Orchards* safety alert
- *Safety Attachments on Pneumatic Secateurs* safety alert
- *Securing Truck Tilt Cabs in a Raised Position* safety alert
- *Workplace Health and Safety on Residential Housing Projects*
- *Workplace Issues* magazine in July, October, January and April plus a special edition for Workplace Safe Week and the Awards.

A full publications list is included on page 84.

Workplace Safe Steering Committee

The WorkCover Tasmania Board is established by virtue of Section 8 of the *Workers Rehabilitation and Compensation Act 1988* (the Act). Section 10 of this Act lists the following among the functions of the Board:

- to promote the prevention of injury at the workplace and the development of healthy and safe workplaces
- to promote and support the effective injury management of injured workers
- to promote understanding of this Act and the *Workplace Health and Safety Act 1995* through education and any other appropriate means.

Section 11 of the Act in part provides that the Board may establish committees to advise the Board on any aspect of its functions.

The Workplace Safe Steering Committee (WSSC) was therefore established to advise the Board on the Workplace Safe campaign.

Purpose

The purpose of the WSSC is to run the Workplace Safe campaign on a day-to-day basis for the Board. It is the decision-making forum for campaign matters consistent with the direction approved by the Board.

Terms of Reference

Consistent with the overall direction set by the Board, and within the budget set by the Board, the WSSC will:

- promote the prevention of injury at the workplace and the development of healthy and safe workplaces
- promote the effective injury management of injured workers
- promote understanding of the *Workers Rehabilitation and Compensation Act 1988* and the *Workplace Health and Safety Act 1995* through education and any other appropriate means.

Workplace Safe

Function

The WSSC will achieve this by:

- approving campaign briefings prior to their submission to the Board for endorsement
- approving general campaign material within the scope of the Committee's terms of reference (see *Material* below)
- approving requests for new publications
- approving draft publications prior to printing
- approving campaign material for publication on the Board's website
- managing the tender process for public relations contractors and making a recommendation for Board approval
- managing the tender process for advertising contractors and making a recommendation for Board approval when a 'credentials only' tender has been called for
- approving the appointment of consultants to work on campaign matters when required
- reporting to the Board on a monthly basis on campaign activities and other matters relating to the Workplace Safe campaign.

Material

The material the WSSC has the authority to approve includes:

- individual print and press, television and radio advertisements
- other advertising material (such as billboards, taxi backs, buses)
- promotional items (such as posters, stickers, pens)
- sponsorship submissions
- media releases
- speeches
- the promotional sections of the website
- Agfest promotion
- Workplace Safe Awards promotion
- Workplace Safe Week promotion.

Exclusions

The scope of the WSSC excludes:

- media releases not related to the Workplace Safe campaign
- items falling within the responsibilities of the Board (see *Correlating responsibilities* on next page)
- promotional activities initiated by the Workplace Standards inspectorate
- safety publications not funded by the Board
- decisions to participate in workshops or displays not requiring funding
- promotional activities and publications of Electrical Standards and Safety
- the Workplace Safe Awards judging process and administration of entries.

Membership

The Board will clarify who will chair the WSSC after it has looked at the structure of Board sub-committees in general, as part of its planning.

In the meantime, Neale Buchanan will continue to chair the Committee, with Lynne Fitzgerald as the representative from Unions Tasmania.

Several staff from Workplace Standards are also required. They are the Chief Inspector, the Director of Information and Workers Compensation, the Promotions Manager and the Workplace Safe Campaign Co-ordinator.

The committee will call on subject experts as required.

Frequency of meetings

The WSSC meets monthly, three weeks before each Board meeting. The WSSC met nine times in 2002-03.

Remuneration

Non-government members will be paid appropriate sitting fees.

Workplace Safe

Responsibilities of members

All WSSC members accept responsibility for successfully achieving:

- the promotion of the prevention of injury at the workplace and the development of healthy and safe workplaces
- the promotion of the effective injury management of injured workers
- the promotion of an understanding of the *Workers Rehabilitation and Compensation Act 1988* and the *Workplace Health and Safety Act 1995*.

WSSC members are required to attend each meeting, or to send a proxy if they are unable to attend.

Members from stakeholder groups are responsible for ensuring they represent the view of their organisation (including the Board member/s from that organisation) and that they consult with other members of their organisation on matters requiring a decision. This includes issues discussed at meetings and items for approval out of session.

Members must also be available to approve urgent issues out of session, within two working days.

Delegations

The WSSC delegates the following responsibilities to the Promotions Manager:

- management of the campaign budget
- placement of individual advertisements within the existing advertising budget
- approval of previously approved advertisements amended to suit individual publications
- day-to-day administration of routine campaign matters, including responses to correspondence.

WorkCover Tasmania Board

Correlating responsibilities in relation to WSSC

The Board owns the Workplace Safe campaign. The role and responsibilities of the Board in relation to the Workplace Safe campaign are to:

- set the annual global budget for the campaign based on advice from the WSSC
- approve the overall campaign direction set by the WSSC
- endorse briefings, prepared by the WSSC, for targeted campaigns for the advertising and public relations agencies
- approve criteria for advertising and public relations tenders prepared by the WSSC
- approve public relations contractor appointments based on advice from the WSSC
- approve advertising contractor appointments based on advice from the WSSC when a 'credentials only' tender has been called for
- appoint advertising contractors when a full 'creative pitch' tender has been called for
- provide spokespersons for the campaign
- approve Board funded staffing levels in Promotions.

National Issues

Productivity Commission Inquiry into National Workers Compensation and Occupational Health and Safety Frameworks

The Australian Government has requested the Productivity Commission (the Commission) to assess possible models for establishing national workers compensation and occupational health and safety frameworks. The terms of reference for the inquiry were referred to the Commission on 13 March 2003. They provide that in assessing possible models, the Commission should report on (but not be limited to) matters such as:

- definitions of employer, employee, workplace and work-related injury/illness and fatalities
- implications of retraining, limiting or removing access to common law damages
- effective mechanisms to manage or resolve workers' compensation disputes;
- the regulatory framework which would allow suitably qualified employers to obtain national self-insurance that is recognised by all schemes
- the infrastructure necessary at the national and state and territory levels to support suitable models for any national frameworks for workers compensation and occupational health and safety.

The Commission released an issues paper in April 2003 and invited submissions. It also held public hearings to provide parties with an opportunity to discuss their submissions. A public hearing was held in Hobart on 10 June 2003.

The Tasmanian Government made a written submission to the Commission on matters raised in the issues paper.

The Commission is expected to provide an interim report in October 2003, following which further comments and submissions will be invited.

The Commission is to provide its final report by 13 March 2004.

National OHS Strategy 2002–2012

In May 2002 the Workplace Relations Ministers' Council (WRMC) endorsed the National OHS Strategy 2002–2012, a ten year strategy to reduce the number of people killed and injured at work. The Strategy identifies five key areas that need to be addressed to prevent occupational death, injury and disease in Australia. These five priorities are:

- to reduce risks that have a high incidence of injury and disease or which result in serious injury and disease
- to help business operators and workers to develop a better, shared understanding of how to prevent occupational injury and disease
- to prevent occupational disease more effectively, which will, among other things, involve a greater focus on identifying and implementing prevention strategies
- to eliminate hazards at the design stage
- to strengthen the capacity of governments to influence occupational health and safety outcomes, through their roles in making policy, securing compliance with the law, acting as major employers and purchasing goods and services.

The Strategy includes initial performance targets to reduce occupational injuries by 40% (20% in the first five years) and occupational deaths by 20% (10% in the first five years).

Implementing the Strategy

In 2002–03, the National Occupational Health and Safety Commission (NOHSC) developed plans to implement each of the five national priorities.

These plans identify activities to be undertaken by NOHSC and by the state, territory and Australian Governments to progress the Strategy.

To achieve the first priority of the Strategy, NOHSC agreed to concentrate on three priority injury risks and four priority industries. The risks are musculo-skeletal injuries; falling, slipping and tripping; and hitting or being hit by objects. These risks accounted for over 80% of compensated injuries in 2001–02. The four priority industries are construction, manufacturing, transport and storage, and health and community services.

The Strategy has been integrated into the planning processes at the state level. The Board contributed to this process by updating its 1999 occupational black spots report. The updated report will be used by Workplace Standards Tasmania for inspection targeting and for promotional activities. The twelve occupational blackspots identified in the report align with the four NOHSC priority industries.

Legislative Changes

There were no legislative changes to the *Workers Rehabilitation and Compensation Act 1988*. However, an amendment was made to the *Taxi and Luxury Hire Car Industries Act 1995* to deem taxi drivers to be workers for the purposes of the *Workers Rehabilitation and Compensation Act 1988* in certain circumstances. The new provision (section 26A of the *Taxi and Luxury Hire Car Industries Act 1995*) was aimed at providing greater certainty and consistency within the taxi industry on

workers compensation obligations and entitlements. Section 26A provides that a taxi driver is deemed to be a worker and the responsible operator is deemed to be the employer (other than in the case where they are one and the same), for the purpose of the *Workers Rehabilitation and Compensation Act 1988*, irrespective of the commercial arrangement under which the driver has obtained the use of the taxi.





SCHEME OPERATION AND PERFORMANCE REVIEW

Review of the Operation and Performance of the Tasmanian Workers Compensation Scheme for the 2002/2003 Financial Year

Prepared by:

BRIAN BENDZULLA, BSc UED

Fellow of the Institute of Actuaries of Australia

Director

23rd September 2003

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Part A – Results Summary

23rd September, 2003

Mr Martin Shirley

Secretary

WorkCover Tasmania

PO Box 56

ROSNY PARK TAS 7018

Dear Mr Shirley,

We have pleasure in presenting our report reviewing the operation and performance of the Tasmanian Workers Compensation Scheme for the 2002-03 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 by stakeholders. This includes differentiation between licensed and self-insurers experience.

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, WorkCover Tasmania had a statutory obligation to have an annual actuarial review of Scheme performance undertaken. While the amendments removed that requirement, WorkCover Tasmania has chosen to continue this practice and has appointed Bendzulla Actuarial Pty Ltd to undertake the task. We prepared a similar investigation last year. This Scheme is an amalgam of insurance contracts offered by licensed insurers, authorised self insurers and an exempt State risk pool. Subject to the constraints of the arrangements, 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 in his role as a principal of the firm Bendzulla Actuarial Pty Ltd.

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. This report also covers licensed insurer profitability and contains comments about the impact of Scheme design changes. The premium side of the equation has recently been covered in a separate report.

2. Executive Summary

The overall workers' compensation outcomes for 2002-3 were very favourable with both anticipated ultimate claim numbers and average payment year claim sizes reducing. The level of super-inflation was negative for a third year in a row. However, the level of improvement is slowing and has been reversed for the self insurer component. The improvement is only partially explained by the introduction of the new legislation – a considerable portion is due to environmental, economic and risk management factors.

Licensed insurers enjoyed a second year of very good profitability. Form Ds show the net earned premium collected increasing from \$118.237 million to \$124.978 million in 2002-3. Profitability remained at about 23% since the increase was largely offset by increased management costs. It should be noted that the premiums were inadequate for many past years in Tasmania and that any deterioration in future claim experience could eat away at the above margins.

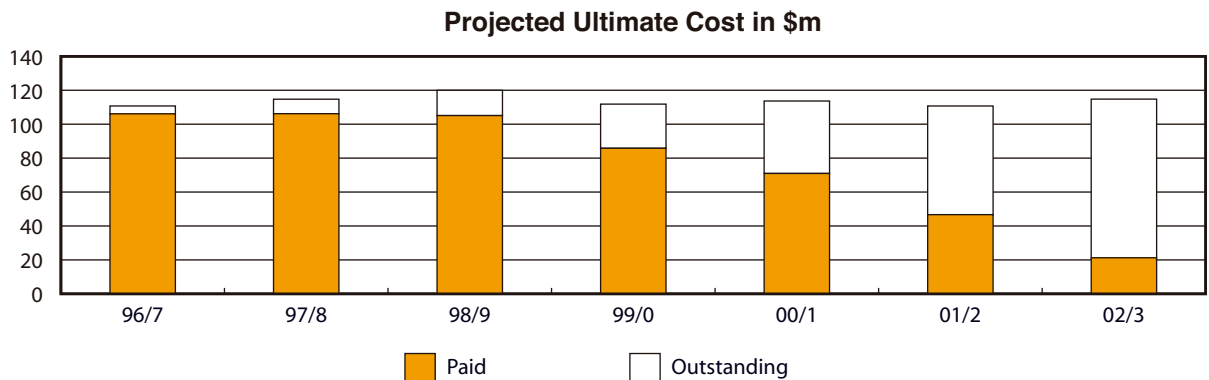
With two years of results since the introduction of the new design changes, anticipated cost savings are beginning to be evident. Common Law and legal costs are down, settlement and redemption costs are up, while the increase in weekly benefit costs are modest.

Part A – Results Summary

3. Aggregate Outcomes

The undiscounted projected aggregate outcome for 2002-3 is \$114.782m – a little higher than the \$110.730m for the previous year. Most recent years are in the range of \$110 – \$119 million. It is important to note that these results are in unadjusted nominal dollar terms – in real terms there is an improvement trend.

The graph below shows the component that has actually been 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. These are historical dollar values.



What is remarkable is how stable outcomes have been in the years under review. The outcomes are largely as anticipated last year. Looking forward is more of a challenge. There are a number of cost forces that are operating in different directions and the overall outcome will depend on which one dominates. The impact of the legislative changes has still to be fully felt with further reductions in common law payments virtually certain. Working in the other direction is the possible emergence of claim cost inflation above background levels and increased number of claims.

4. 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 not reported claims other than for the latest year. We estimate the number of not reported claims for the 2002-03 accident year is 528 making the projected ultimate claims 10,346. This is a 2.5% improvement over the projected number of 2001-02 claims of 10,610.

The number of claims has reduced from around 19,500 in the early 1990s to 16,887 for 1995-96 and then in steady steps to the current level.

The average claim size for recent payment years, adjusted into 2002-03 dollar terms ie constant dollar values, have been:

Payment Year	Av. Claim Size	Level of Super Inflation
1998-99	9,793	
1999-00	10,594	8.2%
2000-01	10,291	-2.9%
2001-02	9,945	-3.4%
2002-03	9,770	-1.7%

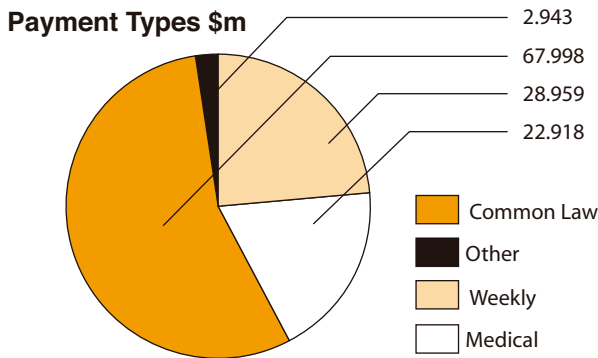
The attached report also shows the level of super-inflation based only on the first 6 component periods of each payment year to eliminate the effect of variable recording in the final year. They show the same pattern.

Part A – Results Summary

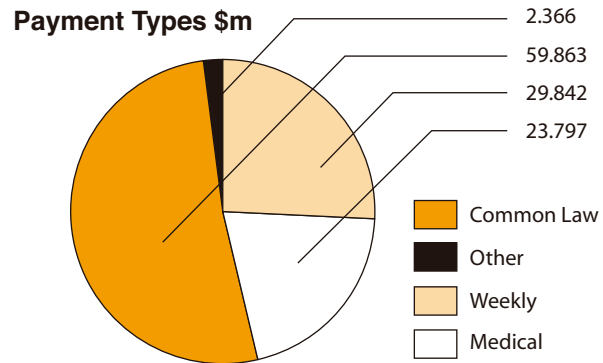
5. Trends in Experience

Last year we highlighted the difference between outcomes in 1995-96 and the current year. In this report we show the major payment types in the year before the introduction of the new design and the most recent payment year.

The major payment type outcomes in historical dollars for the 2000/1 payment year are:



while in 2002/03 the corresponding values in historical dollars are:



The other category includes lump sum payments, fatal pay, spouse payments and miscellaneous. The weekly benefits include redemptions – but this may include some commutation of future medical costs. Settlement, legal costs and investigation costs have been included amongst the common law heading.

The impact of the legislative changes is beginning to make its effect felt. The level of common law outlays are reducing while the weekly benefits category is only slowly increasing – leading to a net reduction. Medical and other costs are reasonably stable. More details at a lower level will be provided in other parts of this report.

6. Licensed Insurer Profitability

The trend in this area is very clear, but the absolute level of profit is open to a greater debate. In the attached analysis I have introduced a three month discount into the net earned premium to allow for varying renewal dates. There has also been a level of future super-inflation assumption introduced. Despite that, the level of profit being earned by the industry remains good. Increased costs have offset the increased earned premium. The estimate of profitability for the latest three years is as follows:

Payment Yr	1999-00	2000-01	2001-02	2002-03
	\$m	\$m	\$m	\$m
Common law	44.044	42.682	46.792	35.207
Settlements	12.209	11.825	9.162	15.045
Legal	11.411	13.490	7.013	5.047
Investigation	0.000	0.000	4.564	4.560

The results for earlier years, especially in the early 1990s were largely consistent losses. The past decade has shown that premiums and costs are not closely connected.

Part A – Results Summary

7. Impact of Legislative Changes

Section B has greater details on this aspect and the outcomes of common law and weekly benefits have been outlined above. In this section I simply draw attention to some of the financially less significant structural changes that are beginning to emerge.

The ability to commute statutory benefits was re-introduced on 1 July 2001. This is beginning to be used:

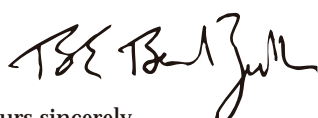
The replacement of the Table of Maims effect is modest and the introduction of spouse and child benefits on fatal accidents very small.

The changes were expected to have considerable saving in common law costs and legal expenses. This is happening. However settlement costs are increasing – but at a lower order level.

There is clearly some reallocation between categories, but cost savings are happening. In another twelve months there may be sufficient data to make a preliminary estimate of the level of savings. The anticipated 11-13% overall savings is likely to be achieved. The usage of weekly benefits is sufficiently clear to remove some of the pre-change fear that this legislative changes could lead to a massive blow out in this component. This produces the confidence to allow consideration of fine tuning of the step downs should this be necessary, without concerns that recent cost gains will be lost. There is a table of hours off work in Appendix A that appears to show a very modest increase in the durations for the latest year – but considerable additional analysis is required before observations with confidence can be made about duration.

Part B of this report contains more detailed statistical data and analysis to support the above commentary. A review of this report has been conducted by Trowbridge Deloitte. A number of useful points from that review have been included in this final version of the report. I have no significant items of disagreement with the contents of the review 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, B.Sc., 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 the lower level since significant movement has occurred at various times between the two classes. The exempt State insurer and the Nominal Insurer data have been included in the self insurers.

8. Data Supplied

The claims and payments files have been compared to insurers' "Form Ds". While the match is not perfect, it has a high level of match and 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 2003 in "development" format.

Accident Year	Reported by 30 June 2003							
	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	565						
2002-03	9,818							

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+
1991-92	22.530	22.834	14.570	16.876	10.953	9.404	3.952	7.469
1992-93	22.254	27.622	22.764	16.041	11.491	5.767	3.747	6.132
1993-94	23.791	33.258	25.392	18.367	11.477	7.212	5.315	6.929
1994-95	25.940	36.130	28.074	20.641	14.541	7.906	6.188	5.308
1995-96	25.235	33.030	25.694	20.390	16.501	8.132	5.536	3.116
1996-97	20.310	26.154	21.747	15.959	11.486	6.373	4.080	
1997-98	19.975	27.666	24.776	16.851	9.570	7.358		
1998-99	21.029	30.203	23.330	18.084	12.439			
1999-00	20.571	28.226	22.766	14.252				
2000-01	20.595	28.040	22.331					
2001-02	19.924	26.757						
2002-03	21.265							

The above includes payments incurred by the employers under the compulsory excess design, before any reinsurance recoveries and are stated in historical dollars.

Part B – Detailed Information

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

Accident Year	Paid in Year \$m				
	0	1	2	3	4
1995-96	1.930	0.165	0.038	0.054	0.021
1996-97	2.749	0.704	0.179	0.054	0.031
1997-98	2.623	1.010	0.082	0.309	0.014
1998-99	2.695	1.039	0.127	0.019	0.003
1999-00	2.563	1.005	0.088	0.049	
2000-01	2.750	1.041	0.080		
2001-02	2.747	1.165			
2002-03	3.009				

The majority of the under excess amounts apply to licensed insurers. These again are in historical dollar values.

9. 2002-03 Claim and Payment Experience

Using the claim information from Section 8 and a Chain Ladder algorithm to project the ultimate number of claims, we have:

Accident Year	Reported by 30-6-2003	IBNR Provision	Projected Ultimate Number of Claims
1992-93	19,419	0	19419
1993-94	19,674	0	19674
1994-95	19,298	0	19298
1995-96	16,947	0	16947
1996-97	14,695	1	14696
1997-98	13,238	3	13241
1998-99	12,420	4	12424
1999-00	11,832	6	11838
2000-01	11,324	11	11335
2001-02	10,582	28	10610
2002-03	9,818	528	10346

The number of claims has improved yet again, but the reduction is now very modest. The level of salary and workers information on the database is now reaching a stage that incidence rates per measure of exposure, can be calculated over a number of years.

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 2002-03 dollar values ie constant dollar values. The results are as follows:

Payment Year	Average Claim Levels Size	Levels of Super Inflation	Levels of Super Inflation Excluding Last
1998-99	9,793		
1999-00	10,594	8.2%	9.4%
2000-01	10,291	-2.9%	-3.2%
2001-02	9,945	-3.4%	-2.5%
2002-03	9,770	-1.7%	-0.7%
5 Year Average	\$10,079		
3 Year Average	\$10,002		

The use of a composite final year in the data recording has been adjusted for above.

Part B – Detailed Information

The workers' compensation results in Tasmania are impressive. Average payment year claim costs have dropped for the third year in a row despite the number of claims being a reducing quantity also. The level of super-inflation is negative also for the third year in a row. This is only partially explained by the introduction of the new legislation – a considerable portion is due to environmental, economic and risk management factors.

10. Projection Methodology and Assumptions

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. A variety of finalisation rates have been looked at. Appendix A, for example, shows recent 30 June number of open claims excluding the latest accident year. The rate is sufficiently stable for the PPCI method to be used. 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	2002 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 5.0% p.a.

Background Inflation 3.0% p.a

Super Inflation 1.5% p.a

A Workers Compensation scheme will often have some level of super inflation. The Tasmanian scheme is unusual in this regard of having three year's experience of negative super inflation. The new legislation is only part of the reason. This can be a volatile item and (consequently) I have made some future allowance as I feel the run of negative results may be nearing the end.

11. Projected Ultimate Aggregate Cost Outcomes

Using the assumptions set out in the earlier sections, together with an average payment year cost of \$10,050 in 2002-03 dollars, the projected ultimate claim costs (on an undiscounted basis and historical dollar value basis) will be:

TOTAL PROJECTED COST — UNDISCOUNTED			
Accident Year	Payments made by 30-6-2003 \$m	Projected Future Payments \$m	Ultimate Claim Costs \$m
1996/97	106.108	4.630	110.738
1997/98	106.198	8.531	114.729
1998/99	105.086	14.889	119.975
1999/00	85.815	26.015	111.830
2000/01	70.966	42.696	113.662
2001/02	46.681	64.049	110.730
2002/03	21.265	93.517	114.782

Part B – Detailed Information

The projected ultimate outcomes show a remarkably stable nominal value pattern – which means improving real value outcomes. Whether this trend continues next year depends on whether the claim number and common law costs continue to decrease. An enhancement for future years is to differentiate average claim size for pre and post legislative changes.

12. 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 in the first development year and a slightly faster cost emergence pattern.

The first table shows the number of claims reported by 30 June 2003 and the anticipated ultimate number of claims for licensed insurers:

Accident Year	Reported by 30-6-2003	Projected Ultimate Number of Claims
1992/93	14,171	14,171
1993/94	14,873	14,873
1994/95	15,400	15,400
1995/96	13,450	13,450
1996/97	11,640	11,641
1997/98	10,469	10,471
1998/99	9,997	10,000
1999/20	9,194	9,199
2000/01	8,747	8,756
2001/02	8,035	8,056
2002/03	7,495	7,898

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

Payment	Year Average Claim Size \$	Levels of Super Inflation
1998-99	8,978	
1999-00	10,000	11.4%
2000-01	10,095	1.0%
2001-02	9,746	-3.5%
2002-03	9,399	-3.6%
5 Year Average	9,644	
3 Year Average	9,747	

The fall off in the super inflationary component shown last year has continued.

Part B – Detailed Information

An average current claim size of \$9,750 has been assumed. The anticipated ultimate cost for each of the accident years on an undiscounted historical dollar value basis is:

Accident Year	Paid by 30-6-2003 \$m	Estimated Outstanding \$m	Projected Ultimate Cost \$m
1996-97	76.666	3.558	82.224
1997-98	81.216	6.545	87.761
1998-99	79.648	11.627	91.275
1999-00	67.918	19.612	87.530
2000-01	55.481	31.997	87.478
2001-02	35.372	47.180	82.552
2002-03	15.719	69.259	84.978

The projected costs (taking the extra twelve months information into account) has tended to be downwards.

13. 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 cost items at the rates set out in Appendix I to the start of the year of accident, with costs assumed to be uniformly distributed over the year. Premiums have been discounted by three months since renewals tend to concentrate in the first part 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.

TABLE OF PAST PROFITABILITY			
	1999-01 \$m	2001-02 \$m	2002-03 \$m
Net Earned Premiums	111.218	118.237	124.978
Discounted Premiums	109.672	116.643	123.451
Minus			
Claims Payments	53.736	34.146	15.338
Estimated Outstanding	25.097	38.750	59.357
Less Excess Payments	(2.598)	(2.582)	(2.734)
Expenses	19.212	18.412	23.080
Equals	95.686	88.726	95.041
Profit-Loss	13.986	27.917	28.410
% of Premium	12.8%	23.9%	23.0%

Tasmanian Workers Compensation overall remains an area that licensed insurers can achieve good profits. However, it should be noted that the opposite applied in Tasmania for many years and that any deterioration in future experience could eat away at the above margins.

Part B – Detailed Information

14. Self Insurer Experience

The first table shows the number of claims reported by 30 June 2003 and the anticipated ultimate number of claims.

Accident Year	Reported by 30–6–2003	Projected Ultimate Number of Claims
1991-92	5,805	5,805
1992-93	5,248	5,248
1993-94	4,801	4,801
1994-95	3,898	3,898
1995-96	3,497	3,497
1996-97	3,055	3,055
1997-98	2,768	2,769
1998-99	2,423	2,424
1999-00	2,636	2,637
2000-01	2,577	2,580
2001-02	2,547	2,554
2002-03	2,324	2,449

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
1998-99	12,673	
1999-00	12,654	-0.1%
2000-01	10,973	-13.3%
2001-02	10,823	-1.4%
2002-03	11,220	3.7%
5 Year Average	11,669	
3 Year Average	11,005	

The outcome for licensed insurers shows an increase in average costs. An average claim size of \$11,200 has been assumed.

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

Accident Year	Paid by 30–6–2003 \$m	Estimated Outstanding \$m	Projected Ultimate Cost
1996-97	26.442	1.073	27.514
1997-98	24.982	1.988	26.970
1998-99	25.437	3.237	28.675
1999-00	17.897	6.458	24.355
2000-01	15.485	10.831	26.316
2001-02	11.309	17.182	28.491
2002-03	5.546	24.669	30.215

The self insurers enjoyed a reduction in average claim sizes ahead of the licensed insurers. This has now reversed and they are experiencing increased average costs while the licensed insurers don't show the same trend. It must be remembered that this group is one third the size of the licensed insurers and can experience more volatile outcomes.

Part B – Detailed Information

15. 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.

The model last year anticipated payments in 2002-3 for accidents from 1995 to 2002 of \$92.7 million. The actual outcome was \$90.3 million. This is a very good level on match and shows the current model to be largely appropriate.

16. Sensitivity Analysis

With a program of this size, many of the model assumptions are stable and predictable. However, two assumptions in particular are not – average future claim size and the level of future super-inflationary cost pressures. This section shows the sensitivity of outcomes by taking a pessimistic view ie:

- that the average claim size is the worst that has been experienced in any single payment year in the past 5 years; and
- that the super-inflationary increases will be 5% for the next 3 years (ie 8% in total) plus 3% thereafter (ie 5% total).

The various results on a historical dollar value basis are:

Accident Year	Best Estimate \$m	Worst AV Size \$m	5-3% Super-inf \$m	Both the above \$m
1996-97	110.7	111.0	110.9	111.2
1997-98	114.7	115.2	115.2	115.7
1998-99	120.0	120.8	121.1	121.9
1999-00	111.8	113.2	113.8	115.4
2000-01	113.7	116.0	117.2	119.7
2001-02	110.7	114.2	116.5	120.3
2002-03	114.8	119.8	123.9	129.4

17. Legislative Changes Analysis

We now have a full two years of data under the new workers' compensation benefit design. Consequently, it is possible to examine how some of these changes have effected outcomes.

The weekly benefit step downs in recent years have been as follows:

The 15 August 1995 to 30 June 2001 scale ie

- First 6 weeks - 100 of NWE
- 7-25 weeks - 95% of NWE
- 26 weeks to cap - 90% of NWE

The post 1 July 2001 scale ie

- First 13 weeks - 100 of NWE
- 14-52 weeks - 85% of NWE
- 53 weeks to 10yrs- 70% of NWE

Part B – Detailed Information

Actual outcomes on a historical dollar value basis have been:

Accident Year	Paid in Year \$m				
	0	1	2	3	4
1997-98	8.677	10.558	6.172	2.909	1.066
1998-99	8.449	10.727	5.275	2.877	1.352
1999-00	8.279	9.555	4.888	2.780	
2000-01	8,127	9.406	4.651		
2001-02	8.253	9.209			
2002-03	8.873				

The effects are modest – the longer period for the 100% level with the substitution effect shows up in the first development year. However the first post 52 week observation we have show no great increase.

The ability to commute statutory benefits was re-introduced on 1 July 2001. This is beginning to be used:

Payment Yr	1999-00	2000-01	2001-02	2002-03
Amount	0	-23,680	-53,065	1,691,729

The replacement of the Table of Maims effect is modest and the introduction of spouse and child benefits on fatal accidents very small.

The changes were expected to have considerable saving in common law costs and legal expenses. This is happening. However the settlement costs are increasing – but at a lower order level.

Payment Yr	1999-00	2000-01	2001-02	2002-03
	\$m	\$m	\$m	\$m
Common law	44.044	42.682	46.792	35.207
Settlements	12.209	11.825	9.162	15.045
Legal	11.411	13.490	7.013	5.047
Investigation	0.000	0.000	4.564	4.560

There is clearly some payments reallocated between categories, but the cost savings are happening. The common law development triangle shows this very clearly.

Accident Year	Historical Dollar Values Paid in \$m				
	0	1	2	3	4
1997-98	0.469	4.642	8.699	8.358	6.019
1998-99	0.612	4.632	8.935	10.257	7.550
1999-00	0.935	4.707	10.418	7.504	
2000-01	0.658	4.814	8.512		
2001-02	0.000	0.000			
2002-03	0.000				

In another twelve months there may be sufficient data to make a preliminary estimate of the level of savings. The anticipated 11-13% overall savings may be exceeded. The usage of weekly benefits is sufficiently clear to remove some of the pre-change fear that this change could lead to a massive blow out in this component. This produces the confidence to allow consideration of fine tuning of the step downs should this be necessary, without concerns that recent cost gains will be lost

Appendix A – Overall Payment and Claims Data

I have been supplied (by WorkCover Tasmania) 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. All items in this appendix are in historical dollar values

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. Information for the past 12 years is shown.

Payment Year	Analysis Data \$m	Form D Data \$m	Percentage Match
2002-03	115.867	115.793	100.1%
2001-02	120.216	120.514	99.8%
2000-01	122.817	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%

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 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
2002-03	84.738	84.726	100.0%
2001-02	90.051	90.178	99.9%
2000-01	93.695	93.627	100.1%
1999-00	96.251	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	76.137	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
2002-03	31.129	31.067	100.2%
2001-02	30.164	30.337	99.4%
2000-01	29.122	29.239	99.6%
1999-00	32.241	33.256	96.9%
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

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	5,706,821
1991-92	14,012,723	14,204,918	8,780,207	11,217,796	6,777,111	6,157,330	2,567,782	4,554,079
1992-93	14,320,509	16,974,408	14,559,340	9,811,121	7,264,428	2,453,072	2,105,415	3,092,283
1993-94	16,169,302	21,774,585	16,885,001	12,357,258	6,861,121	4,518,058	2,367,349	3,634,251
1994-95	18,605,477	25,084,188	19,380,808	14,428,599	11,141,047	5,364,770	4,077,722	3,434,451
1995-96	18,302,975	23,081,429	17,215,278	13,283,034	12,281,710	5,487,689	3,808,321	1,524,804
1996-97	15,821,026	19,460,070	16,319,216	12,250,670	8,510,012	4,337,379	2,963,479	
1997-98	14,829,986	21,210,246	19,468,397	14,117,967	6,675,779	4,913,235		
1998-99	15,744,620	23,654,463	18,893,298	13,180,928	8,174,954			
1999-00	15,349,870	21,930,852	19,235,555	11,401,925				
2000-01	16,104,360	21,782,292	17,593,806					
2001-02	15,192,781	20,179,402						
2002-03	15,719,258							

Appendix A – Overall Payment and Claims Data

Self Insurers – Payments in Development Table Format

Accident Year	Paid in 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	3,418,204
1991-92	8,517,483	8,628,786	5,789,433	5,657,987	4,175,822	3,246,680	1,384,242	2,915,123
1992-93	7,933,240	10,647,110	8,204,565	6,230,204	4,226,652	3,313,677	1,641,344	3,039,394
1993-94	7,621,935	11,483,759	8,507,310	6,009,353	4,616,315	2,694,146	2,947,877	3,294,516
1994-95	7,334,749	11,046,198	8,692,722	6,212,663	3,399,543	2,541,414	2,110,357	1,873,283
1995-96	6,932,037	9,948,130	8,478,905	7,106,492	4,219,516	2,644,265	1,727,712	1,591,236
1996-97	4,488,660	6,693,779	5,427,374	3,708,536	2,972,006	2,035,597	1,116,093	
1997-98	5,145,462	6,456,052	5,307,581	2,733,105	2,894,660	2,445,116		
1998-99	5,284,485	6,548,060	4,436,674	4,903,531	4,264,492			
1999-00	5,220,897	6,295,195	3,530,718	2,850,164				
2000-01	4,490,913	6,257,296	4,737,615					
2001-02	4,731,014	6,577,619						
2002-03	5,545,949							

The above information includes under excess Workers Compensation payments.

The next two tables show the number of claims reported by 30 June 2003 for licensed and self insurers respectively.

Licensed Insurers – Reported Claims by 30/06/2003

Accident Year	Paid in Year							
	0	1	2	3	4	5	6	7+
1990-91	14,353	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	0
1996-97	11,178	444	11	3	1	1	2	
1997-98	10,015	443	7	1	1	2		
1998-99	9,573	404	14	5	1			
1999-00	8,786	396	11	1				
2000-01	8,399	338	10					
2001-02	7,682	353						
2002-03	7,494							

Appendix A – Overall Payment and Claims Data

Self Insurers – Reported Claims by 30/06/2003

Accident Year	Reported in Year							
	0	1	2	3	4	5	6	7+
1990-91	5,867	219	8	1	1	2	2	1
1991-92	5,475	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	1
1995-96	3,247	228	10	5	3	0	2	2
1996-97	2,881	160	4	4	3	3	0	
1997-98	2,605	150	2	3	4	4		
1998-99	2,253	162	5	1	2			
1999-00	2,471	155	9	1				
2000-01	2,400	168	9					
2001-02	2,344	203						
2002-03	2,324							

The development pattern is reasonably consistent between the two groups – with self-insurers having relatively slightly more claims reported after the end of the accident year. The emergence pattern is largely determined by administrative and data capture procedures. Consistency of approach adopted for identifying a claim – not the approach adopted – is the important factor for the model.

The next table shows hours lost

Accident Year	Year 01	Year1
1996-97	514370	726684
1997-98	528693	706688
1998-99	490755	825726
1999-00	506140	573088
2000-01	464549	517484
2001-02	458131	522888
2002-03	496418	

There may be a slight increase in duration in the latest payment year.

The final table show the number of open claims excluding the most recent accident year.

Date	Licensed	Self	Total
30-6-2000	1,272	801	2,073
30-6-2001	1,201	1,240	2,441
30-6-2002	1,468	1,119	2,587
30-6-2003	1,309	966	2,275

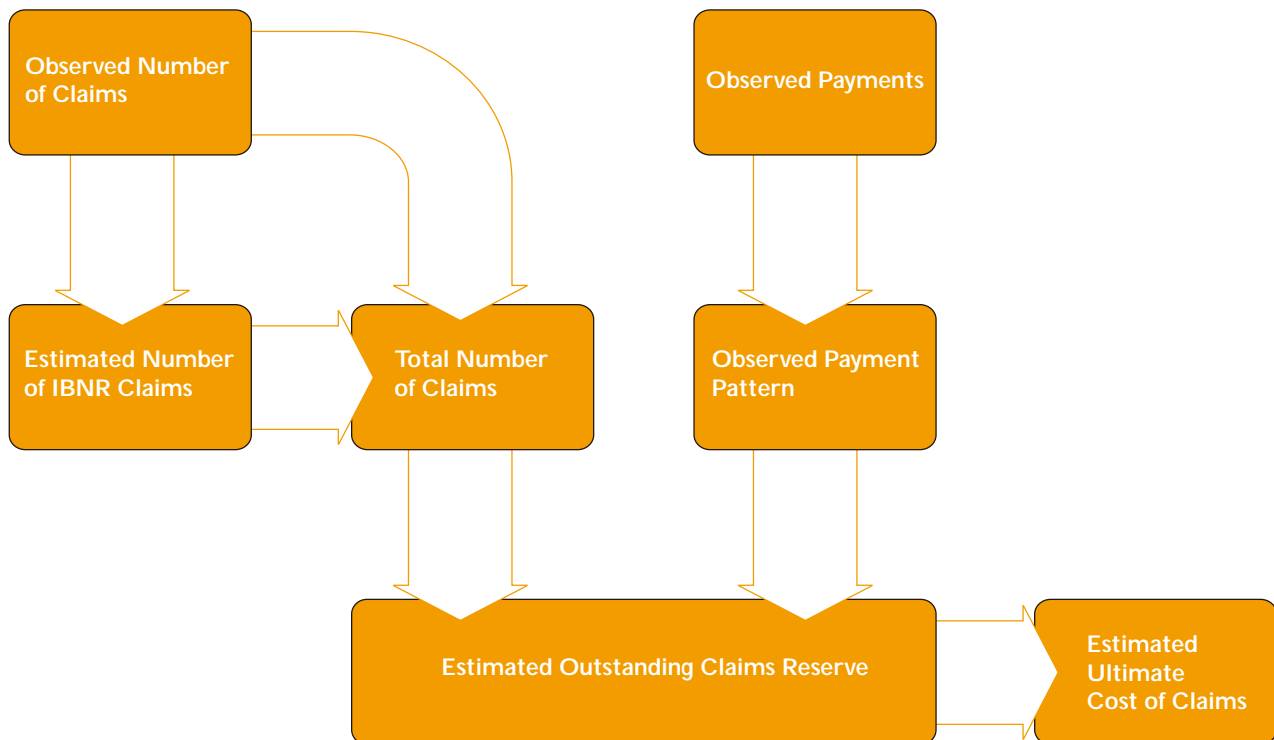
Appendix B – Projection Model and Methodology

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 AWOTE 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+
1991-92	34,604,964	34,587,090	21,437,289	15,154,692	14,755,505	12,170,862	4,938,641	8,956,197
1992-93	33,708,609	40,641,393	32,163,241	22,734,613	14,871,990	7,206,410	4,492,674	7,142,375
1993-94	35,005,643	46,990,890	34,207,856	20,761,010	14,342,762	8,648,030	6,191,347	7,678,477
1994-95	36,651,082	48,673,910	36,333,336	22,951,809	17,435,372	9,209,378	6,857,644	5,563,046
1995-96	33,995,947	42,747,529	32,108,699	24,750,583	19,221,161	9,011,851	5,802,326	3,116,040
1996-97	26,285,210	32,683,120	26,075,962	18,589,798	12,728,833	6,679,528	4,079,572	
1997-98	24,962,290	33,174,183	28,859,859	18,674,399	10,030,795	7,358,351		
1998-99	25,215,638	35,180,874	25,854,332	18,954,355	12,439,446			
1999-00	23,961,494	31,280,174	23,861,373	14,252,089				
2000-01	22,823,732	29,388,344	22,331,421					
2001-02	20,882,167	26,757,021						
2002-03	21,265,207							

While the per claim values are:

Accident Year	Development Year							
	0	1	2	3	4	5	6	7+
1991-92	1,736	1,735	1,075	760	740	610	248	449
1992-93	1,736	2,093	1,656	1,171	766	371	231	368
1993-94	1,779	2,388	1,739	1,055	729	440	315	390
1994-95	1,899	2,522	1,883	1,189	903	477	355	288
1995-96	2,006	2,522	1,895	1,460	1,134	532	342	184
1996-97	1,789	2,224	1,774	1,265	866	455	278	
1997-98	1,885	2,505	2,180	1,410	758	556		
1998-99	2,030	2,832	2,081	1,526	1,001			
1999-00	2,024	2,642	2,016	1,204				
2000-01	2,014	2,593	1,970					
2001-02	1,968	2,522						
2002-03	2,055							

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+
1991-92	21,522,652	21,516,736	12,918,908	15,849,683	9,129,946	7,968,942	3,208,825	5,460,718
1992-93	21,691,826	24,975,585	20,570,968	13,217,285	9,401,771	3,065,478	2,524,567	3,601,991
1993-94	23,790,979	30,765,427	22,747,031	15,993,016	8,573,990	5,417,526	2,757,565	4,027,486
1994-95	26,287,777	33,792,761	25,083,037	18,030,678	13,359,038	6,249,057	4,518,941	3,599,654
1995-96	24,657,289	29,872,457	21,513,048	15,927,458	14,306,132	6,081,470	3,991,508	1,524,804
1996-97	20,475,895	24,318,249	19,568,091	14,269,976	9,435,249	4,546,015	2,963,479	
1997-98	18,532,271	24,432,842	22,677,417	15,645,566	6,996,896	4,913,235		
1998-99	18,879,103	27,553,482	20,937,599	13,814,955	8,174,954			
1999-00	17,880,024	24,303,824	20,160,821	11,201,925				
2000-01	17,846,891	22,830,061	17,593,806					
2001-02	15,923,582	20,179,402						
2002-03	15,719,258							

The payment per claim information is:

Accident Year	Development Year							
	0	1	2	3	4	5	6	7+
1991-92	1,523	1,523	914	1,122	646	564	227	386
1992-93	1,531	1,762	1,452	933	663	216	178	254
1993-94	1,600	2,069	1,529	1,075	576	364	185	271
1994-95	1,707	2,194	1,629	1,171	867	406	293	234
1995-96	1,833	2,221	1,599	1,184	1,064	452	297	113
1996-97	1,759	2,089	1,681	1,226	811	391	255	
1997-98	1,770	2,429	2,166	1,494	668	469		
1998-99	1,888	2,755	2,094	1,381	817			
1999-00	1,944	2,642	2,192	1,239				
2000-01	2,038	2,607	2,009					
2001-02	1,977	2,505						
2002-03	1,990							

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+
1991-92	13,082,312	13,070,354	8,518,381	7,994,200	5,625,558	4,201,920	1,729,816	3,495,474
1992-93	12,016,784	15,665,807	11,592,273	8,393,168	5,470,219	4,140,932	1,968,107	3,540,384
1993-94	11,214,664	16,225,464	11,460,845	7,777,427	5,768,771	3,230,504	3,433,782	3,650,991
1994-95	10,363,306	14,881,149	11,250,298	7,763,645	4,076,334	2,960,321	2,338,703	1,963,391
1995-96	9,338,659	12,875,073	10,595,652	8,521,272	4,915,028	2,930,381	1,810,818	1,591,236
1996-97	5,809,315	8,364,871	6,507,871	4,319,822	3,293,584	2,133,513	1,116,093	
1997-98	6,430,019	7,741,341	6,182,442	3,028,834	3,033,899	2,445,116		
1998-99	6,336,535	7,627,392	4,916,733	5,139,400	4,264,492			
1999-00	6,081,469	6,976,350	3,700,552	2,850,164				
2000-01	4,976,841	6,558,284	4,737,615					
2001-02	4,958,585	6,577,619						
2002-03	5,545,949							

The payment per claim information is:

Accident Year	Paid in Year							
	0	1	2	3	4	5	6	7+
1991-92	2,254	2,252	1,467	1,377	969	724	298	602
1992-93	2,290	2,985	2,209	1,599	1,042	789	375	675
1993-94	2,336	3,380	2,387	1,620	1,202	673	715	760
1994-95	2,659	3,818	2,886	1,992	1,046	759	600	504
1995-96	2,670	3,682	3,030	2,437	1,405	838	518	455
1996-97	1,902	2,738	2,130	1,414	1,078	698	365	
1997-98	2,322	2,796	2,233	1,094	1,096	883		
1998-99	2,614	3,147	2,028	2,120	1,759			
1999-00	2,306	2,646	1,403	1,081				
2000-01	1,929	2,542	1,836					
2001-02	1,941	2,575						
2002-03	2,265							

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

The payment year benefit costs per payment type are:

Type of Payment	95–96	96–97	97–98	98–99	99–00	00–01	01–02	02-03
Weekly	45,468,986	40,568,254	36,588,504	32,569,285	32,143,858	28,983,026	27,406,561	28,149,979
Redemption	11,741,895	2,484,393	908,159	125,237	0	-23,680	-53,065	1,691,729
Lump Sum	3,100,902	3,833,609	2,683,813	3,413,638	1,353,506	723,076	490,037	271,386
Fatal Pay	542,549	450,081	608,692	481,509	288,912	429,956	508,427	70,347
Doctor	7,936,186	8,601,149	7,988,705	7,496,828	7,097,885	8,318,635	8,465,627	8,719,295
Hospital	4,529,432	3,989,345	3,481,541	3,577,822	2,872,232	2,546,443	2,366,834	2,992,386
Rehabilitation	5,021,852	5,720,647	5,737,575	5,874,628	6,847,888	7,431,250	7,395,613	7,237,779
Other	5,926,167	5,895,092	6,175,860	7,186,242	7,335,663	4,621,639	4,427,296	4,847,503
Miscellaneous	1,856,994	2,394,630	2,432,467	2,963,132	2,884,398	1,789,977	1,613,710	1,758,756
Common Law	29,921,177	39,818,388	38,299,399	43,121,045	44,043,910	42,681,585	46,792,172	35,206,702
Legal	7,789,903	9,186,591	10,457,722	11,914,864	11,411,399	13,489,674	7,012,754	5,046,965
Settlement	781,086	2,998,176	3,200,638	3,750,871	12,209,181	11,825,411	9,161,731	15,045,286
Impairment	0	0	0	0	0	0	32,175	204,625
Investigation	0	0	0	0	0	0	4,559,754	4,563,742
Spouse-Child	0	0	0	0	0	0	35,958	60,884
TOTAL	124,617,129	125,940,355	118,563,075	122,475,101	128,488,832	122,816,992	120,215,584	115,867,364

The type of payments have been lined up with the payments data file maintained by the Board ie

Weekly:	Weekly payment – amount paid for income replacement during reporting month. Excess payments are reported separately from insurer payments and are flagged accordingly in the Payment Source field.
Redemption:	Redemptions – amount paid for commutation of statutory benefits to a lump sum amount (mainly income replacement and future medical and rehab costs) – reintroduced from July 2001 (abolished between August 1995 and June 2001)
Lump Sum:	Payments made for specific injuries under the Table of Maims. Relevant only to claims with date of accident prior to 1 July 2001
Fatal Pay	Fatality payment – lump sum death benefits. Death benefits paid in respect of claims incurred prior to 1 July 2001 are reported in this column. Also payments relating to s67, 2000 amendments
Doctor	Doctor payments
Hospital	Hospital payments
Rehabilitation	Rehabilitation payments
Other	Allied medical services
Miscellaneous	Miscellaneous – travelling or accommodation expenses incurred by worker to undertake medical treatment, including road or air ambulance, worker's transport (at insurer's request), clothing, and costs associated with modifications to home as part of rehabilitation
Common Law	Common law payment – total economic loss component of a common law settlement or judgement after deduction of amounts for contingencies and contributory negligence. Includes any amount for pain and suffering, permanent impairment, loss of superannuation, legal expenses and future medical costs.
Legal	Legal Payments
Settlement	Negotiated Settlement – lump sum amount paid where a claim is settled by common law release but no writ was issued.
Impairment	Amount of payment made for the type of impairment per s71,72 and 73 – 2000 amendments
Investigation	Investigation expenses
Spouse/Child	Death benefit payment to spouse – s67, 2000 amendments Death benefit payment to children – s67a, 2000 amendments

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	Number of Claims	Dollars per Claim
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%	15,400	\$ 798
1995-96	15.223	89.649	17.0%	13,450	\$1,132
1996-97	17.793	94.211	18.9%	11,641	\$1,528
1997-98	17.447	84.134	20.7%	10,471	\$1,666
1998-99	18.059	90.002	20.1%	10,000	\$1,806
1999-00	16.310	103.265	15.8%	9,199	\$1,773
2000-01	19.212	111.218	17.3%	8,756	\$2,194
2001-02	18.412	118.237	15.6%	8,056	\$2,286
2002-03	23.080	124.978	18.5%	7,898	\$2,922

Management costs have been taken from the Form Ds (excluding reinsurance and stop loss costs). Costs per accident appear to be sharply up.

The corresponding values for the self insurers are:

Accident Year	Management Costs \$m	Number of Claims	Dollars per Claim \$
1991-92	2.932	5,805	505
1992-93	2.986	5,248	569
1993-94	2.846	4,801	593
1994-95	2.703	3,898	693
1995-96	3.729	3,497	1,066
1996-97	4.258	3,055	1,394
1997-98	5.064	2,761	1,834
1998-99	3.787	2,424	1,562
1999-00	3.502	2,637	1,328
2000-01	3.714	2,580	1,440
2001-02	3.947	2,554	1,545
2002-03	3.834	2,449	1,566

Self insurer costs appear to be at a very similar level to those prevailing twelve months ago.

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 known 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.

Inflation Assumptions

A significant proportion of costs are linked to salary rates – directly or indirectly. 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 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	\$711.40
November 1998	\$741.40
November 1999	\$763.20
November 2000	\$802.20
November 2001	\$848.20
November 2002	\$889.00

The December quarter value has been chosen since it is approximately halfway through the year in question. Any series chosen will not exactly match the various cost components, but the above provides a good approximation to allow the super inflationary increases to be isolated out.





STATISTICS

Statistical Report — 12 Months Ending June 2003

Differences in numbers between the actuarial review and the 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 (10,390 claims lodged in 2002–03) whereas the actuarial report uses accident year (period when accidents or injuries actually occurred) as the basis plus allowance for IBNR claims (10,346 projected ultimate number of claims for 2002–03).

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 that the projected aggregate outcome for accident year 2002–03 is \$114.782 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 \$115.9 million in 2002–03.

Statistical Report — 12 Months Ending June 2003

Executive Summary

The summary below mainly provides a comparison of outcomes between the 12 months ending June 2002 and the 12 months ending June 2003.

1. Overall, a total of 10,390 claims were lodged during the 12 months ending June 2003 — 180 claims lower than the number for the previous year of 10,570. The rates of decline in claim numbers have been slower over the past three years indicating that claim numbers are starting to plateau.
2. Ten fatalities were reported in the most recent period — the same number reported in the previous year.
3. The number of lost time claims (up by 6%) moved in inverse proportion to the number of no lost time claims (down by 6%), providing an indication that injuries are becoming more severe.
4. Six out of ten industry sectors experienced reductions in claim numbers while slight increases were noted for four sectors. A relatively significant improvement in claim numbers has been noted for Mines/Quarries/Energy.
5. The average all claims frequency rate (ACFR) decreased by nearly 5%, from 39.0 to 37.2 claims per million hours worked.
6. ACFRs for Forestry/Logging/Printing, Manufacturing, Rural/Meat/Food/Beverage and Mines/ Quarries/Energy were significantly higher than the All Industries average, while ACFRs for Clothing/Footwear/Textiles/Miscellaneous, Entertainment/Hospitality and Retail sectors were significantly lower than the All Industries average.
7. Decreases in ACFR were observed in eight out of 10 sectors.
8. No notable improvement in the number of lost time injuries has been observed for a single industry sector.
9. The average lost time injury frequency rate (LTIFR) increased by 3%, from 14.1 to 14.5 lost time injuries per million hours worked.
10. Only two sectors experienced an improvement in LTIFR: Entertainment/Hospitality and Freight/Transport/Ports. Among the eight sectors where a deterioration in LTIFR has been observed, the highest increases were recorded for Construction/Local Government and Mines/Quarries/Energy.
11. Total payments were lower by \$6m (down from \$122m to \$116m), a reduction of almost 4%.
12. The reduction in total payments was mainly driven by the reduction in common law payments (down by 25%, from \$47m to \$35m) and the reduction in legal costs (down by 28%, from \$7m to \$5m).
13. These reductions, however, have been offset by increases in negotiated settlements (up by 64%, from \$9m to \$15m), weekly benefits (up by 3%, from \$27m to \$28m), total medical costs (up by 5%, \$24m to \$26m), and the reintroduction of redemptions (up from nil to \$1.7m). Note that there are conceptual issues surrounding redemptions and negotiated settlements, with insurers reporting data on either category to represent lump sum settlements for compensation. These are discussed fully in section 3.1.
14. The increases in weekly benefits and total medical costs appear to be consistent with the increase noted in the number of lost time claims.
15. There were 17 specific cases receiving permanent impairment payments in the period to June 2003 and five in the previous year. Note that discussions with most insurers indicated that negotiated settlements also do include cases receiving permanent impairment payments so that the total number of permanent impairment cases should be much higher than specifically reported here.
16. The total amount paid on HIH Insurance Group claims up to the 12 months ending June 2003 was approximately \$25m.
17. On average, employer excess payments accounted for 3% of total payments for licensed insurers (1.7% for the first 5-day weekly benefit excess and 1.3% for the first \$200 of other benefit). The estimated savings impact of the total licensed insurer employer excess deductibles, on average, amounts to 0.9% of total incurred cost.

Statistical Report — 12 Months Ending June 2003

18. Overall, the average claim size increased by 3%, from \$7,593 to \$7,803. Again, this appears to be consistent with the increase in the number of more serious claims based on lost time injuries.
19. The actual average premium rate charged by insurers was 2.93%, which was 0.20 percentage points lower than the previous year's actual average premium rate charged of 3.13%, a decrease of more than 6%.
20. The actual average premium rates charged by licensed insurers ranged between 1.43% and 4.28% of wages in the most recent 12-month period.
21. In the 12 months ending June 2003, the two largest insurers held nearly 54% of the earned premiums, and accounted for more than 58% of total earned wages. The concentration of workers compensation business in a single or two large insurers may either have a good or undesirable effect on overall Scheme performance. An insurer who has a relatively high market share but who may not be rated well in terms of claims management performance (eg, an adversarial system, unnecessarily high utilisation of legal, medical and related service, low rates of return to work, etc) would have a disproportionately unwelcome influence on the way the Whole Scheme performs.
22. During the 12 months ending June 2003, the top 50 industries based on the number of employers consisted of 7,533 employers, accounting for 59% of all employers (12,853).
23. Among the top 50 industries, the highest average premium rates for all insurers were recorded for the logging industry (14.30%), sheep farming (6.92%), sheep-beef-cattle farming (6.84%), cleaning services (6.78%), and beef-cattle farming (6.53%).
24. The following points highlight the trends in performance with respect to the different types of insurers:
 - (a) Licensed Insurers:
 - 2% decrease in claim numbers
 - 2% decrease in average lost time
 - 6% decrease in total payments, mainly due to reductions in combined common law and negotiated settlements, weekly benefits and legal and investigation costs
 - 3% decrease in average weekly benefits
 - 2% decrease in average claim size
 - (b) Self-Insurers:
 - 5% increase in claim numbers
 - 23% increase in average lost time
 - 20% increase in total payments, mainly attributed to increases in combined common law and negotiated settlements, weekly benefits and total medical costs
 - 6% increase in average weekly benefits
 - 9% increase in average claim size
 - (c) Tasmanian State Service:
 - 2% decrease in claim numbers
 - 12% decrease in average lost time
 - 4% decrease in total payments, mainly due to decreases in combined common law and negotiated settlements and legal and investigation costs
 - average weekly benefits remained relatively stable
 - 30% increase in average claim size

Statistical Report — 12 Months Ending June 2003

1. CLAIMS LODGED

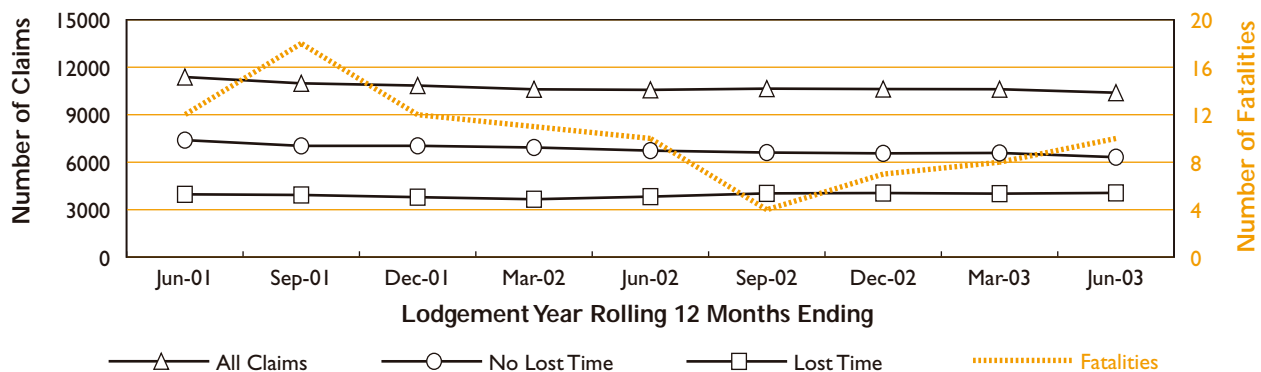
1.1 Overall

1.1.1 Overall, the total number of claims lodged during the 12 months ending June 2003 was 10,390 — 180 claims less than the total number lodged during the same period ending June 2002 (10,570 claims), a slight reduction of nearly 2%.

Table 1: Total Number of Claims Lodged

Rolling 12 Months Ending	Fatalities	Lost Time	No Lost Time	All Claims
Jun-01	12	3,972	7,395	11,379
Sep-01	18	3,932	7,032	10,982
Dec-01	12	3,793	7,036	10,841
Mar-02	11	3,662	6,931	10,604
Jun-02	10	3,827	6,733	10,570
Sep-02	4	4,032	6,611	10,647
Dec-02	7	4,054	6,560	10,621
Mar-03	8	4,016	6,586	10,610
Jun-03	10	4,063	6,317	10,390
% Change Jun-02 to Jun-03	0.0%	6.2%	-6.2%	-1.7%

Chart 1: Number of Claims Lodged



1.1.2 Ten fatalities were reported in the 12 months ending June 2003 – the same number reported in the period to June 2002. The ten fatalities comprised:

- one farm hand employed by a dairy cattle farming operation who was riding a four-wheel motor bike, went over a rise in the ground, fell from the bike and landed on his head
- two miners employed by a gold ore mining operation; one miner while performing rock maintenance was hit by a drill and broke his neck; the other suffered a head injury from a rockfall incident
- three construction workers killed in a plane crash on Trefoil Island, northern Tasmania
- two electrocutions — an electrician employed by an electrical contractor made contact with live metal conduit; and a farm hand employed by a vegetable grower was electrocuted while moving irrigation pipes under power lines
- one farm hand employed by a sheep farming company who was killed when a tractor ran over his chest and stomach and ruptured his blood vessels
- one labourer employed by an auto wrecking company who fractured his neck when a car fell on him.

1.1.3 The number of minor injuries as represented by no lost time claims decreased from 6,733 to 6,317 (down by almost 6%).

1.1.4 By contrast, the number of lost time claims moved in inverse proportion to the number of no lost time claims, increasing from 3,827 to 4,063 (up by more than 6%) providing an indication that the number of more serious injuries has increased.

Statistical Report — 12 Months Ending June 2003

1.2 Industry sectors: claim numbers

1.2.1 Health/Education/State Government, the largest of the ten sectors (accounting for approximately 27% of the total number of workers employed and 25% of the total number of hours worked), recorded the highest number of claims lodged in the 12 months ending June 2003 (2,694 claims). The June 2003 claim number for this sector represents a marginal increase of less than 2%.

Table 2: Claim Numbers by Industry Sectors

Description of Sector	Rolling 12 Months Ending									% Change Jun-02 to Jun-03
	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	
Rural-Meat-Food-Bev	1,379	1,362	1,325	1,352	1,415	1,429	1,503	1,492	1,435	1.4%
Health-Educ-State Gov	2,739	2,674	2,678	2,713	2,654	2,684	2,693	2,686	2,694	1.5%
Entertainment-Hosp	460	469	462	442	453	450	448	450	432	-4.6%
Clothing-Footw-Text-Misc	991	991	984	1,004	1,048	1,067	1,079	1,073	1,057	0.9%
Forestry-Logging-Printing	889	850	847	842	839	871	850	839	845	0.7%
Freight-Transport-Ports	693	662	645	560	583	578	565	591	541	-7.2%
Mines-Quarries-Energy	452	432	416	399	375	369	354	339	324	-13.6%
Construction-Local Gov	1,104	1,038	1,035	1,034	1,050	1,094	1,098	1,075	1,028	-2.1%
Manufacturing	1,378	1,225	1,147	979	914	889	860	867	842	-7.9%
Retail	1,294	1,279	1,302	1,279	1,239	1,216	1,171	1,198	1,192	-3.8%
All Industries	11,379	10,982	10,841	10,604	10,570	10,647	10,621	10,610	10,390	-1.7%

1.2.2 Mines/Quarries/Energy, the smallest of the ten sectors (accounting for only 2% of both the total number of workers employed and the total number of hours worked), also recorded the lowest number of claims lodged (324 claims), a significant decrease of nearly 14%.

1.2.3 Reductions in claim numbers were also recorded in five other sectors, with notable improvements evident in Manufacturing (down by 8%), Freight/Transport/Ports (down by 7%), and Entertainment/Hospitality (down by 5%).

1.2.4 All other sectors experienced only slight increases in claim numbers.

1.3 Industry sectors: all claims frequency rates (ACFR)

1.3.1 In the 12 months ending June 2003, the average ACFR for All Industries was 37.2 claims per million hours worked, representing a decrease of nearly 5%, from 39.0 claims per million hours worked in the period ending June 2002.

Table 3: All Claims Frequency Rates by Industry Sector

Description of Sector	Rolling 12 Months Ending									% Change Jun-02 to Jun-03
	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	
Rural-Meat-Food-Bev	54.4	52.3	47.9	47.9	52.4	51.8	55.5	55.8	54.0	3.0%
Health-Educ-State Gov	40.6	40.1	41.0	41.1	40.1	40.0	39.4	39.3	39.1	-2.4%
Entertainment-Hosp	37.2	36.1	33.0	28.4	29.2	29.4	31.0	29.3	26.2	-10.3%
Clothing-Footw-Text-Misc	22.9	22.8	22.2	22.4	21.8	21.8	22.4	22.6	22.0	1.1%
Forestry-Logging-Printing	72.3	69.6	65.4	64.0	66.1	70.9	69.2	66.7	61.0	-7.6%
Freight-Transport-Ports	44.5	43.9	43.1	38.5	42.9	41.1	38.3	39.6	35.9	-16.4%
Mines-Quarries-Energy	56.8	55.7	53.3	49.0	51.1	50.1	46.6	46.8	47.9	-6.2%
Construction-Local Gov	51.4	48.9	46.8	47.7	50.5	50.8	50.7	48.0	44.0	-12.8%
Manufacturing	83.4	71.9	69.8	58.2	57.4	58.8	57.2	59.0	54.7	-4.7%
Retail	28.2	28.1	28.5	28.1	28.3	27.9	27.1	27.6	26.4	-6.6%
All Industries	42.4	41.0	40.0	38.7	39.0	39.0	38.9	38.9	37.2	-4.7%

1.3.2 ACFRs for Forestry/Logging/Printing (61.0), Manufacturing (54.7), Rural/Meat/Food/ Beverage (54.0), Mines/Quarries/Energy (47.9), Construction/Local Government (44.0), and Health/Education/State Government (39.1) were higher than the All Industries average for the 12 months ending June 2003.

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1.3.3 By contrast, three sectors demonstrated significantly lower ACFRs than the All Industries average. They were Clothing/Footwear/Textiles/Miscellaneous sector (22.0), Entertainment/ Hospitality (26.2) and Retail (26.4).

Chart 2: All Claims Frequency Rates, Sectors 1 to 5

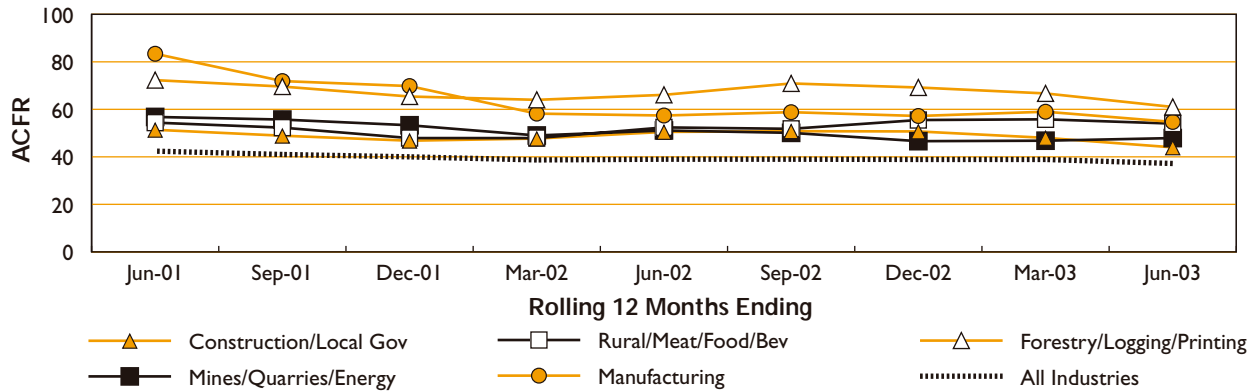
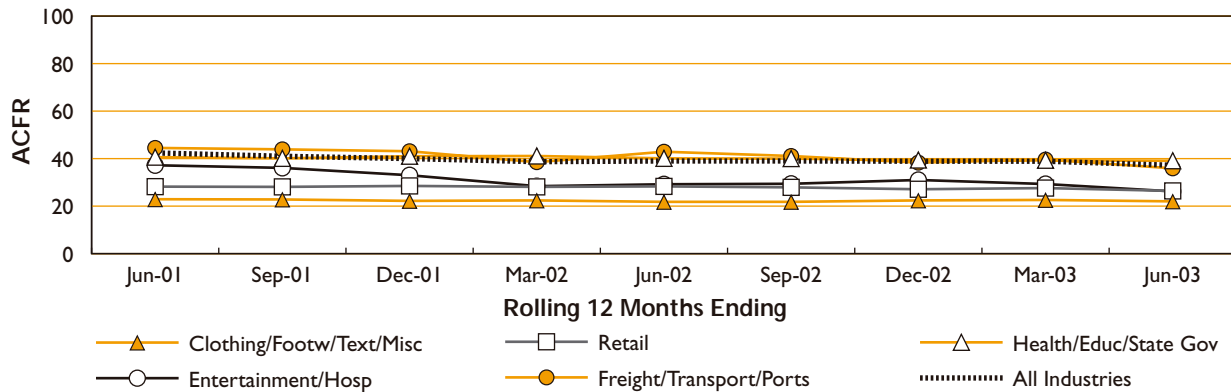


Chart 3: All Claims Frequency Rate, Sectors 6 to 10



1.3.4 Decreases in ACFR were observed in eight of the ten sectors, with notable reductions in ACFR recorded for Freight/Transport/Ports (down by 16%), Construction/Local Government (down by 13%), and Entertainment/Hospitality (down by 10%).

1.3.5 ACFR remained almost stable for Clothing/Footwear/Textiles/Miscellaneous sector and increased by 3% for Rural/Meat/Food/Beverage.

1.4 Industry sectors: lost time injuries

1.4.1 In the 12 months ending June 2003, the industry sectors that recorded the highest numbers of lost time injuries were: Health/Education/State Government, Rural/Meat/Food/Beverage, Retail and Clothing/Footwear/Textiles/Miscellaneous sectors. These sectors accounted for 25.1%, 15.0%, 11.4% and 11.2%, respectively, of all lost time injuries.

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Table 4: Lost Time Injuries by Industry Sector

Description of Sector	Rolling 12 Months Ending									% Change Jun-02 to Jun-03
	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	
Rural-Meat-Food-Bev	636	617	581	553	591	631	641	607	611	3.4%
Health-Educ-State Gov	944	967	839	862	964	1,066	1,102	1,047	1018	5.6%
Entertainment-Hosp	144	146	151	135	136	146	142	135	135	-0.7%
Clothing-Footw-Textiles-Misc	375	384	379	379	437	426	442	439	456	4.3%
Forestry-Logging-Printing	267	289	303	317	293	320	319	317	330	12.6%
Freight-Transport-Ports	278	267	262	235	235	258	245	247	245	4.3%
Mines-Quarries-Energy	119	127	126	113	104	104	101	111	104	0.0%
Construction-Local Gov	355	327	330	305	307	348	363	383	377	22.8%
Manufacturing	430	362	374	309	322	313	296	317	324	0.6%
Retail	424	446	448	454	438	420	403	413	463	5.7%
All Industries	3,972	3,932	3,793	3,662	3,827	4,032	4,054	4,016	4,063	6.2%

1.4.2 No notable improvement in the number of lost time injuries has been observed for a single industry sector during the 12 months ending June 2003 relative to the previous year. The results from the data show that either the number of lost time injuries have remained almost stable (as was the case with Manufacturing, Mines/Quarries/Energy and Entertainment/Hospitality) or that there has been a deterioration in performance, with increases in the number of lost time injuries ranging from marginal to significant increases. Substantial increases were recorded for: Construction/Local Government (up by 23%) and Forestry/Logging/Printing (up by 13%).

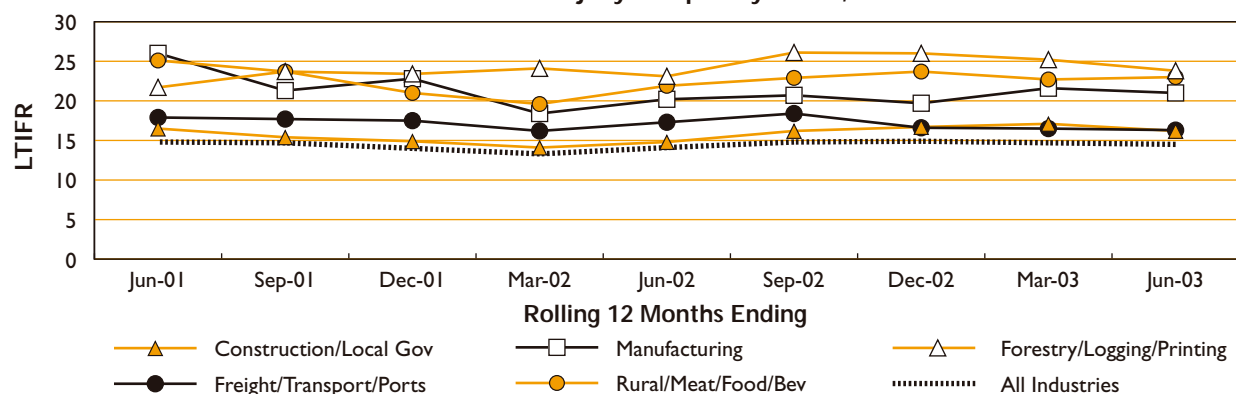
1.5 Industry sectors: lost time injury frequency rates (LTIFR)

1.5.1 The average LTIFR for All Industries during the 12 months ending June 2003 was 14.5 lost time injuries per million hours worked, an increase of 3% from the LTIFR of 14.1 for the previous year.

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	25.1	23.7	21.0	19.6	21.9	22.9	23.7	22.7	23.0	5.0%
Health-Educ-State Gov	14.0	14.5	12.9	13.1	14.6	15.9	16.1	15.3	14.8	1.5%
Entertainment-Hosp	11.6	11.3	10.8	8.7	8.8	9.5	9.8	8.8	8.2	-6.6%
Clothing-Footw-Textiles-Misc	8.7	8.8	8.6	8.5	9.1	8.7	9.2	9.2	9.5	4.6%
Forestry-Logging-Printing	21.7	23.7	23.4	24.1	23.1	26.1	26.0	25.2	23.8	3.3%
Freight-Transport-Ports	17.9	17.7	17.5	16.2	17.3	18.4	16.6	16.5	16.3	-6.1%
Mines-Quarries-Energy	15.0	16.4	16.1	13.9	14.2	14.1	13.3	15.3	15.4	8.6%
Construction-Local Gov	16.5	15.4	14.9	14.1	14.8	16.2	16.7	17.1	16.2	9.3%
Manufacturing	26.0	21.3	22.8	18.4	20.2	20.7	19.7	21.6	21.0	4.1%
Retail	9.2	9.8	9.8	10.0	10.0	9.7	9.3	9.5	10.3	2.6%
All Industries	14.8	14.7	14.0	13.3	14.1	14.8	14.9	14.7	14.5	2.9%

Chart 4: Lost Time Injury Frequency Rates, Sectors 1 to 5



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1.5.2 LTIFRs were higher than the All Industries average for seven out of ten sectors with the highest LTIFRs recorded for Forestry/Logging/Printing (23.8), Rural/Meat/Food/Beverage (23.0) and Manufacturing (21.0).

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	25.1	23.7	21.0	19.6	21.9	22.9	23.7	22.7	23.0	5.0%
Health-Educ-State Gov	14.0	14.5	12.9	13.1	14.6	15.9	16.1	15.3	14.8	1.5%
Entertainment-Hosp	11.6	11.3	10.8	8.7	8.8	9.5	9.8	8.8	8.2	-6.6%
Clothing-Footw-Textiles-Misc	8.7	8.8	8.6	8.5	9.1	8.7	9.2	9.2	9.5	4.6%
Forestry-Logging-Printing	21.7	23.7	23.4	24.1	23.1	26.1	26.0	25.2	23.8	3.3%
Freight-Transport-Ports	17.9	17.7	17.5	16.2	17.3	18.4	16.6	16.5	16.3	-6.1%
Mines-Quarries-Energy	15.0	16.4	16.1	13.9	14.2	14.1	13.3	15.3	15.4	8.6%
Construction-Local Gov	16.5	15.4	14.9	14.1	14.8	16.2	16.7	17.1	16.2	9.3%
Manufacturing	26.0	21.3	22.8	18.4	20.2	20.7	19.7	21.6	21.0	4.1%
Retail	9.2	9.8	9.8	10.0	10.0	9.7	9.3	9.5	10.3	2.6%
All Industries	14.8	14.7	14.0	13.3	14.1	14.8	14.9	14.7	14.5	2.9%

1.5.3 LTIFRs were lower than the All Industries average for the three other sectors: Retail (10.3), Clothing/Footwear/Textiles/Miscellaneous (9.5) and Entertainment/Hospitality (8.2).

1.5.4 Only two sectors experienced an improvement in LTIFR: Entertainment/Hospitality (down by 7%) and Freight/Transport/Ports (down by 6%).

1.5.5 Among the eight sectors where a deterioration in LTIFR has been observed, the highest increases were recorded for: Construction/Local Government (up by 9.3%) and Mines/Quarries/Energy (up by 8.6%).

1.6 Number of claims by type of insurer

1.6.1 The number of claims lodged with licensed insurers during the 12 months ending June 2003 was 7,846. This is a decrease of more than 2% compared to previous year's number of 8,039 claims. The exit from private insurance by Inghams Enterprises during the period ending June 2003 has no material impact on this reduction due to the negligible number of claims for this employer relative to the total number for licensed insurers.

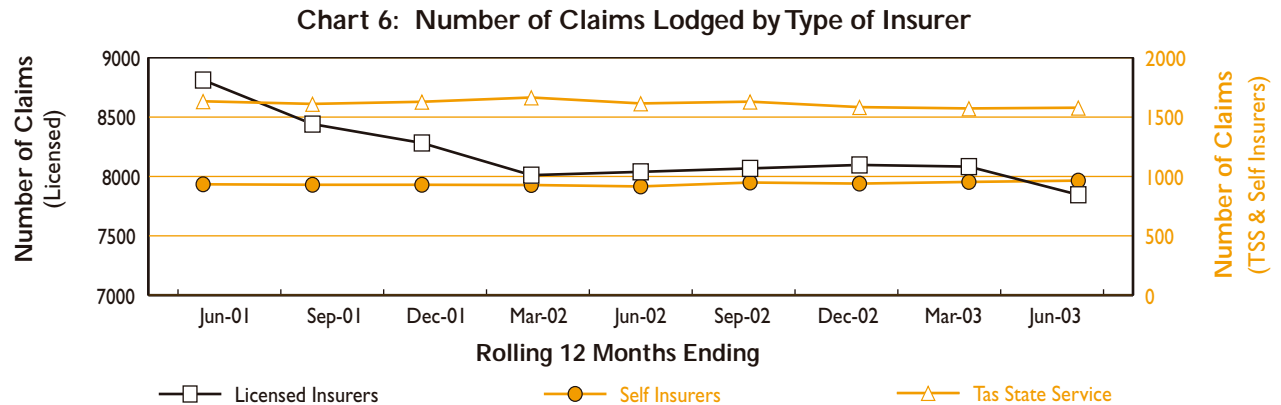
1.6.2 The number lodged with self-insurers was 965, an increase of more than 5%. The entry into self-insurance by Inghams Enterprises partly contributed to this increase, along with notable increases observed for a number of self-insurers, in particular. The notable increases in claim numbers for these self-insurers have been offset by reductions in claim numbers for other self-insurers, otherwise the overall increase of more than 5% would have been higher.

1.6.3 The number lodged for the Tasmanian State Service (TSS) was 1,579, a decrease of over 2%, from 1,615 claims.

Table 6: Number of Claims Lodged by Type of Insurer

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	8,812	934	1,633	11,379
Sep-01	8,441	930	1,611	10,982
Dec-01	8,282	930	1,629	10,841
Mar-02	8,011	928	1,665	10,604
Jun-02	8,039	916	1,615	10,570
Sep-02	8,068	949	1,630	10,647
Dec-02	8,097	940	1,584	10,621
Mar-03	8,083	954	1,573	10,610
Jun-03	7,846	965	1,579	10,390
% Change Jun-02 to Jun-03	-2.4%	5.3%	-2.2%	-1.7%

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2. LOST TIME

2.1 Overall

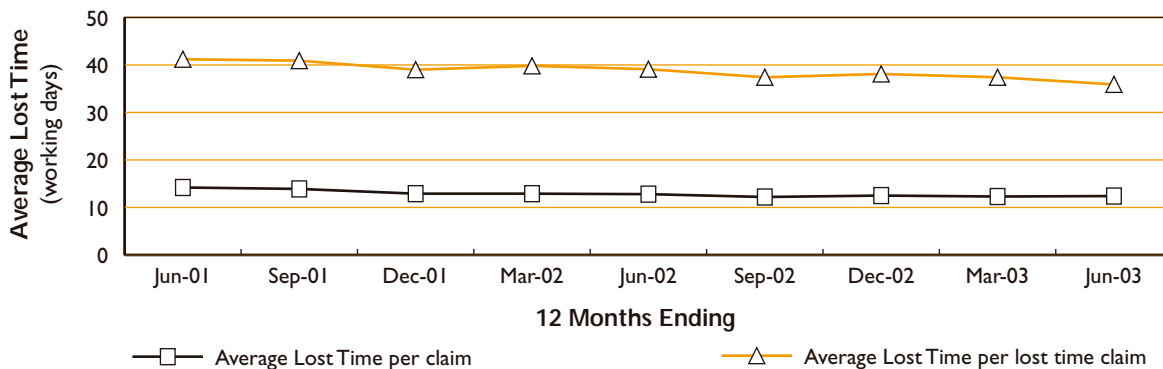
- 2.1.1 Lost time claims accounted for more than one-third of all active claims during the 12-month payment period ending June 2003.
- 2.1.2 The number of lost time claims during the payment period ending June 2003 increased by 6%, a similar trend to that observed for lost time injuries based on the claim lodgement period discussed above — which supports the observation that injuries are becoming more severe.
- 2.1.3 The average lost time per claim was 12.4 working days or more than three working days per month or less than one-quarter of a working day per week.
- 2.1.4 Average lost time per claim decreased by 3.1% in the 12 months ending June 2003 relative to the average lost time per claim for the previous year of 12.8 working days.
- 2.1.5 The average lost time per lost time claim was 35.9 working days or three working days per month or more than two-thirds of a working day per week.
- 2.1.6 Average lost time per lost time claim decreased by 8% in the 12-month payment period ending June 2003 relative to the previous period.
- 2.1.7 It will be seen from the data that while the number of lost time claims has increased, the average duration per claim has decreased.
- 2.1.8 Whether the decrease in average lost time indicates genuine improvement in return to work rates or not, however, cannot be confirmed from the data due to current lack of actual data on return to work. Another consideration is whether a statistically demonstrated improvement in return to work rates reflect genuine ‘readiness’ of workers to return to work or whether it is the result of unanticipated pressures brought on by the changed structure of the step-down benefits.

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-01	244,062	41.2	14.2	5,921	17,198
Sep-01	241,355	40.9	13.9	5,898	17,354
Dec-01	224,192	39.0	12.9	5,745	17,324
Mar-02	222,030	39.8	12.9	5,579	17,265
Jun-02	220,090	39.1	12.8	5,629	17,172
Sep-02	214,631	37.4	12.2	5,733	17,575
Dec-02	225,471	38.1	12.5	5,913	18,037
Mar-03	222,611	37.4	12.3	5,960	18,087
Jun-03	214,402	35.9	12.4	5,967	17,264
% Change Jun-02 to Jun-03	-2.6%	-8.1%	-3.1%	6.0%	0.5%

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Chart 7: Average Lost Time



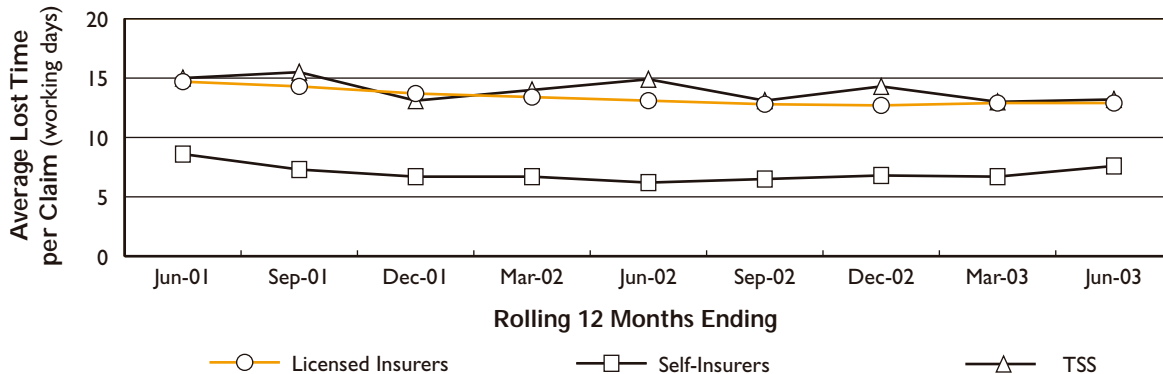
2.2 Average lost time per claim by type of insurer

- 2.2.1 The average lost time per claim for both the licensed insurers and the TSS have been historically relatively higher than the average lost time per claim for self-insurers.
- 2.2.2 Between the 12 months ending June 2003 and the previous year, the average lost time per claim for both the licensed insurers and the TSS have decreased, by 2% and 12%, respectively.

Table 8: Average Lost Time by Type of Insurer

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	8,812	934	1,633	11,379
Sep-01	8,441	930	1,611	10,982
Jun-01	14.7	8.6	15.0	14.2
Sep-01	14.3	7.3	15.5	13.9
Dec-01	13.7	6.7	13.1	12.9
Mar-02	13.4	6.7	14.0	12.9
Jun-02	13.1	6.2	14.9	12.8
Sep-02	12.8	6.5	13.1	12.2
Dec-02	12.7	6.8	14.3	12.5
Mar-03	12.9	6.7	13.0	12.3
Jun-03	12.9	7.6	13.2	12.4
% Change Jun-02 to Jun-03	-1.7%	23.3%	-11.7%	-3.1%

Chart 8: Average Lost Time per Claim by Insurer Type



- 2.2.3 Average lost time per claim, however, increased for self-insurers (up by 23%). For those insurers whose average lost times have increased, the level of increases were between nearly half to nearly thirteen-fold of average lost times in the previous period.

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3. Payments

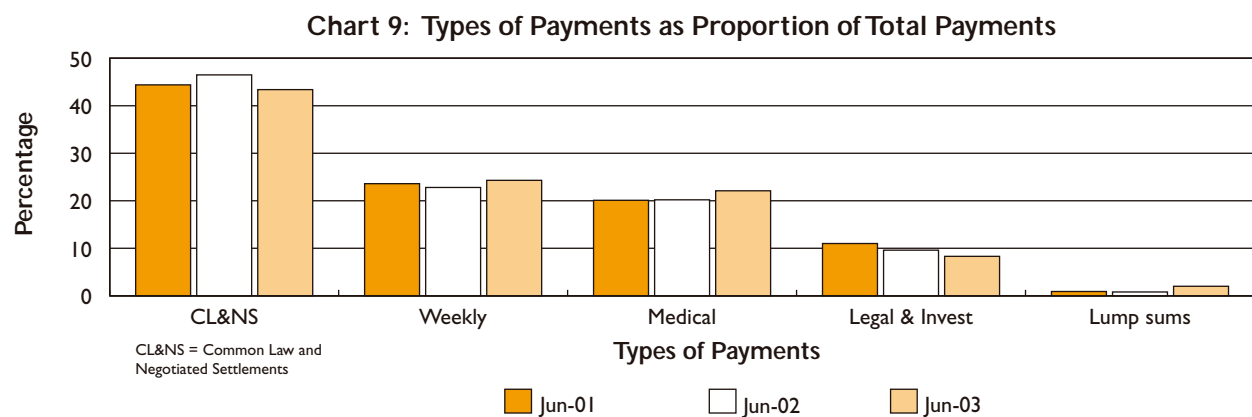
3.1 Overall

3.1.1 Overall, a total of \$116m was paid on claims reported prior to and during the 12 months ending June 2003. This is \$6m lower than the total amount paid in the same period ending June 2002 of \$122m, a reduction of almost 4% relative to the total amount paid.

3.1.2 The combined common law and negotiated settlements continued to be the major component of total payments, accounting for 44% of total payments made in the 12 months to June 2003. Payments made under this category (\$50m), however, decreased by 10% relative to the amount paid in the previous year (\$56m).

Table 9: Claim Numbers by Industry Sectors

Type of Payments	Rolling 12 Months Ending									% Change Jun-02 to Jun-03
	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	
CL&NS	54.5	53.1	55.8	57.1	56.0	53.2	54.3	51.9	50.3	-10.2%
Weekly	29.0	29.0	27.7	27.6	27.4	27.3	29.2	28.9	28.1	2.7%
Medical	24.7	24.3	24.3	24.3	24.3	24.8	25.3	25.5	25.6	5.3%
Legal & Invest	13.5	13.4	12.5	11.8	11.6	10.6	10.3	10.2	9.6	-17.0%
Lump sums	1.1	1.1	0.9	0.9	1.0	1.3	1.6	1.8	2.3	126.8%
Total	122.8	120.9	121.3	121.7	120.2	117.1	120.7	118.3	115.9	-3.6%



3.1.3 The 10% decrease in common law and negotiated settlements was mainly driven by the 25% reduction in common law payments (down from \$47m to \$35m), which is largely attributed to restricted access to common law as a result of the 2001 legislative changes. The decrease in common law payments, however, has been largely offset by a 64% increase in negotiated settlements (up from \$9m to \$15m).

3.1.4 While there are current restrictions on access to common law, lump sum settlements were being made by negotiation. During the payment year ending June 2003, 399 claims received negotiated settlements. Of this number, 174 (44%) related to claims incurred from 1 July 2001, with total negotiated settlements amounting to \$5.1m; 92 settlements related to claims incurred in 2000–01, with total settlements amounting to \$4.1m; the remainder (133 settlements) related to claims incurred between 1990–91 and 1999–2000, with total settlements amounting to \$5.8m.

3.1.5 Based on all claims settled by negotiation in the 12-months ending June 2003, settlements ranged between \$1 and \$308,000, with an average settlement of \$37,738 and a median settlement of \$22,483. The \$1 settlements made during the period were made for common law deed of release.

3.1.6 Based on claims incurred from 1 July 2001 and settled in the 12-months ending June 2003 (174 claims), settlements ranged between \$1 and \$195,000, with an average settlement of \$29,527 and a median settlement of \$15,000. The following shows the lag times (time taken from claim lodgement with insurer to the month of settlement) and average settlements for these claims:

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Lag Times	Number Settled	Average Settlement (\$)
Within 1 month	5	5,528
2–3 months	13	20,388
4–6 months	27	22,465
7–12 months	63	25,543
13–18 months	55	43,139
19–24 months	11	23,324
Total	174	29,516

- 3.1.7 Some insurers have explicit company policy not to 'settle' within 12 months, while some who may have previously done so have recently instituted policies not to settle within 12 months of claim lodgement.
- 3.1.8 Lump sum payments contributed 2% to total payments. Lump sum payments constitute redemptions, maims payments (payments made based on the old Table of Maims), death benefits (death lump sum, death benefits to spouse and death benefits to children), and impairment payment). Total lump sum payments more than doubled (up by 126%) in the 12 months to June 2003 relative to the previous year.
- 3.1.9 There are a number of features contributing to the trend in lump sum payments. Death benefits decreased by more than two-thirds, from \$0.5m to \$0.1m. Maims payments decreased by nearly 45%, although payments on impairment have started to pick up with this payment category increasing by more than six-fold in the period to June 2003 relative to the previous year, from approximately \$32,000 to \$205,000. It should be noted that these impairment payments do not include those that would have been included in negotiated settlements.
- 3.1.10 There were 17 claims in receipt of impairment payments in the 12-months ending June 2003 compared with five claims receiving impairment payments in the previous year. The level of impairments ranged between 1% and 24%.
- 3.1.11 Another major driver of the increase in total lump sum payments is redemptions, although there are a number of issues that complicate the trend analysis for this category. Redemption of future income (weekly benefits) and future medical and related costs was abolished as a result of the 1995 amendments and reintroduced from July 2001 in line with the 2000 amendments. The abolition of redemptions in 1995 has not precluded stakeholders (worker, employer, insurer) from entering into negotiations to settle remaining statutory workers compensation entitlements through a lump sum amount. The practice of negotiating settlements of future entitlements (the bulk of which would have constituted 'redemption' of future income and medical and like costs) thus continued between 1995 and 2001. During this period, no data have been allowed to be entered into the workers compensation system that related to 'redemptions', although significant amounts were recorded as 'negotiated settlements' – the subject of discussion in points 3.1.2 to 3.1.6 above.
- 3.1.12 The reintroduction of redemptions from July 2001 imposed two main criteria on eligibility for redemptions: the injury is stable and stationary and a period of 12 months has elapsed since the date of claim lodgement. In the 12 months ending June 2003, a total of \$1.7m was paid in redemptions, with 'nil' redemption payments made in the previous year. At the same time, however, negotiated settlements were being reported separately to the Board, with some negotiations being settled within 12 months as shown above.
- 3.1.13 Due to the tax ramification of redemptions (the future income component of redemption has always been regarded as taxable income), a 'negotiated settlement' has been widely perceived, as a more attractive proposition to a worker, in economic terms. Indeed, discussions with the only two insurers who have been reporting data under redemptions in the 12 months ending June 2003 indicated that all of their 'negotiated redemptions' have been settled with a 'modified' or 're-worded common law deed of release' or a 'deed of agreement' between parties in respect to the amount settled. This ensures that no proportion of the lump sum amount settled becomes subject to tax. All other insurers report these amounts as negotiated settlements rather than redemptions, although in some cases the amount settled by negotiation would also include other statutory entitlements, such as impairment payment. The 'conceptual' issues surrounding these payment categories and the non-uniformity in data reporting contribute to difficulties in conducting proper data analysis.

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- 3.1.14 Concerns have been expressed about whether a potential exists for a worker to be in a disadvantaged position when presented with needing to make a choice between a redemption and a negotiated settlement, particularly in light of compensation for weekly benefits now extended to a maximum of 10 years. In circumstances where a worker who may have a strong and immediate economic need to have his/her full statutory entitlements settled in lump and is aware of the tax implication of a redemptions settlement, that worker may be placed in a weakened bargaining position when negotiating for the final lump sum amount to be settled. Advice from various sources including the Tribunal indicated that the full 10 years of compensation that is redeemable would be the critical point in determining the amount to be settled. The cases would be very rare when the full 10 years of compensation would be allowed to be redeemed, for various reasons: work does not have to be available for a 10-year redemption to be made; a worker being totally incapacitated for the full 10 year-term would need to be strongly supported by medical evidence; a worker may be more than likely to be capable of working in some degree or another or has some capacity to earn.
- 3.1.15 There are at least two issues that flow on from the above discussion. One relates to the way the data should be reported in a form and in ways that can be effectively used for analysis. For example, identification of the actual amount that has been paid to cover future loss of income (as separate from redeemed future medical and like benefits), particularly if this is combined with information on the future period of incapacity covered by the amount redeemed, could be useful information that should help in making comparisons between, say, the level of income replacement and pre-injury income – an indicator of how ‘worse off’ or ‘better off’ workers are as a result of being on workers compensation. It may also shed light on whether inequities exist – for example, different levels of income replacement occurring between different types of working arrangements, between different demographics, or between workers employed in different industries or occupations. While it is important to know if these are occurring, it is also important to know why and how they happen.
- 3.1.16 The issue of proper reporting of redemptions would also need to be considered in light of the growing trend in data matching, data linking or data sharing between different statistical collections, between jurisdictional data collections or between collections held by State jurisdictions and those held by the Commonwealth. Given the tax ramifications of redemption settlements, one cannot discount the future possibility of the Australian Taxation Office requiring workers compensation jurisdictions to report workers compensation cases with redemption settlements for taxation purposes.
- 3.1.17 The amount paid for weekly benefits took the second major slice of total payments, accounting for 24% of all payments made in the 12 months ending June 2003.
- 3.1.18 A 3% increase has been recorded for weekly benefit payments (up from (\$27.4m to \$28.2m). This result does not reflect the anticipated outcomes from the changed structure of the step-down benefits introduced in 2001 and is consistent with the increase in the number of claims receiving weekly benefits as discussed in detail in section 3.7. This trend also supports the comment made in sections 1 and 2 above regarding the increase in the number of lost time or more serious injuries.
- 3.1.19 In overall terms, total medical costs accounted for 22% of total payments, and increased by 5%, from \$24.3m to \$25.6m
- 3.1.20 The marginal reduction in rehabilitation costs has been largely offset by the combined increases in hospital costs (up by 26%), allied medical services (up by nearly 10%), miscellaneous costs (up by 9%), and doctors’ costs (up by 3%). Appendix A shows the breakdown of the different costs associated with medical and like services.
- 3.1.21 The increase in total medical costs appears to be consistent with the increase in more serious injuries with more workers undertaking various forms of medical treatment in the period ending June 2003 than in the previous year.

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- 3.1.22 The combined legal and investigation costs accounted for more than 8% of total payments. An overall decrease of 17% has been recorded for this cost category. When split between specific costs, however, data show that legal costs decreased by 28% (down from \$7m to \$5m), while investigation costs remained stable at \$4.6m.
- 3.1.23 During the 12 months ending June 2003, total investigation expenses amounted to 48% of the combined legal and investigation costs.

3.2 Payments on HIH Insurance Group claims

- 3.2.1 The total amount paid on claims incurred relating to the HIH Insurance Group up to the 12 months ending June 2003 was \$24.6m broken down as follows:

Payment Year	Total Paid (\$m)
March to June 2001	4.9
2001-02	12.3
2002-03	7.4
Total	24.6

3.3 Employer excess

- 3.3.1 Over the three years covered by this report, employer excess payments, on average, accounted for 3% of total payments for licensed insurers (1.7% for the first 5-day weekly benefit excess and 1.3% for the first \$200 of other benefits).
- 3.3.2 Self-insurers do not report employer excess payments.
- 3.3.3 On average, the Tasmanian State Service (TSS) excess payments accounted for 7.4% of TSS total payments. This proportion is significantly higher than that for licensed insurers, but is consistent with the different excess options of 1, 8, 13 or 26 weeks that are available to the different State Government agencies. The excess component being taken up by the TSS is only for weekly benefits.
- 3.3.4 From the licensed insurers data on excess payments, the estimated savings impact of the total employer excess deductibles, on average, amounts to 0.9% of total incurred cost.

3.4 Payments by insurer type: overall

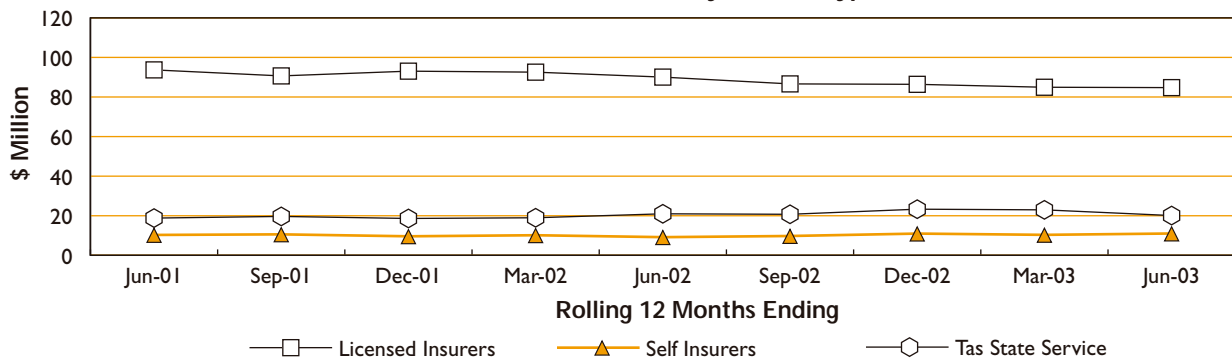
- 3.4.1 Licensed insurers paid a total of \$84.7m during the 12 months ending June 2003. This is a decrease of 6% over the amount paid in the previous year. Reductions in combined common law and negotiated settlements, weekly benefits and legal and investigation costs were the contributors to this decrease.

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

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	93.695	10.305	18.817	122.817
Sep-01	90.651	10.597	19.658	120.907
Dec-01	93.052	9.618	18.629	121.298
Mar-02	92.547	10.158	18.983	121.689
Jun-02	90.051	9.182	20.983	120.216
Sep-02	86.614	9.770	20.736	117.121
Dec-02	86.399	10.987	23.313	120.698
Mar-03	84.923	10.352	22.979	118.254
Jun-03	84.738	11.029	20.100	115.867
% Change Jun-02 to Jun-03	-5.9%	20.1%	-4.2%	-3.6%

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Chart 10: Total Payments by Insurer type (\$m)



3.4.2 Self-insurers paid a total of \$11.0m, an increase of 20% from the total paid in the previous year of \$9.2m. The commencement of self-insurance by Inghams Enterprises has no material impact on this increase. Increases in combined common law and negotiated settlements, weekly benefits, and medical costs largely contributed to this trend.

3.4.3 The TSS paid \$20.1m in the 12 months ending June 2003, a decrease of 4% from the previous year's total of nearly \$21.0m. Decreases in combined common law and negotiated settlements and legal and investigation costs mainly accounted for this decrease.

3.5 Payments by insurer type: common law and negotiated settlements

3.5.1 Licensed insurers paid a total of \$39.3m in combined common law and negotiated settlements in the period to June 2003, a reduction of 11% over the amount paid in the 12 months to June 2002 of \$44.2m.

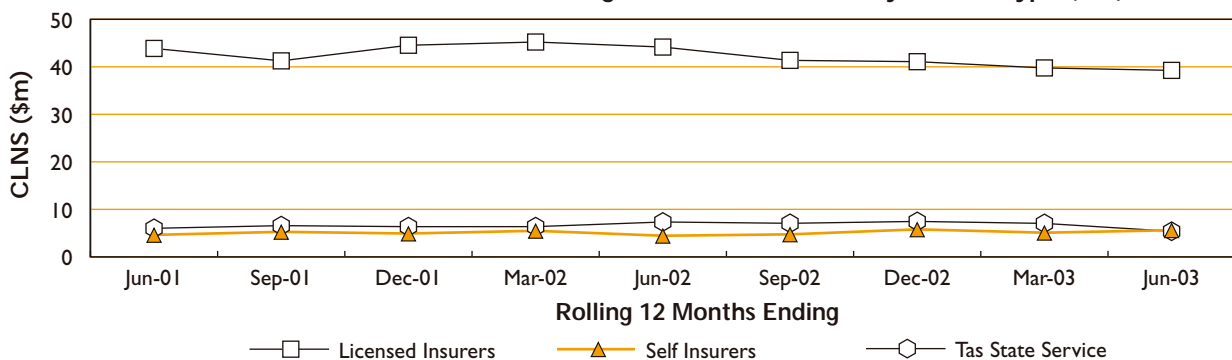
3.5.2 Self-insurers paid \$5.6m, an increase of 26% from the previous year's combined settlements of \$4.4m.

3.5.3 The TSS paid \$5.4m, a decrease of 27% from the previous year's amount of \$7.3m.

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

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	43.875	4.624	6.008	54.507
Sep-01	41.258	5.269	6.572	53.099
Dec-01	44.547	4.914	6.357	55.819
Mar-02	45.225	5.485	6.360	57.069
Jun-02	44.166	4.446	7.342	55.954
Sep-02	41.364	4.734	7.062	53.160
Dec-02	41.087	5.791	7.460	54.338
Mar-03	39.770	5.085	7.041	51.896
Jun-03	39.255	5.610	5.387	50.252
% Change Jun-02 to Jun-03	-11.1%	26.2%	-26.6%	-10.2%

Chart 11: Common Law and Negotiated Settlements by Insurer Type (\$m)



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- 3.5.4 During the 12 months ending June 2003, all insurers paid out \$15.0m in negotiated settlements. This represents 30% of the combined total of common law payments and negotiated settlements for that period.
- 3.5.5 Licensed insurers paid out the bulk of negotiated settlements (\$8.9m), with self-insurers paying \$3.2m and the TSS paying \$2.9m. The ratio of negotiated settlements to common law payments was much higher for self-insurers (4.2:5.8) than for either the licensed insurers (1.9:8.1) or the self-insurers (2.4:7.6).

Common Law and Negotiated Settlements, 12 Months to June 2003

	Licensed Insurers	Self-Insurers	Tasmanian State Service	All Insurers
Common Law \$m	30.342	2.395	2.470	35.207
Negotiated Settlements \$m	8.913	3.215	2.917	15.045

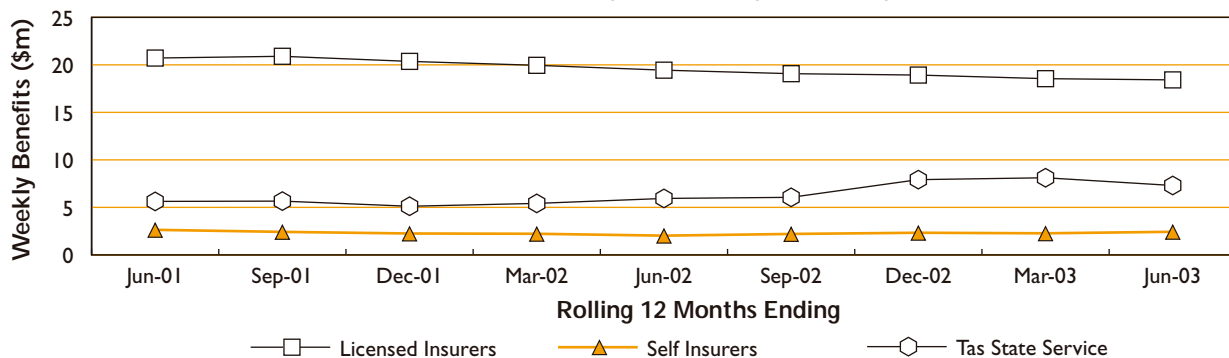
3.6 Payments by insurer type: weekly benefits

- 3.6.1 Licensed insurers paid \$18.4m in weekly benefits in the 12 months to June 2003, representing a decrease of 5% from the amount paid in the 12 months to June 2002.

Table 12: Weekly Benefits by Type of Insurer (\$m)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	20.718	2.637	5.628	28.983
Sep-01	20.903	2.421	5.659	28.982
Dec-01	20.367	2.251	5.118	27.736
Mar-02	19.952	2.221	5.418	27.591
Jun-02	19.442	2.024	5.941	27.407
Sep-02	19.072	2.203	6.057	27.332
Dec-02	18.927	2.329	7.918	29.173
Mar-03	18.548	2.271	8.117	28.936
Jun-03	18.418	2.429	7.303	28.150
% Change Jun-02 to Jun-03	-5.3%	20.0%	22.9%	2.7%

Chart 12: Weekly Benefits by Insurer Type



- 3.6.2 Self-insurers paid \$2.4m, an increase of 20% on the amount previously paid of \$2.0m. The TSS also recorded an increase in weekly benefits, from \$5.9m to \$7.3m (up by 23%).

3.7 Average weekly benefits

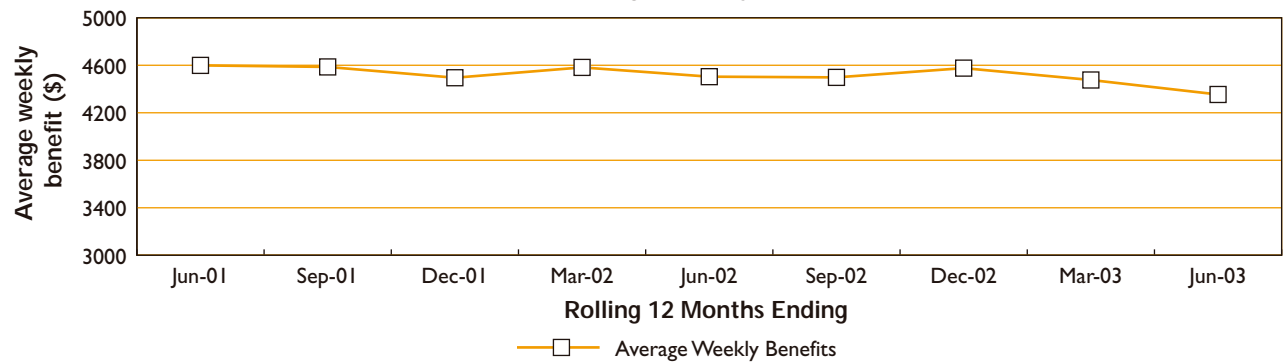
- 3.7.1 Over the past three payment years, the number of claims receiving weekly benefits, on average, accounted for approximately 37% of all active claims.
- 3.7.2 Overall, the average weekly benefit per claim in the 12 months to June 2003 was \$4,354 or \$363 per month or \$84 per week. The average weekly benefit of \$4,354 is a decrease of more than 3% compared with the average weekly benefit per claim in the previous year of \$4,504.

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Table 13: Average Weekly Benefits per Claim

Rolling 12 Months	Weekly Benefits (\$m)	Average Weekly Benefits (\$)	Number of Claims with Weekly Benefits	Total Number of Claims in Payment Year
Jun-01	28.983	\$4,599	6,302	17,198
Sep-01	28.982	\$4,586	6,320	17,354
Dec-01	27.736	\$4,495	6,171	17,324
Mar-02	27.591	\$4,582	6,021	17,265
Jun-02	27.407	\$4,504	6,085	17,172
Sep-02	27.332	\$4,498	6,077	17,575
Dec-02	29.173	\$4,576	6,375	18,037
Mar-03	28.936	\$4,476	6,464	18,087
Jun-03	28.150	\$4,354	6,466	17,264
% Change Jun-02 to Jun-03	2.7%	-3.3%	6.3%	0.5%

Chart 13: Average Weekly Benefits per Claim



3.7.3 The average weekly benefit per claim decreased for licensed insurers (down by 3%), increased for self-insurers (up by 6%), and remained relatively constant for the TSS.

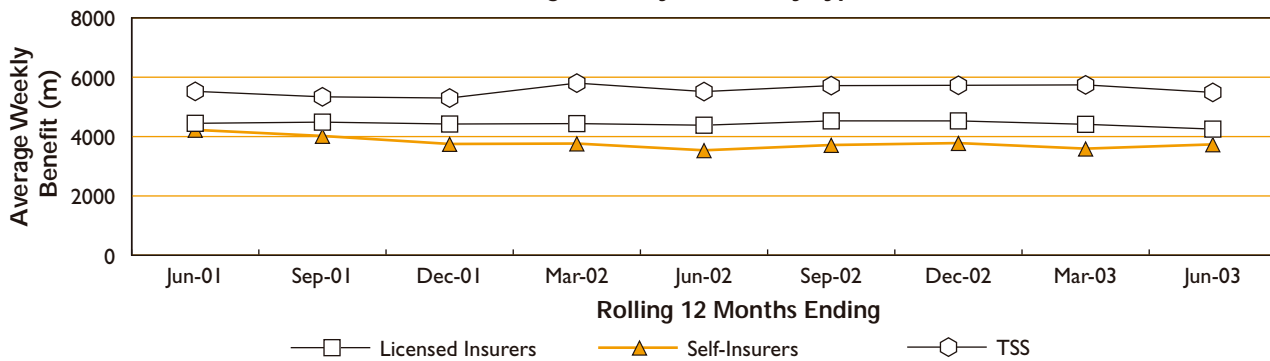
3.7.4 The average weekly benefit, however, was highest for the TSS (\$5,488) — 29% higher than that for licensed insurers, and 47% higher than that for self-insurers.

Table 14: Average Weekly Benefits per by Type of Insurer (\$)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	4,447	4,226	5,523	4,599
Sep-01	4,487	4,021	5,339	4,586
Dec-01	4,423	3,751	5,298	4,495
Mar-02	4,437	3,765	5,801	4,582
Jun-02	4,383	3,538	5,516	4,504
Sep-02	4,529	3,716	5,716	4,498
Dec-02	4,528	3,781	5,727	4,576
Mar-03	4,413	3,594	5,741	4,476
Jun-03	4,252	3,737	5,488	4,354
% Change Jun-02 to Jun-03	-3.0%	5.6%	-0.5%	-3.3%

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Chart 14: Average Weekly Benefit by Type of Insurer (\$m)



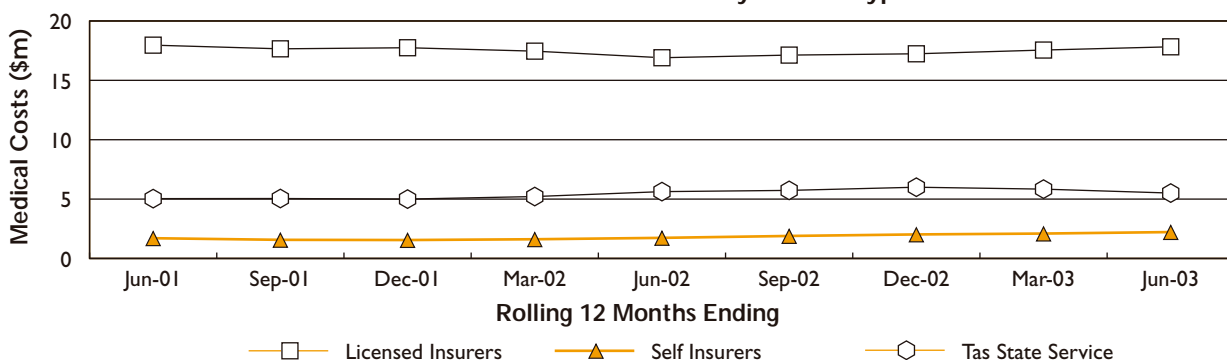
3.8 Payments by insurer type: medical costs

- 3.8.1 During the 12 months ending June 2003, the total cost of medical services for licensed insurers was \$17.8m, an increase of more than 5% over total medical costs of \$16.9m in the previous year. This increase was largely attributable to increases in doctor (up by 9%), hospital (up by 28%), and miscellaneous costs associated with medical treatment of workers (up by 15%). The costs associated with rehabilitation and allied medical services decreased by 5% and 2%, respectively (refer Appendix B for breakdown of medical costs).
- 3.8.2 The total cost of medical services for self-insurers during the 12 months ending June 2003 was \$2.2m, an increase of 28% from payments made for medical services in the previous year. Significant increases in all types of medical services contributed to this trend: rehabilitation costs (up by 54%), hospital (up by 50%), miscellaneous costs (up by 29%), allied medical (up by 21%), and doctors' costs (up by 17%).
- 3.8.3 The total cost of medical services for the TSS decreased from \$5.6m to \$5.5m, a reduction of more than 2%. The reductions in doctors' costs (down by 22%), rehabilitation (down by 4%), and miscellaneous costs (down by 19%) have been offset by increases in hospital costs (up by 8%), and allied medical services (up by 41%).

Table 15: Medical Costs by Type of Insurer (\$m)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	17.963	1.706	5.039	24.708
Sep-01	17.654	1.570	5.049	24.273
Dec-01	17.746	1.554	5.000	24.300
Mar-02	17.458	1.619	5.215	24.291
Jun-02	16.904	1.736	5.629	24.269
Sep-02	17.126	1.896	5.733	24.756
Dec-02	17.236	2.025	6.000	25.261
Mar-03	17.551	2.098	5.839	25.488
Jun-03	17.824	2.224	5.508	25.556
% Change Jun-02 to Jun-03	5.4%	28.1%	-2.2%	5.3%

Chart 15: Medical Costs by Insurer Type



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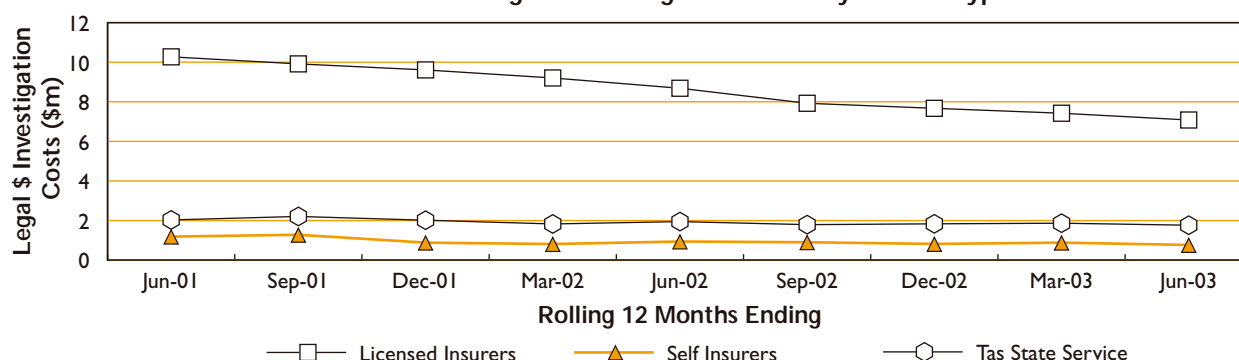
3.9 Payments by insurer type: legal and investigation costs

3.9.1 Legal and investigation costs decreased for all types of insurers. Legal and investigation costs for licensed insurers amounted to \$7.1m, down by \$1.6m from \$8.7m, or a decrease of nearly 19%.

Table 16: Legal and Investigation Costs by Type of Insurer (\$m)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	10.271	1.188	2.031	13.490
Sep-01	9.915	1.281	2.207	13.403
Dec-01	9.610	0.884	2.016	12.510
Mar-02	9.204	0.813	1.828	11.845
Jun-02	8.684	0.941	1.947	11.573
Sep-02	7.925	0.903	1.792	10.620
Dec-02	7.670	0.818	1.834	10.322
Mar-03	7.422	0.884	1.866	10.173
Jun-03	7.080	0.767	1.764	9.611
% Change Jun-02 to Jun-03	-18.5%	-18.5%	-9.4%	-17.0%

Chart 16: Legal & Investigation Costs by Insurer Type



3.9.2 Self-insurers paid \$0.8m in the 12 months to June 2003, down by \$0.2m, or a decrease of also nearly 19%.

3.9.3 Legal and investigation costs decreased by 9%, from \$1.9m to \$1.8m for the TSS.

3.9.4 Overall, during the 12 months ending June 2003, legal costs accounted for 52% of the combined legal and investigation costs. The relative proportions for licensed insurers were: 52% legal, 48% investigation; for self-insurers — 74% legal, 26% investigation; and for the TSS — 46% legal, 54% investigation.

3.10 Payments by insurer type: lump sum payments

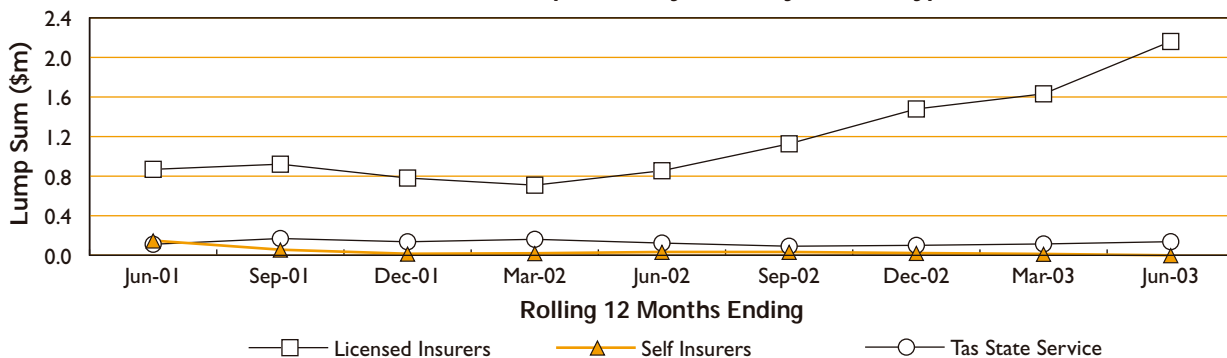
3.10.1 Lump sum payments for licensed insurers in the period ending June 2003 were one and a half times such payments for the period ending June 2002. This increase is mainly attributable to redemption payments. Care must be taken when interpreting these trends in light of the issues highlighted in section 3.1.

Table 17: Lump Sum Payments by Type of Insurer (\$m)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	0.869	0.149	0.112	1.129
Sep-01	0.921	0.057	0.170	1.148
Dec-01	0.781	0.016	0.137	0.934
Mar-02	0.709	0.021	0.162	0.892
Jun-02	0.855	0.034	0.124	1.014
Sep-02	1.127	0.034	0.092	1.253
Dec-02	1.479	0.023	0.101	1.604
Mar-03	1.632	0.014	0.115	1.761
Jun-03	2.161	0.000	0.138	2.299
% Change Jun-02 to Jun-03	152.7%	-100.0%	11.1%	126.8%

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Chart 17: Lump Sum Payments by Insurer Type



3.10.2 No lump sum payments were made by self-insurers in the 12-months ending June 2003.

3.10.3 Lump sum payments for the TSS increased by 11%, which is mainly accounted for by payment of death benefit to spouse of deceased worker.

4. AVERAGE CLAIM SIZE

4.1 Overall

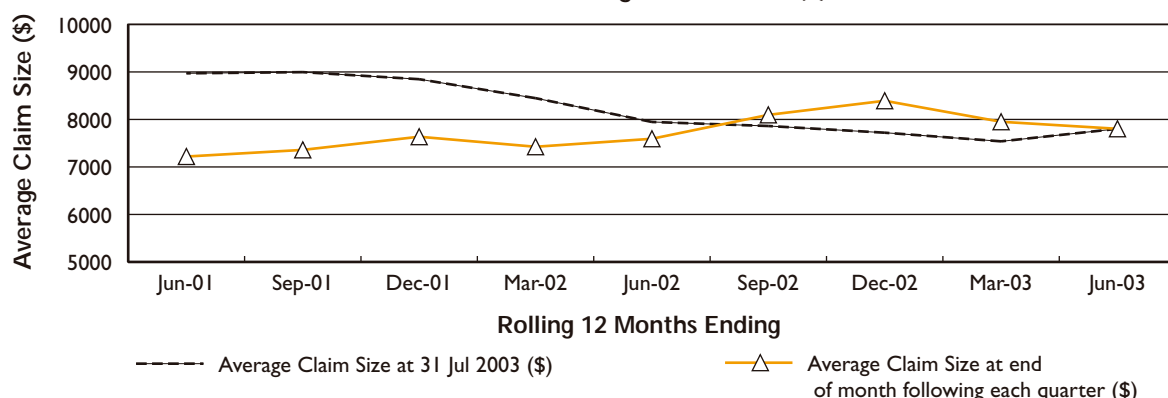
4.1.1 Note that total incurred costs have not been adjusted for inflation. This should be taken into account when interpreting the trends shown.

4.1.2 The average claim size for claims lodged during the 12 months ending June 2003 was \$7,803, a 3% increase compared with the average claim size of \$7,593 for claims lodged in the period to June 2002. The increase in average claim size may be directly correlated with injuries becoming more severe as presented in previous discussions.

Table 18: Total Incurred Cost and Average Claim Size

Lodgement Year Rolling 12 Months Ending	Number of Claims Lodged	Total Incurred Cost at end of month following each quarter (\$m)	Average Claim Size at end of month following each quarter (\$)	Total Incurred Cost at 31 April 2003 (\$m)	Average Claim Size at 31 April 2003 (\$m)
Jun-01	11,379	82.140	7,219	102.083	8,971
Sep-01	10,982	80.816	7,359	98.789	8,996
Dec-01	10,841	82.785	7,636	95.907	8,847
Mar-02	10,604	78.731	7,425	89.580	8,448
Jun-02	10,570	80.262	7,593	83.997	7,947
Sep-02	10,647	86.201	8,096	83.706	7,862
Dec-02	10,621	89.146	8,393	82.001	7,721
Mar-03	10,610	84.362	7,951	79.994	7,539
Jun-03	10,390	81.071	7,803	81.071	7,803
% Change Jun-02 to Jun-03	-1.7%	1.0%	2.8%	-3.5%	-1.8%

Chart 18: Average Claim Size (\$)



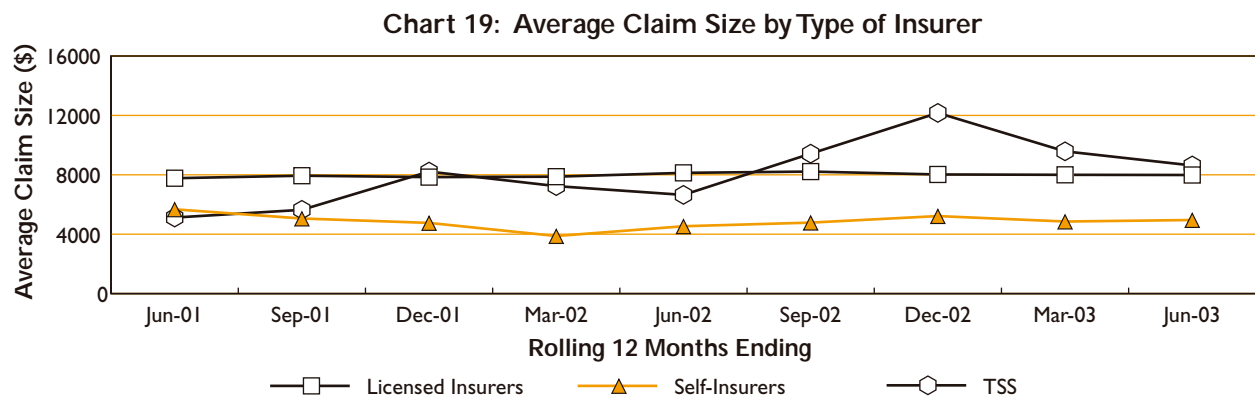
Statistical Report — 12 Months Ending June 2003

4.2 Average claim size by insurer type

4.2.1 The comparison of average claim size between insurers as presented in this section is based on the average claim size at end of each month immediately following each quarter.

Table 19: Average Claim Size by Type of Insurer (\$)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	10,271	1,188	2,031	13,490
Sep-01	9,915	1,281	2,207	13,403
Jun-01	7,771	5,675	5,121	7,219
Sep-01	7,940	5,057	5,641	7,359
Dec-01	7,845	4,760	8,217	7,636
Mar-02	7,874	3,876	7,239	7,425
Jun-02	8,132	4,535	6,647	7,593
Sep-02	8,218	4,780	9,424	8,096
Dec-02	8,023	5,220	12,169	8,393
Mar-03	8,000	4,853	9,581	7,951
Jun-03	7,987	4,955	8,629	7,803
% Change Jun-02 to Jun-03	-1.8%	9.3%	29.8%	2.8%



4.2.2 The average claim size for licensed insurers decreased by 2%, from \$8,132 to \$7,987.

4.2.3 The opposite trend, however, has been observed for both the self-insurers and the TSS, with the average claim size increasing in the period to June 2003 by 9% and 30%, respectively.

4.2.4 The average claim size of \$8,629 for the TSS was \$642 more (or 8% higher) than that for licensed insurers (\$7,987), and \$3,674 more (or 74% higher) than that for self-insurers.

5. PREMIUMS

5.1 Overall

5.1.1 The total earned premium pool for licensed insurers for the period ending June 2003 was \$113.5m, approximately \$7m lower than the total earned premium pool of more than \$120.3m for the previous year, a reduction of nearly 6%.

5.1.2 By contrast, total earned wages increased by almost \$28m, from \$3.847b in the 12-months ending June 2002 to \$3.875b in the same period in 2003, an increase of less than 1%.

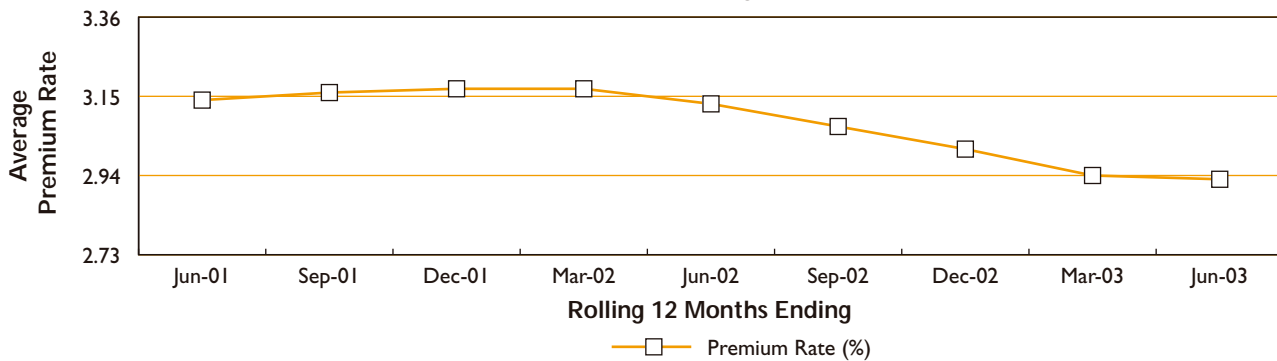
5.1.3 Overall, the actual average premium rate charged by insurers during the 12 months ending June 2003 was 2.93%, which was 0.20 percentage points lower than the actual average premium rate charged of 3.13% during the same period in 2002, representing a decrease of more than 6%.

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Table 20: Policies and Premiums

Rolling 12 Months Ending	Policies (number)	Exposed Workers (number)	Earned Wages (\$m)	Earned Premiums (\$m)	Actual Average Premium Rate (%)
Jun-01	13,436	161,641	3,726.9	117,093	3.14%
Sep-01	13,296	160,316	3,735.1	118,125	3.16%
Dec-01	13,151	158,759	3,731.9	118,223	3.17%
Mar-02	13,016	157,952	3,752.9	119,040	3.17%
Jun-02	12,923	156,866	3,846.8	120,259	3.13%
Sep-02	12,842	155,020	3,895.7	119,661	3.07%
Dec-02	12,810	153,091	3,940.4	118,679	3.01%
Mar-03	12,830	150,796	3,958.2	116,310	2.94%
Jun-03	12,853	147,855	3,874.7	113,569	2.93%
% Change Jun-02 to Jun-03	-0.5%	-5.7%	0.7%	-5.6%	-6.4%

Chart 20: Actual Average Premium Rates



- 5.1.4 The actual average premium rates charged by insurers have been on the decline since the 12 months ending March 2002, although the average rate is shown to have stabilised in the latter part of the 2002–03 financial year.
- 5.1.5 The average premium rate that was recommended by the consulting actuary (Trowbridge Consulting) for 2002–03 was 2.62%. The average premium rate actually charged by insurers was 0.31 percentage points higher than the rate suggested, indicating that insurers have a less optimistic view of the market than the view held by the consultants at the time of the development of the suggested rates.
- 5.1.6 Note that the actual premium rates charged for the more recent 12 month periods would be subject to further change over time as no adjustments to the premium data have been made for special policies such as burning cost, minimum deposit premium and like policies. The only policies excluded from the data were nominal policies.

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5.2 Actual average premium rates charged by insurers

5.2.1 The actual average premium rates charged by licensed insurers ranged between 1.43% (Catholic Church) and 4.28% (Zurich) in the most recent 12 month period.

Table 21: Average Premium Rates Charged by Insurers

Insurer	Rolling 12 Months Ending		% Change Jun-02 to Jun-03
	Jun-01	Sep-01	
A	3.15%	2.70%	-14.3%
B	1.49%	1.43%	-4.0%
C	3.68%	3.22%	-12.5%
D	1.91%	1.96%	2.6%
E	3.03%	2.79%	-7.9%
F	3.14%	2.98%	-5.1%
G	4.08%	3.84%	-5.9%
H	3.90%	4.28%	9.7%
I	2.50%	2.72%	8.8%
All Insurers	3.13%	2.93%	-6.4%

5.2.2 Decreases in actual average premium rates were recorded for six insurers with percentage decreases ranging from 4% to 14%.

5.2.3 Increases in actual average premium rates were recorded for three insurers.

5.2.4 Premium rating is influenced by a range of factors including the type of risk exposure, the industry mix in an insurer's portfolio, claims experience (eg. trend in claim numbers, average cost per claim), Tasmanian and national experience overall, allowance for prudential margins, and economic assumptions about applicable inflation, interest and discount rates.

5.2.5 The latter part of the 12 months ending June 2003 has been observed as a period of intense competition for market positioning between insurers with significant discounting of premium rates taking place. Actuarial assessments for the two years 2000–01 and 2001–02 indicated profitability in the industry, an outcome that was likely to have encouraged some insurers to take greater risks when writing lower premiums.

5.2.6 The potential consequence of this is that the actual rates charged in the 12 months ending June 2003 could be (even after allowance for burning cost and like policies) artificially low.

5.2.7 An issue of real concern to the WorkCover Board is when the rate of competition reaches a stage where it could prevent the operation of a good and informed market. Significant discounting of premiums being charged to business by insurers for the principal reason of market positioning can do damage to the way the market should operate. It has the potential to send the wrong signals to the general community, for instance, that the reduction in premiums reflects a genuine improvement in Scheme performance or that genuine savings due to structural changes, such as the 2001 package of legislative reforms, are being achieved.

Statistical Report — 12 Months Ending June 2003

5.3 Insurer's industry market share

5.3.1 In the 12 months ending June 2003, individual insurer's market share, as a percentage of the total earned premium pool, ranged from half a per cent to 35%.

5.3.2 Individual insurer's market share, as a percentage of total earned wages, ranged between 1% and 38%.

Table 22: Insurers Industry Market Share

Insurer	Market Share based on Earned Premiums		% Change Jun-02 to Jun-03	Market Share based on Earned Premiums		% Change Jun-02 to Jun-03
	Jun-02	Jun-03	Jun-03	Jun02	Jun-03	Jun-03
A	34.6%	34.7%	0.4%	34.3%	37.7%	9.8%
B	0.5%	0.5%	-0.1%	1.0%	1.0%	-2.2%
C	8.2%	7.4%	-10.4%	7.0%	6.7%	-3.9%
D	0.7%	0.9%	19.2%	1.2%	1.3%	9.0%
E	4.8%	4.5%	-6.1%	4.9%	4.7%	-4.1%
F	15.4%	15.7%	2.1%	15.3%	15.4%	0.9%
G	11.0%	10.2%	-7.6%	8.5%	7.8%	-8.2%
H	7.1%	7.2%	1.7%	5.7%	5.0%	-13.1%
I	17.7%	18.9%	7.2%	22.1%	20.4%	-7.6%
All Insurers	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%

5.3.3 In the 12 months ending June 2003, the two largest insurers held nearly 54% of the total earned premium, and accounted for more than 58% of total earned wages.

5.3.4 The concentration of workers compensation business in a single or two large insurers may either have a good or undesirable effect on overall Scheme performance. An insurer who has a relatively high market share but who may not be rated well in terms of claims management performance (eg, an adversarial system, unnecessarily high level of utilisation of legal, medical and related services, low rates of return to work, etc) would have a disproportionately unwelcome influence on the way the Whole Scheme performs.

5.4 Actual industry average premium rates for the top 50 industries

5.4.1 The top 50 industries were ranked based on the number of employers.

5.4.2 During the 12 months ending June 2003, the top 50 industries consisted of 7,533 employers, accounting for 59% of all employers (12,853).

5.4.3 The actual average premium rates charged by insurers varied considerably by industry.

5.4.4 Among the top 50 industries, the highest average premium rates for all insurers were recorded for the logging industry (14.30%), sheep farming (6.92%), sheep-beef-cattle farming (6.84%), cleaning services (6.78%), and beef-cattle farming (6.53%).

5.4.5 The lowest average premium rates were recorded for real estate agents (0.87%), computer consultancy services (0.90%), and accounting services (0.91%).

Appendix A – Medical Costs

Table A1: Doctors Costs (\$million)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	6.012	0.741	1.566	8.319
Sep-01	6.050	0.699	1.665	8.415
Dec-01	6.276	0.673	1.634	8.583
Mar-02	6.143	0.721	1.692	8.556
Jun-02	5.877	0.760	1.828	8.466
Sep-02	5.938	0.807	1.755	8.500
Dec-02	5.981	0.875	1.727	8.583
Mar-03	6.155	0.871	1.585	8.611
Jun-03	6.400	0.887	1.433	8.719
% change Jun-02 to Jun-03	8.9%	16.6%	-21.6%	3.0%

Table A2: Hospital Costs (\$million)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	2.031	0.119	0.396	2.546
Sep-01	2.002	0.105	0.386	2.493
Dec-01	1.964	0.132	0.353	2.449
Mar-02	1.945	0.119	0.391	2.456
Jun-02	1.851	0.145	0.372	2.367
Sep-02	2.046	0.166	0.351	2.563
Dec-02	2.133	0.163	0.368	2.665
Mar-03	2.194	0.190	0.379	2.763
Jun-03	2.375	0.218	0.399	2.992
% change Jun-02 to Jun-03	28.3%	50.8%	7.5%	26.4%

Table A3: Rehabilitation Costs (\$million)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	5.283	0.318	1.830	7.431
Sep-01	5.113	0.264	1.885	7.262
Dec-01	5.140	0.242	1.923	7.305
Mar-02	5.072	0.270	1.988	7.329
Jun-02	4.921	0.307	2.167	7.396
Sep-02	4.876	0.362	2.219	7.458
Dec-02	4.846	0.416	2.359	7.622
Mar-03	4.775	0.452	2.278	7.504
Jun-03	4.675	0.473	2.089	7.238
% change Jun-02 to Jun-03	-5.0%	54.1%	-3.6%	-2.1%

Appendix A – Medical Costs

Table A4: Allied Medical Costs (\$million)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	3.323	0.366	0.933	4.622
Sep-01	3.259	0.345	0.827	4.431
Dec-01	3.194	0.367	0.827	4.389
Mar-02	3.115	0.376	0.848	4.339
Jun-02	3.096	0.396	0.936	4.427
Sep-02	3.117	0.430	1.102	4.649
Dec-02	3.127	0.433	1.229	4.789
Mar-03	3.110	0.451	1.304	4.865
Jun-03	3.047	0.480	1.321	4.848
% change Jun-02 to Jun-03	-1.6%	21.3%	41.1%	9.5%

Table A5: Miscellaneous Costs (\$million)

Rolling 12 Months Ending	Licensed Insurers	Self Insurers	Tas State Service	All Insurers
Jun-01	1.314	0.162	0.315	1.790
Sep-01	1.230	0.157	0.286	1.673
Dec-01	1.172	0.139	0.263	1.574
Mar-02	1.182	0.133	0.296	1.611
Jun-02	1.159	0.128	0.327	1.614
Sep-02	1.149	0.131	0.306	1.586
Dec-02	1.149	0.137	0.317	1.603
Mar-03	1.318	0.133	0.293	1.745
Jun-03	1.327	0.166	0.266	1.759
% change Jun-02 to Jun-03	14.6%	29.1%	-18.6%	9.0%

Appendix B – Premium Rates for the Top 50 Industries, 12 months ending June 2003 (%)

Anzsic	Description	Number of Employers	Industry as % of Total Number of Employers	A	B	C	D	E	F	G	H	I	All Insurers
5730	Cafes and Restaurants	390	3.0%	2.79	-	3.54	2.60	3.50	2.16	2.78	2.29	2.24	2.51
6110	Road Freight Transport	350	2.7%	5.02	-	5.73	-	8.19	6.78	8.83	5.98	5.48	5.68
5125	Takeaway Food Retailing	307	2.4%	2.25	-	3.12	-	2.85	1.84	2.94	1.86	2.40	2.07
0130	Dairy Cattle Farming	304	2.4%	5.29	-	7.05	-	6.01	6.23	9.89	5.61	4.11	5.74
0123	Sheep-Beef Cattle Farming	296	2.3%	9.24	-	11.69	31.58	7.00	7.16	9.99	5.67	7.13	6.84
0124	Sheep Farming	274	2.1%	9.01	-	11.03	-	7.87	6.82	8.38	5.56	6.13	6.92
8621	General Practice Medical Services	265	2.1%	0.88	-	1.12	1.11	1.22	0.93	2.50	1.48	1.12	1.01
5329	Automotive Repair and Services	262	2.0%	2.88	-	2.71	-	3.33	2.81	2.28	3.31	2.68	2.87
5710	Accommodation	262	2.0%	2.83	-	4.18	1.82	3.54	3.10	3.25	3.08	2.50	2.97
9526	Hairdressing and Beauty Salons	257	2.0%	2.22	-	1.92	1.94	2.33	1.66	1.94	1.93	1.48	1.80
5720	Pubs, Taverns and Bars	194	1.5%	2.38	-	2.83	7.43	2.41	2.52	3.03	2.95	2.15	2.58
0113	Vegetable Growing	187	1.5%	5.11	-	6.47	11.64	7.02	5.17	7.66	5.30	5.22	5.76
7855	Business Management Services	179	1.4%	1.17	-	1.19	2.01	1.23	1.49	1.34	1.43	1.12	1.29
4232	Electrical Services	159	1.2%	3.64	-	4.94	-	4.26	3.38	6.06	3.35	2.78	3.37
7834	Computer Consultancy Services	158	1.2%	0.66	-	1.05	1.25	1.14	1.26	0.93	1.49	0.93	0.90
4111	House Construction	156	1.2%	5.87	-	7.83	-	8.12	5.80	7.38	6.97	6.59	6.25
5110	Supermarket and Grocery Stores	150	1.2%	2.05	-	3.53	2.60	2.88	2.31	2.63	2.42	1.83	2.23
5251	Pharmaceutical, Cosmetic Retailing	149	1.2%	1.50	-	1.68	1.08	1.42	1.17	2.13	1.40	1.65	1.13
5259	Retailing n.e.c.	146	1.1%	1.68	-	3.12	-	2.05	2.01	1.46	1.88	2.05	1.88
5321	Automotive Fuel Retailing	142	1.1%	2.51	-	2.66	-	2.67	2.42	3.15	3.42	2.28	2.56
5740	Clubs (Hospitality)	139	1.1%	3.83	-	3.65	-	4.01	2.47	3.29	3.07	2.45	2.83
7854	Business Administrative Services	138	1.1%	1.05	0.56	1.09	1.11	1.53	1.69	1.38	1.56	1.13	1.20
7842	Accounting Services	136	1.1%	0.76	-	1.04	0.76	0.99	0.94	0.99	1.01	0.93	0.91
5243	Newspaper, Book and Stationery Retailing	135	1.1%	1.11	1.39	1.31	2.00	1.42	1.24	1.47	2.14	1.29	1.32
5221	Clothing Retailing	125	1.0%	1.40	-	1.73	1.79	0.94	1.80	1.45	1.48	1.89	1.48
4210	Site Preparation Services	124	1.0%	6.25	-	6.62	-	7.13	5.93	7.14	5.18	5.51	6.10
7823	Consulting Engineering Services	122	0.9%	1.14	-	1.55	0.85	0.85	1.04	1.49	1.20	1.04	1.10
7720	Real Estate Agents	115	0.9%	0.68	-	0.89	0.95	0.86	1.00	1.06	1.13	1.00	0.87
8622	Specialist Medical Services	112	0.9%	1.40	-	0.94	-	1.43	1.32	3.66	1.37	1.09	1.25
7841	Legal Services	111	0.9%	1.67	-	2.21	1.00	1.59	1.29	1.27	1.16	0.98	1.38
5233	Domestic Hardware and Houseware Retailing	110	0.9%	2.30	-	2.34	1.73	2.39	2.07	3.00	3.01	1.90	2.29
0122	Grain-Sheep and Grain-Beef Cattle Farming	107	0.8%	8.55	-	9.25	-	6.81	6.98	7.85	5.69	5.71	6.38
0302	Logging	104	0.8%	14.47	-	22.14	-	16.80	14.37	14.31	2.34	10.02	14.30
7866	Cleaning Services	99	0.8%	9.50	-	9.92	6.09	5.11	5.93	6.47	7.41	6.11	6.78
9629	Interest Groups n.e.c.	98	0.8%	2.14	-	3.75	2.09	2.16	1.48	5.06	2.56	1.50	3.63
8623	Dental Services	97	0.8%	0.90	-	1.10	1.46	1.40	1.02	-	1.36	0.93	1.11
0125	Beef Cattle Farming	85	0.7%	8.92	-	10.32	8.15	8.34	5.86	16.00	5.28	12.23	6.53
7520	Services to Insurance	85	0.7%	0.61	-	1.04	6.52	1.81	1.42	1.11	1.01	0.80	1.04
6122	Short Distance Bus Transport	84	0.7%	4.44	-	4.05	-	5.59	4.84	4.14	4.56	4.46	4.37
5323	Smash Repairing	82	0.6%	2.45	-	4.14	-	6.24	3.18	3.47	3.08	2.79	2.76
9621	Business and Professional Associations	81	0.6%	1.31	-	0.99	1.36	1.72	1.07	2.95	2.41	1.24	1.17
5121	Fresh Meat, Fish and Poultry Retailing	78	0.6%	3.87	-	4.41	3.26	4.37	6.48	4.92	5.11	3.49	4.16
5124	Bread and Cake Retailing	76	0.6%	1.97	-	2.74	2.19	2.98	1.86	3.64	1.93	2.19	2.04
6123	Taxi and Other Road Passenger Transport	76	0.6%	7.52	-	-	-	6.01	4.89	5.77	6.25	-	6.19
0219	Services to Agriculture n.e.c.	74	0.6%	4.91	-	11.67	-	8.75	5.40	7.29	3.05	4.80	5.57
4231	Plumbing Services	73	0.6%	4.18	-	16.82	-	7.40	5.34	6.95	6.53	4.38	4.73
5234	Domestic Appliance Retailing	71	0.6%	1.37	-	5.61	-	2.51	2.47	2.44	1.48	1.31	1.93
9312	Sports Grounds and Facilities	71	0.6%	4.35	-	2.84	3.00	3.41	3.07	4.37	3.40	5.49	3.71
4244	Painting and Decorating Services	70	0.5%	5.81	-	6.62	-	6.39	5.25	8.23	9.63	5.48	5.66
2769	Fabricated Metal Product Manufacturing	68	0.5%	5.66	-	5.36	-	5.71	5.25	6.32	3.75	3.87	4.92





APPENDICES

Appendix 1 – Licenced Insurers

Licenced insurers as at 30 June 2003:

Allianz Australia Limited

NRMA Insurance Group Limited

Catholic Church Insurances Limited

QBE Insurance (Australia) Limited

CGU Insurance Limited

Royal and Sun Alliance Insurance

GIO Australia Limited

Zurich Australia Insurance Limited

Guild Insurance Limited

Appendix 2 – Self Insurers

Self Insurers as at 30 June 2003:

Australia & New Zealand Banking Group Limited

Blundstone Pty Ltd

Cadbury Schweppes Pty Ltd

Coles Myer Limited

Comalco Aluminium Bell Bay Ltd

Commonwealth Bank of Australia

Forestry Tasmania

Gunns Forest Products Pty Ltd

Inghams Enterprises Pty Ltd

National Australia Bank Limited

National Foods Milk Limited

Paperlinx Limited

Pasminco Australia Limited (Hobart Smelter)

Pasminco Australia Limited (Rosebery Mine)

Temco Pty Ltd

Westpac Banking Corporation

Woolworths Limited

Appendix 3 – Publications List

General

- GB054 Publication List
- GB063 Video Catalogue
- GB064 Workplace Issues (quarterly magazine)
- GB068 Long Service Leave Guide: A Guide to the *Long Service Leave Act 1976*
- Directory of Service Providers
This information is only available at www.workplacesafe.tas.gov.au

Workplace Health And Safety

- GB004 Duty of Care
- GB013 What You Don't Know Can Hurt You (wallet guide)
- GB019 Rural Workplace Health and Safety Guide
- GB024 Forest Industry Occupational Health and Safety Information
This information is only available at www.workplacesafe.tas.gov.au
- GB046 Rural Workplace Human Resource Management Guide
- GB051 Welcome to the Workplace: A Safety Kit for New Workers
- GB081 Hazard Management: Play it SAFE
- GB102 Workplace Health and Safety Basics for Cleaners: Responsibilities, Problems and Solutions
- GB109 Play it SAFE Working at Height
- GB113 Tasmanian Transport Industry: Guide to OH&S Duty of Care
- GB114 Body Strain Prevention Kit
- GB124 Body Strain Prevention for Workers
- GB128 15 Minute Farm Safety Check
- GB129 Child Safety on Farms Checklist
- GB119 A Guide to First Aid in the Workplace
- GB131 Workplace Health and Safety on Residential Housing Projects
- GB133 Guide to the Workplace Health and Safety Legislation

Rehabilitation And Compensation

- GB012 Workers Compensation Insurers Tasmania: List of Main Offices
This information is only available at www.workplacesafe.tas.gov.au
- GB014 *Workers Rehabilitation and Compensation Act 1988* Summary A4 Poster
- GB015 *Workers Rehabilitation and Compensation Act 1988* Summary A3 Poster
- GB111 *The Workers Rehabilitation and Compensation Act 1988* The Amendments
- GB112 Guide to Workers Compensation in Tasmania
This information is only available at www.workplacesafe.tas.gov.au

Hazardous Substances

- GB023 How to HAZCHEM Placard Premises Storing Dangerous Goods
- GB084 Play it SAFE with Chemicals: A guide to Managing Hazardous Substances in the Workplace

Plant

- GB086 Plant Safety: Registration and Record Keeping Requirements Applying in Tasmania
This information is only available at www.workplacesafe.tas.gov.au
- GB101 Industrial Equipment Requiring an OHS Certificate of Competency

Codes of Practice

- COP001 A Guide to Developing Codes of Practice
- COP003 Managing the Risk of Falling in Housing Construction
This information is only available at www.workplacesafe.tas.gov.au or purchase from the Printing Authority of Tasmania or via your industry association
- COP004 Working at Heights in Commercial Construction
This information is only available at www.workplacesafe.tas.gov.au or purchase from the Printing Authority of Tasmania or via your industry association
- COP005 Draft Code of Practice for Sawmill Operation
- COP006 Forestry Safety Code (Tasmania) 2002
This information is only available at www.workplacesafe.tas.gov.au or from the Tasmanian Forest Industries Training Board
- COP007 Code of Practice for the Safe Use of Reinforced Plastics
This information is only available at www.workplacesafe.tas.gov.au or purchase from the Printing Authority of Tasmania
- COP008 Draft Code of Practice for the Tasmanian Abalone Industry
This information is only available at www.workplacesafe.tas.gov.au or from the Tasmanian Abalone Council Ltd

Appendix 3 – Publications List

Safety Bulletins

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
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
SB037	Eye Injuries
SB042	Safe Use of Nail Guns
SB043	Housing Construction Industry Guide to OHS
SB044	A Guide to Operation of Mobile Equipment Near Overhead Powerlines
SB047	It's Your Farm, It's Your Machinery, It's Your Responsibility

Safety Alerts

SA003	3/96 – Chainsaw Kickback Warning
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
SA012	6/97 – Unsafe Chemical Storage
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
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

Appendix 3 – Publications List

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	8/02 – Chrome Plated Fire Hydrant Valve Failure
SA047	3/02 – Safety Attachments on Pneumatic Secateurs
SA048	2/03 – Securing Truck Tilt Cabs in a Raised Position
SA049	2/02 – Incident Involving Weinig H22 Moulding Machine
SA050	4/02 – Safe Use of Hand Router
SA051	1/03 – Forest Machine Fire
SA052	3/03 – Electrocution Investigation Reveals Hazards of Working in Roof Spaces
SA053	Safe Use of Self-Propelled Hydraulically-Operated Elevated Work Platforms (EWP) in Orchards
SA054	Tractor Operating Control: The Forward-Neutral-Reverse Shuttle Lever

Posters

PO001	Eye Protection – Wear it
PO007	Farm Safety
PO009	SAFE
PO010	Injured Hand
PO013	Injured at Work
PO015	Pause Exercise Poster

Electrical Standards and Safety

ES001	Energy Efficiency of Clothes Washers and Dryers
ES002	Energy Efficiency of Fridges and Freezers
ES003	Energy Efficiency of Air-Conditioners
ES004	Energy Efficiency of Dishwashers
ES005	Code of Practice for the Sale of Electrical Installation Products to the Public
ES006	Electrical Licensing in Tasmania
ES007	Electrical Industry Bulletin (quarterly)
ESSP1	Install Safety Switches
ESSP2	Do It Yourself – Dead on Arrival
ESSP3	Electricity Kills

Appendix 4 – Telephone Enquiries and Publication Requests

Information and Workers Compensation Branch

The Helpline

The first point of contact for telephone enquiries to Workplace Standards Tasmania is the Helpline Section. The Helpline deals with queries concerning workers compensation, workplace health and safety, the Workplace Safe campaign and all other legislation administered by the division. It is notified of accidents and incidents that may require immediate response from any of Workplace Standards' three regions.

Stakeholders are provided with relevant information; matters requiring further research are directed to other parts of the division.

Telephone calls are received during business hours; the Helpline maintains an after hours emergency service. The Helpline also manages all email requests for information.

The Helpline also advises businesses about internet and hard copy publications, and handles the orders and supply of these.

Publications

- More than 2,470 requests for publications were processed.
- Over 111,985 publications were provided to stakeholders.
- Over 92% of the publications requested covered workplace health and safety or workers rehabilitation and compensation.

Telephone, email and fax enquiries

- More than 55,235 telephone calls were attended to.
- Over 95% of telephone calls were attended to immediately and required no further attention.
- Almost 23% of telephone calls related to workplace health and safety or workers rehabilitation and compensation.
- Over 1,135 emails were attended to.
- Over 97% of requests for fax responses received attention within two hours.

Enquiries forwarded from the Helpline

Of the enquiries the Helpline forwarded to other parts of Workplace Standards for specific action:

- 48% (that is 1,318 enquiries) related to workplace health and safety
- 15% of enquiries (421) related to workers rehabilitation and compensation
- the remainder (981) related to other legislative matters.

Appendix 5 – Accreditation

During the past 12 months, 147 new medical practitioners have been granted accreditation by the WorkCover Tasmania Board. There are currently 1,124 accredited medical practitioners — 1,009 are Tasmanian doctors and the remainder are from interstate.

Of the Tasmanian doctors, 242 are based in the north of the state, 203 in the north west and the remaining 564 in the south.





FINANCIAL STATEMENTS

Independent Audit Report

To the Members of the Workplace Safety Board of Tasmania

Scope

I have audited the financial report of the Workplace Safety Board of Tasmania comprising Statements of Financial Performance, Financial Position, Cash Flows and notes thereto, for the year ended 30 June 2003. 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.

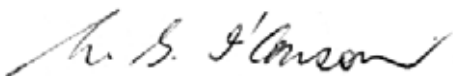
The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 the WorkCover Tasmania Board as at 30 June 2003, and the results of its operations and cash flows for the year then ended.

TASMANIAN AUDIT OFFICE



N G F Anson
Assistant Director
Delegate of the AUDITOR-GENERAL

16 October 2003
HOBART

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

Statement of Financial Performance for the Year Ended 30 June 2003

	Note	2001-02 \$'000	2002-03 \$'000
Revenue from ordinary activities			
Contributions	2(a) & (b)	3,265	3,439
Interest on trust account		38	57
Gross proceeds from disposal of assets	4	....	30
Other Revenue	2(c)	150	83
Total revenue from ordinary activities		3,453	3,609
Expenses from ordinary activities (excluding borrowings)			
Employee benefits	3(a)	977	1,128
Depreciation	1(e) & 8	18	12
Written down value of disposed assets	4	....	20
Advertising and promotion	3(b)	821	640
Communications		44	38
Consultancies	3(c)	225	171
Information technology		22	43
Travel and transport		17	31
Other operating expenses	3(d)	481	431
Transfer to tribunal		978	1,095
Total expenses from ordinary activities (excluding borrowings)		3,583	3,609
Net operating surplus/(deficit) from ordinary activities	2(b)	(130)	....

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

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

Statement of Financial Position as at 30 June 2003

	Note	2001-02 \$'000	2002-03 \$'000
Current assets			
Treasury Trust Account balance	6 & 12(a)	1,025	1,035
Receivables and prepayments	7	17	1
Total current assets		<u>1,042</u>	<u>1,036</u>
Non-current assets			
Property, plant and equipment	8	46	32
Total non-current assets		<u>46</u>	<u>32</u>
Total assets		<u>1,088</u>	<u>1,068</u>
Current liabilities			
Creditors and accrued expenses	9	523	796
Employee benefits	10	103	114
Other current liabilities	11	332	....
Total current liabilities		<u>958</u>	<u>910</u>
Non-current liabilities			
Employee benefits	10	130	158
Total non-current liabilities		<u>130</u>	<u>158</u>
Total liabilities		<u>1,088</u>	<u>1,068</u>
Net assets (liabilities)	2(b) & 5	<u>....</u>	<u>....</u>

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

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

Statement of Cash Flows for the Year Ended 30 June 2003

	Note	2001-02 \$'000 Inflows (Outflows)	2002-03 \$'000 Inflows (Outflows)
Cash flows from operating activities			
<i>Cash inflows</i>			
Industry contributions		3,310	3,781
Interest		45	63
Other cash receipts		563	82
Total cash inflows		3,918	3,926
<i>Cash outflows</i>			
Employee benefits		983	1,086
Other cash payments		2,729	2,842
Total cash outflows		3,712	3,928
Net cash from (used by) operating activities	12(b)	206	(2)
Cash flows from investing activities			
<i>Cash inflows</i>			
Receipts from disposal of assets		....	30
Total cash inflows		....	30
<i>Cash outflows</i>			
Payment for purchase of non-current assets		20	18
Total cash outflows		20	18
Net cash from (used by) investing activities		(20)	12
Net increase (decrease) in cash held		186	10
Cash at the beginning of the year		839	1,025
Cash at the end of reporting period	6 & 12(a)	1,025	1,035

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

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

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 are a general purpose financial report and have been prepared in accordance with:

- the Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990*; and
- Australian Accounting Standards, in particular AAS 29 'Financial Reporting by Government Departments' and Urgent Issues Group Abstracts.

Previously the financial statements of WorkCover Tasmania included the operations of the WorkCover Tasmania Board (the Board) and the operations of the Workers Rehabilitation and Compensation Tribunal. A review of the legislative requirements of the *Workers Rehabilitation and Compensation Act 1988* showed that the Board should be preparing a report on its operations exclusively. Consequently, these financial statements represent the operations of the Board and only reflect the operations of the Tribunal to the extent that the reimbursement to the Tribunal is shown in the Statement of Financial Performance.

The financial statements have been prepared using historical cost accounting, with the exception that where applicable land, buildings, infrastructure, heritage and cultural assets are valued at their current value to the Board, determined by reference to the asset's fair value.

Assets and liabilities are recognised in the Board'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 the Board'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 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 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 the WorkCover Tasmania Board.

By virtue of Section 15 (1) of the *Workers Rehabilitation and Compensation Act 1988* the Board is required to report to the Minister for Economic Development, 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 Statement of Financial Performance in the year of purchase.

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

(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).

(f) Provision for Employee Benefits

Employee benefits 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 is 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

The Board is exempt from all forms of taxation except fringe benefits tax, payroll tax and the goods and services tax. The Board'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 the Board's operations.

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

2. Revenue from Ordinary Activities

(a) Funding of 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 Economic Development, 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) 2002-03 Contributions Determination

Income for the financial year ending 30 June 2003 includes the final determination, under the terms of the *Workers Rehabilitation and Compensation Act 1988*, of contributions from Licensed Insurers and Self-Insurers for 2001-02.

As detailed in 2(a) 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 item 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 Benefits

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

(b) Advertising and Promotion

The decrease relates to decreased activity level in the Workplace Safe campaign.

(c) Consultancies

The majority of expenditure for consultants relates to actuarial services provided to the Board and the development and implementation of public relation strategies in support of the Workplace Safe campaign. The reduction of consultancy costs in 2002-03 is a result of auditing costs of self insurers and licensed insurers incurred in 2001-02 not being required in 2002-03.

(d) Other Operating Expenses

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

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

4. Gross Proceeds and Expense from the Disposal of Fixed Assets

	2001-02	2002-03
	\$'000	\$'000
Revenue (proceeds) from sale	...	30
Written down value of disposed assets	...	(20)
Net Profit/(Loss)	...	10

The Board sold two of its vehicles during 2002-03 which were replaced by leased vehicles.

5. Accumulated Surpluses

As detailed in note 2(b), 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:

	2001-02	2002-03
	\$'000	\$'000
Treasury Trust Account T435	1,025	1,035
Total	1,025	1,035

7. Receivables and Prepayments

	2001-02	2002-03
	\$'000	\$'000
Receivables	17	1
Prepayments	....	....
Total	17	1

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

8. Non-Current Assets

(a) Items

	2001-02 \$'000	2002-03 \$'000
Plant and equipment at Cost	8	8
Accumulated Depreciation	(3)	(4)
	<hr/> 5	<hr/> 4
Computer Equipment at Cost	45	63
Accumulated Depreciation	(26)	(35)
	<hr/> 19	<hr/> 28
Motor Vehicles at Cost	41	....
Accumulated Depreciation	(19)	....
	<hr/> 22	<hr/>
Leasehold Improvements at Cost	43	43
Accumulated Depreciation	(43)	(43)
	<hr/>	<hr/>
Total Non-Current Assets	<hr/> 46	<hr/> 32

(b) Depreciation Allocated and Useful Lives

	Useful Lives (years)	2001-02 \$'000	2002-03 \$'000
Office Equipment	10	1	1
Computer Equipment	3	9	9
Motor Vehicles	5	8	2
Leasehold Improvements	6	....	....
Total Depreciation		<hr/> 18	<hr/> 12

9. Creditors and Accrued Expenses

	2001-02 \$'000	2002-03 \$'000
Creditors and accrued expenses	95	26
Accrual refund for contributions	428	770
Total	<hr/> 523	<hr/> 796

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

10. Employee Entitlements

	2001-02	2002-03
	\$'000	\$'000
Accrued Salaries	23	32
Provision for Annual Leave	64	77
Provision for Long Service Leave	146	163
Total	233	272
Classified as:		
Current	103	114
Non-current	130	158
	233	272

11. Other Current Liabilities

	2001-02	2002-03
	\$'000	\$'000
Deposits held in trust	332	....
Total	332	....

During 2001-02, Blue Ribbon Meat Products (BRMP) permit as a self insurer was revoked as a result of it going into liquidation and being unable to fulfill its permit conditions. The Board made a call on the \$425,000 bank guarantee held to meet claim costs incurred but not settled during BRMP's period as a self insurer. The funds were received on 7 January 2002 by WorkCover Tasmania.

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 reimbursed the Nominal Insurer for costs incurred in meeting claim costs until the \$425,000 held from bank guarantee funds was 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.

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

12. Cash Flows

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

	2001-02	2002-03
	\$'000	\$'000
Cash at year end per Statement of Cash Flows	1,025	1,035
Statement of Financial Position Cash	1,025	1,035

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

	2001-02	2002-03
	\$'000	\$'000
Net operating surplus / (deficit)	(130)	....
Depreciation	18	12
(Increase)/decrease in receivables and prepayments	(13)	16
Increase/(decrease) in refunds to contributors accrual	44	342
Increase/(decrease) in creditors and accrued expenses	(41)	(69)
Increase/(decrease) in employee entitlements	(4)	39
Increase/(decrease) in other current liabilities	332	(332)
Net (profit)/loss on sale of assets	....	(10)
Net cash flows from operating activities	206	(2)

(b) 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 2003. 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 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.

WorkCover Tasmania Board

Financial Statements for the Year Ended 30 June 2003

14. Operating Lease Commitments

	2001-02	2002-03
	\$'000	\$'000
Total Lease Commitments	12
	12

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

	2001-02	2002-03
	\$'000	\$'000
Not later than 1 year	10
Later than 1 year and not later than 5 years	2
Later than 5 years
	12

WorkCover Tasmania leases are represented by vehicle lease costs.

There is no difference between the value of minimum lease payments and the value of Total Lease Commitments.

The increase in lease commitments reflects the decision to lease two vehicles when the time to replace the existing vehicles arrived. Previously vehicles had been purchased rather than leased.

WorkCover Tasmania Board Financial Statements for the Year Ended 30 June 2003

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 2003 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 9th day of October 2003

A handwritten signature in black ink, appearing to read 'M. Addis', with a stylized flourish at the end.

Mark Addis

(CHAIR)





MISCELLANEOUS

Achievements of the Department

Introduction

Workplace Standards Tasmania is responsible for the administration of much of the legislation that regulates business in Tasmania, including occupational health and safety and workers rehabilitation and compensation. Workplace Standards is also responsible for investigation and compliance activities ensuring effective workplace standards, conducting accident and incident investigations, undertaking audits for compliance with legislation, and assisting industry by delivering educative programs. Other responsibilities include promoting occupational health and safety and workers rehabilitation and compensation matters.

Achievement statement

Sector occupational health and safety statistics indicate that while a downward trend in all claims frequency rate has occurred, lost time injury frequency rate did not decline over the past twelve months. While the target of a reduction of 10 per cent has been a challenge to maintain, strategies have been developed and implemented to address this issue.

The focus is to improve the standard of Tasmanian workplaces. Activities within the Inspectorate include:

- conducting workplace inspections, audits and investigations which contribute to the enforcement of health and safety standards
- developing licensing systems
- improving electricity standards and safety and managing licensing functions
- improving overall Inspectorate efficiency and effectiveness in the delivery of services.

Legislation

In a rapidly changing safety environment, Workplace Standards actively reviews and develops legislation, standards, codes of practice, licensing, registration and accreditation procedures and guidelines.

Changes to legislation included the power to issue infringement notices and to receive enforceable

undertakings (these are yet to be implemented). The Inspectorate's overall approach is balanced to ensure a mix of advice, awareness raising and enforcement activity. A focus has been to target non-performing industry and organisations. Some 20 cases across a range of industries were referred to the courts; 13 defendants were found guilty and three are still before the courts.

A co-ordinated approach was undertaken with the Promotions section on addressing manual handling claims across industry. A number of successful joint promotion activities were undertaken, including regional manual handling seminars. Numerous community awareness raising activities took place at many rural shows.

The development of codes of practice continued, with several more being approved by the Minister under section 22 of the *Workplace Health and Safety Act 1995*.

To build industry consultative arrangements, the Inspectorate recognized the need to provide more guidance to employee's safety representatives. This was achieved through discussion groups, a dedicated liaison officer and web site, specific guidance material and email access. A number of senior industry stakeholders were also given opportunity to meet and discuss issues at meetings with the Inspectorate's senior management.

A major initiative was the review into working hours in the mining industry undertaken by Kathryn Heiler. This was followed by comprehensive occupational health and safety management system audits of Tasmania's metalliferous mines. Work also commenced on development of a code of practice for the mining industry.

The Inspectorate also examined specific labour hire issues for the Board.

Prosecutions

During the year, the Compliance Officer undertook 15 investigations. Thirteen were referred to the courts, with all 13 defendants pleading guilty; two others are still before the courts. All investigations were for failure to hold a policy of workers compensation insurance.

Procedures for issuing infringement notices for prescribed offences were finalised during the year, and the use of these notices will form a significant part of compliance activities in the future.

Achievements of the Nominal Insurer (including the HIH levy)

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

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 insurers 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.

It is a function of the Board to monitor the operation of the Nominal Insurer. This is achieved by quarterly written reports and direct consultation on issues that may impact on the liability of the Nominal Insurer or the financial viability of the scheme generally.

The Nominal Insurer is involved in managing claims incurred under the *Workers Compensation Act 1927* and the *Workers Rehabilitation and Compensation Act 1988*, resulting from the failure of the employer to maintain insurance cover or where the insurer or employer no longer exist. These claims are funded by contributions from insurers and self-insurers. Although the Nominal Insurer does not maintain statistics on the number of claims, it does appear that the number of these types of claims has declined. This is a positive trend and when

combined with a number of successful recovery actions against employers and insurers it enabled the Nominal Insurer to meet its liabilities without seeking funds from insurers and self-insurers during the 12 month period.

The collapse of the HIH Insurance Group in 2001 resulted in amendments to the Act to establish a more equitable funding mechanism to meet the cost of the claims transferred to the Nominal Insurer. Under this new mechanism, all workers compensation policyholders are required to pay a special contribution or levy expressed as a percentage of the insurance premium payable to their insurer. Self-insurers and State Service Agencies are also required to pay the levy. The levy rate of 4% of premiums is expected to raise approximately \$6 million for the 12 month period.

The Board is not aware of any major problems associated with the payment of the levy or in the management of HIH claims. As at 30 June, more than 600 claims had been settled for a total payment of \$24.3 million. A further 104 claims were outstanding, with an estimated value of \$18 million. This represents a significant improvement on the initial estimate of liability of approximately \$50 million.

The liability of the Nominal Insurer was also affected by the collapse of Blue Ribbon Meat Products. At 30 June the Nominal Insurer had paid a total of \$429,000 from funds obtained from a bank guarantee lodged by Blue Ribbon Meat Products as a requirement of being granted a permit to self-insure. The Nominal Insurer is negotiating with the liquidator to obtain additional funds to meet expected future liabilities.

Contracts of \$10,000 or more

Consultation costs greater than \$50,000

Consultant	Location	Purpose	Period	Amount
Coo'ee Tasmania	Tasmania	Advertising and marketing services for the Workplace Safe Campaign	1 July 2002–31 December 2003	up to \$1 million
Beyond PR	Tasmania	Public relations services for the Workplace Safe Campaign	1 July 2002–31 December 2003	\$75,150

WorkCover Tasmania entered into two contracts in 2002–03. Coo'ee Tasmania was contracted to provide strategic advice, advertising, marketing and other services that form the Workplace Safe Campaign. Beyond PR was contracted to provide public relations services for the campaign.

Suggested Industry Premium Rates

During the year, the Board published the report *Development of Suggested Industry Premium Rates 2002-03*. The report was prepared by the consulting actuary Trowbridge Consulting. It contains a list of the recommended workers compensation premium rates for businesses in Tasmania. The report was the first that has been published by the Board to satisfy section 102B of the *Workers Rehabilitation and Compensation Act 1988*. This legislative requirement was one of the changes introduced from July 2001.

Section 102 requires the Board to publish and make available to employers and licensed insurers:

- suggested premium rates for various businesses or groups of businesses
- as soon as practicable after receiving a request to do so, a report containing details of:
 - the actuarial basis on which the suggested premium rates were calculated
 - the claims experience of the various businesses or groups of businesses to which the rates relate so far as that experience is known to the Board.

Publishing the rates is intended to promote an informed market by providing a benchmark for individual employers to compare the published rates with what they are actually being charged by their insurers. With this publication, employers have been informed at the same time that the actual rates being charged by insurers will vary due to a number of factors, including:

- their own claims experience and safety performance
- actual expense loadings and profit requirements by individual insurers
- other factors such as the market positioning strategy adopted by individual insurers.

The overall recommended premium rate estimated by the consulting actuary was 2.62% of wages.

The full report may be found at www.workcover.tas.gov.au/resource/suggestedind.htm



It's working **WORKPLACE
SAFE**

