



SI Corp

NSW Self Insurance Corporation



2014 -15 ANNUAL REPORT

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ABOUT THIS REPORT

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PO Box A2615
Sydney South NSW 1235

LETTER TO THE MINISTER

The Hon. Dominic Perrottet MP

Minister for Finance, Services & Property
52 Martin Place
Sydney NSW 2000

Dear Minister Perrottet

We are pleased to submit the *Annual Report* of the NSW Self Insurance Corporation (SICorp) for the financial year ended 30 June 2015, for presentation to the Parliament of New South Wales in accordance with the Annual Reports (Statutory Bodies) Act 1984, Section 11.

Yours sincerely

A blue ink signature of Steve Hunt over a background of repeating '© 2015 SICorp - Self Insurance' text.

Steve Hunt – General Manager
SICorp

A blue ink signature of Vivek Bhatia over a background of repeating '© 2015 SICorp - Self Insurance' text.

Vivek Bhatia – Chief Executive Officer
Insurance & Care, NSW



OVERVIEW

ABOUT US

The NSW Self Insurance Corporation (SICorp) is a statutory body established by the *NSW Self Insurance Corporation Act 2004*.

The Minister for Finance, Services and Property is responsible for SICorp and the Chief Executive of the Office of Finance & Services is responsible for the management of SICorp.

SICorp's main function is to operate the NSW Government's managed fund schemes. The main scheme known as the Treasury Managed Fund (TMF) provides unmatched protection for the asset and liability exposures (except Compulsory Third Party insurance) for most government agencies. The major agencies not in the TMF are Rail Corporation NSW, Sydney Trains, NSW Trains, State Transit Authority of NSW and Land Housing Corporation NSW.

SICorp provides insurance required under the *Home Building Act 1989* through the Home Building Compensation Fund for residential building work in NSW. SICorp also provides principal arranged construction insurance for capital works projects undertaken agencies in NSW.

SICorp also administers a number of closed government managed fund schemes. These include the Governmental Workers Compensation Account (GWC), the Transport Accidents Compensation Fund (TAC), the Pre-Managed Fund Reserve, the Rail Scheme and Building Insurers' Guarantee Corporation (BIG Corp). Activity and financial statements for BIG Corp are reported in the BIG Corp Annual Report 2014-15.

SICorp also represents the interests of NSW Government on all insurance matters both state-wide and interstate.

Charter

SICorp:

- ▶ operates the NSW Government managed fund schemes including the TMF
- ▶ provides insurance for building work under the *Home Building Act 1989* through the Home Building Compensation Fund
- ▶ provides principal arranged construction insurance for capital works projects by agencies in NSW.

The TMF is an arrangement under which workers compensation, public and other liabilities, property, motor vehicle accident and other miscellaneous covers for agencies are managed as a self-insurance arrangement including the collection of contributions from agencies towards the cost of the TMF scheme.

SICorp actively promotes strong risk management to both agencies and our service providers in order to minimise loss or damage and the cost of claims.

Mission Statement

SICorp's mission is to support a stronger NSW economy and better public services through our management of the NSW Government's self-insured liabilities.

Core Values

- ▶ acting with integrity
- ▶ valuing the individual
- ▶ focusing on our stakeholders
- ▶ providing leadership at all levels
- ▶ continuously learning and innovating

Corporate Objectives

- ▶ Financial Sustainability: To manage our business effectively and efficiently so more funds are available to support the state's frontline services and the Government's other priorities.
- ▶ Partnering: To work together to achieve shared goals through mutual trust and transparency.
- ▶ Innovation: To foster an environment where new ideas and approaches that lead to positive change happen.
- ▶ People and Culture: To create a workplace where people are respected, supported, and motivated to make their best contribution to SICorp's success.
- ▶ Profile: To be recognised for achieving our vision, purpose, and objectives.

Services

SICorp delivers efficient and cost effective services by:

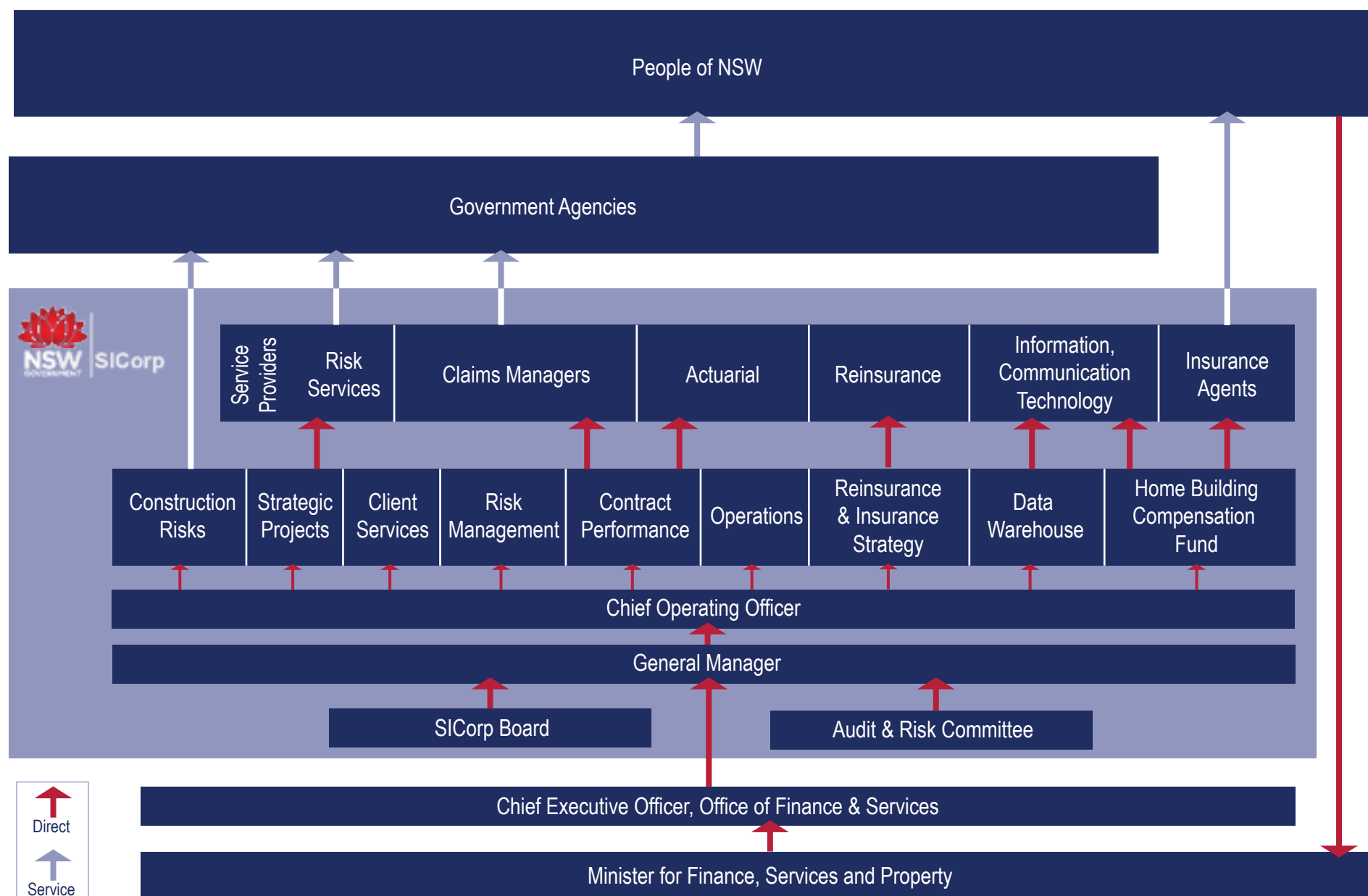
- ▶ ensuring accurate data is maintained
- ▶ maintaining high levels of service through effective performance monitoring and measurement
- ▶ promoting and facilitating knowledge sharing between service providers and other stakeholders service providers
- ▶ reporting on claims performance
- ▶ securing value-for-money services from all service providers.

Structure

SICorp operates an outsourced service provider model. Our structure and functional teams are designed to provide a strong focus on effectively managing the outsourced model within the terms of the *NSW Self Insurance Act 2004*.

As at 30 June 2015, SICorp utilises 42 full-time equivalent staff.

SICorp's Stakeholders & Structure



GOVERNANCE

SICorp Advisory Board

Purpose and operations

The SICorp Advisory Board provides governance oversight, advice, and guidance to SICorp's management team. As stipulated in the Board's Charter, this governance role focuses on SICorp's:

- ▶ objectives, strategies, and policies
- ▶ operating and investment performance
- ▶ principal operational risks and appropriate risk management.

The Board's operations are in accordance with the NSW Government's Board and Committee Guidelines. The Board meets eight times per year.

Non-Executive Members	Executive Members
David Plumb Chair	General Manager SICorp
Vicki Allen Member	Chief Executive Officer Office of Finance & Services
Brian Greig Member	

Non-executive members

David Plumb is a non-executive director and business adviser with 28 years' experience within the funds management, insurance, superannuation, financial planning, and property sectors. David has served in non-executive and executive director capacities on a number of boards and has served on (and chaired) a number of committees. David is currently a non-executive director for BT Financial Group's (Westpac's) superannuation and investment trustee entities and an external compliance committee member for Blackrock and Ascalon Capital Management.

Vicki Allen is a non-executive and executive director and consultant with an executive career of over 25 years in the financial services and property sectors. She has strong governance experience across a range of regulated entities, and broad-based business skills. Vicki is Chair of Bridge Housing Limited, Deputy Chair of Mirvac Funds Management Limited, and a non-executive director of the Motor Trades Association of Australia (MTAA) Superannuation Fund.

Brian Greig is an experienced professional services firm partner who has previously provided audit and advisory services to global and national financial services companies over 34 years. He has led the insurance practice of KPMG in Australia and Switzerland and has been a member of KPMG's global insurance leadership team. Brian's board experience includes deputy chair and member of the board of KPMG Australia; chair of its audit and professional indemnity insurance committees; member of the board of Park Indemnity Limited and chair of its audit, risk management and compliance committee and compensation committee. Brian is also a non-executive director of SIMS Foundation Limited.

Audit and Risk Committee

Members		
Dr Des Pearson AO (Independent Chair)	Jon Tyers (Independent Member)	Brian Greig (Independent Member)

TMF Agency Advisory Council

The TMF Agency Advisory Council is a consultative forum through which agencies can provide feedback to SICorp on the operations, cover and services they receive from SICorp's TMF.

The Council:

- ▶ facilitates greater participation by agencies in affecting the operations of the TMF
- ▶ provides agencies with a high level forum where issues impacting them can be discussed and information disseminated
- ▶ represents the interest of all TMF agencies
- ▶ reviews and fosters best practice across agencies
- ▶ reviews and makes recommendations on issues affecting TMF performance
- ▶ enables agencies to provide feedback to the claims managers, third party service providers and SICorp.

Membership is comprised of seven senior executive representatives holding a position with responsibilities for risk management, health and safety or workers compensation. SICorp's General Manager is also a member.

Members		
Peter Riordan (Chair) Department of Education and Communities	Steve Hunt SICorp	Ross Duncombe NSW Police Force
John Roach Health	Terry Natsia Sydney Water	Aidan Hughes NSW Police Force
Darren Husdell Fire and Rescue	Meryl McCracken Independent Pricing and Regulatory Tribunal (resigned 26/11/2014)	Leeza Dobbie Office of Finance & Services (Resigned 19/2/2015)
Rebecca Angelkovic Office of Finance & Services (appointed 19/2/2015)	Fiona Trussell Roads and Maritime Services (appointed 7/5/2015)	

Legislation

SICorp performs its functions under the *NSW Self Insurance Corporation Act 2004* (SICorp Act) and other legislation relevant to its roles, including the *Public Finance and Audit Act 1983*.

The SICorp Act was amended in the reporting period by the passage of the *Home Building Amendment Act 2014* (Amendment Act). The Amendment Act changed the name of SICorp's Home Warranty Insurance Fund to the Home Building Compensation Fund, as well as modifying some aspects of the insurance which it provides and other parts of the *Home Building Act 1989* which were factored into the operations of the Home Building Compensation Fund and SICorp.

Some amendments were made to the NSW workers compensation legislation during the reporting period and these have been factored into SICorp's operations.

STATEMENT OF COVER

The Statement of Cover, available on SICorp's website under "Publications", represents the NSW Government's policy response to loss or damage suffered by agencies and individuals in certain circumstances.

The extent of the cover provided by SICorp is unique to TMF agencies. SICorp's TMF covers most types of loss or damage that agencies suffer and is considered superior in its cover to insurance products offered in the commercial insurance market. The cover is not insurance and is not subject to the Insurance Act 1973 (Cth) nor is it subject to the regulatory control of the Australian Prudential Regulation Authority.

Cover is provided for loss or damage incurred on or after 1 July 1989 or the date the agency joined SICorp's TMF.

SICorp's TMF provides cover worldwide with respect to:

- ▶ liability, including, but not limited to, public liability, products liability, professional indemnity, directors / officers liability and medical negligence
- ▶ motor vehicle (excluding CTP)
- ▶ property (full replacement, new for old and consequential loss)
- ▶ workers compensation according to NSW statute
- ▶ other miscellaneous losses including, but not limited to employee dishonesty, personal accident and protection for overseas travel.

Exposures not included are:

- ▶ illegal activities
- ▶ wear and tear and inherent vice.

The comprehensive cover SICorp provides agencies is protected through a comprehensive reinsurance program.

TMF CONTRIBUTIONS

As a self-insurance scheme, the TMF requires each member agency to make a financial contribution towards the anticipated costs of claims for a given fund year. Prior to the commencement of the year, SICorp's actuaries calculate a Target Contribution for each line of business. The Target Contribution represents the amount required to cover the total expected costs for all claims occurring in the coming financial year. The Target Contribution is calculated by assessing the claims and payments made in the previous two years and looking at the changes in risk exposure according to the information declared by each agency.

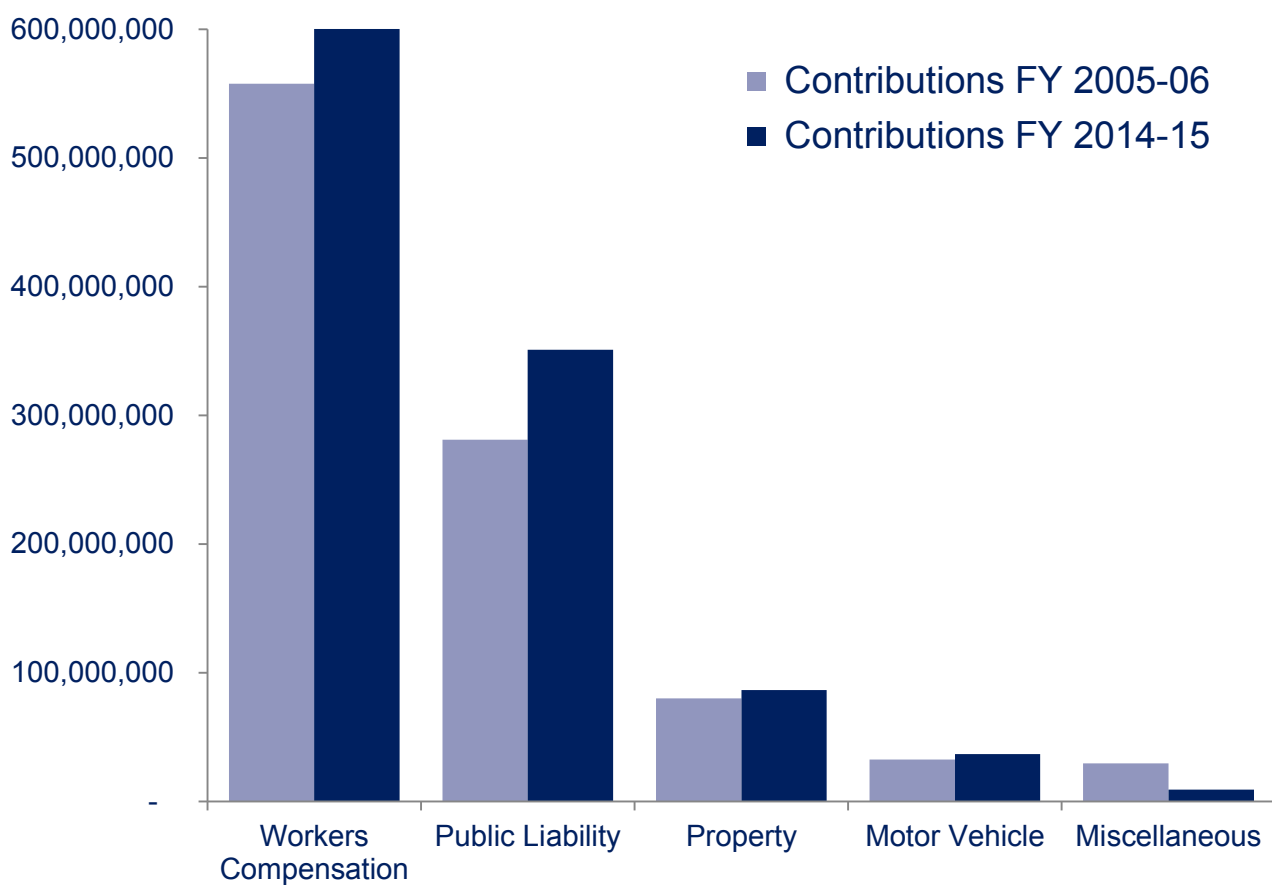
The Target Contribution total for the 2014-15 fund year decreased from the previous year by \$25.7 million or 2.3%. The decrease is largely attributable to a reduction in the cost of Workers Compensation claims as a result of the legislative reforms of 2012 and active risk management by agencies. This reduction offset an increase to the Liability Target Contribution of around \$12.7 million. Analysis of the activity that led to this increase for Liability showed an increase in the number and cost of medical negligence claims.

Once Target Contributions have been set for each line of business, they are broken down to the Deposit Contribution. The Deposit Contribution is each agency's share of the expected total. It is based on an agency's previous claims experience, the size of their exposure and their industry's average. Each year, SICorp's claims managers work with agencies to understand what is impacting their Deposit Contribution and together they collaborate on strategies to help manage existing claims or risk exposures.

2014-15 Target Contributions by lines of business

Line of Business	Target Contributions (excluding GST)
Workers Compensation	\$617,501,939
Liability	\$351,005,411
Property	\$86,707,900
Motor Vehicle	\$36,784,740
Miscellaneous	\$9,306,540
Total Contributions 2014-15	\$1,101,306,530

Comparison - All Lines of Business Contributions 2005-06 (SICorp's First Reporting Year) and 2014-15



Contribution performance indicators (GST exclusive)

	Workers compensation – Premium as percentage of wages	Liability – (excluding VMOs) – premium per employee	Motor – premium per vehicle	Property – premium as percentage of asset value
2014-15	2.27%	\$974	\$846	0.05%
2013-14	2.25%	\$1,024	\$837	0.06%
2012-13	2.46% ⁽¹⁾	\$964	\$847	0.06%
2011-12	2.73%	\$932	\$847	0.07%
2010-11	2.14%	\$929	\$881	0.08%
2009-10	1.90%	\$909	\$860	0.08%
2008-09	1.92%	\$844	\$849	0.09%
2007-08	2.31%	\$857	\$829	0.09%
2006-07	2.34%	\$904	\$809	0.10%
2005-06	2.83%	\$988 ⁽³⁾	\$830	0.12%
2004-05	2.92%	\$1,096	\$843	0.14%

Notes:

a. Subject to monitoring the impact of the recent Workers Compensation changes: The Workers Compensation Legislation Amendment Act 2012 that received assent on 27 June 2012. The Act made changes to workers benefits following the findings of a joint select committee inquiry into the WorkCover Scheme, which released its final report on 13 June 2012.

b. The changes focus on better meeting the needs of seriously injured workers, encouraging return to work wherever possible and ensuring the long term sustainability of the scheme. Changes were implemented from 19 June 2012 to 1 January 2013. The NSW Government recently announced increases in benefits that wind back some of these reforms.

c. Impact on workers compensation contribution due to Police Death and Disability Scheme. From 2005-06 there was a positive impact to the liability portfolio as a result of Tort law reforms

WORKING WITH AGENCIES

SICorp covers TMF Agencies for most asset and liability exposures (except Compulsory Third Party motor vehicle insurance) and, through the claims managers, provides services that are intended to assist and support agencies in managing risks. However, the ultimate responsibility for risk management remains with the TMF Agencies.

Government, like the private sector, believes that observing risk management principles creates a more efficient management environment and reduces both the frequency and severity of losses, thus saving taxpayers' money. This philosophy is expressed as "this privileged protection equals accountability".

Fundamental to every element of the managed fund concept is the active adoption of risk management practices by each agency.

Generally, the responsibilities of agencies include:

- ▶ ensuring appropriate risk management resources are available
- ▶ providing timely and accurate data for the calculation of the agency's annual contribution towards the cost of the TMF scheme
- ▶ promptly notifying claims and potential claims to the Claims Manager
- ▶ providing the Claims Manager with the claims information necessary to effectively manage claims
- ▶ delivering a timely, safe and durable return to work for injured workers
- ▶ conducting regular proactive claims reviews
- ▶ ensuring that agency staff are aware of statutory requirements and their responsibilities under service level agreements.

As at 30 June 2015, SICorp provided services to 10 Principal Departments comprising 197 covered public sector entities.

Guarantee of Service

SICorp has an outsourced business model and strong contract management controls to ensure that contracted service providers are meeting their obligations under the terms of their contracts. Service provision to SICorp is determined by an open tender process for each contract. This arrangement ensures consistent high-quality service provision and innovation.

In October 2014, SICorp engaged ARTD Consultants to conduct an independent review of agency satisfaction with the claims management service providers in keeping with the requirements of SICorp's TMF Claims Management Agreement. SICorp was satisfied with the results of the review and the claims management service providers were entitled to the Critical Service Standard No. 2 service performance bonus.

Service Level Agreement Working Groups

Service Level Agreement (SLA) Working Groups are representative of the broad spectrum of agencies participating in the TMF. There is one working group for each claims manager.

The working groups review service delivery and service quality provided by the claims managers and any issues that arise. They meet four times per year.

TMF Communities of Practice

To drive positive performance for the TMF, SICorp encourages innovation, best practice and continuous improvement. With this in mind, SICorp supports a number of communities of practice that are designed to allow member agencies to share learnings, experiences and successful initiatives with their peers. They are regular active forums for collaboration and networking and have resulted in stronger peer support networks across all the stakeholders within the TMF.

To be most effective, the TMF Communities of Practice have strong focus areas. During 2014–15 the TMF communities of practice included:

- ▶ Safety Risk Management and Injury Management Coalition (SRM&IM Coalition)
- ▶ Health Promotion Network (a sub-group of the SRM&IM Coalition)
- ▶ Injury Management Group (a sub-group of the SRM&IM Coalition)
- ▶ Mid-sized Agency Forum (MIDAS Forum)
- ▶ Enterprise Risk Management Group (ERM Group)
- ▶ Public Sector Rehabilitation Coordinators Network (PSRCN).

2014 TMF Awards for Excellence Winners

To promote continuous improvement and to provide recognition for excellence, SICorp sponsors an annual awards program for the TMF. The awards are extended to agencies, individuals and partnership between agencies and service providers that have made a significant contribution in one of several award categories.

The TMF Awards for Excellence were held during the afternoon portion of the Thinking Differently management seminar program on Wednesday 12 November 2014.

The award categories were Frameworks and Systems, Innovation (Process Award and Design Award), and the Leadership.

Frameworks and Systems

The finalists in Frameworks and Systems category were:

- ▶ Fire & Rescue NSW
- ▶ NSW Trustee & Guardian
- ▶ Southern NSW Local Health District
- ▶ HealthShare NSW
- ▶ State Water Corporation
- ▶ Sydney Water

The Winners of the Frameworks and Systems award were NSW Trustee & Guardian with their 'NSWTG – Risk Management Framework' and Fire & Rescue NSW with their 'From Strength to Strength - Embedding Safety in Fire & Rescue NSW - Safety Strategy 2013-2017'.

Leadership Award

The finalists in the Leadership Award, which recognised individual achievement in risk leadership, were:

- ▶ Inspector Luke Unsworth
Fire & Rescue NSW
- ▶ Tracy Burgess
NSW Trustee & Guardian
- ▶ Felicity Evans
Sydney Opera House

The Winner of the Leadership Award was Tracy Burgess of NSW Trustee and Guardian.

Innovation - Process Award, and Design Award

The finalists in the Innovation Process Award and Innovation Design Award were:

- ▶ Allianz Australia Insurance with the
Department of Premier & Cabinet and the
Department of Education & Communities
- ▶ Transport for NSW
- ▶ Dubbo Health Service with GIO
- ▶ HealthShare NSW
- ▶ Hunter New England LHD
- ▶ Justice Health & Forensic Mental Health
Network
- ▶ NSW Health Pathology
- ▶ Southern NSW Local Health District

The Winners of the Innovation – Process Award were Dubbo Health Service in partnership with GIO for their 'Implementation of a Midwifery Group Practice in a Traditional Medical Led Rural Maternity Service'.

The Winner of the Innovation Design Award was NSW Health Pathology with their 'A Post Mortem Table Designed by Mortuary Technicians with Safety and Functionality in Mind' initiative.

People's Choice Award

Each year attendees of the seminar and awards are asked to vote on a project or initiative that stood out to them for either its innovation, positive impact or applicability across the scheme. The 2014 People's Choice Award winners were Allianz Australia Insurance in partnership with the Department of Premier and Cabinet and the Department of Education and Communities for their 'Behavioural Insights Program'.

The Thinking Differently Seminar

Prior to the presentations for the TMF Awards for Excellence, SICorp sponsored a sequence of four seminars that was aimed at challenging conventional thinking and approaches to issues experienced by stakeholders within the TMF:

Professor Kees Dorst, Professor of Design at the University of Technology delivered a presentation on thinking differently by applying design thinking. It is an approach that challenges the conventional problem solving methods and reframes issues to allow for innovative solutions and to identify new opportunities.

Robert Aurbach, a Principal Consultant for Uncommon Approach delivered a presentation entitled 'Breaking the Web of Needless Disability' that challenged the ways we view disability and injured workers resilience. It posed some serious questions about the factors that lead one person to overcome an injury while another fails to recover. It highlighted how our learned responses to those things can be directly impacted by the way the mind processes things that are happening to us. By changing thinking patterns, we can often build resilience and change outcomes.

Jelenko Dragisic, Collaboration Strategist working with ROADMENDER delivered a presentation on building institutional resilience by integrating risk into the strategic planning process rather than by focussing efforts on trying to eliminate it. By recognising that risk can never truly be eliminated and integrating it into strategic thinking, new opportunities to better respond to risks are opened up.

Carmel Donnelly, General Manager of Strategy and Performance for Safety Return to Work and Support delivered a presentation about being safe and healthy at work. This highlighted how an organisation can build a safety culture through redefining the hazard and finding innovative solutions to the root cause. Maturity can be developed by focussing on risk reduction, promoting individual health & resilience, demonstrating leadership and collaborating with workers in an open and supportive way.



OUR PERFORMANCE

KEY ACHIEVEMENTS

- ▶ Transferred \$355 million to the Consolidated Fund under the Net Asset Holding Policy
- ▶ Developed and implemented an online construction risk placement system (CeeCat)
- ▶ Commenced Reinsurance Structure Facility to enable automatic placement of construction risks up to \$100m with liability protection up to \$500m
- ▶ Commenced new actuarial contracts, resulting in PwC retaining Workers Compensation and the Home Building Compensation Fund and new providers EY and KMPG being appointed as providers for all General lines and TMF Peer Review respectively
- ▶ Completed large scale organisational wide system upgrades for business intelligence, records management, finance, builder eligibility assessment, data governance and recruitment
- ▶ Led the cluster in our WCAG 2.0 AA web accessibility requirements
- ▶ Celebrated the 25th Anniversary of the Treasury Managed Fund
- ▶ Established innovative Property Cover for primary and secondary roads
- ▶ Sponsored a Clinical Risk Management Seminar to support health practitioners
- ▶ Sponsored a project on Behavioural Insights with Allianz and the Departments of Education that has become an ANZIIF Innovation Award Finalist
- ▶ Hosted a number of global underwriters at the Rural Fire Service's Emergency Response Headquarters to demonstrate the technology and support systems in place to manage the risk of bush fires and natural disasters
- ▶ Put in place the reinsurance renewal at a premium saving of almost \$700,000 while taking increased property values and wages to market in addition to purchasing some increased layer limits.

TEAM PERFORMANCE

Contract Performance

SICorp has a specialised contract performance management team dedicated to supporting SICorp's core business model through the administration, monitoring and review of the contract deliverables of SICorp's outsourced providers. This extended enterprise arrangement includes claims management, actuarial, risk management and reinsurance services contracts. Each contract has a specified service management agreement that provider's are measured against to ensure service delivery standards are met.

Account managers within the team are key contacts for managing the relationship with claims managers and actuarial service providers. Account managers have primary responsibility for driving service provider performance, and monitoring the delivery of critical service standards and service level agreements within the contracts.

SICorp's contract performance team supports the organisation through financial oversight of all other service provider contracts, and ensuring that claims settlements are approved within financial delegations.

The contract performance team works closely and cooperatively to improve the quality of services delivered to agencies and to achieve improved financial outcomes for SICorp. The team is responsible for developing reports that measure the performance of claims managers and other analysis of the TMF environment, including incentive fees and claims audits.

The team works closely with all stakeholders to ensure appropriate levels of service are delivered to injured workers and third parties.

The team also provides management, review, determination and release of government information as per the requirements of the *GIPA Act*.

Actuarial Service Provider Tender

In 2014–15 SICorp concluded its tender evaluation to appoint new actuaries from 1 September 2014 on five year contracts. After analysing the structure of the expiring contract and consulting with agencies, SICorp redesigned the service provision model and split the contracts into four specialist providers. The split in services aims to remove the risk associated with a single provider, promote competition and innovation between providers, create a clear focus on the needs of SICorp, and ensure quality of service and value.

The four contracts and roles commenced on 1 September 2014.

Actuary 1—Ernst & Young:

- ▶ TMF General Lines including Liability, Property, Miscellaneous, and Motor
- ▶ Transport Accidents Compensation Fund
- ▶ Generator Fund (Liability)
- ▶ Construction Risks Insurance Fund

Actuary 2—Price Waterhouse Coopers:

- ▶ TMF Workers Compensation
- ▶ Rail Scheme
- ▶ Government Workers Fund
- ▶ Generator Fund (Workers)

Actuary 3—Price Waterhouse Coopers:

- ▶ Home Building Compensation Fund

Actuary 4—KPMG:

- ▶ Review valuation of liabilities conducted by Actuaries 1 to 3.

Claims Management Service Provider Tender

SICorp was due to release the Request for Tender (RFT) in November 2014. However, contracts were extended for a further twelve months with existing service providers in order to complete the Strategic Commercial Insurance Review.

Risk Management

SICorp's Risk Management team's core role is to protect the strategic objectives of SICorp by ensuring that agencies have access to the relevant risk management skills, knowledge, information, expertise, tools, programs and confidence to better understand and manage their organisational risks and thus prevent and/or minimise any adverse impacts on the TMF.

During 2014-15 the Risk Management team:

- ▶ progressed the sector-wide risk management paper/strategy
- ▶ provided a paper to Strategic Insurance Review
- ▶ provided a paper and input to the NSW Treasury review of TPP0905 Internal Audit and Risk Management Policy
- ▶ provided a paper and input to the risk management component of the NSW Treasury Financial Transformation Project
- ▶ implemented the revised TMF Communities of Practice including Terms of References and resourcing requirements
- ▶ revised Terms of References for all communities of practice and implemented a revised scope and membership for the Risk Management Steering Committee
- ▶ partnered with SRWSD to chair and lead the Risk Management Steering Committee
- ▶ drafted the risk management capability set in collaboration with NSW Public Service Commission

- ▶ set up a partnership arrangement with SICorp, NSW Public Service Commission, NSW Treasury, and NSW WorkCover
- ▶ worked with NSW Treasury in reviewing TPP–0905 Internal Audit and Risk Management Policy by coordinated ERM leadership group on behalf of NSW Treasury for facilitated session in January
- ▶ developed funding model for projects identified via scheme analysis
- ▶ developed a relationship with NSW Clinical Excellence Commission and VMIA Clinical and Analytical team: pilot funding project approved March 2015; MOU under development
- ▶ delivered the 25th celebration TMF Awards for Excellence in partnership with Suncorp Risk Services.

Insurance Strategy

In May 2012, Treasury Circular TC12/12 mandated that non-member government agencies liaise with SICorp with a view to becoming TMF member agencies. In the interim, SICorp has partnered with a number of agencies to facilitate entry to TMF. 2014–15 saw the entry of Forestry Corporation of NSW and Newcastle Port Corporation (now known as Port Authority of NSW). In addition to those new entrants, SICorp partnered with Office of Environment and Heritage Parks and Wildlife Group to develop cover for a tranche of Primary and Secondary roads. This cover commenced in December 2014 and had previously not been available to agencies.

Additionally, SICorp commenced provision of advisory services to the Independent Pricing and Regulatory Tribunal, assessing insurance arrangements of applicants for licenses under the WIC Act.

Reinsurance

SICorp, like commercial insurance companies and most other governments, purchases reinsurance on behalf of the NSW Government for losses above predetermined retention levels (or risk tolerances). Purchase of reinsurance is a prudent risk management tool and ensures that the NSW Government has financial support for large scale loss that could impact SICorp's overall liabilities and the government's fiscal position.

SICorp, together with its reinsurance service provider, successfully negotiated the renewal of SICorp's reinsurance program for 2014–15.

SICorp's reinsurance protection is purchased through Australasian and European reinsurance markets. Our major reinsurance lines now have Australian based lead reinsurers. Placements with Australian and Singaporean domiciled markets continued to increase and the overall security of participating reinsurers was maintained.

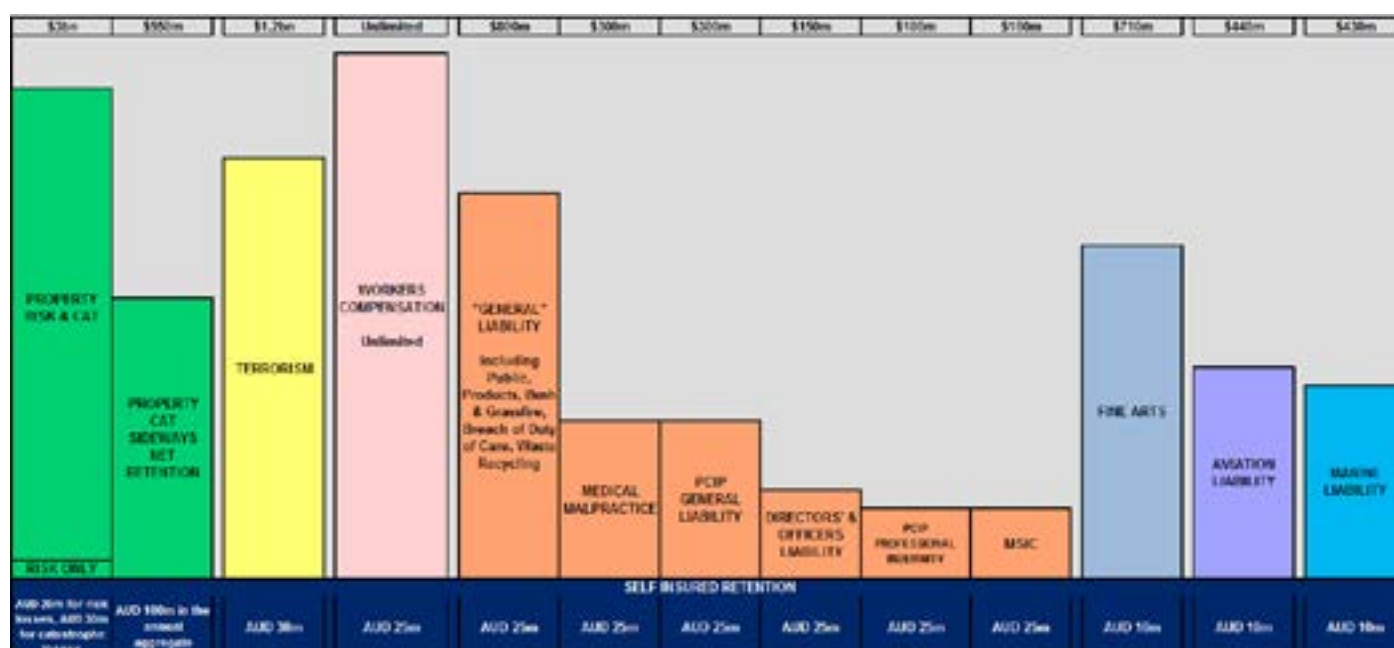
Natural catastrophes, in particular bushfires and floods, remained the major topics of interest during reinsurance meetings. However, a softer reinsurance market and increased financial capacity resulted in SICorp's renewal being achieved within expectation.

SICorp, in collaboration with a number of its service providers, presents annual updates to the reinsurance market. These include the scale of potential losses modelled from NSW Government data. This modelling distinguishes NSW risks from losses occurring in other Australian and overseas jurisdictions.

SICorp's 2014–15 reinsurance purchase includes cover for damage or loss across \$158 billion in

declared assets due to terrorism and natural catastrophe, including earthquake, fire and flood. The reinsurance premium for 2014–15 equated to 3.63 percent of contributions from agencies.

Reinsurance program structure



Legal Services Management

The TMF Legal Services Panel has been in operation since August 2013. The overriding aim of the panel is to provide value for money legal services for the NSW Government and NSW taxpayers.

There are 5 sub-panels: (1) General Claims, (2) Complex Claims, (3) Employment, (4) Protective Actions and (5) Workers Compensation. There are 22 law firms across the sub-panels.

Panel Management conduct quarterly performance reviews. In addition to reviewing each firm's compliance with the Legal Service Deed and Key Performance Indicators, the reviews include random audits of various matters.

Comprehensive reviews are conducted every second quarter. In addition to the above, these biannual reviews include seeking feedback from agencies and claims managers and meeting with the law firms.

All agencies and claims managers are encouraged to complete surveys on a law firm's performance on specific matters in addition to providing feedback.

Panel Management has implemented some performance management measures with a small number of firms. Overall, however, the panel firms are performing well.

Operations

The Chief Operating Officer role was filled in January 2015 and during the following five months, the team:

- ▶ approved and recruited an Enterprise Risk Management Specialist and Program Management Specialist, and appointments are expected in July 2015
- ▶ undertook a SICorp Board risk management workshop and refinement of SICorp risk register in September 2014 and the risk register was finalised

- ▶ in consultation with the Board, a second-generation risk register was developed and endorsed at their March meeting, changing the focus from a public sector focus to a financial services focus in line with the expectations of Board members
- ▶ detailed review of SICorp's compliance obligations was undertaken with lengthy compliance documentation including a compliance plan endorsed by the Board at their February meeting
- ▶ development, scoping and drafting of SICorp's 5 year strategic Plan 2015/16 was undertaken during the months December 2014 through June 2015. The Board were actively involved throughout and endorsed the final draft plan at their June meeting.

Information Management

Information Communication Technology (ICT) provides an opportunity to improve SICorp's productivity by making SICorp more efficient and streamlining SICorp's processes and people's interactions.

SICorp's ICT priority objectives include:

- ▶ to enable the conversion of data into information, then knowledge
- ▶ to broker the supply of data from Claims Managers to SICorp's key stakeholders
- ▶ to support and enhance SICorp's key applications, including the data warehouse applications, the IBM Cognos Enterprise Reporting tools, JIRA issues management system and SICorp's web sites
- ▶ to govern the quality and security of SICorp's data.

The ICT team's major achievements in 2014-15 include:

- ▶ reviewed and updated the claims manager information management and system requirements which were included within the Claims Manager Service Specification for the planned Claims Manager tender
- ▶ moved SICorp ICT systems to the DFSI supported platform for Personal Computing, Finance, Human Resources and Records Management
- ▶ moved all SICorp ICT applications located at Australian Technology Park Data Centre to GovDC Data Centre. Significant software upgrades were achieved with this move to maintain compliance against the OFS strategic direction of 'As-A-Service' operating principles and information security principles.
- ▶ provided implementation support and strategic direction to the selection and implementation of the Home Builders Compensation Fund central claims, policy and payment ICT platform.

Communication and Client Services

During 2014-15 the Communication and Client Services team delivered on some key areas. These include:

The communication activity that the team focused on this year was proto-typing the content management strategy through a redesign of SICorp's intranet site. This highlighted limits with current technology, showing opportunities for when the strategy is rolled out across our internet and extranet sites. The project has been incorporated into SICorp's Strategic Plan.

There was an Office of Finance and Services-wide objective to meet AA compliance of the Web Content Accessibility Guidelines version 2.0. Through an intensive project to assess all of the content and documents in all our websites, SICorp performed very well against this objective, being fully compliant by the deadline of December 2014.

SICorp was the best performing agency within the Office of Finance and Services following the completion of the web accessibility project.

In line with our objective to build capability around the information that agencies have to provide to support the annual contribution process, SICorp has been running training seminars for agencies for the last three years. In October and November, SICorp offered a series of six video and face-to-face seminars as part of delivering support to agencies with their annual contribution payments for TMF cover. This is a further development of the training which began three years ago.

The feedback from participants for these events was very positive and led to 94% of all agencies providing their declaration information to claims managers within the prescribed time frames. Quality and accuracy of the information also improved.

The preparation for the 2015-16 contribution cycle was challenging because it was the first year where SICorp was operating with multiple actuaries. Some processes needed to be redesigned to fit the new actuarial model, but this has highlighted opportunities to improve and innovate the cycle.

The team, working corroboratively with others in SICorp, developed a new way of delivering agency performance intelligence. Through a number of consultation processes with agencies and claims managers, the new model will likely be implemented when the claims management contracts are next renewed. External advice confirmed the model's effectiveness.

Construction Risk Insurance Fund

Through 2014–15, SICorp continued to engage with NSW Government agencies to insure capital works projects. In total, SICorp provided comprehensive insurance protection for approximately \$890m of government construction projects across many agencies. This was largely driven by Sydney Water Corporation and Transport for NSW.

CEECAAT, a bespoke IT solution for agency users to capture and administer insurance placement, is complete and ready to be utilised for all projects. The system has been amended to ensure it can deal with as many agencies as possible and cope with large volumes of project insurance placements. This solution has been developed over the past 12 months and vastly exceeds expectations of the original concept. Through CEECAAT, SICorp anticipates achieving greater levels of agency participation.

Home Building Compensation Fund

The activities of the team during 2014-15 have include:

- ▶ completed a trading name change from Home Warranty Insurance Fund to Home Building Compensation Fund (HBCF) with associated review of scheme branding and website
- ▶ published all certificates issued by SICorp since 1 July 2010 to an online register of certificates with daily updates
- ▶ completed insurance agent audits for compliance with contracted requirements
- ▶ procured and developed of IT transaction capability that replaces the IT systems of the insurance agents from 4 August 2015
- ▶ commenced the roll out of a change to builder eligibility controls from annual limits to actual jobs under construction from 4 August 2015.

As at 30 June 2015, SICorp has approved 15,830 builders for purchasing home warranty insurance in NSW. During 2014-15, 3,410 financial assessments were finalised on builders.

This year, there have been 779 new claims with a projected cost of \$54.5 million.

The financial statements for the HBCF have been prepared on a going concern basis. The fund is able to pay its current known debts as and when they fall due. It is expected that the ultimate cost of claims will exceed the premium earnings in the medium term. Options to address the medium and long term sustainability are under consideration by the NSW Government. There are no immediate cash flow deficiencies impacting the fund.

Detailed information on the scope of the protection provided by policies of insurance, administration procedures, half-year operational reports and documentation is provided on the website: www.hbcf.nsw.gov.au

CONSUMER RESPONSE

SICorp has a highly diverse consumer base and relies on a number of different mechanisms to capture their responses to our products and services.

TMF

For claimants covered by the TMF, there is a structured complaints management process that has been implemented by each claim management service provider. Internal escalation points within each provider, ensure that with difficult and complex complaints are escalated to SICorp.

Any complaint put through this process is discussed in the monthly operation meetings with each service provider so that SICorp can ensure resolution and take any learnings from the complaint to build into future contract service specifications or confirm compliance with guidelines provided by WorkCover relating to the management of a claim.

For agencies covered by the TMF, SICorp utilises the TMF Agency Advisory Council as a consultation forum for consumer feedback. This council, which meets five times a year, relies on feedback from the TMF Communities of Practise to ensure the broadest coverage of SICorp consumers.

Recent feedback has shown that agencies would like a stronger working relationship with SICorp. In response, SICorp has included two objectives within its new strategic plan that look to increase stakeholder partnering and adopt more innovative approaches to issues facing the fund.

HBCF

Our Home Building Compensation Fund interacts with builders and industry groups on a regular basis with a number of builder forums held throughout the year in locations across the state. The feedback from these consultative sessions outlined the need to streamline some of the administrative requirements that builders need to complete to ensure cover prior to commencing a project.

In response to this, and to realise other benefits for the scheme, SICorp has invested in a large program of works to strengthen the IT systems supporting the issuing of certificates, the assessment of builders and the ultimate management of claims. This program is designed to increase visibility of the risks to the scheme reducing 'red tape' for brokers, insurance agents and builders. This program of works will be delivered in the 2015-16 fund year.

Construction Risks Insurance

Agency users of our Construction Risk Insurance are regularly consulted to either discuss the program of works that they have or to deal with the requirements of the specific projects. This consultation showed that for smaller project there needed to be a way to input the details of the project and automatically generate a price indicator and details of the placement of cover. For larger or more complex projects, agencies required an immediate contact to address their requirements.

Working with our Reinsurance brokers JLT, SICorp rolled out the CEECAT system which enables an agency user to fill in the details of their construction project and either directly place the cover in the market or have the details automatically directed to SICorp so that additional discussions can take place. The intention of this is to fulfil the requirements of both efficiency and flexibility for the projects that require a more customised approach to the insurance placement.



FUTURE CHALLENGES

TEAM CHALLENGES

Contract Performance

Claims Management Service Provider Tender

As a result of the Strategic Commercial Insurance Review (SCIR) SICorp extended its current claims management contracts for twelve months and delayed the 2014 release of its claims management request for tender (RFT). A future challenge and opportunity for SICorp is to effectively manage the existing contracts, while ensuring the future RFT and contract deliverables support and complement the objectives of the SCIR.

Risk Management

The Risk Management team will refocus its activities for 2015-16. It will align its activities to SICorp's new strategic plan including:

- ▶ separation of roles, functions and outcomes of Risk Management and Operations teams
- ▶ introduction and on-boarding of Director TMF Risk Management
- ▶ review of SICorp's risk management service offering and the development of SICorp's strategic risk services tender
- ▶ review of SICorp's Risk Management team structure and recruitment.

Insurance Strategy

Activities through 2015-16 will align with SICorp's Strategic Plan 2015-16 to 2020-21. The main items for strategic priority are:

- ▶ ensure the Statement of Cover reflects new risks to agencies.
- ▶ identify opportunities for SICorp to engage with agencies and their potential for using SICorp's TMF cover.

Reinsurance

Through 2015–16 SICorp will undertake a review of reinsurance in two specific areas.

Cyber Risk

The emergence of cyber as a specialised insurable risk exposure has seen many reinsurers limit or exclude cyber based claims from cover they provide. SICorp commits to cover cyber losses so we need our reinsurance to provide extra cover for significant losses.

Specialised insurance markets have developed and continue to evolve in response to cyber losses. SICorp intends to investigate NSW Government computing infrastructure in order to understanding resilience to cyber based attack and the potential for liabilities. Those outcomes will inform the need for, and scope of, additional SICorp risk transfer solutions.

Environmental

Since 1989, SICorp's pollution cover has been limited to sudden and accidental exposures. Long-term and preexisting environmental issues have the potential to drive liabilities for NSW. SICorp will be evaluating the potential to expand the base of TMF cover provided to agencies in this area. Any decision to increase environmental based cover will require SICorp to engage with agencies and evaluate environmental risk exposures. SICorp will also continue discussions with specialised environmental insurance markets in order to understand risk transfer potential.

Legal Services Management

As a higher number of matters are managed and settled through the Legal Services Panel, SICorp will continue to analyse the cost drivers of legal services to NSW Government. This analysis will form the basis of continuous improvement requirements for all contracted panel providers and inform where additional savings could be made.

Operations

As a new business unit within SICorp the future challenges for the Operations team include:

- ▶ separation of roles, functions and outcomes of the Risk Management and Operations teams
- ▶ preparation for the transitional and operational impacts of the Strategic Commercial Insurance Review
- ▶ implementation of program management oversight of SICorp's Strategic Plan
- ▶ implementation of the "My Performance" management system.

Information Management

A program of works has been developed focusing on the following:

Data Management

The technology supporting SICorp's data warehouse is coming to end-of-life and is under review. Significant advancements in technology have been made in how data is stored, transformed and visualized. SICorp is strategically reviewing how best to leverage this technology to enable improved user insights into SICorp's information assets and achieve greater agility in the management of these assets.

Communication, Collaboration and Stakeholder Management

SICorp is looking to improve the branding, functionality and information architecture of its website. A key initiative is the development of SICorp's website to enable SICorp's communication objectives.

Claims Leakage

SICorp is looking at systems and processes to minimize claims leakage. Claims Leakage is simply defined as lost dollars through claims management inefficiencies that ultimately result from failures in existing processes (manual and automated).

Communication and Client Services

The Communication and Client Services team will be taking the lead on a number of significant projects outlined in SICorp's Strategic Plan. This plan has adopted and reimagined many of the projects identified in the Communications and Marketing Program that commenced in 2013-14. SICorp's Strategic Plan represents a revitalised focus across the organisation that will assist the team to deliver on these projects.

The team's focus area for work performed in 2015-16 will be:

- ▶ developing an information delivery model that will assist clients and service providers to get the data they require for informed risk and claims management
- ▶ developing the profile of SICorp as a strong and trusted brand
- ▶ improving our stakeholder engagement model to ensure that quality, consistent and continual improvement on service is measurable and achievable
- ▶ identifying opportunities for SICorp to partner with various stakeholder groups to create positive outcomes, innovation and best practice
- ▶ redevelop SICorp's communication channels to deliver more client-centric information and provide additional electronic avenues for information sharing and collaboration.

Construction Risks Insurance Fund

In 2015–16, SICorp will liaise with NSW Procurement, Roads and Maritime Services, NSW Health Infrastructure and other agencies to scope the potential for their inclusion as partners in SICorp's Construction Risks Insurance Fund. SICorp's goal is to increase the total value of all insured projects to a minimum of \$1.5bn per annum.

Home Building Compensation Fund

The Home Building Compensation Fund team will deploy a new IT transaction system on 4 August 2015. Associated with the improved IT functionality is a change to the eligibility limit controls for builders that are based on the number and value of projects under construction rather than a rolling 12 months limit. This control will permit a more focused approach to builder financial reviews with many additional small builders added to those previously exempt from review.

The open job limits and actual construction completion dates will also be incorporated into the builder financial risk assessment.

Contract Performance Management, provision of training and measuring service standards includes the following key service providers:

- ▶ Insurance Agents including compliance with amended procedural guidelines and service level performance measured by the new IT systems
- ▶ Insurance Intermediaries transacting policy issuance on the HBCF IT systems in accordance with revised procedures
- ▶ IT Service Providers including new IT transaction system support.



FINANCIAL STATEMENTS

Financial Statements

for the year ended 30 June 2015

Pursuant to Sections 41C (1B) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

1. The accompanying financial statements exhibit a true and fair view of the NSW Self Insurance Corporation's financial performance for the year ended 30 June 2015 and financial position as at 30 June 2015; and
2. The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, the requirements of the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer and applicable Australian Accounting Standards.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Vivek Bhatia

Chief Executive
NSW Self Insurance Corporation

14 September 2015

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

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New South Wales Self Insurance Corporation

Statement of Comprehensive Income for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
Expenses Excluding Losses				
Operating Expenses				
Other operating expenses	2(a)	1,064,631	1,402,662	1,186,079
Personnel services fees		5,313	7,226	5,229
Depreciation and amortisation	2(c)	113	111	139
Grants and subsidies	2(d)	380,000	-	920,000
Finance costs	2(e)	318,282	335,200	322,225
Total Expenses excluding losses		1,768,340	1,745,199	2,433,672
Revenue				
Sale of goods and services	3(a)	1,314,644	1,376,862	1,429,194
Investment revenue	3(b)	915,539	501,070	1,037,216
Grants and contributions	2(d)	25,000	-	15,000
Other revenue		303	7	8
Total Revenue		2,255,486	1,877,939	2,481,418
Net Result		487,146	132,740	47,747
Other comprehensive income		-	-	-
Total comprehensive income		487,146	132,740	47,747

The accompanying notes form part of these financial statements.

Beginning of Audited Financial Statements

New South Wales Self Insurance Corporation

Statement of Financial Position
as at 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	282,666	166,566	322,645
Receivables	5	180,419	109,537	172,598
Total Current Assets		463,085	276,103	495,243
Non-Current Assets				
Receivables	5	194,819	196,022	180,696
Financial assets at fair value	6	7,856,995	7,835,206	7,164,671
Plant and Equipment	7	248	117	62
Intangible assets	8	2,973	66	62
Other	9	4	3,401	12
Total Non-Current Assets		8,055,039	8,034,812	7,345,504
Total Assets		8,518,124	8,310,915	7,840,747
LIABILITIES				
Current Liabilities				
Payables	10	164,677	162,785	170,142
Provisions	11	944,123	1,044,730	969,215
Other	13	47,335	34,438	35,379
Total Current Liabilities		1,156,134	1,241,953	1,174,736
Non-Current Liabilities				
Provisions	11	5,797,813	5,863,019	5,659,706
Other	13	246,667	462,711	175,942
Total Non-Current Liabilities		6,044,480	6,325,730	5,835,648
Total Liabilities		7,200,614	7,567,683	7,010,384
Net Assets		1,317,510	743,232	830,364
EQUITY				
Accumulated funds		1,317,510	743,232	830,364
Total Equity		1,317,510	743,232	830,364

The accompanying notes form part of these financial statements.

New South Wales Self Insurance Corporation

Statement of Changes in Equity
for the year ended 30 June 2015

	Accumulated Funds \$'000
Balance at 1 July 2014	830,364
Net Result for the year	487,146
Other comprehensive income	-
Total comprehensive income for the year	487,146
Transfers with owners in their capacity as owners	-
Balance at 30 June 2015	1,317,510
Balance at 1 July 2013	782,617
Net Result for the year	47,747
Other comprehensive income	-
Total comprehensive income for the year	47,747
Transfers with owners in their capacity as owners	-
Balance at 30 June 2014	830,364

The accompanying notes form part of these financial statement

New South Wales Self Insurance Corporation

Statement of Cash Flows
for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Personnel services fees		(5,313)	(7,226)	(5,229)
Grants and subsidies	2(d)	(380,000)	-	(920,000)
Other		(1,241,716)	(1,478,190)	(1,224,178)
Total Payments		(1,627,029)	(1,485,416)	(2,149,407)
Receipts				
Sale of goods and services		1,342,046	1,385,680	1,465,813
Interest received	3(b)	20,488	4,210	20,707
Investment income	3(b)	954,902	263,652	430,755
Grants and contribution	2(d)	25,000	-	15,000
Other		-	123,617	-
Total Receipts		2,342,435	1,777,159	1,932,275
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	715,406	291,743	(217,132)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Investment		379,843	-	718,862
Purchases of Plant and Equipment	7	(256)	(109)	-
Purchases of Intangible/software	8	(2,955)	(60)	-
Purchases of investments		(1,132,017)	(286,910)	(766,474)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(755,385)	(287,079)	(47,612)
NET INCREASE/(DECREASE) IN CASH		(39,979)	4,664	(264,744)
Opening cash and cash equivalents		322,645	161,902	587,389
CLOSING CASH AND CASH EQUIVALENTS	4	282,666	166,566	322,645

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The NSW Self Insurance Corporation (SICorp) is a statutory body that provides self-insurance coverage for most of the general government sector and a number of state owned corporations that have elected to join the scheme. SICorp also provides home warranty insurance outside the NSW public sector and principal arranged insurance for major capital projects undertaken by or on behalf of the State. Its main business address is at Level 17, 201 Elizabeth Street Sydney NSW 2000.

SICorp operates under the *NSW Self Insurance Corporation Act 2004*, and the *Public Finance and Audit Act 1983*. It is a not-for-profit entity which includes all the assets, liabilities, rights and obligations of the following funds:

- NSW Treasury Managed Fund
- Pre-Managed Fund Reserve
- Governmental Workers Compensation Account
- Transport Accidents Compensation Fund
- Residual Workers Compensation Liabilities of the Crown
- Home Building Compensation Fund (formerly the Home Warranty Insurance Fund)
- Construction Risk Insurance Fund

NSW Treasury Managed Fund (TMF)

The TMF is the Government's main self-insurance scheme that protects the insurable assets and exposures of:

- most general government sector agencies
- various statutory authorities.

Pre-Managed Fund Reserve (PMF)

The PMF holds the reserves previously held in the Fire Risks Account, the Fidelity Fund and the Public Liability Fund. It has been used to fund claims incurred by the NSW Government before 1 July 1989.

The PMF is not separately identified in the financial statements, but it is aggregated into the TMF due to the small size of the fund.

Governmental Workers Compensation Account (GWC)

The GWC pays the outstanding workers compensation claims liabilities as at 30 June 1989 of the:

- Consolidated Revenue Fund
- Public Hospitals
- Road and Traffic Authority Managed Fund.

From 1 July 1989, the TMF has administered workers compensation insurance for these agencies.

Transport Accidents Compensation Fund (TAC)

The TAC pays for motor transport accident claims under the common law system which applied until 30 June 1987 and TransCover system claims costs from then until 30 June 1989. The Motor Accidents Scheme replaced TransCover from 1 July 1989.

Residual Workers Compensation Liabilities of the Crown (SRA/RIC)

Residual workers compensation liabilities include those from the former State Rail Authority of NSW (SRA) and Rail Infrastructure Corporation (RIC).

The liabilities of the SRA were initially vested to the Crown Finance Entity pursuant to amendments to the *Transport Administration Act 1988 (TAA)* that provided for the restructuring of the Rail Industry. The liabilities of RIC were transferred to the Crown Finance Entity following section 94 and Order No. 2008-01 of the TAA which took effect from 1 October 2008. SICorp was appointed the claims manager for these liabilities upon Treasurer's direction.

Home Building Compensation Fund (HBCF)

SICorp became the manager and underwriter of the HBCF from 1 July 2010 following the withdrawal of the commercial insurers in NSW. HBCF is the sole provider of insurance for home owners for residential building projects where a builder defaults in their contract. From 15 January 2015, the Home Warranty Insurance Fund was renamed as the Home Building Compensation Fund (HBCF). This name change reflects the function of the fund as the consumer safety net at the end of a regime of legislative protection and has no impact on the operations of the fund.

Construction Risk Insurance Fund (CRIF)

Treasury Circular 12/11 'Mandatory principal arranged insurance (PAI) for all major capital works projects' requires all government agencies, other than State Owned Corporations (SOC) to undertake Principal Arranged Insurance through SICorp for all major capital works projects with a contract value greater than \$10 million. This is to provide cost savings for the government capital works projects as well as to ensure that adequate insurance is in place with a reputable insurer and that the contractor's insurance arrangement remain current. The *NSW Self Insurance Corporation Act 2004* was amended to extend cover to non-government entities for the purpose of principal arranged insurance for major infrastructure projects where a NSW government entity is the Principal. The *NSW Self Insurance Corporation Amendment Bill 2013* was assented by the Parliament on 25 June 2013. The new CRIF scheme was setup for operation in 2013-14.

(b) Management of claims and insurance underwriting business

SICorp uses an outsource model for the management of claims and insurance underwriting business. The claims and underwriting management contracts were awarded to the service providers following a public tender. For the TMF, the contract commenced on 1 July 2010 for a six-year period up to 30 June 2016. The contract for HBCF commenced on 1 July 2010 and expired on 30 June 2015. It has been extended for a period of 3 months until the new contract is finalised. The claims and underwriting management arrangement of SICorp is shared between:

- GIO General Limited
- Allianz Insurance Australia
- Employers Mutual Limited

- Calliden Insurance Limited
- QBE Insurance (Australia) Limited

The claims managers and insurance agents receive a management fee for their services.

(c) Basis of Preparation

The SICorp's financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* (PFAA) and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Financial assets are measured at "fair value through profit or loss". Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

The financial statements were authorised for issue by the Secretary, Department of Finance, Services, and Innovation (DFSI) on the date the accompanying statements were signed.

(d) Statement of Compliance

SICorp's financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(e) Judgements, key assumptions and estimations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue, and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances.

Management has identified the following critical accounting policies for which significant judgements, estimates, and assumptions are made.

Classification and valuation of investments

SICorp classifies its investments as fair value through profit and loss. The financial assets at fair value include investments in New South Wales Treasury Corporation's (TCorp) Hour-Glass facilities and the managed assets portfolio. The investments within the Hour-Glass facilities are unit holdings. The fair value has been determined by reference to the quoted market price for similar instruments and the underlying value provided by Portfolio manager, TCorp. TCorp values financial assets and liabilities using valuation techniques, which discount cash flows to present value based on observable market yields for the same or equivalent securities.

The financial assets held with TCorp are classified as non-current assets as management does not intend to realise them within 12 months after the reporting period. SICorp ordinarily receives premiums from the member agencies early in the financial year which adequately cover the current liabilities.

Insurance and other recoveries revenue

SICorp purchases insurance for losses above their predetermined retention levels to avoid the impact of financial losses associated with large claims or incidents. The retention level is set by management and reviewed annually as part of the renewal process. The current retentions are determined based on price, availability of cover, and risk tolerances. When the claims cost exceeds the excess level, the cost is recoverable from SICorp's insurer.

Provision for outstanding claims

The provision for outstanding claims is actuarially determined in consultation with the claims managers for TMF, TAC, GWC, SRA/ RIC and CRIF. It is measured as the best estimate of the expected future payments required to settle the present obligation at the reporting date.

The expected future payments are estimated on the basis of the ultimate cost of the settling of claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury.

The expected future payments are then discounted to a present value at the reporting date using discount rates based on long term fair value of the ten year NSW Government bond yields recommended by TCorp. The details of rates applied are included in Note 11.

The liability for claims includes:

- claims incurred and reported but not yet paid
- claims incurred but not yet reported; and
- claims incurred but not enough reported.

For HBCF, the provision for outstanding claims is actuarially determined in conjunction with information supplied by the Insurance Agents for NSW Home Building Compensation Fund. It is measured as the central estimate of the present value of the expected future payments required to settle the present obligation at the reporting date. It includes a factor for superimposed inflation and an additional risk margin to allow for the inherent uncertainty in the central estimate.

Estimates include claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) at reporting date. The estimate of IBNR and IBNER are generally subject to a greater degree of uncertainty than reported claims. The expected future payments are then discounted to a present value at the reporting date using a long term government bond yield. Details of rates applied are included in Note 11.

The outstanding claims liability of Pre-Managed Fund Reserve (part of the TMF) is determined from estimates provided by the member agencies based on claims incurred and reported as at the reporting date. The list of claims estimates provided by the agencies is vetted by the NSW Treasury Managed Fund's manager and approved by SICorp.

For CRIF, the provision for outstanding claims is actuarially determined in conjunction with various sources of industry benchmark data and assumptions given the very limited claims experience to date. It is measured as the central estimate of the present value of the expected future payments required to settle the present obligation at the reporting date. It includes an additional risk margin to allow for the inherent uncertainty in the central estimate.

(f) Accounting for the Goods and Services Tax (GST)

Income, expenses, and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by SiCorp as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included except for Work in Progress, amounts due to contractors for work in progress and advance billings.

Cash flows are included in the Statement of Cash Flows on a gross basis. However the GST components of cash flows arising from investing and financing activities which are receivable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(g) Income Recognition

Income is measured at the fair value of the consideration received or receivable.

(i) Premium Revenue

Premiums are recognised as income on a straight line basis over the period of the insured risk. Premiums are exclusive of taxes and duties levied.

TMF revenue is received from member agencies for insurance cover from 1 July each year. Premium of HBCF provides insurance cover for periods up to 7 years commencing from the date of the insurance contract. Premium revenue of CRIF is received from agencies for principal arranged insurance cover for government capital projects estimated to cost \$10 million or more from the date of the insurance contract.

(ii) Hindsight Adjustments

TMF uses an incentive-based scheme to encourage agencies to improve their claims performance. Claims costs and premium for agencies are established at the start of a fund year. After sufficient time has passed for claims development, the scheme applies a hindsight adjustment, calculated at 3 years (Interim) and 5 years (Final), based on actual claims experience. Agencies receive or pay the difference between the annual premium and hindsight adjustment.

Hindsight adjustments are recognised as revenue when they can be reliably measured.

(iii) Insurance and Other Recoveries Revenue

Insurance recoveries are recognised as revenue when it is virtually certain the recovery will be made. Other recoveries include recoveries of claims paid under:

- sharing agreements

- third party recoveries
- salvage and subrogation

(iv) Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Investment revenue includes interest income and net realised and unrealised gains or losses from changes in the fair value of investments.

(v) Grants and Contributions/ Subsidies

Pursuant to the Net Assets Holding Level Policy (NAHLP), SICorp makes payments to or receive funding from the Crown Entity to maintain the required level of net assets.

The policy, introduced in March 2006 and revised in May 2013, requires SICorp to maintain financial assets for each insurance scheme (except the HBCF and the CRIF) at between 105% and 115% of liabilities. The adequacy of the net assets level is reviewed at least annually based on the financial results as at 31 December with option of more frequent review to consider any emerging issues and trends in outstanding claims liabilities and investments. The assessment takes into consideration:

- the probability of adequacy of the net central estimate
- probability of poor investment returns and/or deterioration in claims experience
- impact of a major claim, either not covered by the TMF reinsurance protection or exhausting the TMF reinsured retention level
- absence of premium income and reinsurance cover for residual schemes

Net assets in surplus of the required holding level are paid to Crown Entity and net assets in deficit will be covered through payments from the Crown Entity.

The payments are recognised as expenses at the earlier of when they are paid or payable. Grants are recognised as revenues at the earlier of when they are received or due to be received.

(h) Expenses

(i) Outwards Insurance Expense

Premiums ceded to insurers are recognised as an expense at the earlier of when they are paid or become payable.

(ii) Claims Expenses

Claims expenses are recognised as expenses when incurred. Included in claims expenses are actuarially determined revisions to the outstanding claims provisions.

(iii) Finance Costs

Finance costs include the unwinding of discounts for the provision of outstanding claims and restoration costs. The finance cost for HBCF is included in the claims expense. These are recognised as an expense when incurred.

(iv) Employee Arrangements

SICorp has no employees. Work is performed by staff from the Department of Finance, Services and Innovation. SICorp reimburses the Department of Finance, Services and Innovation for the staff costs incurred and recognises them as Personnel Services Fees.

(v) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

SICorp has two commercial rental leases. They are non-cancellable leases with terms of four and five years respectively. A rental review is taken biannually to effective market prices.

On expiration of the leases, the rental premises are to be returned to their original condition. A provision for restoration is calculated based on the best estimate of the expenditure that will be incurred to meet the make-good obligation as at the reporting date. It takes into account the Consumer Price Index to project the future outlay of the make-good cost and discount it back to the present value using the appropriate Government bond rate which most closely approximate the expiry date of the leases.

The operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(vi) Income Tax

SICorp is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(i) **Assets**

(i) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise:

- deposit held at call with banks
- investments in NSW Treasury Corporation Hour-Glass Cash Facility
- investments in money market instruments

(ii) Deferred Acquisition Cost (HBCF)

Costs directly attributable to the acquisition of the HBCF premium revenue are deferred by recognising them as an asset in the Statement of Financial Position when they can be reliably measured. Deferred acquisition costs are amortised systematically over the life of the insurance policy in line with the expected pattern of the incidence of risk. This corresponds to the earning pattern of premium revenue.

(iii) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by SICorp. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time

of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards. Physical non-current assets costing more than five thousand individually are capitalised (2014: five thousand).

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

(iv) Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the “Valuation of Physical Non-Current Assets at Fair Value” Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

Office furniture, equipment and computer hardware are recorded at cost. It is derived based on the cost plus any incidental acquisition costs. Non specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. SICorp has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

No revaluation is undertaken on these assets as the difference between fair value in continued use and carrying value is immaterial.

(v) Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As plant and equipment is carried at fair value or an amount that approximates to fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(vi) Depreciation of plant and equipment

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life. The depreciation rates used for the financial year 2014-15 for each class of assets are based on the following useful lives:

- office equipment: 7 years
- furniture and fittings: 5 to 10 years
- computer hardware: 4 years

The depreciation rates remain unchanged from the previous financial year.

(vii) Intangible Assets

Intangible assets include capitalised expenditures for system development costs and computer software.

Intangibles are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation which is the fair value in the absence of an active market. Computer software costs are amortised on a straight line basis over 5 years.

(viii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are of short-term nature and to be carried at original invoice amount as the effect of discounting is immaterial.

The collection of receivables is reviewed on an ongoing basis. An allowance for impairment is established when there is objective evidence that not all amounts due will be collectable. Bad debts are written off as incurred.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ix) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. SICorp determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

- *Fair value through profit or loss* - SICorp subsequently measures investments classified as “held for trading” or designated upon initial recognition “at fair value through profit or loss” at fair value. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term.

The Hour-Glass Investment Facilities - are designated at fair value through profit or loss using the second leg of the fair value option under AASB 139.9 (b) (ii) i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with the risk management strategy, and information about these assets is provided internally on that basis to SICorp’s management.

SICorp contracts TCorp to advise on, and actively manage market, credit and liquidity risks in line with the Memorandum of Understanding (MoU) between it and SICorp. TCorp actively manages and reports on the risks associated with the holding of financial instruments.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item ‘investment revenue’.

Purchases or sales of investments under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date i.e. the date the entity commits itself to purchase or sell the asset.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the Statement of Financial Position date.

(x) Insurance and Other Recoveries Receivables

Receivables from insurance and other recoveries are actuarially determined in consultation with the claims managers.

The amount of insurance and other recoveries receivable is equal to gross incurred cost less the retention limit and insurance recoveries received to date. The receivable is recognised when recovery is virtually certain to take place when the corresponding obligation is settled. The measurement of these receivables is affected by factors such as normal inflation and the discount rate used for discounting of future expected receipts. The rates applied are consistent with those used in the valuation of provisions for outstanding claims (see Note 11).

No key assumption have been made around the amounts recoverable that would significantly increase the risk of causing material adjustments to the carrying amount of the receivables within the next annual reporting period.

(xi) Other Assets

Other assets are recognised on a cost basis.

(j) Liabilities

(i) Payables

Payables are liabilities for goods and services provided to SICorp. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Provisions

Provisions are recognised when SICorp has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The liability for claims includes:

- claims incurred but not yet paid
- claims incurred but not yet reported
- claims incurred but not enough reported
- expected claims handling costs.

The liability for outstanding claims is measured as the best estimate of the present value of expected future payments against claims incurred at reporting date.

For HBCF and CRIF, the liability is measured at the central estimate with an additional risk margin of 15 and 25 per cent respectively (2014: 15 and 23 per cent) to cover the inherent uncertainty in the net central estimate having regard to the prevailing market environment. The risk margins have been set at a level that results in an overall probability of sufficiency in the insurance liability of 75 per cent (75 per cent).

No risk margin is included in the outstanding claims liability for the TMF. The overall probability of sufficiency of the liability was 55 per cent at 30 June 2015 (2014: 55 per cent).

Where there is a material effect due to the time value of money, a provision is discounted. The increase in the provision resulting from the passage of time is recognised in finance costs.

(iii) **Other Provisions**

Other provisions exist when SICorp has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(iv) **Liability Adequacy Test**

The liability adequacy test is performed on the HBCF and CRIF insurance liabilities less deferred acquisition costs, where applicable, to ensure the carrying value of unearned premium liability is adequate, using current estimates of the present value of future cash flows relating to future claims.

An additional risk margin is included to take into account the inherent uncertainty in the central estimate. If the assessment shows the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the Statement of Comprehensive Income by firstly writing down the deferred acquisition cost. If an additional liability is required, this is recognised in the Statement of Financial Position as an unexpired risk liability.

The TMF premiums cover the risk arising between 1 July and 30 June each year, therefore there is no unexpired risk and no unearned premium at 30 June. The liability adequacy test is only relevant to the premiums received in advance and its outcome would be immaterial as pre-paid premiums at 30 June are typically negligible compared to the target for the following year.

(k) Equity

The category 'Accumulated Funds' includes all current and prior period retained funds.

(l) Budget Amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Major variances between the original budgeted amounts and the actual amounts on the primary financial statements are explained in Note 18.

(m) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous reporting period 30 June 2014 for all amounts reported in the financial statements. The notes to the financial statements disclose the additional information required by users of the general purpose financial reports.

(n) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2014-15

The following new or revised Australian Accounting Standards have been applied for the

first time in 2014-15. There is no significant impact to SICorp's financial statement.

- AASB 10, AASB 11, AASB12 and AASB 128 (now effective for both for-profit and not-for-profit entities) regarding consolidated financial statements and accounting for associates and joint ventures. These standards have limited impact because SICorp does not control any other entities nor it invests in associates and joint ventures
- AASB 1031 Materiality
- AASB 1055 and AASB 2013-1 regarding budgetary reporting

(ii) Issued but not yet effective

The following new Australian Accounting Standards have not been applied and are not yet effective:

Accounting Standard/Interpretation	Effective
• AASB 9, AASB 2010-7, AASB 2013-9 (Part C), AASB 2014-1 (Part E), AASB 2014-7 and AASB 2014-8 regarding financial instruments	2015/16
• AASB 14 and AASB 2014-1(Part D) regarding Regulatory Deferral Accounts	2015/16
• AASB 2014-3 regarding accounting for acquisitions of interests in joint operations	2015/16
• AASB 2014-4 regarding acceptable methods of depreciation and amortisation	2015/16
• AASB 2014-9 regarding equity method in separate financial statements	2015/16
• AASB 2014-10 regarding sale or contribution of assets between and investor and its associate or joint venture	2015/16
• AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle	2015/16
• AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives	2015/16
• AASB 2015-3 regarding materiality	2015/16

The implementation of these Standards will not have any material impact on SICorp's financial results.

2. Expenses Excluding Losses

(a) Other Operating Expenses

	2015 \$'000	2014 \$'000
Claims expenses		
New claims incurred	1,007,215	971,404
Adjustment to existing outstanding claims ¹	(238,610)	(41,935)
Outwards insurance expense	44,391	43,698
Management fees	174,056	165,705
Levies paid to:		
Dust Diseases Board	11,416	8,944
WorkCover Authority of NSW	16,321	19,487
Unexpired Risk Liability expense	33,334	2,564
Risk management fees	1,841	1,474
Actuarial expenses	4,464	5,797
Storage costs	412	443
Maintenance	1,093	1,721
Audit fees - audit of financial statements	193	192
Consultants	2,734	2,121
Contractors	1,704	880
Insurer administration fees	1,410	950
Operating lease rental expenses	496	523
Other expenses	2,163	2,111
	1,064,631	1,186,079

¹ Adjustment to existing outstanding claims represent the increase/ (decrease) in provision for outstanding claims excluding the increase in provisions due to the unwinding of discounts during the year. The increase in the carrying amount of a provision due to the passage of time is recognised as a finance cost.

(b) Net Claims Incurred

	2015	2014
	\$'000	\$'000
Claims paid	973,211	990,019
Recoveries received	(48,333)	(40,572)
Gross claims movement - undiscounted ¹	(75,825)	133,908
Reinsurance and other recoveries movement - undiscounted ²	(11,554)	14,335
Net claims movement - undiscounted	(87,379)	148,243
Discount movement - gross claims incurred ¹	188,844	127,768
Discount movement - reinsurance and other recoveries ²	(7,883)	(5,153)
Net discount movement	180,961	122,615
Net claims incurred	1,018,460	1,220,305

An analysis of the net claims incurred for the TMF (SICorp's main scheme) showing separately the amount relating to risks borne in the current period and the amount relating to a reassessment of risks borne in all previous periods is presented below.

(i) TMF Workers Compensation

	12 Months to 30 June 2015			12 Months to 30 June 2014		
	Current Year	Prior Years	Total	Current Year	Prior Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Claims Expense³						
Gross claims incurred - undiscounted	735,090	(202,197)	532,892	807,369	(102,534)	704,835
Discount movement	(201,977)	311,845	109,868	(239,267)	275,553	36,286
	533,112	109,648	642,760	568,102	173,020	741,121
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	(13,686)	2,587	(11,099)	(19,154)	6,167	(12,987)
Discount movement	3,016	(5,378)	(2,361)	4,329	(6,579)	(2,250)
	(10,669)	(2,791)	(13,460)	(14,825)	(412)	(15,237)
Total Net Claims Incurred	522,443	106,857	629,300	553,277	172,608	725,885

1. Movement in the undiscounted and discounted gross claims represents the increase/ (decrease) in the outstanding claims provision at the reporting date.
2. Movement in the undiscounted and discounted reinsurance and other recoveries represents the increase/ (decrease) in the insurance and other recoveries receivable at the reporting date.
3. Includes an estimate for claims handling expenses.

(ii) TMF Non-Workers Compensation

	12 Months to 30 June 2015			12 Months to 30 June 2014		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross Claims Expense¹						
Gross claims incurred - undiscounted	716,747	(484,036)	232,711	712,064	(205,228)	506,836
Discount movement	(191,804)	271,661	79,857	(203,019)	202,553	(466)
	524,943	(212,375)	312,568	509,045	(2,675)	506,370
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	(37,895)	(10,549)	(48,444)	(35,585)	18,911	(16,673)
Discount movement	7,632	(12,791)	(5,159)	7,937	(9,389)	(1,452)
	(30,263)	(23,340)	(53,603)	(27,648)	9,523	(18,125)
Total Net Claims Incurred	494,680	(235,715)	258,965	481,397	6,848	488,245

(c) Depreciation and Amortisation Expense

	2015 \$'000	2014 \$'000
Depreciation		
Computer hardware	-	53
Furniture and fittings	70	21
	70	74
Amortisation		
Computer software	44	65
Total depreciation and amortisation	113	139

(d) Grant and (Subsidies) /Contribution

	2015 \$'000	2014 \$'000
Grant to the Crown Entity [expense]	(380,000)	(920,000)
Grant from the Crown Entity [revenue]	25,000	15,000
Net grant (expense) / revenue	(355,000)	(905,000)

The annual funding adequacy assessment as at 31 December 2014 based on assets at 110% of liabilities (31 December 2013: 110%) has been approved and the funds transferred to the Consolidated Fund.

¹ Includes an estimate for claims handling expenses.

(e) Finance Costs

	2015	2014
	\$'000	\$'000
Unwinding of discounts on provision for outstanding claims		
NSW Treasury Managed Fund (TMF)	298,659	300,352
Governmental Workers Compensation Account (GWC)	3,726	3,931
Transport Accidents Compensation Fund (TAC)	11,460	11,301
Residual Workers Compensation Liabilities of the Crown (SRA/RIC)	4,437	6,640
	318,282	322,225

3. Revenue**(a) Sale of Goods and Services**

		2015	2014
		\$'000	\$'000
Premium revenue			
Premium		1,141,854	1,156,897
Hindsight adjustments ¹		105,020	240,907
Insurance and other recoveries revenue			
Recoveries received	2 (b)	48,333	40,572
Movement in outstanding recoveries ²		19,437	(9,182)
Net premium revenue		1,314,644	1,429,194
Claims expense			
Movement in outstanding claims provision		(113,015)	(261,673)
Claims paid	11	(973,211)	(990,019)
Outwards insurance expense	2 (a)	(44,391)	(43,698)
Acquisition costs	9	(31,971)	(28,383)
Unexpired risk liability expense	2 (a)	(33,334)	(2,564)
Total underwriting result		118,723	102,858

¹ Hindsight adjustments for 2014-15 include workers compensation final hindsight adjustments for 2008-09 and interim hindsight adjustments for 2010-11. Hindsight adjustments for 2013-14 include workers compensation final hindsight adjustments for 2007-08 and interim hindsight adjustments for 2009-10.

² Movement in outstanding recoveries represents the increase/ (decrease) in the actuarially assessed level of insurance and other recoveries receivable at reporting date.

(b) Investment Revenue

	2015	2014
	\$'000	\$'000
Return on investment		
Revenue from financial assets held at fair value	954,902	430,755
Gains/(losses) from financial assets held at fair value	(59,850)	585,754
Interest on bank accounts	20,488	20,707
	915,539	1,037,216

4. Cash and Cash Equivalents

	2015	2014
	\$'000	\$'000
Cash at bank	282,666	270,596
TCorp Hour-Glass cash facility	-	52,048
	282,666	322,645

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and short term money market investments held at TCorp.

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2015	2014
	\$'000	\$'000
Cash and cash equivalents (per statement of financial position)	282,666	322,645
Closing cash and cash equivalents (per statement of cash flows)	282,666	322,645

Refer to Note 20 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. Current/ Non-Current Assets – Receivables

	2015	2014
	\$'000	\$'000
Current		
Premiums receivable	120,199	117,039
Insurance and other recoveries receivable	45,413	38,743
Prepayments	14,808	12,204
Other receivables	-	4,612
	180,419	172,598
Non-Current		
Insurance and other recoveries receivable	194,819	180,696
	194,819	180,696

Other receivables are non-interest bearing and are generally on 30 day terms.

Insurance and other recoveries receivables are discounted to present value (see Note 1 (i) x).

	2015	2014
	\$'000	\$'000
Present value of insurance and other recoveries		
Expected future recoveries (undiscounted)	320,808	307,897
Discount to present value	(80,576)	(88,458)
	240,232	219,440

6. Financial Assets at Fair Value

	2015	2014
	\$'000	\$'000
Non-current		
TCorp Hour-Glass investment facility	7,856,995	7,164,671
	7,856,995	7,164,671

At 30 June the total investments of SICorp are financial assets designated at fair value through profit and loss. Refer to Note 20 for further information regarding fair value measurement, credit risk, liquidity risk and market risk arising from financial assets at fair value.

7. Plant and Equipment

At 1 July 2014

Gross carrying amount

Accumulated depreciation and impairment

Net carrying amount at end of year

2015	2014
\$'000	\$'000
1,432	1,177
(1,183)	(1,114)
248	62

Reconciliation

A reconciliation of the carrying amount of plant and equipment at the beginning and end of the reporting periods is set out below.

Year ended 30 June

Net carrying amount at start of year

Additions

Depreciation expense

Net carrying amount at end of year

2015	2014
\$'000	\$'000
62	136
256	-
(70)	(74)
248	62

8. Intangible Assets

At 1 July 2014

Gross carrying amount

Accumulated amortisation and impairment

Net carrying amount at end of year

2015	2014
\$'000	\$'000
7,867	4,912
(4,894)	(4,850)
2,973	62

Reconciliation

A reconciliation of the carrying amount of intangible assets at the beginning and end of the reporting periods is set out below.

Year ended 30 June

Net carrying amount at start of year

Additions¹

Amortisation expense

Net carrying amount at end of year

2015	2014
\$'000	\$'000
62	127
2,955	-
(44)	(65)
2,973	62

¹ Additions comprise work in progress development costs of an insurance computer system for HBCF. The system will go live in August 2015 and depreciation will be charged from the go live date.

9. Non-Current Assets – Other

	2015 \$'000	2014 \$'000
Non-current		
Deferred acquisition costs ¹	-	-
Deferred restoration costs	1	6
Other	3	6
	4	12

¹ Movements of deferred acquisition cost of the HBCF.

	2015 \$'000	2014 \$'000
At 1 July 2014	-	-
Acquisition costs incurred during the year	31,971	28,383
Acquisition costs amortised during the year	(2,114)	(1,895)
Net deficiency write down ¹	(29,857)	(26,487)
At 30 June 2015	-	-

¹ Refer to Note 13 (c) for details.

10. Payables

	2015 \$'000	2014 \$'000
GST payable	98,252	99,233
Management fees	54,343	55,624
Commission and transition fee	4,472	3,149
Claims	4,086	7,269
Statutory fees	741	614
Other	2,282	4,252
	164,677	170,142

Payables are non-interest bearing and are generally on 30 day terms.

If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

Under the NSW TC 11/12 'Payment of Accounts' agencies are required to pay small business suppliers with turnover of less than \$2 million within 30 days upon receipt of invoice and pay interest on overdue amounts. No interest was awarded during the year for late payment.

11. Current/ Non-Current Liabilities – Provisions

	2015 \$'000	2014 \$'000
Current		
Provision for outstanding claims	944,123	969,215
	944,123	969,215
Non-Current		
Provision for outstanding claims	5,797,813	5,659,706
	5,797,813	5,659,706

Reconciliation

A reconciliation of the carrying amount of provision for outstanding claims at the beginning and end of the reporting periods is set out below.

	TMF	CRIF	GWC	TAC	SRA/RIC	HBCF	2015 Total	2014 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount at start of year	6,191,561	2,161	74,032	218,288	89,922	52,956	6,628,921	6,367,248
Additions	959,640	1,180	-	-	-	45,732	1,006,553	971,406
Payments	(938,228)	(54)	(5,455)	(5,883)	(8,659)	(14,932)	(973,211)	(990,019)
Actuarial (gain)/loss	(320,299)	(1,625)	9,786	59,954	4,783	8,794	(238,610)	(41,935)
Unwinding of discounts	298,659	-	3,726	11,460	4,437	-	318,282	322,221
Closing balance	6,191,334	1,662	82,089	283,819	90,483	92,550	6,741,936	6,628,921

The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 6.75 years for TMF (2014: 6.5 years), 2 years for the CRIF (2014: 2 years), 10.9 years for GWC (2014: 10.4 years), 22.6 years for TAC (2014: 21.2 years), 8.9 years for SRA/RIC (2014: 8.3 years) and 2.3 years for HBCF (2014: 2.1 years). The risk margin for the HBCF was \$12 million (2014: 6.9 million) and for the CRIF \$0.2 million (2014: 0.4 million). No risk margin was included in the TMF (2014: nil).

The average inflation and discount rates below were used in measuring the outstanding claims liability:

	TMF		CRIF		GWC		TAC		SRA/RIC		HBCF	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Not later than one year												
Inflation rate	2.5 - 3.0	2.5 - 4.0	2.5	3.3	3.0 - 3.5	2.9 - 3.0	2.5	3.0	3.0 - 3.5	2.9 - 3.0	3.6	3.6
Discount rate ¹	4.75	5.25	1.9	2.5	4.75	5.25	4.75	5.25	4.75	5.25	2	2.5
Superimposed inflation ²	0 - 5	0 - 3.0	0.0	0.0	0 - 1.5	0 - 1.5	3.5	2.5	0 - 1.7	1.7	1.4	1.4
Later than one year												
Inflation rate	2.5 - 3.8	2.5 - 4.0	2.5 - 2.75	3.3	3.0 - 4	2.8 - 3.4	2.5 - 3.8	3.3 - 3.4	3.0 - 4	2.8 - 3.3	3.6	3.6
Discount rate ¹	4.75	5.25	2 - 4.2	2.6 - 5	4.75	5.25	4.75	5.25	4.75	5.25	2 - 4.5	2.5 - 5
Superimposed inflation ²	0 - 5	0 - 3.0	0.0	0.0	0 - 1.5	0 - 1.5	3.5	2.5	1.7	1.7	1.4	1.4

¹ The reduction from 5.25% to 4.75% in the fair value of the 10-year TCorp bond resulted in an increase in the outstanding claims liabilities of approximately \$238 million.

² Dependent on payment type.

Sensitivity Analysis

The outstanding claims liabilities are best estimate derived from actuarial assumptions regarding future experience. Sensitivity analysis can be used to measure the change in the outstanding claims estimate that would result from a change in the assumptions. TMF is SICorp's main insurance scheme which represents 92% of the outstanding claims. A sensitivity analysis of the key assumption changes for the TMF and their impact is shown in the following tables:

(i) TMF Non-Workers Compensation

Variable	Movement in variable %	Net Central Estimate	Impact of Change	% Impact
		\$'000	\$'000	
Net Central Estimate ¹		2,444,441		
Risk free rate		2,714,457	270,016	11.0%
Discount rate	+1	2,307,732	(136,709)	(5.6%)
	-1	2,598,119	153,678	6.3%
Inflation rate	+1	2,599,850	155,409	6.4%
	-1	2,305,089	(139,352)	(5.7%)
Superimposed inflation rate	+1	2,588,780	144,339	5.9%
	-1	2,314,079	(130,363)	(5.3%)

¹ The net central estimate is inflated and discounted, net of insurance and other recoveries and includes an allowance for claims handling expenses.

Variable	Movement in variable %	Net Central Estimate	Impact of Change	% Impact
		\$'000	\$'000	
Net Central Estimate - Health		1,686,988		
Zero Notifications Finalised ¹	+5% post 2010	1,610,887	(76,101)	(4.5%)
	-5% post 2010	1,763,090	76,101	4.5%
Above Cap Claim Frequency ²	+1 large claim per 100 small claims	1,756,851	69,863	4.1%
	-1 large claim per 100 small claims	1,617,126	(69,863)	(4.1%)
Above Cap Average Claim Size ³	10%	1,749,181	62,192	3.7%
	-10%	1,624,797	(62,192)	(3.7%)

¹ Impact if the number of claim notifications that settle for zero was +/- 5%.

² Impact if the number of large claims that will arise each year was +/- 1.

³ Impact if the average claim size was +/- 10%.

(i) TMF Workers Compensation

Variable	Movement in variable %	Net Central Estimate \$'000	Impact of Change \$'000	% Impact
Net Central Estimate ¹		3,484,624		
Risk free rate		3,887,578	402,954	11.6%
Discount rate	+1	3,251,781	(232,843)	(6.7%)
	-1	3,754,106	269,482	7.7%
Inflation rate	+1	3,757,081	272,457	7.8%
	-1	3,245,537	(239,087)	(6.9%)
Superimposed inflation rate ²	+1	3,520,797	36,173	1.0%
	-1	3,450,485	(34,139)	(1.0%)

¹ The net central estimate is inflated and discounted, net of insurance and other recoveries and includes an allowance for claims handling expenses.

² It includes impact on non-emergency medical and rehabilitation costs and scheme common law costs.

Variable	Movement in variable %	Net Central Estimate	Impact of Change	% Impact
Non-Emergency Services - Weekly slippage ¹	Remove	3,465,342	(19,282)	(0.6%)
Non-Emergency Services - Weekly Average Claim Size	Increase 10%	3,542,399	57,775	1.7%
Non-Emergency Services - Weekly Average Claim Size	Decrease 10%	3,426,849	(57,775)	(1.7%)
Non-Emergency Services - Common Law intimations	Increase 20%	3,640,483	155,859	4.5%
Emergency Services - Future Medically Discharged Claims ²	Increase 10%	3,575,495	90,871	2.6%
Emergency Services - Future Medically Discharged Claims ²	Decrease 10%	3,393,753	(90,871)	(2.6%)
Emergency Services - Cont. Rates for Non-MD Claims ³	Increase 0.5%	3,556,519	71,895	2.1%
NSW Police - Common Law Claim Filed by Medically Discharge Claimants ⁴	Decrease 10%	3,480,045	(4,579)	(0.1%)
NSW Police - Common Law Claim Filed by Medically Discharge Claimants ⁴	Increase 10%	3,490,042	5,418	0.2%

¹ Slippage is an additional 0.25% added to the Weekly continuance rate for WPI 0-30% claims.

² Impact of a 10% variance in the number of future medical discharge claims for Emergency Services across all payment types.

³ Proportion of claimants continuing to receive weekly and medical payments 6 years after injury.

⁴ Includes offsetting impact of weekly benefits.

Uncertainty

(a) Workers compensation reforms

In June 2012, significant reforms were introduced to NSW workers compensation, affecting benefit entitlements for Non-Emergency Services workers. Since the introduction of the reforms, claims experience has changed significantly. In particular:

- Reduction in claim numbers

We have observed a significant reduction in the number of claims reported beyond the reduction in journey claims. These reductions are likely driven by a combination of agency and claims management initiatives as well as behavioural change from the reforms themselves. The reduction in claims reported has had a flow on impact in reducing the number of claimants on weekly, medical and rehabilitation benefits. The reductions in the number of claimants on weekly and rehabilitation benefits appear to have slowed but the reduction in claimants on medical benefits appears to be continuing. There is considerable uncertainty regarding the sustainability of the reductions in the future for these claims.

- Increase in average payment sizes

Significant increases in average payment sizes have been observed in most payment types. This is likely to be due to the claims that have continued to be reported being those that relate to more serious injuries. Also, the post reform benefit structure for weekly benefits is generally more generous. There may also be greater utilisation of certain benefit types e.g. rehabilitation services to prepare for work capacity assessments that have been introduced by the reforms. Currently, the increases in average payment sizes have been offset by the reduction in claim numbers. However, there is uncertainty as to whether this will continue or whether increases in average payment sizes will outstrip the decrease in claim numbers in the future.

- Increase in Common Law Intimations

The June 2012 reforms did not specify any changes to common law settlements. However, changes in the reforms which limit periodic benefits may result in an increase in the utilisation of common law as claimants seek compensation through other avenues. Discussions with claims managers have indicated an increase in the number of intentions to lodge common law claims but this has yet to be observed in the intimations experience. There remains a high degree of uncertainty as to how common law activity will emerge in the future.

Further Reforms

In late June 2014, a number of changes were made to the June 2012 workers compensation reforms, effective for claims reported prior to 1 October 2012. These changes represented a scaling back in some aspects of the 2012 reforms, particularly in respect of certain entitlements to weekly and medical benefits. Given that the changes have only been in effect for a short period of time, there is significant uncertainty around the impact of these changes and whether or not there will be further scaling back of the June 2012 reforms, given the surpluses that have been accumulated in the WorkCover scheme.

(b) Emergency Services

NSW Police

- Reductions in medical discharge activity

Officers in the NSW Police force who have been medically discharged typically remain on workers compensation benefits for a long period of time. Many of the injuries are psychological.

The number of medically discharged claimants on benefits decreased following the introduction of the Police Blue Ribbon Insurance (PBRI) scheme in late 2011, which replaced the Police Death and Disability (D&D) scheme (2005). Recent levels of medical discharge activity are positive but there remains uncertainty as to whether this reduction is sustainable in the long term.

- Common law activity

There has been a significant deterioration in Police's common law experience since June 2012, driven by the number of common law claims filed by medically discharged officers with psychological injuries. Common law settlements include past and future economic loss for injured officers and have an average settlement size of around \$500,000.

Whilst there are less medically discharged claimants emerging under the PBRI scheme, we have assumed those who are being medically discharged are more likely to seek common law settlements than older injuries. There is, however, limited experience on common law activity from recently medically discharged claimants. It is uncertain whether the reduction in medical discharges will translate to a lower number of common law settlements.

Fire & Rescue NSW

- Future medical discharge experience

In late 2012, the medical discharge process was amended so that either Fire & Rescue NSW or the claimant could initiate the medical discharge process. Since the change, the number of medical discharges has increased.

In early 2015, a new D&D award was introduced which provides reduced pension amounts for TPI On-Duty and Death On-Duty for firefighters whose salaries are higher than a deemed amount. There have also been some reductions to the lump sums available for PPI On-Duty injuries.

The ultimate impact of the changes in the medical discharge process and D&D award on medical discharge activity and claimant behaviour remains uncertain. The uncertainty stems from both the nature of medical discharges, which can take many years to emerge, and the relatively small number of claims in the Fire pool.

Claims Development Tables

With the exception of plant and equipment, all assets are held to back insurance liabilities. As part of its investment strategy the Corporation actively manages its investment portfolio to ensure that investment liquidity is in accordance with the expected pattern of future cash flows arising from insurance liabilities.

(i) TMF Workers Compensation

Accident Year	2008 & prior \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	Total \$'000
Estimate of ultimate claims cost									
At the end of accident year		585,606	730,915	870,020	806,693	766,805	742,288	673,838	
One year later		703,112	766,468	848,127	792,707	679,292	641,322		
Two years later		675,288	787,698	887,483	837,716	615,139			
Three years later		654,261	829,571	1,003,883	758,929				
Four years later		650,139	924,430	992,102					
Five years later		684,036	903,388						
Six years later		682,112							
Current estimate of cumulative claim costs	7,212,609	682,112	903,388	992,102	758,929	615,139	641,322	673,838	12,479,439
Cumulative claim payments	5,698,078	363,321	421,230	402,607	290,074	178,439	138,161	72,858	7,564,769
Undiscounted central estimate	1,514,531	318,791	482,158	589,496	468,855	436,700	503,160	600,980	4,914,670
Effect of discounting									(1,660,749)
Claims handling expense									230,703
Risk margin									0
Outstanding claims liability at 30 June 2015									3,484,624

(ii) TMF Public Liability

Accident Year	2008 & prior \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	Total \$'000
Estimate of ultimate claims cost									
At the end of accident year		482,538	506,018	509,966	505,657	520,902	536,890	518,253	
One year later		485,568	487,891	478,286	483,945	493,576	403,173		
Two years later		516,597	471,566	441,402	463,759	428,957			
Three years later		477,776	410,711	427,210	447,649				
Four years later		498,732	443,536	442,177					
Five years later		503,334	450,003						
Six years later		460,285							
Current estimate of cumulative claim costs	3,304,313	460,285	450,003	442,177	447,649	428,957	403,173	518,253	6,454,811
Cumulative claim payments	2,767,254	239,807	143,306	122,265	69,246	21,851	8,030	1,890	3,373,649
Undiscounted central estimate	537,059	220,479	306,697	319,913	378,403	407,107	395,142	516,363	3,081,162
Effect of discounting									(883,561)
Claims handling expense									115,831
Risk margin									0
Outstanding claims liability at 30 June 2015									2,313,432

Uncertainty about the amount and timing of claims in the TMF property and motor vehicle portfolios is typically resolved within one year.

The claims presented in the development tables are undiscounted, gross of insurance recoveries and net of non-reinsurance recoveries. Insurance recoveries are nil in the TMF Workers Compensation portfolio and negligible in the TMF Public Liability portfolio.

12. Insurance Risk Management

The Corporation is affected by insurance risk, market risk, credit risk, and liquidity risks. Overall risk management within SICorp forms a part of operations and line responsibilities. The Audit and Risk Committee (ARC) has oversight of risk management and reports to the Secretary of DFSI. Internal Audit, which is provided by the DFSI, helps identify, monitor and evaluate risks and gives assurance to the ARC on higher risk activities.

The risk and compliance management framework to identify and mitigate risks is outlined below:

- Use and maintenance of information systems to provide up-to-date and reliable data on the risks to which the Corporation is exposed.
- Independent actuarial assessment, using data from the information systems and robust actuarial modelling, are used to assess the adequacy of pricing and premiums and to monitor claims patterns based on past experience and emerging trends.
- Detailed risk and compliance registers that identify key risks and controls, residual risk exposures, and risk treatment and owner. Compliance attestations are performed on a quarterly basis and exceptions are reported to the Board.
- Detailed underwriting procedures are in place and strictly followed for accepting risks and regular reviews and audits are performed on the underwriting function of brokers and insurance agents of the HBCF.
- Premiums received by the largest fund (TMF) are paid by member agencies through funding from the NSW Treasury.
- Most premiums are paid within payment terms. The outstanding debtors are managed by outsourced service providers who actively monitor and review the portfolios.
- The strategic asset allocation of the investment assets is aligned to the risk appetite and investment objectives of the Corporation, which is established in line with expected claims risk profile to support reserves and accommodate significant claim payment obligations.
- Under the NALHP SICorp maintains the required level of net assets for each scheme (except HBCF and CRIF) through fund transfers to/from the Consolidated Fund.

13. Current/ Non-Current Liabilities – Other

	2015 \$'000	2014 \$'000
Current		
Unearned premiums	47,335	35,379
	47,335	35,379
Non-Current		
Unearned premiums	164,935	127,545
Restoration costs	121	121
Unexpired risk liability	81,610	48,276
	246,667	175,942

a) Reconciliation of unearned premiums

A reconciliation of the carrying amount of unearned premiums at the beginning and end of the reporting periods is set out below.

	2015	2014
	\$'000	\$'000
Year ended 30 June		
Net carrying amount at start of year	162,924	118,526
Premiums received in advance	226	3,529
Deferral of premiums written in current year	88,056	66,667
Premiums earned during the year	(38,936)	(25,799)
Net carrying amount at end of year	212,270	162,924

b) Reconciliation of restoration cost

A reconciliation of the carrying amount of restoration cost at the beginning and end of the reporting periods is set out below.

	2015	2014
	\$'000	\$'000
Year ended 30 June		
Net carrying amount at start of year	121	121
Addition	-	-
Reversal of surplus provisions	(3)	(3)
Unwinding of discounts	3	3
Net carrying amount at end of year	121	121

SICorp occupies a property that has a provision requiring SICorp to restore the premises to its original condition at the conclusion of the lease. A restoration provision is recognised at the commencement of the lease. The lease contract for Level 17, 201 Elizabeth Street Sydney NSW 2000 was renewed in 2013 and expires on 8 May 2017. The lease contract for Level 18, 201 Elizabeth Street Sydney NSW 2000 was renewed in 2015 and expires on 8 May 2017.

c) Reconciliation of unexpired risk liability

The unexpired risk liability arises from the administration of HBCF. At balance date, SICorp recognises a liability in respect of outstanding claims and assesses the adequacy of its unearned premium liability. As required under AASB 1023 *General Insurance Contracts*, a Liability Adequacy Test (LAT) is undertaken to determine the adequacy of the unearned premium liability against current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts. Any deficiency is first written down against the deferred acquisition costs (DAC). The remaining deficiency is recognised as an unexpired risk liability. It represents the extent that the unearned premium liability is insufficient to cover expected future claims.

At 1 July 2014

LAT deficiency for the period

Less LAT deficiency written off against DAC

At 30 June 2015

2015	2014
\$'000	\$'000
48,276	45,712
63,191	29,051
(29,857)	(26,487)
81,610	48,276

Liability adequacy test (LAT)

The LAT assesses whether the net unearned premium liability less any related deferred acquisition costs is sufficient to cover future claims costs. As at the reporting date, the LAT identified a deficit of \$111.5 million (2014: \$74.8 million) in the HBCF. The deficit, after deducting the opening balance in the unexpired risk liability, is recognised in the Statement of Comprehensive Income.

The calculation is shown below:

	2015	2014
	\$'000	\$'000
Unearned premium liability	197,546	158,242
Deferred acquisition costs ¹	(29,857)	(26,487)
	167,689	131,754
Central estimate of present value of expected future cashflows arising from future claims	242,744	179,581
Risk Margin	36,412	26,937
Premium liability provision	279,156	206,518
Net Deficiency	111,467	74,764

¹ Refer to Note 9 Other Non-current Assets - Deferred Acquisition Costs.

The premium liability provision represents the actuarial assessment of future claims expenses. The mean term to settlement of the undiscounted premium liability is 5.9 years (2014: 5.9 years).

Deficiency recognised in the Statement of Comprehensive Income:

	2015	2014
	\$'000	\$'000
Gross movement in unexpired risk liability	(33,334)	(2,564)
Write down of deferred acquisition costs ¹	(29,857)	(26,487)
Total deficiency recognised in the Statement of Comprehensive Income	(63,191)	(29,051)

¹ Refer to Note 9 Other Non-current Assets - Deferred Acquisition Costs.

The probability of adequacy for HBCF was 75 per cent (2014: 75 per cent).

The actuarial assessment of the expected future cash flows relating to future claims arising from current general insurance contracts in the CRIF indicates that this estimate is lower than the current value of the unearned premium liability (net of deferred acquisition costs) and that there is therefore no deficiency in the unearned premium liability as at 30 June 2015

(30 June 2014: nil). The probability of adequacy for the CRIF was 75 per cent (2014: 75 per cent).

The TMF premiums cover the risk arising between 1 July and 30 June each year, therefore there is no unexpired risk and no unearned premium at 30 June. The liability adequacy test is only relevant to the pre-paid premiums for the 2015-16 insurance year. The outcome of the liability adequacy test for the TMF would be immaterial as the amount of pre-paid premiums at 30 June 2015 of \$4.3 million is negligible compared to the target for the 2015-16 year. The probability of adequacy for the TMF was 55 per cent (2014: 55 per cent).

The risk margins have been determined by the Fund Actuaries based on the uncertainty of the outstanding claims estimates of each scheme. The uncertainty is determined on the basis that reflects the business of each fund. Regard is had to the robustness of the valuation models, reliability and volume of the available data, past experience and emerging trends, the characteristics of each scheme and the effect of reinsurance.

14. Reconciliation of Cash Flows from Operating Activities to Net Result

	2015 \$'000	2014 \$'000
Net cash flows from operating activities	715,406	(217,132)
Adjustments for:		
Depreciation and amortisation	(113)	(139)
Unrealised gain/(loss) in investments	(59,850)	585,754
Finance cost	(318,282)	(322,225)
Actuarial gain/(loss) on claims expense	239,616	41,935
Increase in outstanding claims	(34,348)	18,618
Increase in unearned premiums	(49,346)	(44,398)
(Decrease)/Increase in payables	5,465	(19,880)
Increase in other liabilities	(33,334)	(2,564)
(Decrease)/increase in receivables	1,149	16,969
(Decrease)/increase in insurance and other recoveries receivable	20,792	(9,189)
Decrease in other assets	(8)	(1)
Net result	487,146	47,747

15. Statement of Comprehensive Income of Funds

	TMF	CRIF	GWC	TAC	SRA/RIC	HBCF	2015 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses							
Operating Expenses							
Other operating expenses	860,006	4,368	9,907	60,064	4,913	125,373	1,064,631
Personnel services fees	3,945	-	-	-	-	1,368	5,313
Depreciation and amortisation	113	-	-	-	-	-	113
Grants and subsidies	380,000	-	-	-	-	-	380,000
Finance costs	298,659	-	3,726	11,460	4,437	-	318,282
Total Expenses excluding losses	1,542,724	4,368	13,633	71,524	9,350	126,741	1,768,340
Revenue							
Sale of goods and services	1,272,227	3,584	(215)	1,060	2,004	35,983	1,314,644
Investment revenue	858,031	779	9,014	30,358	15,545	1,813	915,539
Grants and contributions	-	-	10,000	15,000	-	-	25,000
Other revenue	303	-	-	-	-	-	303
Total Revenue	2,130,561	4,363	18,799	46,418	17,549	37,796	2,255,486
Net Result	587,837	(4)	5,165	(25,107)	8,199	(88,945)	487,146
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	587,837	(4)	5,165	(25,107)	8,199	(88,945)	487,146

15. Statement of Comprehensive Income of Funds (continued)

	TMF	CRIF	GWC	TAC	SRA/RIC	HBCF	2014 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses							
Operating Expenses							
Other operating expenses	1,139,613	5,734	3,107	8,363	(30,094)	59,356	1,186,079
Personnel services fees	3,922	-	-	-	-	1,307	5,229
Depreciation and amortisation	139	-	-	-	-	-	139
Grants and subsidies	920,000	-	-	-	-	-	920,000
Finance costs	300,352	-	3,931	11,301	6,640	-	322,225
Total Expenses excluding losses	2,364,026	5,734	7,038	19,664	(23,454)	60,663	2,433,672
Revenue							
Sale of goods and services	1,402,183	248	(215)	47	1,102	25,829	1,429,194
Investment revenue	981,999	1,362	9,321	28,231	14,869	1,434	1,037,216
Grants and contributions	-	-	-	10,000	5,000	-	15,000
Other revenue	8	-	-	-	-	-	8
Total Revenue	2,384,191	1,610	9,106	38,278	20,971	27,263	2,481,418
Net Result	20,165	(4,124)	2,067	18,614	44,425	(33,400)	47,747
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	20,165	(4,124)	2,067	18,614	44,425	(33,400)	47,747

16. Statement of Financial Position for Funds

	TMF	CRIF	GWC	TAC	SRA/RIC	HBCF	2015 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Current Assets							
Cash and cash equivalents	168,803	32,112	2,578	2,725	4,391	72,058	282,666
Receivables	152,798	15,088	239	39	1,118	11,137	180,419
Total Current Assets	321,601	47,200	2,817	2,764	5,508	83,195	463,085
Non-Current Assets							
Receivables	176,977	221	2,479	970	14,172	-	194,819
Financial assets at fair value	7,364,549	-	85,263	281,130	126,054	-	7,856,995
Plant and Equipment	248	-	-	-	-	-	248
Intangible assets	18	-	-	-	-	2,955	2,973
Other	4	-	-	-	-	-	4
Total Non-Current Assets	7,541,795	221	87,742	282,100	140,226	2,955	8,055,039
Total Assets	7,863,397	47,421	90,559	284,864	145,734	86,150	8,518,124
LIABILITIES							
Current Liabilities							
Payables	156,861	(555)	(2)	(1)	123	8,251	164,677
Provisions	889,171	924	6,882	6,663	11,224	29,259	944,123
Other	4,280	1,621	-	-	-	41,434	47,335
Total Current Liabilities	1,050,311	1,990	6,880	6,662	11,347	78,944	1,156,134
Non-Current Liabilities							
Provisions	5,302,163	738	75,206	277,156	79,259	63,291	5,797,813
Other	121	8,822	-	-	-	237,724	246,667
Total Non-Current Liabilities	5,302,284	9,560	75,206	277,156	79,259	301,015	6,044,480
Total Liabilities	6,352,596	11,550	82,086	283,818	90,606	379,958	7,200,614
Net Assets	1,510,801	35,871	8,474	1,045	55,125	(293,806)	1,317,510
EQUITY							
Balance as at 1 July 2014	922,964	35,876	3,308	26,152	46,926	(204,862)	830,364
Net Result for the year	587,837	(4)	5,165	(25,107)	8,199	(88,945)	487,146
Accumulated funds	1,510,801	35,871	8,474	1,045	55,125	(293,806)	1,317,510
Total Equity	1,510,801	35,871	8,474	1,045	55,125	(293,806)	1,317,510

16. Statement of Financial Position for Funds (continued)

	TMF	CRIF	GWC	TAC	SRA/RIC	HBCF	2014 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Current Assets							
Cash and cash equivalents	233,323	26,484	3,065	3,003	3,041	53,728	322,645
Receivables	151,296	12,395	228	22	969	7,690	172,598
Total Current Assets	384,619	38,879	3,293	3,025	4,009	61,418	495,243
Non-Current Assets							
Receivables	164,687	-	2,689	742	12,578	-	180,696
Financial assets at fair value	6,732,354	-	71,361	240,675	120,281	-	7,164,671
Plant and Equipment	62	-	-	-	-	-	62
Intangible assets	62	-	-	-	-	-	62
Other	12	-	-	-	-	-	12
Total Non-Current Assets	6,897,178	-	74,050	241,417	132,859	-	7,345,504
Total Assets	7,281,797	38,879	77,343	244,442	136,868	61,418	7,840,747
LIABILITIES							
Current Liabilities							
Payables	163,098	213	4	2	18	6,808	170,142
Provisions	924,116	1,246	5,955	6,413	10,533	20,952	969,215
Other	4,054	629	-	-	-	30,697	35,379
Total Current Liabilities	1,091,268	2,088	5,959	6,415	10,550	58,456	1,174,736
Non-Current Liabilities							
Provisions	5,267,445	915	68,077	211,875	79,390	32,004	5,659,706
Other	121	-	-	-	-	175,821	175,942
Total Non-Current Liabilities	5,267,566	915	68,077	211,875	79,390	207,825	5,835,648
Total Liabilities	6,358,834	3,003	74,036	218,290	89,940	266,281	7,010,384
Net Assets	922,963	35,876	3,308	26,152	46,928	(204,863)	830,364
EQUITY							
Balance as at 1 July 2013	902,799	40,000	1,241	7,538	2,501	(171,462)	782,617
Net Result for the year	20,165	(4,124)	2,067	18,614	44,425	(33,400)	47,747
Accumulated funds	922,964	35,876	3,308	26,152	46,926	(204,862)	830,364
Total Equity	922,964	35,876	3,308	26,152	46,926	(204,862)	830,364

17. Commitments for expenditures – Operating Lease Commitments

SICorp has two commercial property leases. The leases have a one year and three year life respectively. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2015	2014
	\$'000	\$'000
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	587	587
Later than one year and not later than five years	504	832
Total (including GST)	1,091	1,419

Operating lease commitments are inclusive of GST. The total amount above includes input tax credits of \$99,000 (2014: \$129,000) that are expected to be recovered from the Australian Taxation Office.

18. Budget Review

Net result

Actual net result for SICorp as at 30 June 2015 is a surplus of \$487 million compared to the budgeted surplus of \$133 million, a favourable variance of \$354 million. This favourable result is mainly due to the following major items:

- Increase in investment income of \$414 million due to strong performance of the TCorp TMF facility of 12.13% p.a. compared to a budget assumption of 6.7% for the same period.
- Improvement in the actual claims experience attributable to the reforms to the workers compensation scheme introduced in June 2012 in New South Wales and to changes in actuarial assumptions for the public liability portfolio in line with most recent experience.
- The above mentioned improvement was partially offset by impact of approximately \$238 million related to the reduction in the fair value of the 10 year TCorp bond, used as discount rate for the TMF outstanding claims liabilities, from 5.25% to 4.75% in December 2014.
- Net payment of \$355 million to the Consolidated Fund related to the December 2014 Net Asset Holding Level assessment

Assets and Liabilities

SICorp's total assets as at 30 June 2015 were \$8,518 million compared to the original budget of \$8,311 million. The increase is mainly due to lower than expected claims payments and higher than budgeted reinsurance recoveries receivables.

Total liabilities were \$7,201 million which is lower than the original budget of \$7,568 million mainly due to the decrease in the provision for outstanding claims liabilities attributable to improvements in claims experience and changes in actuarial assumptions for the workers compensation and health liability portfolios. This reduction in the provision was partially offset by the increase related to the change in the fair value of the 10 year TCorp bond, used as discount rate for the outstanding claims liabilities, from 5.25% to 4.75% in December 2014.

Cash Flows

The actual cashflow from operating activities was \$423 million higher than budget mainly due to the increased investment income received during the year, partially offset by the net payment of \$355 million to the Consolidated Fund related to the 2014-15 Net Asset Holding Level assessment not included in the budget. Cash and equivalents held as at 30 June 2015 are \$116 million higher than budget mainly due to lower claims payments.

Other

A budgeted amount of \$7.2 million was reclassified from 'other operating expenses' to 'personnel services fees' compared to the published State Budget. This reclassification relates to the workers compensation related expenses incorrectly reported in published State budget.

19. Contingent Liabilities

Claims Management Incentive Fees

The claims management contracts between SICorp and its claims providers are performance based providing incentives to encourage claims managers to work with their agency clients to improve the Fund performance. Incentives are based on achieving service standards and improvements in outcomes. These measurements are performed by SICorp's actuary when sufficient time has passed for the results to be accurate and it is therefore impractical to estimate these fees in advance.

20. Financial Instruments

SICorp's principal financial instruments are outlined below. These financial instruments arise directly from SICorp's operations or are required to finance those operations. SICorp does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

SICorp's main risks arising from financial instruments are outlined below, together with SICorp's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included through these financial statements.

Management has overall responsibility for the establishment and oversight of risk management, and reviews and sets policies for managing each of these risks. Risk management policies are in place to establish frameworks and processes that identify and analyse the risks faced by SICorp, set risk limits and controls, and monitor risks.

The main purpose of these financial instruments is to derive income and investment gains which are used to fund insurance liabilities.

Note 1 details the key accounting policies and methods which include the recognition criteria, the basis of measurement and the income and expenses recognition for each class of financial instrument.

Financial Instrument categories

	Note	Category	2015 \$'000	2014 \$'000
Financial assets				
Cash and cash equivalents	4	N/A	282,666	322,645
Financial assets at fair value	6	At fair value through profit and loss (designated as such upon initial recognition)	7,856,995	7,164,671
Receivables (i)	5	Receivables measured at amortised cost	120,199	121,651
Financial liabilities				
Payables (ii)	10	Payables measured at amortised cost	65,683	70,294

(i) Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

(ii) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

Risk management

The activities of SICorp expose it to a variety of financial risks. These are:

- Market risks
 - (i) interest rate risk
 - (ii) currency risk
 - (iii) other price risk
- Credit risk
- Liquidity risk

SICorp contracts TCorp, the State's central financing authority which has recognised expertise in the management of financial risks, to advise on, and actively manage these risks in line with the Memorandum of Understanding (MoU) between it and SICorp. TCorp actively manages and reports on the risks associated with the holding of financial instruments.

The MoU is updated annually to include changes in market conditions and/or management's direction and clearly sets out investment management objectives, restrictions and establish performance benchmarks.

Proposed changes to the MoU must go through a consultative process within the forum of the Investment Committee of the SICorp's Advisory Board. Members of the Committee include representatives from SICorp, TCorp and the NSW Treasury. The representatives on the committee include staff that are qualified and experienced in corporate finance.

TCorp manages and monitors the financial risks within the boundaries of its established Board policies, legislative requirements, management guidelines and MoU. TCorp's operational risks are mitigated through:

- comprehensive and detailed risk management policies
- detailed controls over the security, integrity and accuracy of all key systems
- clear and appropriate reporting lines
- qualified and experienced personnel
- a Risk Management & Compliance function
- regular internal audits

Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. SICorp's exposures to market risk are primarily through price risks associated with the movement in the unit price of the Hour-Glass Investment facilities.

The effects on SICorp's operating result due to reasonably possible changes in risk variables are outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in each risk variable has been determined after taking into account the economic environment in which SICorp operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis is performed on the same basis for 2014. The analysis assumes that all other variables remain constant.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to interest rate risk arises primarily through SICorp's investments in the TCorp Hour Glass Cash Facilities and cash deposits held at other financial institutions. TCorp manages the portfolio to agreed benchmarks to minimise the fair value interest rate risk.

The following table provides the sensitivity analysis of interest rate risk affecting applicable financial assets on the operating result and equity of SICorp. A reasonably possible change of +/- 0.5% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	\$'000				
	Carrying amount	Profit -0.5%	Equity -0.5%	Profit 0.5%	Equity 0.5%
2015					
Cash and cash equivalents	282,666	(1,413)	-	1,413	-
2014					
Cash and cash equivalents	270,596	(1,353)	-	1,353	-

(i) Currency risk

SICorp has some foreign currency risk exposure from its investments in the TCorp Hour-Glass investment facilities. The Hour-Glass investments in the emerging market, indexed and actively managed international share sector are denominated in currencies other than Australian Dollars. SICorp also has an exposure to Global Listed Real Estate Securities which are passively hedged with a 100 per cent target level. The agreement between SICorp and TCorp

requires the manager to effectively review the currency exposure when it arises.

TCorp considers currency risk within the context of its overall investment strategy.

As at 30 June 2015 SICorp has no transactional or structural currency exposures (2014: Nil).

(ii) Other price risk

Exposure to “other price risk” primarily arises through the investment in the TCorp Hour Glass Investment facilities which are held for strategic rather than trading purposes. SICorp has no direct equity investments.

SICorp holds units in the following Hour-Glass investment facilities:

Facility	Investment sectors	Investment horizon	2015 \$'000	2014 \$'000
Hour-Glass Cash facility	Cash, money market instruments	Up to 1.5 years	-	26,644
Hour-Glass Strategic Cash facility	Cash, money market instruments	1.5 years to 3 years	-	25,404
Treasury Managed Fund facility	Cash, money market instruments, Australian Bonds, Listed and Unlisted Property, Australian, International and Emerging market shares, and Unlisted Infrastructure	Long term	7,364,549	6,732,354
Hour-Glass Long term growth facility	Cash, money market instruments, Australian Bonds, Listed Property, Australian, International and Emerging Markets Shares, Multi-assets	7 years and over	492,446	432,317

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for the facility. Unit prices are calculated and published daily. The unit prices used to value the balances on the monthly Hour-Glass statements are redemption prices.

TCorp, which has been rated AAA by Standard & Poors, acts as trustee for each of the above facilities and is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp also act as manager for the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investments in the Hour-Glass facilities limit the SICorp's exposure to risk as this allows diversification across a pool of funds with different investment horizons.

The TCorp Hour-Glass investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). TCorp provides sensitivity analysis information for each of the facilities using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price as at 30 June each year for each facility.

Hour-Glass Investment facility	Change in unit price		Impact on surplus/(deficit)	
	2015 %	2014 %	2015 \$'000	2014 \$'000
Cash Facility	+/- 1.0	+/- 1.0	+/- \$0	+/- \$266
Strategic Cash Facility	+/- 1.0	+/- 1.0	+/- \$0	+/- \$254
Treasury Managed Fund	+/- 18.0	+/- 18.0	+/- \$1,325,619	+/- \$1,211,824
Long Term Growth Facility	+/- 15.0	+/- 15.0	+/- \$73,867	+/- \$64,848

SICorp has no exposure to commodity price risk.

Credit risk

Credit risk arises from the financial assets of SICorp, which comprise cash and cash equivalents, receivables and financial assets at fair value. SICorp's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at balance date.

Cash and cash equivalents

Cash comprises bank balances with financial institutions. Interest is earned on daily bank balances.

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at the reporting date. The collection of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. No interest is earned on trade debtors. The average credit period on sales, unless otherwise agreed, is 30 days.

SICorp does not receive any collateral for receivables.

The receivables that are past due or considered impaired are included in the table below.

	Total \$'000	Past due but not impaired \$'000			Considered impaired \$'000
		< 3 months	3 - 6 months	> 6 months	
2015					
Receivables	1,615	387	-	1,228	-
2014					
Receivables	2,051	-	99	1,952	-

The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7.

Financial assets at fair value

Financial assets at fair value include investments in TCorp's Hour-Glass facilities and the managed assets portfolio. The investments within the Hour-Glass facilities are unit holdings, and as such, do not give rise to credit risk. Credit risk within the Hour-Glass facilities is managed by ensuring there is a wide spread of risks, achieved by engaging a spread of funds managers in a specific asset sector. TCorp, as trustee, contracts with these managers and requires in their mandates a series of controls over the concentration and credit quality of assets.

Liquidity risk

The liquidity of SICorp's investments is assured by the high-credit nature of the fixed interest investments within the TCorp Hour-Glass facilities. All Hour-Glass share and property investments are required to be listed on a recognised stock exchange with the exception of the unlisted property and unlisted infrastructure investments which only accounts for 8.56 per cent and 4.02 per cent of the Treasury Managed Fund Hour-Glass facility as at the reporting date.

In accordance with the MoU, TCorp is required to take market turnover and liquidity risk into account at the time of constructing SICorp's investment asset allocation. When TCorp implements strategic asset allocation, the transition plan is in place to exit portfolio in tranches to minimise the liquidity risk.

During the current and prior years, there were no defaults on payables. No assets have been pledged as collateral. SICorp's exposure to liquidity risk is deemed insignificant based on prior periods' data and the current assessment of risk.

The payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury Circular 11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasury Circular 11/12 allows the Minister to award interest for late payment. There has been no interest awarded for late payment to date.

The table below summarises the maturity profile of SICorp's financial liabilities.

	Weighted average effective interest rate %	Nominal amount \$'000 \$'000	Interest rate exposure			Maturity dates		
			Fixed Interest rate \$'000	Variable interest rate \$'000	Non- interest bearing \$'000	< 1 Year \$'000	1 - 5 Years \$'000	> 5 Years \$'000
2015 Payables	-	65,683	-	-	65,583	65,683	-	-
2014 Payables	-	70,294	-	-	70,294	70,294	-	-

Fair value recognised in the Statement of Financial Position

SICorp uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – derived from quoted prices in active markets for identical assets / liabilities that the entity can access at measurement date
- Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly

- Level 3 – derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2014-15				
Financial assets at fair value				
TCorp Hour-Glass investment facilities	-	7,856,995	-	7,856,995
	-	7,856,995	-	7,856,995
2013-14				
Financial assets at fair value				
TCorp Hour-Glass investment facilities	-	7,164,671	-	7,164,671
	-	7,164,671	-	7,164,671

There were no transfers between the levels during the period ended 30 June 2015 (2014: Nil). The value of the Hour-Glass Investments is based on the SICorp's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using redemption pricing.

21. Events after the Reporting Period

The Workers Compensation Amendment Bill 2015 and the State Insurance & Care Governance Bill 2015 have been passed by Parliament in August 2015. The benefits for injured workers and proposed structural changes will commence from dates to be proclaimed by the Government.

Workers Compensation Amendment Bill 2015

The nature of the changes introduced by the Bill is to wind back some of the reforms that were introduced in 2012 as well as introduce other incentives to assist return to work. The main elements of the Bill are as follows:

- an extension of benefits and removal of certain benefit caps for weekly and medical benefits, especially for claimants with higher whole person impairment;
- an introduction of return to work and training grants to certain groups of claimants;
- the application of a new sliding scale for Section 66 (permanent impairment) benefits;
- an increase in the fatality lump sum and funeral benefits; and
- changes to the payment of legal costs in certain work capacity review decisions and changes to the calculation of pre-injury average weekly earnings, both to be implemented through regulation changes.

All of the above changes impact on Non-Emergency Service workers only, except for the increase in the fatality lump sum and funeral benefits that extend to Emergency Service workers as well.

The impact of the changes is expected to result in an increase in the outstanding claims liability for the TMF. There remains considerable uncertainty with respect to the potential impact of these reforms including:

- the commencement dates of some of the changes are unknown, as they depend on the date of assent;

- the way in which the changes will be practically implemented are still to be decided;
- to the extent that existing claims are impacted the approach to transition is still unclear;
- the regulation changes that will be used to implement certain reforms have not been finalised;
and
- uncertainty with respect to how benefit utilisation will change.

It is not possible to estimate reliably the potential financial impact of those changes which will be implemented by regulation. For the other items it is estimated that the impact on the outstanding claims liability of the TMF as at 30 June 2015 is an increase of the order of \$82 million.

State Insurance & Care Governance Bill 2015

The nature of the Bill is to implement structural changes to the NSW workers compensation system and related agencies. The Bill establishes three discrete agencies:

- Insurance & Care NSW: a single insurance and care service provider
- State Insurance Regulatory Authority (SIRA): an independent insurance regulator
- SafeWork NSW: an independent workplace safety regulator

End of Audited Financial Statements

AUDITOR'S STATEMENT



INDEPENDENT AUDITOR'S REPORT

New South Wales Self Insurance Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of New South Wales Self Insurance Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

The Chief Executives' Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

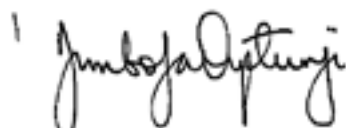
My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A Oyetunji
Director, Financial Audit Services

16 September 2015
SYDNEY



APPENDICES

1: UNAUDITED FINANCIALS

Accounts Payable Performance

Value of outstanding invoices paid by age at the end of each quarter

Quarter	Less than 30 days overdue (\$)	Between 30 and 60 days overdue (\$)	Between 60 and 90 days overdue (\$)	More than 90 days overdue (\$)
Sep-14	53,790,757	-	-	-
Dec-14	91,283,281	1,135,769	43,023	156,553
Mar-15	73,722,979	786,007	2,122,805	311,702
Jun-15	43,567,340	104,337	82,677	1,398,201

Accounts paid on time during each quarter

Quarter	Total Accounts Paid on Time				Total Amount Paid (\$)
	Target	Actuals		\$	
		By Number	By Value		
Sep-14	90%	100%	100%	53,790,757	53,790,757
Dec-14	90%	94%	99%	91,283,281	92,618,626
Mar-15	90%	89%	96%	73,722,979	76,943,493
Jun-15	90%	92%	96%	43,567,340	45,152,555

Credit Card Certification

Cards	Limit	Closing Balance
1	\$2,000.00	\$-
2	\$3,000.00	\$-
3	\$5,000.00	-\$345.10
4	\$5,000.00	\$-
5	\$5,000.00	\$-
6	\$5,000.00	\$-
7	\$5,000.00	\$-
8	\$5,000.00	-\$5.97
9	\$15,000.00	\$-
Total	\$50,000.00	

Expenditure on Consultants

Project Name: **Actuarial Service Provider Tender**

Consultants Costing Less than \$50,000

Procure Group Pty Ltd	Procurement Services for Actuarial Services Request For Tender.	\$36,344
Chris Latham Advisory Services	Independent Expert Advisor for the Actuarial Services Request For Tender.	\$29,986
Oakton Services Pty Ltd	Probity Services for the Actuarial Services Request For Tender.	\$9,563
Sub-total		\$75,893

Project Name: **Agency Reporting Analysis**

Consultants Costing Over \$50,000

PriceWaterhouseCoopers Security	An analysis into the proposed technology tools and support model to support the next Claims Management Service Provider Contract.	\$101,818
Sub-total		\$101,818

Project Name: **Communication Issues Analysis**

Consultants Costing Over \$50,000

PriceWaterhouseCoopers Security	An analysis of the current web technology and technologies to support the stakeholder engagement and support in preparation for the next Claims Management Service Provider Contract.	\$108,166
Sub-total		\$108,166

Project Name: Data Governance Handover

Consultants Costing Over \$50,000

Internal Audit Bureau (IAB)	The Migration of data governance rules and techniques from the actuaries to imbed in the SICorp Data Warehouse processes.	\$196,476
PriceWaterhouseCoopers Security		\$133,773
Certus Solutions Pty Ltd		\$89,800
Sub-total		\$420,049

Project Name: Declaration Process Analysis

Consultants Costing Less than \$50,000

Internal Audit Bureau (IAB)	An analysis of the current annual declaration process to see if there were any existing systems of changes that could be made to improve this information collection process.	\$23,438
Sub-total		\$23,438

Project Name: Fraud Analysis and Detection System

Consultants Costing Over \$50,000

Ernst & Young ABC Pty Ltd	Analysis of the TMF Data Warehouse data set to see if there is any current instances of fraud and evaluate data to set up a fraud detection system.	\$134,275
Sub-total		\$134,275

Project Name: Gov DC Transition**Consultants Costing Over \$50,000**

Access HQ	Migration of Infrastructure and Applications from Australian Technology Park (ATP) to Gov Data Centre	\$55,594
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Consultants Costing Less than \$50,000

Internal Audit Bureau (IAB)	Project Manager to assist with the migration of infrastructure and applications from ATP to the Gov Data Centre	\$20,925
Sub-total		\$76,519

Project Name: HBCF IT System Implementation**Consultants Costing Over \$50,000**

CapGemini Australia Pty Ltd	HBCF IT System implementation and integration with bespoke applications.	\$962,750
Join the Dots Pty Ltd	Procurement Services for HBCF Systems Tender.	\$162,275

Consultants Costing Less than \$50,000

Oakton Services Pty Ltd	Probity Services for the HBCF Systems Tender.	\$19,205
Office of Finance and Services	Network assistance for HBCF IT System implementation and integration.	\$12,600
Sub-total		\$1,156,830

Project Name: Preparations for Next Claims Management Tender Release

Consultants Costing Over \$50,000

Ernst & Young ABC Pty Ltd	Preparations of the Claims Management Service Specifications for the next Claims Management Contract Period	\$220,200
Internal Audit Bureau (IAB)	Preparations of the Claims Management Service Specifications and Data Migration Requirements for the next Claims Management Contract Period	\$172,425
Sub-total		\$392,625

Project Name: Service Provider Incentive Fee Audit

Consultants Costing Over \$50,000

Deloitte	Audit of compliance to SLA for General Lines of Business Service Provider GIO	\$157,252
Sub-total		\$157,252

Project Name: Declaration Process Analysis

Consultants Costing Less than \$50,000

Wise Workplace	Stakeholder interview to Support the SICorp Five Year Strategic Planning Session.	\$24,848
Sub-total		\$24,848

Project Name: Builder Review

Consultants Costing Less than \$50,000

Other	Assessment of Builders within HBCF Scheme	\$2,162
Sub-total		\$2,162
Total Expenditure on Consultants		\$2,673,875

2: INTERNAL AUDIT AND RISK STATEMENT

Internal Audit and Risk Management Statement for 2014-2015 for SICorp

I, Martin Hoffman, Secretary, Department of Finance, Services and Innovation, and I, Steve Hunt, General Manager, NSW Self Insurance Corporation (SICorp) are of the opinion that the SICorp has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy.

I, Martin Hoffman, and I, Steve Hunt are of the opinion that the internal audit and risk management processes for the SICorp depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Minister for Finance & Services on 23 December 2013 and (b) the SICorp implemented the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
Core Requirement 1: The Chief Audit Executive should be appointed from within the agency by the Department Head.	In 2014-15 the NSW Self Insurance Corporation's Chief Audit Executive is employed within the Office of Finance and Services Internal Audit Unit. NSW Self Insurance Corporation has a dedicated Chief Audit Executive from the pool of qualified auditors in the Internal Audit Unit.
Core Requirement 2: An Audit & Risk Committee has been established.	Full compliance with TPP09-05 would put an unreasonable administrative and cost burden on the entity. A review of the Department of Finance & Services cluster arrangements for Audit & Risk Committees was conducted to ensure that smaller related entities were relieved of the cost burdens of supporting their own Audit & Risk Committees and to provide an equivalent coverage of their obligations under TPP09-05 through the sharing of the Department's resources. Consequently, SICorp is clustered with the Building Insurers Guarantee Corporation to form the SICorp Audit and Risk Committee. The SICorp Audit and Risk Committee is compliant to Core Requirement 2 of TPP 09-05 and the requirements for shared arrangements in TPP12-04.
TPP 12-04, Part 1: Guidance on Shared Arrangements, point 6. 'ARCs established under collaborative shared arrangements should only consist of independent members'.	Ministerial approval was granted for the temporary appointment of a non-independent member to the SICorp ARC, until a member of the SICorp Board could be approved for appointment to the SICorp ARC under the ARC prequalification scheme. The non-independent member was an Executive of the former Department of Finance and Services.

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
The determination by the Minister for Finance & Services in respect of these departures, dated 23 December 2013, is appended to this attestation statement.	

I, Martin Hoffman, and I, Steve Hunt are of the opinion that the Audit and Risk Committee for SICorp is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Dr Des Pearson AO, Independent Chair (period of appointment 8 January 2014 to 8 January 2017)
- Mr Jon Tyers, Independent Member (period of appointment 2 January 2014 to 2 January 2016)
- Mr Brian Greig, Independent Member (period of appointment 16 May 2014 to 30 March 2017)

This Audit and Risk Committee has been established under a Minister approved shared arrangement with the following statutory body:

- Building Insurers Guarantee Corporation

These processes, including the practicable alternative measures implemented, provide a level of assurance that enables the senior management of the SICorp to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance with exceptions with the policy to the Treasury on behalf of the Treasurer.



Steve Hunt – General Manager
SICorp



Martin Hoffman – Secretary
Department of Finance, Services and Innovation

3: INFORMATION SECURITY

Digital Information Security Annual Attestation

Digital Information Security Annual Attestation Statement for the 2014-2015 Financial Year

I, Steve Hunt, Executive Director NSW Self Insurance Corporation, have implemented an Information Security Management System during the financial year being reported on which is compliant with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Steve Hunt, Executive Director NSW Self Insurance Corporation, am of the opinion that the security controls in place, to mitigate identified risks to the digital information and digital information systems of NSW Self Insurance Corporation are adequate for the foreseeable future.

I, Steve Hunt, Director NSW Self Insurance Corporation, am of the opinion that all Public Sector Agencies, or part thereof, under the control of the NSW Self Insurance Corporation with a risk profile sufficient to warrant an independent Information Security Management System have developed an Information Security Management System in accordance with Core Requirements of the Digital Information Security Policy for the NSW Public Sector.

I, Steve Hunt, Executive Director NSW Self Insurance Corporation, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, is transitioning towards adopting relevant practices aligned with AS/NZS ISO/IEC 24001 Information technology – Security techniques – Information security management systems.



Steve Hunt – General Manager
SICorp

4: GIPA ACT

During 2014-15, SICorp processed 133 access applications under the *Government Information (Public Access) Act 2009* (GIPA Act). Of these, 68 applications were granted access in full, 61 applications were granted partial access, and 5 were refused.

Of the 66 that were restricted or refused, the following reasons applied, and in some cases, multiple reasons applied to the one application:

- ▶ overriding public interest against disclosure (33 applications)
- ▶ protected by legal professional privilege (32 applications)
- ▶ protection of individual rights (32 applications)
- ▶ responsible and effective government (3 applications)
- ▶ law enforcement and security (1 application).

Information about making information access requests can be found on the SICorp website www.sicorp.nsw.gov.au under Right to Information (GIPA).

Table A: Applications by type of applicant and outcome

Outcome	Media	Members of Parliament	Private sector business	Not for profit or community groups	Members of the public (application by)	Members of the public (other)
Access granted in full	0	0	0	0	14	54
Access granted in part	0	0	0	0	14	47
Access refused in full	0	0	0	0	2	3
Information not held	0	0	0	0	1	1
Information already available	0	0	0	0	0	0
Refuse to deal with application	0	0	0	0	0	0
Refuse to confirm/deny whether information is held	0	0	0	0	0	0
Application withdrawn	0	0	0	0	0	1

Note: more than one decision can be made in respect of a particular access application. If so, a recording is made in relation to each decision. This also applies to Table B.

Table B: Applications by type of application and outcome

Outcome	Personal information applications*	Access applications (other than personal information applications)	Access applications that are partly personal information applications and partly other
Access granted in full	67	1	0
Access granted in part	61	0	0
Access refused in full	3	2	0
Information not held	2	0	0
Information already available	0	0	0
Refuse to deal with application	0	0	0
Refuse to confirm /deny whether information is held	0	0	0
Application withdrawn	1	0	0

*A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	Applications
Application does not comply with formal requirements (section 41 of the Act)	5
Application is for excluded information of the Agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	5
Invalid applications that subsequently became valid applications	3

Table D: Conclusive presumption of overriding public interest against disclosure—matters listed in Schedule 1 of the Act

Reason	Consideration used*
Overriding secrecy laws	1
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	32
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies to Table E.

Table E: Other public interest considerations against disclosure—matters listed in table to section 14 of the Act

Public interest consideration	Application unsuccessful
Responsible and effective government	3
Law enforcement and security	1
Individual rights, judicial processes and natural justice	32
Business interests of Agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate legislation	0

Table F: Timeliness

Timeliness	Applications
Decided within the statutory timeframe (20 days plus any extensions)	123
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	10
Total	133

Table G: Applications reviewed under Part 5 of the Act by type of review and outcome

Type of Review	Decision varied	Decision upheld	Total
Internal review	0	1	1
Review by Information Commissioner*	2	0	2
Internal review following recommendation under section 93 of the Act	0	2	2
Review by ADT	0	0	0
Total	2	3	5

*The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H - Applications for review under Part 5 of the Act by type of applicant

Type of Applicant	Applications for review
Applications by access applicants	3
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Proactive Release Program

Under section 7(3) of the GIPA Act, SICorp reviews its program for the release of government information at least every 12 months to identify the kind of information it holds that should, in the public interest, be made publicly available and can be without imposing unreasonable costs to the agency.⁵

Privacy

5: PRIVACY MANAGEMENT PLAN

SICorp staff adhered to the Office of Finance and Services Privacy Management Plan during 2014-15. There were no privacy breaches reported at SICorp during this time.

Privacy and Personal Information Protection Act 1998

SICorp has a privacy management plan to show stakeholders and staff how we manage personal

information.

Applications for internal review of the conduct of SICorp under section 53(1) of the PPIP Act

In 2014/15, SICorp received eight applications for internal reviews under the PPIP Act.

External review matters under the PPIP Act

There was one appeal to the NSW Civil and Administrative Tribunal which was finalised by 30 June 2015.

6: INSURANCE ACTIVITIES

SICorp understands risk management to be a fundamental principal to its operations. All of its schemes focus on effective management of risk and we aim through our activities, and those of our contracted service providers, to build risk management capability across our stakeholders.

Risk Management has been built into a number of the policies that govern SICorp's operations. For example, the Net Asset Holding Policy ensures that SICorp can meet all of its financial liabilities whilst also freeing up investment income to support other activities within government.

OH&S in the office environment

SICorp's offices went through a refurbishment in 2014-15 requiring it's premises at 201 Elizabeth street to be vacated for a brief period. It was during this eight week period that SICorp took the opportunity to:

- ▶ declutter its office of physical files and unnecessary furniture
- ▶ go through a consultation exercise with staff to select and replace all office chairs
- ▶ make use of expertise within OFS to arrange workplace ergonomic assessments for staff that requested it
- ▶ provide docking platforms for laptops and adjustable screen stands to ensure correct ergonomic work set up
- ▶ Compliance and Risk.

In 2014-15 SICorp had a focussed activity on updating its compliance and risk frameworks to ensure that the mechanisms for identify risk and meeting our compliance obligations was both well documented and well understood by all staff.

Insurance Activities

Through our relationship with the Office of Finance and Services, SICorp's staff, assets and risk exposures are covered by the TMF. SICorp made no claims against this cover in the 2014-15 financial year.

7: RESPONSIBLE RESOURCE USE

Reducing Paper Consumption

To reduce paper consumption and waste, SICorp uses email and our internet and intranet sites to disseminate information and communicate with our stakeholders. Staff are encouraged to print electronic documents only when hard copies are necessary, and duplex printing is default on printers.

SICorp moved to an electronic document records management system (EDRMS) in September 2014. All staff are now able to store, access and electronically submit documents for approval. The conversion to EDRMS has had the effect of:

- ▶ Reducing paper consumption from 825 reams 2013-14 to 455 reams 2014-15
- ▶ 427 paper files set for destruction at an appropriate future date according to the State Records Act
- ▶ 17 metres of paper files sent to a secondary storage facility
- ▶ Creating 154 electronic files and 276 electronic documents.

SICorp's printing facilities were evaluated with the outcome being that just three new multi-functional devices could service the organisation for fax, scanning, printing and photocopying. The new devices require less space and are more efficient and sustainable.

Resource Recovery

Recycling receptacles for paper are provided near each workstation. Receptacles to collect and recycle other materials (such as plastics, glass, aluminium and printer and toner cartridges) are located in kitchens and other common areas.

Using Recycled Material

SICorp uses recycled products when it is cost-effective to do so. Where possible, SICorp purchases items with recycled content (including toners, paper and some stationery items).

In 2014, SICorp completed a refurbishment project of our office space. The main purpose of the refurbishment was to include an additional ten workstations to accommodate increasing staff numbers. All existing workstation materials, i.e. partitioning, desk tops, cabinets, were reused. Where additional materials were required, we arranged to purchase and make use of recycled components to match the existing. New materials were only used where existing material was either no longer suitable or no longer met work health and safety regulations, for example new low height shelving was installed in kitchen and facilities areas.

Waste Reduction and Purchasing Policy

Recycling principles continue to be applied at SICorp, with the purchase and disposal of our consumable paper stock and printer cartridges. The introduction of an EDRMS and MFDs has led to a 55% reduction in paper purchase in the first nine months. With greater familiarity of these facilities it is expected that the reduction will continue into 2015-16.

STATUTORY INFORMATION INDEX

SICorp is a division within the Department of Finance, Services, and Innovation (DFSI). DFSI's annual report covers statutory requirements for which SICorp is not responsible. Refer to DFSI's website for their annual report, www.finance.nsw.gov.au.

Annual Reports (Statutory Bodies) Act 1984

s9(1) Nature of report of operations:	Please refer to individual items listed under Schedule 1 within this Statutory index.
(a) charter	
(b) aims and objectives	
(c) access	
(d) management and structure	
(e) summary review of operations	
(f) legal change	
s9A Letter of submission	Page 4

Annual Reports (Statutory Bodies) Regulation 2010

Regulation 5 Identification of audited financial statements	Page 34
Regulation 6 Unaudited financial information to be distinguished	Appendix 1
Regulation 7 Financial statements, detailed budget	Financial Statements
Regulation 10 Production costs (2)(a)	No external costs
Regulation 10 Internet address (2)(b)	Back Cover
Regulation 10 Details on non-printed formats (2)(c)	Back Cover
Regulation 12 Comparison of investment performance	Financial Statements
Regulation 13 Comparison of liability management	Financial Statements
Regulation 14 Number of executive officers	Refer to DFSI Annual Report
Regulation 16(2) Content index	Page 3
Regulation 16(2) Table of contents	Page 3
Regulation 18(2)(a) Annual Report on internet	Back Cover
Regulation 19(4) Exemptions from reporting	Not applicable

Annual Reports (Statutory Bodies) Regulation 2010

Schedule 1 Access	Back Cover
Schedule 1 Aims and objectives	Pages 6-7
Schedule 1 Charter	Page 6
Schedule 1 Consultants	Appendix 1
Schedule 1 Consumer response	Page 28
Schedule 1 Controlled entities	Not applicable
Schedule 1 Disability Plans	Not applicable
Schedule 1 Economic or other factors	Pages 20-27
Schedule 1 Workforce diversity	Refer to DFSI Annual Report
Schedule 1 Multicultural policies and services program	Not applicable
Schedule 1 Funds granted to non-government community organisations	Not applicable
Schedule 1 Human resources	Refer to DFSI Annual Report
Schedule 1 Land disposal	Not applicable
Schedule 1 Legal change	Page 11
Schedule 1 Management and activities	Pages 20-27
Schedule 1 Management and structure – organisation chart	Page 8
Schedule 1 Occupational health and safety	Refer to DFSI Annual Report
Schedule 1 Payment of accounts	Financial Statements
Schedule 1 Promotion – overseas travel	Refer to DFSI Annual Report
Schedule 1 Research and development	Not applicable
Schedule 1 Risk management and insurance activities	Page 22 & Appendix 6
Schedule 1 Social programs	Not applicable
Schedule 1 Summary review of operations	Pages 20-27
Schedule 1 Time for payment of accounts	Not applicable
Schedule 1 Agreements with the Community Relations Commission	Not applicable

Annual Reports (Statutory Bodies) Regulation 2010

Schedule 1 Waste

Appendix 7

Government Information (Public Access) Act 2009

s125 Reports to Parliament

Appendix 4

Public Interest Disclosures Act 1994

s31 Reports to Parliament

Refer to DFSI Annual Report

Internal Audit & Risk Management Policy TPP 09-05

Internal audit and risk management policy attestation

Appendix 2

PM 2012-15 Digital Information Security Policy

Digital information security policy attestation

Appendix 3

Treasurer's Directions

TD 205.01 Credit card certification

Appendix 1

IMAGE INDEX

Front cover: stock image purchased by staff

Overview: from left, Nicholas Glinatsis, David Plumb at SICorp offices

Our performance: SICorp management team, 2014

Future challenges: Joseph Smith, Chief Operating Officer, at TMF Awards

Financial statements: staff, clients and consultants at SICorp workshop

Appendices: TMF Awards for Excellence winners, 2014

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