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The
Treasury
NSW Self Insurance Corporation

The Hon. Andrew Constance, MP
Minister for Finance
Level 36 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Minister

I am pleased to submit the Annual Report of the NSW Self Insurance Corporation (SICorp) for the financial year ended 30 June 2013, for presentation to the Parliament of New South Wales in accordance with the *Annual Reports (Statutory Bodies) Act 1985*, Section 11.

Yours sincerely

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Steve Hunt
Director
NSW Self Insurance Corporation

21 October 2013

Hugo Harmstorf
Acting Deputy Director General
Office of Finance
Department of Finance & Services

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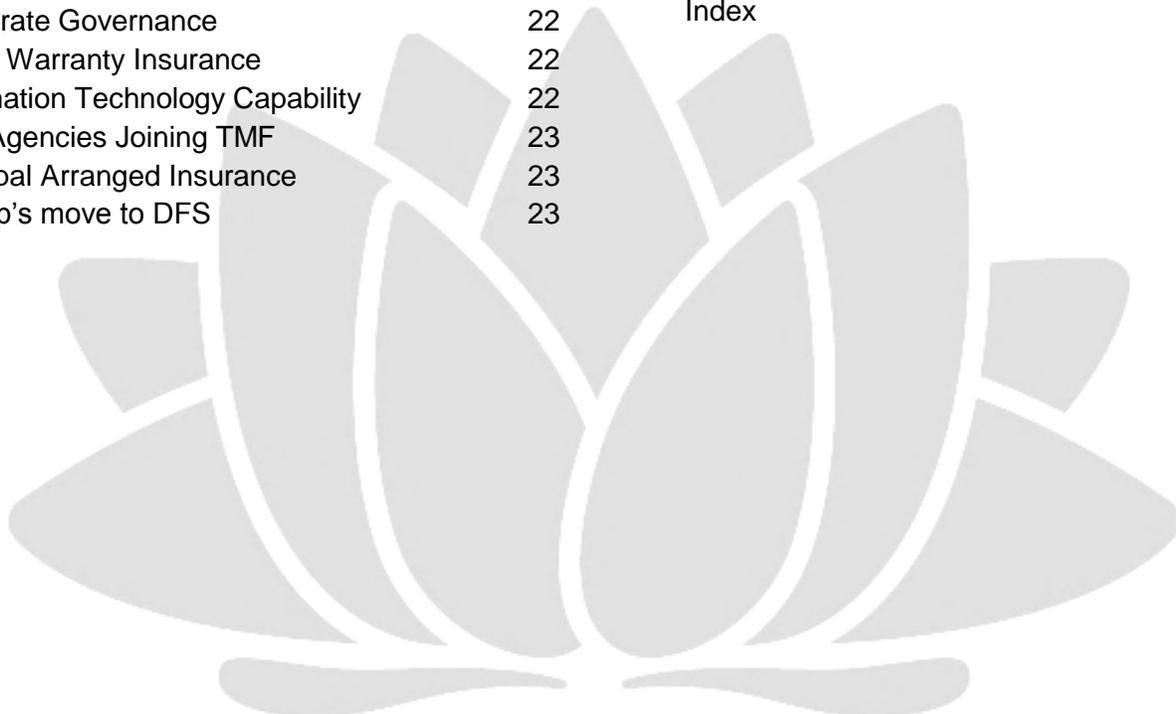
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Access

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www.sicorp.nsw.gov.au



About Self Insurance Corporation (SICorp)

SICorp

The NSW Self Insurance Corporation (SICorp) is a statutory body that operates under the *NSW Self Insurance Corporation Act (2004)*.

SICorp's main function is to operate the NSW Government's managed fund schemes. The main scheme is the Treasury Managed Fund (TMF).

SICorp provides home warranty insurance for residential building work done in New South Wales and manages the Home Warranty Insurance Fund (HWIF).

In addition, SICorp administers a number of closed government insurance schemes. These include the Governmental Workers Compensation Account (GWC), the Transport Accidents Compensation Fund (TAC), the Pre-Managed Fund Reserve and the Rail Scheme.

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

SICorp has no employees. Its work in 2012-13 was done by staff from NSW Treasury. SICorp reimburses NSW Treasury for staff costs.

Charter

SICorp was established by the *NSW Self Insurance Corporation Act (2004)*.

SICorp:

- operates a number of Government managed fund schemes including the TMF
- provides home warranty insurance for building work under the *Home Building Act 1989* and manages the Home Warranty Insurance Fund
- provides Principal Arranged Insurance (PAI) for capital works projects estimated to cost \$10 million or more.

The TMF provides broad protection to all general government sector agencies and a number of non-budget agencies for their asset and liability exposures (except Compulsory Third Party {CTP} motor vehicle insurance).

The TMF is an arrangement under which workers compensation, public and other liabilities, property, motor vehicle accident (not CTP) and miscellaneous covers for TMF Agencies are managed as a self insurance scheme (including the collection of contributions from TMF Agencies towards the cost of claims).

SICorp actively promotes strong risk management capability, practice and a culture within agencies and relevant stakeholders, including service providers designed to minimise claims.

In 2012 the Government mandated that all agencies other than electricity generators and suppliers consult with SICorp with a view to joining TMF from 2013-14 year.

Mission Statement

Support a stronger NSW economy and better public services through our management of the Government's self-insured liabilities.

Core Values

Acting with integrity
Continuously learning and innovating
Focusing on our Stakeholders
Providing leadership at all levels
Valuing the individual

Corporate Objectives

SICorp's overall objective is to improve the financial position of the NSW Government by working with agencies to:

- Maintain a fully funded position
- Minimise State risk exposures
- Optimise the accountability of TMF Agencies and service providers
- Provide efficient and cost effective delivery of services
- Reduce claims costs and budget impacts.

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 stakeholders and service providers
- Providing reporting on claims performance
- Securing value for money services from all service providers.

SICorp Advisory Board

SICorp's Advisory Board provides advice and guidance on the management of SICorp in its functions with respect to Government managed fund schemes and home warranty insurance. The Board comprised of Treasury representatives and non-ex-officio industry experts appointed by the Treasurer.

The Treasurer reappointed board members Anne O'Driscoll and Keith Scott until 30 June 2013. For details of board members please see appendices (page 86).

TMF Agencies

The Treasury Managed Fund provides broad protection for all asset and liability exposures (except CTP) to participating Government agencies known as TMF Agencies.

TMF Agencies are responsible for their claims outcomes and claims costs as well as their risk management capability. The role of TMF Agencies is to:

- conduct regular risk assessments and perform risk management tasks for all exposures
- deliver timely, safe and durable return to work programs for injured workers
- ensure appropriate risk management resources are available
- implement appropriate risk identification measurements, mitigation and management procedures
- respond to incentive arrangements that are part of the scheme.

As at 30 June 2013, TMF provided services to 144 agencies.

Statement of Cover

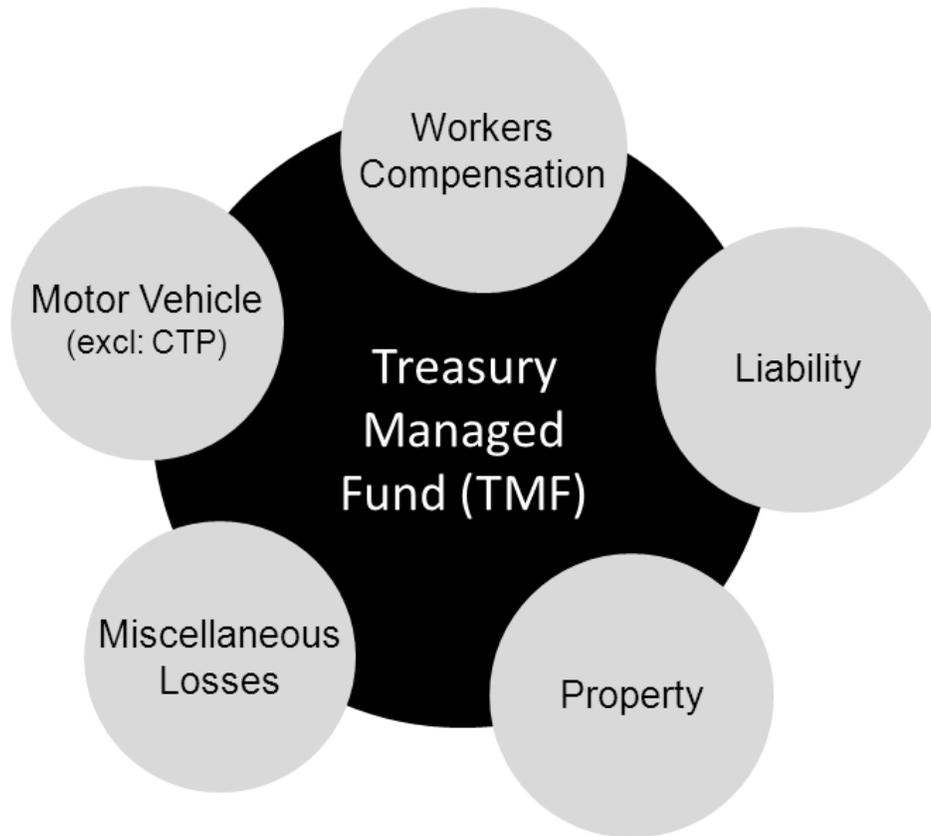
The Statement of Cover represents the New South Wales Government's policy response to loss or damage suffered by TMF Agencies and individuals in certain circumstances.

The extent of the cover provided by TMF is unique to TMF Agencies. TMF covers most types of loss or damage that TMF Agencies suffer and is considered superior in its cover to insurance products offered in the commercial insurance market.

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

TMF provides cover worldwide in respect of:

- 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
- miscellaneous losses, notably, due to employee dishonesty, personal accident and protection for overseas travel.



Exposures not included are:

- illegal activities
- pollution (not being sudden and accidental pollution)
- wear and tear and inherent vice.

TMF is protected by a comprehensive reinsurance program.

The Statement of Cover is available on the SICorp portal under "Publications". The Statement of Cover was previously known as the Contract of Coverage.

TMF is not subject to the *Insurance Act 1973* (Cwlth) nor is it subject to the regulatory control of the Australian Prudential Regulation Authority.

TMF Contributions

Contributions are made by TMF Agencies towards the cost of claims. The first step in setting contribution values is the calculation by actuaries of the target premium for a financial year which represents an estimate of total claims costs and expenses for the ensuing year. Estimates are reduced by expected investment earnings on contributions that accrue prior to claim payments.

The target premium is then allocated to agencies as deposit contributions.

Deposit contributions are set based on a weighting between an agency's own experience and an appropriate external premium measure; for example for workers compensation this is known as the industry benchmark premium. The sum of all deposit contributions will add to the total target premium for TMF. The size of all lines of business by contributions and an indication of performance since 2003-04 is outlined below.

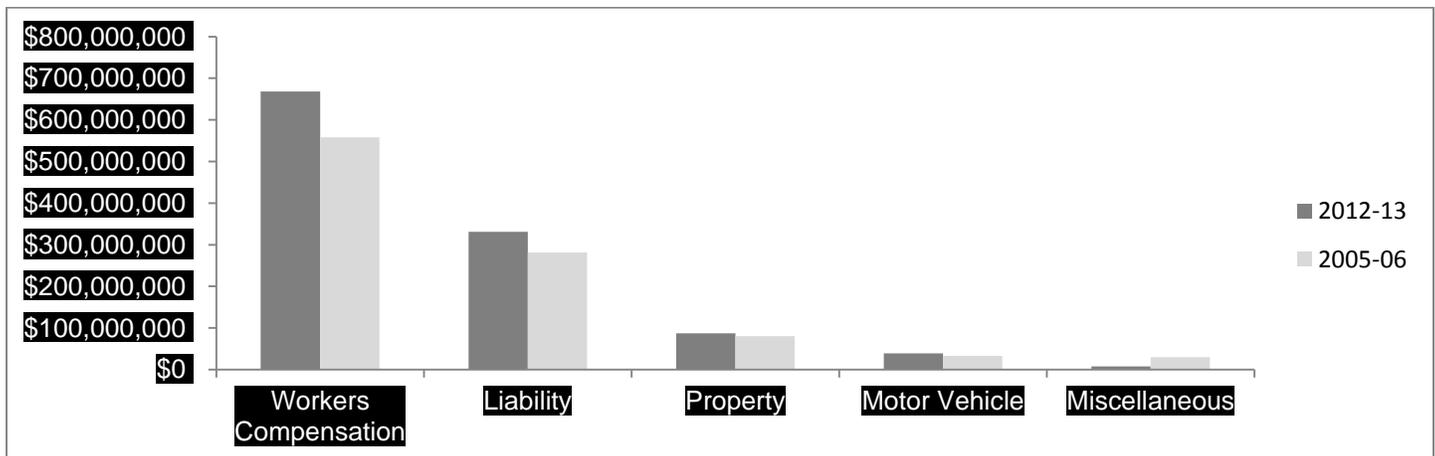
Contribution Indicators

Claims managers provide information to agencies about the calculation of deposit contributions, claims trends and drivers. They work in a collaborative manner to assist TMF Agencies manage their exposure.

Size of all Lines of Business by Contributions (GST exclusive) 2012-13

Line of Business	Premium (GST exclusive)
Workers Compensation	\$667,878,783
Liability	\$330,903,120
Property	\$86,938,360
Motor Vehicle	\$38,531,190
Miscellaneous	\$7,509,850
Total Contributions 2012-13	\$1,131,761,303

Comparison - All Lines of Business Contributions 2012-13 and 2005-06 (SICorp's first reporting year)



Contributions Performance Indicators (GST exclusive)

	Workers compensation – contribution as percentage of wages	Liability – (excluding ⁽¹⁾ VMOs) – contribution per employee	Motor – contribution per vehicle	Property – contribution as percentage of asset value
2012-13	⁽²⁾ 2.32%	\$964	\$847	0.06%
⁽³⁾ 2011-12	2.73%	\$932	\$850	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%	⁽⁴⁾ \$988	\$830	0.12%
2004-05	2.92%	\$1,096	\$843	0.14%
2003-04	3.13%	\$1,131	\$864	0.14%

Note (1) VMO - Visiting Medical Officers.

Note (2) 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. 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 with some changes still to be effected.

Note (3) Impact on workers compensation contribution due to Police death and disability scheme.

Note (4) From 2005-06 there was a positive impact to the liability portfolio as a result of Tort law reforms introduced in 2002.

Working with Agencies

TMF Agency Advisory Council

The TMF Agency Advisory Council (TMF AAC) serves as a consultative forum through which agencies participating in TMF can provide feedback to SICorp.

The Council

- Facilitates greater participation by TMF Agencies in affecting the operation of TMF
- Provides TMF Agencies with a high level forum where issues impacting TMF Agencies can be discussed and information disseminated
- Requires that agency representatives on the Advisory Council are to represent the interest of all TMF Agencies
- Reviews and fosters best practice across TMF Agencies
- Reviews and makes recommendations on issues affecting TMF performance
- Serves as a consultative forum through which TMF Agencies can provide feedback to the Claims Managers, third party service providers and SICorp.

Council members were recommended by SICorp and approved by the Deputy Secretary, NSW Treasury. Membership comprised of seven senior executive representatives from agencies holding a position with responsibilities for risk management, health and safety or workers compensation, the chair of the Public Sector Risk Management Association (PSRMA) and the SICorp Director. For details of current TMF AAC members please see appendices (page 87).

Service Level Agreement Working Groups

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

These working groups review service delivery and service quality provided by the Claims Managers and any issues that arise. They meet four times per year.

For details of current SLA Working Group members please see appendices (page 87).

Guarantee of Service

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

In late 2012 SICorp engaged ARTD Consultants to conduct an independent review of agency satisfaction with Claims Managers as per the requirements of the TMF Claims Management Agreement – Critical Service Standard #2. The results for all claims managers were above standards set in the contracts.

To assist TMF Agencies to monitor and manage their claims experience SICorp provides all agencies access to an online information and reporting system via the SICorp portal.

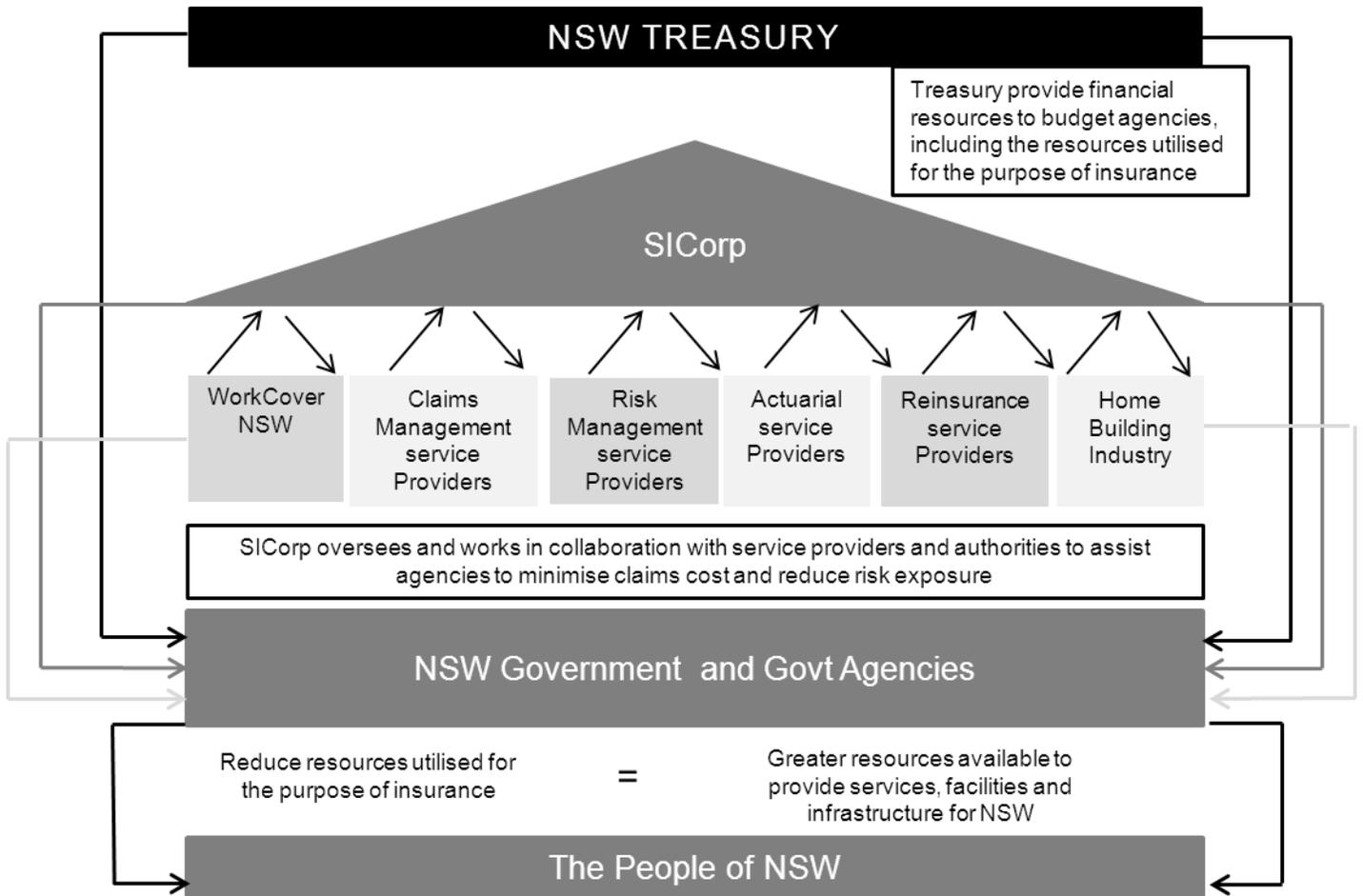
SICorp Commitment to Stakeholders

SICorp's outsourced service model uses large, well established Australian companies to achieve the objective of minimising State exposures, reducing claims cost and budget impacts, optimising the accountability of TMF Agencies and delivering service in an efficient and cost effective manner.

Commitment to the Community

- Efficiently and effectively manage the government schemes under SICorp's control including TMF and HWIF
- Provide access to accurate and timely information within SICorp's statutory responsibilities.

SICorp Stakeholder Matrix



Commitment to HWIF Consumers

- Administer the HWIF efficiently and effectively
- Provide relevant and accurate information in a timely manner.

Commitment to NSW Treasury

- Administer TMF and HWIF and other government schemes efficiently and effectively
- Provide professional advice
- Provide relevant and accurate information in a timely manner
- Work in partnership to achieve common goals.

Commitment to TMF Agencies

- Administer TMF efficiently and effectively
- Make SICorp's objectives and expectations clear and provide written guidelines
- Provide relevant and accurate information in a timely manner
- Work in partnership to achieve common goals.

Commitment to SICorp Staff

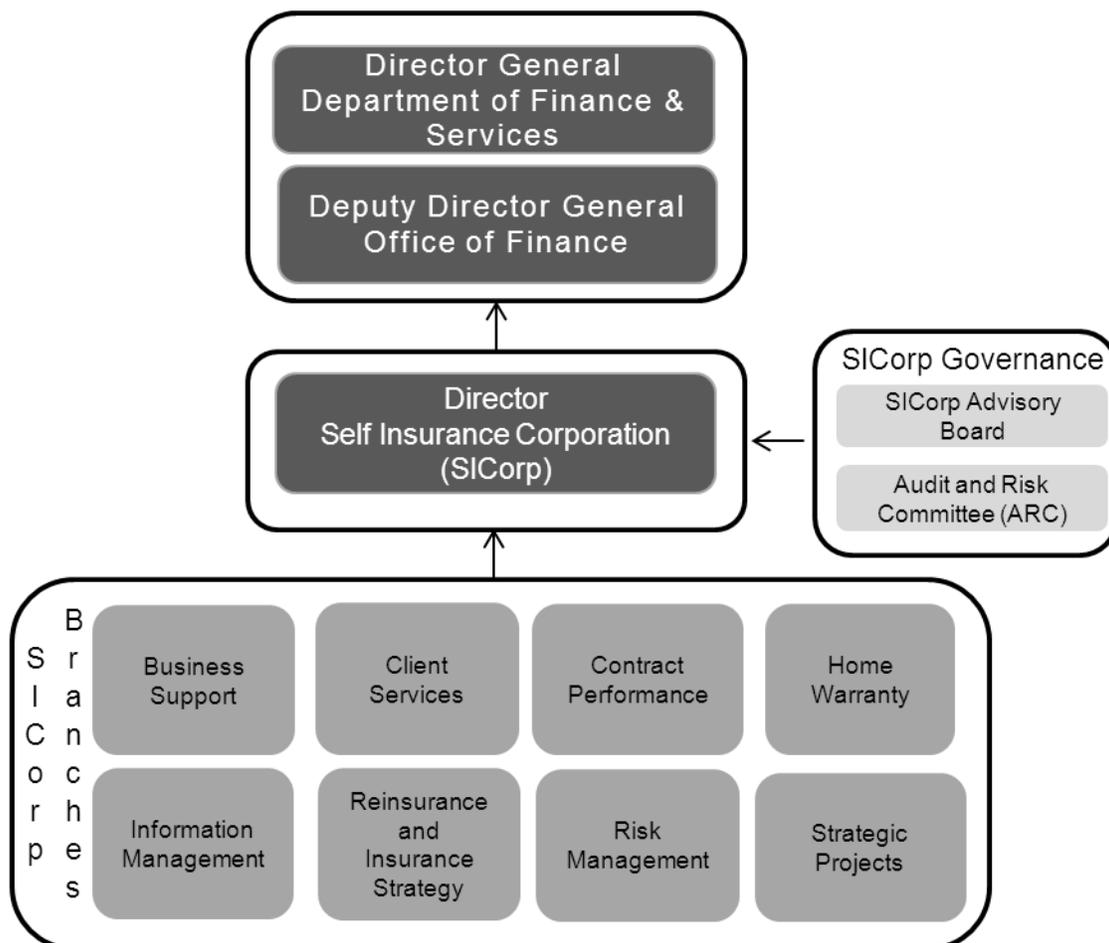
- Provide strong leadership and manage effectively
- Strive to create job satisfaction and provide personal development and career opportunities.

Commitment to Service Providers

- Make SICorp's objectives and expectations clear
- Provide relevant and accurate information in a timely manner
- Work in partnership to achieve common goals.

SICorp Organisation Structure and Governance Chart

SICorp is organised across branches that support both functional and lines of business requirements. The structure supports SICorp's objectives of having the right staff with the right skills who provide a strong focus on effectively managing the outsourced model within the terms of the *NSW Self Insurance Act 2004*.



Note: SICorp transferred to the Department of Finance and Services from 1 July 2013. The chart above indicates SICorp's structure and governance chart as at 1 July 2013.

Our Performance

Client Services

Declaration Training

The Client Service team in collaboration with service providers conducted training for TMF Agencies. As a result of the training there was a significant improvement in the quality of information provided and the return rate of declarations doubled. The positive impact of the training is reflected in more accurate calculation of agency contributions.

Review of agency reporting

SICorp has been working through claims managers to improve the reporting tool and build additional capabilities within agencies to be self-sufficient in fulfilling their information needs. There have been many improvements made to date and more are planned for the coming year.

SICorp.nsw.gov.au

To conform to Government requirements for websites the SICorp portal was reviewed by a compliance auditor. The review has driven accessibility improvements with additional navigations, quick links and dynamic images being implemented. Documents that were previously secured behind a log-in area have been moved to the public domain and a revised architecture has been implemented for both the internet and intranet.

SICorp launched a Risk Management library as part of our service provision to TMF Agencies. The Library contains current literature which is relevant to the TMF community.

Contract and Performance Management

SICorp's organisational structure includes dedicated staff to manage the outsourced providers contracted to TMF and HWIF.

SICorp Account Managers are key contacts for managing the relationship with the Claims Managers and Insurance Agents. Account Managers have primary responsibility for monitoring performance and delivery of the services and commitments under the agreements.

The Manager Performance Analysis is responsible for developing reports that measure claims managers performance and other analysis of the TMF environment.

SICorp's contract and performance management framework ensures the delivery of services meet the standards specified in the claims management agreements.

Home Warranty Insurance

SICorp commenced issuing certificates of insurance as required under the *Home Building Act* from 1 July 2010 through its appointed agents QBE Insurance (Australia) Limited (QBE) and Calliden Insurance Ltd (Calliden).

The activities of the management team during the reported year have included: completing insurance agent audits for compliance with contracted requirements, two conferences for training insurance agents' underwriters, a forum for major builders and response to significant claims activity.

SICorp holds 15,430 builders eligible for purchasing home warranty insurance in NSW as at 30 June 2013. Financial assessments were carried out on 5,157 builders during 2012-13.

Claims activity for the twelve months to June 2013 resulted in 409 claims with an estimated cost of \$26.1 million.

Detailed information on the scope of the protection provided by home warranty policies issued by SICorp, administration procedures, half-year operational reports and documentation is provided on the website www.homewarranty.nsw.gov.au.

Information Management

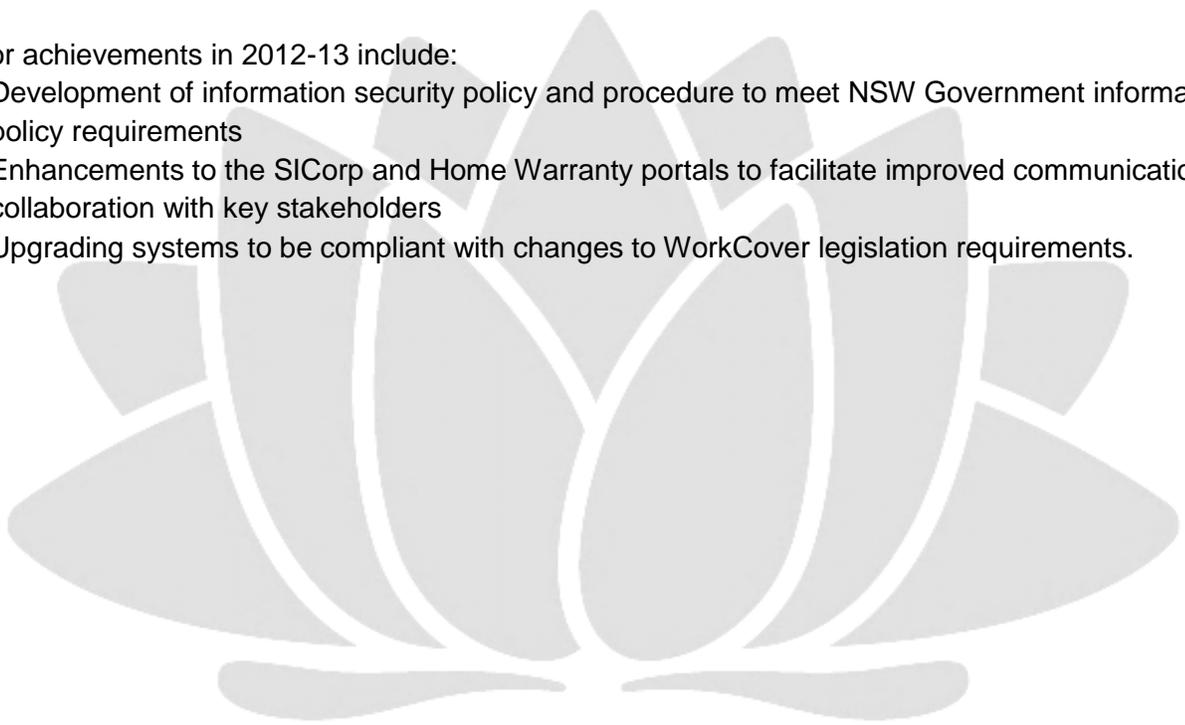
The use of Information Communication Technology (ICT) provides an opportunity to improve SICorp's productivity by making SICorp more efficient and streamlining processes and people's interactions with SICorp.

SICorp's information, computing and telecommunications (ICT) priorities include:

- Improving SICorp's capability to meet its objectives
- Improving the efficiency and effectiveness of ICT operations
- Maintaining SICorp as the source of truth of claims data.

Major achievements in 2012-13 include:

- Development of information security policy and procedure to meet NSW Government information security policy requirements
- Enhancements to the SICorp and Home Warranty portals to facilitate improved communication and collaboration with key stakeholders
- Upgrading systems to be compliant with changes to WorkCover legislation requirements.



Risk Management

SiCorp Risk Management/ Governance/ Compliance

2012-13 saw a concerted focus on SiCorp implementing management systems that more explicitly demonstrate SiCorp's adherence to government policies:

- Audit and management reporting - audits including fraud and corruption and response to the Audit Office of NSW
- Compliance - development of a compliance register and internal management attestation
- Information security - development of appropriate policies and procedures focussed on certification against standard
- Procurement - progress towards accreditation requirements
- Program management - implementation of SiCorp's Program Office including prioritisation of all significant projects, tracking of milestones, monthly reporting/ updating and management review
- Risk management - on-going monitoring of branch risk register and internal controls.

Performance Analysis

SiCorp's analytical capability was greatly enhanced through new reporting initiatives to better understand TMF claims history. Improvements include:

- development of an advanced reporting tool that can rapidly identify, quantify and assist in data quality resolution
- engagement and tailored reporting to TMF Risk Management Steering Committee, TMF Agency Advisory Council, SiCorp Advisory Board and NSW Treasury Executive
- engagement with principal departments, Public Service Commission and WorkCover Authority to share and collaborate data sets, reporting capability and benchmarking opportunities
- in-depth analysis of claims trends, spikes and hot-spots
- monthly scheme monitoring and executive reporting
- operational reporting identifying year on year operating performance and outcomes
- whole of scheme dashboard reporting with focus on emerging risks and prevention.

TMF Risk Management Steering Committee

NSW Treasury Managed Fund Risk Management Steering Committee had its initial meeting in November 2012. The committee's primary role is to provide strategic risk management direction and advice to SiCorp and by doing so to help build the profile and capability of risk management in the NSW Public Sector.

The Steering Committee is comprised of senior executives who represent central agency and/ or whole of government risk management initiatives. They provide expertise and insight on initiatives and ensure that risk management services provided by SiCorp are consistent and aligned with these initiatives.

TMF Agencies are represented on the Steering Committee by the Chair of the PSRMA and two members of the TMF AAC.

The committee meets every two months.

The committee has provided:

- Feedback on risk management project proposals
- Feedback to PSRMA on proposed activities
- Feedback to SICorp Risk Management team on current work initiatives including scheme analysis and agency engagement
- Feedback to Suncorp Risk Services (SRS) on current and proposed work plan activities
- Guidance on strategic direction of risk management services provided by SICorp to TMF Agencies
- Guidance on topics, speakers and timing of 2013 TMF conference and awards
- Opportunities to partner with risk management related initiatives being driven by Public Service Commission, NSW Treasury and WorkCover Authority of NSW.

Deliverables

Significant deliverables provided by SICorp to TMF Agencies included:

- Collaboration between NSW Treasury, NSW Public Service Commission and Pricewaterhouse Coopers on an executive workshop integrating risk management and innovation
- Development and pilot of a sponsored project process to give service providers and agencies a pathway to seek formal support for risk management services
- Future Directions program of work with TMF Agencies focussed on high value low cost risk management initiatives
- On-going support of Public Sector Risk Management Association and related Communities of Practice including running four risk management seminars
- Rolling out training to support NSW Treasury internal audit and risk management policy and associated risk management toolkit and guidelines
- Strategic review of risk management maturity across the Department of Finance and Services
- The 2012 TMF Awards in November, recognising excellence in risk management and injury management.

Reinsurance Renewal

SICorp on behalf of the NSW Government, like commercial insurance companies and most other governments, purchases reinsurance for losses above their predetermined retention levels (or risk tolerances). Reinsurance helps to avoid the impact of financial losses associated with large catastrophic incidents.

Aon Benfield (Aust) Pty Ltd (Aon Benfield) in cooperation with SICorp successfully negotiated the renewal of SICorp's reinsurance program for 2012-13. All covers were placed at 100 per cent prior to expiry of policies and signed lines were agreed by SICorp and advised to reinsurers prior to inception of cover for 2012-13.

SICorp's reinsurance protection is purchased through Australian and European reinsurance markets, with increasing placements through Singapore.

Natural catastrophes in particular bushfire and floods remain the major topics of interest during reinsurance meetings, with a number of reinsurers seeking to reduce or remove their exposure to bushfire risk.

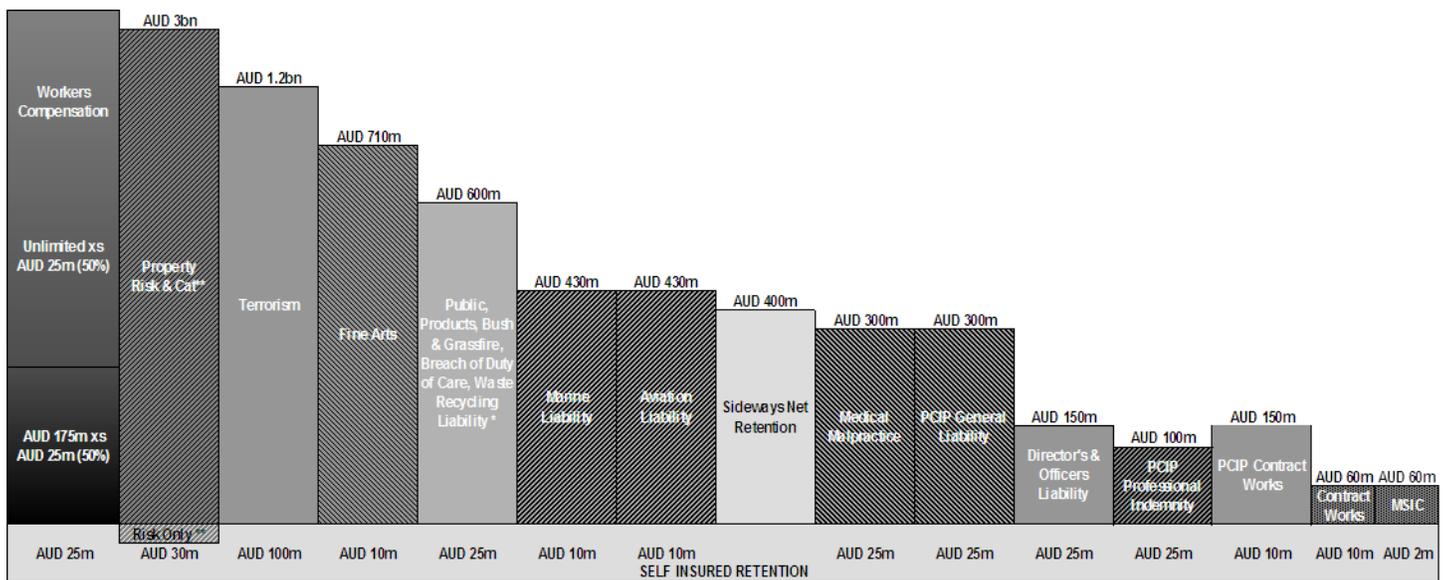
SICorp in cooperation with a number of its service providers has provided the reinsurance market with modelling results which indicate the limited scale of any likely losses and to distinguish NSW Government risks from losses occurring in other Australian and overseas jurisdictions.

Despite the impact of natural disasters in other parts of Australia and the world, Aon Benfield successfully renewed the 2012-13 reinsurance program below predicted budget expenditure.

2012-13 reinsurance renewals ensured that adequate protection was in place to enable the Art Gallery of NSW to hold the \$1.5 billion Francis Bacon exhibition. The renewal ensured the inclusion of Transgrid as a new TMF agency with assets of \$15 billion.

Purchase of reinsurance represents prudent risk management and ensures that Government is not exposed to large scale loss. The reinsurance premium for 2012-13 equated to 3.2 per cent of premiums and includes cover for \$149 billion in declared assets providing protection against large and catastrophic events that could impact TMF's overall liabilities and government expenditure.

The overall security of participating reinsurers was maintained. SICorp's reinsurance purchase includes cover for damage or loss to all declared property assets due to terrorism and natural catastrophe including earthquake, fire and flood.



Notes
 * The Primary layer of the General Liability programme includes Medical Malpractice, Waste Liability, PCIP Liability and Directors' & Officers' Liability
 ** AUD 20m Retention applies to Property Risk losses, AUD 30m Retention applies per risk to Property Catastrophe losses

SICorp Program Office

SICorp's governance, compliance, program and risk management practices are continually improving. SICorp has implemented a Program Management Office (PMO). Led by SICorp's Risk Management Unit the PMO is building project management capability and reporting of major SICorp projects.

The PMO monitors active projects, follows up projects until completion and reports progress to management for strategic decisions on which projects to continue or defer.

The goal of the PMO is to improve the number of projects coming in on time, on budget and meeting intended goals and business intent. The PMO's value is understood by SICorp staff involved in projects.

TMF Awards

The Deputy Secretary, Budget and Financial Management Directorate, NSW Treasury presented awards to the winners of the 2012 TMF Awards for Excellence at a ceremony at the University of Technology Sydney (UTS) on 15 November. The awards celebration featured a sharing session where finalists were able to showcase their initiatives using storyboards and discuss their experiences with delegates. The winning presentations are available on the SICorp portal under the events menu.

The awards recognise NSW public sector agencies and staff for their efforts to improve work health and safety, risk management and injury management.

Award Winners

Category

Innovation

Innovation, Highly Commended

Work Health and Safety

Injury Management

Risk Management

Risk Leadership

Risk Leadership, Highly Commended

People's Choice

Winner

Ambulance Service of NSW

Ageing, Disability and Home Care

Australian Technology Park

Justice Health and Forensic Mental Health Network with QBE

NSW Rural Fire Service

Elizabeth Koff, Chief Executive, The Sydney Children's Hospital Network

Office of Environment and Heritage Executive Team

Western Sydney and Nepean Blue Mountains Local Health District.

TMF Legal Services Panel

The tender process to establish TMF Legal Services Panel was completed during the year.

The Panel is the culmination of two years of planning and represents a worthy achievement for TMF, SICorp and TMF Agencies.

The tenderers representing the best value for money were recommended to the Treasurer for appointment to the Panel. Appointment of the Legal Panel will deliver outcomes for the Government that include:

- Achieving transparency and accountability for expenditure and performance
- Delivery of equivalent legal services across out-sourced claims managers
- Establishing and maintaining constructive and mutually beneficial relationships with panel firms to partner with SICorp
- Establishing innovative, alternate fee arrangements to provide certainty and control of costs
- Information sharing among panel firms, agencies, claims managers and SICorp to ensure continuous improvement
- Procuring cost effective, high quality legal services for TMF
- Reducing duplication or unnecessary advices.

A legal panel management system called the NSW Legal Panel Gateway (LPG) will be utilised to assist in the management of the Panel. The LPG will allocate cases fairly to members of the panel, provide reporting that will assist in the management of costs and assess performance to service levels and key performance indicators.

The overriding aim of the panel is to provide value for money in regard to legal services for the NSW Government and the NSW taxpayers.



Future Challenges

Corporate Governance

SICorp is experiencing increasing compliance and corporate governance requirements from external agencies such as the Audit Office of NSW and internal mechanisms such as the Audit and Risk Committee, TMF AAC, SICorp Advisory Board and the TMF Risk Management - Steering Committee.

SICorp is working to enhance:

- Compliance
- Performance and audit reporting
- Procurement
- Program management practices
- Staff training.

SICorp continues to actively address Audit and Risk Committee suggested improvements and recommendations from a range of audits and reviews undertaken on SICorp.

Home Warranty Insurance

SICorp will continue to balance the risk of disruption and restriction to the home building industry with the credit risk management needed to bring stability to the HWIF scheme. The challenge is to ensure builders build within their financial and technical capacity but still meet market demand for construction activity with the scheme to be self-funding.

The management team continues to assist the insurance agents develop adequate claims and underwriting capability within published service standards.

The scheme is collecting significant data which will be made available to industry stakeholders and government policy makers. SICorp will ensure that reports of activity, eligibility reviews, claims results and eligibility status are provided to the industry.

Information Technology Capability

SICorp will review the delivery of its information technology services with a view to improving performance and achieving cost savings.

New Agencies Joining TMF

In line with the Government mandate that all NSW Government agencies other than electrical generators and suppliers place their insurance risks with SICorp from 1 July 2013, SICorp has conducted extensive engagements with all non-TMF Agencies.

As at 30 June 2013 the Sydney Catchment Authority and the Sydney Ports Corporation have agreed to place their insurance risks with TMF from 2013-14. This will save \$3.7million in insurance premiums and provide superior cover.

SICorp continues to discuss insurance arrangements with the remaining non-TMF Agencies.

Principal Arranged Insurance (PAI)

The Government has mandated that all NSW Government agencies other than SOCs must place their PAI requirements through SICorp for all capital works projects estimated to cost \$10million or more.

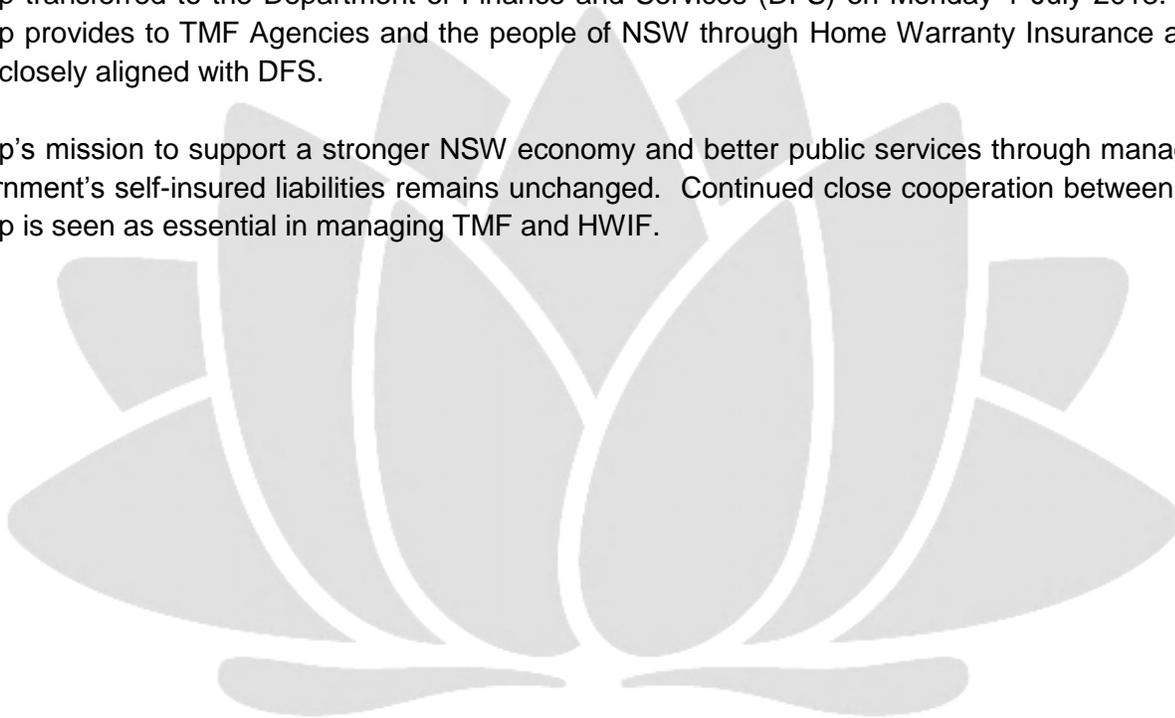
SICorp is working with various agencies on a range of projects and is actively engaged at the Request for Tender (RFT) and subsequent arrangement of cover stages. Notable activities in this area are the North West Rail Link and Transport for NSW construction.

SICorp continues to work closely with a range of agencies to provide cover for construction projects.

SICorp's Move to the Department of Finance and Services

SICorp transferred to the Department of Finance and Services (DFS) on Monday 1 July 2013. The services SICorp provides to TMF Agencies and the people of NSW through Home Warranty Insurance are seen to be more closely aligned with DFS.

SICorp's mission to support a stronger NSW economy and better public services through management of the Government's self-insured liabilities remains unchanged. Continued close cooperation between Treasury and SICorp is seen as essential in managing TMF and HWIF.



Financial Statements



New South Wales Self Insurance Corporation

Financial Statements
for the year ended 30 June 2013

Report from the Audit and Risk Committee

Dear Secretary

In compliance with Treasury Circular 09/08, the NSW Treasury Audit and Risk Committee (“the Committee”) aims to:

- assess risks arising from the operations of the NSW Treasury cluster and the adequacy of measures in place to control those risks
- liaise with external audit
- assure the integrity of NSW Treasury’s external financial reporting and internal management reporting
- oversee the internal audit function, risk management, corporate governance, and other internal assurance processes that operate within NSW Treasury. During 2012-13, entities overseen by the Committee included¹:
 - Treasury, including Industrial Relations
 - Crown Entity
 - NSW Self Insurance Corporation, including the Home Warranty Insurance Fund
 - Long Service Corporation
 - State Rail Authority Residual Holding Corporation
 - Liability Management Ministerial Corporation
 - Lotteries Assets Ministerial Holding Corporation
 - Building Insurers’ Guarantee Corporation
 - Electricity Assets Ministerial Holding Corporation
 - Ports Assets Ministerial Holding Corporation
 - Residual Business Management Corporation .

The Committee is separately tasked with oversight of the management controls on the preparation of the Total State Sector Accounts, which are published annually in the *Report on State Finances*.

The Committee oversees audits and reviews of NSW Treasury activities, as scheduled in the annual internal audit plan. The areas to be audited are determined based on exposure to potential financial or other strategic or operating risks.

Committee Membership

The Committee is constituted in compliance with NSW policy TPP 09-05.

Current membership:

- Peter Lucas (independent Chair)
- Carolyn Burlew (independent member)
- Jon Tyers (independent member - first meeting Aug 2012)
- Kevin Cosgriff (internal member - first meeting Feb 2013)

Members whose terms ended during 2012-13

- Mark Ronsisvalle (internal member - last meeting Nov 2012)
- Sue Power (internal member - last meeting December 2012)

¹ An up-to-date list of the entities monitored by Treasury’s Audit and Risk Committee can be found on the Treasury website, under ‘Annexure 1’, at: http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0014/20723/2_ARC_Charter_March_2013.pdf. It excludes the Treasury Corporation.

Committee Meetings

The Committee met on nine occasions during 2012-13. Independent members held a further three meetings with the Secretary during the same period. During the course of the year the Committee oversaw matters including:

- the establishment of a Shared Arrangement Agreement under TPP 12-04 between Treasury and the smaller agencies in the cluster;
- the incorporation of Industrial Relations and the Long Service Corporation into Treasury's audit and risk program, those areas having entered the Treasurer's administration in September 2012;
- the rollout of a new Risk Framework and Policy across the cluster;
- work with ServiceFirst to substantially improve the information provided in their assurance letter to their client agencies and to ensure letters are issued to a timetable that optimally supports early close and end-of-year financial statements;
- further substantial improvements in Treasury's capacity to assure its compliance with legislation and regulation;
- a significant upgrade to the Quality Assurance and Improvement Program for audit and risk.

The Committee reviewed early close and end-of-year financial statements for each of the Treasury entities and for the Total State Sector Accounts and provided advice and assurance to the Secretary.

Internal Audit Program

The following assurance reports were tabled before the Committee during 2012-13 and commended, with management responses, to the Secretary for approval:

- Expansion of Treasury Managed Fund membership
- Controls around the production and presentation of the Total State Sector Accounts
- Controls around the Cash Management System
- Core business processes and controls at the NSW Long Service Corporation

The following reports on reviews (ie not assurance reports) were likewise commended to the Secretary:

- Information security and configuration management in the NSW Self Insurance Corporation
- Half-yearly Budget review process
- Design and implementation risks for Treasury's IT Disaster Recovery planning

The following audits and reviews were in the field or at report-drafting as at 30 June:

- Cluster expectations of the Treasury Corporation
- Reporting to the Executive Team
- Procurement in Treasury and Crown
- Procurement for the Ports Asset Transaction

The Committee regularly monitors the appropriateness and timeliness of management responses to completed reviews and to Audit Office management letters.



Peter Lucas, B.Comm, FCA, FCIS, FAICD, JP
Independent Chair
NSW Treasury Audit and Risk Committee
15 October 2013



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 the New South Wales Self Insurance Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2013, 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.

Basis for Qualified Opinion

As disclosed in Note 2 'Summary of Significant Accounting Policies' under the heading 'Basis of preparation', the Corporation has not adopted Australian Accounting Standard AASB 1023 'General Insurance Contracts' when recognising the operations of the Treasury Managed Fund. In my opinion, the Corporation should have applied AASB 1023. While I could not carry out audit procedures to determine the actual effect of this departure, I believe that had the Corporation applied AASB 1023, liabilities would have increased by a material amount and net assets decreased by the same amount. The Corporation would have also had to make additional disclosures about the activities of the Treasury Managed Fund. My opinion for 2012 was similarly qualified.

Qualified Opinion

In my opinion, except for the effect on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraph above, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2013, 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Director-General of the Department of Finance and Services' Responsibility for the Financial Statements

The Director-General of the Department of Finance and Services is responsible for the preparation of the 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 Director-General determines is necessary to enable the preparation of financial statements that give a true and fair view and that 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 the 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 Corporation'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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, 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 qualified audit opinion.

My qualified opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- 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
- about the assumptions used in formulating the budget figures disclosed in 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 T Whitfield
Deputy Auditor-General

25 September 2013
SYDNEY



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 2013 and financial position as at 30 June 2013; 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 2010*, the requirements of the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer with specific exemptions and relevant Australian Accounting Standards except for AASB1023 *General Insurance Contracts*. SICorp only adopts AASB 1023 when accounting for the Home Warranty Insurance Fund.

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

Laurie Glanfield AM
Director General, Department of Finance & Services

New South Wales Self Insurance Corporation

Statement of Comprehensive Income for the year ended 30 June 2013

**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 2013

	Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
Expenses excluding losses				
Operating expenses				
Claims expense	7	1,074,180	1,070,197	1,101,085
Outwards reinsurance expense		39,414	38,655	34,347
Management fees		140,311	134,914	135,444
Depreciation and amortisation	14,15	183	315	328
Grants and subsidies	6	215,000	-	-
Finance costs	17	304,632	325,442	304,989
Other operating expenses	8	64,417	60,996	90,702
Total expenses excluding losses		1,838,137	1,630,519	1,666,895
Revenue				
Premium revenue	3	1,278,784	1,281,657	1,231,706
Reinsurance and other recoveries revenue	4	1,459	59,632	82,663
Investment revenue	5	1,223,473	565,743	(76,786)
Grants and contributions	6	10,000	237,000	224,000
Other revenue		8	-	21
Total revenue		2,513,724	2,144,032	1,461,604
Net result		675,587	513,513	(205,291)
Other comprehensive income		-	-	-
Total comprehensive income		675,587	513,513	(205,291)

The accompanying notes form part of these financial statements.

New South Wales Self Insurance Corporation

Statement of Financial Position

as at 30 June 2013

	Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	9	587,389	279,074	558,693
Receivables	10	116,886	134,117	322,777
Reinsurance and other recoveries receivable	11	42,855	42,503	47,582
Total current assets		<u>747,130</u>	<u>455,694</u>	<u>929,052</u>
Non-current assets				
Reinsurance and other recoveries receivable	11	185,774	233,938	221,192
Financial assets at fair value	12	6,531,305	6,642,282	5,219,099
Plant and equipment	14	136	277	210
Intangible assets	15	127	324	197
Other	13	13	32,129	26
Total non-current assets		<u>6,717,355</u>	<u>6,908,950</u>	<u>5,440,724</u>
Total assets		<u>7,464,485</u>	<u>7,364,644</u>	<u>6,369,776</u>
LIABILITIES				
Current liabilities				
Payables	16	150,261	145,094	134,768
Unearned premiums	19	22,327	7,658	13,580
Provision for outstanding claims	17	1,024,362	943,637	943,355
Total current liabilities		<u>1,196,950</u>	<u>1,096,389</u>	<u>1,091,703</u>
Non-current liabilities				
Provision for outstanding claims	17	5,342,886	5,493,364	5,070,818
Unearned premiums	19	96,199	108,494	67,897
Provisions	18	45,833	128	32,328
Total non-current liabilities		<u>5,484,918</u>	<u>5,601,986</u>	<u>5,171,043</u>
Total liabilities		<u>6,681,868</u>	<u>6,698,375</u>	<u>6,262,746</u>
Net assets		<u>782,617</u>	<u>666,269</u>	<u>107,030</u>
Equity				
Accumulated funds		<u>782,617</u>	<u>666,269</u>	<u>107,030</u>
Total equity		<u>782,617</u>	<u>666,269</u>	<u>107,030</u>

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 2013

	Accumulated funds \$'000	Total equity \$'000
Balance at 1 July 2012	107,030	107,030
Net result for the year	675,587	675,587
Other comprehensive income	-	-
Total comprehensive result for the year	675,587	675,587
Transactions with owners in their capacity as owners	-	-
Balance at 30 June 2013	782,617	782,617
 Balance at 1 July 2011	 312,321	 312,321
Net result for the year	(205,291)	(205,291)
Other comprehensive income	-	-
Total comprehensive result for the year	(205,291)	(205,291)
Transactions with owners in their capacity as owners	-	-
Balance at 30 June 2012	107,030	107,030

The accompanying notes form part of these financial statements.

New South Wales Self Insurance Corporation

Statement of Financial Position

as at 30 June 2013

	Actual	Budget	Actual
	2013	2013	2012
Notes	\$'000	\$'000	\$'000
Cash flows from operating activities			
Payments			
Claims paid	(1,062,198)	(1,017,532)	(1,008,894)
Premiums - hindsight adjustment paid	(81,173)	(1,800)	(56,939)
Management fees	(137,671)	(150,040)	(125,931)
GST paid	(138,187)	(113,929)	(126,525)
Outwards reinsurance	(39,414)	(38,655)	(34,347)
Grants and subsidies	(215,000)	-	-
Other	(48,146)	(59,978)	(50,608)
Total payments	<u>(1,721,789)</u>	<u>(1,381,934)</u>	<u>(1,403,244)</u>
Receipts			
Premiums receipts	1,320,457	1,305,483	1,351,205
Premiums - hindsight adjustment received	206,408	126,671	122,458
Investment receipts	281,354	264,974	258,977
Interest received	2,615	3,778	3,387
Reinsurance and other recoveries	41,628	48,950	43,492
GST refunds	39,755	27,000	74,423
Grants and contributions	231,000	237,000	58,000
Other	8	-	21
Total receipts	<u>2,123,225</u>	<u>2,013,856</u>	<u>1,911,963</u>
Net cash flows from operating activities	<u>401,436</u>	<u>631,922</u>	<u>508,719</u>
	20		
Cash flows from investing activities			
Proceeds from sale of investments	99,487	-	15,131
Purchase of investments	(472,189)	(614,650)	(237,955)
Purchase of plant and equipment and intangibles	(38)	(171)	(12)
Net cash flows used in investing activities	<u>(372,740)</u>	<u>(614,821)</u>	<u>(222,836)</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash	<u>28,696</u>	<u>17,101</u>	<u>285,883</u>
Opening cash and cash equivalents	558,693	261,973	272,810
Closing cash and cash equivalents	<u>587,389</u>	<u>279,074</u>	<u>558,693</u>
	9		

The accompanying notes form part of these financial statements.

New South Wales Self Insurance Corporation

Notes to the financial statements

for the year ended 30 June 2013

1. NSW SELF INSURANCE CORPORATION INFORMATION

The NSW Self Insurance Corporation (SICorp) is a statutory body that provides self-insurance coverage for most of the general government sector. SICorp also provides home warranty insurance outside the NSW public sector. Its main business address is at Level 17, 201 Elizabeth Street Sydney NSW 2000.

SICorp operates under the *NSW Self Insurance Corporation Act 2004*. 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 Warranty Insurance Fund
- Principal Arranged Insurance.

NSW Treasury Managed Fund (TMF)

The TMF is SICorp's main insurance scheme. It is a 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 including workers compensation claims.

The PMF is not separately identified in the financial statements, but is aggregated into the TMF.

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.

New South Wales Self Insurance Corporation

Statement of Financial Position

as at 30 June 2013

1. NSW SELF INSURANCE CORPORATION INFORMATION (continued)

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 Warranty Insurance Fund (HWIF)

SICorp became the manager and underwriter of the HWIF from 1 July 2010 following the withdrawal of the commercial insurers in NSW. HWIF solely provides insurance for home owners for residential building projects where a builder defaults in their contract.

Principal Arranged Insurance (PAI)

Treasury Circular 12/11 requires all government agencies, other than State Owned Corporations (SOC) to undertake PAI through SICorp for all government 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 ensure that adequate insurance is in place with a reputable insurer and 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 PAI scheme was setup for operation in 2013-14.

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 HWIF commenced on 1 July 2010 and expires on 31 December 2013. The claims and underwriting management arrangement of SICorp is shared between:

New South Wales Self Insurance Corporation

Notes to the financial statements

for the year ended 30 June 2013

1. NSW SELF INSURANCE CORPORATION INFORMATION (continued)

Management of claims and insurance underwriting business (continued)

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the:

- *Public Finance and Audit Act 1983*
- *Public Finance & Audit Regulation 2010*
- the Financial Reporting Directions published in the Financial Reporting Code (FRC) for NSW General Government Sector Entities or issued by the Treasurer.

Exemption was granted to SICorp from the fixed format requirements under the FRC to allow for the inclusion of additional line items in the primary financial statements and associated notes and budget comparisons.

The financial statements also comply with applicable Australian Accounting Standards which include Australian Accounting Interpretations except for AASB 1023 *General Insurance Contracts*. SICorp adopts AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* for its activities except when accounting for the HWIF where AASB 1023 is applied.

The use of AASB 137 reflects SICorp acting as a whole-of-government self-insurer and ensures consistency with the Total State Sector Accounts.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest thousand dollars (\$'000).

SICorp financial statements were authorised for issue by the Director General, Department of Finance & Services (DFS) on the date the accompanying statement was signed.

New South Wales Self Insurance Corporation

Statement of Financial Position

as at 30 June 2013

Use of estimates and judgements

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 fair value has been determined by reference to the quoted market price for similar instruments and the underlying value provided by Portfolio manager, New South Wales Treasury Corporation (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.

Valuation of derivative financial instruments

The fair values of derivatives are determined by reference to the market value for similar instruments.

Where an active market exists, fair values are determined by reference to the specific market quoted prices/yields at the year end. If no active market exists, judgement is used to select the valuation technique which best estimates fair value by discounting the expected future cash flows arising from the securities to their present value using market yields and margins appropriate to the securities. These margins take into account credit quality and liquidity of the securities.

Reinsurance and other recoveries revenue

SICorp purchases reinsurance 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 claims arise above the reinsurance excess level, the cost of claims is recoupable from SICorp's reinsurer.

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgements (continued)

Provision for outstanding claims

The provision for outstanding claims is actuarially determined in consultation with the claims managers for TMF, TAC, GWC, SRA/RIC. 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 17.

The liability for claims includes:

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

For HWIF, the provision for outstanding claims is actuarially determined in conjunction with information supplied by the Insurance Agents for NSW Home Warranty Insurance 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 report 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. The details of rates applied are included in Note 17.

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 manager and approved by SICorp.

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative

Except when an Australian Accounting Standard permits, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2013. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

SICorp has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC13/02.

New, revised or amending standards and interpretations

SICorp has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting year.

Any significant impact on the accounting policies from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of SICorp.

Budgeted amount

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the *Public Finance and Audit Act (1983)* where there has been a transfer of functions between departments.

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE

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.

Premium revenue of the TMF is received from member agencies for insurance cover from 1 July each year. The premium of the HWIF provides insurance cover for periods up to 7 years commencing from the date of the insurance contract.

Hindsight adjustments

The TMF uses an incentive-based scheme to encourage agencies to improve their claims performance. Self-insurance costs and funding 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 and hindsight premiums.

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

Reinsurance and other recoveries revenue

Reinsurance 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.

Investment revenue

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

Interest revenue is recognised as interest accrues.

Grants and contributions

Pursuant to the Net Assets Holding Level Policy, SICorp will make payments to or receive funding from the Crown Entity to maintain the required level of net assets. Further information on the policy is included in Note 6.

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.

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPENSES

Outwards reinsurance expense

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

Claims expenses

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

Finance costs

Finance costs include the unwinding of discounts for the provision of outstanding claims and restoration costs. The finance cost for HWIF is included in the claims expense.

These are recognised as an expense when incurred.

Depreciation of plant and equipment

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific asset.

The useful lives of depreciable asset categories are:

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

Amortisation of intangible assets

Computer software costs are amortised on a straight line basis over 5 years.

Employee arrangements

SICorp has no employees. Its work is done by staff from NSW Treasury. SICorp reimburses NSW Treasury for the staff costs incurred and recognises them as 'Other Operating Expenses'.

New South Wales Self Insurance Corporation

Statement of Financial Position

as at 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPENSES (continued)

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 as a lessee

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.

Income tax

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

ASSETS

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.

New South Wales Self Insurance Corporation
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value.

Financial assets at fair value

Financial assets are designated at fair value through profit and loss as they are managed and their performance is evaluated on a fair value basis. Gains and losses are recognised in the Statement of Comprehensive Income. These are investments managed through NSW Treasury Corporation (TCorp) Hour-Glass investment facilities.

Receivables

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

The collection of trade 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.

Reinsurance and other recoveries receivable

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

The amount of reinsurance and other recoveries receivable is equal to gross incurred cost less the retention limit and reinsurance 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 17).

In relation to other recoveries for liability claims, some of these are recoverable from the Motor Accidents Authority of New South Wales, for which default risk is negligible.

There has not been any key assumption made around the amounts recoverable that would have a significant risk of causing material adjustments to the carrying amount of the receivables within the next annual reporting period.

New South Wales Self Insurance Corporation

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as at 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment (P&E)

Office furniture, equipment and computer hardware are recorded at fair value. SICorp uses cost as a surrogate for P&E fair value. It is derived based on the cost plus any incidental acquisition costs. All items are carried at fair value less accumulated depreciation.

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

Intangible assets

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

Intangibles are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation.

Impairment of assets

As a not-for-profit entity with no cash generating units, AASB 136 *Impairment of Assets* is effectively not applicable. AASB 136 defines recoverable amount as the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

Deferred acquisition costs (HWIF)

Costs directly attributable to the acquisition of the HWIF 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.

LIABILITIES

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 (IBNER)
- expected claims handling costs.

New South Wales Self Insurance Corporation
Statement of Financial Position
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LIABILITIES (continued)

Provisions (continued)

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 HWIF, it is measured at central estimate with an additional risk margin of fifteen per cent included to take into account the inherent uncertainty in the net central estimate having regard to the prevailing market environment. The risk margin has been set at a level that results in an overall probability of sufficiency in the insurance liability of 75 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.

Under Australian Accounting Standards, the PMF, GWC, TAC and SRA/RIC are required to adopt AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. SICorp's main insurance scheme, the TMF, is required to comply with AASB 1023 *General Insurance Contracts*. However, SICorp calculates the outstanding insurance claims of the TMF by reference to AASB 137 to be consistent with the liability at the whole of government level where SICorp is treated as a self-insurer. This policy is not in accordance with the accounting standards but ensures consistent measurement of the TMF between SICorp's financial statements and the NSW Total State Sector Accounts.

As HWIF provides insurance to the public, AASB 1023 *General Insurance Contracts* is applied to this activity.

Trade and other payables

Trade and other payables are carried at cost and are liabilities for goods and services provided, but not paid for as at the reporting date. This occurs when SICorp becomes obliged to make future payments in respect of goods and services, even if it has not been billed for them.

Like receivables, these are short-term and are carried at original invoice amount as the effect of discounting is immaterial.

Goods and Services Tax

Revenue, expenses and assets are recognised net of Goods and Services Tax (GST), except where the GST is either part of the cost of acquiring an asset, or part of an item of expense not recoverable from the Australian Tax Office.

Receivables and payables are stated in the Statement of Financial Position inclusive of GST.

Cash flows are included in the Statement of Cash Flow on a gross basis. The GST recoverable or payable on cash flows from investing and financing activities are classified as operating cash flows.

New South Wales Self Insurance Corporation

Statement of Financial Position

as at 30 June 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability adequacy test for HWIF

The liability adequacy test is performed on the HWIF insurance liabilities less deferred acquisition costs 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.

3. PREMIUM REVENUE

	2013 \$'000	2012 \$'000
Premium	1,154,376	1,166,187
Hindsight adjustments	124,408	65,519
	<u>1,278,784</u>	<u>1,231,706</u>

Hindsight adjustments for 2012-13 include workers compensation final hindsight adjustments for 2006-07 and interim hindsight adjustments for 2008-09.

4. REINSURANCE & OTHER RECOVERIES REVENUE

Recoveries received	41,723	43,379
Movement in outstanding recoveries ¹	(40,264)	39,284
	<u>1,459</u>	<u>82,663</u>

¹ Movement in outstanding recoveries represents the increase/ (decrease) in the actuarially assessed level of reinsurance and other recoveries receivable at reporting date.

The movement in outstanding recoveries for 2013 represents discounted expected future recoveries at 30 June 2013 of \$228.6 million less closing balance at 30 June 2012 of \$268.8 million. Refer to Note 11 for further details.

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

5. INVESTMENT REVENUE

Bank interest	2,615	3,386
Revenue from financial assets held at fair value		
Hour-Glass facility	281,354	258,978
Gains/(losses) from financial assets held at fair value		
Hour-Glass facility	939,504	(339,150)
	<u>1,223,473</u>	<u>(76,786)</u>

6. (GRANTS AND SUBSIDIES) / GRANTS AND CONTRIBUTION

	2013	2012
	\$'000	\$'000
Grant to the Crown Entity [expense]	(215,000)	-
Grant from the Crown Entity [revenue]	10,000	224,000
Net grant (expense) / revenue	<u>(205,000)</u>	<u>224,000</u>

Pursuant to SICorp's Net Assets Holding Level Policy, the Corporation will make payments to and receive payments from the Crown Entity to maintain the required level of net assets.

The Policy, established in March 2006 and revised in May 2013, takes into consideration the following:

- the absence of risk margin under AASB 137, and/or
- the probability of poor investment returns for the year(s), and/or
- the possibility of a deterioration in claims experience, and/or
- the impact of a major claim, either not covered by reinsurance protection or exhausting the reinsured retention level.

The new amended Policy dictates that the target assets level held by SICorp be within 105 per cent to 115 per cent (2012:100 per cent to 125 per cent) of the total liabilities. The adequacy of the fund's 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. 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.

New South Wales Self Insurance Corporation

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as at 30 June 2013

7. CLAIMS EXPENSE

New claims incurred	991,291	972,970
Adjustment to existing outstanding claims ¹	<u>82,889</u>	<u>128,115</u>
	<u>1,074,180</u>	<u>1,101,085</u>

¹ Adjustment to existing outstanding claims represent the increase/(decrease) in provision for outstanding claims liabilities 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.

8. OTHER OPERATING EXPENSES

	2013 \$'000	2012 \$'000
Levies paid to:		
Dust Diseases Board	8,674	7,787
WorkCover Authority of NSW	21,407	30,223
Unexpired Risk Liability expense	13,503	32,209
Risk management fees	1,522	1,383
Actuarial expenses	6,239	6,548
Storage costs	416	460
Maintenance	1,084	719
Bank charges	24	39
Audit fees - audit of financial statements	188	202
Consultants	1,757	1,222
Contractors	930	1,027
Reinsurer administration fees	900	900
Personnel services fees	5,358	5,741
Operating lease rental expenses	491	480
Other	1,924	1,762
	<u>64,417</u>	<u>90,702</u>

9. CASH AND CASH EQUIVALENTS

Cash at bank	261,539	67,111
Short term money market investments	<u>325,850</u>	<u>491,582</u>
	<u>587,389</u>	<u>558,693</u>

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 and cash equivalent assets recognised in the statement of financial position is reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	<u>587,389</u>	<u>558,693</u>
Closing cash and cash equivalents (per statement of cash flows)	<u>587,389</u>	<u>558,693</u>

Refer to Note 23 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

10. RECEIVABLES

	2013	2012
	\$'000	\$'000
Current		
Prepayments	187	559
Premiums receivable	116,685	101,209
Grant from the Crown Entity	-	221,000
Other	14	9
	116,886	322,777

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

11. REINSURANCE AND OTHER RECOVERIES RECEIVABLE

Expected future recoveries (undiscounted)	322,240	371,610
Discount to present value	(93,611)	(102,836)
	228,629	268,774
Current	42,855	47,582
Non-current	185,774	221,192
	228,629	268,774

12. FINANCIAL ASSETS AT FAIR VALUE

Non-current		
TCorp Hour-Glass investments	6,531,305	5,219,099
	6,531,305	5,219,099

At 30 June, total investments of SICorp are financial assets designated at fair value through profit and loss.

New South Wales Self Insurance Corporation
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13. OTHER ASSETS

	2013	2012
	\$'000	\$'000
Non-current		
Deferred acquisition costs ¹	-	-
Deferred restoration costs	13	26
	<u>13</u>	<u>26</u>

¹ Movements - deferred acquisition costs of the HWIF

As at 1 July	-	9,512
Acquisition costs during the year	22,609	20,138
Acquisition costs amortised during the year	(1,515)	(2,970)
Acquisition costs written off *	(21,094)	(26,680)
Balance as at 30 June	<u>-</u>	<u>-</u>

*Refer to Note 18 Provisions for details.

14. PLANT AND EQUIPMENT

At 1 July – fair value

Gross carrying amount	1,177	1,164
Accumulated depreciation and impairment	(1,041)	(954)
Net carrying amount at 30 June	<u>136</u>	<u>210</u>

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	210	291
Additions	13	12
Depreciation expense	(87)	(93)
Net carrying amount at end of year	<u>136</u>	<u>210</u>

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

15. INTANGIBLE ASSETS

	2013	2012
	\$'000	\$'000
At 1 July – fair value		
Gross carrying amount	4,912	4,885
Accumulated amortisation and impairment	(4,785)	(4,688)
Net carrying amount at 30 June	<u>127</u>	<u>197</u>

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	197	432
Additions	26	-
Amortisation (recognised in 'depreciation and amortisation')	(96)	(235)
Net carrying amount at end of year	<u>127</u>	<u>197</u>

16. PAYABLES

GST payable	106,722	96,262
Management fees	34,305	28,638
Commission and transition fee	2,274	2,975
Claims	3,376	2,017
Statutory fees	1,438	1,695
Other	2,146	3,181
	<u>150,261</u>	<u>134,768</u>

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, 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.

New South Wales Self Insurance Corporation
Statement of Financial Position
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17. PROVISION FOR OUTSTANDING CLAIMS

	TMF	GWC	TAC	SRA/RIC	HWIF	2013 Total	2012 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	5,599,148	75,876	180,670	121,460	37,019	6,014,173	5,543,165
Additions	960,589	-	-	-	30,702	991,291	972,970
Payments	(962,525)	(6,478)	(16,590)	(15,464)	(24,680)	(1,025,737)	(935,061)
Actuarial (gain)/loss	31,927	(261)	31,056	11,048	9,119	82,889	128,110
Unwinding of discounts	284,528	4,070	9,659	6,375	-	304,632	304,989
Closing balance	5,913,667	73,207	204,795	123,419	52,160	6,367,248	6,014,173
Current	974,588	6,104	6,050	14,038	23,582	1,024,362	943,355
Non-current	4,939,079	67,103	198,745	109,381	28,578	5,342,886	5,070,818
	5,913,667	73,207	204,795	123,419	52,160	6,367,248	6,014,173

- (a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 6.3 years for TMF (2012: 5.84 years), 9 years for GWC (2012: 9.33years), 21.3 years for TAC (2012: 19.58 years), 8 year for SRA/RIC (2012: 8.5 years) and 2 years for HWIF (2012: 1.6 years).
- (b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims.

	TMF		GWC		TAC		SRA/RIC		HWIF	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	%	%	%	%	%	%	%	%
Not later than one year										
Inflation rate	2.5 - 4.0	2.5 - 4.0	2.5 - 3.1	3.8	3.1	3.8	2.5 - 3.5	3.8	3.6	4.0
Discount rate	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	2.5	2.8
Superimposed inflation*	0 - 3.0	0 - 3.0	0 - 2.0	0 - 2.5	2.5	0 - 5.0	1.7	1.7	1.4	1.0
Later than one year										
Inflation rate	2.5 - 4.0	2.5 - 4.0	2.1 - 3.7	3.0 - 3.8	3.5 - 3.7	3.0 - 3.8	2.1 - 3.7	2.5 - 4.3	3.6	4.0
Discount rate	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	2.5 - 5.4	2.2 - 4.2
Superimposed inflation*	0 - 3.0	0 - 3.0	0 - 2.0	0 - 2.5	2.5	0 - 4.0	1.7	1.7	1.4	1.0

* Dependent on payment type

New South Wales Self Insurance Corporation
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as at 30 June 2013

17. PROVISION FOR OUTSTANDING CLAIMS (continued)

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 93 per cent of the outstanding claims. A sensitivity analysis of the key valuation assumption changes for the TMF and their impact is shown in the following table:

Variable	Movement in variable %	Net Central Estimate	Impact of Change	Impact (%)
		\$'000	\$'000	
Net Central Estimate ¹		5,650,373		
Risk free rate ²		6,252,655	602,281	11%
Discount rate	+1	5,330,935	(319,438)	-6%
	-1	6,014,114	363,741	6%
Inflation rate	+1	6,055,214	404,840	7%
	-1	5,289,865	(360,508)	-6%
Super imposed inflation rate	+1	5,804,999	154,625	3%
	-1	5,508,442	(141,931)	-3%

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17. PROVISION FOR OUTSTANDING CLAIMS (continued)

Sensitivity Analysis (continued)

There are other specific assumptions made in relation to the outstanding workers compensation claims. Results of the sensitivity analysis are included in the following table. This sensitivity analysis table below is before the impact of the workers' compensation reform.

Variable	Movement in variable	Net Central Estimate	Impact of Change	Impact (%)
		\$'000	\$'000	
Net Central Estimate ¹ - outstanding workers compensation claims		3,157,928		
Weekly - Continuance Rate ³	Increase 0.5%	3,205,734	47,806	2%
Emergency Service - Weekly and Medical ⁴				
-Death and Disability (D&D) continuance rates	No improvement	3,753,161	595,233	19%
-D&D continuance rates	Significant improvement	2,765,016	(392,912)	-12%
-Non D&D continuance rates from 6 years after injury	Increase 0.5%	3,215,623	57,695	2%
Common law intimations - frequency	Increase 20%	3,204,443	46,515	1%
Claims manager expense rates	Increase 20%	3,201,129	43,201	1%

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

² Central estimate using a risk free rate discount rate.

³ Sensitivity tested by increasing the proportion of claimants continuing to receive weekly payments 6 years after injury.

⁴ There is significant uncertainty in the ultimate level of weekly and medical payment for NSW Police, Fire & Rescue and Ambulance. Sensitivity analysis is therefore conducted under a number of scenarios.

New South Wales Self Insurance Corporation
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17. PROVISION FOR OUTSTANDING CLAIMS (continued)

Sensitivity Analysis – Workers’ Compensation Reform

The Workers Compensation Legislation Amendment Bill 2012 was introduced and become effective on 27 June 2012. It is expected that the reform will significantly reduce SICorp’s outstanding claims liability over time. The key reforms included in the 30 June 2013 valuation are:

- **Weekly Benefit Reforms**

Change to the benefit structure based on current weekly wages and statutory rates to one based on a proportion of “deemed” weekly earnings for claims reported prior to 1 October 2012 and proportion of average weekly earnings for claims incurred from 1 October 2012.

The introduction of a five year limit on the receipt of weekly benefits, except for seriously injured claimants (WPI >20%).

The inflation of future weekly benefits using the Consumer Price Index (CPI) rather than the Labour Price Index (LPI).

Weekly benefit reforms commenced on 1 October 2012 for claims reported from that date. For claims reported prior to 1 October 2012, claimants will be transitioned to new benefits after work capacity assessments have been conducted. SICorp have assumed that claimants will transition to new benefits on average on 1 January 2014.

- **Medical benefit reforms**

Benefit entitlements for non-severely injured claimants have been restricted to the later of 1 year after claim report or 1 year after weekly benefits cease. Medical benefit reforms apply from 1 October 2012 for claims reported from 1 October 2012, and from 1 January 2013 for claims reported prior to 1 October 2012.

- **Section 66 and Section 67 benefit reforms**

The reforms have introduced a 10% WPI threshold for receiving Permanent Impairment (Section 66) benefits for claimants with physical injuries and have eliminated Pain and Suffering (Section 67) benefits. There is also a requirement for a single WPI assessment for lump sum settlements. These reforms were to take effect for applications for specific injury compensation made after 19 June 2012. However, a recent court case (Goudappel) has resulted in a court decision that applies the reforms to any claim that was reported after 19 June 2012, regardless of when the application for specific injury compensation was made. SICorp have captured the impact of this decision on the allowance for specific injury benefit reforms.

- **Journey Claims**

Journey claims incurred after 19 June 2012 where there are no real and substantial connections between employment and injury have been eliminated.

New South Wales Self Insurance Corporation
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17. PROVISION FOR OUTSTANDING CLAIMS (continued)

Sensitivity Analysis – Workers’ Compensation Reform (continued)

- Emergency Service Workers

Police officers, paramedics and fire fighters are exempt from the legislative reforms. We have excluded NSW Police, Ambulance and Fire and Rescue NSW from the impact of the reforms for 30 June 2013 valuation. Although there are employees within these agencies who are not emergency service workers, SICorp have estimated the impact of applying the impact of reforms on these workers and found it to be immaterial. Therefore, SICorp have exempted the entire agencies from the impact of reforms.

Results of the sensitivity analysis in relation to outstanding workers compensation claims including impact of the reform are included in the following table:

Variable	Movement in variable	Net Central Estimate	Impact of Change	Impact (%)
		\$'000	\$'000	
Net Central Estimate ¹ - outstanding workers compensation claims		3,157,928		
WPI distribution ²	Latest distribution	3,133,059	(24,869)	-1%
Work capacity test ³	Increase 10%	3,194,394	36,466	1%
	decrease 10%	3,120,238	(37,690)	-1%

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

² Current whole person impairment (WPI) distribution assumes WPI in line with their payments. This scenario assumes claimants WPI is in line with that of later claimants.

³ Current assumption for work capacity assessments is that there is no net change in the number of claimants on benefits. In practice, the reforms have created new incentives for claimants to be on benefits. Work capacity assessments may arrest the deterioration this would otherwise cause. They may go further and lead to an overall reduction of claimants on benefits.

New South Wales Self Insurance Corporation
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Uncertainty

There is a level of uncertainty surrounding the Workers Compensation Reform. It introduced wide ranging reforms to Workers Compensation benefits in NSW. The commencement date is yet to be announced for part of the reforms. It is expected that the reform will significantly reduce SICorp's outstanding claims liability over time.

The key reforms included in the 30 June 2013 valuation are disclosed in above with a sensitivity analysis.

Allowances have not been made for reforms which are immaterial. There are uncertainties as to how some of the reforms will be applied in practice and hence a financial quantification of the impact is not possible at present time. The following table summarises aspects of the reforms that could reduce the TMF outstanding claims liabilities at the reporting date, but not taken up in the 30 June 2013 valuation and associated reasons for their non-inclusion:

- Weekly Benefits - Work Capacity Tests

Work capacity tests conducted between 78 to 130 weeks of weekly compensation are expected to result in savings for the TMF. Benefit levels are expected to reduce on average because claimants who would otherwise be on benefits pre reform would be assessed to have a higher level of work capacity and therefore receive lower benefits or cease receiving benefits.

The impact of work capacity tests in NSW is extremely uncertain and will depend heavily on how effectively these will work and to what extent decisions will be challenged and overturned. Therefore, no allowance has been made for the impact of changes in benefits as a result of work capacity tests that indicate a different level of work capacity for claimants. However, allowance has been made for the expected work capacity test date to dictate the commencement date of the 'reformed' weekly benefits (assuming claimants remain at the current level of work capacity). Deterioration in experience that might follow from a failure to implement work capacity tests appropriately has not been included.

- Legal fees, Rehabilitation and Investigation Costs

Requirement for legal advice has been removed for agreeing permanent injury lump sums. Claimants need to bear own costs in relation to claims. Although this part of the legislation is now in operation, an Independent Legal Assistance Review Service (ILARS) has been established to provide free legal advice to claimants, at the expense of the scheme. Due to uncertainty around funding arrangements for ILARS, it remains to be seen whether any savings from the reforms in relation to claimants paying their own legal costs will be greater than any potential additional costs to SICorp relating to ILARS. Also, there could be increases in rehabilitation and investigation costs associated with work capacity assessments and greater push for return to work that have not been allowed for due to uncertainty. Therefore, we have assumed that these increases in costs will offset reductions in legal fees and so no explicit allowance has been made for the impact of the reforms on legal, rehabilitation and investigation costs.

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18. PROVISIONS

	2013	2012
	\$'000	\$'000
Other provisions		
Restoration costs	121	119
Unexpired risk liability	45,712	32,209
	<u>45,833</u>	<u>32,328</u>
 Restoration costs		
Balance at 1 July	119	117
Additions	-	-
Reversal of surplus provisions	(1)	(3)
Unwinding of discounts	3	5
Balance at 30 June	<u>121</u>	<u>119</u>

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 will expire on 31 July 2015.

Unexpired risk liability

As at 1 July	32,209	-
LAT deficiency for the period	34,597	58,890
Less LAT deficiency written off against DAC	(21,094)	(26,681)
As at 30 June	<u>45,712</u>	<u>32,209</u>

The unexpired risk liability arises from the administration of HWIF. 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.

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18. PROVISIONS (continued)

Liability Adequacy Test

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 \$66.8 million (2012: \$58.9 million). 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:

	2013	2012
	\$'000	\$'000
Unearned premium liabilities	117,373	81,477
Deferred acquisition costs (before net deficiency write down)	<u>(21,094)</u>	<u>(26,681)</u>
	<u>96,279</u>	<u>54,796</u>
Central estimate of present value of expected future cashflows arising from future claims	141,813	98,857
Risk margin	<u>21,272</u>	<u>14,829</u>
	<u>163,085</u>	<u>113,686</u>
Net deficiency recognised	66,806	58,890
Unexpired risk liability as at 1 July	<u>(32,209)</u>	<u>-</u>
	<u>34,597</u>	<u>58,890</u>
Net deficiency recognised in the statement of comprehensive revenue as follows:		
Write down of deferred acquisition costs	21,094	26,681
Unexpired risk liability expense	<u>13,503</u>	<u>32,209</u>
	<u>34,597</u>	<u>58,890</u>
Unexpired risk liability as at 30 June	45,712	32,209

The probability of adequacy was 75 per cent. The liability adequacy test is only applicable to the HWIF which complies with AASB 1023 *General Insurance Contracts*.

19. UNEARNED PREMIUMS

As at 1 July	81,477	44,063
Add: premiums received in advance	1,154	-
Add: deferral of premiums written in current year	53,155	47,588
Less: premium earned during the year	<u>(17,260)</u>	<u>(10,174)</u>
As at 30 June	<u>118,526</u>	<u>81,477</u>
Current	22,327	13,580
Non-current	<u>96,199</u>	<u>67,897</u>
	<u>118,526</u>	<u>81,477</u>

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20. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2013	2012
	\$'000	\$'000
Net cash flows from operating activities	401,436	508,719
Adjustments for:		
Depreciation and amortisation	(183)	(329)
Unrealised gain/(loss) in investments	939,504	(339,150)
Finance cost	(304,632)	(304,989)
Actuarial loss on claims expense	(82,889)	(128,110)
Decrease/(increase) in outstanding claims	34,445	(37,909)
Increase in unearned premiums	(37,049)	(37,414)
Increase in payables	(15,493)	(105,272)
Increase in other liabilities	(13,503)	(32,209)
Increase in provision for restoration	(2)	(2)
(Decrease)/increase in receivables	(205,890)	241,731
(Decrease)/increase in reinsurance and other recoveries receivable	(40,144)	39,171
Decrease in deferred acquisition costs	-	(9,512)
Decrease in other assets	(13)	(16)
Net result	675,587	(205,291)

21. STATEMENT OF COMPREHENSIVE INCOME OF FUNDS

	TMF	GWC	TAC	SRA/RIC	HWIF	2013 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses						
Operating expenses						
Claims expense	992,517	(262)	31,056	11,049	39,820	1,074,180
Outwards reinsurance expense	39,414	-	-	-	-	39,414
Management fees	116,565	-	-	-	23,746	140,311
Depreciation and amortisation	183	-	-	-	-	183
Grants and subsidies	155,000	-	-	60,000	-	215,000
Finance costs	284,528	4,070	9,659	6,375	-	304,632
Other operating expenses	46,966	80	75	182	17,114	64,417
Total expenses excluding losses	1,635,173	3,888	40,790	77,606	80,680	1,838,137
Revenue						
Premium revenue	1,261,524	-	-	-	17,260	1,278,784
Reinsurance and other recoveries revenue	(611)	1,705	106	259	-	1,459
Investment revenue	1,139,918	12,843	38,518	30,671	1,523	1,223,473
Grants and contributions	10,000	-	-	-	-	10,000
Other revenue	8	-	-	-	-	8
Total revenue	2,410,839	14,548	38,624	30,930	18,783	2,513,724
Net result	775,666	10,660	(2,166)	(46,676)	(61,897)	675,587
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	775,666	10,660	(2,166)	(46,676)	(61,897)	675,587

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21. STATEMENT OF COMPREHENSIVE INCOME OF FUNDS (continued)

	TMF	GWC	TAC	SRA/RIC	HWIF	2012 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses						
Operating expenses						
Claims expense	1,058,713	7,627	(3,454)	(13,295)	51,494	1,101,085
Outwards reinsurance expense	34,347	-	-	-	-	34,347
Management fees	104,613	-	-	194	30,637	135,444
Depreciation and amortisation	328	-	-	-	-	328
Finance costs	281,429	4,036	10,590	8,934	-	304,989
Other operating expenses	54,663	84	100	195	35,660	90,702
Total expenses excluding losses	1,534,093	11,747	7,236	(3,972)	117,791	1,666,895
Revenue						
Premiums revenue	1,221,532	-	-	-	10,174	1,231,706
Reinsurance and other recoveries revenue	73,228	278	10,687	(1,530)	-	82,663
Investment revenue	(76,178)	(160)	(1,126)	(1,226)	1,904	(76,786)
Grant and contributions	224,000	-	-	-	-	224,000
Other revenue	20	-	-	-	1	21
Total revenue	1,442,602	118	9,561	(2,756)	12,079	1,461,604
Net result	(91,491)	(11,629)	2,325	1,216	(105,712)	(205,291)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(91,491)	(11,629)	2,325	1,216	(105,712)	(205,291)

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22. STATEMENT OF FINANCIAL POSITION FOR FUNDS

	TMF	GWC	TAC	SRA/RIC	HWIF	2013 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Current assets						
Cash and cash equivalents	537,841	2,981	2,890	2,958	40,719	587,389
Receivables	109,430	-	-	-	7,456	116,886
Reinsurance and other recoveries receivable	41,602	292	21	940	-	42,855
Total current assets	688,873	3,273	2,911	3,898	48,175	747,130
Non-current assets						
Reinsurance and other recoveries receivable	169,563	2,923	696	12,592	-	185,774
Financial assets at fair value	6,144,831	68,267	208,751	109,456	-	6,531,305
Plant and equipment	136	-	-	-	-	136
Intangible assets	127	-	-	-	-	127
Other	13	-	-	-	-	13
Total non-current assets	6,314,670	71,190	209,447	122,048	-	6,717,355
Total assets	7,003,543	74,463	212,358	125,946	48,175	7,464,485
LIABILITIES						
Current liabilities						
Payables	145,803	15	25	26	4,392	150,261
Unearned premiums	1,153	-	-	-	21,174	22,327
Provision for outstanding claims	974,588	6,104	6,050	14,038	23,582	1,024,362
Total current liabilities	1,121,544	6,119	6,075	14,064	49,148	1,196,950
Non-current liabilities						
Provision for outstanding claims	4,939,079	67,103	198,745	109,381	28,578	5,342,886
Unearned premiums	-	-	-	-	96,199	96,199
Provisions	121	-	-	-	45,712	45,833
Total non-current liabilities	4,939,200	67,103	198,745	109,381	170,489	5,484,918
Total liabilities	6,060,744	73,222	204,820	123,445	219,637	6,681,868
Net assets	942,799	1,241	7,538	2,501	(171,462)	782,617
Equity						
Accumulated funds	942,799	1,241	7,538	2,501	(171,462)	782,617
Total equity	942,799	1,241	7,538	2,501	(171,462)	782,617

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22. STATEMENT OF FINANCIAL POSITION FOR FUNDS (continued)

	TMF	GWC	TAC	Other	HWIF	2012 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Current assets						
Cash and cash equivalents	513,100	2,589	2,368	1,987	38,649	558,693
Receivables	316,314	-	-	-	6,463	322,777
Reinsurance and other recoveries receivable	46,420	100	21	1,041	-	47,582
Total current assets	875,834	2,689	2,389	3,028	45,112	929,052
Non-current assets						
Reinsurance and other recoveries receivable	205,891	1,558	611	13,132	-	221,192
Financial assets at fair value	4,814,909	62,239	187,400	154,551	-	5,219,099
Plant and equipment	210	-	-	-	-	210
Intangible assets	197	-	-	-	-	197
Other	26	-	-	-	-	26
Total non-current assets	5,021,233	63,797	188,011	167,683	-	5,440,724
Total assets	5,897,067	66,486	190,400	170,711	45,112	6,369,776
LIABILITIES						
Current liabilities						
Payables	130,667	29	26	74	3,972	134,768
Unearned Premiums	-	-	-	-	13,580	13,580
Provision for outstanding claims	902,523	5,131	5,912	11,722	18,067	943,355
Total current liabilities	1,033,190	5,160	5,938	11,796	35,619	1,091,703
Non-current liabilities						
Provision for outstanding claims	4,696,625	70,745	174,758	109,738	18,952	5,070,818
Unearned premiums	-	-	-	-	67,897	67,897
Provisions	119	-	-	-	32,209	32,328
Total non-current liabilities	4,696,744	70,745	174,758	109,738	119,058	5,171,043
Total liabilities	5,729,934	75,905	180,696	121,534	154,677	6,262,746
Net assets	167,133	(9,419)	9,704	49,177	(109,565)	107,030
Equity						
Accumulated funds	167,133	(9,419)	9,704	49,177	(109,565)	107,030
Total equity	167,133	(9,419)	9,704	49,177	(109,565)	107,030

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23. 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 2 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	Carrying amount	
			2013 \$'000	2012 \$'000
Financial Assets				
Cash and cash equivalents	9	N/A	587,389	558,693
Financial assets at fair value	12	At fair value through profit or loss (designated as such upon initial recognition)	6,531,305	5,219,099
Receivables ¹	10	Receivables (measured at cost)	116,699	322,218
Financial liabilities				
Payables ²	16	Payables (measured at cost)	42,100	36,811

¹. Excludes statutory receivables of Nil (2012:Nil), prepayment of \$187k (2012: \$559k) and reinsurance and other recoveries receivable of \$228.4 million (2012: \$268.8 million).

². Excludes statutory payables of \$108.16 million (2012: \$97.96 million).

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23. FINANCIAL INSTRUMENTS (continued)

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 the NSW Treasury Corporation (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. The MoU is authorised and approved by the Executive of the NSW Treasury.

Proposed changes to the MoU must go through a consultative process within the forum of the Crown Debt and Asset Management Committees. The Crown Debt and the Crown Asset Management Committees, which were established separately, exist to monitor the performance and management of the Crown Entity's debt and asset portfolios (which include SICorp's). Members of the Committees include representatives from both TCorp and the NSW Treasury. The NSW Treasury's representatives on these committees 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.

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23. FINANCIAL INSTRUMENTS (continued)

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 2012. The analysis assumes that all other variables remain constant.

- *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 +/- 1% 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.

	Carrying amount	Net result	\$'000		
			-1%	+1%	
			Equity	Net result	Equity
2013					
Cash and cash equivalents	261,539	(2,615)	-	2,615	-
2012					
Cash and cash equivalents	67,111	(671)	-	671	-

- *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 50% 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 2013, SICorp has no transactional or structural currency exposures (2012: Nil).

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23. FINANCIAL INSTRUMENTS (continued)

- *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	2013 \$'000	2012 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	311,569	478,654
Strategic Cash facility	Cash, money market instruments	1.5 years to 3 years	14,281	12,928
Treasury Managed Fund facility	Cash, money market instruments, Australian bonds, listed and unlisted property, Australian, International & Emerging market shares	Long term	6,144,831	4,814,910
Long term growth facility	Cash, money market instruments, Australian & International bonds, listed property, Australian & International shares	7 years and over	386,474	404,189

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.

TCorp as trustee for each of the above facilities 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.

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23. FINANCIAL INSTRUMENTS (continued)

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 facility	investment	Change in unit price		Impact on surplus/(deficit)	
		2013 %	2012 %	2013 \$'000	2012 \$'000
Cash Facility		+/- 1.0	+/- 1.0	3,116	4,787
Strategic Cash Facility		+/- 1.0	+/- 1.0	143	129
Treasury Managed Fund		+/- 18.0	+/- 19.5	1,106,070	938,907
Long Term Growth Facility		+/- 15.0	+/- 15.0	57,971	60,628

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 cash investment in TCorp Hour-Glass cash facility and bank balances with other financial institutions. Interest is earned on daily bank balances.

Receivables

Receivables include trade debtors.

- 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.

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23. FINANCIAL INSTRUMENTS (continued)

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 overdue	3 - 6 months overdue	> 6 months overdue	
2013					
Receivables	2,943	227	3	2,713	-
2012					
Receivables	5,283	3,349	14	1,920	-

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.

Credit risk applicable to receivables are detailed in the tables below.

Concentration of credit risk

By credit rating	AAA	AA+	AA	AA-	A+	A	Other Ratings ¹	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2013								
Receivables	-	-	-	-	-	-	117,797	117,797
2012								
Receivables	-	-	-	-	-	-	322,777	322,777

By classification of counterparty	Governments	Other	Total
	\$'000	\$'000	\$'000
2013			
Receivables	110,142	7,655	117,797
2012			
Receivables	315,755	7,022	322,777

¹ Short term ratings of A-2 or better, when counterparty has no long term rating or the long term rating is A or lower. Most receivables are from government agencies with no credit rating.

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23. FINANCIAL INSTRUMENTS (continued)

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 8.71 per cent and 2 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	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
2013								
Payables	-	45,586	-	-	45,586	43,276	2,310	-
Total financial liabilities	-	45,586	-	-	45,586	43,276	2,310	-
2012								
Payables	-	36,811	-	-	36,811	36,811	-	-
Total financial liabilities	-	36,811	-	-	36,811	36,811	-	-

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

23. FINANCIAL INSTRUMENTS (continued)

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
- 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
2012-13				
Financial assets at fair value				
TCorp Hour-Glass investment facilities	-	6,531,305	-	6,531,305
	-	6,531,305	-	6,531,305
2011-12				
Financial assets at fair value				
TCorp Hour-Glass investment facilities	-	5,219,099	-	5,219,099
	-	5,219,099	-	5,219,099

There were no transfers between the levels during the year ended 30 June 2013 (2012:Nil).

24. COMMITMENTS FOR EXPENDITURE

SICorp has two commercial property leases. The leases have a five year and six 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:

	2013 \$'000	2012 \$'000
Operating lease commitments - lessee		
- Not later than one year	446	398
- Later than one year and not later than five years	1,077	229
	1,523	627

Operating lease commitments are inclusive of GST. The total amount above includes input tax credits of \$138k (2012: \$57k) that are expected to be recovered from the Australian Taxation Office.

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

25. 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.

26. BUDGET REVIEW

Net result

For the year ended 30 June 2013, SICorp made a net profit of \$676 million which out-performed current year budget by \$162 million. The profit is due to strong investment return achieved in 2013 on the back of a global equity market recovery and proactive investment decision made by management by adjusting SICorp Strategic Asset Allocation.

Investment income in 2013 is \$1.22 billion which exceeds the budget by \$658 million. The TMF achieved an investment return of 18.64 per cent which outperformed the benchmark and full year budget of 8.74 per cent. In May 2013, management made a proactive investment decision moving \$250 million of the TMF asset allocation from Australian equities to unhedged International equities. The switch was made on the basis of the potential risk associated with falling Aussie dollar and the sensitivity of Australian equities towards weaker forecast of economic conditions in China. The switch has worked well and was timely when assessed in hindsight. This has largely cushioned SICorp investment from the full impact of a fall in Aussie dollar and the downward movement in the ASX in the June quarter.

Good investment returns achieved in 2013 eliminated the need for the budgeted Top-Up funding of \$237 million from the State. On the contrary, SICorp made a net contribution of \$205 million in 2013 to the Crown Entity. This accounted for the \$442 million variance in the grants and contribution category.

On the operations side, insurance recovery income is \$58 million lower than the budget due to the following factors:

- There was a \$50.9 million downward actuarial revision to the expected recovery: \$38.6 million in relation to the Public Liability portfolio following the favourable court ruling for the ACT/McIntyre's Hut bushfire. The projected recoveries for the Workers' Compensation portfolio were revised down by \$11.7 million to reflect a lower CTP recoveries experience.
- Recoveries received were \$7.5 million lower than the budget mainly due to lower recoveries in the Motor Vehicle and Public Liability category. Recovery revenue is generally volatile in nature.

New South Wales Self Insurance Corporation
Statement of Financial Position
as at 30 June 2013

26. BUDGET REVIEW (continued)

Expenditures are largely in line with the budget. Claims paid are \$35 million higher than the budget. Claims paid for the residual scheme are \$16 million higher than the budget mainly due to a \$10 million commutation settlement for the TAC scheme in relation to structured settlement claims. HWIF claims paid are \$8 million higher than the budget due to the bankruptcy of three major builders. TMF Claims paid are \$11 million higher than the budget, mainly due to higher payments for the Public Liability portfolio.

On the other hand, there has been a net \$31 million reduction to the outstanding claims:

- Public Liability outstanding claims have been reduced by \$185 million. This is mainly due to a change in the actuarial forecast to reflect lower claims numbers, average claims size and superimposed inflation in alignment with the latest claims experience. This also includes the expected savings generated by the newly established TMF legal panel. There has also been \$48.5 million reduction to outstanding claims to reflect the favourable court ruling on the ACT/McIntyre's Hut bushfire.
- Worker's Compensation outstanding claims have increased by \$109 million compared to budget. Key drivers of the increase are: \$20 million net increase in projected medical payments and an additional \$50 million in projected common law payments. \$39 million has been reversed from the Specific Injury reform savings included in the 30 June 2012 valuation following the Goudappel court appeal which effectively delays the start date for the Section 66 and 67 benefit reforms. Refer to Note 17 for details.
- Outstanding claims for the residual schemes increased by \$24 million mainly due to an increase in the structured settlement claims for TAC scheme. Large asbestos claims and key changes relating to weekly and medical benefits following the 2012 reforms for the Rail schemes also caused increase in outstanding claims.
- HWIF outstanding claims increased by \$20 million due to deterioration in claims experiences.

The overall reduction to outstanding claims has a favourable flow on effect on the unwinding of the discount rate which is classified as "Finance Costs" in the Statement of Comprehensive Income.

Assets and liabilities

Total assets increased by \$100 million compared with the budget. The combined total of financial assets, cash and cash equivalents is \$197 million higher than the budget after returning \$205 million of surplus funds to the State in June 2013. The healthy cash and financial assets position at year end is due to good investment returns achieved in 2013. Cash and cash equivalents are \$308 million higher than the budget mainly due to the contingency plan in place at 30 June 2013 in anticipation of SICorp's transfer to DFS and the possibility of a delay in the ministerial extension of the current financial delegations.

Other major variances in assets include a reduction of the insurance recovery receivable of \$48 million relating to the ACT bushfire and CTP recoveries which are explained above. \$32 million of HWIF deferred acquisition costs associated with HWIF premiums was fully written-off due to the deficiency in the liability adequacy test undertaken at June 2012 and June 2013.

New South Wales Self Insurance Corporation

Statement of Financial Position

as at 30 June 2013

26. BUDGET REVIEW (continued)

Assets and liabilities (continued)

Total liabilities are \$17 million lower than the budget, key drivers are:

- Total provisions for outstanding claims reduced by \$70 million mainly due to a reduction in outstanding public liability claims to reflect reduction in claim numbers, average size and the superimposed inflation assumption to the actuarial model based on latest scheme analysis. The reduction is partly offset by an increase in the workers' compensation claims estimate associated with medical benefits and common law payments.
- Other provisions increased by \$46 million mainly due to unexpired risk liabilities taken up for HWIF reflecting deterioration in claims experience and bankruptcy of major builders.

Cash flows

Actual cash flows from operating activities were \$230 million lower than budget mainly caused by the \$205 million net contribution made by SICorp to the State government which was not anticipated in the budget round. Cash used in investment activities are \$242 million lower than budget due to the \$205 million contribution made to the State government which reduced cash that would otherwise be available for reinvestment.

Cash and cash equivalents held at reporting date are \$297 million higher than the budget due to the contingency plan in anticipation of the DFS transfer (discussed above).

27. EVENTS AFTER THE REPORTING DATE

Under the *Public Sector Employment and Management (NSW Self Insurance Corporation) Order 2013 Number 187* Treasury staff directed to the activities of the NSW Self Insurance Corporation were transferred from the Treasury to Department of Finance and Services effective 1 July 2013. The transfer will not have material impact to the Corporation's financial statements.

End of Audited Financial Statements

Section 5 – Appendices

Accounts Payable Performance

For the year ended 30 June 2013

Finance officers of the Crown Asset and Liability Management branch (CALM) in the Office of Financial Management (OFM) provide the financial accounting services to SICorp.

The payment process requires verification and approval by delegated SICorp officers before payment is processed at CALM. The two business areas operate at different locations.

SICorp consistently ensures that all accounts are paid promptly in accordance with the requirements of the Public Finance and Audit Regulation 2010, the Annual Reports legislation and the Treasurer's Direction.

The following table reports on the total time taken by SICorp and CALM officers to administer payments.

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

Quarter	Current (ie within due date) \$	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	More than 90 days overdue \$
Sep-12	144,936,137	312	-	-	-
Dec-12	47,692,414	-	-	-	-
Mar-13	39,746,427	-	-	-	-
Jun-13	70,942,095	47	-	-	-

Accounts paid on time during each quarter

Quarter	Total Accounts Paid on Time			\$	Total Amount Paid (\$)
	Target %	Actuals %			
		By Number	By Value		
Sep-12	90%	100%	100%	144,936,137	144,936,449
Dec-12	90%	100%	100%	47,692,414	47,692,414
Mar-13	90%	100%	100%	39,746,427	39,746,427
Jun-13	90%	100%	100%	70,942,095	70,942,142

Under the NSW Treasury Circular 11/12, 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. In 2011-12 there were no instances where penalty interest was awarded for late payment.

During the year the target for total accounts paid on time was set at 90 per cent. Payment performances in terms of number are in line with the target bench mark. Payment performances by value well exceed the target bench mark of 90 per cent.

Internal Audit and Risk Management Statement for the 2012-2013 Financial Year for NSW Self Insurance Corporation

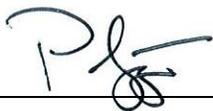
I, Philip Gaetjens, am of the opinion that the NSW Self Insurance Corporation has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I am of the opinion that the internal audit and risk management processes for NSW Self Insurance Corporation 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 Portfolio Minister and (b) the NSW Self Insurance Corporation has 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
<ul style="list-style-type: none">Core Requirement 1 The Chief Audit Executive should be appointed from within the agency by the Department Head	<ul style="list-style-type: none">In 2012-13 NSW Self Insurance Corporation shares a single Chief Audit Executive with NSW Treasury.
<ul style="list-style-type: none">Core Requirement 2 The Chief Executive must establish and Audit and Risk Committee to oversee and monitor governance, risk and control issues affecting the operations of the statutory body	<ul style="list-style-type: none">In 2012-13 NSW Self Insurance Corporation shares an Audit and Risk Committee with NSW Treasury as an interim arrangement.NSW Self Insurance Corporation will no longer be within the NSW Treasury Cluster from 1 July 2013.

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

As required by the policy set out in TC 09/08, I have submitted to the Treasury, on behalf of the Treasurer, an Attestation Statement outlining compliance with and exceptions to the policy.



Philip Gaetjens, Secretary, NSW
Treasury
13 June 2013

Expenditure on Consultants

Expenditure on Consultants 1 July 2012 - 30 June 2013

Consultants costing \$50,000 or more

Finance and Accounting/ Tax	Project	Amount (excl GST)
PricewaterhouseCoopers	advice on Home Warranty Insurance Scheme	56,818
Subtotal		56,818
Internal Control and Risk Management		
Aon Risk Services Australia Limited	Risk Management and Advice on Principal Arranged Insurance	304,962
Deloitte Touche Tohmatsu	Claim case management audit and advice	61,392
PricewaterhouseCoopers	Claims data integrity audit	422,868
Subtotal		789,221
Legal Services		
Crown Solicitor's Office	Legal advice on amendment of <i>SICorp Act</i> and establishment of Principal Arranged Insurance	76,066
Subtotal		76,066
Management Services		
Ally Group Pty Ltd	TMF state wide legal services panel advice and tender process	464,672
KPMG	TMF state wide legal services panel advice	107,475
Subtotal		572,147
Subtotal		1,494,252
Consultants costing less than \$50,000		
	Project	Amount (excl GST)
Legal Services	four projects totalling	44,087
Information Technology	three projects totalling	61,208
Internal Control and Risk Management	one project totalling	16,699
Management Services	nine projects totalling	140,962
Subtotal		262,955
Total		1,757,207

Government Information (Public Access) (GIPA) Act

During 2012-13 SICorp processed 194 access applications under the *Government Information (Public Access) Act 2009 (GIPA Act)*. Of these, 117 applications were granted access in full and 72 applications were granted partial access.

Of the 72 granted partial access, 40 were refused because the applications involved the disclosure of information referred to in Schedule 1 of the *GIPA Act*, that is, information for which there is conclusive presumption of overriding public interest against disclosure (Cabinet information – one application and legal professional privilege – 39 applications). Of the 72 applications granted partial access, 35 were refused because of other public interest considerations listed in the table under section 14 of the *GIPA Act* (individual rights – 33 applications, responsible and effective government - two applications).

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

Government information (Public Access) (GIPA) Act reporting

Table A - Number of applications by type of applicant and outcome *

	Media	Members of Parliament	Private sector business	Not for profit organisations or community groups	Members of the public (application by legal Reps)	Members of the public (other)
Access granted in full	0	0	0	0	19	98
Access granted in part	1	0	1	0	14	56
Access refused in full	0	0	0	0	0	1
Information not held	0	0	0	0	0	0
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	2	0	0	0	0	2

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B - Number of applications by type of application and 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	117	0	0
Access granted in part	71	0	1
Access refused in full	1	0	0
Information not held	0	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	2	1	1

* 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	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	27
Application is for excluded information of the agency (section 43 of the Act)	1
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	28
Invalid applications that subsequently became valid applications	18

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

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	1
Executive Council information	0
Contempt	0
Legal professional privilege	39
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 in relation to Table E.

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

	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	33
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F - Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	184
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	6
Total	191

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

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

* 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)

	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Energy Management

Sustainable energy management principles are applied in line with the NSW Treasury Energy Management Plan. SICorp commits to sustainable energy management principles and achieving savings in energy usage. SICorp occupies floor space at 201 Elizabeth Street Sydney. The current NABERS energy rating for the building is three and half stars with the purchase of Green Power and three star rating for water usage. The building owners have initiated many capital improvement projects with the view to increasing the NABERS rating to four and half stars for energy and three and a half stars for water by December 2013.

Internet and Intranet Access

SICorp's primary means of sharing information with staff, TMF Agencies and the NSW community is through the following electronic communication channels:

- SICorp portal www.sicorp.nsw.gov.au
- HWIF website www.homewarranty.nsw.gov.au

Legislation

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

There were no changes to the *NSW Self Insurance Corporation Act 2004* during 2012-13.

The Home Warranty Insurance Fund (HWIF) was established in 2010 through section 12A of the *SICorp Act*. The *SICorp Act* provides that it is a function of SICorp to carry on the business of providing home warranty insurance for building work done in New South Wales that requires such insurance under the *Home Building Act 1989*.

Privacy Management Plan

SICorp staff adhered to the Treasury Privacy Management Plan during 2012-13. There were no privacy breaches reported at SICorp during in this time.

SICorp has prepared a new Privacy Management Plan, as required under the *Privacy and Personal Information Protection Act 1998* which will be in place from 1 July 2013.

Proactive Release Program

Under section 7(3) of the *GIPA Act*, SICorp is required to review 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.

During 2012-13 SICorp undertook such a review and proactively released onto its website statistics on workers compensation claims against TMF.

Public Interest Disclosure

Reporting obligations under the *Public Interest Disclosures Act 1994* commenced on 1 January 2012. SICorp was part of Treasury for the purpose of complying with the Act during 2012-13. There were no public interest disclosures at SICorp during the reporting period.

Reducing Paper Consumption and Waste

To reduce paper consumption and waste SICorp uses e-mail 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.

The equipment used to print and photocopy documents has the capacity to produce double-sided copies and staff are encouraged to use this as the default option as much as possible.

Resource Recovery

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

SICorp Staff

SICorp staff were employed by NSW Treasury to carry out SICorp's functions during 2012-13 therefore statutory reporting in relation to SICorp staff is reported in the annual report of NSW Treasury. SICorp's staff adhered to Treasury policies and procedures which all staff have access to via the SICorp and Treasury websites.

Using Recycled Material

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

Waste Reduction and Purchasing Policy

Recycling principles continue to be applied at SICorp with the purchase and disposal of its consumable paper stock and printer cartridges. Bins for recycling and kitchen waste are strategically positioned throughout the office.

TMF Community

The organisations and people that, in one way or another, support the success of TMF and its member agencies are known collectively as the TMF community. In addition to the TMF Agency Advisory Council, TMF service providers the TMF community includes the TMF communities of practice.

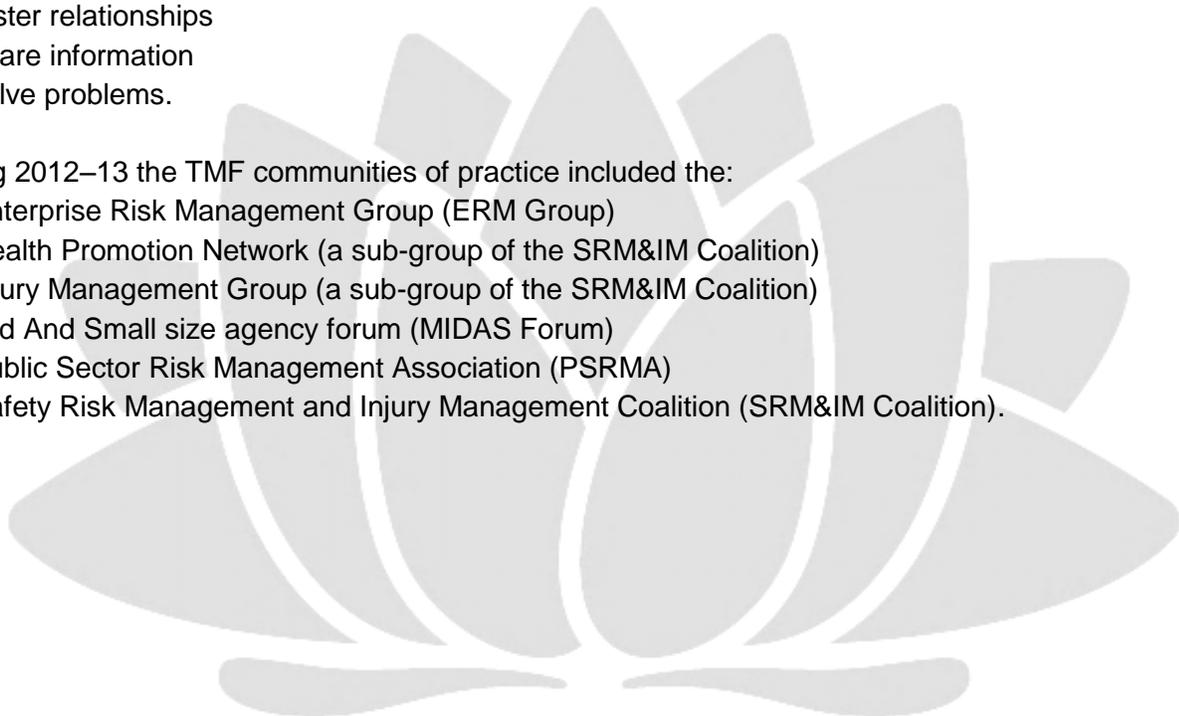
TMF Communities of Practice

A community of practice is a group of practitioners with a common purpose, common challenges and common needs. Typically, a community of practice provides opportunities to:

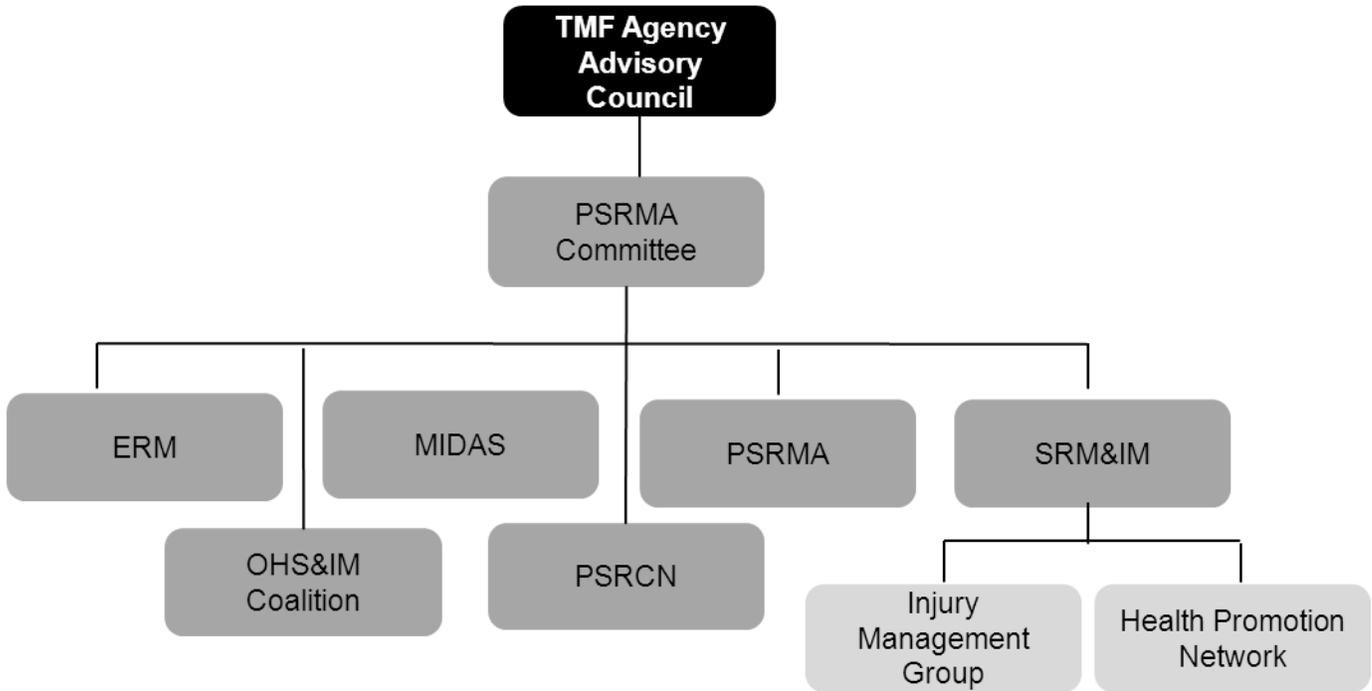
- access knowledge
- acquire expertise
- adopt best practice principles
- build reputations
- develop understanding
- foster relationships
- share information
- solve problems.

During 2012–13 the TMF communities of practice included the:

- Enterprise Risk Management Group (ERM Group)
- Health Promotion Network (a sub-group of the SRM&IM Coalition)
- Injury Management Group (a sub-group of the SRM&IM Coalition)
- Mid And Small size agency forum (MIDAS Forum)
- Public Sector Risk Management Association (PSRMA)
- Safety Risk Management and Injury Management Coalition (SRM&IM Coalition).



The TMF communities of practice report to the PSRMA Committee at the committee’s regular meetings. The PSRMA Committee, in turn, reports to the TMF AAC. In this way, the PSRMA Committee provides an alternative communication channel for TMF Agencies and public sector risk managers to communicate their views to SICorp.



Treasury Managed Fund Agency Advisory Council

Peter Riordan
(Chair) Education

Frank Davies Public Sector Risk Management
Association (PSRMA)

John Hubby
Department of Finance and Services (DFS)

Mandy Eagle
Sydney Water

Michele Murphy
NSW Health

Aidan Hughes
NSW Police

Steve Hunt
Treasury, NSW SICorp

Darren Husdell
NSW Fire and Rescue

Meryl McCracken
Independent Pricing and Regulatory Tribunal
(IPART)

SICorp Advisory Board

Mark Ronsisvalle - Chair
Deputy Secretary
NSW Treasury Executive

Tim Spence – Deputy Chairperson
NSW Treasury Executive

Steve Hunt
Director, SICorp

Anne O’Driscoll
Non-Executive Director

Keith Scott
Non-Executive Director

Service Level Agreement Groups

Workers Compensation Portfolio 1 (Allianz Australia Limited {AAL})

Brad Cole
SICorp - Chair

Colleen Smith
SICorp - Secretariat

Carlos Gomez
SICorp

Rosemary Geradis
Education and Communities

Michael Taylor
Education and Communities

Patrick Varlet
Education and Communities

Terry Natsia
Sydney Water

Suzanne Reid
Finance and Services

Steve Mullins
Trade and Investment, Regional Infrastructure and
Services (T&I,RI&S)

Felicity Evans
Sydney Opera House (DPC)

Mark Pittman / Magaly Laurie / Paul Hillard /
Kate Drews
Allianz

Megan Clark
WorkCover

Workers Compensation Portfolio 2 (Employers Mutual Limited {EML})

John Angelakis
SICorp - Chair

Colleen Smith
SICorp – Secretariat

Carlos Gomez
SICorp

Michele Murphy
Ministry of Health

Cathy Tuffy
Sydney Local Health District (LHD)

Joseph Vella
NSW Police

Workers Compensation Portfolio 2 (Employers Mutual Limited {EML}) continued

Andrew McGarity
Fire and Rescue NSW

Tamara Sprod / James Au / Scott Niven /
Luke Roberts
EML

Danny Moroney
NSW Rural Fire

Workers Compensation Portfolio 3 QBE Insurance (Australia) Limited (QBE)

John Angelakis
SICorp - Chair

Gael Prophet / Domenic Ursino
Ageing Disability and Homecare

Colleen Smith
SICorp - Secretariat

Jennifer Newton / Lydia Drury
Community Services

Paul Davies / Carlos Gomez
SICorp

Geoff Cook / Edith Erns
Office and Environment Heritage

Michele Murphy
Ministry of Health

Daniel Mowday / Justin Clark
Juvenile Justice

Wendy Lobley
Corrective Services

David Bacon / James Dunwoody
QBE

Kerrie Dennis
Roads and Maritime Services

SLA General Claims Portfolio (GIO General Limited {GIO})

Paul Davies
SICorp – Chair

Chris Pasterfield / Chris Reid
Education and Communities

Colleen Smith
SICorp - Secretariat

Bruce Campbell / Val Scully
Education and Communities

Carlos Gomez/ John Angelakis
SICorp

Lyndsay Brooker / Jane Allen
Ageing, Disability and Home Care

Michele Murphy
Ministry of Health

Mark Hicks
NSW Police

Margy Halliday
Sydney LHD

Jaak Normet
Finance and Services

SLA General Claims Portfolio (GIO General Limited {GIO}) continued

Rae Giffin / Margaret Farag
Roads and Maritime Services

Terry Natsia
Sydney Water

Katalin Erdelyi
Attorney General and Justice

Brad Tait, Fahrena Mitchelson
GIO

Statutory Reporting Requirements

Access details		Government Access to Information (GIPA)
Aims and Objective		Highlights for 2011-12
Annual Report - costs and details		Legal change n/a
Auditor-General's opinion		Legislative change n/a
Charter		Letter of Submission to Minister I/Cover
Clients and Stakeholders		Major assets
Code of conduct		<i>no major assets were purchased during 2010-11</i>
Commitment to Service		Management and Activities
Committees		Management and Structure
Consumer response		Mission
Contact details		Organisation chart
Corporate objectives		Performance indicators
Economic/other factors affecting achievement	n/a	Principal Officers
Electronic service delivery		Promotion n/a
Energy management policy		Report on operation
Financial Statements		Research and development n/a
Funds granted to non-government bodies	n/a	Risk management
		Vision
		Waste Reduction

The following items will be included in the NSW Treasury annual report and therefore are not required to be reported in the SiCorp annual report as per NSW TC 11/18 of 21 December 2011 *Financial reporting requirements for NSW Government entities including those affected by restructures.*

Aboriginal and Torres Strait Islanders	Multicultural Policies and Services Program
Credit Card Certification	Work health and Safety
Disability Strategic Plan	Overseas visits
Equal Employment Opportunity	Privacy Management Plan
Expenditure on consultants	Publications
Improved recruitment and talent management practices	Staff development - training statistics
Insurance	Staff feedback
	Staff Statistics

Websites referenced in this report

www.sicorp.nsw.gov.au

www.homewarranty.nsw.gov.au

Acronyms and Abbreviations

AAL - Allianz Australia Insurance Limited

AAC - Agency Advisory Council

DFS - Department of Finance and Services

EML - Employers Mutual Limited

GIO - GIO General Limited

GIPA - Government Information (Public Access)

GWC - Governmental Workers Compensation Account

HWIF - Home Warranty Insurance Fund

IBNER - Incurred but not enough reported

IBNR - Incurred but not reported

IPART - Independent Pricing and Regulatory Tribunal

ICT - Information, Computing and Telecommunications

LHD - Local Health District

LPG - Legal Panel Gateway

PAI - Principal Arranged Insurance

PML - Probable Maximum Loss

PMO - Program Management Office

PSRMA - Public Sector Risk Management Association

RFT - Request for Tender

SICorp - NSW Self Insurance Corporation

SLA - Service Level Agreement

SOC - State Owned Corporation

SRM&IM - Safety and Risk Management and Injury Management Coalition

T&I,RI&S - Trade and Investment, Regional Infrastructure and Services

TAC - Transport Accident Compensation Fund

TC - Treasury Circular

TMF - Treasury Managed Fund

TPP - Treasury Policy Paper

UTS - University of Technology Sydney

VMO - Visiting Medical Officer

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