



**SI Corp**  
NSW Self Insurance Corporation

# NSW SELF INSURANCE CORPORATION

Annual Report  
2010 - 11





**The  
Treasury**  
NSW Self Insurance Corporation

The Hon. Mike Baird MP  
Treasurer  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

Dear Treasurer

I am pleased to submit the Annual Report of the NSW Self Insurance Corporation (SICorp) for the financial year ended 30 June 2011, for presentation to the Parliament of New South Wales in accordance with the *Annual Reports (Statutory Bodies) Act 1985*, Section 11.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'S Hunt'.

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**Steve Hunt**  
Director  
NSW Self Insurance Corporation

28 October, 2011

A handwritten signature in blue ink, appearing to read 'P Gaetjens'.

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**Philip Gaetjens**  
Secretary  
NSW Treasury

28 October, 2011

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## Access

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31 October 2011

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## External Costs

Total external production costs for this annual report were: \$2,582 (GST excluded).

## Report Access

This report is available on the NSW Self Insurance Corporation (SICorp) web site:  
[www.sicorp.nsw.gov.au](http://www.sicorp.nsw.gov.au)

or

in hard copy upon request to:  
[julie.waters@treasury.nsw.gov.au](mailto:julie.waters@treasury.nsw.gov.au)

## Charter

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

SICorp

- Operates a number of Government insurance managed fund schemes. The main scheme is the Treasury Managed Fund (TMF).
- Provides home warranty insurance for building work under the *Home Building Act 1989* through the Home Warranty Insurance Fund.

The TMF is an arrangement under which property, workers compensation, motor vehicle accident, public and other liabilities (other than Compulsory Third Party motor vehicle insurance) for TMF agencies are managed as a self insurance scheme (including the collection of contributions from the 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.

## Mission Statement

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

# Section 1 – Overview

## About 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 self insurance scheme. The scheme, known as the Treasury Managed Fund (TMF), provides unmatched protection for all asset and liability exposures (except Compulsory Third Party motor vehicle insurance) of most general government agencies and a number of other agencies.

SICorp also underwrites the provision of home warranty insurance 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.

Treasury provides staffing to allow SICorp to undertake its activities.

## Core Values

- Act with integrity
- Value the rights and views of individuals
- Focus on our Stakeholders
- Provide leadership at all levels
- Continuously improving through learning and innovation
- Be professional at all times.

## Shared Values

- Flexibility
- Competence
- Loyalty
- Perseverance
- Cooperation
- Fairness
- Professionalism
- Responsibility
- Creativity.

## Corporate Objectives

- Minimising State exposures
- Reducing claims costs and budget impacts
- Optimising the accountability of TMF agencies and service providers
- Efficient and cost effective delivery of all services
- Maintaining full funding of liabilities
- Being an employer of choice.

## Services

SICorp delivers efficient and cost effective services by:

- Maintaining an effective accountability and contract management framework
- Ensuring accurate data is maintained
- Providing a transparent, reliable and valued performance reporting and benchmarking regime
- Providing financial incentives for best practice outcomes
- Securing value for money services from all service providers
- Maintaining an appropriate investment strategy
- Providing policy and procedural advice to government on insurance matters raised at a Ministerial and inter-governmental level.



## SICorp Advisory Board

The SICorp Advisory Board was appointed to provide advice on strategic management issues. The Board consists of a Treasury Deputy Secretary as chair, the Director of SICorp and three non-ex-officio industry experts appointed by the Treasury Secretary.

The industry experts on the Board are:



**Keith Scott**

Keith has more than 30 years international experience in senior roles in the reinsurance business. He is a former CEO of Swiss Re Australia and subsequently worked as a Managing Director in Swiss Re's Asia Division HQ in Hong Kong. Keith also holds director positions on a subsidiary board of a major Australian listed insurer, an Australian not for profit entity in the climate change sector and the board of a takaful reinsurer in the Middle East and South East Asia. He is a Graduate of the Australian Institute of Company Directors and has recently gained an Advanced Diploma in Mastering the Boardroom.



**Anne O'Driscoll**

Anne is a Fellow of the Institute of Chartered Accountants, a graduate member of the Australian Institute of Company Directors and a Fellow of the Australian and New Zealand Institute of Insurance and Finance. She has been the Chief Financial Officer of Genworth Financial in Australia since November 2009. From 1995 until 2008 she held senior financial roles in the NRMA Group (now IAG).



**Brian Daniels**

Brian is a Fellow of the Institute of Actuaries of Australia. Following several years with AMP, he worked for the South Australian Treasury from 1977 to 2008. In 1994 he was appointed General Manager of the South Australian Government Captive Insurance Corporation (SAICORP), a position that he held until SAICORP was amalgamated with the South Australian Government Financing Authority (SAFA) in 2006. He continued to manage the South Australian Government's insurance arrangements as Director Insurance in SAFA until his retirement at the end of 2008.

## TMF Agencies

On 1 July 1989 the NSW Government implemented a self insurance scheme known as the Treasury Managed Fund (TMF). The scheme covers the assets and liability risks of participating Government agencies known as TMF agencies.

The structure of the TMF was independently reviewed in 1995 following significant increases in the costs of claims, particularly workers compensation. The review clearly indicated that self-insurance in the form of a managed fund remained the preferred option for enabling TMF agencies to manage their risks. The review also reinforced the principle of active risk management practices by agencies in order to control costs.

Coinciding with the expiration of the contract with GIO General Ltd in July 2005, NSW Treasury opted to restructure the management of the TMF to a multi-provider model to protect the TMF against the inherent risks of a single provider and ensure the highest level of performance for the TMF.

The TMF agencies are responsible for all 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
- Implement appropriate risk identification measurements, mitigation and management procedures
- Respond to incentive arrangements that are part of the scheme
- Report on results.

As at 30 June 2011, the TMF provided services to 154 agencies.

## Contract of Coverage

When the NSW Government introduced the TMF on 1 July 1989, it established the need for an indemnification document that was broadly worded to take the place of traditional insurance policies.

The "Contract of Coverage" is the title of the SICorp's explanatory document that dictates its response to the TMF agencies when loss or damage is suffered.

The TMF is not subject to the Insurance Act 1973 nor is it subject to the regulatory control of the Australian Prudential Regulation Authority. Coverage is provided for all loss or damage incurred on or after 1 July 1989 or the date the agency joined the TMF. The coverage is without peer in the commercial insurance market.

The TMF provides cover worldwide in respect of:

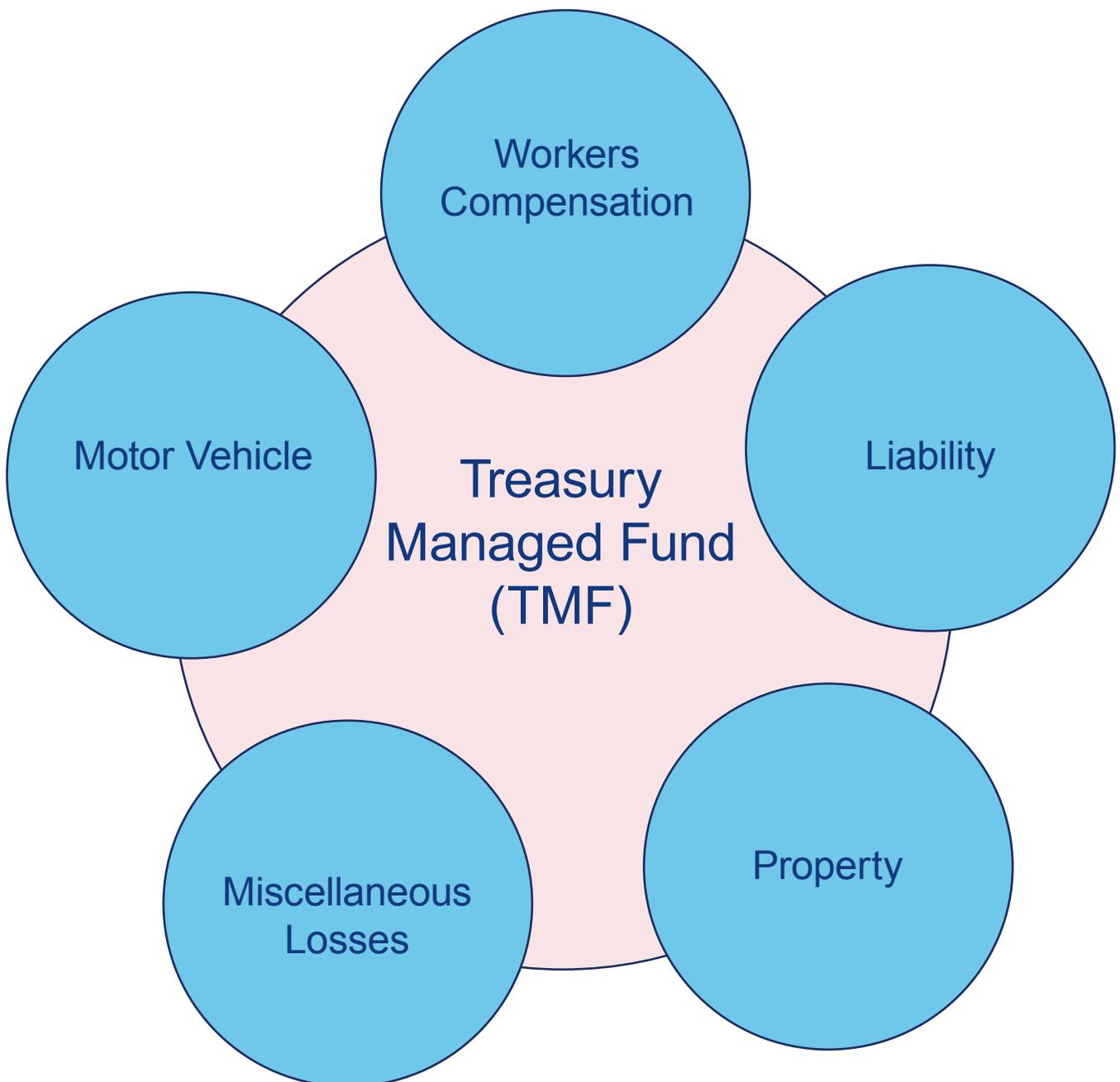
- workers compensation as per NSW statute
- liability, including, but not limited to, public liability, products liability, professional indemnity, directors/officers liability and medical negligence
- property (full replacement, new for old, and consequential loss)
- motor vehicle
- miscellaneous losses,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

The extent of cover provided under the TMF is unique to TMF agencies. Exposures not included are:

- illegal activities
- wear and tear, and inherent vice
- pollution (other than sudden and accidental pollution).

The TMF is protected by a wide-ranging reinsurance program.

A copy of the Contract of Coverage is available on the SICorp web site under "Publications".



## TMF Premiums

The contributions made by TMF agencies are known as premiums. The first step in the premium setting process is the calculation by actuaries of target premiums for a financial year. The target premium represents an estimate of the total claims costs and expenses for the ensuing year. Estimates are reduced by expected earnings on premiums that accrue prior to claim payments.

Target premiums are then allocated to agencies as deposit premiums.

Deposit premiums are set based on a weighting between an agency's own experience and an appropriate external premium measure (e.g. for workers' compensation, this is known as the industry benchmark premium). The sum of all deposit premiums will add to the total target premium for the TMF.

## Premium Performance Indicators

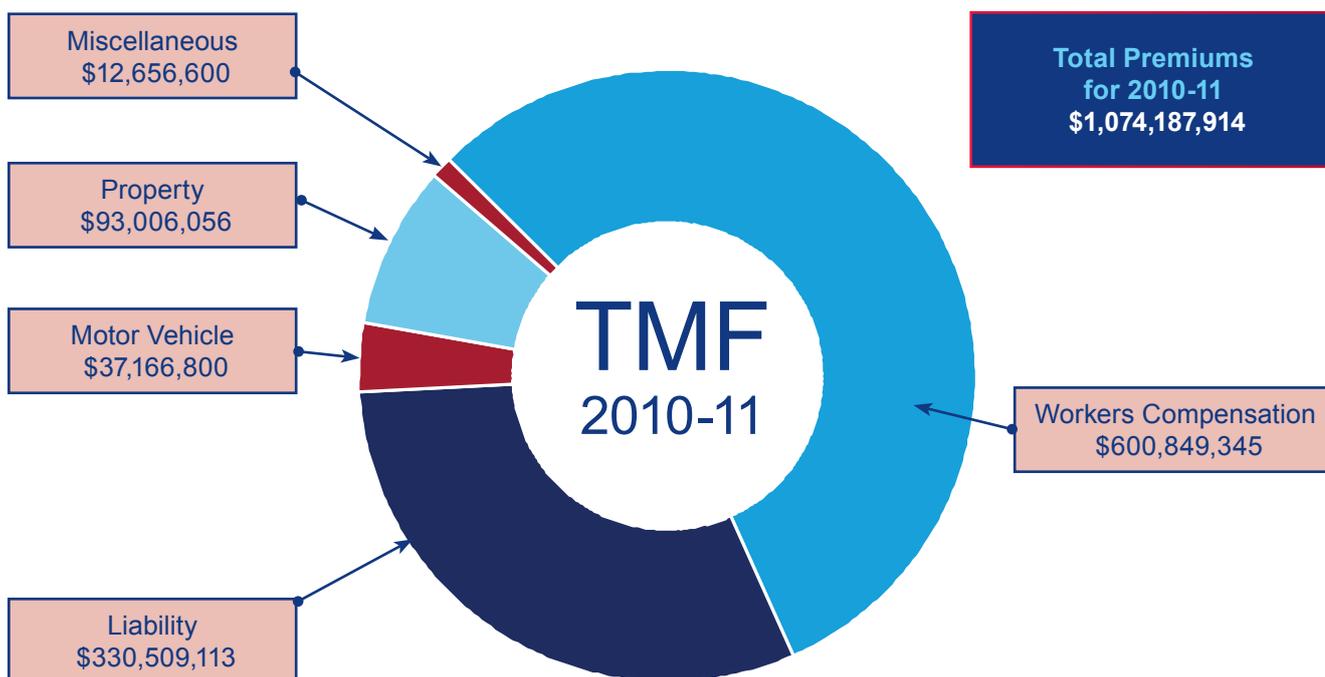
Claims managers provide information about the calculation of deposit premiums, claims trends and drivers. They work in a collaborative manner to assist TMF agencies manage their exposure.

	Workers Compensation - premium as percent of wages	Liability - (excl VMOs**) - premium per employee	Motor - premium per vehicle	Property - premium as percent of asset value
2010-11	2.14%	\$929	\$881	0.08%
2009-10	1.90%	\$909	\$860	0.08%
2008-09	1.92%	\$844	\$849	0.09%
2007-08	2.31%	\$857	\$829	0.09%
2006-07	2.34%	\$904	\$809	0.10%
2005-06	2.83%	\$988*	\$830	0.12%
2004-05	2.92%	\$1,096	\$843	0.14%
2003-04	3.13%	\$1,131	\$864	0.14%

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

\*\*Note: Visiting Medical Officers

## Size of all Lines of Business by Premiums (GST Inclusive)



## Working with Agencies

### Agency Advisory Council

The Agency Advisory Council is a consultative body which meets quarterly and provides a forum for TMF agencies to communicate their views to SICorp. Council members must maintain a TMF perspective and consider the interests of all the TMF agencies.

The Agency Advisory Council enables TMF agencies to:

- Participate in the direction, development, and performance of the TMF
- Raise concerns and disseminate information about issues affecting TMF agencies
- Review and make recommendations about issues affecting a TMF agency's performance
- Promote and foster best practice throughout the TMF
- Make recommendations directly to the SICorp Executive.

### Service Level Agreement Working Groups

The Service Level Agreement (SLA) Working Groups are representative of the broad spectrum of agencies participating in the TMF.

These working groups review service delivery and service quality provided by the claims managers and any issues that arise.

For details of current members see Section 5.

## Guarantee of Services and Consumer Response

SICorp has always held itself and its service providers to the highest levels of customer service. We measure the satisfaction with our Claims Managers' service by conducting an annual survey. SICorp maintains Service Level Agreements (SLAs) setting standards to be met in the following areas of claims management:

- providing claims service
- managing claims.

SICorp and TMF agencies reviewed claims management performance against SLA standards during 2010-11 through quarterly meetings of the SLA working groups.

SICorp actively collects consumer response through:

- regular liaison meetings with TMF agencies and service providers
- SLA working groups
- Agency Advisory Council
- claimant contact with the Contract Performance Team
- TMF Help Desk.

SICorp has created a team dedicated to servicing the TMF agencies. This team will lead a number of initiatives next financial year that will strengthen the services, communication and training provided to TMF agencies.

## SICorp Commitment to Stakeholders

SICorp relies on the outsourced service model and the contracted service providers, which include large and well established Australian insurance 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 People of NSW

- Full cover for all public sector employees and assets
- Access to accurate and timely information.

### Commitment to the Treasury

- Efficient and effective administration of the TMF
- Provision of accurate, relevant professional and timely advice and information.

### Commitment to TMF Agencies

- Working in a partnership to pursue the successful reduction of claims and the cost of claims when they occur
- Regular consultation, openness and mutual respect.

### Commitment to SICorp staff

- Job satisfaction, personal development and career opportunities
- Strong leadership and effective management.

## Commitment to WorkCover NSW

- Efficient and timely delivery of information to assist on oversight activities
- Working in a partnership to provide and communicate strategies to protect the NSW public sector workforce.

## Commitment to Claims Management Service Providers

- Clear guidelines, expectations and objectives
- Incentives for excellence in service delivery.

## Commitment to Risk Management Service Providers

- Clear guidelines, expectations and objectives
- Support and funding for risk management initiatives.

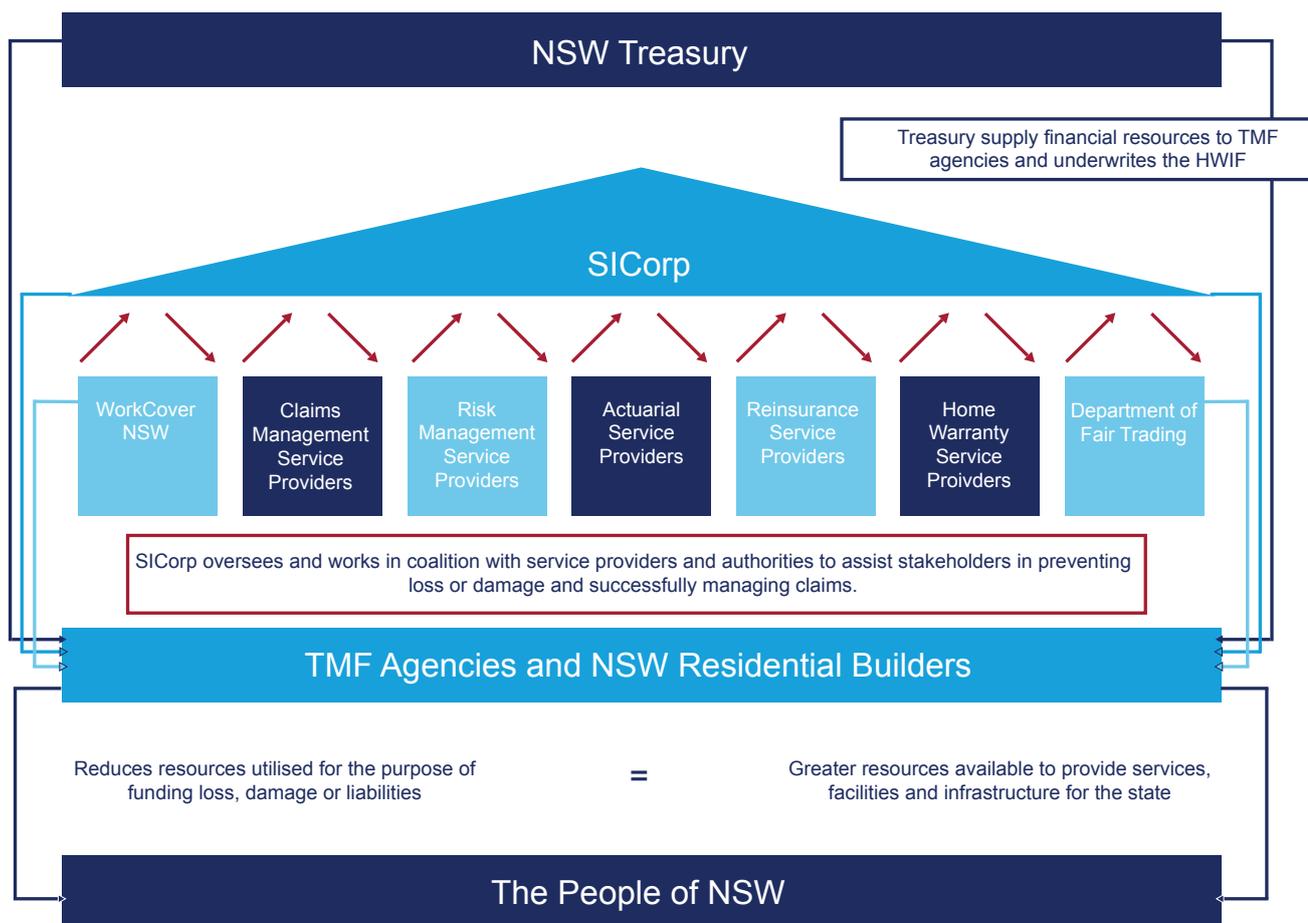
## Commitment to Actuarial Service Providers

- Clear guidelines, expectations and objectives
- Efficient and timely delivery of information to assist with actuarial reconciliations.

## Commitment to the Home Building Industry

- Working in a partnership to pursue the successful reduction of claims and the cost of claims when they occur
- Provide consumer protection to support the home building industry in NSW
- Regular consultation, openness and mutual respect.

## SICorp Stakeholder Map



# Section 2 – Year in Review

The six year term provides for, six month transition-in, a core services period of five years, and a six month transition-out period.

## SICorp Organisational Structure

### 2010-11 Transition

Following an open tender for the management of TMF claims the following service providers have been appointed for a six year term commencing 1 July 2010 up to 30 June 2016:

- Allianz Australia Insurance Ltd – Workers Compensation No. 1 Portfolio
- Employers Mutual Limited – Workers Compensation No. 2 Portfolio
- QBE Insurance (Australia) Limited (QBE) – Workers Compensation No. 3 Portfolio
- GIO General Pty Ltd – Health Liability Claims Portfolio and General Claims Portfolio.

The three workers compensation portfolios have been reconfigured from the 2005-2010 contract to reflect the principal agency philosophy. This has resulted in more than 21,000 open claims, representing approximately 83 per cent of all open TMF claims being moved across portfolios.

As a result of a review of the role and structure of SICorp in the management of the TMF, SICorp has spent the last 18 months implementing a restructure to support the new terms of the 2010–2016 Claims Manager contracts.

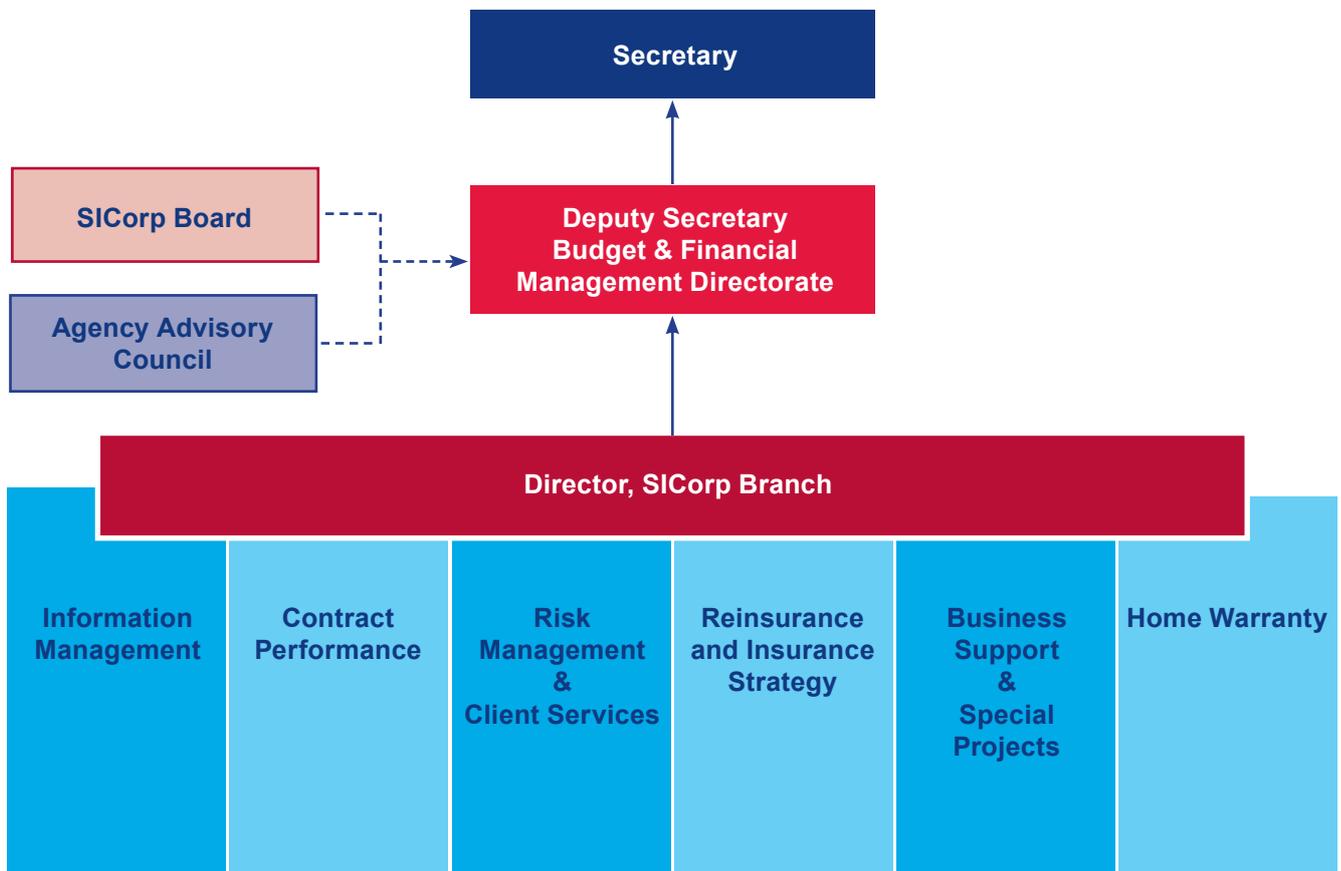
The structure was also modified to support the new roles generated from the management of the Home Warranty Insurance Fund and Risk Management services.

The objectives of this restructure were to:

- ensure that SICorp had the right staff with the right skills
- provide a stronger focus on risk management services
- support effective contract management
- enhance SICorp’s client services capability
- communicate effectively
- provide the resources to manage the Home Warranty Insurance Fund.

The chart on this page shows the organisation and governance structure for SICorp.

### SICorp Organisation Chart



## TMF Contract and Performance Management

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

SICorp Account Managers are key contacts for managing the relationship with the Claim Managers and Insurance Agents. Account Managers have primary responsibility for monitoring performance to agreed targets and delivery of the services and commitments under the Agreements.

A Manager Performance Analysis is responsible for developing reports that measure Claims Manager performance and other analysis of the TMF environment.

SICorp has implemented a contract and performance management framework to ensure the delivery of services are to the required levels and standards specified under the agreements and that SICorp objectives are met.

## Home Warranty Insurance Fund Establishment

SICorp commenced issuing certificates of insurance as required under the Home Building Act from 1 July 2010 through its appointed agents QBE and Calliden Insurance Ltd (Calliden). This involved the transition from the private schemes to SICorp for all builders holding eligibility and the establishment by SICorp of pricing, underwriting criteria, data warehousing, and management functions.

From 1 October 2010 all business was managed on behalf of SICorp by QBE and Calliden and written under SICorp pricing and eligibility criteria. Vero Insurance Ltd (Vero) held the majority of builder eligibilities as at 30 June 2010 however it was not successful in tendering as an agent of SICorp. Vero ceased writing business from 30 September 2010.

Reporting against data held as at 30 June 2010 confirmed all builders were transitioned effectively and 15,478 builders held eligibility to purchase home warranty insurance policies on 30 June 2011.

The SICorp HWIF Management Team took over operations from the Project Development Team and Joint Government Agency Steering Committee from 17 July 2010.

Self-audited service level standards for insurance agents for the June quarter show compliance with underwriting service standards of 95% in the worst

case and an average of 98% across all self-audited measures.

The HWIF is established to be self funding from premium income following an initial operational grant of \$12 million from the NSW Government.

Detailed information on the scope of the protection provided by home warranty policies issued by the SICorp, administrative procedures and documentation is provided at [www.homewarranty.nsw.gov.au](http://www.homewarranty.nsw.gov.au)

## Information Management Activity

Major achievements in the 2010-11 include:

### Delivery of the Agency Reporting Project

This project delivered:

- A suite of standardised reports across all SICorp lines of business
- Data analysis tools
- A learning and development program around reporting and data analysis
- Upgraded functionality of the SICorp portal.

### HWIF Information Management Development

- The HWIF Insurance Agent databases were mapped to SICorp data requirements allowing data to be uploaded monthly to SICorp
- Templates were developed to provide reports quarterly to the NSW Home Warranty Scheme Board.

### Claims Management Data Migration

This project delivered:

- A data transfer method between outgoing and incoming claims manager service providers.
- A data governance framework to ensure the successful transfer
- A transition plan to manage multiple stakeholders.



## Risk Management

In October 2010 SICorp adopted a risk management model that incorporates in-house capability supported by external service providers. A Chief Risk Officer was appointed in January 2011. This position will be supported by three risk management resources.

The risk management team will be focussed on providing scheme-wide risk management leadership for TMF Agencies, risk management contract and project management for TMF service providers and risk management analysis utilising the TMF Data Warehouse.

Risk Management Service Providers are focussed on providing TMF agencies with specific project delivery, day-to-day mentoring and assistance, provision of seminars and forums and targeted activities to improve agency/scheme performance.

The table below outlines the risk management roles played by each party.

Claims Management Service providers	Risk Management Services provider	Reinsurance Services provider
Post incident focussed	Prevention focussed	Exposure focussed
Risk treatment (control)	Risk consulting	Risk engineering
React to increased frequency/cost of claims	Aimed at building risk management capability	Evaluating/ minimising Maximum Loss
Improvement short to medium term	Improvement medium to longer term cost of risk	Improvement in annual reinsurance costs/cover
Agency or claim specific	Multiple agency/ whole of fund impact	Reinsurance cost/ level
Agency claims/ injury management relationship	Agency executive/ strategic tier relationship	Insurance/ reinsurance market relationship



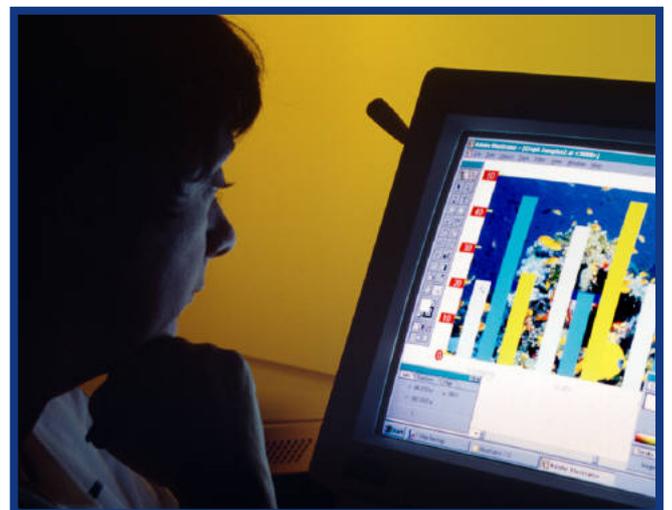
## TMF Communication Strategy

A Communications Strategy was launched in March 2011 to make a significant contribution to the achievement of SICorp's corporate goals through influencing behavioural change in agencies.

This strategy recognises that SICorp's success depends on the behaviour of the TMF agencies, and the behaviour of the agencies depends on effective communication that is targeted, clear, consistent, meaningful, timely and compelling.

To achieve this, SICorp is looking to develop and implement a core set of standards around all communication activity that will assist every team within SICorp to effectively communicate with all of the TMF stakeholders.

The implementation of these standards is an organisational wide operation. To assist in developing and implementing these across the organisation and to strategically drive the communication activities within SICorp, a Communication Performance Review Group was formed, with its membership from key representatives of the management team.



## Reinsurance Renewal

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

Aon Benfield (Aust) Pty Ltd (Aon Benfield) in cooperation with SICorp again successfully negotiated the renewal of SICorp's reinsurance program for 2010-11. 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 2010-11.

SICorp's reinsurance protection is purchased through Australian and overseas reinsurance markets.

Natural catastrophes and in particular bushfire and floods continue to be major topics of interest during reinsurance meetings held in London and Singapore.

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 distinguish NSW Government risks from losses occurring in other Australian and overseas jurisdictions.

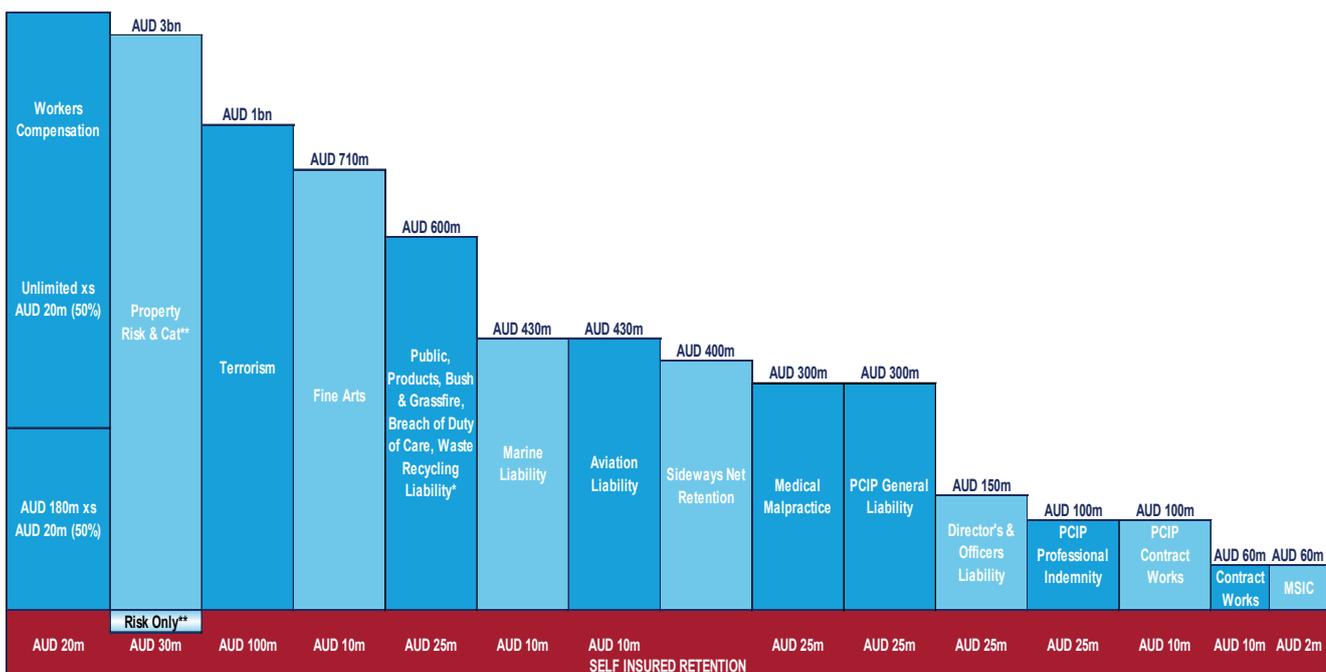
Despite the impact of natural disasters in other parts of Australia and the world, Aon Benfield successfully renewed the 2010-11 reinsurance program \$2.7 million below predicted budget expenditure.

The purchase of reinsurance represents prudent risk management and ensures that Government is not exposed to large scale insurance loss. The reinsurance premium for 2010-11 equated to 3.6 per cent of premiums, and includes cover for \$118 billion in declared assets and provides protection against large and catastrophic events that could impact the TMF's overall liabilities and government expenditure. Consideration is being given to extend this cover to roads.

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.

The chart below depicts the 2010-11 reinsurance program structure.

## 2010-11 Reinsurance Program Structure



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

# Budget Review

## 2010-11 Actual Compared to Budget

The following analysis compares the operating result and financial position for 2010-11 with budget.

### Operating Result

For the year ended 30 June 2011, SICorp's operating result was a net surplus of \$246.5 million compared with an original budget of \$102.8 million.

The better than expected performance was mainly attributable to the improvement in actuarial modelling for the workers compensation portfolio and favourable claims experience for the public liabilities line of business.

### Net Assets Holding Level Policy

SICorp established the TMF Net Asset Holding Level policy in March 2006, which helps to determine the appropriate reserve level for the TMF. The policy was amended in August 2010 to extend the coverage to all residual schemes managed by SICorp. It also introduced a Net Assets Holding Level range of 100 to 125 per cent to provide funding stability. In accordance with policy, the adequacy of the reserve is reviewed annually based on the 31 December financial position. The Net Assets Holding Level policy requires any surplus to be transferred to the Crown Finance Entity and deficiency covered through top-up payment from the Consolidated Fund.

Top-up funding of \$55 million was provided for the residual insurance schemes in 2011 based on the annual funding adequacy assessment. TMF had a \$441 million surplus in the net asset at the assessment date, hence no top-up funding was required.

### Revenues and Expenses

Total revenue for the year was \$1,545.4 million and was \$17 million (1.1 per cent) below the budget. This is primarily due to lower than expected TMF hindsight premium income. The TMF hindsight premium budget for 2011 was \$13.7 million. After actuarial assessment, a net TMF hindsight payment of \$2.1 million was made to government agencies in 2011. This largely reflects better than expected claims experiences for the 2004-05 fund year rewarding agencies for proactive workers compensation management.

Investment income for the year was \$479.2 million which is largely in line with the budget of \$486.6 million. The annual return for the TMF investment portfolio was 8.56 per cent.

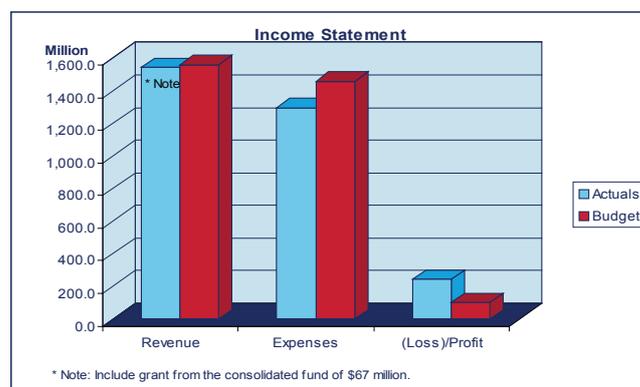
Total expense for 2011 financial year was \$1,298.9 million compared with a budget of \$1,459.6 million.

The reduction in expenses was due to changes in actuarial assumptions:

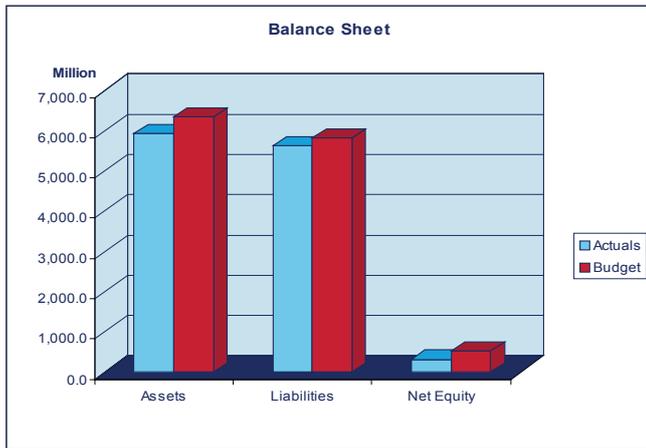
- An improvement in the workers compensation retirement actuarial modelling which reduced the outstanding claims liabilities by \$260 million. The new actuarial model now segregates retirees from the claimants weekly benefit calculation.
- A reduction in the outstanding claims for public liability of \$137 million due to favourable claims experience and downward revision of the superimposed inflation used in the actuarial model.
- A reduction in finance costs of \$5.5 million as a flow on effect of the retirement re-modelling.

The above favourable variances were partially offset by worsening claims experience:

- An increase in claims paid of \$11.1 million mainly in the workers compensation line of business
- An increase of \$54 million in the weekly benefits for NSW Police associated with the combined impact of the Death and Disability (D&D) scheme and top up benefit
- \$48 million increase in workers compensation medical benefit, rehabilitation and other medical expenses (\$20 million associated with NSW Police D&D scheme)
- \$70 million increase in the workers compensation weekly benefits for Health portfolio reflecting higher number of claims receiving benefits and an increase in the average benefit payment size
- \$38 million increase in the workers compensation claims liabilities for the common law benefits and commutations
- \$25 million increase in the workers compensation claims liabilities due to increase in the wage estimates and management fees used in the actuarial model.



Item	Actuals	Budget	Variance	
			\$m	%
Revenue	1,545.4	1,562.4	(17.00)	-1.1%
Expenses	1,298.9	1,459.6	(160.70)	-11.0%
(Loss)/Profit	246.5	102.8	144	139.8%



restrictions, and establishes performance benchmarks. The MoU is authorised and approved by the Executive of the NSW Treasury.

As at 30 June 2011, SICorp investments total \$5,522 million. Total investment holding, by fund, is shown below.

Investments are held in the following TCorp investment facilities:

- Cash Facility
- Strategic Cash Facility
- TMF Hour-Glass Facility
- Long-Term Growth Facility

Item	Actuals	Budget	Variance	
			\$m	%
<b>Assets</b>	5,929.1	6,343.3	(414.2)	-6.5%
<b>Liabilities</b>	5,616.8	5,818.2	(201.40)	-3.5%
<b>Equity</b>	312.3	525.1	(212.8)	-40.5%

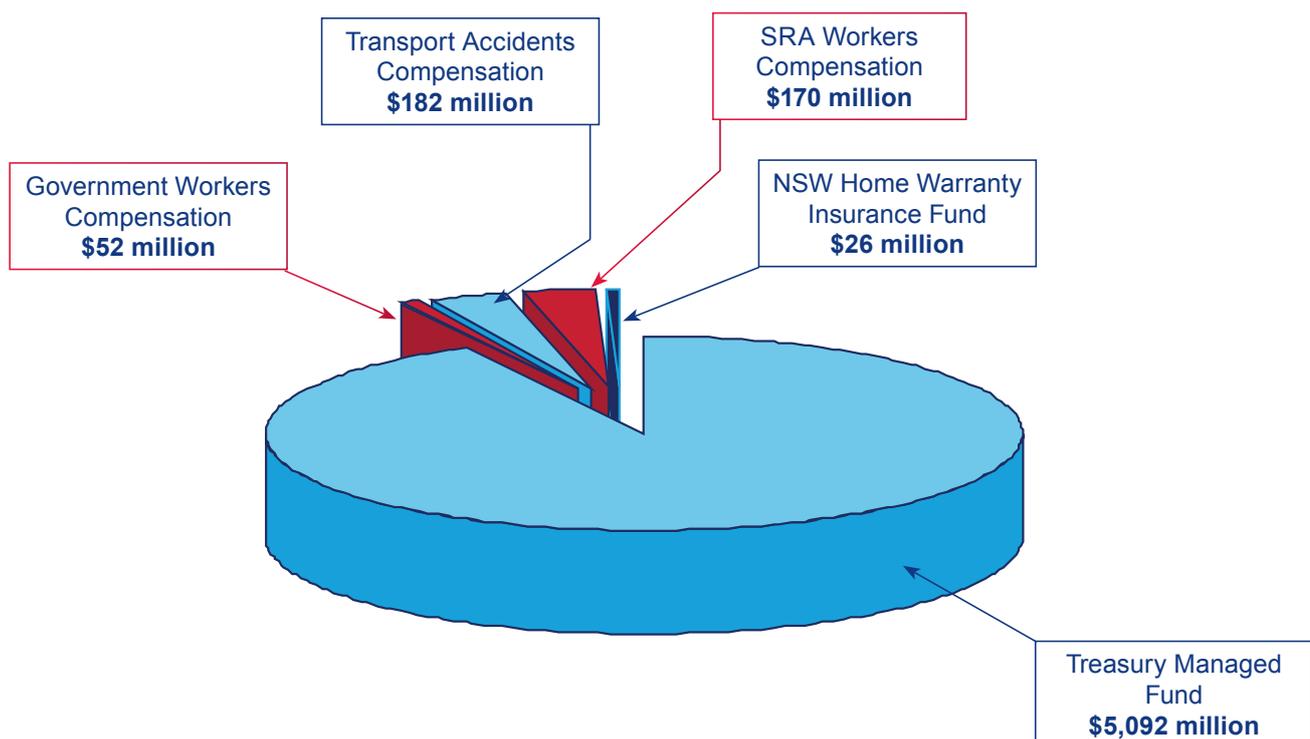
Investment Performance in 2010-11 financial year can be categorised into two parts. Global markets rallied strongly in the post GFC recovery for the first nine months. However, markets lost momentum in the June quarter due to negative economic data and renewed concerns about the European debt issues. SICorp's investments emerged from the market volatility with a healthy annual return of 8.56 per cent.

## Investments

SICorp contracts the NSW Treasury Corporation (TCorp), to advise on, and actively manage investment risk in line with a Memorandum of Understanding (MoU). TCorp actively manages and reports on the risks associated with the holding of financial instruments.

SICorp's investment strategy is linked to SICorp's corporate goal of maintaining full funding of liabilities. The investment income ensures that premiums collected at the start of the fund year are adequate to meet liabilities over the life of a claim.

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

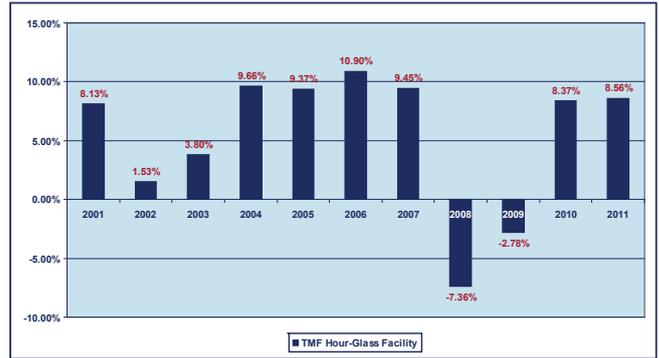


Asset allocation and full year returns for each fund, by asset class, is shown in Table 1.

### SICorp TMF Investment Return 2001 to 2011

**Table 1**

	Asset Allocation Per Section %	FY 2010-11 Returns %
<b>TMF</b>		
Cash Facility	100	5.37
Hour Glass Investments	100	9.05
Strategic Cash	3.21	5.58
Cash	2.37	5.30
Australian Bond	9.75	5.62
Australian Shares	39.31	11.38
Indexed Australian Shares	9.77	11.64
International Shares	14.82	2.76
Indexed International Shares	5.31	2.68
Emerging Market Shares	5.08	(3.27)
Listed Property	1.93	23.63
Unlisted Property	8.45	11.45
<b>TOTAL TMF</b>	<b>100</b>	<b>8.56</b>
<b>GWC, TAC and SRA</b>		
Long-Term Growth Facility	100	8.37
<b>TOTAL GWC, TAC and SRA</b>	<b>100</b>	<b>8.37</b>
<b>HWIF</b>		
Cash	100	0.756
Strategic Cash	100	0.323
<b>TOTAL HWIF</b>	<b>100</b>	<b>0.54</b>



**Table 2**

	TMF Average Investment Return (%)
Financial Year to 30 June 2011	8.6
Average 2 Years	8.5
Average 3 Years	4.7
Average 4 Years	1.7
Average 5 Years	3.2
Average 6 Years	4.5
Average 7 Years	5.2
Average 8 Years	5.8
Average 9 Years	5.6
Average 10 Years	5.2

The SICorp historical investment performance and average annual rate of returns for TMF is shown in the following chart and Table 2 to add perspective.



# Section 3 – Future Challenges

## Agency Information Management

As a result of the March 2011 election a number of TMF Agencies have been restructured to support the new government priorities. Large organisations like the Department of Health have seen significant organisational change, a level of change that is difficult to respond to in respect of support for information requirements.

The challenge for SICorp when managing nine principal departments and in excess of 150 agencies is to develop flexible systems and procedures that will allow SICorp to quickly capture the nature of the organisational change and reflect this in the data structures maintained for reporting and premium calculation.

The areas of focus for maturing current systems and processes will be in:

- Agency Engagement - working with the agencies to adequately understand the nature of the organisational change and identifying the key contact points within each agency that SICorp and other TMF stakeholders should be engaging with.
- Change Documentation – creating a record of the change to be used for later reference in processes such as hindsight calculation or modelling the different risk profiles now faced by agencies.
- Treasury Engagement – working with Treasury’s agency relationship managers to understand any impacts on budgets and funding that a change to agencies organisational structure may have.
- Data Management – accurately reflecting the change within the master data held for agencies. This includes, but is not restricted to:
  - » the renaming or creation of new agency entities
  - » the creation of new policies
  - » the remapping of existing insurance policies to new agency structures
  - » the creation of new cost centres and reporting structures to match emerging agency requirements.

- System Management – ensuring that the data bases and systems have a flexible architecture to easily support change.

Each of these elements will need to be analysed and matured to ensure SICorp can accommodate any future changes within government. While each element may be looked at in isolation, the intention is to maintain focus on the larger context.

## Development of Communication Standards

The SICorp Communication Strategy aims to improve the effectiveness of all of its communication activity to assist in achieving its strategic objectives. The communication standards will be developed to ensure that all communication activity is:

- Targeted
- Clear
- Consistent
- Meaningful
- Timely
- Compelling.

The standards to be created will be focused on:

- SICorp brand management
- Channels of communication and the appropriate choice of channels for the desired outcome
- The structure of that communication in the context of the appropriate channels
- A SICorp style guide to articulate the specific language forms, abbreviations and punctuation that SICorp staff and service providers will use
- Client engagement and management
- Meeting and meeting management.

These standards will be developed in consultation with the SICorp Communications Performance Review Group.

The challenge to the organisation will be in change management, ensuring that once these standards are developed there is an effective implementation plan to ensure that all staff within SICorp adopt and implement these standards.



## Home Warranty Insurance Fund

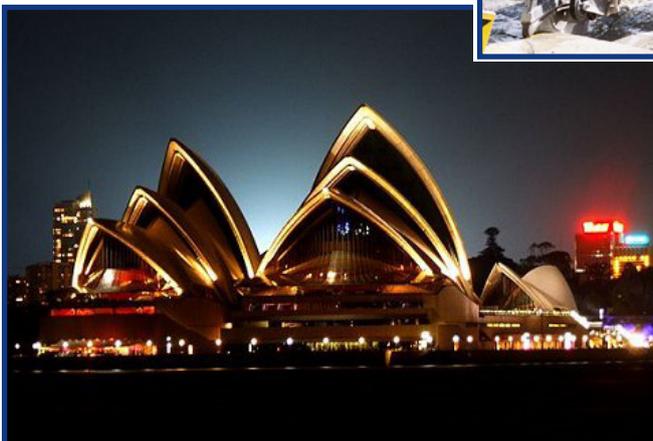
SICorp is chartered to manage the Home Warranty Insurance Fund (HWIF) to be self funding from premiums. Three of the five private insurers found it necessary to withdraw from the market prompting NSW Government involvement. SICorp will continue to balance the risk of disruption and restriction to the 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.

A review has been commenced into the outsourced distribution model to minimise cost and maximise efficiency.

HWIF will ensure that reports of activity, eligibility reviews and eligibility status are provided to the industry. Service level reporting capability will be built into current IT systems to ensure agents perform to contracted service standards.

## Other Opportunities for SICorp

SICorp will continue to consider structural change and legislative requirements to meet possible market failure in the insurance market e.g. Not for Profit sector and other non-government organisations.



# Section 4 – Financial Statements

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GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### NSW Self Insurance Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the NSW Self Insurance Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2011, 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 2010 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 2011, and of its financial performance 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 Secretary of The Treasury's Responsibility for the Financial Statements

The Secretary of The Treasury is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Secretary determines is necessary to enable the preparation of financial statements 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

I believe that 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 any other information which may have been hyperlinked to/from the financial statements.

#### Independence

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

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



Peter Achterstraat  
Auditor-General

10 October 2011  
SYDNEY



The  
Treasury  
NSW Self Insurance Corporation

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 2011 and financial position as at 30 June 2011; 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 Treasurer's Directions Treasury Policy Papers, Treasury Circulars 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.

A handwritten signature in black ink, appearing to read 'P Gaetjens'.

---

Philip Gaetjens  
Secretary, NSW Treasury and  
Manager, NSW Self Insurance Corporation  
6 October 2011

## Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>Income</b>			
Premiums	3	978,198	839,277
Reinsurance and other recoveries revenue	4	17,926	(89,010)
Investment income	5	479,221	482,549
Other		3,003	4
<b>Total Revenue</b>		<b>1,478,348</b>	<b>1,232,820</b>
<b>Expenses</b>			
Claims expenses	6	790,748	872,546
Outward reinsurance		32,310	33,636
Depreciation and amortisation	13, 14	619	1,002
Finance costs	16	294,058	269,437
Management fees		129,800	100,301
Other	8	51,326	43,048
<b>Total Expenses</b>		<b>1,298,861</b>	<b>1,319,970</b>
<b>Surplus/(deficit) before grant From The Crown Entity</b>		<b>179,487</b>	<b>(87,150)</b>
Grant from the Crown Entity	7	67,042	45,000
<b>Surplus/(deficit) for the year</b>		<b>246,529</b>	<b>(42,150)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>246,529</b>	<b>(42,150)</b>

## Statement of Financial Position as at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	19	272,810	157,847
Receivables	9	80,691	146,786
Reinsurance and other recoveries receivable	10	39,404	41,431
Other	12	2,990	-
<b>Total current assets</b>		<b>395,895</b>	<b>346,064</b>
<b>Non-Current Assets</b>			
Reinsurance and other recoveries receivable	10	190,198	201,269
Financial assets at fair value	11	5,335,427	4,986,979
Plant and equipment	13	291	247
Intangibles	14	432	884
Other	12	6,917	25
<b>Total Non-current assets</b>		<b>5,533,265</b>	<b>5,189,404</b>
<b>Total Assets</b>		<b>5,929,160</b>	<b>5,535,468</b>
<b>Current Liabilities</b>			
Payables	15	29,495	145,593
Unearned premiums	18	6,781	848
Provision for outstanding claims	16	803,244	736,713
Other		-	70
<b>Total current liabilities</b>		<b>839,520</b>	<b>883,224</b>
<b>Non-current Liabilities</b>			
Provision for outstanding claims	16	4,739,921	4,586,389
Unearned premiums	18	37,281	-
Provision for restoration	17	117	63
<b>Total Non-current Liabilities</b>		<b>4,777,319</b>	<b>4,586,452</b>
<b>Total Liabilities</b>		<b>5,616,839</b>	<b>5,469,676</b>
<b>NET ASSETS</b>		<b>312,321</b>	<b>65,792</b>
<b>Equity</b>			
Accumulated funds		312,321	65,792
<b>Total Equity</b>		<b>312,321</b>	<b>65,792</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity for the year ended 30 June 2011

	Accumulated funds \$'000	Total Equity \$'000
<b>Balance at 1 July 2010</b>	65,792	65,792
Surplus for the year	246,529	246,529
Other comprehensive income	-	-
<b>Total comprehensive result for the year</b>	<b>246,529</b>	<b>246,529</b>
Transactions with owners in their capacity as owners	-	-
<b>Balance as at 30 June 2011</b>	<b>312,321</b>	<b>312,321</b>
<b>Balance at 1 July 2009</b>	107,942	107,942
Deficit for the year	(42,150)	(42,150)
Other comprehensive income	-	-
<b>Total comprehensive result for the year</b>	<b>(42,150)</b>	<b>(42,150)</b>
Transactions with owners in their capacity as owners	-	-
<b>Balance at 30 June 2010</b>	<b>65,792</b>	<b>65,792</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows for the year ended 30 June 2011

	NOTES	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Premiums received		1,110,027	962,896
Premiums - hindsight adjustment received		53,913	24,837
Investment income		250,862	211,508
Other Investment Income - Interest income		4,165	2,584
Reinsurance and other recoveries		31,024	28,957
GST refunds		31,877	15,622
Grant from the Crown Entity		50,042	427,000
Other		3,003	4
<b>Total receipts</b>		<b>1,534,913</b>	<b>1,673,408</b>
<b>Payments</b>			
Claims and expenses paid		(967,437)	(809,891)
Premiums - hindsight adjustment paid		(56,050)	(53,943)
Management fees paid		(139,313)	(110,471)
GST paid		(100,374)	(88,168)
Outwards reinsurance expense		(32,310)	(37,496)
Payment to the Crown Entity		-	(30,000)
<b>Total payments</b>		<b>(1,295,484)</b>	<b>(1,129,969)</b>
<b>Net cash flows from operating activities</b>	19	<b>239,429</b>	<b>543,439</b>
<b>Cash Flows From Investing Activities</b>			
Proceeds from sale of investments		305,117	1,950,796
Purchases of Investments		(429,372)	(2,644,340)
Purchase of plant and equipment and intangibles		(211)	(282)
<b>Net cash flows used in investing activities</b>		<b>(124,466)</b>	<b>(693,826)</b>
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>114,963</b>	<b>(150,387)</b>
Opening cash and cash equivalents		157,847	308,234
<b>Closing cash and cash equivalents</b>	19	<b>272,810</b>	<b>157,847</b>

# 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. From 1 July 2010, 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.

## **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, including all public hospitals
- 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
- RTA Managed Fund.

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

## **Transport Accidents Compensation Fund (TAC)**

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

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

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

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

SICorp was appointed the claims manager for these liabilities upon Treasurer's direction.

## Home 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.

### 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 for a two year period to 30 June 2012. The claims and underwriting management arrangement of SICorp is shared between:

- GIO General Limited
- Allianz Insurance Australia
- Employers Mutual Limited
- Calliden Insurance Limited
- QBE Insurance (Australia) Limited
- Vero Insurance Limited - to 30/9/10.

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*
- Treasury Policy Papers (TPP) and Treasury Circulars.

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 excepting 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 Secretary of NSW Treasury on the date the accompanying statement by the Secretary was signed.

### 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.

### Provision for outstanding claims

The provision for outstanding claims is actuarially determined in consultation with the claims managers for TMF, TAC, GW, SRA, and 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 the expected long term investment returns on NSW Government bonds. The details of rates applied are included in Note 16.

The liability for claims includes:

- claims incurred and reported but not yet paid
- claims incurred but not yet 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 16.

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 the NSW Treasury.

### **Comparative**

Comparative figures have been reclassified and repositioned in the financial statements, where necessary, to conform to the basis of presentation and classification used in the current year.

### **New standards and interpretations not yet effective**

The following accounting standards were issued but are not yet effective as at the reporting date:

- AASB 9 and AASB 2010-7 regarding financial instruments (Effective 2013-14)
- AASB10 regarding consolidated financial statements (Effective 2012-13)
- AASB 11 regarding joint arrangements (Effective 2012-13)
- AASB 12 regarding disclosure of interests in other entities (Effective 2012-13)
- AASB 13 regarding fair value measurement (Effective 2012-13)
- AASB 119 regarding employee benefits (September 2011) (Effective 2012-13)
- AASB 124 and AASB 2009-12 regarding related party transactions (Effective 2011-12)
- AASB 127 regarding separate financial statements (Effective 2012-13)
- AASB 128 regarding investments in associates and joint ventures (Effective 2012-13)
- AASB 2009-14 regarding amendments to Interpretation – Prepayments of a minimum funding requirement (Effective 2011-12)
- AASB 1053 and AASB 2010-2 regarding differential reporting (Effective 2013-14)
- AASB 2010-4 regarding annual improvements (Effective 2011-12)
- AASB 2010-5 regarding editorial corrections (Effective 2011-12)
- AASB 2010-6 regarding disclosures on transfers of financial assets (Effective 2011-12)
- AASB 2010-8 regarding deferred tax: recovery of underlying assets (Effective 2012-13)
- AASB 2010-9 regarding severe hyperinflation and removal of fixed dates for the first time adopters (Effective 2011-12)
- AASB 2010-10 regarding removal of fixed dates for first time adopters (Effective 2013-14)
- AASB 1054 regarding Australian additional disclosures (Effective 2011-12)
- AASB 2011-1 regarding the Trans Tasman Convergence project (Effective 2011-12)
- AASB 2011-2 regarding the Trans Tasman Convergence project – RDR (Effective 2013-14)
- AASB 2011-3 regarding orderly adoption of changes to the ABS GFS manual (Effective 2012-13)
- AASB 2011-4 regarding amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements (Effective 2013-14)
- AASB 2011-5 regarding amendments to Australian Accounting Standards - extending relief from consolidation, the equity method and proportionate consolidation (Effective 2012-13)
- AASB 2011-6 regarding amendments to Australian Accounting Standards - extending relief from consolidation, the equity method and proportionate consolidation – reduced disclosure requirements (Effective 2013-14)
- AASB 2011-7 regarding amendments to Australian Accounting Standards arising from the consolidation and joint arrangements standards (Effective 2012-13)
- AASB 2011-8 regarding amendments to Australian Accounting Standards arising from AASB 13 (Effective 2012-13)
- AASB 2011-9 regarding amendments to Australian Accounting Standards – presentation of items of other comprehensive income (Effective 2012-13)
- AASB 2011-10 regarding amendments to Australian Accounting Standards arising from AASB 119 (Effective 2012-13)
- AASB 2011-11 regarding amendments to AASB 119 (September 2011) arising from reduced disclosure requirements (Effective 2013-14)

SICorp has not early adopted any new standards and interpretations in compliance with NSW Treasury mandates per Treasury Circular TC 10/08.

It is considered that the impact of the new standards and interpretations in future period will not have a material impact on the financial statements of SICorp.

## **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 of the consolidated entity 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.

## **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. Premium of the HWIF provides insurance cover for a period of seven 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 three years (Interim) and five 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 or expense when calculated.

### **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 income**

Investment income 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.

## **EXPENSES**

### **Outwards reinsurance expense**

Premiums ceded to re-insurers are recognised as an expense 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. 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.

## Grant from/(payment to) the Crown Entity

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 7.

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

## 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 five and six 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 S23 (d) of the *Income Tax Assessment Act 1936*.

## 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.

## 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 16).

In relation to other recoveries for liability claims, some of these are recoverable from the Motor Accidents Authority, 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.

## Plant and equipment

Office furniture, equipment and computer hardware are recorded at cost plus any incidental acquisition costs. All items are carried at cost less accumulated depreciation, as surrogate for fair value.

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, SICorp is effectively exempt from AASB 136 Impairment of Assets and impairment testing. 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.

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.

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 Service Taxes

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.

## 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. As at the reporting date, no unexpired risk liability was required.

## 3. PREMIUM REVENUE

	2011 \$'000	2010 \$'000
Premium	980,335	879,342
Hindsight adjustments	(2,137)	(40,065)
	<b>978,198</b>	<b>839,277</b>

Workers compensation final hindsight adjustments for 2004-05 and interim hindsight adjustments for 2006-07 were paid in 2010-11.

## 4. REINSURANCE & OTHER RECOVERIES REVENUE

Recoveries revenue	31,026	28,792
Movement in outstanding recoveries <sup>1</sup>	(13,100)	(117,802)
	<b>17,926</b>	<b>(89,010)</b>

<sup>1</sup> 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 2011 represents discounted expected future recoveries at 30 June 2011 of \$229.6 million less closing balance at 30 June 2010 of \$242.7 million. Refer to Note 10 for further details.

## 5. INVESTMENT INCOME

Bank interest	4,165	2,584
Revenue from financial assets held at fair value		
Bond portfolio	-	4,499
Hour-Glass facility	250,862	182,883
Gains / (Losses) from financial assets held at fair value		
Derivative financial instruments - held for trading	-	(60)
Bond Portfolio - designated as at fair value	-	6,308
Hour-Glass facility	224,194	286,335
	<b>479,221</b>	<b>482,549</b>

## 6. CLAIMS EXPENSES

	2011 \$'000	2010 \$'000
New claims incurred	930,920	843,632
Adjustment to existitng outstanding claims <sup>1</sup>	(140,172)	28,914
	<b>790,748</b>	<b>872,546</b>

<sup>1</sup> 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.

## 7. GRANT FROM THE CROWN ENTITY

Grant from the Crown Entity	67,042	45,000
	<b>67,042</b>	<b>45,000</b>

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 August 2010, takes into consideration the following:

- 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 Policy dictates that the target assets level held by SICorp be within 100 per cent to 125 per cent of the total liabilities. The adequacy of the fund's net assets level is reviewed annually based on the financial results as at 31 December. Net assets in surplus of the required holding level are paid to Crown Entity and net assets in deficit will be covered through payments from the Crown Entity.

The grant received from the Crown Entity during 2010-11 included \$12 million special funding allocation for the establishment of HWIF.

## 8. OTHER EXPENSES

	2011	2010
	\$'000	\$'000
Levies Paid to:		
Dust Diseases Board	7,391	6,821
Work Cover Authority of NSW	23,110	19,236
Investment management fees	-	161
Risk management fees	1,814	1,760
Actuarial expenses	5,997	5,586
Storage cost	406	363
Maintenance	2,752	3,009
Bank charges	43	65
Audit fees - audit of financial statements	208	157
Legal expenses	19	-
Consultancy	2,458	1,187
Reinsurer administration fees	900	1,011
Personnel services fees	4,021	2,220
Operating lease rental expenses	461	365
Other	1,746	1,107
	<b>51,326</b>	<b>43,048</b>

## 9. RECEIVABLES

### Current

Premiums receivable	20,033	98,508
GST receivable	5,658	-
Grant from Crown Entity	55,000	38,000
Other	-	10,278
	<b>80,691</b>	<b>146,786</b>

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

## 10. REINSURANCE AND OTHER RECOVERIES RECEIVABLE

	2011 \$'000	2010 \$'000
Expected future recoveries (undiscounted)	329,411	350,287
Discount to present value	(99,802)	(107,578)
	<b>229,609</b>	<b>242,709</b>
Outstanding reinsurance and other recoveries on paid claims	(7)	(9)
	<b>229,602</b>	<b>242,700</b>
Current	39,404	41,431
Non-Current	190,198	201,269
	<b>229,602</b>	<b>242,700</b>

## 11. FINANCIAL ASSETS AS FAIR VALUE

### Non-current

Hour-Glass investment	5,335,427	4,986,979
	<b>5,335,427</b>	<b>4,986,979</b>

At 30 June 2011, total investments of SICorp are financial assets designated at fair value through profit and loss.

## 12. OTHER ASSETS

### Current

Deffered acquisition costs <sup>1</sup>	2,636	-
Prepayments	354	-
	<b>2,990</b>	<b>-</b>

### Non-Current

Deffered acquisition costs <sup>1</sup>	6,876	-
Deffered restoration costs	41	25
	<b>6,917</b>	<b>25</b>

### <sup>1</sup> Movements - deferred acquisition costs of the HWIF

As at 1 July	-	-
Acquisition costs during the year	18,452	-
Acquisition costs expensed during the year	(8,940)	-
<b>Balance as at 30 June</b>	<b>9,512</b>	<b>-</b>
To be expensed within 12 months	2,636	-
To be expensed in greater than 12 months	6,876	-
	<b>9,512</b>	<b>-</b>

## 13. PLANT AND EQUIPMENT

	2011 \$'000	2010 \$'000
<b>Computer Hardware</b>		
Cost	945	840
Accumulated depreciation	(756)	(673)
<b>Net computer hardware</b>	<b>189</b>	<b>167</b>
<b>Office Equipment</b>		
Cost	65	56
Accumulated depreciation	(38)	(29)
<b>Net office equipment</b>	<b>27</b>	<b>27</b>
<b>Furniture &amp; Fittings</b>		
Cost	142	107
Accumulated depreciation	(67)	(54)
<b>Net furniture &amp; fittings</b>	<b>75</b>	<b>53</b>
<b>Total Plant &amp; Equipment</b>		
Cost	1,152	1,003
Accumulated depreciation	(861)	(756)
<b>Net Plant &amp; Equipment</b>	<b>291</b>	<b>247</b>

*Reconciliations of carrying amount for each class of plant and equipment*

<b>Computer Hardware</b>		
Opening balance	167	114
Additions	105	126
Depreciation expense	(83)	(73)
<b>Closing Balance</b>	<b>189</b>	<b>167</b>
<b>Office Equipment</b>		
Opening balance	27	35
Additions	9	0
Depreciation expense	(9)	(8)
<b>Closing Balance</b>	<b>27</b>	<b>27</b>
<b>Furniture &amp; fittings</b>		
Opening balance	53	64
Additions	35	0
Depreciation expense	(13)	(11)
<b>Closing Balance</b>	<b>75</b>	<b>53</b>
<b>Total Plant and Equipment</b>		
Opening balance	247	213
Additions	149	126
Depreciation expense	(105)	(92)
<b>Closing Balance</b>	<b>291</b>	<b>247</b>

## 14. INTANGIBLES

	2011	2010
	\$'000	\$'000
<b>Computer Software</b>		
Cost	4,885	4,823
Accumulated amortisation	(4,453)	(3,939)
<b>Net computer software</b>	<b>432</b>	<b>884</b>

*Reconciliations of carrying amount*

<b>Computer Software</b>		
Opening balance	884	1,638
Additions	62	156
Amortisation	(514)	(910)
<b>Closing balance</b>	<b>432</b>	<b>884</b>

## 15. PAYABLES

GST payable	-	89,547
Management fees payable	19,487	19,454
Commission and Transition Fee	3,998	-
Claims payable	1,129	23,462
Statutory fees	1,482	-
Others	3,399	13,130
	<b>29,495</b>	<b>145,593</b>

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.

Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was awarded during the year for late payment.

## 16. PROVISION FOR OUTSTANDING CLAIMS

	TMF	GWC	TAC	SRA/RIC	HWIF	2011 Total	2010 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	4,905,191	71,884	172,628	173,399	-	5,323,102	4,972,672
Additions	928,300	-	-	-	2,620	930,920	843,632
Payments	(838,429)	(4,456)	(6,213)	(15,361)	(279)	(864,738)	(791,549)
Actuarial (Gain)/ Loss	(113,936)	(1,380)	2,805	(27,666)	-	(140,177)	28,910
Unwinding of Discounts	268,811	4,173	10,163	10,911	-	294,058	269,437
<b>Closing balance</b>	<b>5,149,937</b>	<b>70,221</b>	<b>179,383</b>	<b>141,283</b>	<b>2,341</b>	<b>5,543,165</b>	<b>5,323,102</b>
Current	780,112	4,857	5,491	12,201	583	803,244	736,713
Non-Current	4,369,825	65,364	173,892	129,082	1,758	4,739,921	4,586,389
	<b>5,149,937</b>	<b>70,221</b>	<b>179,383</b>	<b>141,283</b>	<b>2,341</b>	<b>5,543,165</b>	<b>5,323,102</b>

(a) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 5.98 years for TMF (2010: 6.63 years), 9.75 years for GWC (2010: 9.83 years), 20.08 years for TAC (2010: 19.5 years), 9.2 year for SRA/RIC (2010: 9.1 years) and 2.20 years for HWIF.

(b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims. Comparative for the HWIF is not available as the fund commenced on 1 July 2010.

	TMF		GWC		TAC	
	2011	2010	2011	2010	2011	2010
	%	%	%	%	%	%
Not later than one year						
Inflation Rate	2.5-4.0	2.5-4.0	4.4	3.0	4.4	3.0
Discount Rate	6.0	6.0	6.0	6.0	6.0	6.0
Superimposed Inflation*	0-3.0	0-4.0	0-2.5	0-2.5	0-5.0	0-5.0
Later than one year						
Inflation Rate	2.5-4.0	2.5-4.0	3.8-4.7	3.6-3.9	3.8-4.7	3.6-3.9
Discount Rate	6.0	6.0	6.0	6.0	6.0	6.0
Superimposed Inflation*	0-3.0	0-4.0	0-2.5	0-2.5	0-4.0	0-4.0
	SRA/RIC		HWIF			
	2011	2010	2011	2010		
	%	%	%	%		
Not later than one year						
Inflation Rate	4.2-4.9	3.0-3.4	4.0	N/A		
Discount Rate	6.0	6.0	4.8	N/A		
Superimposed Inflation*	1.7	1.7	1.0	N/A		
Later than one year						
Inflation Rate	3.3-4.5	3.3-4.2	4.0	N/A		
Discount Rate	6.0	6.0	4.8-5.7	N/A		
Superimposed Inflation*	1.7	1.7	1.0	N/A		

\* Dependent on payment type.

## 16. 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 percent 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 <sup>1</sup>		4,874,538		
Risk Free rate <sup>2</sup>		5,088,938	214,400	4%
Discount rate	+1	4,612,617	(261,921)	-5%
	-1	5,168,260	293,722	6%
Inflation rate	+1	5,184,938	310,400	6%
	-1	4,593,533	(281,005)	-6%
Super imposed inflation rate	+1	5,002,121	127,583	3%
	-1	4,765,494	(109,044)	-2%

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:

Sensitivity Analysis				
Variable	Movement in Variable %	Net Central Estimate	Impact of Change	Impact (%)
		\$'000	\$'000	
Net Central Estimate <sup>1</sup> - outstanding workers compensation claims		2,616,848		
Weekly - Continuance Rate <sup>3</sup>	Increase 0.5%	2,940,456	323,608	12%
Retirement modelling <sup>4</sup>	Increase by 1 Year	2,409,358	(207,490)	-8%

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 six years after injury.
4. Sensitivity tested by adjusting assumed average age of retirement.

## 17. PROVISION FOR RESTORATION

	2011 \$'000	2010 \$'000
Balance at 1 July	63	60
Additions	49	-
Unwinding of discounts	5	3
<b>Balance at 30 June</b>	<b>117</b>	<b>63</b>

## 18. UNEARNED PREMIUM

As at 1 July	848	-
Add: premiums received in advance	-	848
Add: deferral of premiums written in current year	47,467	-
Less: premiums earned during the year	(4,252)	-
<b>As at 30 June</b>	<b>44,063</b>	<b>848</b>
Current	6,781	848
Non-current	37,281	-
	<b>44,063</b>	<b>848</b>

### Liability Adequacy Test (LAT)

The LAT assesses whether the net unearned premium liability less any related deferred acquisition costs is sufficient to cover future claims costs. As at the reporting date, the LAT identified a deficit of \$7.7 million. The deficit was recognised in the Statement of Comprehensive Income as part of management fees.

The calculation is shown below:

	\$'000
Unearned premium liabilities	44,063
Deferred acquisition costs (before net deficiency write down)	17,187
	<b>26,876</b>
Central estimates of present value of expected future cashflows arising from future claims	30,044
Risk margin	4,507
Premium liability provision	34,551
<b>Net deficiency recognised</b>	<b>7,675</b>

The probability of adequacy was 75 per cent.

The liability adequacy test is only applicable to the HWIF which is a new insurance scheme established from 1 July 2010.

## 19. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flow is reconciled to the related items in the Statement of Financial Position as follows:

	2011 \$'000	2010 \$'000
Cash and cash equivalents		
Short term money market investments	186,495	57,495
Cash held at other financial institutions	86,315	100,352
	<b>272,810</b>	<b>157,847</b>

### Reconciliation of net cash flows from operating activities to net surplus/(deficit)

<b>Net cash flows from operating activities</b>	<b>239,429</b>	<b>543,439</b>
Adjustments for:		
Depreciation and amortisation	(619)	(1,002)
Unrealised gain in investments	224,194	268,457
Finance cost	(294,058)	(269,437)
Actuarial gain/(loss) on claims expense	140,177	(28,910)
Increase in outstanding claims	(66,182)	(52,083)
Increase in unearned premiums	(43,215)	-
Decrease/(increase) in payable	116,098	(30,375)
Decrease in other liabilities	70	2,556
Increase in provision for restoration	(54)	(3)
Decrease in receivables	(66,096)	(357,009)
Decrease in reinsurance and other recoveries receivable	(13,097)	(117,774)
Increase in deferred acquisition costs	9,512	-
Increase/(Decrease) in other assets	370	(9)
<b>Net surplus/(deficit) for the year</b>	<b>246,529</b>	<b>(42,150)</b>

## 20. STATEMENT OF COMPREHENSIVE INCOME OF FUNDS

	TMF	GWC	TAC	SRA/RIC	HWIF	2011 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>						
Premiums	974,794	-	-	-	3,404	978,198
Reinsurance and Other Recoveries	17,268	553	210	(105)	-	17,926
Investment income	448,515	4,468	13,966	11,555	717	479,221
Other	3,003	-	-	-	-	3,003
<b>Total Revenue</b>	<b>1,443,580</b>	<b>5,021</b>	<b>14,176</b>	<b>11,450</b>	<b>4,121</b>	<b>1,478,348</b>
<b>Expenses</b>						
Claims	814,369	(1,380)	2,805	(27,666)	2,620	790,748
Outwards Reinsurance	32,310	-	-	-	-	32,310
Depreciation and Amortisation	619	-	-	-	-	619
Finance Costs	268,811	4,173	10,163	10,911	-	294,058
Management Fees	115,751	-	-	1,502	12,547	129,800
Other	46,397	97	88	(63)	4,807	51,326
<b>Total Expenses</b>	<b>1,278,257</b>	<b>2,890</b>	<b>13,056</b>	<b>(15,316)</b>	<b>19,974</b>	<b>1,298,861</b>
<b>SURPLUS/(DEFICIT) BEFORE GRANT FROM THE CROWN ENTITY</b>	<b>165,323</b>	<b>2,131</b>	<b>1,120</b>	<b>26,766</b>	<b>(15,853)</b>	<b>179,487</b>
Grant from Crown Entity	41,042	14,000	-	-	12,000	67,042
<b>Surplus/(deficit) for the year</b>	<b>206,365</b>	<b>16,131</b>	<b>1,120</b>	<b>26,766</b>	<b>(3,853)</b>	<b>246,529</b>
Other comprehensive income	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>206,365</b>	<b>16,131</b>	<b>1,120</b>	<b>26,766</b>	<b>(3,853)</b>	<b>246,529</b>

## 20. STATEMENT OF COMPREHENSIVE INCOME OF FUNDS (Cont.)

	TMF	GWC	TAC	SRA/RIC	HWIF	2010 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>						
Premiums	839,277	-	-	-	-	839,277
Reinsurance and Other Recoveries	(67,602)	(196)	(495)	(20,717)	-	(89,010)
Investment income	449,473	5,518	13,919	13,639	-	482,549
Other	4	-	-	-	-	4
<b>Total Revenue</b>	<b>1,221,152</b>	<b>5,322</b>	<b>13,424</b>	<b>(7,078)</b>	<b>-</b>	<b>1,232,820</b>
<b>Expenses</b>						
Claims	928,633	12,322	(13,602)	(54,807)	-	872,546
Outwards Reinsurance	33,636	-	-	-	-	33,636
Depreciation and Amortisation	1,002	-	-	-	-	1,002
Finance Costs	246,665	3,522	10,906	8,344	-	269,437
Management Fees	97,604	-	-	2,697	-	100,301
Other	42,610	32	40	366	-	43,048
<b>Total Expenses</b>	<b>1,350,150</b>	<b>15,876</b>	<b>(2,656)</b>	<b>(43,400)</b>	<b>-</b>	<b>1,319,970</b>
<b>SURPLUS/(DEFICIT) BEFORE GRANT FROM / (PAYMENT TO) THE CROWN ENTITY</b>	<b>(128,998)</b>	<b>(10,554)</b>	<b>16,080</b>	<b>36,322</b>	<b>-</b>	<b>(87,150)</b>
Grant from (Payment to) the Crown Entity	(25,000)	-	35,000	35,000	-	45,000
<b>Surplus/(deficit) for the year</b>	<b>(153,998)</b>	<b>(10,554)</b>	<b>51,080</b>	<b>71,322</b>	<b>-</b>	<b>(42,150)</b>
Other comprehensive income	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>(153,998)</b>	<b>(10,554)</b>	<b>51,080</b>	<b>71,322</b>	<b>-</b>	<b>(42,150)</b>

## 21. STATEMENT OF FINANCIAL POSITION FOR FUNDS

	TMF	GWC	TAC	SRA/RIC	HWIF	2011 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current</b>						
Cash and cash equivalent	230,882	4,768	4,153	3,064	29,943	272,810
Receivables	58,294	14,004	22	5	8,366	80,691
Reinsurance and other recoveries receivable	38,419	84	14	887	-	39,404
Other	354	-	-	-	2,636	2,990
<b>Total Current Assets</b>	<b>327,949</b>	<b>18,856</b>	<b>4,189</b>	<b>3,956</b>	<b>40,945</b>	<b>395,895</b>
<b>Non-current Assets</b>						
Reinsurance and other recoveries receivable	173,101	1,297	434	15,366	-	190,198
Financial assets at fair value	4,930,924	52,313	182,177	170,013	-	5,335,427
Plant and equipment	291	-	-	-	-	291
Intangibles	432	-	-	-	-	432
Other	41	-	-	-	6,876	6,917
<b>Total Non-current Assets</b>	<b>5,104,789</b>	<b>53,610</b>	<b>182,611</b>	<b>185,379</b>	<b>6,876</b>	<b>5,533,265</b>
<b>Total Assets</b>	<b>5,432,738</b>	<b>72,466</b>	<b>186,800</b>	<b>189,335</b>	<b>47,821</b>	<b>5,929,160</b>
<b>Current Liabilities</b>						
Payables	24,060	35	38	91	5,271	29,495
Unearned premiums	-	-	-	-	6,781	6,781
Provision for outstanding claims	780,112	4,857	5,491	12,201	583	803,244
<b>Total current liabilities</b>	<b>804,172</b>	<b>4,892</b>	<b>5,529</b>	<b>12,292</b>	<b>12,635</b>	<b>839,520</b>
<b>Non-current Liabilities</b>						
Provision for outstanding claims	4,369,825	65,364	173,892	129,082	1,758	4,739,921
Unearned Premiums	-	-	-	-	37,281	37,281
Provision for restoration	117	-	-	-	-	117
<b>Total non-current liabilities</b>	<b>4,369,942</b>	<b>65,364</b>	<b>173,892</b>	<b>129,082</b>	<b>39,039</b>	<b>4,777,319</b>
<b>Total Liabilities</b>	<b>5,174,114</b>	<b>70,256</b>	<b>179,421</b>	<b>141,374</b>	<b>51,674</b>	<b>5,616,839</b>
<b>Net assets</b>	<b>258,624</b>	<b>2,210</b>	<b>7,379</b>	<b>47,961</b>	<b>(3,853)</b>	<b>312,321</b>
<b>Equity</b>						
Accumulated funds	258,624	2,210	7,379	47,961	(3,853)	312,321
<b>Total Equity</b>	<b>258,624</b>	<b>2,210</b>	<b>7,379</b>	<b>47,961</b>	<b>(3,853)</b>	<b>312,321</b>

## 21. STATEMENT OF FINANCIAL POSITION FOR FUNDS (cont.)

	TMF	GWC	TAC	SRA/RIC	HWIF	2010 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current</b>						
Cash and cash equivalent	151,098	2,085	2,604	2,060	-	157,847
Receivables	111,786	-	-	35,000	-	146,786
Reinsurance and other recoveries receivable	40,399	64	19	949	-	41,431
Financial Assets at Fair Value	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>303,283</b>	<b>2,149</b>	<b>2,623</b>	<b>38,009</b>	<b>-</b>	<b>346,064</b>
<b>Non-current Assets</b>						
Reinsurance and other recoveries	184,328	802	503	15,636	-	201,269
Financial assets at fair value	4,614,551	55,028	175,783	141,617	-	4,986,979
Plant and equipment	247	-	-	-	-	247
Intangibles	884	-	-	-	-	884
Other	25	-	-	-	-	25
<b>Total Non-current Assets</b>	<b>4,800,035</b>	<b>55,830</b>	<b>176,286</b>	<b>157,253</b>	<b>-</b>	<b>5,189,404</b>
<b>Total Assets</b>	<b>5,103,318</b>	<b>57,979</b>	<b>178,909</b>	<b>195,262</b>	<b>-</b>	<b>5,535,468</b>
<b>Current Liabilities</b>						
Payables	144,887	16	22	668	-	145,593
Unearned premiums	848	-	-	-	-	848
Provision for outstanding claims	709,583	4,725	6,143	16,262	-	736,713
Other	70	-	-	-	-	70
<b>Total current liabilities</b>	<b>855,388</b>	<b>4,741</b>	<b>6,165</b>	<b>16,930</b>	<b>-</b>	<b>883,224</b>
<b>Non-current Liabilities</b>						
Provision for outstanding claims	4,195,608	67,159	166,485	157,137	-	4,586,389
Provision for restoration	63	-	-	-	-	63
<b>Total non-current liabilities</b>	<b>4,195,671</b>	<b>67,159</b>	<b>166,485</b>	<b>157,137</b>	<b>-</b>	<b>4,586,452</b>
<b>Total Liabilities</b>	<b>5,051,059</b>	<b>71,900</b>	<b>172,650</b>	<b>174,067</b>	<b>-</b>	<b>5,469,676</b>
<b>Net assets</b>	<b>52,259</b>	<b>(13,921)</b>	<b>6,259</b>	<b>21,195</b>	<b>-</b>	<b>65,792</b>
<b>Equity</b>						
Accumulated funds	52,259	(13,921)	6,259	21,195	-	65,792
<b>Total Equity</b>	<b>52,259</b>	<b>(13,921)</b>	<b>6,259</b>	<b>21,195</b>	<b>-</b>	<b>65,792</b>

## 22. 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

			Carrying amount	
			2011	2010
			\$'000	\$'000
<b>Financial Assets</b>				
Cash and cash equivalents	19	N/A	272,810	157,847
Financial assets at fair value	11	At fair value through profit or loss (designated as such upon initial recognition)	5,335,427	4,986,979
Receivables <sup>1</sup>	9	Receivables (measured at cost)	75,033	146,786
<b>Financial Liabilities</b>				
Payables <sup>2</sup>	15	Payables (measured at cost)	28,013	55,298

<sup>1</sup> Excludes statutory receivables of \$5.66 million (2010: \$Nil) and reinsurance and other recoveries receivable of \$229.6 million (2010: \$242.7 million).

<sup>2</sup> Excludes statutory payables of \$1.48 million (2010: \$90.3 million).

### 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 and Compliance function
- regular internal audits.

## Market risks

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

The effects on SICorp's operating result due to reasonably possible changes in risk variables are outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in each risk variable has been determined after taking into account the economic environment in which SICorp operates and the time frame for the assessment (ie. 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 2010. 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	\$'000			
		Profit	-1% Equity	+1% Profit	Equity
<b>2011</b>					
Cash and cash equivalent	86,315	(863)	-	863	-
<b>2010</b>					
Cash and cash equivalent	100,352	(1,004)	-	1,004	-

- *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. The agreement between SICorp and TCorp requires the manager to effectively review the currency exposure when it arises.

As at 30 June 2011, SICorp has no transactional or structural currency exposures (2010: Nil).

- *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	2011 \$'000	2010 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	182,884	57,495
Strategic Cash facility	Cash, money market instruments	1.5 years to 3 years	3,612	N/A
Treasury Managed Fund facility	Cash, money market instruments, Australian bonds, listed and unlisted property, Australian, International and Emerging market shares	Long term	4,930,924	4,614,551
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	3 years to 7 years	N/A	187,113
Long term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian and International shares	7 years and over	404,503	185,315

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.

Investments in the Hour-Glass facilities limit 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 (ie. 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price as at 30 June each year for each facility.

Hour-Glass investment facility	Change in unit price		Impact on surplus/(deficit)	
	2011 %	2010 %	2011 \$'000	2010 \$'000
Cash Facility	+/- 1.0	+/- 1.0	1,829	575
Strategic Cash Facility	+/- 1.0	N/A	36	N/A
Treasury Managed Fund	+/- 21.1	+/- 22.2	1,037,960	1,024,430
Medium Term Growth Facility	N/A	+/- 7.0	N/A	13,098
Long Term Growth Facility	+/- 15.0	+/- 15.0	60,675	27,797

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.

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	
2011 Receivables	2,265	474	489	1,302	-
2010 Receivables	1,192	-	-	1,192	-

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 investments in TCorp's managed assets portfolio as well as receivables are detailed in the tables below.

Concentration of credit risk

	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>1</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011 Receivables	-	-	-	-	-	-	75,033	75,033
2010 Receivables	-	-	-	-	-	-	146,786	146,786

By classification of counterparty	Governments	Other	Total
	\$'000	\$'000	\$'000
2011 Receivables	75,033	-	75,033
2010 Receivables	146,786	-	146,786

<sup>1</sup> 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.

## 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 investments which only accounts for 5.53 per cent of the Treasury Managed Fund Hour-Glass facility as at the reporting date.

In accordance with the MoU, TCorp is to consider its ability to exit the Portfolio's holdings in an orderly manner, in the context of the aggregate holdings of each security contained in the Portfolio and the market turnover of each security.

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 Treasurer's Direction 219.01. 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. Treasurer's Direction 219.01 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 %	Normal 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
2011 Payables	-	28,013	-	-	28,013	28,013	-	-
<b>Total Financial Liabilities</b>	-	<b>28,013</b>	-	-	<b>28,013</b>	<b>28,013</b>	-	-
2010 Payables	-	55,298	-	-	55,298	55,298	-	-
<b>Total Financial Liabilities</b>	-	<b>55,298</b>	-	-	<b>55,298</b>	<b>55,298</b>	-	-

### 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
<b>2010-11</b>				
<b>Financials assets at fair value</b>				
TCorp Hour-Glass investment facilities	-	5,335,427	-	<b>5,335,427</b>
	-	<b>5,335,427</b>	-	<b>5,335,427</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2010 Total \$'000
<b>2009-10</b>				
<b>Financials assets at fair value</b>				
TCorp Hour-Glass investment facilities	-	4,986,979	-	<b>4,986,979</b>
	-	<b>4,986,979</b>	-	<b>4,986,979</b>

There were no transfers between the levels during the year ended 30 June 2011.

## 23. 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:

	2011	2010
	\$'000	\$'000
<b>Operating Lease Commitments - Lessee</b>		
- No later than one year	336	336
- Later than one year and not later than five	625	622
	<b>961</b>	<b>958</b>

Operating lease commitments are inclusive of GST. The total amount above includes input tax credits of \$87.4k (2010: \$87.1k) that are expected to be recovered from the Australian Taxation Office.

## 24. CONTINGENT ASSETS AND 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.

### TMF Motor Vehicle Hindsight Adjustment for 2008-09 Fund Year

The TMF scheme is an incentive based scheme. NSW government agencies pay a deposit premium at the beginning of the fund year. A hindsight adjustment based on actual experience is applied after sufficient time has elapsed for claims to develop. Each agency receives or owes the difference between the deposit and hindsight premiums with interest. There were two motor vehicle insurance schemes in operation: TMF Motor and Macquarie Bank Motor. Both schemes are subject to hindsight adjustment for the 2008-09 Fund year in 2011. The value of the hindsight adjustment can not be reliably measured and disclosed as at reporting date pending actuarial assessment of the wind up of the Macquarie Bank Motor scheme. Preliminary data shows a possible refund of \$1.53 million to government agencies.

## 25. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to the reporting date requiring disclosure.

End of Audited Financial Statements

# Section 5 – Appendices

## Accounts Payable Performance

For the year ended 30 June 2011

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 the quarter

Quarter	Current (ie. within due date) \$	≤ 30 days overdue \$	> 30 days to ≤ 60 days overdue \$	> 60 days to ≤ 90 days overdue \$	> 90 days overdue \$
Sep - 10	67,911,817	238	42,790	-	-
Dec - 10	66,641,669	531,999	594	-	-
Mar - 11	28,336,779	8,969	-	-	-
Jun - 11	85,916,377	297,405	-	-	-

### Accounts paid on time during each quarter

Quarter	Total Account Paid on Time				Total Amount Paid (\$)
	Target %	Actuals %		\$	
		By Numbers	By Value		
Sep - 10	90%	99%	100%	67,911,817	67,954,845
Dec - 10	90%	99%	99%	66,641,669	67,174,263
Mar - 11	90%	97%	100%	28,336,779	28,345,748
Jun - 11	90%	93%	100%	85,916,377	86,213,782

There have been marked improvements in the time taken for payment approvals to reach CALM. During the year the target for total accounts paid on time increased to 90 per cent from 80 per cent. Payment performances are well above the target bench mark of 90 per cent in terms of number and value of invoices.

## Secretary's Internal Audit & Risk Management Statement

I, the Secretary, am of the opinion that NSW Treasury has internal audit and risk management processes in place that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular 09/08 Internal Audit and Risk Management Policy (hereafter referred to as "the Policy").

I, the Secretary, am of the opinion that the internal audit and risk management processes for NSW Treasury 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) NSW Treasury is implementing 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 the Practicable Alternative Measures Implemented
<b>Core Requirement 1:</b>	
The department head must establish an Audit and Risk Management Committee to oversee and monitor governance, risk, and control issues affecting the operations of the department.	
The Treasurer has determined:	
That for the purposes of its audit and risk management functions, NSW Treasury has been defined as:	The strict application of the Policy would mean separate audit and risk management committees for each of these entities. However, these entities are managed by NSW Treasury, use NSW Treasury internal policies and have accounting services provided by NSW Treasury.
<ul style="list-style-type: none"> <li>• Office of Financial Management</li> <li>• NSW Self Insurance Corporation Crown</li> <li>• Electricity Tariff Equalisation Ministerial Corporation</li> <li>• Liability Management Ministerial Corporation</li> <li>• State Rail Authority Residual Holding Corporation</li> </ul>	
Because of this definition, all of these bodies fall under NSW Treasury's Audit and Risk Management Committee. This exception is intended to be permanent and will stand until the Treasurer gives further notice.	

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
<b>Core Requirement 3:</b>	
An Audit and Risk Management Committee Chair must be appointed for a period of at least three years, with a maximum term of four years. For members, the initial term must not exceed four years. There is an option for reappointment for a further term of a maximum four years.	
The Treasurer has determined:	
That two members of NSW Treasury's Committee who will pass their maximum terms during 2010–11 may be extended into 2012 to allow departures to be staggered.	The Policy also states that, wherever possible, departures from a Committee should be staggered to ensure that knowledge loss is minimised at any one time.
	By the end of 2012, NSW Treasury will no longer require this exception.

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**Ministerially Determined Departure****Reason for Departure and Description of the Practicable Alternative Measures Implemented**

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Core Requirement 5:

The Policy requires that an enterprise risk management process that is appropriate to the department has been established.

The Treasurer has determined:

That NSW Treasury's non-compliance with this requirement be extended until December 2011.

As 30 June 2011, NSW Treasury has a comprehensive Risk Register undergoing a major revision. Audit projects in compliance and fraud and corruption are in train to feed into and strengthen this revision.

A comprehensive Risk Management Plan will be the result and will form the basis of an enterprise risk management culture across NSW Treasury.

By the end of 2011–12 NSW Treasury will no longer require this exception.

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A Treasurer exception was in place during much of 2010–11 to allow the Office of Financial Management to maintain a separate committee from the Office of State Revenue (OSR), and for some variation of OSR members' tenure. These exceptions are recorded in NSW Treasury's Annual Report 2009–2010. On 4 April 2010, OSR became a part of the Department of Finance and Services. That exception, therefore, has not been maintained here.

I, the Secretary, am of the opinion that, other than the departures stated above, the Audit and Risk Management Committee for NSW Treasury is constituted and operates in accordance with the independence and governance requirements of Treasury Circular TC 09/08.

The members of the NSW Treasury Audit and Risk Management Committee are:

- Jim Mitchell, independent Chair (2008 to 2011: extended to April 2012)
- Christine Feldmanis, independent member (2010 to June 2012)
- Carolyn Burlew, independent member (2009 to September 2011)
- Mark Ronsisvalle, non-independent member (2004 to 2010: extended to December 2012)
- Sue Power, non-independent member (2009 to July 2013).

The internal audit and risk management processes now in place help to provide a level of assurance that will enable the senior management of NSW Treasury to understand, manage, and satisfactorily control risk exposures.

The NSW Treasury Audit and Risk Management Committee also provides internal assurance regarding risk exposures for the total state accounts, which are tabled in the NSW Government's annual Report on State Finances.

As required by the Policy, I have submitted to the NSW Treasury an Attestation Statement outlining compliance with the Policy.



Signature  
Philip Gaetjens  
28 October 2011

## Staff Grading Structure

SICorp staff are part of the NSW Treasury.

SICorp provides an important strategic role to NSW Government agencies in regards to insurance and risk management matters. SICorp's role includes:

- TMF Contract and Performance management aimed at continually improving claims manager performance, reducing costs and ensuring NSW Government and agencies receive value for money from these contracts
- Ensuring data quality through its Data Warehouse supporting a "business as usual context"
- Encouraging internal risk management by agencies
- Providing timely information to agencies to influence and improve their overall performance.
- providing consumer protection and supporting the building industry in NSW through the NSW Home Warranty Fund.

The following table provides a breakdown of the grades of staff employed as at 30 June 2011 in comparison to previous years.

	2010-11			2009-10			2008-09		
	M	F	T	M	F	T	M	F	T
Branch Director (SES Level 2)	1	0	1	1	0	1	1	0	1
TTO Grade 2	6	0	6	3	0	3	2	0	0
Grade 11-12	9	2	11	5	1	6	2	1	3
Grade 9-10	2	5	7	3	0	3	3	1	4
Grade 7-8	2	4	6	0	3	3	3	1	4
Grade 6-7	0	0	0	0	0	0	1	0	1
Grade 5-6	2	1	3	1	2	3	1	2	3
Grade 3-4	0	2	2	0	2	2	0	2	2
Treasury Graduate	0	0	0	0	0	0	0	1	1
<b>TOTALS</b>	<b>22</b>	<b>14</b>	<b>36</b>	<b>13</b>	<b>8</b>	<b>21</b>	<b>13</b>	<b>8</b>	<b>19</b>

M=male F=female T=total

As at 30 June 2011, there were five vacant positions compared to eight the previous year.

## Staff Development

Treasury (OFM) offers training for SICorp staff focusing on Government policies and procedures to develop knowledge and technical skills. SICorp staff attended 27 different training programs of which 20 were conducted in-house. Staff participated in various seminars provided by NSW Treasury, TCorp and professional bodies such as the Australian Insurance Law Association. Staff also elected to attend industry specific conferences: Health Risk Management, IPAA State Conference and CPA Congress.

Most staff attended training on finance and human resource applications as part of the conversion to SAP which occurred in August 2010. This system has automated many transactions and improved access to current information for management and staff.

The *Government Information Public Access Act* (GIPAA) commenced on 1 July 2010. Staff involved in SICorp's management of applications attended training and successfully implemented procedures to align with the new legislation.

Consistent with the Treasury strategy SICorp has a policy to encourage all staff to undertake approximately five days training each year. The results for 2010-11 are shown below:

Staff training days per staff member	2010-11	09-10	08-09	07-08	Target
Treasury	4.75	4.7	5.3	5.2	≥ 5 days
SICorp	4.4	4.7	5.3	5.2	

## Occupational Health and Safety

### OHS Representatives

SICorp recognises that the best way to ensure a safe and healthy workplace is for senior management to work together with staff to identify and solve occupational health and safety problems. As part of our implementation of the Working Together: Public Sector Health and Safety and Injury Management Strategy, Treasury (OFM) consulted with staff to ensure that the current occupational health and safety (OHS) staff consultation processes suited the needs and preferences of staff.

The consultation revealed that the majority of staff wished to be consulted on OHS matters through designated OHS representatives. Consequently, in the first half of 2011 formal elections for OHS representatives were held. The elections resulted in the appointment of a number of SICorp representatives.

## Proactive OHS Risk Management

SiCorp has mechanisms in place to minimise the potential risks to workplace health and safety, and thereby minimise the number and severity of workplace injuries. There are also mechanisms in place to deal effectively with workplace health and safety issues as they arise. For example, when an employee experiences postural discomfort in the workplace we conduct an ergonomic assessment to identify appropriate action.

In 2010–11 Treasury (OFM) adopted a more proactive approach to OHS risk management. This new approach resulted in an increase in the number of workplace assessments conducted from six to 21.

## Occupational Health and Safety Incidents and Assessments

	Reported workplace incidents	OH&S assessments conducted
2010–11	15	21
2009–10	14	6
2008–09	10	5
2007–08	14	4

Note: These figures represent all of Treasury (OFM) including SiCorp but do not include journey claims.

## Incident Reporting and Response

SiCorp staff are required to report any workplace hazards. To assist in effective reporting of and response to workplace hazards, each staff member's e-mail account features an incident reporting facility.

## First-Aid Officers

At SiCorp we ensure there are fully trained first-aid officers in the workplace to respond immediately to a health and safety incident. Furthermore, first-aid training is available to all staff.

## Flu Vaccination Program

To reduce the incidence of seasonal flu within the workplace, Treasury (OFM) offers free-of-charge flu vaccinations to all staff, including SiCorp staff. In line with World Health Organisation recommendations, the March 2011 Flu Vaccination Program included the vaccination for Swine Flu.

### Staff Participation in the Flu Vaccination Program

	Actual number of staff
2010–11	153
2009–10	165
2008–09	138
2007–08	130

Note: These figures represent all of Treasury (OFM) including SiCorp but do not include journey claims.

## Healthy Living

A promoter of work-life balance, Treasury (OFM) encourages staff to take accrued leave regularly. Indeed, all staff must take at least one break of two weeks duration every twelve months. SiCorp staff are also encouraged to participate in health and fitness activities including:

Running:  
e.g. City to Surf; Corporate Cup; Sydney Runners' Festival

Swimming:  
e.g. Mini Triathlon and the Sydney Harbour Swim

Walking:  
e.g. the Annual Secretary's Walk/Run

Cycling:  
e.g. the Wollongong Bike Ride and Ride to Work Day

Team sport:  
e.g. soccer, touch football, netball, and basketball.

## Disability Strategic Plan

### Employment Opportunities

Treasury's (OFM) Disability Strategic Plan for 2010–11 identified a range of ways to demonstrate our commitment to the Ready, Willing, and Able Program — the sector-wide strategy for increasing employment opportunities to people with disabilities in the NSW public sector. For example, Treasury (OFM) worked with JobSupport (an employment service for people with intellectual disabilities) to recruit a person with a disability to fill an identified administrative support position in our Corporate Directorate.

OFM continues to develop our programs and facilities to support and retain staff with disabilities. For example, staff and visitors with mobility disabilities have suitable access provisions and amenities.

### Internet and Intranet Access

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

- SICorp intranet
- SICorp website ([www.sicorp.nsw.gov.au](http://www.sicorp.nsw.gov.au)).

Each of these comply with World Wide Web Consortium (W3C) Level 1 accessibility standards.

### Multicultural Policies and Services Program

SICorp does not provide services directly to the public. However, the policy advice provided to government impacts on government services either directly or indirectly. In fulfilling our policy advice responsibilities, SICorp considers the needs of relevant ethnic groups and communities.

SICorp is not a party to any current multicultural agreements but we value and uphold diversity principles and objectives as part of our core business. Indeed, as detailed in the Equal Employment Opportunity section to follow, the cultural diversity of SICorp staff is above target.

### Equal Employment Opportunity

Treasury and therefore SICorp participates in a range of programs to promote equal employment opportunity and build a workforce that reflects the diversity of the NSW community.

### Promoting Equal Employment Opportunity

During 2010–11 Treasury (OFM) commissioned a review of recruitment practices. The review identified opportunities to make our recruitment practices more transparent, merit based, equitable, and efficient. In line with the review's recommendations, we have revised and reissued our recruitment policy and procedures so they align more closely with contemporary practice.

### Building Diversity

Treasury (OFM) aims to build workforce diversity by encouraging the participation of women, Aboriginal and Torres Strait Islanders, and people with disabilities. Consistent with this, during 2010–11 staff participated in a number of networking and information forums focused on workforce diversity.

These forums included the:

- Senior Women's Network
- NSW Indigenous Cadetship Program
- Employability Strategy Promoting Employment Opportunities for People with Disabilities.

### Encouraging the Participation of Women

Fifteen graduates, 40 per cent of whom were women, entered Treasury's (OFM) Graduate Program in early 2011.

### The Lucy Program

A partnership between selected private and public sector organisations and NSW universities, the Lucy Program creates mentoring relationships between senior business leaders and female university students with backgrounds that do not typically reach tertiary level education.

In 2010–11, five of Treasury's (OFM) senior managers mentored five Lucy Program participants. We also co-hosted (with the NSW Public Sector Senior Women's Network) a forum to promote the Lucy Program and encourage the mentoring of female graduates in the NSW public sector.

### Encouraging the Participation of Aboriginal and Torres Strait Islanders

Treasury (OFM) continues to encourage the participation of Aboriginal and Torres Strait Islanders.

During 2010–11:

- We expanded our entry-level recruitment programs to include two indigenous cadets
- Treasury's (OFM) two indigenous cadets completed the first stage of their work placements in the Human and Social Services Directorate at the conclusion of their semester one studies

- Treasury (OFM) hosted a networking and information forum for the Indigenous Education Unit at the University of NSW where staff and graduates promoted our career opportunities for indigenous graduates.

### Encouraging the Participation of People With Disabilities

In 2010–11 OFM recruited a person with a disability to fill an identified administrative support position in our Corporate Directorate. This initiative, which required work-related adjustments, was identified in our 2010–11 Disability Strategic Plan and supports the NSW Government’s Ready, Willing, and Able Program.



### EEO Statistics

The following tables present our EEO statistics. Because disclosure is voluntary for all EEO classifications other than gender, the statistics do not capture those employees who chose not to disclose their EEO status.

#### EEO Group Representation as a Percentage of Actual Total Permanent Staff

EEO Group	Benchmark or Target	2008	2009	2010	2011
Women	50.0	43.0	45.0	48.0	47.0
Aboriginal People & Torres Strait Islanders	2.6	0.5	0.5	0.6	0.0
People Whose Language First Spoken as a Child was not English	19.0	19.0	23.0	23.0	27.0
People with a Disability	n/a	2.0	2.0	2.0	2.0
People with a Disability Requiring Work-related Adjustment	1.1	0.8	0.7	0.7	0.6

The statistics are based on staff numbers as at 30 June 2011, and do not include casual staff.  
n/a = not applicable

In the table on the following page, a Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is the same as other staff. Values less than 100 indicate that the EEO group tends to be more concentrated at lower salary levels compared with other staff. The lower the index, the more pronounced this tendency. Values greater than 100 indicate that the EEO group is less concentrated at lower salary levels. The Distribution Index is not calculated when the EEO group or the non-EEO group comprise less than 20 persons.

## Trends in the Distribution of EEO Groups as Measured by the Distribution Index

EEO Group	Benchmark or Target	2008	2009	2010	2011
Women	100	89	88	90	93
Aboriginal People & Torres Strait Islanders	100	-	-	-	-
People Whose Language First Spoken as a Child was not English	100	89	87	88	91
People with a Disability	100	-	-	-	-
People with a Disability Requiring Work-related Adjustment	100	-	-	-	-

The statistics are based on staff numbers as at 30 June 2011, and do not include casual staff.

## EEO Strategies for 2011–12

In 2011–12 Treasury (OFM) will continue to create equal employment opportunities. In particular, we will:

- offer female university students mentoring opportunities with our senior staff through the Lucy Program
- place one indigenous cadet in Phase 2 of our Cadet Work Placement Program
- include a targeted position for an Aboriginal and Torres Strait Islander graduate in finance, accounting, economics or business in our Graduate Program
- evaluate our new recruitment policy and procedures (through a survey of staff involved in recruitment) to ensure our more contemporary approach is producing our desired recruitment outcomes
- develop an implementation plan for the *NSW Carers (Recognition) Act 2010* and review our human resource policies and practices to ensure they:
  - align with the implementation plan
  - continue to provide access to flexible work arrangements that balance business needs and the needs of employees with responsibilities as carers.



## Government information Public Access (GIPA)

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

	Media	Members of Parliament	Private sector business	Not for profit or community groups	Members of the public (application by legal Reps)	Members of the public (other)
Access granted in full	0	1	0	0	29	134
Access granted in part	3	0	0	0	10	50
Access refused in full	0	0	0	0	0	0
Information not held	0	0	0	0	0	1
Information already available	0	0	0	0	0	0
Refuse to deal with application	0	0	0	0	0	0
Refuse to confirm /deny whether information is held	0	0	0	0	0	0
Application withdrawn	0	0	0	0	6	2

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

**Table B - 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	161	3	0
Access granted in part	61	3	1
Access refused in full	0	0	0
Information not held	1	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	8	0	0

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

**Table C - Invalid applications**

Reason for invalidity	No. of applications
Application does not comply with formal requirements (section 41 of the Act)	16
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	16
Invalid applications that subsequently became valid applications	14

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

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	26
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	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	37
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)	224
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	8
<b>Total</b>	<b>234</b>

**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	1	1
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of the Act	0	0	0
Review by ADT	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>

\* 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	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

## Privacy Management Plan

Section 9(1) (d) of the *Annual Reports (Departments) Act 1985* and Clauses 6 (a) and (b) of the *Annual Reports (Departments) Regulation 2010* require each agency to:

- report on actions taken in relation to privacy compliance
- provide statistical details of any internal review carried out under Part 5 of the *Privacy and Personal Information Protection Act 1998 (PPIP Act)*.

In 2010–11 Treasury (OFM) put in place mechanisms to make our staff aware of the PPIP Act and their privacy obligations.

Treasury (OFM) has a designated Privacy Officer and a Privacy Management Plan: The plan (currently under review) outlines:

- our policy
- review and other procedures
- details of information held.

Treasury (OFM) will lodge our revised Privacy Management Plan with the Privacy Commissioner before the end of 2011.

In 2010–11 Treasury (OFM) did not publish any privacy codes nor seek any specific exemptions.

There have been no internal reviews conducted by or on behalf of OFM under Part 5 of the PPIP Act in the last five years.

## Legislation

SICorp performs its functions under the *NSW Self Insurance Corporation Act 2004 No. 106* and other Acts of Parliament, Regulations and other legislation relevant to its role including the *Public Finance and Audit Act 1983*.

The Home Warranty Insurance Fund (HWIF) was established for building work under the *Home Building Act 1989*.

## 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. The building management have recently installed Variable Speed Drive (VSD) controls within the car park for the ventilation system which will reduce the energy consumption by up to 15%.

The Building Management Control System (BMCS) was upgraded during 2007-2009 which has assisted in reducing the base building energy usage for both electrical and gas consumption compared to prior years.

## Waste Reduction

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

SICorp is planning to follow Treasury (OFM) in their move to Electronic Document Records Management and further reducing the need for paper usage.

Consistent with SICorp's Waste Reduction Policy, and in line with the online resources that SICorp provides to its stakeholders, the majority of publications that SICorp produces utilise web based technology or electronic delivery mediums.

## Waste Reduction and Purchasing Policy

### Reducing Paper Consumption and Waste

To reduce paper consumption and waste, wherever possible Treasury (OFM) uses e-mail and our intranet and internet 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.

### Using Recycled Material

Treasury (OFM) 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).

## Overseas Visits

### United Kingdom and Singapore

Steve Hunt, Director, Self Insurance Corporation, travelled to London 7 – 17 May 2011 and Singapore 17 – 20 May 2011.

Mr Hunt oversees the NSW Government's self-insurance arrangements. He met with major international reinsurers in London which is the traditional financial capital of the world's largest and most influential reinsurers. Singapore is becoming a major financial hub in the Asia Pacific region with a number of reinsurers who write TMF business now located there. The direct contact with reinsurers provides the opportunity to emphasise that the NSW TMF remains a good insurance risk.

SICorp covered all costs associated with Mr Hunt's travel and accommodation.

## Credit Card Certification

SICorp's credit card policy and procedures are available on the Treasury (OFM) intranet to guide staff in the appropriate use of credit cards. The document reflects government policy.

In accordance with Treasurer's Direction 205.01, Treasury (OFM) certifies that credit card usage by card holders during 2010–11 was in line with government requirements.

## Insurance

As a branch of Treasury (OFM), SICorp is covered under the Treasury (OFM) insurance arrangements for all our assets and major risks. This cover includes workers compensation, motor vehicles, public liability, building contents, and relocation expenses. The insurance is provided by the NSW government self-insurance scheme known as the Treasury Managed Fund (TMF).

Financial incentives for prudent risk management and reduced claims costs are fundamental to the operation of the TMF. Member agencies with decreasing claims costs incur lower premiums, while member agencies with increasing claims costs incur higher premiums.

By managing our operational risks well, Treasury (OFM) incurred lower premiums in 2010–11.

## Major Assets Acquired

SICorp acquired no major assets in the 2010-11 financial year.



# Expenditure on Consultants

## NSW Self Insurance Corporation Expenditure on Consultants 1 July 2010 - 30 June 2011

### Consultants costing \$50,000 or more

		<b>Amount (excl GST)</b>
<b>Finance and Accounting/Tax</b>	<b>Project</b>	
Deloitte Finance Pty Ltd	Home Warranty Insurance Fund (HWIF) financial manual for agents	56,482
Deloitte Finance Pty Ltd	HWIF internal finance manual	62,959
PricewaterhouseCoopers	Audit of GST credit and potential opportunities to claim further credits, private ruling and advice on GST and ICT tax management.	146,611
<b>Subtotal</b>		<b>266,052</b>
<b>Information Technology</b>		
Focus Strategies & Solutions	Agency reporting - data warehouse strategy	60,588
Internal Audit Bureau	HWIF data warehouse - Builder Eligibility Assessment Tool and premium calculator	1,002,416
Internal Audit Bureau	Agency reporting - project management and quality assurance	394,019
<b>Subtotal</b>		<b>1,457,023</b>
<b>Management Services</b>		
Corporate Scorecard	Financial assessment for builders	132,812
Finity Consulting Pty Ltd	HWIF claims tender	84,248
Finity Consulting Pty Ltd	Service provider claims audit - critical service standard	66,778
Join the dots	HWIF set up - management and advice	158,113
PricewaterhouseCoopers	Review of builder financials	129,612
<b>Subtotal</b>		<b>571,563</b>
<b>Subtotal</b>		<b>2,294,638</b>
<b>Consultants costing less than \$50,000</b>		
Finance and Accounting/Tax	5 projects totalling	116,291
Information Technology	6 projects totalling	91,246
Management Services	9 projects totalling	81,717
<b>Subtotal</b>		<b>289,254</b>
<b>Total</b>		<b>2,583,892</b>

## SI Corp Advisory Board

Mark Ronsisvalle  
Deputy Secretary, NSW Treasury

Steve Hunt  
Director, NSW Self Insurance Corporation (SI Corp)

Keith Scott  
Non Executive Director

Anne O'Driscoll  
Non Executive Director

Brian Daniels  
Non Executive Director

Rosemary Geradis / Michael Taylor / Natalie Morris  
Education & Communities

Terry Natsia  
Sydney Water

Suzanne Reid  
Finance & Services

Steven Mullins  
Primary Industries & Trade

Michelle Reid  
Sydney Opera House (DPC)

Mark Pittman / Magaly Laurie / Elissa Burns  
Allianz

## Agency Advisory Council

Peter Riordan  
(Chair) Education & Training

John Roach  
NSW Health

Greg Burgoyne  
NSW Police Force

Darren Husdell,  
Fire & Rescue NSW

Meryl McCracken  
Independent Pricing and Regulatory Tribunal (IPART)

Gerry Schipp,  
Corrective Services

Mandy Eagle,  
Sydney Water

Marc Turner  
Public Sector Risk Management Association (PSRMA)

Steve Hunt  
Treasury

## Service Level Agreement Groups

### SLA Workers Compensation Portfolio 1 (Allianz)

Brad Cole  
Chair

Colleen Smith  
SI Corp - Secretariat

Carlos Gomez  
SI Corp

### SLA Workers Compensation Portfolio 2 (EML)

Paul Davies  
SI Corp - Chair

Colleen Smith  
SI Corp - Secretariat

Brad Cole / Carlos Gomez  
SI Corp

Cathy Tuffy  
Sydney South West Health

Helen Hoson / Glinda Mullen  
SW Health

Meredith McClelland  
Greater South Health

Judy Robinson  
Greater Western Health

Michele Murphy  
Health NSW

Ros Simpson / Judy Quarrell  
Health Support

Peggy Opper  
South East Sydney Illawarra Health

Jane Trgetaric  
Children's Hospital Westmead

Gemma Harrison  
Police – (AG & Justice)

Gavin Lynch  
Fire Brigades – (AG & Justice)

Danny Moroney  
Rural Fire – (AG & Justice)

Tamara Sprod / James Au / Rachel Elmes /  
Scott Niven  
EML

### **SLA Workers Compensation Portfolio 3 (QBE)**

John Angelarkis  
SICorp - Chair

Colleen Smith  
SICorp - Secretariat

Brad Cole / Carlos Gomez  
SICorp

Yvette Bowen  
North Coast Health

Dianne Chiofalo  
Northern Sydney / Central Coast Health

Scott Vassella  
Ambulance Service NSW

Michele Murphy  
Health NSW

Ros Simpson / Judy Quarrell  
Health Support

Wendy Loblely  
Corrective Services – (AGs & Justice)

Megan D'Amico  
Hunter / New England Health

Kate Ghittino  
Justice Health

Rae Giffin / Kerrie Dennis / Goran Bogdanoski  
RTA

Gael Prophet  
ADHC

Libbi Vandy / Norma Kaddour  
DOCs-Family and Community Services

John Sheeba / Carl Kruger  
QBE

### **SLA General Claims Portfolio (GIO)**

Paul Davies  
SICorp - Chair

Colleen Smith  
SICorp - Secretariat

Brad Cole / Carlos Gomez  
SICorp

Dianne Chiofalo  
Northern Sydney / Central Coast Health

Michele Murphy  
Health NSW

Ros Simpson / Judy Quarrell  
Health Support

Helen Hoson  
Sydney Western Health

Margy Halliday  
Sydney South West Health

Chris Pasterfield / Andrew Bowman / Bruce Campbell  
/ Val Scully  
Education & Communities

Lyndsay Brooker / Justine Lloyd  
DADHC – (Family & Community Services)

Katalin Erdelyi  
Corrective Services – (AG & Justice)

Mark Hicks  
Police – (AG & Justice)

Jaak Normet  
Finance and Services

Rae Giffin / Kerrie Dennis / Goran Bogdanoski  
RTA

Terry Natsia  
Sydney Water

Brad Tait / John Gereige / Rebecca Staines / Trevor  
Brown / David Kumar  
GIO

## **Publications**

Consistent with our waste reduction policy, SICorp utilises the Risk InSite portal as the primary method of communication with our stakeholders. As such, the only publication in 2010-11:

- TMF Fund Structure (including the Contract of Coverage) January 2011.

## TMF Awards

Winners of the 2010 Treasury Managed Fund (TMF) Risk Management Awards were announced at a celebration event, held at the Powerhouse Museum Sydney on 15 September 2010.

The annual awards program seeks to identify, recognise and celebrate leading risk management practice within TMF NSW public sector agencies. The event was well supported with over 220 delegates in attendance from NSW Public Sector agencies sharing in the celebrations and rewards of the 11 finalists.

Awards were presented to the following TMF agencies:

### **Occupational Health and Safety – Risk Management**

Winner: Office of State Revenue - Creating and Implementing an OHS System

### **Injury Management**

Winner: South Eastern Sydney and Illawarra Area Health Service - Creating Sustainable Workers Compensation Performance 2005-2010

### **Enterprise Risk Management**

Winner: Pillar Administration - Risk Management Vitality via Online Systems

### **People's Choice**

Winner: NSW Police – General Duties Job Analysis

Moira Heath (Chair – Public Sector Risk Management Association) presented innovation awards to:

### **PSRMA Award for Innovation in Occupational Health and Safety**

Winner: Sydney Water Corporation - Giving Through Safety Program

### **PSRMA Award for Innovation in Enterprise Risk Management**

Winner: State Water Corporation - Strategic Asset Management Program

Awards were also presented in recognition of leadership in risk management across the TMF community:

Terry Clout, CEO of South Eastern Sydney and Illawarra Area Health Service

Rob Gray, Director Corporate Services WorkCover NSW

The awards celebration featured a sharing session where finalists were able to share their project experiences with delegates as well as presenting storyboards during the networking session.

## TMF Community

SICorp benefits from a large network of consultative and peer groups throughout the TMF Community. These groups, managed under the overarching banner of the Public Sector Risk Management Association (PSRMA), act as an information forum for agencies to share knowledge, experience and best practice models in the fields of Risk Management, Occupational Health & Safety, Injury Management, and Rehabilitation.

The major communities of practice include:

- Public Sector Risk Management Association (PSRMA)
- Safety and Risk Management & Injury Management (SRM&IM) Coalition
- Public Sector Rehabilitation Coordinators Network (PSRCN)
- Mid-sized Agency Occupational Health & Safety and Injury Management (MIDAS OHS&IM) Forum
- NSW Health Promotion Network.



## Acronyms

AAL  
Allianz Australia Insurance Limited

AAC  
Agency Advisory Council

BEAT  
Builders Eligibility Assessment Tool

BIGCorp  
Builders Insurance Guarantee Corporation

EML  
Employers Mutual Limited

GIO  
GIO General Limited

GIPA  
Government Information Public Access

GWC  
Governmental Workers Compensation Account

HIA  
Housing Industry Association

HWIF  
Home Warranty Insurance Fund

IAG  
Insurance Australia Group

IBNER  
Incurred but not enough reported

IBNR  
Incurred but not reported

IPART  
Independent Pricing and Regulatory Tribunal

ICT  
Information, Computing and Telecommunications

MBA  
Master Builders' Association

OFM  
Office of Financial Management

PMF  
Pre-Managed Fund

PSRMA  
Public Sector Risk Management Association

PSRCN  
Public Sector Rehabilitation Coordinators Network

PwC  
PricewaterhouseCoopers

RIC  
Rail Infrastructure Corporation

SAICORP  
South Australian Government Captive Insurance Corporation

SLA  
Service Level Agreement

SICorp  
NSW Self Insurance Corporation

SPASA  
Swimming Pool & Spa Association

SRA  
State Rail Authority

SR&IMC  
Safety and Risk and Injury Management Coalition

TAC  
Transport Accident Compensation Fund

TC  
Treasury Circulars

TCorp  
Treasury Corporation

TMF  
Treasury Managed Fund

TPP  
Treasury Policy Paper

## Websites referenced in this document

[www.sicorp.nsw.gov.au](http://www.sicorp.nsw.gov.au)

[www.riskinsite.nsw.gov.au](http://www.riskinsite.nsw.gov.au) and

[www.homewarranty.nsw.gov.au](http://www.homewarranty.nsw.gov.au)

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