

Financial performance

WorkCover's final comprehensive result for 2021-2022 was a \$318 million loss. A loss on investment returns is due to the current economic climate with rising interest rates and high inflation, combined with rising claims costs is contributing to a challenging financial environment.

FINANCIAL RESULTS	2021-2022 \$M	2020-2021 \$M
Statement of comprehensive income		
Net premium revenue	1,820	1,626
Net claims incurred	(2,137)	(2,143)
Underwriting expenses (net of claims handling)	(28)	(34)
Net investment and other expenses	(134)	705
Income tax equivalents	153	(43)
Other comprehensive income/(loss)	8	(3)
Total comprehensive (loss)/income for the year	(318)	108
Statement of financial position		
Total assets	6,267	6,170
Total liabilities	4,397	3,981
Net assets	1,871	2,189
Statement of changes in equity		
Reserves	989	1,390
Contributed equity	3	3
Accumulated surplus	879	796
Total equity	1,871	2,189

Premium revenue

Our net premium revenue was \$1.820B for the year, an increase of 12% from 2020–2021.

The target average premium rate for 2021–2022 remained unchanged at \$1.20. However, rising claims costs are placing upward pressure on our reserves. For the new financial year 2022-2023, WorkCover’s average net premium rate will move to \$1.23 per \$100 of wages, after discounts, continuing to be one of the lowest average rates for workers’ compensation insurance in Australia.

Net claims incurred

Net claims incurred were \$2.137B for 2021–2022 (2020–2021: \$2.143B).

The net claims costs reduced slightly in 2021–2022, largely driven by a reduction in the movement in the net outstanding claims provision compared to 2020–2021 (the yearly increase in the provision reduced by \$105M), reduction in common law claims paid and higher claims recovery revenue. This was offset by statutory claims experience (particularly for medical and weekly benefits).

The overall increase in the net outstanding claims provision is mainly due to an increase in common law benefits, statutory benefits and experience and assumptions made by the Actuary.

Underwriting expenses

Underwriting expenses include WorkCover’s management and operational expenses and the levy payable to the WCRS and WHSQ. To meet disclosure requirements under accounting standards, the claims handling expense portion of the underwriting expenses is added to gross claims expense to reflect the total cost of administering claims during the year.

Investment portfolio

WorkCover’s investment portfolio is managed by QIC. The net market value in funds invested as at 30 June 2022 was \$5.466B (30 June 2021: \$5.706B).

The net return on this investment portfolio for the year was -2.48% (2020–2021 : 13.76%). COVID-19 together with many other geopolitical issues have had a broadly negative impact on WorkCover’s investment portfolio for the 2021-2022 financial year. We will continue to work with our investment fund manager to effectively manage our investment risk to ensure our portfolio achieves its long term objectives.

Capital adequacy

The Act outlines specific requirements that WorkCover must meet to be fully funded.

WorkCover is fully funded if total assets are at least equal to its liabilities. WorkCover is currently achieving both our legislative requirements (100%) and the Board’s aim of maintaining a funding ratio of at least 120%.

Looking to the future

WorkCover continues to use prudent financial management to ensure a balanced and financially viable scheme for all customers and stakeholders. Part of this continuing prudent financial management includes a focus by WorkCover in continuing to operate within budget, achieving value for money, and more generally, ensuring WorkCover continues to minimise its costs and risks in relation to its liabilities.

Premiums will be set and claims and operational expenses carefully managed in order to continue to deliver a balanced scheme and we will ensure our long term investment strategy is built around a balanced portfolio.

Our in-house statutory claims management models allow us to continue to progress several claims management strategies to facilitate injured workers' return to work as quickly and safely as possible. It also allows us to optimise treating services to ensure workers get the right treatment at the right price.