

FINANCIAL PERFORMANCE

WorkCover's operating profit for 2017–2018 was \$324 million, after tax.

Financial results	2017–2018 \$M	2016–2017 \$M
Statement of comprehensive income		
Net premium revenue	1,451	1,416
Net claims incurred	(1,322)	(1,264)
Underwriting expenses (net of claims handling)	(37)	(32)
Net investment and other income	353	413
Income tax equivalents	(121)	(152)
Operating result for the year after income tax equivalents	324	381
Statement of financial position		
Total assets	5,469	5,086
Total liabilities	3,026	2,971
Net assets	2,443	2,115
Statement of changes in equity		
Reserves	1,835	1,518
Contributed equity	3	3
Accumulated surplus	605	594
Total equity	2,443	2,115

Premium revenue

Our net premium revenue was \$1.451 billion for the year, increasing from 2016–2017 due to strong wages growth across Queensland.

The target premium rate for 2017–2018 remained unchanged at \$1.20 and continues to be one of the lowest average rates for workers' compensation insurance in Australia for the 2018–2019 financial year.

Net claims incurred

Net claims incurred were \$1.322 billion (2016–2017: \$1.264 billion) for 2017–2018.

Net claims costs increased in 2017–2018 predominantly due to an increase in statutory claims expenses, linked to WorkCover's focus on delivering improved return to work outcomes. Common law expenses have remained stable in comparison to the 2016–2017 year, and this positive experience has been reflected in the outstanding claims provision movement for the year.

Underwriting expenses

Underwriting expenses include WorkCover's management and operational expenses and the annual levy payable to the Workers' Compensation Regulator and Workplace Health and Safety Queensland. To meet disclosure requirements under accounting standards, the claims handling expense portion of 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 2018 was \$4.898 billion (30 June 2017: \$4.409 billion).

The net return on this investment portfolio for the year was 7.56% (2016–2017: 9.96%), positive for the ninth consecutive year. This is a strong result and 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 [Workers' Compensation and Rehabilitation Act 2003](#) and [Workers' Compensation and Rehabilitation Regulation 2014](#) outline specific requirements WorkCover must meet to be considered fully funded.

As with other workers' compensation schemes in Australia, WorkCover is fully funded if total assets are at least equal to its total liabilities. WorkCover is currently achieving both our legislative requirements and management'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, financially viable scheme for all customers and stakeholders. Part of this continuing prudent financial management entails 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, claims and operational expenses carefully managed in order to deliver this balance and we will continue our long term investment strategy built around a balanced portfolio.