

Financial performance

The COVID-19 pandemic continues to affect economic activity in 2021, which has implications for many businesses.

WorkCover continues to work with policy holders to help alleviate the impact of COVID-19 by providing assistance with the completion of reassessments of premiums owed as well as providing extended payment terms.

WorkCover's final comprehensive result for 2020–2021 was \$108 million. This positive result was primarily due to strong investment returns.

FINANCIAL RESULTS	2020–2021 \$M	2019–2020 \$M
Statement of comprehensive income		
Net premium revenue	1,626	1,627
Net claims incurred	(2,143)	(2,142)
Underwriting expenses (net of claims handling)	(34)	(44)
Net investment and other expenses	705	(91)
Income tax equivalents	(43)	200
Total comprehensive income/(loss) for the year	108	(446)
Statement of financial position		
Total assets	6,170	6,067
Total liabilities	3,981	3,986
Net assets	2,189	2,081
Statement of changes in equity		
Reserves	1,390	1,281
Contributed equity	3	3
Accumulated surplus	796	797
Total equity	2,189	2,081

Premium revenue

Our net premium revenue was \$1.626 billion for the year, inline with 2019–2020.

The target average premium rate for 2020–2021 remained unchanged at \$1.20 and continues to be one of the lowest average rates for workers' compensation insurance for the 2021-2022 financial year.

Net claims incurred

Net claims incurred were \$2.143 billion for 2020–2021 (2019–2020: \$2.142 billion).

The increase in net claims costs in 2020–2021 is largely driven by higher than expected statutory law claims experience (particularly for medical and weekly benefits) and a higher proportion of large common law claims settlements. This was offset by a reduction in the movement in the net outstanding claims provision compared to 2019–2020 (the yearly increase in the provision reduced by \$90 million).

The overall increase in the net outstanding claims provision is mainly due to an increase in statutory benefits and economic assumptions made by the Actuary. An allowance for an expected increase in common law claims and permanent impairment payments have also contributed to the increase.

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 2021 was \$5.706 billion (30 June 2020: \$5.112 billion).

The net return on this investment portfolio for the year was 13.76% (2019–2020 : -1.94%). This return was largely driven by strong equity returns. 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.

As with other workers' compensation scheme in Australia, 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 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 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.