

FINANCIAL PERFORMANCE

WorkCover's operating profit for 2018–2019 was \$77 million, after tax.

Financial results	2018–2019 \$M	2017–2018 \$M
Statement of comprehensive income		
Net premium revenue	1,562	1,451
Net claims incurred	(1,751)	(1,322)
Underwriting expenses (net of claims handling)	(39)	(37)
Net investment and other income	329	353
Income tax equivalents	(24)	(121)
Operating result for the year after income tax equivalents	77	324
Statement of financial position		
Total assets	6,080	5,469
Total liabilities	3,553	3,026
Net assets	2,527	2,443
Statement of changes in equity		
Reserves	1,813	1,835
Contributed equity	3	3
Accumulated surplus	711	605
Total equity	2,527	2,443

Premium revenue

Our net premium revenue was \$1.562 billion for the year, increasing from 2017-2018 due to strong wages growth across Queensland.

The target premium rate for 2018-2019 remained unchanged at \$1.20 and continues to be one of the lowest average rates for workers' compensation insurance for the 2019–2020 financial year.

Net claims incurred

Net claims incurred were \$1.751 billion for 2018–2019 (2017-2018: \$1.322 billion).

Net claims costs increased in 2018-2019 predominantly due to an increase in statutory claims expenses and an increase in the net outstanding claims provision. The increase in statutory claims expenses is linked to increased duration and complexity of claims being managed. The main driver of the cost increase being more claims accessing more services.

The increase in the net outstanding claims provision is mainly due to the allowance for silicosis claims arising from the screening process carried out during the 2018-2019 year, an increase in expected statutory benefits, and changes in economic assumptions made by the Actuary. Common law expenses have remained stable in comparison to the 2017-2018 year.

Underwriting expenses

Underwriting expenses include WorkCover's management and operational expenses and the 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 2019 was \$5.264 billion (30 June 2018: \$4.898 billion).

The net return on this investment portfolio for the year was 6.44% (2017–2018: 7.56%), positive for the tenth 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](#), outlines specific requirements that WorkCover must meet to be 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 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, 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.