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# ***Guidelines for the Approval and Review of Self-Insurers***

**December 2011**



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## **Introduction**

1. In May 2003, the WorkCover Western Australia Authority (WorkCover WA) agreed to a revised *Performance Monitoring Methodology for Approved Insurers*. The performance methodology, used as a monitoring mechanism to evaluate insurer performance within the Western Australian workers' compensation scheme, became effective from October 2003.
2. The Authority also agreed that, where relevant, the approved insurer performance methodology was to be applied to approved self-insurers.
3. Consequently, where applicable the performance methodology has been incorporated into the existing *Guidelines for the Approval and Review of Self-Insurers Under the Workers' Compensation and Injury Management Act 1981* (the Guidelines). The revised Guidelines include the following four programs to assess approved self-insurer performance:
  - Material and Financial Resources Program
  - Compliance Monitoring Program
  - Client Services Program
  - Internal Dispute Resolution Program (incorporating Claims Management Review).
4. Also incorporated in these guidelines are a number of standardised arrangements adopted by WorkCover WA, in line with the "national harmonisation of self-insurance arrangements" initiative.
5. Arrangements reflect extensive consultation with the Self-Insurers Association and an understanding that the arrangements will be subject to ongoing review.
6. To complement the Guidelines WorkCover WA has also developed separate application and performance monitoring standards for self-insurers.
7. A key element in the future guidelines and arrangements for self-insurers will be implementing the "National Self-Insurer OHS Audit Tool". The OHS Audit Tool is an integral part of the national self-insurance harmonisation program and is endorsed by most workers' compensation jurisdictions, including Western Australia.
8. The WorkCover WA Authority will utilise the OHS Audit tool as a framework for measuring self-insurer compliance with the standard of OHS practices to be established.

## **Overview self-insurer approval/review/monitoring**

### **Introduction**

9. The WA WorkCover Authority considers applications from employers or groups of employers for self-insurer status and recommends approval or otherwise to the responsible Minister. The Governor, on recommendation of the Minister, may exempt an employer or group of employers.
10. Employers seeking approval for self-insurer status shall demonstrate compliance with section 164 of the *Workers' Compensation and Injury Management Act 1981* (the Act).
11. The WA WorkCover Authority has established certain minimum conditions that must be met by applicants. The minimum conditions are outlined in these Guidelines and are consistent with the national harmonisation of self-insurance arrangements.
12. Employers applying to self-insure in a number of workers' compensation jurisdictions for the first time should initially apply for a financial assessment to the workers' compensation regulator in the State where their head office is located (refer to the guidelines at appendices 7-10).
13. Please refer to appendices for copies of all forms and schedules relating to self-insurer approval applications.

### **Performance Monitoring**

14. Once approved, the WA WorkCover Authority monitors self-insurer activities and performance and conducts periodic checks to ascertain if self-insurers maintain an acceptable level of compliance against the Guidelines and the Act. If a satisfactory performance is not indicated, a nominated person of the self-insurer may be called before the Authority to show just cause why the approval and exemption of the self-insurer should not be cancelled in accordance with sections 165 and 166 of the Act.

### **Review**

15. Section 165 of the Act requires that exemptions be reviewed at least once in each period of one year or when so required by the Minister. The review of an exemption will be based on adherence to the conditions of approval set out under the Guidelines.

## **1.0 Material and Financial Resources Program**

### **Guidelines on standard of performance required**

#### ***Introduction***

16. The objective of the Material and Financial Resources Program is to measure the degree to which a self-insurer complies with legislative and Authority requirements relating to the performance of the self-insurer.
17. Performance standards require 100 per cent self-insurer compliance with the indicators for the Material and Resources Program. Non-compliance with these indicators will result in the cancellation of exempt employer status.

#### ***Material Resources***

18. Approved self-insurers are required to have the material and financial resources in the State to fulfill their obligations under the Act. This includes satisfying the Authority that they have available adequate expertise to determine claims within the State in the time limits specified under the Act, effect weekly payments within the frequency specified, carry out their responsibility with respect to injury management and to submit accurate and timely statistical returns/information.

#### ***Performance Indicator***

Approved self-insurers shall maintain an office in the State with authority and material and financial resources available to it that the Minister responsible for workers' compensation, on the advice of the Authority, considers sufficient to enable it to discharge its obligations for the purposes of the Act.

#### ***Standard of Performance***

To enable the Authority to determine the adequacy of those resources, approved self-insurers are to provide and maintain the following information:

- (i) a copy of their organisational chart detailing the number of injury management staff and the minimum levels of training and experience for each major classification of employee. The requirement also includes having appropriate staff training programs addressing core staff competencies, which are documented, administered and subject to regular review. Reference to industry-wide standards may be considered with this indicator;

- (ii) demonstration by self-insurers that they have in place an injury management program. Self-insurers are required to provide copies of their injury management policy and procedures, which must be in accordance with Authority guidelines; and
- (iii) demonstration that information management systems utilised by the self-insurer are able to meet the compliance standards as defined in the Q1 specifications, including the provision of data and returns.

### **Financial Resources**

19. The Authority has determined that an approved self-insurer must comply with the following conditions and provide the information listed in order to maintain their status:

#### *Contributions-Section 109(4)*

20. Each self-insurer shall contribute annually to the General Account a sum equal to –

(a) The amount prescribed for the purposes of this subsection; or

(b) Such contribution as the Authority considers reasonable, assessed upon the wages, salaries or other remuneration, including amounts paid to workers employed under an agreement to perform:

- (i) a specified quantity of work for a specified sum;
- (ii) work on piece rates; or
- (iii) work on a bonus or commission system for payment by results

paid by the self-insurer to workers during that period, having regard to the premium payable for insurance by employers engaged in the same or any similar trade, occupation, calling, or industry.

#### *Supplementation Fund*

21. Each self-insurer is required to contribute to any levy imposed pursuant to section 16 the *Employers' Indemnity Supplementation Fund Act 1980*. This Act covers the cost to employers and injured employees when an insurer approved under the Act goes into liquidation.

#### *Bank Guarantee*

22. A bond, which may take the form of a bank guarantee/security, shall be deposited at the Department of Treasury and Finance to a value as determined by the Authority upon application or review. A standard bank guarantee as endorsed by the HWCA, has been agreed for use by self-insurers, financial institutions and regulators (Refer Appendix 5).

23. The bank providing the guarantee should be one that is subject to the Banking Act. Financial institutions currently providing guarantees for self-insurers in Western Australia are ANZ, Westpac Banking Corporation, National Australia Bank, Commonwealth Bank, BNP Paribas and JP Morgan Chase Bank.
24. The minimum level of financial security is determined by either:
- \$1 million; or
  - 150 per cent of the central estimate of outstanding claims liability, whichever is the greater.
25. Actuarial assessments of outstanding claim liability are required on an annual basis and used to determine security amounts.
26. Other factors that may be considered when determining the level of bond are:
- Long-term financial strength of the organisation and an external auditor's opinion on the annual financial statements;
  - size and type of industry;
  - notional premium payable based on current gazetted recommended rates;
  - safety, accident prevention and rehabilitation programs in operation;
  - number of work-related injuries and diseases over the past five years;
  - the amount of compensation paid in respect of such injuries or diseases; and
  - the amount of the outstanding claims incurred but not paid.
27. For the first year of approval, the amount of the bond shall be rounded to the next million dollars. In subsequent years, the amount shall be rounded up in accordance with the Authority's approved methodology.
28. Any change in the level of the self-insurer's bond is at the Authority's discretion. Factors to be considered after the analysis of the organisation's claims history include the level of the self-insured retention and whether there has been a downward revision in the organisation's credit rating.
29. Any securities requested by the Minister pursuant to section 165(4)(b) of the Act must be supplied within 21 days of the request or may be subject to a fine of \$1,000 in accordance with section 165(5).

30. Self-insurers shall obtain and keep current a policy of insurance for workers' compensation common law and catastrophe cover in excess of the value of the bond until all outstanding claims are finalised. The cover is to be for a minimum of \$50 million for any one claim or series of claims arising out of one event, subject to the self-insurer retention. Approval to extend self-insurance status is dependent on the organisation maintaining appropriate common law and catastrophe cover during the period of approval. This requirement includes all prospective and current self-insurers.

30(a). It is a condition of a self-insurers' exemption under section 164 of the Act that, if requested by WorkCover WA to do so, self-insurers shall enter into a Written Agreement to Pay Contributions as a Result of an Act of Terrorism. The agreement will allow the exclusion of liability for a self-insurer in the event of an act of terrorism.

#### *Financial Indicators*

31. Approved self-insurers are to provide audited financial statements as part of the application and annual review of the exempt status. This information should include:
- Balance Sheet Test (ie total tangible assets/total liabilities);
  - Quick liquidity (ie current assets less stock/current liabilities);
  - Current liquidity (ie current assets/current liabilities);
  - Interest coverage (net profit before tax/net interest expense);
  - Return on investment (net profit before tax/total equity);
  - Claims liability as a percentage of net assets (outstanding claims/net assets); and
  - Gearing ratio (loan capital/total capital employed).
32. WorkCover WA, at its discretion, may apply further secondary financial indicators if there are doubts concerning the organisation's financial viability. Refer to Appendix 2 for further information on financial indicator definitions.

#### **Performance Indicator**

Maintenance of financial resources to comply with the requirements prescribed under the Act and the performance monitoring guidelines for approved self-insurers.

#### **Standard of Performance**

Self-insurers are to maintain adequate financial resources to comply with the requirements under the Act and the Guidelines. Financial resources are to extend to include satisfying the amount of common law and catastrophe coverage, the prescribed level of the bank guarantee and financial ratios and other financial indicators as determined by the Authority.

## **2.0 Compliance Monitoring Program**

### **Guidelines on standard of performance required**

#### **Introduction**

33. The Compliance Monitoring Program has been developed to verify approved self-insurers' compliance with certain requirements of the Act.

34. The areas subject to assessment relate to an approved insurer's ability to demonstrate:

Compliance with the time limits and other requirements imposed under the Act or the *Employers' Indemnity Supplementation Act 1980*, as required under section 165 of the Act.

#### **Determining liability/advice to parties— Section 57B(2)(c)**

35. A self-insurer shall ensure that, if it is unable to make a decision within the time allowed whether or not liability to make weekly payments is to be accepted, it notifies the Conciliation and Arbitration Service and the worker to that effect and of the reasons why the decision is not able to be made.

#### **Performance Indicator**

Verification that the self-insurer has notified the Director and worker in the prescribed format, within 17 days of the claim being made, that a decision as to whether or not liability is to be accepted in respect of weekly payments claimed and the reasons for the decision, is not able to be made.

#### **Unlawful discontinuance or reduction in weekly payments — Section 61**

36. Self-insurers are to ensure that weekly payments of compensation for total or partial incapacity made to a worker under the Act (with the knowledge of the self-insurer) are not discontinued or reduced unless they have complied with the relevant provisions of the Act.

**Performance Indicator**

Verification of complaints and/or disputes where it was proved the self-insurer failed to comply with the provisions of the Act to notify the worker on the discontinuance of reduction of compensation payments. Decisions impacting on workers' entitlements are required to be reviewed by senior insurer staff and evidenced on file.

**DISPUTES AS TO LIABILITY – WORKER ENTITLED BUT DISPUTE BETWEEN EMPLOYERS AND/OR INSURER- Section 73 & 74**

37. Where there is a dispute between employers (and/or insurer) as to liability but no dispute that the worker is entitled to compensation from some employer for a fresh disability or recurrence of an old disability the employer (and/or insurer) of the worker at the time of the latest disability or recurrence is liable to pay compensation under this Act until the question of which employer is liable or how liability is to be apportioned between employers (and/or insurer) has been resolved.

**Performance Indicator**

Verification that where there is a dispute as to liability between an employer (and/or insurer) and the current exempt employer (self-insurer, and/or insurer), the employer, being the employer of the worker at the time of the latest disability or occurrence has made all necessary payments to the worker, and in relation to the management of the worker's injury, and the dispute has been referred to a dispute resolution body.

**REQUEST FOR INFORMATION FROM A SELF-INSURER BY WORKCOVER WA-Section 103A**

38. Self-insurers shall ensure any information or returns requested in writing by the Authority are accurate and within the timeframe as specified in the request. Such returns and information are to include, but are not limited to, premium rating returns and other returns/statistics required by the Authority.

**Performance Indicator**

Verification that requests for information or returns by the Authority which are complied with by approved self-insurers are accurate and within the timeframe specified, compared to the total number of requests.

**Self-insurer to make contributions to the general account – Section 109(4)**

39. Self-insurers are required to contribute annually to the Authority's General Fund. The amount of the contribution from an insurer is a sum amounting to a percentage fixed by the Authority of the total amount of the notional premium of the self-insurer. The contribution payable is based on the notional premium of an approved self-insurer for the previous year ended 30 June.
40. The minimum self-insurer contribution is \$40,000. The contribution is payable by 1 October in each year. Contributions may be made in quarterly instalments on 1 October, 1 January, 1 April and 1 June in each year or on other days as the Authority may determine.

**Performance Indicator**

Verification that contributions received are for the correct amount and are made on time.

**False Return from Self- Insurer – Section 109(4a)**

41. Any self-insurer furnishing particulars to the Authority under subsection (4) which are false in any material particular, is guilty of an offence.

**Performance Indicator**

Verification that the return is correct.

**Failing to Send the Return – Section 109(4b)**

42. Any self-insurer failing to send the particulars to the Authority within the time specified under subsection (4) commits an offence.

**Performance Indicator**

Verification of receipt of the return in that month or as appointed by the Authority.

**Timeliness of provision and correction of claims data – Section 164**

43. Self-insurers shall ensure that monthly claims data returns submitted to WorkCover WA are lodged and corrected within 21 days of the following month. Issues outside of a self-insurer's control may be considered when assessing self-insurer performance.

**Performance Indicator**

Self-insurer monthly claims data is lodged and corrected by the prescribed date.

**Timeliness of compliance with Conciliation and Arbitration Service orders – Section 255**

44. In accordance with section 255, self-insurers shall ensure timely compliance with all orders issued from the Conciliation and Arbitration Service as specified in the order. In circumstances where the order does not stipulate a specific timeframe for compliance, self-insurers are required to comply within a maximum of 10 working days from the date of the order.

**Performance Indicator**

All orders issued by the Conciliation and Review Service are to be complied with within the specified timeframe. In circumstances where there is no stipulated timeframe; self-insurers are required to comply within a maximum of 10 working days from the date of the order.

**Notification to the worker when 60 per cent of the maximum amount is exceeded – Schedule 1 18A**

45. In accordance with Schedule 1, clause 18A, self-insurers shall ensure workers are notified when expenses incurred by the worker exceed 60 per cent of the maximum amount.

**Performance Indicator**

Workers will be notified in writing within 20 working days when expenses incurred by the worker exceed 60 per cent of the maximum amount.

### **3.0 Client Services Program**

#### **Guidelines on standard of performance required**

##### ***Introduction***

46. The Client Services Program has been established to provide direction for self-insurers in managing workers' compensation claims in the Western Australian workers' compensation system. The program draws on stakeholder best practice principles. The program is designed to facilitate a sensible, reasonable and consistent approach in managing workers' compensation claims.

##### ***Claims Management Service***

47. The Claims Management Service focuses on the self-insurer's processes and programs that are in place, and which focus on the following areas:

- Information on Claims
- Claims Management
- Review of Files
- Weekly Payments
- Payment of Accounts.

##### ***Information on Claims***

48. Self-insurers should encourage injured workers and other relevant parties to contact them if they have any concerns about the claims procedure. Only appropriately trained staff should undertake this task. WorkCover WA expects self-insurers to have staff development and training programs in place to ensure staff have knowledge of the Act and experience in claims processing.

##### ***Claims Management***

49. In the spirit of the Act, a self-insurer's claims management practices should be carried out to provide a fair, equitable and effective service to injured workers.

##### ***Review of Files***

50. Self-insurers are expected to continuously review active claim files to facilitate, where possible, claims progressing to an early finalisation. Where an external audit is considered necessary WorkCover WA will review self-insurer claim files to verify contact between the parties.

##### ***Weekly Payments***

51. Self-insurers shall ensure from the acceptance of a claim that weekly payments are made on the employee's normal pay-day.

### **Payment of Accounts**

52. Self-insurers shall ensure that the payment of valid accounts, subject to the acceptance of the claim, is made within 20 working days of the department responsible for authorising payment receiving the account.

### **Complaints**

53. Complaints refer to written complaints that have been received and investigated by WorkCover WA with respect to service delivery under the Act and the Guidelines by self-insurers to stakeholders in the system. Complaints forwarded to WorkCover WA can be received from injured workers (or their representatives) and other parties who are able to access statutory entitlements.

54. Substantiated complaints refer to a breach of the Act (or the self-insurer performance standards outlined in this report) by a self-insurer that has been confirmed by WorkCover WA.

55. By recording all complaints against self-insurer performance, WorkCover is able to review and address areas in the Scheme that may require operational or legislative amendment. (Self-insurer performance with respect to the timing of providing notices required under Regulation 19P will form part of the self-insurer's assessment).

56. All complaints received will be registered by WorkCover WA and form part of the annual report on self-insurer performance against the Guidelines. The report on self-insurer performance is forwarded for consideration to the Authority annually.

### **Injury management**

57. As part of the requirement for continuing exempt employer status, self-insurers are required to have an Injury Management Policy and Procedure document that demonstrates the organisation's commitment to the injury management process. The document should provide an outline of the support available to all workers, including claims management procedures and return to work practices. The aims and objectives of the workplace-based injury management system should also be clearly defined and be consistent the *Workers' Compensation Code of Practice (Injury Management) 2005*. The overall goal should be to provide an effective injury management service that assists injured workers return to productive employment.

58. To maintain continuing exempt employer status, self-insurers are to ensure their injury management policy and procedures documentation is in accordance with WorkCover WA's guidelines and conforms with Part IX of the Act. WorkCover WA is to be notified on any changes to an organisation's injury management practices.

**Self-insurer self-audits**

59. As part of the Authority's annual review for monitoring performance, self-insurers will be requested to develop their own Procedures Standards for the Client Services Program and the Internal Dispute Resolution Program. The Procedures Standards are to address the key principles as detailed below in the Self-Insurer Audit Checklists (refer to Appendix 6).
60. Self-insurers will be required to submit a copy of their Procedures Standards to WorkCover WA for evaluation as part of their annual review and thereafter if any amendments have occurred. If, during the review period, there are concerns with a self-insurer's procedures, an on-site audit of its processes may be undertaken by WorkCover WA.

## **4.0 Internal Dispute Resolution Program**

### ***(Incorporating Claims Management Review)***

#### **Guidelines on standard of performance required**

##### ***Introduction***

61. The Internal Dispute Resolution Program (IDRP) is designed for self-insurers to resolve disputes internally to reduce the number of disputes lodged at the Conciliation and Arbitration Service.

##### ***Claims Management Review***

62. The objective of the Claims Management Review is for self-insurers to avoid disputes. In the event of a proposed denial of liability, pending (timeframes), reduction, termination of a worker's entitlement to compensation or disputed return to work program, senior self-insurer staff are to review the recommendation before any action is taken. This process ensures that considered decisions/actions that impact on workers' entitlements are taken in consultation with senior management, thereby reducing the likelihood of internal and formal disputes.

63. Once a claim decision has been disputed and the worker requests a review (or the relevant State legislation requires it), then a review of this decision will be undertaken by a person different from the primary decision-maker. This step requires a process of management review to assist with quality decision making and therefore it is not paramount for this person to be a workers' compensation expert.

##### ***Self-Insurer Internal Dispute Resolution Processes***

64. As part of the Authority's annual review for monitoring performance, self-insurers will be requested to provide self-audit documentation for consideration. The documentation is to include the self-insurer's Procedures Manual and any other relevant records in line with the audit checklist (Refer Appendix 6). If the Authority has concerns regarding a self-insurer's internal dispute resolution procedures WorkCover WA may undertake an on-site audit of its processes.

## **5.0 Cancellation of Approval**

65. Sections 165(3) and 166 of the Act provide that a self-insurer's exempt employer status may be cancelled for the following reasons:

1. If, after a review, the Minister recommends to the Governor that an exemption be cancelled:
  - a) for any reason which seems to the Minister to justify doing so in the interests of securing workers' entitlements to compensation; or
  - b) because of a failure to deposit at the Treasury any securities directed by the Minister to be deposited under subsection (4)(b) or
2. The self-insurer fails or refuses to comply with the requirements of the *Workers' Compensation and Injury Management Act 1981* or the *Employers' Indemnity Supplementation Fund Act 1980*.

66. An employer or group of employers that cease to be exempt is required to insure in accordance with section 160 of the Act. Where cancellation occurs, the bond will be held until all claims relevant to the period of self-insurance are satisfied.

## **6.0 Revocation of Exemption (Release of Bond)**

67. Upon application, and subject to satisfying certain conditions relative to potential claims exposure, "the Governor may by Order in Council revoke the exemption and order that the securities be discharged from the charge and returned to the employer or the group, as the case may be".

68. Where cancellation occurs, the bond will be held until all claims relevant to the period of self-insurance are satisfied in accordance with the Authority's methodology for releasing the bank guarantee.

69. Application for the release of a self-insurer's securities or bond is made pursuant to section 168 of the Act.

70. Section 168 of the Act provides:

Where an employer or group of employers which is exempt under section 164 -

(a) applies to the Minister for a revocation of such exemption and for the return of securities lodged by it or them with the Treasury discharged from the charge referred to in section 164(1); or

(b) proves to the satisfaction of the Minister that -

(i) the employer or group, as the case may be, has ceased to employ workers; or

(ii) he or they have obtained from an approved insurance office a policy of insurance in compliance with section 160(1), and that -

(iii) there are no outstanding claims for compensation; or

(iv) satisfactory provision has been made for discharging any outstanding claims for compensation.

The Governor may by Order in Council revoke the exemption and order that the securities be discharged from the charge and returned to the employer or the group, as the case may be.

## Appendices

**Appendix 1.** *Application for Exemption from Insuring*

**Appendix 2.** *Financial Indicator Definitions*

**Appendix 3.** *Schedule for the Approval or Review of a Self-Insurer*

**Appendix 4.** *Annual Self-Insurer Reviews – Definition of Terms*

**Appendix 5.** *Standard Bank Guarantee for Workers' Compensation Self-Insurers (in all jurisdictions)*

**Appendix 6.** *Audit Checklists*

*Client Services Program  
Internal Dispute Resolution Program*

**Additional guidelines for self-insurers applying in multiple jurisdictions**

**Appendix 7.** *Applying for Financial Approval  
(Guidelines for self-insurers applying in multiple jurisdictions)*

**Appendix 8.** *Assessment Schedule*

**Appendix 9.** *Request Form*

**Appendix 10.** *Certification (Statutory Declaration)*

## **Appendix 1. Application for Exemption from Insuring**

*Workers' Compensation and Injury Management Act 1981*

To: The Insurance Monitor  
WorkCover WA  
2 Bedbrook Place  
SHENTON PARK WA 6008

Application is hereby made by \_\_\_\_\_  
of \_\_\_\_\_ in the State of Western Australia, for exemption  
from the operation of Section 160 of the *Workers' Compensation and Injury  
Management Act 1981* and furnish herewith the information, documents and  
particulars set forth in the attached schedule hereto.

I, \_\_\_\_\_ undertake to deposit with the Treasury, upon the  
granting of the exemption approval applied for, such sum of money (bond or  
security) as shall be determined by the WorkCover Western Australia Authority.

I further undertake to advise the WorkCover Western Australia Authority of any  
material event or change in circumstances that may cause the organisation to no  
longer comply with the conditions of the exemption.

DATED THE \_\_\_\_\_ DAY OF \_\_\_\_\_ 20\_\_\_\_\_

**EMPLOYER'S SIGNATURE**

## Appendix 2. Financial Indicator Definitions

### Primary Indicators

Primary Indicators	Relevant Sector	Indicator Result	Definition	Calculation
Balance Sheet Test	All industry sectors	Straight measure	Provides a measure of an entity's financial situation. It indicates if an entity has the tangible resources to meet the payment of its liabilities. The higher the indicator result, the better.	Balance sheet test = $\frac{\text{Total Tangible Assets}}{\text{Total Liabilities}}$
Current Liquidity	Manufacturing, Retail, Transport and Other	Straight measure	Measures an entity's liquidity or its ability to meet its short-term obligations (ie pay its creditors and repay short-term debts). The higher the indicator result, the better. The current assets used to calculate the ratio may include items that are difficult to liquidate quickly and/or have uncertain liquidation values. (This is overcome in the Quick Liquidity ratio).	Current Liquidity = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Liquidity	Manufacturing, Retail, Transport and Other	Straight measure	An additional measure of liquidity that excludes inventory from current assets. It indicates the extent to which an entity can pay its current liabilities prior to liquidating its inventory.  Inventory is excluded, so that only items which can be readily converted to cash are included in the calculation of the ratio. The higher the indicator result, the better.	Quick Liquidity = $\frac{\text{Current Assets less Stock}}{\text{Current Liabilities}}$
Interest Coverage	Manufacturing, Retail, Transport and Other	Number of times.	A measure of an entity's ability to meet its debt obligations. It indicates how many times an entity can cover its interest expense on a pre-tax basis. The higher the indicator result, the better.	Interest coverage = $\frac{\text{Net Profit Before Tax}}{\text{Net Interest Expense}}$
Return on Investment	All industry sectors	% measure	Measures the rate of return generated on the equity employed by the entity. The higher the indicator result, the better.	Return on Investment = $\frac{\text{Net Profit Before Tax}}{\text{Total Equity}}$

Primary Indicators	Relevant Sector	Indicator Result	Definition	Calculation
Claims Liability as % of net assets	All industry sectors	% measure	Indicates the proportion of the entity's claims liabilities to its net assets. The lower the indicator result, the better.	CL as % of net assets = $\frac{\text{Outstanding Claims}}{\text{Net Assets}}$
Gearing Ratio	Manufacturing, Retail, Transport and Other	% measure	Gearing is a measure of financial leverage, demonstrating the degree to which an entity's activities are funded by creditors' funds vs. owner's funds. The higher the leverage, the more sensitive an entity could be to interest rate movements and economic changes in the business cycle. The lower the indicator result, the better.	Gearing Ratio = $\frac{\text{Loan Capital}}{\text{Total Capital Employed}}$  Note: Loan Capital is defined as any external third party loans - ie interest bearing loans and borrowings. Capital Employed is equal to the sum of Loan Capital + Total Equity.

### Secondary Indicators

Secondary Indicators	Relevant Sector	Indicator Result	Definition	Calculation
Bad Debt Ratio	Finance	% measure	It measures the quality of assets held by the financial institution. It also indicates quality of credit assessment and management. The lower the indicator result, the better.	Bad Debt Ratio = $\frac{\text{Non Performing Assets}}{\text{Customer Loans}}$
Cash & Liquid Assets	Finance	\$ measure	An APRA requirement designed to monitor minimum levels of liquidity required by financial institutions. The result of the calculation is compared to actual cash and liquid assets. The higher the amount of total liabilities covered by cash and liquid assets, the better. <i>Note: If an entity does not meet the benchmark on this indicator, it does not result in an automatic failure. Reference will also be made to the entity's indicator results on its current and quick liquidity prior to a final conclusion.</i>	Cash & Liquid Assets  Calculation is = \$5 million + 30% of Total Liabilities  This should then be compared to the cash and liquid assets per the entity's balance sheet.

Secondary Indicators	Relevant Sector	Indicator Result	Definition	Calculation
Excess Capital	Finance	% measure	An APRA requirement designed to monitor the net asset position of financial institutions. The higher the indicator result, the better. <i>Note: The ratio cannot be calculated from the statutory financial statements as they do not disclose the risk adjusted assets. The financial institution would have the ratio readily calculated for APRA reporting purposes. The result for this indicator is to be obtained directly from the entity.</i>	Excess Capital = $\frac{\text{Total Capital}}{\text{Risk Adjusted Assets}}$
Stock Turnover	Manufacturing, Retail and Other	Number of times.	It indicates the number of times the entity has turned over or sold its inventory. It is an indicator of inventory and working capital management. The higher the indicator result, the better.	Stock Turnover = $\frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$
Debtor Turnover	Manufacturing and Transport	Number of days.	This ratio gives the number of days it takes for an entity to collect its debts. It is an indicator of credit and working capital management. The lower the indicator result, the better.	Debtor collection period = $\frac{\text{Debtors} \times 365 \text{ days}}{\text{Sales}}$
Revenue Growth	All industry sectors	% measure	The increase (ie growth) or decrease in revenue earned in the current year as compared to the prior year. The higher the indicator result, the better.	Revenue Growth = $\frac{(\text{CY Revenue} - \text{PY Revenue})}{\text{PY Revenue}}$ CY: Current Year PY : Prior Year
Labour Costs	Transport	% measure	Measures the ratio of salaries and related employee benefits costs (which are a significant expense item for entities in the transport industry) to revenue generated. The lower the indicator result, the better.	Labour costs = $\frac{\text{Labour costs}}{\text{Total Revenue}}$
Customer Loan Ratio	Finance	Straight measure	Assesses the customer loan portfolio (the core trading of financial institutions) against its adjusted asset position. The lower the ratio of the value of loans vs the value of assets, the better. <i>Note: The ratio cannot be calculated from the</i>	Bad Debt ratio = $\frac{\text{Net Customer Loans}}{\text{Risk Adjusted Assets}}$

Secondary Indicators	Relevant Sector	Indicator Result	Definition	Calculation
			<i>statutory financial statements as they do not disclose the risk adjusted assets. The result for this indicator is to be obtained directly from the entity.</i>	
Net Interest Margin	Finance	Straight measure	Assesses the core trading business via the net interest income generated by a financial institution. The higher the measure (ie positive net interest) the better.	Net Interest Margin = $\frac{\text{Net Interest Income}}{\text{Total Assets}}$
Operating Costs to Revenue.	Finance	% measure	Measures a financial institution's operating costs (which are outside its core trading business) to revenue generated. The lower the indicator result, the better.	Operational Costs to Revenue = $\frac{\text{Operating Costs}}{\text{Total Revenue}}$

### **Appendix 3. Schedule for the Approval or Review of a Self-Insurer**

Please note: This schedule applies to approvals/reviews respecting those employers self-insuring in Western Australia only. Employers applying for self-insurer status in multiple jurisdictions should also refer to the guidelines and schedules for financial assessment at Appendices 7 and 8.

1. Name of Applicant.
2. Date and Place of Incorporation.
3. Registered Office of Applicant.
4. Nature of Business Undertakings.
5. The number of workers employed by the employer or group.
6. The current category or categories of insurable risk of the business or businesses of the employer or group, on an industry basis.
7. The gross wages divided into rateable classifications paid during the previous 12-month period immediately prior to the date of application/review.
8. The number of work-related injuries and diseases within the past five years classified by year of accident, including the number of current outstanding claims and the amount outstanding.
9. The amount of compensation paid in respect of such injuries and diseases, classified by year of accident.
10. The number of lost time claims per 100 employees within the past five years.
11. The name of the insurer and the policy number with whom common law indemnity and catastrophe cover has been effected. Cover is to be for a minimum of \$50 million for any one claim or series of claims arising out of one event, subject to the self-insurer retention. A certificate of currency and a copy of the policy is to be provided.
12. An actuarial assessment of outstanding claims based on 150 per cent of the outstanding claims liabilities. The actuarial report is to include the workers' compensation claims and common law components. The common law component is also to be reported separately. The actuarial assessment of outstanding claims for new self-insurance applications is to be based on 150 per cent of outstanding claims liabilities which will be rounded to the next \$M.
13. The names and titles of staff responsible for coordinating and/or providing injury management services.

14. The organisation's injury management policy and procedures documentation, which is to be in accordance with WorkCover WA guidelines, *Workers' Compensation Code of Practice (Injury Management) 2005* and Part IX of the Act.
15. External auditor's opinion on the annual financial statements.
16. Applications for self-insurance are subject to employers providing acceptable data on-line or to demonstrate on-line capabilities from the date of self-insurance approval.
17. Details of outsourcing arrangements to a third party of any of the self-insured's workers' compensation functions and requirements indicated under the self-insurance approval.

Details of the entity, the outsourced functions and staff contact details are to be provided at least one month before the commencement of any arrangement. Note, the self-insured will remain the accountable entity for the achievement of all performance criteria.

I, \_\_\_\_\_ of \_\_\_\_\_  
solemnly and sincerely declare and affirm that the particulars in the above schedule are true and correct to the best of my information and belief and that I am duly appointed \_\_\_\_\_ of the applicant and that I am duly authorised by the applicant to make this declaration.

---

**EMPLOYER'S SIGNATURE**

Taken and declared at \_\_\_\_\_ in the said State this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_ before me.

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**JUSTICE OF THE PEACE**

## **Appendix 4. Annual Self-Insurer Reviews – Definition of Terms**

### ***Date and Place of Incorporation***

Include the names of all operating entities under the organisation's self-insurance approval. WorkCover WA is to be advised of any additions or deletions of entities during the review period, including name changes, takeovers and divestments.

### ***Nature of Business Undertakings***

Include all the activities of the organisation under self-insurer approval.

### ***Number of Workers Employed by the Employer or Group***

The number of full-time and part-time staff employed during the reporting period is to be provided. Full Time Equivalents (FTE) can also be used if available. The number of FTEs is dependent upon the award conditions (number of hours per period) of individual employees. As an example, if an organisation has a 38-hour working week with one full-time employee (38 hours per week) and one part-time employee (19 hours per week) the FTE calculation for the period is:

$$\frac{38 + 19}{38 + 38} = 1.5$$

### ***Gross Wages Paid and Payable***

The amount of gross wages paid and payable during the review period is to be supplied. Gross wages: salaries, remuneration commissions, bonuses, overtime, allowances and the like, directors' fees and all other benefits paid (whether at piece-work rates or otherwise, and whether paid in cash or in kind) to, or in relation to, a worker before the deduction of income tax.

### ***Accident and Compensation History***

The Authority requires the organisation's most recent annual claims data as part of its review of performance. The reporting of self-insurer accident and compensation history is to be provided on a financial or calendar year basis. However, self-insurers may forward 12 months' data outside of these periods if it is available and closer to the date of review (ie September to August data if the organisation's review is scheduled for October).

The date representing the self-insurer's reporting period is to be applied on a consistent basis. **Do not use part year data for the annual review.** For example, if the annual review is scheduled for April then the organisation's most recent reporting period to be used is either January to December or July to June (whichever is appropriate). The reporting period is to remain the same unless WorkCover WA is informed of a proposed date change.

The following is an overview of the data presented to the Authority under Items 8-10 of the *Schedule for the Approval or Review of a Self-Insurer*.

Year	Number of Claims	Amount Paid	Open Claims	Amount Outstanding	Lost Time Claims Per 100 Employees
A	B	\$ C	D	\$ E	F

**A:** Self-insurer annual reviews (**recorded by year of accident**) are to be based on one of the following:

1. Twelve months data (not part year).
2. Calendar or financial year basis.
3. Other 12 months' data if the data can be provided closer to the annual review date.

**B:** The number of claims reported for the accident year. Any discrepancy in claim numbers from the previous year is to be reported. Discrepancies could result from IBNR claims, or claims reconciliations undertaken by the self-insurer during the reporting period.

**C:** The amount of workers' compensation entitlements paid during the review period by year of accident. Recoveries are to be included.

**NB.** The amount of payments should be reconcilable to the self-insurer's monthly claims data lodgements and annual premium rating returns.

**D:** The number of claims that are still open (not organised) by year of accident.

**E:** The estimated amount of liability for outstanding claims liabilities by year of accident.

**F:** Loss Time Claims per 100 Employees.

The calculation for the number of Lost Time Claims per 100 Employees (LTI) is:

$$\frac{\text{The actual number of LTIs}}{\text{Number of employees}} \times \frac{100}{1}$$

**NB.** Use the number of lost time claims and not the number of claims. The average number of employees or FTEs during the reporting period can be used.

***Insurer***

Details of the self-insurer's common law and catastrophe cover (Excess of Loss policy) is to be reported. If this information is not available at the time of the annual review (for example, the pending renewal of the policy) documentation must be provided to WorkCover WA in support of the proposed policy.

Documentation can be in the form of a “placing slip” from the insurer/broker or written confirmation of the policy from the self-insurer. WorkCover WA is to be notified of the reasons if the term of the policy is less than 12 months or there has been a change in the level of the self-insured retention.

Details of common law and catastrophe coverage effected during the review period, which is not available at the time of the review, is to be forwarded to WorkCover WA when available.

### **Actuarial Assessment**

Actuarial reports are to be conducted as close to the annual review as practicable to incorporate the organisation’s most recent claims data. If the level of a self-insurer’s bank guarantee changes from the previous review by 20 per cent for bank guarantees up to \$10M and 10 per cent for bank guarantees greater than \$10M, an explanation from the self-insurer is required. The explanation can be provided in conjunction with the details contained in the organisation’s actuarial report.

### **Injury Management Policy**

The organisation has provided an up-to-date copy of its injury management policy and procedures document that has been reviewed and is or is not in accordance with WorkCover WA guidelines and *Workers’ Compensation Code of Practice (Injury Management) 2005*.

### **External Audit Opinion on the Annual Financial Statements**

The most recent annual report, including the external audit opinion and financial statements as at the date of the annual review, is to be forwarded to WorkCover WA. Organisations’ annual reports published during the review period that are not available at the time of the review are to be forwarded when available.

### **Claims Experience**

The Authority reviews the self-insurer’s most recent claims experience (ie 2007 data) with the claims experience provided from the previous year’s review (ie 2006 data). The table below is an example of the information provided to the Authority, based on the data received from the self-insurer.

**Claims Experience Data**

Year	2007 DATA A			2006 DATA B		
	No. of Claims D	Amount Paid \$ E	Cost per Claim F	No. of Claims	Amount Paid \$	Cost per Claim \$
2007	240	600,637	2,502			
2006	317	1,369,081	4,318	267	532,864	1,995
2005	341	2,126,232	6,235	339	1,612,953	4,758
2004	305	1,984,030	6,505	305	1,728,474	5,667
2003	311	2,093,850	6,732	311	1,857,514	5,972

**A:** Year of the current review.

**B:** Year of the previous review.

**C:** Self-insurer annual reviews (**recorded by year of accident**) are to be based on one of the following:

1. Twelve months' data (not part year).
2. Calendar or financial year basis.
3. Other 12 months' data if the data can be provided closer to the annual review date.

**D:** The number of claims reported for the accident year. Any discrepancy in claim numbers from the previous year is to be reported. Discrepancies could result from IBNR claims, or claims reconciliations undertaken by the self-insurer during the reporting period.

**E:** The amount of workers' compensation entitlements paid during the review period by year of accident. Recoveries are to be included. **NB** the amount of payments should be reconcilable to the self-insurer's monthly claims data lodgements and annual premium rating returns.

**F:** The average cost per claim based on the number of claims and amount paid during the accident year.

The Authority reviews the number of claims, amount paid and cost per claim to identify trends over the previous five-year period. For example, trending increases in claim numbers or the costs per claim. The self-insurer may be required to explain any substantial variations in the claims experience or the methodology on how the claims data is derived.

Information relating to claims experience is to be reported to WorkCover WA on a consistent basis over the review periods. That is, on a financial/calendar year basis or another period as notified by the self-insurer (refer to *Accident and Compensation History* above for further details).

The number of claims for the two sets of data (current and previous year) apart from the most recent year, should be the same. Any variation in the number of claims may be due to IBNRs or system issues. (Refer to the data for the years 2006 and 2007 in the above table). The self-insurer is to explain any discrepancies in claim numbers from the review of current and previous year's data.

**On-Line Data**

WorkCover WA monitors self-insurer performance in forwarding monthly and corrected claims data. The self-insurer is to provide monthly claim and corrected data within 21 days from the end of the month of return.

System errors or queries with respect to the Q1 specification are to be reported to Manager Scheme Information.

**Details of Outsourcing Arrangement**

Any change in the self-insurer's outsourcing arrangement is to be provided to WorkCover one month prior to the commencement of the arrangement.

WorkCover WA's form, *Approved Self-Insurer – Notification of Outsourcing Arrangements* is to be completed with the required details.

## **Appendix 5. Standard Bank Guarantee for Workers' Compensation Self-Insurers (in all jurisdictions)**

### **Financial Undertaking**

**The Financial Institution** specified in Schedule 1, Item 1 (**Bank**) has agreed at the request of the party specified in Item 4 (**Guaranteed Party**) to issue this financial undertaking in favour of the party specified in Item 5 (**Beneficiary**).

The Bank agrees with the Beneficiary as follows:

### **Operative Part**

1. The Bank unconditionally and irrevocably undertakes to pay the Beneficiary upon receipt from the Beneficiary of a written demand, any amount or amounts to a maximum aggregate amount as specified in Item 6 of the Schedule (**Maximum Amount**).
2. To make demand under this instrument, the Beneficiary must deliver a demand in writing purporting to be signed by or on behalf of the Beneficiary and substantially in the form specified in Schedule 2 to the Bank at the address specified in Item 2 for the attention of the office specified in Item 3.
3. The Bank will make payment to the Beneficiary upon receiving the demand referred to in paragraph 2 above without reference to the Guaranteed Party and notwithstanding any contrary direction or notice by the Guaranteed Party.
4. The liability of the Bank under this instrument will continue until:
  - (a) written notice has been given to the Bank by the Beneficiary that the instrument is no longer required; or
  - (b) the Bank makes payment to the Beneficiary of the whole of the Maximum Amount in one payment; or
  - (c) the time at which the total of all payments of such amounts as the Beneficiary may demand from time to time, when aggregated, equal the Maximum Amount; or
  - (d) the Guaranteed Party delivers a replacement financial undertaking in the same terms as this instrument from a financier acceptable to the Beneficiary in its absolute discretion and for an amount no less than the Maximum Amount.
5. The Beneficiary will, upon request by the Bank, following the first occurrence of any of the events specified in Clause 4 above, return the original of this instrument promptly to the Bank for cancellation.



**Schedule 1**

**Item 1:** [ ] ABN of the address specified in Item 2

**Item 2:** [insert details of office from which undertaking issued]

**Item 3:** [insert office of person upon whom demand must be served or an equivalent position, eg Chief Legal Officer or any substitute for Chief Legal Officer]

**Item 4:** [insert details of Guaranteed Party – full name + ABN + address]

**Item 5:** [name of the Beneficiary – eg WorkCover WA Authority and address]

**Item 6:** [Maximum Amount – in words, for example (Five million dollars) and figures (\$5,000,000)]

**Item 7:** [specify the State/Territory of the relevant Authority].

.....  
Initialled by signatory

**Schedule 2**

(form of demand – clause 2 of undertaking)

TO: [Bank]

This is a demand under the Financial Undertaking specified in Item 1 issued by you on the date specified in Item 2 below. Please pay to the party specified in Item 3 below, in immediately available funds, the amount specified in Item 4 below

The person signing this demand confirms that they are authorised and empowered to issue this demand.

Item 1:[Bank guarantee reference number]

Item 2:[date of demand]

Item 3:[identity of Beneficiary]

Item 4:[amount of demand – not to exceed Maximum Amount]

Dated                      this              day of              20

Signed for and on behalf of **[Beneficiary]** in the presence of:

.....  
Signature of witness

.....  
Signature of authorised person

.....  
Name of witness (print)

.....  
Name of authorised person (print)

## **Appendix 6. Audit Checklists**

### **Client Services Program**

#### **Internal Dispute Resolution Program**

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##### **Self-Insurer Audit Checklist**

The Audit Checklists comprise a list of the key principles and comments to ensure the completeness of an operation and to provide assurances that compliance with the performance indicator has been met.

##### **Objective of Checklist**

Assess the performance of a self-insurer against the key principles as documented in their Client Services and Internal Dispute Resolution Programs (the Procedure Standards) in delivering service as determined by the Authority.

##### **Scope of the Checklist**

Review the Procedures Standard of a self-insurer.

##### **Outcome of the Checklist**

Verification of the effectiveness of a self-insurer's Procedures Standards.

##### **Audit Approach**

The audit approach includes reviewing the self-insurer's Self-Audit Checklist with supporting documentation including manuals, charts and procedures to ensure compliance with the Standards. If WorkCover WA were to undertake an on-site audit, information will be obtained from the self-insurer's procedural manuals, file reviews, discussions with employees and other stakeholders. The audit approach includes:

- reviewing the self-insurer's Self-Audit Checklist with supporting documentation including manuals, charts and procedures to ensure compliance with the performance indicator;
- testing a sample of the self-insurer's internal disputes if WorkCover were concerned with self-insurer's performance;
- assessing the results of the testing.

If WorkCover WA undertakes an on-site audit, information will be obtained from the self-insurer's procedural manuals, claims files, discussion with employees and other stakeholders.

Testing will provide evidence of the level of compliance with the performance indicator and further support the assessment of the Procedures Standards. Where the results of testing indicate non-compliance, WorkCover WA will advise the self-insurer the reason why, so that recommendations for improvement can be made. Note that decisions impacting on workers' entitlements to compensation must be reviewed by senior staff and evidenced on file.

## Client Services Program

### Key Principles

### Comments

#### Claims Management Service

##### **1. Consultation and Communication**

Employees are consulted on proposed major developments in claims for feedback prior to taking action.

A major development in a workers' compensation claim involves any action that may impact on an injured workers' statutory entitlements, eg a reduction, suspension and/or cessation in weekly payments, settlements, any decision/act that impacts on the worker's entitlement to medical, allied health or vocational rehabilitation services


##### **2. Provision of Information**

Workers are advised of their rights and responsibilities when a claim has been determined.


##### **3. Weekly Payments**

Evidence is to be maintained on file for the calculation and payment of weekly payments including step-downs.


##### **4. Payment of Accounts**

Payment of valid accounts, subject to acceptance of the claim is made within 20 working days of the department responsible for authorising payment receiving the account.


**Key Principles**

**Comments**

**5. Claims Reviews Comments**

All long duration claims (greater than 60 days) are to be reviewed at least on a quarterly basis in consultation with the injured worker and doctor to assess the effectiveness of treatment, cost-effectiveness and other relevant issues.

Evidence is to be maintained on file indicating: the date and the name of the person undertaking the review, names of other parties involved, status of the claim, and the case management plan for future management.

This principle does not apply with respect to elections under Regulation 19P where there is no current action, continuation of an injured worker’s claims management plan may not be warranted.


**6. Staff Competencies**

Manuals on claims management and customer service are to be accessible and communicated to staff and subject to regular review.

Appropriate staff training programs addressing core staff competencies are documented, administered and subject to regular review.



**7. Dispute Resolution (Conciliation and Arbitration Service)**

A fully documented process exists for resolving a dispute between relevant parties (ie injured worker, service provider).

Systems are in place to monitor disputes.

Strategies are documented to minimize delays in hearing matters referred to the Conciliation and Arbitration Service to any party to the claim.




## Internal Dispute Resolution Program

### Key Principles

### Comments

#### 8. Background

Staff involved with the development of the IDRP (self-insurer to notify if any changes).

Self-insurer is aware of IDRP and the document is accessible.


#### 9. IDRP Manual

IDRP manual cited.  
Date of implementation and updates cited.  
Definition of "Dispute" verified.  
IDRP processes documented  
Processes in place for recording and monitoring disputes.


#### 10. File Audit

Dispute received, recorded and responded to in timely manner.  
Action progressed in line with self-insurer's IDRP.  
Authority and actions evidenced on file adequate. Decisions impacting on workers' entitlements are to be reviewed by senior staff.  
Outcome recorded.


## **Appendix 7. Applying for Financial Approval**

### **Guidelines for self-insurers applying in multiple jurisdictions**

1. When an employer is submitting a new self-insurance application across multiple jurisdictions<sup>1</sup>, the employer can request a financial assessment through one of two optional rather than mandatory methods:
  - A preliminary financial assessment.
  - A full financial assessment, which would also require the submission of a full licence application in NSW, QLD and TAS. Regulators would cover the costs of this full financial assessment. Standard licence application costs would still apply in the relevant states.

#### ***Requesting a Financial Assessment***

2. To request assessment through either of the two optional methods, employers must first read this Guide and complete the following:
  - Appendix 8 (Request Form);
  - Appendix 9 (Certification/Declaration);
  - Appendix 1 (Application for Exemption);
  - prepare response documentation as specified in Appendix 3 (Assessment Schedules);
  - submit these elements to their head office State regulator;
  - employers are encouraged to contact their head office State regulator to discuss the financial assessment process and any concerns they may have.

#### ***Preliminary Financial Assessment***

3. A preliminary financial assessment is to be completed by the head office State regulator. The regulator may use a combination of techniques in the assessment process, including assessment of supplied documentation from the employer, assessment of financial indicators, and/or possible meetings.
4. The nature of the financial analysis and the regulator's consideration of whether or not an employer is likely to be able to meet its liabilities may depend on a number of variables, eg the industry the employer works in and its corporate structure.

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<sup>1</sup> Excludes Commonwealth self-insurance applications.

5. An employer's financial viability is to be assessed using a set of primary indicators (Refer Appendix 2). Secondary indicators may also be considered where appropriate. Regulators are not restricted to the exclusive use of these indicators, and may request additional information in order to assess an employer's financial viability.
6. For established employers, the indicators are to be calculated on financial accounts for the five most recent reporting periods (or as agreed with the head office State regulator). Any credit rating or credit rating report supplied by the employer can be considered in light of the request as a whole, but is not mandatory.
7. Information required for newly established employers may vary depending on such factors as length of the trading period, nature of the business, structure and history, and is to be determined by the head office State regulator. New employers with a short track record should be advised that they might not be able to comply with the licensing criteria in some jurisdictions – for example, Victoria might deem one full year of financial data acceptable, whereas NSW might request a minimum of three years of financial data.
8. On completion of the preliminary financial assessment, the head office State regulator should distribute their findings to the other relevant regulators for their review and feedback. Once a position has been agreed, the head office State regulator is to discuss the findings with the employer.

### **Full Financial Assessment**

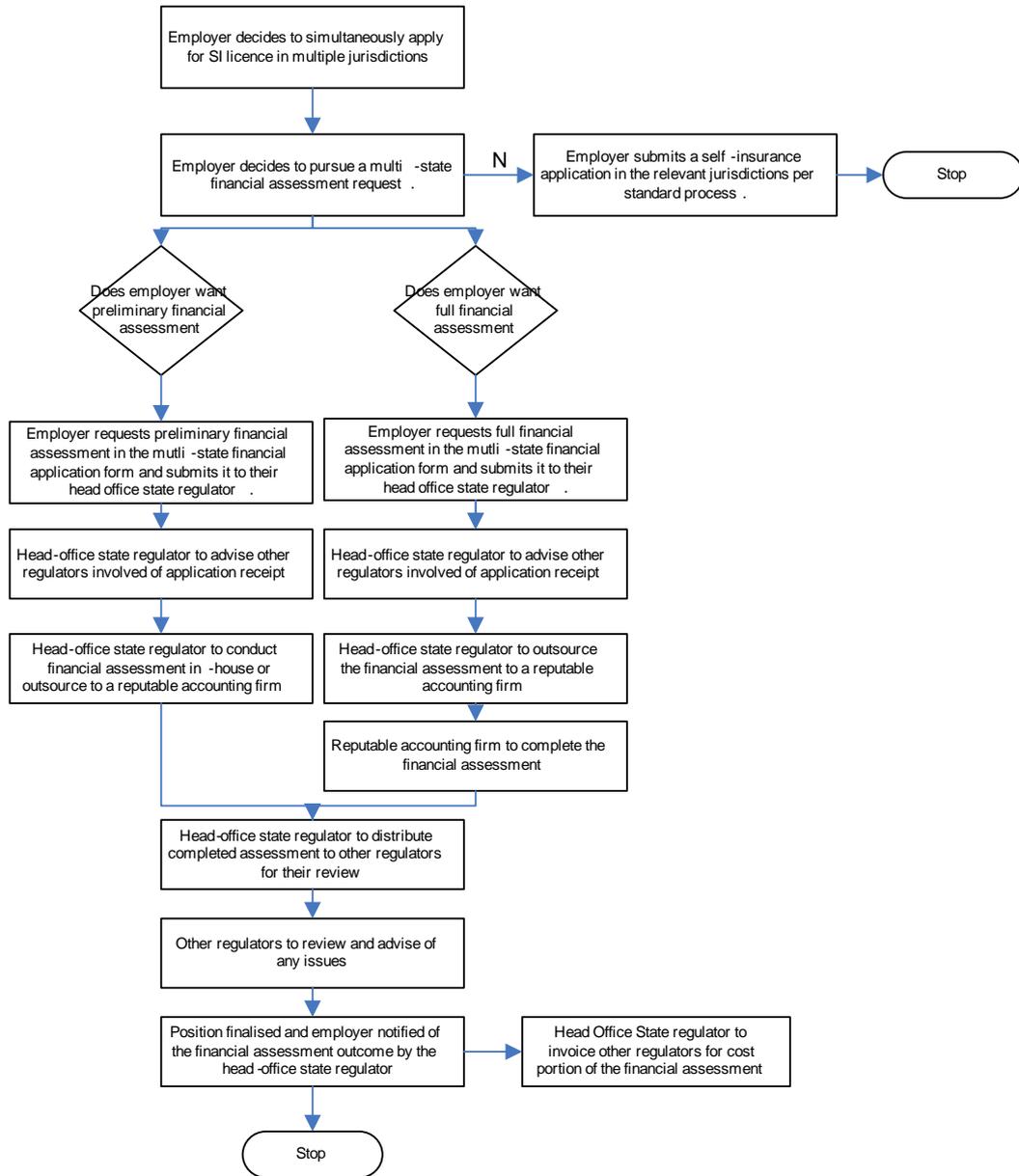
9. A full financial assessment must be undertaken wholly or in part by an external consultant contracted by the head office State regulator. The external consultant must be a reputable accounting firm such as PricewaterhouseCoopers, KPMG, Ernst and Young, or Deloitte Touche Tohmatsu. Should a jurisdiction wish to utilise another accounting firm, they should submit a request to the other jurisdictions involved to seek their approval before proceeding.
10. The nature of the financial analysis and the regulator's consideration of whether or not an employer is likely to be able to meet its liabilities may depend on a number of variables, eg the industry the employer works in and its corporate structure.

11. An employer's financial viability is to be assessed using a set of primary indicators (refer Appendix 2). Secondary indicators may be considered where appropriate. If required, additional information may be sought from the employer in order to assess their financial viability.
12. For established employers, the indicators are to be calculated on financial accounts for the five most recent reporting periods. Any credit rating or credit rating report supplied by the employer can be considered in light of the request as a whole, but is not mandatory.
13. Information required for newly established employers may vary depending on such factors as length of the trading period, nature of the business, structure and history, and is to be determined by the head office State regulator. New employers with a short track record should be advised that they might not be able to comply with the licensing criteria in some jurisdictions – for example, Victoria might deem one full year of financial data acceptable, whereas NSW might request a minimum of three years of financial data.
14. Please refer to page 42 for a map of the application process.

**Notes on the Assessment Process**

15. The following should be noted with respect to a multi-state financial application:
  - The multi-state financial application is purely an application for financial assessment. Licence application aspects will be considered as part of the full licence application process.
  - The use of the multi-state financial application form is optional rather than compulsory.
  - The multi-state financial application is to come from the 'applicant' employer and should cover their operating entity and any subsidiaries expected to be covered under a self-insurance arrangement.
  - Data requested in either a preliminary or full financial assessment request should be provided for each employer entity that is part of the assessment (ie entity 'x' in VIC, NSW and QLD), their ultimate Australian holding company and, where applicable, their ultimate overseas parent company.
  - If the employer is a new employer, it should discuss data requirements with its head office State regulator before making an assessment submission.

**Financial Assessment Process Map**



### **Cost of the Assessment Process**

16. The following should be noted with respect to the cost of a multi-state financial application:

- A preliminary financial assessment is to be paid for by the employer.
- Cost is at the discretion of the head office State regulator; however, a figure of approximately \$2,500 is deemed appropriate.
- A full financial assessment is at the cost of the regulators involved.
- Cost is to be advised by the external consultant appointed. A figure of approximately \$12,500 is deemed appropriate.
- The cost is to be paid for by the head office State regulator.
- The cost is to then be apportioned via a flat rate across the relevant jurisdictions (ie if three States are involved, the assessment cost of \$12,500 will be split three ways).
- The head office State regulator is to invoice each State for its portion of the assessment cost.

### **Duration and Assessment Outcome**

17. Providing there are no major issues, the financial assessment should take no more than three months to complete.

18. The head office State regulator is to advise and discuss the outcome of the financial assessment with the employer.

### **Privacy and Confidentiality**

19. An employer must ensure it is authorised (in accordance with its privacy obligations) to provide any personal information about individuals when making a submission to its head office State regulator.

20. All employer information collected by the head office State regulator is to be treated in accordance with State legislation. Essentially, the information collected is to be treated as confidential; however, in some circumstances disclosure to a third party may be acceptable (ie regulators wish to understand whether there are any existing self-insurance arrangements in place with the employer or if the employer has previously applied for self-insurance).

## **Appendix 8. Assessment Schedules**

Supporting material to form part of an application for financial approval (please reference responses to the numbering system below.)

### **1. Preliminary Financial Assessment**

The employer is required to provide their head office State jurisdiction with the following for a preliminary financial assessment, allowing for both historical and forecasted information where appropriate.

#### *Supporting Material*

1.1 The five most recent Annual Financial Reports for the employer and all its wholly owned subsidiaries, including the following.

1.1.1 Financial Group Accounts of the employer and subsidiaries to include:

- Balance Sheet;
- Income Statement;
- Cash Flow Statement;
- Notes to the Financial Statements; and
- Changes in Equity Statement.

1.1.2 Certified Independent Audit Report;

1.1.3 Report of Directors; and

1.1.4 Director's Declaration.

All Financial Statements and Notes submitted must be:

- Certified by the Directors/Owners of the employer;
- Prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*;
- Audited in accordance with Australian Auditing Standards and the *Corporations Act 2001*; and
- Accompanied by an independent audit report for the Accounts<sup>2</sup>.

1.2 A certification from the Directors or Partners of the employer concerning any event or unique factor or the likely development of which they are aware which could materially impact on the employer's accounts (assets and liabilities) and/or its ability to continue to meet its liabilities and/or approval as a self-insurer.

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<sup>2</sup> Where the audit opinion is qualified, an assessment/judgement will be made as to whether the circumstances of the qualified audit opinion are such that it precludes the use of the financial statements for the purposes of the application. Where, as a result of this assessment, the judgement is that the financial statements cannot be used, the application process cannot continue.

- 1.3 The value of claims liabilities in each State that is part of the assessment, and in total.
- 1.4 Details of total remuneration paid in Australia and the States that are part of this assessment.
- 1.5 That the employer has adequate working capital to continue as a going concern.
- 1.6 Statement of Indebtedness, stating the outstanding overdrafts, bank loans, lease liabilities and contingent liabilities of the employer as at the point in time.

## **2. Full Financial Assessment**

The employer is required to provide their head office State jurisdiction with the following for a full financial assessment, allowing for both historical and forecasted information where appropriate:

### *Supporting Material*

- 2.1 The five most recent Annual Financial Reports for the employer and all its wholly owned subsidiaries, including the following:
  - 2.1.1 Financial Group Accounts of the employer and subsidiaries including:
    - Balance Sheet;
    - Income Statement;
    - Cash Flow Statement;
    - Notes to the Financial Statements; and
    - Changes in Equity Statement;
  - 2.1.2 Certified Independent Audit Report;
  - 2.1.3 Report of Directors; and
  - 2.1.4 Directors' Declaration.

All financial statements and notes submitted must be:

- Certified by the directors/owners of the employer;
- Prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*;
- Audited in accordance with Australian Auditing Standards and the *Corporations Act 2001*; and
- Accompanied by an independent audit report for the accounts.

- 2.2 A certification from the Directors or Partners of the employer concerning any event or unique factor or the likely development of which they are aware which could materially impact on the employer's accounts (assets and liabilities) and/or its ability to continue to meet its liabilities and/or approval as a self-insurer.
- 2.3 The value of claims liabilities in each State that is part of the assessment, and in total.
- 2.4 Details of total remuneration paid in Australia and the States that are part of this assessment.
- 2.5 That the employer has adequate working capital to continue as a going concern.
- 2.6 Statement of Indebtedness, stating the outstanding overdrafts, bank loans, lease liabilities and contingent liabilities of the employer as at the point in time.
- 2.7 Written notification from a financial institution that a guarantee will be given if the full licence application is so approved.
- 2.8 Written notification from an insurer that a contract of contingent liabilities insurance will be given if the full licence application is so approved.

### **3. Terms and Conditions**

The following terms and conditions apply to both assessment options.

- 3.1 The employer must submit a full licence application at the same time as a multi-state full financial assessment in NSW, QLD and TAS, and within six months for SA, VIC, WA, ACT and NT.
- 3.2 The employer will be provided with the appropriate jurisdictional contact for all assessment dealings.
- 3.3 Employers will be advised of the financial assessment outcome within three months, providing there are no major issues.
- 3.4 Employers are to cover the cost of a preliminary financial assessment. Regulators would cover the costs of a full financial assessment. Standard licence application costs would still apply.
- 3.5 There may be information exchanged between jurisdictions as outlined in Appendix 7 (Item 19, 20 – Privacy and Confidentiality).

- 3.6 The workers' compensation authorities reserve the right to request additional financial information during the assessment process.
- 3.7 An employer will continue to have the discretion as to in which jurisdiction they apply for self-insurance. The financial assessment options do not change this situation. However, there is no guarantee that the employer will be granted self-insurance in the selected jurisdictions following submission of a full licence application.

## Appendix 9. Request Form

**Request for Preliminary Financial or Full Financial Assessment  
to become a Self-Insurer in Western Australia**  
*Workers' Compensation and Injury Management Act 1981*

The registered employer:

.....  
(Full name of employer)

of:

.....  
(Registered address)

requests that the State Regulator conduct an assessment of the registered employer's eligibility to apply for approval as a self-insurer.

The assessment option requested is a:

- Preliminary financial assessment.
- Full financial assessment.

Enquiries and notices relating to this request may be directed to the employer's contact:

Name: .....

Title: .....

Postal address: .....

Telephone: .....

Fax number: .....

Email: .....

The following documents are enclosed:

- Certification by the employer.
- Supporting documentation as outlined in the Assessment Schedules.

Signed: .....

Name: .....

Title: .....

Date: .....

## Appendix 10. Certification

### Statutory Declaration

I .....(name), of

.....(employer), in the State of .....,  
do hereby solemnly and sincerely declare that:

- all information furnished by .....(employer) to WorkCover WA in the Assessment Schedules is for the purpose of financial assessment to apply for approval as a self-insurer.
- the information furnished is current and it would not be misleading for the regulator to rely on this information.

(Name of Officer) .....

(Signature) .....

(Name of Employer).....

I solemnly and sincerely declare and affirm that the declarations set out above are true and correct to the best of my information and belief and that I am the duly appointed ..... (eg Director) of the employer and that I am duly authorised by the applicant to make this declaration. And I make this solemn declaration, as to the matter aforesaid, according to the law in this behalf made and, subject to the punishment by law provided for any wilfully false statement in any declaration.

Declared at .....

this ..... day of .....2 ...

before me -

Name of Witness .....

Signature of Witness .....

Title of Witness .....

Address of Witness .....

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Note: Witnesses to Statutory Declarations are those permitted under section 107A of the *Evidence Act 1958*.