



## WORKERS' COMPENSATION AND INJURY MANAGEMENT ACT 1981 EMPLOYERS' INDEMNITY POLICIES (PREMIUM RATES) ACT 1990

### Guidelines for completing Self-Insurer Form WC31 Statement of expenses associated with the writing of Workers' Compensation Claims

**Date Issued:** 30 June 2022

#### **Penalties**

##### **For late or non-submission**

Section 103A of the *Workers' Compensation and Injury Management Act 1981* (the Act) stipulates a **\$2,000** fine for refusing or failing to furnish to WorkCover WA information or returns requested in writing by WorkCover WA to enable it to compile and record statistics, records and reports for the better administration of the Act.

A suspension and/or revocation of approval may also be invoked under section 161 of the Act.

##### **For actuarial time after the first revision**

Self-Insurers requiring more than one revision of returns conducted by the Actuary of WorkCover WA may be billed directly by WorkCover WA for the additional processing time for subsequent revisions.

## Information that is collected on the Form WC31

The WC31 Form is a statement of the Self-Insurer's licence approval requirements.

The information collected on the WC31 Form is:

### Expenses

The aim of this information is to determine the expenses required by Self-Insurers to carry out Workers' Compensation business in the Western Australia.

#### Statutory charges and levies

- a. General Fund Contribution
- b. Supplementation Fund Levy
- c. Bank Guarantee Levy
- d. Other Statutory Charges.

**Reinsurance Premium** (for example, XOL and Catastrophe Cover)

#### Management Expenses

## How to complete this Form

The data supplied must conform to the Data requirements and specifications listed below:

The file name must adhere to WorkCover WA file naming convention, which is *Insurer Id-Insurer or Company Name (e.g., 999-WorkCover WA Insurance)*.

Data for WC31-Annual Returns must be submitted on the WC31-File form template (available on the WorkCover WA website) via the WorkCover WA online portal. A sample pre-filled WC31-Annual File is provided on the WorkCover WA website showing how to complete the Form.

The WC31-Annual Returns must be lodged with WorkCover WA by the due date.

The scheduled due dates for all Premium Rate Forms are available on WorkCover WA website.

## Data requirements and specifications

Data Item	Name	Data Format	Notes
1	General Fund Contribution	Currency	Decimal Places = 2
2	Supplementation Fund Levy	Currency	Decimal Places = 2
3	Bank Guarantee Levy	Currency	Decimal Places = 2
4	Other Statutory Charges	Currency	Decimal Places = 2
5	Reinsurance Premium (for example, XOL and Catastrophe Cover)	Currency	Decimal Places = 2
6	Management Expenses	Currency	Decimal Places = 2
7	Prudential Margin in Financial Accounts	Percent	Decimal Places = 2
8	Level of Sufficiency used for Prudential Margin	Percent	Decimal Places = 2
9	Diversified Prudential Margin at 75 % of Sufficiency	Percent	Decimal Places = 2

## Expenses

### Item 1: General Fund Contribution

The total General Fund contribution paid to WorkCover WA (as invoiced by WorkCover WA).

### Item 2: Supplementation Fund Levy

The supplementation fund levy is activated under the legislation when an insurer is insolvent. The levy is applied to all employer indemnity policies, collected by insurers and paid to WorkCover WA. There is no current levy in operation.

### Item 3: Bank Guarantee Levy

The total bank charge paid to supply WorkCover WA with a Bank Guarantee.

### Item 4: Other Statutory Charges

- All other charges and levies incurred from all statutory entities
- Taxes other than income tax and stamp duties that is not included in the above charges with respect to Workers' Compensation business.

### Item 5: Reinsurance Premium (for example, XOL and Catastrophe Cover)

Any premium paid to an Insurer to limit the total loss of claim(s). Includes but is not limited to XOL (Excess of Loss) or Catastrophe Cover.

### Item 6: Management Expenses

Management expenses are expenses that are attributable to the Workers' Compensation business but not directly related to specific claims. These include:

- Salaries
- Travelling expenses
- Superannuation contributions

- Director's fees
- Auditor's fees
- Legal expenses (other than those directly attributable to specific claims)
- Office rent
- Information technology/computer costs
- Hire and maintenance of machinery
- Advertising
- Printing and stationery
- Post and telephone
- Depreciation (if charged to underwriting management expenses)
- Head office overhead charges re-allocated to branch office or an equivalent value if not charged directly to branch expenses
- Risk management fees and expenses
- General costs of administering policies and claims (that is, indirect costs not including those costs directly attributable to specific claims)
- Actuarial fees
- Outsourced claims administration/management expenses

Please refer to Accounting Standard AASB 1023 for clarification on the definitions of expenses.

## **Prudential margins**

### **Item 7: Prudential Margin as used in the Financial Accounts**

The percentage difference between the provision held in the financial accounts and the central estimate of the outstanding claims liability.

### **Item 8: Level of sufficiency used for the Financial Accounts Prudential Margin**

The level of sufficiency refers to the proportion of the time that the provision is expected to be sufficient to pay claims as they fall due. At a 75% level of sufficiency the provision would be expected to be sufficient in 3 of 4 years.

### **Item 9: Prudential Margin at a 75% level of sufficiency (as supplied to APRA)**

The percentage difference between the provision (if held at a 75% level of sufficiency) and the central estimate of the outstanding claims liability. If the Prudential margin in the financial accounts is held at the 75% level of sufficiency this will be equal to the prudential margin as used in the financial account above.

## Prudential margins – additional information

This is required for the Annual Return only and is supplied by the Insurer's Actuary.

Two types of Prudential Margin are now required. The first is the Prudential Margin that is used in the Company's financial accounts and the second is the diversified Prudential Margin at a level of sufficiency of 75% which is the margin that is supplied to APRA (Australian Prudential Regulation Authority). On the Annual WC31 the Prudential Margin section will be:

It is common practice for the Actuary to provide a central estimate of outstanding claim liabilities to Insurers. Such an estimate contains no deliberate or conscious over or under estimation and statistically has an even chance of being sufficient. The Prudential Margin is in addition to the central estimate, which quantifies the risk that the actual outcome may be greater than the central estimate.

### Calculation:

$$\text{Prudential Margin (\%)} = \frac{(\text{Outstanding claims provision in accounts} - \text{Central estimate})}{\text{Central estimate}}$$

### Note:

- This calculation can only be done by the Insurer, as the outstanding claims provision taken up in the accounts is not disclosed to WorkCover WA.
- In cases where an Insurer decides to adopt a provision in its accounts that is less than or equal to the Central Estimate, this would be disclosed as a negative or zero Prudential Margin.
- The Prudential Margin is additional to the central estimate and is entirely independent of the relationship between **Case estimates** and **Development and IBNR Estimates**. That is, it cannot be calculated from figures that appear elsewhere on WC20.

For further information regarding Prudential Margins and calculations, please email [schemeinformation@workcover.wa.gov.au](mailto:schemeinformation@workcover.wa.gov.au).