



Date: 1 December 2014
Our Ref: WC

The Hon David Clarke MLC
Chair - Legislative Standing Committee on Law and Justice
NSW Parliament
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Clarke

I have been advised by PricewaterhouseCoopers (PwC) that information it provided to the Committee in response to a question taken on notice during the hearings of the 2014 Law and Justice Committee Review of the exercise of the functions of the WorkCover Authority, was incorrect.

I understand that PwC has since provided the Committee with corrected estimates. In order to ensure the estimates provided are reliable and valid, I asked Taylor Fry, the independent review actuary for the Workers Compensation Nominal Insurer Scheme, to peer review the data. I enclose a copy of Taylor Fry's review findings for the Committee's information.

The Committee may be interested to learn that Taylor Fry also review the outstanding claims valuations undertaken by PwC every six months, as does the Auditor General and the independent actuary engaged by the Auditor General.

I trust this information is of assistance.

Yours sincerely

Vivek Bhatia
Chief Executive Officer
Safety, Return to Work and Support

Encl.



J:\NSW Workcover\Review 2011 funding projections\Review of 2011 funding projections_final.docx

28 November 2014

Chris Koutoulas
Director, Product Development & Support
Workers Compensation Insurance Division
NSW WorkCover

By Email: [redacted]

Dear Chris

Peer review - projection of pre-reform financial position

You have asked us to review an update to a letter from the Scheme's primary actuary, PricewaterhouseCoopers (PwC) to NSW WorkCover, entitled "Impact of investment returns on WorkCover solvency position – December 2011 to December 2013", dated 1 April 2014. That letter was prepared in answer to a question from the Law and Justice Committee (the Committee), "Can the Independent Actuary provide an estimate of the Scheme's performance if there had been no legislation in 2012, using the historical external factors (Discount rates, yields, etc)?"

PwC have provided us with copies of the:

- The letter dated 1 April 2014;
- Spreadsheet used to derive the financial projections in the letter;
- Spreadsheet containing updated projections, which we understand will be the subject of an updated letter; and
- Spreadsheet containing the funding projections which are detailed in the Scheme valuation report as at 31 December 2011. This forms the basis of the above two spreadsheets.

Note that we have not been provided with any letter containing the updated projections.

We have reviewed the updated projections. We note that there is no "correct" set of financial projections, rather a range of reasonable projections appropriate to a specific question or questions. In our opinion, the updated projections provide a reasonable answer to the Committee's question, if described in the same way as detailed in PwC's letter of 1 April 2014.

Sydney

Level 11, 55 Clarence Street
Sydney NSW 2000

P 02 9249 2900

F 02 9249 2999

Melbourne

Level 6, 52 Collins Street
Melbourne VIC 3000

P 03 9658 2333

F 03 9658 2344

ACN 087 047 809

ABN 29 087 047 809

W www.taylorfry.com.au



Please contact me if you wish to discuss this issue further.

Yours sincerely,

Richard Brookes