



1st June 2012

Vanessa Viaggio
Principal Council Officer
Joint Select Committee On The
NSW Workers' Compensation Scheme
Parliament House, Macquarie Street
SYDNEY NSW 2000

Dear Ms Viaggio,

Re: Inquiry into the NSW Workers' Compensation Scheme

Please find attached the transcript where we have corrected errors as requested.

In regard to the questions that I asked the Committee that I take on notice, those being a series of questions from Mr Speakman on pages 20 to 26 which goes to the broad questions of the funding of the scheme and the appropriate definition of liabilities.

It is clear that the valuation is an estimate of liabilities and therefore to characterise them as *actual* liabilities is therefore not correct.

In support of this argument I refer the committee to page 4 of the PWC Executive Summary: Actuarial valuation of outstanding claims liability for the NSW Workers Compensation Nominal Insurer as at 31 December 2011 where paragraph 7 states:

"Because of the inherent uncertainty in any estimate of outstanding claims liability there is a limitation upon the accuracy of the valuation results. This is due to the fact that the ultimate liability for claims is subject to the outcome of events yet to occur. These include, but are not limited to, the likelihood of injured workers lodging claims under the Scheme, the amount of compensation paid and the attitudes of claimants towards settlement of their claims and uncertainty surrounding the impact of the various reforms to Scheme design and operation which have occurred. In our judgement, we have employed techniques and assumptions that are appropriate, and we believe the conclusions presented herein are reasonable, given the information currently available. However, it should be recognised that future claim development is likely to deviate, perhaps materially, from our estimates."

In my view therefore it is in no way misleading to talk about the scheme having potential liabilities or potential future claims. Such a conclusion can be drawn from the statement above.

Further, in relation to my answer to Mr Speakman's question which starts on line four at the top of page 26. I would add to my answer - Such consideration would depend on the definition of fully funded and what is considered a favourable underlining claims trend.

Yours faithfully

 Mark Lennon
Secretary