



# Application for Self-insurer Licence **Guidelines**

July 2024

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## Introduction

1. A self-insurer is an employer (or group of employers) granted a self-insurer licence by WorkCover WA under the *Workers Compensation and Injury Management Act 2023*.
2. Self-insurers can be a single entity or a group of employers. In a group they are each a self-insurer covered by a group self-insurer licence.
3. Self-insurers assume the direct financial responsibility for the payment of workers compensation entitlements to their workers and fulfil important claim and injury management responsibilities as required by the Act.
4. These Guidelines set out the matters taken into consideration in determining an application for a self-insurer licence including:
  - criteria for the grant of a self-insurer licence
  - operational conditions that must be complied with
  - how an application is made and what information needs to be provided in an application.
5. The Guidelines also provide important information about the circumstances in which a licence may be suspended or cancelled.
6. The Guidelines should be read in conjunction with the *Workers Compensation and Injury Management Act 2023* (the Act), *Workers Compensation and Injury Management Regulations 2024* (the Regulations) and the WorkCover WA Insurer and Self-insurer Principles and Standards of Practice (Principles and Standards). These documents are available on the WorkCover WA website.

## Application for self-insurer licence

7. An employer may apply to WorkCover WA for a single or group self-insurer licence.
8. A self-insurer licence may be extended to one or more specified related entities.
9. A related entity is defined in section 246 of the Act as:
  - an entity defined in section 9 of the *Corporations Act 2001* (Commonwealth) of the licence holder
  - any other entity WorkCover WA determines can be treated as a related entity of the licence holder.
10. Only a wholly owned subsidiary of a self-insurer licence holder is treated as a related entity as defined in section 9 of the *Corporations Act 2001* and able to be included in a group self-insurer licence.
11. If a group self-insurer licence is granted, a related entity to which a self-insurer licence is extended becomes a self-insurer but is not the holder of the licence.
12. An application must be in the approved form and accompanied by the documents determined by the WorkCover WA CEO (see licence application requirements).

13. Prior to applying for a licence, prospective applicants should contact WorkCover WA to discuss their intentions and for further information on the process and criteria, as well as identifying any issues which might impact the proposal.

### **Duration of licence**

14. Self-insurers approved before 1 July 2024 are taken to be self-insurers licensed under the Act. Licences issued to self-insurers approved before 1 July 2024 remain in force indefinitely until and unless they are suspended, cancelled, surrendered, or WorkCover WA converts the licence to a fixed period.
15. New applicants on or after 1 July 2024 will be granted a licence for an initial three-year period, after which time, and subject to WorkCover WA review, consideration to convert to an indefinite licence will be made.

### **Contribution to statutory funds**

16. There is no application fee for a self-insurer licence.
17. Licensed self-insurers are required to make a financial contribution (a levy) to WorkCover WA for the following statutory funds, if a levy is required for a financial year:
  - WorkCover WA's General Account – the agency operating account
  - WorkCover WA's Default Insurance Fund – liabilities associated with uninsured employers, insolvent insurers and self-insurers, and acts of terrorism
  - Insurance Commission's Motor Vehicle and Workplace Accidents (Catastrophic Injuries) Fund – liabilities associated with catastrophically injured workers who are participants in the Insurance Commission's catastrophic injuries support scheme.
18. The amount that a licenced self-insurer is required to contribute to each fund (if a levy is required) is based on the self-insurer's proportionate share of notional premium income, or the minimum contribution amount of \$40,000, whichever is greater.

## **Matters relevant to determining application**

19. The following matters are taken into consideration by WorkCover WA in determining an application for a self-insurer licence:
  - the licence criteria for the grant of a self-insurer licence
  - operational conditions that will be imposed by WorkCover WA when the licence is granted
  - evidence the applicant employs or engages at least 500 workers (including workers employed by any related entities to be covered under a group self-insurer licence).
20. The onus is on the applicant to satisfy WorkCover WA as to any matter that is relevant to the grant of a self-insurer licence including demonstrating to WorkCover WA the licence criteria are met and demonstrating the ability to comply with operational conditions.

21. WorkCover WA may, before determining an application for a self-insurer licence, require the application to be advertised or other notice to be given of the application in accordance with section 245(3) of the Act.

### **Licence criteria**

22. The regulations specify before a self-insurer licence is issued, WorkCover WA must be satisfied that the self-insurer has sufficient material and financial resources and the capacity and capability to:
- (a) meet current and future claim liabilities of the self-insurer
  - (b) carry out the functions and obligations of a licensed self-insurer as required by the Act
  - (c) comply with any requirements or timeframes imposed by the Act
  - (d) comply with any condition of the licence, whether imposed by the Act or WorkCover WA
  - (e) provide a high standard of claims management and injury management to optimise return to work outcomes
  - (f) manage disputes and complaints arising out of the activities of a licensed self-insurer effectively
  - (g) provide a high standard of service to workers and other scheme participants
  - (h) establish processes to provide information as required to WorkCover WA
  - (i) comply with the laws of the State and the Commonwealth, including laws relating to record keeping, security of information, privacy and confidentiality.

### **Licence operational conditions**

23. In addition to satisfying the licence criteria, an applicant will need to demonstrate capacity and capability to comply with the following operational conditions imposed by WorkCover WA when the licence is granted:

#### 1. Statutory requirements

- 1.1 The self-insurer must comply with obligations, requirements and timeframes as a licensed self-insurer in accordance with the Act and Regulations. The self-insurer must continue to satisfy the criteria for the grant of the licence prescribed in the Regulations.

#### 2. Principles and standards of practice

- 2.1 The self-insurer must comply with WorkCover WA's *Insurer and Self-Insurer Principles and Standards of Practice*, as amended from time to time.

#### 3. Further conditions

- 3.1 The self-insurer must comply with any further condition or variation of a condition following written notice by WorkCover WA.

#### 4. Performance and review

- 4.1 The self-insurer must participate in any review of the self-insurer security for current and future liabilities, and any audits and reviews as required by WorkCover WA.
- 4.2 The self-insurer must provide an actuarial assessment of their outstanding claims liabilities to assist WorkCover WA in determining the required security amount as part of any self-insurer review, or when requested.
- 4.3 The self-insurer must ensure staff are appropriately trained and provide support to assist them in professional development.

#### 5. Data and interactions with WorkCover WA

- 5.1 The self-insurer must provide accurate and timely data and information as required by WorkCover WA or Data Directions.
- 5.2 The self-insurer must ensure senior staff are available to respond to WorkCover WA and ensure up to date contact details of senior staff are provided.

#### 6. Outsourcing/ offshore processing

- 6.1 The self-insurer must not contract out claim management functions or outsource or offshore any self-insurer function unless discussed with and approved by WorkCover WA.

#### 7. Common law and catastrophic injury insurance

- 7.1 The self-insurer must have and maintain common law and catastrophic injury insurance for an aggregate amount, and any retention amount, specified by WorkCover WA.

#### 8. Notification about significant changes to service delivery model

- 8.1 The self-insurer must notify WorkCover WA of any proposal to make significant changes to the way claims, injury management, or self-insurer functions are delivered.

#### 9. Notification about solvency

- 9.1 The self-insurer must notify WorkCover WA within three days, if:
  - i. they may be unable to discharge in full any obligations as a self-insurer including related entities covered by a group self-insurer licence
  - ii. the licence holder or related entity may be in the process of being wound up, or a receiver or manager has been appointed, or the body corporate has been placed under administration.

#### 10. Notification of significant corporate changes

- 10.1 The self-insurer must notify WorkCover WA within seven days of:
  - i. any change, or any proposal to change, the licence holder's name or any related entity to which the licence extends
  - ii. any change to the licence holder's status under *the Corporations Act 2001* (Commonwealth), or any proposal to make such a change
  - iii. any change in the directors or secretary of the licence holder

- iv. the licence holder becoming a subsidiary of another body corporate (as defined in the Corporations Act 2001)
- v. the licence holder ceasing to be a subsidiary of another body corporate
- vi. any change in the control (as defined in the Corporations Act 2001) of the self-insurer licence holder
- vii. any change in the personnel responsible for the management of the self-insurer licence holder's Western Australian business operations
- viii. any other change which may affect its ability to perform the obligations as a licenced self-insurer.

## Licence application requirements

24. This section sets out information to be provided to support an application to become a licensed self-insurer.

### *Corporate details*

25. The following corporate details must be provided:

- full legal entity name, ABN, and registered office of the applicant
- written statement from the Chief Executive Officer (or equivalent) outlining the reasons why the applicant is seeking self-insurance, and its suitability to become a self-insurer with reference to the licence criteria and operational conditions
- details of the group corporate structure of the applicant
- nature of the business undertakings of the applicant.

### *Related entity details*

26. The following details of each related entity must be provided if applying for a group self-insurer licence:

- full legal entity name and ABN
- nature of business undertakings.

### *Minimum number of workers*

27. Applicants must employ or engage at least 500 workers as defined in the Act (including workers employed by any related entities to be covered under a group self-insurer licence).

28. The requirement to have at least 500 workers does not apply to self-insurers approved before 1 July 2024, or in any subsequent review of a self-insurer's licence.

### *Organisational expertise and capacity*

29. A copy of the organisational structure is to be provided detailing:

- the primary accountable position within the organisation if self-insurance is granted

- senior staff member(s) who will be responsible for claims management including their relevant qualifications and experience
- an estimated average number of claims managed per claims officer
- senior staff member(s) who will be responsible for injury management and return to work co-ordination, and their relevant qualifications and experience (unless outsourcing of claims management is sought and approved by WorkCover WA).

### *Business plan*

30. A business plan is to be submitted providing detailed information about the applicant's commitment to:

- preventing work-related injuries and disease
- maintaining a high standard of claim and injury management practices
- maintaining resources in Western Australia to fulfil legislative and operational obligations
- developing and maintaining internal resource capacity in claims and injury management (unless outsourcing of claims management is sought and approved by WorkCover WA)
- a strong governance and corporate culture in safety and injury management.

### *Information, claim and injury management systems*

31. The following details are to be provided:

- the information management systems used by the applicant
- claims administration facilities and systems for handling workers compensation claims, including secure and private record keeping
- injury management system, policies and procedures, compliant with legislative requirements and best practice.

### *Outsourcing*

32. The claims management function of a licensed self-insurer cannot be outsourced to an agent unless the arrangement is discussed with, and approved by, WorkCover WA.

33. The following information on any outsourced agent will be required by WorkCover WA:

- full legal entity name of the contracted agent and ABN
- the resources of the agent to ensure claims management and communication with workers is undertaken effectively, and the legislative obligations and functions of the self-insurer are met



- the skills, qualifications, and experience of the contracted agent relevant to the Western Australian workers compensation scheme
- information security and confidentiality controls
- arrangements for provision of information to WorkCover WA
- complaint management and dispute resolution
- if applicable, a copy of the outsourcing agreement.

34. Outsourcing cannot be used to abrogate a self-insurer's responsibilities. The self-insurer remains liable and accountable for meeting administrative and legislative obligations under the Act.

### *Industry, workforce, and workers compensation claims experience*

35. The following details are to be provided:

- total number of workers as defined in the Act both nationally and in Western Australia and each by each related entity (if applying for a group licence) for the current year, and estimate for the next financial year
- aggregate remuneration paid to workers by the applicant and each related entity (if applying for a group licence) for the current year, and estimate for the next financial year
- the premium rating classification(s) that apply to the applicant's business operations and for each related entity (if applying for a group licence) – see WorkCover WA's Industry Classification Order
- name of workers compensation insurer(s) for the past five years
- an actuarial assessment of outstanding claims liability, including a schedule showing the claims history (incidence and claims costs) and return to work experience for the past five years
- the nature and type of any complaints received for the past five years
- self-insurer status in any other Australian State or Territory, and consent granting WorkCover WA access to information on claim and injury management performance from these jurisdictions.

### *Financial Resources*

36. An entity must have and maintain sufficient resources to ensure it is financially viable and can meet its obligations as a licensed self-insurer.

### *Financial statements*

37. Audited financial statements for the previous five years must be provided to enable an assessment of the level of capitalisation, profitability, and liquidity of the entity. Entity performance may be considered against the following indicators:

- balance sheet test (total tangible assets/total liabilities)

- current liquidity (current assets/current liabilities)
- quick liquidity (current assets less stock/current liabilities)
- interest coverage (net profit before tax/net interest expense)
- return on investment (net profit before tax/total equity)
- claims liability as % of net assets (outstanding claims/net assets)
- gearing ratio (loan capital/total capital employed).

38. Definitions and benchmarks for these indicators are in Appendix 1.

### *Annual reports*

39. Copies of the entity's last five annual reports must be provided.

### *Securities*

40. Self-insurers must deposit securities, approved by WorkCover WA, for the payment of all workers compensation claim and damages liabilities of the licence holder and related entities included in the group licence. The securities are held by WorkCover WA in the event of a default on claim payments by a self-insurer.

41. The only form of security approved by WorkCover WA is a bank guarantee, in the form of a financial undertaking. A bank guarantee is an irrevocable promise by the bank to make payment to the beneficiary, WorkCover WA, on written demand. It provides a robust form of security separate from any asset or liability of the self-insurer.

42. The form of the bank guarantee required to be used by WorkCover WA is at Appendix 2.

43. The level of security required by WorkCover WA is whichever is the greater of:

- 150% of the central estimate of outstanding claims liability (rounded up to the next \$100,000), or
- \$2 million.

44. The bank providing the financial undertaking must be one that is subject to the *Banking Act 1959* and/or regulated by ASIC or APRA.

45. Where a related entity applies to join an existing group licence and its total remuneration exceeds 50% of the self-insurer group, a revised actuarial report of the group's outstanding claims liabilities is required.

### *Common law and catastrophic injury insurance*

46. The applicant must have common law and catastrophic injury insurance. The cover is to be a minimum of \$50 million for any one claim or series of claims arising from a single event, subject to a retention. International providers for this type of coverage can be utilised. Self-insurers must seek WorkCover WA approval prior to sourcing coverage from an international provider.

47. The approved maximum retention amount is \$1 million. Dependent on the financial capacity of the self-insurer, WorkCover WA may consider a higher retention for self-insurers with sound financial performance.

## Suspension or cancellation of self-insurer licence

48. The following information is not taken into account in considering an application for a self-insurer licence but is important information about how a licence may be surrendered, suspended or cancelled after it has been granted.

### Suspension

49. A self-insurer licence may be suspended if the self-insurer:

- does not continue to satisfy the licence criteria
- has failed to comply with any provision of the Act or regulations
- has failed to comply with any licence condition.

50. The suspension of a self-insurer licence does not affect any liability of the self-insurer.

### Cancelling or surrendering self-insurer licence

51. Once a licence is granted it may be cancelled in the following circumstances:

- **Voluntarily**  
Self-insurer requests its licence to be cancelled (surrender of licence)
- **Cancelled**  
Self-insurer fails to comply with legislative requirements, or licence conditions or criteria
- **Insolvency**  
As defined in section 277 of the Act, is an insolvent body corporate or where WorkCover WA, on reasonable grounds, believes the self-insurer is, or is likely to be, unable to discharge in full, any liability.

52. The cancellation of a self-insurer licence does not affect any liability of the self-insurer.

### Surrender of a self-insurer licence

53. To surrender a self-insurer licence, the self-insurer is required to advise WorkCover WA in writing of the intent to cease operating as a self-insurer in Western Australia as early as possible, and submit:

- actuarially estimated outstanding claims liabilities
- details about funding capacity for meeting the outstanding liabilities
- the arrangement and resources committed for ongoing claims and injury management
- information about the capabilities for ongoing submission of workers compensation data

- any other proposals which may impact meeting any self-insurer liability following surrender of a self-insurer licence.

54. WorkCover WA cannot approve the surrender of a self-insurer licence unless satisfied that after the licence is surrendered the employer and each employer to which the licence extends will not employ any workers or will hold a workers compensation policy if employing workers.

### **Liability and obligations for incurred injuries**

55. Self-insurers remain liable for all claims incurred during the period of self-insurance. This includes claims which are lodged after a self-insurer licence is cancelled but which were incurred during the period of the licence, including claims for dust diseases and other diseases of long latency.

56. Former self-insurers are required to manage claims incurred during the period of self-insurance in accordance with the Act. This includes claim and injury management obligations as an employer and providing data and assessments of outstanding claims' liabilities to WorkCover WA.

### **Insolvency**

57. Where a self-insurer is insolvent, a claim for compensation or damages in respect of an insurer liability may be made against WorkCover WA, who must respond to the claim and pay a claimant the amount necessary to satisfy the claim. Amounts payable are charged to the Default Insurance Fund.

58. The amount paid by WorkCover WA may be recovered by WorkCover WA as a debt due from the insolvent self-insurer or any person against whom the insolvent self-insurer has a right of indemnity, or contribution in respect of the injury or death of the worker.

### **Status of the self-insurer security upon exit**

59. WorkCover WA will retain the existing bank guarantee and value for a minimum of two years post exit.

60. From the third year, the value of the bank guarantee will be reviewed on a periodic basis at the discretion of WorkCover WA or at the request of the former self-insurer. The value of the bank guarantee will be based on 150% of the actuarially assessed outstanding claims liability. No minimum amount for the bank guarantee will apply.

61. The bank guarantee will only be returned when all accrued, continuing, future, and contingent liabilities have been adequately provided for or discharged.

62. Factors to be considered for release of a bank guarantee may comprise:

- number of open claims
- claims activity reported for past seven years
- identified latent claims exposure
- actuarial valuation of outstanding claims liability.

## **Transfer of tail liability**

63. Subject to WorkCover WA approval, exiting former self-insurers may transfer their claim liabilities to a licenced insurer.
64. To release the bank guarantee in these circumstances, WorkCover WA must be satisfied the legal instrument between the insurer and self-insurer provides for all existing and future liabilities during the period of self-insurance.

## Appendix 1 – Financial Indicators Table

The table below provides definitions for each indicator as well as the formula used to calculate the result.

Financial indicator	Definition/ Calculation/ Result	Relevant industry sector
<b>Primary Indicators</b>		
Balance Sheet Test	<p><i>Indicator result: Straight measure</i></p> <p>Provides a measure of an organisation's financial situation. Indicates if it has the tangible resources to meet the payment of its liabilities. The higher the indicator the better.</p> $\text{Balance sheet test} = \frac{\text{Total Tangible Assets}}{\text{Total Liabilities}}$	All Industry sectors
Current Liquidity	<p><i>Indicator result: Straight measure</i></p> <p>Measures an organisation's liquidity or its ability to meet its short-term obligations (i.e. 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)</p> $\text{Current Liquidity} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Manufacturing, Retail, Transport and Other
Quick Liquidity	<p><i>Indicator result: Straight measure</i></p> <p>An additional measure of liquidity that excludes inventory from current assets. It indicates the extent to which an organisation can pay its current liabilities before liquidating its inventory. Inventory is excluded so only items which can be readily converted to cash are included in the calculation of the ratio. The higher the indicator result, the better.</p> $\text{Quick Liquidity} = \frac{\text{Current Assets less Stock}}{\text{Current Liabilities}}$	Manufacturing, Retail, Transport and Other
Interest Coverage	<p><i>Indicator result: Number of times</i></p> <p>A measure of an organisation's ability to meet its debt obligations. It indicates how many times an organisation can cover its interest expense on a pretax basis. The higher the indicator result, the better.</p> $\text{Interest coverage} = \frac{\text{Net Profit Before Tax}}{\text{Net Interest Expense}}$	Manufacturing, Retail, Transport and Other

Financial indicator	Definition/ Calculation/ Result	Relevant industry sector
Return on Investment	<p><i>Indicator result: % measure</i></p> <p>Measures the rate of return generated on the equity employed by the organisation. The higher the indicator result, the better.</p> $\text{Return on Investment} = \frac{\text{Net Profit Before Tax}}{\text{Total Equity}}$	All industry sectors
Claims Liability as % of net assets	<p><i>Indicator result: % measure</i></p> <p>Indicates the proportion of the organisation's claims liabilities to its net assets. The lower the indicator result, the better.</p> $\text{CL as \% of net assets} = \frac{\text{Outstanding Claims}}{\text{Net Assets}}$	All industry sectors
Gearing Ratio	<p><i>Indicator result: % measure</i></p> <p>Gearing is a measure of financial leverage, demonstrating the degree to which an organisation's activities are funded by creditors' funds vs owner's funds.</p> <p>The higher the leverage, the more sensitive an organisation could be to interest rate movements and economic changes in the business cycle. The lower the indicator result, the better.</p> $\text{Gearing Ratio} = \frac{\text{Loan Capital}}{\text{Total Capital Employed}}$ <p>Note: Loan Capital is defined as any external third party loans – i.e. interest bearing loans and borrowings. Capital Employed is equal to the sum of Loan Capital + Total Equity.</p>	Manufacturing, Retail, Transport and Other
<b>Secondary Indicators</b>		
Bad Debt Ratio	<p><i>Indicator result: % measure</i></p> <p>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.</p> $\text{Bad Debt Ratio} = \frac{\text{Non-Performing Assets}}{\text{Customer Loans}}$	Finance

Financial indicator	Definition/ Calculation/ Result	Relevant industry sector
Cash and Liquid Assets	<p><i>Indicator result: \$ measure</i></p> <p>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.</p> <p>The higher the amount of total liabilities covered by cash and liquid assets, the better.</p> <p>Note: If an organisation does not meet the benchmark on this indicator, it does not result in an automatic failure. Reference will also be made to the organisation's indicator results on its current and quick liquidity before a conclusion is made.</p> $\text{Cash \& Liquid Assets} = \$5 \text{ million} + 30\% \text{ of Total Liabilities}$ <p>This should then be compared to the cash and liquid assets per the entity's balance sheet.</p>	Finance
Excess Capital	<p><i>Indicator result: % measure</i></p> <p>An APRA requirement designed to monitor the net asset position of financial institutions. The higher the indicator result, the better.</p> <p>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 organisation.</p> $\text{Excess Capital} = \frac{\text{Total Capital}}{\text{Risk Adjusted Assets}}$	Finance
Stock Turnover	<p><i>Indicator result: Number of times</i></p> <p>Indicates the number of times the organisation has turned over or sold its inventory. It is an indicator of inventory and working capital management. The higher the indicator result, the better.</p> $\text{Stock Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$	Manufacturing, Retail and Other
Debtor Turnover	<p><i>Indicator result: Ratio</i></p> <p>This ratio gives the number of days it takes for an organisation to collect its debts. It is an indicator of credit and working capital management. The lower the indicator result, the better.</p> $\text{Debtor collection period} = \frac{\text{Debtors} \times 365 \text{ days}}{\text{Sales}}$	Manufacturing and Transport



Financial indicator	Definition/ Calculation/ Result	Relevant industry sector
Revenue Growth	<p><i>Indicator result: % measure</i></p> <p>The increase (i.e. growth) or decrease in revenue earned in the current year as compared to the prior year. The higher the indicator result, the better.</p> $\text{Revenue Growth} = \frac{\text{Current year revenue}}{\text{Prior year revenue}}$	All industry sectors
Labour Costs	<p><i>Indicator result: % measure</i></p> <p>Measures the ratio of salaries and related employee benefits costs to revenue generated. The lower the indicator result, the better.</p> $\text{Labour costs} = \frac{\text{Labour costs}}{\text{Total Revenue}}$	Transport
Customer Loan Ratio	<p><i>Indicator result: Straight measure</i></p> <p>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.</p> <p>Note: The ratio cannot be calculated from the statutory financial statements as they do not disclose the risk adjusted assets. The result for this indicator is to be obtained directly from the organisation.</p> $\text{Bad Debt ratio} = \frac{\text{Net Customer Loans}}{\text{Risk Adjusted Assets}}$	Finance
Net Interest Margin	<p><i>Indicator result: Straight measure</i></p> <p>Assesses the core trading business via the net interest income generated by a financial institution. The higher the measure (i.e. positive net interest) the better.</p> $\text{Net Interest Margin} = \frac{\text{Net Interest Income}}{\text{Total Assets}}$	Finance

## Appendix 2 – Financial Undertaking: Bank Guarantee

The **Financial Institution** specified in Item 1 of Schedule 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 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.
6. The Bank may terminate its liability under this instrument at any time by paying to the Beneficiary the balance of the Maximum Amount outstanding.
7. Unless the Bank's liability has terminated pursuant to Clauses 4 or 6 above, the liability of the Bank under this instrument will not be affected, discharged, or released for any reason, including the fact that the Guaranteed Party ceases to be an approved self-insurer under any legislation governing the operation of workers compensation.

8. The Bank warrants that this undertaking has been executed in accordance with the laws of the place specified in Item 7. The Bank agrees that, in respect of any dispute relating to this instrument, the Bank submits to the jurisdiction of the courts of the place specified in Item 7.
9. If this instrument is executed by an attorney of the Bank, the attorney warrants by their execution of this instrument that their power of attorney confers the power to execute this instrument and the appointment has not been revoked.
10. Neither the Beneficiary nor the Bank may transfer or assign its right or interest under this instrument except that a statutory successor of the Beneficiary will have the same rights as the Beneficiary specified in this undertaking.

Signed by the attorney of [ ] under power of attorney registered Book [ ] No [ ], and who has received no notice of the revocation of the power, in the presence of:

.....  
Signature of witness

.....  
Signature of attorney

.....  
Name of witness (print)

.....  
Name of attorney (print)

Signed [place of execution]

Dated this day of 20

## 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:** [WorkCover WA].

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

**Item 7:** Western Australia

.....

Initialed 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: [WorkCover WA]

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)