



# Guidance on Accounting for TMF recoveries

Treasury Managed Fund (TMF) protects most general government agencies and various statutory authorities and state-owned corporations for all self-insured risk. As the TMF does not issue insurance contracts, it accounts for claims liabilities in accordance with AASB 137 “*Provisions, Contingent Liabilities and Contingent Assets*”.

SICorp (EB0404) manages the TMF under the *State Insurance and Care Governance Act 2015* including claims handling activities. Transactions relating to claims liabilities are recognised by SICorp. Agencies should be aware that whilst they may be interacting with icare for claims activities, icare is the entity that manages the schemes within the SICorp entity. The corresponding transactions should be captured in SiCorp (EB0404) to ensure whole of government consolidated reporting is accurate.

At an agency level the transactions related to the TMF that are required to be recorded will be dependent on the following factors:

1. Whether the claim is **recurrent; capital**; or **business interruption** in nature
2. Whether the claim is **paid to an external counterparty** directly by icare on behalf of the agency **or**
3. **Whether icare provides a claim recovery to the agency** for the agency to make the payment to an external counterparty

For any claim raised by the agency to icare they will require confirmation from icare that the claim is covered by the TMF (with reference to the Statement of Cover) and the full amount of the claim will be reimbursed by the agency.

Each of these situations and the corresponding accounting treatment at an agency level will be explained further below. This is important to ensure compliance with *AASB 101 Presentation of Financial Statements* whereby transactions should be reflected based on the nature of the transaction and should not be netted off.

## **Situation 1: Nature of the claim is capital, icare provides claim recovery to agency for payment for new capital item**

### ***Recognition of loss incurred by the agency***

When an agency has recorded a loss (i.e. destruction or damage to agency assets) the agency should record the write-off in their ledger at the time the loss was incurred.

A loss in respect of an asset that has been destroyed should be recorded as a loss on disposal.

An impairment adjustment, in respect of an asset that is damaged, should be accounted for in accordance with AASB 136 *Impairment of Assets*.

### **Revenue recovery**

When a claim and the value of the reimbursement is subsequently **approved and paid** by icare the agency should record the revenue per the Prime account listed below:

Prime Account	Description	ICP/ECP	Purpose of Account
<b>AR107080250</b>	Other Revenue- Capital Insurance Recoveries (TMF) (capital)	EB0404: NSW Self Insurance Corporation (SICorp)	To record revenue received for insurance claims paid related to capital expenditure.

The agency should record the acquisition of the new asset/capitalised expenditure using the existing Prime Property, Plant and Equipment accounts and related movements

For further information on specific accounts to use please refer to the Prime Reference Manual (including mapping information) located here: [KB0010495](#) If you are uncertain which Prime account code to use please contact your Treasury Analyst for further information.

### **Situation 2: Nature of the claim is recurrent, icare provides claim recovery to agency for payment to external counterparty (excluding workers compensation)**

#### **Revenue recovery**

When a claim is **approved** by icare for payment and the agency receives a TMF recovery revenue and corresponding cash this should be reflected as follows:

Prime Account	Description	ICP/ECP	Purpose of Account
<b>AR107080251</b>	Other Revenue- Recurrent Insurance Recoveries (TMF) (recurrent)	EB0404: NSW Self Insurance Corporation (SICorp)	To record revenue received for insurance claims paid related to recurrent expenditure.

#### **Expenditure classification**

In this case the corresponding expenditure should be booked by the agency and should be recognised based on the nature of the claim using **EB0404: NSW Self Insurance Corporation (SICorp) as the counterparty**.

Prime Account	Description	ICP/ECP	Purpose of Account
<b>AE208080013</b>	Other Operating Expenditure – to be recovered by TMF	EB0404: NSW Self Insurance Corporation (SICorp)	To record operating expenditure funded from TMF recovery received.

### Situation 3: Nature of the claim is recurrent, icare pays the external counterparty directly on behalf of the agency

Where an agency makes a claim to icare and they subsequently *make the payment to an external counterparty on behalf of the agency* **no further action is required** to be taken by the agency. The agency is not required to reflect any transactions in their Prime ledger. A consolidation adjustment to reclassify the claims paid expenditure at a State level will be prepared by the Total State Financial Reporting Team.

For the above situation to apply the agency would need confirmation from icare that the amount is covered by the TMF, and that the claim will be settled directly with the external party by icare.

For further information on specific accounts to use please refer to the Prime Reference Manual (including mapping information) located here: [KB0010495](#)

### Situation 4: Loss of agency revenue due to business disruption

Where an agency makes a claim to icare related to loss of agency revenue due to business disruption **they should record the TMF recovery revenue when a claim is approved and paid.**

Prime Account	Description	ICP/ECP	Purpose of Account
AR107080251	Other Revenue- Recurrent Insurance Recoveries (TMF) (recurrent)	EB0404: NSW Self Insurance Corporation (SiCorp)	To record revenue received for insurance claims paid related to recurrent expenditure.

At a State Level no obligation for business interruption claims exists therefore the provision recognised by SiCorp needs to be derecognised. A consolidation adjustment will be prepared to reduce the provision by the amount of the claim recorded by icare related to business disruption claims.

### Situation 5: Nature of the claim is worker's compensation

When a claim is **approved** by icare for payment and the agency receives a TMF recovery revenue this should be reflected as follows:

Prime Account	Description	ICP/ECP	Purpose of Account
AR107080251	Other Revenue- Recurrent Insurance Recoveries (TMF) (recurrent)	EB0404: NSW Self Insurance Corporation (SiCorp)	To record revenue received for insurance claims paid related to recurrent expenditure.

***Expenditure classification***

In this case the corresponding employee expenditure should be booked by the agency and should be recognised based on the nature of the claim being employee related expenditure using **CPE913 as the counterparty**.