



## **PREMIUM AND DEBT COLLECTION MANUAL APPENDIX A**

The processes and procedures of the *Premium and Debt Collection Manual* are to be considered and applied in the context of the following requirements.

### **Commercial approach to collection of debts between \$1,000 to \$20,000**

Scheme Agents are required to apply a commercial approach to debts between \$1,000 and \$20,000. In particular, attention has to be given to the amount of the debt and the potential cost of recovery. If the anticipated cost of recovery action is significantly greater than the actual amount of the debt, then careful consideration has to be given as to whether it is commercially sound for the Scheme Agent to continue to pursue recovery. When making such assessments Scheme Agents are required to apply a rigorous process and ensure that all internal procedures are followed and approvals obtained.

### **Debts over \$5,000 – write-off requests**

For all debts exceeding \$5,000 the above principles will apply. Additionally, as outlined on page 45 of the existing *Premium and Debt Collection Manual* a written application must be made to WorkCover to request a write-off of the debt. Such application must include the following:

1. Employer's name
2. Amount
3. Number of months overdue
4. Policy number
5. Recovery action taken
6. Reasons for proposed write off
7. Details of the trading/financial position of the employer and if they are still operating
8. Reason why liquidation/bankruptcy proceedings are considered inappropriate.

The advice should also include that the debt is unrecoverable from the third party involved in the debt collection (eg. solicitor, liquidator or trustee in bankruptcy) and should be attached to the application. In addition, a breakdown of costs expended should be included when responding to Item 5 (Recovery action taken).

**The debt may only be written off on receipt of WorkCover's written approval.**

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### **Reviewing the financial position of the employer**

The following areas (outlined on pages 45 and 46 of the existing *Premium and Debt Collection Manual*) have either been deleted or amended and should be looked at and considered when reviewing the trading/financial position of the employer and if they are still operating.

- a. The most up-to-date/latest balance sheet set or financial accounts with last year's comparative figures. This will give some indication of the debtors' financial viability.
- b. Audited or Liquidators accounts.
- c. What the assets of the entity comprise of.
- d. What the liabilities of the entity comprise of.
- e. Loans to or from shareholders of associated companies should be discounted.
- f. Shares in associated companies should be looked at carefully as they may be in the books of the insured at par value only. Their market value could be **considerably higher**.
- g. Any evidence of assets such as stock or motor vehicles in particular "disappearing" from the books of account. This sort of information can be obtained by comparing comparative years figures. Any such disappearances should be questioned and followed up by the Scheme Agent, particularly in regard to who received any proceeds of any sales.

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