

Workers compensation licensed insurer business plan guidelines

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State Insurance
Regulatory Authority

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1. Commencement

These revised *Workers compensation licensed insurer business plan guidelines* (Guidelines) are effective from 1 March 2017 and will apply unless rescinded, amended or replaced.

From 1 March they supersede the previous *Licensed insurer business plan guidelines*, which were in place for the period 30 June 2016 until 1 March 2017.

2. Definitions

- (a) These Guidelines adopt the definitions provided in the 1987 Act, the *Workplace Injury Management and Workers Compensation Act 1998* and the Workers Compensation Regulation 2016 (the Regulation).
- (b) The terms used in these Guidelines have the following meanings:

Term	Definition
1987 Act	<i>Workers Compensation Act 1987</i>
1998 Act	<i>Workplace Injury Management and Workers Compensation Act 1998</i>
Authority	State Insurance Regulatory Authority (SIRA) constituted under the <i>State Insurance and Care Governance Act 2015</i> .
APRA	The Australian Prudential Regulation Authority
Licensed insurer	An insurer who holds a current licence granted under Division 3 of Part 7 of the 1987 Act.
Self-insurer	<ul style="list-style-type: none">(a) The holder of a current licence under Division 5 of Part 7 of the 1987 Act, and(b) A subsidiary of the licence holder covered (for the time being) by the licence (as provided by section 211A of the 1987 Act), and(c) Any Government employer covered (for the time being) by the Government's managed fund scheme (as provided by section 211B of the 1987 Act).
Specialised insurer	A licensed insurer whose license is endorsed with a specialised insurer endorsement.

Term	Definition
<p>Statement of business intent</p>	<p>As defined within the NSW Government Treasury <i>Commercial Policy Framework</i>.</p> <p>The statement of business intent (SBI) is equivalent to the statement of corporate intent (SCI), but is for non-corporatised businesses rather than State-owned corporations. For these businesses, the agreement of the business is between the Treasurer/Portfolio Minister and Chair and Chief Executive Officer.</p> <p>Non-corporatised government businesses are required to produce an SBI under the Treasury <i>Reporting and Monitoring Policy</i>.</p>
<p>Statement of corporate intent</p>	<p>As defined within the NSW Government Treasury <i>Commercial Policy Framework</i>:</p> <p>The statement of corporate intent (SCI) is an annual agreement between the shareholders and board of State-owned corporations. The purpose of the SCI is to enhance performance accountability and provide the business with certainty as to shareholder expectations of financial performance.</p> <p>The SCI contains, among other key matters, future financial performance targets and capital programs.</p>

3. Guideline-making powers

- 3.1 These Guidelines are made under section 202B (4) of the *Workers Compensation Act 1987* (the 1987 Act).

Explanatory note:

These Guidelines specify the minimum requirements for licensed insurers when providing business plans to the Authority. They also describe how the Authority will assess the licensed insurer business plans.

 Section 202B, business plans of licensed insurers

1. A licensed insurer must prepare and deliver to the Authority, a business plan for its workers compensation insurance business as soon as practicable, after it is requested by the Authority to do so.
2. The licensed insurer must revise its business plan:
 - (a) whenever it departs significantly from its business plan, and
 - (b) at such intervals of not less than 12 months, as the Authority directs.
3. The licensed insurer must, as far as practicable, conduct its workers compensation insurance business in accordance with its current business plan, but if it departs significantly from that plan, the insurer must notify the Authority accordingly.
4. A business plan must be prepared in accordance with such guidelines as the Authority determines from time to time, and notifies licensed insurers.
5. A business plan must describe the manner in which the insurer's workers compensation insurance business is to be conducted (including premiums, claims handling, management, expenses and systems).
6. In this section, a reference to the workers compensation insurance business of a licensed insurer is a reference to any business associated with policies of insurance.

4. Scope of Guidelines

- 4.1 These Guidelines apply to all licensed insurers as per the 1987 Act, including the Nominal Insurer and specialised insurers.

To clarify, the following entities are exempt from the requirements of these Guidelines:

- self-insurers
- Self-Insurance Corporation (SICorp) (including any Government employer covered by the Government's managed fund scheme under section 211B of the 1987 Act)
- Coal Mines Insurance (the workers compensation company (within the meaning of the *Coal Industry Act 2001*)).

5. Business plan requirements

- 5.1 The business plan for each licensed insurer is to be prepared in accordance with section 202B of the 1987 Act and must:

- 5.1.1 Describe the manner in which the insurer's workers compensation insurance business is to be conducted (including premiums, claims handling, management, expenses and systems).
- 5.1.2 Be approved by the insurer's board prior to submission to the Authority.
- 5.1.3 Include the insurer's strategic objectives for its NSW workers compensation business together with targets, timeframes and planned activities to achieve the strategic objectives. The strategic objectives should align with the system objectives outlined in section 3 of the 1998 Act and include, as a minimum, objectives for the following:
- (a) premiums set in compliance with the Authority's *Workers compensation market practice and premiums guidelines*
 - (b) prevention of work-related injuries
 - (c) innovative and fair injury management and return to work initiatives
 - (d) a customer service and complaints handling process targeted to the needs of employers and injured workers
 - (e) developing and improving internal resource capability or identifying external expertise to conduct workers compensation business, and
 - (f) building a strong governance and corporate culture.

- 5.2** The business plan must include or be supported by:
- 5.2.1 Claims management model.
 - 5.2.2 Workers compensation business objectives, goals and vision.
 - 5.2.3 Internal resource capability.
 - 5.2.4 Workers compensation business performance and targets.
 - 5.2.5 Workers compensation operational and organisational risks (including the identification, assessment and mitigation of those risks).
 - 5.2.6 Customer service and complaints management model.
 - 5.2.7 Governance framework.
 - 5.2.8 Statement of business intent and business plan as submitted to Treasury (where applicable).
 - 5.2.9 Latest workers compensation valuation report or relevant extracts of latest valuation report relating to workers compensation.
 - 5.2.10 APRA documentation relevant to workers compensation submitted to meet APRA requirements including the business plan (where applicable).

6. Business plan filing process

6.1 Frequency of business plan submission

- 6.1.1 Licensed insurers are to provide their business plans for the financial year beginning 1 July by 30 September of that year.
- 6.1.2 A revised business plan is to be submitted as per Section 202B (2) (a) if the insurer departs significantly from the objectives within its previously submitted business plan.
- 6.1.3 Licensed insurers are required to notify SIRA and may need to submit a revised business plan where a significant event may impact the insurer's ongoing operations and viability.

6.2 Assessment and management of business plans

- 6.2.1 The Authority will assess the business plans of licensed insurers against the requirements set out in sections 5.1 and 5.2 of these Guidelines.
- 6.2.2 The Authority may request additional information or amendments to business plans in order to ensure business plan requirements and the objectives of the workers compensation system are met.
- 6.2.3 Business plans may be used by the Authority to assist in the assessment of other regulatory areas including:
 - (a) market practices
 - (b) premium filings
 - (c) prudential requirements, and insurer licensing.
- 6.2.4 The Authority will monitor and review insurer business plan compliance and/or workers compensation insurance business in accordance with these Guidelines.
 - (a) Licensed insurers to report quarterly on their submitted business plans.

Disclaimer

This publication may contain information that relates to the regulation of workers compensation insurance, motor accident third party (CTP) insurance and home building compensation in NSW. It may include details of some of your obligations under the various schemes that the State Insurance Regulatory Authority (SIRA) administers.

However to ensure you comply with your legal obligations you must refer to the appropriate legislation as currently in force. Up to date legislation can be found at the NSW Legislation website legislation.nsw.gov.au

This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals, or as a substitute for legal advice. You should seek independent legal advice if you need assistance on the application of the law to your situation.

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