

| PwC recommendation | SIRA response | Electrolux Response |
|--|---|---|
| Operating model | | |
| <p>Recommendation 1: Implement a three-tiered oversight model for self-insurance, based on self-insurer performance.</p> | <p>Agreed. SIRA will implement a tiered supervisory model for self-insurance. Assessment of a self-insurer’s performance will be based on measures of conduct, claims management and prudential (financial ability) performance.</p> <p>The proposed top tier measures form part of this paper.</p> | <p>Agreed in principle, however more detail needed to understand the determination of the tiers.</p> |
| <p>Recommendation 2: Increase the licence term to a maximum of eight years for higher performing self-insurers (i.e. with top tier self-insurers having a longer renewal period than other self-insurers) and maintain shorter terms for other self-insurers (including new self-insurers).</p> | <p>Agreed. SIRA will extend the licence term for top tier performers up to a maximum of eight years. Those not in the top tier at the time of licence renewal will receive a lesser term. SIRA will determine the appropriate term of a licence at its own discretion.</p> | <p>Agreed in principle, however more detail required regarding the duration of terms and what avenue is open to should a self-insurer dispute the position.</p> |
| Oversight | | |
| <p>Recommendation 3: SIRA should consider the views of industry, employees and injured worker representatives when assessing a self-insurer’s performance, tier placement and/or licence renewal.</p> | <p>Agreed. SIRA will gather relevant information it deems appropriate in considering the term of a self-insurer’s licence and performance. This may include feedback from third parties with</p> | <p>Disagree. The performance of the self-insurer is the business of SIRA and the self-insurer. Industry and worker representatives add no value to the process.</p> |

| PwC recommendation | SIRA response | Electrolux Response |
|--|---|---|
| <p>Recommendation 4: Adopt a risk-based approach to claims management oversight, in which top tier self-insurers are subject to fewer audit requirements than middle and bottom tier employers.</p> | <p>informed views on the workers compensation performance of the self-insurer.</p> <p>Agreed. SIRA is adopting a tiered supervisory model to assess the performance of self-insurers. The tiered model recognises and acknowledges the performance of self-insurers by linking the level of regulatory supervision for each licence element on a risk basis to the performance of the self-insurer.</p> | <p>Agreed in principle, however need to know more about the methodology to be employed to determine risk.</p> |
| <p>Recommendation 5: Redevelop the existing claims management audit tool to ensure that it is fit for purpose under the new regulator’s objectives, is compatible with the audit of historical claims and can be directly linked to claims management performance measures.</p> | <p>Agreed. The claims management audit tool will be redeveloped and will play an important role in the monitoring of performance. SIRA will place greater importance on continual monitoring and expects self-insurers to proactively inform the regulator of issues that arise.</p> | <p>Agreed.</p> |
| <p>Recommendation 6: Develop complementary measures (to traditional audits) to assess claims management performance.</p> | <p>Agreed. SIRA’s regulatory supervision of self-insurers under the tiered model will include a broader range of measures and will be more responsive to specific risks and performance or non-compliance issues.</p> | <p>Agreed in principle, however caution must be taken that the complementary measures are not more onerous than the existing audits.</p> |
| <p>Recommendation 7: Require self-insurers to have privacy management plans in place that are cognisant of the link between an organisation being both an employer and an insurer for workers compensation.</p> | <p>Agreed. SIRA expects self-insurers to have privacy management plans in place that are compliant with the self-insurer’s legislative obligations and consistent with privacy principles. The plans will be required to specifically address privacy management for injured workers and in workers compensation procedures. The self-insurer will be required to</p> | <p>Agreed. No issue with this request provided that the intended adequacy is consistently applied and not subject to personal interpretation.</p> |

PwC recommendation

SIRA response

Electrolux Response

make the plans available to the regulator upon request.

Recommendation 8: Remove the OHSMS self-audit and OHSMS audit requirements from the self-insurance licensing framework. Instead, rely on the existing WHS engagement and enforcement activity undertaken by SafeWork NSW that applies to all employers in NSW. Also, establish a new and contemporary framework for referring any WHS issues that come to SIRA's attention to SafeWork NSW.

Agreed. SIRA will remove the Occupational Health and Safety Management System (OHSMS) audit requirements from the self-insurer licence conditions. These will be replaced by a comprehensive co-regulator referral and information exchange protocol between SIRA and SafeWork NSW to ensure the work health and safety performance of self-insurers is supervised by the appropriate regulator (SafeWork NSW) while remaining visible to SIRA to be considered within the tiered self-insurer supervision model. SIRA retains a clear requirement (and top tier measure) that self-insurers will maintain high standards of workplace safety by complying with the work health and safety legislation. Compliance with the *Work Health and Safety Act 2011* continues to be monitored and enforced by SafeWork NSW.

Electrolux will continue to manage our WHSMS and audit its performance as a part of our own processes. We expect to maintain the meaningful relationship that currently exists with SafeWork and SIRA and would expect any engagement to be positive. We welcome any opportunity to strengthen that through ongoing contact.

Recommendation 9: Establish an integrated and automated data analysis system to enable SIRA to better assess self-insurer performance. This system will support the proposed risk-based approach to self-insurance oversight by SIRA.

Agreed. SIRA will establish a new framework for information management and analysis of data as part of its supervision of the workers compensation scheme.

For further consideration. Provided this does not come at a financial impost to Electrolux, we would be receptive to reviewing further.

Recommendation 10: Prepare a quarterly summary performance report for each self-insurer that provides transparency on its

Agreed. SIRA will provide self-insurers with quarterly summary performance reports once

Agreed. Opportunity exists for portfolio managers at SIRA to present this report to self-insurers by way of a short telco.

| PwC recommendation | SIRA response | Electrolux Response |
|---|--|--|
| performance relative to other self-insurers and its industry. | self-insurers have transitioned to the new licensing framework. | |
| Recommendation 11: Publish on SIRA’s website a quarterly update on the performance of self-insurers compared with the rest of the NSW scheme. | Agreed. Consistent with Recommendation 10, SIRA will work to establish regular scheme performance reports once the new framework has been in place for sufficient time for self-insurers to transition their operations. This will include aggregated self-insurer performance compared to the rest of the NSW scheme. | Agreed. |
| Recommendation 12: Introduce a data auditing program to help to ensure data submitted by self-insurers and published by SIRA are accurate. | Agreed in principle. SIRA expects that information held by self-insurers and reported to SIRA is current and accurate. SIRA will develop a data quality assurance program that will include audits as required. | Agreed in principle, although Electrolux is of the opinion that there has been no ongoing issue of data integrity so questions the value of this. |
| Financial | | |
| Recommendation 13: Require self-insurers to formally advise SIRA of any strategically significant matters related to their management of claims. | Agreed. SIRA expects that significant matters will be brought to the regulator’s attention within required timeframes, and with sufficient detail to make an assessment of potential impacts. Notification requirements will be a licence condition. | For further consideration. Unable to respond until clarification is provided regarding what a significant matter is. I’m reluctant to assume that it’s purely a notifiable incident. |
| Recommendation 14: Align SIRA’s cost recovery model more closely with the regulatory effort incurred by the regulator by differentiating self-insurer licence fees based on their level of performance. The fee structure would be aligned with the proposed three tiered model. | For further consideration. SIRA will consider this recommendation and develop an options paper for further consultation. | For further consideration. Need to understand the proposed fee structure in greater detail before being able to comment. |

| PwC recommendation | SIRA response | Electrolux Response |
|--|---|--|
| <p>Recommendation 15: Provide a mechanism by which employers that exit the self-insurance scheme are required to pass on their tail claims to a licensed insurer. This would require the employer to pay a buyout amount covering the cost of its outstanding claims liabilities.</p> | <p>For further consideration. SIRA will consider a range of approaches consistent with the legislation to manage any exit from the self-insurance scheme.</p> | <p>For further consideration. Would need to better understand the determination of the buyout process.</p> |
| <p>Recommendation 16: SIRA, in consultation with its actuaries, should consider updating the prudential requirements to ensure that they remain fit for purpose.</p> | <p>Agreed. SIRA will consider updating the prudential requirements and will consult on options later this year in the context of broader consultation on prudential risk regulation of all NSW workers compensation insurers.</p> | <p>Agreed.</p> |

FOCUS QUESTIONS

Question One: What is your view of the proposed standard licence conditions?

The requirements of the standard licence conditions appear reasonable and acceptable, with the exception of the points identified below.

The "standards acceptable to the Authority" would need to be published in order to form a view of the new requirement of section 3.1. Fulfilling Section 3.1 of the proposed standard licence conditions is dependent upon the Authority's capacity to regulate the workers compensation system; it is therefore out of the control of the licensee.

It is somewhat ambiguous as to how adherence to a business plan by the licensee will satisfy fairness on behalf of injured workers and claimants without the requirements having been first established by the Authority.

The definition of a "significant matter" and the reporting time frame should be published in order to provide further comment.

The requirements established by the Authority and the reporting time frame would need to be established in order to form a view on section 3.6.2.

Question Two: What is your view of the appropriateness of the draft top tier measures for conduct and claims management to set SIRA's expectations of insurance performance?

From the draft document, it is unclear how adhering to a business plan by the licensee will satisfy fairness without first understanding the expectations of the Authority.

It is also unclear from the draft document how compliance for Self Insurers will be measured as we must currently comply with the requirements of the Work Health and Safety Legislation.

The definition of a "significant matter" and the reporting time frame is unclear and would need to be defined and published in order to develop a view.

It is also not clear from the draft document what the requirements of the data quality audit manual are.

All other requirements of the top tier requirements appear to be reasonable and acceptable.

Question Three: Are there any other areas or measures that should be considered?

None noted.

Question Four: What is your view on applying the same assessment criteria to applications for a new self-insurer licence?

The same assessment criteria for new applications for self-insurance licences appears reasonable.

Question Five: What is your view of the allocation of new self-insurers to the mid-tier for their first year under licence?

In principle this is acceptable as the proposed licence conditions are intended to be less onerous than the existing licence conditions. Without specific details of the proposed particulars for financial, operational and information performance requirements, it is difficult to comment conclusively.

Question Six: What is your view on the requirement for self-insurers to submit a business plan to outline their strategic direction consistent with licensed insurers?

Until the requirements of the Authority are clarified in respect of business plans, it is difficult to provide a response.