

# NSW workers compensation system

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Annual performance report 2017/18

State Insurance  
Regulatory Authority

April 2019

# Executive summary

Welcome to the third workers compensation system annual performance report. This report reviews the performance of the workers compensation system for the 2017/18 financial year.

The State Insurance Regulatory Authority (SIRA) advances the wellbeing and confidence of the people and businesses of NSW through sustainable insurance and support systems, so they can actively engage in the economy and society. As the regulator of the NSW workers compensation system, our purpose is to ensure that insurance and support systems are easy to deal with, deliver protection, recovery entitlements and provide good affordable outcomes in a sustainable way.

## Summary and assessment of this year's review findings.

This year's workers compensation system annual performance report is developed from the performance framework of risks to efficiency, effectiveness, affordability, viability, customer experience and equity. This framework is outlined more comprehensively in Figure 4 of this report. The following table maps the system performance against the risks identified in this 2017/18 report.

The following table summarises the risk to each of the workers compensation performance framework of efficiency, effectiveness, affordability, viability, customer experience and equity.

## Assessment of risks against the system objectives and performance framework

Objective	Assessment	Comments
Effectiveness	Red	<ul style="list-style-type: none"><li>Return to work (RTW) is an important measure of effectiveness. Over the last 12 months this has shown deterioration especially at the 4 week and 13 week time periods.</li><li>SIRA's regulatory response is <a href="#"><u>detailed below</u></a>.</li></ul>
Efficiency	Amber	<ul style="list-style-type: none"><li>The percentage of funds paid directly to and in support of injured workers recovery has remained steady over the last 12 months. However, insurer operational expenses remain high.</li><li>SIRA is working with insurers through the premium filing process to ensure services are delivered as efficiently as possible.</li><li>There have been improvements in a number of the efficiency measures.</li></ul>
Viability	Amber	<ul style="list-style-type: none"><li>Whilst all insurers in the system are currently viable and are meeting their required capital or benchmark obligations, the premium collected by the nominal insurer represents a funding ratio, as at 30 June 2018, which</li></ul>

Objective	Assessment	Comments
		is slightly below its board mandated range, but is still above 100%.
Affordability	Green	<ul style="list-style-type: none"> <li>Premiums charged to employers have remained relatively stable over the last three years despite increased claim costs.</li> <li>SIRA, this year, introduced further mechanisms to limit volatility in premiums.</li> </ul>
Customer Experience	Amber	<ul style="list-style-type: none"> <li>SIRA has commenced surveying customers to understand their experience and journey within the system. The initial survey captures customers beliefs about how the system supports recovery and return to work with an average rating of 6.2 on a 0 to 10 point scale.</li> <li>Approximately 27 per cent of NSW workers reported a difference of opinion with their insurer about their claim. Of these, approximately half reported that they needed assistance (either formal or informal) to resolve this.</li> <li>Overall complaints and disputes in the system have decreased during the last 12 months.</li> <li>Independent research has found 89% of NSW workers easily accessed medical treatment and services they needed. This compared favorably with the Australian benchmark of 88%.</li> </ul>
Equity	Green	<ul style="list-style-type: none"> <li>According to the 2018 Safe Work Australia RTW biennial survey, the majority of workers in NSW perceive the system as being fair and equitable.</li> </ul>

## Assessment criteria

The assessment criteria to determine the level of risk identified are as follows.

Category	Definition	Regulatory response
Red (or high risk)	A risk has been identified that has the potential to harm the scheme	SIRA has deemed that a regulatory response is required and has begun investigations into the area of concern
Amber (or medium risk)	A risk has been identified but SIRA has determined that the potential to harm the scheme is limited	SIRA has deemed that a regulatory response is not currently required

		but is closely monitoring the area of concern
Green (or low risk)	Any risks identified have been assessed as having limited likelihood to harm the scheme	SIRA continues its normal regulatory activities in these areas

## Return to work rate

RTW rates as measured by use of the work status indicator, have deteriorated during 2017/18. SIRA is concerned with this apparent deterioration in RTW rates and has commenced an investigation into the underlying causes.

It appears that there is an issue with the quality of the work status field in the data submissions provided by the Nominal Insurer (NI) to SIRA. Further, the data suggests there are performance issues with the NI's RTW rate.

As the NI represents 74 per cent of the workers compensation market share, the quality of the NI's data submissions has a significant impact on the overall system performance results.

SIRA continues to pursue a number of regulatory options to investigate and audit the data provided by the NI. In addition, SIRA is undertaking a Compliance and Performance Review of the NI in 2019.

## Customer experience

This year, a proactive and independent survey was undertaken to identify customers' perceptions with the NSW workers compensation system. Customers offered an average (mean) score of 6.2 on a 10 point scale. Thirteen per cent strongly agreed the system supported workers in their recovery and return to work and 36 per cent offered a 7 – 8 rating of agreement. SIRA will continue to monitor this aspect of the scheme and look for opportunities to improve customers' experience.

## Risks to the system

The work performed in compiling this report identified a number of risks to the system. The risks are outlined in the following table along with the actions that SIRA is taking or is planning to mitigate and address those risks.

Risk	Report reference	Description	Mitigating actions
RTW rates deteriorating	Refer Figure 5	As described above, RTW rates have deteriorated in the past 12 months.	<ul style="list-style-type: none"> <li>SIRA has investigated reported results and has commissioned a comprehensive compliance and performance review of the Nominal Insurer.</li> </ul>
Increasing frequency of psychological injury	Refer Figure 23	In the last 24 months, there has been an increase in the frequency of psychological injuries of approximately 12% per annum.	<ul style="list-style-type: none"> <li>SIRA's program includes dedicated resources to improve prevention and management of psychological injury.</li> <li>SIRA is collaborating with key government agencies including</li> </ul>

			icare, and SafeWork NSW to deliver the NSW Mentally Healthy Workplaces Strategy. The strategy is a \$55 million-dollar investment by the NSW government that will include programs focused on prevention and recovery.
Increasing medical spend	Refer Figure 32	The total amount of medical payments made in the system has been increasing by approximately 10% per annum.	<ul style="list-style-type: none"> <li>• SIRA identified that the increase was being primarily driven by an increase in the use of surgery.</li> <li>• SIRA is undertaking a review of claims medical spend with a focus on surgery related treatments and associated costs.</li> </ul>

## Changes to this year's report

As well as reporting at a system level, many of the measures in this report present the performance metrics at an insurer type level, enabling comparisons across the market segments of NI, government self insurers (TMF), specialised insurers and self-insurers.

Psychological claims and their associated costs are reported, as employers have expressed an interest in this area. Employers' workers compensation journey experience is reported, as are customer and community attitudes to the system and compliance activity undertaken by SIRA, are also included in this year's report.

Feedback and comments on the 2017/18 workers compensation system annual performance report are welcome.

Please email us at: [WCRSystemperformance@sira.nsw.gov.au](mailto:WCRSystemperformance@sira.nsw.gov.au)

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# About us

The State Insurance Regulatory Authority (SIRA) was established in 2015 to regulate workers compensation insurance, motor accidents compulsory third party (CTP) insurance and home building compensation insurance in NSW. In addition, SIRA in this reporting period provided independent dispute resolution services.

SIRA also has specific functions within the Lifetime Care and Support Scheme and the Dust Diseases Scheme and has a strong role in funding, promoting and informing injury prevention and reducing the need for compensation claims.

SIRA advances the wellbeing and confidence of the people and businesses of NSW through sustainable insurance and support systems, so they can actively engage in the economy and society.

As the regulator of the NSW workers compensation system, our purpose is to ensure that insurance and support systems are easy to deal with, deliver protection, recovery entitlements and provide good affordable outcomes in a sustainable way.

We undertake effective regulation by monitoring and managing system effectiveness, efficiency, viability, affordability, experience and equity.

We aim to make sure NSW statutory insurance systems:

- are effective in delivering scheme outcomes
- are delivered as efficiently as they can be,
- are affordable for the community,
- are sustainable and viable for generations to come,
- provide positive experiences and
- are equitable and perceived as fair.

## About the workers compensation system

The NSW workers compensation system compensates workers who have sustained work-related injuries or illnesses.

Compensation may include:

- weekly compensation benefits and payments
- medical and hospital expenses
- therapies to assist return to work and recovery (for example, physiotherapy or work place rehabilitation services)
- personal items (for example, clothing or spectacles damaged in a work-related accident).

Employers under the system are protected to help cover work related injuries or illness expenses. Their insurance policy can pay for workers' wages, medical and hospital expenses, return to work and a range of other services to help the worker recover.

The NSW workers compensation system is the largest defined benefit system in Australia. It provided workers compensation insurance to businesses responsible for a reported \$250 billion of wages in NSW in 2017/18. There were 3.5 million employees insured across the system (based on ABS projections) during the year, which was 2.3 per cent more than 2016/17.

The objectives of the NSW workers compensation system are set out in section 3 of the Workplace Injury Management and Workers Compensation Act 1998 (1998 Act). These are to:

- secure worker health, safety and welfare while preventing work related injury
- provide prompt treatment and rehabilitation to assist injured workers to return to work
- provide income and treatment payments to injured workers and their families
- provide a fair, affordable and financially viable system
- ensure contributions by employers are commensurate with risks, taking into account strategies and performance in injury prevention, injury management and return to work
- deliver an efficient and effective system.

The NSW Workers compensation system operates under three Acts, including the:

- *Workers Compensation Act 1987* (1987 Act)
- *Workplace Injury Management and Workers Compensation Act 1998* (1998 Act)
- *State Insurance and Care Governance Act 2015* (SICG Act).

## Insurer arrangements in NSW

The system has the following insurance segments:

- **nominal insurer (NI):** a statutory insurer responsible for the Workers Compensation Insurance Fund (managed by icare NSW)
- **government self-insurers (TMF):** employers covered by the NSW Government's managed fund scheme, the Treasury Managed Fund (TMF). The TMF is administered by the NSW Self Insurance Corporation (under icare NSW)
- **specialised insurers:** six industry-specific insurers
- **self-insurers:** 58 employers who are self-insured

During 2017/18, licences for six self-insurers were granted for the following entities.

- OneSteel Recycling Pty Ltd (31/08/17)
- Austube Mills Pty Ltd (31/08/17)
- OneSteel Manufacturing Pty Ltd (31/08/2017)
- Boral Ltd (30/09/2017)
- Liberty OneSteel (Manufacturing) Pty Ltd (28/02/2018)
- OneSteel Trading Pty Ltd (31/08/2017).

During 2017/18, five self-insurers' licences were cancelled or expired:

- Rocla Pty Ltd (30/09/2017)
- Electrolux Home Products Pty Ltd (31/12/2017)
- UGL Rail Services Pty Ltd (31/03/2018)



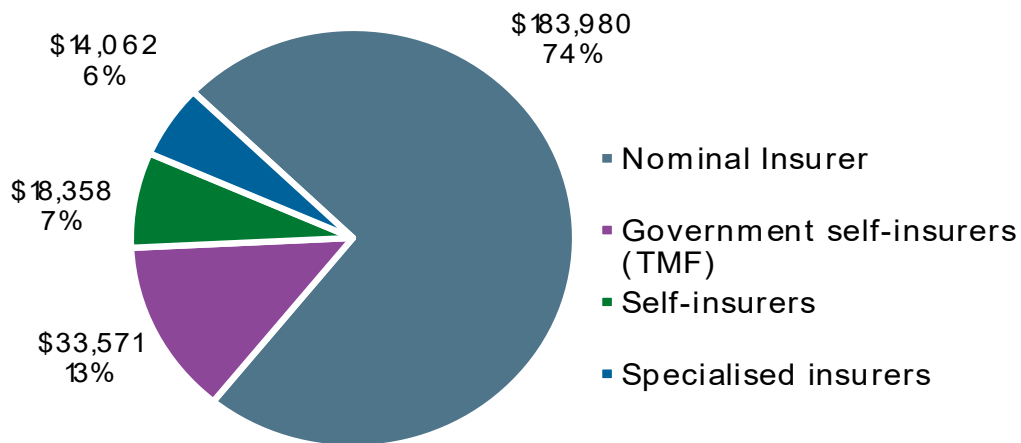
- Arrium Ltd (30/09/2017)
- OneSteel Manufacturing Pty Ltd (15/03/2018).

Self-insurers may exit the system for several reasons including for example, organisational restructures, closures and other commercial decisions. Where an employer continues to engage in business, they can obtain workers compensation insurance through the Nominal Insurer.

## Market share of each insurer segment

In 2017/18, the system insured businesses responsible for \$250 billion of reported wages in NSW. Of those wages, 74 per cent were insured by the nominal insurer, 13 per cent by government self-insurers (TMF), seven per cent by self-insurers, and six per cent by specialised insurers.

**Figure 1 Total reported NSW wages (\$ million and per cent) by insurer segment**



## Legislative amendments

Legislative amendments that impacted and shaped the system and its design – in 2012, 2015 and 2018 – will continue to affect the outcomes of the workers compensation system.

### 2012 legislative amendments

Legislative amendments in 2012 resulted in considerable adjustment to the system's benefit structure. The amendments introduced a focus on capacity for work, rather than a focus on a worker's medical incapacity. This took the form of work capacity decisions and review processes, which were consistent with other comparable jurisdictions.

A five-year (260-week) cap on weekly payments was introduced for workers with 20 per cent or less permanent impairment (PI), as specified under section 39 of the 1987 Act. The changes introduced a cap under section 59A affecting workers access to medical and related expenses.

### 2015 legislative amendments

In September 2015, the *State Insurance and Care Governance Act 2015* (SICG Act) created SIRA as the regulator and icare as the Nominal Insurer.

Those amendments provided further support to workers with high needs with the introduction of medical payments for life, and consistent application of weekly payments at retirement age. The amendments increased lump sum payments available for permanent injury and death to the highest levels in Australia. Medical payments were also extended so that all workers are entitled to reasonably necessary medical expenses for up to two years from the date the claim was made, or two years from the worker's entitlement to weekly payments ceased. For workers with permanent impairment of 11 to 20 per cent, the entitlement period is extended up to five years, and for workers with permanent impairment of more than 20 per cent have an entitlement to reasonably necessary medical expenses for life.

The Workers Compensation Amendment (Legal Costs) Regulation 2016 also allowed a worker to access paid legal advice to apply for a merit review of a work capacity decision, with costs payable by the insurer.

## 2018 amendments to the dispute resolution system

The *Workers Compensation Legislation Amendment Act 2018* will enhance dispute resolution services from early 2019. The amendments were designed to simplify the dispute resolution processes for workers with an unresolved enquiry and complaint or a disagreement with the insurer about their weekly payments.

Figure 2 shows the current dispute resolution process and pathways.

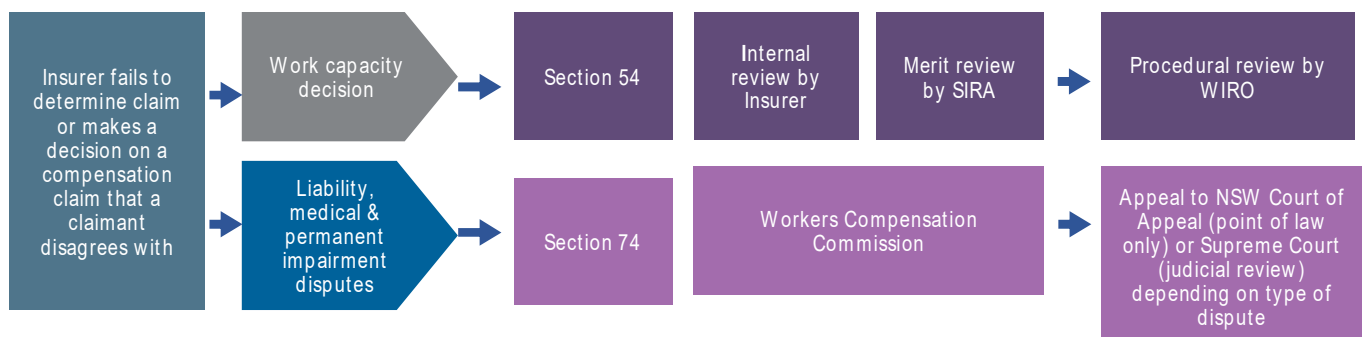
Under the new arrangements:

- workers who have a dispute with their insurer (about work capacity or medical and liability decisions) can go directly to the Workers Compensation Commission (WCC)
- workers' enquiries and complaints about insurers will be resolved by the Workers Compensation Independent Review Office (WIRO)
- employer, insurer and system providers' enquiries and complaints will be resolved by SIRA.

SIRA has been working with key stakeholders to develop the regulations, guidelines and other supporting materials to assist in the implementation phase of this amendment

The dispute resolution process, as at 30 June 2018 (please note from 1 January 2019, this process has been replaced by s78 of the *Workplace Injury Management and Workers Compensation Act 1998*) is presented in the following figure.

**Figure 2** The dispute resolution process, as at 30 June 2018



# System and regulatory changes

## Changes to pre-injury average weekly earnings (PIAWE)

A worker needs their pre-injury average weekly earnings (PIAWE) to be calculated correctly to receive accurate weekly payments. Stakeholders have consistently told us the current methodology is unnecessarily complex.

The *Workers Compensation Amendment Act 2018* includes provisions which, once commenced, will improve the PIAWE methodology and deliver the following key outcomes:

- simplicity and consistency across a range of working arrangements
- transparency, as the calculation is easier and clearer for all stakeholders
- fairness, by better reflecting the worker's actual pre-injury earnings.

The amendments will be supported by revised regulations to ensure that the intent of this important reform is accurately and consistently achieved.

## Claims administration and management

SIRA carried out a comprehensive review of the current claims handling framework and practices for workers compensation in NSW.

Following the review, SIRA developed streamlined and consolidated claims management standards of practice to set clear, consistent, easy to access and enforceable expectations for all insurers.

SIRA will use the standards of practice and guidelines to:

- increase the transparency and timeliness of claims administration
- improve outcomes in the workers compensation system
- hold insurers accountable for delivering high standards of service
- protect injured workers and ensure they receive appropriate, timely, respectful services and support.

Changes to insurers' processes and services for example, NI's new claims services model may also impact on the system and associated claims management services. The NI model aims to deliver faster claims management determinations to benefit the workers through streamlined claims management and determination processes.

## Premium and prudential supervision

The Workers Compensation Market Practice and Premiums Guidelines (MPPGs) enables insurers to define premiums they intend to charge for workers compensation policies.

A revised version of the MPPGs was published in May 2018 after extensive consultation on premium and prudential supervision. The revised MPPGs applied to premium filings submitted by insurers from March 2018.

The revised MPPGs for 2018/19:

- addressed market feedback on premium volatility

- clarified premium filing processes, and
- established market practices for licensed workers compensation insurers.

## Insurer performance

SIRA monitors insurer performance through:

- regular engagement and feedback
- data analysis
- building capability
- compliance and performance monitoring
- education and support.

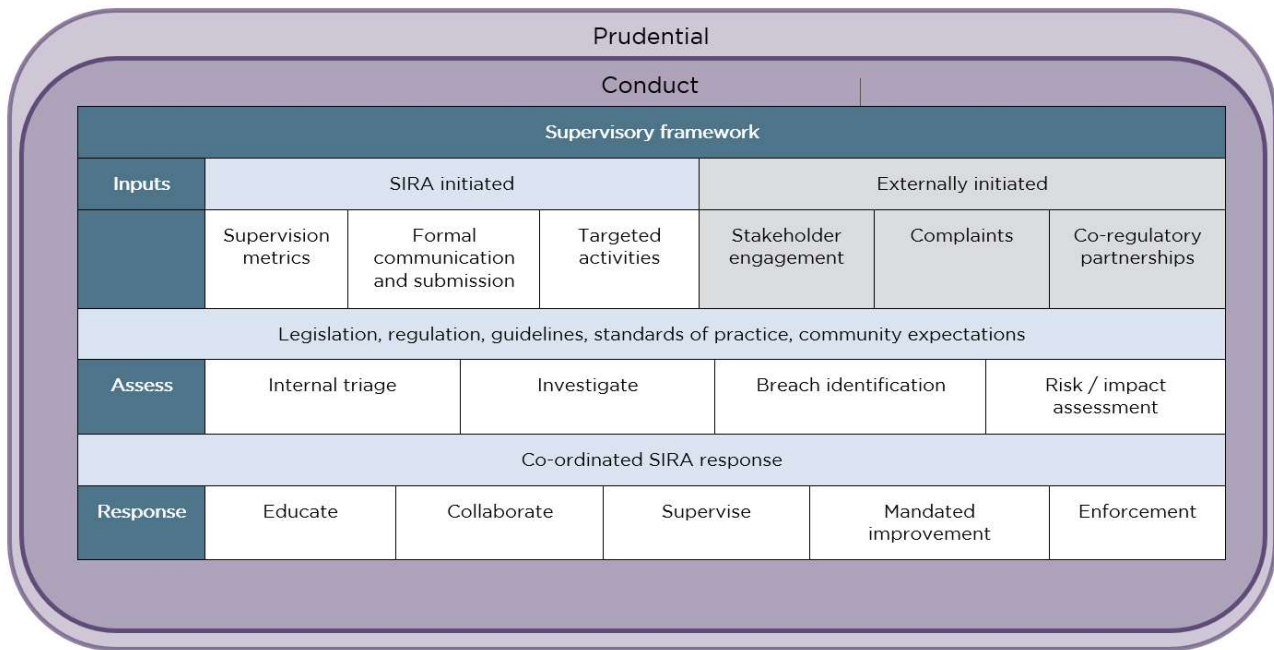
SIRA takes a risk-based and proactive regulatory approach with a focus on prudential management, conduct and performance (through legislative compliance and claims management practices). We also maintained a central register of insurers' financial, conduct and claims management risks and supervised the management of risks from inception to closure.

Self-insurers across NSW worked with SIRA portfolio managers and received a tiered performance ranking, which was published on the SIRA website.

The performance of all insurer segments continues to be monitored with a monthly insurer scorecard published on our [website](#).

SIRA's regulatory activities commence with evidence based inputs identified through internally initiated supervisory activities or from notification of issues by external sources. Collectively, this is known as SIRA's insurer supervision model. Information obtained is assessed to identify risks, legislative breaches and stakeholder and system impacts. A collaborative, co-ordinated response across SIRA teams ensures a consistent, system outcome focused regulatory response that is efficient.

**Figure 3 SIRA's Insurer supervision framework**



## Changing employment practices which may impact the system

### Gig economy

In recent years there has been a shift from permanent, full-time employment to temporary, short-term work as part of the 'gig economy'. SIRA is taking a proactive role to monitor and address current and emerging regulatory issues associated with the gig economy and its impact on the workers compensation system.

In November 2017, SIRA hosted a gig economy roundtable that examined the effect of the gig economy on the workers compensation system — for both workers and businesses — and the role that government could play.

SIRA has also established a gig economy stakeholder reference group, which met three times in 2017/18 to examine issues and consider whether regulatory changes were required. SIRA continued to monitor developments in NSW and other Australian and overseas jurisdictions to proactively address emerging issues.

### Ageing workforce

SIRA has responsibility for priority area 2.2 of the NSW Ageing Strategy, and worked with key stakeholders to:

- investigate the impacts of age restrictions in the workers compensation system
- develop and analyse the data around health and safety risk for older workers
- engage with insurance providers on private sector policies for older workers
- work with the Australian Government to review age-based limitations within workers compensation systems.

SIRA is scoping a program of work to investigate whether current regulatory and industry arrangements are detrimentally affecting older workers' participation in the NSW workforce.

# System performance framework

The SIRA Workers Compensation System Performance Framework was developed with reference to the objectives in the legislation. It is used to measure the effectiveness of the NSW workers compensation system.

**Figure 4 Workers Compensation System Performance Framework and measures**

Performance framework objectives	2017/18 measures
<b>Effectiveness</b> System effectiveness in protecting workers, getting workers back to work and wellbeing, and delivering system outcomes	<ul style="list-style-type: none"><li>• Getting workers back to work</li><li>• Drivers of RTW</li><li>• Community attitudes to RTW</li><li>• Claims frequency</li><li>• Psychological claims</li></ul>
<b>Efficiency</b> System delivered efficiently in terms of cost, time and process.	<ul style="list-style-type: none"><li>• Cost and process efficiency</li><li>• Payments for workers</li><li>• Timeliness of key services</li></ul>
<b>Viability</b> System sustainability and viability for future generations.	<ul style="list-style-type: none"><li>• Sustainability and adequacy of security</li><li>• Stability of claim costs</li><li>• Enforcement and compliance</li></ul>
<b>Affordability</b> Insurance affordability for the community	<ul style="list-style-type: none"><li>• Premium affordability</li><li>• Premium affordability across industries</li><li>• Employers perceptions of premium affordability</li></ul>
<b>Customer experience</b> Systems provide positive customer experiences	<ul style="list-style-type: none"><li>• Customer (workers and employers) experience with the system and services</li><li>• Customer feedback and complaints</li><li>• Dispute resolution services</li></ul>
<b>Equity</b> System is equitable and is perceived as equitable	<ul style="list-style-type: none"><li>• System equity and fairness</li></ul>

## Methodology and data

The information presented in this report is derived from data, annual declarations provided to SIRA, other submissions from NSW workers compensation insurers, the Workers Compensation Commission and the Workers Compensation Independent Review Office.

The report focusses on the 2017/18 financial year system performance. The six-year time series (2012/13 to 2017/18) was selected because it offered the best 'like for like' system performance comparison. Significant changes made to the legislation in 2012 means that performance results before and after that time are not directly comparable.

The data presented in this report may differ to the data contained in the 2017/18 SIRA Annual Report due to timing and data management processes. The data in this report for 2017/18 is as at 30 June 2018. SIRA has endeavoured to provide the best possible data in this report. There may be a difference between the updated data published in this report and data from previous years' reports.

The RTW survey data in this report was sourced from the Safe Work Australia (SWA) 2018 RTW survey (Australia and New Zealand), undertaken in April to June 2018. SIRA has undertaken additional analyses of the NSW data collected by SWA to better understand the claimant (worker) experience. Where the information presented against the performance framework has an alternative source to either SIRA data or the SWA 2018 RTW survey, the source is referenced, for example the *SIRA 2018 RTW - Theory of Planned Behaviour Report*. In addition, Australian Bureau of Statistics (ABS) data has been included and is referenced.

Data related to disputes was sourced from SIRA, the Workers Compensation Commission (WCC), and the Workers Compensation Independent Review Office (WIRO).

All reportable claims received in the six financial years to 2017/18 have been included in this report. Liability for some of the reported claims may have been disputed, but if a payment has been made against the claim, it has been included in the report.

SIRA is working to improve the methodologies for the reported metrics and data sources to improve data quality and evidence to monitor the system. For example, SIRA determined that RTW data and metrics needed to be corrected and instructed the Nominal Insurer to improve the quality of this data. The Nominal Insurer advised SIRA that this would be rectified from the October 2018 data submission.

As part of the continuous improvement program, SIRA has included in this report customer experience measures and RTW metrics to understand the system performance and worker's work and health outcomes.

The financial and cost information in this report is presented in original dollar values – without indexation. Costs in the workers compensation system are subject to a variety of potential inflationary factors including wage and salary rates, medical fee schedules, statutory benefit indexation and general price inflation. As there is no single index which adjusts for all potential factors, costs have been shown in their original dollar values for simplicity.

The premium values used in this report are as follows.

- Nominal Insurer premium in this report is calculated as total premium payable net of levies and GST.
- The premium for self-insurers is reported as deemed premium, calculated as wages covered multiplied by the premium rate applicable for the appropriate industry class.
- The premium for government self-insurers (TMF) is the value of the deposit contributions made by each member agency.
- The premium for specialised insurers is the gross written premium.

## Benchmarks

Where appropriate, this report has benchmarked system performance across the different insurer segments and moved towards the future comparison of individual insurers.

Where possible, the performance of the NSW Workers compensation system has been benchmarked, for example, by using the RTW survey published biennially by SWA and independent customer research.



## NI data quality issues

Throughout this report, SIRA has referred to the issues inherent in the current NI data. It is not yet known whether the NI's RTW issue is a data quality issue, a performance issue or both. This has a particular impact on system wide RTW results, and as NI has a significant segment of the workers compensation market within its portfolio. SIRA carried out a data quality audit in December 2018 and commenced a compliance and performance review in February 2019. Monitoring the performance of the system and stewarding the system is of paramount importance to customers of the system, namely workers and employers.

### **Glossary and acronyms**

A glossary of terms, data notes and acronyms is provided at the end of this [report](#).

# System performance: Effectiveness

A focus of the workers compensation system is to support workers to recover and provide for a timely return to work (RTW). The timeliness and sustainability of workers RTW are therefore important measures of the effectiveness of the system and its delivery against its objectives.

## RTW measures

SIRA monitors a range of metrics and works with insurers, stakeholders and partners to improve the quality of the RTW data it receives. There are a number of RTW measures in this report. Multi-layered RTW measures enable a better understanding of the effectiveness of the system in supporting workers to return and recover at work. The calculation of RTW in this section is impacted by the NI data quality issues and potential performance issues, presently being investigated by SIRA (see the note in the 'Methodology and data section').

**The RTW (work status) rate** reports the percentage of workers who were off work in the 12 month period snapshot because of their work-related injury/disease and have returned to work at different points in time from the date the claim was reported. The measure tracks the progress of workers across four, 13, 26 and 52-week timeframes.

**The durable RTW measure** shows the percentage of workers who had a durable RTW of at least three consecutive months following an absence of at least one day. This is measured at a point in time specifically 12 months from the date the claim was entered into the insurer system. This is a new measure for this report.

**The stayed-at-work rate** shows the percentage of workers who made a claim but did not stop working (that is, they stayed at work) as a result of their work-related injury/disease. This is also a new measure for this report.

**The self-reported RTW rates** are from the SWA 2018 RTW survey.

**Maintaining a significant RTW** measures how long the worker reported working in a 12-month period following their initial return to work.

**Weekly benefits cessation** uses the change in workers' claims as they stop being paid weekly benefits at a point in time (four, 13, 26 weeks). It was used as the primary RTW measure in the *Workers compensation system performance report 2014/15*. This measure is not sensitive to those who have stopped receiving benefits for reasons other than returning to work.

## RTW drivers

A number of RTW and health outcomes for workers are reported, based on analysis of survey data sourced from the SWA 2018 RTW survey.

## Customer and community attitudes to RTW

Independent research on customer and community attitudes to RTW is another measure of system effectiveness.

## RTW (work status) rate

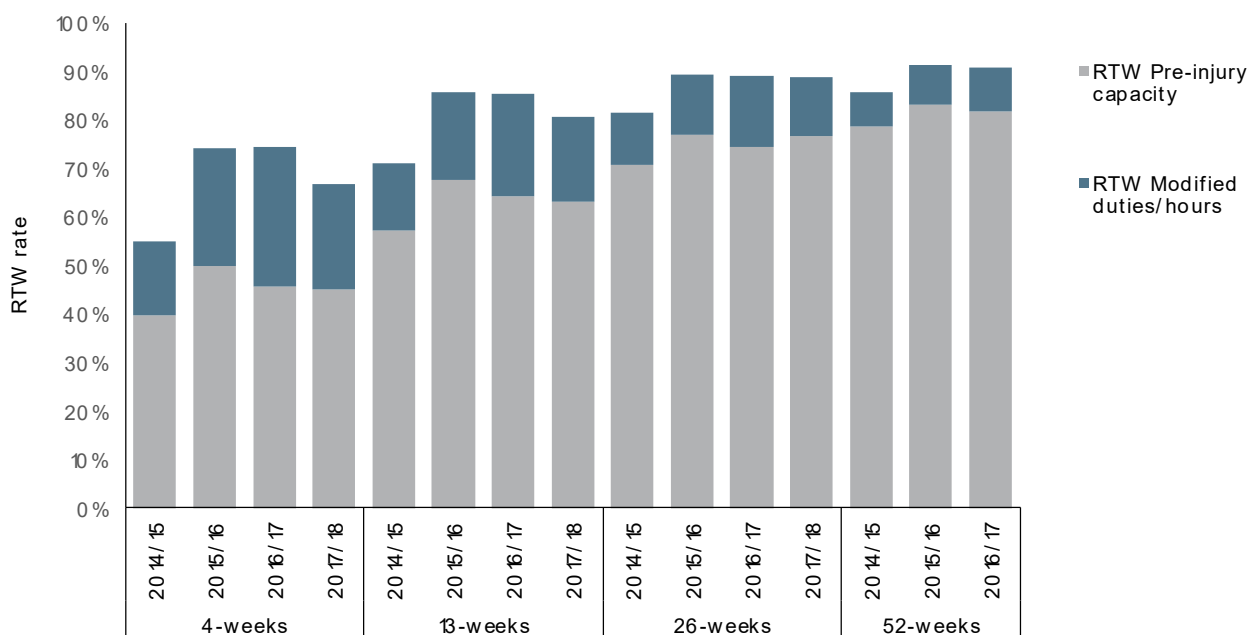
The RTW rate (work status) reports the percentage of workers who have been off work and have returned to work at four, 13, 26 and 52 weeks from the date the claim was reported to the insurer.

Figure 5 shows the RTW rates from 2014/2015 to 2017/2018 and reports the relative proportion of workers who returned to work at their pre-injury capacity and those who returned to work to modified duties or hours.

In terms of the RTW rates for 2017/2018, 67 per cent of workers who had been off work as a result of their work-related injury/disease had returned to work at four weeks from the date the claim was reported. The majority (approximately 89 per cent) of workers returned to work by 26 weeks. The 2017/18 results show reduced RTW performance from the previous year, by 7.7 per cent at four weeks, 4.8 per cent at 13 weeks and 0.1 per cent at 26 weeks.

The proportion of workers who returned to work to modified duties and/or working hours decreased progressively between four and 26 weeks. Additional analysis indicates that while the majority of workers had returned to work with their pre-injury employer at all time intervals (four, 13, 26 and 52 weeks), the proportion of workers who returned to work with a different employer increased gradually over time between four and 52 weeks. This result is consistent across all previous years analysed (2014/15 to 2017/18).

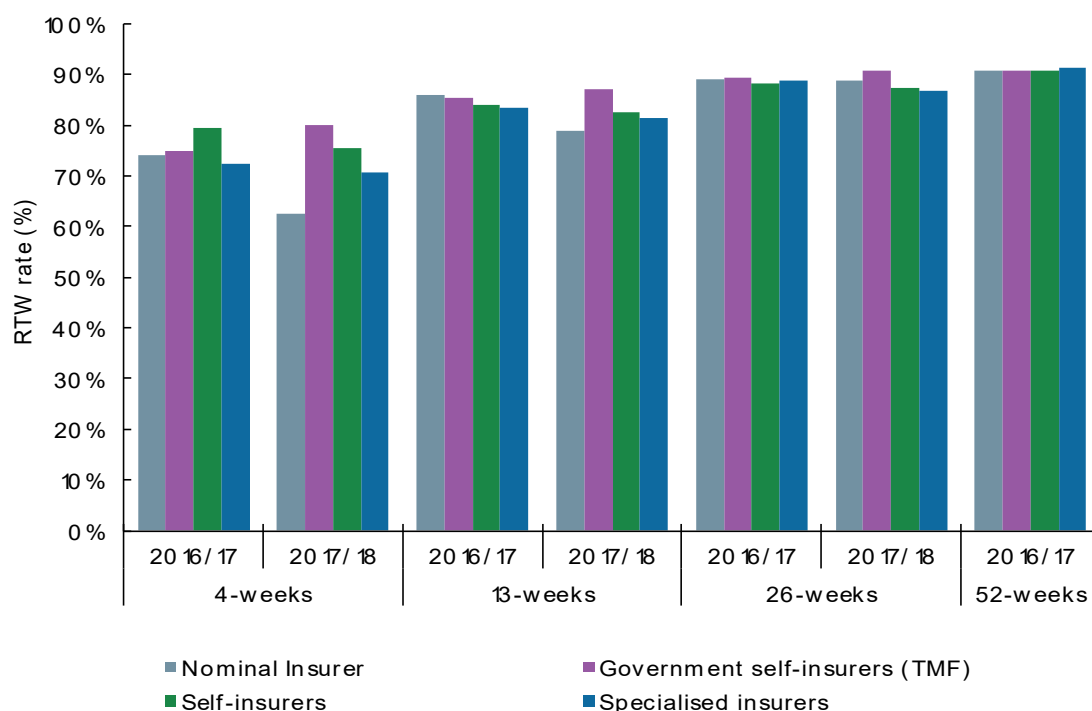
**Figure 5** RTW rate (work status) measure



## RTW (work status) rate by insurer segment

For 2017/2018, TMF achieved the highest RTW rates of all insurer segments at four, 13 and 26 weeks. In the same period, the RTW rates are lowest for NI at 4 and 13 weeks.

**Figure 6** RTW (work status) rate by insurer segment



## Durable RTW measure

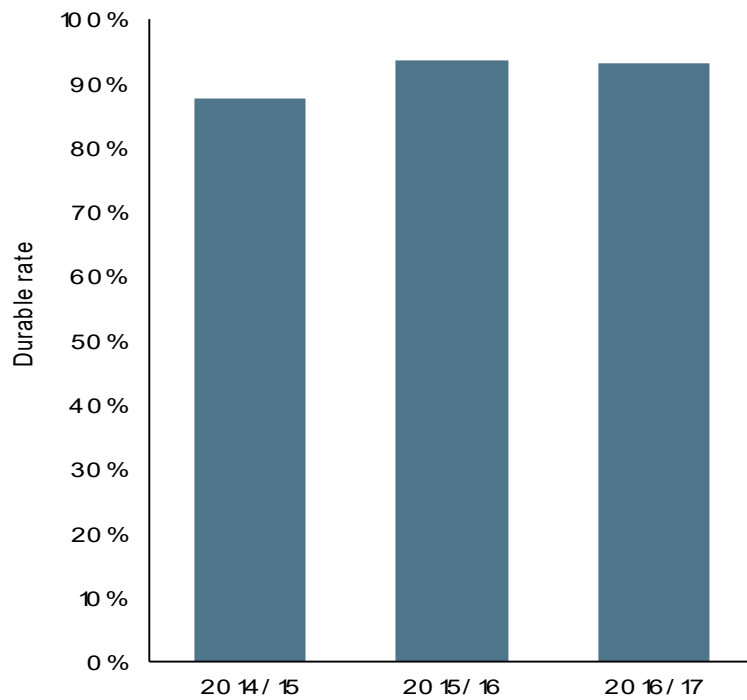
The analysis for this measure is done retrospectively to accommodate the claims journey of workers and the development of the claims outcomes. The durable RTW rate analysis is undertaken for claims entered into an insurers system in 2016/17, which are then examined and reported in 2017/18. Durable return to work rates require a 12 month data and claims development period. Hence 2017/18 durable RTW measures won't be available until the end of 2018/19 financial year. Further details on this measure are in the glossary, data notes and acronyms section of this [report](#).

SIRA has been working to develop additional RTW performance measures to reflect sustained RTW outcomes for workers.

The durable RTW measure shows the percentage of workers who were away from work for at least one day before they returned to work in any capacity for at least three consecutive months.

Figure 7 shows that the durable RTW performance increased from 87.6 per cent for claims from 2014/15 to a rate of 93.5 per cent for claims from 2015/2016 and 93.2 per cent for claims from 2016/17. This finding is relatively consistent for all insurer segments.

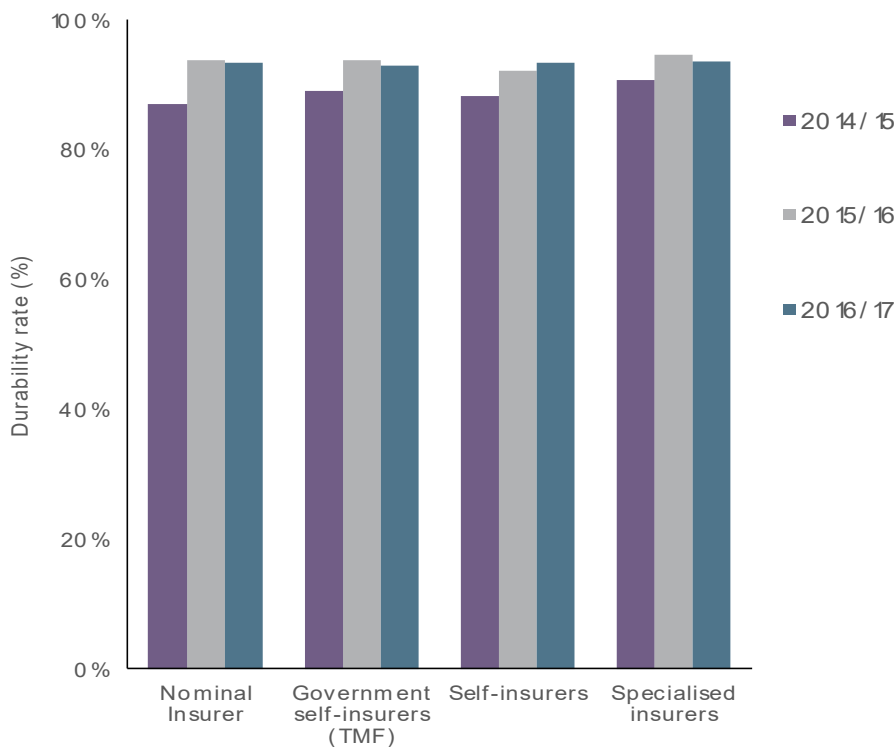
**Figure 7**      **Durable RTW measure**



## Durable RTW measure across insurer segments

Durability of the RTW rates across insurer segments remained stable from 2015/16 to 2016/17, which was an improved result from 2014/15. This finding was relatively consistent for all insurer segments.

**Figure 8** Durable RTW rates by insurer segments



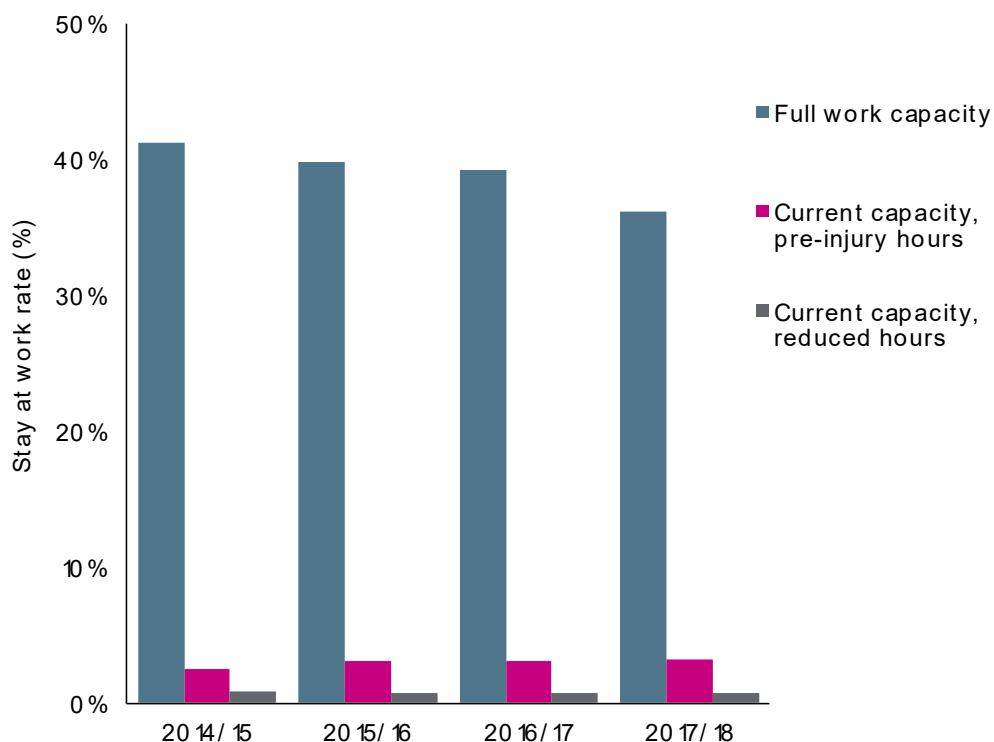
## Stayed at work rate

The stayed-at-work rate is the percentage of workers who stayed at work after work-related injury/disease.

The stayed-at-work rate is calculated as the proportion of workers who made a claim within a 12-month period and stayed at work on pre-injury employment or at 'current' capacity either in suitable work with no hours lost or reduced hours at current capacity.

The stayed-at-work rate decreased from 44 per cent in 2014/15 to 40 per cent in 2017/18. Figure 9 also shows that the majority of workers who stayed at work did so in their full pre-injury employment and a minority of these workers undertook suitable work at pre-injury hours, and only a small proportion returned to work at reduced hours.

**Figure 9 Stayed-at-work rates**



## Self-reported RTW rates

The SWA 2018 return to work survey offered an opportunity for NSW to benchmark with a national workers compensation dataset (all Australian jurisdictions). The survey was conducted independently by SWA with workers who had submitted a worker's compensation claim in the two years before the interview period and had at least one day away from work.

The 2018 survey questionnaire underwent significant revision to incorporate a range of contemporary survey scales of workers which are undertaken internationally and across Australia.

The SWA 2018 RTW survey included several measures of self-reported return to work including the:

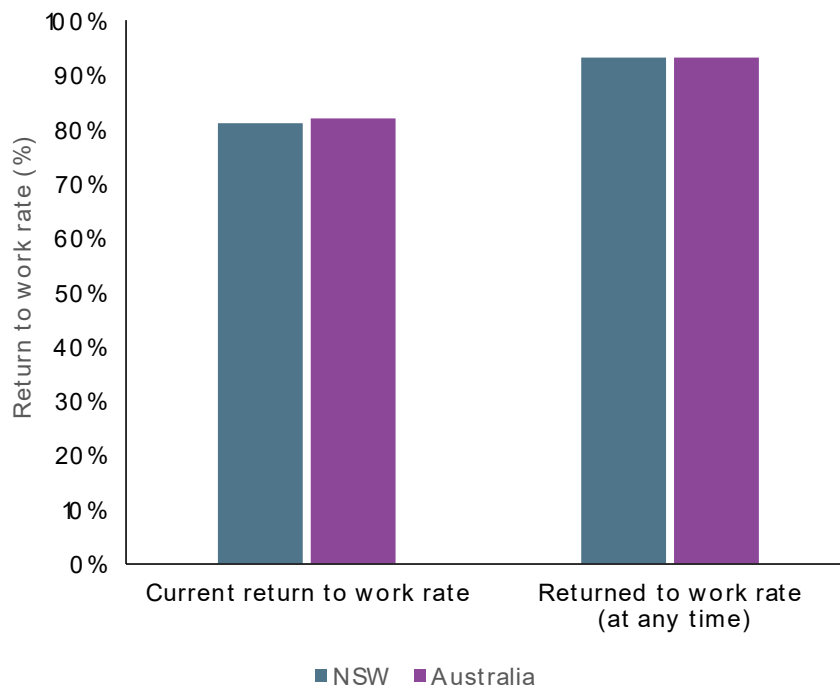
- current return to work rate of those who reported returning to work at any time since their work-related injury or illness and worked in a paid job at the time of the interview
- returned to work rate of those who reported returning to work at any time since their work-related injury or illness.

Figure 10 benchmarks the Australian SWA 2018 RTW survey results with those of NSW for the current return to work rate (*Are you currently in a paid job?*) and the return to work rate (*Have you returned to work at any time since your work-related injury or illness?*).

The response rates between the NSW and Australian cohorts were similar: 81 per cent of NSW respondents and 82 per cent of the Australian cohort reported they were currently in a paid job.

When asked in the SWA 2018 return to work survey, *'Have you returned to work at any time since your work-related injury or illness?'*, 93 per cent of both the NSW respondents and the Australian respondents reported they had returned to work.

**Figure 10** NSW self-reported RTW rates compared with national benchmark



Q *'Are you currently in a paid job?'* and *'Have you returned to work at any time since your work-related injury or illness?'*

Source: SWA 2018 RTW survey (sample size of total cohort: NSW=865; Australia=4,602).

## Maintaining significant RTW periods

This section of the report analyses the length of time workers maintained their RTW following their initial return.

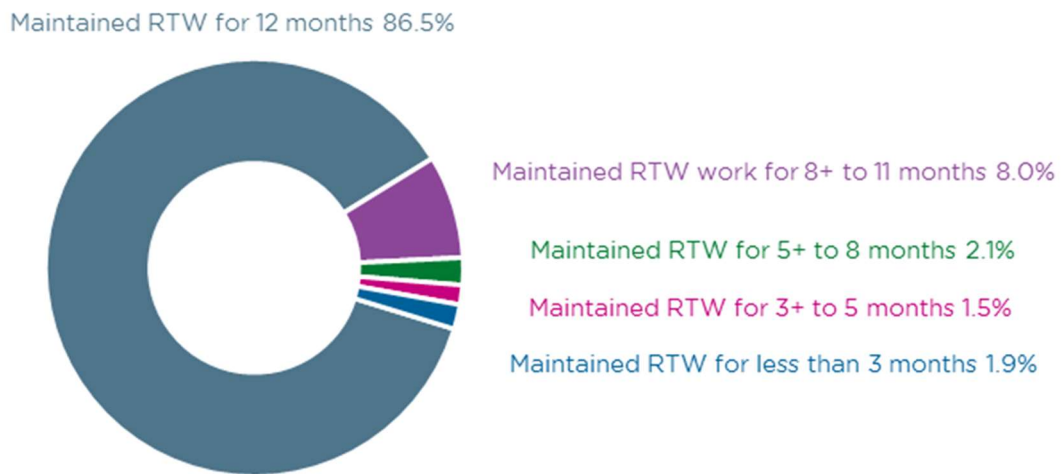
This analysis is based on the development and outcomes of claims over time. This report includes the significant RTW periods workers maintained after claims were made in the 2016/17 period. Next year's report, as an example will include significant RTW periods maintained for 2017/18 claims.

Figure 11 shows that 87 per cent of the cohort of injured workers who reported returning to work for the first time in 2016/17 maintained a RTW status for 12 months. Eight per cent of workers maintained their RTW status for at least nine out of the 12 months.

This measure used the work status code and may be impacted by the NI data quality issues.

This analysis is done retrospectively to accommodate the claims journey of workers and the development of the claims outcomes. This analysis is undertaken for claims entered into an insurers system in 2016/17 which are then examined and reported in 2017/18.

**Figure 11**      **Maintaining significant RTW periods**



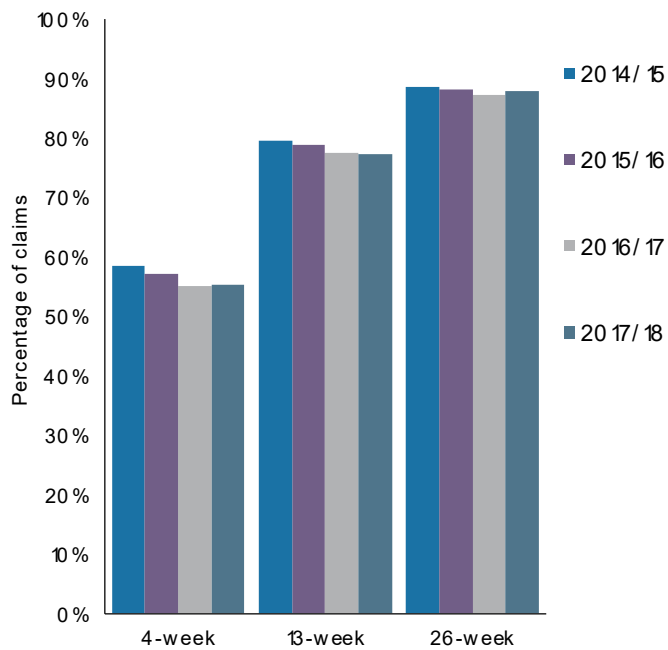
## Weekly benefits cessation analysis

This analysis shows RTW rates based on the proportion of workers who cease weekly benefits at a point in time (four, 13 and 26 weeks). This was the primary RTW measure in the *Workers compensation system performance report 2014/15*, but it does not differentiate between workers who have ceased benefits for reasons other than returning to work.

Using this analysis, RTW rates in 2017/18 decreased at four weeks and 13 weeks from 2014/15. Between 2015/16 and 2017/18, the average four-week RTW rate was 56 per cent, the average 13-week RTW rate was 78 per cent and the average 26-week RTW rate was 88 per cent.



**Figure 12 Cessation of weekly benefits**



**Figure 13 Cessation of weekly benefits by insurer segment**

	2015/16			2016/17			2017/18		
	4 weeks	13 weeks	26 weeks	4 weeks	13 weeks	26 weeks	4 weeks	13 weeks	26 weeks
Nominal insurer	57.1%	79.4%	88.5%	55.3%	77.7%	87.4%	54.0%	76.6%	87.1%
Self-insurers	51.5%	75.2%	86.6%	48.9%	74.2%	86.8%	55.9%	78.1%	89.1%
Specialised insurers	61.1%	82.5%	90.7%	61.9%	83.2%	92.1%	63.9%	84.6%	92.3%
Government self-insurers (TMF)	57.7%	77.3%	86.6%	54.6%	75.2%	85.1%	55.0%	76.7%	87.9%
NSW System	57%	78.9%	88.2%	55.1%	77.3%	87.2%	55.1%	77.2%	87.7%

## RTW drivers

To supplement the quantitative analysis based on claims data, SIRA also undertook a detailed analysis of the NSW data in *SWA 2018 RTW survey*. The focus of this was to investigate the impact of various components of the workers compensation system and how it influences and/or correlates with RTW rates.

The following five influencers of RTW are the:

- relationship between workplace injury or illness, the workers' health and RTW
- relationship between employer support and RTW
- relationship between having a RTW plan and RTW
- relationship between modified duties on RTW rates
- relationship between being at work and the workers' health.

### Relationship between workplace injury or illness, health and RTW rates

Respondents were asked a series of questions in the SWA 2018 RTW survey regarding their health status including questions about their general health, comorbidity (additional conditions co-occurring with a primary condition) and the intensity and duration of the pain they experienced. Of the NSW workers who felt able to rate their level of health at the time of the survey, 67 per cent reported good to excellent health. While this was a slightly lower result than the reported levels for the Australian cohort of 70 per cent, there was no statistically significant difference between the results across Australian jurisdictions.

**Figure 14** Self-reported health ratings



Source: SWA 2018 RTW survey (sample size Australia = 4,565, NSW = 858).

### Self-reported general health by current work status

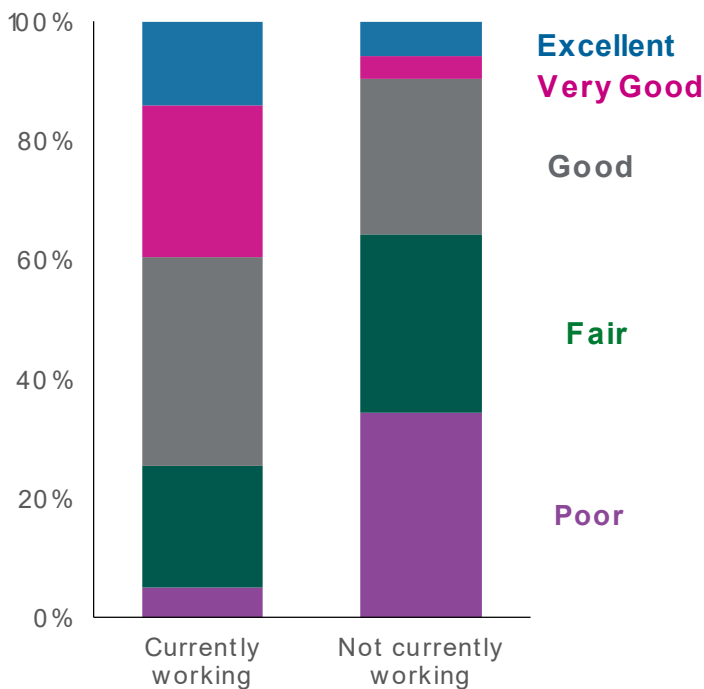
Figure 15 shows NSW respondents' self-reported general health rating compared with their work status at the time of the survey.

It indicates that workers who had returned to a workplace rated their general health significantly higher than those who were not working at the time.

This analysis suggests a strong relationship between a worker's perceptions of their general health and their return to work outcomes.

This finding is consistent with the results from the SWA 2016 RTW survey.

**Figure 15** NSW Self-reported general health by current work status



Source: SWA 2018 RTW survey (sample size working = 700, not working = 157).

### Impact of employer support on RTW rates

Workers were asked about their employer's support and treatment of them following a work-related injury. Respondents were asked to agree or disagree with the following statements:

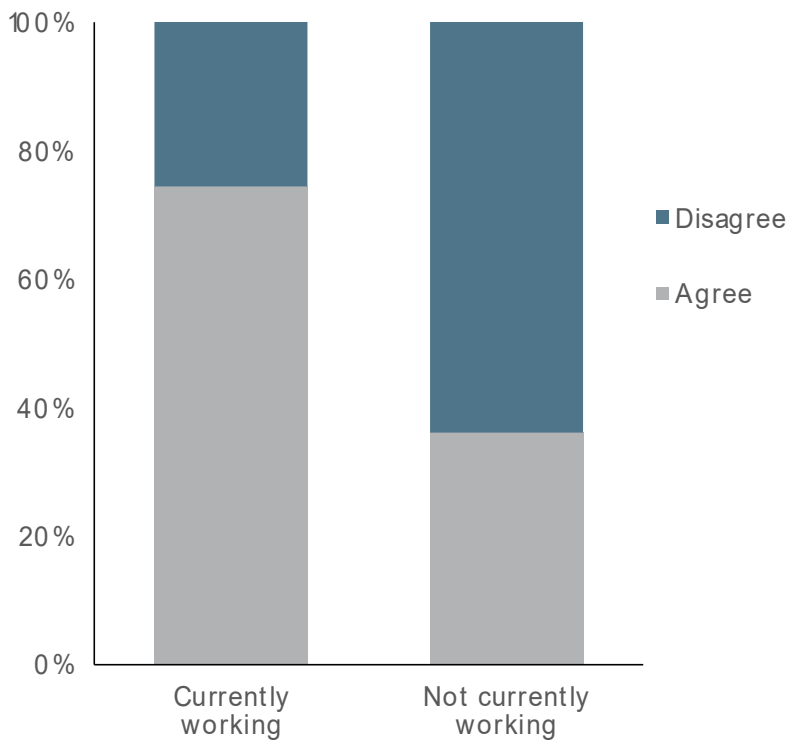
- Your employer did what they could to support you.
- Your employer provided enough information on your rights and responsibilities.
- Your employer made an effort to find suitable employment for you.
- Your employer helped you with your recovery.
- Your employer treated you fairly during the claims process.
- Your employer treated you fairly after the claims process.

Overall 68 per cent of NSW workers surveyed felt supported by their employer. For NSW workers with a psychological injury, agreement was significantly lower and only 22 per cent reported that they felt supported by their employer.

Twice as many workers who were at work at the time of the survey agreed that they felt supported by their employer than workers who were not working, suggesting a strong relationship between employer support

and a worker's return to work outcomes. This finding was consistent with results from the SWA 2016 RTW survey.

**Figure 16**      **Impact of employer support on RTW by work status**

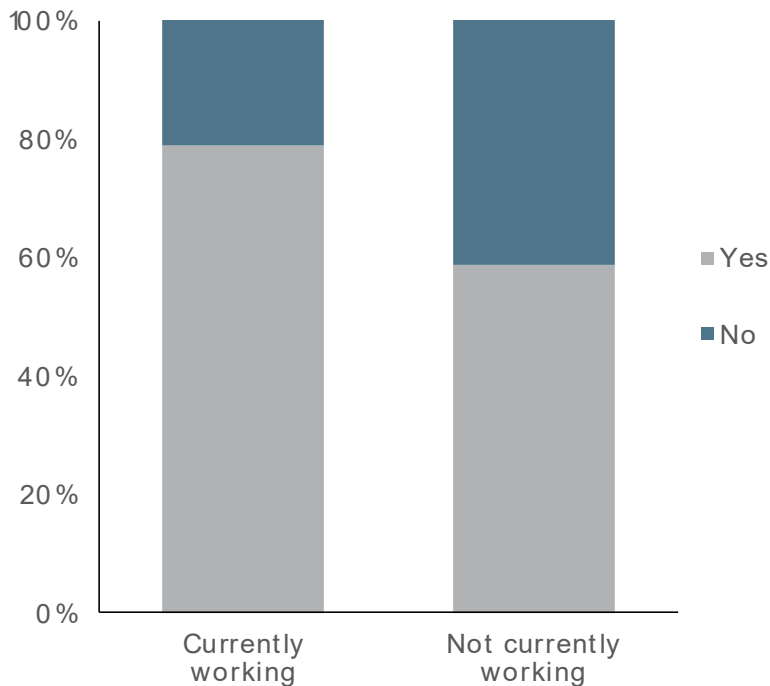


Source: SWA 2018 RTW survey (sample size currently working = 691, not currently working = 152).

### **Impact of a having a return to work plan on RTW rates**

Seventy-five per cent of NSW workers who had returned to work recalled having some form of RTW plan. This finding is consistent with the previous survey results from the SWA 2016 biennial RTW survey.

**Figure 17**      **Impact of a return to work plan by current work status**



Source: SWA 2018 RTW survey (sample size currently working = 680; not currently working = 150).

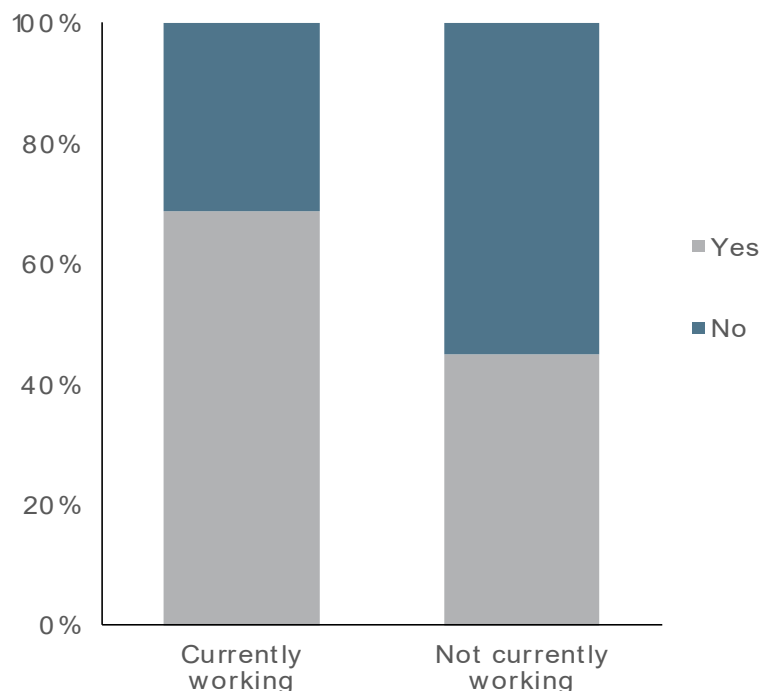
### **Impact of modified duties on RTW rates**

Approximately 65 per cent of NSW workers who reported they had returned to work at any time since their injury or illness, responded that they were offered modified hours or duties.

Further analysis revealed that only 32 per cent of workers with a psychological injury reported that they were offered modified hours or duties.

This suggests a relationship between RTW rates and workers being provided with modified hours or duties and that there are benefits to both workers and employers in having workers back at work albeit with a change in the nature of their workplace participation.

**Figure 18**      **Impact of modified duties on return to work by current work status**



Source: SWA 2018 RTW survey (sample size working = 651; not working = 142).

### **The relationship between being at work, experience and health**

Analysis of survey responses from NSW workers identified a number of significant differences between workers who were working at the time of the survey and those who were not. Some of these key findings are below.

NSW workers surveyed, who were working at the time of the survey were:

- six times less likely to report being in poor health
- far less likely to report mental distress (six per cent for those working compared to 37 per cent of respondents not working)
- less likely to need support to navigate the workers compensation system
- less likely to report persistent pain
- less likely to report financial distress, irrespective of injury type
- more likely to agree that they had been treated justly
- more likely to feel supported by their employer
- more likely to rate a higher ability to work.

These findings suggest there are relationships between a worker's experience with the workers compensation system, their RTW and their health outcomes.

## Customer and community attitudes to RTW

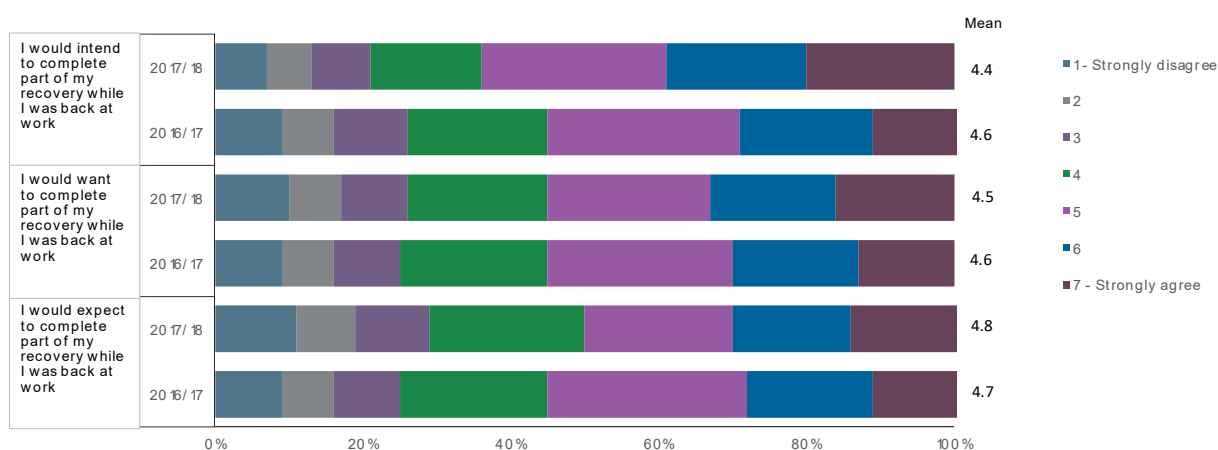
In 2017 and 2018, SIRA engaged an independent research organisation to conduct online surveys with the objective of identifying customer attitudes to the workers compensation system and recovering at and returning to work.

In 2017 the sample comprised 1,500 NSW employers and their representatives, workers and community members. When it was completed in 2018 the sample was smaller (1,102), however it was designed to be a comparable sample to the baseline sample of 2017.

Compared with 2017, the overall agreement towards expecting and wanting to return to work before full recovery was relatively similar. Intending to return to work to complete their recovery in 2018 has seen some minor decline. Across the customer segments, employers' expectation of employees returning to work while still recovering has slightly declined in 2018. A significant proportion of employers indicated they disagreed (1-3 out of 7) with the expectation (28 per cent compared to 34 per cent rating 1-3 score out of 7, 2017 and 2018 respectively).

Overall the results for both 2016/17 and 2017/18 suggested customers had uncertainties about completing part of their recovery at work.

**Figure 19** Customer attitudes (by percentage) to recovery at and returning to work



Source: SIRA 2017, 2018 RTW Theory of Planned Behaviour n = 1,500 (2016/17), n = 1,102 (2017/18)

## Management of reported claims

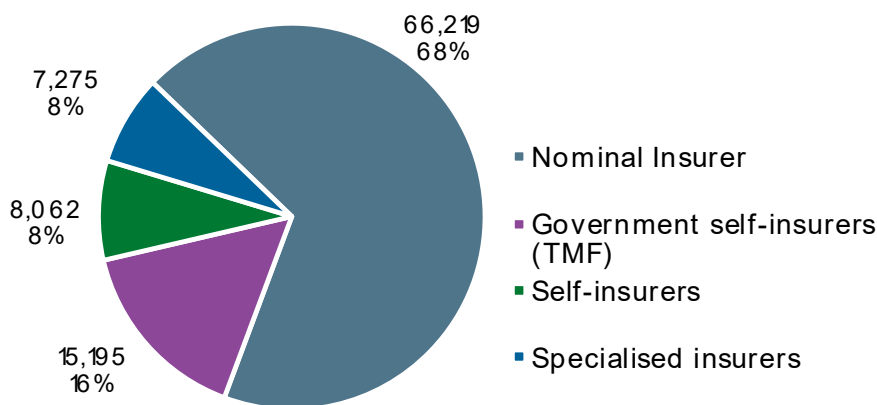
Another key effectiveness focus for system performance is the effective injury prevention and claims management.

### Insurer segments claim volumes

SIRA receives details of all workers compensation claims reported in NSW. There were 96,751 claims reported by 30 June 2018 for the 2017/18 year. Figure 20 shows the percentage of claims managed by each insurer segment in 2017/18.

The distribution of claims across the insurer segments was similar between 2016/17 and 2017/18.

**Figure 20** Number and proportion of claims by insurer segment



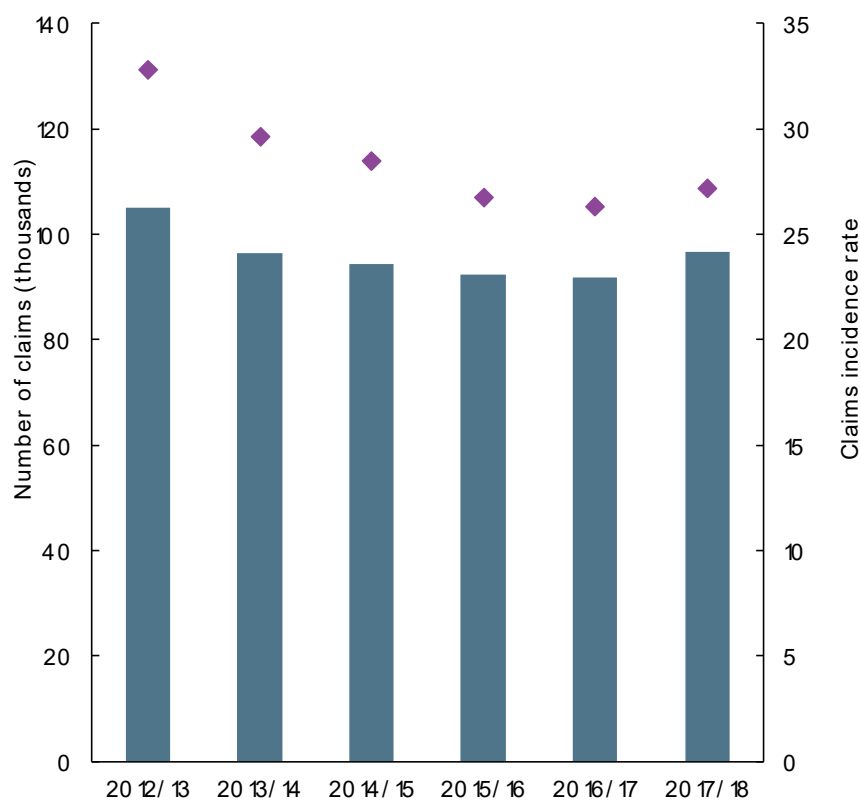
## Reported claims and incidence rates

There were 96,751 claims reported by 30 June 2018 and the claims incidence rate was 27.2 (as measured by the number of claims per 1,000 workers as projected by ABS).

The number of claims and the claims incidence rates in 2017/18 increased from last year. Claims numbers are comparatively stable with an increase of six per cent and the claims incidence rate increased by three per cent.

While more claims were reported in 2017/18 than each of the previous four years, the claims incidence rate for 2017/18 was lower than in 2013/14 (96,456) and 2014/15 (94,250). The variation in claims incidence rate was caused by both the movement in reportable claims and the number of employees.

**Figure 21** Number of reported claims and claims incidence rates



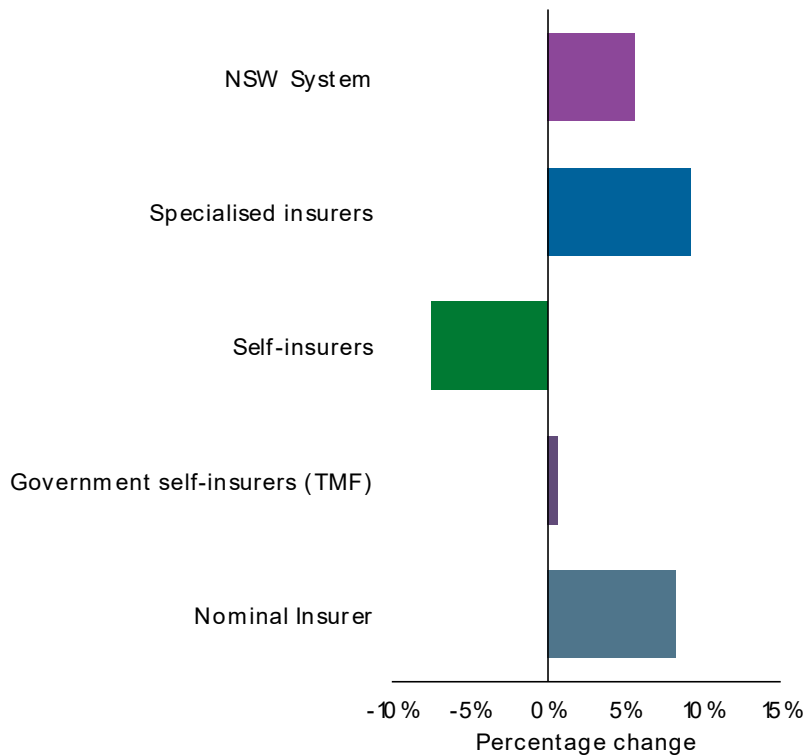
## Changes in reported claims by insurer segment

Across the insurer segments, the change in the number of claims reported varied significantly compared with 2016/17. There was a six per cent increase in the number of claims reported across the system.



Specialised insurers reported the highest number of claim increases (nine per cent) over the 2016/17 year followed by Nominal Insurer (eight per cent). Government self-insurers (TMF) reported limited increases in claims numbers of one per cent, while self-insurers reported an eight per cent decrease.

**Figure 22** Change in number of claims reported by insurer segment



## Reported psychological claims

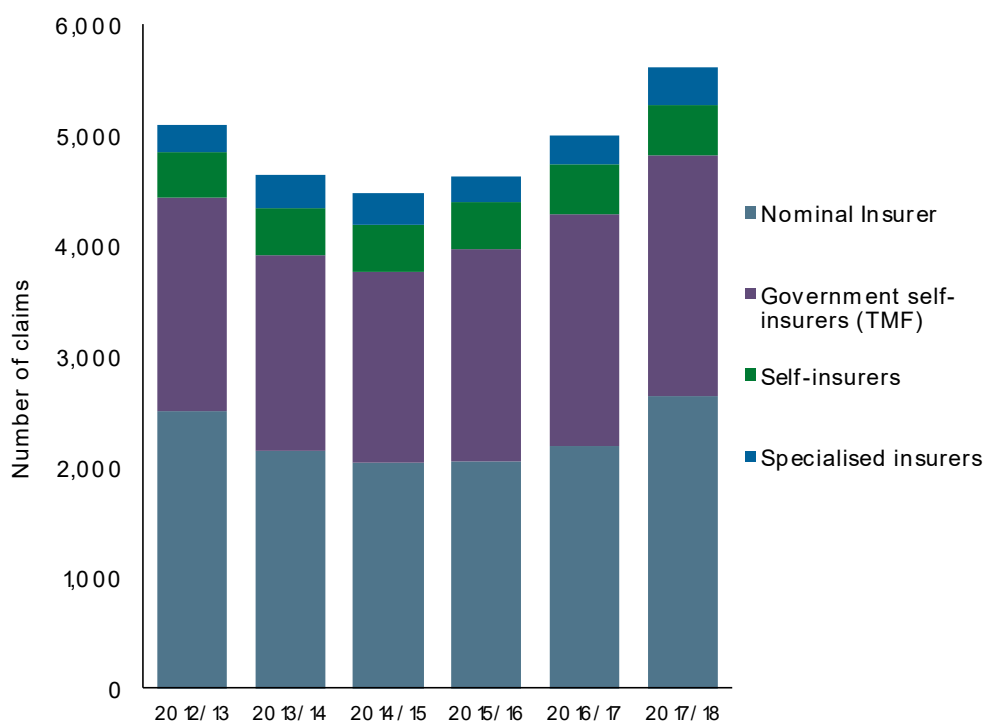
In this report, psychological injury claims reported to SIRA are claims where the primary injury is psychological. For example, these conditions may include post-traumatic stress disorder, anxiety disorder, clinical depression, short-term shock from exposure to disturbing circumstances, reaction to stressors or other mental diseases. In this section all diseases that are not mental diseases, are categorised as physical injuries.

Figure 23 shows that the trend for psychological injury decreased from 2012/13 to 2014/15 by 12 per cent (310 claims per year on average) and then increased from 2015/16. The highest increase of 12 percent was reported from 2016/17 to 2017/18.

SIRA has dedicated resources to look strategically at the prevention and management of psychological injury. We collaborate with key stakeholders to focus on improving recovery, management and return to work and are reviewing other jurisdictions compensation systems and initiatives to ensure a cohesive and best practice approach.

We are also collaborating with key government agencies including icare, and SafeWork NSW to deliver the NSW Mentally Healthy Workplaces Strategy. The strategy is a \$55 million investment by the NSW Government that includes prevention and recovery programs. SIRA is actively involved in assisting to develop the recovery at work aspects of the strategy, as a project within our wider approach to the psychological injury strategy.

**Figure 23** Number of psychological injury claims reported



## Workers compensation fatalities

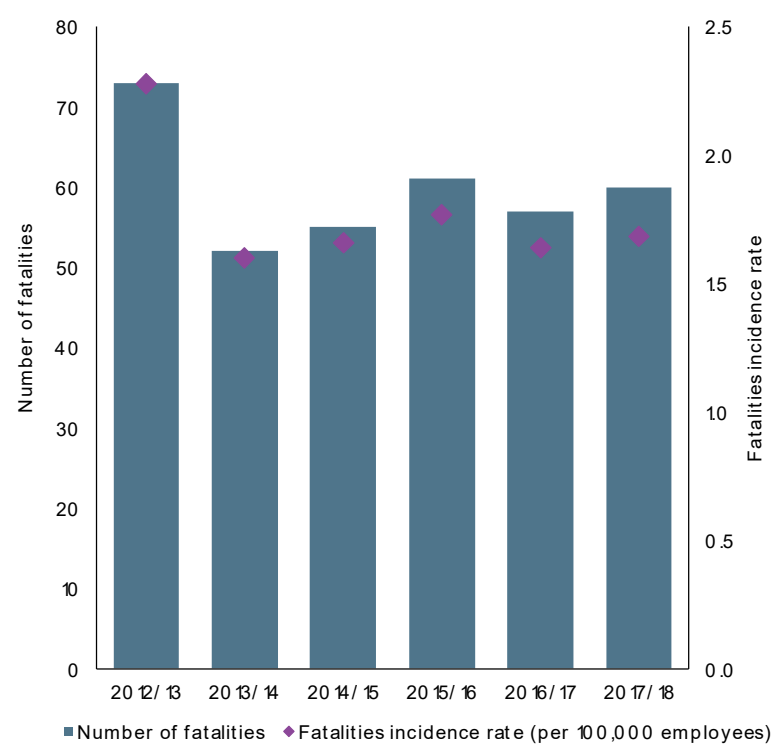
Workers compensation fatalities are employment related injuries and diseases resulting in the death of a worker. This category includes workers who died at work and workers who subsequently died of injuries or diseases received at work.

In 2017/18, there were 60 reported fatalities and the six-year fatalities average to 2017/18 is 60.

The reported fatalities includes claims where a determination of liability had not yet been made. These include claims where the incident report referred to heart conditions and motor vehicle accidents that may not be covered by Workers Compensation. The reported numbers may change based on a final determination of liability.

The transport, postal and warehousing industry recorded the highest number of fatalities in 2017/18 and the largest increase in fatalities from seven in 2016/17 to 14 in 2017/18. The construction industry recorded 13 fatalities in 2017/18, an increase from seven in 2016/17. The manufacturing industry recorded 10 fatalities in 2017/18, an increase from six in 2016/17. The wholesale trade industry recorded the largest reduction in fatalities from eight in 2016/17 to three in 2017/18. While agriculture, forestry and fishing remained one of the top five industries in terms of the number of reported fatalities in 2017/18, this industry had five fewer reported fatalities in 2017/18 than in 2016/17. Vehicle accidents were the most common cause of fatalities in 2017/18.

**Figure 24**      **Workers compensation claims arising from fatalities and fatalities incidence rate**



# System performance: Efficiency

Efficient system management is important to ensure:

- an appropriate proportion of system funds are available to be paid directly to workers and on their behalf to contribute to their recovery
- insurers operate as efficiently as possible, evidenced through reasonable operating costs.

## Percentage of system expenditure going to benefit workers

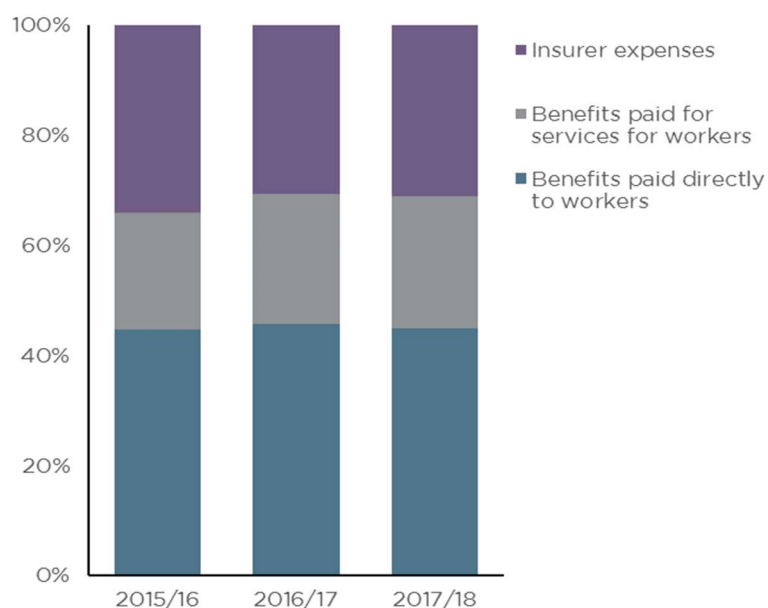
A key efficiency measure is that expenses and operating costs are low and that the benefits or payments going to workers and the payments made to contribute towards their recovery are high, relative to total expenditure.

In this metric the total expenditure has been divided into the following three categories:

- benefits paid directly to workers (for example, weekly payments, common law and s66, death benefits, commutations and miscellaneous payments)
- benefits paid for services for workers recovery and RTW (for example, medical costs and allied health services)
- insurer expenses (such as administration and operating expenses, regulatory costs, investigations and insurers' legal fees).

Of the total expenditure across the system, 69 per cent went directly to benefit workers either in weekly payments or to contribute to their recovery (for example, to cover medical costs). This is a slight variation on both the 2016/17 results of 70 per cent and an increase in benefits to workers from the 2015/16 result of 66 per cent.

**Figure 25** Benefits to and for workers as a percentage of expenditure for the system



## Percentage of system expenditure going to benefit workers by insurer types

The following table shows the expenditure on benefits to and for workers by insurer types in millions of dollars. In the 2017/18 period, insurer expenses decreased by \$10.7M to \$1,162.1M, down 1 per cent on the \$1,172.8M reported in 2016/17.

The decrease in 2017/18 in insurer expenses was driven largely by a \$22.4M reduction in Government self-insurers (TMF) insurer expenses, while self-insurers also reported a \$1M decrease. The NI and Specialised insurers both had increases in insurer expenses in 2017/18 of \$8.6M and \$4M respectively.

**Figure 26 Expenditure going to benefit workers by insurer types**

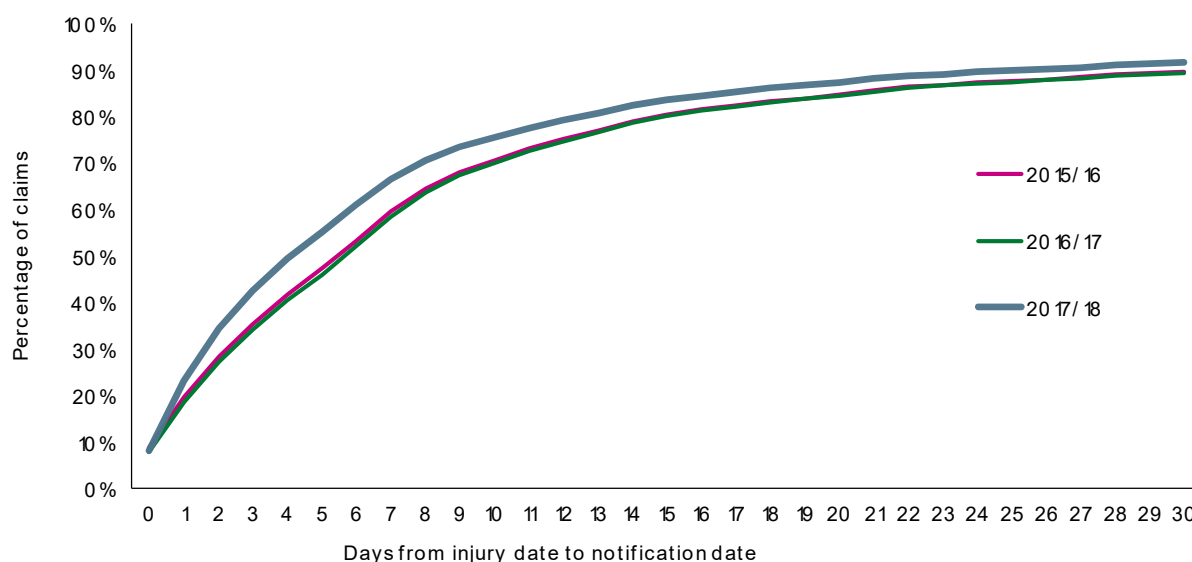
\$ M	2015/16			2016/17			2017/18		
	Benefits paid directly to workers	Benefits paid for services for workers	Insurer expenses	Benefits paid directly to workers	Benefits paid for services for workers	Insurer expenses	Benefits paid directly to workers	Benefits paid for services for workers	Insurer expenses
Nominal insurer	1,155.9	585.1	1,080.7	1,161.2	675.5	938.7	1,105.2	660.8	947.3
Self-insurers	106.9	63.7	25	113.7	69.8	24.1	109.2	59.7	23.1
Specialised insurers	41.6	28.8	64	39.7	29.2	64.2	43.4	31.6	68.2
Government self-insurers (TMF)	395	128	147.6	432.9	134.6	145.9	414.7	143.6	123.5
System	1,699.4	805.6	1,317.3	1,747.6	909.1	1,172.8	1,672.6	895.6	1,162.1

## Timeliness of reporting injuries to insurers, excluding occupational diseases

The workers compensation legislation and guidelines outline the processes and timeframes workers, employers and insurers should follow. The initial action requires a worker to notify their employer as soon as possible after the injury happens (unless special circumstances apply). When an employer becomes aware of a work-related injury, they must notify the insurer within 48 hours. Compliance with these requirements is a core component of SIRA's compliance and enforcement program. Applying these timeframes enables the worker to access entitlements including medical supports and weekly payments and promotes optimum outcomes of return to health and RTW for the worker.

The following measure identifies the proportion of work related injuries that were reported by the employer / worker (or worker's representative) to the insurer within the required timeframes. This is calculated from the date of injury to the date of notification to the insurer and excludes occupational diseases. Figure 27 shows there was a slight improvement in the timeliness of reporting injuries to the insurer in 2017/18 compared to previous years.

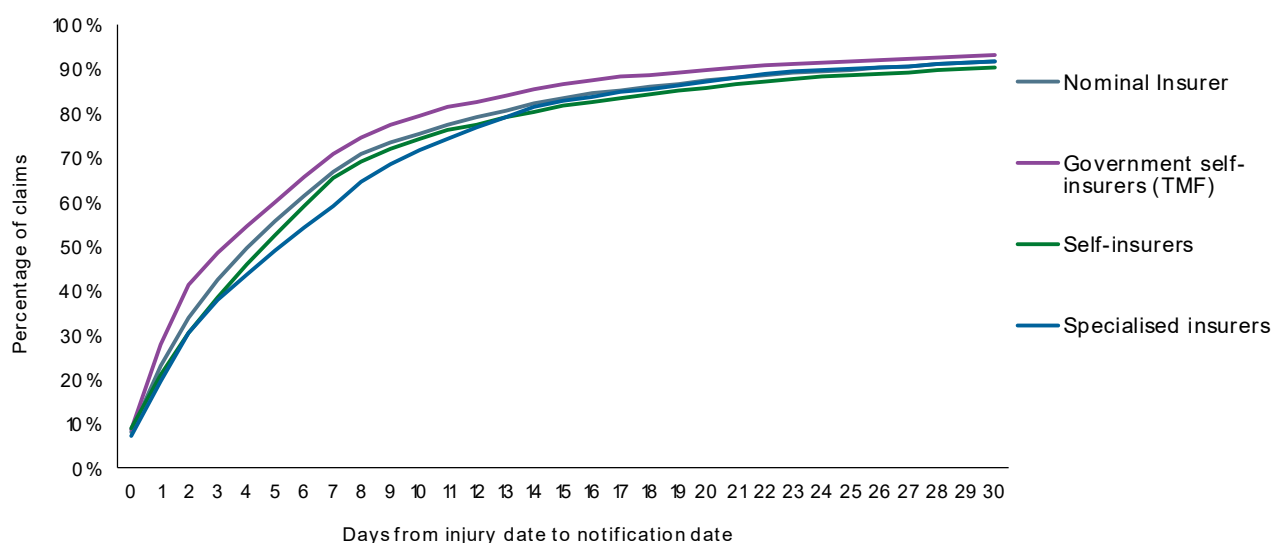
**Figure 27 Timeliness of reporting injuries to insurers**



## Timeliness of reporting injuries to insurers by insurer segment

Government self-insurers (TMF) claims were generally notified in a timely manner, while specialised insurers experienced the least timely reporting of claims in 2017/18. The median delay for claims managed by government self-insurers (TMF) was five days. For all other insurer segments, the median delay was six days.

**Figure 28** Timeliness of reporting injuries to insurers by insurer segment



## Timeliness of claim liability decisions

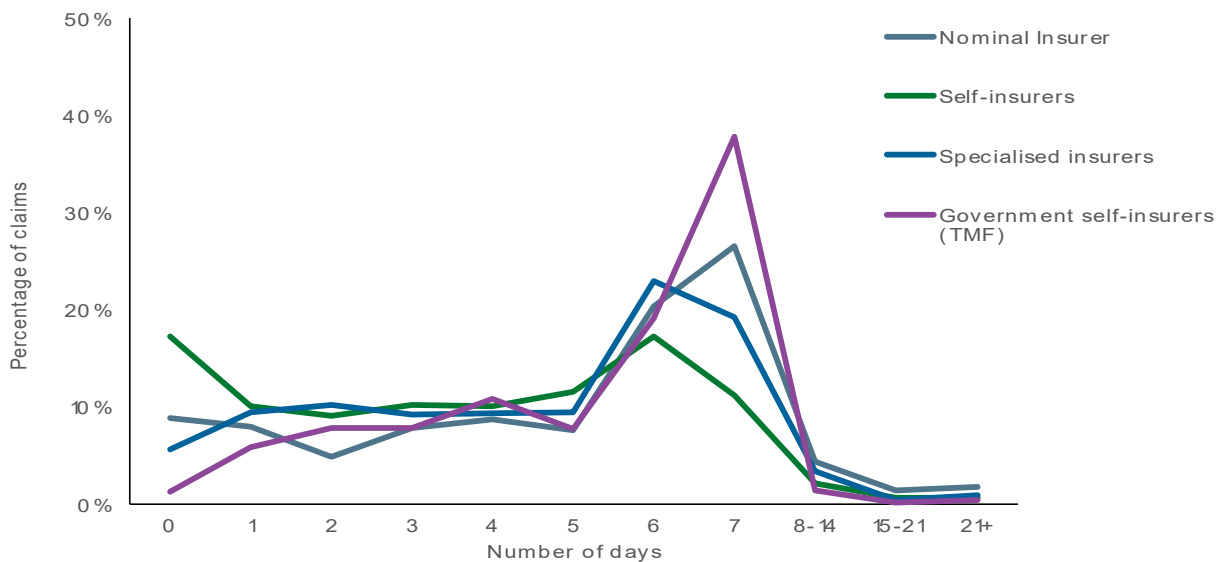
Once the insurer has been notified of a work-related injury, the timeliness of insurers' decision making is a key legislative component of the system and an important factor influencing and supporting positive outcomes for workers.

Figure 29 shows the proportion of injury notifications which had a decision (including provisional liability, reasonable excuse, liability accepted or disputed) made within seven days as per the *Workplace Injury Management and Workers Compensation Act 1998* (1998 Act).

There was a slight improvement in the timeliness of these decisions in the four years to 2017/18. In 2017/18, 96 per cent of decisions were made within the legislated seven-day period which is a one per cent improvement on 2016/17. This has been a priority focus area of SIRA's insurer supervision program.

SIRA actively monitors and supervises the activities of insurers in relation to actioning notifications within legislated timeframes. SIRA has undertaken regulatory activities with insurers in 2017/18 to improve performance and ensure workers receive information and benefits within defined periods.

**Figure 29 Timeliness of insurer's decisions**



## Insurer performance

SIRA further refined its Insurer Supervision Model in 2017/2018. The ongoing implementation of this model has enabled SIRA to:

- gather evidence and information through a number of inputs
- assess risk through an understanding of the legislation, regulation and community expectations
- engage interventions proportional to risk and
- drive better outcomes for workers and employers.

One of the issues currently impacting regulation and understanding the performance of the system is the insurers providing quality data submissions to the regulator and correcting data issues in a timely manner. SIRA is committed to providing transparent information to monitor the performance of the system. This monitoring includes reports such as this annual review and the monthly SIRA dashboards.

In 2017/2018 SIRA placed an increased focus on improving the completeness, quality and timeliness of data submitted by insurers. Regulatory activities including improvement plans, assessment of low tier performance levels for insurers and data audits have formed part of SIRA's regulatory approach to improve the quality and completeness of the data. SIRA will be undertaking additional regulatory action including the recently announced Compliance and Performance Review of the NI.

# System performance: Viability

SIRA has a legislative responsibility to collect and analyse insurers' prudential information to encourage sound prudential practices and evaluate the effectiveness of those practices.

We supervise insurers to ensure that appropriate standards are met, assets and funds are maintained to meet outstanding liabilities, and information on payment trends is provided in a timely manner.

## Adequacy of insurers' funds to meet future liabilities

The adequacy of funds to meet future liabilities is a key indicator of the viability of the system. Insurer's licences are subject to ongoing supervision to ensure risks are managed and prudential requirements are met.

Under sections 182 and 213-215B of the *Workers Compensation Act 1987*, SIRA administers security deposits and bank guarantees lodged by self-insurers and specialised insurers.

At the end of June 2018, SIRA held deposits and bank guarantees to the value of \$1,298 million for the payment of all accrued, continuing, future and contingent claims liabilities of self-insurers and specialised insurers.

Money deposited with SIRA for this purpose is invested in term deposits with Australian-owned banks or authorised securities. The interest on such investments is paid to each self-insurer and specialised insurer.

The TMF is subject to the Net Asset Holding Level Policy where the funding ratio of the entire TMF (including workers compensation and non-workers compensation schemes) is maintained between 105 per cent and 115 per cent. Any variance as at 31 December each year may result in transfers to or from NSW Treasury to ensure the funding ratio is maintained.

**Figure 30 Adequacy of insurer segments funds by category**

Insurer category	Number of current insurers	Adequacy of insurers' funds (as at June 2018)
Nominal Insurer	Nominal Insurer	As at 30 June 2018, the actual funding ratio was 115% at 80% probability of adequacy (PoA). This compares to the NI's current Target Operating Zone being between 110% and 130% as outlined in their Capital Management Policy.
Government self-insurers (Treasury Managed Fund)	TMF	The funding ratio for TMF as well as other funds managed by SiCorp is maintained between 105% and 115% in aggregate. Any variance below or above these amounts as at 31 December each year may result in transfers from or to NSW Treasury to ensure the funding ratio is within this range. The Net Asset Level Holding Policy details the SiCorp funds that are included in the determination of the funding ratio.



Insurer category	Number of current insurers	Adequacy of insurers' funds (as at June 2018)
Specialised insurers (APRA regulated)	4 (Catholic Church Insurances Limited, Guild, StateCover, Hospitality Employers Mutual Limited)	All APRA-regulated specialised insurers maintained their authority under section 12 of the <i>Insurance Act 1973</i> of the Commonwealth, to carry on insurance business in Australia.  SIRA holds a total of \$284.8 million security
Specialised insurers	2 (Coal Mines insurance limited and Racing NSW)	SIRA holds \$42.3 million security from Racing NSW
Self-insurers	58	SIRA holds a total of \$970.8 million security from current and former self-insurers
Insurers' Guarantee Fund	6 insolvent insurers	Funding ratio of 204 per cent of assets over liabilities calculated with no prudential margin.

It should be noted that the NI's funding position is impacted by any difference between the actuarially determined breakeven premium rate and the actual premium collection rate. Subject to investment returns actually earned, if the premium collection rate is greater than the breakeven premium rate then the funding ratio will increase, and if the premium collection rate is less than the breakeven premium rate then the funding ratio will decrease.

To improve transparency of the adequacy of insurer funds to meet future liabilities, SIRA intends to publish, in future reports, the breakeven premium rate and the actual premium collection rate for the scheme as a whole.

## Stability of claim costs

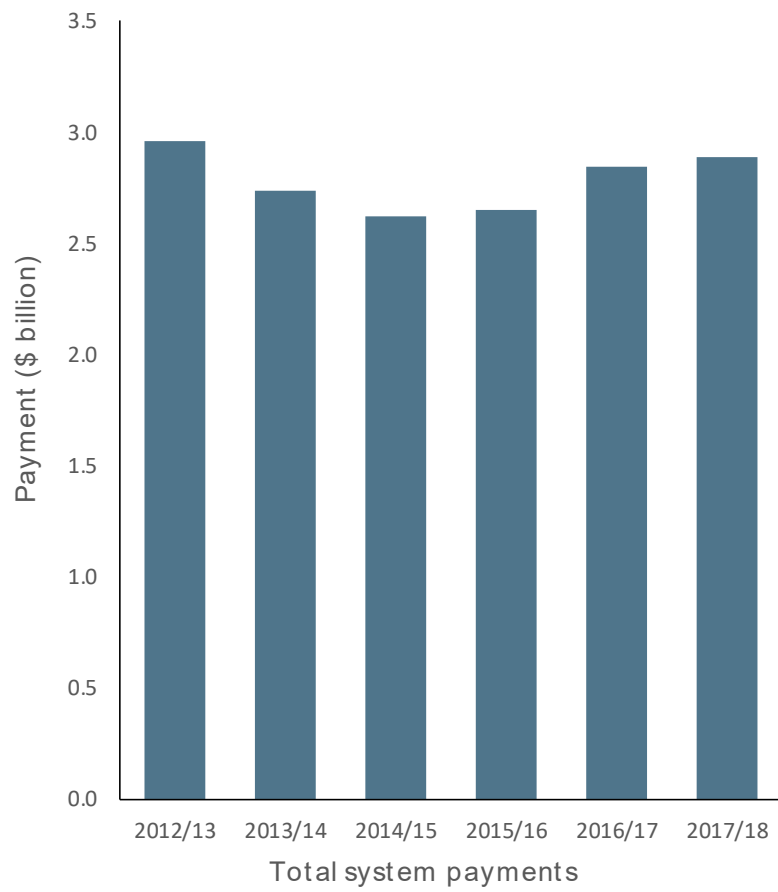
The stability and/or predictability of claims costs are important signals of system stability and viability.

In 2017/18, total payments against claims totalled \$2.9 billion. There were some significant increases in the claims costs of previous years resulting from increases in total medical payments, weekly payments and section 66 and 67 payments. Medical payments increased by \$64 million, representing a nine per cent change compared to the previous year.

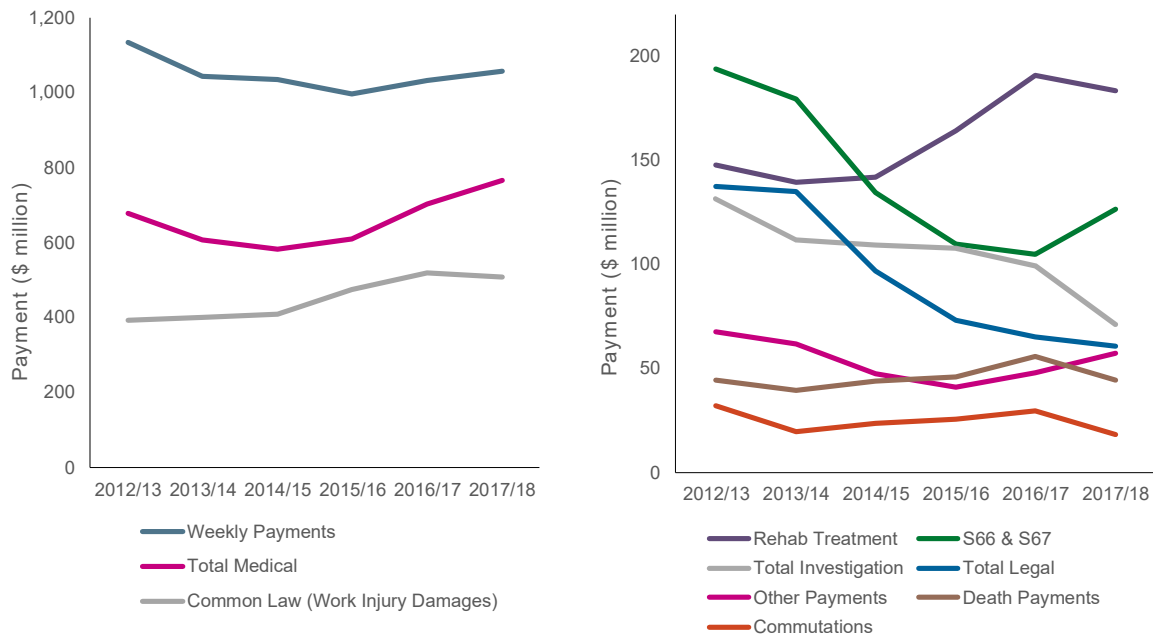
The following graphs analyse the changes in payments and show the:

- breakdown of total payments
- distribution of payments by payment types and
- percentage change in payments since last year.

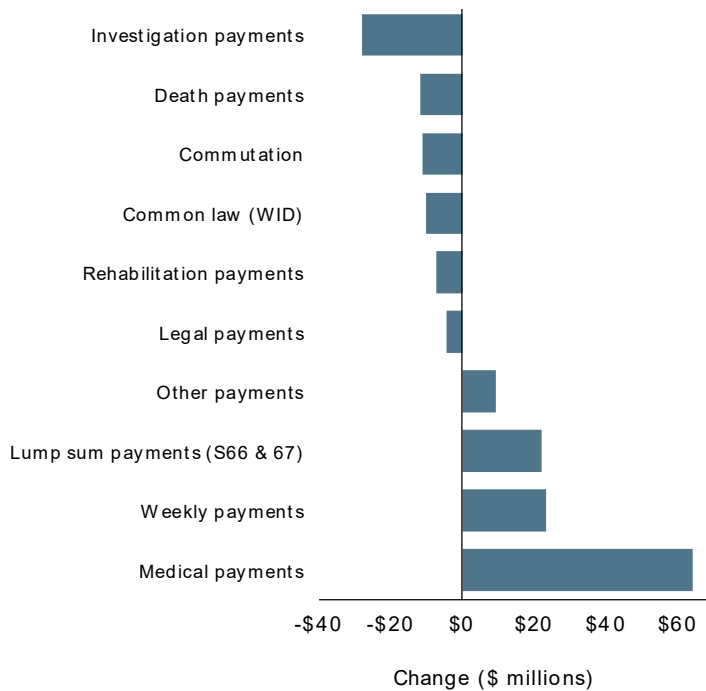
**Figure 31**      **Breakdown of total payments**



**Figure 32 Distribution of payments by payment types**



**Figure 33 Dollar change in payments (millions) by payment type**



## Breakdown of total payments

The trend between 2012/13 to 2017/18 indicates a significant reduction in both investigation costs and legal spend. Since 2014/15, the largest increase in payment type is for medical expenses, largely driven by surgery, private hospital services and anaesthesia. SIRA's regulatory response to this development includes an initial review of the increases in medical expenses and then analysis of appropriate and considered system intervention.

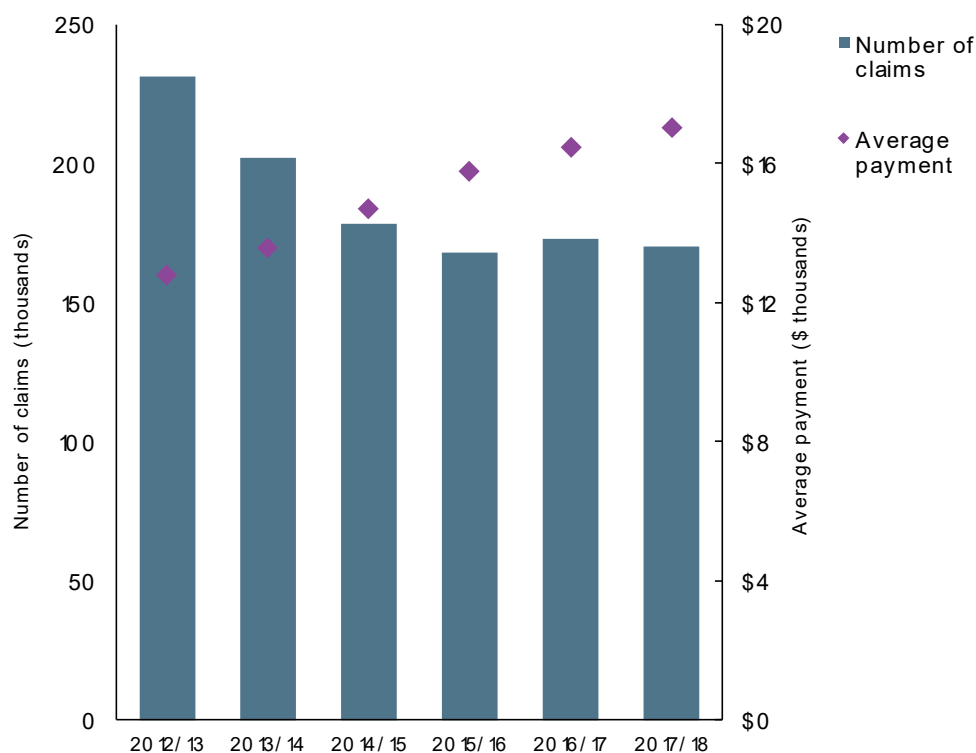
## Average claim payment made for active claims

The stability of claim costs also impacts system viability. This can be measured by the average claim cost of active claims across the system. This metric also enables organisations to benchmark their active claim costs and performance.

Overall the average number of claims has remained relatively stable since 2014/15, however the average claim payment has been steadily increasing year on year since 2012/13. These system trends are outlined in Figure 34 below.

In 2017/18, only the NI had an increase in average active claim payment to \$17,669, which was six per cent more than in 2016/17.

**Figure 34** Average claim payment for active claims



## Number of claims with weekly payments and the average weekly payment

Weekly benefits are one of the most important payment types to support workers and they represent the highest claim cost of the system. The stability of all claim costs particularly the largest payment group is important to system viability.

Figure 35 shows the average weekly benefit payments in 2017/18 and the average number of active claims.

In the six years to 2017/18, there was a decrease in the number of active weekly claims in the NSW workers compensation system. However, the cost of the average weekly payments has been increasing. These trends have occurred across all insurer segments.

The 2012 legislative amendments transitioned injured workers receiving weekly benefits from a statutory rate of \$439.50 to a rate of \$736.72 per week (80 per cent of the transitional amount of \$920.90).

Subsequent indexation has increased the amount payable to \$839.28 per week (80 per cent of the transitional amount of \$1,049.10).

For new claims, payments are made based on a worker's pre-injury average weekly earnings (PIAWE) and are paid at 80-95 per cent of the PIAWE. This has seen a higher level of weekly payments to workers, particularly those who remain off work after 26 weeks where the statutory rate would have previously applied.

The 2015 legislative amendments extended weekly payment periods by 12 months after a worker's retirement. This legislative amendment also allowed certain workers to have weekly payments applied retrospectively. Those amendments also provided a minimum amount payable to workers with highest needs.

In 2017/18 the number of active weekly claims was approximately 76,500, almost 35,000 less than 2012/13. Conversely, average weekly payments increased year on year, in 2017/18 this was approximately \$3,600 higher than in 2012/13. These system trends are outlined in Figure 35 below.

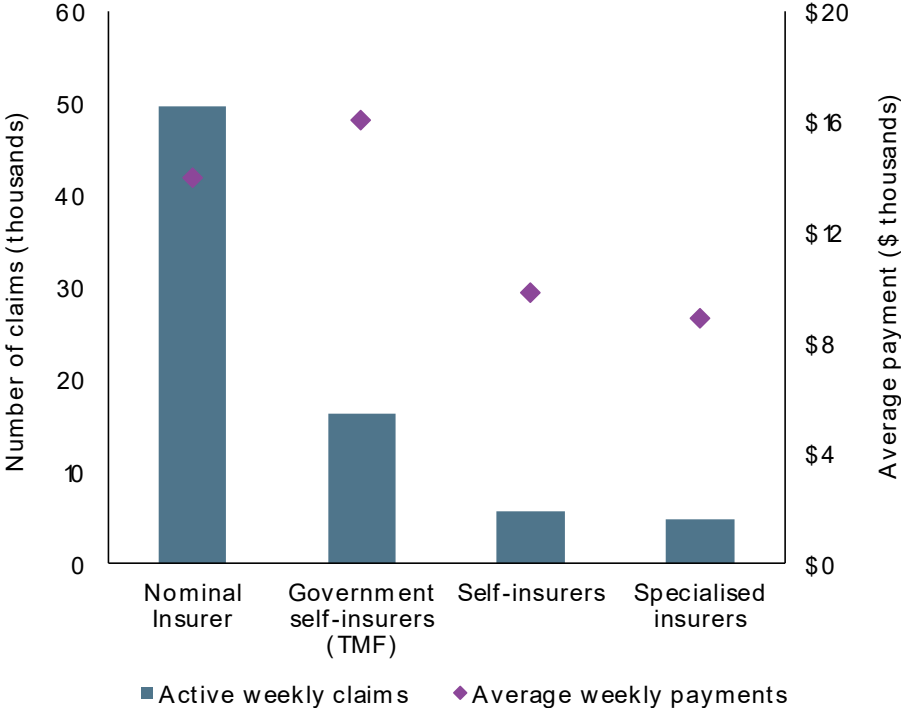
In 2017/18 the NI manage 65 per cent of the systems active weekly claims, government self-insurers (TMF) 21 per cent, self-insurers eight per cent and specialised insurers six per cent.

Government self-insurers (TMF) paid the highest average weekly payments (approximately \$16,000), whilst specialised insurers paid the lowest average weekly payments (approximately \$8,900).

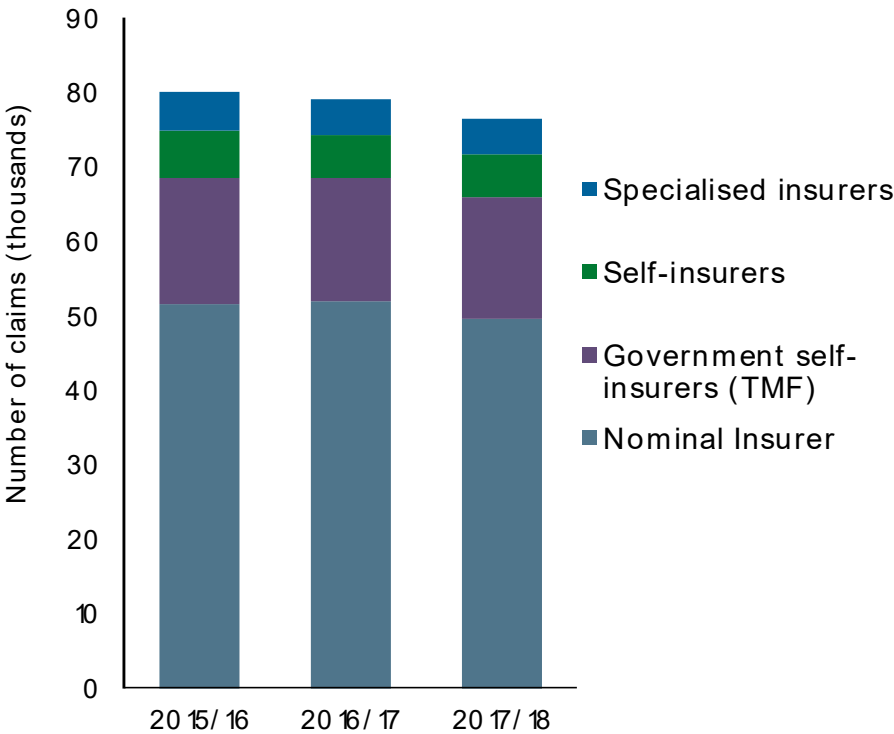
**Figure 35**      **Number of active weekly claims and average weekly payments**



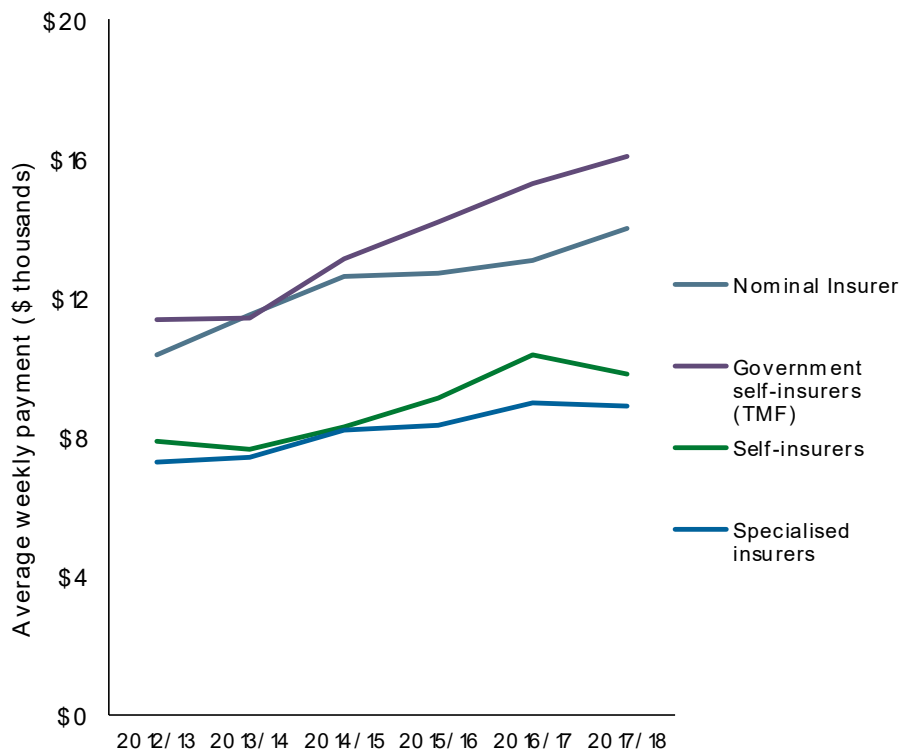
**Figure 36**      **Number of active weekly claims and weekly payments by insurer segment (2017/18)**



**Figure 37**      **Number of active weekly claims by insurer segment (three-year history)**



**Figure 38**      **Average weekly payments by insurer segment (six-year history)**

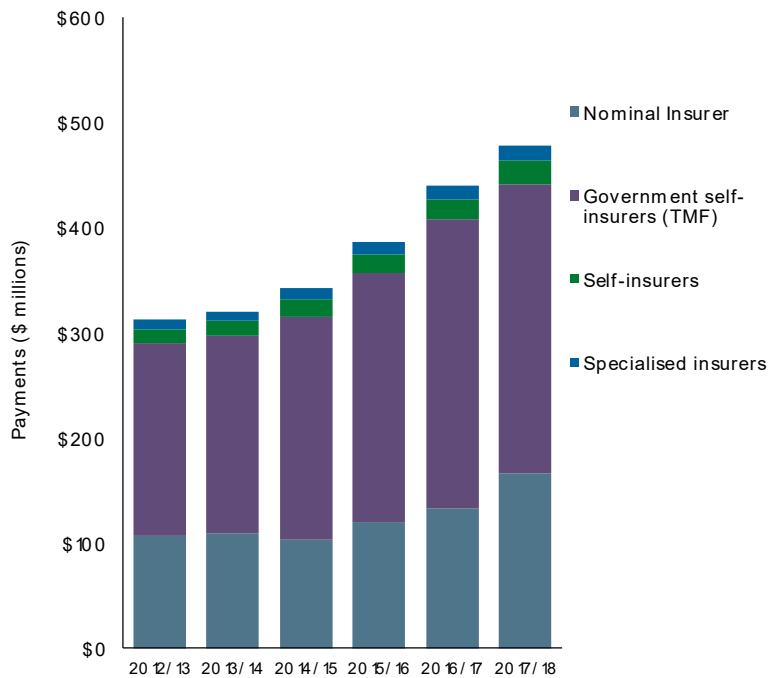


## Stability of claim costs for psychological claims

Stakeholders have reported an interest in the costs associated with psychological claims, hence this aspect of workers compensation system performance is included in this report. Payments for primary psychological injury claims represented approximately 17 per cent of the total claim payments in 2017/18. Total payments for psychological injury claims consistently increased between 2012/13 and 2017/18, from \$313 million in 2012/13 to \$477 million in 2017/18. Between 2012/13 and 2014/15, payments for psychological injury claims increased by nine per cent. Between 2014/15 and 2017/18, payments for psychological injury claims increased by a further 40 per cent.

In 2017/18, the split of payments for psychological injury claims across the insurer segments was: government self-insurers (TMF) 57 per cent; Nominal Insurer 35 per cent; self-insurers five per cent and specialised insurers three per cent. TMF has the highest percentage of psychological injury claims as this insurer segment includes emergency services workers. Emergency services workers include ambulance officers and paramedics; fire and emergency workers and police.

**Figure 39**      **Payments for psychological injury claims**



## Uninsured liability claims

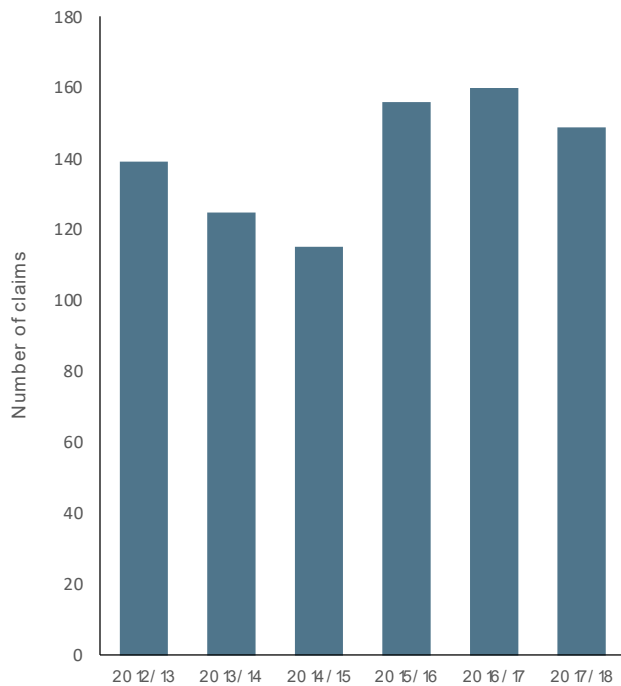
Uninsured liability includes claims for workers where either the employer is uninsured or the worker could not identify the relevant employer.

While uninsured liability claims are incorporated in the claims and payments detail in this report under NI, the increased risks to the system viability associated with changing work and employment practises requires monitoring.

There were 149 uninsured liability claims in 2017/18 with over \$13.7 million in claims costs, compared to 160 uninsured liability claims and \$12.4 million claim costs in 2016/17. While the number of uninsured liability claims dropped in 2017/18 compared to 2016/17, the claims costs increased by more than 10 per cent.



**Figure 40**      **Uninsured liability claims**



## Enforcement and compliance

SIRA has delivered and commissioned regulatory services ranging from promoting employers' compliance through to investigating fraud, issuing penalties and pursuing prosecution activities.

In 2017/18, SIRA focused on system viability by ensuring employers had workers compensation insurance policies. SIRA also investigated 1,450 referred cases of alleged non-compliance by employers, insurers and providers. In addition, for 521 matters an assessment or investigation of alleged fraud or an escalated matter has been reviewed for an enforcement response. There were 128 cases resulting in a penalty or prosecution.

**Figure 41      Enforcement, compliance and prosecution activities in 2017/18**

Risk based regulatory activities	
Compliance promotion and assurance	1,450
• Employers (site visits)	1,317
• Insurers (audits)	3
• Providers (audits)	7
• Non-compliance referrals (compliant escalations and referrals)	123
Escalated enforcement and fraud cases	521
Penalties and prosecutions	128
Total number of return to work (RTW) visits	375
RTW proactive visits (Nominal insurer)	233
RTW proactive employer visits (Specialised insurer)	74
RTW response visits to requests	68
Improvement notices issued	64

# System performance: Affordability

## Affordability of premiums

The affordability of premiums as a percentage of the NSW payroll has steadily improved from 1.8 per cent in 2012/13 to 1.4 per cent in 2017/18. Overall the NI had the lowest premium to wages rate, while the self-insurers and specialised insurers had the highest premium to wages rates.

**Figure 42** Premium costs as a percentage of wages

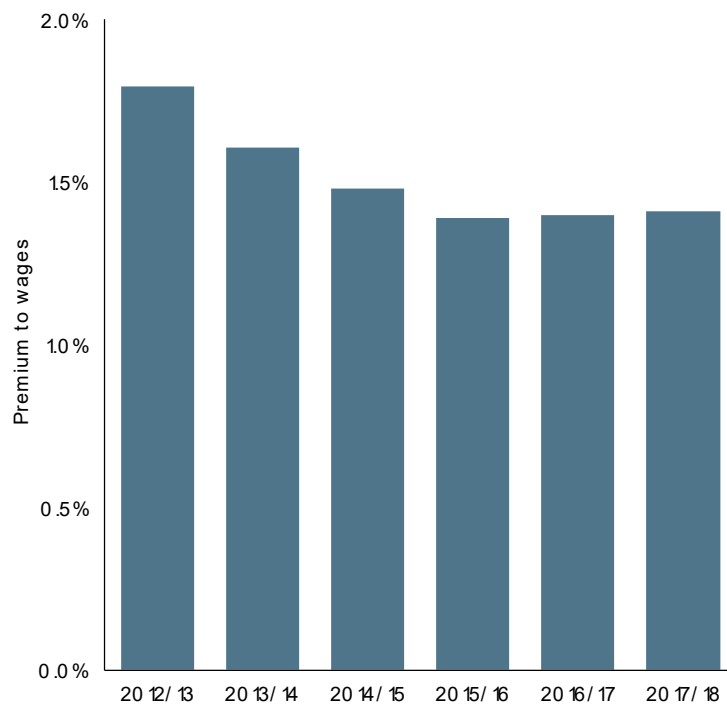
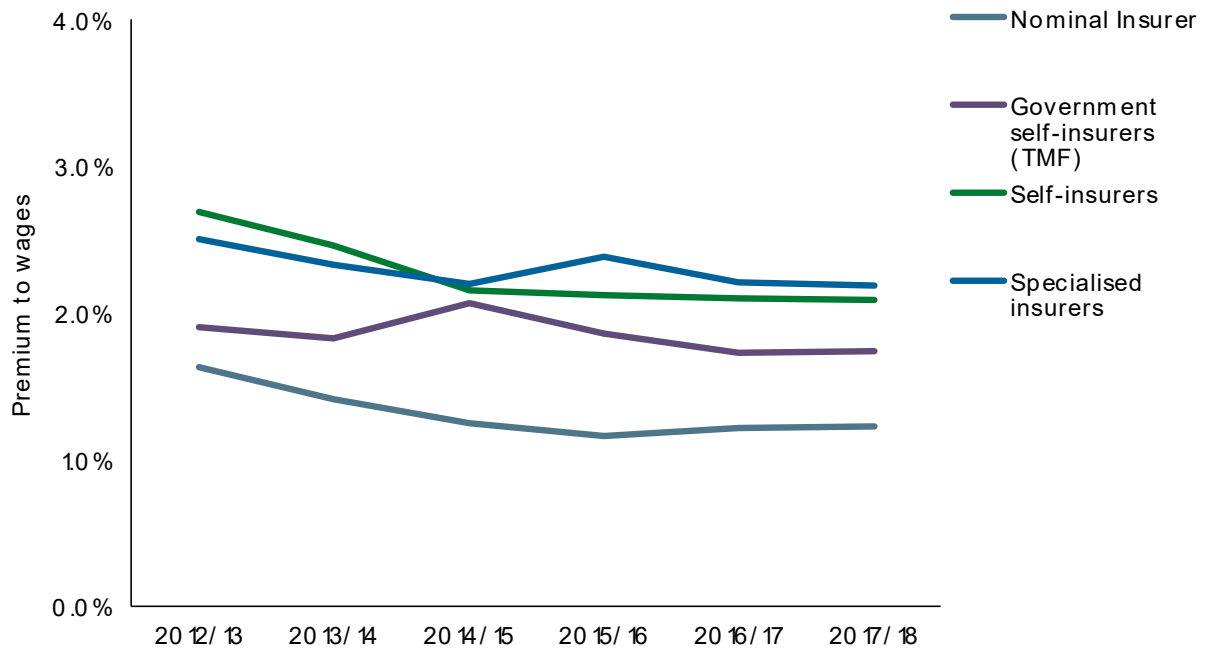


Figure 43 shows the trend of premium to wages rates since 2012/13 by insurer segment. In 2017/18, the premium to wages rates for each insurer segment was: 2.2 per cent for specialised insurers; 2.1 per cent for self-insurers; 1.7 per cent for government self-insurers (TMF) and 1.2 per cent for the NI.

**Figure 43** Premium as a percentage of wages by insurer segments



## Affordability of premium costs across industries

In 2017/18, the agriculture, forestry and fishing industry represented the highest premium to wages rate for the NI and self-insurers, with premium to wages rates of 4.3 per cent and 6.0 per cent, respectively. For specialised insurers, the cultural and recreational services industry had the highest premium to wages rate at 8.2 per cent.

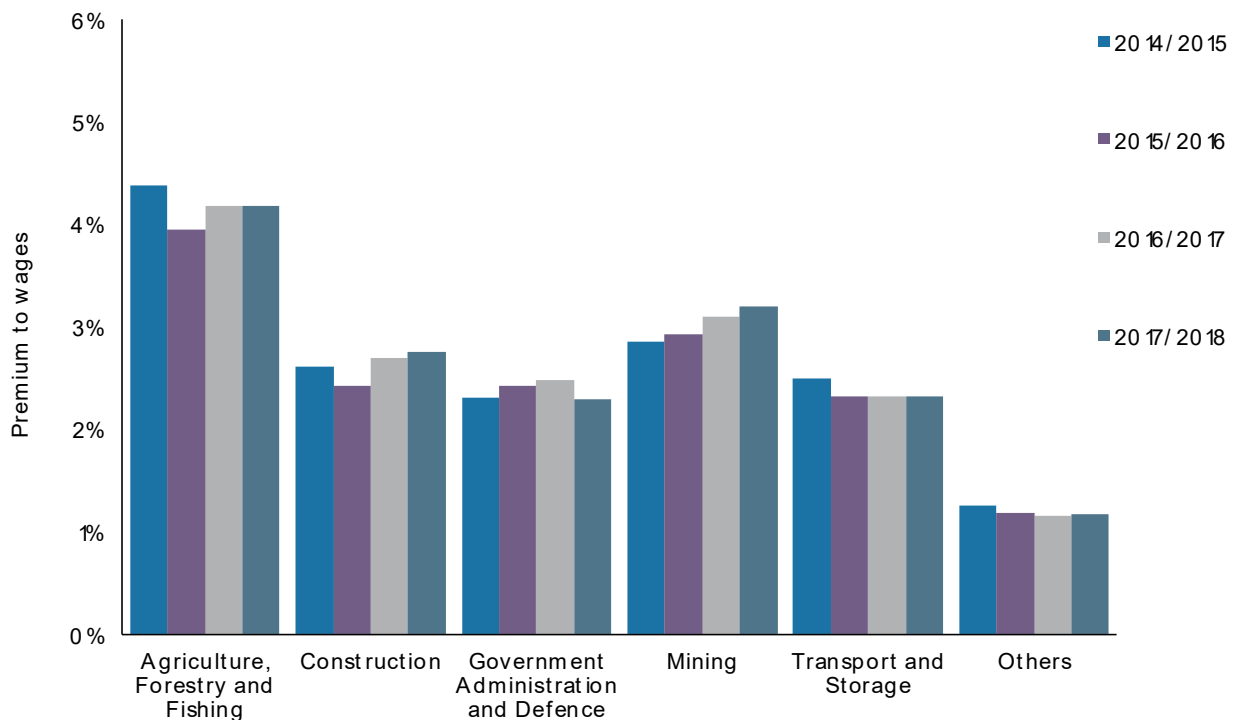
Self-insurers also had relatively high premium to wages rate for the personal and other services industry, at 4.3 per cent.

In the NSW system, the five industries with the highest premium to wages rates since 2012/13 were agriculture, forestry and fishing; construction; government administration and defence; mining; and transport and storage.

The mining industry premiums continued to be higher in 2017/18, with a premium to wages rate 12 per cent higher than in 2012/13. While there have been recent increases in the premium to wages rate for the construction industry, its rate remains 19 per cent below the rate in 2012/13.

The following graph provides a high-level indication of premium affordability across the top five industries.

**Figure 44** Premium affordability across industries



## Employer feedback on premium affordability and calculations

In April 2018, the NSW Business Chamber undertook its business conditions survey. Approximately 830 businesses across multiple business types were surveyed and the NSW Business Chamber provided members the opportunity to offer feedback on the NSW workers compensation system directly to SIRA. Feedback from employers also included a call to action for clarity around premium calculations and reduction in the cost of premiums.

The feedback through the survey showed that 38 per cent of employers rated their level of comfort in understanding premium calculations as very good or good. The topics employers would most like to know more about were how premiums are calculated (161 mentions) and strategies to reduce premium (119 mentions).

# System performance: Customer experience

## Customer ratings of the workers compensation system

In 2018, SIRA engaged an independent research organisation to conduct online surveys with the objective of identifying customer attitudes to the workers compensation system. The independent study asked customers about their satisfaction with the workers compensation system. Workers, employers and community members were asked to think about their view of the support the workers compensation system provides workers in their recovery and return to work.

Respondents offered an average (mean) score of 6.2 on a 10-point scale with 13 per cent strongly agreeing the system supports workers in their recovery and return to work and a 36 per cent offering a 7–8 rating of agreement. The employer's cohort offered slightly higher than average (mean) score of 6.3 with 53 per cent either strongly agreeing or agreeing with the support provided by the system.

**Figure 45** Customers attitudes to the workers compensation system



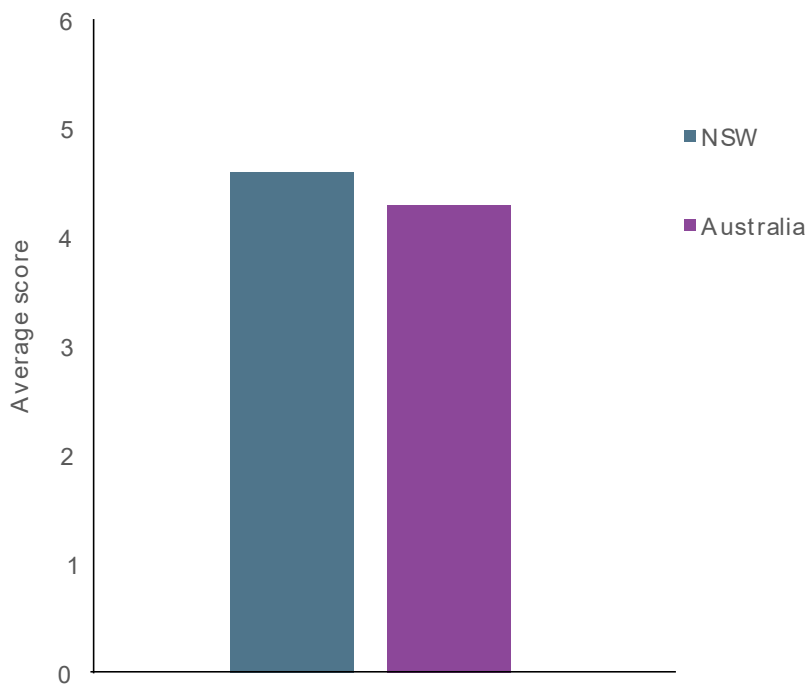
*Q. Thinking about all aspects of the NSW compensation system, to what extent would you agree or disagree that the system supports workers in their recovery and return to work?*

Sample size Total n=1102; Workers n=365 , Influencers n=235 , Employers n=502

## Workers' experience with health care providers

The Safe Work Australia 2018 RTW survey found that the majority of workers easily accessed the medical treatment and services they needed in both NSW (89 per cent) and in the Australian benchmark (88 per cent).

**Figure 46**      **Ease of accessing general practitioners' services**



*Q. I could easily access General Practitioners services*

Source: SWA 2018 RTW survey (sample size Australia =3,872, NSW= 729).

### **Other aspects of general practitioners' services**

Sixty-two per cent of respondents in NSW indicated their general practitioner (GP) was their main health care provider, whereas only 57 per cent of the Australia-wide cohort reported their GP as their main provider. This finding may be influenced by a difference in the systems across Australia as NSW workers are required to provide certificates of capacity from a GP.

The Safe Work Australia 2016 RTW survey indicated that NSW respondents in particular found it difficult to get an appointment with the GP. This question was not included in the SWA 2018 survey, however the ABS patient survey of 2017/18 indicated that across Australia, the proportion of people waiting longer than they felt acceptable for a GP appointment had decreased from 23 per cent in 2013/14 to 19 per cent in 2015/16 and remained stable since. Of those who saw a GP in the last 12 months, 74 per cent reported that the GP always listened carefully, 81 per cent reported receiving respect and 76 reported having enough time with the GP.

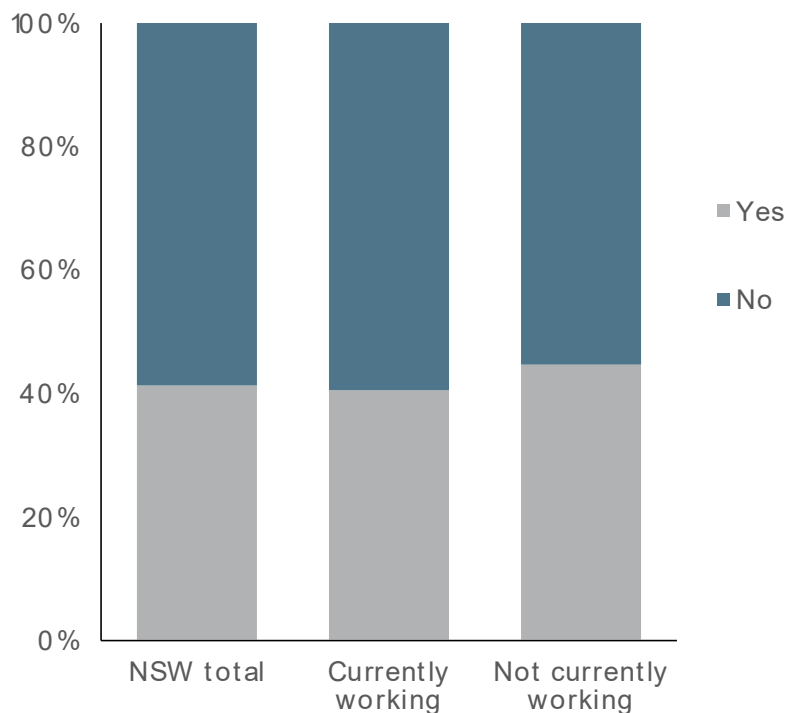
## **Workers' claims experience with insurers**

The Safe Work Australia 2018 RTW survey found 85 per cent of NSW workers confirmed they were contacted by their insurer (including letter, email, phone and face-to-face contact).

Approximately 27 per cent of NSW workers reported a difference of opinion with their insurer about their claim. Of these, approximately half reported that they needed assistance (either formal or informal) to resolve this. NSW workers reported the sources of the advice they received included health professionals, legal professionals, unions or family, partners or friends. Approximately three per cent reported they were not supported and/or that the difference of opinion was not resolved.

Forty-five per cent of NSW respondents (particularly those who were not working) needed support to navigate the workers compensation claim process, which was similar to the national result of 41 per cent.

**Figure 47 Workers requiring support to navigate the workers compensation system**



*Q. Have you needed someone to help you navigate the workers compensation claim process?*

Source: SWA 2018 RTW survey (sample size total = 846; working = 690; not working = 155).

## Employers' experience in navigating the workers compensation system

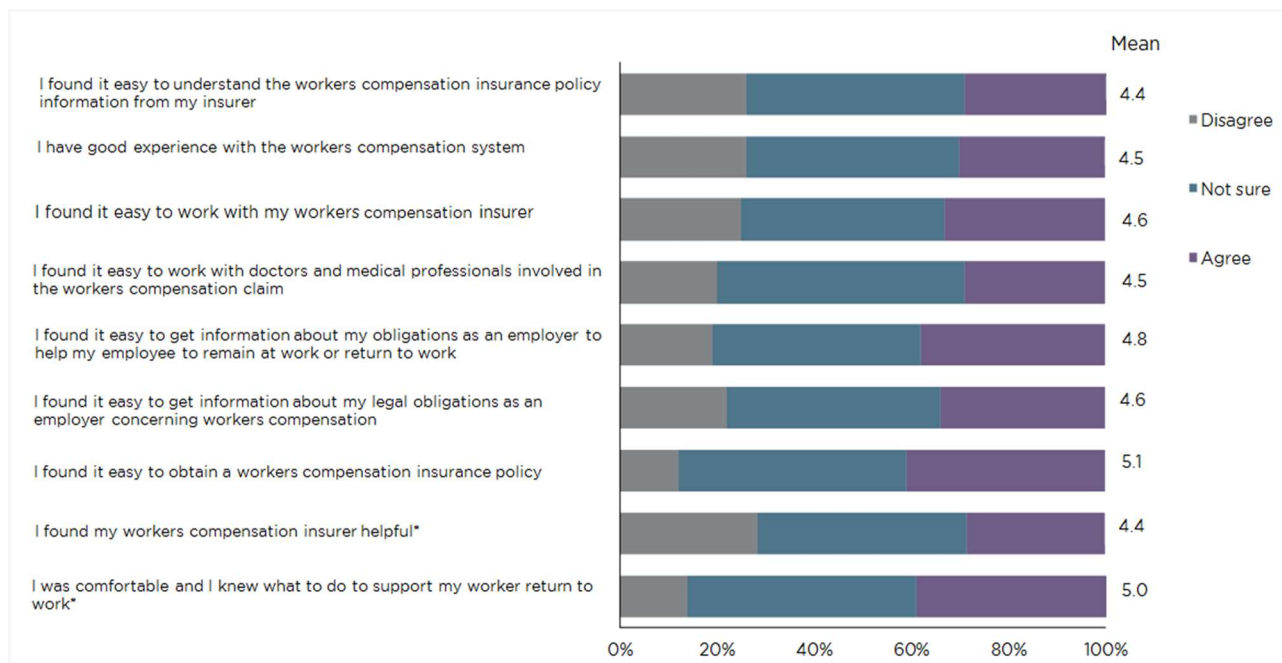
In 2017 and again in 2018, SIRA explored the experiences of employers navigating the workers compensation system. The survey was undertaken by an independent research organisation. In 2018, the sample included a comparable sample of 1,102 respondents including workers, community members, employers and employers' representatives. Figure 48 compares the employer's views between 2017 and 2018.

In 2018, 65 per cent of employers or employers' representatives offered a 5, 6 or 7 rating out of 7 indicating they had a good experience with the workers compensation system. The most positive aspects reported about the system was the ease in obtaining a workers compensation policy (mean = 5.1) and ease in getting information about the obligations as an employer to help the employee to remain at work or return to work (mean = 4.8). Employers also responded positively that they knew what to do to support their workers to return to work (mean = 5.0). Understanding the workers compensation insurance policy



information provided by their insurer (mean = 4.4) and the helpfulness of their insurer (mean = 4.4) were rated as the least positive experiences.

**Figure 48 Employers' experience in navigating the workers compensation system**



## Enquiries and complaints

The workers compensation system provides a number of services to support a positive customer experience.

These services primarily assist workers and employers with enquiries, complaints and disputes. While services may vary in purpose and process (for example, some are part of a legal process while others seek to review decisions), they all aim to provide a positive, efficient and equitable service for customers.

Workers, employers, providers and other system participants can contact the SIRA advisory service or Workers Compensation Independent Review Office (WIRO) to enquire about the system or raise complaints.

SIRA refers complaints to insurers with a service requirement that the insurer actively manage the complaint and respond to the worker within two business days. If the customer remains unsatisfied or if the complaint is too complex, it is referred to SIRA's specialist customer care team to manage and resolve if practicable.

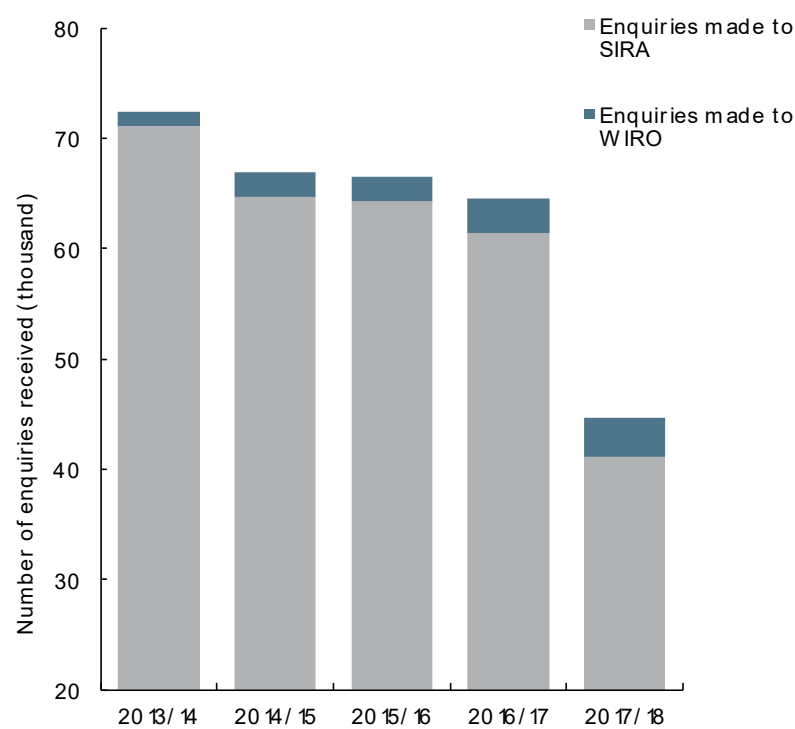
### Enquiry and Complaints changes

As at January 2019 injured workers with an enquiry or a complaint about their insurer are referred directly to WIRO. Whereas, injured workers with a complaint about their provider or employer together with employers, providers and insurers with an enquiry or complaint are referred to SIRA.

### Enquiry service

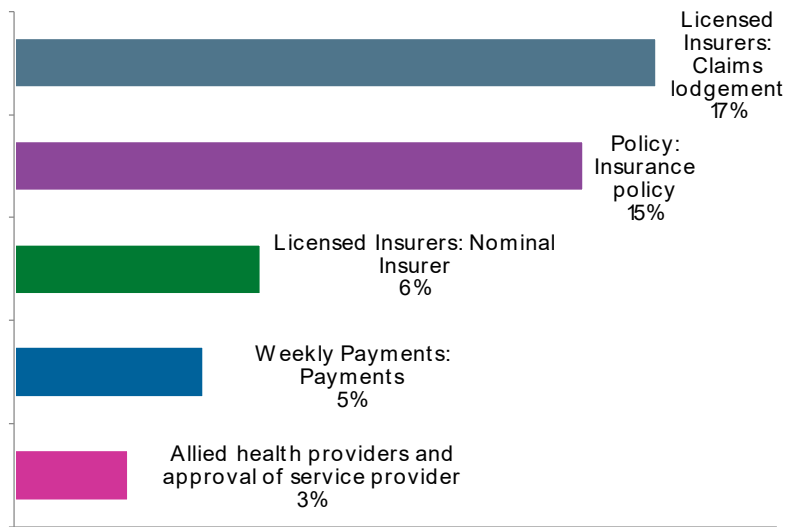
SIRA's enquiry service received 41,139 enquiries about the workers compensation system in 2017/18. The number of enquiries to SIRA has fallen since icare introduced a direct contact number in March 2017 for new policy enquires.

**Figure 49      Number of customer enquiries received by SIRA and WIRO**



The following graph shows the top five types of enquiries SIRA received about the system.

**Figure 50**      **Top five enquiry types to SIRA**



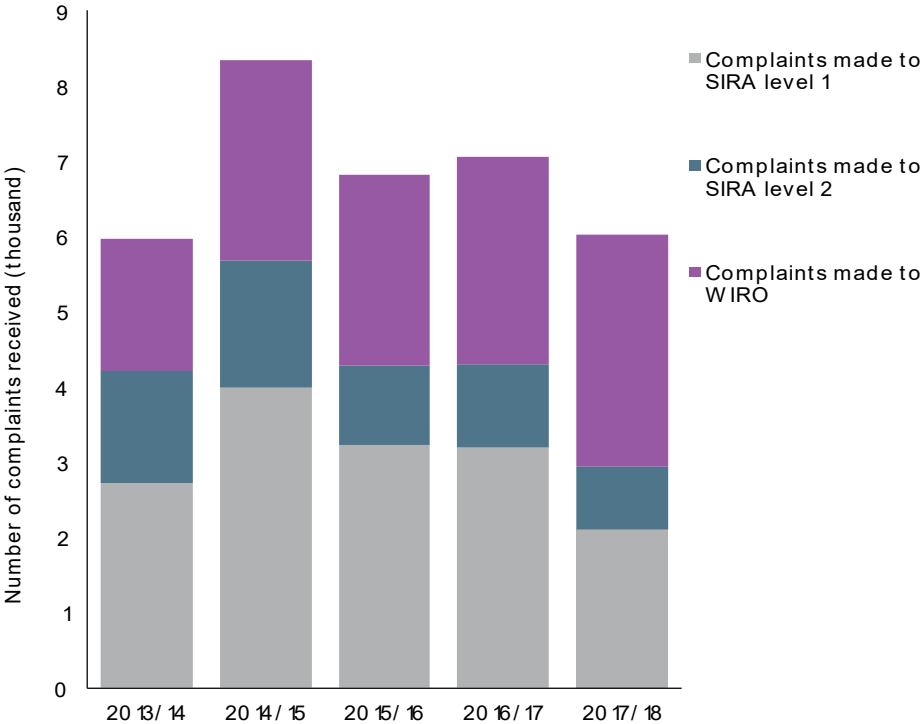
## Complaints

In 2017/18, SIRA's Customer Advisory Service received:

- 2,115 level one complaints that resulted in insurer notification
- 828 additional level two complaints (escalated from level one) that required case management.
- WIRO received 3,084 complaints during the same period.

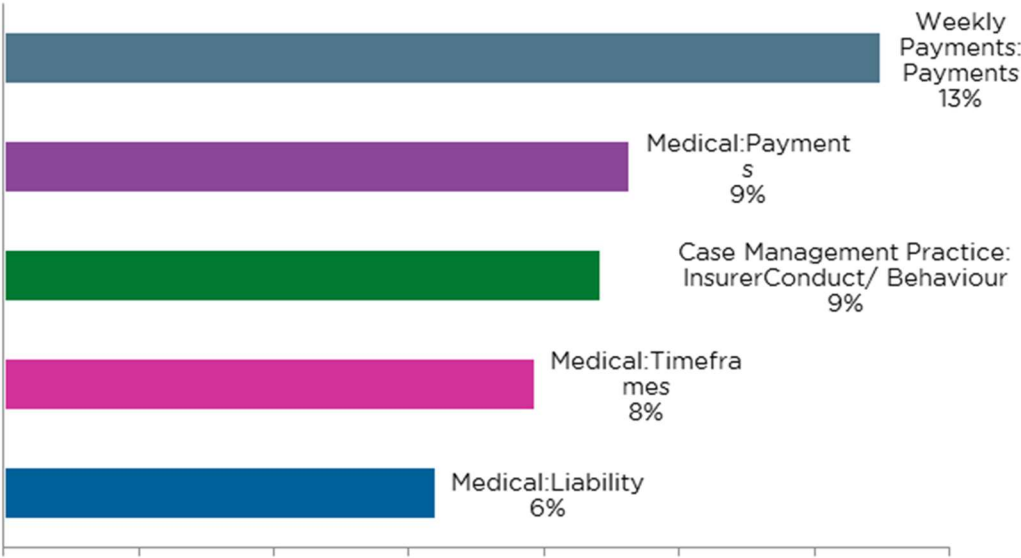
Please note the way in which SIRA and WIRO record complaints is different. SIRA captures multiple complaints by one party as one complaint, whereas WIRO captures those same complaints as separate and multiple complaints.

**Figure 51**      **Number of customer complaints received by SIRA and WIRO**



The top five types of customer complaints reported to SIRA are detailed in Figure 52. The majority of complaints relate to payment issues (825), followed by claims management issues (261).

**Figure 52**      **Top five complaint types reported to SIRA in 2017/18**



## Dispute resolution services

The NSW system has two separate pathways for resolving workers compensation disputes:

- work capacity decisions disputes
- liability and other workers compensation disputes.

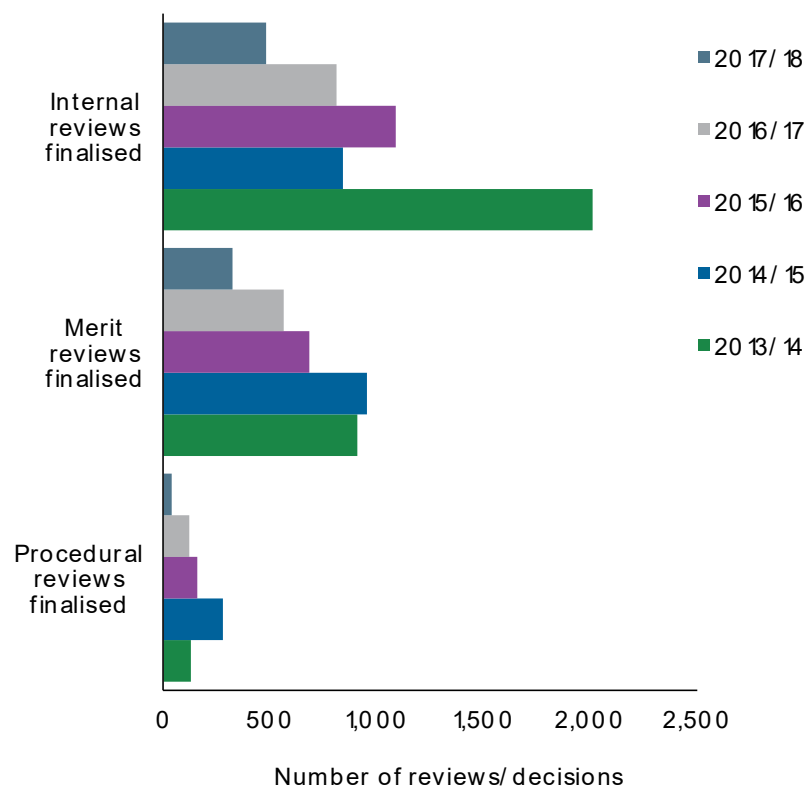
### Work capacity disputes

Work capacity disputes in 2017/18 were resolved in three ways:

- internal review, when someone at the insurer reviews the work capacity decision (other than the person who made the original decision).
- merit review, when an independent decision maker at SIRA reviews the insurer's work capacity decision and makes findings and recommendations that are binding on the insurer
- procedural review, when the Workers Compensation Independent Review Office (WIRO) carries out a procedural review of the insurer's work capacity decision.

Of the work capacity decisions made by insurers, 15 per cent were disputed in 2017/18.

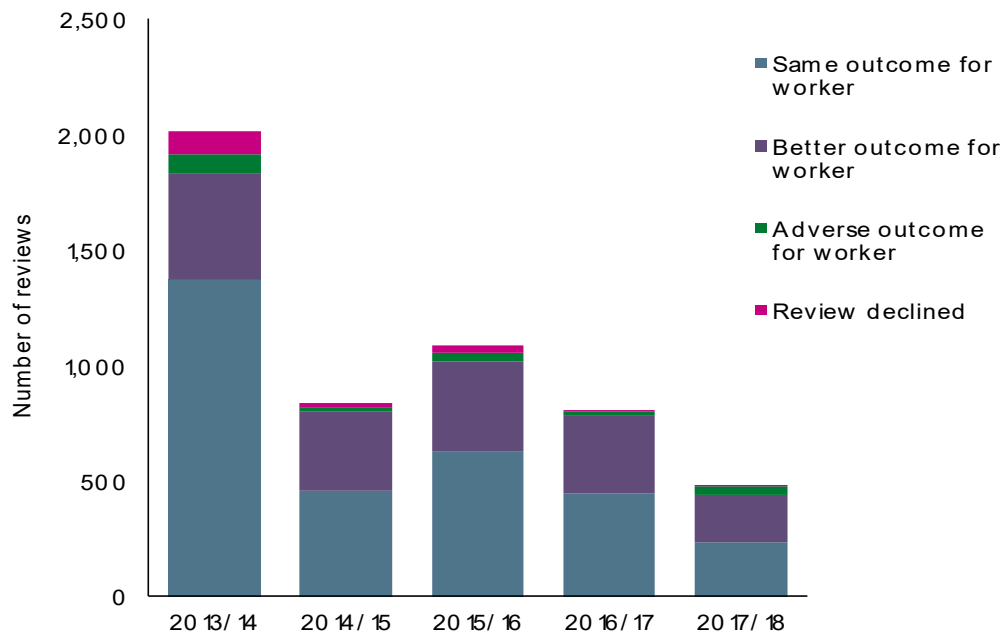
**Figure 53** Internal, merit and procedural reviews



## Internal reviews

Of the 479 internal reviews carried out by insurers in 2017/18, 43 per cent of workers received a better outcome, nearly 50 per cent received the same outcome, and seven per cent received an adverse outcome.

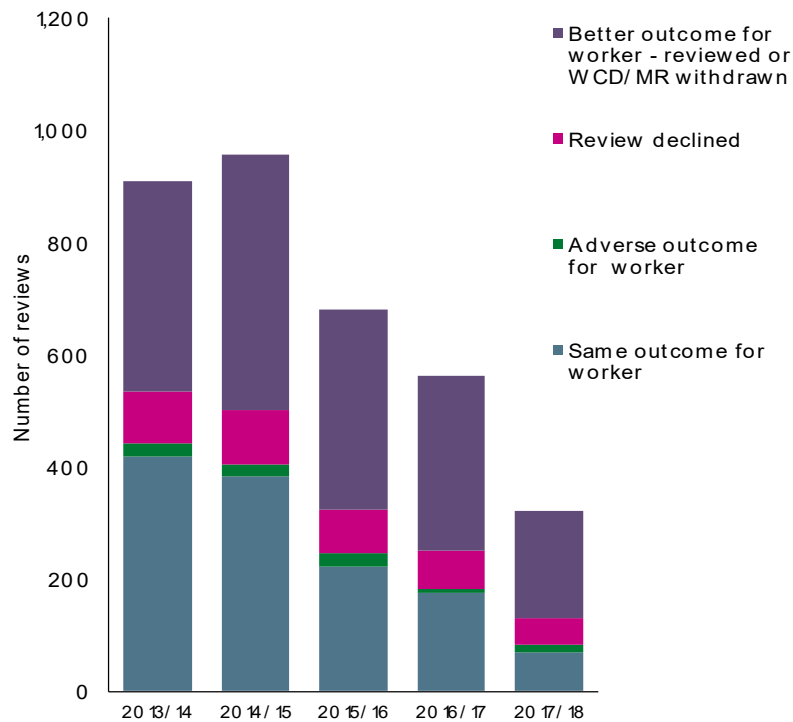
**Figure 54** Number of internal reviews finalised by outcomes for workers



## Merit reviews

Of the 321 merit reviews finalised in 2017/18, 21 per cent of workers received the same outcome, 60 per cent received a better outcome, 15 per cent were declined, and four per cent received an adverse outcome.

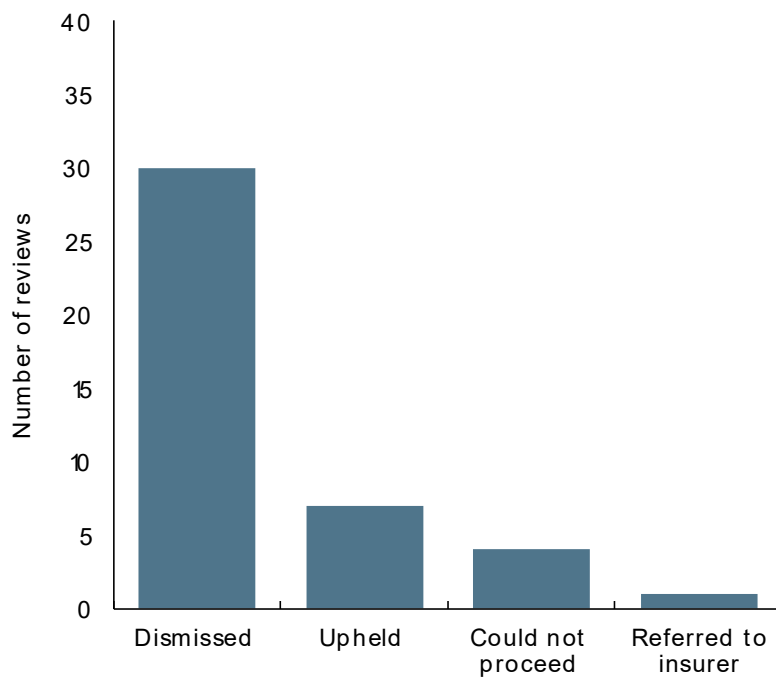
**Figure 55** Number of merit reviews finalised by outcomes for workers



### Procedural reviews

In 2017/18, WIRO finalised 42 procedural reviews, and of those, 30 (71 per cent) were dismissed and seven (17 per cent) decisions were upheld.

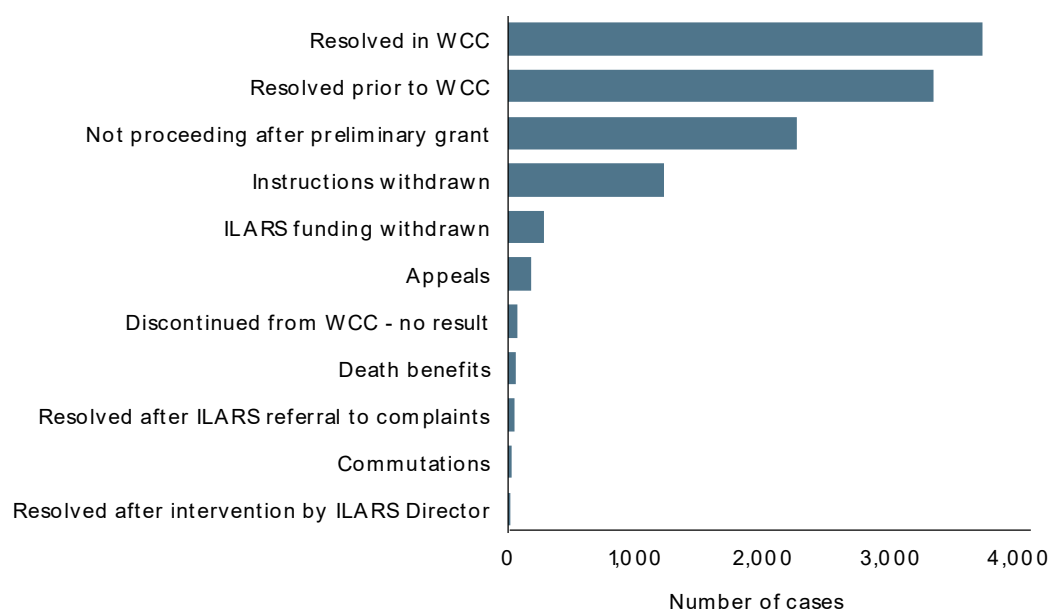
**Figure 56** Number of procedural reviews outcomes in 2017/18



## Independent Legal Assistance and Review Service

The Independent Legal Assistance and Review service (ILARS) – administered by WIRO – provides workers with legal funding to have their disputes resolved. Injured workers seek legal assistance about weekly payments, medical treatment expenses, claims for lump sum payments for permanent impairment, RTW issues and to appeal Workers Compensation Commission decisions. The primary outcomes of ILARS grant applications were as follows.

**Figure 57** ILARS outcomes 2017/18



## Liability and other workers compensation disputes

The Workers Compensation Commission (WCC) is an independent statutory tribunal that has jurisdiction to deal with a broad range of disputes. The majority of the compensation dispute applications are applications to resolve a dispute, and may involve claims for more than one type of compensation benefit, including weekly payments, medical and related treatment, and permanent impairment.

In 2017/18, 61 per cent of dispute applications involving statutory benefits were resolved within three months. These disputes fall into two main categories, including:

- legal disputes, which may be lodged by any party to the dispute relating to weekly compensation exceeding 12 weeks, medical and related expenses exceeding \$9,178, and all other compensation types
- medical disputes, largely concerning the degree of permanent impairment resulting from injury, assessed by an approved medical specialist. Disputes about permanent impairment can only be lodged by an injured worker.

Other compensation dispute applications can be made for:

- Application for Expedited Assessment (form 1) which involves disputes for weekly compensation benefits up to 12 weeks and/or medical expenses compensation up to \$9,178. These applications are fast tracked to a teleconference to assist with resolving the dispute quickly and efficiently. In 2017/18, three quarters of these disputes were resolved within 28 days.



- Application to Resolve a Workplace injury management dispute (form 6), relating to injury management and return to work.
- Application for Assessment of Costs (form 15)

The WCC also play a role in commutations by registering the commutation agreement (form 5A). In addition, the WCC assists in resolving work injury damages disputes through mediation (form 11C). Workers are required to participate in mediation through the Commission before court proceedings can start for work injury damages. In 2017/18, the WCC held a total of 1,238 mediations; 71 per cent of which were settled, obviating the need for protracted litigation. The WCC also resolves disputes regarding threshold assessments (form 7), directions for access to information and premises (form 11), defective pre-filing statements (form 11B), and pre-filing strike out applications (form 11E).

Appeal provisions also exist in relation to certain decisions of the WCC:

**Arbitral appeals:** a party may appeal against the decision of an Arbitrator and refer the decision to the President or a Deputy President for determination (form 9). In 2017/18, the WCC received 61 arbitral appeal applications. Presidential members determined 50 appeals and two appeals were discontinued. Overall, six per cent of appealable decisions were revoked.

**Medical appeals:** a party may appeal against medical assessment by an approved medical specialist concerning permanent impairment (form 10). If the registrar is satisfied, on the face of the appeal application and submissions, that a ground of appeal is made out, the matter is referred to a medical appeal panel, comprising one arbitrator and two approved medical specialists. The registrar may refer a matter for further assessment by an approved medical specialist as an alternative to an appeal. In 2017/18, there were 444 medical appeal applications were lodged and 446 medical appeals were finalised. Approximately six per cent of medical assessments by approved medical specialists were overturned on appeal.

**Figure 58**      **Dispute numbers heard by the WCC**

Application type	2015-16	2016-17	2017-18
Application to resolve a dispute (form 2)	5,278	5,014	4,805
Application for mediation (Form 11C)	1,384	1,313	1,345
Medical appeal (Form 10)	647	458	444
Application for expedited assessment (Form 1)	117	86	76
Arbitral appeal (Form 9)	70	58	61
Registration of commutation (Form 5A)	47	54	40
Workplace injury management dispute (Form 6)	51	41	14
Application for assessment of costs (Form 15)	7	12	5
Application to strike out a pre-filing statement (Form 11E)	9	6	3
Disputed direction for access to information and premises (form 11)	5	4	2
Application to cure a defective pre-filing statement (Form 11B)	0	0	3
<b>TOTAL</b>	<b>7,615</b>	<b>7,046</b>	<b>6,798</b>

# System performance: Equity

Customers' perception of how equitably, fairly and justly they were treated is an important measure of the performance of the system.

The SWA 2018 RTW survey included asking workers about their perceptions of equity. Workers rated their experience across these four broad dimensions of equity and perceived justice:

- distributive justice, about the fairness of their compensation
- informational justice, in receiving accurate and timely information about the rationale for decisions
- interpersonal justice, on whether they were treated with respect and sensitivity
- procedural justice, about the fairness of the procedures used to determine the outcomes.

Survey respondents rated their agreement with a range of specific attributes on a five-point scale. For the SWA 2018 RTW survey, a range of specific attributes were measured within each of these four dimensions, comprising some 15 attributes. A higher mean score denotes a higher level of agreement (or a higher perceived sense of justice/fairness).

## Distributive justice

Workers in NSW and Australia indicated relatively high perceptions of distributive justice (as shown in Figure 59). The overall average (mean) distributive justice score for NSW of 3.9 was not statistically significantly different to the other Australian jurisdictions.

Workers within the Australian cohort who had experienced mental illness (3.5) reported significantly lower levels of distributive justice. Fairness was perceived in this group as the lowest of all groups in relation to the amount of compensation received.

Those with a claim duration greater than 730 days (3.5) reported significantly lower levels of perceived fairness with distributive justice attributes. The latter reported lower levels of perceived fairness across all distributive justice attributes, compared with those who had a shorter claim duration.

## Procedural justice

The overall mean score for both NSW and the Australian sample was 3.8, placing it third highest among the four equity and justice dimensions.

Across Australia, those who experienced mental illness (3.4) and those with a claim duration greater than 730 days (3.5) reported significantly lower levels of perceived fairness with the procedural justice attributes.

Those with a claim duration of greater than 730 days reported lower levels of perceived fairness in relation to their ability to express their views and feelings, and experiencing prejudice or bias in decisions, and lower levels of fairness in the decisions made by their insurer.

## Informational justice

Workers had relatively lower perceptions of informational justice. The overall average (mean) score for NSW was the same as the Australian average was 3.7. Across Australia, those who experienced mental

illness (3.3) had lower perceptions of fairness in being provided with information. Those with a claim duration greater than 730 days (3.5) also reported significantly lower levels of perceived fairness with the informational justice attributes and specifically this cohort offered lower rating of their perceptions of how information was communicated.

## Interpersonal justice

The average (mean) score for interpersonal justice for both the NSW and Australian cohort was 4.3, placing it first among the four equity and justice dimensions.

Those with a claim duration of less than 180 days (4.4) reported significantly higher levels of perceived fairness with the interpersonal justice attributes, compared with those who had a longer claim duration.

**Figure 59 Workers' experience ratings of the equity and justice in the system**

	Distributive Justice	Procedural Justice	Informational Justice	Interpersonal Justice
Australian Total	3.9	3.8	3.7	4.3
<b>Jurisdictions</b>				
Australian Capital Territory	3.7	3.7	3.7	4.1
Comcare	3.9	3.6*	3.5*	4.1*
New South Wales	3.9	3.8	3.7	4.3
Northern Territory	3.9	3.6	3.4*	4.1
Queensland	4.0	3.9**	4.0**	4.4
Seacare	4.2	3.6	3.6	4.2
Tasmania	3.9	3.7	3.6	4.3
Western Australia	4.0	3.7	3.7	4.2
Victoria	3.7	3.6*	3.5*	4.2
<b>Injury/illness types</b>				
Fractures	3.9	3.9	3.8	4.4
Musculoskeletal Disorders	3.9	3.8	3.7	4.3
Other Trauma	3.9	3.8	3.8	4.3
Mental Illness	3.5*	3.4*	3.3*	4.0

	Distributive Justice	Procedural Justice	Informational Justice	Interpersonal Justice
Other Diseases	3.8	3.7	3.8	4.4
<b>Claim durations</b>				
< 180 days	3.9	3.8	3.8	4.4**
181-270 days	4.0	3.9	3.8	4.4
271-365 days	3.9	3.7	3.7	4.3
366-730 days	3.9	3.8	3.8	4.3
> 730 days	3.5*	3.5*	3.5*	4.1

Source: SWA 2018 RTW survey

Base: All respondents, 2018. Respondents who answered don't know or refused to all statements within a dimension have been excluded from the base. Total (4,056-4,516), ACT (132-150), Comcare (727-751), NSW (737-849), NT (127-149), Queensland (725-798), Seacare (43-58), Tasmania (406-472), WA (445-500), Vic (713-789). Fractures (562-616), Musculoskeletal Disorders (2,404-2,630), Other Trauma (625-773), Mental Illness (266-282), Other Diseases (199-215). <180 days (239-270), 181-270 days (1,678-1,830), 271-365 days (638-704), 366-730 days (1,239-1,414), >730 days (262-298).

Note: Asterisks indicate statistically significant difference between analysis group and aggregate of all other groups (single asterisk (\*) indicates a lower proportion; double asterisk (\*\*) indicates a higher proportion).

## Feedback

Feedback and comments on the 2017/18 *Workers compensation system annual performance report* are welcome. Please email us at: [WCRSystemperformance@sira.nsw.gov.au](mailto:WCRSystemperformance@sira.nsw.gov.au)

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# Glossary, data notes and acronyms

Standard terms	Definitions
ABS	Australian Bureau of Statistics
Active weekly claim	An active weekly claim in each financial year is defined as a claim with any weekly payment in the financial year.
Actual collection rate	The amount of premium actually collected for a financial year
Anticipated collection rate	The amount of premium expected to be collected for a forecast financial year
Bodily location	<p>The bodily location of injury/disease classification identifies the part of the body affected by the most serious injury or disease.</p> <p>Bodily location of injury/disease uses the <i>Type of Occurrence Classification System</i>, 3rd Edition (Revision 1) Australian Safety and Compensation Council, Canberra 2008.</p>
Cessation of weekly benefits	The cessation of weekly payments rate or the lost time rate is calculated as the proportion of those claimants that have had any type of weekly benefits (full or current) who are off weekly benefits at the measurement point in time, where the claim was reported in the reference financial year, allowing for a development period (one month for the four-week measure, three months for the 13-week measure, six months for the 26-week measure).
Claim	<p>Means a claim for workers compensation or work injury damages that a person has made or is entitled to make under the <i>Workplace Injury Management and Workers Compensation Act 1998</i>.</p> <p>The injury or illness may be physical or psychological, but employment must be a substantial contributing factor to injury for compensation to be payable.</p> <p>Note that police officers, paramedics, fire fighters, volunteer bush firefighters and emergency and rescue services volunteers may be able to claim for injury suffered during journeys to and from work or place of volunteering.</p> <p>This report includes claims from workers whose employer was uninsured. Where a split by insurer segment is shown, claims of uninsured employers are included with the Nominal Insurer segment.</p> <p>This report excludes claims for:</p>



Standard terms	Definitions
	<ul style="list-style-type: none"> <li>• dust diseases. These are administered by the Dust Diseases Authority</li> <li>• workers who are self-employed, i.e. sole traders and partnerships</li> <li>• employees of the Australian Government</li> <li>• NSW Police Force workers recruited prior to 1 April 1988 and those deemed to be non-police employees of the NSW Police Force</li> <li>• non-reportable claims</li> </ul>
Claim incidence rate	<p>The number of claims per 1,000 employees in NSW using annual total number of employed people in NSW jurisdiction provided by Safe Work Australia based on ABS source data files. The number of employed people in NSW in financial year 2017/18 is a projected total based on the last six years.</p>
Common law (WID)	<p>Lump sum payments for damages and common law legal expenses incurred by the worker or agent/insurer, pursuant to part 5 Common Law remedies, sections 149 to 151AD, <i>Workers Compensation Act 1987</i> No 70 and section 318H, <i>Workplace Injury Management and Workers Compensation Act 1998</i>. No. 86.</p> <p>WID stands for 'Work injury damages' and this term is used interchangeably with 'common law'.</p>
Commutation	<p>The actual gross amount of commutation awarded or agreed upon for the claim. This refers to compensation where a commutation of the claimant's right to compensation has been made by the insurer. The upfront lump sum payment is made to an injured worker in place of continuing weekly compensation award and future medical and hospital expenses, pursuant to part 3, division 9 Commutation of compensation, sections 87D to 87K, <i>Workers Compensation Act 1987</i> No. 70.</p>
Comorbidity	<p>Comorbidity is the presence of one or more additional diseases or disorders co-occurring with a primary disease or disorder.</p> <p>In relation to the RTW survey, comorbidity refers to the worker having one or more additional diseases or disorders co-occurring with their work-related injury or disease.</p> <p>SWA 21018 RTW survey respondents were read a list of 10 conditions from the Charlson Comorbidity Index and asked to indicate whether they had been diagnosed with any of these 10 conditions in addition to their work-related injury or illness. Respondents were also asked if</p>

Standard terms	Definitions
	they had been diagnosed with any other conditions not listed.
Compliance promotion and assurance	The count of individual cases within the reporting period that SIRA has undertaken as a compliance assurance activity. These include proactive compliance assurance activities and assessments of referred cases of alleged non-compliance.
Contributions	The premium value used for government self-insurers (TMF) in this report is the total of the deposit contributions made by each member agency.
Death payments	Funeral expenses, weekly payments for dependent children and lump sum payments paid to the dependents or estate of the deceased worker, pursuant to the <i>Workers Compensation Act 1987</i> No. 70 and <i>Workers Compensation (Dust Diseases) Act 1942</i> .
Distributive justice	The worker's perceptions of the fairness of what they received as compensation. Justice distribution is characterised by compensation benefits being distributed with recognised allocation rules related to equity, equality or need.
Durable RTW rate	<p>The durable RTW rate is the percentage of workers who have returned to work in any capacity for at least three consecutive months and who have had with at least one day off work as a result of their work-related injury/disease. This is measured at 12 months from the date the claim was entered into the insurer system.</p> <p>As an example, if there were 100 workers with at least one day off work and 80 of these workers have returned to work in any capacity within the 12 months and continued working in any capacity for three consecutive months or more, then the durable RTW rate would be 80 per cent.</p> <p>The durability rate allows for a 12-month development period to determine whether the workers have returned to work in any capacity for at least three consecutive months.</p> <p>Claims relating to workers who have died and workers who have retired are excluded.</p>
Escalated enforcement and fraud	The count of individual cases within the reporting period that SIRA has undertaken an assessment or investigation of alleged fraud or escalated matters consideration for an enforcement response.
ESI	Employee Safety Incentive

Standard terms	Definitions
Fatality	<p>Fatalities are employment injuries and diseases resulting in the death of the injured worker. This category includes workers killed at work or when a worker subsequently dies of injuries received at work.</p> <p>Fatalities include notifications of work related injuries and liability accepted claims.</p> <p>Fatalities exclude liability denied claims, claims with no action after notification and claims with liability status of reasonable excuse.</p> <p>This report counts the fatality in the year the claim was entered into the insurer's system, regardless of whether the workers compensation claim was originally reported as non-fatal. The historical fatality figures reported in future reports may differ to those in this report due to changes in liability status.</p> <p>For fatalities which resulted in more than one claim e.g. from family members or dependents then one fatality is counted for the purpose of reporting</p>
Fatality incidence rate	The number of claims per 100,000 employees in the NSW workers compensation system using annual total number of employed people in NSW jurisdiction provided by Safe Work Australia based on ABS source data files. The number of employed people in NSW in financial year 2016/17 is a projected total based on the last six-year's annual series.
Forecast	The forecast position for financial year 2018/19
Gig economy	The gig economy refers to employment practices where workers pick up jobs from a digital platform. The word 'gig' refers to a one-off job or gig that someone gets paid to do on a casual basis.
Gross written premium	The premium value used for specialised insurers in this report.
GST	Goods and services tax
IGF	Insurers' Guarantee Fund
Informational justice	Informational justice refers to receiving accurate and timely information about the rationale for decisions made.
Insurer segment	Insurer segment refers to the general grouping of insurers into segments and includes claims and policy scheme agents and insurers: Nominal Insurer, self-

Standard terms	Definitions
	insurers (non-government self-insurers), specialised insurers and TMF (government self-insurers).).
Interpersonal justice	Interpersonal justice and equity refers to the worker's perceptions of whether they were treated with respect and sensitivity.
Investigation	Payments for insurer and worker investigation expenses, pursuant to sections 9A, 11A and 44A, <i>Workers Compensation Act 1987</i> No. 70, Workplace Injury Management and sections 45A, 330, 331, 337, 339 and 376, <i>Workplace Injury Management and Workers Compensation Act 1998</i> No. 86.
Legal	<p>Legal expenses incurred in handling the claim and those incurred by the claimant, pursuant to sections 25, 29, 32, 87, <i>Workers Compensation Act 1987</i> No. 70 and sections 337, 338 and 339, <i>Workplace Injury Management and Workers Compensation Act 1998</i> No. 86.</p> <p>Legal costs reported in this report include Independent Legal Assistance and Review Service (ILARS) legal costs.</p>
Market share	The proportion of total wages reported as insured by the insurer segment.
Mechanism of incident	<p>The mechanism of incident is the action, exposure or event that best describes the circumstances that resulted in the most serious injury or disease.</p> <p>Mechanism of incident applies to claims entered into the insurer's system on or after 1 July 2011 and uses the <i>Type of Occurrence Classification System</i>, 3rd Edition (Revision 1) Australian Safety and Compensation Council, Canberra 2008.</p>
Medical	Payments for ambulance services, medical treatment, hospital treatment, physiotherapy treatment and chiropractic treatment.
MPPGs	Market practice and premiums guidelines
Nature of injury / disease	<p>The nature of injury/disease classification is intended to identify the type of hurt or harm that occurred to the worker. The hurt or harm could be physical or psychological.</p> <p>Nature of injury/disease uses the <i>Type of Occurrence Classification System</i>, 3rd Edition (Revision 1) Australian Safety and Compensation Council, Canberra 2008.</p>
Net premium	The premium value used for the Nominal Insurer in this report, calculated as total premium payable.

Standard terms	Definitions
Nominal Insurer	The Nominal Insurer was established by division 1A of part 7 of the 1987 Act.
Non-reportable claims	A claim is non-reportable if it has no payments and a nil estimate. Non-reportable claims include administrative error claims, and claims with no action after notification if there is no associated net incurred cost.
NSW system	The NSW workers compensation system includes all insurer segments: Nominal Insurer, government self-insurers (TMF), self-insurers and specialised insurers. Uninsured liability claims covered by the NSW workers compensation system have been included with the Nominal Insurer in this report.
Occupational diseases	<p>Occupational diseases are diseases contracted or aggravated in the course of employment and to which the employment was a contributing factor. Occupational diseases are distinguishable from workplace and other work-related injuries by at least one of the following characteristics:</p> <ul style="list-style-type: none"> <li>• the slow and protracted nature of its cause</li> <li>• the result of a single traumatic event (for example, the development of hepatitis following a single exposure to the infection or the development of conjunctivitis after being exposed to a welding flash)</li> <li>• repeated or continuous action of a mechanical, physical or chemical nature, not the effect of a single event but a cause acting imperceptibly and constantly (for example, loss of hearing as a result of long term exposure to noise)</li> <li>• the uncertain time of its beginning</li> <li>• a possible predisposition to the development of the condition.</li> </ul> <p>Occupational diseases do not include dust diseases, as defined by the <i>Workers Compensation (Dust Diseases) Act 1942</i> (except in the case of a worker employed in or about a mine to which the <i>Coal Mines Regulation Act 1982</i> applies), or the aggravation, acceleration, exacerbation or deterioration of dust diseases, as so defined (refer to <i>Workers Compensation Act 1987</i> No. 70).</p>
Other payments	Payments for repair to or replacement of artificial limbs and clothing as a result of the workplace injury, amounts paid to any approved interpreter service for English language assistance to the claimant, transport and

Standard terms	Definitions
	maintenance expenses related to travel costs incurred by the worker and shared claim payments.
Payments	Payment information in this report is presented in original dollar values with no indexation applied. Costs in the workers compensation scheme are subject to a variety of potential inflationary factors including wage and salary rates, medical fee schedules, statutory benefit indexation and general price inflation. As there is no single index which adjusts for all potential factors, costs have been shown in their original dollar values for simplicity.
Payments for workers	The sum of payments for medical treatment, ambulance services, hospital treatment, chiropractor services, physiotherapy services and rehabilitation services.
Payments to workers	The sum of payments for weekly benefits or payments, common law excluding common law legal cost, death payments, sections 66 and 67 payments and commutations.
Penalties and prosecutions	SIRA enforcement actions undertaken with the reporting period, including the issuing of infringement notices, recoveries of avoided premiums and prosecutions.
Permanent impairment (section 66)	<p>Payments for section 66</p> <p>Section 66 payments are lump sum payments for the permanent loss or impairment of a specified bodily function or limb, or severe facial or bodily disfigurement, including interest, pursuant to section 66, <i>Workers Compensation Act 1987</i> No. 70 and as provided by the table of disabilities or whole person impairment (WPI) and ready-reckoner of benefits payable.</p>
Premium	<p>The premium value used for the Nominal Insurer in this report is calculated as total premium payable. Premium for self-insurers is deemed premium, calculated as wages covered multiplied by the premium rate applicable for the appropriate industry class.</p> <p>Premium for government self-insurers (TMF) is the value of the deposit contributions made by each member agency. Premium for specialised insurers is the gross written premium.</p>
Procedural justice	Procedural justice refers to the worker's perceptions of the fairness of the procedures used to determine the allocation of outcomes. Justice procedures are characterised by consistency, lack of bias, accuracy, correctability and having a voice during decision making.

Standard terms	Definitions
Psychological injury	The range of psychological conditions for which workers compensation may be paid, including post-traumatic stress disorder, anxiety disorder, clinical depression and short-term shock from exposure to disturbing circumstances.
Rehabilitation treatment	<p>Payments for a single workplace rehabilitation service, a suite of services provided to assist a worker to RTW with the same employer, a suite of services provided to assist a worker to RTW with a different employer or travel costs of the workplace rehabilitation provider in the delivery of rehabilitation services, pursuant to sections 59, 60 and 63A, <i>Workers Compensation Act 1987</i> No. 70.</p> <p>Rehabilitation treatment includes the initial rehabilitation assessment, workplace assessment, advice concerning job modification, and rehabilitation counselling. Rehabilitation treatment does not include medical, hospital, and physiotherapy or chiropractic treatment.</p>
Reportable claims	Reportable claims are all claims excluding administration error claims, claims closed with zero gross incurred cost, claims shared between two and more workers compensation agents/insurers and agent/insurer is not responsible for the management of the claims, and claims with payments only for recoveries, vocational programs or invalid payment classification numbers.
RTW (work status) measure	<p>The return to work (RTW) rate is the percentage of workers who have been off work as a result of their work-related injury/disease and have returned to work in any capacity at four weeks, 13 weeks, 26 weeks and 52 weeks from the date the claim was reported.</p> <p>As an example, if there were 100 workers with at least one day off work due to a work-related illness or injury and four weeks have passed since the claims were entered into the insurer system, and 72 of these workers have returned to work in any capacity by the end of four weeks, then the four-week RTW rate would be 72 per cent. Similarly, if there were 100 workers with at least one day off work and 13 weeks have passed since the claims were entered into the insurer system, and 80 of these workers have returned to work in any capacity by the end of 13 weeks, then the 13-week RTW rate would be 80 per cent.</p> <p>The cohort for each RTW measure is based on claims reported in a 12-month period. Claims are included in the measure if the worker has had at least one day off work. Claims data in relation to workers who have died</p>

Standard terms	Definitions
	<p>and workers who have retired are excluded from the measure.</p> <p>Calculation of each RTW rate allows for a lag period for claim development to determine whether the workers have returned to work in any capacity following a work-related injury or illness. The lag time allowed is equivalent to the time period of the measure. For example, an additional 28 days (four weeks) is allowed for the 4-week RTW rate; an additional 91 days (13 weeks) is allowed for the 13-week RTW rate; an additional 182 days (26 weeks) is allowed for the 26-week RTW rate and an additional 364 days (52 weeks) is allowed for the 52-week RTW rate.</p> <p>Since this report is based on data as at 30 June 2018, the claim cohorts for 2017/18 are not fully developed. For example, the four-week RTW for 2017/18 cohort does not include claims reported in the last 28 days of June 2018 as the development period had not been allowed as at 30 June 2018.</p> <p>The RTW (work status) measure is calculated as the proportion of those claimants that have ceased work and had at least one day off work who are working at the measurement point in time, where the claim was reported in the reference financial year.</p>
RTW rate – Back at work measure	<p>This measures the length of time workers remained at work in a 12-month period after their first return to work. This measure uses the work status code to calculate how long the worker remained at work. The cohort selection is based on a consistent sample of injured workers who have returned to work for the first time in financial year 2016/17 after the claims are accepted and entered into the system with at least one day time loss (excluding retirees and fatalities). The work status code was monitored for subsequent 12 months since the month injured worker returned to work for the first time. Frequency within the following 12 months development period the injured workers remained at work is then categorised into one of the following groups:</p> <ul style="list-style-type: none"> <li>• Back at work for 12 months</li> <li>• Back at work for 9 to 11 months</li> <li>• Back at work for 6 to 8 months</li> <li>• Back at work for 3 to 5 months</li> <li>• Back at work for less than 3 months</li> </ul> <p>The results are based on the work status as at 30 June 2018</p>



Standard terms	Definitions
SafeWork NSW	The NSW workplace health and safety regulator.
Self-insurer	Means a person who holds a licence as a self-insurer under division 5 of part 7 of the 1987 Act.
Specialised insurer	Means an insurer who holds a licence as a specialised insurer under division 3 of part 7 of the 1987 Act.
Stayed at work rates	<p>The cohort for the stayed at work measure is based on claims reported in a 12-month period, with a lag of 13 weeks to allow for claim development. Claims are included in the measure if the worker has had no date ceased work recorded for the claim. Claims relating to workers who have died are excluded from the measure. Claims with a liability status of 1 (Notification of work related injury), 6 (administration error), 9 (reasonable excuse) or 12 (No action after notification) are also excluded from this measure.</p> <p>It is assumed that workers who stayed at work were able to do so either because their injury / disease did not reduce their capacity to work at their pre-injury employment, or that their employer was able to make accommodations for any reduction in their capacity to work (i.e. provide suitable employment) such that they could continue to work.</p>
SWA	Safe Work Australia
SWA 2018 RTW survey	The RTW survey data in this report was sourced from the (SWA) 2018 RTW survey, undertaken in 2018. A summary report was published by SWA in September 2018.
Target before application of discounts	The target collection rate before application of the ESI and other discounts
Timeliness of insurer decision making	<p>The time taken for a liability decision to be made is calculated as the time from date of notification to the first liability status date, where the liability status code is 02 'Liability accepted', 07 'Liability denied', 08 'Provisional liability accepted - weekly and medical payments' or 09 'Reasonable excuse'.</p> <p>This cohort include all reportable claims, with first liability status date in financial year 2017/18 and where first liability status code is 02 'Liability accepted', 07 'Liability denied', 08 'Provisional liability accepted - weekly and medical payments' or 09 'Reasonable excuse' or 11 'Provisional liability accepted – medical only, weekly payments not applicable'.</p>

Standard terms	Definitions
Timeliness of reporting claims	The measure of timeliness of reporting claims is based on the delay from injury date to notification date and excludes occupational diseases.
Total payment	Total payments have been grouped into: weekly payments, total medical, common law (Work Injury Damages), rehabilitation treatment, sections 66 and 67, total investigation, total legal, death payments, commutations and other payments.
Total wages	The total amount of all wages and remuneration paid by an employer to employee(s).
Treasury Managed Fund	Treasury Managed Fund (TMF) was also known as NSW Self Insurance Corporation (SiCorp). Government self-insurers (TMF) provides workers compensation to most NSW public sector employers except those who are self-insurers.
Weekly payments	Weekly payments paid to an injured worker.
Workers	A worker who has sustained a work-related injury or illness as defined by section 4 and deemed by schedule 1 of <i>Workplace Injury Management and Workers Compensation Act 1998</i> No 86

#### 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.

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