Workers Compensation System

Annual Performance Review Report

2019/20

State Insurance Regulatory Authority

February 2021

NSW GOVERNMENT

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Executive summary

The State Insurance Regulatory Authority (SIRA) *Workers Compensation Scheme Annual Performance Review Report* assesses the performance of the NSW workers compensation scheme in the 2019/20 financial year. It provides customers and stakeholders with an informed and transparent view of scheme health and performance, using cleansed data with at least three months development.

As the regulator of the NSW workers compensation scheme, SIRA's role is to ensure that the schemes it regulates continue to be fair, effective and affordable for policy holders, and for people who make a claim for compensation today or in the future. This is underpinned by financially sustainable schemes, affordable premiums, optimal outcomes for injured people, positive customer experiences, and public trust in SIRA and the schemes it regulates.

SIRA uses a risk-based framework in this report to assess scheme performance, including scheme efficiency, effectiveness, affordability, viability, customer experience and equity. The framework is outlined comprehensively in the Scheme Performance Framework section of this report.

Similar to the 2018/19 report, this report shows that the 2019/20 scheme performance was again characterised by financial viability challenges, driven in part by rising weekly benefit and medical costs. There were challenges in delivering recovery outcomes, such as keeping injured workers at work and returning them to work. Further, a higher number of workers were off work and being paid weekly benefits for longer periods of time.

The performance challenges of the scheme have been intensified by the COVID-19 pandemic. It has put further pressure on the performance of insurers and the scheme more broadly through impacts to insurer investment returns, wages and premiums, changed return to work opportunities and patterns of work, and disruption to medical treatment and care services.

Given current scheme and economic challenges, it is more important than ever that SIRA, customers, and stakeholders have confidence in reporting on the position and viability of the scheme. SIRA will continue its regulatory and supervision program – monitoring performance and compliance, audits and reviews, enforcement of the law and its licence conditions, and actively publishing information on scheme performance for transparency and accountability – to promote the efficiency and viability of the workers compensation scheme.

Assessment of 2019/20 scheme performance

Figure 1 Assessment of scheme performance

	Rating	Comment
Effectiveness	High risk	An important measure of scheme performance is workers' recovery and engagement with work post-injury. Effective scheme performance supports injured workers to get back to work, which correlates with better recovery outcomes for workers and better financial outcomes for the scheme. In 2019/20, across the scheme, fewer workers are remaining at work after sustaining an injury and the return to work rates are lower than in past years. This results in more workers receiving weekly benefits for longer periods. The rates of workers staying at work, returning to work and remaining at work following an injury have all deteriorated. NSW has previously been one of the the best performing jurisdictions in return to work[1]. This performance has declined, resulting in risks to workers' recovery and scheme performance, particularly in relation to financial viability, effectiveness and customer experince. The frequency of primary psychological injury claims has increased steadily with 7,304 psychological claims reported in 2019/20, which is an increase from 6,873 in 2018/19. Psychological claims incur higher claims costs on average than other claims, generally from lower return to work (RTW) rates and correspondingly higher weekly benefits costs. Claims for fatal injuries in 2019/20 (64) were higher than the annual average from the past few years (60).
Efficiency	Some risk	In 2019/20, the scheme insured businesses with a total of $282B in reported wages. By reported wages, the NI's market share was approximately 74.9 percent, 13 percent of wages were insured by government self-insurers (TMF), approximately 7 percent by self-insurers, and 5 percent by specialised insurers. 2019/20 saw an increase in the proportion of claims declined (5%) and the proportion of claims provisionally accepted (50%). There was little change in the proportion of total insurer expenditure going directly to or for the benefit of workers however, in dollar terms insurer expenses increased by $161M to $1,345M. This increase

[1] Safe Work Australia National Return to work survey conducted biennially

		was almost exclusively attributable to increases in the Nominal Insurer's (NI) expenses and operational costs ($159.1M). There has been a slight improvement in the timeliness of reporting injuries to insurers and improvements in the timeliness of liability decisions by insurers, albeit with a higher proportion of provisional acceptance of liability.
Affordability	Some risk 	The cost of premiums as a percentage of the NSW payroll has steadily decreased from 1.8 percent in 2012/13 to 1.4 percent in 2019/20, with the NI having one of the lowest premium to reported wages rate. However, this area of scheme performance has been rated orange as affordability must be balanced against financial viability. In that context, it is noteworthy that the NI actual premium collection rate is below its estimated breakeven rate and the target collection rate, with forecast losses for 2020/21 of close to $2B. A continuation of this trend may necessitate future premium increases.
Viability	High Risk 	2019/20 has seen many challenges to the financial viability of the scheme, particularly increasing claims costs and increased financial and operational challenges for insurers and potentially reduced earnings on assets. While there were fewer claims in 2019/20 than in recent years, increases in claims costs and duration, together with significantly increased NI operating costs, represents a significant risk to scheme viability. As at 30 June 2020, the funding ratio of the NI was 101 percent at 75 percent Probability of Adequacy (PoA). This falls below the NI's current Target Operating Zone which is between 115 percent and 135 percent as outlined in its Capital Management Policy. In addition, the NI premium collection rate was below both its target collection rate and breakeven rate, which will put further pressure on the NI's capital position. With a 74.9 percent market share across the scheme, the financial sustainability of the NI is important to overall scheme viability. As at 30 June 2020, the NI has a deficit of $0.3B. The financial position of the NI and the Treasury Managed Fund (TMF) received attention from the NSW Auditor-General, reinforcing that "*the Workers Compensation Nominal Insurer, NSW Self Insurance Corporation and the Lifetime Care and Support Authority of NSW all had negative net assets at 30 June 2020, suggesting that each agency needs to implement solutions to resolve all unfunded scheme positions.*" In 2019/20 there were more active claims and open claims than in previous years with 47,992 active claims and 37,297 open claims. These numbers are a significant increase from the corresponding 2018/19 values of 16,398 and 14,983 respectively and are indicative of a significant ongoing costs and risks to the viability of the scheme.

		Uninsured liability claim numbers have been trending up since 2014/15 when 115 claims were reported. This compares to the 2019/20 volume of 298, with payments in 2019/20 of $19.8M.
Customer Experience	Limited risk	In 2020, SIRA commissioned an independent benchmark study to measure how customers were experiencing their compensation journey and the extent to which insurers are delivering services in line with SIRA's *Customer Service Conduct Principles*. Eighty-four percent of workers reported that they had returned to work, with 71 percent rating the extent to which they have their life back on track as a six or more out of ten. The customer experience was reasonably positive with customers' feedback as follows: • An overall service rating of 68 percent good, 17 percent medium and 15 percent poor. • 65 percent agreeing or strongly agreeing that the scheme was efficient and was easy to deal with. • Customers agreed/strongly agreed that they were treated with dignity and respect (80 percent) and that the frontline service providers' conduct was efficient and empathetic (65 percent) • Customers felt their concerns were resolved quickly (61 percent) and that insurers were able to address their concerns (66 percent), that they were kept informed about their claim (66 percent) and advised of their rights (65 percent). • Sixty-six percent of customers reported that they expected to make a complete recovery. • Some customers (15 percent) considered that COVID-19 and its associated impacts would slow their recovery and some customers reported that access to treatments during the pandemic was more difficult (35 percent).
Equity	Limited risk	There has been little change year on year in the ratings by workers of the equity and fairness of the scheme. The SIRA insurer supervision, compliance and enforcement programs have identified a number of shortfalls that require correction, including employers who do not hold mandatory workers compensation insurance and claims where worker's weekly benefits have been underpaid.

Scheme performance assessment criteria

The assessment criteria to determine the risk level as a result of the performance of the scheme.

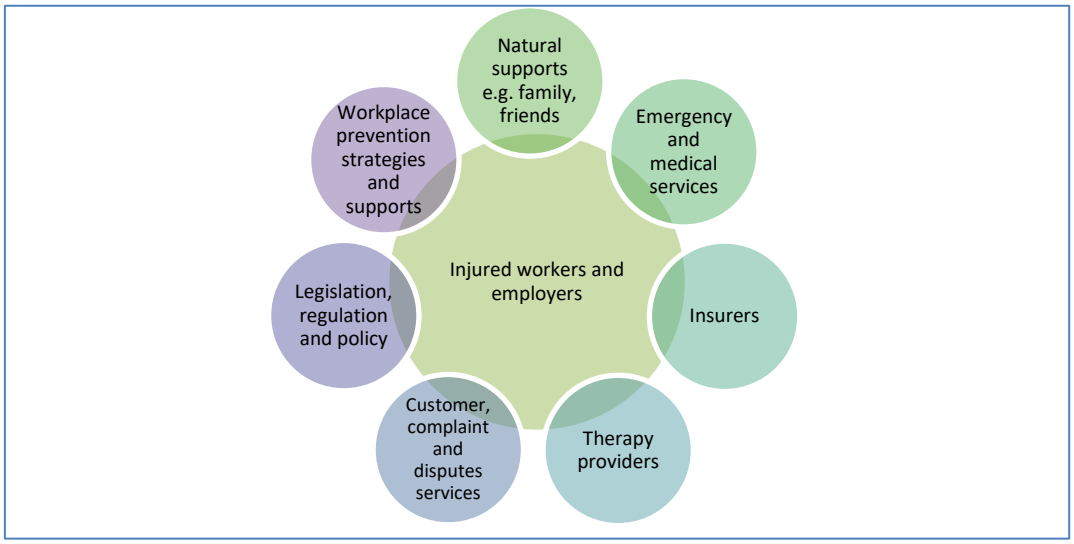
Figure 2 Scheme performance assessment criteria

Category	
Performance represents a high risk of harm to the scheme	
Performance represents some risk of harm to the scheme	
Performance represents no or limited risk of harm to the scheme	

The NSW Workers Compensation scheme

The NSW workers compensation scheme is an insurance scheme designed to support workers during their recovery from work related injuries and return to work. The injured worker and employer are the customers at the centre of the scheme.

Figure 3 The NSW workers compensation scheme ecosystem



Most employers in NSW are legally required to have a workers compensation policy to ensure adequate support can be provided to workers injured in the course of their employment.

For injured workers, compensation assists with the costs of weekly payments and medical and hospital expenses. It can also provide a range of other benefits to help the worker recover and return to work, including:

- domestic assistance,
- new employment assistance payments,
- education or training assistance payments,
- property damages,
- lump sum compensation for permanent impairment,
- uninsured employer claims,
- payments in the event of death.

The NSW workers compensation scheme is the largest defined benefit scheme in Australia. It provided workers compensation insurance to businesses responsible for a reported $282B of wages in NSW in 2019/20. There were 3.5 million employees insured across the scheme.

The objectives of the NSW workers compensation scheme are set out in section 3 of the *Workplace Injury Management and Workers Compensation Act 1998* (1998 Act), as follows:

Workplace Injury Management and Workers Compensation Act 1998
Section 3

System objectives

The purpose of this Act is to establish a workplace injury management and workers compensation system with the following objectives-

(a) to assist in securing the health, safety and welfare of workers and in particular preventing work-related injury,

(b) to provide--

- prompt treatment of injuries, and
- effective and proactive management of injuries, and
- necessary medical and vocational rehabilitation following injuries,

in order to assist injured workers and to promote their return to work as soon as possible,

(c) to provide injured workers and their dependants with income support during incapacity, payment for permanent impairment or death, and payment for reasonable treatment and other related expenses,

(d) to be fair, affordable, and financially viable,

(e) to ensure contributions by employers are commensurate with the risks faced, taking into account strategies and performance in injury prevention, injury management, and return to work,

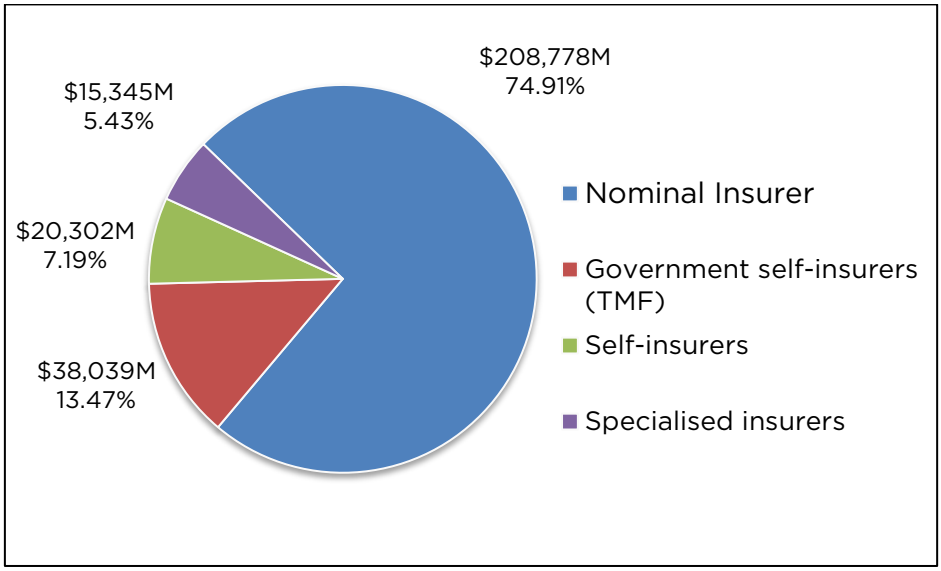
(f) to deliver the above objectives efficiently and effectively.

The NSW workers compensation scheme operates under three main Acts: the *Workers Compensation Act 1987* (1987 Act), the *Workplace Injury Management and Workers Compensation Act 1998* (1998 Act), and the *State Insurance and Care Governance Act 2015* (SICG Act).

Insurer arrangements in NSW

In 2019/20, the scheme insured $282B of reported wages. Of those wages, almost 75 percent were insured by the Nominal Insurer, over 13 percent by government self-insurers (TMF), more than 7 percent by self-insurers, and over 5 percent by specialised insurers.

Figure 4 Total reported NSW wages ($M and percent) by insurer segment



As at 30 June 2020, 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 (managed by icare NSW).
- Specialised Insurers: six industry-specific insurers.
- Self-Insurers: 66 employers who are licenced self-insurers.

During 2019/20, licences were granted to the following entities.

- Wesfarmers Ltd (20/01/2020)
- Randstad Holdings Pty Ltd (31/10/2019)
- Aldi Stores (A Limited Partnership) (28/02/2020)
- DAC Finance Pty Limited (31/08/2019)

Pacific National did not renew their self-insurer licence as at 28/08/2019 and are now covered under a policy with Comcare.

2012 legislative amendments

Legislative amendments in 2012 resulted in considerable adjustments to the scheme's benefit structure. The objectives of the amendments included introducing incentives for workers to return to work and the introduction of work capacity decisions for the purpose of calculating weekly payments. The amendments also provided increased support for workers with significant injuries. The focus was on capacity for work, rather than a worker's medical incapacity. This took the form of work capacity assessments 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 percent or less permanent impairment (PI), as specified under section 39 of the 1987 Act. The changes introduced a cap under section 59A affecting medical and related expenses.

State Insurance and Care Governance Act 2015

In September 2015, the State Insurance and Care Governance Act 2015 (SICG Act) established SIRA as the regulator and Insurance and Care NSW (icare) as the insurer.

2015 legislative amendments and 2016 regulation amendments

The Workers Compensation Amendment Act 2015 provided further support to workers with high needs with the introduction of medical payments for life. The amendments increased lump sum payments available for permanent impairment 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 when the worker's entitlement to weekly payments ceased. For workers with permanent impairment of 11 to 20 percent, the entitlement period is extended up to five years, and workers with permanent impairment of more than 20 percent have an entitlement to reasonably necessary medical expenses for life.

2018 dispute resolution amendments come into effect

The *Workers Compensation Legislation Amendment Act 2018* was introduced to simplify dispute resolution processes with the objective of offering more consistent outcomes for workers, employers, insurers and providers. The changes commenced on 1 January 2019.

Under the amendments, the Workers Compensation Commission was granted exclusive jurisdiction to hear and determine all workers compensation disputes. The changes also established new pathways for enquiries and complaints with the Workers Compensation Independent Review Office (WIRO) becoming responsible for managing worker complaints about the service and conduct of their insurer, whilst employers, insurers and system participant enquiries and complaints are managed by SIRA.

Several other changes were made to dispute resolution, including:

- Consolidating notice requirements to enable insurers to provide a single decision notice to workers where liability is disputed or a work capacity decision is made. The objective was to promote clarity and understanding of impacts on workers' entitlements.
- Allowing the Commission to determine certain disputes relating to permanent impairment, rather than requiring these disputes to be referred to an approved medical specialist. This was designed to enable the efficient resolution of disputes, and to allow workers to focus on their recovery, wellbeing, and returning to work.
- Enabling a worker to seek an optional internal review by the insurer.
- Changes to legal costs in relation to work capacity decisions.

Miscellaneous amendments in 2018

Other miscellaneous amendments introduced by the *Workers Compensation Legislation Amendment Act 2018* include:

- Allowing employers to use electronic methods to provide information about workers compensation and return to work programs. This supports remote workers and those working flexibly.

- Amendments to commutation provisions to ensure workers with catastrophic injuries have access to lifetime medical and related treatment. These workers retain the ability to commute their entitlement to weekly payments.
- Amendments to standardise indexation notifications, which allow SIRA to approve and issue indexation adjustments.

Claims Handling Standards and Guidelines

The Standards of practice: Expectations for insurer claims administration and conduct (Standards) were developed after undertaking a comprehensive review of the claims handling framework in NSW, and were made effective from 1 January 2019. The Standards were supported by changes to the Workers Compensation Guidelines (Guidelines). Together, the Standards and revised Guidelines set clear, consistent, accessible and enforceable expectations that will guide insurer conduct and claims management.

Changes to Pre-injury Average Weekly Earnings (PIAWE)

Changes to pre-injury average weekly earnings (PIAWE) were introduced which apply to workers injured on or after 21 October 2019. The amendments simplified and improved the way in which PIAWE is calculated for determining the worker's weekly compensation of payments. These amendments were supported by the *Workers Compensation Amendment (Pre-injury Average Weekly Earnings) Regulation 201*9 and amendments to the Workers Compensation Guidelines and Standards of Practice.

For more information about amendments to the NSW workers compensation legislation, visit our overview of changes and reforms page on the SIRA Claims Management Guide.

COVID-19 presumptive legislation passed by Parliament

Amendments to the 1987 Act in 2020 provide a presumptive right to workers compensation for certain workers who contract COVID-19. The *Workers Compensation Amendment (Consequential COVID-19 Matters) Regulation 2020* was developed to support the operation of the presumption. The Regulation sets out the medical test and results required the purposes of the presumption. The Regulation also provides further detail about these workers' presumptive right to weekly payments and clarifies the categories of prescribed employment.

For more information about the COVID-19 presumptive legislation passed by Parliament, visit the SIRA website.

Health Policy, Prevention and Supervision

In March 2020, the SIRA formed a dedicated Health Policy, Prevention and Supervision (HPPS) team to ensure that people injured at work or on NSW roads receive the most cost effective, appropriate and timely care. The HPPS team works across all the schemes SIRA regulates, taking a holistic view of the 'injury chain', and focusing on optimal health outcomes for the people of NSW.

The HPPS team focuses on driving best practice care, evidence-based recovery, underpinned by a strategic research agenda.

Review of health care arrangements

SIRA's legislative objectives include: to ensure that persons injured in the workplace or in motor accidents have access to treatment that will assist in their recovery; to promote efficiency, effectiveness and viability of the schemes; and to minimise cost to the community of workplace injuries and injuries arising from motor accidents.

Over recent years healthcare costs in the workers compensation scheme have been escalating, without a corresponding improvement in return to work. SIRA has identified that the main contributing factor to rising healthcare costs is an increase in service utilisation.

To better understand and address the drivers of escalating healthcare costs and service utilisation, SIRA commenced a comprehensive review of healthcare outcomes in the NSW workers compensation and motor accidents schemes.

SIRA's *Healthcare Review* considered regulatory and fee setting approaches to ensure injured people have access to the right healthcare at the right time for optimal recovery and return to work. The Review was not about reducing expenditure or treatment available, but rather ensuring that every healthcare dollar delivers value and quality care.

The full range of healthcare arrangements were within scope, including clinical quality, data and reporting, fees, monitoring and compliance, and regulation. Key projects included:

- Fee regulation reform
- Health outcomes and reporting framework
- Leakage identification and reduction
- Health provider supervision
- Improving clinical quality

SIRA led a public consultation for the review from September to November 2019, with 43 submissions published on the SIRA website.

Hearing loss review

In the second half of 2019, the HPPS team started a review into services to support people with work-related hearing loss in the NSW workers compensation system, consisting of:

- Public consultation
- A rapid review of evidence relating to the assessment and treatment of occupational noise-induced hearing loss from the John Walsh Centre for Rehabilitation Research was undertaken.
- Qualitative research was conducted by the Social Research Centre to understand the perspective and experience of people making a claim.

All of the outcomes of this review have been published to the SIRA website.

SIRA has convened a working group, that includes insurers and WIRO, to simplify the claim pathway to provide the worker with hearing aids sooner and minimise cost and time delays.

This group met for the first time in July and will continue to meet over the coming months to work on solutions to the problems raised in the review.

Mental health

The NSW Government's Mentally Healthy Workplaces strategy 2018–2022 target is that, by 2022, more than 90,000 NSW businesses will be taking effective action to create healthy workplaces. SIRA leads the Recovery@work component of the Mentally Healthy Workplaces strategy, which supports people to stay at work, or come back to work while they are managing a mental health recovery.

The program aims to deliver easy, practical help for employers and workers, which is evidence informed and guided by people with lived experience of mental health issues. Recovery@work initiatives include a toolkit to support mental health recovery at work, the *Recovery Boost* $50,000 funding program aiming to support the development of the evidence base, and a lived experience engagement project consisting of the Recovery@work reference group, and a strategic framework to engage people with lived experience in policy, programs and resource development.

In response to the impacts of COVID-19, SIRA has invested in several new initiatives, including the COVID-19 mental health recovery toolkit, and two research projects focussed on mental health in small and micro businesses. A range of additional initiatives are planned for late 2020 and 2021 to continue to support people in NSW workplaces to recover from the impacts of COVID-19.

Rapid reviews

In the past year, SIRA commissioned a series of rapid reviews to inform its work. A rapid review is a form of evidence synthesis that can be conceptualised as a simplified systematic review. A rapid review provides answers to policy questions in a more timely and affordable way than systematic reviews, with systematic reviews taking between one and two years. A rapid review is often completed in five weeks.

The rapid review for best practice opioid management was published to the website in June 2020. The evidence suggests that the effectiveness of therapeutic prescription of opioids is limited – opioid use is justified in treatment of acute pain after major trauma or surgery, but evidence to support using opioids to treat chronic pain is weak and insufficient. The researchers also reported growing evidence about the risks and harms of opioid use beyond two weeks.

Complementing this work will be the development of a better practice guide for the use of high risk medications in the schemes, which will focus on better identifying the use of high risk medications, increasing the use of the Pharmaceutical Benefits Scheme (PBS), standardised invoicing requirements for pharmacies and improving the use of medication reviews.

Further work centred on pain management, which is near completion, includes a rapid review of the evidence for better pain management approaches which will inform the development of a pain strategy across the compensation schemes in SIRA.

The final rapid review in progress is evaluating the features of best practice vocational programs designed to support worker's rehabilitation and recovery. There is a strong body of evidence that shows the longer an injured worker is away from work, the less likely they are to ever return to work. SIRA will use the findings from this review to guide the use of vocational programs available to injured workers in its schemes.

New clinical guideline for diagnosis and management of work-related mental health conditions

In Australia, most injured workers seek care from their general practitioner. SIRA supported the world-first Clinical guideline for the diagnosis and management of work-related mental health conditions in general practice, endorsed by the Royal Australian College of General Practitioners and the Australian College of Rural and Remote Medicine, with approval from the National Health and Medical Research Council. Implementation of the guideline was planned to commence via a trial with general practitioners with high caseloads of patients with work related mental health conditions in March 2020. Due to COVID-19, this trial has been suspended for six months.

SIRA Symposium

The Symposium series aims to identify opportunities for cross-sector action to improve results for people recovering from injury and loss in the insurance schemes regulated by SIRA. The first Symposium was held in October 2019 and focused on sustainable delivery of optimal health and recovery outcomes for people who are injured at work or on the roads. Due to COVID-19, it was determined that a 2020 event would not be convened. Engagement with symposium participants remains ongoing and face-to-face symposia series will recommence in 2021.

Stakeholder engagement and events

SIRA's HHPS team met with many stakeholders as part of SIRA's work on areas including mental health, road safety, research and education. SIRA presentations included key notes at the Personal Injury Education Foundation Event and the John Walsh Centre for Rehabilitation Research.

The McDougall review of the SICG Act

The NSW Treasurer Dominic Perrottet and Minister for Customer Service Victor Dominello announced on 4 August 2020 that the scheduled five-year review of the *State Insurance and Care Governance Act 2015* would be brought forward.

The review is headed by retired Supreme Court Judge, the Hon Robert McDougall QC. The final report of recommendations to Government is due for release in early 2021.

Regulating the scheme

New requirements for insurer claims administration and conduct

SIRA established standards of practice and guidelines for insurers to improve outcomes of customers of the workers compensation scheme. The standards of practice Workers compensation guidelines and Workers compensation medical dispute assessment guidelines, were published on 21st December 2018 and took effect on 1 January 2019.

Effective claims management practise has been shown to play a role in the recovery of workers and their capacity to engage with the community e.g. through return to work.

SIRA - the workers compensation scheme regulator

About us

SIRA was created under part 3 of the *State Insurance and Care Governance Act 2015* (SICG Act).

In establishing SIRA, the Government's intention was to 'create a consistent and robust framework to monitor and enforce insurance and compensation legislation in NSW, and to ensure that public outcomes are achieved in relation to injured people, policy affordability and scheme sustainability' (from the second reading speech of the SICG Act). SIRA's objectives and regulatory role is set out in the Act as follows:

SIRA's objectives and regulatory role is set out in the Act as follows:

- to promote the efficiency and viability of the insurance and compensation schemes established under the workers compensation and motor accidents legislation and the Home Building Act 1989 and the other Acts under which SIRA exercises functions
- to minimise the cost to the community of workplace injuries and injuries arising from motor accidents and to minimise the risks associated with such injuries
- to promote workplace injury prevention, effective injury management and return to work measures and programs
- to ensure that persons injured in the workplace or in motor accidents have access to treatment that will assist with their recovery
- to provide for the effective supervision of claims handling and disputes under the workers compensation and motor accidents legislation and the Home Building Act 1989
- to promote compliance with the workers compensation and motor accidents legislation and the Home Building Act 1989.

You can read more about SIRA's governance, strategic framework, regulatory approach and current strategic priorities.

SIRA's Governance

SIRA is an independent agency located within the NSW Customer Service Cluster. The affairs of SIRA are managed and controlled by the Chief Executive in accordance with the general policies and strategic direction determined by the SIRA Board. Anything done by the Chief Executive on behalf of SIRA is taken to have been done by SIRA (section 19(3) of the SICG Act).

The functions of the SIRA Board are set out in section 18(5) of the Act and include:

- determining the general policies and strategic direction of SIRA
- overseeing the performance of SIRA
- giving the Minister any information relating to the activities of SIRA that the Minister requests
- keeping the Minister informed of the general conduct of SIRA's activities and of any significant development in activities.

SIRA's strategic framework

While SIRA is not, in the exercise of its functions, subject to the control and direction of the Minister, the Minister may give SIRA a written direction with respect to its functions if the Minister is satisfied that it is necessary to do so in the public interest. SIRA must include in its Annual Report particulars of each direction given by the Minister during the reporting year.

Purpose

To ensure that the NSW workers compensation, CTP and home building compensation schemes are fair, affordable and effective.

Mission

To steward the NSW workers compensation, CTP and home building schemes to ensure that people who make a claim now, or in the future, get the support they need.

Goals

- Financially sustainable schemes.
- Affordable premiums.
- Optimal outcomes for injured people.
- Positive customer experiences.
- Public trust in SIRA and the schemes it regulates.

Functions

Design and reform	Designing and reforming schemes – through policy advice, guidelines, and scheme design and performance.
Supervise and enforce	Supervising the performance of regulated parties and enforcing compliance with the law – through monitoring performance and compliance, audits and reviews, and enforcement of the law and its licence conditions.
Innovate and engage	Innovating and engaging others to improve customer outcomes – through stakeholder engagement and communication, service delivery, and research and leadership in personal injury.

SIRA's regulatory approach principles

SIRA's role is to ensure that the schemes it regulates continue to be fair, effective and affordable for policy holders, and for people who make a claim for compensation today or in the future. Since overseeing significant reforms to the schemes, SIRA's regulatory approach has matured and adapted to new priorities and expectations, including in response the 2019 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the 2019 Australia Prudential Regulatory Authority (APRA) Capability Review.

The 10 principles below outline SIRA's regulatory approach to assist regulated entities, service providers, customers and stakeholders in the Workers Compensation, CTP and Home Building

Compensation schemes to know about SIRA's focus, the way decisions will be made and how SIRA will engage on matters of scheme design and compliance.

Customer focus	Everything SIRA does is guided by protecting the interests of its customers — policyholders and people who make claims, now and in the future.
Responsiveness	SIRA is responsive to changing community expectations and to public scrutiny.
Stewardship	SIRA understands that administering the law is just part of its responsibility as scheme steward.
Consultation	SIRA consults widely and often to make better decisions and deliver better outcomes.
Evidence	SIRA relies on evidence and does what works – not just what is expected or easy.
Innovation	SIRA is always looking for innovative ways to improve outcomes.
Efficiency	SIRA builds future capability through current challenges, applies it across schemes and leverages others' work.
Fairness	SIRA makes its expectations clear and treats everyone fairly and with respect.
Information	SIRA actively publishes information on scheme and provider performance and makes data more useful.
Accountability	SIRA takes strong enforcement action when needed, based on the degree of harm or negligence, or the need for deterrence.

SIRA's current strategic priorities

- Adapt policies, services and regulatory action to COVID-19.
- Improve return to work (RTW) outcomes for people injured at work and on the roads, including better reporting and measurement of RTW in NSW.
- Improve regulation of healthcare in CTP and workers compensation so injured people receive optimal healthcare at the optimal time for optimal health outcomes.
- Strengthen SIRA's strategic monitoring, supervision and enforcement program.
- Align and promote SIRA's regulatory approach across regulated schemes.
- Continue to advance transparency through open data and performance reporting.
- Support the implementation of the Personal Injury Commission (PIC).
- Implement customer conduct principles, customer experience research and reporting.
- Advance outcomes and practice in injury recovery through research and collaboration with experts and stakeholders.
- Strengthen organisational health and capability.

Return to work round table discussions

In March 2020, SIRA received 27 submissions to its Measuring RTW discussion paper, including 79 differing and detailed comments indicating the variety of opinions and complexity of measuring RTW. SIRA subsequently conducted 13 RTW roundtable / focus group discussions, supported by independent actuary, Ernst and Young (EY), with key stakeholders including insurers, actuaries, provider associations, academics, unions, employer associations and treasury managed fund agencies.

Consultation revealed broad agreement on the principles of RTW measurement and consensus as to the merits of measuring real work participation. Also captured were factors identified by stakeholders that influence RTW outcomes and ways that these additional factors might be captured.

In response to stakeholder consultation and the most recent RTW evidence, SIRA has drafted a RTW measurement framework. The framework reflects the complexity of the recovery process and the many factors that interact to influence a worker's recovery at work. It includes lag indicators (work outcomes) and lead indicators (factors that influence whether work outcomes are achieved). Success in improving leading indicators will contribute to improvements in recovery at work outcomes.

COVID-19 claims and the economic downturn

The COVID-19 pandemic initially resulted in decreased frequency of claims, which has now rebounded to "normal" levels. At this stage there is limited evidence of a significant number of direct COVID-19 claims.

In addition, COVID-19 is likely to result in diminished returns on investments. The income stream of insurers is expected to be impacted by changes to the employment rates, reduced business activity and potentially decreased numbers of businesses trading. This may result in the premiums expected and estimated not being realised.

Methodology and data

The information presented in this report is derived from various sources, including data, annual declarations provided to SIRA, other submissions from NSW workers compensation insurers, the Workers Compensation Commission and the Workers Compensation Independent Review Office. In addition, SIRA and its partners have collected data from customers of the scheme to enable the scheme to be assessed from the customer's perspective.

The data in this report for 2019/20 is generally full financial year data as received at 30 September 2020. In previous reports SIRA has completed this scheme review of the financial year based on data received as at 30 June each year, however significant variations particularly in claim numbers and claim costs have been observed following the end of the month submissions by insurers. For this reason, SIRA has sought to improve the reporting and opted for a later "as at date" to enable the maturation and development of customers claims journeys and to provide the best possible data quality, completeness and transparency for reporting. In addition SIRA's decision to extend the "as at date" was made possible due to monthly dashboards and data sets published on the SIRA website to offer timely information for stakeholders and customers.

There are some sections in this report that contain more current data than the end of September 2020. Where this is the case this has been noted in the report. Examples of this include updates on recent regulatory activity, including the 2019 SIRA independent Compliance and Performance Review of the Nominal Insurer managed by icare (NI), and more recent data on trends in medical and weekly benefits claim costs.

The data presented in this report may differ to the data contained in the 2019/20 SIRA Annual Report due to timing, data maturation and development and information management processes. Similarly, this report may update data provided in previous years reports to reflect more recent data on claims.

All reportable claims to SIRA 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 a claim, it has been included in the report.

SIRA is continuously working to improve the assessment of the scheme performance, the reported metrics and data quality and completeness. If you have any comments on this, please contact us.

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

The premium values used in this report are as follows:

- Nominal Insurer (NI) 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.

Where appropriate, this report has benchmarked scheme performance across the different insurer segments.

SIRA identified data quality issues with the accuracy and completeness of return to work (RTW) data submitted by the NI. The data appeared to indicate a significant deterioration in the NI's RTW performance however there was a need to undertake data quality assurance to eliminate the risk that the reported deterioration was a result of data quality problems. SIRA instructed the NI to improve the quality of the data. To address both the data quality and performance concerns with the NI, SIRA carried out a data quality audit in December 2018 and completed a Compliance and Performance Review in December 2019. More information has been published on the SIRA website.

Scheme performance framework

The SIRA Workers Compensation Performance Framework was developed with reference to the objectives for the scheme as outlined in the legislation.

Figure 5 The workers compensation scheme performance framework

Performance framework objectives	2019/20 measures

Effectiveness
 	
Scheme effectiveness in protecting workers, getting workers back to work and wellbeing.
	• Engagement with employment including return to work rates (multiple measures) including
	  • The stayed at work rate
	  • The *at work* rate
	  • RTW (work status code) rate
	  • Self-reported returned to work rates
	  • Self-reported current returned to work rates
	  • Weekly benefits cessation.
	  • Number of workers on weekly benefits
	  • Maintaining a significant RTW
	• Self-reported recovery

Efficiency Scheme is efficiently delivered in terms of cost, time and process.	• Claim payments • Benefits to and for workers • Timeliness of reporting and assessing claims • The use of provisional liability

Viability
 	
The scheme is financially sustainable for future generations.
	• Securities held
	  • Stability of claim numbers and costs.
	  • Psychological injury claims costs
	  • Adequacy of premium pricing and collection
	  • Open and active claim numbers
	  • COVID-19 RTW rates
	  • Psychological claims and RTW rates
	  • Volume of claims for fatal injuries
	  • Uninsure liability claims
	• Scheme operating fund and financial sustainability

Affordability Insurance premiums are affordable	• Cost of premiums • Cost of premiums by industry
Customer experience The scheme provides a	• Customers ratings of the scheme performance • Enquiries and complaints • Disputes • Independent Legal Assistance and Review service grants • SIRA's stakeholder engagement program

Performance framework objectives	2019/20 measures
positive customer experience	
Equity The scheme is fair and equitable	• Customers assessment of the scheme fairness – procedural justice, informational justice and interpersonal justice. • Compliance and enforcement activity

Scheme performance - Effectiveness

Recovery and absences from work following an injury/illness

SIRA uses a number of measures to assess the effectiveness of the workers compensation scheme in supporting workers to remain at work, return to work and sustain their employment following an absence. In addition, results from an independent survey of workers (SIRA Regulatory Measurement of Customer Experience 2020 survey) offers self-reported recovery rates. These measures reflect the newly designed RTW measurement framework. Further work will be undertaken to design the indicators of return to work.

Remaining, returning and maintaining engagement with work

The following measures are based on real work participation using the work status code. The cohorts are taken from the date the claim was entered into the insurer system over a 12-month rolling period (19/20). Other reports presented by SIRA may use the same metric but different cohorts such as from the date of injury over a three-month rolling period.

The stayed-at-work rate measures the percentage of workers who made a claim and remained working (i.e. had less than one day off work) following a work-related injury/disease.

The RTW (work status code) rate is the percentage of workers who were off work in the 12-month period because of their work-related injury/disease and have since returned to work at different measurement intervals (4, 13, 26, 52 or 104 weeks)from the date the claim was entered into the insurer system.

Durable RTW rate is the percentage of workers who returned to work in any capacity for at least three consecutive months following at least one day off work. This is measured 12 months after the claim was entered into the insurer system. This 12-month lag means that in this report the results up to 2018/19 are based on fully developed claims into the system, while the results for 2019/20 are still maturing / developing.

Maintaining work rate – This measure assesses the length of time workers maintained their employment without an absence following their initial return to work.

Weekly payments cessation measure uses the cessation of weekly compensation payments as a proxy measure for when the worker returned to work.

Number and cost of workers receiving weekly payments is a cooperative measure of how many workers (and the associated cost) year on year were receiving weekly payments whilst absent from work or performing suitable work.

COVID-19 impact on working rates – survey results from workers on the impact of COVID-19 on their recovery

Self-reported returned to work (survey) rates is the proportion of injured or ill workers who had reported during an independent survey that they had returned to work for any period of time at some stage since their first day off work.

Self-reported current returned to work (survey) rates is the proportion of injured or ill workers who were working at the time the survey was undertaken.

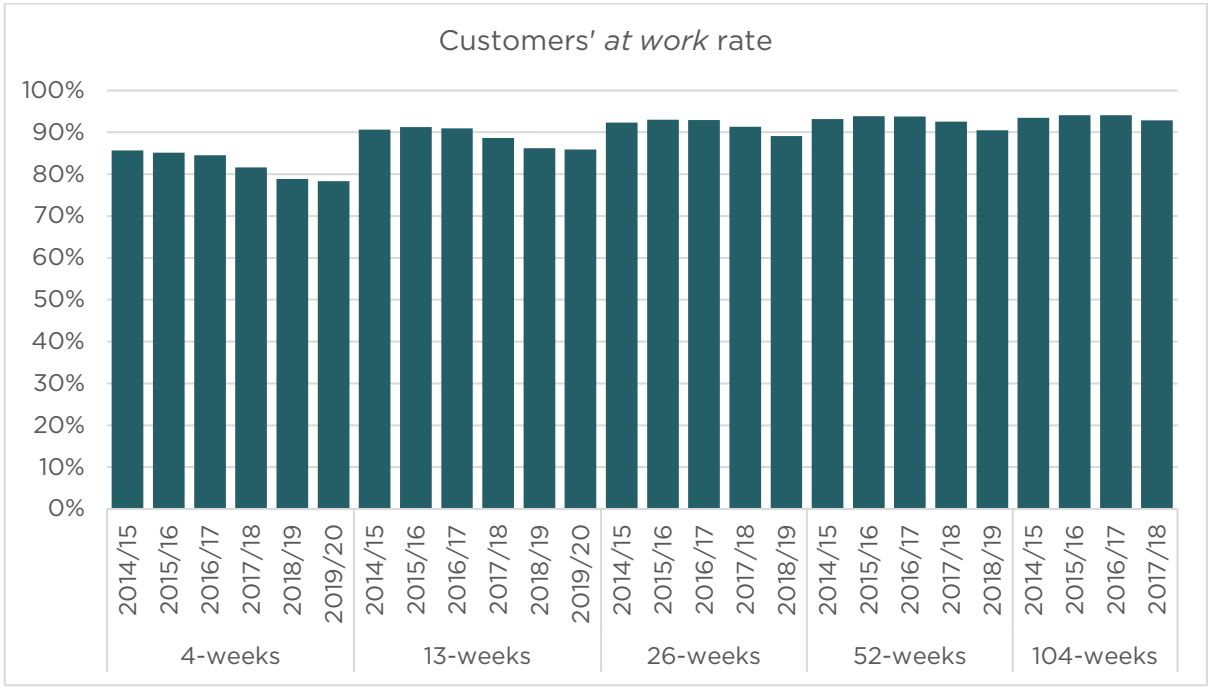
Self-reported rates of workers who are not currently working (survey) - this snapshot is derived survey information and provides another methodology to gauge workers engagement with work

Working rate

The *Working* rate is the percentage of workers who are at work at 4, 13, 26, 52 and 104 week measurement intervals. It includes those who stayed at work, e.g. with medical only claims and those who returned to work following an injury / illness.

There is deterioration of the *working rate* in the scheme performance evident at all the measurement intervals. The 4 and 13 weeks working rate for 2019/20 are each the lowest in their measurement interval group. Whilst the deterioration in 2019/20 is marginal compared with 2018/19, the cumulative deterioration in performance over the longer displayed timeframe is significant and rectification of this trend is likely to take a considerable period of time putting the scheme performance at risk.

Figure 6 Customers' *working* rate for time intervals — Scheme results



Working rate across insurer segments

The figure below compares the *working* rate by insurer types for the 2019/20 period. During this time, an improvement can be seen for the NI performance at the 4 and 13 weeks intervals. Both these rates showed a very minor improvement but remained below the system *working* rate.

Figure 7 Customers' *working* rate at 4 and 13 weeks by insurer types

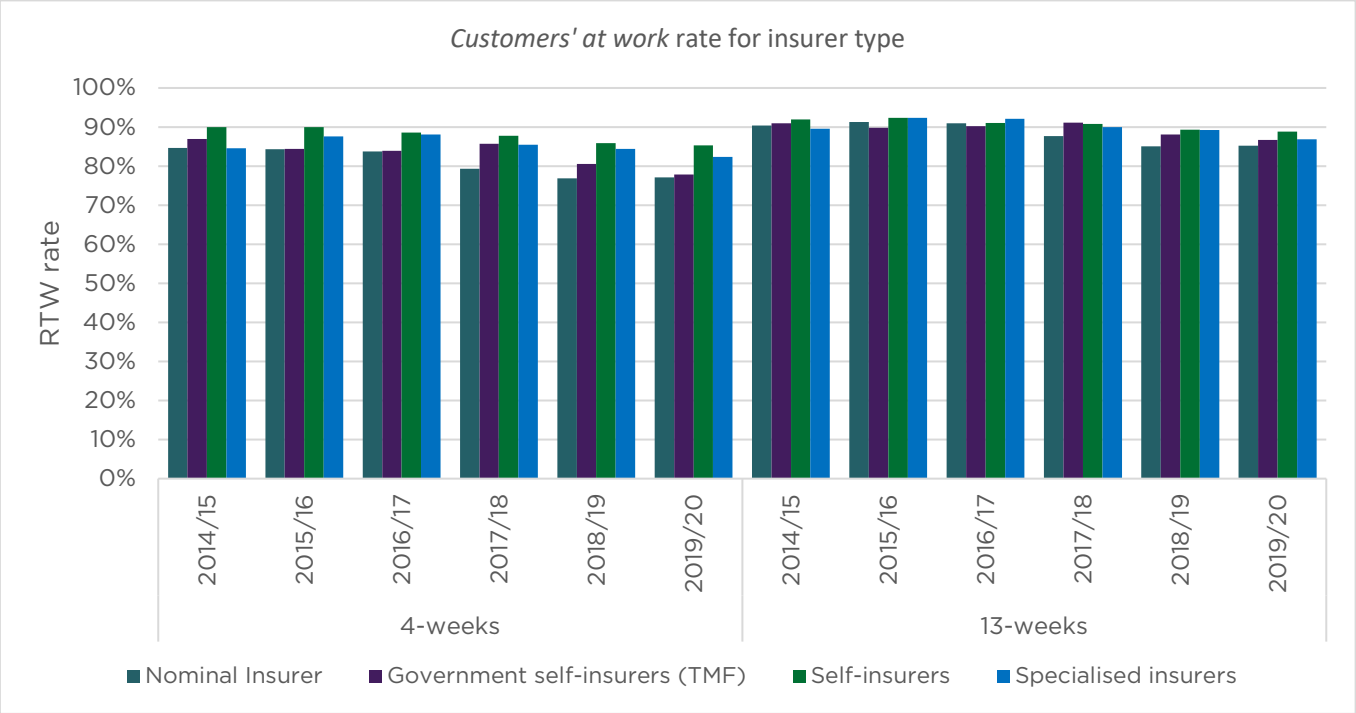
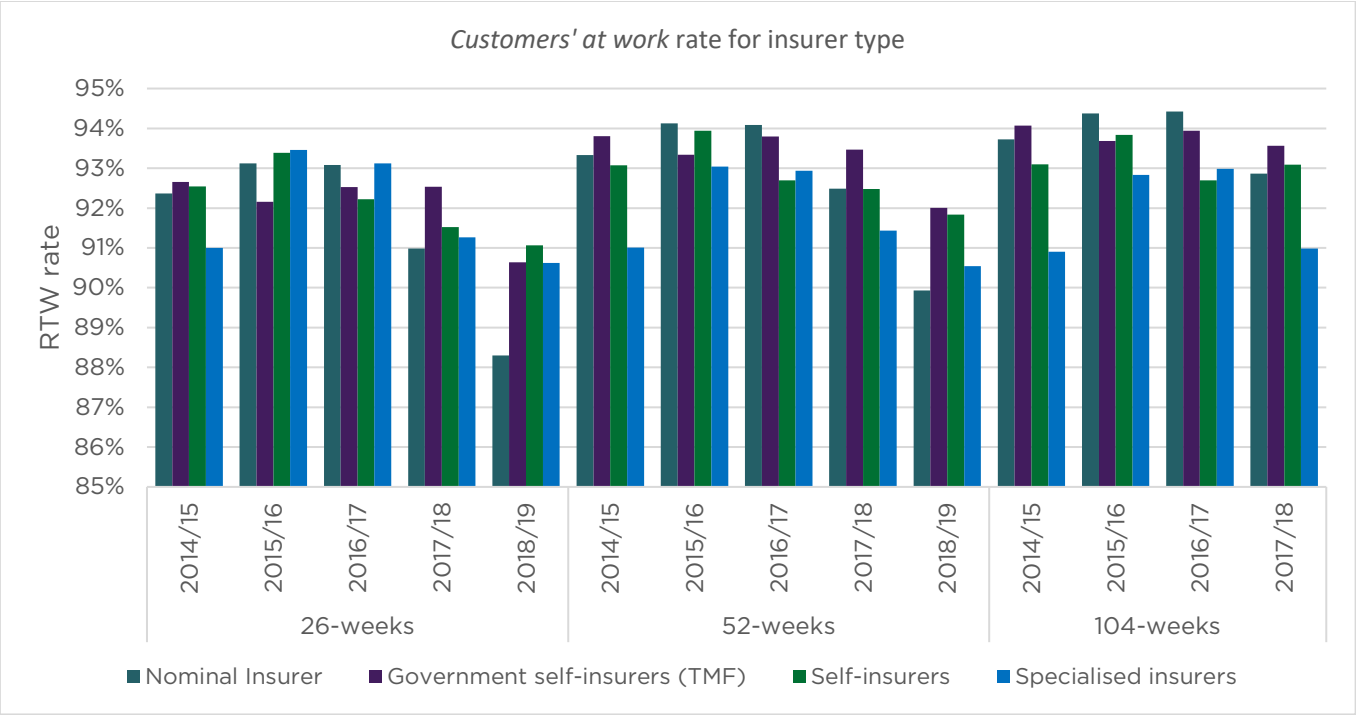


Figure 8 Customers' *working* rate at 26, 52 and 104 weeks by insurer types



Stayed-at-work rate

The stayed-at-work rate measures the percentage of workers who stayed at work after a work-related injury/disease, i.e. those who did not have an absence of a day or more.

This measure is derived from claims where a value for *date ceased work* was not recorded. 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 had a return to work policy and program in place and could arrange for them to continue to work.

This measure includes the workers who met the following criteria:

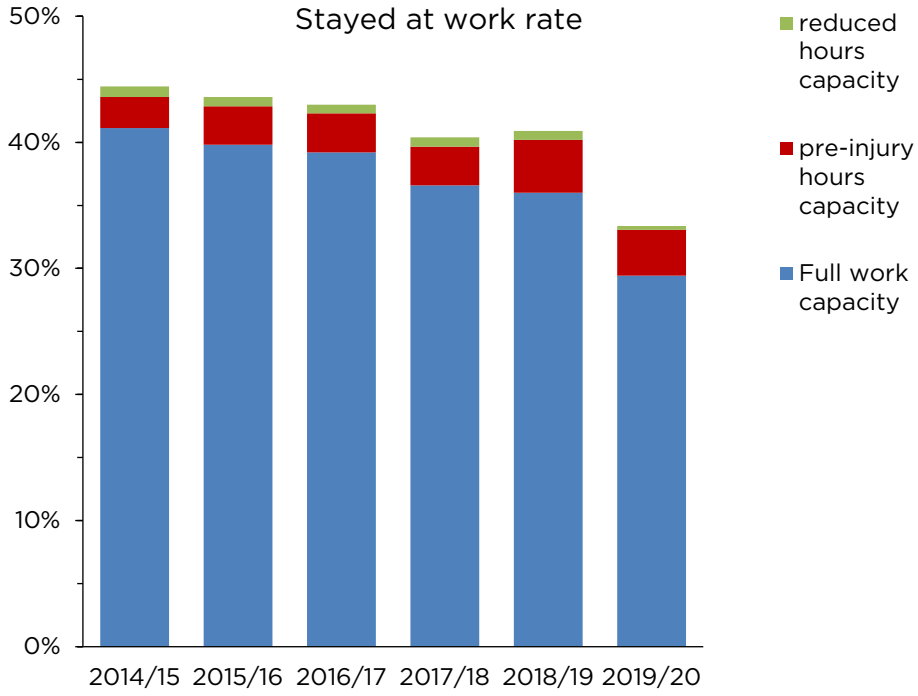
- Had a worker's compensation claim which was entered into the insurer system in the 2019/20 period and,
- Stayed at work
  - on pre-injury employment (i.e. pre-injury capacity and hours) or,
  - at 'current' capacity (with no hours lost) or,
  - at 'current' capacity (with reduced hours).

Please note this is a key part of the scheme performance and SIRA is working collaboratively with stakeholders to provide a consistent and robust suite of measures of the performance in workers who stayed at work, returned to work and maintained their return to work. This is an important aspect of the scheme performance however at this stage this is a proxy metric to inform the scheme performance and will be improved to provide a consistent metric going forward.

The stayed-at-work rate (across all work capacity types) in NSW is also trending downwards. Since 2014/15, it has reduced significantly from 44.4 percent to 33.4 percent in 2019/20. In this period, the best stay-at-work outcomes were achieved for claims entered into the system in 2014/15.

Most injured workers who stayed at work have full work capacity. The proportion of injured workers who stayed at work with full work capacity is also trending downwards. Following an increasing trend from 2.5 percent in 2014/15 to 4.2 percent in 2018/19, the 2019/20 proportion of injured workers who maintained their pre-injury hours has declined to 3.6 percent.

Figure 9 Stayed at work rates



Return to work (work status code) rate

The RTW rate reports the percentage of workers who have been off work for one day or more and have returned to work after 4, 13, 26, 52 or 104 weeks from the date the claim was entered into the insurer system. This section also provides information about the proportion of workers who returned to work.

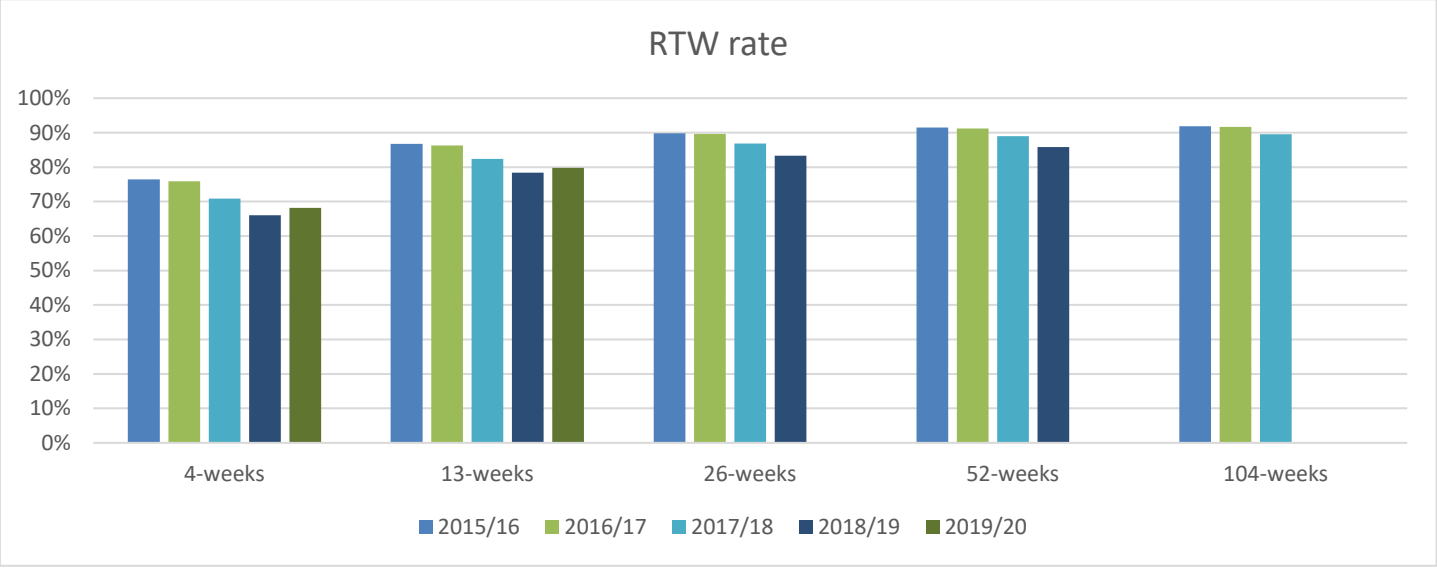
Overall, there has been a decline in RTW for workers returning to their pre-injury employment between 2015/16 and 2019/20. In past reports, the deteriorating RTW rates were partially attributed to poor data quality provided by the NI, however there are other metrics which confirm that there has actually been a significant deterioration in the RTW rate performance across the scheme, particularly for the NI. Some of these other metrics which indicate the deteriorating scheme performance in relation to remaining at work, returning to work, and the longevity of workers engaging with work, are:

- there are higher numbers of customers off work and receiving weekly payments.
- the cost of weekly payments continues to increase, reflecting the occurrence of more weekly payments being paid where customers are off work across longer durations than in previous years.
- the average number of days customers are paid weekly payments is increasing.
- there is a marked increase in the number of open and active claims.

This upward trend in weekly payments, in conjunction with more workers receiving weekly payments for longer durations, may be a trend that is difficult to reverse and could remain for some time.

RTW rate for workers with 'current' work capacity either with the pre-injury employer or a new employer, with or without reduced hours, has shown some improvement across the last five years at each of the 4 and 13 week measurement intervals (i.e. where mature data is available). More specifically, the RTW rates for those resuming work at 4 weeks and 13 weeks are showing some improvement however this improvement is from the very low base of 2017/18.

Figure 10 System RTW (work status code) rate

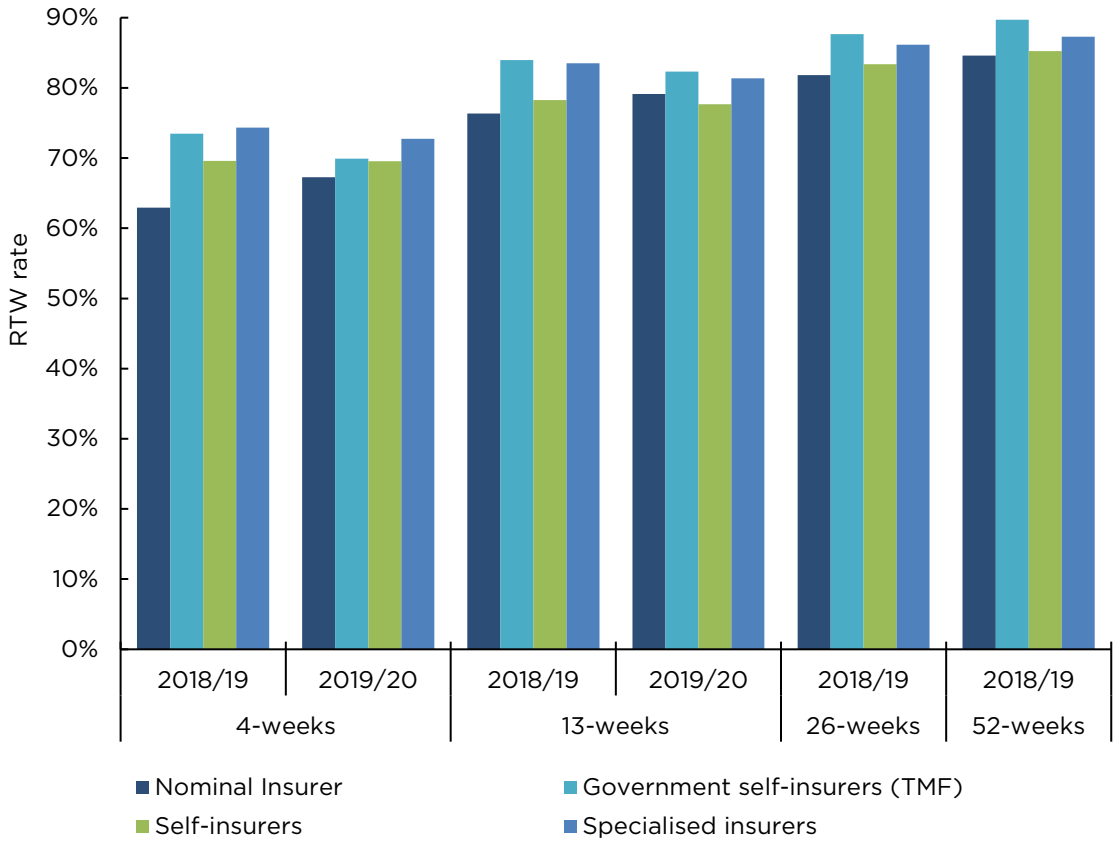


RTW (work status code) rate by insurer

For 2019/20, specialised insurers achieved the highest RTW (work status code) rate of all insurer types at the 4 weeks interval. The government self-insurers (TMF) achieved the highest RTW rate at the 13 weeks interval.

Compared to the very low baseline of 2018/19, the NI has seen some slight improvement in the RTW rate in 2019/20 at both the 4 and 13 weeks measurement intervals. However, the NI rate remains just below the overall scheme results at both of these measurement intervals. At 4 weeks, the NI was 67.2 percent while the scheme was 68.1 percent, and at 13 weeks the NI was 79.1 percent compared to the scheme at 79.8 percent. At the 4 weeks measurement interval, the RTW (work status code) rate for the NI is the lowest of the four insurer types.

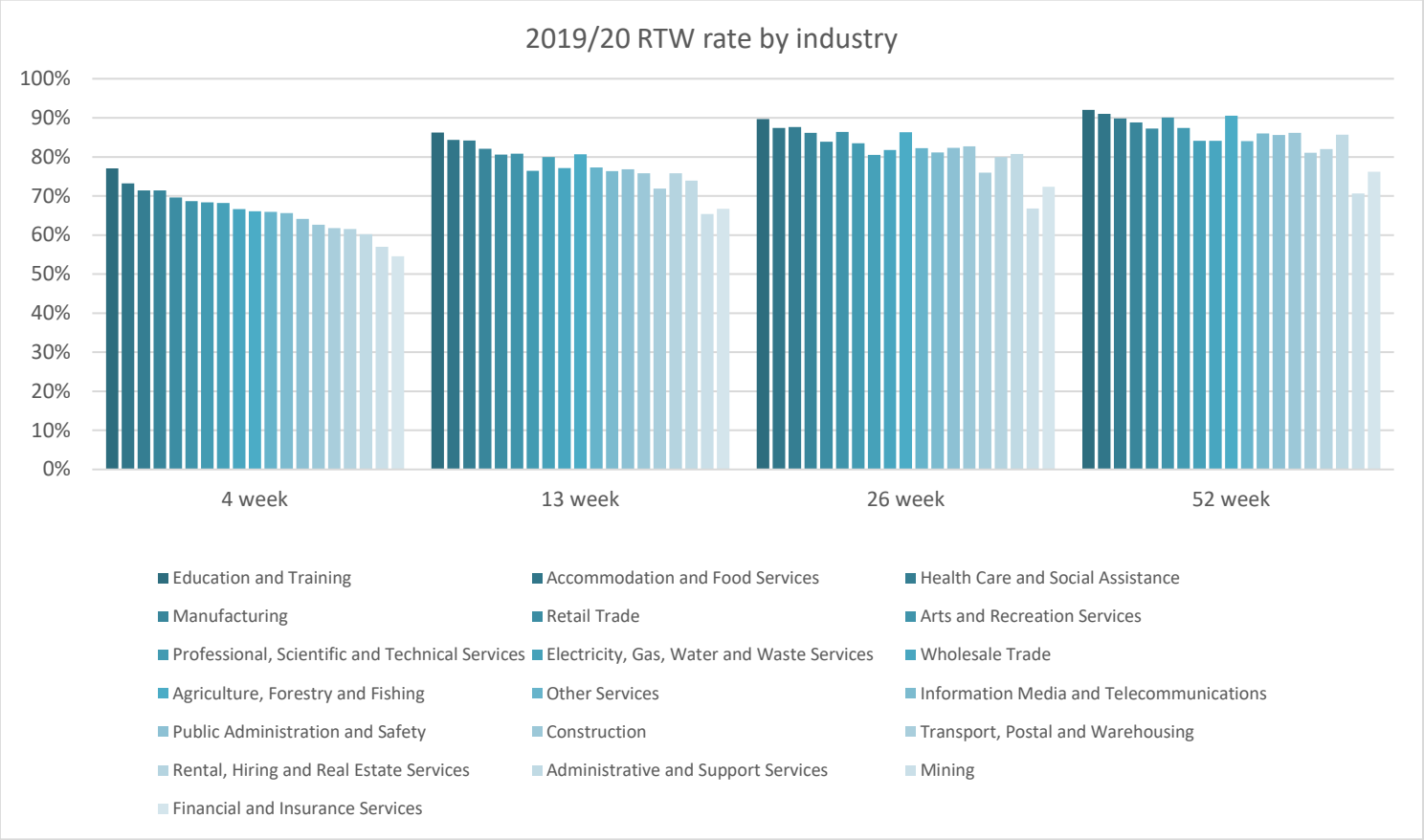
Figure 11 RTW (work status code) rate for insurer segment



RTW (work status code) rate measure by industry

The Education and Training ANZSIC Division had the highest RTW rate in both the 4 and 13 weeks measurement intervals, followed by Accommodation and Food Services. The Mining Division had the second lowest RTW rate at 4 weeks, and the lowest RTW rate at 13 weeks. Financial and Insurances Services Division had the lowest RTW rate at 4 weeks.

Figure 12 RTW (work status code) measure by industries



Self-reported returned to work (survey) rates

Included in the independent benchmark study on customer experience, the *SIRA Regulatory Measurement of Customer Experience 2020 survey*, were questions on self-reported return to work rates. The *Returned to Work Rate,* based on the *Safework Australia National Return to Work Survey* is a key return to work measure. It is the proportion of injured or ill workers who had returned to work for any period of time at some stage since their first day off work following an injury/illness.

The study revealed that slightly more than four in five workers (84 percent) had returned to work at some time since their work-related injury or illness. This return to work rate is similar to the *2019 Abridged Return to Work survey* result of 86 percent.

Analysis has shown that there were significant differences between different customer segments in the scheme including:

- Claimants who reported the customer service from their insurer as good or medium had a higher returned to work (survey) rate (86 percent and 85 percent respectively) compared to those who reported the service as poor (73 percent).
- Government self-insurers (TMF) claimants had a higher returned to work (survey) rate (90 percent) compared to those with the NI (82 percent). This finding is also reflected in the RTW rates as measured by a number of other metrics.
- Claimants with no, or slight pain and discomfort had a higher returned to work (survey) rate (92 percent) compared to claimants with moderate (79 percent) and severe or extreme (55 percent) pain and discomfort.

- Claimants who agreed that they were able to easily access the medical treatment and services they needed had a higher returned to work (survey) rate (88 percent) compared to claimants who did not agree (78 percent).
- Those with a claim for a physical injury had a higher returned to work (survey) rate (87 percent) compared to claimants with a mental illness claim (59 percent).
- Claimants who were assessed to have probable serious mental illness via the Kessler 6 had a lower returned to work (survey) rate (56 percent) compared to claimants who have no probable serious mental illness (91 percent).
- Claimants who had high or medium trust in the scheme had a higher returned to work (survey) rate (88 percent and 84 percent respectively) compared to claimants who had low trust (71 percent) in the scheme.

Of the claimants who had returned to work since their injury, nearly all (96 percent) returned to the same employer they were working for at the time of their injury or illness.

Three in five (58 percent) claimants who returned to work resumed the same number of hours as at the time of their injury or illness when they first returned to work. Two in five (40 percent) returned to less hours. By comparison, 61 percent of workers compensation claimants in the *2018 National Return to Work survey* resumed the same number of hours they were doing at the time of their injury or illness while 38 percent returned to less hours.

The following significant differences between sub-groups were observed:

- Claimants who reported the customer service from their insurer as medium or poor were more likely to return to less hours (52 percent and 50 percent respectively) compared to those who reported the service as good (35 percent).
- Claimants with the NI were more likely to return to less hours (43 percent) compared to the government self-insurers (TMF) (30 percent).
- Claimants who were compensated for longer periods were more likely to return to less hours. Less than a third (28 percent) of claimants who were compensated for less the 20 days returned to less hours compared to two-thirds (63 percent) of claimants who were compensated for 20+ days.
- Those with a mental illness claim were more likely to return to less hours (63 percent) compared to those with a physical injury claim (38 percent).

Two in five (38 percent) of claimants who returned to work resumed the same duties they were doing at the time of their injury or illness, By comparison, 43 percent of claimants in the *2018 National Return to Work survey* resumed the same duties they were doing at the time of their injury or illness. This reduction reflects the overall deteriorating RTW rates in the scheme performance, the audit findings from the NSW Auditor-General's report and is likely to be adversely influenced by lower employment rates, hampering efforts to return workers to safe and suitable employment on their path to recovery.

The following significant differences between the customer segments within the scheme were observed in analysis:

- Claimants who reported the customer service from their insurer as medium or poor were more likely to resume completely different duties (27 percent for both) compared to those who reported the service as good (13 percent).
- Claimants who were compensated for 20 or more days were more likely to resume completely different (22 percent) or slightly different (55 percent) duties compared to claimants who were compensated for less than 20 days (14 percent and 39 percent respectively).

- Claimants with a mental illness claim were more likely to return to completely different duties (32 percent) compared to those with a physical injury claim (16 percent).
- Claimants who were assessed to have probable serious mental illness were more likely to return to completely different duties (30 percent) compared to claimants who had no probable serious mental illness (15 percent).

Self-reported current return to work rate

The *Current Return to Work Rate* was also surveyed in the *SIRA Regulatory Measurement of Customer Experience 2020 survey* and is the proportion of injured or ill workers who were working at the time of survey. Four in five (79 percent) of claimants were working at the time of the survey. This self-reported current return to work rate performance is similar to the SIRA *2019 Abridged Return to Work survey* results of 76 percent.

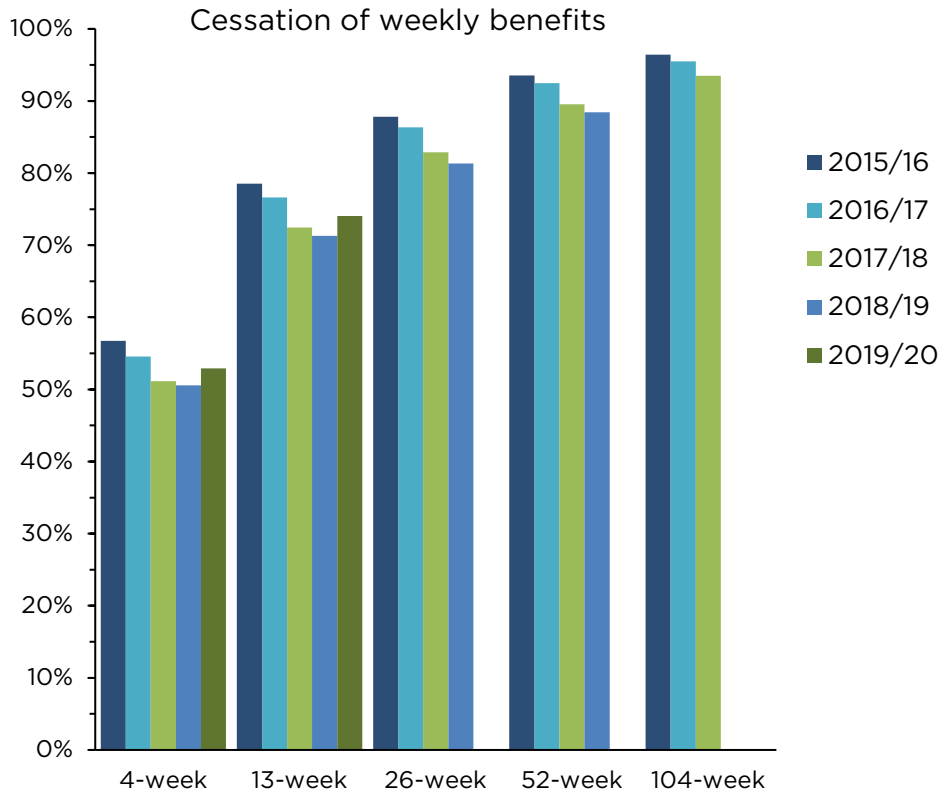
The following significant differences between the customer segments included:

- Workers who reported the customer service from their insurer as good were more likely to be working in a paid job at the time of the survey (82 percent) compared to those who reported the service as poor (65 percent).
- Workers who were compensated for less than 65 days were more likely to be working in a paid job at the time of the survey (86 percent) compared to claimants who were compensated for 65+ days (43 percent).
- Government self-insurers (TMF) and self and specialised claimants were more likely to be currently working (90 percent and 86 percent respectively) compared to those with the NI (75 percent).
- Claimants with a physical injury claim were more likely to be currently working (81 percent) compared to claimants with a mental illness claim (56 percent)
- Claimants who were assessed to have probable serious mental illness were less likely to be currently working (42 percent) compared to claimants who have no probable serious mental illness (87 percent).
- Claimants who had high trust (86 percent) in the scheme were more likely to be currently working compared to claimants who had medium (76 percent) or low (61 percent) trust in the scheme. Analysis also reveals that while only 2 percent of claimants with high trust in the scheme who have returned to work are not currently working, there are eight percent with medium trust, and ten percent with low trust, who have returned to work but are not currently working.

Weekly payments cessation measure

This measure is designed to identify the date weekly payments stopped being paid and that presumably the worker was back at work. While there are some processing and data development delays with monitoring the number of workers who are back at work in this manner, this data also confirms that 2019/20 had higher numbers of workers on weekly payments at the 4 week and 13 week measurement intervals when compared with the previous two year periods and reflects the same trend as the RTW work status code measure.

Figure 13 Cessation of weekly benefits

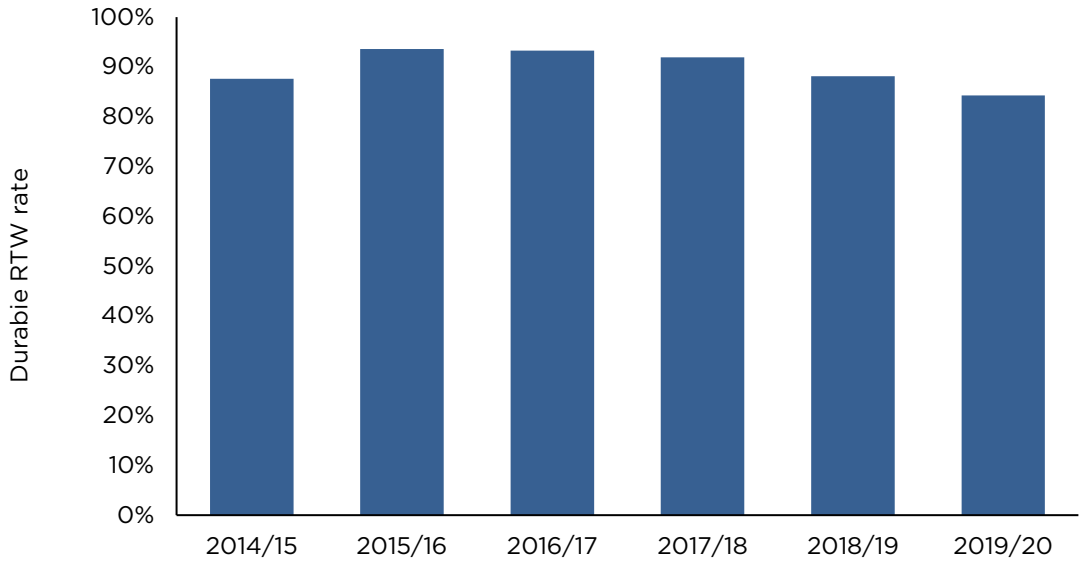


Durable (3 months) RTW rate

The durable RTW rate shows the percentage of workers who returned to work in any capacity for at least three consecutive months following at least one day off work. This is a retrospective measure calculated 12 months after the claim was entered into the insurer's system. This 12-month timeframe is required to enable the development of the claims and the associated claims data.

Like other measures of RTW in NSW, the durable RTW rate is trending downward. Commencing from a peak in 2015/16 (93.6 percent) the rate has declined to 88.1 percent in 2018/19. This result is just above the 2014/15 value of 87.6 percent. For 2019/20 the result as at 30 September was 84.3 percent.

Figure 14 Durable (three month) RTW rate



Note this is a retrospective measure dependent upon mature and developed data hence the 2019/20 claims journey for customers and the associated claims data is not complete.

Note also that analysis has shown trends remain relatively unchanged when compared on the same development period basis.

Durable (3 months) RTW rate across insurer segments

The durable RTW rate in NSW is trending down across all insurer types, although the peak year for each insurer type is different. The NI's durable RTW rate reduced from 93.7 percent in 2015/16 to 83.7 percent in 2019/20. The self-insurers durable RTW rate reduced from 93.2 percent in 2016/17 to 82.4 percent in 2019/20. The Specialised insurer's durable RTW rate reduced from 94.2 percent in 2015/16 to 85.7 percent in 2019/20. The government self-insurers (TMF) durable RTW rate has declined from 93.6 percent in 2015/16 to 86.8 percent in 2019/20.

Figure 15 Durable (3 months) RTW rates for insurer segments

Note this is a retrospective measure dependent upon mature and developed data hence the 2019/20 claims journey for customers and the associated claims data is not complete

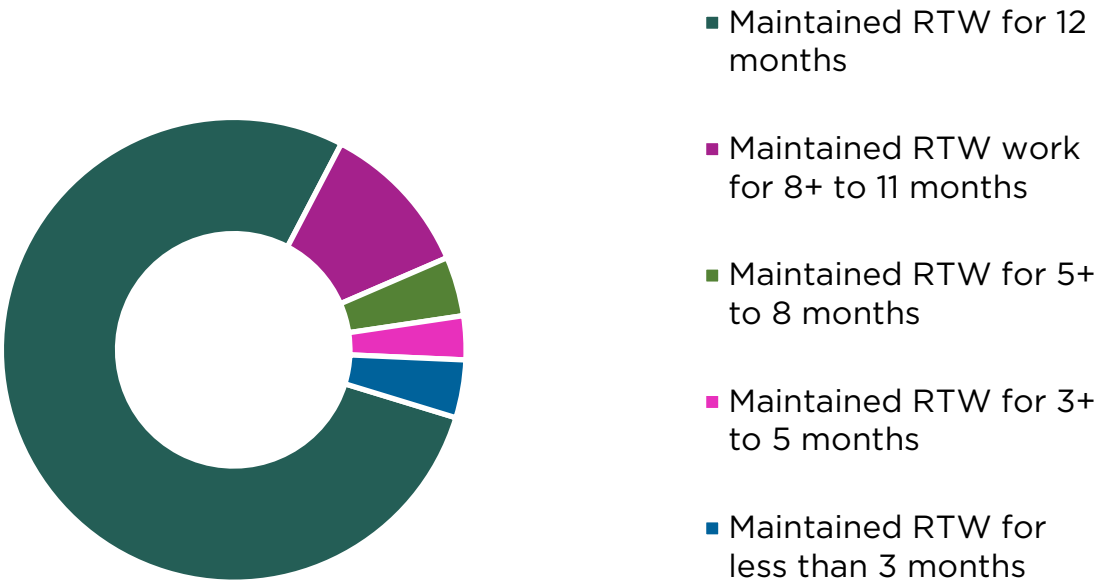
Maintaining work rate

Research has identified that there are significant health and well-being benefits to working. It is therefore important not just to return to work, but to have a sustained engagement with work following an absence (i.e. to maintain that RTW). This measure assesses the length of time workers maintained their employment without an absence and following their initial return to work.

This analysis allows a period of at least 12 months for the development of the claims journey and data from the date the worker first returned to work.

For the 12 months ending June 2019, the majority of workers (78 percent) maintained work for at least 12 months following their initial RTW. This value is down from the 83 percent of 2018/19. The 2019/20 results show a continuing decline in the number of workers maintaining post injury employment and the overall scheme performance in delivering an effective engagement with work.

Figure 16 Maintaining significant RTW period



Note - This analysis requires a 12 months development period between the date the worker first returned to work and the date of this report. For this reason, this report analyses the 2019/20 period as the time of the workers first return to work.

Number and cost of workers receiving weekly compensation payments

Despite a reduction in 2019/20 of the number of claims reported there has been a significant increase in the number of workers receiving weekly payments in the scheme. There were 30,796 scheme customers on weekly payments in July 2019 who received a total of $123.8 million in weekly payments. These numbers had increased by June 2020 to 35,919 workers who received $139.1 million in weekly payments during the month. This represents a significant risk to the scheme and the stability of claim costs.

In addition to the numbers of workers on weekly payments, the costs of the payments to the scheme has risen substantially. For instance, in August 2018 weekly payments were $106 million, a year later this was $115 million and in August 2020 this cost rose to $131 million. This performance across the

scheme is a significant risk to the financial viability of the scheme particularly where both premiums are low and investment returns are low.

This information and metric also align with the RTW (work status code) rate results showing significant deterioration in the RTW rate across the timeseries.

The total number of people receiving weekly payments in 2019/20 was 98,000, which is significantly higher than the result from the 2018/19 period of 79,000. Both these results remain well below the high of the pre-reform period of 2011/12 where the numbers receiving weekly payments peaked at 131,000.

During the 2019/20 period the NI had 68,000 workers receiving weekly payments, the government self-insurers (TMF) had 18,000 workers in receipt of weekly payments and both the self-insurers and specialised insurers each supported 6,000 workers with weekly payments.

Figure 17 Number of workers receiving weekly benefits

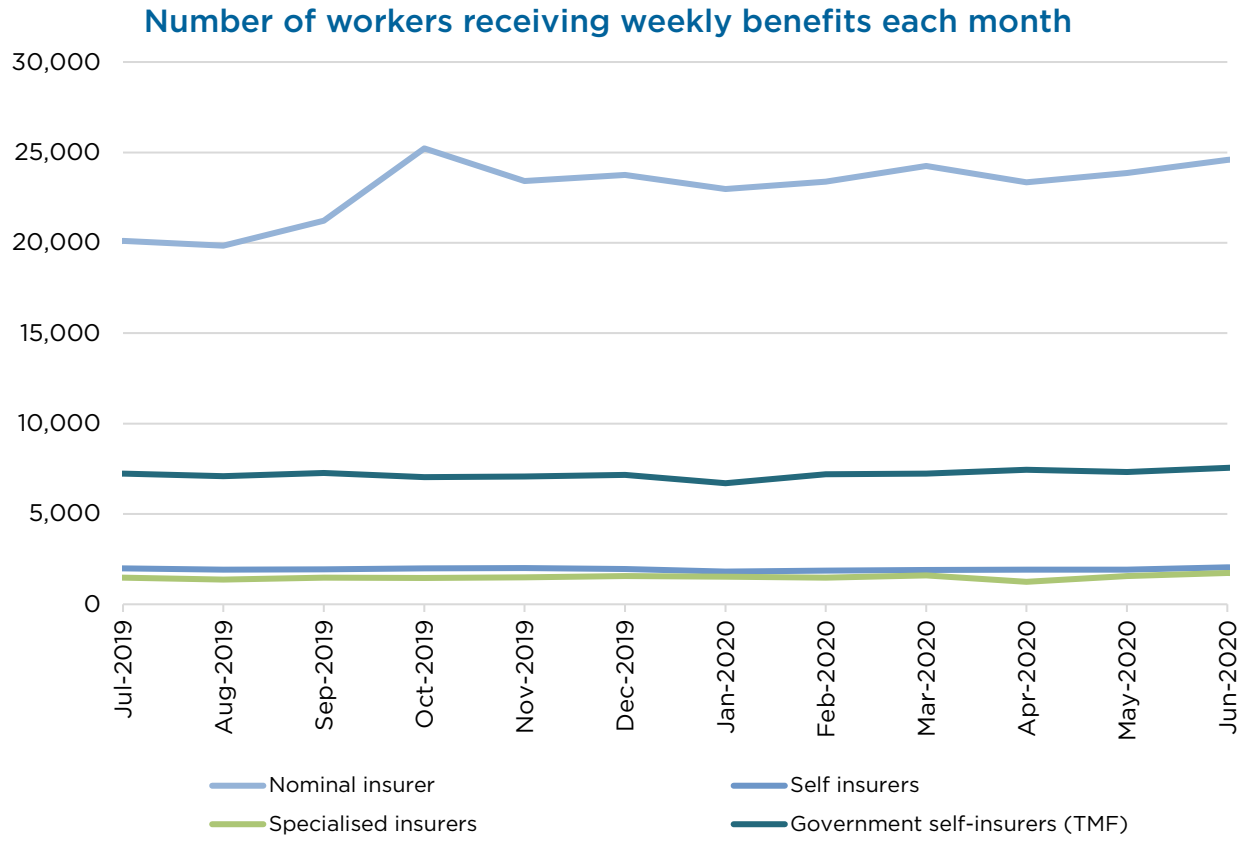
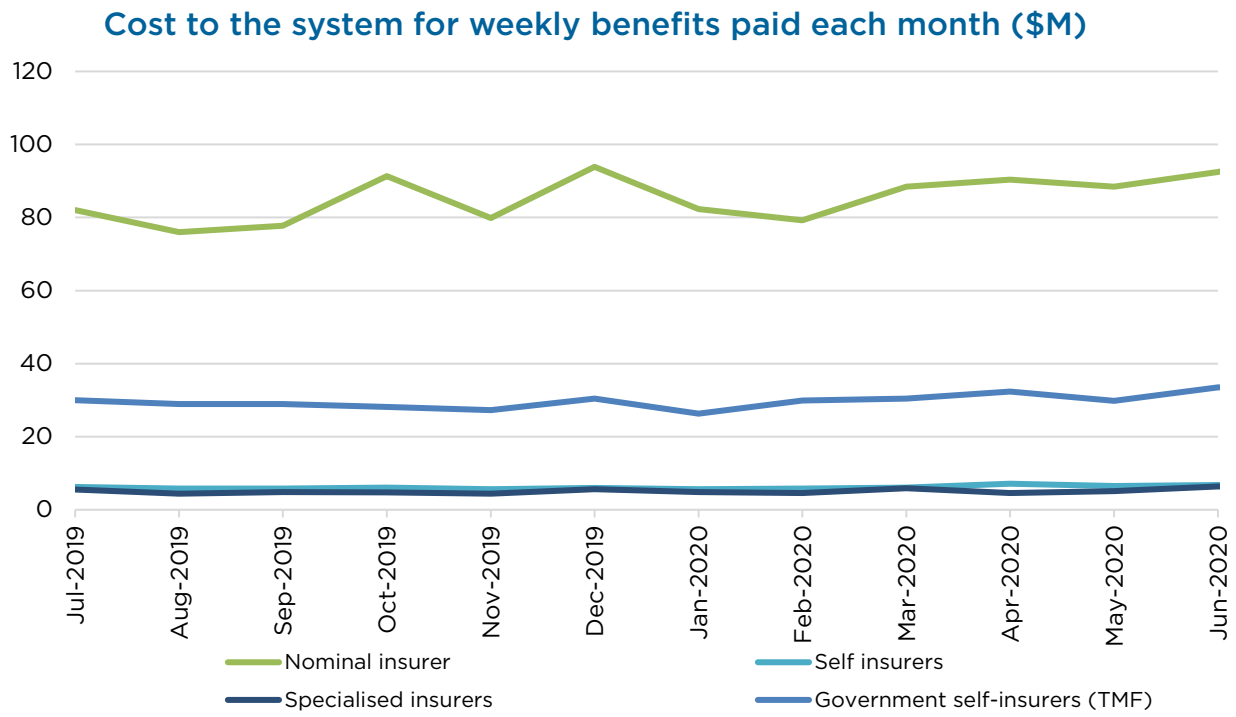


Figure 18 Cost of weekly benefits



Self-reported COVID-19 impacts on working rates

Workers who were working at the time of the survey were asked whether various changes had happened to their work situation in the past three months as a result of COVID-19. One quarter (27 percent) of workers had their hours of work reduced and this was the most common change.

Not currently working rate

The data in this section was also sourced from the *SIRA Regulatory Measurement of Customer Experience 2020 survey* showing that of the workers not currently working, one half (48 percent) indicated that they were unable to work while nearly two-fifths (37 percent) were unemployed. Those with a mental illness claim were more likely to be unable to work (75 percent) compared to those with a physical injury claim (40 percent). Workers who were assessed to have probable mental illness were more likely to be unable to work (57 percent) compared to those who were assessed to have no probable mental illness (38 percent).

Workers who are not currently working, but not retired, were asked to provide the main reason why they are not currently working. Of the workers who said that they are unable to work, 88 percent responded that the main reason was because of their work-related injury or illness. There was no other prominent reason reported for not working among this group. Of the workers who were unemployed, there were a range of reasons reported for not working including their work-related injury or illness (21 percent), deciding to resign (21 percent), being dismissed by their employer (18 percent), being made redundant (18 percent) and a suitable job not being available (9 percent).

Workers who indicated that the reason they were not currently working was not related to their injury were asked to indicate if the reason they are not working was related to the COVID-19 pandemic. One-

third (30 percent) of these claimants indicated that the reason they were not working was a result of the pandemic.

Recovery and returning to everyday life and activity

Workers were also asked as part of the *SIRA Regulatory Measurement of Customer Experience 2020 survey* about the frequency of their social contact and their ability to participate or engage in various everyday life activities and tasks.

Over half (54 percent) of workers expressed being mostly or completely satisfied with the frequency of their social contact. One in five (17 percent) expressed being dissatisfied.

This question also revealed some significant differences between the customer segments as follows.

- Workers who were compensated for 65 to 129 days and 130+ days were more likely to be dissatisfied (either completely dissatisfied or mostly dissatisfied) with the frequency of their social contact (36 percent and 30 percent respectively) compared to those who were compensated for less than 65 days (13 percent).
- Workers who were assessed to have probable mental illness were more likely to be dissatisfied with the frequency of their social contact (41 percent) compared to those who were assessed to have no probable mental illness (11 percent).

A higher proportion of workers reported difficulty with participation in normal household and social activities, as well as with work or study, compared to activities that required physical coordination or concentration as a result of their injury. There were differences between the customer segments were observed.

- Workers who were compensated for 65+ days were more likely to have difficulty with all activities compared to those who were compensated for less than 65 days. Similarly, claimants who had not returned to work since their injury or illness were more likely to report difficulty on all activities compared to those who had returned to work.
- Workers with the NI were more likely to be unable to do simple actions (23 percent), do activities that require physical co-ordination (18 percent), participate in normal household activities (27 percent) and participate in regular activities (31 percent) at least some of the time as compared to those who are with the government self-insurers (TMF) (14 percent, 9 percent, 20 percent and 21 percent respectively).

Scheme performance - Efficiency

The efficiency segment of the framework reviews the efficiency of the scheme supports including the costs and timeliness of delivery.

Benefits to and for customers as a percentage of system expenditure

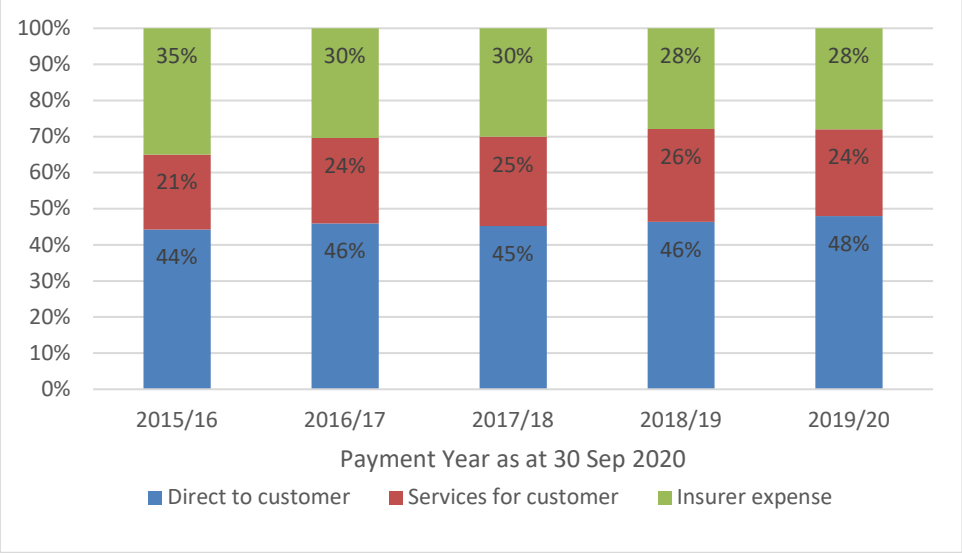
A key efficiency measure is that of the expenditure across the scheme. Ideally the expenses and operating costs remain low in comparison with the benefits or payments going to workers and to support their recovery.

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

- benefits paid directly to customers (for example, weekly payments, common law and s66, death benefits, commutations and miscellaneous payments)
- benefits paid for services for customers' 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, 72 percent of all scheme expenditure for the 2019/20 year went directly to benefit workers either in weekly payments or to contribute to their recovery (for example, to cover medical costs). There is limited variation across these years with much of the variation attributable to the year's high weekly payments costs.

Figure 19 Benefits to and for customers as a percentage of system expenditure



System expenditure percentage going to and for workers' benefit by insurer type

The following chart and table show the system expenditure in the 2019/20 period, identified by insurer type.

The chart shows the expenditure on benefits to and for workers broken down into the insurer types as percentages. Overall expenses to the worker, both directly and as services, range from 66 percent (self and specialised insurers) and 69 percent (Nominal insurer) to a high of 88 percent for the self-insurers. The specialised insurer expenses are largely driven by Guild's expenses which reflects the expected increase in Guild's portfolio.

During 2019/20, the broad expenditure classifications as proportions of scheme expenditure are effectively unchanged from their 2018/19 values. However, in dollar terms, the insurer expenses increased by $160.6M to $1,344.6M, up from the $1,184.1M reported in 2018/19. This increase was almost exclusively driven by the NI expenses ($159.1M). Self-insurers experienced an increase of $1.3M, the government self-insurers (TMF) had an increase of $3.2M while the specialised insurers posted a $3M decrease in their insurer expenses.

Figure 20 System expenditure percentage going to and for workers' benefit by insurer type

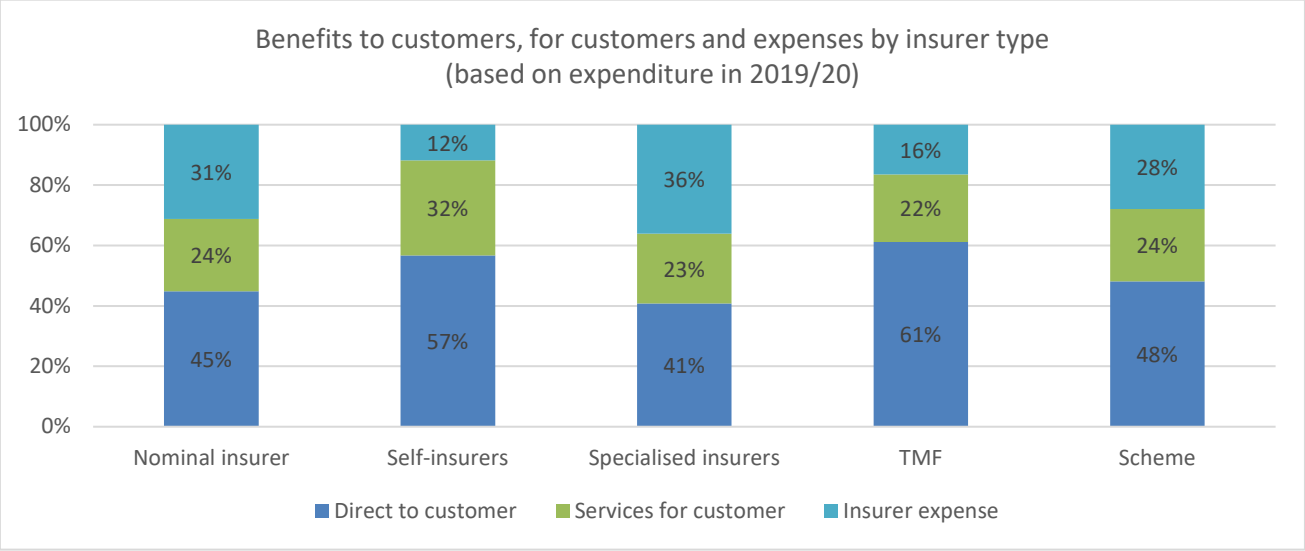


Figure 21 Expenditure to and for workers by insurer type ($M)

	2015/16			2016/17			2017/18			2018/19			2019/20		
	Benefits paid directly to customers	Benefits paid for services for customers recovery and RTW recovery	Insurer expense	Benefits paid directly to customers	Benefits paid for services for customers recovery and RTW recovery	Insurer expense	Benefits paid directly to customers	Benefits paid for services for customers recovery and RTW recovery	Insurer expense	Benefits paid directly to customers	Benefits paid for services for customers recovery and RTW recovery	Insurer expense	Benefits paid directly to customers	Benefits paid for services for customers recovery and RTW recovery	Insurer expense
NI	1,112.1	562.3	1,076.4	1,139.0	662.7	936.6	1,166.6	723.1	949.6	1,313.2	789.7	931.2	1,570.1	839.4	1,090.3
Self-insurers	102.4	60.8	24.5	110.9	67.9	23.8	113.7	62.2	24.5	123.8	67.4	26.1	131.1	72.9	27.4
Specialised insurers	81.0	40.4	78.7	83.8	43.8	81.9	85.3	46.0	75.5	95.1	56.7	88.1	104.6	59.0	85.1
TMF	377.8	122.1	146.2	421.9	131.0	118.6	415.4	143.6	144.4	438.0	180.3	138.7	528.6	193.3	141.9
Scheme	1,673.4	785.5	1,325.8	1,755.5	905.4	1,160.9	1,781.0	974.9	1,194.0	1,970.1	1,094.0	1,184.1	2,334.4	1,164.5	1,344.7

Timeliness

Efficient and timely claims management and liability assessment services

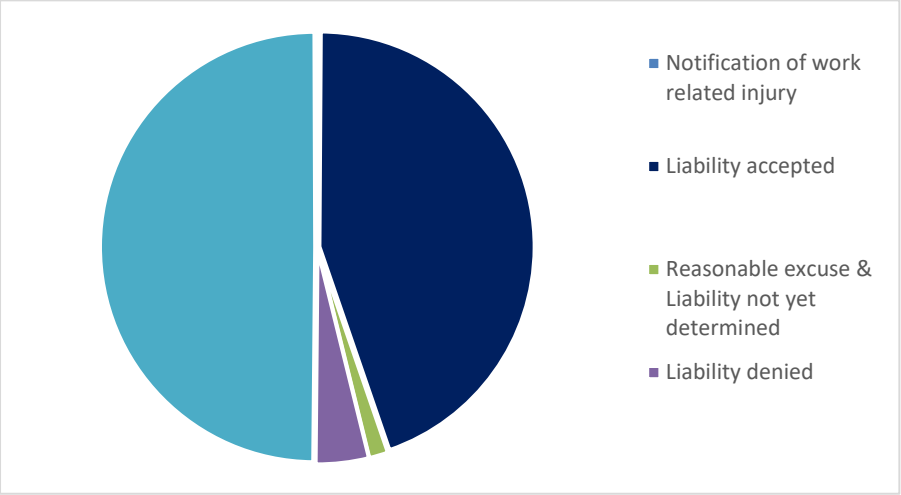
Efficient and timely claims management services is an important aspect of scheme performance and is directly linked to recovery, return to work and improved outcomes for customers of the scheme. For these reasons the timeliness of key aspects of services delivered within the scheme are monitored closely. This includes the timeliness of reporting injuries and prompt compliant liability decision determinations.

Claims liability status

The following graph shows the percentage of 2019/20 claims at each of the pathways through the liability determination process. Whilst 45 percent of 2019/20 claims were accepted, up from 31 percent in 2018/19, there remains a trend across the scheme to increasingly accept claims with provisional liability. This is seen in provisional liability being used for 50 percent of 2019/20 claims, which more than double the 22 percent of claims accepted with provisional liability in 2018/19.

While SIRA as the regulator has worked with insurers to encourage timely decision making in line with the NSW legislative requirements and to support efficient and timely access for workers to medical services, the current number of provisional liability decisions is exceptionally high and whilst potentially contributing to more timely liability decision making by insurers, may not afford the appropriate assurance to workers with legitimate entitlements.

Figure 22 Claims liability determination status for 2019/20 claims



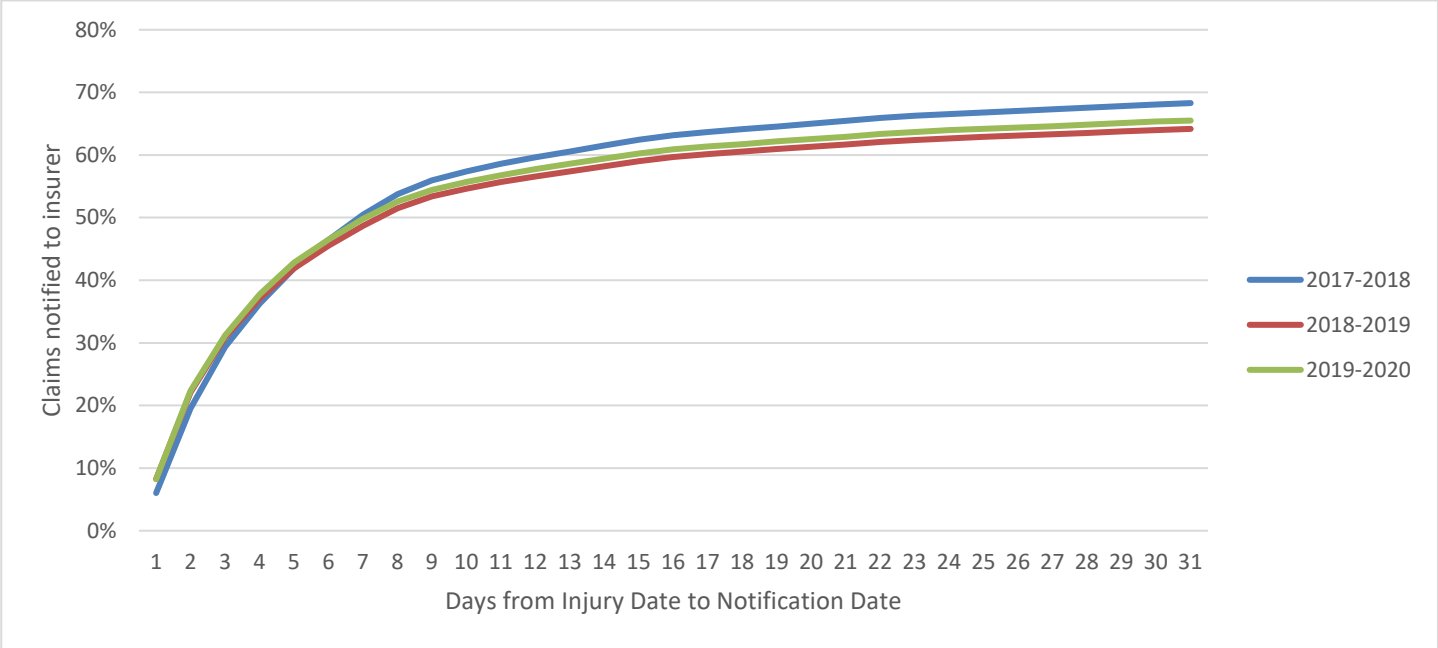
Timeliness of reporting injuries to insurers, excluding occupational diseases

The workers compensation legislation and guidelines outline the processes and timeframes workers, employers and insurers should follow. The initial action following an injury 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. The figure below shows that for 2019/20 there was a slight improvement on 2018/19 values in the timeliness of reporting injuries to the insurers.

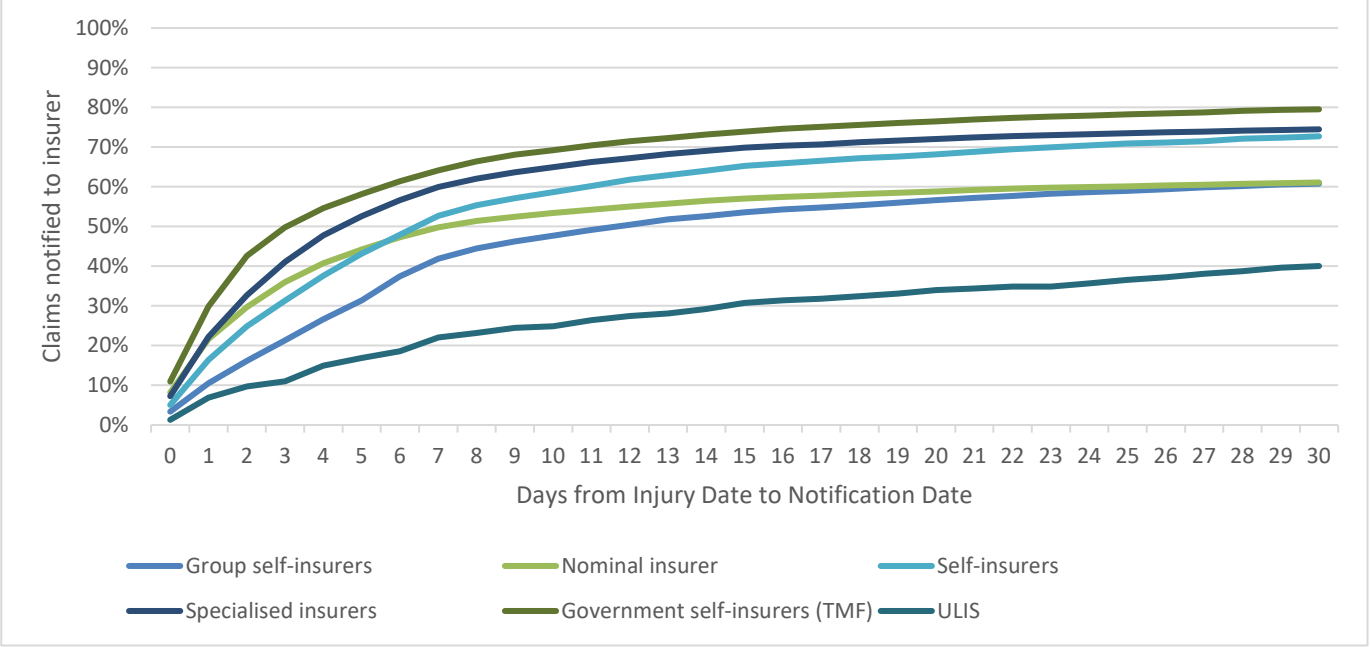
Figure 23 Timeliness of reporting injuries to insurers



Timeliness of reporting injuries to insurers by insurer types

Government self-insurers (TMF) claims were generally notified in a timely manner, while group self-insurers and of course unidentified insurer claims experienced the least timely reporting of claims in 2019/20.

Figure 24 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. The *Workplace Injury Management and Workers Compensation Act 1998* (1998 Act) requires a claim to have a liability decision made within seven days of notification.

The first figure below shows the proportion of injury notifications which have had a claim liability decision (including provisional liability, reasonable excuse, liability accepted or disputed) made on each day since the insurer was notified. The self-insurers (28 percent) and Group self-insurers (23 percent) make the largest percentage of their claim liability decisions at the same time as when notification occurs. All insurer types show an improvement in making liability decisions on days six and seven after notification. The result of this can be seen in the second figure which shows the percentage of total notifications having a liability decision made by each day since notification.

At day seven after notification, the proportion of claims various insurer types have made liability decisions for is 99 percent for government self-insurers (TMF), 98 percent for the Nominal insurer, 95 percent for the Group self-insurers, and 94 percent for each of Self-insurers and Specialised insurers. By day 21 after notification, these results are 100 percent for the Nominal insurer and the government self-insurers (TMF), 99 percent for each of Group self-insurers and Specialised insurers, and 97 percent for the Self-insurers.

The timeliness of decisions is improving as more insurers make a liability decision within the required timeframe under legislation, however a trend has been observed that insurers are increasingly making provisional liability decisions.

Figure 25 Timeliness - Daily claim liability decisions for insurer types

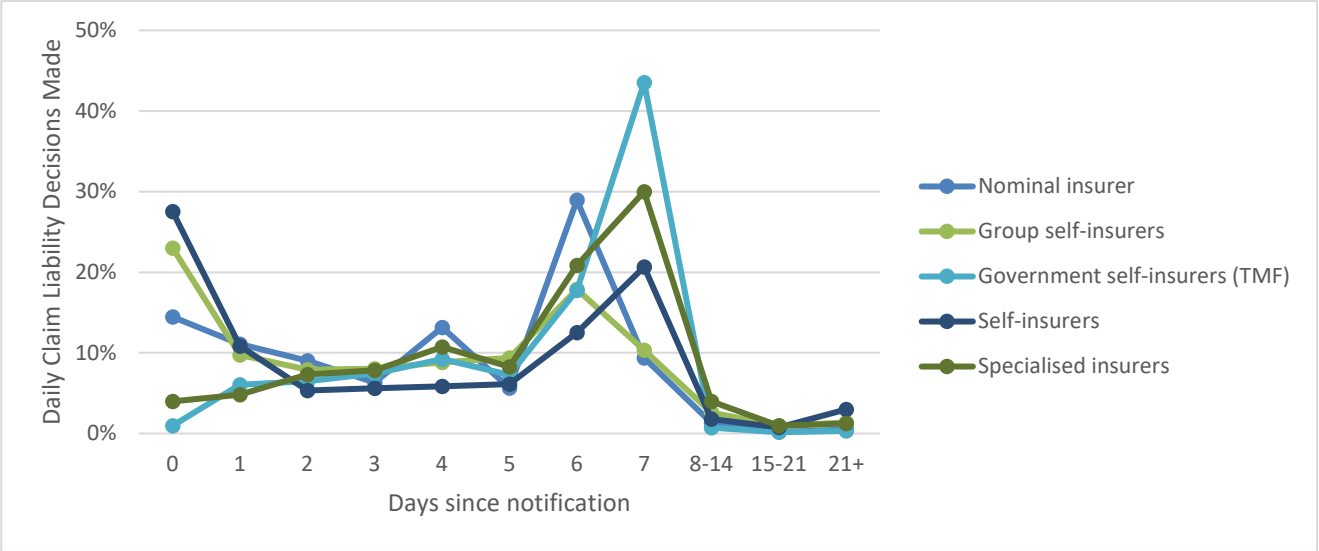
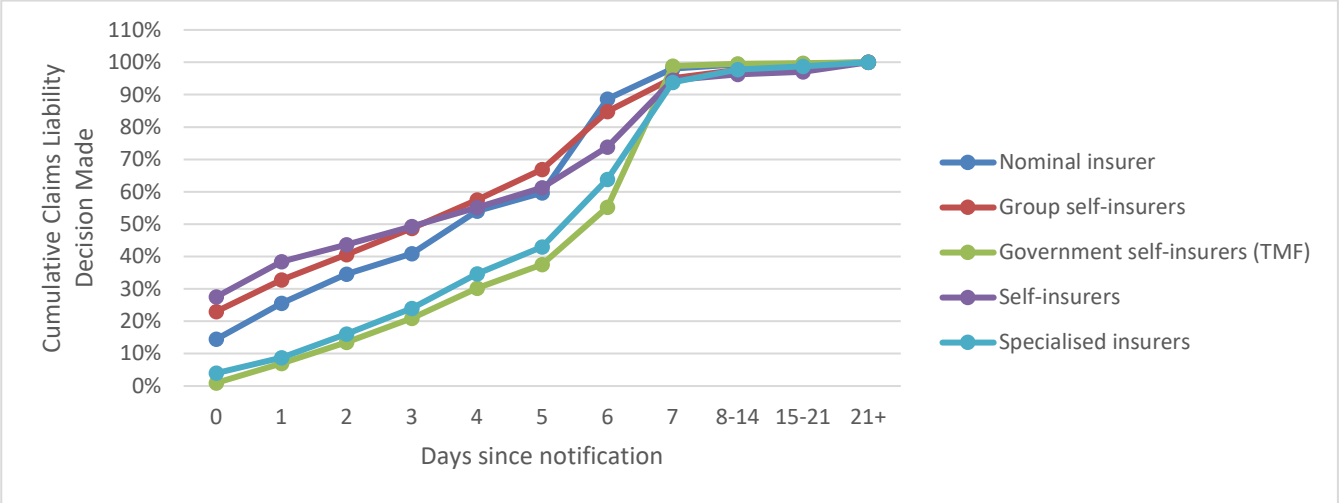


Figure 26 Timeliness - Cumulative claim liability decisions for insurer types



Increasing use of provisional liability decisions.

A trend that has been increasing is the acceptance of claim liability provisionally. While this practice theoretically enables workers earlier access to medical payments and or weekly payments, the high incidence of the use of provisional liability by insurers, which may indicate an overuse of this as an administrative process to meet the legislative timeframe required for a liability decision.

Insurer performance and SIRA's supervision

Compliance and Performance Review of the Nominal Insurer

SIRA is responsible for regulating all workers compensation insurers in NSW, the largest of which is the Nominal Insurer (NI) managed by icare. The success of the NI is therefore critical to the performance of the NSW Workers Compensation scheme.

In February 2019, the SIRA Chief Executive commissioned the Independent Compliance and Performance Review of the Nominal Insurer, and appointed Independent Reviewer, Ms Janet Dore. The Review was supported by independent actuaries from EY and authorised officers of SIRA. The terms of reference for the Review are available here.

This Review was part of SIRA's program to provide strong, independent regulation of the scheme, and hold all insurers to account through performance monitoring of compliance for the services and outcomes they deliver for scheme customers.

The Review delivered findings on the operation and sustainability of the NI and recommendations for significant performance improvement. The Review assessed progress and performance through audits and stakeholder consultation and was undertaken immediately following a period of significant transformation of the NI. icare continued to introduce changes to its operations throughout 2019 while the Review was underway. A further program of audits is planned for 2020 and 2021 which will assess the impact of changes made since completion of the Review audits and stakeholder consultation.

In summary, the Review identified priorities for improvement with a focus on early and safe return to work outcomes, claims management services, premium transparency and volatility. A 21-Point Action Plan was developed which is jointly monitored by SIRA and icare.

More information on the Compliance and Performance Review of the NI, including the latest status of the 21-Point Action Plan, can be found here.

Insurer supervision program

The effectiveness of insurers in providing services under the legislation is key to the overall scheme performance as well as individual customer experience and health, recovery and return to work outcomes for injured workers

SIRA monitors and supervises the insurer performance and has commenced a review of the current insurer tiering model. SIRA has also maintained the performance monitoring, compliance and conduct reporting and assessments each month with every insurer across NSW. As well, SIRA has prioritised audits and improvement programs for those insurers requiring improved performance

These programs include the insurers effectiveness of calculating PIAWE to determine the amount a worker should receive in weekly benefits. As previously announced, SIRA has undertaken an audit of icare's administration and management of workers weekly

payments and has required icare to commence a similar review of the weekly benefits paid to workers in government self-insurers (TMF).

SIRA has also undertaken a review of the management of claims and payments made by Corrections NSW in response to allegations made by three employees.

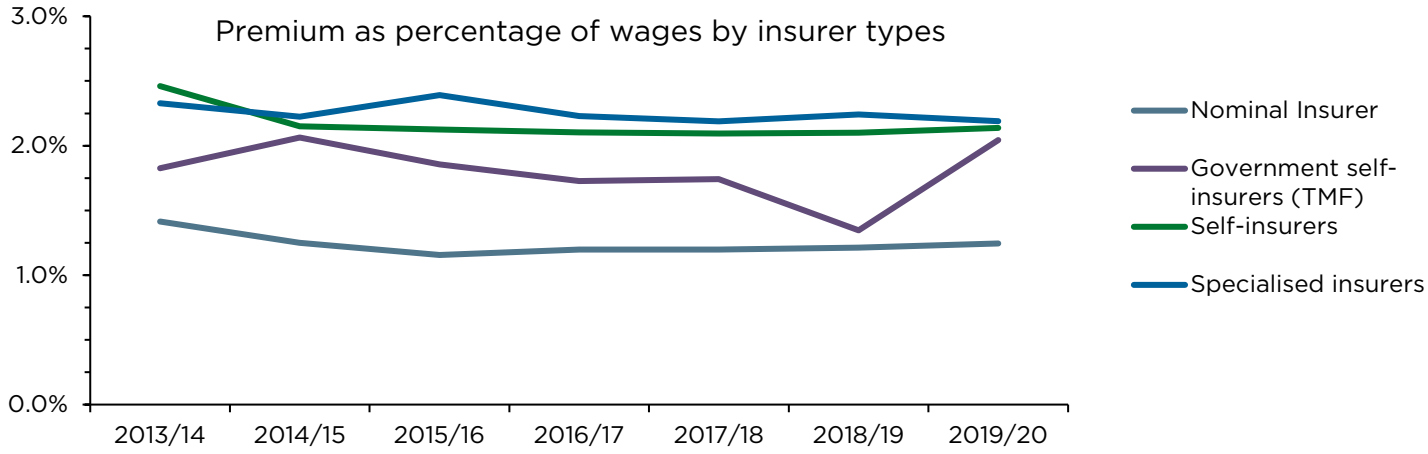
Scheme performance - Affordability

Affordability of premiums

The affordability of premiums as a percentage of the NSW payroll has steadily improved from 1.8 percent in 2012/13 to 1.4 percent in 2019/20. Overall the NI had one of the lowest premium to reported wages ratios, while the self-insurers and specialised insurers had the highest premium to wages rates.

Insurers should aim to achieve both adequacy of funding to cover claims liability and affordability. While premiums are affordable for employers at 1.4 percent of the NSW wages bill, there may be future upward pressure on the schemes premium rates and in particular those of the NI. Specifically, the financial viability of the NI is analysed and addressed in the SIRA NI Compliance and Performance Review report, the viability section in this report and the NSW Auditor-General's report of Central Agencies for 2020. These all report that the NI is operating with a significant deficit of funding. The NI premiums do not meet breakeven rates and capital adequacy is currently below the icare board's target range.

Figure 27 Premium costs as a percentage of wages by insurer types

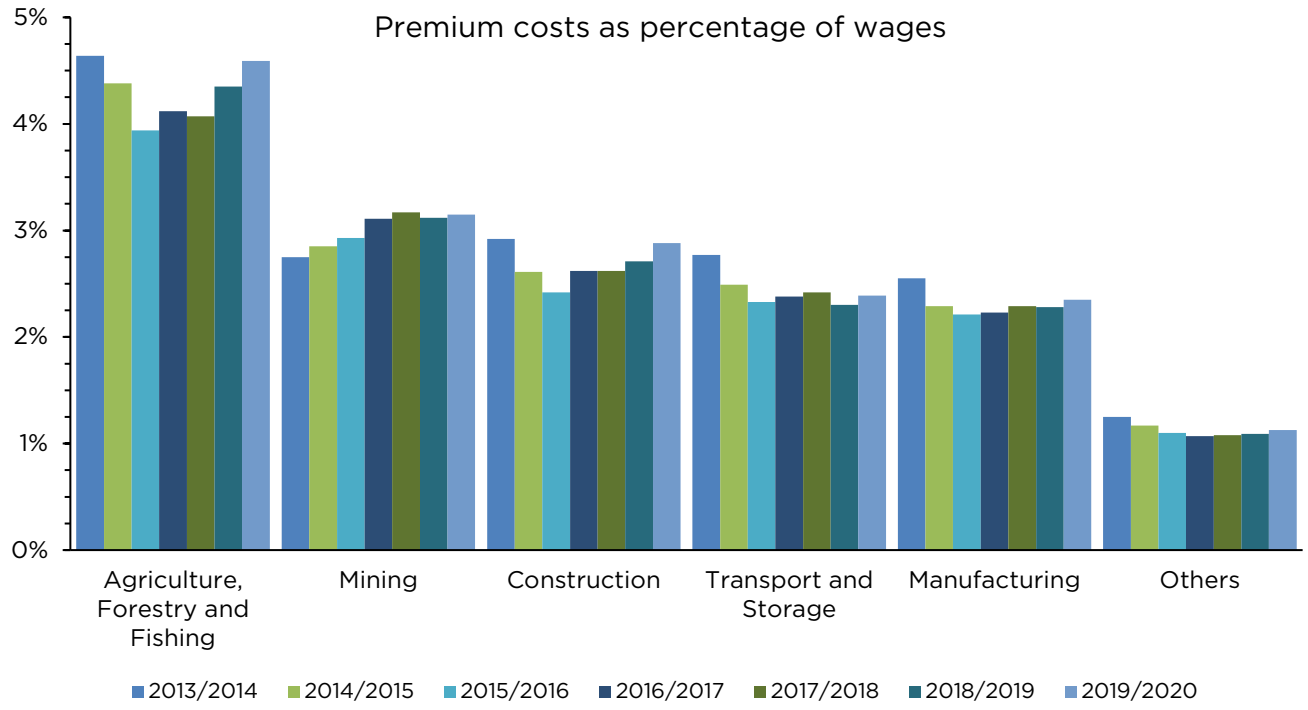


Affordability of premium costs across industries

In 2019/20, the Agriculture, Forestry and Fishing ANZSIC Division had the highest premium to wages rate followed by Mining, then Construction, then the Transport and Storage Division, and the Manufacturing Division.

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

Figure 28 Premium affordability across the more expensive industries



Scheme performance - Viability

Stability of claim numbers and scheme costs

The stability of claim numbers, claim and operating costs, insurers financial viability and the adequacy of security held against claim liability are important measures of scheme viability.

For the 2019/20 year there has been challenges with the performance of the scheme viability, As the NI holds a 74.9 percent share of the workers compensation insurance market its financial performance has a significant impact on the overall scheme performance and viability for this reason the performance of this aspect of the scheme warrants particular focus

Stability of claim numbers

Monitoring the number of injuries and accidents that result in a claim is indicative of both the performance of employers in preventing injury or disease as well as the future liability of the scheme and its sustainability or viability. The scheme performance can also be measured by benchmarking insurers and comparing the insurer's estimates against actual claims experience. This helps to monitor of the financial performance and viability of the scheme, however this data is not available this year.

Monitoring of the stability of claim numbers, costs and the associated liability is particularly important as the COVID-19 pandemic presented insurers with both unprecedented and unforeseeable risk. It also presented potentially increased liability particularly with the introduction of presumptive legislation which came into effect on 12th October 2020 and introduced the presumption that for some frontline workers COVID-19 was contracted during the course of their work and is compensable under the NSW workers compensation scheme. The risks associated with significant numbers of unforeseen claims for the financial viability of the scheme and the risk to the standards of service workers receive are important scheme deliverables to be monitored.

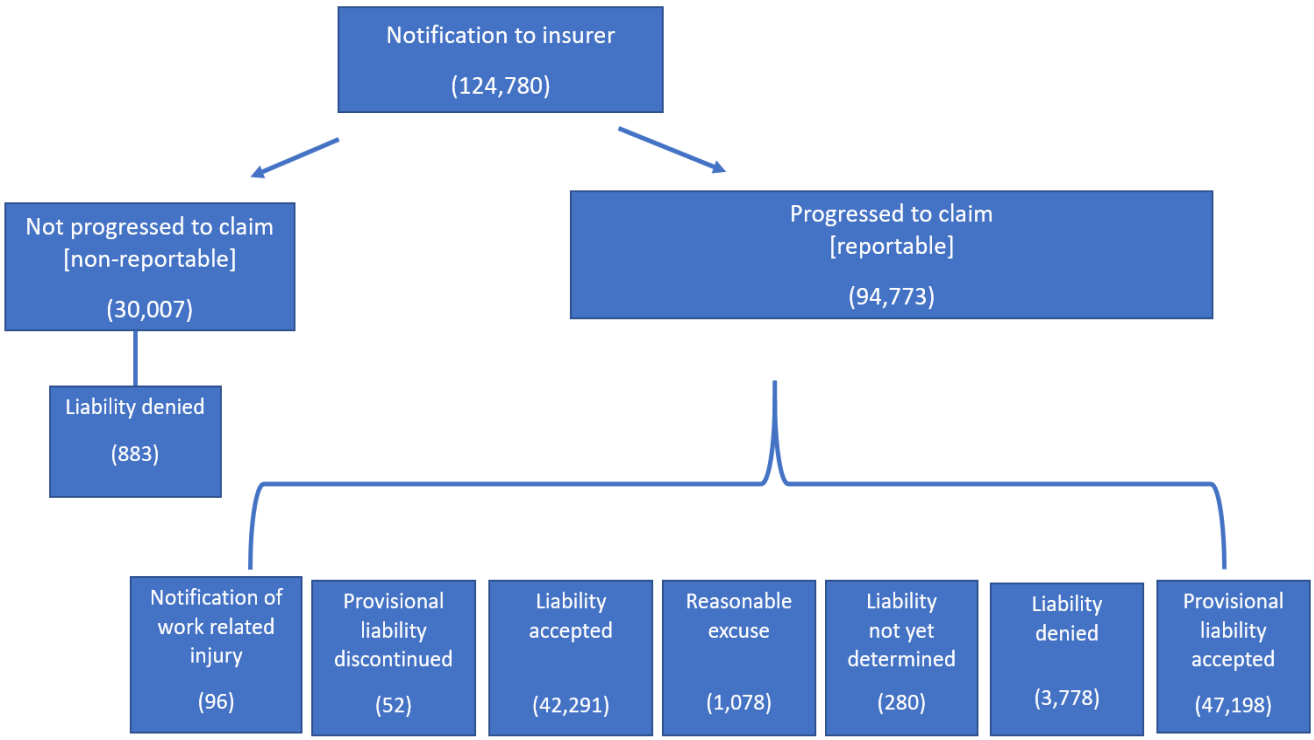
It is also important to monitor the incidence rate for claims, that is the numbers of claims per 1000 employees, particularly for years such as the 2019/20 period where there were fewer workers in employment and the workforce than in the previous year. By assessing this as an incident rate it is possible to make comparisons as it limits the variables, such as significant changes to the exposure rate or number of workers insured

Customers claims pathways

The following diagram shows the claims journey for scheme customers in 2019/20 from the initial notification to the insurer through to the claim assessment by the insurer.

In the workers compensation system, a claim can take a number of pathways from being a notification to the insurer where the claim does not progress and incurs no costs or time loss, through to being a claim that is assessed and possibly incurs costs. As the terminology for each of these claim subsets varies the following diagram offers a visualisation of the variations in claims journeys throughout 2019/20.

Figure 29 Claims progression diagram

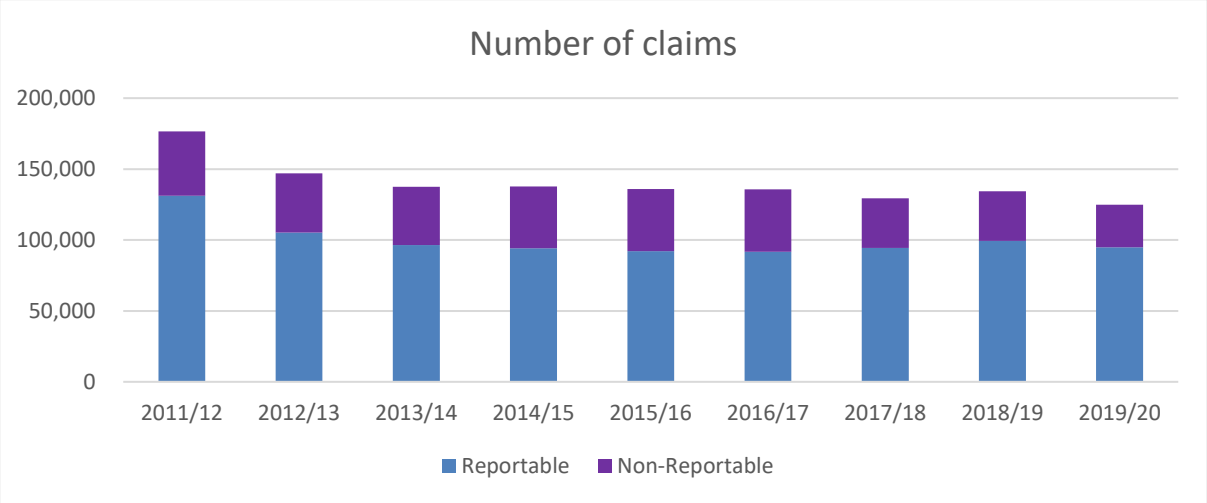


Stability of claims volumes

In 2019/20 there were 124,780 claims reported to SIRA by insurers including 30,007 claims where an injury was reported that did not result in the claim being progressed or payments being made against the claim *(generally known as a non-reportable claim).* Notably the number of claims *(reportable and non-reportable)* has decreased in 2019/20 by 11,752 from the 136,532 reports received in 2019/19. The closedowns associated with the COVID-19 pandemic may have resulted in fewer claims during that period. During 2019/20, payments were made to 94,773 reportable claims. Of these non-reportable claims 883 were denied by the insurer.

Insurers accepted liability for 45 percent of reportable claims (42,291) while 50 percent (47,198) of reportable claims were accepted with provisional liability. The number of claims in 2019/20 for which insurers accepted liability was more than in 2018/19 (41,387), with fewer provisional liability decisions were made in 2019/20 compared to 2018/19 (53,744 claims). Claims denied by insurers made up 4 percent (3,778) of all reportable claims. This is an increase from the 2,786 denied claims in 2018/19.

Figure 30 Number of reportable and non-reportable claims

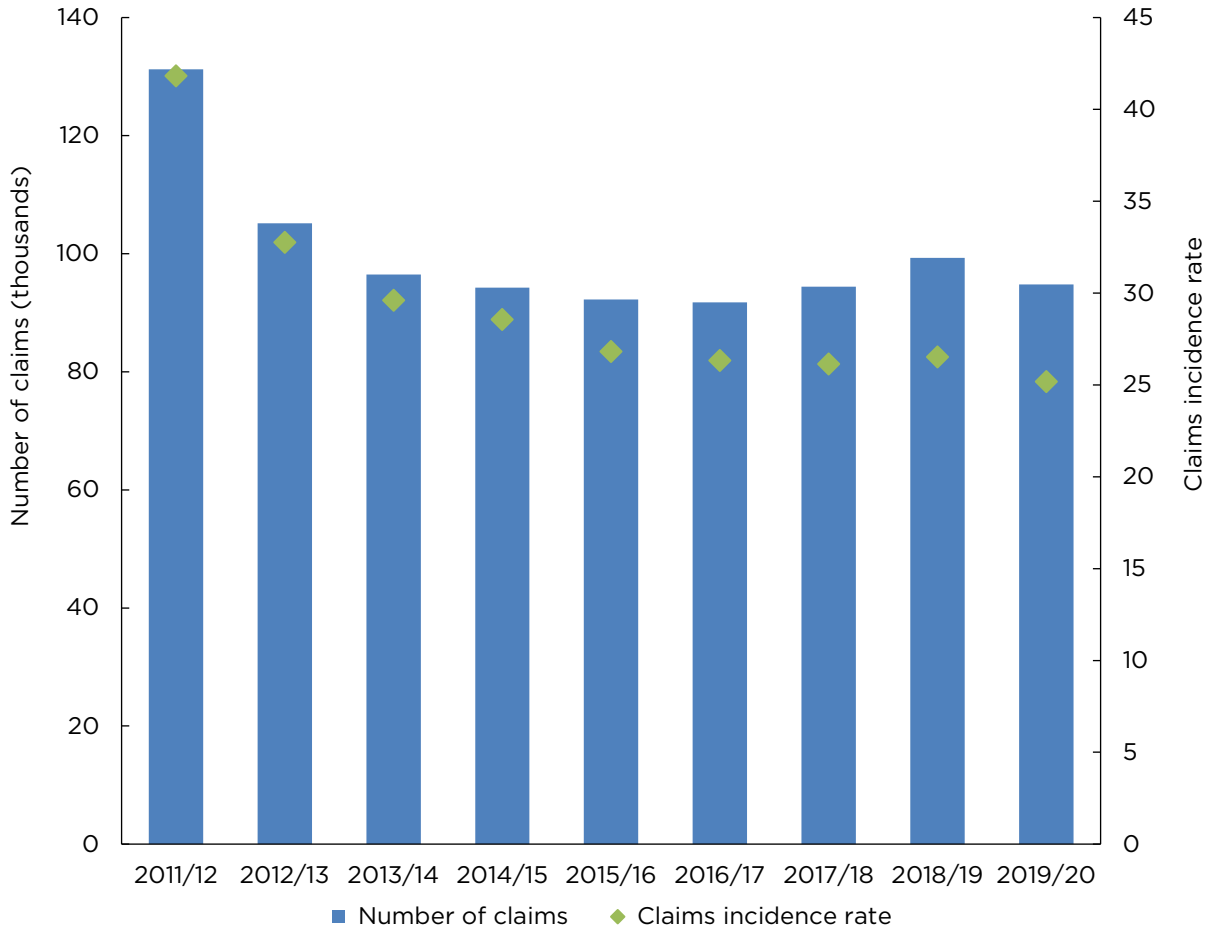


Stability of reported claims and incidence rates

94,773 claims were reported in 2019/20 giving an incidence rate of 25.2 claims per 1,000 workers. Both the number of claims and the claims incidence rate in 2019/20 decreased from 2018/19.

This year the decrease in claim numbers represents a 5 percent decrease (1.3 percentage points) compared to the previous year. With the exception of 2018/19, the 2019/20 claims incidence rate resumes the downward trend from 2011/12.

Figure 31 Number of reported claims and claims incidence rates

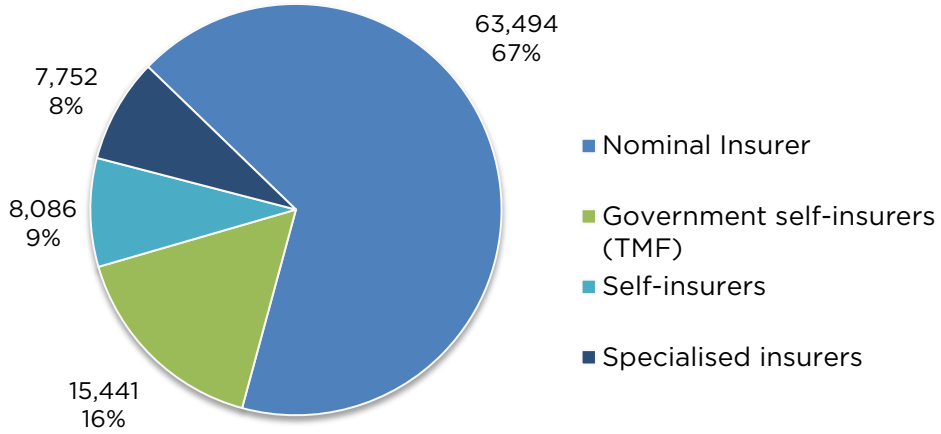


Claim volumes by insurer segments

SIRA receives details of all workers compensation claims reported in NSW. There were 94,773 claims reported by 30 June 2020 for the 2019/20 year. The figure below shows the percentage of claim liability for each insurer segment in 2019/20.

While the total number of claims in 2019/20 reduced from that in 2018/19 (99,307 claims), the distribution of claims as percentages for the insurer segments is unchanged from that in 2018/19.

Figure 32 Number and proportion of claims by insurer segment

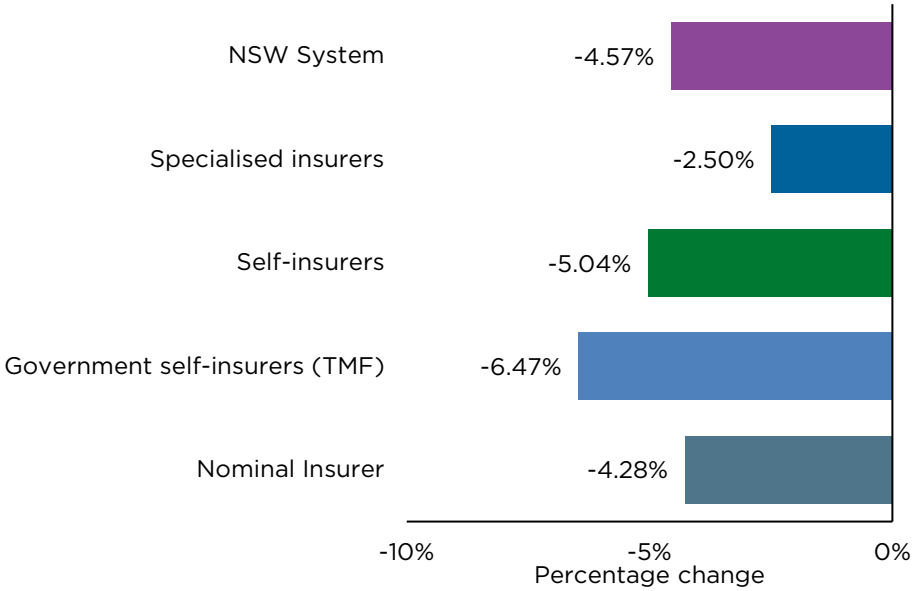


Changes year on year in reported claims numbers by insurer segment

For each of the insurer segments, the number of claims reported in 2019/20 is a reduction compared to the previous year. The decreases ranged between 2.50 percent for the Specialised insurers, to 6.47 percent for the government self-insurers (TMF). The NSW System as a whole experienced a 4.57 percent decrease in claim numbers.

While these decreases follow a downward trend in claim numbers year on year, the decreases may also be attributable to businesses being closed during the COVID-19 pandemic resulting in reduced risk exposure to work related injury was limited.

Figure 33 Changes in the number of claims reported by insurer segment

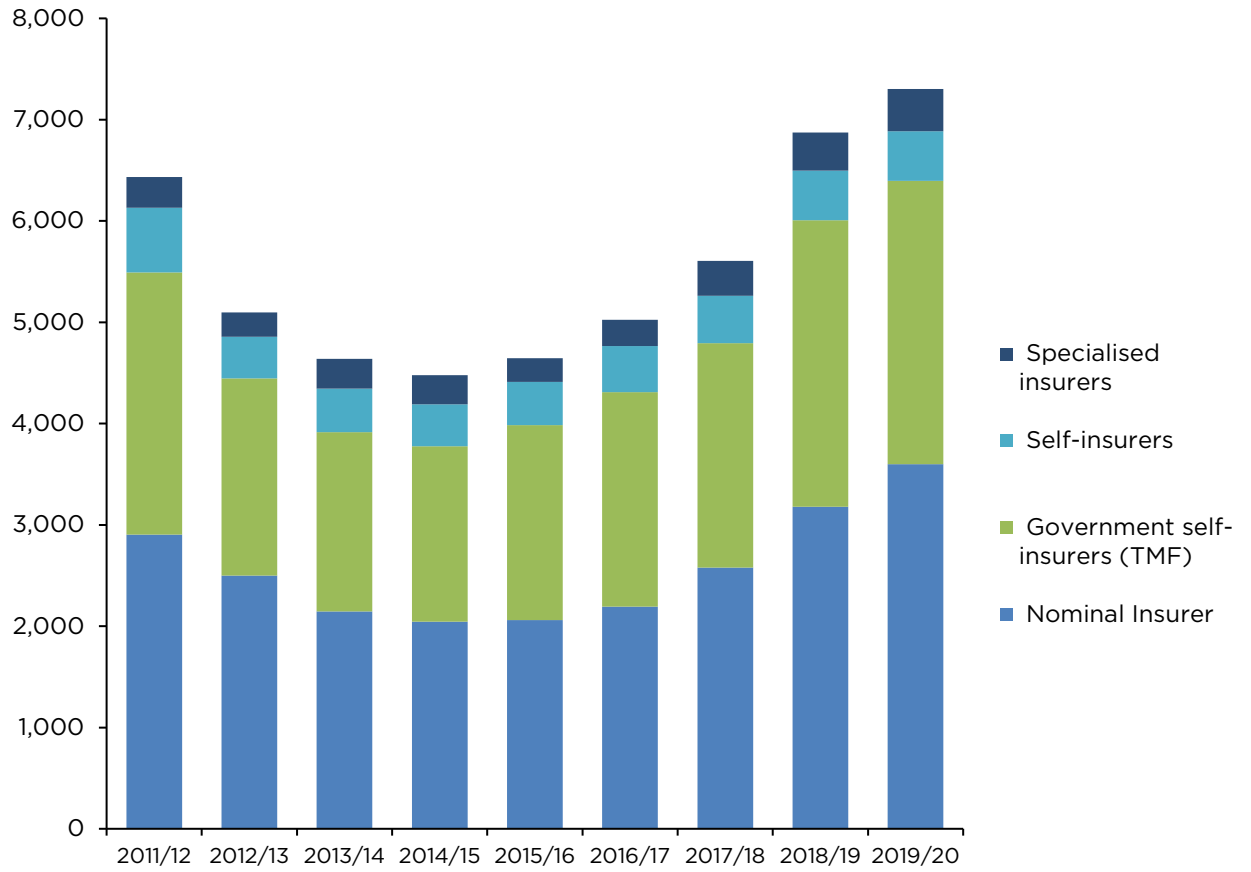


Claims with a primary psychological injury

Primary psychological injury claims are claims reported to SIRA 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 psychological injury. In this section all diseases that are not psychological injuries (defined in the system as mental diseases), are categorised as physical injuries.

The figure below shows that the number of psychological claims in NSW has increased steadily since 2014/15. In 2019/20 there were 7,304 psychological claims reported, an increase from 6,873 in 2018/19. More than 86 percent of these psychological claims are with the Nominal Insurer and the Government self-insurer (TMF) who jointly have over 88 percent of the Workers Compensation market. SIRA has done some preliminary analysis on psychological claims. Average yearly payment per claim for the 2018/19 year is $13, 000 for non-psychological, $42,000 for primary psychological and $78,000 for secondary psychological claims.

Figure 34 Number of psychological injury claims reported



Psychological claims RTW rate

As the RTW rate (work status code) has been reported as lower for psychological injuries than other injuries, this year's report has included analysis of the RTW rate for this injury type, showing the overall psychological claim RTW rates decreased year-on-year from 2015/16 to 2019/20. In addition, in 2019/20, the NI had the lowest RTW rate among all insurer types for psychological claims at 4 and 13 weeks. The NI rates were also lower than the overall RTW rates. Government self-insurers (TMF) had the highest RTW rate for psychological claims.

Figure 35 RTW (work status code) rate 2019/20

	Overall scheme RTW rate	Primary psychological injuries
4 weeks	52.9 percent	28.3 percent
13 weeks	74.1 percent	44 percent

COVID-19 claims

For the latest updates regarding COVID-19 from SIRA, including information about COVID-19 claims notified to SIRA by insurers, click here.

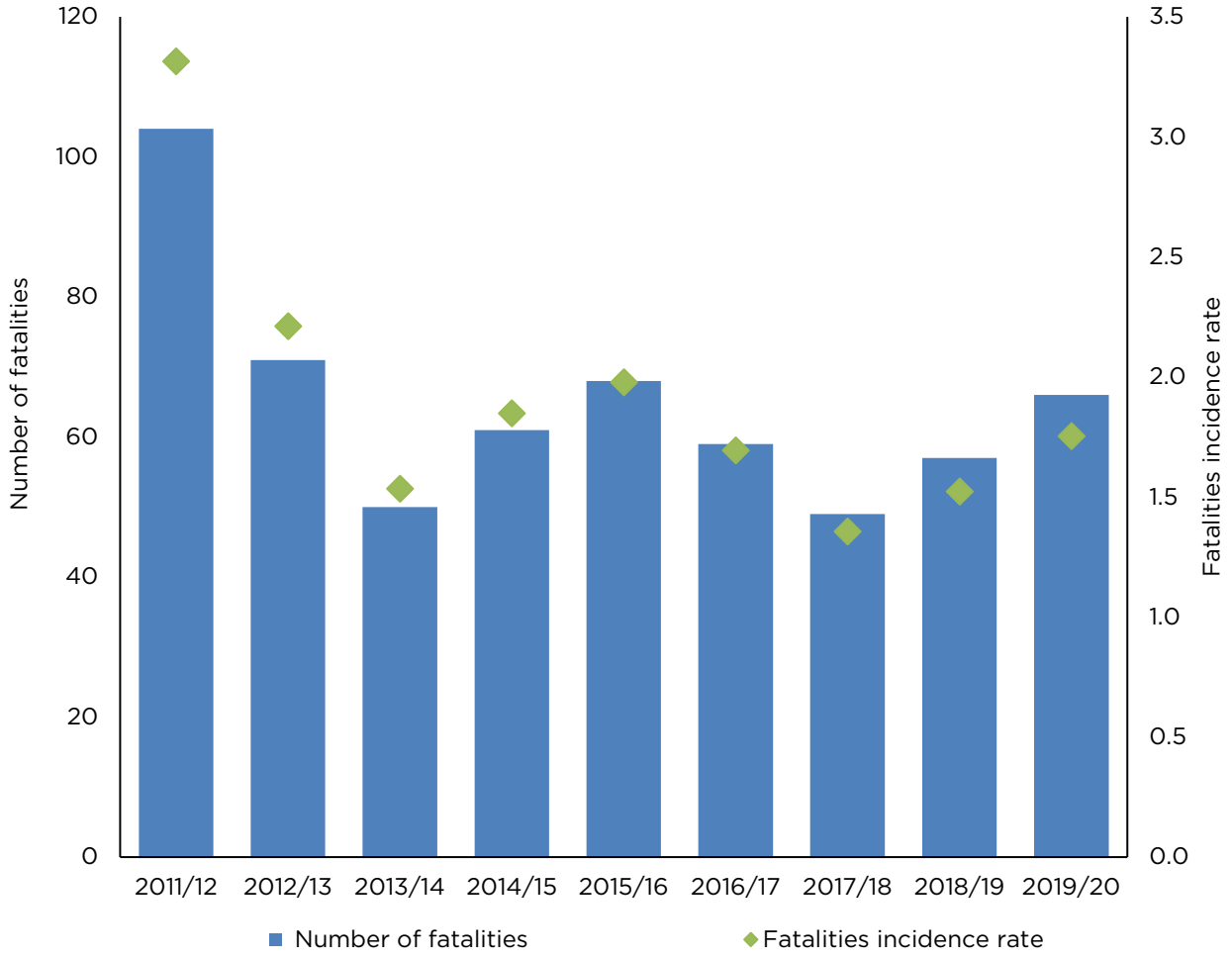
Workers compensation fatalities

Workers compensation fatalities are employment 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.

The reported fatalities do not include 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.

In 2019/20, there were 64 reported fatalities. The average number fatalities in each financial year from 2012/13 to 2019/20 is 60, so in this respect, the 2019/20 result is above average for the system.

Figure 36 Workers compensation claims arising from fatalities and fatalities incidence rate



Adequacy of insurers' funds to meet future liabilities

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

Money deposited with SIRA for this purpose is invested in cash or term deposits with Australian-owned banks or authorised securities, which are issued or guaranteed by state or Commonwealth. The interest on such investments is paid to each self-insurer and specialised insurer.

The NSW Government self-insurers (TMF) is subject to the Net Asset Holding Level Policy where the funding ratio of the entire government self-insurers (TMF) (including workers compensation and non-workers compensation schemes) is maintained between 105 percent and 115 percent. 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 37 Adequacy of insurer segments security by category

Insurer category	Number of current insurers	Adequacy of insurers' funds (as at June 2020)
Nominal Insurer	Nominal Insurer	As at 30 June 2020, the actual funding ratio was 101 percent at 75 percent Probability of Adequacy (PoA). This compares to the NI's current Target Operating Zone being between 115 percent and 135 percent as outlined in their Capital Management Policy.
Government self-insurers (Treasury Managed Fund)	TMF	The government self-insurers (TMF) is subject to the Net Asset Level Holding Policy (NALHP) where the funding ratio of the TMF and the other funds covered by this policy are maintained between 105 percent and 115 percent. Any variance as at 31 December each year may result in transfers to or from NSW Treasury to ensure the funding ratio is maintained at appropriate levels. The funding ratio for TMF and the funds covered by the NALHP managed by SiCorp, was 105 percent. The funding ratio for TMF only was 104 percent.
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 *Insurance Act 1973* of the Commonwealth to carry on insurance business in Australia. June 2020 – SIRA holds a total of $278.1M security as per defined licence conditions.
Specialised insurers	2 (Coal Mines Insurance Limited and Racing NSW)	Racing NSW met its prudential requirements with SIRA holding $43.8M security for its claims' liabilities.

Insurer category	Number of current insurers	Adequacy of insurers' funds (as at June 2020)
		CMI is exempt from SIRA's prudential oversight under legislation.
Self–insurers	66	June 2020 - SIRA holds a total of $1,102.8M security as per defined licence conditions. This security includes 18 former self-insurers. Note there are three self-insurers that are not required by legislation to make a security deposit (NSW Trains, Sydney Trains and Transport Service of NSW (STA Group)
Insurers' Guarantee Fund	Six insolvent insurers	Funding ratio of 220 percent of assets over liabilities calculated with no prudential margin. (as at June 2020).

Stability of claim costs

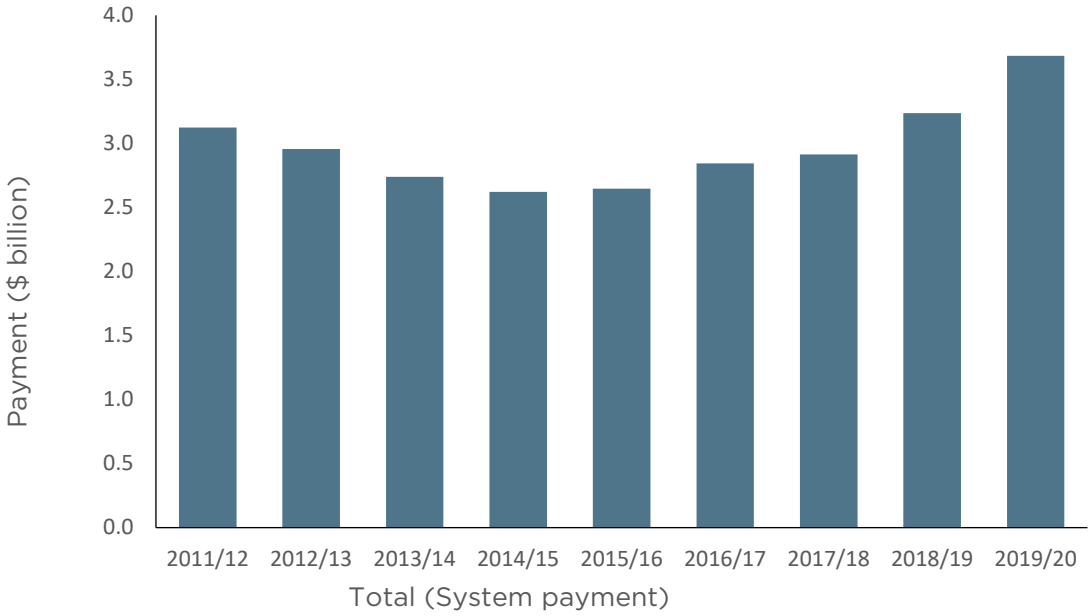
The trends in claims costs can be useful signals of system viability or emerging risks. In 2019/20 the scheme payments increased by $448M to $3.68B. This is a 14 percent increase on 2018/19 costs.

The increased cost of claims is almost exclusively in weekly payments, $293M. Other types of payments had increases ranging between $2M (total legal costs) to $62M. (total medical costs). Only commutation payments decreased in 2019/20, down by $2M.

Overall the increasing costs of claims represents a high risk to the health of the workers compensation scheme.

Total payments

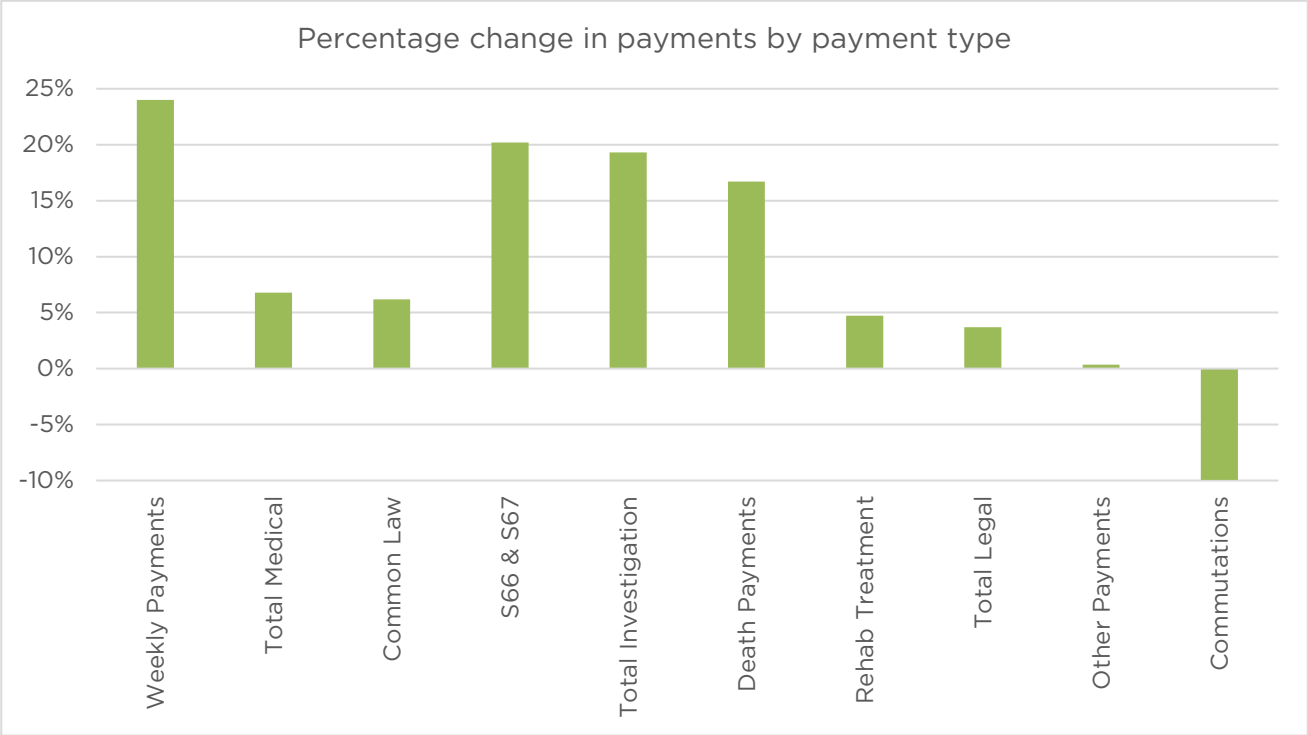
Figure 38 Total payments



Changes to payments

The following section examines the changes by payment types year on year. As is evident in the graph the cost of weekly payments has grown by nearly 25 percent year on year (approximately $293M) as have the costs associated with medical and allied health treatments.

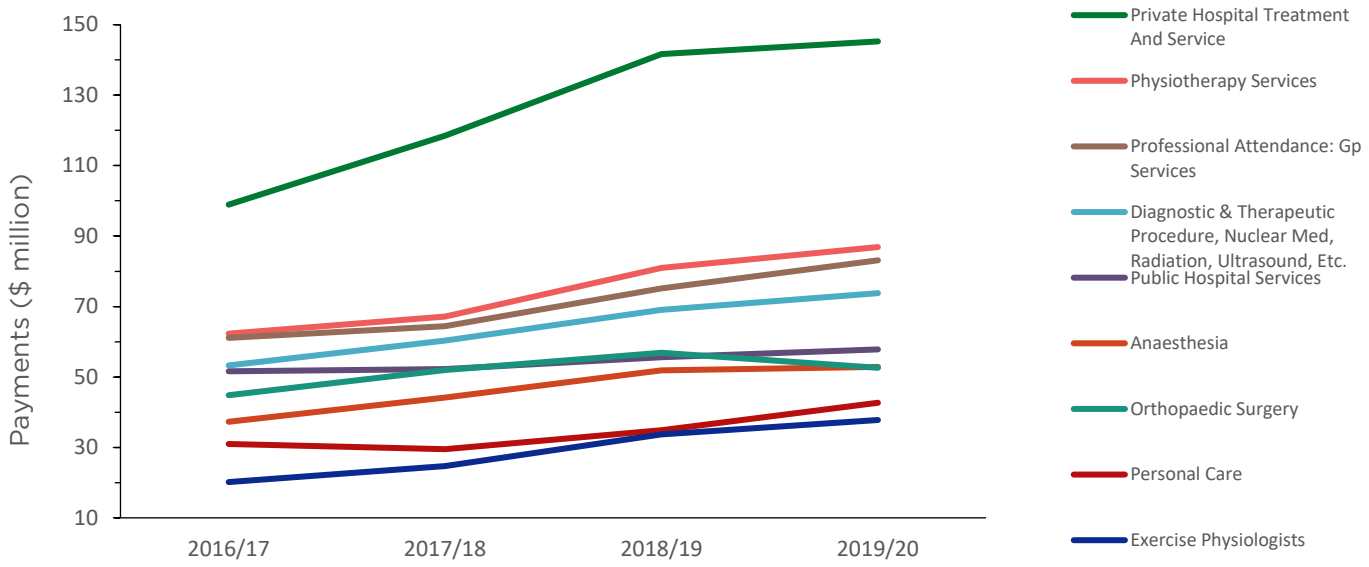
Figure 39 Percentage change in payments by payment type



Medical payments

Across the scheme the costs and the number of services provided for each claim are escalating. As explained above, the stability and predictability of the claim costs including medical costs is important to the scheme sustainability. It is also important that the actual costs align with the estimates done annually for the scheme.

Figure 40 Medical costs breakdown



Stability of claims costs – duration of open and active claims

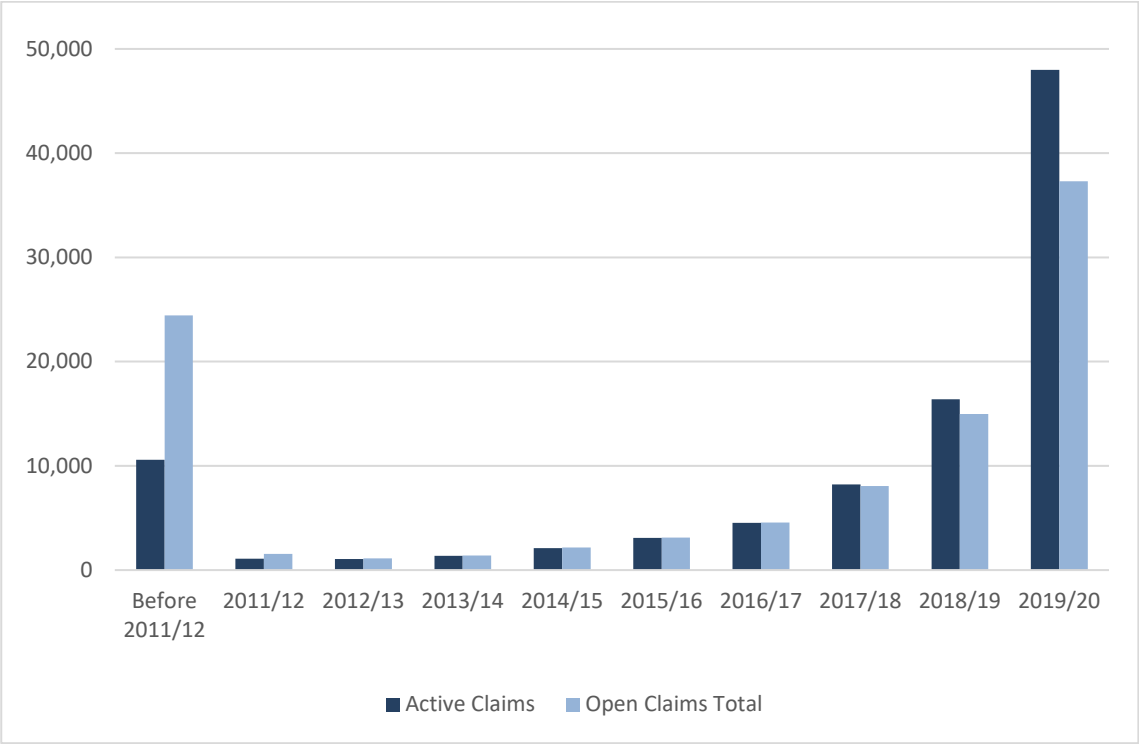
A comparison of the number of active claims (claims which have had a payment within the last three months) and open claims (where insurers have not closed the claims) across the scheme year on year is an indicator of the stability and duration of costs.

In 2019/20 there was a significant increase in the number of active claims (47,992) compared with 2018/19, when there were 16,398 active claims. Similarly, considering open claims, in 2019/20 there were 37,297 compared with 14,983 in 2018/19. This also is a significant increase.

This higher number of both open and active claims in 2019/20 flags a significant risk to the financial viability of the scheme due to higher numbers of claims receiving payment, combined with significantly higher numbers of open claims for which insurers would expect increased liability costs to arise.

Using this data as an indicator of the stability of the scheme claim costs, there are clear risks to the viability of the scheme, particularly in an economic climate where there are also risks to the insurers investment returns and financial pressure on employers potentially precluding increased premiums.

Figure 41 Open and active claims in the scheme



Weekly payments

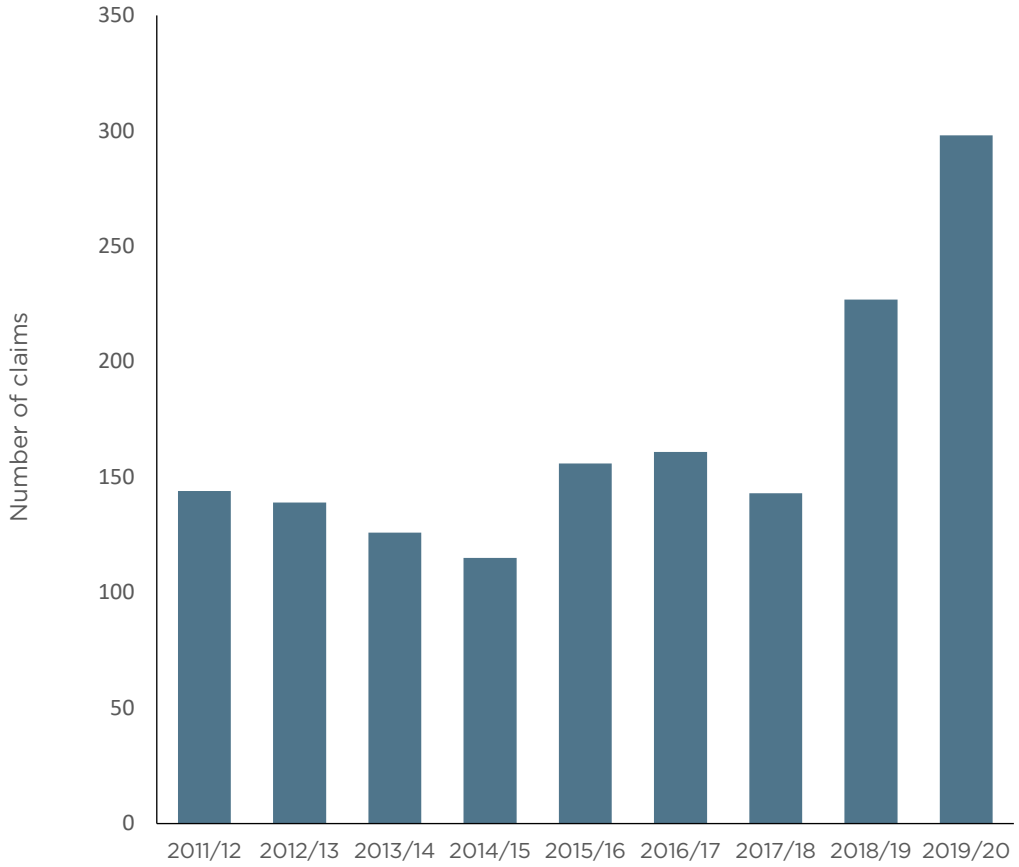
Overall weekly benefit payments are increasing for all insurer segments of the scheme but have deteriorated more significantly for the NI and the government self-insurers (TMF). This is consistent with the deteriorating return to work rates and increasing duration on weekly benefits. The negative impacts of long absences from work on the wellbeing and recovery of injured people is of concern.

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 details in this report under NI, the increased risks to the system viability associated with changing work and employment practises requires monitoring.

Uninsured liability claim numbers have been trending up since 2014/15 where 115 claims were reported compared with 298 in 2019/20. The claims had associated costs of $19.8M.

Figure 42 Uninsured liability claims (ULIS)



Nominal Insurer Financial Sustainability

The financial sustainability of the NI is important to the overall viability of the workers compensation scheme. The NI with a market share of 74.9 percent as measured by wages covered has a significant influence on the performance of the workers compensation scheme.

The following graph displays the NI financial performance over the last eight years and the projected future performance over the next 10 years. The solid blue line represents the surplus / deficit in the respective financial year. The blue dotted line is the projected future financial performance estimated by icare.

The NI surplus[2] was $1.4B in the 2015 financial year. Losses were realised in the 2016 (loss of $0.6B), 2017 (loss of $1B), 2019 (loss of $0.9B) and 2020 (loss of $1.9B) financial years.

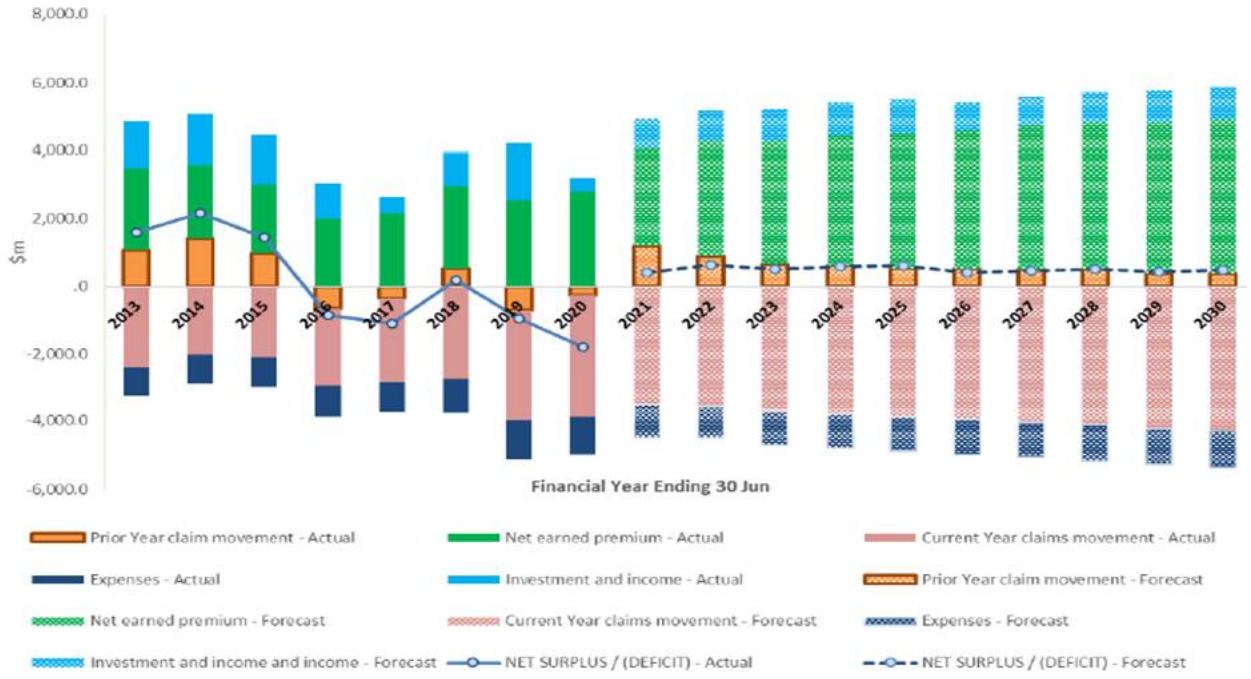
[2] Surplus / Profit *Note the term Surplus here refers to the difference between the NI assets and liabilities*

There is a clear risk that the pandemic operating environment will place further pressure on icare's operations, and it may be difficult to achieve the predicted surplus target.

- In May 2020 icare announced that premium rates would be put on hold rather than increased
- There is uncertainty about the economic outlook during the pandemic including potential impacts on investment returns, COVID-19 impacts employers' operations making it difficult to secure suitable return to work for workers.
- Escalating medical and attendant care costs have been a recent issue for the scheme and this may impact the NI's future financial performance if these costs and other claims management costs cannot be managed.
- The breakeven premium rate projected for the 2019/20 year was 1.49 percent of wages whereas the premium collected was 1.24 percent of wages. This has resulted in a projected shortfall. In previous years this pattern was similar where the premium income collected was below one or both of the targeted and breakeven premium rates
- The Dore report suggests the NI estimates presented to the regulator over the last five years offer a "lengthening time of projected recovery".
- As at 30 June 2020, the funding ratio (assets divided by liabilities) was 101 percent at 75 percent Probability of Adequacy (PoA) which falls below the NI's current Target Operating Zone of 115 percent and 135 percent as outlined in the icare Capital Management Policy.

Note the term Surplus here refers to the difference between the NI assets and liabilities

Figure 51 NI financial sustainability.



NSW Auditor-General's report on the icare financial sustainability

icare's financial position in relation to the NI and Government Self- insurers has been the subject of an audit by the NSW Auditor-General who has made recommendations about a number of icare practices. Of relevance to this report is the finding that "*the Workers Compensation Nominal Insurer, NSW Self Insurance Corporation and the Lifetime Care and Support Authority of NSW all had negative net assets at 30 June 2020. This means that at 30 June 2020, these icare entities did not hold sufficient assets to meet the estimated present value of all of their future payment obligations. These entities' financial statements are prepared on a going concern basis because the future payment obligations are not all due for settlement within the next 12 months. Their settlement is expected to occur over years into the future, depending on the nature of the benefits provided by each scheme."*

"The implication of these agencies' net asset deficiencies is that they are not fully funded for all expected future payments from their schemes. Each agency needs to implement solutions to resolve all unfunded scheme positions." Source; New South Wales Auditor-General's Report, Central Agencies 2020.

The Auditor-General also concludes that "*possible actions could include changes to investment strategies or premium and contribution rates or identifying cost savings in the claims and expense management areas. The reasons for the net asset deficiencies are discussed in the Auditor-General report.*" To find out more please use the following link

Workers Compensation Operational Fund

SIRA has direction and management responsibilities for the Workers Compensation Operational Fund. This fund cannot be used by SIRA for any other purpose than that specified in the legislation that created the funds. More details of the operations of these funds are disclosed in the SIRA Annual Report.

The Workers Compensation Operational Fund is constituted under Section 34 of the *Workplace Injury Management and Workers Compensation Act 1998* (WIMWCA 1998). It is funded from contributions made by insurers, self-insurers and deemed insurers. The Fund meets SIRA's operating expenses in relation to

- workers compensation regulatory functions
- payments to SafeWork NSW as the independent workplace safety regulator;
- payments to the Workers Compensation Commission for the determination of workers compensation disputes;
- payments to WIRO to manage enquiries and complaints and administer the ILARS program.

In 2019/2020, the ILARS program and WIRO were the only programs to see an increase in funding. Of the levy contributions to funding in 2019/2020 from the four insurer types, it was only the Nominal Insurer whose contribution decreased (down 1.4 percentage points).

Figure 43 Workers Compensation Operational Fund status

WCOF funded programs (expenses)	2015-16	2016-17	2017-18	2018-19	2019-20
	Actual	Actual	Actual	Actual	Actual
	$'000	$'000	$'000	$'000	$'000
SafeWork NSW	107,555	112,105	122,847	132,903	127,995
ILARS	44,034	49,864	50,465	57,449	63,050
SIRA	77,302	72,364	60,951	57,102	52,031
WCC	21,828	23,090	26,283	27,153	25,285
WIRO	4,898	6,582	7,343	10,559	10,967
Total	**255,617**	**264,005**	**267,889**	**285,166**	**279,328**
WCOF levies contributions (revenue)	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
	Actual	Actual	Actual	Actual	Actual
	$'000	$'000	$'000	$'000	$'000
TMF	16,981	18,626	19,443	18,527	19,530
Nominal Insurer	177,504	213,707	220,604	236,175	232,915
Self-insurers	14,382	15,272	14,832	16,043	17,321
Specialised insurers	4,691	6,907	7,693	8,026	8,367
Total WCOF levies	**213,558**	**254,512**	**262,572**	**278,771**	**278,133**

Scheme performance - Customer experience

SIRA regulates the NSW workers compensation (WC) scheme for the customers of the scheme, including the workers who are insured and the employers who insure workers' wages under the scheme. This focus on the customer and how the scheme is performing to meet customers' needs is an import aspect of the scheme performance. It is with this focus that SIRA undertook the *SIRA Regulatory Measurement of Customer Experience survey* in 2020 with the customers of the scheme to identify employers' experiences with insurers, the customers' trust in the scheme and the health and social outcomes of the scheme.

Performance against customer service conduct principles

Overall customers gave the scheme an overall service rating of 68 percent good, 17 percent medium and 15 percent poor. The customer service conduct principles were measured in this survey by asking customers (claimants) to agree or disagree with a series of statements about their insurer. The fieldwork was undertaken in November 2020 with a sample of 885 workers compensation claimants who had an interaction

with their insurer from April 1, 2019 to March 31, 2020. The survey was done via an online survey and Computer Assisted Telephone Interviewing in English, Mandarin, Arabic, Korean, Greek or Vietnamese.

The efficiency of the scheme was rated by the respondents suggesting they agreed or strongly agreed that their insurer was efficient (65 percent) and that they were easy to deal with (68 percent). There were differences in the results across the insurer types with the NI being rated by its customers less favourably than other insurer types. More detail on this is provided in the table below.

Customers also agreed that they were treated with dignity and respect (80 percent) however fewer workers felt that the services the frontline scheme service providers acted with empathy (65 percent). Workers who were away from work for longer periods (> 130 days) and those with a psychological injury offered a lower rating for the customer services.

Three in five workers felt their concerns were resolved quickly (61 percent) and that their insurer was able to address concerns (66 percent) with 66 percent agreeing that their insurer kept informed them about their claim. 65 percent of customers were advised of their rights.

63 percent expected to make a complete recovery with 78 percent of this group suggesting COVID-19 would have no impact on their recovery. 35 percent suggesting access to treatment was more difficult with 84 percent of respondents reporting that they had returned to work.

84 percent of workers reported that they had returned to work (have you returned to work at any time since your accident / injury?) with 71 percent rating the extent to which they have their life back on track as a six or more on a scale of one to ten.

The results of the *SIRA Regulatory Measurement of Customer Experience and Outcomes study 2020* will be published shortly. Please visit the SIRA website if you would like more information on this study

Figure 44 Customer service conduct principles survey responses (% agree / strongly agree)

	NI	Government self-insurers (TMF)	Self and specialised insurers
Efficient and easy to engage			
Was efficient in their dealings	63	72	64
Was easy to deal with	67	72	70
Act fairly, with empathy and respect			
Acted with empathy	64	67	64
Treated you with dignity and respect	80	83	78
Resolved customer concerns quickly, respected customers time and was proactive			

Resolved concerns	58*	66	71
Kept you informed about your claim	63*	72	76
Was able to address concerns	66	70	68
Accountable for action and was honest in interactions			
Advised you of your rights	64	66	71

Note

Source SIRA Regulatory Measurement of Customer Experience and Outcomes study 2020

To what extent do you agree or disagree that the insurer……?

All Workers Compensation respondents n= 885

** significantly different to other insurer types at 95 percent confidence level*

Customers trust in the scheme

In the *SIRA Regulatory Measurement of Customer Experience and Outcomes study 2020,* 60 percent of customers (claimants) agreed that they trusted the scheme to help them get back to work with 15 percent suggesting low levels of trust in the scheme.

There were some significant differences across customer segments including:

- Claimants who were compensated for 130+ days were more likely to report having poor customer service (34 percent) compared to those who were compensated for less than 130 days (14 percent)
- Claimants with severe or extreme pain and discomfort were more likely to report having poor customer experience (38 percent) compared to claimants with moderate (20 percent) and no, or slight, (9 percent) pain and discomfort.
- Claimants who disagreed that they were able to easily access the medical treatment and services they needed were more likely to report having poor customer service (36 percent) compared to claimants who agreed (8 percent).
- Those with a mental illness claim were more likely to report having poor customer service (34 percent) compared to claimants with a physical injury claim (13 percent).
- Claimants who were assessed to have probable serious mental illness via the Kessler 6 were more likely to report having poor customer service (31 percent) compared to claimants who had no probable serious mental illness (11 percent).
- Claimants who had low (36 percent) or medium (18 percent) trust in the scheme were more likely to report having poor customer service compared to claimants who reported high trust (2 percent) in the scheme.

To what extent do you agree or disagree that the insurer……?

All Workers Compensation respondents n= 885

*Significantly different to other (Claim type: Mental, Pain and discomfort: Severe/extreme, Recovery expectation: Within a year or longer and Will not recover) sub-group, **Significantly different to both other (Claim Type: Other trauma and Musculoskeletal) sub-groups, ^Significantly different to musculoskeletal sub-group, at 95 percent confidence level.

Enquiries and complaints

Enquiries, complaints and disputes are important measures of how the issues and concerns customers have about the scheme and how it is performing for customers. The workers compensation system provides several services for the resolution of enquiries, complaints and disputes through insurers, SIRA, WIRO and the Workers Compensation Commission to support customers.

SIRA and WIRO use different processes to manage and record enquiries and complaints. SIRA classifies multiple enquiries and complaints by one party as one complaint, whereas WIRO classifies multiple enquiries and complaints from a single party as multiple matters as this aligns with WIROs process to manage and resolve the complaint. In addition, WIRO classifies an enquiry as something they can manage internally without input from the insurer.

Enquiries and complaints received by WIRO

During 2019/20 WIRO managed 18,196 issues reported as an enquiry (10,361) or matters reported as part of a complaint (7,835). Of the enquiries received the drivers for 28 percent were regarding how to make a claim, general case management, workers compensation benefits and denial of liability.

7,835 complaints were also received and managed by WIRO in 2019/20. The themes or major drivers of the complaints were as follows.

Figure 45 WIRO complaint drivers

Complaint driver	Numbers
Delay in determining liability	2193
Delay in payment	1671
Weekly Benefits	1166
Denial of liability	675
General Case Management	601
Request for documents	488
Work Capacity Decision	366
Workplace Injury Management	261
IME/IMC	256
Non-Insurer Complaint	157

Enquiries and complaints received by SIRA

In 2019/20, SIRA answered 13,309 enquiries from people calling the 13 10 50 customer service number about workers compensation. SIRA also received 3,447 enquiries via digital channels.

This year SIRA managed 1,099 workers compensation complaints, with 1,092 complaints resolved during the financial year. Most complaints related to outstanding medical payments (delays in payments to a provider from the insurer), complaints on insurer conduct/behaviour (e.g. communication issues), and provider fees/billing (charging more than the fees order)

SIRA operates an escalation panel for referral and assessment of more complex complaints or potential non-compliance. The panel received 44 individual escalations in 2019/20. The top three types of escalated complaints were:

- employer complaint about the insurer's management of the claim, including lack of communication on injury management and return to work.
- employer complaint about the increase in their premiums and lack of information from icare on how the premium was calculated
- solicitor and insurer complaints about overcharging by medical practitioners and providers.

The panel resolves issues on a case-by-case basis and identifies key trends and areas for improvement, which are considered in assessing insurer performance. Matters are assessed for regulatory action as appropriate. In 2019-20, the panel received 10 direct referrals from WIRO.

Disputes

During the year of 2019/20 amendments to the workers compensation dispute resolution arrangements were implemented. The goal was to simplify the process for customers making it fairer and more transparent.

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 can now be resolved in two ways:

- internal review, when someone at the insurer reviews the work capacity decision (other than the person who made the original decision). These were previously mandatory before pursuing a further form of dispute resolution however these are now optional.
- merit review, when an independent decision maker at Workers Compensation Commission of NSW (WCC) reviews the insurer's work capacity decision and makes findings and recommendations that are binding on the insurer.

Claim liability reviews are undertaken by the WCC.

The following diagram shows the pre-January 2019 pathway for dispute resolutions services. It is included to show the changes implemented in the dispute resolution pathways.

Figure 46 Diagram of the pre-January 2019 pathways for dispute resolution

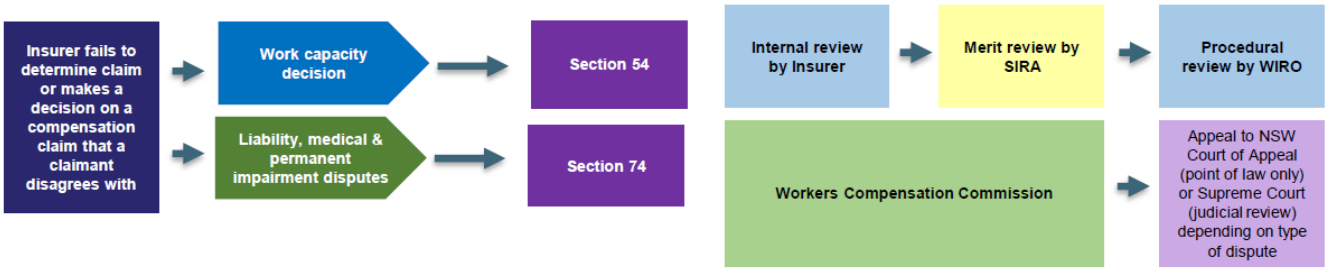
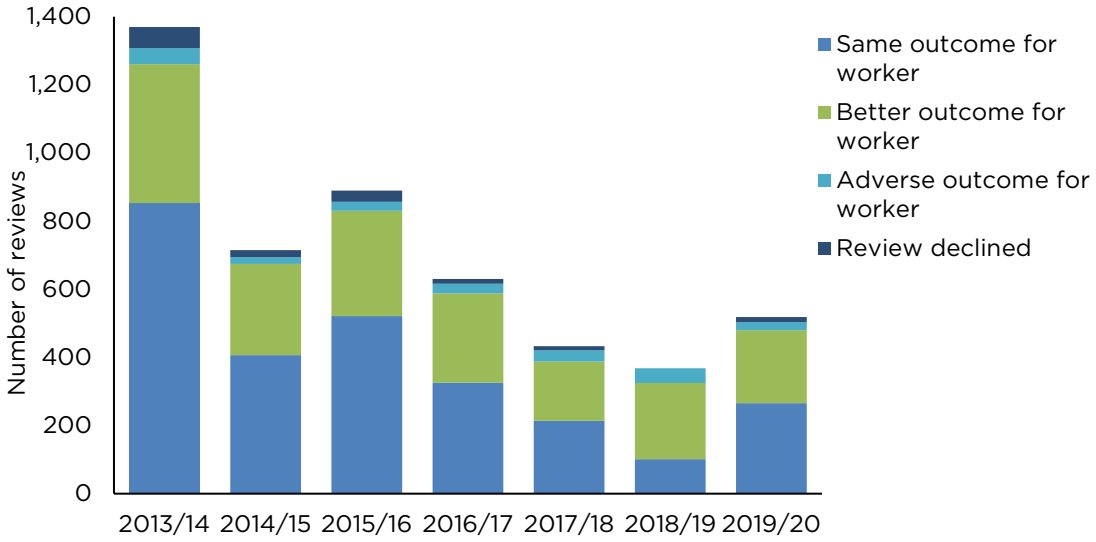


Figure 47 Diagram of the post-January 2019 pathways for dispute resolution

Internal reviews

As part of the dispute resolution services amendments the internal review process undertaken by insurers was made optional. This change is reflected in the decreased number of workers using this process. For this reason, the following information relates only to the 2019/20 financial year. Of the internal reviews carried out by insurers in 2019/20, 214 workers received a better outcome, nearly 266 received the same outcome, and 23 received an adverse outcome with 15 applications having their review denied.

Figure 48 Number of internal reviews finalised by outcomes for workers



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 2019-20, 69 percent 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 $9,669.20, 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 dispute for weekly compensation benefits up to 12 weeks, work capacity and/or medical expenses

compensation up to $9,669.20. These applications are fast tracked to a teleconference to assist with resolving the dispute quickly and efficiently. In 2019-20, 85 percent 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 plays a role in commutations by registering the 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 WCC before court proceedings can start for work injury damages. In 2019-20, the WCC held a total of 1,491 mediations; 68 percent 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 Deputy President for determination (form 9). In 2019-20, the WCC received 69 arbitral appeal applications. Presidential members determined 80 appeals and six appeals were discontinued. Overall, six percent of appealable decisions were revoked.

Medical Appeals: a party may appeal against a 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 2019-20, 345 medical appeal applications were lodged and 391 medical appeals were finalised. Approximately eight percent of medical assessments by approved medical specialists were overturned on appeal.

Figure 49 Dispute numbers heard by the WCC

Application type	2017-18	2018-19	2019-20
Application to resolve a dispute (Form 2)	4,805	4,711	4,852
Application for mediation (Form 11C)	1,345	1,472	1,673
Medical appeal (Form 10)	444	366	345
Application for expedited assessment (Form 1)	76	60	180
Arbitral appeal (Form 9)	61	89	69
Registration of commutation (Form 5A)	40	32	38
Workplace injury management dispute (Form 6)	14	33	29
Application for assessment of costs (Form 15)	5	4	5
Application to strike out a pre-filing statement (Form 11E)	3	3	5
Disputed direction for access to information and premises (form 11)	2	3	2

Application to cure a defective pre-filing statement (Form 11B)	3	5	3
TOTAL	6,798	6,778	7,201

Independent Legal Assistance and Review Service Costs

To assist workers with funding for legal fees to have their disputes resolved the Independent Legal Assistance and Review service (ILARS) is funded from the Workers Compensation Operating Fund as reported above. ILARS grants are managed by WIRO for the scheme. The types of disputes this funding covers includes 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.

In 2019/20 there were 11,604 applications for ILARS grants lodged with WIRO of which 93 percent were accepted. The ILARS program costs have seen increases year on year to a total of $63M in 2019/20. This program and WIRO operating costs are both funded from the Workers Compensation Operating Fund which increased funding in 2019/20 from $44M in 2015/16.

Stakeholder engagment program

SIRA is committed to ongoing engagement with its stakeholders to provide information, seek input and identify areas for improvement in the Workers and Home Building Compensation schemes.

The Workers and Home Building Compensation Executive team maintain an Executive Stakeholder Engagement program with key stakeholders engaged in the Workers Compensation and Home Building schemes. As a result of the program:

- stakeholders are informed and have a mechanism to provide feedback on development of regulations, premium, prevention, health, recovery and return to work initiatives
- stakeholders are confident, assured, and involved in future design and system stewardship activities
- stakeholders understand SIRA's regulatory role and their responsibilities
- SIRA is connected, listens and understands the concerns of stakeholders across the scheme and
- SIRA is held accountable for acting on feedback and insights gathered.

Some of the stakeholders SIRA engages with are as follows:

Figure 50 SIRA Workers Compensation stakeholders

In 2019/20 SIRA consulted with stakeholders on several key workers compensation projects including:

SIRA partners with the Workers Compensation Tripartite group which includes representatives from unions, employer and industry groups. The group meets regularly to discuss and explore opportunities to deliver better outcomes in the NSW workers compensation scheme. Between January 2019 and June 2020, the group met a total of seven times. Key issues discussed included:

- Scheme performance
- Dispute resolution
- Return to Work practices and strategy
- Compliance and Performance Review of the Nominal Insurer
- Response to the COVID-19 pandemic

As part of its Stakeholder Engagement Program, SIRA also met with several stakeholders including:

- Insurers
- Employer Associations
- Unions
- Providers
- Advocacy Groups
- Legal Representatives
- Government Agencies

Individual meetings occurred during the period *1 January 2019 to 30 June 2020* with the following stakeholders:

SIRA stakeholders		
Housing Industry Association	Coal Services	Insurance Council Australia
Master Builders Association	Unions NSW	Fair Trading NSW
Workers Independent Review Office	Australian Industry Group	Treasury NSW
Workers Compensation Commission	National Independent Brokers Association	Law Society NSW
icare	Self-Insurer Association	Catholic Church Insurance
Business NSW	Statecover Mutual Ltd	Guild Insurance Limited

Consultation sessions

Formal consultations included the following.

SIRA frameworks for non-treating health practitioners

SIRA sought feedback on proposed frameworks for non-treating health practitioners in the NSW CTP scheme and workers compensation system.

Review of the Nominal Insurer

SIRA sought submissions to assist with its compliance and performance review of the workers compensation Nominal Insurer, icare.

Customer Service Conduct Principles

SIRA consulted on the proposed Customer Service Conduct Principles for insurers dealing with workers compensation, CTP and home building compensation claims.

Work-related hearing loss in the NSW workers compensation system

SIRA is conducting a review into services to support people with work-related hearing loss in the NSW workers compensation system.

Regulatory requirements for health care

SIRA sought views to inform revised regulatory requirements relating to the healthcare arrangements within the NSW Workers Compensation and CTP systems.

Measuring return to work

SIRA sought input from stakeholders about how measurement of return to work can be strengthened across the schemes we regulate.

New SIRA Standard of Practice in response to COVID-19 (Coronavirus)

Feedback was sought on the draft of the new Standard of practice for insurers about the handling of COVID-19 workers compensation claims and claims handling practices during the period of the pandemic.

Health outcomes framework for the NSW workers compensation and motor accident injury/compulsory third party schemes

This consultation introduced and sought feedback on the proposed health outcomes framework for the schemes.

Standard of Practice 33: Managing psychological injury claims

SIRA sought feedback on a new psychological injury Standard of Practice. The new Standard aims to set expectations for insurers about the management of claims for workers with a psychological injury.

SIRA Bulletin

37 Workers Compensation Regulation bulletins were issued reaching an audience of approximately 2000 subscribers.

SIRA understands the quality of our stakeholder engagement determines how well we deliver on our mission of making sure injured people are supported, that insurance is affordable, well managed and sustainable.

Scheme performance - Equity

Customers perception of the scheme equity

Customer's perception of how equitably, fairly and justly they were treated is an important measure of the performance of the scheme.

In the 2019 *Abridged Return to Work Outcomes Survey: NSW Workers Compensation Scheme*, workers were asked about their perceptions of equity. Workers rated their experience across these three broad dimensions of equity and perceived justice:

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

Survey respondents rated their agreement with a range of specific attributes on a five-point scale. A higher mean score denotes a higher level of agreement (or a higher

perceived sense of justice/fairness). For each dimension, respondents were asked to rate their level of agreement with a series of statements using a 5-point rating scale from 1 ('strongly agree') to 5 ('strongly disagree'). The mean level of agreement was calculated for each of the three dimensions. In doing so, the scale values were inversed, such that a higher mean score denotes a higher level of agreement (or, a higher perceived sense of justice/fairness).

In the 2020 survey respondents rated the scheme slightly lower for Procedural, Informational and Interpersonal Justice however higher than the 2018 survey. There is a possibility that the current review and audit processes, (the Government and Parliamentary review processes of the Law and Justice Standing Committee, the McDougall review, and SIRA regulatory activity including the Dore review), and may impact customer sentiment and future performance results.

Figure 51 Workers' experience ratings of the equity and justice in the scheme

	2020			2019				2018
	Interpersonal justice	Procedural justice	Informational justice	Interpersonal justice	Procedural justice	Informational justice	Interpersonal justice	Procedural justice	Informational justice
Scheme	**3.6**	**3.6**	4.1	**4.0**	**3.8**	**4.3**	**3.9**	**3.7**	4.4
Nominal Insurer	4.1	3.6	3.5	4.0	3.9	4.3	3.9	3.7	4.4
Self and Specialised Insurers	4.0	3.6	3.6	3.9	3.9	4.3	4.0	3.7	4.5
Treasury Managed Fund	4.2	3.7	3.7	4.0	3.7	4.4	3.8	3.8	4.3

NSW Workers Compensation System Regulatory Activity

During the 2019-20 financial year SIRA maintained targeted compliance and enforcement activity in order to deliver on our strategic goals of improving customer experience and results, maintaining scheme and policy affordability, and building public trust.

SIRA's regulatory activity over the last few months of the financial year included responding to the issues arising from the COVID-19 pandemic. SIRA adapted the way it engaged with insurers, providers and stakeholders in the scheme in order to support system customers and participants and comply with the COVID-19 restrictions.

SIRA's regulatory activities continue to be focused on areas of highest risk to injured

people, policy holders and the workers compensation scheme. SIRA takes firm and fair enforcement action as needed, based on the severity of harm or potential harm, the degree of negligence, and/or the need for deterrence.

Key compliance and enforcement activity for 2019-20 is summarised below:

Employers

10,190 businesses purchased a workers compensation policy after SIRA commenced non-insurance investigations. This reflects $13.33M in additional premium raised and 30,288 more employees now being covered by a workers compensation policy.

$408,000 in penalty notices issued under s155 of the Workers Compensation Act 1987 to businesses who were not insured.

26 referrals were made to Revenue NSW to commence recovery action for $1,043,716 of avoided premiums under s156 of the Workers Compensation Act 1987.

103 notices were issued to employers who had failed to establish a return to work program, failed to appoint a return to work coordinator, or not provided suitable work pursuant to the Workplace Injury Management and Workers Compensation Act 1998.

425 visits were made by inspectors to employers with injured workers at risk of not returning to work (as identified through predictive modelling).

152 complaints regarding employers not providing suitable work were referred for investigation.

Insurers

SIRA issued 24 civil penalties of $5,500 each (totalling $132,000) against the Nominal Insurer, managed by icare, for failure to commence weekly payments in line with s267 of the Workplace Injury Management and Workers Compensation Act 1998 (1998 Act).

SIRA issued five civil penalties of $5,500 each (totalling $27,500) and five civil penalties of $11,000 (totalling $55,000) on the Nominal Insurer for failure to apply the 30 percent cap to premium rate increases for employers, as required by the Market Practice and Premium Guidelines.

A compliance and performance review of the Nominal Insurer was finalised in December 2019. The review found that the deterioration in the performance of the Nominal Insurer is largely attributable to the new claims model implemented by icare in January 2018. SIRA released a 21-Point Action Plan which addresses the key issues identified in the review.

SIRA issued a letter of censure to icare following failure to comply with a direction requiring compliance with the provision of scheme data related to return to work data items.

SIRA required the provision of information/data from the Nominal Insurer under s40C of the Workplace Injury Management and Workers Compensation Act 1998 in order to review PIAWE risk, as detailed in issue 87 4/2020 of the workers compensation regulation bulletin.

A self and specialised insurer self-assessment for weekly payments of compensation was undertaken. The self-assessment reviewed actions taken by 10 insurers in response to a claim for weekly payment to ensure the appropriateness of actions taken to gather information to determine PIAWE – including considering accuracy, timeliness and governance.

Three performance audits were conducted on self and specialised insurers.

Two audits were conducted with selected insurers to assist in testing a new claims management audit tool, which was recently updated to align with the current workers compensation guidelines and standards of practice.

SIRA issued 86 notices under the Workplace Injury Management and Workers Compensation Act 1998 to obtain information for suspected breaches of the 1998 Act.

SIRA issued 204 notices under s238AA of the Workplace Injury Management and Workers Compensation Act 1998 to require insurers to provide claims information.

SIRA issued formal warnings to 10 self and specialised insurers for claims information licence breaches.

Special licence conditions were imposed on renewed licences for two self-insurers as a result of SafeWork NSW investigations.

One self-insurer was notified of SIRA's intent to impose new licence conditions due to claims information provision licence breaches.

One self-insurer had special licence conditions imposed on their renewed licence as a result of financial concerns.

One specialised insurer was issued with two penalty notices in the amount of $500 each due to legislative breaches. The same specialised insurer had a shorter 12-month licence extension granted and two special licence conditions imposed due to claims performance issues.

One self-insurer had a shorter 12-month licence extension granted and special licence conditions imposed due to financial concerns and claims data performance issues

One self-insurer's licensing tier was downgraded from top tier to mid-tier.

Two self-insurers had their tier moved to 'Under review' due to ongoing wage underpayments concerns.

SIRA granted six new self-insurer licences.

SIRA extended 16 self-insurer licences due for renewal in 2020 for a 12-month period to reduce regulatory burden during the COVID-19 crisis.

Providers

SIRA issued 49 caution letters to medical practitioners/providers regarding compliance obligations.

Two practitioners/provider compliance visits were made to obtain information under powers.

Investigations were conducted into two providers due to suspected duplicate invoicing, overcharging and over-servicing.

Investigations were conducted into one provider for failing to comply with SIRA inspectors. The same provider was also suspended from operating in the NSW workers compensation system as it no longer meets SIRA's approval criteria for allied health practitioners.

SIRA suspension or revoked approval for 116 allied health providers.

Warning letters were issued to three medical practitioners and specialists regarding non-compliance with Fees Orders.

SIRA conducted meetings with two medical practitioners to address billing non-compliance.

Article published in AMA members publication regarding SIRA's increased provider supervision focus.

SIRA made a referral to the Legal Services Commissioner regarding the business practices of a legal firm in relation to industrial deafness claims.

SIRA made two referrals to the Health Professional Councils Authority regarding conduct of health practitioners in the workers compensation system.

SIRA sent 83 letters to allied health practitioners for anomalous billing of duplicate and over-payments above maximum fee order.

Feedback

Feedback and comments on the 2019/20 *Workers compensation scheme annual performance review* are welcomed and encouraged. This feedback will be used to improve the review and the associated report. Please email us at: WCRScheme performance@sira.nsw.gov.au

Glossary, methodology, data notes and acronyms

Standard terms	Definitions
ABS	Australian Bureau of Statistics
Accident year	An accident year is the year in which the accident giving rise to the claim occurred.
Active claim	An active claim is defined as a claim with any payment within a three-month period.
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 received or collected for a financial year.
Affordability	A reflection of the cost of premiums for workers compensation as a percentage of the reported NSW wages bill. The premium value used for the Nominal Insurer is calculated as total premium payable net of GST and levies, such as the dust disease levy and mine safety levy. The premium for self-insurers is 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, net of GST and levies, such as the dust disease levy and mine safety levy. Premium information is updated annually.
Amber risks	Amber or medium risk is defined as where a risk has been identified but SIRA has determined that the potential to harm the scheme is limited and SIRA has deemed that a regulatory response is not currently required but is closely monitoring the area of concern.
Anticipated collection rate	The amount of premium expected to be collected for a forecast financial year.

ANZSIC 2006	The 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) provides a framework for organising data about businesses - by enabling grouping of business units carrying out similar productive activities. ANZSIC 2006 provides a contemporary and internationally comparable industrial classification system. For example, a whole range of 'new economy' activities have been recognised, including: Internet publishing and broadcasting, provision of Internet access services, computer retailing and communication equipment manufacturing. Further information available on the Australian Bureau of Statistics website searching on "ANZSIC" : https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/7CFE0B0CDD60BA53CA257B9500133DD0?opendocument
Benefits paid directly to workers	Includes weekly payments, common law, s66, death benefits, commutations and miscellaneous payments.
Benefits paid for services for workers	Includes medical costs, allied health services e.g. rehabilitation payments to support claimants.
Bodily location	The bodily location of injury/disease classification identifies the part of the body affected by the most serious injury or disease. Bodily location of injury/disease uses the *Type of Occurrence Classification Scheme*, 3rd Edition (Revision 1) Australian Safety and Compensation Council, Canberra 2008.
Case Management Practice: Insurer conduct / behaviour	Where there is a general enquiry or complaint about insurer behaviour or conduct e.g. poor communication, or the way the claim is managed by the insurer.
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 (s)	Means a claim for workers compensation or work injury damages that a person has made or is entitled to make under the *Workplace Injury Management and Workers Compensation Act 1998.* The injury or illness may be physical or psychological, but employment must be a substantial contributing factor to injury for compensation to be payable. 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. 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. This report excludes claims for: • dust diseases. These are administered by the Dust Diseases Authority • workers who are self-employed, i.e. sole traders and partnerships • employees of the Australian Government • NSW Police Force workers recruited prior to 1 April 1988 and those deemed to be non-police employees of the NSW Police Force • non-reportable claims
Claim incidence rate	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 2019/20 is a projected total based on the last six years.
Claim payment development	This chart shows claim payments by accident year. That is, comparing payments of accidents occurring in the 2019/20 financial year with the prior accident period at the same stage of development. This chart allows for like for like comparisons across financial years and is presented in original dollar values with no indexation applied. The financial and cost 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. Note the customer impacted by Section 39 of the act that exited the system up to June 2018 are excluded
Claim types	Claims reported in the reporting month, classified as either 'psychological injuries' for mental disorder claims or 'all non-psychological injuries' for all other claims.
Claimant / worker / customer	An employee who has sustained a work-related injury or illness as defined by section 4 and deemed by schedule 1 of *Workplace Injury Management and Workers Compensation Act 1998* No 86.
Common law (WID)	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, Workers Compensation Act 1987 No 70 and section 318H, Workplace Injury Management and Workers Compensation Act 1998. No. 86. WID stands for 'Work injury damages' and this term is used interchangeably with 'common law'.
Commutation	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, *Workers Compensation Act 1987* No. 70.
Comorbidity	Comorbidity is the presence of one or more additional diseases or disorders co-occurring with a primary disease or disorder. 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. 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 they had been diagnosed with any other conditions not listed.

Complaint data	Is derived verbatim from reports from customers. Whilst some data cleansing processes are undertaken by SIRA and WIRO the reporting is verbatim from customers and may from time to time reference an incorrect insurer and/or insurer type. The number of complaints received in the reporting period.
Complaints (SIRA) drivers	**Medical :** Payments - Delay in payments to the provider **Case Management Practice** : Insurer conduct/behaviour - Where there is a general enquiry or complaint about insurer behaviour or conduct e.g. poor communication **Premiums :** Fees & billing - Any enquirTy or complaints about premium pricing **Medical Practitioner** – Treating Specialist : Fees/billing -Where there is an enquiry or complaint regarding provider fees / billing related to treating medical practitioners **Allied Health Providers** : Fees/billing Where there is an enquiry or complaint regarding fees / billing related to allied health providers
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.
Community members	This refers to the *SIRA theory of planned behaviour survey* and the customer segments who fall outside the categories of employer or workers.
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.
Customer Service: Behaviour	Where the customer is dissatisfied with the behaviour of any stakeholder involved in management of the claim, e.g. insurer or provider.
Customers	Customers of the scheme are injured at work and employers who are the purchasers of the workers compensation insurance.

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 *Workers Compensation Act 1987* No. 70 and *Workers Compensation (Dust Diseases) Act 1942*.
Development quarter	Development quarter refers to the time elapsed (in quarter) since the accident occurred.
Dispute rate	The number of disputes lodged (internal review, merit review and workers compensation commission disputes) in the reporting period divided by the number of active claims as at the end of the same reporting period.
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	The durable RTW rate is the percentage of workers who have had at least one day off work as a result of their work-related injury/disease and who have returned to work in any capacity for at least three consecutive months. This is measured at 12 months from the date the claim was entered into the insurer system. 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 percent. 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. Claims relating to workers who have died and workers who have retired are excluded.
Enquiry	An enquiry is defined as a customer call regarding information or advice that is general in nature. The number of enquiries received in the reporting period.
Escalated enforcement and	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.

fraud	
ESI	Employee Safety Incentive
Fatality	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. Fatalities include notifications of work-related injuries and liability accepted claims. Fatalities exclude liability denied claims, claims with no action after notification, and claims with liability status of reasonable excuse. 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. For fatalities which resulted in more than one claim e.g. from family members or dependents, one fatality is counted for the purpose of reporting.
Fatality incidence rate	The number of claims per 100,000 employees in the NSW workers compensation system scheme 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 2019/20.
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.
Green risk	Green risk or low risk is one defined as where a risk has been identified and assessed as having limited likelihood to harm the scheme. SIRA continues its normal regulatory activities in these areas.
Gross written premium	The premium value used for specialised insurers in this report.
GST	Goods and services tax.
Group self-insurers	A group self-insurer is the holder of a Group self-insurers' licence and encompasses all of the wholly owned subsidiaries endorsed on its licence.

IGF	Insurers' Guarantee Fund
Informational justice	Informational justice refers to receiving accurate and timely information about the rationale for decisions made.
Injury Financial year	The financial year in which the injury occurred. Starts on 1st July and ends on 30th June the following year.
Insurer expenses	Includes administration and operating expenses, regulatory costs, investigations, insurer's legal fees etc.
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-insurers (non-government self-insurers), specialised insurers and TMF (government self-insurers).Insurer segment refers to the general grouping of insurers into segments and includes claims and policy scheme agents and insurers: Nominal Insurer, self-insurers (non-government self-insurers), specialised insurers and TMF (government self-insurers).
Internal review	An internal review is a review of the work capacity decision by someone within the insurer other than the person who made the decision. The source of information for the number of internal reviews is the insurers' submission data to SIRA.
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, *Workers Compensation Act 1987* No. 70, Workplace Injury Management and sections 45A, 330, 331, 337, 339 and 376, *Workplace Injury Management and Workers Compensation Act 1998* No. 86.
Investigation payments	Payments for insurer and worker investigation expenses, pursuant to sections 9A, 11A and 44A, *Workers Compensation Act 1987*, Workplace Injury Management and sections 45A, 330, 331, 337, 339 and 376, *Workplace Injury Management and Workers Compensation Act 1998*.
JPPOC	Joint Premium and Prudential Oversight Committee
JCAC	Joint Claims Assurance Committee
Justice	The Perceived Justice of the Compensation Process series of measures is a scale used to measure workers perceptions of fairness of their workers compensation experience.

	The Abridged Return to Work Outcomes Survey: NSW Workers Compensation Scheme (October 2019) included three dimensions (procedural justice, information justice, and interpersonal justice). • procedural justice, about the fairness of the procedures used to determine the outcomes. • informational justice, in receiving accurate and timely information about the rationale for decisions • interpersonal justice, on whether they were treated with respect and sensitivity For each dimension, respondents were asked to rate their level of agreement with a series of statements using a 5-point Likert type rating scale. A higher score denotes a higher level of agreement, or a higher perceived sense of justice / fairness.
Legal	Legal expenses incurred in handling the claim and those incurred by the claimant, pursuant to sections 25, 29, 32, 87, *Workers Compensation Act 1987* No. 70 and sections 337, 338 and 339, *Workplace Injury Management and Workers Compensation Act 1998* No. 86. Legal costs reported in this report include Independent Legal Assistance and Review Service (ILARS) legal costs.
Level 1 complaints	A level 1 complaint is defined as a complaint received by frontline staff where an insurer is notified (via email) by the Customer Advisory Service on behalf of the complainant.
Level 2 complaints	A level 2 complaint is an escalation of an unresolved level 1 complaint.
Lump sum (S66 and S67)	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, Workers Compensation Act 1987 and as provided by the Table of Disabilities or whole person impairment (WPI) and Ready-reckoner of Benefits Payable.
Maintaining work rate	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 2019/20 after the claims are accepted and entered into the scheme 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: • Back at work for 12 months • Back at work for nine to 11 months • Back at work for six to eight months • Back at work for three to five months • Back at work for less than three months The results are based on the work status as at 30 June 2018
Market share	The proportion of total wages reported as insured by the insurer segment.
Mechanism of incident	The mechanism of incident is the action, exposure or event that best describes the circumstances that resulted in the most serious injury or disease. Mechanism of incident applies to claims entered into the insurer's system on or after 1 July 2011 and uses the Type of Occurrence Classification Scheme, 3rd Edition (Revision 1) Australian Safety and Compensation Council, Canberra 2008.
Medical	Payments for ambulance services, medical treatment, hospital treatment, physiotherapy treatment and chiropractic treatment.
Medical: Liability	Process /communication to determine liability including any reference to reasonably necessary treatment and s59A entitlement periods e.g. medical entitlements have not been approved and the worker believes they have not received the relevant communication.
Medical: Timeframes	A worker has made a claim for medical treatment, but the request has not been responded to within legislated timeframes i.e. a decision has not been made within 21 days.
Merit review	A merit review is undertaken by an independent decision maker at SIRA who conducts a merit review of the insurer's work capacity decision and outlines findings and recommendations. These reviews are binding on the insurers.

MPPGs	Market practice and premiums guidelines
Nature of injury / disease	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. Nature of injury/disease uses the *Type of Occurrence Classification Scheme*, 3rd Edition (Revision 1) Australian Safety and Compensation Council, Canberra 2008.
Net premium	The premium value used for the Nominal Insurer in this report, calculated as total premium payable.
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/scheme	The NSW workers compensation scheme includes all insurer segments: Nominal Insurer, government self-insurers (TMF), self-insurers and specialised insurers. Uninsured liability claims covered by the NSW workers compensation scheme have been included with the Nominal Insurer in this report.
Number of workers receiving weekly benefits per month	Number of injured workers receiving weekly benefit payments excluding Section 39 claimants that exited the scheme in June 2018.
Occupational diseases	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: • the slow and protracted nature of its cause • 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) • 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) • the uncertain time of its beginning • a possible predisposition to the development of the condition. Occupational diseases do not include dust diseases, as defined by the *Workers Compensation (Dust Diseases) Act 1942* (except in the case of a worker employed in or about a mine to which the *Coal Mines*

	Regulation Act 1982 applies), or the aggravation, acceleration, exacerbation or deterioration of dust diseases, as so defined (refer to *Workers Compensation Act 1987* No. 70).
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 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)	Payments for section 66. 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, *Workers Compensation Act 1987* No. 70 and as provided by the table of disabilities or whole person impairment (WPI) and ready-reckoner of benefits payable.
Premium	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. 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.
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.

Procedural review	A review by the Workers Compensation Independent Review Office (WIRO) can follow a merit review by SIRA and is a procedural review of the insurer's work capacity decision.
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.
Records submitted	All records received from insurers across NSW. This data excludes administration errors.
Red risk	A red risk of high risk is defined as a risk which 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.
Rehabilitation treatment	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, *Workers Compensation Act 1987* No. 70. 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.
Reportable claims *Referred to as "claims" in this report*	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. A reportable claim for workers compensation or work injury damages is a claim that a person has made or is entitled to make under the *Workplace Injury Management and Workers Compensation Act 1998*. Claims become reportable once they meet certain liability conditions and/or have received payments. For example, the injury or illness may be physical or psychological and employment must be a substantial contributing factor to injury, except for those claims made by police officers, paramedics, fire fighters, volunteer bush fire fighters and emergency and rescue services volunteers for injuries suffered during journeys to and from work or place of volunteering.

	Reportable claims include claims from workers whose employer is uninsured. Where a split by insurer segment is shown, claims of uninsured employers are included with the Nominal Insurer segment. Exclusions Reportable claims exclude administration error claims, claims closed with zero gross incurred cost, claims shared between two or more workers compensation agents/insurers and the 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. Reportable claims also exclude claims for: • dust diseases (administered by the Dust Diseases Authority) • workers who are self-employed • employees of the Australian Government • a member of the NSW Police Force who is a contributor to the Police Superannuation Fund under the *Police Regulation (Superannuation) Act 1906*.
RTW measure	The RTW rate is the percentage of workers whose claims entered into the insurer system during the 12-month period (2019/20 for this report) and who have been off work as a result of their work-related injury/disease and have since returned to work in any capacity at four weeks, 13 weeks, 26 weeks and 52 weeks from the date the claim was reported. 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 insurers' 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 percent. 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 insurers' 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 percent.

	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 and workers who have retired are excluded from the measure. 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. Since this report is based on data as at 30 June 2018, the claim cohorts for 2019/20 are not fully developed. For example, the four-week RTW for 2019/20 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. The RTW 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.
RTW including medical only claimants	The percentage of workers at work at 4, 13 and 26 weeks includes medical only claims where the worker did not leave work. The methodology allows a comparison across insurer types of the percentage of workers who were at work at 4, 13 and 26 weeks intervals from the date the claim was entered into the system.
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.
Self-reported current returned to work rate	Obtained using a survey, it is the proportion of injured or ill workers who were working at the time the survey was undertaken.
Self-reported returned to work rate	Obtained using a survey, it is the proportion of injured or ill workers who had reported during an independent survey that they had returned to work for any period of time at some stage since their first day off work.
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 rate	The stay-at-work rate measures the percentage of workers who made a claim and remained working (i.e. had less than one day off work) following a work-related injury/disease. The cohort for the stay-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 01 (Notification of work-related injury), 06 (administration error), 09 (reasonable excuse) or 12 (No action after notification) are also excluded from this measure. 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. *Please note SIRA is working collaboratively with stakeholders to develop a suite of consistent and robust measures to monitor the performance of the scheme for workers who stayed at work, returned to work and maintained their return to work*
Supports	Services directly to and for workers for their recovery to well-being and return to either employment or jobs.
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. This study is also called the National return to work survey (NRTS)
Target collection rate	The target collection rate of premiums before application of the ESI and other discounts.
The average number of days weekly benefits are paid to workers for the first six months post injury	Compares the quarters benchmarked across the previous quarters. The chart shows the average number of days of weekly benefits paid to workers in the first six months of their claims. This measure uses work hours lost and injury quarter to calculate the average days Note: the data for these measures requires six months to development.

Timeliness of insurer decision making	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'. This cohort include all reportable claims, with first liability status date in financial year 2019/20 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'.
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.
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.
TMF Emergency Services	TMF Emergency Services ("EM") covers Police, Fire and Ambulance agencies.
TMF Non-Emergency Services	TMF Non-Emergency Services ("non-EM") covers all agencies under TMF except Police, Fire and Ambulance agencies.
Weekly payments cessation measure	The cessation of weekly benefits payments is used as a proxy measure for when the worker stopped being paid weekly benefits and presumably returned to work.
Weekly benefits /weekly payments	Weekly benefit payments paid to injured workers for incapacity excluding Section 39 claimants that exited the scheme in June 2018.
Workers / Claimants	An employee who has sustained a work-related injury or illness as defined by section 4 and deemed by schedule 1 of *Workplace Injury Management and Workers Compensation Act 1998* No 86.

Workers compensation commission	The WCC is an independent statutory tribunal that has jurisdiction to deal with a broad range of disputes. Most of the compensation dispute applications are Applications to Resolve a Dispute (Form 2) and may involve claims for more than one type of compensation benefit, including weekly payments, medical and related treatment, and permanent impairment.
Work injury damages (WID) / Common law	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, Workers Compensation Act 1987 No 70 and section 318H, Workplace Injury Management and Workers Compensation Act 1998. No. 86. WID stands for 'Work injury damages' and this term is used interchangeably with 'common law'.
Work status codes	Stay-at-work (RTW) indicator is calculated as the percentage of 'claimants who had no time off from work due to the injury' to 'all claims' in the system. It is assumed claimants who stayed at work received only medical related payments and continued working. This measure includes; Full work capacity if work status is where the work status code is 1, or 3 01 - Working - Same employer - full work capacity 03 - Working - Different employer - full work capacity Pre-injury hours capacity is where the work status code is 2 or 4 and hours are paid '02' = Working - Same employer - current work capacity '04' = Working - Different employer - current work capacity Reduced hours of capacity are where the work status code is 2 or 4 '02' = Working - Same employer - current work capacity

	'04' = Working - Different employer - current work capacity
Working rate	This is the percentage of workers who are at work or working, when measured at the 4, 13, 26, 52 or 104 week intervals from the date their claim was entered into the insurer system. It includes those who stayed at work, had medical only claims, as well as those who have returned to work following an absence of a day or more.

Disclaimer

The NSW Government is committed to producing data that is accurate, complete and useful. Notwithstanding its commitment to data quality, the NSW Government gives no warranty as to the fitness of this data for a particular purpose. While every effort is made to ensure data quality, the data is provided "as is". The burden for fitness of the data rests completely with the user.

The NSW Government shall not be held liable for improper or incorrect use of the data.

Please note, this data is an accurate reflection of the information provided by each insurer, to SIRA, however this data may change due to the progression of data and the application of regular data quality reviews. There are several areas where SIRA is actively working on the methodologies and data sets with the view to improving the measures and the capability to monitor the scheme.

Would you like additional data?

For more information about this dataset or data source:

There is additional data from the NSW Government on the following sites -

- the OpenGov NSW
- SafeWork NSW
- State Insurance Regulatory Authority

If you cannot find the information you require, then complete the external data request form and email to the DFSI Ministerial team at gipa@finance.nsw.gov.au or phone 13 10 50.

Feedback

Feedback and comments on the 2019/20 *Workers compensation scheme annual performance review* are welcomed and encouraged. This feedback will be used to improve the review and the associated report. Please email us at: WCRScheme performance@sira.nsw.gov.au

Disclaimer

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

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

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

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