

# Self-insurer s189 business information requirements

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Workers compensation  
regulation

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State Insurance  
Regulatory Authority

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# 1. Purpose

This document outlines the annual information requirements for self-insurers as required by the State Insurance Regulatory Authority (SIRA), under section 189 of the *Workers Compensation Act 1987* (1987 Act).

These requirements must be read in conjunction with the licence conditions and the requirements of the workers compensation legislation.

## 2. Legislative requirements

Section 189 of the 1987 Act sets out the information and records that may need to be supplied to SIRA.

Under section 189 of the 1987 Act – *Information and records as to business etc to be supplied to Authority by insurers:*

1. The Authority may require an insurer:
  - a) to disclose to the Authority specified information relating to the business and financial position of the insurer or of any corporation which is a related corporation, or
  - b) to forward to the Authority, or make available for inspection, specified records, or copies or extracts from specified records, kept by the insurer or by any corporation which is a related corporation.
2. A requirement under this section:
  - a) shall be made in writing and served on the insurer, and
  - b) shall specify the manner in which and the time within which the requirement is to be complied with.

## 3. Reporting timeframes

Self-insurers must provide certain information on an annual basis. The information collected helps SIRA's ongoing monitoring and review of self-insurers in the NSW workers compensation system.

Unless otherwise stated by SIRA, self-insurers have four months from the end of the financial year to provide the information listed in section 4 of this document.

## 4. Information and record requirements

### 4.1 Business information

The following business information is required from every self-insurer, each year:

- details of the principal business operations, including details of any corporate restructure
- name and contact details of the principal and secondary persons for the receipt of SIRA correspondence including:
  - position title
  - telephone number
  - email address
  - mailing address
  - street address
- name and contact details of the principal person (or group) who will respond to complaints at:
  - level 1 (initial enquiry)
  - level 2 (follow up enquiry).

Group self-insurers must also provide a schedule showing the names, ABNs and corporate structure of all wholly-owned subsidiary companies who are employers in NSW.

### 4.2 Financial information

Self-insurers must supply SIRA with a copy of their annual report including audited financial statements, an independent auditor report for the self-insurer, and ultimate Australian holding company (if different).

State government self-insurers must provide audited financial statements within five months of financial year end, once they are tabled in Parliament.

### 4.3 Actuarial information

Every self-insurer must provide a copy of its actuarial valuation report, prepared in accordance with the requirements outlined in the Appendix.

### 4.4 Reinsurance policy information

Self-insurers are required to provide a copy of their reinsurance policy obtained in accordance with the requirements outlined in the Appendix.

### 4.5 Business plan information

Every self-insurer must provide a copy of the business plan for its NSW workers compensation insurance portfolio, prepared in accordance with the requirements outlined in the Appendix.

## 5. Lodgement details

The information required in section 4 is to be lodged with SIRA by emailing:  
[self&specialisedinsurers@sira.nsw.gov.au](mailto:self&specialisedinsurers@sira.nsw.gov.au).

## 6. Further information

For any questions regarding the self-insurer annual information requirements, please contact the appropriate SIRA Portfolio Manager

Phone: 13 10 50

Email: [self&specialisedinsurers@sira.nsw.gov.au](mailto:self&specialisedinsurers@sira.nsw.gov.au).

## 7. Confidentiality

Where information is provided to SIRA, the information is protected by provisions in the *Workplace Injury Management and Workers Compensation Act 1998* and may only be disclosed externally in very limited circumstances. These provisions do not inhibit SIRA's ability to:

- create comparative data to conduct research and assess the performance of the workers compensation system
- publish de-identified statistical, performance and research reports
- provide information to the responsible Minister or as directed by the Minister
- provide information to the Australian Prudential Regulation Authority (APRA).

Aside from these protections, personal information or health information provided to SIRA can only be handled in accordance with the *Privacy and Personal Information Protection Act 1998* and the *Health Records and Information Privacy Act 2002*.

Although the *Government Information (Public Access) Act 2009* (GIPA) favours disclosure of government information when an access application is made, there is an overriding public interest against disclosure if the disclosure could be reasonably expected to prejudice the business interests of any person or corporation.

GIPA provides a consultation mechanism for a person or corporation, if an access application is made for information that concerns their business, commercial or financial interests. Any objection to disclosure received in the course of consultation must be taken into account when deciding whether there is an overriding public interest against disclosure.

If SIRA decides to make that information available following an objection, it must notify the person who lodged the objection of the decision. The decision to release over objection is also subject to a right of review by the Information Commissioner or by the NSW Civil and Administrative Tribunal.

Information cannot be released while review rights are pending.

# Appendix

## Actuarial report specifications

Self-insurers actuarial reports must be prepared in accordance with the relevant Professional Standards published by the Actuaries Institute, including the *Professional Standard 300 –Valuation of General Insurance Claims* (PS300) except where specified below.

### 1. Discount rates

The assumed rate of investment return used to calculate the bank guarantee/security deposit should be consistent with the requirements of PS300.

### 2. Claims management and administration expenses (indirect expenses)

The assumed rate of claims management and administration expenses (defined as 'indirect expenses' under PS300) should be the same as in the actuary's valuation on an ongoing basis, except that the rate assumed should not be less than 8 per cent of the gross liability.

### 3. Latent claims

Latent claims must be separately disclosed in the actuarial valuation with the implemented methodology rationalised and explained. These liabilities are to be estimated in accordance with the professional standards issued by the Actuaries Institute including PS300.

Actuaries are required to include a statement in their report as to whether there is any evidence of common law dust diseases claims in the data or information provided, and whether any allowance has been made in the outstanding claims liability for these claim types.

### 4. Recommended security calculation

Actuaries must calculate the recommended security requirement.

#### **a) For self-insurers with a central estimate of outstanding claim liability <\$50million (greater of current or prospective):**

The recommended security requirement is the central estimate of outstanding claim liability (being the maximum of current estimate or forward estimate), and a prudential margin, subject to a minimum requirement. The calculation is illustrated in Table 1 below.

##### **(i) Outstanding claim liability**

The outstanding claim liability is defined under PS300 as the value of claim payments at the valuation date, and related indirect expenses to be made after the valuation date, arising from events occurring on or before the valuation date.

(ii) Central estimate

To ensure the security covers the period until valuation is next determined, the central estimate to be used is the greater of:

- the outstanding claims liability at the valuation date, and
- the projected valuation of the claims liability one year from the valuation date.

(iii) Projected valuation of the claims liability

The projected valuation of the claims liability is calculated by adding valuation of claims liabilities expected within the next year, less the expected claims payments to be made within the next year.

(iv) Prudential margin

The prudential margin is 50 per cent.

(v) Minimum security requirement

The recommended security for a self-insurer will not be less than the minimum security amount of \$2.5 million.

**Table 1: Recommended security calculation where the central estimate of claim liability <\$50million**

Recommended security calculation	\$
Central estimate of outstanding claim liability* (A)	A
Plus expected claims liabilities within the next year	X
Less expected claims payments within the next year	Y
Forward valuation of outstanding claim liability (B)	B
Central estimate of outstanding claim liability (being the greater of A or B)	A/ B
Plus prudential margin of 50%	PM
Calculated security (A/B +PM)	C
Minimum security requirement	Z
Recommended security (being the greater of C or Z)	Security

\* Includes indirect expenses calculated on gross central estimate of outstanding claim liability

**b) For self-insurers with a central estimate of outstanding claim liability  
=>\$50million (greater of current or prospective):**

The recommended security requirement is to be determined as at the 95th percentile of the outstanding claim liability (being the maximum of current estimate or forward estimate) to achieve a 95 per cent probability of adequacy. The calculation is illustrated in Table 2 below.

**Table 2: Recommended security calculation where the central estimate of outstanding claim liability >\$50million**

Recommended security calculation	\$
Central estimate of outstanding claim liability* (A)	A
Plus expected claims liabilities within the next year	X
Less expected claims payments within the next year	Y
Forward valuation of outstanding claim liability (B)	B
Central estimate of outstanding claim liability (being the greater of A or B)	A/ B
Recommended security (being determined at 95 <sup>th</sup> percentile of the outstanding claim liability A/B)	Security

\* Includes indirect expenses calculated on gross central estimate of outstanding claim liability

**c) For government entities**

The recommended security requirement is the central estimate of outstanding claim liability (being the maximum of current estimate or forward estimate) with no prudential margin. Government entities are not subject to the minimum security requirement. Definitions as per (a) above.

**d) Security determination**

SIRA reserves the right to determine the security at its own discretion as circumstances warrant.

## 5. Valuations prior to balance date

Outstanding claim liabilities and prospective components should be calculated with allowance for all material events occurring to the balance date.

Where a valuation is carried out using information and claims data from before the balance date (typically using a roll forward process), then any material changes up to balance date should be allowed for as per PS300.

Actuaries are to confirm in writing that no material changes have occurred since valuation to balance date within the report.

Where the actuarial report is provided to SIRA prior to balance date, a separate confirmation from the actuary is required post-balance date.

## 6. Information disclosure

The following information must be disclosed in the actuarial report as a minimum:

- effective date of valuation which is to be the self-insurer's balance date

- actuarial valuation of the central estimate of the outstanding claims liability as at the date of valuation, and the projected valuation both gross and net of reinsurance recoveries
- explanation for significant movements between years by claims cohorts in the actuarial valuation
- the amount and calculation of indirect expenses
- the calculation of the prudential margin and recommended security
- assumptions upon which the valuation is based, including for each relevant claims cohort (and latent claim category) and how the claims cohorts have been defined
- details of any expected reinsurance and third party recoveries
- any exceptions to the PS300 and justification for the non-compliance.

## 7. Actuarial valuation peer review

SIRA reserves the right to engage a separate actuary to conduct a peer review of a self-insurer's actuarial report and amend the security requirements as necessary.

## Reinsurance policy specifications

Self-insurers must obtain and maintain unlimited reinsurance cover during the currency of their licence so as to restrict their liabilities under the workers compensation legislation to a maximum retention amount approved by SIRA in respect of one event.

The reinsurance cover must be provided by an insurance company authorised by the Australian Prudential Regulation Authority (APRA).

A retention amount within the range of \$500,000 - \$2.5 million per event is acceptable to SIRA. Retention in excess of \$2.5 million requires SIRA prior approval. In such instances, self-insurers are required to provide an actuarial assessment of the likely cost of risk retention and the appropriateness of the level of retention sought as part of the approval process.

## Business plan specifications

Self-insurers are expected to undertake appropriate risk management practices in order to support their future strategic direction and deliver improved outcomes and the State's workers compensation objectives.

### 1. Business plan requirements

Self-insurer business plans must:

- describe the manner in which the self-insurer workers compensation insurance business is to be conducted
- include the self-insurer's strategic objectives for its NSW workers compensation business together with targets, timeframes and planned activities to achieve these objectives. The strategic objectives should align with the system objectives outlined in section 3 of the 1998 Act and include, as a minimum, objectives for the following:
  - improving workplace safety
  - innovative and fair injury management and return to work initiatives
  - protecting injured workers' privacy
  - delivering customer service and complaints handling targeted to the needs of injured workers.
- identify any perceived risks to achieving the strategic objectives
- provide any supporting information where applicable.

Self-insurers can submit an extract of their organisation's formal business plan to meet SIRA requirements.

**Table 3: Business plan example**

Workers compensation objective	Supporting framework	Target (forward financial year)	Perceived risk	Planned activities (to mitigate risk or achieve objective)	Timeframe (for the planned activities to be implemented)
Improving workplace safety					
Innovative and fair injury management and return to work initiatives					
Protection of injured workers' privacy					
Targeted customer service and complaints handling					

## 2. Approval

The business plan is required to be approved by a member of the self-insurer's senior executive.

## 3. Subsequent changes and notification

A self-insurer must, as far as practicable, conduct its workers compensation insurance business in accordance with its current business plan, but if it departs significantly from that plan, the self-insurer must notify SIRA accordingly.

#### Disclaimer

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

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