

State Insurance
Regulatory Authority

Annual Report
2015/16

Better
Regulation



Letter to the Minister

October 2016

The Hon. Victor Dominello MP
Minister for Innovation and Better Regulation
Parliament House
6 Macquarie Street
SYDNEY 2000

Dear Minister

It is my pleasure to present you with the first annual report of the State Insurance Regulatory Authority (SIRA) for the financial year ending 30 June 2016.

This report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the Annual Reports (Statutory Bodies) Regulation 2015 and other relevant legislation.

It details our major activities and achievements in our first 10 months as the regulator of motor accidents, workers compensation and home building compensation insurance for the state of NSW.

By combining these functions in a single authority, there have been significant opportunities to consolidate and enhance our strengths and apply these across all of the schemes we regulate.

Key areas of focus for SIRA in 2015/16 have included:

- progressive rollout of the 2015 workers compensation benefit reforms
- consultation, engagement and development of proposed CTP reforms for all motorists and point-to-point operators such as taxis and ride-sharing services
- providing an independent alternative to court dispute resolution for injured people and insurers
- development of proposals for home building compensation reform.

In the year ahead, we will be pursuing improvements in insurance scheme design, digital innovation and provider performance. We will also work to ensure that compulsory insurance is affordable and sustainable; and that benefits are delivered to claimants to meet their needs in a timely and effective manner.



Anthony Lean
Chief Executive

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About us

Who we are

The State Insurance Regulatory Authority (SIRA) was established through the *State Insurance and Care Governance Act 2015* as part of major reforms to deliver a fairer, more sustainable and customer-centric workers compensation system.

Structural changes introduced at the time separated insurance regulation from insurance operation for workers compensation and brought in regulation of other compulsory insurance schemes under one organisation.

As the new independent insurance regulator for NSW, we approve premium, licensing and policy frameworks for insurers, effectively supervise insurers, and monitor the financial solvency and performance of the three compulsory insurance schemes: workers compensation, motor accidents injury compensation and home building compensation.

We are a statutory corporation and NSW Government agency constituted under section 17 of the *State Insurance and Care Governance Act 2015*. We have a Board and are linked administratively to the Better Regulation Division of the NSW Department of Finance, Services and Innovation.

What we do

We regulate workers compensation insurance, motor accidents insurance and home building insurance in NSW. We also provide independent dispute resolution services.

Our purpose

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

There are certain risks in our community – like motor accident injuries, injuries at work, and home building company insolvencies – that if left unmanaged will erode wellbeing and confidence. As a result, we have compulsory insurance and support systems that address these risks.

Our purpose is to regulate these insurance and support systems so that they deliver what they are supposed to, at an affordable price and in a sustainable way.

Our mission

We undertake system-wide stewardship to make sure our insurance and support systems deliver confidence through affordable protection and wellbeing, through recovery and restoration.

Our customers

Our customers include:

- motorists and road users
- compulsory third party (CTP) motor accident insurance policy holders
- workers and employers
- owners of properties subject to more than \$20,000 of work by builders or tradespeople
- those injured in motor vehicle and work accidents.

Our philosophy

We will be known for being:

- innovative and collaborative
- data and digital driven
- risk based
- customer focused
- a credible and trusted regulator
- an influential, active contributor.

Our history

Up until August 2015:

- the Motor Accidents Authority of NSW regulated the NSW Motor Accidents CTP Scheme
- the WorkCover Authority of NSW regulated the NSW workers compensation system and work, health and safety legislation in NSW
- NSW Fair Trading was responsible for regulating the Home Building Compensation Fund.

Various reports and inquiries had recommended that the NSW Government separate WorkCover's responsibilities to address a perceived conflict of interest resulting from the one organisation providing insurance regulation and insurance service delivery.

On 13 August 2015, the Workers Compensation Amendment Bill 2015 and the State Insurance and Care Governance Bill 2015 passed through the NSW Parliament.

From 1 September 2015, the government's workers compensation reforms (in the *State Insurance and Care Governance Act 2015*) took effect.

The reform package had three elements.

1. Structural reforms to provide better services and regulation

WorkCover was abolished and replaced with three separate organisations.

From 1 September 2015, the reforms created the:

- State Insurance Regulatory Authority (SIRA) – an independent insurance regulator
- Insurance & Care NSW (icare) – a single insurance service provider
- SafeWork NSW – an independent work, health and safety regulator.

2. Enhanced benefits for injured workers

Injured workers have a fairer, more sustainable and customer-focused compensation system.

SIRA is responsible for designing and implementing the 2015 benefit reforms, the majority of which have already commenced.

The remaining regulations for pre-injury average weekly earnings and legal costs for the review of a work capacity decision are being developed, and will be informed by consultation and feedback from stakeholders.

3. Premium reductions for employers with good safety and return to work records

Insurance premiums within the NSW workers compensation scheme are now clearly linked to good claims performance.

icare is responsible for implementing the premium reductions to icare workers compensation insurance policies.

Our leadership

Our Board

NSW Minister for Innovation and Better Regulation, the Hon. Victor Dominello, appointed the following charter members of the inaugural SIRA Board on 16 November 2015.

Chair, Trevor Matthews has extensive insurance and financial services experience in Australia, Canada, Japan and the United Kingdom (UK). He is the former Executive Director and Chairman of Developed Markets at Aviva, and Chief Executive Officer (CEO) of Aviva UK. He also held CEO positions with Friends Provident and Standard Life UK, both based in the UK, as well as Manulife Financial, in Japan. He previously had senior roles with National Australia Bank and Legal & General in Australia.

Mr Matthews is chairman of AMP Life and 1stAvailable Limited and a non-executive director of AMP Limited, Bupa Australia and New Zealand Group, Cover-More Limited, FNZ Asia Pacific Group, Tokio Marine Asia and Edelweiss Tokio Life Insurance. He has a Master of Arts (Actuarial Studies) from Macquarie University, and is a Fellow of the Institute of Actuaries in both Australia and the UK.

Deputy Chair, Nancy Milne, OAM is a former lawyer with more than 30 years' experience primarily in insurance and reinsurance, risk management, corporate governance and professional negligence. She was a partner with Clayton Utz until 2003 and a consultant until 2012. In 2008 she was awarded the Order of Australia Medal for services to the legal sector particularly as an insurance lawyer and to the community.

Ms Milne is currently Chair of the Securities Exchange Guarantee Corporation, a director of ALE Property Group and the Superannuation Administration Corporation (Pillar Administration), and a former director of the Australand Group (now Frasers Property Group). Ms Milne holds a Bachelor of Laws from the University of Sydney and is a Fellow of the Australian Institute of Company Directors.

Board member, Dr Abby Bloom is an experienced Company Director, who had a successful career as a senior executive and corporate advisor in healthcare, health financing, water and sanitation, and ageing. She is a graduate of Yale and Sydney universities, and is Adjunct Professor, Sydney Medical School at the Menzies Centre for Health Policy. She has worked in more than 20 countries, and has provided advice on public-private partnerships, health, and project finance to the World Bank, International Finance Corporation, Asian Development Bank, AusAid, US State Department and UNICEF.

Dr Bloom is currently a director of Sydney Water Corporation and the Sydney Children's Hospital Network, and a member of the NSW Ministerial Advisory Committee on Ageing, Griffith University Enterprise Advisory Board, and The Longevity Innovation Hub. She is an independent member of the Risk and Audit Committee of the NSW Department of Family and Community Services and Rookwood Cemetery. Her previous directorships include Western Sydney Local Health District and Recovre Holdings.

Board member, Martin Hoffman was appointed Secretary of the Department of Finance, Services and Innovation (DFSI) in August 2015. He was previously Deputy Secretary at the Commonwealth Department of Industry & Science from July 2010. He worked on resources and energy matters, including significant international engagement bi-laterally and with the International Energy Agency and the G20. Mr Hoffman joined the Australian Public Service in March 2009 in the Department of the Prime Minister and Cabinet.

Before joining the public sector, Mr Hoffman had a lengthy private sector career primarily in digital media and technology. After an early career in consulting and banking in Australia and Hong Kong, he held senior roles at Optus, the Garvan Institute of Medical Research and Fairfax Media. He was CEO of NineMSN from 2003 to 2006, led Moko Social Media Ltd (ASX:MKB) to an initial public offering in July 2007 as CEO, and founded the digital media advisory and investment business Ulysses Ventures.

Mr Hoffman holds an MBA (Hons) from the Institute for Management Development (IMD) in Lausanne, Switzerland, a Master of Applied Finance (Macquarie), and a Bachelor of Economics (Sydney).

He completed the Executive Fellows program at the Australia and New Zealand School of Government (ANZSOG), and was awarded the James Wolfensohn Public Service Scholarship to the Harvard Kennedy School.

Board member, Anthony Lean was appointed the Deputy Secretary of Better Regulation, DFSI, and Chief Executive of SIRA on 1 September 2015. Mr Lean has responsibility for SIRA, along with SafeWork NSW and the Better Regulation Division within DFSI.

His previous roles included Deputy Secretary Government Services, and Deputy Secretary Policy and Executive Services leading whole-of-government reforms in ICT, procurement, government data centres and shared services transformation.

Before joining DFSI as General Counsel in August 2009, Mr Lean spent seven years as the Executive Director of Legal Branch in the Cabinet Office and the Department of Premier and Cabinet.

Terms of appointment: Mr Matthews, Ms Milne and Dr Bloom were appointed to the Board for three years until 15 November 2018. Mr Hoffman and Mr Lean have an open term on the Board in their ex-officio capacities.



Pictured left to right: SIRA Board Chair Trevor Matthews, Board member Dr Abby Bloom, Deputy Chair Nancy Milne OAM, Board member and DFSI Secretary Martin Hoffman, and Board member and SIRA Chief Executive Anthony Lean.

Our Executive

Anthony Lean, Chief Executive, holds a Bachelor of Laws from Macquarie University and a Bachelor of Arts (English Literature) from Macquarie University. He is a current participant in the Public Service Commission's Leadership Academy.

Carmel Donnelly, Executive Director, Workers and Home Building Compensation Regulation holds an Executive Master of Business Administration from the Australian Graduate School of Management at the University of NSW, a Master of Public Health from the Faculty of Medicine at Sydney University, and a Bachelor of Arts (Honours Psychology) from Sydney University.

Ms Donnelly completed a Company Directors Course at the Australian Institute of Company Directors, the Executive Development Program for Women at Sydney University's Graduate School of Business, and the Graduate Development Program with the Australian Public Service.

Andrew Nicholls, Executive Director, Motor Accidents Insurance Regulation holds an Executive Master of Public Administration from the Australian and New Zealand School of Government; a Master of Management (Public) from the University of Technology, Sydney and a Bachelor Arts (Honours Political Science) from Macquarie University. He also completed the NSW Government's Executive Development Program.

Cameron Player, Executive Director, Dispute Resolution Services has a Diploma of Laws from the Legal Profession Admission Board, and is accredited by the Law Society of NSW as an Accredited Specialist in Personal Injury Law.

He studied International Insurance Supervision with the Schulich School of Business, Canada; Executive Leadership in the Public Sector with the Stephenson Partnership; and Assessment of Permanent Impairment using AMA IV at the University of Sydney's Northern Clinical School.



Pictured left to right: Carmel Donnelly, Executive Director, Workers and Home Building Compensation Regulation; Andrew Nicholls, Executive Director, Motor Accidents Insurance Regulation and Cameron Player, Executive Director, Dispute Resolution Services.

Message from the Chair

The SIRA Board made considerable progress within nine months to assert and enable SIRA as the state's insurance regulation authority.

Since December 2015, we have considered:

- the results of a review of CTP insurer profits
- improvements to the way CTP premiums are set
- a report on significant increases in legally represented minor CTP injury claims, and the establishment of a CTP Scheme Fraud Taskforce
- the government's response to an options paper on potential Home Building Compensation Fund reforms
- options to adjust the reference base rate (RBR) used to calculate CTP premiums
- improvements to guidelines to manage claims, deliver care, and detect fraud
- results of stakeholder consultation on proposed CTP insurance reforms and point-to-point insurance premiums
- priorities and funding for strategies to drive digitisation and innovation in SIRA's data systems.
- consultation on potential CTP insurance reforms for point-to-point transport
- Workers Compensation Market Practice and Premium Guidelines for 2016/17 after considering changes in response to consultation
- changes to the CTP Scheme Premium Determination Guidelines to action recommendations of the insurer profit review
- new guidelines for workers compensation claims
- the 2016/17 employer contributions to the Workers Compensation Dust Diseases Fund
- SIRA's Licensed Insurer Business Plan Guidelines for the Nominal Insurer and specialised insurers
- further consultation on the proposed licensing framework for self-insurers
- a strategy to improve the way SIRA consults and engages with stakeholders.

We approved:

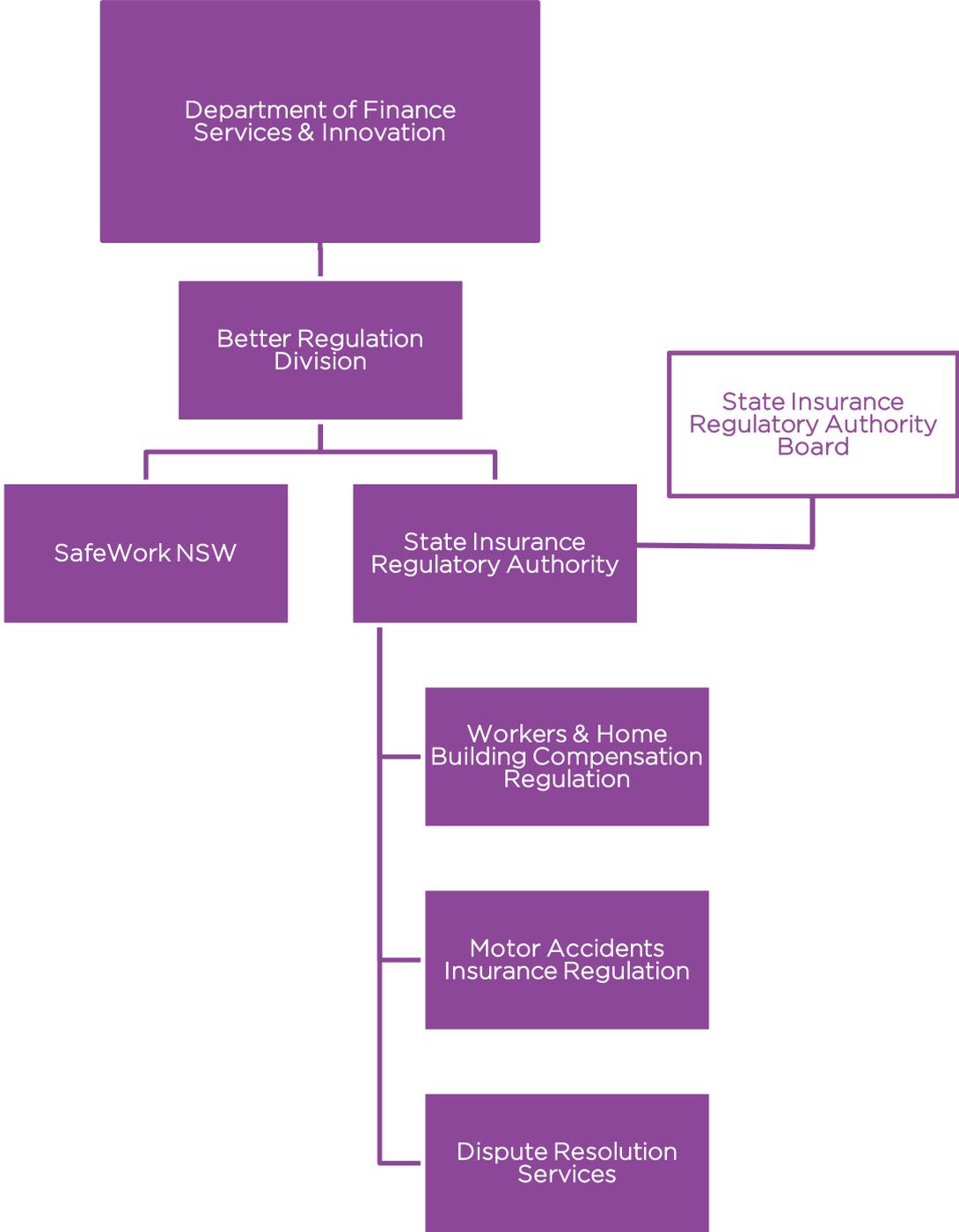
- levies on Green Slip premiums to fund SIRA activities and services
- consultation on potential CTP Scheme reforms
- consultation on a new way to set workers compensation insurance premiums

All members of the Board are committed to implement government priorities to improve the efficiency and viability of state insurance schemes and improve the experiences of claimants and customers in 2016/17.



Trevor Matthews
Chair, SIRA Board

Our structure



Our branches

Motor Accidents Insurance Regulation (MAIR) has assumed the functions of the former Motor Accidents Authority as the regulator of the state's privately underwritten compulsory third party personal injury insurance scheme.

It is responsible for monitoring insurer performance, supporting road safety initiatives and promoting optimal recovery for injured people.

Workers and Home Building Compensation Regulation has assumed the insurance regulation functions of the former WorkCover.

It is responsible for regulating and administering the workers compensation system in NSW, and implementing the 2015 benefit reforms for injured workers.

It has also assumed the home building compensation regulation functions from NSW Fair Trading. The Home Building Compensation Fund is managed separately by the public financial enterprise known as icare.

Dispute Resolution Services has assumed the dispute resolution functions of the former Motor Accidents Authority and WorkCover.

Dispute Resolution Services is responsible for delivering SIRA's independent statutory alternative to court dispute resolution including the:

- Motor Accidents Medical Assessment Service (MAS)
- Motor Accidents Claims Assessment and Resolution Service (CARS)
- Workers Compensation Merit Review Service (MRS)
- NSW CTP Lifetime Care Dispute Reviews
- ACT CTP and Workers Compensation Lifetime Care Dispute Reviews.

Chief Executive's foreword

SIRA's first year

The establishment of SIRA has created a new independent regulator of the state's three compulsory insurance schemes for people injured in motor vehicle accidents, in the workplace, and for home builders and renovators.

While the schemes are regulated and operate under separate pieces of legislation, much has been gained from having one organisation with oversight of the three schemes.

In our first 10 months, we have explored our similarities and our differences, and benefited from the extensive knowledge and insights that collaboration across the organisation has provided.

Our ethos from the onset has been to approach our regulatory functions and particularly our reform programs based on a deeper understanding of our stakeholders and most importantly our scheme beneficiaries – workers, employers, motorists, road users, and home owners.

Priorities

Our priorities in the past year have been to:

- promote the efficiency and viability of the state's compulsory insurance schemes
- deliver on the 2015 benefit reforms for all injured workers and particularly the more seriously injured and help people to return to work
- develop and implement a new way of setting premiums for workers compensation insurance that fully funds benefits and is fair and affordable for employers

- seek ways to introduce reforms to better support those injured on the roads
- seek ways to make the NSW Motor Accidents CTP Scheme fairer, more affordable and sustainable for motorists and point-to-point operators
- deliver our independent dispute resolution service efficiently, effectively and fairly
- review the Home Building Compensation Fund to better protect homeowners, minimise red tape, and return the scheme to financial viability.

Motor Accidents Insurance Regulation achievements

In October 2015 we hosted a roundtable consultation event with taxis and other industry representatives to discuss ways to reduce pedestrian accidents involving taxis and put downward pressure on taxi CTP costs.

We also:

- sought and achieved regulatory change to make legal professionals disclose to SIRA the actual claims costs involved in every finalised claim, including the legal fees they charge CTP claimants
- released an options paper with six options to reform CTP insurance for point-to-point vehicles such as taxis, hire cars and ride-share services
- provided administrative support to the NSW Government for a major review of the NSW Motor Accidents CTP Scheme and proposals for reform

- participated in an inquiry by the Legislative Council's Standing Committee on Law and Justice into the CTP Insurance Scheme
- worked closely with Zurich after it announced its intention to withdraw from the NSW CTP Green Slip market.

Workers and home building compensation achievements

In August 2015, the NSW Government announced a \$1 billion reform package to deliver a fairer, more sustainable and customer-centric workers compensation system.

Since then, we have rolled out 11 reform benefits for injured workers relating to weekly payments, medical benefits, work capacity decisions, return to work support, and funeral and death benefits.

We have consulted extensively with face-to-face stakeholder meetings and six public consultations. We also received 134 submissions to help inform new regulations for benefits such as the legal costs for work capacity decision reviews and pre-injury average weekly earnings.

We also commenced a review of the home building compensation scheme following public and stakeholder consultation by NSW Fair Trading on five broad reform proposals to protect homeowners and cut red tape for builders.

Dispute Resolution Services achievements

Our alternative to court dispute resolution services (available free to injured people and insurers) finalised more than 9,600 applications in 2015/16 – 11 per cent more than 2014/15.

Despite our increasing workload, we have reduced or maintained dispute finalisation timeframes by improving our case management and dispute resolution processes.

In particular, our Motor Accidents Claims Assessment and Resolution

Service (CARS) reduced the timeframes for special assessments of procedural disputes by 19 per cent this year.

The quality of decision making also remains high, with less than 0.6 per cent of finalised applications subject to an application for an administrative review by the courts.

Our panel of 160 independent expert medical assessors of the Motor Accidents Medical Assessment Service (MAS) participated in annual performance monitoring and training, including joint sessions with accredited medical specialists from the Workers Compensation Commission. The 30 CARS claims assessors also participated in annual performance monitoring, briefing sessions and workshops.

The CARS Principal Claims Assessor, our staff and claims assessors delivered a number of conference papers and seminars to the legal profession and insurance industry to share information, improve claims management decision making and minimise disputation.

To support the workers compensation Merit Review Service (MRS) we:

- published a merit review user guide and background paper
- started publishing notable merit review decisions on the SIRA website to increase transparency, inform scheme participants, promote consistency across the scheme and minimise disputation.

Partnerships

We arranged for Roads & Maritime Services and insurers to share information to make it quicker and easier for motorists to get a CTP Green Slip and obtain registration.

We supported a hotline and taskforce set up by the NSW Government to crack down on potentially fraudulent or exaggerated claims that were adding up to \$75 to the cost of the average Green Slip.

Staff acknowledgement

I would like to acknowledge the contributions SIRA employees have made to implement significant reforms and major changes in operations and service delivery in our first 10 months. Our organisation could not have achieved so much without their hard work and diligence.

The year ahead

In 2016/17, we look forward to:

- improving the sustainability and efficiency of the CTP and home building compulsory insurance schemes
- improving our independent dispute resolution services – accessibility, transparency, efficiency, effectiveness and fairness
- improving data collection and analysis
- improving the experiences of customers and claimants.

Anthony Lean
Chief Executive

Our business

Workers compensation regulation

The NSW workers compensation system is the largest defined benefit system in Australia.

The system insured \$226 billion in wages and 91,977 new claims were reported in the 2015/16 financial year.

SIRA regulates four insurance segments operating within the workers compensation system:

- **Nominal Insurer:** a statutory insurer responsible for the Workers Compensation Insurance Fund (managed by icare NSW)
- **Specialised insurers:** six insurers licensed to operate within a particular industry
- **Self-insurers:** 55 large employers licensed to self-insure
- **Government self-insurers:** Employers covered by the government's managed fund scheme, the Treasury Managed Fund (TMF). The TMF is administered by the NSW Self-Insurance Corporation (under icare NSW).

Insurer regulatory framework

The State Insurance and Care Governance Act 2015 included amendments to the Workers Compensation Act 1987 to strengthen regulatory oversight and supervision of insurers.

The three amendments that are specific to regulating insurers are:

- Market Practice and Premiums Guidelines (MPPGs), section 168
- Licensed Insurer Business Plan Guidelines (LIBPGs), section 202B

- Prudential Standards, section 202C.

We sought public and stakeholder feedback in March and April 2016 on the preliminary MPPGs and LIBPGs to be applied to the 2016/17 policy year. The development of these guidelines was the first step in establishing our new regulatory framework for workers compensation insurers.

The guidelines will contribute to insurance and premium policies that are fair, affordable and commensurate with each employer's risks. Licensed insurers are required to submit premium filings and business plans for our approval, effectively replacing the previous Insurance Premiums Order.

The initial version of the MPPGs commenced in May 2016 applying to the 2016/2017 policy year, and the LIBPGs commenced on 30 June 2016.

The guidelines met legislative obligations with only a moderate change to the current requirements. This maintained stability within the workers compensation system.

Premium filings from the six licensed insurers (specialised insurers and the Nominal Insurer) were received and assessed under the MPPGs by SIRA, with strong engagement from insurers.

SIRA's Chief Executive advised the insurers of their successful filings in early June 2016.

The MPPGs together with the proposed prudential requirements will be subject to further consultation in 2016 for the 2016/17 policy year.

Our first year

In 2015/16, SIRA worked to:

- implement government reform consistently and fairly across the workers compensation system
- ensure a sustainable workers compensation system by strengthening regulatory oversight of the affairs of insurers
- create a risk based approach to regulation ensuring health, social and economic outcomes for workers and employers within the workers compensation system
- establish principle-based regulation and supervision of workers compensation insurer's financial and prudential requirements.

We also focused on:

- managing the risks associated with insurers, employers, service providers, and injured workers
- delivering effective customer service and outcomes
- ensuring the system was balanced, sustainable, financially viable, fair and equitable
- stakeholder liaison to deliver intended legislation and regulatory outcomes.

The 2015 benefit reforms

Reforms to benefits for injured workers were made law in August 2015.

The reforms were designed to:

- help injured workers with the highest needs
- assist those with injuries to return to work
- apply benefits equitably for all injured workers.

The benefit reforms took effect in stages – in October and December 2015 and April 2016.

From 16 October 2015:

- the maximum lump sum compensation for permanent impairment increased to \$577,050
- the death benefit lump sum amount increased to \$750,000
- the maximum for funeral expenses increased to \$15,000
- weekly payments for some workers were extended for 12 months beyond retiring age.

From 4 December 2015:

- the medical benefit cap was extended for all claims
- there was lifetime compensation for artificial aids, home and vehicle modifications for all approved claims
- lifetime medical expenses were available for injured workers with high needs
- there were minimum weekly compensation payments for injured workers with highest needs
- minimum work hours were removed for injured workers with high needs
- secondary surgery was available for all eligible workers
- work capacity decisions would be suspended pending the result of a review.

Return to work benefit reforms

From 29 April 2016:

- new employment assistance (of up to \$1,000) for eligible workers who are unable to return to work with their pre-injury employer and need assistance in starting with a new employer
- education or training assistance (of up to \$8,000) for eligible workers who require additional skills to improve readiness for work with their current employer or a new employer.

How we implemented the reforms

We provided comprehensive education, training and guidance material to insurers to assist injured workers to consistently and fairly access their entitlements and support them in either recovering at work or returning to work (see table below).

We also undertook public consultation to inform the design of the new return to work benefits and redesign of our vocational programs, 'Training, equipment and workplace modifications' and 'Transition to work'.

We published the new vocational programs on 19 May 2016. By the end of June 2016, all insurers had implemented the 2015 October benefit reforms and work continued to roll out the December 2015 reforms across the workers compensation system.

Stakeholder engagement

We undertook stakeholder consultation and engagement to

inform the development of our policies, guidelines and programs.

The stakeholder engagement strategy we developed with DFSI's Better Regulation Division outlines our commitment to:

- listen, be responsive and reciprocal
- encourage inclusion and respect
- be impartial and objective
- be open and transparent
- engage in innovative ways, add value to the process and enhance participation.

Core objectives of the stakeholder engagement strategy are to:

- increase the transparency of regulatory activities and processes
- improve the way we engage with stakeholders
- identify the values for stakeholder engagement which support constructive, inclusive engagement that is valued by participants
- build the trust of stakeholders.

Training conducted

Topic	Method	Audience	No. of people	Month
Stay of a work capacity decision	8 forums	Insurers	174	Dec 2015
Minimum weekly payments to workers with highest needs	2 forums	Insurers	39	Mar 2016
Redesign of vocational programs	3 webinars	Workplace rehabilitation providers/insurers	200	May 2016
Guidelines for approval of treating allied health practitioners	Webinar	Allied health providers	430	Mid-2016
	Forums	Consultants/allied health providers	50	From late 2015
Guidelines for evaluation of permanent impairment	Forums	Permanent impairment assessors/legal practitioners/insurers	230	Feb/Mar 2016
	Mandatory training by correspondence	Permanent impairment assessors	450	Feb - April 2016

We demonstrated our engagement commitments by:

- establishing an Executive Engagement Framework to support regular meetings with key stakeholders. Approximately 50 meetings have been coordinated to understand their perceptions, motivations and concerns, and improve communication.
- developing our Public Consultation Submission Framework. Since the establishment of the Have Your Say webpage in September 2015, we have undertaken six public consultations - three relating to the implementation of the 2015 benefit reforms, seeking feedback from stakeholders to improve the workers compensation system.

Guidelines

We developed smarter and more efficient regulation by refining and consolidating our regulatory resources.

With the assistance of comprehensive and valuable feedback from stakeholders, we produced the following revisions to our guidelines:

- ***Guidelines for the evaluation of permanent impairment*** (gazetted November 2015, effective 1 April 2016)

These guidelines were issued following Safe Work Australia's endorsement of the NSW draft guidelines as the template national guideline for the evaluation of permanent impairment in December 2014.

- ***Guidelines for the approval of allied health professionals*** (gazetted December 2015, effective 1 January 2016)

These guidelines strengthen our ability to regulate allied health practitioners by requiring providers to use the new 'Allied health recovery request form' and participate in independent consultant reviews when requested.

Remake of the workers compensation regulation

We remade the Workers Compensation Regulation 2010 under the requirements in the *Subordinate Legislation Act 1989* and took the opportunity to make minor amendments.

We undertook formal public consultation on the draft Workers Compensation Regulation 2016 and associated Regulatory Impact Statement between May and June 2016.

The Workers Compensation Regulation 2016 commences on 1 September 2016.

In 2015/16:

There were

91,977 new claims



29 seconds was the average time for calls to be answered by the Customer Service Centre

90.5% of injured workers returned to work within six months

Guides for workers, employers and medical practitioners

We responded to feedback by publishing three important guides for workers, employers and medical practitioners:

- *Injured at work – A recovery at work guide for workers*
- *Workers compensation guide for employers*
- *A workers compensation guide for medical practitioners*

The guides provide clear practical advice on claims processes and managing obligations to improve outcomes within the NSW workers compensation system.

The advice and direction within these guides has been developed based on a strong body of research and evidence about the health benefits of work and optimising returning to work where possible.

Research shows that recovering at work after an injury can promote healing and facilitate recovery. The guides are available on the SIRA website.

Regulators' joint efforts

SafeWork NSW (as the work health and safety regulator) assisted SIRA with workers compensation regulation inspections and site visits in 2015/16.

SafeWork inspectors conducted 324 inspections on behalf of SIRA in relation to employers' legislated workers compensation and return to work obligations.

Of these inspections, 245 were proactive employer engagements as part of the return to work pilot project where evidence was used to identify individual workplaces with a higher risk of poor return to work outcomes for recently injured workers.

Highlights in 2015/16:

COMPLIANCE ACTIVITY

153 fraud-related reports received

300+

investigations relating to employers who did not have workers compensation insurance

76 insurer self-audits reviewed 

60+ compliance visits to insurers



The project increased employer awareness and capability to return injured employees to work.

To support these inspection activities, a pilot project was launched to identify high risk return to work claims for strategic intervention.

Self-insurance licensing framework review

We commenced a comprehensive review of our self-insurance licensing framework to incentivise performance and develop smarter regulation for self-insurers.

Initial consultation was conducted late in 2015 to understand the issues with the current licensing scheme. Further consultation is planned for late 2016.

Insurer licensing and regulation

In the period under review, we renewed 13 self-insurer licences and promptly transitioned self-insurer licenses to the newly merged Canterbury-Bankstown, Central Coast and Northern beaches councils to ensure ongoing workers compensation cover for council workers.

We received an application from an existing specialised insurer to expand its defined industry and an application from an existing self-insurer endorsed on a group licence to transfer to a separate single self-insurer licence.

SIRA regularly reviews the performance of self and specialised insurers for compliance with their legislative and licence conditions (where relevant). We conducted 55 such reviews in the period under review.

Regulatory activities

As part of our extensive compliance and accreditation activities within the workers compensation system we:

- undertook 59 audits of claims management
- received 343 non-insurance matters
- issued 35 penalty notices
- reviewed 74 cost of claims, wages and workers compensation industry classification appeals
- approved 16 commutations to the ongoing liability of a person's claim under section 87EA
- reviewed 120 private rulings to determine whether a person was a worker
- reviewed 216 late notification of claims under section 261(5)
- approved 700 allied health providers
- processed five permanent impairment assessor applications
- approved eight workplace rehabilitation provider applications
- approved 102 workplace rehabilitation provider renewal applications
- cancelled eight workplace rehabilitation providers
- approved four shared return to work coordinators.

Targeted compliance project

We tested new interventions to reduce overbilling by exercise physiologists.

Exercise physiologists who consistently billed above the system average were identified through data mining and split into groups that were subject to different interventions.

One group received a letter informing them they were billing above the system average, with a graph for comparison, questioning their billing practices.

The second group received a letter generally comparing overbilling exercise physiologists with normal billing practices within their area.

Both tactics worked, especially with exercise physiologists considered 'low risk'. However providers viewed as high risk who telephoned SIRA to defend their billing practices did not change their behaviour.

We will continue to monitor and identify efficient and effective ways to address overbilling in the 2016/17 policy year.

Investigations

During 2015/16, the Investigations Team:

- received 153 fraud referrals
- investigated various allegations of workers compensation fraud.

Prosecutions

A person was convicted of fraud after SIRA investigators found the person was working full-time as a truck driver while still claiming workers compensation for injuries sustained in previous roles.

The person was ordered to repay \$53,089 in workers compensation benefits and \$7,000 in legal costs.

The person was found guilty in the District Court of two counts of fraud under section 192E (1) of the *Crimes Act 1900* (NSW) and sentenced to 12 months' imprisonment.

The person appealed and the District Court varied the penalty, imposing a 12-month intensive corrections order.

Worker or contractor tool

We supported the NSW Government's objective to make business easier in NSW by developing the 'Worker or contractor tool' in consultation with icare.

The tool helps employers quickly gauge whether an employee is a worker, deemed worker or contractor under NSW workers compensation law.

Available on our 'Worker status service' webpage, the tool allows employers to understand their workers compensation premium requirements and get the right cover for their needs.

The tool provides consistent information and outcomes for all employers seeking clarification. It reinforces our commitment to provide information through other user-friendly platforms.

Customer experience

The Customer Service Centre received 54,897 SIRA-related enquiries from September 2015 to 30 June 2016.

Most of the 1055 escalated complaints about workers compensation were resolved in less than 20 days.

While the number of complaints being resolved at first contact by insurers increased during this period, this result was offset by the increased volume of escalated complaints identified as potentially not adhering to legislative requirements, guidelines or processes in the first instance.

We will be developing enhanced ways of escalating and resolving these matters in 2017 within our new insurer supervision model.

Overall service level outcomes fell slightly below expectations, partly due to the increased complexity of matters referred to SIRA for assistance. We are working to address the reasons for this.

Customer feedback highlighted positive drivers of satisfaction including quality of service, staff knowledge, information provision and efficiency.

Negative feedback was received about self-service access, online services and outcomes.

The Customer Service Centre is seeking to improve services by:

- escalating urgent matters immediately for response within two days
- recording feedback and using it as evidence for future process changes
- reporting on customer satisfaction levels and trends
- mapping the customer's journey and identifying service enhancement opportunities at each stage of their experience.

Workers compensation disputes

If a dispute arises about a work capacity decision made by an insurer, a three-tiered process for potential reviews of that decision are available to a worker including:

- internal review by the Insurer
- merit review by SIRA
- procedural review by the Workers Compensation Independent Review Office (WIRO).

Our Merit Review Service deals with disputes from injured workers about insurers' work capacity decisions. These have already been through the insurer's internal review process.

Since an initial high level of merit review applications after the 2012 legislative reforms, the number of applications lodged and finalised has stabilised at around 700 per year.

About 27 per cent of insurers' internal reviews become subject to a merit review application with SIRA. And only about six per cent of all work capacity decisions made by insurers result in an application for merit review.

Applications seeking a merit review of new claims have increased by 113 per cent (from 96 to 204 applications) this year as the scheme matures. Applications for merit review of old claims decreased by 26 per cent this year from 652 to 480.

There were 681 merit review applications finalised this year, with an average lifecycle of 29 calendar days.

Of the 681 merit review applications finalised in 2015/16, no decisions were set aside by the court on administrative review, and we received one complaint and two compliments.

Workers Compensation Commission

The Workers Compensation Commission (WCC) is the forum for workers and insurers to seek resolution of disputes arising about issues including:

- liability for weekly payments of compensation disputes
- medical disputes
- work injury management disputes.

Funding for legal representation for workers before the WCC can be sought from the Independent Legal Aid Referral Service (ILARS), which is administered for SIRA by the WIRO.

Highlights in 2015/16:

MERIT REVIEW SERVICE



684
applications lodged

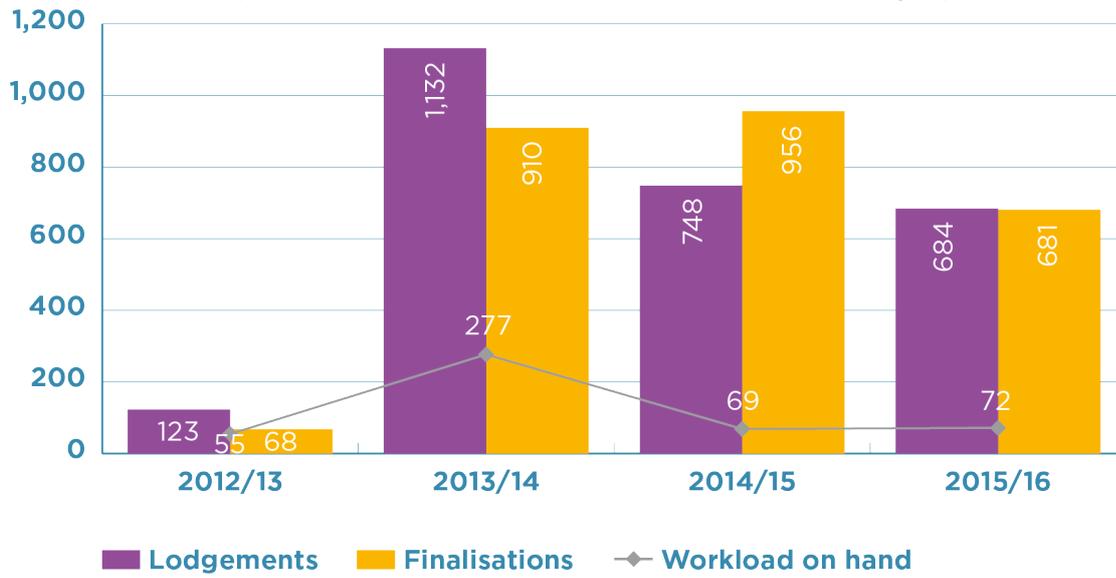
681
applications finalised

80% resolved
after a full
merit review

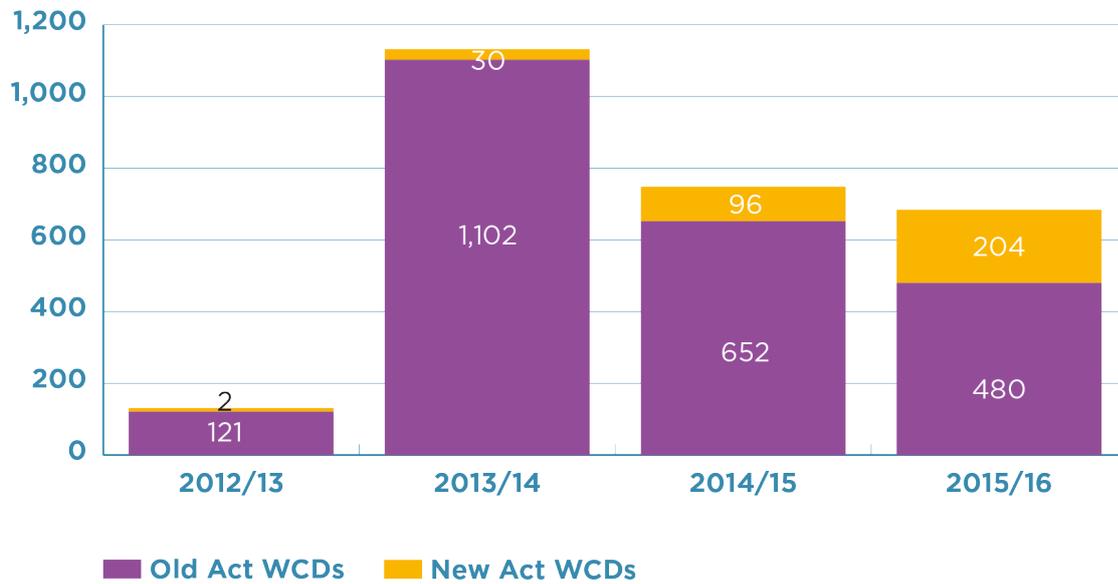
17% reduction in 'old
scheme' claims.

70% of applications related to
'old scheme' claims in 2015-16

Merit Review Service - lodgements, finalisations and workload
 (Workload = Total current matters at the end of each financial year)



Merit Review Service Lodgements - by claim type



Home building compensation regulation

SIRA assumed the regulatory functions of the Home Building Compensation Fund (HBCF) from NSW Fair Trading in September 2015.

Since then:

- we have worked closely with NSW Fair Trading while icare assumed management of the HBCF
- NSW Fair Trading's customer service centre at Parramatta continued to answer queries about home building compensation
- we adopted digital systems for recordkeeping and customer liaison
- we partnered with NSW Fair Trading on the review of the home building compensation scheme.

NSW Fair Trading released a discussion paper on 17 December 2015 with options for reform aimed at bringing financial sustainability to the HBCF.

Submissions received are available on the NSW Fair Trading website. The 74 submissions and 775 responses to a survey have been considered by SIRA in the review of the fund. The HBCF reform program will continue during the 2016/17 reporting period.

We collaborated with NSW Fair Trading to exhibit at home building business expos in late 2015.

A total of 1084 builders and their business partners attended the business expos during the year to obtain free advice on a range of topics. SIRA provided information on business improvement strategies, regulatory compliance and HBCF insurance.

We also partnered with NSW Fair Trading at the Housing Industry Association Home Show in May 2016, which attracted tens of thousands of visitors seeking information on market trends in the home building industry, home building reforms and HBCF insurance.

Motor accidents insurance regulation

SIRA regulates the NSW Motor Accidents CTP Scheme for motor vehicles registered in NSW.

CTP motor vehicle insurance is compulsory in all Australian states and territories to provide compensation for those who are injured in motor vehicle accidents.

One of our roles is to licence and regulate private insurers that underwrite the scheme so premiums charged to vehicle owners are affordable and competitive, and benefits provided to those injured in a motor vehicle accident are delivered fairly and as quickly as possible.

Review of CTP insurance for point-to-point transport vehicles

We reviewed CTP insurance for point-to-point vehicles (such as taxis, hire cars and ride-sharing services) to put ride-sharing services on a level playing field with traditional point-to-point transport.

In March 2016, the NSW Government released a discussion paper canvassing six options for public consultation.

A number of submissions received during the consultation period have been published on our website. We also hosted a roundtable on 26 April 2016 with key stakeholders to discuss the feasibility of the proposed options for reform.

The consultation process highlighted a strong stakeholder preference for a move to greater risk-based premium setting for point-to-point vehicles, based on vehicle usage.

This approach is consistent with the findings and recommendations of the 2015 Point to Point Transport Taskforce report. The consultation informed the government's development of a preferred pricing

system and we are continuing to consult with key stakeholders to develop a detailed design for the system's implementation.

Reform of the NSW Motor Accidents CTP Scheme

A review of the NSW Motor Accidents CTP Scheme was a major focus of our work.

In March 2016, the NSW Government announced a review of the scheme that was to be underpinned by four key objectives:

- increasing the proportion of benefits provided to the most seriously injured road users
- reducing the time it takes to resolve a claim
- reducing opportunities for claims fraud and exaggeration
- reducing the cost of Green Slip premiums

Highlights in 2015/16:


5.3 million vehicles
required a Green Slip

\$2.37 billion
collected in premiums
(excluding GST & MCIS levies)

10% increase
in Nominal Defendant claims in 2015-16
4.1% of all claims. 5.1% of all incurred costs of all claims

A discussion paper *On the road to a better CTP scheme – options for reforming Green Slip insurance in NSW* was released, outlining four options for scheme reform.

An associated review of insurer profit was also released which made 21 recommendations regarding premium prices, risk rating, competition within the scheme and barriers to entry. The relevant recommendations were incorporated into the overall review of the CTP scheme.

More than 50 submissions were received during the public consultation period, many of which were published on our website. We also hosted three roundtables in March 2016 with representatives from the legal, medical and peak stakeholder groups.

We conducted social research into community views on the scheme. More than 1,200 people participated in focus groups, telephone interviews and online surveys.

On 29 June 2016, the government announced its preference for a version of the third option presented in the discussion paper: a hybrid scheme, providing for defined benefits available to all people injured in a motor vehicle accident, regardless of fault, and modified common law damages (which are fault-based) for the more seriously injured.

An expert reference panel – chaired by SIRA Board Deputy Chair, Nancy Milne OAM and former NSW Government minister, John Della Bosca – was established to assist SIRA to design the proposed new scheme.

Countering CTP fraud

In March 2016, the NSW Government announced the establishment of a multi-agency taskforce to counter fraudulent CTP claims which cost NSW motorists up to \$400 million extra each year in CTP premiums. It also announced the creation of a

hotline for members of the public to report suspected CTP fraud.

The taskforce chaired by SIRA Chief Executive, Anthony Lean, met for the first time in mid-March with representatives from insurers, government bodies and other key stakeholder groups.

Our existing scheme integrity program helped to identify the emergence of these trends and enabled the coordination of efforts to counter CTP fraud. This included:

- analysing industry-wide claims data reporting trends and suspicious issues to the CTP Green Slip insurers
- encouraging insurers to adopt best practice fraud identification and prevention strategies
- monitoring and collating the results of insurer initiatives
- working with multiple agencies to facilitate the investigation of suspicious activities
- exploring overseas experiences related to personal injury fraud.

Highlights in 2015/16:

17,995 
injury notifications received

\$14.9 billion
benefits paid through the scheme
since 1999 (5 Oct 1999 to 30 Jun 2016)

4,302,149 
hits on the Green Slip calculator

In April 2016, we released the report *Deterring fraudulent and exaggerated claims in the NSW CTP insurance scheme* which details ways to address CTP fraud and reports on fraud trends within the scheme.

During that month, we also conducted a targeted advertising campaign to promote the hotline in areas of Sydney with the highest incidence of suspected fraudulent claims.

Advertisements ran in community and non-English language newspapers, in addition to sponsored newsfeed posts on Facebook. The campaign promoted the hotline and resulted in a high level of engagement with our website.

On 16 June 2016, the government announced in the State Budget that we would spend an extra \$1.2 million to identify suspicious activity and bring fraudsters to justice. Statutory options to strengthen SIRA's powers were also being considered.

Independent review of insurer profit

We accepted and introduced 10 of the 21 recommendations of the independent review of insurer profit and market competition in the CTP scheme, including revised Premium Determination Guidelines. Work has started on other recommendations, some of which require legislative reform.

The review responded to a recommendation of the Legislative Council Standing Committee on Law and Justice, which had conducted the twelfth review of the former Motor Accidents Authority's functions.

The final report on the review, released in March 2016, identified that while SIRA had implemented a range of regulatory measures to address profits, super-profits were being achieved because of inherent uncertainties in the scheme and through inefficiencies in the design of premium regulations.

Highlights in 2015/16:

NUMBER OF NOTIFICATIONS FINALISED



77% full claims

12,417 finalised

\$141,000

average claim payment

To address these findings, a comprehensive consultative review of the premium system is a priority for 2016/17, with the aim to reduce cross subsidies in premiums and increase competition between insurers.

Motor Accidents Compensation Regulation 2015

SIRA has been monitoring claims costs and developed a better understanding of the overall efficiency of the CTP Scheme since the Motor Accidents Compensation Regulation 2015 took effect.

Since 1 October 2015, all plaintiff legal practitioners have been required to report to us on their claims costs.

They must disclose the amounts paid by claimants from their finalised claims.

This includes the amount of any legal costs and the net amount the claimant receives. The new requirements were implemented with constructive engagement from legal professional groups.

Green Slip processing improved

Customers can pay for their Green Slip and registration more quickly after SIRA arranged for a link between the customer databases of CTP insurers and Roads and Maritime Services (RMS).

The data link means:

- insurers have the information they need to charge the correct premium
- RMS knows the instant the premium has been paid so the customer can immediately pay their vehicle registration.

Insurers have reported an 80 per cent reduction in incorrectly calculated and under-charged premiums since the databases were linked in November 2015, while customers have reported high levels of satisfaction.

The link-up project is expected to reduce opportunities for fraud and recoup an additional \$10 million a year in premiums and levies.

Green Slip calculator

SIRA's Green Slip Calculator provides NSW motorists with a free 'one stop' service where they can compare prices for each of the six licensed insurers in one place.

There were approximately 4.3 million visits to our website calculator and more than 10,000 calls to the Green Slip Helpline in 2015/16.

Claims Advisory Service

Our Claims Advisory Service handled more than 24,000 enquiries from injured people and service providers and directly connected 783 injured people to an insurance claims officer.

Taxi roundtable

We hosted a special taxi roundtable in October 2015 to discuss ways to reduce pedestrian accidents involving taxis and associated costs to the industry.

The roundtable involved representatives from the Taxi Council, taxi driver associations, the Pedestrian Council, City of Sydney, NSW Centre for Road Safety, Insurance Council, NSW Police Force, Australian Hotels Association, NRMA Motoring, Safework NSW and Transport for NSW.

Between 2004 and 2013 there were 5,121 accidents involving taxis, resulting in 6,451 casualties and 35 deaths across NSW, according to data from SIRA and the Centre for Road Safety.

More than 140 pedestrians were injured by taxis between 7pm and 4am in the Sydney CBD during the same period. Younger people aged 18-40 sustained 80 per cent of the injuries, mostly on Friday and Saturday nights.

The roundtable looked at strategies such as taxi driver education and training, CTP insurance risk pricing and community awareness campaigns.

Zurich exits the Green Slip market

SIRA worked with Zurich to seamlessly transition out of the CTP Green Slip market in 2015/2016 and assure all policy holders that their policies were valid and would be honoured by Zurich after the change. Zurich stopped selling CTP Green Slip policies on 1 March 2016.

Highlights in 2015/16:

10,591 

calls to the Green Slip Helpline

*incorporates live operator calls for Green Slip price comparisons

179 complaints against insurers received and investigated

CTP claims handling guidelines

We worked with insurers, the legal profession and medical and health professional bodies to draft new claims handling and medical guidelines for insurers. The draft guidelines outline the claims and injury management practices expected of insurers and specific requirements to mitigate fraudulent and exaggerated claims. Implementation of the new guidelines will be a priority for 2016/17.

Bicycle Working Group

The Minister for Roads, Maritime and Freight, Duncan Gay MLC held a roundtable on cycling safety and compliance in June 2015.

Concerns were raised at the roundtable about road users injured by cyclists and their ability to seek compensation for their injuries and associated losses, particularly for road users injured by uninsured or unidentified cyclists in hit-and-run crashes.

While a gap in coverage was acknowledged, the gap extended beyond people injured by cyclists to all road users who were injured by any vehicle that was not required to be registered for use or operation on NSW roads.

The gap in coverage was considered as part of a more comprehensive review of the NSW Motor Accidents CTP Scheme.

Better recovery supported

We helped people injured in motor vehicle accidents to make better recovery from injuries by providing information and education, and promoting evidence-based treatment. Various other targeted initiatives were conducted during the year.

We provided:

- online training for 321 health service providers about working in the scheme, delivering services to claimants and working with insurers
- 10 workshops for 152 stakeholders including CTP insurance staff, legal professionals and health providers on the management of claimants with complex needs, assessing whole person impairment and developing goals with injured people.

Our 'Get Moving' video and postcards promoted the management of acute whiplash-associated disorders.

A new Injury Advice Centre was added to our website to advise injured people during their recovery. The information includes advice about emotional responses to a crash, a guide for parents to help their children recover from emotional trauma, advice on returning to work and recovery from whiplash. Recovery advice topics were created in partnership with other government bodies, such as NSW Health and icare, as well as academics and leading clinical experts.

We published updated discharge advice on mild traumatic brain injury (concussion) - with translations in 13 community languages. This was done in partnership with NSW Health for distribution through emergency departments across the state.

We worked with health service provider groups and CTP insurers on communication procedures and processes to request and approve funding for treatment, rehabilitation and care services.

We also created a form that health professionals can use to request allied health services for workers and motor accident injury claimants.

Collaboration with road safety agencies

SIRA continued to collaborate with key agencies including the NSW Centre for Road Safety to prevent and minimise road trauma and improve road safety through the NSW Road Safety Strategy 2012-2021.

Key achievements included:

- a data linkage project between Transport for NSW and NSW Health to inform evidence based policy by linking injury, claims, payments and crash data
- funding for road safety campaigns on motorcycle riders, fatigue, impaired driving and driveway safety
- funding for research, projects and initiatives including the National Road Safety Partnership Program, the Used Car Safety Rating guide, Walk Safely to School Day and the Australian Naturalistic Driving Study
- engagement with working groups about motorcycle safety, the NSW Aboriginal Road Safety Action Plan 2014-17, older drivers and pedestrians.

Research and grants

The NSW Government's Chief Scientist and Engineer started reviewing our research and grants program, which will be implemented next year.

In 2015/16 we continued to support the John Walsh Centre for Rehabilitation Research within the University of Sydney (in partnership with icare), which is conducting the largest Australian study of people injured in motor vehicle crashes to better understand how well people recover.

Highlights in 2015/16:

2015-16 AUDIT OF MCIS LEVIES

\$7,500

in payments recovered from insurers

* Shared by SIRA and icare during the last round of levy audits in 2015-2016

We also supported the Vocational Intervention Program (VIP) pilot (with icare and our own Workers and Home Building Compensation Regulation branch).

This program is delivering early intervention vocational rehabilitation services for people who have had a brain injury to either return them to their pre-injury workplace or to find a new employer.

In June 2016, approximately 60 per cent of people who had participated in the VIP were working at the end of the program.

In late 2015, SIRA approved grant funding for a number of projects including:

- a trial tele-rehabilitation program for injured people who require, but cannot access, regular rehabilitation services
- a pain management discharge package for clinicians and injured people to reduce acute and persistent pain in the trauma population
- the use of evidence based practice principles by psychologists in the NSW Motor Accidents CTP Scheme
- the trial of a software application to help people recover from a motor vehicle crash.

Legislative Council review

The NSW Legislative Council Standing Committee on Law and Justice has been reviewing the motor accidents scheme since 1999.

In mid-2016 the Standing Committee held its first review of the CTP scheme since the legislative reforms to the NSW insurance and compensation schemes in 2015.

The public hearing of the Standing Committee was held on 17 June 2016 at NSW Parliament House.

Highlights in 2015/16:

INFORMATION AND TRAINING

152 service providers attended training*
10 workshops **321** online

Aim: Assist injured people to make better, faster recoveries.

*includes health providers, CTP insurance staff and legal representatives

24,370 

enquiries from injured people and service providers handled by the Motor Accidents Claims Advisory Service

783 

injured people directly connected to an insurance claims officer

Leadership at the national level

The Executive Director, Motor Accidents Insurance Regulation, Andrew Nicholls, is Chairperson of the Heads of Australian and New Zealand Motor Accidents Insurance Schemes (Heads of MAIS).

The group identifies and assesses common strategic and operational interests and issues relating to the administration of CTP motor accident schemes in Australian states and territories and New Zealand. The Heads of MAIS share information and enhance their respective schemes by informing and influencing policy and strategic decision making.

During the reporting period, SIRA continued to lead the Heads of MAIS Research Working Group, which discusses injury management research from across the MAIS jurisdictions, and identifies shared priorities and collaboration opportunities. We continued to work closely with the National Heavy Vehicle Regulator on the development of the most suitable CTP regime to accompany the new national registration system for heavy vehicles. We also took the lead in discussions at the national level on the emergence of autonomous vehicle technology.

Mr Nicholls represented SIRA as a board director of the Personal Injury Education Foundation.

Motor accidents dispute resolution

Medical disputes

The independent Motor Accidents Medical Assessment Service (MAS) delivered by our Dispute Resolution Services Division provides an independent, fair and timely way of helping injured people and insurers resolve medical disputes arising during the claims process. It assesses disputes about:

- the degree of 'whole person permanent impairment' from a motor accident injury

- whether treatment is reasonable and necessary.

In 2015/16:

- 5,417 medical disputes were referred to MAS – a 12 per cent increase on the previous year
- 5,106 medical assessments were finalised – a 14 per cent increase on the previous year. This was a direct result of the continued growth in the volumes of new claims in the CTP scheme in prior years
- permanent impairment assessment applications rose by 597 (18 per cent) this year. These applications have risen by 44 per cent in four years from 2,795 to 4,014
- treatment dispute applications fell to their lowest level (210) in recent years
- further medical assessment applications continued to fall to their lowest level (322) in recent years, with the rate of ‘furthers’ dropping again to be the equivalent of just 7.6 per cent of the volume of original treatment and impairment assessment applications that may be the subject of a potential further medical assessment, down significantly from 12 per cent in 2011/12. That change represents a 37 per cent reduction in the rate of ‘furthers’ in the past four years
- reviews of medical assessment applications rose in volume from 784 to 870 applications. The rate of reviews of medical assessments sought remained stable at the equivalent of 19.2 per cent treatment, impairment and further assessment applications that may be the subject of a potential review, compared to 19.4 per cent in 2014/15.

Quality of medical decisions

The quality of medical assessment decisions is a key focus of our training and development program for medical assessors.

Of the 5,106 medical assessment applications finalised in 2015/16, we:

- accepted 288 applications for medical assessment review, which changed outcomes in 113 cases
- corrected errors in 51 certificates
- saw the Court set aside 17 decisions after administrative review
- received complaints from 36 parties.

Highlights in 2015/16:

MEDICAL ASSESSMENT SERVICE



5,417
applications lodged

5,106
applications finalised

REVIEW OF MEDICAL ASSESSMENTS

Applications not accepted by the Proper Officer were finalised in an average of **36 working days**

Applications accepted by the Proper Officer and reviewed by a panel were finalised in an average of **124 working days**



42% of reviews resulted in a change to the original assessment*

*Consistent with previous years

PERMANENT IMPAIRMENT DISPUTES

Disputes took longer to resolve than last year – **112 working days average**

21% of assessments found greater than 10% impairment*

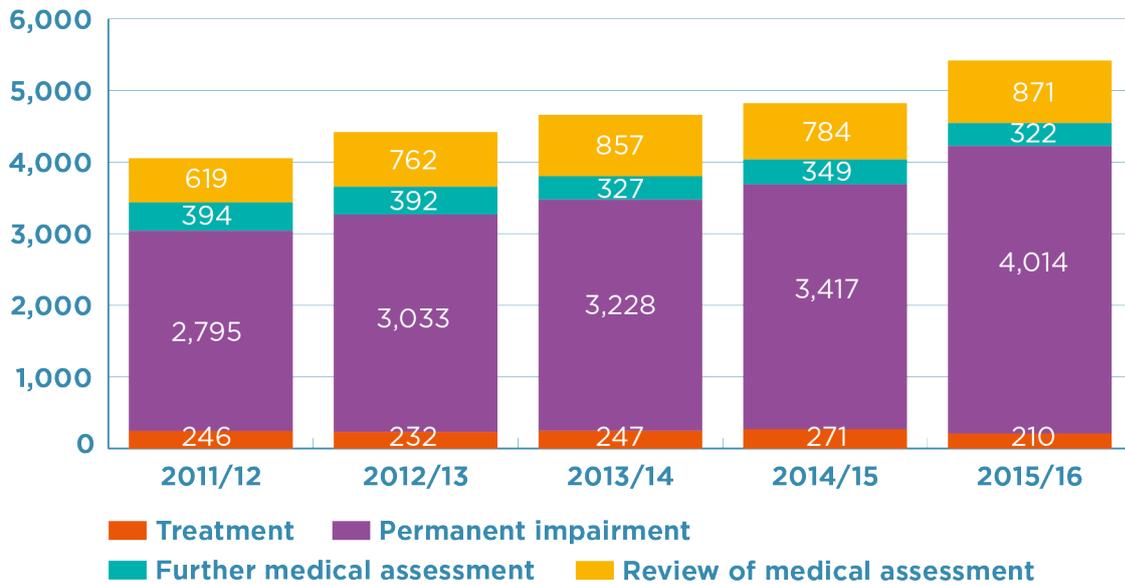
*Consistent with previous years

Medical Assessment Service - lodgements, finalisations and workload

(Workload = Total current matters at the end of each financial year)



Medical Assessment Service - lodgements by dispute type



Claims assessments

The independent Motor Accident Claims Assessment and Resolution Service (CARS) delivered by our Dispute Resolution Services Division offers a simpler, less adversarial and faster way to assess compensation claims and resolve disputes about claims arising between insurers and claimants. Parties cannot commence court proceedings unless CARS has assessed the claim or they have been exempted from assessment. Many claims lodged with CARS are settled before they are assessed. Where they do not settle, they are assessed by an expert independent claims assessor.

There were more applications seeking an assessment by CARS in 2015/16 than in any recent years, representing a 12 per cent increase (186 more applications) from 2014/15, and forming part of a 32 per cent rise over the last two years (436 more applications). This increase in workload flows directly from the continued growth in the volumes of new claims being lodged in the NSW Motor Accidents CTP Scheme in prior years.

General assessment applications rose by 11 per cent as 166 more assessment applications were lodged. This is expected to increase the number of claims assessed next year. Other dispute types were relatively stable, with a slight increase in special assessments (25), and a small increase in further assessments (7).

Exemption from claims assessment application volumes rose again (by 284) after a significant decrease in 2014/15 following amendments to delegated legislation made after a court decision in *Smalley v Motor Accident Authority of New South Wales [2013] NSWCA 318 (26 September 2013)*.

Quality of claims decisions

The quality of claims assessment decisions is a key focus of our training and development program for claims assessors.

Of the 1,795 claims assessment applications finalised in 2015/16:

- errors were corrected in 17 certificates
- five decisions were set aside for administrative reasons
- five complaints were received.

Highlights in 2015/16:

CLAIMS ASSESSMENT AND RESOLUTION SERVICE



GENERAL ASSESSMENT



EXEMPTIONS



ASSESSMENT LIFECYCLES

General - 155 working days*

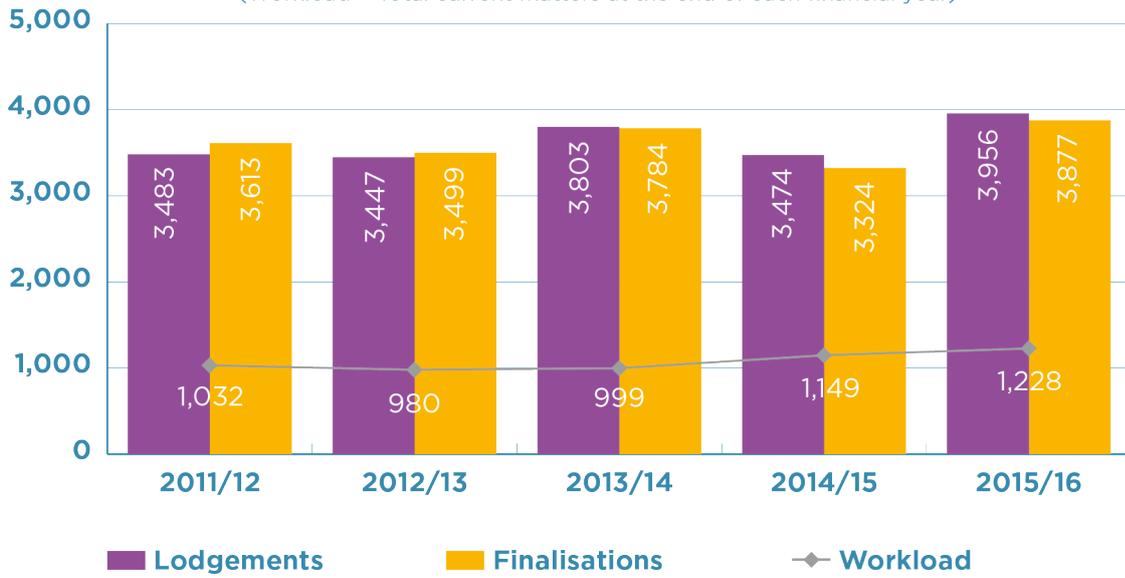
Special - 55 working days

19% faster special assessments following case management and process improvements

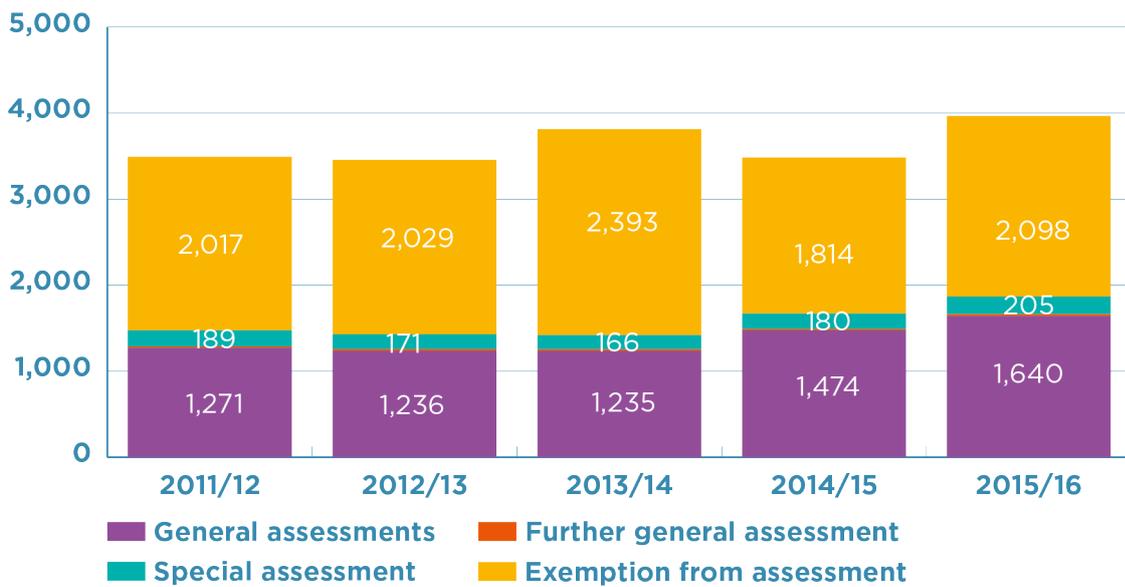


*Average 2015-16. Consistent with 2014-15

**Claims Assessment and Resolution Service
- lodgements, finalisations and workload**
(Workload = Total current matters at the end of each financial year)



Claims Assessment and Resolution Service - by dispute type



Dispute Resolution Service

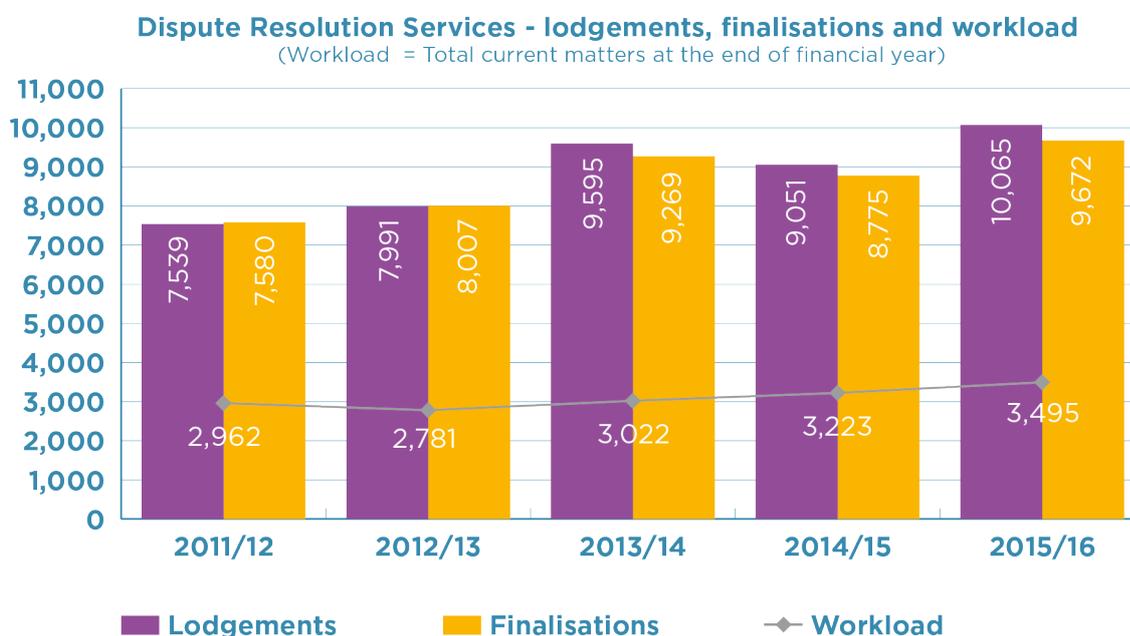
Our Dispute Resolution Service

In 2015/16, more than 10,000 applications were lodged with our independent Dispute Resolution Services, an increase of more than 1,000 applications (11 per cent) from 2014/15 and significantly more than in recent years.

The number of dispute applications has increased by 34 per cent in the past four years.

The 70 per cent increase in the number of new claims lodged in the NSW Motor Accidents CTP Scheme in the past seven years is the reason for the continued increase in the volume of applications.

The performance of each of the motor accidents and workers compensation dispute resolution services are covered in previous sections of this report.



Number of Dispute Resolution Service lodgements by year and type

Type	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16 change	
Medical assessments	4,054	4,419	4,659	4,821	5,417	596	12%
Claims assessments	1,466	1,418	1,410	1,660	1,880	220	13%
Claims assessment exemptions	2,017	2,029	2,393	1,814	2,098	284	16%
Merit reviews	2	123	1,132	748	684	-64	-9%
All dispute services	7,539	7,989	9,594	9,043	10,079	1,036	11%

Our people

Employment arrangements

We are administratively and financially linked to DFSI, but the SIRA Board oversees our strategic direction and performance.

In 2015/16, DFSI provided SIRA with shared services support in areas of governance, communications, finance, information and technology services, investment, human resources, legal, policy, procurement, and strategy and performance.

Work, health and safety

SIRA has contributed to DFSI's improved workers compensation performance in recent years.

We reported two claims during 2015/16 at an average incurred cost of \$41,249. Both employees participated in return to work plans. Our claims performance was positive and there were no prosecutions under the *Work Health and Safety Act*.

During the year, employees had access to:

- free flu vaccinations
- discounted gym memberships
- quit smoking incentives
- a free, professional counselling service
- a bullying response service that provided independent support and advice on workplace bullying matters
- a critical incident support program.

Flexible work hours agreement

DFSI successfully negotiated a new flexible work hours agreement to replace 11 different flex agreements across the organisation and various sub-entities, such as SIRA. The new agreement was signed on 30 June 2016.

Human resource statistics

SIRA had 345 employees when the Public Service Commission Annual Workforce profile data collection census was conducted on 30 June 2016.

Employee numbers at 30 June 2016

Classification	Number
Administration and clerical	323
Legal officers	4
Senior management (senior executive service)	9
Senior officers	8
Statutory officers	1
TOTAL	345

Consultative forums

Local joint consultative forums are embedded across DFSI. Each feeds into the peak Joint Consultative Committee, which is chaired by the DFSI Secretary.

The local forums have greatly assisted with the management of industrial matters.

Salaries, wages and allowances

We applied the NSW Wages Policy for wage negotiations which resulted in wage increases of 2.5 per cent.

Personnel policies and practices

During 2015/16, SIRA welcomed new or updated policies on ethics and conduct, gifts and benefits and disability inclusion.

We also have policies on:

- internal reporting
- leave
- managing sick leave
- work health and safety
- workplace issues and grievance resolution
- workplace bullying
- non-smoking
- secondary employment
- acceptable usage of electronic communication devices and services.

Our culture

Public sector values

Our employees work within a framework of public sector values including respect, integrity, trust, service and accountability.

Cultural growth

We have adopted DFSI's cultural framework called 'Grow' to build positive cultures in customer experience, wellness, safety, achievement, innovation, capability and leadership.

Staff awards

High performing people and teams are recognised at the Better Regulation Division Annual Employee Awards.

In 2015/16, the awards were presented as follows:

- Pursuit of Excellence (Team) – Claims costs disclosure project

- Deputy Secretary Commendation Award (Team) – Workers Compensation Benefits Reform Implementation Team
- Leadership Excellence – Karen Lockerby
- Pursuit of Excellence (Individual) – Matthew Weston
- Values in Action – Nicole Kelly
- Special mention: SIRA/SafeWork Dragon Boat team.

Nominations were also invited for the 2016 Premier's Awards for Public Service.

Great Place to Work

SIRA employees were encouraged to participate in DFSI's new Great Place to Work program.

The program is designed to engage, inspire and empower employees to make positive changes in the workplace and help make DFSI an employer of choice.

People Matter survey

Our employees participated in the People Matter survey of all NSW public sector workers in May 2016.

DFSI also conducted a 'pulse check' survey to gauge employee engagement in December 2015.

Diversity

SIRA has a multicultural plan, which aims to create inclusive and non-discriminatory workplaces.

Developed in June 2015, the plan supports the NSW Government's Multicultural Policies and Services Program. Organisational change limited our achievements under the plan in 2015/16, but more steady progress is anticipated in 2016/17.

DFSI is proud of the number of employees from around its branches (including SIRA) who have completed its Aboriginal Cultural Education Program. More than 1,620 DFSI employees have completed Aboriginal cultural education since 2014.

Trends in the representation of workforce diversity groups

Workforce diversity group	Benchmark /target	2014	2015	2016 ¹
Women	50%	N/A	N/A	69.9%
Aboriginal people and Torres Strait Islanders	2.6%	N/A	N/A	0.9%
People whose first language spoken as a child was not English	19%	N/A	N/A	6.1%
People with a disability	N/A	N/A	N/A	4.6%
People with a disability requiring work-related adjustment	1.5%	N/A	N/A	2.0%

1. Statistics are based on Workforce Profile census data as at 30 June 2016

Trends in the distribution of workforce diversity groups

Workforce diversity group	Benchmark /target ^{2,3}	2014	2015	2016 ¹
Women	100	N/A	N/A	96
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language spoken as a child was not English	100	N/A	N/A	108
People with a disability	100	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

2. A distribution index of 100 indicates that the centre of the distribution of the workforce diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the workforce diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the workforce diversity group is less concentrated at lower salary levels.

3. The distribution index is not calculated where workforce diversity groups or non-workforce diversity group numbers are less than 20.

SIRA invited employees to participate in various cultural events during 2015/16 such as:

- NAIDOC Week
- International Day of People with a Disability
- International Women's Day.

Access and ability

We are committed to reducing barriers for people with disabilities.

In 2015/16 we:

- continued to encourage job applicants to discuss reasonable adjustment requirements as part of the recruitment process

- continued to support employees requiring reasonable adjustment in the workplace
- provided accessible web and intranet content and e-learning programs.
- provided alternate learning methods for online learning.

In November 2015, we adopted DFSI's Disability Inclusion Action Plan 2015-2018, which commits to improving access to services and employment opportunities for people with disability.

The Disability Action Plan aims to:

- increase the representation of people with disability at all levels across the Department
- remove any attitudinal barriers in the workplace
- promote opportunities for career development for people with disability
- ensure that people with disability have equitable access to all DFSI services
- create a safe and inclusive environment ensuring that people with disability feel empowered to declare their disability status, confident that this will not impede their experience or progression at DFSI in any way.

Recruitment and restructure

In the past financial year, we went through a period of transition in preparation for executive and non-executive structural reform.

This resulted in a reduction in ongoing recruitment activity (with 66 externally advertised positions) and an increase in temporary appointments.

As part of the alignment to government sector employment standards, we implemented a number of talent pools to streamline the recruitment process. These talent pools were used 44 times to reduce the cost and impact of subsequent recruitment activities.

The Better Regulation Division executive structure (within which SIRA operates) was approved for implementation by the Public Service Commission in May 2016.

Affected staff were briefed and consulted in June 2016, allowing the selection process to start.

Performance management

In 2015/16, our employees and managers used our division's performance review system. Next financial year, the division will transition to the DFSI performance management system, myCareer.

Mandatory training programs

The Organisational Capability Team developed and implemented mandatory e-learning modules including work health and safety due diligence and gifts and benefits.

Modules in development include revised versions of work health and safety risk management, the 'Welcome to Better Regulation Division' series, privacy, and public interest disclosures and reporting corrupt conduct.

These modules outline our employees' obligations and responsibilities in relation to policies, procedures, work health and safety, privacy and ethical behaviour.

Other training

Between 1 September 2015 and 30 June 2016:

- 220 internal courses including leadership were offered across DFSI's Better Regulation Division (including SIRA)
- 214 SIRA employees were trained during 345 separate internal training sessions
- our staff attended external training courses, conferences, seminars and events in accordance with their development plans
- Dispute Resolution Services staff member, Samira Kamandi, was selected to participate in the Australia and New Zealand School of Government (ANZSOG) 2016 Executive Masters of Public Administration program.

All training was aligned to the Public Sector Capability Framework.

Public interest disclosures

The *Public Interest Disclosures Act 1994* provides a statutory framework for employees to report concerns about:

- fraud and corruption
- maladministration
- serious and substantial waste of public money
- failures to properly fulfil functions under the GIPA Act.

The purpose of the *Public Interest Disclosures Act 1994* is to ensure that employees who wish to make disclosures under the legislation receive protection from reprisals.

In 2015/16, we made SIRA employees aware of their rights and responsibilities under the *Public Interest Disclosures Act 1994* through:

- our internal reporting policy, available on the intranet, which includes procedures for the internal reporting of corruption and maladministration
- the new DFSI Code of Conduct
- a mandatory training module that new employees need to complete in their first three months of employment. There were 68 SIRA employees who completed the mandatory learning module in 2015/16.

No public interest disclosures were made within SIRA in 2015/16.

Policy attestations

Digital information security

Digital Information Security Annual Attestation Statement for the 2015/16 Financial Year for the State Insurance Regulatory Authority

I, Anthony Lean, Chief Executive Officer of the State Insurance Regulatory Authority, am of the opinion that the State Insurance Regulatory Authority had an Information Security Management System in place during the 2015-2016 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to digital information and digital information systems of the State Insurance Regulatory Authority are adequate.

Risks to digital information and digital information systems of the State Insurance Regulatory Authority have been assessed with an independent Information Security Management System (ISMS) being developed in accordance with the NSW Government Digital Information Security Policy.

The State Insurance Regulatory Authority has maintained compliance with ISO 27001:2013 Information technology - Security techniques - Information security management systems - Requirements and independently reviewed by Shearwater Solutions Pty Ltd for the 2015-2016 financial year.



Anthony Lean
Chief Executive
State Insurance Regulatory Authority

Internal audit and risk management

Internal Audit and Risk Management Attestation Statement for the 2015/16 Financial Year for the State Insurance Regulatory Authority

I, Anthony Lean, am of the opinion that the State Insurance Regulatory Authority (SIRA) has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	For each requirement, please specify whether compliant, non-compliant, or in transition ¹
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

- Nancy Milne OAM, Independent Chair, from 20 April 2016 to 19 April 2019
- Dr Abby Bloom, Independent Member, from 18 April 2016 to 17 April 2019
- Trevor Matthews, Independent Member, from 19 April 2016 to 18 April 2019


Anthony Lean
Chief Executive
State Insurance Regulatory Authority

Date: 30.9.16

Contact Officer
Geoff Campbell
Chief Audit Executive 9372 8040
Geoff.campbell@finance.nsw.gov.au

Risk management and insurance activities

SIRA has adopted the DFSI Risk and Resilience Policy and Framework.

The Better Regulation Division, of which SIRA is part, is undertaking a project to develop risk management practices and capabilities that are aligned with the DFSI Risk and Resilience Policy and Framework. This project is working with key stakeholders and staff within SIRA to identify strategic and operational risks and build risk management into its decision making processes. The SIRA Board and Audit and Risk Committee have been consulted throughout the project.

This work will transition from project to ongoing risk management in October 2016.

Insurance activity

Number of claims

	2012/13	2013/14	2014/15	2015/16
Workers Compensation	3	2	-	2
Motor vehicle	-	-	-	-
Property	-	-	-	-
Liability	-	-	-	-
Other	-	-	-	-
TOTAL	3	2	-	2

Net incurred claims cost

	2012/13	2013/14	2014/15	2015/16
Workers Compensation	\$7,626.98	\$15,794.06	-	\$82,498.78
Motor vehicle	-	-	-	-
Property	-	-	-	-
Liability	-	-	-	-
Other	-	-	-	-
TOTAL	\$7,626.98	\$15,794.06	-	\$82,498.78

Credit card statement



Locked Bag 2906, Lisarow NSW 2252
Customer Service Centre 13 10 50
ABN 19 241 815 442 | www.sira.nsw.gov.au

30 September 2016

The Hon. Victor Dominello MP
Minister for Innovation and Better Regulation
52 Martin Place
SYDNEY NSW 2000

UNCLASSIFIED

Dear Minister

The New South Wales Treasury Policy & Guidelines Paper on Credit Card use requires Chief Executive Officers to certify to their Minister that credit card use in their department is in accordance with the Premier's Memorandum and Treasurer Directions.

On Behalf of the State Insurance Regulatory Authority (SIRA) I certify that all cardholders for the period of 1 July 2015 to 30 June 2016 have used their cards in accordance with SIRA Corporate and Purchasing Credit Card Policy and in accordance with the Premier's Memorandum and Treasurer Directions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anthony Lean'.

Anthony Lean

Chief Executive Officer

State Insurance Regulatory Authority



INDEPENDENT AUDITOR'S REPORT

State Insurance Regulatory Authority

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of State Insurance Regulatory Authority (the Authority), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the period 1 September 2015 to 30 June 2016, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2016, and of its financial performance and its cash flows for the period 1 September 2015 to 30 June 2016 in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Authority in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive must assess the Authority's ability to continue as a going concern unless the Authority will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

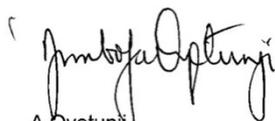
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



A Oyetunji
Director, Financial Audit Services

21 September 2016
SYDNEY

Our finances

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016 State Insurance Regulatory Authority

Statement by the Chief Executive Officer

Pursuant to Section 41C of the *Public Finance and Audit Act 1983* I state that in my opinion:

1. the accompanying financial statements exhibit a true and fair view of the financial position of the State Insurance Regulatory Authority as at 30 June 2016 and transactions for the period then ended; and
2. these statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015, Australian Accounting Standards and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Anthony Lean
Chief Executive Officer
State Insurance Regulatory Authority
13 September 2016

Statement of comprehensive income for the period ended 30 June 2016

		Actual 2016
	Notes	\$'000
Expenses excluding losses		
Operating expenses		
Personnel services	2(a)	61,993
Other operating expenses	2(b)	50,348
Depreciation and amortisation	2(c)	1,427
Grants and subsidies	2(d)	3,638
Finance costs	2(e)	1,910
Other expenses	2(f)	222,264
Total expenses excluding losses		341,580
Revenue		
Retained taxes, fees and fines	3(a)	214,917
Investment revenue	3(b)	10,969
Sale of goods and services	3(c)	46,278
Grants and contributions	3(d)	70,292
Other revenue	3(e)	13,605
Total revenue		356,061
Gain/(loss) on disposal	4	(175)
Other gains / (losses)	5	313
Net result		14,619
Other comprehensive income		-
Total other comprehensive income		-
TOTAL COMPREHENSIVE INCOME		14,619

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016
State Insurance Regulatory Authority

Statement of financial position as at 30 June 2016

		Actual 2016
	Notes	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	6	71,690
Receivables	7	81,351
Financial assets at fair value	8	169,498
Total current assets		322,539
Non-current assets		
Property, plant and equipment	9	
- Plant and equipment		2,158
Total property, plant and equipment		2,158
Intangible assets	10	831
Total non-current assets		2,989
Total assets		325,528
LIABILITIES		
Current liabilities		
Payables	12	15,626
Provisions	13	26,173
Other	14	8,615
Total current liabilities		50,414
Non-current liabilities		
Payables	12	88,069
Provisions	13	13,444
Other	14	102,138
Total non-current liabilities		203,651
Total liabilities		254,065
Net assets		71,463
EQUITY		
Accumulated funds		71,463
Total equity		71,463

The accompanying notes form part of these financial statements.

Statement of changes in equity for the period ended 30 June 2016

	Note	Accumulated funds	Asset revaluation reserve	Total
		\$'000	\$'000	\$'000
Balance at 1 September 2015		-	-	-
Net result for the period		14,619	-	14,619
Total comprehensive income for the period		14,619	-	14,619
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	15	56,844	-	56,844
Balance at 30 June 2016		71,463	-	71,463

Statement of cash flows for the period ended 30 June 2016

		Actual 2016
	Notes	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Personnel services		(64,123)
Grants and subsidies		(3,638)
Other		(315,744)
Total payments		(383,505)
Receipts		
Sale of goods and services		277
Retained taxes, fees and fines		211,456
Interest received		5,451
Grants and contributions		69,946
Other		41,839
Total receipts		328,969
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	(54,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment		(356)
Purchases of investments		(7,435)
Proceeds from sale of investments		4,086
NET CASH FROM INVESTING ACTIVITIES		(3,705)
NET INCREASE / (DECREASE) IN CASH		(58,241)
Opening cash and cash equivalents		-
Cash transferred in as a result of administrative restructure		129,931
CLOSING CASH AND CASH EQUIVALENTS	6	71,690

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

The State Insurance Regulatory Authority (the Authority) is a NSW government entity. The Authority is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

Under Part 3 of the *State Insurance and Care Governance Act 2015*, the Board determines the Authority's general policies and strategic direction. Additionally it oversees the Authority's performance including ensuring that its activities are carried out properly and efficiently; and provides advice to the Minister.

These financial statements for the period ended 30 June 2016 have been authorised for issued by the Chief Executive Officer on 13 September 2016.

(b) Constitution and functions of the State Insurance Regulatory Authority

The Authority is constituted under the *State Insurance and Care Governance Act 2015*. The Authority has responsibility for the direction, control and management of a range of funds as outlined in Note 20. A reference in these financial statements to the Authority refers to all of those funds.

(c) Basis of preparation

The Authority's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2015, and
- the Financial Reporting Directions published in the Financial Reporting Code for General Government Sector Entities or issued by the Treasurer.

These financial statements have been prepared on an historical cost basis except for the following items, which are measured on a fair value basis:

- derivative financial instruments at fair value through profit and loss;
- non-derivative financial instruments at fair value through profit and loss;
- available-for-sale financial assets;
- investments in unlisted property trusts.
- outstanding claims liabilities

Property, plant and equipment and financial assets at 'fair value through profit or loss' are measured at fair value.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 13 – Current/non current liabilities - provisions
- Note 14 – Current/non current liabilities - other (outstanding claims)
- Note 21 – Financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

The *State Insurance & Care Governance Act 2015* was proclaimed effective 1 September 2015, therefore the reporting period is only 10 months.

(d) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(e) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to not-for-profit NSW GGS entities.

Finance costs relate to the increase in the carrying amount of the outstanding claims liability that reflects the passage of time associated with the use of a discount rate in determining the value of the outstanding claims liability. (Refer to Note 14)

(f) Insurance

The Authority's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

(g) Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except that the:

- amount of GST incurred by the Authority as a purchaser that is not recovered from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- Receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flows on a gross basis. However the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(h) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Retained taxes, fees and fines

Retained taxes are principally made by licensed self and specialised insurers on the basis of a levy on specialised insurers' premium income and self-

insurers' deemed premiums relating to each policy renewal year and for the Insurers' Guarantee Fund are brought to account to recognise the full funding of total claims costs.

- (ii) **Fines**
Double Avoided Premiums (s156 Recoveries) fines are issued by the Authority. The Authority recognises the s156 Recoveries upon issuing of a notice.
- (iii) **CTP premium levy**
Funds are generated from levies on Compulsory Third Party (CTP) insurance premiums collected by licensed insurers in accordance with notices issued under Section 214A(5) of the *Motor Accidents Compensation Act 1999*. CTP levy revenue is recognised when it falls due and receivable by the Authority.
- (iv) **Nominal Defendant Fund Contribution**
Under a 2013 Crown Solicitor opinion the Nominal Defendant Fund (NDF) retains all recoveries from reinsurers, of the former HIH group that relate to NSW Third Party Insurance claims.

Amounts distributed by the liquidators of HIH as part of the liquidation are the property of NSW Treasury (Crown Entity). If the NDF has insufficient funds to meet claims liabilities then NSW Treasury will provide funds through the Policyholders Protection Fund.
- (v) **Sale of goods**
Revenue from the sale of goods is recognised as revenue when the entity transfers the significant risks and rewards of ownership of the assets.
- (vi) **Rendering of services**
Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).
- (vii) **Investment revenue**
Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.
- (viii) **Nominal Insurer Contribution**
Contributions are made by the Nominal Insurer to the Workers Compensation Operational Fund which are brought to account on the basis of a fixed contribution determined after having regard to the estimate of the Authority's net operating expenses.
- (ix) **Other gains/(losses)**
Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of the Authority. Gains represent increases in economic benefits and as such are no different in nature from revenue.

Gains include, for example, those arising on the disposal of non-current assets. Losses are the opposite of gains which represent decreases in economic benefits and as such are no different in nature from expenses.

(i) **Assets**

- (i) **Acquisition of assets**
Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in

accordance with the requirements of other Australian Accounting Standards. Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer Note 1(r)).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. Where payment for an asset is deferred beyond normal credit terms, the cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted over the period of credit.

(ii) Capitalisation thresholds

Property, plant and equipment costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised. For intangible assets it is \$100,000 and above (including direct allocation of personnel service costs).

(iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

Property, plant and equipment is measured as the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective using valuation techniques (market approach, cost approach, income approach) that maximises relevant observable inputs and minimise unobservable inputs. Also refer Note 9 and Note 11 for further information regarding fair value.

As the Authority does not own Land, Buildings or infrastructure assets, management does not believe that the revaluation of physical non-current assets every 3-5 years is warranted, unless it becomes aware of any material difference in the carrying amount of any class of asset.

All of the Authority's assets are non-specialised assets with short useful lives which are measured at depreciated historical cost as an approximation of fair value. The Authority has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value

less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(v) Depreciation of property, plant and equipment

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Authority.

The rates applied are:

Categories	2016
	%
Furniture and fittings	10
Office machines and equipment	20
Computer hardware	20.0-33.3

Leasehold improvements are depreciated over the unexpired term of the respective leases or the estimated life of the improvements whichever is the shorter.

(vi) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the office sites is included in the cost of an asset, to the extent it is recognised as a liability.

(vii) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(viii) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value, or, if lower the present value of the minimum lease payments at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

(ix) Intangible assets

The Authority recognises intangible assets only if it is probable that future economic benefits will flow to the Authority and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met. The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Authority's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation is provided on a straight line basis for all intangible assets so as to write off the depreciable amount of each asset as it is consumed over its useful life.

The rates applied are:

Categories	2016
	%
Computer software	7.70-33.0

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(x) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(xi) Investments

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit and loss, transaction costs. The Authority determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Fair value through profit or loss - The Authority subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.

The Hour-Glass Investment Facilities are designated at fair value through profit or loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the Authority's key management personnel.

The Authority seeks to manage exposure to investment risk so that it can generate sufficient returns to meet the current and future liabilities of the Insurers' Guarantee Fund and mitigate the risk that the assets will be insufficient to meet their liabilities. Designation of investments at fair value through profit or loss is consistent with this risk management strategy as it allows for these investments to be recorded at fair value and for any gains or losses in the movement in their fair value to be recognised in the profit/loss for the period.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

(xii) Impairment of financial assets

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Authority will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available-for-sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. However, reversals of impairment losses on an investment in an equity instrument classified as 'available-for-sale' must be made through the revaluation surplus. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xiii) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire, or if the Authority transfers the financial asset:

- where substantially all the risks and rewards have been transferred, or
- where the Authority has not transferred substantially all the risks and rewards, if the Authority has not retained control.

Where the Authority has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Authority's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

- (xiv) **Other assets**
Other assets are recognised on a historical cost basis.

(j) **Liabilities**

(i) **Payables**

These amounts represent liabilities for goods and services provided to the Authority and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) **Personnel services and other provisions**

The Authority received personnel services from the Department of Finance, Services and Innovation (DFSI).

(a) **Salaries and wages, annual leave, sick leave and on-costs**

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted). Actuarial advice obtained by NSW Treasury has confirmed that the use of an approach using nominal annual leave plus annual leave on the nominal liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Authority has assessed the actuarial advice based on its circumstances and has determined that the effect of discounting is immaterial on its annual leave liability.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

(b) **Long service leave and superannuation**

The liability for long service leave is recognised in the provision for personnel services and measured as the present value of expected future payments to be made in respect of personnel services received up to the reporting date. Consideration is given to salary levels, long service leave balance, assumed rates of taking leave in service, rates of death, disablement, retirement, and resignation, and rates of salary escalation.

Expected future payments (over twelve months) are discounted using markets yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The calculation is performed by a qualified actuary. The discount rate used is 2.00%.

The defined benefit superannuation liability is assumed by the Crown Entity. The Authority accounts for the liability as having been extinguished, resulting in the amount assumed, being shown as part of the 'Contributions' revenue as this relates to personnel services.

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(c) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

(iii) Restoration provision (building leases)

A restoration provision is recognised for the estimate of future payments for restoration upon the termination of the leases of the current office premises.

(k) Other provisions

Other provisions exist when: the Authority has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation.

(l) Fair value hierarchy

A number of the Authority's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Authority categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1- quoted prices in active markets for identical assets/liabilities that the Authority can access at the measurement date.
- Level 2- inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3- inputs that are not based on observable market data (unobservable inputs).

The Authority recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 11 and Note 21 for further disclosures regarding fair value measurements of financial and non-financial assets.

(m) Net claims incurred

Net claims incurred include claims paid and the movement in the provision for outstanding claims liabilities. The provision for outstanding claims liabilities includes claims incurred but not yet paid, incurred but not yet reported and allowances for the costs of claims administration. An assessment of outstanding claims by independent actuarial consultants is undertaken in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* for the majority of the Authority's compensation schemes to determine the central estimate of that liability which is brought to account.

(n) **Grants**

The Authority provides grants to support registered trade unions and employer associations to assist their members to implement occupational health and safety, workers compensation legislation and road safety programs. It also provides research grants to independent organisations to undertake commissioned research into occupational health and safety, injury management issues and motor accident rehabilitation. As payment of the grant is conditional on the completion of significant future milestones, the cost of these grants are recognised progressively as milestones are met.

(o) **Provision for outstanding Nominal Defendant claims**

The liability for outstanding Nominal Defendant claims for financial reporting purposes are valued by an independent professional claims assessor.

(p) **Other expenses**

Other expenses include the cost of funding the Workers Compensation Commission and the Workers Compensation Independent Review Officer.

Workers Compensation Commission

The Workers Compensation Commission was constituted on 1 January 2002 pursuant to the *Workplace Injury Management and Workers Compensation Act 1998*. The Authority is responsible for funding the Commission and has to provide to the Commission:

- a. facilities (including registry facilities), and
- b. any additional staff that may be necessary

The Commission replaced the Workers Compensation Resolution Service which was the administrative responsibility of the Department of Industrial Relations, and the Compensation Court which was the administrative responsibility of the Attorney General's Department.

Workers Compensation Independent Review Officer

The Workers Compensation Independent Review Officer (WIRO) was established on 1 September 2012 pursuant to the *Workplace Injury Management and Workers Compensation Act 1998* and commenced operations on 1 October 2012. The functions of WIRO are:

- To deal with complaints made to the Independent Review Officer under Division 2 of Schedule 10 of the *Workers Compensation Legislation Amendment Act 2012 No 53*.
- To review work capacity decisions of insurers under Division 2 (Weekly compensation by way of income support) of Part 3 of the 1987 Act
- To inquire into and report to the Minister on such matters arising in connection with the operation of the Workers Compensation Acts as the Independent Review Officer considers appropriate or as may be referred to the Independent Review Officer for inquiry and report by the Minister.
- To encourage the establishment by insurers and employers of complaint resolution processes for complaints arising under the Workers Compensation Acts
- Such other functions as may be conferred on the Independent Review Officer by or under the Workers Compensation Acts or any other Act.

Independent Legal Assistance and Review Service (ILARS)

The Minister established the Independent Legal Assistance and Review Service (ILARS) to facilitate the provision of legal services at no cost to injured workers, in respect to their claims for compensation.

ILARS considers the merits of any application for legal assistance in deciding to provide funding. If legal assistance is approved, ILARS will make a determination as to an appropriate level of funding that will be provided for the legal assistance.

The legal service providers submit invoices for their costs and expenses at certain times during the course of a claim. The costs incurred by ILARS are recognised upon submission of the invoice.

The Authority has delegated this function to WIRO to administer.

(q) **Equity and reserves**

Accumulated funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

(r) **Equity transfers**

The transfer of net assets between entities as a result of an administrative restructure, transfer of programs / functions and parts thereof between NSW public sector entities are designated or required by Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 and Australian Interpretations 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not for profit and for profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the entity recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise the asset.

(s) **Comparative information**

The State Insurance & Care Governance Act 2015 was proclaimed effective 1 September 2015 to implement structural changes to the NSW workers compensation system and related compensation agencies.

The Act established four discrete agencies:

- Insurance & Care NSW: a single insurance and care service provider
- State Insurance Regulatory Authority (SIRA): an independent insurance regulator
- SafeWork NSW: an independent workplace safety regulator
- Sporting Injuries Compensation Authority: an entity to manage the Sporting Injuries Compensation Scheme.

As such no comparative information is available for this reporting period.

(t) **Changes in accounting policy, including new or revised Australian Accounting Standards**

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Australian Accounting Standards have not been applied and are not yet effective. These new Standards will not have any direct impact on the financial performance or position of the Authority.

- AASB 9 and AASB 2014-7 regarding financial instruments
- AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers.
- AASB 1057, AASB 2015-9 Application of Australian Accounting Standards.
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation.
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle.
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives
- AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities
- AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

2. Expenses excluding losses

	2016
	\$'000
(a) Personnel services	
Salaries and wages (including annual leave)	46,460
Superannuation - defined contribution plans	3,920
Superannuation - defined benefit plans	654
Long service leave	2,779
Workers' compensation insurance	263
Payroll tax and fringe benefit tax	3,044
Agency short-term staff	4,873
	61,993
(b) Other operating expenses include the following:	
Auditor's remuneration	
- audit of the financial statements	69
- internal audit and reviews	110
Operating lease rental expense	
- minimum lease payments	3,537
- other related expenses	2,373
Maintenance	5,552
Insurance	4
Fees - Assessors	11,545
Fees - Other	2,239
Advertising, promotion and publicity	809
Board & Committee fees	278
Contributions to External Organisations	41
Compensation Court	39
Consultants- Actuarial fees	4,811
Consultants- Other	773
Contractors	6,419
Contractors - Arbitrators	1,065
Legal Fees	565
Travel & vehicle expenses	259
Communication expenses	1,441
Printing	983
Stores	1,908
Training	946
Legal aid and rehabilitation	979
Bad debts	1,363
Other miscellaneous	2,240
	50,348

Payments to Board members are made in accordance with Premier's Guidelines and cover the State Insurance Regulatory Authority Board. There is no personnel services maintenance expense.

	2016
	\$'000
(c) Depreciation and amortisation expenses	
Depreciation	
- Leasehold improvements & restoration	533
- Office machines and equipment	7
- Furniture and fittings (incl. Library)	40
- Computer hardware	387
	967
Amortisation	
- Computer software internally generated	351
- Computer software purchased	109
	460
Total depreciation and amortisation	1,427
(d) Grants and subsidies	
Road Safety	3,419
Other	219
	3,638
(e) Finance costs	
Unwinding of discount rate- Judges pension	300
Unwinding of discount rate- Claims	1,610
	1,910
(f) Other expenses	
Net claims incurred (excluding Finance costs)	18,797
Workers Compensation Commission	21,828
Workers Compensation Independent Review Officer	48,932
Bulk Billing Fees - Ambulance Service of NSW	32,315
Bulk Billing Fees - NSW Ministry of Health	97,112
Processing Fees - Roads and Maritime Service	3,280
	222,264
Net claims incurred	
Finance costs- Claims (Note 2(e))	1,610
Net claims incurred (excluding Finance costs) (Note 2(f))	18,797
	20,407

Details of the net claims incurred by the Authorities various funds are:

	Claims paid 2016	Finance costs 2016	Movement in claims liability 2016	Net claims incurred 2016
	\$'000	\$'000	\$'000	\$'000
Insurers' Guarantee Fund	3,296	1,610	3,076	7,982
Nominal Defendant Fund	11,925	-	500	12,425
	15,221	1,610	3,576	20,407

Details of expenses incurred by the **Workers Compensation Commission** are:

	2016
Personnel services	
Salaries and allowances (including annual leave)	7,209
Other	2,276
Total personnel service costs	9,485
Other operating expenses	
Operating lease rental expenses	1,300
Consultants	128
Contractors	76
Payments to arbitrators	2,686
Payments to approved medical specialists (AMS)	3,930
Payments for medical appeals panels	1,533
Payments for mediators	1,093
Other miscellaneous expenses	1,570
	12,316
Depreciation and amortisation	64
Total depreciation and amortisation	64
<i>Less:</i>	
Income	
Sundry income	37
Total income	37
Total Workers Compensation Commission	21,828
Details of expenses incurred by the Workers Compensation Independent Review Officer are:	
Personnel services	
Salaries and allowances (including annual leave)	3,323
Other	966
Total personnel service costs	4,289

	2016
Other operating expenses	\$'000
Operating lease and rental expenses	304
Consultants	26
Contractors	2
ILARS	12,633
Legal fees	31,401
Other miscellaneous expenses	336
Total other operating expenses	44,702
<i>Less:</i>	
Income	
Bank interest	59
Total income	59
Total Workers Compensation Independent Review Officer	48,932
3. Revenue	
	\$'000
(a) Retained taxes, fees and fines	
Retained taxes	
Self and specialised insurers	36,054
Insurer's Guarantee Fund	53
CTP Premium Levy	177,010
	213,117
Fees	
Accreditation	150
Other	50
	200
Fines	
Workers compensation s156 recoveries	1,593
Infringement notices	7
	1,600
Total retained taxes, fees and fines	214,917
(b) Investment revenue	
Interest revenue from bank interest and TCorp Hour-Glass cash facility	1,928
TCorp Hour-Glass investment facilities	6,664
Other income	2,377
	10,969

	2016
(c) Sale of goods and services	\$'000
Fees for Services rendered to other Agencies	46,218
Other	60
	46,278
(d) Grants and contributions	
Workers Compensation Operational Fund	69,949
Nominal Insurer contributions	343
Fair Trading Home Building Warranty Contribution	70,292
(e) Other revenue	
Distribution from liquidator – IGF	49
Nominal Defendant Fund reinsurance recoveries	12,570
Superannuation defined benefit contribution	752
Other	234
	13,605
4. Gain/(Loss) on disposal	
Net gain/(loss) on disposal of property, plant and equipment and intangibles	(175)
	(175)
5. Other gains/(losses) on disposal	
Allowance for impairment of receivables	313
	313
6. Current assets	
Current assets - cash and cash equivalents	
Cast at bank and on hand	57,097
Short-term deposits	
- TCorp Hour-Glass investment – cash facility	3,327
- Other TCorp investments	1,636
- Non TCorp investments	9,630
	71,690

	2016
	\$'000
For the purposes of the Statement of cash flows, cash and cash equivalents includes cash at bank and on hand, term deposits with a maturity of less than 12 months and highly liquid investments.	
Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the Statement of cash flows as follows:	
Cash and cash equivalent assets (per Statement of financial position)	71,690
Closing cash and cash equivalents (per Statement of cash flows)	71,690
Refer to Note 21 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.	
7. Current/non-current assets - receivables	
Current	
Receivables	56,577
Less allowance for impairment	(1,080)
Prepayments	3,660
CTP premium levy receivable	21,748
Investments receivable	446
Total receivables	81,351
Movement in the allowance for impairment	
Balance as at 1 September 2015	(1,393)
(Increase)/decrease in allowance recognised in profit or loss	313
Balance at end of period	(1,080)
Refer to Note 21 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.	
8. Financial assets at fair value	
Current	
TCorp Hour-Glass facilities	73,477
TCorp managed funds	96,021
Total financial assets	169,498
These assets relate to the Insurers' Guarantee Fund and their availability for use by the Authority is "restricted". They can only be used for purposes set out in the legislation that established those funds. Note 20 provides more details on this.	
Financial assets are classified as current and non-current depending upon the amount expected to be consumed or converted into cash within 12 months of balance date except where they are classified as available for sale - held for trading where they are shown as current assets.	
Refer to Note 21 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.	

9. Non-current assets – property, plant and equipment

	At 1 September 2015			At 30 June 2016		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leasehold improvements and restoration	24,553	(22,951)	1,602	24,574	(23,472)	1,102
Office machines and equipment	425	(391)	34	283	(243)	40
Furniture and fittings (incl. library)	197	(117)	80	197	(157)	40
Computer hardware	6,531	(5,220)	1,311	5,188	(4,212)	976
Total	31,706	(28,679)	3,027	30,242	(28,084)	2,158

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Net carrying amount at start of period	Additions and transfers	Disposals	Write-back of depreciation on disposal	Depreciation expense	Net carrying amount at end of period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leasehold improvements and restoration	-	1,672	(50)	13	(533)	1,102
Office machines and equipment	-	47	(155)	155	(7)	40
Furniture and fittings (incl. library)	-	80	-	-	(40)	40
Computer hardware	-	1,451	(1,483)	1,395	(387)	976
Total	-	3,250	(1,688)	1,563	(967)	2,158

10. Intangible assets

	Internally generated computer software	Computer software purchased	Software WIP	Total
At 1 September 2015	\$'000	\$'000	\$'000	\$'000
Cost (gross carrying amount)	15,793	6,761	21	22,575
Accumulated amortisation and impairment	(15,230)	(6,094)	-	(21,324)
Net carrying amount	563	667	21	1,251
At 30 June 2016				
Cost (gross carrying amount)	15,253	6,464	99	21,816
Accumulated amortisation and impairment	(15,041)	(5,944)	-	(20,985)
Net carrying amount	212	520	99	831

Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the current reporting period is set out below:

	Internally generated computer software	Computer software purchased	Software WIP	Total
Net carrying amount at start of period	-	-	-	-
Additions/transfers	563	679	99	1,341
Disposals	(540)	(309)	-	(849)
Write back of amortisation on disposal	540	259	-	799
Amortisation expense	(351)	(109)	-	(460)
Net carrying amount at end of period	212	520	99	831

11. Fair value measurement of non-financial assets

All of the Authority's non-financial assets are non-specialised and are measured using the market approach.

NSW Treasury Policy paper 14-01 "Valuation of Physical Non-Current Assets at Fair Value" allows non-specialised assets with short useful lives to be recognised at depreciated historical cost as a surrogate for fair value.

Depreciated historical cost is an appropriate surrogate for fair value because any difference between fair value and depreciated historical cost is unlikely to be material and the benefit of ascertaining a more accurate fair value does not justify the additional cost of obtaining it.

NSW Treasury has advised that assets measured using depreciated historical cost as a surrogate for fair value do not require fair value hierarchy disclosures under AASB 13 "Fair Value Measurement".

12. Current/non-current liabilities – payables

	2016
	\$'000
Current	
Accrued salaries, wages and on-costs	213
Creditors	10,519
Accrued bulk billing fees	4,894
	15,626
Non-current	
Creditors	80,741
Surplus funds repayable	7,328
Total repayables	88,069
Total payables	103,695

Details regarding credit risk, liquidity risk, and market risk, including a maturity analysis of the above payables are disclosed in Note 21.

13. Current/non-current liabilities – provisions

	2016
Current	
Personnel services and related on-costs	
Annual leave entitlements including on-costs	5,519
Long service leave entitlements including on-costs	18,854
Other	
Compensation Court judges pension	1,800
	26,173
Non-current	
Long service leave entitlements including on-costs	423
Compensation Court judges pension	11,098
Restoration costs – leased buildings	1,923
	13,444
Total provisions	39,617

	2016
Aggregate employee benefits and related on-costs	
Provisions – current	24,373
Provisions – non-current	423
Accrued salaries, wages and on-costs Note 12)	213
	25,009

Provisions include amounts due to the Department of Finance, Services and Innovation (DFSI) for employee entitlements for leave and associated on-costs and superannuation. (Refer Note 1(j)(ii)).

AASB 101 Presentation of Financial Statements stipulates that liabilities must be classified as current where the agency does not have an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date. The entitlement to long service

leave once seven years' service has been reached by DFSI employees is unconditional and accordingly all of this leave and associated on-costs have been classified as current. Long service leave is recognised after five years and as the taking of this leave is conditional until seven years' service is reached this leave and associated on-costs have been classified as non-current.

It is expected that the current leave provisions and related on-costs will be settled over the following period:

	2016
	\$'000
<u>Expected to be settled no more than 12 months</u>	
Annual leave and related on-costs	5,519
Long service leave and related on-costs	1,431
	6,950
<u>Expected to be settled after more than 12 months</u>	
Long service leave and related on-costs	17,423

Movements in the provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Judges pension	Restoration on leased premises	Total
2016	\$'000	\$'000	\$'000
Carrying amount at the beginning of period	13,700	1,923	15,623
Amount used/provision derecognised	(1,500)	-	(1,500)
Unwinding of discount rate	300	-	300
Change in the discount rate	500	-	500
Changes in other actuarial assumptions	(102)	-	(102)
Carrying amount at end of period	12,898	1,923	14,821

Judges pensions

The *Compensation Court Repeal Act 2002* abolished the Compensation Court from 1 January 2004 and transferred the Court's jurisdiction to the Workers Compensation Commission. Certain matters such as coal miners' workers compensation disputes and Police "hurt on duty" matters were transferred to the residual jurisdiction of the District Court which was funded by the WorkCover Authority until 30 June 2005.

As WorkCover was responsible for funding the costs of the former Compensation Court it became responsible for funding the pension costs of retired judges of the former Compensation Court. With the abolishment of WorkCover these liabilities have been transferred to the Authority.

The key economic assumptions used in the valuation of the Judges Pension are:

	2016
	%
Discount rate	2.00
Future salary growth	2.50

14. Current/Non-Current Liabilities - Other (Outstanding claims)

(a) Details of the nature of outstanding claims are provided in Note 20.

The liability brought to account is the amount recommended by consulting actuaries determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The dissection of the total liability by Scheme is:

	2016
	\$'000
Insurer's Guarantee Fund comprising:	
- Non-HIH	83,219
- HIH Insurance Co. Ltd.	27,034
Total Insurer's Guarantee Fund	110,253
Nominal Defendant Fund	500
Total outstanding claims	110,753
Expected future claims payments	121,986
Claims handling expenses	31,541
Discount to present value	(42,774)
Liability for outstanding claims	110,753
Current	8,615
Non-current	102,138
Liability for outstanding claims	110,753
Outstanding claims valued in accordance with AASB 137	
Carrying amount at start of year	127,753
Amounts used	(15,221)
Finance cost - unwinding of the discount rate	1,610
Change in discount rate	6,722
Increase/(Decrease) in amounts provided	(10,111)
Carrying amount at end of year	110,753

(b) The weighted average expected term to settlement for the reporting date of the outstanding claims for each scheme is:

	2016
	Years
Insurer's Guarantee Fund	11.5

(c) The following average inflation and discount rates were used in measuring the liability for outstanding claims expected to be paid not later than one year:

	2016
	%
Inflation rate	2.50
Discount rate	1.63

(d) The following average inflation and discount rates were used in measuring the liability for outstanding claims expected to be paid later than one year:

	2016
	%
Inflation rate	1.00-3.50
Discount rate	1.49-3.35

(e) There is inherent uncertainty in any estimate of outstanding claims liabilities that limits its accuracy. The areas of uncertainty associated with the outstanding claims liability in these financial statements arise from the following:

- i. The actual model and method may not exactly match the claims process.
- ii. Past claim fluctuations may create uncertainty in the estimated model parameters.
- iii. Undetected errors in the data may result in errors in the model parameters.
- iv. Future economic and environmental conditions may be different to those assumed.
- v. Future claims fluctuations result in uncertainty of the projected liability, even if the model and its parameters were perfect.

15. Increase/(decrease) in net assets from equity transfers

	2016
	\$'000
Cash and deposits	129,931
Receivables	44,356
Investments	161,730
Property, plant and equipment	3,027
Other assets	1,251
Payables	(113,748)
Employee entitlements	(26,327)
Other provisions	(15,623)
Other liabilities	(127,753)
	56,844

The *State Insurance & Care Governance Act 2015* was proclaimed effective 1 September 2015 to implement structural changes to the NSW workers compensation system and related compensation agencies. The above assets and liabilities were transferred to the Authority from the WorkCover Authority of NSW.

16. Reconciliation of cash flows from operating activities to net result

	2016
	\$'000
Net cashflows from operating activities	(54,536)
Depreciation and amortisation	(1,427)
Allowance for Impairment	313
Gain/(Loss) on disposal of non-current assets	(175)
Unrealised investment income	5,945
<u>Change in assets and liabilities</u>	
Increase/(Decrease) in receivables: current	37,002
Increase/(Decrease) in receivables: non-current	-
Decrease/(Increase) in payables: current	13,878
Decrease/(Increase) in payables: non-current	(5,714)
Decrease/(Increase) in provisions: current	1,203
Decrease/(Increase) in provisions: non-current	1,130
Decrease/(Increase) in other liabilities: current	21,472
Decrease/(Increase) in other liabilities: non-current	(4,472)
Net result	14,619

17. Commitments for expenditure

	2016
	\$'000
Operating lease commitments	
Future non-cancellable operating lease rentals not provided for and payable:	
Not later than one year	6,867
Total (including GST)	6,867

Operating Lease commitments relate to premises at Gosford and multiple locations in the Sydney CBD.

Expenditure commitments for the Authority include input tax credits of \$624k are expected to be recoverable from the Australian Taxation Office.

18. Self-insurers and specialised insurers security deposits and bank guarantees

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

As of 30 June 2016, the Authority held deposits and bank guarantees to the value of \$1,343m. These deposits and guarantees are held for the payment of all accrued, continuing, future and contingent claims liabilities of self-insurers and specialised insurers under the Act which are not otherwise satisfied.

Money deposited with the Authority for this purpose is invested in 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.

A separate bank account for lodgement of cash deposits has been established and the balance of the account as at 30 June 2016 was \$346k.

A reconciliation of the movement in deposits and bank guarantees held by the Authority follows:

	2016
	\$m
Balance at beginning of period	1,404
Deposits and guarantees lodged	634
Deposits and guarantees returned	(695)
Balance at end of period	1,343

19. Contingent liabilities and contingent assets

A contingent liability is a possible liability that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Authority. The Authority does not recognise a contingent liability but discloses its existence where outflows of economic benefits are probable, but not virtually certain. A contingent asset is the opposite of a contingent liability.

The Authority does not have any known contingent liabilities or assets at reporting date.

20. Restricted assets and liabilities (funds)

The Authority has direction and management responsibilities for a number of funds. These funds are mutually exclusive. For this reason these funds are viewed as being “restricted” and the assets and liabilities in each fund cannot be utilised by the Authority for any other purpose than that specified in the legislation that created these funds.

Details of the operations of these funds are disclosed in the financial statements following these notes.

These funds are:

a. Workers Compensation Operational Fund

This fund is constituted under Section 34 of the *Workplace Injury Management and Workers Compensation Act 1998*. It is funded from contributions by insurers and self-insurers and it meets the Authority's operating expenses as well as payments to the Workers' Compensation Commission responsible for the determination of workers compensation disputes and payments to the Workers Compensation Independent Review Officer (WIRO) to deal with complaints made.

b. Insurers' Guarantee Fund

As a consequence of National Employers' Mutual General Insurance Association Limited being placed into provisional liquidation on 1 May 1990, the Insurers' Guarantee Fund was established. Contributions from insurers and distributions by the liquidators are applied to meet the claims costs and administrative expenses of the fund.

The fund also meets the cost of the run-off of remaining claims liabilities of the HIH Insurance Group, the Greatlands General Insurance Co Ltd, Bishopsgate Insurance Australia Ltd, Associated General Contractors Insurance Co Ltd and Rural & General Insurance Limited.

c. Motor Accidents Operational Fund

This fund is constituted under Section 212 of the *Motor Accidents Compensation Act 1999*. It is funded from levies on Compulsory Third Party (CTP) premiums and it meets the Authority's operating expenses as well as fees to the Roads and Maritime Service to coordinate registration and insurance of motor vehicles and to the Minister for Health and the Ambulance Service of NSW for hospital and ambulance services to persons with claims under the *Motor Accidents Compensation Act 1999*.

d. Nominal Defendant Fund

Under the *Motor Accidents Compensation Act 1999*, the Nominal Defendant meets CTP claims from policies issued by insolvent insurers. For the purposes of the Act, the Authority is the Nominal Defendant. Following the collapse of HIH Insurance Limited (HIH), the Nominal Defendant became responsible for the liabilities owed to policyholders. The Nominal Defendant is also entitled to recoveries by the liquidator of HIH from reinsurers of HIH. The Authority engaged Allianz Australia Insurance Limited to manage the claims on its behalf. A management fee of approximately 10 per cent on costs incurred is paid to Allianz. A Variation Agreement to Claims Management and Agency Agreement with provisions for incentives based on performance in claims management against the industry standard was signed on 5 January 2005. At 30 June 2016, the HIH liabilities were valued by an independent claims assessor.

Funds held by the Nominal Defendant are only able to be used to meet the obligation of the Nominal Defendant and cannot be used to meet the Authority's operational requirements

e. Terrorism Re-insurance Fund

Section 239AE of the *Workers Compensation Act 1987* provides for the establishment of a Terrorism Re-insurance Fund on the first occasion (if any) that a declaration is made under Section 239AD of the Act.

The purpose of the fund is to meet the cost of workers compensation liabilities of an insurer and/or a self-insurer arising from an act of terrorism.

No declaration has been made under section 239AD and accordingly, the fund has not been established as at the reporting date.

Statement of comprehensive income for the period ended 30 June 2016

	Workers Compensation Operational Fund	Insurers' Guarantee Fund	Motor Accidents Fund	Nominal Defendant Fund	TOTAL
	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses including losses					
Operating expenses					
Personnel services	51,255	-	10,738	-	61,993
Other operating expenses	24,835	1,271	23,634	608	50,348
Depreciation and amortisation	1,040	1	386	-	1,427
Grants and subsidies	219	-	3,419	-	3,638
Finance costs	300	1,610	-	-	1,910
Other expenses	70,760	6,371	132,708	12,425	222,264
Total expenses excluding losses	148,409	9,253	170,885	13,033	341,580
Revenue					
Retained taxes, fees and fines	37,854	53	177,010	-	214,917
Investment revenue	604	9,151	751	463	10,969
Sale of goods and services	46,278	-	-	-	46,278
Grants and contributions	70,292	-	-	-	70,292
Other revenue	938	49	48	12,570	13,605
Total revenue	155,966	9,253	177,809	13,033	356,061
Gain/(loss) on disposal	(175)	-	-	-	(175)
Other gains/(losses)	313	-	-	-	313
Net result	7,695	-	6,924	-	14,619
TOTAL COMPREHENSIVE INCOME	7,695	-	6,924	-	14,619

Statement of financial position as at 30 June 2016

	Workers Compensation Operational Fund	Insurers' Guarantee Fund	Motor Accidents Fund	Nominal Defendant Fund	TOTAL
	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	(247)	16,693	47,688	7,556	71,690
Receivables	56,974	593	22,589	1,195	81,351
Financial assets at fair value	-	169,498	-	-	169,498
Total current assets	56,727	186,784	70,277	8,751	322,539
Non-current assets					
Property, plant and equipment					
- Plant and equipment	1,992	3	163	-	2,158
Total property, plant and equipment	1,992	3	163	-	2,158
Intangible assets	762	-	69	-	831
Total non-current assets	2,754	3	232	-	2,989
Total assets	59,481	186,787	70,509	8,751	325,528
LIABILITIES					
Current liabilities					
Payables	5,939	1,316	7,448	923	15,626
Provisions	21,395	-	4,778	-	26,173
Other	-	8,115	-	500	8,615
Total current liabilities	27,334	9,431	12,226	1,423	50,414
Non-current liabilities					
Payables	5,523	75,218	-	7,328	88,069
Provisions	12,593	-	851	-	13,444
Other	-	102,138	-	-	102,138
Total non-current liabilities	18,116	177,356	851	7,328	203,651
Total liabilities	45,450	186,787	13,077	8,751	254,065
Net assets	14,031	-	57,432	-	71,463
EQUITY					
Accumulated funds	14,031	-	57,432	-	71,463
Total equity	14,031	-	57,432	-	71,463

Statement of cash flows for the period ended 30 June 2016

	Workers Compensation Operational Fund	Insurers' Guarantee Fund	Motor Accidents Fund	Nominal Defendant Fund	TOTAL
	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Personnel services	(53,676)	-	(10,447)	-	(64,123)
Grants and subsidies	(219)	-	(3,419)	-	(3,638)
Other	(105,904)	(3,851)	(172,493)	(33,496)	(315,744)
Total payments	(159,799)	(3,851)	(186,359)	(33,496)	(383,505)
Receipts					
Sale of goods and services	277	-	-	-	277
Retained taxes, fees and fines	39,638	-	171,818	-	211,456
Interest received	1,032	3,205	751	463	5,451
Grants and contributions	69,946	-	-	-	69,946
Other	7,539	-	233	34,067	41,839
Total receipts	118,432	3,205	172,802	34,530	328,969
NET CASH FLOWS FROM OPERATING ACTIVITIES	(41,367)	(646)	(13,557)	1,034	(54,536)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(308)	-	(48)	-	(356)
Purchase of investments	-	(7,435)	-	-	(7,435)
Proceeds from the sale of investments	-	4,086	-	-	4,086
NET CASH FLOWS FROM INVESTING ACTIVITIES	(308)	(3,349)	(48)	-	(3,705)
NET INCREASE/(DECREASE) IN CASH	(41,675)	(3,995)	(13,605)	1,034	(58,241)
Opening cash and cash equivalents	-	-	-	-	-
Cash transferred in as a result of administrative restructure	41,428	20,688	61,293	6,522	129,931
CLOSING CASH AND CASH EQUIVALENTS	(247)	16,693	47,688	7,556	71,690

21. Financial instruments

The Authority's principal financial instruments are outlined below. These financial instruments arise directly from the Authority's operations or are required to finance the Authority's operations. The Authority does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The Authority's main risks arising from financial instruments are outlined below, together with the Authority's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Authority's Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Authority to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee on a continual basis.

(a) Financial instrument categories

		Category	Carrying amount 2016
Financial assets	Notes		\$'000
Class:			
Cash and cash equivalents	6	N/A	71,690
Receivables ¹	7	At amortised cost	4,186
Financial assets at fair value	8	At fair value through profit or loss – designated as such upon initial recognition	169,498
Financial liabilities			
Class:			
Payables ²	12	Financial liabilities (at amortised cost)	12,935

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

(b) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Authority. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Authority, including cash, receivables and other deposits. No collateral is held by the Authority. The Authority has not granted any financial guarantees.

Credit risk associated with the Authority's financial assets, other than receivables, is managed through a selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand, balances held at private financial institutions, term deposits with a maturity of less than 12 months and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury. The TCorp Hourglass cash facility is discussed below.

Receivable - trade debtors

All trade debtors are recognised as amounts receivable as at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Authority will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions. There is no independently assessed rating of the clients other than past experience and their compliance with credit terms, these credit terms are monitored by management on a monthly basis. No interest is earned on trade debtors. Sales are made on 14 day terms.

The Authority is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2016 \$3.4m) and less than 30 days past due (2016 \$568k) are not considered impaired. Together, these represent 95% of the total trade debtors.

Details of the Authority's past due debtors follows:

	Total	Past due but not impaired	Considered impaired
	\$'000	\$'000	\$'000
< 3 months overdue	212	212	-
3 months - 6 months overdue	1	1	-
> 6 months overdue	-	-	-

Notes:

1. Each column in the table reports 'gross receivables'
2. The aging analysis excludes statutory receivables, as they are not within the scope of ASSB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

Authority deposits

The Authority has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 1.75%, while over the year the weighted average interest rate was 1.99% on a weighted average balance during the year of \$2.077m. None of these assets are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The Authority does not have any loans payable and no assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on the current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular NSWTC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid, automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Chief Executive Officer or their nominated delegate may automatically pay the supplier simple interest. There was \$nil interest payments made for late payment of accounts in 2016.

The table below summarises the maturity profile of the Authority's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Weighted average effective interest rate	Nominal amount ¹	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 year	1-5 years	> 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	N/A	12,935	-	-	12,935	12,935	-	-

Notes :

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Authority can be required to pay. The tables include both interest (if applicable) and principal cash flows and therefore may not reconcile to the statement of financial position.

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Market risk arises as a result of the Authority holding and trading investments as part of its asset allocation.

The Authority seeks to manage exposure to market risk so that it can generate sufficient returns to meet its current and future liabilities and mitigate the risk that the Authority's investments will be insufficient to meet such liabilities. The Authority's portfolio of investments is invested in accordance with its strategic asset allocation. The goal of the strategic asset allocation is to construct a portfolio that achieves the Authority's investment objectives including a return in excess of the liability discount rate while limiting the probability of large declines in the Authority's funding ratio.

The actual asset allocations can deviate from the benchmark asset allocation due to:

- the Authority cash flows
- fluctuations in market prices
- dynamic asset allocation decisions.

Dynamic asset allocation refers to medium term shifts away from the strategic asset allocation which are designed to capture market opportunities or to mitigate risks. The deviations in actual versus benchmark asset allocation at the end of the reporting period were within the agreed tolerance limits for all asset classes.

The Authority's asset consultant conducts the risk budgeting analysis utilising:

- assumptions regarding the expected level of return, risk and correlations between price and wage inflation, bond yields and returns from different asset classes (for example equities, bonds, property, alternative assets)
- assumptions regarding the duration of inflation-linked and other liabilities consistent with those used by the Authority Actuary.

The analysis incorporates scenario analysis to determine the risk and return of different investment strategies relative to the change in the liabilities over a period. The analysis is primarily used to compare different investment strategies, and then to determine the investment strategy that has the appropriate level of risk, given the risk and return objectives of the Authority.

The risk budgeting analysis is based on certain simplifying assumptions such as statistical characteristics of investment returns, volatilities and correlations, that may not represent actual outcomes. It is also important to note that the analysis only allows for some economic factors such as inflation and bond yields, which affect the value of the Authority liabilities. It does not allow for other factors such as the claims loss ratio, claims incidence and recovery rates, which also affect the value of the Authority's liabilities. As such, the analysis may not be accurate in its assessment of the liability.

Interest rate risk

The Authority's exposure to interest rate risk is set out below.

	-1.00%	1.00%			
	Carrying amount	Profit or loss	Equity	Profit or loss	Equity
2016	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Cash and cash equivalents	71,690	(717)	(717)	717	717

Other price risk - TCorp investment

Exposure to other price risk primarily arises through the investment in the TCorp Hour-Glass Investment facilities which are held for strategic rather than trading purposes. The Authority has no direct equity investments. The Authority holds units in the following Hour-Glass and investment trusts.

Facility	Investment sectors	Investment horizon	2016
			\$'000
Cash facility	Cash and money market instruments	Up to 1.5 years	3,327
Australian equities	Australian shares	7 years and over	24,698
International equities	International shares	7 years and over	18,557
International equities hedged	International shares hedged	7 years and over	6,324
Emerging market equities	Emerging market shares	7 years and over	5,530
Unlisted property	Unlisted property	7 years and over	9,666
Listed property	Listed property	7 years and over	5,653
HG unlisted infrastructure	Infrastructure	7 years and over	3,049

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits the Authority's exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95% probability). The TCorp Hour-Glass investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

Facility	Change in unit price		Impact on profit or loss
	2016		2016
		%	\$'000
Hour-Glass investment - Cash facility	+/-	1	33
Hour-Glass investment - Australian shares sector	+/-	28	6,915
Hour-Glass investment International shares sector-	+/-	24	4,454
Hour-Glass investment - International shares hedged sector	+/-	15	949
Hour-Glass investment - Emerging market shares sector	+/-	19	1,051
Hour-Glass investment -Unlisted property sector	+/-	5	483

Facility	Change in unit price		Impact on profit or loss
	2016		2016
	%		\$'000
Hour-Glass investment - Listed property sector	+/-	38	2,148
Hour-Glass investment - Unlisted infrastructure sector	+/-	8	244

However, given the legislative guarantee of funding for the Insurer's Guarantee Fund (IGF) holdings, the sensitivity analysis above will not impact on the Authorities net result.

(e) Fair value measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. The amortised cost of financial instruments recognised in the statement of financial position approximates fair value, because of the short-term nature of many of the financial instruments.

(ii) Fair value recognised in the statement of financial position

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2016				
Financial assets at fair value				
Indexed and interest bearing securities	95,102	878	-	95,980
Unit trusts	-	73,477	-	73,477
Derivatives	41	-	-	41
Total	95,143	74,355	-	169,498

(The tables above include only financial assets, as no financial liabilities were measured at fair value in the statement of financial position.)

There were no transfers between level 1 and 2 during the periods.

The value of the Hour-Glass Investments is based on the Authorities share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

End of financial statements

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Appendix 1: Legislation

Principal legislation under which statutory body operates

From 1 September 2015, the following legislation was allocated to the Minister for Innovation and Better Regulation:

- the *State Insurance and Care Governance Act 2015* (Part 3 and Schedule 3, and Parts 1 and 4 and Schedule 4 so far as they relate to the State Insurance Regulatory Authority)
- *Motor Accidents Act 1988* No 102
- *Motor Accidents Compensation Act 1999* No 41
- *Workplace Injury Management and Workers Compensation Act 1998* (except parts; sections 368, 369 and 373 and Schedule 5, allocated to the Attorney General)
- *Workers Compensation Act 1987* (except Part 4 and Division 1A of Part 7, allocated to Minister for Finance Services and Property)
- *Bishopsgate Insurance Australia Limited Act 1983*.

Changes in Acts and subordinate legislation

Acts

- *Workers Compensation Amendment Act 2015*
- *State Insurance and care Governance Amendment (Investment Management) Act 2015*

Subordinate legislation

- State Insurance and Care Governance Regulation 2015
- Insurance and Premiums Order (Retro-Paid Loss Premium Method) 2015-2016
- Workers Compensation Amendment (Weekly Payments) Regulation 2015.

- Workers Compensation Amendment (Latest Index Number) Regulation (No 2) 2015
- Workers Compensation Amendment (Existing Claims) Regulation 2015
- Workers Compensation Amendment (Consequential Amendments) Regulation 2015
- Workers Compensation Amendment (Lump Sum Compensation Claims) Regulation 2015
- Workers Compensation Amendment (Transitional Provisions) Regulation 2015
- Workers Compensation Amendment (Death Benefits) Regulation 2015
- Workers Compensation Amendment (Latest Index Number) Regulation 2016
- Workers Compensation Amendment (Return to Work Assistance) Regulation 2016
- Workers Compensation Amendment (Premiums) Regulation 2016.

Significant judicial decisions

Cram Fluid Power Pty Ltd v Green [2015] NSWCA 250

The 2012 amendments to the NSW workers compensation legislation imposed a 'one claim only' limit on claims for permanent impairment lump sum compensation.

Although validity of the 2012 amendments to the lump sum compensation provisions was upheld by the High Court decision in *ADCO Constructions v Goudappel*, there was still some uncertainty about how the one claim limit should apply in specific situations.

Cram Fluid Power v Green makes it clear that the one claim limit applies to prevent a second claim from 19 June 2012 by a worker who made a claim for lump sum compensation prior to 19 June 2012 which was resolved.

The Workers Compensation Amendment (Lump Sum Compensation Claims) Regulation 2015 responded to the decision in *Cram*, by enabling injured workers who made a claim for lump sum compensation before 19 June 2012 to make one further claim if their condition deteriorates.

Sabanayagam v St George Bank Ltd [2016] NSWCA 145

The Court of Appeal decision in *Sabanayagam* overturned a decision by the Deputy President of the Workers Compensation Commission, (the Commission) which had held that a notice under section 74 denying liability issued by an insurer contained an 'implied' work capacity decision.

The *Sabanayagam* decision clarified the differences between an insurer's Work Capacity Decision and the decision to deny liability for a claim as referred to in section 74. The two types of decision are governed by different provisions in the legislation and are subject to different forms of review.

The matter was remitted back to the Commission for re-determination in accordance with the court's decision.

CSR Limited v Busbridge [2015] NSWSC 1268

CSR Limited (CSR), a self-insurer, sought judicial review of a decision of the WorkCover Merit Review Service in relation to a worker. The former WorkCover Authority was the second defendant in the matter and had filed a submitting appearance.

CSR was unsuccessful in its application for review and its summons was dismissed with costs. The court concluded that the

WorkCover Merit Review Service reviewer had not misunderstood her statutory task, reached a decision that was lawfully open to her, and had not failed to afford procedural fairness to CSR.

Scott v Insurance Australia Limited [2015] NSWSC 1249

In this matter the Supreme Court (constituted by Campbell J) decided that a dispute regarding the appropriateness of gratuitous attendant care services provided to an injured person was not a "medical assessment matter" for the purposes of section 58 of the *Motor Accidents Compensation Act 1999* and, as such, could not be the subject of a medical assessment conducted under Part 3.4 of the Act.

Attendant care provided by a medical or paramedical professional, would on his Honour's judgment, still constitute a medical dispute for the purposes of Chapter 3. This decision was contrary to assumptions underlying a number of previous decisions. This matter resulted in approximately 80 gratuitous attendant care disputes being put on hold pending the outcome of an appeal.

Insurance Australia Ltd t/as NRMA v Scott [2016] NSWCA 138

The Insurer appealed the orders of Campbell J. The Court of Appeal overturned the decision of Campbell J and clarified a number of issues surrounding attendant care services namely:

1. The definition of attendant care services in section 3 of the Act is not confined to treatment that is to be professionally provided (and paid for).
2. The itemisation of particular types of treatment included in the definition of "treatment" in section 42 is not to be read as drawing any distinction between paid/gratuitous or professional/voluntary services.

3. The existence of a medical dispute is not a jurisdictional fact to be determined by a Court but rather it is a matter to be reasonably determined by the Proper Officer.

The remaining gratuitous attendant care disputes which were on hold during the Appeal process are being allocated to medical assessors and determined by the Motor Accidents Medical Assessment Service.

Appendix 2: Numbers and remuneration of senior executives

Band	Number
Band 1	
Male	7
Female	14
Total	21
Average remuneration	\$161,121
Band 2	
Male	2
Female	1
Total	3
Average remuneration	\$244,543
Band 3	
Male	-
Female	-
Total	-
Average remuneration	-
Senior executives	
Male	9
Female	15
Total	24
Employee-related costs	
Executive	\$4,855,302
Non-Executive	\$29,204,737
Total	\$34,060,039
%	14.26%

Appendix 3: Government Information (Public Access) applications

We fulfil our obligations under the *Government Information (Public Access Act) 2009* (GIPA Act) to make government information more accessible. SIRA's Right to Information Unit administers and fulfils our obligations under the GIPA Act.

Like most other agencies in the past year, SIRA continued to charge fees for requests to access government information our agency holds.

Formal access applications

Six access applications were received during the 2015/16 reporting period. This includes withdrawn applications,

but not invalid applications. No access applications were refused. Five applications were received from members of the public via a legal representative. Two of these were granted access in full; two were granted access in part, and in one case we did not hold the information.

A member of the public also applied for access to information and was granted access in part.

We received no applications for access to information in 2015/16 by the media, members of Parliament, private sector business, or not-for-profit organisations or community groups.

Table A: Number of applications by type of application and outcome

Outcome	Personal information applications (under clause 4 of schedule 4 to the GIPA Act)	Access applications (other than personal information applications)	Access applications that are partly personal information applications and partly other	Total
Access granted in full			4	4
Access granted in part		2		2
Access refused in full				
Information not held				
Information already available				
Refuse to deal with application				
Refuse to confirm/deny whether information is held				
Application withdrawn				
Total		2	4	6

Table B: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table C: Conclusive presumption of overriding public interest against disclosure: matters listed in schedule 1 of the Act

Reason	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information†	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table D.

† Excluded information includes excluded from Agency only (not excluded due to being held by the Nominal Insurer).

Table D: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

Consideration	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	2
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under Freedom of Information legislation	0
Total	3

Table E: Timeliness

Timeframe	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	6
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	6

Authorised proactive release of government information

Under section 7(3) of the GIPA Act, at least every 12 months we are required to review our program for the proactive release of government information that is considered to be in the public interest without imposing unreasonable costs to the agency.

How the agency carried out the review

During the 2015/16 financial year, our Right to Information Team raised awareness of the importance of proactively releasing information and identifying information that could be proactively released, including any new information created or received.

Information released as a result of the review included:

- submissions received in response to consultations
- information about the 2015 workers compensation benefit reforms
- SIRA Board meeting communiques
- CTP Fraud Taskforce terms of reference and meeting communiques
- *A report on CTP fraud: Deterring fraudulent and exaggerated claims in the NSW CTP insurance scheme*
- *On the road to a better CTP scheme CTP reform position paper*

We primarily use our website to release information free of charge that is considered to be in the public interest, including forms, publications, codes, guides, manuals, policies and reports, as well as the Insurance Premium Order, annual report, actuarial valuation of outstanding claims liability for the NSW Workers Compensation Nominal Insurer conducted twice a year for the periods ending 30 June and 31 December and *Workers Compensation Benefits Guide*.

These documents can also be accessed by contacting the Customer Service Centre on 13 10 50. In addition, we use our website to provide ready access to media releases, fact sheets and frequently asked questions. SIRA also used social media to pilot a campaign to increase awareness of CTP fraud in Sydney's south west.

In 2015/16, the majority of access applications we received related to insurance policy information. During the year, the Right to Information Team looked at which information was repeatedly released to determine whether there was a public interest in making that information publicly available. No repeated information was identified to be in the public interest to proactively release.

In 2016/17 we will:

- continue to review all new records to determine information that can be made publicly available
- update our GIPA webpage
- review our Policy Document Register
- maintain the Disclosure Log.

Appendix 4: Privacy and personal information

In the course of carrying out our functions, SIRA collects, retains, stores, uses and discloses personal and health information about individuals every day.

The *Privacy and Personal Information Protection Act 1998* and *Health Records and Information Privacy Act 2002* deal with how all NSW public sector agencies must manage personal and health information.

All personal information we hold is managed in accordance with NSW privacy legislation. This includes all types of records in any format such as paper and electronic documents, data in business information systems, verbal decisions, and objects such as photographs, maps, evidence and samples.

Examples of personal details include names, dates of birth, residential addresses, drivers' licences, financial information, bank account details, wage records, work histories, medical certificates and health information.

Our Privacy Management Plan – available at sira.nsw.gov.au – guides our employees in their management of personal and health information.

During the 2015/16 financial year, no applications were received under privacy legislation.

Appendix 5: Response to significant matters raised in the outgoing audit report

There were no significant matters raised in the outgoing audit report.

Appendix 6: Accounts payable performance 2015/16

Description	Invoices	Value
Goods and services payments within 30 days	7,475	\$40,465,637.17
Goods and services payments exceeding 30 days	140	\$1,956,420.81
Total goods and services payments	7,615	\$42,422,057.98
Percentage exceeding 30 days	2%	5%
Small business payments within 30 days	187	\$226,595.84
Small business payments exceeding 30 days	2	\$1,287.91
Small business total payments	189	\$227,883.75
Small business - percentage exceeding 30 days	1%	1%

Monthly data

Description	October 2015		November 2015		December 2015	
	No.	Value	No.	Value	No.	Value
Goods and services payments within 30 days	205	\$287,569.39	913	\$3,791,136.71	809	\$4,555,714.55
Goods and services payments exceeding 30 days	5	\$172,087.52	27	\$429,256.33	10	\$164,554.69
Total goods and services payments	210	\$459,656.91	940	\$4,220,393.04	819	\$4,720,269.24
Percentage exceeding 30 days	2%	37%	3%	10%	1%	3%
Small business payments within 30 days	10	\$41,759.80	22	\$21,776.21	24	\$22,541.13
Small business payments exceeding 30 days	0	\$0.00	1	\$852.50	0	\$0.00
Small business total payments	10	\$41,759.80	23	\$22,628.71	24	\$22,541.13
Small business - percentage exceeding 30 days	0%	0%	0%	0%	0%	0%

Description	January 2016		February 2016		March 2016	
	No.	Value	No.	Value	No.	Value
Goods and services payments within 30 days	819	\$3,236,137.46	866	\$4,427,204.29	844	\$4,548,003.80
Goods and services payments exceeding 30 days	22	\$1,084,642.34	4	\$4,221.82	1	\$245.00
Total goods and services payments	841	\$4,320,779.80	870	\$4,431,426.11	845	\$4,548,248.80
Percentage exceeding 30 days	3%	25%	0%	0%	0%	0%
Small business payments within 30 days	20	\$15,316.64	27	\$22,345.29	21	\$12,058.25
Small business payments exceeding 30 days	0	\$0.00	0	\$0.00	0	\$0.00
Small business total payments	20	\$15,316.64	27	\$22,345.29	21	\$12,058.25
Small business - percentage exceeding 30 days	0%	0%	0%	0%	0%	0%

Description	April 2016		May 2016		June 2016	
	No.	Value	No.	Value	No.	Value
Goods and services payments within 30 days	854	\$4,880,365.90	1,146	\$6,141,151.18	1,019	\$8,598,353.89
Goods and services payments exceeding 30 days	16	\$52,027.29	1	\$167.42	54	\$49,218.40
Total goods and services payments	870	\$4,932,393.19	1,147	\$6,141,318.60	1,073	\$8,647,572.29
Percentage exceeding 30 days	2%	1%	0%	0%	5%	1%
Small business payments within 30 days	18	\$9,317.54	22	\$53,611.84	23	\$27,869.14
Small business payments exceeding 30 days	1	\$435.41	0	\$0.00	0	\$0.00
Small business total payments	19	\$9,752.95	22	\$53,611.84	23	\$27,869.14
Small business - percentage exceeding 30 days	0%	0%	0%	0%	0%	0%

Appendix 7: Overseas travel

SIRA Chief Executive Anthony Lean travelled to Massachusetts in the United States of America from 20 to 25 March 2016 to attend a course of study at the Harvard Kennedy Business School as required by the NSW Leadership Academy. The Public Service Commission funded the \$14,975 study trip. There was no cost to SIRA.

Appendix 8: Consultants

A consultant is an individual, or organisation, engaged to provide recommendations or high level specialist or professional advice to assist in the decision-making by management. Their role is advisory in nature.

Vendor	Description	Total
Ernst & Young	Actuarial consulting services	\$3,982,177
GRACosway Pty Ltd	Consultancy services relating to statutory insurance schemes	\$359,439
The Trustee for John Trowbridge Consulting Trust	Consultancy services relating to statutory insurance schemes	\$279,000
PricewaterhouseCoopers Actuarial Pty Ltd	Actuarial consulting services	\$267,090
Taylor Fry Consulting Actuaries	Actuarial consulting services	\$261,076
Deloitte Touche Tohmatsu	Review of the Workers Compensation Commission case management system	\$93,465
The Trustee for Aceni Group Trust	Better Regulation Division restructure and change management plans	\$89,120
PricewaterhouseCoopers Actuarial Pty Ltd	Actuarial consulting services (workers compensation regulation)	\$85,790
Finity Consulting	Actuarial consulting services	\$50,000
Total greater than \$50,000		\$5,467,158
Plus 35 consultants \$50,000 and under		\$270,540
	Organisational review	\$160,792
	Finance and accounting /tax	\$35,531
	Legal	\$1,050
	Management services	\$71,667
	Training	\$1,500
Total consultants		\$5,737,698

Appendix 9: Land disposal

SIRA did not dispose of any property in 2015/16.

Appendix 10: Board meetings

The SIRA Board met seven times during the reporting period. Meeting dates included 13 October 2015, 7 December 2015, 9 February 2016, 7 March 2016, 5 April 2016, 9 May 2016 and 6 June 2016.

Mr Hoffman and Mr Lean attended seven Board meetings, Mr Matthews and Ms Milne attended six, and Dr Bloom attended five.

Appendix 11: Grants

Motor Accidents Insurance Regulation grants

Recipient	Details	Nature	Amount
St Vincent's Hospital Sydney	A randomised controlled trial to evaluate an acute rehabilitation initiative after trauma	Research	\$62,896
Macquarie University	Examining the factors for successful return to work after a moderate traumatic brain injury	Research	\$34,627
Macquarie University	A randomised control trial assessing the efficacy of an internet delivered chronic pain program compared to clinician and paper based program delivery (phase 2)	Research	\$26,581
The University of Sydney	A prospective cohort study of 2,400 people to identify individual and system factors influencing the health and social outcomes of people injured in a motor vehicle accident, with follow-up two years after injury	Research	\$185,000
University of New England	Evidence based practice by psychologists within the NSW CTP scheme	Service Development	\$20,000
Liverpool Hospital - South Western Sydney Local Health Network	Post-Doctoral Fellowship	Research	\$27,750

Recipient	Details	Nature	Amount
The University of Sydney	Does evidence based management of whiplash after motor vehicle crashes differ between service providers?	Research	\$2,680
The University of Sydney	Development of an online package to support a clinical pathway of care for acute whiplash	Research	\$8,000
Griffith University	A randomised controlled trial to test if the recommended pathway of care for acute whiplash is effective	Research	\$36,750
The George Institute for Global Health	Examining the impact of road trauma on older people	Research	\$10,162
The University of Sydney	Develop and evaluate a training manual for use by selected health care providers to conduct small group online skills training webinars	Service Development	\$2,000
Mid North Coast Local Health District	Mid North Coast Brain Injury Rehabilitation Service Concussion Clinic	Service Development	\$7,450
Hunter New England Local Health District	Evaluate the service gaps and needs of children and young people with mild to moderate traumatic brain injury in the Hunter region.	Service Development	\$7,450
The University of Sydney	Exploring the feasibility of text messaging to support people with chronic whiplash	Research	\$1,500
Northern Sydney Local Health District	John Walsh Centre for Rehabilitation Research will develop an interdisciplinary centre of academic excellence in injury-related disability, rehabilitation and the impact of compensation on recovery	Research	\$532,719
Northern Sydney Local Health District	Adding whiplash and orthopaedic exercises to the Physiotherapy Exercises website	Education	\$44,913

Recipient	Details	Nature	Amount
Whitlam Orthopaedic Research Institute	A randomised control trial of mild opioids vs strong opioids for the treatment of post-discharge pain after surgical fracture management	Research	\$174,617
Australian Injury Prevention Network	Australasian Injury Prevention And Safety Promotion Conference	Education	\$13,636
Transport for NSW	Collaboration with the NSW Centre for Road Safety to prevent and minimise road trauma and improve road safety through the <i>NSW Road Safety Strategy 2012-2021</i> .	Research/Education	\$1,917,725
icare Lifetime Care & Support	The Vocational Intervention Program is trialling two intervention approaches in rural and metropolitan brain injury rehabilitation units in NSW.	Service development and evaluation	\$196,011
St Vincent's Hospital	This study aims to target those people unable to access face-to-face rehabilitation and allied health services. Patients will receive a tele-health consultation with a rehabilitation physician	Research	\$39,498
Illawarra Shoalhaven Local Health District	Investigation of return to safe driving using driver simulation technology	Research	\$10,700
The University of Sydney	Evaluating a wellness program that aims to prevent psychological distress after motor vehicle accidents	Research	\$59,852
The University of Queensland	Support an evidence database for occupational therapy (phase 3)	Service development	\$9,934
Western Sydney Local Health District	To analyse if interdisciplinary simulated trauma team training translates into better patient outcomes and trauma team functioning	Research	\$6,000
TOTAL			\$3,418,554

Other grants

Recipient	Details	Nature	Amount
CGA Consulting NSW Pty Ltd	Benchmarking value	Research	\$70,940
Northern Sydney Local Health District	Addition of hand exercises to www.physiotherapyexercises.com	Research	\$25,000
University of Wollongong	Respiratory protection: Are our standards protecting workers?	Research	\$32,004
University of NSW	Queuing and waiting arrangements for long distance truck drivers	Research	\$29,992
Employment Research Australia	Work, health and safety of NSW homecare workers	Research	\$82,301
Ingham Institute for Applied Medical Research	Spine surgery audit	Research	\$37,388
AMOG Pty Ltd	Licensing of major hazard facilities: regulation versus red tape	Research	\$149,350
Global Access Partners Pty Ltd	Early return to work: roundtable series	Research	\$10,000
TOTAL			\$217,894

Appendix 12: Publication notes

The cost of producing this annual report was \$2125 (excluding GST).

A copy of the SIRA annual report 2015/16 can be downloaded from onegov.nsw.gov.au

Acronyms

AASB	Australian Accounting Standards Board
ANZSOG	Australia and New Zealand School of Government
CARS	Claims Assessment and Resolution Service
CTP	compulsory third party
DFSI	Department of Finance, Services and Innovation
GIPA Act	<i>Government Information (Public Access Act) 2009</i>
HBCF	Home Building Compensation Fund
icare	Insurance & Care NSW
IGF	Insurers' Guarantee Fund
ISMS	Information Security Management System
ILARS	Independent Legal Aid Referral Service
LIBPG	Licensed Insurer Business Plan Guidelines
MAIR	Motor Accidents Insurance Regulation
MAS	Medical Assessment Service
MPPG	Market Practice and Premiums Guidelines
MRS	Merit Review Service
NDF	Nominal Defendant Fund
PIDA	<i>Public Interest Disclosures Act 1994</i>
RTW	return to work
RBR	reference base rate
RMS	Roads & Maritime Services
SICG Act	<i>State Insurance and Care Governance Act 2015</i>
SIRA	State Insurance Regulatory Authority
TMF	Treasury Managed Fund
VIP	Vocational Intervention program
WCD	work capacity decision
WCC	Workers Compensation Commission
WIRO	Workers Compensation Independent Review Office

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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

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