

The Hon Daniel Mookhey MLC
Treasurer



Our ref: BN2501481

Mr Steven Reynolds
Clerk of the Parliaments and Clerk of the Legislative Council
NSW Parliament House

Re: Government response to the inquiry *Workers Compensation Legislation Amendment Bill 2025 and the Workers Compensation Legislation Amendment (Reform and Modernisation) Bill 2025*

Dear Mr Reynolds

I write to provide the NSW Government's response to the Legislative Council Public Accountability and Works Committee's final report on its inquiry into *Workers Compensation Legislation Amendment Bill 2025 and the Workers Compensation Legislation Amendment (Reform and Modernisation) Bill 2025*.

The NSW Government notes the findings and recommendations of the report.

On 18 November 2025, the NSW Parliament passed the *Workers Compensation Legislation Amendment Bill 2025*. The Bill addressed issues that were examined throughout the course of the inquiry, and incorporated provisions that were informed by extensive consultation with stakeholders, including:

- the establishment of a Ministerial Advisory Group to give advice on the needs of persons affected by serious work-related injuries, comprising injured workers, union representatives, and the Independent Review Officer, acknowledging the importance of understanding the lived experience of injured workers
- a schedule of technical, agency-led, expert-led and Parliamentary reviews to continue and lay the foundations for ongoing improvement, including provisions for review by an expert panel, followed by a review by a Joint Select Committee
- establishing a framework for workers to obtain a single binding assessment of their degree of impairment, so that workers will no longer be subjected to separate assessments, reducing the need for workers to re-tell their story to prevent additional distress
- measures to reduce the number of claims at entry points to the scheme, while creating new pathways for workers to address workplace bullying, harassment and discrimination as an employment matter before an injury results. This encompasses the introduction of relevant event as the basis for a primary psychological injury claim, strengthening the role of the Industrial Relations Commission, alongside complementary measures in industrial relations, workplace safety and prevention
- the introduction of a merit-based test for the Independent Legal Assistance and Review Service (ILARS) to ensure that funds are dispensed when there is genuine merit to a

matter, and are granted in a way that considers the benefit to workers and the sustainability of the scheme

- the requirement that insurers must provide a certificate from their lawyer certifying that a matter has reasonable prospects of success and that legal costs are proportionate when contesting a claim in the Personal Injury Commission, or another Commission, Court, or Tribunal.

The Workers Compensation Legislation Amendment (Reform and Modernisation) Bill 2025 progresses the agreement that builds on the breakthrough compromise put forward by crossbench members in the Lower House. The compromise agreed to includes:

- providing a stepped approach to support a transition to at least 28 per cent WPI by 1 July 2029 for weekly payments, medical entitlements, and work injury damages, so that workers, employers, and insurers have time to adjust to the transition
- requiring the Chief Psychiatrist to undertake a comprehensive and independent review of the Psychiatric Impairment Rating Scale (PIRS), ensuring that any assessment of psychiatric impairment used in the workers compensation scheme is robust, fair, and genuinely fit for today's context
- changes to terminology surrounding the reasonable management action defence, such that it may be triggered where it is the significant cause of injury.

The NSW Government notes that the Inquiry heard from stakeholders about the importance of better claims management to lift return to work rates and strengthen the sustainability of the workers compensation scheme. Lifting outcomes and improving claims management is a progressive task.

Reforms are already underway to improve claims management and drive accountability and transparency in icare's performance.

Additional reviews will build on these reforms to support continuous improvement, including forthcoming performance audits of the efficiency and effectiveness of icare's claims services providers in the TMF and NI to be conducted by the NSW Auditor-General.

Complementing this, the State Insurance Regulatory Authority (SIRA) has commissioned an independent strategic review into health provider regulation in NSW personal injury schemes, and the Government has committed to a review of the complaints handling and disputes system in workers compensation to be led by the Department of Customer Service. More broadly, the Government will continue to prioritise actions that will meaningfully impact return-to-work outcomes.

I would like to thank the Committee for their report. Consistent with the constructive support provided by the Government throughout the Committee's inquiry, the Government remains committed to working collaboratively with the Committee and all stakeholders, to upholding principles of accountability, and to ensuring a smooth and effective transition as these legislative reforms are implemented.

I would be grateful if you could arrange for the response to be tabled in the Legislative Council.

Sincerely

Daniel Mookhey MLC
Treasurer

Date:

*Received at 12.14a on
Tuesday 3 February 2026*