

2 September 2020

Ref: 00162/20

The Hon Wes Fang MLC
Chair
Standing Committee on Law and Justice
Parliament House
SYDNEY NSW 2000

Dear Chair

Please find enclosed the answers to Questions on Notice, and Supplementary Questions in relation to icare's appearance at the Law and Justice Committee hearing for the 2020 Review of the Workers Compensation Scheme, held on 3 August 2020.

Should you require any further information regarding these answers, please contact icare's Ms Clemency Morony, Head of Ministerial and Parliamentary Support, on

Yours sincerely

Don Ferguson
Interim Director and CEO
icare

Encl.

Standing Committee on Law and Justice

2020 Review of the Workers Compensation Scheme

Questions on Notice from 3 August 2020 hearing

Page 58 of Transcript

The Hon. SCOTT FARLOW: Can you exit somebody from the scheme unilaterally?

Ms UEHLING: No, not without an assessment and a process that is undertaken.

The Hon. SCOTT FARLOW: What does that process involve?

Ms UEHLING: It depends upon which section of the Act. For a work capacity decision you must give fair notice, you must do a vocational reassessment and a standard of practice that goes through as required by the regulator.

The Hon. SCOTT FARLOW: That is all required by SIRA, is it?

Ms UEHLING: In their guidelines, standards of practice as well as under the legislation.

The Hon. SCOTT FARLOW: Do they have an assessment or a check on that?

Ms UEHLING: They do quarterly audits of us that they have been undertaking starting with this last quarter.

The Hon. SCOTT FARLOW: In the last quarter how many people have exited the scheme?

Ms UEHLING: I would have to come back to you with that on notice.

Answer

From 11 February 2020 to 11 June 2020, EML and icare Personal Injury Claims conducted 63,109 claim reviews across 17,511 claims. The target of these reviews was to promote recovery and injury management strategies and to ensure legislative stage gates were met. As a result of these claims reviews, a forecast 8,533 claims are expected to cease benefits between February 2020 to December 2020 (as at 31 July 2020).

Of those ceasing benefits to date approximately:

- 80 per cent will cease benefits due to return to work
- 15 per cent are expected to exit as a result of a work capacity decision
- Five per cent have exited for other reasons (e.g. retirement, liability decision, section 38)

Not all outcomes have been realised in the initial timelines due to COVID impacts with around 1,500 claims either not realising an outcome or an outcome being delayed due to factors such as availability of treatment or surgery, availability of suitable duties and changes in capacity.

In the period 1 April 2020 to 30 June 2020, 12,593 people have exited the scheme.

91.3 per cent of claims were closed as the individual returned to work, 0.1 per cent exited due to a work capacity decision and 8.6 per cent exited for other reasons.

Page 58 to 59 of Transcript

The Hon. SCOTT FARLOW: We have had quite a lot of commentary in terms of the current funding ratio position of icare and, this report notwithstanding, what does your independent actuary say with respect to your funding ratio position and what assessments are undertaken by either a peer-reviewed actuary or any other audit process?

Mr NAGLE: The assessment of liabilities happens twice a year, so at the end of each financial year and part way through the year. It is effectively a revolving summary assessment of our liabilities. In December the evaluation is a review of whatever the prediction was in June, what are the outcomes and has anything changed in that six months, with a projection looking forward to the next June to say what do they anticipate. The valuations are basically checked against the reality. I will pass to Ms Bansal to give more detail and she may pass on to Mr Lai, who is our chief actuary.

Ms BANSAL: The valuation of our liabilities has a very robust and complete process around it. We have independent scheme actuaries Finity Consulting, who were chosen after a procurement process, tender process, in 2017. They value our liabilities twice a year in December and in June of each year. These liabilities at the June date are independently audited by the audit office who are supported by EY and the EY actuaries and the most senior actuarial partner there is on the EY team as well.

The Hon. SCOTT FARLOW: Sorry to stop you there. I take it a very different EY team than is conducting this?

Ms BANSAL: Yes.

The Hon. SCOTT FARLOW: There are Chinese walls in place, are there?

Ms BANSAL: Yes, that is right. We also have an external peer review by PwC. They are external and independent, they comply with our prudential standards as well as the institute of actuaries professional standards in completing that review. Furthermore, we have our internal actuarial team and our chief actuary review the results and look at all the models and underlying assumptions. We have a risk margin built in. You have mentioned a 75 per cent probability of adequacy [POA], probability of adequacy, we have a \$1.8 billion risk margin at that level for any inherent uncertainty in the valuation of the liabilities. We also engage TCorp and Mercer independently to provide us all underlying economic assumptions that we use in the valuation of our liabilities. As at 30 June 2019 we had an unqualified audit opinion on our liabilities and a clear report from the external peer review actuary.

The Hon. DANIEL MOOKHEY: And the 75 per cent POA?

Ms BANSAL: That is right. So at 80 per cent POA our risk margin is even higher. It is in excess of \$2 billion.

The Hon. SCOTT FARLOW: And there was an unqualified audit report to substantiate that as well?

Ms BANSAL: Our accounts, which includes our risk margin, had an unqualified audit opinion at 30 June 2019. We are currently finishing our audit for 2020. We are providing all our information to the Audit Office and EY as requested.

The Hon. DANIEL MOOKHEY: The figures you just recited were of 30 June 2019?

Ms BANSAL: I can provide you risk margin at both 30 June 2019 and 31 December 2019.

The Hon. DANIEL MOOKHEY: Yes, thank you.

Answer

The Risk Margin as at 30 June 2019 was \$2.2 billion at 80 per cent Probability of Adequacy (POA) and \$1.7 billion at 75 per cent PoA. For 31 December 2019, the risk margin was \$2.4 billion at 80 per cent PoA and 1.8 billion at 75 per cent PoA.

Page 59 of Transcript

Mr NAGLE: As we mentioned the valuations are revolving so the assumptions are checked. In December Finity, as the lead actuary, would have made projections about what they anticipate to see over six months. That is what is currently being audited by the Audit Office at the moment. In terms of an interim report that has gone to our audit and risk committee just the other day, in section 3 of the report it says: "Based on our review thus far, on balance we believe evaluation actuaries have approached the valuation and setting the assumptions in the appropriate manner. It also says that we have found the assumptions underpinning the liabilities to be reasonable but will continue to provide updates incoming meetings and future meetings as we finalise our order procedures on the June valuation models." So this is one of the most—

The Hon. DANIEL MOOKHEY: Can you table that report?

Mr NAGLE: This section of the report, absolutely.

The Hon. DANIEL MOOKHEY: No, the report.

Mr NAGLE: I would have to take advice from the Audit Office on that.

The Hon. DANIEL MOOKHEY: You said that was presented to your audit and risk committee. Can you table that report?

The CHAIR: You can take that on notice.

Mr NAGLE: I believe I will have to take that on notice.

Answer:

Please see Tab A.

Page 60 of Transcript

The Hon. DANIEL MOOKHEY: Mr Nagle, what were you paid last year and what was your bonus last year?

Mr NAGLE: As we have expressed previously I do not have that information in front of me. I am happy to take on notice.

The Hon. DANIEL MOOKHEY: You do not know how much you were paid last year?

Mr NAGLE: I know broadly how much I was paid last year but I would much rather take it on notice and give you the full details of the package.

Answer:

For the FY 2019/20, Mr Nagle was paid fixed remuneration (inclusive of superannuation) of \$700,000. He will not be paid a bonus with respect to the FY 2019/20. He was paid no annual bonus in respect of the FY 2018/19 year. In September 2019, he was paid a portion of his long-term performance payment of \$106,667 with respect to the period FY17 to FY19.

Page 61 of Transcript

The Hon. DANIEL MOOKHEY: Ms Uehling, were you paid a bonus and do you know what your remuneration is?

Ms UEHLING: I am afraid I am going to have to take that on notice as well.

Answer:

For the FY 2019/20, Ms Uehling was paid fixed remuneration (inclusive of superannuation) of \$451,000. Her bonus entitlement for the FY 2019/20 has not yet been determined. In September 2019, she was paid an annual bonus in respect of the FY2018/19 year of \$133,538.

Page 61 of Transcript

The Hon. DANIEL MOOKHEY: Do you know what your remuneration is?

Mr ZIOLKOWSKI: I would prefer to take that on notice and provide you with the appropriate details.

Answer:

For the FY 2019/20, Mr Ziolkowski was paid fixed remuneration (inclusive of superannuation) of \$489,250. His bonus entitlement for the FY 2019/20 has not yet been determined. In September 2019, he was paid an annual bonus in respect of the FY 2018/19 of \$101,973.

Page 61 of Transcript

The Hon. DANIEL MOOKHEY: Do you know your remuneration, Ms Bansal?

Ms BANSAL: I also would like to take that on notice to provide you detailed information.

Answer:

For the FY 2019/20, Ms Bansal was paid fixed remuneration (inclusive of superannuation) of \$446,250. Her bonus entitlement for the FY 2019/20 has not yet been determined. In September 2019, she was paid an annual bonus in respect of the FY 2018/19 of \$48,136.

Page 62 of Transcript

Mr DAVID SHOEBRIDGE: Did every one of your senior executive team, your band 4 team, get a bonus last year?

Mr NAGLE: I would have to check those figures.

Answer:

All senior executives received a bonus for FY19, with the exception of Mr Nagle.

Page 63 of Transcript

Mr DAVID SHOEBRIDGE: Mr Nagle, I also asked some questions on the parliamentary record about Capgemini and the contract with Capgemini. I asked if the contract between icare and Capgemini was available on the public record. The answer I got was that the contract forms part of the GIPAA remediation program, which is currently underway. What does that mean?

Mr NAGLE: As you are aware, we ran into a scenario where we had not declared a number of historical contracts. This was picked up by the Audit Office and we started our remediation program to review those records and make sure that they were disclosed in accordance with the GIPAA.

Mr DAVID SHOEBRIDGE: Is it now publicly available? Do you now have a copy of the Capgemini contract available on the public record?

Mr NAGLE: I would have to look that up. I know that we have recently disclosed about 300 current and historical records. We have disclosed the existence of the Capgemini contract in our annual report some time ago.

Answer:

The Capgemini contract details are now publicly available following icare's remediation program in accordance with GIPA.

Page 63 to 64 of Transcript

Mr DAVID SHOEBRIDGE: Well, you had to disclose the existence of it because you have now paid more than \$360 million under that contract, is that not right?

Mr NAGLE: That could be a number around that, yes. Well, sorry—to Capgemini, no. For the build of our system we have paid that amount.

Mr DAVID SHOEBRIDGE: More than \$360 million.

Mr NAGLE: There is a combination of the licensing, the build of the system and then the transformation program that went with it.

Mr DAVID SHOEBRIDGE: Is it true that the initial tender value was between \$110 million and \$140 million?

Mr NAGLE: For the build of the system?

Mr DAVID SHOEBRIDGE: For the entire project.

Mr NAGLE: No.

Mr DAVID SHOEBRIDGE: So it was between \$110 million and \$140 million for the build of the system.

Mr NAGLE: Correct.

Mr DAVID SHOEBRIDGE: And what was the total of the initial tender?

The Hon. DANIEL MOOKHEY: The initial project budget perhaps.

Mr DAVID SHOEBRIDGE: Was it anywhere near \$360 million?

Mr NAGLE: I would have to take the exact number on notice but my understanding or my recollection is it was about \$260 million—that was for the licence and the build. The transformation was on top.

Answer:

The total of the initial IT project budget in 2015 to build and run the insurance platform (including software licences and SI activities but excluding business change activities) across 2016 to 2019 was \$241.1 million which included a \$40.2 million contingency.

The final IT project costs in 2019 for the build and running of the platform (including licence costs) was \$272.3 million.

The transformation business change costs associated to operationalising of the platform and claims model across 2016-2019 was \$74.3 million. The business change activities include internal project resources and training costs to support the staged system \$26.5 million go-lives. Business change activities also included \$48 million in costs, of which the majority was paid to Scheme agents to shift claims between Scheme agents in alignment with the Scheme agent tender outcomes.

Page 64 to 65 of Transcript

Ms BANSAL: The GIPAA remediation program that you spoke about, Mr Shoebridge, is a high priority of ours and we have, as Mr Nagle said, over the last few months published in excess of 300 contracts as part of our GIPAA remediation. We have a handful of contracts that are remaining which we will be finalising in the coming weeks. We have been publishing our contracts now within the 45 day requirement. So, Mr Mookhey, your comments around publishing them on the NSW Procurement website, that is what this remediation program has been focusing on.

The Hon. DANIEL MOOKHEY: But, Ms Bansal, I check that database quite regularly and I see that a lot of contracts that you published in February have now gone. They have disappeared from the platform.

Ms BANSAL: I understand that is the NSW Procurement. So once we publish them they stay on that website for a period of time. I would have to take on notice how long they stay on that website for. We provide that information for upload and NSW Procurement manages that website.

The Hon. DANIEL MOOKHEY: Can you provide that on notice?

Ms BANSAL: Yes, sure.

Answer:

icare has completed the upload of historical contract details to the NSW Government's e-Tender website as part of its contract remediation program. As per section 34 of the GIPA Act, contracts are publicly accessible for the longer of 20 working days or until the conditions of the contract have expired.

Page 65 of Transcript

Mr DAVID SHOEBRIDGE: So, Mr Nagle, how is it that the tender was put out on 10 July 2015 and responses closed on 17 July 2015—just a week later? How is it that that happened?

Mr NAGLE: That was a request for pricing.

The Hon. DANIEL MOOKHEY: Sorry, could you repeat that?

Mr NAGLE: We had already gone through an extensive period of consultation across the industry. We had also gone through a request for tender, where we had a number of parties file for consideration and they put out their systems to see whether they met the requirements. That then narrowed down the field quite considerably, so that the final piece we were looking for was the actual pricing.

Mr DAVID SHOEBRIDGE: Sorry, a contract and a tender as large and complex as a \$260 million contract, you required a seven day turnaround on the pricing?

Mr NAGLE: Following all the prior discussion, yes.

Mr DAVID SHOEBRIDGE: Were the prior discussions a tender process or was it some sort of informal sounding out?

Mr NAGLE: It was a tender process. From the tender process a short list was drawn up, discussions were had with a number of parties about their system and processes and what we could expect, and then we called for final prices.

Mr DAVID SHOEBRIDGE: So when do you say the tender process started, Mr Nagle?

Mr NAGLE: I would have to take that on notice. I know that October 2015 was when we took most of the information we had already garnered on what was available to our board.

Mr DAVID SHOEBRIDGE: Well, you see, Mr Nagle, the information that I have is, is that icare put out a tender for the provision, implementation and support of an insurance platform—and I will give you the actual number that you have—RFT ID Nominal Insurer/461666/2015. That was the tender that went out on 10 July and responses were due back on 17 July. That, in fact, was the tender process, was it not, Mr Nagle? A one-week tender process for a \$260 million project.

Mr NAGLE: For the pricing. Look, I would have to go back five years ago—quite a bit of detail that I would have to look into. I am happy to provide information.

Answer:

Initial desktop analysis was completed on software providers in 2013 as part of the initial Feasibility Review. Further market engagement on the feasibility of software providers continued in 2014 and concluded in February 2015 which concluded that the unified technology approach was feasible.

The process to engage a software provider and system integrator services commenced with the engagement of Strategy& (PWC) to develop and facilitate the procurement strategy and evaluation processes. The process included an open market invitation to register (issued 10 July 2015, closed 17 July 2015). This process was designed to identify parties that were both interested and capable of doing the work. This was followed by a closed request for proposal (issued 27 July 2015, closed 13 August 2015) to those who were successful in the invitation to register. The appropriate evaluations, briefing and demonstrations concluded in October 2015 when presented to the Board.

Page 65 of Transcript

Mr DAVID SHOEBRIDGE: Was the board not presented, in the weeks before that one-week tender went out, a summary and a feasibility case, which included material that had the CapGemini logo on it? That was provided to the board before they won the tender, was not it?

Mr NAGLE: I would have to take that on notice, but that is possible.

Answer:

No. In 2014, Safety, Return to Work and Support (SRWS) commenced a review on the SRWS operating model and broader strategy. SRWS engaged a third party, Capgemini, to assess the costs and benefits of future technology options to enable SRWS to undertake and support its transformation strategy.

At the SRWS Board meeting held on 31 March 2015, Capgemini's findings were presented to the Board. Following this presentation, the SRWS Board approved the commencement of an RFP with a view to implementing a unified IT platform hosted on a cloud.

Page 65 to 66 of Transcript

The Hon. DANIEL MOOKHEY: How many other companies did you approach in this pre-tender— I will describe it as a "pre-tender"?

Mr NAGLE: From memory, we had nine or 11 responses.

The Hon. DANIEL MOOKHEY: How did you solicit those responses?

Mr NAGLE: Based on the requirements of the tender.

The Hon. DANIEL MOOKHEY: No, this was before the formal tender that Mr Shoebridge issued in point in time. You say there are 11. On notice, are you able to provide us the 11 other people who participated in this prior to 10 July?

Mr NAGLE: I am very happy to take that on notice and provide that detail.

Answer:

The 2014 SRWS Review included a market analysis and RFI process of software providers to identify feasible software capability for the needs of SWRS. These included Guidewire, Fineos, SSP-Worldwide, Computer Services Corporations (CSC), Sapiens, SAP, Curam Software and EIS Group.

Page 66 of Transcript

Mr DAVID SHOEBRIDGE: Well, you see, I tried to get some answers on this on the parliamentary record. I asked if there were any conflict notices placed on the record at icare regarding CapGemini and, if so, by whom. The answer I got was, "All members of the selection panel completed conflict of interest undertakings." Were there any conflicts of interest placed on the record regarding Capgemini?

Mr NAGLE: I would have to take that on notice and look at it.

Answer:

All members of the evaluation committee completed conflicts of interest and there is no record of conflicts against Capgemini.

The Probity Advisor overseeing the software and SI services procurement process noted the involvement of Capgemini as part of the 2014 SRWS Review and requested Capgemini to provide written notice that the response provided for RFT ID Number (461666-1/2015) had not been prepared with any assistance from Capgemini staff involved in the SRWS 2014 Review. Capgemini provided this notice to the Probity Advisor.

Page 67 of Transcript

The Hon. DANIEL MOOKHEY: Just to be clear—you have answered the question, so thank you. You went there in October 2018 to be a keynote speaker at their conference in Las Vegas, but in May, or that year, or earlier—at least when you were the interim CEO—you appeared, as did a lot of your group executives, in an endorsement video for Guidewire. So months before they fly you to Vegas, you appeared in a video endorsing their product. Did you get the permission of your board to endorse their product?

Mr NAGLE: I would have to take that particular point on notice.

Answer:

It appears that Board approval was not sought from Mr Nagle to appear on a Guidewire endorsement video.

Page 67 to 68 of Transcript

The Hon. DANIEL MOOKHEY: I understand your explanation. Can I table this and provide it to the witness please?

The CHAIR: Could you provide some clue?

The Hon. DANIEL MOOKHEY: I am happy to provide some commentary. It is an excerpt from the icare's annual report that year. I will provide it in a minute. In this it discloses that two officials travelled to Las Vegas to represent icare at the Guidewire Connections conference, that is T. Abbott and T. Moore. You were at the same conference. You are not on the annual report. Under law you are required to disclose your international travel. Why are you not in this? Why have you been left out of the annual report and two other officials have been starred as attending the Guidewire conference?

Mr NAGLE: I would have to take that on notice. I am not 100 per cent certain.

Answer:

The cost of John Nagle's attendance at the conference was met by Guidewire. Its omission from the Annual Report was an error and will be corrected in the 2019/20 Annual Report.

Page 68 of Transcript

Mr DAVID SHOEBRIDGE: You have business-class tickets, accommodation in Vegas, all given to you because you are the CEO of a public entity. Why did you not disclose that, and why are we finding out about it only now in a parliamentary inquiry? Why did you not disclose it?

Mr NAGLE: I am happy to take that on notice. It would have been on advice that was given at the time.

Answer:

The trip was disclosed to the icare Board and approved by the Chair. The Treasurer's Office was also advised of the trip as part of regular reporting on icare overseas travel. Its omission from the Annual Report was an error and will be corrected in the 2019/20 Annual Report.

Page 68 of Transcript

The Hon. DANIEL MOOKHEY: Were you the only person paid for by Guidewire to go to this conference from—

Mr NAGLE: I would have to take that on notice as well, but I believe so.

Answer:

Yes, the other three participants were paid for by icare, with the exception of Mr Craig's conference registration fee which was waived by Guidewire.

Page 69 of Transcript

Mr DAVID SHOEBRIDGE: On what basis did the contract go from a \$260 million contract, which was the seven-day tender, to a \$360 million? How was the extra \$100 million in transformational projects determined and awarded?

Mr NAGLE: Again, you are conflating issues. The transformation project is our internal costs and it is the costs of other advisers we have brought in around change management, around training, around other programs who support the move to a single platform. We have explained a number of times now, both here and at prior hearings, that that \$360 million is a large transformation program of which component parts are built into licensing, build, and then the change element. You prefer to refer to it as a \$360 million contract. Once again, it is not a \$360 million contract and never has been.

Mr DAVID SHOEBRIDGE: Perhaps you can give us the exact payments on notice, Mr Nagle.

Mr NAGLE: Happy to do so.

Answer:

The total of the initial IT project budget in 2015 to build and run the insurance platform (including software licences and SI activities but excluding business change activities) across 2016 to 2019 was \$241.1 million which included a \$40.2 million contingency.

The final IT project costs in 2019 for the build and running of the platform (including licence costs) was \$272.3 million.

The transformation business change costs associated to operationalising of the platform and claims model across 2016-2019 was \$74.3 million. The business change activities include internal project resources and training costs to support the staged system \$26.5 million go-lives. Business change activities also included \$48 million in costs, of which the majority was paid to Scheme agents to shift claims between Scheme agents in alignment with the Scheme agent tender outcomes.

Page 69 of Transcript

The Hon. DANIEL MOOKHEY: Perhaps on notice can you table the written advice that you received about your trip to Vegas and the disclosure that you made to the board and the board's minutes approving your decision?

Mr NAGLE: I never said that we received written advice. I said I would have taken advice. I would have to check what form that advice took.

The Hon. DANIEL MOOKHEY: You are saying here right now no written advice was provided to you?

Mr NAGLE: No, I am not saying that. I am saying I need to check.

Answer:

On 23 April 2018, the Chair of the Board approved the attendance of Mr Nagle and three other icare staff at the Guidewire Connections Conference from 13 to 18 October 2018, noting that Mr Nagle had been invited as a keynote speaker.

In October 2018, prior to attending the Conference, Mr Nagle informed icare staff and the Board, via his weekly blog, about his upcoming presentation. At the Board meeting on 29 October 2018, Mr Nagle provided an update to the Board about his keynote address provided to the global Guidewire Connections Conference.

Associated briefing note and email approval are provided at Tab B(i) and Tab B (ii).

Page 71 of Transcript

The Hon. TREVOR KHAN: No, we have moved on from discussions. I am interested in what your contingency plans were in the event that each of, I think, the four scheme agents said, "Well, it's not worth our while now. We'll head off and look after car insurance," for instance.

Mr NAGLE: I think, as I mentioned, GIO has obtained \$400 million over the three years. That is at no—

The Hon. TREVOR KHAN: Mr Nagle, I hear what you say. I am asking about what your contingency plans were. I am not here to have a go at you, but it is a simple question. What were your contingency plans in the event that the others said, "We're no longer interested"?

Mr NAGLE: The final option would be to do it ourselves or to award that to EML in addition.

The Hon. TREVOR KHAN: How many claims officers had you reckoned you would have needed to bring it in-house?

Mr NAGLE: We estimated somewhere around 180 to 220, from memory.

Ms UEHLING: Total number of claims officers would have—

Mr NAGLE: If we moved the tail in-house.

Ms UEHLING: Just the tail? I would have to take that on notice to look at it, but we did do that calculation.

The CHAIR: I think Suncorp said it had brought in 400 to manage that tail.

Ms UEHLING: That is more in line with my thinking, or my recollection.

Answer:

The bottom up FTE modelling forecast approximately 240 FTE would be needed for run off from December 2017 and would reduce to 90 FTE by March 2019.

Page 71 to 72 of Transcript

The Hon. ANTHONY D'ADAM: Earlier, Mr Nagle, you said that GIO had an interest but you did not elaborate. Could you elaborate on what that interest was that GIO had in taking on the tail?

Mr NAGLE: Yes. As I mentioned, when we were looking at the tender, everybody had the opportunity to put in pricing based on what segments of the portfolio they were interested in. From memory—and I have to double-check—GIO expressed an interest in taking on the tail.

The Hon. ANTHONY D'ADAM: Do you know why?

Mr NAGLE: It is quite lucrative: \$400 million over three years.

The Hon. TREVOR KHAN: Are you saying that it was posited to Suncorp—because it puts your evidence in direct contradiction of Mr McHugh—that they were being invited to contemplate taking on the tail, that is, there being one appointed and them having, in a sense, that discrete component of tail? That was a matter involved in the tender process?

Mr NAGLE: Again, I would have to double-check the tender documents. But everyone who was asked was given the option to express an interest of whether they wanted to be involved in the tender or not.

Answer:

The selection document stated that:

Scheme Agents may choose to provide a pricing model for one, two or all three Service Segments. Pricing submissions should make it clear which Service Segments Scheme Agents are expressing an interest in and how (if at all) they differ from the pricing guidelines detailed below.

In addition, Scheme Agents are invited to submit a pricing model 'Run Off' open claims as at 1 January 2018. The Nominal Insurer has not as yet determined if 'Run Off' open claims will be offered as a 'carved out' service under future contractual negotiations.

Scheme Agents may elect not to submit pricing models for the 3 Service Segments and may elect to submit a pricing model for 'Run Off' open claims only.

The pricing template asked for pricing for three scenarios of 33 per cent, 50 per cent and 100 per cent of each portfolio. In its submission, GIO submitted pricing for all three scenarios.

icare subsequently met with GIO on 11 April 2017 to advise that it was unsuccessful. This meeting was attended by representatives of GIO and icare (GIO: David Hutton, Chris McHugh and Jane Stafford; icare: John Nagle, Geoff Henderson).

GIO was advised it was unsuccessful with the new claims portfolio as it had not demonstrated an extensive understanding of the claims model. GIO was offered the opportunity to manage the run-off of their business and one other exiting scheme agent.

GIO responded on 19 April 2017 accepting the offer, including the opportunity to take more of the tail.

This was confirmed by icare in writing on 24 April 2017.

Page 72 of Transcript

The CHAIR: Mr McHugh's evidence was that in his debrief with you he was given two options: to exit the scheme within three months or exit the scheme within nine months; that on contemplation, going back to Suncorp, he then reapproached you and said, "How about we take on the tail?" as other insurers immediately left the scheme. Your evidence is in conflict with the evidence that Mr McHugh provided this morning. I think we need to be very clear about what each person's evidence is and what the reality was. Again, I will ask you: How was it awarded and what was the timeline here? This is rather important.

Mr NAGLE: I understand, Chair, and thank you. I am happy to take it on notice. I am relying on my memory, but I am reasonably confident on that outcome. Ms Uehling, do you have any further recollection?

The Hon. TREVOR KHAN: Mr Nagle, can I put this to you? Each of the three scenarios that were dealt with in the tender involved 55 per cent to 65 per cent of new claims. If it involved 55 per cent to 65 per cent of new claims in each of the three scenarios then that is not tail.

Mr NAGLE: Correct.

The Hon. TREVOR KHAN: Again, if the three scenarios were for portions—whether it be 25 per cent, 50 per cent, 100 per cent—that is not an invitation to tender on tail.

Mr NAGLE: I think you have to look at all of the tender documents. I think it is best that I take it on notice and come back to you with the full scenario.

Answer:

As per previous answer.

Page 76 of Transcript

Mr DAVID SHOEBRIDGE: The final question is: Could you take on notice the number of project service orders from or between icare and EML which involved The Bridge International and how much was paid by icare under each of those, Mr Nagle?

Mr NAGLE: Happy to.

Answer:

There were two Project Service Orders for Project Pathway that EML chose Bridge International to assist with.

Phase 1: \$1,755,000.00 in project costs and \$67,442.44 in expenses.

Phase 2: \$1,748,757 in project costs and \$82,842.01 in expenses.

The total across both projects was \$3,654,041.45.

Page 76 to 77 of Transcript

The Hon. DANIEL MOOKHEY: I would like to ask about some of those contracts that were reported at various points in time since February. I would like to first ask about the contract that was entered into with Internal Consulting Group to the value of \$500,000, which was entered into late last year and concluded at the start of this year. Was there any related party interests between Internal Consulting Group and any executive at icare?

Mr NAGLE: We would have to take that on notice, what the contract is.

Answer:

There were no sourcing or procurement records for contract(s) entered into with Internal Consulting Group in late 2019/early 2020. No payments were made to Internal Consulting Group during FY2019/20.

Page 77 of Transcript

The Hon. DANIEL MOOKHEY: To be specific, is there any relationship between Internal Consulting Group and the chief operating officer of icare, Mr Rob Craig, of any type? Be it previous associations or any other form of direct association whether pecuniary, financial, professional, previous employment, anything like that?

Mr NAGLE: I would have to take that on notice. I know he has been a consultant in his past life.

Answer:

ICG is a network of independent individuals who provide consulting type services to interested purchasers under a "network marketplace" arrangement. Consultants bid for work based on profile and price.

Mr Craig has had no direct or indirect ownership in ICG at any time. Mr Craig has worked as a consultant using the ICG platform to attract and refer consulting work. Mr Craig received payment for the consulting work he undertook, and referral commission for work he referred to ICG.

Mr Craig first performed consulting work through ICG in New Zealand, followed by further work with ICG Australia, prior to undertaking any work for icare. Accordingly, Mr Craig has a professional relationship with ICG and its management.

Page 77 of Transcript

The Hon. DANIEL MOOKHEY: Company records show that someone has a beneficial interest in that company. Were there any disclosures entered into by any official of icare in relation to the Internal Consulting Group contract?

Mr NAGLE: I am happy to take that on notice and check our records.

Answer:

The relationship between Mr Craig and Internal Consulting Group (ICG) was disclosed and known by Vivek Bhatia (then icare CEO) to whom Mr Craig reported. Mr Craig has had no direct or indirect ownership in ICG at any time.

Page 77 of Transcript

The Hon. DANIEL MOOKHEY: Can we go to another one. I cannot see it and I would like to ask about whether or not this is to be published. It has been put to my office that a contract has been entered into with a company called Rubicon Consulting. Is there any relationship between Rubicon Consulting and any official, current or former, of icare?

Mr NAGLE: I do not know who Rubicon are, so I would have to take that on notice.

Answer:

No.

Page 77 of Transcript

The Hon. DANIEL MOOKHEY: Did he previously provide services to icare under Darren Rock Consulting?

Mr NAGLE: I would have to look that up.

The Hon. DANIEL MOOKHEY: Can we get some information as to what the tender process was to award Mr Rock that contract?

Mr NAGLE: Certainly.

Answer:

The Nominal Insurer System Program was due to commence its discovery phase to build business requirements in September 2015. A market study analysis for potential ancillary systems was required to identify functionality, costs, benefits, and impacts of implementing such systems to support the Nominal Insurer single system.

At the time, Rock Management Consulting Pty Ltd was considered the only organisation able to provide the services and support for the market study. The option of deferring the study was not viable.

A three-month consulting contract was directly awarded to Rock Management Consulting Pty Ltd in line with The Premier's Guidelines on the Engagement and Use of Consultants (C2004-17) which state that in circumstances where there is definitely only one firm or person capable of or available for the task and the options of changing the specification or deferring the task are not viable, the arrangement should be negotiated directly with the identified firm or person on a commercial basis with the aim of achieving best value for money.

As per the Guidelines, the direct negotiation was approved by the authorised person in line with delegations for this particular purpose, which under section 154E(2)(g) of the *Workers Compensation Act 1987*, Delegation Schedule was the Executive Director of Workers Compensation Insurance Operations.

Page 77 of Transcript

The Hon. DANIEL MOOKHEY: Who are P&L Corporate Communications and have they provided services to icare?

Mr NAGLE: Off the top of my head I am not aware of who they are, I am happy to look into it.

The Hon. DANIEL MOOKHEY: Have they assisted icare with any of its response to media questions in the last two months?

Mr NAGLE: I would have to look that up.

Answer:

No.

Page 78 of Transcript

The Hon. DANIEL MOOKHEY: Who are the shareholders of icare Support Solutions?

Mr NAGLE: The nominal insurer.

The Hon. DANIEL MOOKHEY: Is it a company limited by guarantee? Or, is it a proprietary limited?

Mr NAGLE: It is a proprietary limited.

The Hon. DANIEL MOOKHEY: Has the existence of this company been disclosed to Treasury?

Mr NAGLE: I am sure it has because it is part of our disclosures.

The Hon. DANIEL MOOKHEY: When you say "it is part of our disclosures", which disclosures are you referring to?

Mr NAGLE: Probably in our annual accounts, I would have to look that up.

The Hon. DANIEL MOOKHEY: You see, they are not in your annual accounts, that is why am asking you the questions. We checked your annual accounts and there is no reference to icare Support Solutions Proprietary Limited in any of your annual accounts, certainly in the last three years. Why is this subsidiary of yours not listed in your annual accounts?

Mr NAGLE: Because it has no trading.

The Hon. DANIEL MOOKHEY: You said 30 seconds ago that you thought it was listed in your annual accounts and now you are saying that it is not listed in your annual accounts because it effectively does not function?

Mr NAGLE: No. My assumption is that it would have been in the annual accounts. I will pass to Ms Bansal because that is her area. The reality is that it is simply a vehicle that sits there as a contingency, it is the contracting vehicle between icare and EML. icare arranges services on behalf of the nominal insurer, icare Support Solutions is owned by the nominal insurer, it then contracts with EML for the provision of services.

The Hon. DANIEL MOOKHEY: What services does it contract for?

Mr NAGLE: For claims services.

The Hon. DANIEL MOOKHEY: Hang on.

Mr DAVID SHOEBRIDGE: Ms Bansal is going to give further information.

The CHAIR: Everyone, pause please. Mr Nagle, you indicated that Ms Bansal may wish to provide a response.

Mr NAGLE: She may have additional information.

Ms BANSAL: Unfortunately, I will have to take that on notice. I will have to look at the annual report to see what is included in there. We do look at finances of the icare Support Solutions entity and there are not substantial amounts of money in there. I can take on notice to provide more detail to the Committee.

Answer:

There are no financial transactions (and no fees) flowing through icare Support Solutions (ISS) which is a 100 per cent owned subsidiary of Workers Insurance. It is disclosed under Note 1.1 of the workers insurance accounts per below:

They also include icare Support Solutions which is an Australian proprietary limited company established in November 2017. icare Support Solutions Pty Ltd. has been appointed as a Scheme Agent of the Nominal Insurer to facilitate the enhanced delivery of claims management services to injured workers and employers. These services are delivered through contractual arrangements it has with providers, who are remunerated directly via icare and make claims payments direct from the Workers Compensation Insurance Fund. Accordingly, no financial transactions are made via icare Support Solutions.

ISS does not produce separate financial statements as it does not have any transactions in it.

Page 79 of Transcript

Ms BANSAL: Mr Farlow, I can confirm that ISS is a dormant entity with no financial transactions passing through its accounts.

Mr DAVID SHOEBRIDGE: Are there any directors fees or executive remuneration paid by that company?

Ms BANSAL: Not that I am aware of.

Mr DAVID SHOEBRIDGE: Can you take that on notice?

Ms BANSAL: Yes, happy to.

Answer:

There are no directors' fees or executive remuneration paid by icare Support Solutions Pty Ltd. As mentioned in previous answers, no financial transactions flow through it.

Page 79 to 80 of Transcript

The Hon. DANIEL MOOKHEY: Mr Nagle, have you have had a member of your family perform work for icare in any capacity?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: Who?

Mr NAGLE: My wife.

The Hon. DANIEL MOOKHEY: And in what capacity?

Mr NAGLE: She was contracted to undertake some training work.

The Hon. DANIEL MOOKHEY: And contracted when?

Mr NAGLE: I am not 100 per cent certain, either late 2016 or 2017.

The Hon. DANIEL MOOKHEY: Has the contract concluded?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: And what was the value of the contract?

Mr NAGLE: I have no idea.

The Hon. DANIEL MOOKHEY: Was it put to tender?

Mr NAGLE: No, she was employed as a contractor.

The Hon. DANIEL MOOKHEY: Am I right to infer from your answer that it was not put to tender because she was a contractor?

Mr NAGLE: Yes, she was employed in her own capacity to undertake work.

The Hon. DANIEL MOOKHEY: Are you aware of the public sector requirements that contracts over a value of \$50,000 should be disclosed?

Mr NAGLE: Well, she was employed as a contractor. I am not sure that employment as a contractor

The Hon. DANIEL MOOKHEY: You are right in saying that some of your obligations might turn on what was precisely the form of legal engagement, I accept that. Are you, on notice, able to provide us what precisely was the form of contract?

Mr NAGLE: Absolutely, I can make those inquiries.

Answer:

Mr Nagle's wife was engaged as contingent worker. Mr Nagle's wife is an experienced Learning and Development Consultant who was recruited into the Capability and Knowledge team within Workers Insurance to perform the role of Learning Consultant at standard rates for contingent workers of that type.

Page 80 to 81 of Transcript

The Hon. DANIEL MOOKHEY: And then you disclosed it to Mr Bhatia at the time, who was the CEO?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: You make, effectively, a dual notification to the chief people officer as well?

The Hon. DANIEL MOOKHEY: Was the notification to Mr Bhatia in writing?

Mr NAGLE: I believe so.

The Hon. DANIEL MOOKHEY: Can you table the correspondence and the notification to Mr Bhatia at some point or take it on notice?

Mr NAGLE: I can take it on notice.

Answer:

There is no documentation of this notification in Mr Nagle's icare records (emails). As he is no longer employed by icare, we cannot provide further detail to the Committee from him.

Page 82 to 83 of Transcript

The Hon. DANIEL MOOKHEY: So when you said to Mr Carapiet, who is the chair, that you were disappointed with the board's decision to sanction you, what did Mr Carapiet say back to you? Did he talk you out of resigning? Is that what you are implying?

Mr NAGLE: Effectively.

The Hon. DANIEL MOOKHEY: And for what reasons?

Mr NAGLE: I think this is a very sensitive matter to me. The reality is that he expressed the board's disappointment. He expressed the support of the board to me to carry on. Given the scenario that icare was in with the Dore review ongoing, I agreed to review. I advised him at the time that I would take a short period of time. Unfortunately, my youngest brother had also passed away at the same time and I felt I was not in a position to make a career decision.

Mr DAVID SHOEBRIDGE: Mr Nagle, I invite you to do two things: One is to provide such documentation as there is about this to the Committee on notice. And two, if you wish to put some further detail on notice that you provide that to the Committee?

Mr NAGLE: I am happy to do that.

Answer:

There is no documentation of this discussion in Mr Nagle's icare records (emails). As he is no longer employed by icare, we cannot provide further detail to the Committee from him.

Mr DAVID SHOEBRIDGE: Ms Uehling, at that time icare had in its possession a report from KPMG that included this—and I will read it onto the record. This is a conversation between the employer, Corrections NSW, and the QBE case manager. The employer says this:

... if we go now and say fine we accept this, yack yack yack, we won't get him back to work. If we go down the declinature line where he is actually utilising his own personal leave, which will run out soon, and sometimes my words are sometimes it's cruel to be kind and got to hit them in the pocket and when he's not getting any money and he is married with kids and most probably his own home, he's most probably got to think well fuck sake I've got to do this

Then the QBE claims manager says, "Yeah that's right, I think he's close to that now." The employer then says, "if we accept it now, we'll stay off as long as he can", and the claims manager says, "yeah, good point". And then they declined his claim. And then KPMG says they recommend the case manager is interviewed to understand if declining claims to induce financial hardship was undertaken by QBE in this case or generally at the request of employers. Ms Uehling, you say to the same claimant, 11 months after icare has received this report, that you can confirm, "that although QBE's dispute notice did not individually list the documentation you provided, the decision was made based on all available evidence." How could you possibly have done that? How could you not have supported this man, given the evidence you had?

Ms UEHLING: I do not think the conversation between QBE and Corrective Services is appropriate at all, in any way. I also do not think it constitutes evidence of declinature or not declinature, but I do think it was completely inappropriate.

The Hon. DANIEL MOOKHEY: How do you interpret that evidence? What do you think that conversation points to?

Ms UEHLING: I think it points to, at the time, a very bad culture at QBE. I think it points to an unacceptable approach to managing claims on behalf of the injured worker.

The Hon. DANIEL MOOKHEY: Then what did you do after you reached the conclusion that that points to a bad culture at QBE? Because we have one letter where you said to him that you support the decision to decline. You have now said that you have concerns. Did you have concerns at the time that you issued that letter that that points to that culture at QBE?

Ms UEHLING: This was quite a ways after.

The Hon. DANIEL MOOKHEY: So what have you done?

Ms UEHLING: We have taken the approach of changing the case manager and we have brought the claim in-house. We have counselled and trained QBE, we have let them know it is not acceptable and QBE themselves have taken action in order to—

The Hon. DANIEL MOOKHEY: Did you report it to the regulator?

Ms UEHLING: I would have to go back and look.

Answer:

icare reported this matter to SIRA by way of the forensic claim review (July 2018) and supplementary report (November 2018) undertaken by KPMG.

Standing Committee on Law and Justice

2020 Review of the Workers Compensation Scheme

Supplementary Questions from 3 August 2020 hearing

Question

1. If available, please supply to the committee data on the number of workers who have had their benefits cease under Section 39 of the Workers Compensation Act 1987 broken down by year of cessation and by state electorate.

Answer

The below table provides the number of weekly benefit exits by year and electorate, as reported to icare by its Scheme agents in their monthly reports. This includes all exits that have been reported since the implementation of the original Workers Assistance Program.

State Electorate	Year of cessation					Grand Total
	2016	2017	2018	2019	2020	
NOT IN NSW		231	85	39	49	404
HOLSWORTHY		69	27	17	11	124
MULGOA		56	27	17	10	110
FAIRFIELD		55	28	10	14	107
WYONG		46	28	13	14	101
LIVERPOOL		36	35	14	13	98
EAST HILLS		40	29	13	12	94
KIAMA		45	23	8	16	92
ROCKDALE		43	22	10	11	86
CESSNOCK		35	29	10	11	85
OXLEY		42	20	8	10	80
MYALL LAKES		39	21	6	9	75
BEGA		39	16	13	5	73
TAMWORTH		40	19	3	11	73
CAMPBELLTOWN	1	41	14	6	10	72
LAKEMBA		28	18	11	14	71
MOUNT DRUITT		34	21	9	7	71
BARWON		37	20	7	6	70
COOTAMUNDRA		35	18	13	3	69
BATHURST		36	22	5	6	69
CABRAMATTA		33	19	4	6	62
CLARENCE		34	17	6	5	62
COFFS HARBOUR		31	13	12	5	61
UPPER HUNTER		29	14	5	13	61
LONDONDERRY		29	15	6	11	61
SHELLHARBOUR		34	14	4	7	59
WOLLONDILLY		28	12	7	11	58
PORT STEPHENS		25	15	9	8	57
MURRAY		24	16	8	9	57
PENRITH		26	14	8	9	57

ORANGE		37	14	3	1	55
CANTERBURY		35	10	2	7	54
SEVEN HILLS		23	17	5	8	53
ALBURY		26	11	5	11	53
PARRAMATTA		24	14	6	9	53
KOGARAH		27	16	4	5	52
NORTHERN TABLELANDS		25	14	10	3	52
MAITLAND		33	9	4	5	51
PORT MACQUARIE		27	11	8	5	51
WOLLONGONG		26	17	4	4	51
GOULBURN		20	16	6	8	50
AUBURN		20	18	4	8	50
BANKSTOWN		23	17	3	3	46
CHARLESTOWN		25	8	4	8	45
WAGGA WAGGA		18	15	5	5	43
OATLEY		28	7	4	3	42
THE ENTRANCE		18	12	4	7	41
KEIRA		24	12	3	2	41
MACQUARIE FIELDS		21	14	3	3	41
MIRANDA		17	14	2	7	40
WALLSEND		18	11	5	5	39
CAMDEN		14	8	2	14	38
NEWCASTLE		16	9	6	7	38
MAROUBRA		22	11	2	3	38
GOSFORD		14	15	2	7	38
DUBBO		19	10	5	4	38
DRUMMOYNE		20	10	2	5	37
SUMMER HILL		16	9	4	4	33
LAKE MACQUARIE		20	8	1	2	31
BLUE MOUNTAINS		17	7	2	5	31
RIVERSTONE		13	11	1	6	31
LISMORE		14	7	3	4	28
NEWTOWN		10	2	7	8	27
CASTLE HILL		7	12	4	4	27
HEATHCOTE		10	9	4	4	27
PROSPECT		17	7	1	2	27
GRANVILLE		11	8	5	1	25
HORNSBY		9	4	7	4	24
MONARO		15	4	3	1	23
HEFFRON		13	3	3	3	22
HAWKESBURY		10	4	2	5	21
RYDE		13	3	4	1	21
BALMAIN		11	6	2		19
SWANSEA		9	6	1	3	19
STRATHFIELD		9	4	3	2	18
TERRIGAL		6	6	2	4	18
EPPING		6	8	3		17
BLACKTOWN		9	6	1		16
BALLINA		9	4	3		16

BAULKHAM HILLS		6	4	3	3	16
WAKEHURST		10	4	1		15
PITTWATER		5	3	1	5	14
VAUCLUSE		5	3	2	3	13
LANE COVE		9	2	2		13
TWEED		7	3	1	1	12
SYDNEY		9	2	1		12
SOUTH COAST		5	3	1	3	12
MANLY		3	4	3	1	11
WILLOUGHBY		3	5	1	1	10
CRONULLA		6	2			8
COOGEE		2	3		1	6
NORTH SHORE		3	1		1	5
DAVIDSON		1	2			3
NOT KNOWN		3				3
KU-RING-GAI			1			1
Grand Total	1	2,271	1,191	496	565	4,524

It should be noted that following a reported exit, there have been reports from icare's Scheme agents about claims which have subsequently been reactivated/or were re-eligible for weekly payments post cessation. Claim reactivations have only recently been included as a reporting component this year.

While work is underway to ensure that all reinstated claims have been captured for data integrity purposes, icare has received 301 reports of reactivations.

icare has also begun confirming eligibility for back payment of wages, following recent Workers Compensation Commission decisions handed down on 17 June 2020 (Hochbaum/Whitton), which determined that regardless of the length of time between cessation of benefits as a result of section 39, and when a worker met criteria to be exempt from section 39 – wages should be paid from the time of cessation. As at 3 August 2020, 108 claims had been identified.

Question

2. If available, please supply to the committee data on the number of workers who have had their benefits cease under Section 59A of the Workers Compensation Act 1987 broken down by year of cessation and by state electorate.

Answer

The below table provides the number of medical exits by year and electorate, as reported to icare by its Scheme agents in their monthly reports. This includes all medical exits that have been reported up to 31 July 2020, and the anticipated exits up to 31 December 2020.

State Electorate	Year of cessation			
	2018	2019	2020	Grand Total
Not in NSW	3	76	62	141
LONDONDERRY	4	21	37	62
ROCKDALE	4	17	33	54
MULGOA	2	13	38	53
CESSNOCK	3	23	27	53
WOLLONDILLY	1	18	34	53
LIVERPOOL	1	20	31	52
MAITLAND	0	19	30	49
OXLEY	1	18	29	48
SHELLHARBOUR	4	16	28	48
HOLSWORTHY	3	17	27	47
ALBURY	3	21	23	47
GOSFORD	4	18	24	46
TAMWORTH	1	18	26	45
MOUNT DRUITT	4	15	26	45
LAKEMBA	3	21	20	44
CAMPBELLTOWN	0	16	28	44
WYONG	3	18	23	44
PORT STEPHENS	2	20	21	43
EAST HILLS	1	15	27	43
MIRANDA	4	14	25	43
CHARLESTOWN	1	16	26	43
KIAMA	4	20	18	42
KEIRA	0	17	25	42
OATLEY	2	18	22	42
PARRAMATTA	2	15	25	42
CAMDEN	0	10	31	41
UPPER HUNTER	1	15	25	41
PORT MACQUARIE	1	12	28	41
FAIRFIELD	3	13	24	40
NEWTOWN	5	13	22	40
DRUMMOYNE	4	9	27	40
CLARENCE	3	18	19	40
CABRAMATTA	2	19	17	38
LAKE MACQUARIE	3	17	17	37
HEATHCOTE	3	10	23	36

GRANVILLE	5	8	23	36
THE ENTRANCE	1	9	26	36
RIVERSTONE	3	7	26	36
WALLSEND	3	10	23	36
CANTERBURY	4	17	15	36
PROSPECT	2	14	20	36
SWANSEA	2	12	22	36
MACQUARIE FIELDS	3	11	22	36
SUMMER HILL	2	11	22	35
MURRAY	1	9	25	35
KOGARAH	0	13	22	35
COFFS HARBOUR	1	14	20	35
AUBURN	5	14	16	35
BATHURST	3	12	19	34
WOLLONGONG	1	12	21	34
BEGA	2	19	12	33
MAROUBRA	2	8	23	33
BLUE MOUNTAINS	1	7	25	33
WAGGA WAGGA	0	15	17	32
RYDE	0	11	21	32
COOTAMUNDRA	2	12	18	32
DUBBO	1	12	19	32
HAWKESBURY	5	9	18	32
HEFFRON	4	11	17	32
WAKEHURST	1	8	22	31
SOUTH COAST	1	16	14	31
PENRITH	2	9	20	31
BANKSTOWN	1	9	20	30
NORTHERN TABLELANDS	1	9	20	30
MYALL LAKES	1	17	12	30
BARWON	1	11	17	29
BALMAIN	2	12	13	27
GOULBURN	1	10	16	27
BALLINA	1	7	19	27
BLACKTOWN	2	6	18	26
TWEED	1	9	16	26
NEWCASTLE	0	10	15	25
CRONULLA	3	9	13	25
HORNSBY	1	8	16	25
MONARO	1	8	16	25
ORANGE	2	11	12	25
TERRIGAL	2	4	18	24
WILLOUGHBY	1	10	13	24
STRATHFIELD	1	13	10	24
VAUCLUSE	3	5	15	23
EPPING	2	6	15	23
SEVEN HILLS	4	5	14	23
LANE COVE	0	7	15	22
COOGEE	1	8	11	20

PITTWATER	0	7	13	20
SYDNEY	2	6	11	19
MANLY	1	4	14	19
LISMORE	1	12	5	18
BAULKHAM HILLS	1	6	10	17
CASTLE HILL	0	5	12	17
KU-RING-GAI	0	3	11	14
DAVIDSON	0	4	8	12
NORTH SHORE	2	5	5	12
Not Known	0	2	0	2
Grand Total	181	1,214	1,939	3,334

Question

- 3. If available, please supply to the committee data on how many workers have had their employment terminated by their employer while in receipt of benefits for the period from 1 July 2015 - 30 June 2020.**

Answer

icare is unable to identify with the data available whether employees have been terminated by their employer.

Question

- 4. Is any data collected on the number of disputes around return to work? If yes can you provide the committee with the data for the period from 1 July 2015 - 30 June 2020?**

Answer

Based on reports distributed by the Workers Compensation Commission on disputes filed since 1 January 2017, 48 disputes were lodged with the Commission regarding return to work for claims managed by icare Scheme agents. Of those disputes, 20 were for claims managed by the Nominal Insurer (NI) and 28 for Treasury Managed Fund (TMF) claims.

Most of these disputes were about whether suitable duties had been provided to the worker, or if the worker had the capacity to perform suitable duties being offered.

Question

5. Who has responsibility for enforcing the requirements of Section 44 of the Workplace Injury Management and Workers Compensation Act 1998?

How many prosecutions/ actions to enforce have been undertaken for non-compliance with this provision for the period from 1 July 2015 - 30 June 2020? (Please indicate for each financial year in the period)

Answer

Enforcement of the legislation falls within the responsibility of the regulator, the State Insurance Regulatory Authority (SIRA).

icare is not aware of any prosecutions/actions in the period from 1 July 2015 – 30 June 2020.

Section 44 of the *Workplace Injury Management and Workers Compensation Act 1998* deals with early notification of workplace injuries and prescribes the time periods. As set out below, the section imposes an obligation on a worker to notify their employer of an injury, and the employer to notify their insurer of the injury.

	Injured worker notifies employer / insurer of injury	Employer notifies insurer / authority of injury to worker	Insurer notifies authority of injury to worker	Authority notifies insurer of injury to worker
NSW	'...as soon as possible after the injury happens.' — Act, s44(1) the Act.	'..within 48 hours after becoming aware that a worker has received a workplace injury...' — Act, s44(2) the Act.	No time specified — s44(3) the Act.	As soon as practicable — s44 (3A) the Act.

If the injury is serious or involves a death, then the employer must also notify SafeWork NSW immediately. The manner in which the employer may notify the insurer, or the Nominal Insurer of the injury, is prescribed under clause 35 of the *Workers Compensation Regulation 2016*. A failure to comply with this clause carries a maximum penalty of 20 units that would be enforced by SIRA.

icare's website informs employers of their obligation to notify of an injury within 48 hours, and what to do if SafeWork NSW must also be notified. This information is also included in a Safety at Work poster that is distributed to customers with their policy renewal pack issued by icare. If the employer notifies the injury after five days, then the insurer will apply an excess which is the equivalent of one week's wages.

Question

6. Why has the Safe Work Australia “Best practice guide for the management of psychological claims in the Australian Workers Compensation Sector” not been implemented in NSW?

Answer

Since January 2018, icare has developed and implemented numerous best practice recommendations in accordance with the SafeWork Australia *Best Practice for Psychological Injuries Guide*, which align with the framework overview including, ensuring the person is at the centre of the claim, levels of intervention and continuous improvement in major outcomes.

icare continues to monitor, review and refine performance of the mental health portfolio focusing on the six identified action areas of the SafeWork Guide, through close collaboration with claims service providers, and independent review of case management practices, medical management, low-value care, quality assurance and customer experience. icare has also worked at a larger scale to improve analytics, automation and recording processes to reflect best practice standards of integrated-care across NSW workers insurance.

icare commenced customer collaboration workshops in August 2020 to adapt SafeWork Australia's *Best Practice for Psychological Injuries Guide* to the NSW Workers Insurance model. This will be broken down into three sections covering information on best practice standards and practical tools of support for all customers (workers and employers), as well as claims service providers on the management of psychological injury claims.

Question

7. If available, please provide to the committee data on the number of psychological claims made for the period from 1 July 2015 - 30 June 2020. If possible, please break the data down by insurer type and by whether the claim was accepted or contested?

Answer

The following table shows psychological claims which are identified by a combination of specific nature of injury codes and their mechanism. For example, a claim was identified as contested if the latest liability status code was 'Liability denied' or 'Reasonable excuse'.

Further, a claim was identified as 'Accepted' if the latest liability status code was 'Liability accepted' or 'Provisional liability accepted - medical only, weekly payments not applicable' or 'Provisional liability accepted - medical only, weekly payments not applicable Total'.

FY reported	Accepted			Contested			Other			Total
	NI	TMF	Uninsured Liability Scheme (ULIS)	NI	TMF	ULIS	NI	TMF	ULIS	
2015/16	1,162	1,562	2	901	399	6	2			4,034
2016/17	1,410	1,736	2	793	375	4	3	3		4,326
2017/18	2,046	1,914	11	517	297	6	7	3		4,801
2018/19	2,455	2,337	24	663	487	18	11	5	1	6,001
2019/20	2,523	2,307	42	880	508	28	77	3	1	6,369
Total	9,596	9,856	81	3,754	2,066	62	100	14	2	25,531

Question

8. Can you provide some further submissions in relation to the issues raised by the CFMEU in Submission No 18 on the issue of Certificates of Currency?

Answer

Wages form the basis of all primary premium calculations. To assist employers to remain compliant, icare provides a *Wages Definition Manual* to all our customers on our website. icare also maintains a Wage Audit Compliance Program to identify potential areas of non-compliance. The program and its outcomes are reported to SIRA quarterly.

The Program uses information gained from several sources to help inform the identification of employers for wage audit, including:

- complaints or referrals from internal and external sources (for example: the public, SIRA, SafeWork); and
- data mining – using data analytic rules (for example: non-declaration of wages, claims frequency, average wages, high proportion of apprentice wages etc.)

The most recent work from the Program includes:

- icare writing to just under 9,000 employers to prompt compliance in relation to employee and wages declarations; and
- completion of over 1,200 targeted audits in the past two years.

Audit and Risk Committee
Insurance and Care New South Wales and related entities
321 Kent St
SYDNEY NSW 2000

Contact: David Daniels

Our ref: D2015607/1667

22 July 2020

Dear Committee Members

**Engagement Interim Status Report
for the year ended 30 June 2020
icare and related entities***

Please find attached an Engagement Interim Status Report, which provides the Audit and Risk Committee an update on the status of the audit, confirmed changes to our scope, and an outline of the implications of our findings to date on the year end audit procedures.

This report is not intended for publication or distribution to persons other than those described above.

If you need more information about the audit, please contact me

Yours sincerely

David Daniels
Director, Financial Audit Services

cc: David Plumb, Chair of the Audit and Risk Committee
John Nagle, CEO and Managing Director

* **icare and related entities** refer to following entities:

- Insurance and Care New South Wales (icare)
- Building Insurer's Guarantee Corporation (BIG)
- Lifetime Care & Support Authority of New South Wales (LTC)
- Sporting Injuries Compensating Authority (SICA)
- Home Building Compensation Fund (HBCF)
- Dust Disease Authority (DDA)
- Insurance for New South Wales (IfNSW)
- Worker Compensation Nominal Insurer (WI)

[illegible]



[REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

[REDACTED]

I. [REDACTED]
 II. [REDACTED]
 III. [REDACTED]

[REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

3

PROGRESS OF OUTSTANDING CLAIM LIABILITY AUDIT PROCEDURES

We have substantially completed our analysis of the external valuation actuaries valuation of outstanding claims liabilities through 31 March 2020. We understand the methods, models and assumptions used will be adopted in the 30 June 2020 valuations unless experience emerging in the period between the valuation date and 30 June, or changes in the environment including the COVID-19 related economic and social impacts, are such that changes to the assumptions at 30 June 2020 are warranted.

Within the report, we have raised observations and comments on selected assumptions, which represents some of the more subjective assumptions in the valuation where the future outcomes are highly uncertain.

Based on our review thus far, on balance we believe the valuation actuaries have approached the valuation and setting the assumptions in an appropriate manner. We have found the assumptions underpinning the liabilities to be reasonable but will continue to provide updates in the upcoming meeting and future meetings as we finalise our audit procedures on the June valuation models.

[See section “Progress of the outstanding claim liability audit procedures” for more details](#)



[REDACTED]

■ [REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

■ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

■ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

■ [REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

- [illegible]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]		
[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	

[REDACTED]								
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]							
[REDACTED]	[REDACTED]							
[REDACTED]	[REDACTED]							
[REDACTED]	[REDACTED]							
[REDACTED]	[REDACTED]							
[REDACTED]	[REDACTED]							
[REDACTED]	[REDACTED]							

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- I [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- I [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- I [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

- I [REDACTED]
[REDACTED]
[REDACTED]
- I [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

■ [REDACTED]

■ [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] [REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

■ [REDACTED]

[REDACTED]
[REDACTED]

■ [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
■ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
■ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

■ [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

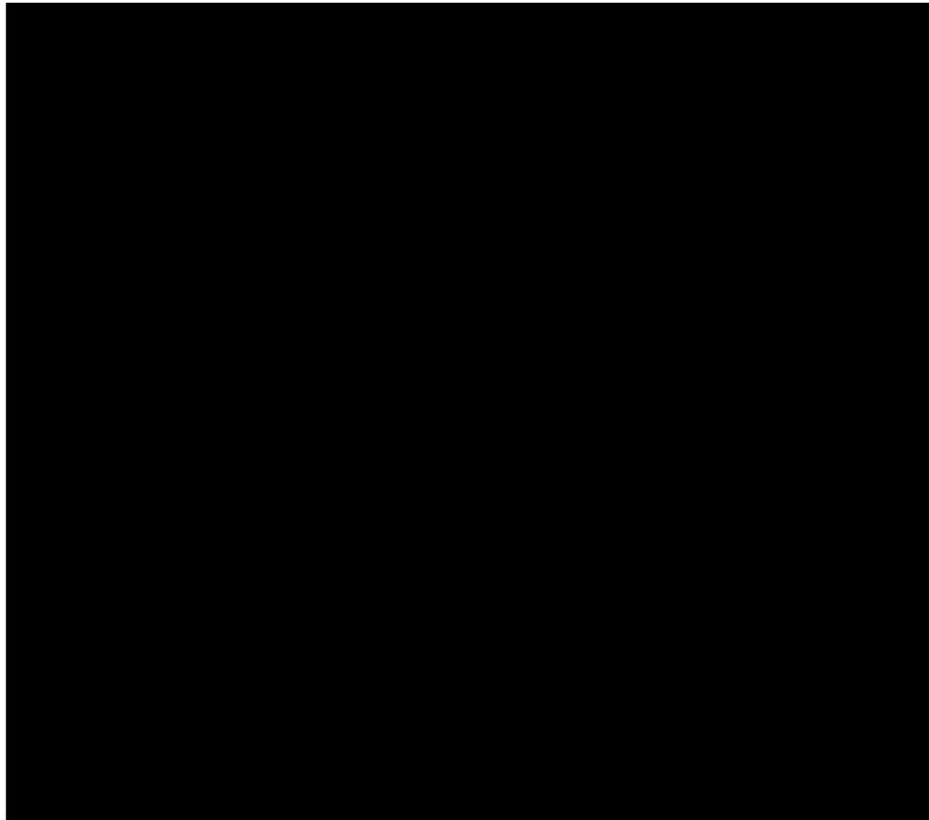
[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]



[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

3. Progress of the outstanding claim liability audit procedures

We are well progressed in our audit procedures on the outstanding claims liability valuations. Our procedures to date have included:

- enquiry of the Valuation Actuaries (Finity or PwC, depending on scheme), peer review actuaries (PwC for selected funds) and icare's internal actuaries;
- review of the Insurance Liability Valuation Reports (ILVR) as at 31 December 2019 to understand the experience, methodology and assumptions underpinning the outstanding claims liability valuations;
- review of the actual versus expected claims experience for the six months to 31 March 2020; and
- review the comparison of liability at 30 June 2020 (provisional results and pre COVID-19) to 31 December 2019.

Our report is intended to provide the committee with an understanding of our assessment to date and highlight the assumptions with a higher level of uncertainty within the valuations.

Based on the information which has been provided to date we have found the models, assumptions and methods used by the Valuation Actuary to be balanced and reasonable (i.e. neither overly conservative or aggressive).

Our procedures are however, still ongoing and will not formally be finalised until we have audited the 30 June 2020 valuation. We will provide a verbal update on any key matters in discussion at the meeting on 29 July 2020.

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

The following table summarises our below comments over the workers compensation assumptions:

Scheme	Valuation Input	Focusing on
WI	Ultimate number of claims reported	Claims with a WPI < 10%
WI	Weekly and Medical continuance rates	Two to four years from the date of accident
WI	Claims remediation	Medical-only claims identified as eligible for Weekly benefits
WI	Psychological Claims	Claims above 15% WPI
WI & IfNSW WC	Modelling of WID exits and weekly / medical actives	Interaction of WID and weekly and medical benefits for claims assessed with a WPI of 21% and above
WI & IfNSW WC	Medical costs	Strengthening of assumption
WI & IfNSW WC	Risk Margin	Decrease for "BAU" offset by increase for COVID-19
WI & IfNSW WC	Police medical discharge claims and modelling	Strengthening of assumption
IfNSW WC	Presumptive Cancer Cover for Firefighters	Weakening of assumption
WI & IfNSW WC	COVID-19 Adjustments	New assumption

Ultimate number of claims reported (WI only)

Over the past twelve months, the low volume of claims reported with a Whole Person Impairment (WPI) above 10% has continued to be observed in the accident years immediately following the 2012 reforms. This has been predominantly observed in accident years 2013 to 2015. Finity has interpreted this favourable post-reform experience as a 'honeymoon'

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

Weekly and Medical continuance rates (WI only)

period. For these accident years this represents permanent favourable experience. 'Honeymoon' periods are often observed following legislative reforms as claimants and the legal profession adjust to the new requirements.

In response, the Valuation Actuary (Finity) has reduced the assumed number of claims with a WPI above 10% for the 2013 to 2015 accident years to reflect the low number of claims reported to date relative to the pre2012 reform years. This approach appears reasonable as more than five years has passed since the 2012 reforms, meaning many claimants from the 2013 and 2014 accident years would be either cut-off from weekly benefits through Section 39 or identified as a higher Whole Person Impairment (WPI) band claim through the Workers' assistance program. The reduction in assumed claim numbers has significantly reduced the uncertainty surrounding the final WPI assessment outcomes for these accident years.

The reduction in these claims has a follow-on impact in the liability estimation of other benefit types, in particular Work Injury Damage (WID) and Section 66 (Workers Compensation Act) claims. The ultimate claims outcomes for the 2015 and later accident years remain highly uncertain.

The assumed number of claims with a WPI above 10% for the 2016 to 2020 accident years continues to be based on longer term experience, noting the lower claim reports observed in the 'honeymoon' period may not continue for more recent accident periods. This approach is reasonable given the claim experiences in these accident years are still developing.

A significant area of uncertainty is the continuance rate experience for weekly and medical claims, two to four years from the date of accident.

For the 0%-10% WPI band, continuance rate experience has continuously deteriorated over the last three years, meaning claimants are staying on benefits for longer. This deterioration has coincided with a reduction in the number of Work Capacity Assessments (WCA), processing issues following the transfer of claims between Scheme Agents, the introduction of EML as a Scheme Agent and the introduction of Guidewire as a claims administration system.

The valuation actuaries (Finity) have responded by strengthening the selected continuance rates for the first five development years for the 0%-10% WPI cohorts.

Partial weight continues to be placed on the longer term (more favourable) experience. While the number of WCA's had not improved in the six months to September 2019 to the expected levels as theorised at the June 2019 valuation, it is expected the number of WCA's should soon revert to historical levels.

It has been assumed that the claims experience for the 2018 and later accident periods will not continue to deteriorate and will more closely resemble the 2017 and prior accident periods, which were not impacted by scheme agent changes.

This hypothesis has been partially validated through an observed increase in the number of exits in the March 2020 quarter, improvements to return to work metrics after 13 weeks on benefits and improved processing speed of new weekly claims. As a result, Finity have continued to adopt these assumptions. We note that these metrics up to at 31 March 2020 were not substantially impacted by COVID-19 (discussed further in the sections below), however these metrics have been impacted for the June 2020 quarter.

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

Finity's rationales for their approach and selected assumptions are reasonable in light of the recent experience but there remains significant uncertainty. There is still a risk that the number of WCAs do not continue to increase, or increase more slowly than anticipated, resulting in continuance rates not returning to historical levels, or returning to historical levels more slowly than assumed.

We also highlight that claims from the 2018 to 2020 accident years are, on average, remaining on benefits longer than observed in previous cohorts. There is a risk this group of claimants will continue to have adverse claims outcomes beyond that reflected in the continuance rate assumptions. This may arise if the poor claims experience in the early stage of the claim's life-cycle leads to changes in the claimant's behaviour resulting in the claimant staying on benefits longer than they otherwise would. This risk may be further exacerbated due to the changing economic conditions and higher unemployment rates expected as a result of COVID-19 and the measures implemented to control its impact.

Mitigating the financial impact of this risk is that it is only expected that this would impact workers with a lower WPI, who are eligible to receive a maximum of 260 weekly benefit payments and should be subject to a WCA. Medical payments are also constrained to 2 years following the last weekly payment date.

**Claims remediation
(WI only)**

A claims remediation exercise was carried out in 2019, where a number of Medical-only claims were identified as being eligible for Weekly benefits, however had not received these payments. Generally, these claimants were eligible for less than a weeks' worth of Weekly benefits, with approximately 1500 claims for each accident quarter identified. These claims are expected to be a feature of the claims experience going forward. The adopted claims frequency, average claim size and reporting pattern assumptions for 010% WPI Weekly claims have been revised for the 30 June 2020 and later accident quarters to capture these additional smaller claims. We view these adjustments as reasonable.

**Psychological Claims above
15% WPI
(WI only)**

The number of stress claims with a WPI above 15% has increased significantly over the last three years. This has adversely impacted the valuation results as:

- these claims have a longer benefit period and are thus more costly; and
- these claims are also eligible to lodge an application to receive an additional WID payment.

In response, the expected claims frequencies for the 2018 to 2020 accident years have been increased. Similar adjustments have also been made to the WID model noting the high propensity for these claims to lodge for WID's.

We believe these adjustments are reasonable. However, we note the ultimate number and cost of these claims are highly uncertain due to the time taken for these claims to go through the Section 66 and WID process. The changing societal attitudes towards psychological injuries and the current and projected economic environment also add to the uncertainties.

We have discussed with Finity the approach of an explicit modelling of the stress claims, as adopted for IfNSW valuation given the growth in numbers and the large contribution of these type of claims to the liability. Finity acknowledged this would be considered in future valuations possibly when the overall claims experience stabilises. At this stage, stress claims are a focus of their review with additional analysis and monitoring.

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

Modelling of WID exits and weekly / medical actives (WI & IfNSW WC)

Following the finalisation of a Work Injury Damages (WID) claim, a claimant foregoes their right to future weekly and medical benefit payments. Therefore, the valuation models need to capture this relationship and the timing of WID finalisations to avoid the over (or under) projection of weekly and medical benefits.

Since the 31 December 2018 valuation, Finity have enhanced their modelling to better account for the interaction of WID and weekly and medical benefits for claims assessed with a WPI of 21% and above.

We have considered Finity's modelling, discussed the approaches and assumptions with Finity and performed our own independent analysis to assess this modelling interaction. We have found the approaches and assumptions adopted for both WI and IfNSW WC to be reasonable.

Medical costs
(WI & IfNSW WC)

Over previous years, Medical costs have been an area of focus given the deteriorating trend in expenditure for both WI and IfNSW WC. Finity and icare's actuaries indicated there are a variety of drivers of this trend linked to claimants receiving medical services earlier and of a more complex nature:

- claimants seeking additional and more substantive treatments prior to being cut-off benefits; and
- medical providers recommending more comprehensive service packages during hospital stays relative to previous practices.

Since the previous valuation, there has been some moderation in the rate of growth of medical costs for IfNSW Emergency Services (EMER) claims and minimal growth observed for WI and the IfNSW Non-Emergency Services (NEMER) portfolio. The main exception has been WI Catastrophic Injury medical costs due to a 10% increase to icare's panel provider rates for attendant care. This has resulted in an approximately \$59m increase to the outstanding claims liability at the December 19 valuation.

The medical cost assumptions selected are within a reasonable range. However, uncertainty continues to remain as to whether future medical costs will continue to increase over the next few years. Another area of uncertainty relates to possible changes in claimant behaviour, which may result in further increases in the utilisation of medical services as claimants approach the cut-off dates for medical services introduced under s59(a) (the cessation of medical benefits 2 or 5 years after the cut off of weekly benefits).

Risk Margin (WI only)

WI holds a risk margin for their outstanding claims liabilities at an 80% probability of sufficiency. Since the previous valuation, Finity have reduced their adopted 'BAU' risk margin (excluding Covid-19 adjustments) from 15.1% to 14.6%.

Through discussion with Finity, we understand that this change has been made to reflect the reduced levels of uncertainty around the impact of the WAP and post-reform experience, particularly with respect to the 2013 to 2015 accident years since the 2017 valuation (when the risk margins were last accessed). This has resulted in a \$76m release from the outstanding claims provision.

This has been offset by a 1.0% increase to the risk margin to reflect the increased uncertainty arising from Covid-19 (and associated government actions and consequences for the economic environment) and its impact on claims experience (discussed later in this section).

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

Police medical discharge claims and modelling
(IfNSW WC only)

Police medical discharge (MD) claim numbers continued to emerge at elevated levels, higher than expectation, in the twelve months ending 31 March 2020. This has an adverse impact on the reserves as MD claims are on average, more costly than non-MD claims. A high proportion (90%+) of Police MD claims relate to psychological injuries which are also more costly. In response, similar to the previous valuation, Finity has increased the projection of the ultimate number of MD claims.

Police Section 66 claims are now modelled separately for MD and Non-MD claims. Due to the increasing number of MD claims, we believe the change in approach to be reasonable and appropriate.

We believe that the selected assumptions are reasonable. However, given the continual increase in the number of MD claims and no indications that this trend stabilising or reversing, there is significant uncertainty associated with the projection of the ultimate number of MD claims and thus the liability.

Presumptive Cancer Cover for Firefighters (IfNSW WC only)

Following amendments to legislation to provide firefighters with presumptive cover for certain cancers subject to meeting qualifying periods of employment, an explicit allowance was made to the liability at 30 June 2019.

Actual payments continued to be significantly lower than expected particularly for the NEMER portfolios, driven by the lower numbers of claims reported compared to expected. In the last six months, for NEMER, actual payments were 100% lower than expected (actual of \$0.0m vs expected of \$6.4m) while for EMER, actual payments were 52% lower than expected (actual of \$4.1m vs expected of \$8.4m).

At this early stage, it would appear that there is a much lower utilisation of the available coverage, particularly for the NEMER portfolios.

Finity responded to the favourable experience in the NEMER portfolios, resulting in a decrease to the liability for prior years to \$48m. This represents a \$16m reduction of liability at 30 June 2020.

We have found Finity's approach and selected assumptions to be reasonable, although the estimates continue to remain highly uncertain and judgemental.

COVID-19 Adjustments
(WI and IfNSW WC)

COVID-19 is expected to have an impact on the claims experience in WI and IfNSW WC. These impacts include:

- Claims relating to employees contracting COVID-19 through employment activities, including impacts from the Shoebridge Bill;
- Delay in accessing medical services and/or return to employment post injury due to the NSW lockdown in the June 2020 quarter;
- Lower number of claims reported in the June 2020 quarter due to reduced work activities during the NSW lockdown;
- Potential delay in claims processing during the NSW lockdown; and
- Changes in claims development patterns due to the economic downturn.

Finity has responded to these potential impacts (in particular, Workers' Compensation claims resulting directly from COVID-19, timing difference of medical payments, higher continuance rates resulting from increased unemployment rates) by making explicit allowances in the outstanding claims liability for WI.

For IfNSW, broadly similar adjustments have been made with the exception of the adjustment relating to increased unemployment. It is expected government employees are generally less exposed to changes in economic

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

conditions. However, the approach in implementing the adjustments are not necessarily consistent with WI.

We also note there are other secondary impacts such as potential increase in mental stress claims, delay in accessing rehabilitation services, delay in WID imitations, earlier recognition of 260 weeks cut off (Section 39) due to reduced employment opportunities. These have not been explicitly allowed for in the outstanding claims liability and form part of the uncertainties around the liability.

We have assessed Finity's assumptions and approach for NI and IfNSW and believe these adjustments to be reasonable acknowledging the selected assumptions are highly subjective and uncertain by necessity as the full impacts from COVID-19 and NSW lockdown are yet to emerge.

To reflect this increased uncertainty for WI, an additional risk margin loading of 1.0% for both the outstanding claims liabilities (+\$152m) has been held to reflect the increased uncertainty surrounding the above factors. This additional risk margin allowance is approximately equal to an additional 100 direct and psychological Covid-19 claims across the March and June 2020 accident quarters and a doubling of the impact of Covid-19 related unemployment on return to work rates. The additional risk margin has also been applied to the premium liabilities. This additional allowance is highly subjective but appears reasonable.

Given that IfNSW WC does not hold an explicit risk margin (under AASB137) we are still evaluating how the inherent uncertainties of Covid-19 are implicitly allowed for in the June valuation.

Dust Disease Authority

Number of future claims awarded (Incidence Curves)

Over the past 12 months, the number of claims awarded has exceeded expectations by over 40%. This higher than expected experience has persisted since December 2017. Potential reasons for the experience include:

- Greater awareness around dust related diseases in part due to the increased screening activities. In addition, hospitals are potentially more proactive in looking for disease markers than in the past. We have also observed an increase in the future number of claims due to mortality improvements across other asbestos related injuries funds in Australia in recent years.
- Life expectancy improvements leading to more exposed workers surviving to become a claimant;
- A more streamlined and easier application process leading to more workers filing an application; and
- A degree of underestimation of claim latency and that more exposure existed than the model currently back solves (as exposure information is not available to the Valuation Actuary).

In light of the persistent adverse experience observed for Asbestosis and Mesothelioma, the latency period assumption has been revised for the June 2020 valuation. This increases the peak age of incidence and shifts the incidence curve to allow for more future claims. This results in an increase to the projected central estimate of claims liabilities by approximately \$114m at 30 June 2020.

Given the experience to date, we consider the selected assumptions and methodology adjustments to be reasonable. There is considerable subjectivity in the selected assumptions, particularly as they are estimated

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

	by back fitting incidence curves to the historical claims experience as historical exposure information is not available.
Allowance for engineered stone silicosis claims	<p>At the 31 December 2019 valuation, a significant increase in number of silicosis claims reported was observed. In response, the Valuation Actuary increased the expected number of silicosis claims to be received over the next three years and set up an explicit allowance for workers that are considered to be of higher risk of contracting silicosis. These changes increased the projected central estimate of claims liabilities by approximately \$38m. The reporting experience in the past six months appear to be broadly in line with expected.</p> <p>At an overall level, we consider the changes to the silicosis allowance to be reasonable acknowledging the high degree of uncertainty with the additional number of claims selected for future silicosis claims as well as the timing of these claims.</p>
COVID-19	<p>Screening services were closed during the NSW lockdown in the June 2020 quarter. These screening services were reopened in July 2020. It is likely the number of new award claims will be lower than expected in the June 2020 quarter, with a catch up in the following quarters.</p> <p>We are yet to assess the COVID-19 allowance incorporated into the liability estimate at 30 June 2020 in any detail at this stage.</p>

Lifetime Care and Support Authority (LTCS scheme)

Attendant care service costs	<p>Attendant care (AC) services support an individual and their family to take care of themselves in their home and community, including personal assistance, domestic services, community access and home nursing.</p> <p>The liability for the future cost of attendant care services is significant at 68% (2019: 75%) of the total liability. There is considerable judgement applied in the selection of the assumptions underlying the attendant care model, long-term service utilisation (i.e. estimated hours of care per day) and future hourly rate, given data is not available for longer durations due to the immaturity of the scheme.</p> <p>The primary changes to the AC model are as follows:</p> <ul style="list-style-type: none"> • Increase in the allowance for superimposed inflation and a further increase to the assumed hourly rate for next year to reflect ongoing demand pressures, in particular from the NDIS. These changes have resulted in a significant increase in the liability estimate of \$170m or about 2.6%. • CANS improvement experience has been less favourable than expected in the six months to December 2019, resulting in a strengthening in liability of \$21m or 0.3%. • Life tables were updated to the latest Australian Life Tables (2016-18) which increased liability by \$50.7m or 0.8%. • Other injury payments loadings were reduced to better reflect actual experiences reducing the AC liability estimate by \$85m or 1.3%. <p>The adjustments to the assumptions discussed above appear reasonable.</p>
Other assumptions	<p>Actual experience has been worse than expected for rehabilitation, home modifications and equipment costs, which has been reflected in increases to some assumptions by severity and delay. The overall impact is a strengthening of the liability estimate by almost \$83m or 1.4%.</p> <p>Revisions to the assumptions appear to be consistent with actual experience relative to expected and appear reasonable.</p>

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

COVID-19

COVID-19 may potentially have an indirect impact on the LTCS claims experience in the June 2020 through the following activities.

- Potential deterioration in the CANS experience with respect to brain injuries through the delay in accessing medical facilities
- Reduction in attendant care costs through the hesitancy of claimants having providers in their home premises.
- Lower new participants due to reduced NSW road activity.

Some of these impacts have already been observed in the June 2020 quarter experience, which has led to a \$16.4m reduction in liability. This approach is reasonable.

Insurance for NSW Home Building Compensation Fund (HBCF)

The building cycle

The building cycle, measured by construction volume, is a key driver of future HBCF claims costs. This occurs as changes in construction volumes impact the number of future builder insolvencies, which in turn, impacts the HBCF claims frequency. The impact of the building cycle varies by different HBCF segments (e.g. Single dwellings, Multi-units, Duplex/Triplex, etc). The claims frequencies of some HBCF segments are more responsive to changes in construction volumes than others (referred to as correlation).

There is high uncertainty around the selected assumptions as a view on the direction and timing of the building cycle needs to be taken. This is further amplified at the current valuation due to the high uncertainty surrounding the impact of COVID-19, which is discussed further below.

COVID-19

COVID-19 is expected to have a material impact on the HBCF portfolio resulting in increasing claims activity. In particular, this may be driven by the following:

- The timing of the building cycle downturn and the peak claim frequency may be brought forward as the number of insolvent builders rises and the number of building approvals reduces
- With more people staying at home, this may lead to an increase in the number of building defects being detected that may have otherwise gone unnoticed
- The 'Alterations' and 'Renovations' segments may see a large increase in the number of claims resulting from individuals choosing to perform renovations in light of not being able to move house or undertake other activities (e.g. travel), further aided by the availability of the \$25k government subsidy.
- With the introduction of the \$25k government subsidy for building work in excess of \$150k, this may also lead to an increasing average claim size (and possible superimposed inflation) as builders opt to use more expensive materials to offset some of the downside from fewer building contracts.

As at the time of writing, we are still awaiting PwC's analysis with respect to the above. From the information provided to date, scenario analysis for the Multi-Unit segment (50% of the insurance liabilities) to estimate the potential impact of COVID-19 on the HBCF portfolio, is the most material. For these scenarios, PwC have made assumptions relating to the building cycle. These include:

- The time taken to reach the low point (or trough) of the building cycle
- The severity of the peak in claims frequency
- The length of the downturn

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

- The time to recover to long-term levels.

The scenario analysis performed by PwC suggests that the impact of COVID-19 on insurance liabilities may be in the order of \$75m to \$175m.

As PwC's analysis and results are made available to us, we will provide our view on the reasonableness of the COVID-19 allowance made by PwC.

General Lines

Bushfires

The estimate of the total losses arising from the recent bushfires is \$517m. This compares to \$134m held at the 31 December 2019 valuation and icare's estimate of \$762m as at 4th May. As at 31 May only \$168m had been reported on the claims system, however a total of \$493m in "notified loss estimates" was recorded as potential losses from icare and the agencies.

The approach to determining the estimate of notified losses involved working through, for each individual agency, the exposures against each type of cover provided and identifying the assets damaged and the extent of that damage. Although only \$168m of the notified losses are in case estimates, much of the remainder has been assessed by loss adjusters. The estimates would have otherwise been lodged on the claims system, were it not for confusion surrounding the claims lodgement process and the interaction between the role of icare and the reporting of claims to the Natural Disaster Relief and Recovery Arrangements (NDRRA). The estimates have been determined on a "most likely outcome" basis, without explicit scenario testing incorporating lower probability / higher cost scenarios, although this component of the loss should be allowed for somewhat within IBNR.

Finity have relied heavily on the notified loss estimates provided to them by icare. They had several discussions with icare to understand the nature of the estimates and together with commentary provided from the agencies, assessed the loss estimates for reasonableness and determined \$24m in IBNR reserves. Finity's discussions and information exchanges with icare are documented in several file notes and emails and they appear to have undertaken a reasonable approach in formulating their estimate of IBNR.

For property claims there is additional uncertainty introduced by COVID-19 potentially causing delays and additional costs of imported materials required for repairs and re-building, although the overall approach undertaken to estimate the losses arising out of the bushfires was reasonable.

For liability claims, the notified estimates relate to a number of special and parliamentary enquiries and the Royal Commission into National Natural Disaster arrangements. Estimates are for legal defence costs only, as icare consider it likely that statutory protections will mean the government is not liable for losses because of failed back-burning in Balmoral and Gospers Mountain.

There was a \$68m loss for the additional cost of operating the OEH Firefighter's fund, arising from the recent bushfires. These costs have been agreed and are now considered final and awaiting payments.

We have discussed with icare their approach to determining the estimate of the notified losses and have concluded that a structured process was followed, and a realistic attempt was made to determine a most likely estimate of the liability. Given the uncertainties at this stage in the development of these claims we believe this was reasonable and appropriate approach.

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

COVID-19 – Business interruption, event cancellation and liability

The estimate of the total losses arising from COVID-19 related losses is \$383m. This includes losses for Business Interruption for reduction in agency revenues post 30 June 2020 which Finity have assumed will extend, albeit in a diminishing manner, until June 2021. The assumptions behind the duration and extent of the lockdown are subject to considerable uncertainty. There is a wide range of possible outcomes in the context of the ever-evolving spread, impact and government response to COVID-19. Finity's estimated losses assume a progressive relaxing of the shutdowns in NSW to 31 December 2020 and that venues may open without restriction thereafter. They have assumed that Australian borders will remain closed until 30 June 2021, with losses continuing for the Port Authority, Taronga Zoo and other agencies exposed to restrictions in overseas tourism. In determining their estimates Finity considered several scenarios around the length and extent of the shutdown and note the considerable uncertainty in their assumptions given the lack of historical experience to rely on. Other losses provisioned for are \$35m for event cancellations and a further \$25m (one reinsurance retention) has been held for defence costs related to legal actions and inquiries arising from the Ruby Princess cruise. The liability estimate assumes that statutory protections will apply. The approach and assumptions adopted by Finity are within a reasonable range of outcomes however there exists much uncertainty around the estimated losses.

Child Abuse

In the previous year, only 'reported' child abuse claims were reserved for in the liabilities as management was unable to determine a reliable estimate of 'incurred but not reported' (IBNR). At the 31 December 2019 valuation, Finity provided a range for the IBNR liability of \$405m-\$777m for TMF and \$496m-\$1.3bn for PMF. At 30 June, Finity has recommended single point estimates at the low end of the previous ranges, being \$372m for TMF and \$430m for PMF. The key reason for the change was the insight Finity gained from performing the assessment of the IBNR liability for the NSW Government's Redress Scheme. There was also an improvement in the quality of icare claims data following a review of claims files, with better identification of abuse claims and their date of occurrence. Claims experience to date has also been more in line with the previous low range of estimates. Finity have validated the lower claims volumes against exposure data that implies reasonable trends in prevalence rates over time, and their average claim size assumption is in line with finalisation experience. Given that the estimate is consistent with the number of survivors eligible for the Redress Scheme as determined for the Royal Commission, this forms a reasonable basis to determine the IBNR liability. There are a number of risks that might prompt additional civil claims being lodged, however we note that this risk is somewhat captured within the superimposed inflation allowance of 3%, which is higher than other General Lines liability classes. The liability for 'reported' child abuse claims is reasonable, with the approach unchanged from last year and average size assumptions consistent with the IBNR liability and finalisation experience.

Medical Indemnity

Overall, the valuation of outstanding claims for Medical Indemnity is reasonable, however there is a risk that adverse underlying experience is being attributed to a change in claims handling protocols.

Workers Compensation - Workers' Insurance (WI) and Insurance for NSW TMF (IfNSW)

Actual claims experience has been unfavourable over the last year with both claim numbers and reported incurred cost development being higher than expected for both Non-Nervous shock (NNS) and Nervous Shock (NS) capped claims. This was partially offset by lower case estimates on large claims.

There has been operational instability in the coding and processing of claims making identifying trends difficult. Finity has attributed some of the increase in claim numbers and case reserves to this operational instability. The bulk of the increase in liabilities for capped claims happened at 30 June, where Finity did not counter-act the unfavourable experience with assumption changes as they did at the December 2019 valuation. The assumptions changes were in response to the uncertainty introduced by the changes in claims handling practices. icare have informed us that claims handling protocols have now stabilised and should not distort trends in claims experience in the future.

The private medical indemnity market has seen 20% higher claim frequency (+10% costs) in the last 4-5 years. The claims made nature of that cover makes the trend more apparent. Finity have responded to higher reported claims by increasing claims frequency by 5-10% for the last five accident years, although the risk of further adverse development remains.

Offsetting this, for Hospital Non-nervous Shock (NNS) capped claims the average claim size assumptions are around 10% higher than finalisation experience, with the superimposed inflation allowance providing an additional buffer against deterioration in claims.

Higher claims frequency has also been observed in the Visiting Medical Officers (VMO) portfolio, although there is some additional pressure with finalised costs experience over the last three years moving above valuation assumptions.

Large claims have developed better than expected over the last year. Finity have kept their assumptions unchanged so if recent claims experience continues, we can expect to see more releases from this segment of the valuation.

The overall level of reserves is considered reasonable.

Public Liability

For the Police valuation segment, claim numbers continued to be lower than expected, with fewer wrongful arrest claims following a change in legislation in 2014. The Excess valuation is continuing to see reductions in liabilities driven by fewer claims for PTSD for police officers who joined the force prior to 1988. There is a risk that mental health related claims increase with greater societal acceptance and awareness, although this risk is somewhat covered within the superimposed inflation assumption.

For the Non-Police valuation there have been increasing financial loss claims over time relating to class action litigation and contractual disputes, although overall claims experience was benign over the year. There have been more large claims reported over the past 12 months although it is reasonable to assume this is random variation until further experience emerges.

The estimated liability is reasonable overall.

Other Funds – PMF, CRIF, TAC, BIG and Sporting Injuries

The review of these funds has not yet been completed.

[illegible]

A series of horizontal black bars of varying lengths, representing redacted text. The bars are arranged in a list-like fashion, with some bars being significantly longer than others, indicating different amounts of redacted content for each item.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[illegible]

[illegible]

4

[illegible]

[illegible]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------

[REDACTED]	[REDACTED]	[REDACTED]
------------	------------	------------

[REDACTED]	[REDACTED]
------------	------------

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.

workers insurance

Overseas travel to Las Vegas for Guidewire Connections Conference 2018

Issue / Purpose Statement

The Chair's approval is sought for icare's Mr John Nagle, Interim Chief Executive Officer and Managing Director; Mr Rob Craig, Chief Operating Officer; Mr Tim Abbott, General Manager Business Technology; and Ms Tara Moore, General Manager Business Enablement and Operations, to travel to Las Vegas to attend the Guidewire Connections Conference from 13 to 18 October 2018. Mr Nagle has been invited as a keynote speaker and as such, Guidewire has offered to cover his expenses.

Recommendation and Actions

1. Approve the overseas travel to Las Vegas for icare's Mr John Nagle, Interim Chief Executive Officer and Managing Director; Mr Rob Craig, Chief Operating Officer; Mr Tim Abbott, General Manager Business Technology; and Ms Tara Moore, General Manager Business Enablement and Operations, from 13 to 18 October 2018.
2. Note that Mr Nagle's travel, grounds transportation and accommodation costs are being covered by Guidewire Software as he is a keynote speaker.
3. Note the estimated costs associated with travel for Mr Craig, Mr Abbott and Ms Moore, specifically flights and accommodation, and that they are to be covered by icare.
4. Note that the Conference registration fee is being waived for both Mr Nagle and Mr Craig, and the registration fees for Mr Abbott and Ms Moore are to be covered by icare.

Background / Context

As you will be aware, icare launched a new workers insurance service model to improve workers insurance in New South Wales, making it easier and faster for businesses to arrange and manage their policies anywhere, any time.

icare has implemented Guidewire software, which provides the platform for its new policy and billing system, whereby employers deal directly with icare when purchasing or renewing workers insurance policies.

The software was chosen as part of icare's decision to move to a new workers insurance policy administration system, in line with its commitment to deliver a consistent, high-quality customer experience.

The new system includes an online portal to enable a faster and more consistent policy inception and renewal process. Via this portal, all New South Wales employers and brokers can access consolidated, accurate and up to date policy information, as well as initiate and renew policies, and make premium payments via a simple interface, at a time convenient for them.

Analysis

The Conference will provide the opportunity for Mr Nagle to share icare's story with an expected 2,000 plus delegates.

As a keynote speaker, Mr Nagle's travel, grounds transportation and accommodation costs are being covered by Guidewire Software.

The main costs associated with attendance for Mr Craig, Mr Abbott and Ms Moore will be Business Class flights, with a maximum estimated cost of \$12,694.48 per person depending on the timing of travel and booking; and approximately five nights of accommodation at the Conference venue, the Wynn Las Vegas, at a cost of between \$321.99 and \$560.00 per night, per person, depending on room availability at the time of booking.

The Conference registration fee of \$975.00 per person is being waived for both Mr Nagle and Mr Craig. The registration fees for Mr Abbott and Ms Moore are to be covered by icare.

Submitted by

John Nagle – Interim Chief Executive Officer and Managing Director

From: Carapiet, Michael
Sent: Monday, 23 April 2018 2:33 PM
To: Auditore, Larissa
Cc: Michael Carapiet

Da Silva, Sharleen

Subject: Re: International Travel Approval

Approved

Sent from my iPhone

On 20 Apr 2018, at 10:21 am, Auditore, Larissa

wrote:

Dear Michael,

Please find attached Briefing for international travel for the Guidewire Connections Conference for John Nagle, Rob Craig, Tim Abbott and Tara Moore for your approval.

Kind Regards,

Larissa

Larissa Auditore

Executive Assistant to John Nagle
Interim CEO & Managing Director

321 Kent Street, Sydney 2000
icare.nsw.gov.au