

**INQUIRY INTO PROPOSED CHANGES TO LIABILITY AND
ENTITLEMENTS FOR PSYCHOLOGICAL INJURY IN NEW
SOUTH WALES**

Organisation: Insurance Council of Australia

Date Received: 15 May 2025

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Standing Committee on Law and Justice

Dear Sir/Madam,

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide feedback in relation to the inquiry of the Legislative Council's Standing Committee on Law and Justice (the Committee) into proposed changes to liability and entitlements for psychological injury in New South Wales (NSW).

We understand the Committee will inquire into and report on the provisions of the Exposure Draft of the Workers Compensation Legislation Amendment Bill 2025 (Exposure Draft) and the overall financial sustainability of the NSW workers' compensation system. We further understand the Exposure Draft, which contains changes relating to workers' compensation only, is part of a reform proposal which will include two Bills which are designed to shift workplace health and safety laws and workers' compensation laws towards the prevention of psychological injuries.

The Insurance Council recognises the significant impact of psychological injuries on individuals, workplaces and workers' compensation schemes through the increasing number of claims and rising costs associated with those claims. Accordingly, we welcome the NSW Government's review of the current workers' compensation settings to ensure they remain fit for purpose.

Mental health conditions account for an increasing proportion of serious injury workers' compensation claims. In NSW, the number of psychological injury claims has doubled in six years compared to a 16% increase for all other injuries in that time.¹ In Victoria, psychological injury claims now make up 16% of all claims, compared to only 2% of claims in 1985.²

Psychological injury claims are also more expensive than physical injury claims. According to Safe Work Australia data, the median compensation paid for psychological injuries in 2019-20 was \$55,270 per serious claim compared to \$13,883 for physical injuries and diseases.³ In NSW, the average cost of a psychological injury claim has increased from \$146,000 in 2019-20 to \$288,542 in 2024-25.⁴

Workers with psychological injuries often face greater complexities and challenges returning to work and have significantly more time off work compared to those with physical injuries only. In 2019-20, the median time lost for mental health conditions was 30.7 working weeks per serious claim (up from 18.8

¹ Workers Compensation Ministerial Statement, 18 March 2025, NSW Government, [Workers Compensation Ministerial Statement | NSW Government](#)

² The 'Scheme Modernisation' Changes to Victoria's Workers Compensation Laws – will they have the desired impact?", 14 August 2024, Turks Legal, [The 'Scheme Modernisation' Changes to Victoria's Workers Compensation Laws - will they have the desired impact? | Turks](#)

³ Latest trends in mental health conditions, Safework Australia, [Latest trends in mental health conditions | Safe Work Australia](#)

⁴ Workers Compensation Ministerial Statement, 18 March 2025, NSW Government, [Workers Compensation Ministerial Statement | NSW Government](#)



weeks in 2015-16), compared to 6.2 working weeks per serious claim for physical injuries and diseases.⁵

The increased costs and longer time absent from work associated with psychological injury claims contribute to higher overall claim liabilities for workers' compensation schemes. The impact of psychological injury claims on the NSW workers' compensation scheme is significant with premiums predicated to increase by 36% over the next three years if action is not taken.⁶ The NSW Government has advised that even with recent increases to premiums in NSW, assets held by the nominal insurer do not equal its liabilities with the nominal insurer currently holding 85 cents in assets for every \$1 needed to care for injured workers.⁷

As part of the NSW Government's review of the workers' compensation scheme, amendments have been proposed in the Exposure Bill which we understand are intended to:

- Clarify and update concepts, such as reasonable management action and thresholds for accessing long-term payments.
- Expand early intervention powers to support rehabilitation and return-to-work plans sooner.
- Strengthen anti-bullying protections, allowing workers to bring claims for bullying or harassment through the industrial relations system.
- Establish clearer dispute resolution pathways, improving access to timely outcomes.
- Modernise benefits and compensation thresholds to better reflect the cost of living and community expectations.

The Insurance Council recognises the challenge for workers' compensation schemes in providing adequate support to injured workers while ensuring premiums are sustainable for employers. This requires balancing the need for timely support, including medical care, wage compensation, and rehabilitation, with the financial impact on businesses.

The Insurance Council notes the reforms implemented in Victoria on 31 March 2024 to address concerns about the sustainability of Victoria's WorkCover scheme and will continue to monitor the impact of these reforms. We acknowledge the need for governments to review scheme settings to address evolving challenges and pressures and to ensure the long-term sustainability of the schemes.

The Insurance Council would welcome the opportunity for further engagement with the NSW Government in relation to the proposed bills and reforms to the workers' compensation scheme.

Please do not hesitate to contact Alice Nichol, Senior Adviser, Insurance Lines
if you have any queries regarding our submission.

Sincerely,

Andrew Hall
Executive Director and CEO

⁵ Latest trends in mental health conditions, Safework Australia, [Latest trends in mental health conditions | Safe Work Australia](#)

⁶ Workers Compensation Ministerial Statement, 18 March 2025, NSW Government, [Workers Compensation Ministerial Statement | NSW Government](#)

⁷ Ibid.