

16 April 2015

The Treasury
Langton Crescent
Parkes ACT 2600

Submission by email: Niisris@treasury.gov.au

Dear Sir/Madam

**NATIONAL INJURY INSURANCE SCHEME – WORKPLACE ACCIDENTS
CONSULTATION REGULATION IMPACT STATEMENT**

I refer to the National Injury Insurance Scheme (NIIS) – Workplace Accidents Consultation Regulation Impact Statement (RIS).

The Insurance Council of Australia (ICA) is the representative body of the general insurance industry in Australia.

ICA members participate in federal, state and territory workers' compensation schemes as underwriters, and as claims or scheme agents.

ICA members underwrite the workers' compensation schemes in Western Australia (WA), Tasmania, the Northern Territory (NT) and the Australian Capital Territory (ACT).

Given the direct involvement of general insurers in relevant schemes, the ICA appreciates the opportunity to comment on the proposals and options for NIIS arrangements for workplace accidents.

Minimum benchmarks option

The ICA supports, in principle, the minimum benchmarks option. It is submitted that this option best supports the objectives of the NIIS, and the principles of simplicity and fairness. It importantly maintains the position that an injured worker only needs to interact with one scheme. It also leaves full responsibility with jurisdictions for the structure and design of the relevant workers' compensation scheme.

The minimum benchmarks option also better incorporates the objective identified by the Productivity Commission of reducing the risk of accidents by maintaining price signals to employers in workers' compensation schemes¹.

It is acknowledged that some jurisdictions would need to eliminate the ability to convert future benefits into lump sum payments and to remove time restrictive time limits and caps on services for workers with catastrophic injuries.

Of particular relevance to ICA members that underwrite workers' compensation schemes is the assessment in the RIS that the private sector scheme in the ACT, and the schemes in WA and Tasmania may not meet the proposed minimum benchmarks (RIS, pp 10-11).

If the minimum benchmarks option is pursued, the ACT, WA and Tasmanian governments will need to adjust the benefits structure accordingly. This raises a key issue for ICA members. While the ICA supports this option in principle, it is of vital importance for insurers of these schemes that the necessary adjustments of benefits only apply prospectively. If the adjustments in lifetime care and support benefits for catastrophically injured workers in these schemes are to be funded by the risk premium, this will enable insurers to make the appropriate adjustments to the premiums collected, and ensure that sufficient premium has been collected for the employer's prospective risk of catastrophic injury in the workplace.

Further, if the adjustments in benefits are to be funded by a levy attached to the employer's premium (in a similar fashion to the funding arrangement for the NSW Lifetime Care and Support Scheme), it is also important that the levy is designed to fund future benefits only. In this circumstance, insurers for the schemes in the ACT, WA, Tasmania and the Northern Territory will need to adjust risk premiums collected and ensure they no longer cover the lifetime care and support benefits that are to be funded by a levy.

The above paragraphs outline somewhat complex matters of timing and pricing – that need detailed analysis and modelling to ensure a fair and appropriate transition to the proposed minimum benchmarks.

The ICA notes the projected net annual costs of meeting proposed minimum benchmarks for WA, Tasmania and the ACT, and the expected premium changes for these jurisdictions (RIS, p 18). The ICA has not independently assessed these projections.

The RIS appropriately identifies that certain industries may bear a higher portion of the overall increase in premiums required due to risk rating.

The RIS also identifies options for interaction between private sector insurers and a jurisdiction's NIIS arrangements (p 19). In principle, the ICA supports a framework similar to the NSW Lifetime Care and Support Scheme, whereby the extra premium or levy collected to

¹ Productivity Commission 2011, *Disability Care and Support*, Report no. 54, Canberra, p. 47

fund the lifetime care and support needs of a catastrophically injured worker flows into a central fund administered by government – with that fund then being responsible for:

- determining who may have access;
- the levels and types of benefits injured workers should receive; and
- the co-ordination and payment of these benefits.

The ICA submits that the above matters can be further addressed via detailed consultations between insurers, stakeholders and the governments of the relevant jurisdictions.

NIIS access for older workers

A further matter that may impact premiums is NIIS access for older workers whose age may be above the age limit that applies to access the full range of workers compensation benefits under a particular scheme.

Again, this is a matter for detailed consultations between insurers, stakeholders and the relevant government.

The ICA supports, in principle, the option of minimum benchmarks, and a federated approach for the NIIS for injured workers.

Complex details of scheme and benefit design, as well as transition arrangements can be the subject of detailed consultations with relevant governments.

The ICA looks forward to working constructively on these matters.

If you require any further information in relation to this submission, please contact Vicki Mullen, General Manager, Consumer Relations & Market Development Directorate, on (02) 9253 5120 or vmullen@insurancecouncil.com.au.

Yours sincerely



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