

20 April 2017

Mr Harry Greenwell
Manager
Communications
The Treasury
Langton Crescent
Parkes
ACT 2600

Email: CNreview@treasury.gov.au

Dear Mr Greenwell

Review of the Commonwealth Government's Competitive Neutrality Policy

Thank you for the opportunity to provide a submission as part of Treasury's review of the Commonwealth Government's Competitive Neutrality Policy.

The Insurance Council of Australia (ICA) is the representative body for the general insurance industry in Australia¹. ICA members provide a range of general insurance products including public liability, workers compensation insurance and compulsory third party (CTP) motor vehicle personal injury insurance.

Competitive Neutrality must apply to Government underwritten insurance

As outlined in the ICA's earlier submissions to the Competition Policy Review (of 10 June and 17 November 2014) it is our long-held position that governments providing insurance should do so in a competitive market and in accordance with the principles of competitive neutrality. Therefore if governments wish to provide insurance they should do so subject to the same prudential and regulatory requirements that apply to general insurers.

However, public sector statutory compensation schemes are currently not subject to the competitive neutrality principles and requirements. These schemes sit outside the scope of various federal and state competitive neutrality policies, including the current Commonwealth Competitive Neutrality Policy (the Policy).

¹ Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

For example, Comcare, the workers' compensation insurer for Commonwealth and ACT public sector employees, falls outside the scope of the current Policy as it is a statutory monopoly scheme and not subject to competition. Therefore, it does not fit within the criteria of a 'business activity' as outlined in the Policy. This limited scope of the Policy is incongruous with the National Competition Policy principles and, in its current form, entrenches existing barriers to competition.

Therefore the ICA submits that the scope of the Policy be revised to ensure that government-underwritten insurance, such as that provided by Comcare, fit within its scope and is subject to the same competitive neutrality requirements as other Commonwealth businesses and organisations.

Compliance transparency and accountability

Compliance transparency and accountability should be a key focus area under a revised Commonwealth Competitive Neutrality Policy.

Appropriate and effective measures to ensure government business enterprises comply with their competitive neutrality requirements are essential to ensure the integrity of the Policy and, most importantly, ensure broader competition policy objectives are met.

In relation to statutory compensation schemes such as Comcare, coverage under the Policy coupled with clear and transparent reporting of competitive neutrality compliance requirements would allow a scheme's financial and operational performance to be more easily monitored and compared with statutory insurance schemes in other jurisdictions. This in turn will provide greater insight and clarity when analysing the costs and benefits of continued public provision versus competitive underwriting of workers' compensation and other classes of statutory insurance.

The ICA would be happy to discuss this submission and the review with you further.

If you have any questions please contact Sarah Phillips, Acting General Manager, Consumer Relations and Market Development Directorate via email sphillips@insurancecouncil.com.au, or phone (02) 9253 5100.

Yours sincerely



Robert Whelan
Executive Director and CEO