



# NSW Legislative Council Hansard

## NSW Self Insurance Corporation Bill

Extract from NSW Legislative Council Hansard and Papers Thursday 9 December 2004.

### Second Reading

**The Hon. MICHAEL EGAN** (Treasurer, Minister for State Development, and Vice-President of the Executive Council) [5.02 p.m.]: I move:

That this bill be now read a second time.

I seek leave for the second reading speech to be incorporated in *Hansard*.

#### Leave granted.

The Bill reconstitutes the NSW Insurance Ministerial Corporation as the NSW Self Insurance Corporation and clarifies its functions and powers as the provider of self insurance arrangements for government agencies. The purpose for reconstituting the Corporation is to provide a more robust legislative framework for managing liability claims with an assessed cost in excess of \$4 billion and for managing the funds set aside to meet these claims.

The NSW Insurance Ministerial Corporation was originally constituted by section 24 of the *Government Insurance Office (Privatisation) Act 1991* for the purpose of receiving and managing residual assets, liabilities, rights and obligations of the Treasury Managed Fund, the Pre Managed Fund Reserve, the Governmental Workers Compensation Account and the Transport Accidents Compensation Fund. These had been part of the business undertaking of GIO Australia Holdings Limited when it was in Government ownership.

The Treasury Managed Fund is a scheme of self insurance which protects the insurable assets and exposures of its members. Fund members include all public sector agencies financially dependent on the Consolidated Fund, all public hospitals and a number of statutory authorities. The three other schemes are now closed and the residual liabilities are being managed through the Corporation.

Since the GIO's privatisation in 1992, the GIO has been retained by the Corporation as the manager of the four schemes. Contracts with GIO General Limited, which is now a subsidiary of Suncorp Metway Insurance Limited, expire on 30 June 2005.

The Corporation, which is administered by the NSW Treasury, is taking the opportunity to implement fundamental reforms to the arrangements by which claims management services are provided to government agencies in New South Wales.

It is intended to create a contestable market for the provision of services. This is to be achieved by unbundling the range of activities currently incorporated under one contractual arrangement into separate contracts for:

- actuarial and information services;
- risk management services;
- insurance broking services; and
- claims management services, which themselves will be broken down by line of business to encourage up to five providers to tender for these services.

Unbundling current activities in such a manner will maximize the opportunity for prospective entrants to bid, under open tender, for services or clusters of services in which they are likely to have a competitive advantage. This is seen as critical to fostering efficiency gains and reducing government liability costs.

The Corporation has, since the privatization of the GIO, simply operated under the broad charter conferred under the *Government Insurance Office (Privatisation) Act 1991*. However, with the move to a more complex form of management including multiple non-government service providers there is a need to clearly specify the functions, powers and operating arrangements of the Corporation.

The Bill reconstitutes the Corporation as the NSW Self Insurance Corporation, a title intended to convey clearly the nature of the primary functions for which it has responsibility. The Corporation will be managed by the Minister, who will be the Treasurer, and the Minister will be able to delegate the exercise of any of the functions of the Corporation to other persons. This power is necessary to underpin contracts for the claim management, actuarial, risk management and other professional services required to effectively manage liability claims.

As provided under clause 11, the financial transactions of the Corporation will be conducted through a Self Insurance Fund which is to be established in the Special Deposits Account. The operations of the Corporation will be subject to the scrutiny of the Auditor-General.

This Bill provides a comprehensive and robust framework to support reforms aimed at achieving better outcomes in the management of property and liability risks of the Government. Provision is made in clause 18 for a review of the Act after a

period of five years, to determine whether the policy objectives of the Act remain valid and whether the terms of the Act remain appropriate for securing those objectives. The Minister will be required to report to Parliament on the outcome of the review.

I commend the Bill to the House.