

## **ASSETS, PREMISES AND FUNDING OF THE NSW RURAL FIRE SERVICE**

**Organisation:** icare

**Date Received:** 9 May 2024

9 May 2024

Jason Yat-Sen Li MP  
Chair  
NSW Public Accounts Committee

via email: [PublicAccountsCommittee.PAC@parliament.nsw.gov.au](mailto:PublicAccountsCommittee.PAC@parliament.nsw.gov.au)

Dear Mr Yat-Sen Li

**Inquiry into the assets, premises and funding of the NSW Rural Fire Service**

I refer to your recent correspondence inviting Insurance and Care NSW (icare) to provide a submission to the NSW Public Accounts Committee (the Committee) inquiry into the assets, premises and funding of the NSW Rural Fire Service.

The Terms of Reference for the Committee include whether the arrangements between Councils and the Rural Fire Service are fit for purpose with respect to the provision of insurance.

For the Committee's consideration, icare's submission provides an overview of the Bushfire Fighters Compensation Fund (BFCF), which is a statutory insurance that supports volunteer firefighters in case of injury or property damage in the course of their important duties and is funded through funds transferred to icare from the Rural Fire Service (RFS). The cost is ultimately funded through the NSW Emergency Services Levy (ESL) contributions from insurers and councils.

Thank you for the opportunity to provide a submission to this inquiry.

Kind regards



Richard Harding  
Chief Executive Officer and Managing Director  
Insurance and Care NSW

# Bushfire Fighters Compensation Fund

## What is the Fund?

The Bushfire Fighters Workers Compensation Fund (the BFCF or Fund) is a statutory insurance protection that provides compensation to volunteer firefighters for personal injury or death, and damage to their personal property sustained during firefighting or related activities.

The BFCF was established under the *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987* ('the Act'). The BFCF is a special compensation scheme that covers volunteers who are not otherwise covered under the *Workers Compensation Act 1987* because their injury or loss was in the course of volunteering rather than in the course of employment.

The Fund is operated by icare, and regulated by the State Insurance Regulatory Authority (SIRA).

## What benefits are provided under the Fund?

The BFCF provides firefighters with care and compensation similar to that provided by the *Workers Compensation Act 1987* but with more favourable benefits resembling those received by emergency workers. It also includes additional reimbursement for property damage incurred in volunteer duties. It recognises the risks taken by our volunteers in protecting their community, and seeks to provide compensation against the physical and psychological impact of firefighting on the volunteer community.

Injured volunteers receive benefits including:

- Weekly benefits determined based on the income of any paid employment, but otherwise aligned to be the benefits of 'exempt workers' (i.e. aligned to the benefits received by employed firefighters, police or paramedics) which includes no limitation on period of entitlement.
- medical treatment
- occupational rehabilitation
- death benefits for dependents
- permanent impairment with no minimum threshold and additional entitlement to pain and suffering (a specific benefit for emergency workers)
- compensation for loss of personal belongings, vehicles, and equipment.

The costs of benefits for injured volunteers are the primary Fund cost.

## How is the Fund managed and funded?

The BFCF is managed by the icare. icare manages claims and determines the contributions needed to maintain the Fund's financial stability. The Act sets out funds appropriated by Parliament are paid into the BRCF to maintain its good operation, including through appropriate investments in line with insurance principles to reduce the long-term cost of the Fund. Money may only be paid out of the BFCF



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for the administration of claims, including meeting Fund expenses such as regulation costs and cost of operations.

No provision is made in the Act for the release of money where the BFCF has funds surplus to anticipated liabilities and expenses. The consequence is that the annual cost to RFS fluctuates not only from the changes in anticipated liabilities, but from the surplus of funds estimated after Fund valuation.

Contributions are funded through amounts paid by the RFS, ultimately sourced from NSW Emergency Services Levy (ESL) contributions from insurers and councils.

### What is the cost of the Fund?

Since 2019, in line with icare's capital management and pricing policy, contributions have been set at a level to have funds sufficient to cover the estimated cost of the Fund, including.

- the expected incurred cost of claims
- claims handling expenses
- less estimated investment income

A claim's cost arising from a given incident accrue over time, over the course of rehabilitation, treatment or time off work. The cost of the Fund is best understood by looking at the expected ultimate cost of claims incurred in any accident year. The costs are summarised below in the table below since 2019.

Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Cost	\$65m	\$54m	\$40m	\$24m	\$23m	\$23m	\$229m

Claims are split into Presumptive and Non-Presumptive Cancer Claims:

- **Presumptive claims**, which make up the majority of anticipated costs, relate to claims arising from cancers presumed to be incurred in the course of volunteer duties. Legislation introduced in September 2018 allows firefighters with any of twelve specified cancers, and who meet the qualifying minimum period of service on or after introduction, to be entitled to benefits without needing to prove the cancer's connection to firefighting. The twelve specified primary cancers and the corresponding periods of service are:

Diseases	Qualifying service period
Primary site brain cancer, Primary leukaemia	5 years
Primary site breast cancer, Primary site testicular cancer	10 years
Primary site bladder cancer, Primary site kidney cancer, Primary non-Hodgkin lymphoma, Multiple myeloma, Primary	15 years



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site prostate cancer, Primary site ureter cancer, Primary site colorectal cancer	
Primary site oesophageal cancer	25 years

The uncertainty surrounding the number of presumptive claims to emerge after introduction resulted in higher allowances for presumptive claims from 2019-20. Over time the expected claims costs were adjusted to reflect the reduced presumptive claims experience to date. Since 2019, presumptive claim provision has made up approximately 85% of the total BFCF contributions.

- **Non-Presumptive claims** account for all other claim types including death claims, PTSD claims, and all other personal injury and personal property claims.

Due to the surplus in funds from the initial overestimation of presumptive claims and with no legal mechanism to release, icare (with SIRA approval) has not collected contributions to cover these costs since FY20-21. This approach reflects the requirements around treating Fund surpluses, and was adopted by icare in consultation with RFS, SIRA and Treasury.

For 2024-25, following several years of nil contributions, icare has proposed a contribution of \$29.8m, subject to SIRA approval. This reflects the exhaustion of the surplus and is generally in line with the average annual cost of the BFCF.

### What factors may impact the cost of the Fund in the future?

The main factors that may drive a change to the future costs of Fund operation are:

- **Presumptive cancer claims experience:** There remains a level of uncertainty regarding cancer claims. It is unclear whether the lower experience to date is genuine or if it due to lack of awareness of the legislation, resulting in delayed reporting.

Following subsequent reductions there has been some deterioration in the most recent actuarial valuation resulting in a shift away from the reliance on the significant surplus from 2019-2021. The uncertainty associated with Presumptive claims is managed by our pricing policy to ensure long term liquidity of the fund.

- **Changes to benefits:** The government is considering changes to the presumptive cancer legislation which would introduce further uncertainty regarding future cost and a requirement for additional funding to cover those liabilities.
- **Climate change:** There is also uncertainty due to the unpredictability of the climate and severity of the bushfire season, which may lead to increased numbers and severity of claims. For example, the unprecedented scale and devastation of the 2019-20 bushfire season continues to incur costs particularly for psychological trauma suffered by volunteer firefighters. Surpluses in the fund have offset the impact of the 2019-20 bushfires, but significant changes to the risks undertaken by volunteers may require increased contributions in future years.