

## INQUIRY INTO NSW WORKERS COMPENSATION SCHEME

**Name:** Name suppressed  
**Date received:** 14/05/2012

---

Partially Confidential

My premium cycle goes from March 22<sup>nd</sup> to March 21<sup>st</sup> every year. I employ 9 people (myself included) in an inner-west Sydney food manufacturing business.

Last year wages were estimated at \$360,000 and came in at \$377,749.97 however I was hit with an additional premium increase of \$10,611.13. The main reason for the increase was due to a dubious (at best) WC claim which has been estimated by my Insurer at \$81,517.

Prior to lodging my actual wages I had calculated that my next premium would be around \$18,500 as my estimated wages for the upcoming 12 month period was \$395,000. The premium increase from my estimate to the proposed premium of \$28,072 is over 60%, all for a claim relating to an employee who refused to return to work on light duties and a doctor who permitted him to do so. This employee suffered a simple acid burn to their stomach (they were not wearing their approved PPE at the time) and had returned to work on full duties for two weeks, until we terminated his services because he refused to perform duties he was trained and employed to do. Upon his termination, he sought the services of another doctor who was willing to fill in a WC form claiming he was unfit for duties, he notified the insurer and 9 months later this issue is now coming to a close after a IME (plastic surgeon), psychologist and IME general practitioner all gave him a full bill of health. This saga is what has caused the insurer to pay out nearly \$30,000 and estimate the full amount of the claim to be \$81,517.

I now have no other option but to challenge my insurer vigorously on their estimate and try to bring my impending premium down to a more reasonable level, however if I do not succeed in achieving this goal, I am left no other option but to reduce staffing levels in order to minimise the damage to my business created through a grossly unreasonable WC premium.

I have until June 3 to pay the \$10,611 and then I am expected to find another \$10,000 for the first of my quarterly instalments by July 22<sup>nd</sup>. This is an unbelievably difficult situation I have found myself in brought about by a system which is clearly broken and open to massive rorting, allow me to explain;

The main problem with the set up is that it works on the principle that the GP is a moral individual with the workers health as their only concern. It completely ignores the massive conflict of interest the GP is in, which is that they are in a practice to make a living as well as perform their healing duties. This conflict of interest is obvious by the over-servicing of the injured worker by GP's sending them off for unnecessary reviews by specialists. When the GP is challenged by the insurer or RTW coordinator, they are often treated sourly and with suspicion, an attitude which is usually reciprocated.

One way to address this situation is to find ways to encourage GP's to get the injured worker back to work asap. This could be done through financial incentives, which may be linked to the success of the relevant insurer. The success of the insurer could be calculated annually through audit and posted in a listing by government from best to worst. The GP gets a greater financial benefit from the company's higher placed on the list and the insurers placed lower have to work harder with their clients to improve their standing through better claims management.

As mentioned, my business is condemned to a 60+% premium increase due to one claim. As also mentioned, I am currently assessing my wages bill and looking to minimise it drastically. This is as a direct result of the current N.S.W. Workers Compensation Premium system, a system which

undermines profits and consequently employment. If I do not lay off staff, this business will be unable to continue to operate.

My business competes directly against companies in Melbourne and Queensland where WC premiums pale into insignificance compared with ours. I have to provide aggressive pricing and superb service to compete, but it comes at a cost. There has to be a better way to ensure that the injured worker is treated appropriately and the employer, insurer and ultimately the tax payer (represented through government) all get to conduct their functions economically without forcing business into extreme decisions.

A further 28% increase in the current WC premiums will bring my business to its knees in a time when manufacturing is already under immense pressure due to the economy. We are yet to receive the impact of the carbon pricing but all are agreed that the cost of goods will not be going down. Along with rising costs in water, gas, electricity and fuel, being hit with a 28% increase on a proposed premium of \$28,072, will mean our premiums will rise to \$35,932.16.....I only employ 9 staff!!!

It is without doubt change is needed. The \$35,932.16 stated above is the equivalent of the annual wage of one production employee, minus superannuation. Given the situation I am facing, the system has to be changed because it works against business, employment and the economy.