

**Submission
No 4**

**REVIEW OF THE EXERCISE OF THE FUNCTIONS OF THE
WORKERS' COMPENSATION (DUST DISEASES) BOARD**

Organisation: Suncorp Group

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One Company
Many Brands



16 January 2014

The Hon David Clark MLC
Committee Chair
Standing Committee on Law and Justice
Parliament House
Macquarie Street
SYDNEY NSW 2000

By email: lawandjustice@parliament.nsw.gov.au

RE: FIRST REVIEW OF THE WORKCOVER AUTHORITY AND WORKERS' COMPENSATION (DUST DISEASES) BOARD

I refer to the *First Review of the WorkCover Authority and Workers' Compensation (Dust Diseases) Board*. Suncorp welcomes the opportunity to contribute to the Standing Committee on Law and Justice's (the Committee) review into these authorities.

The Suncorp Group

Suncorp Group Limited and its related bodies corporate and subsidiaries (collectively 'Suncorp') offer a range of financial products and services in banking (Suncorp Bank), general insurance, life insurance and superannuation (Suncorp Life) across Australia and New Zealand. Suncorp has over 15,000 employees and relationships with over nine million customers nationally.

Nationally, Suncorp is the largest personal injury insurer. This submission is made on behalf of the Suncorp Commercial Insurance division which operates Suncorp's statutory insurance products, including workers' compensation and compulsory third party (CTP) insurance. Suncorp has over 85 years of personal injury insurance experience, with our Suncorp, AAMI, GIO and Vero brands.

In respect to statutory classes of insurance, our community focused activity is centred on risk management, injury prevention, social participation and quality of care for those injured or with a disability.

We actively support Wheelchair Sports, which encourages individuals back into the community, improving rehabilitation and work capacity. Our long-term association with Youngcare has created housing and support for young people with disability in Queensland and New South Wales. We are also interacting with State Treasuries and providing information for consideration in regard to implementing the National Disability Insurance Scheme (NDIS) and the National Injury Insurance Scheme (NIIS).

Sharing of ideas is part of our collaborative approach, and as Australia's largest personal injury insurer, Suncorp is often asked to undertake research and comment on industrial and societal issues. We also participate in wider industry matters through our involvement with the Insurance Council of Australia and relationships with scheme regulators and State Treasurers.



Terms of Reference

The Terms of Reference require a very broad inquiry into the exercise of functions of the WorkCover Authority (WCA); and the Workers' Compensation (Dust Diseases) Board (DDB) and their advisory committees. It is noted that this review will be based in part on the 2012/2013 Annual Reports of the WCA¹ and DDB.²

This is the first review into the WCA and DDB. The enactment of the *Safety, Return to Work and Support Board Act 2012* gave the Committee legislative responsibility for the oversight of these two authorities.

Economic Challenges

It is worthwhile to consider the role of Australia's accident compensation schemes generally in the context of ongoing economic challenges facing Australia. *The Intergenerational Report 2010*³ identifies the ageing population as a key challenge over the next forty years.

Specifically, it is expected that the proportion of working age people is projected to fall, with only 2.7 people of working age to support each Australian aged 65 years and over by 2050 compared to 5 working aged people per aged person currently and 7.5 in 1970.⁴

With the ageing of the population reducing workforce participation, it will be crucial to enhance productivity growth to maintain our overall standard of living nationally. Whilst this is indeed a national issue, it is incumbent upon State Governments to work cooperatively in achieving enhanced productivity growth by ensuring state based accident compensation schemes are designed to support those injured into early self-determination, both socially and economically.

The implications of workforce participation rates declining as the 'baby boomers move into retirement, without policy settings reducing the impact include:

- reducing tax revenue base;
- increasing demand on health and welfare services; and
- slowing of economic performance where productivity levels do not increase.

It is in this environment that the economic arguments for disability reform⁵ and removing barriers for mature-aged workers to enter and remain in the workforce are compelling.⁶ An objective of a fully implemented NDIS and NIIS is to support individuals becoming self-sufficient both socially and economically. Supporting those who have a disability and have capacity⁷ and their carers (often mature-aged)⁸ into the workforce would assist in expanding the tax revenue base, which in turn should assist with productivity growth.

¹ NSW Government - *WorkCover Authority of NSW Annual Report 2012--2013* -

<http://www.workcover.nsw.gov.au/formspublications/publications/Documents/workcover-authority-annual-report-2012-2013-1116.pdf>

² NSW Government - *Workers' Compensation (Dust Diseases) Board Annual Report 2012 - 2013* -

[http://www.ddb.nsw.gov.au/Benefits/Documents/DDB%20WC01108%200813%20238068%20\(2\)%20\(4\).pdf](http://www.ddb.nsw.gov.au/Benefits/Documents/DDB%20WC01108%200813%20238068%20(2)%20(4).pdf)

³ Australia to 2050: Future Challenges - http://archive.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf

⁴ Australia to 2050: Future Challenges - at page viii - http://archive.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf

⁵ Productivity Commission - *Disability Care and Support, Volume 2, chapter 20 - The benefits of reform* -

http://www.pc.gov.au/data/assets/pdf_file/0018/111294/23-disability-support-chapter20.pdf

⁶ CEPAR - *Mature-age labour force participation: Trends, barriers, incentives and future potential, 2012* -

http://www.cepar.edu.au/media/97250/participation_briefing_paper_final_with_logo.pdf

⁷ Productivity Commission - *Disability Care and Support, Volume 2, chapter 20 - The benefits of reform* -

http://www.pc.gov.au/data/assets/pdf_file/0018/111294/23-disability-support-chapter20.pdf

⁸ Of the 2.6 million carers, almost 2 million are of workforce age: Source: Australian Bureau of Statistics 2006.



Accident compensation schemes designed to support individuals in becoming self-sufficient both socially and economically in a timely fashion after an injury are also crucial in arresting any decline in workforce participation rates. These considerations form the basis of our comments in this submission, which are confined to the WCA only.

WorkCover Authority of NSW

In June 2012, significant reforms were introduced to reverse the \$4.1 billion deficit, which was increasing at a reported \$9 million per day, in the NSW Workers' Compensation Scheme. These reforms have been successful in reversing this trend, as reported in the WCA Annual Report⁹ and the Auditor-General's Report.¹⁰

The improvements include:

- a change in the financial position from a net deficit of \$1.5 billion as at 30 June 2012 to a net surplus of \$308 million as at 30 June 2013;
- the funding ratio exceeding 100 percent for the first time since 2008; and
- a fall in claim numbers mainly due to the removal of journey claims and the impact of other 2012 reforms.

As a result of the improved financial position, premium rates have reduced by an average of 12.5 per cent in the 2013-2014 premium cycle, with an average premium rate reducing from 1.68 per cent to 1.47 per cent of wages. This is an excellent result for businesses in NSW. In lessening the financial burden upon them, businesses are in a better position to grow and create employment to the benefit of the State economy.

However, the Auditor-General's report¹¹ identifies a number of risks to the scheme that could be further explored, namely:

- increases in Workplace Injury Damage claims eroding the savings benefit of the reforms;
- increases in scheme costs from potential unexpected legal challenges to the reforms; and
- the agriculture, forestry and fishing industries recording the highest incidence of major workplace injuries in 2011-2012.

Further, Suncorp supports the Auditor-General's recommendation that the WCA periodically assess and report the success of its risk-based integrated proactive and reactive prevention programs to better manage workplace incidents for compliance and enforcement.

Consideration may also need to be given to any recommendations of WorkCover Independent Review Office in its 2012-2013 Annual Report, once published.

Scheme Design Principles

As a general principle, an effective personal injury insurance scheme needs to successfully balance the three key aims of fairness, outcomes and affordability. The 2012 reforms go a long way in achieving this balance.

⁹ NSW Government - *WorkCover Authority of NSW Annual Report 2012-2013* -

<http://www.workcover.nsw.gov.au/formspublications/publications/Documents/workcover-authority-annual-report-2012-2013-1116.pdf>

¹⁰ Audit Office of NSW – NSW Auditor – General's Report, Financial Audit, Volume Seven 2013, Focusing on Superannuation and Insurance - https://www.audit.nsw.gov.au/ArticleDocuments/289/01_Volume_Seven_2013_Full_Report.pdf.aspx?Embed=Y

¹¹ Audit Office of NSW – NSW Auditor – General's Report, Financial Audit, Volume Seven 2013, Focusing on Superannuation and Insurance at page 2 - https://www.audit.nsw.gov.au/ArticleDocuments/289/01_Volume_Seven_2013_Full_Report.pdf.aspx?Embed=Y



However, it is prudent to keep in mind the six guiding principles, which Suncorp considers, define an effective personal injury insurance scheme across all statutory classes. These principles guide our input into scheme design and performance with each of our Regulators and Governments nationally and guide our input into this current review.

- *Social Outcomes* - The scheme's emphasis needs to be on the individual's health and social outcomes (wellbeing), with a reduced focus on compensation payments. The ideal scheme should seek to support individuals in becoming self-sufficient both socially and economically.
- *Sustainability* - The scheme should be self-sustaining and operated with sound pricing and capital management practices so that liabilities remain fully funded. This will require, amongst other things, the right balance between the current scheme and the granting of specialised and self insurance licences both within the State and at the national level.
- *Competition* – Private competition is a key driver of innovation and can lead to improvements in pricing, claims management and health outcomes for claimants.
- *Defined and Controlled Benefits* - Benefits that are clearly defined by realistic timeframes, dollar amounts, caps and limits reduce ambiguity and inconsistent outcomes. This reduces complaints, disputes, litigation and volatility which would otherwise have adverse impacts on the scheme's affordability and financial viability.
- *National Consistency* – Progressing national harmonisation of personal injury schemes will see fair and consistent benefits for all individuals, regardless of state of residence and/or location of the accident. Employers, consumers and insurers will also gain benefits from a consistent approach across jurisdictions.
- *Dispute Resolution* – All decisions should be reviewable through a robust and cost effective dispute resolution system. It is important that all participants of the scheme, particularly claimants, have the opportunity to have their cases independently reviewed in a low cost, expedient and objective manner.

Suncorp contends that a scheme designed with these principles in mind will achieve the best possible outcome for its participants and claimants. These principles form the basis of our comments on key areas identified below.

Mature-aged Workers

The WCA Annual Report records the 50-54 age bracket with the highest number of major workplace injuries, with 3,482 injuries and an incident rate of 10.7.¹² Interestingly, the 65 and over age bracket enjoyed the lowest incident rate, but other reports suggest this age group may not be well represented in the workforce.¹³

Studies suggest there are continuing barriers for the mature-aged entering or remaining in the workforce, which are applicable to NSW¹⁴ It is suggested that harnessing the mature-age workforce would have a positive impact on

¹² NSW Government - WorkCover Authority of NSW Annual Report 2012--2013 – at page 18 -

<http://www.workcover.nsw.gov.au/formspublications/publications/Documents/workcover-authority-annual-report-2012-2013-1116.pdf>

¹³ Human Rights Commission – Working past our 60s – Reforming Laws and Policies for the Older Worker, June 2012 at page 6 -

https://www.humanrights.gov.au/sites/default/files/content/age/publications/Working_past_our_60s_2012.pdf

Advisory Panel on the Economic Potential of Senior Australians - *Realising the economic potential of senior Australians – enabling opportunity* at page 23 - http://archive.treasury.gov.au/EPsa/content/publications/enabling_opp/downloads/epsa_enabling.pdf

¹⁴ Human Rights Commission – Working past our 60s – Reforming Laws and Policies for the Older Worker, June 2012 at page 9 - -

https://www.humanrights.gov.au/sites/default/files/content/age/publications/Working_past_our_60s_2012.pdf



GPD.¹⁵ With many having superannuation balances inadequate for retirement,¹⁶ there will be continuing demand for employment by the mature-aged group.

Removing age limits for workers compensation with appropriate caps is worth considering, as the current restrictions are inconsistent with the policy development at the federal level of encouraging older workers to remain in the workforce.¹⁷ Further, WorkCover could refine current strategies for workplace safety, with a more direct focus on workplace issues facing mature-aged workers.¹⁸ This will be vital as the workforce participation rates of mature aged workers increases, as expected.

Disability Reform

Workforce participation rates for those with a disability are low when compared with the OECD average. People with a disability in Australia are only half (50%) as likely to be employed compared against people without a disability.¹⁹

As disability reform gathers pace and support is given to those with a disability, who have capacity to enter the workforce, the demand for employment will increase. Suncorp suggests that current employment barriers and workplace safety initiatives be refined to cater for this group, as public policy settings are put into place to encourage an increase in uptake of employment for this group.

Conclusion

Suncorp supports initiatives to improve the financial position of WCA by focussing on reforms that are designed to support individuals in becoming self-sufficient both socially and economically in a timely fashion after an injury. The reforms have indeed improved the financial position of the scheme to the tune of \$1.8 billion.

The Auditor-General identifies risks that may erode the reform savings and Suncorp considers these risks should be explored further together with any other issues raised in the yet to be published WorkCover Independent Review Office 2012-2013 Annual Report.

Further, with the implementation of disability reform there is an expectation that demand for employment will increase for those who have a disability and those with caring responsibilities including those in the mature-aged group. Suncorp is of the view that current workplace safety initiatives should focus on the issues confronting those workers with a disability and/or are mature-aged, as the workforce participation rates increase for these groups. This is vital as the demand to enter or remain in the workforce is likely to increase due to financial need, and/or desire and public policy settings.

Suncorp is happy to elaborate further on any aspect of this submission and to work collaboratively with the Parliamentary Committee and relevant stakeholders upon request. If you wish to discuss this submission further

¹⁵ CEPAR – *Mature-age labour force participation: Trends, barriers, incentives and future potential*, 2012 - http://www.cepar.edu.au/media/97250/participation_briefing_paper_final_with_logo.pdf

¹⁶ Financial Services Council & ING Direct media release - *Australians overwhelmingly support superannuation but want more transparency* - http://www.fsc.org.au/downloads/file/MediaReleaseFile/2013_0916_FSCINGDSuperannuation-AustraliasView.pdf

¹⁷ Human Rights Commission – *Working past our 60s – Reforming Laws and Policies for the Older Worker*, June 2012 at page 11 - https://www.humanrights.gov.au/sites/default/files/content/age/publications/Working_past_our_60s_2012.pdf

¹⁸ Advisory Panel on the Economic Potential of Senior Australians - *Realising the economic potential of senior Australians – enabling opportunity* from page 29 - http://archive.treasury.gov.au/EPISA/content/publications/enabling_opp/downloads/epsa_enabling.pdf

¹⁹ PWC – *Disability expectations – Investing in a better life, a stronger Australia*, November 2011 - <http://www.pwc.com.au/industry/government/assets/disability-in-australia.pdf>



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Yours faithfully

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