



Initial Meeting with Productivity Commission

National Disability Care and Support Scheme

Discussion Points

22 April 2010

Introduction

- We welcome the opportunity to meet with the Productivity Commission on an exploratory basis early in the inquiry
- The Insurance Council represents the interests of the Australian general insurance industry
 - not life insurers, health insurers or state government insurers
 - in addition to representing members' interests, we represent the sector to Government and the community
 - the industry is diverse, with some large insurers, and many smaller specialist insurers, with a range of interests and commercial aspirations
- As well as responding to the questions you have, there are three main themes we wish to discuss:
 - Our broad support for the objectives of the NDC&SS and therefore the work of the PC
 - Initial thoughts on the range of roles the insurance industry (or individual insurers) might play in supporting the NDC&SS
 - Identifying potential areas of overlap between the NDC&SS and current insurance systems, and how they might best be handled in design of the NDC&SS
- As thinking on the NDC&SS develops, it would be useful for the industry to understand the panel's view on a few key issues

Assumed scheme coverage

- In various reports and public statements covering the concept of the NDC&SS, a range of affected people have been identified. Recently Bill Shorten referred to as many as 1.5 million with a severe and profound impairment. Accordingly much will depend on the definition of those involved.
- However, the PricewaterhouseCoopers: National Disability Insurance Scheme - Final Report (October 2009) refers to:
 - About 580,000 'severely and profoundly disabled' people at the end of 2009, and
 - 67,000 people becoming severely and profoundly disabled during 2009
- Of these,
 - About 15,000 are as a result of catastrophic accidents, and
 - About 780 of these were during 2009
- The focus and thinking of the insurance industry so far has been primarily in respect of the 15,000 people disabled by catastrophic accidents:
 - It is not that our interest is limited to this group,
 - Rather that our knowledge and experience so far is focussed on this group

General Expression of Support

- The Insurance Council would like to express its broad support for the objectives of the NDC&SS, and hence for the work of the Productivity Commission
- Recognising the importance of the issue, we formed a working party in February 2010 to develop the insurance industry's contribution to the inquiry
- Membership of this group is:

Angus Cairn, RACQI	Keristi Price, ING
Andrew Bunting, Zurich	Mary Maini, IAG
David Brown, Guild	Neil Singleton, Suncorp
David Krawitz, Allianz	Sean O'Carra, Chartis
Gary Jeffery, TIO	Troy Browning, MIPS
George Katsogiannis, QBE	

- The Council and its working party looks forward to continuing constructive engagement with the PC during its inquiry

Insurer involvement with NDC&SS

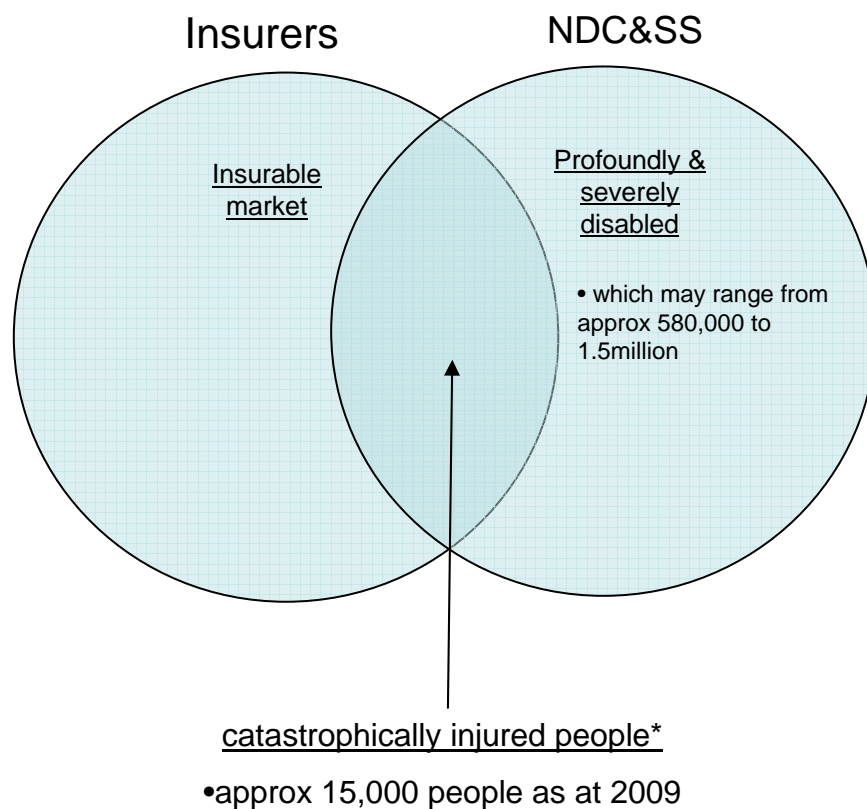
- The nature of insurance can be broken down into some key areas
 - Underwriting (assessing and pricing risks)
 - Collecting premiums
 - Adjudicating cases and claims, and
 - Managing service providers and paying claims
- The industry has competency across all these areas:
 - Individual insurers will specialise in specific insurances, and may have stronger competencies in different areas
- We believe the industry is well placed to play a role (at least) in respect of *catastrophic accidents*
 - We have demonstrated expertise in this area
- The nature of the role could vary across all key areas of insurer competence

Current insurer involvement/interaction with catastrophic accidents

- There are some areas where insurers are currently involved with aspects of funding some or all of the care requirements for injured Australians
 - This is more often through a lump sum payment rather than funding the ongoing provision of care for life
- The major areas of insurer involvement are summarised below:

	CTP	Workers Compensation	Public Liability and Professional Indemnity	Medical Indemnity
Current underwriting involvement	QLD ACT	WA, Tas, ACT, NT Some involvement in other jurisdictions through specialised insurers and self insurers	All states and territories	All states and territories
Current claims agent involvement	SA	NSW Vic SA	Some state government schemes	Some state government schemes

Current insurer involvement/interaction with lifetime care



- Current insurer involvement in lifetime care is in respect of catastrophically injured people
- Given this overlap, as views on the scope and design of NDC&SS develop, it is useful to discuss the best way of meeting the needs of these people
- The initial view of insurers is that this is the most realistic area where they can participate in and support the NDC&SS

* Not all catastrophically injured people are covered by our insurer members, but there is substantial overlap

Funding options for catastrophic accidents

- A key issue to be determined is how funding will work for the NDC&SS. In terms of any insurer interaction, there are a range of options covering the way that insurers and the NDC&SS could interact. These include:
 - Insurers provide NDC&SS-defined benefits to customers
 - Insurers set their own premiums, and take underwriting risk
 - NDC&SS recovering on individual claims
 - Insurers set their own premiums, and pay agreed benefit amounts to NDC&SS in the event of an insured accident; this also involves underwriting risk
 - NDC&SS levying insurers
 - NDC&SS sets, and collects from insurers, a levy to pay for the expected cost of insured accidents
 - NDC&SS providing cover
 - Insurers are not involved in funding

Requirements for a stable market

- For all underwriting involvement
 - Ability to set actuarially sound premiums
 - A collaborative approach to setting industry minimum standards
 - An ability to collect premiums from the people being covered
 - Access to data to enable equitable premiums to be set
- For underwriting involvement more significant than current
 - Standard definitions of key issues (eg accidents)
- For providing claims or case management
 - Ability to manage the provision of care for the whole case

Some issues

- As work on the design of the NDC&SS progresses, there are issues that will influence how the industry's views develop
- These include:
 - Understanding the likely scope of the scheme in terms of the proposed *eligibility criteria* and definition of *severe and profoundly disabled*,
 - The *proposed mechanism for including (or excluding) benefits currently provided* through a broad range of insurance schemes in Australia, and
 - The likely extent of any *premium pools* and the *proposed mechanisms for collection*

Next steps

- As the Productivity Commission develops its' thoughts on the design of the NDC&SS, the industry is keen to remain involved
 - We support the policy thrust of the NCD&SS, and are keen to see it implemented effectively
 - We particularly believe we can add perspective on the areas of overlap with the current insurance system
 - We can also provide feedback directly to the Commission on any potential models that are considered
- Contact details for the Insurance Council are:
 - John Driscoll - 9253 5120 , General Manager Policy, Consumer Directorate
 - Justine Hall - 9253 5122 , Senior Policy Advisor