



Commissioner Patricia Scott
Disability Care and Support
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

By email: disability-support@pc.gov.au

12 August 2010

Dear Ms Scott

PRODUCTIVITY COMMISSION INQUIRY INTO DISABILITY CARE AND SUPPORT

The Insurance Council of Australia¹ refers to the release of *Disability Care and Support* Productivity Commission Issues Paper (Issues Paper) on 17 May 2010 and welcomes the opportunity to provide feedback to the Productivity Commission's inquiry into Disability Care and Support (Inquiry).

The Insurance Council and our member insurers are keen to work collaboratively with the Productivity Commission and appreciated the opportunity to meet with your fellow Commissioners on 22 April 2010.

The Insurance Council would like to confirm its broad support for the objectives of the Inquiry. We attach for your records a copy of our presentation at the meeting. We note that many of the issues raised at the meeting are canvassed in more detail in the Issues Paper.

We anticipate providing the Productivity Commission in due course with further material in relation to a range of issues discussed with you in April. Initially however, we wish to concentrate on the following issues:

- The aspects surrounding the appropriate prudential framework, governance and administration of the scheme which would ensure its sustainability.
- What elements of scheme design drive the types of claimant behaviour which would maximise the efficiency of the scheme?

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. December 2009 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross premium revenue of \$32.9 billion per annum and has total assets of \$94.2 billion. The industry employs approx 60,000 people and on average pays out about \$95 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

To assist the Inquiry, the Insurance Council has commissioned an independent discussion paper prepared by Finity Consulting Actuaries (Finity) which is attached for your consideration:

- *Governance Discussion for National Disability Care & Support Scheme*

This report canvasses a range of issues which the Productivity Commission may wish to consider as part of its Inquiry. Finity has drawn from its experience with existing insurance accident compensation schemes across Australia to provide a basis for ongoing discussion of the types of matters to be taken into consideration when contemplating a Disability Care and Support Scheme.

In relation to governance, the Insurance Council believes that the issues raised by Finity, particularly regarding decision making mechanisms, financial management and monitoring and appropriate reporting standards will assist the Productivity Commission in its deliberations on the framework of the Disability Care and Support Scheme. We submit that an independent Board structure, such as that which exists in the Motor Accidents Scheme in NSW, works well to ensure that the objectives of the scheme are achieved.

The Insurance Council anticipates that you will also find the case studies on the efficiency of scheme design in Finity's governance report of assistance in considering the effect of particular aspects of any Care and Support Scheme on stakeholder behaviour. In particular we submit that careful consideration of the benefits available under the scheme is warranted. Particular benefits may give rise to financial incentives which are at odds with the overall goals of the scheme.

As the Productivity Commission develops its thoughts on the design of the Disability Care and Support Scheme, the insurance industry is keen to remain involved through ongoing engagement with you. We support the policy thrust of the Inquiry, and are keen to see the scheme implemented effectively. The Insurance Council and our members believe that we can be of assistance to the Productivity Commission. We can also provide feedback to the Productivity Commission in relation to any potential models that are considered.

If you have any questions or comments in relation to the above please do not hesitate to contact John Driscoll, General Manager Policy, Consumer Directorate on (02) 9253 5120 or jdriscoll@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director & CEO