



**SUBMISSION TO PRODUCTIVITY
COMMISSION INQUIRY INTO NATIONAL
FRAMEWORKS FOR WORKERS'
COMPENSATION.**

JULY 2003

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Overview

AMP is pleased to forward this submission to the Productivity Commission Inquiry into National Frameworks for Workers' Compensation and OH&S.

AMP is an international financial services company focused on wealth management.

As a national employer, AMP has workers compensation policies in place (total of 40) with either licensed insurers and/or WorkCover, in all states and territories of Australia.

AMP strongly supports the introduction of a national workers compensation framework in Australia.

Specific advantages of a national framework would include:

- reduction in administration and compliance costs,
- streamlined systems and processes,
- improved communication, from having a single point of contact,
- equity for injured workers nationally in terms of benefits payable, return to work processes and entitlements to benefits and,
- consistent definitions regarding 'remuneration', 'employer' and 'deemed worker'.

Currently, employers seeking national uniformity and consistency have one of two options: self-insurance or selection of a 'national' insurer. Unfortunately, there are disadvantages to both these options, which are summarised below:

Self Insurance

Pursuing self-insurance on an individual state basis can be a very time consuming and costly process for employers like AMP. Self insurance costs include administration expenses, reinsurance premiums, licence application fees, employment of claims management personnel, accounting work, purchase and installation of computer systems, payment of annual fees to WorkCover, contributions to dust disease levies, fees associated with obtaining bank guarantees etc.

Further disadvantages to self-insurance include:

- journey and recess claims are paid in full by employers under a self-insurance scheme, whereas they do not impact on premiums under WorkCover managed schemes.
- there are no caps under a self-insurance scheme (employers are liable for the full cost of claims), whereas claim costs above \$150k in NSW for example, do not impact on premiums
- Commutations are restricted under self-insurance, making it difficult for employers to manage and settle long-term claims.

Some national employers, like AMP, are not eligible for self-insurance in certain states. For example, Qld requires employers to have 2000 employees.

In other states, premium volumes can be relatively low, making the on-costs of self-insurance too great.

Commonwealth self-insurance schemes such as Comcare involve similar issues to those raised above. There are also questions about eligibility for national employers like AMP to participate in such schemes.

‘National’ Insurers

Given the fact that self-insurance is not a viable option for national employers such as AMP, an alternative option is to consider selecting a national insurer.

At present, it is not possible to select ‘national’ workers compensation insurers in Australia.

In Queensland, WorkCover manage all claims and premium/policy matters - there are no ‘licensed’ insurers.

South Australia has a split arrangement whereby WorkCover manage all policy and premium payments whilst insurers handle claims and injury management issues.

In all other states (NSW, VIC, WA, ACT, TAS & NT), it is possible to select one insurer to handle premium, policy, claims and injury management related issues. However, employers need to balance up the need for a consistent insurer with factors such as variances in terms being offered by insurers in risk states (WA, ACT, TAS & NT) and differences in ‘F’ factors for insurers in Victoria.

Therefore, at best, a national employer must work with at least three different agents regarding workers compensation matters.

Once an ‘insurer’ or agent has been selected, employers are faced with the difficult, complex and costly task of ensuring compliance with various workers compensation requirements around Australia. This is further exacerbated by the fact that legislation is amended on a fairly regular basis. Specific discrepancies that exist between jurisdictions, of greatest concern to AMP, are as follows:

- Journey / recess / common law claims are covered in some states and not others
- Definition of ‘employer’ and ‘deemed worker’ vary among states – for AMP, this has resulted in policies being activated for self employed personnel in some states and not others
- There is inconsistency in benefits payable to injured workers
- Definition of ‘remuneration’ varies among states, resulting in increased compliance and administration costs for national employers like AMP

- Inconsistencies in premium setting principles and estimating guidelines can translate to increased premium costs for national employers like AMP

Recommendations for a National Framework

Although AMP is supportive of a national Workers Compensation framework for the reasons outlined above: ie consistency and streamlining of definitions, benefits, systems and processes, it is important to emphasise that the structure of such schemes is also of great significance.

AMP therefore recommends that the following be included in any national scheme that is introduced (as opposed to national self insurance scheme)

- Maintain incentives for employers with good systems and practices for prevention and management of injuries eg similar to the NSW Premium discount scheme
- Introduce more equitable estimating guidelines – including the return of discount factors
- Ensure there are consistent definitions across jurisdictions in the following areas: remuneration, employer, employee/deemed worker and work related injury
- Include journey and recess claims in any national scheme which is introduced
- Ensure consistency in benefit structures across jurisdictions
- Continue with restricted access to common law
- Increase access to commutations
- Ensure consistency in the application of succession rules across jurisdictions
- Continue to maintain a cap on claims of \$150k
- Allow licensed insurers universal coverage to operate under a national framework
- Introduce fairer premium setting models – large employers with a good claims experience should not be disadvantaged because of sizing factors or performance of their industry
- Continue to offer incentives for prompt payment of premiums eg similar to 5% discount offered in Victoria

Prepared and submitted by Ozlem Mazzetti for and on behalf of AMP Limited.

