

May 25, 2012

Insurance Council of Australia's opening statement to the Joint Select Committee on the NSW Workers Compensation Scheme

Please see the Insurance Council of Australia's (ICA) opening statement to the committee hearing, from Vicki Mullen, General Manager, Consumer Relations and Market Development:

Thank you for the opportunity to give evidence to the Committee. I will give a brief opening statement, including an overview of the Insurance Council of Australia and the general insurance industry.

The Insurance Council is the representative body of the general insurance industry in Australia. Our members represent more than 95 per cent of total premium income written by private sector insurers.

Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. June 2011 statistics from the Australian Prudential Regulation Authority show the private sector insurance industry generates gross written premium of \$34.3 billion per annum and has total assets of \$114.9 billion.

In the area of state and territory-based compulsory compensation schemes in Australia, our members are variously involved in motor accident and workers compensation schemes as insurers or as scheme agents.

Insurance Council members underwrite the motor accident schemes in New South Wales, Queensland and the Australian Capital Territory. A member of the Insurance Council is the claims agent for the South Australian motor accidents scheme.

Insurance Council members underwrite the workers compensation schemes in Western Australia, the Northern Territory, Tasmania and the ACT.

Insurance Council members are scheme agents for the workers compensation schemes in NSW, Victoria and South Australia.

In NSW, Insurance Council members that act as scheme agents for workers compensation are Allianz, CGU, Employers Mutual, GIO and QBE.

As Committee members may be aware, there are also two claims managers that are not licensed insurers that are also agents for the NSW Workers compensation scheme. These claims managers are not members of the Insurance Council.

As noted in the submission of the Insurance Council, we believe it is important to clarify the specific role of Insurance Council members in the NSW Workers Compensation Scheme. Our members do not insure or underwrite the NSW Workers Compensation Scheme. Our members do not manage the funds of the scheme.

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Our members are appointed by WorkCover to:

- Issue workers compensation insurance policies
- determine and collect insurance premiums
- manage workers compensation claims
- provide support for injured workers, including rehabilitation
- pay workers compensation benefits to injured workers
- manage any third-party service providers such as medical and rehabilitation services

The provision of these services by our members to the scheme is governed by separate contracts between each scheme agent and WorkCover.

The Insurance Council acknowledges the need for comprehensive reforms to address the deteriorating performance of the NSW Workers Compensation Scheme. We support in principle reform options set out in the NSW Government's Issues Paper.

However, we submit that a proper financial analysis should be conducted of any reform proposals to allow the NSW Government, and stakeholders, to make informed decisions about the proposed reforms that are most likely to effectively address the deteriorating performance, and to ensure an affordable and fair scheme for all.

As noted in our submission, the Insurance Council has specifically addressed those reform options which involve the particular expertise of our members as scheme agents.

We are happy to take questions from Committee members.

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