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Finity report urges greater harmony between workers compensation schemes

A report by Finity Consulting, released today, calls for greater harmony between Australia's nine federal, state and territory workers compensation schemes.

The report, A Best Practice Workers Compensation Scheme, commissioned by the Insurance Council of Australia (ICA) and written by pre-eminent actuaries Geoff Atkins and Gae Robinson, examines the various schemes and identifies the features that are most likely to deliver the best outcomes for workers and employers and also deliver financial stability.

ICA CEO Rob Whelan said: "Australia's workers compensation schemes need an overhaul for reasons of efficiency and equity.

"At present, employers may need to comply with up to eight state and territory schemes, and each scheme is different. A person injured at work may receive different levels of benefits, depending on the state or territory in which the injury occurred.

"The differences between the schemes and the compliance burden on businesses are detrimental to efficiency and costs, and are a drag on employment and the economy.

"This report looks at the best-practice elements that could be considered by each jurisdiction to improve harmonisation between the schemes and provide greater scheme sustainability, alignment and certainty for injured workers and employers."

Mr Whelan said he hoped the report would help renew the conversation about improving the alignment between the schemes among relevant ministers, employer and employee representative organisations, compensation authorities and other stakeholders.

"The ICA believes the time is right to take stock of the best scheme model to serve Australians and the national economy," he said. "The current situation is incredibly inefficient and archaic – it's somewhat like the days when each state had a different rail gauge, forcing cargo and passengers to change trains at each border.

"Recent reviews including the National Commission of Audit and the Competition Policy Review have made recommendations directly relevant to the sustainable delivery of workers' compensation in Australia.

"Several states are examining the sustainability of their schemes, and the Senate is currently considering changes to the Federal Comcare scheme that would benefit some national employers."

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The report identifies the best practice objectives as:

- Prevention of workplace injuries
- Support for workers to return to work, noting the significant health benefits of work
- Fair financial support for injured workers
- Employer premiums that are affordable, reflect risk, and fully fund the liabilities of the scheme.

Mr Whelan said: “A coordinated national approach should be based on competitive underwriting by APRA-regulated general insurers. Competitive underwriting helps avoid financial risk to governments, taxpayers and future policyholders, noting that some schemes have generated significant deficits in recent years.

“Competitive underwriting of monopoly schemes would reduce scheme volatility and remove political interference with the pricing of risk. It would also remove government reliance on premiums as a source of general revenue.”

Mr Whelan noted that the report sets out income replacement ratios if superannuation benefits were incorporated, and also identified a best-practice approach to maximum weekly benefits. However, he said the ICA did not have a position on these matters.

The report is available here: [A Best Practice Workers Compensation Scheme](#)

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