

ARIMA Ltd

Submission to the Productivity Commission inquiry into National Workers' Compensation and Occupational Health & Safety Frameworks

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About ARIMA

ARIMA is the peak body for professional risk managers. Its members are corporate, individual, life and associate members. ARIMA is a non-profit organisation dedicated to advancing the discipline and practice of risk management. Founded in 1975 and formally incorporated in 1977, ARIMA provides a forum for those with responsibility for risk management to interact. It promotes professionalism in risk management, and provides educational opportunities for its members.

ARIMA has played a key role in the development of the Australian and New Zealand risk management standard, AS/NZS 4360, which provides a generic framework for the establishment of risk management programs. It has also been instrumental in assisting with the establishment of the Australasian Risk Management Unit at Monash University, Melbourne, which offers a range of tertiary courses in risk management.

ARIMA members work for a wide range of organisations, including private and public sector. They collectively pay annual insurance premiums of around \$4 billion a year (including workers' compensation), although insurance is but one of the risk transfer methods risk management practitioners use.

Workers' compensation issues

Workers' compensation is a key responsibility for most risk managers. Many ARIMA members' organisations (major corporates) are self-insurers for workers' compensation in states where that is permitted by law.

A key problem for ARIMA members whose organisations operate in more than one state is the administrative complexities of dealing with different schemes, which have different rules and regulations. This is a significant cost for those organisations. Many ARIMA members have indicated they would favour a national scheme that incorporated the best aspects of each of the separate state schemes.

A survey of ARIMA members last year found 47% of respondents whose organisations had operations in more than one state were in favour of a national workers' compensation scheme; 29%

were not. However, the question did not allow ARIMA to distinguish between respondents who were self-insurers and those who participated in statutory schemes. That status would be expected to influence respondents' views.

Risk managers were asked to rate various issues in the survey. Responses to the question: "How important are workers' compensation costs generally?" elicited the following data: Very important, 52.69%; important 35.93%; not important, 5.39%; not relevant, 2.40%; and nil response, 3.59%.

Responses to the question: "How important is self-insurance for workers' compensation?" elicited the following data: Very important, 19.76%; important, 19.16%; not important, 22.75%; not relevant, 31.14%, and nil response, 7.19%.

An ARIMA member whose organisation markets and rents machinery for the materials handling industry across Australia made this comment: "The current arrangement of varying statutory requirements in every state is inefficient and costly to our business."

Another member, whose organisation has operations in every state and territory, New Zealand and Asia, said "dealing with different legislative requirements is a nightmare". The company selfinsures in New South Wales, but is not eligible to self-insure in Queensland. "If the option was available on a national level, we would certainly look at taking up the option," the risk manager said.

The ability to self-insure is important for major organisations as they gain greater control over their premiums and claims management. Greater efficiencies are evidenced in self-insured organisations because they have ownership of workers' compensation issues. Woolworths Queensland, for example, has reduced the average time lost per claim by 30% since it began self-insuring on October 1, 1998. "Woolworths believes this success is a result of early rehabilitation intervention," Kate Thurbon, legal services manager, told the Insurance Law Intensive Conference on the Gold Coast, on July 19, 2002. Woolworths has a policy of managing claims "in a holistic way. The rehabilitation co-ordinator, the injured worker, the doctor and the claims officer work as a team".

Thurbon said the goal was to get the injured worker back to work in a healthy, stable condition. That's a view shared by other self-insurers, who take responsibility themselves for improving their organisations' OH&S standards and managing claims in a proactive way.

Self-insurers which operate in only one state and are happy with the scheme in which they currently participate are reluctant to favour any change.

One member, who represents a municipal authority self-insurer, has said that, "if the stability of the Queensland scheme is compromised in the interests of bringing uniformity to workers' compensation schemes across the country, we may be at a definite disadvantage, to the extent that our licence may be in jeopardy".

Members' viewpoints are, of course, going to be influenced by whether they are satisfied with the current regulatory regime and whether their operations and/or responsibilities extend across more than one state.

ARIMA would like to see each of the models for potential national workers' compensation schemes outlined in the Productivity Commission's Issues Paper fleshed out so the benefits of each could be considered by the ARIMA membership.

The same applies to self-insurance options, including the potential for self-insuring nationally under the auspices of the Comcare scheme.

Fraud

One reason for improved results from self-insurers is likely to be attitudes to fraudulent claims. Anecdotal evidence from risk managers indicates there are insufficient prosecutions of fraudulent claims, including exaggerated claims. Many of the disparate systems in place across Australia have insufficient incentives for recovery so, while rehabilitation is an important component, there needs to be better methods of giving injured employees the motivation to return to work quickly, even if on light/altered duties, where possible.

When a scheme works on the basis that the more serious the injuries, the higher the payments, there is always an incentive for an unscrupulous injured worker to exaggerate symptoms or invent them. The schemes do not appear to have sufficient will to pursue those people which, in turn, encourages others to follow the same path.

In some states, the necessary "teeth" exist in the legislation, but investigations and prosecutions are insufficient.

In New South Wales, there is a great variation in the willingness of self-insurers to pursue fraudulent claims, compared with the fund managers. Fund managers are remunerated on closed claims, so their goal is to close files, rather than pursue fraudulent claims. There is an attitude that "it's not my money, so why bother".

Self-insurers, on the other hand, are dealing with their own funds. The incentive is there to ensure fraud is stamped out.

Audit controls exist, but perhaps are insufficiently used to demonstrate to claimants that the schemes exist to assist the genuinely injured, they are not "cash cows" for those who view them as a means of gaining greater benefits than they are legally entitled to.

It is important not to disadvantage the genuinely injured, but the schemes anti-fraud mechanisms must be improved to weed out those who are simply taking advantage of the existence of a compensation scheme.

If greater determination to stamp out fraud was evident, and publicised, one of the key incentives to mount fraudulent claims would be removed.

Occupational health & safety

ARIMA has not commented on this aspect of the Productivity Commission's inquiry, as members' views have not been sought on the issue. However, it is likely that ARIMA members operating in more than one state would have a preference for a national framework.

Summary

ARIMA's view is that:

- Costs would be significantly reduced if a national workers' compensation scheme existed Australia-wide.
- Self-insurance ought to be encouraged more widely because its record of return-to-work rates is better than that for people injured under the statutory schemes. Self-insurance is generally a more cost-effective option, and would be more so if large employers were able to manage a nationwide self-insurance scheme, instead of having to comply with different schemes in each state.
- Improved prosecution rates for fraudulent claims will remove an incentive for fraud.

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