

## Workers Compensation self-insurance in Australia

This newsletter is based on information presented at the National Council of Self Insurers Conference, held in November 2012 in Australia. This was the second conference of its kind, and again New Zealand was represented by just one delegate.

In this newsletter we have touched on some of the presentations and especially the issues we consider of relevance to New Zealand. If you are interested in copies of these presentations please click [here](#) to send us a request.

### Self-insurance in Australia

There is no single workers compensation scheme in Australia, rather each State and Territory has its own scheme. There is also a separate Commonwealth scheme for Australian Government employees as well as schemes for the Defence Force and the Maritime industry. Employers who choose to self-insure must do so in a way that mirrors the particular scheme to which they are subject.

The Australian self-insurer schemes operate in a similar way to the ACC Partnership Programme Full Self Cover Plan, with employers managing their own claims and retaining open-ended liabilities. Unlike the ACCPP there is no hand-back date, and employers are required to manage their claims for life. There are some exceptions, however, such as the New South Wales scheme where the management of very serious claims is taken over by a separate body after a period of years.

In the event that an employer is unable to meet its claims, the State provider is ultimately responsible. In New Zealand ACC manage this risk, albeit in part, by requiring Accredited Employers to take out insurance (stoploss and High Cost Claims Cover). If an employer becomes insolvent then ACC meet the cost of claims. Such insurance is not compulsory in Australia; rather self-insuring employers arrange the necessary levels of credit from their banks to meet the cost of the claims under all scenarios should the employer be unable to do so.

The conference participants were all committed to their self-insurance arrangements and the idea of reverting back to the State schemes

(i.e. buying full insurance cover) is not considered an option.

Coverage by self-insurers varies by jurisdiction, but is significant. In South Australia self-insurers cover around 35% of the workforce.

### Workers Compensation costs up

Levies across all the schemes are beginning to rise as claims costs grow.

Australia benefited from major reforms to their Tort system in the early 2000's, which reduced large lump sum payments. However the favourable flow-on from this looks to be over, with the only way to correct the upward trend and reduce costs being another major review and making significant changes to the schemes.

To illustrate, Victoria had experienced a number of years of favourable reducing premiums however, with claims costs up, levy increases are looking likely for the future. NSW is similarly under significant cost pressures and rate increases there are also expected.

This picture is very different to New Zealand where the ACC Work Account levy rates peaked in 2010/11 and have since reduced by 21%.

### Harmonisation of schemes

The diversity of the workers compensation schemes means that benefits are not consistent across Australia, with some schemes viewed as more generous than others. There were undoubtedly good reasons for the differences when each scheme was established. This along with the long histories of some of the schemes has made the idea of complete harmonisation – one set of rules and benefits for all – somewhat overwhelming.

To date there have been some savings achieved through harmonisation of certain administrative elements of the schemes e.g. claims reporting, however there have been no changes to the actual structure or benefits of any of the schemes.

The Commonwealth scheme is an interesting example in that it has the makings of an Australian-wide scheme. The scheme was the



**Key features of the National Disability Insurance and National Injury Insurance schemes**

	NDIS	NIIS
Coverage	All Australians (presumably living in Australia) who have a "significant and ongoing" disability.	National coverage in Australia for people who suffer a "catastrophic injury" from an accident.
Cover	<p>Long term care and support services e.g.</p> <ul style="list-style-type: none"> <li>• Aids, home &amp; vehicle modifications</li> <li>• Personal care</li> <li>• Respite</li> <li>• Specialist accommodation</li> <li>• Domestic assistance e.g. shopping</li> <li>• Transport assistance</li> <li>• Supported employment services</li> <li>• Therapy e.g. occupational, physiotherapy</li> <li>• Assistance dogs</li> </ul> <p>No income compensation.</p> <p>Cover available for new and existing disabilities.</p>	<p>Cover broadly equivalent to that provided under the NSW Lifetime Care and Support scheme (current no-fault scheme for motor vehicle accidents in NSW). Looks roughly similar to entitlements provided under ACC with the exception of no income compensation.</p> <p>Cover for new cases only.</p>
Funding	Funded through taxes at a national level.	Funded at state / territory level through insurance premiums, surcharges and levies and increased local rates.
Cost	Around \$13.5 bn a year.	Around \$830 million a year.