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## NSW Greens' WorkCover allegations are improper and without basis

The Insurance Council of Australia (ICA) today rejected as baseless and improper claims by New South Wales Greens MP David Shoebridge that insurers had been rorting the NSW WorkCover scheme.

ICA Chief Executive Rob Whelan said Mr Shoebridge should seek to better understand the scheme before besmirching the reputations of insurers, who operate as scheme agents appointed by WorkCover under the Workers Compensation Act 1987.

He said insurers worked legitimately within the scheme to issue and administer policies on behalf of WorkCover, and premiums were calculated according to a formula determined by WorkCover

Mr Whelan said the claims raised by Mr Shoebridge had already been addressed by NSW Finance Minister Greg Pearce in Parliament on May 2, 2012\*:

*"The Greens have been quoted in the media in relation to the scheme, suggesting that hundreds of millions of dollars are wasted every year on reporting and form filling by private insurers ...*

*"The issue with The Greens' commentary is that it is fundamentally flawed on several grounds in terms of its analysis. I will briefly address those flaws. The Greens are not looking at annual remuneration amounts; the annual figures appear to be derived from cashflow statements in the WorkCover annual reports. The cashflow statements describe the amount expended in the financial year, not what the agents earned for services in that year. In other words, the amount recorded against a single year reflects payments for service across multiple years. For example, some of the payments in 2005-06 and 2006-07 related to services provided by the licensed insurers in the period 2001 to 2005.*

*"This situation arises because a significant amount of the agent remuneration is performance based and must be calculated and paid in arrears. It is not appropriate to use inflation as the main measure of performance. Other factors have a larger impact on insurer costs than inflation, such as growth in the economy, which increases the number of employers to which the insurers are required to deliver services.*

*"The Greens' article also observes a fall in the number of serious injuries and an increase in agent remuneration. Serious injuries, for the purposes of evaluation, are based on the length of time that the injured worker is absent from work.*

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*“From 2002 to 2012 WorkCover has increased the proportion of agent remuneration that is linked to achieving better performance in areas such as return to work. The reduction in serious injuries indicates that the initiative has been successful. The Greens' article further notes that there has been almost no change in the rate at which injured workers have returned to work since 2003. However, there were significant improvements in return-to-work rates over several years to 2005-06, and a strong argument can be made that changes to insurer-agent remuneration contributed to this improvement.*

*“Further, a major independent review in 2001 showed that agents were being underpaid and that this had contributed to poor performance in the period prior to 2002. New South Wales insurer costs are not high by Australian standards. The Safe Work Australia "Comparative Performance Monitoring Report, Thirteenth Edition" shows that the New South Wales insurance operations cost, as a proportion of total scheme expenditure, is less than that in Victoria, Western Australia and Tasmania.”*

Mr Whelan said: “Mr Shoebridge should act responsibly by contributing to this debate using legitimate facts instead of continuing to grandstand using discredited arguments.

“The Insurance Council of Australia agrees reforms are required if the NSW WorkCover scheme is to remain viable.

“The ICA has reviewed the government’s issues paper and, on behalf of its member companies, is preparing a submission to the joint parliamentary committee. The ICA will be giving evidence to the committee on May 25, and looks forward to participating in the reform and implementation processes.”

\* Extracts from NSW Legislative Council Hansard and Papers Wednesday, 2 May 2012 (Proof).