



**Employers Mutual**  
Since 1910

026



**Employers Mutual Limited**  
ABN 67 000 006 486

GPO Box 4143  
Sydney NSW 2001

DX 10175  
Sydney Stock Exchange

P: 02 8251 9000  
P: 1800 469 931 (toll free)  
F: 02 8251 9495

[www.employersmutual.com.au](http://www.employersmutual.com.au)

31 July 2012

The Research Director  
Finance and Administration Committee  
Parliament House  
George Street  
Brisbane QLD 4000

Dear Sir / Madam,

**Re: Submission to the Parliamentary Inquiry into the Operation of the Queensland Workers' Compensation Scheme**

Thank you for the opportunity to provide recommendations as part of the Parliamentary inquiry into the *Operation of the Queensland Workers' Compensation Scheme*.

Employers Mutual was established in 1910 to specialise wholly in workers' compensation insurance. We currently manage over a billion dollars of annual workers compensation premiums across Australia. We are owned by our members and we are passionate about providing services that are return to work (RTW) focused to create the right outcomes for both workers and employers.

Through this focus, we are proud of the results we have achieved:

- Employers Mutual is ranked number one in both RTW and tail liability outcomes in the NSW Workers Compensation Scheme.
- Employers Mutual has achieved over \$400 million in liability savings for the South Australian Government, since commencing as sole agent in 2006.
- Under the specialised insurance licence, Coal Services, Employers Mutual, in collaboration with the NSW Minerals Council and the CFEMU, achieved a 7.7 % of payroll reduction in premiums, saving NSW coal mines and jobs.
- Our specialised insurance scheme, Hospitality Employers Mutual, produces significantly better RTW rates than the NSW scheme, represented by: 18% better RTW at 26 weeks; 22% better RTW at 52 weeks; and 39% better RTW at 78 weeks.
- Employers Mutual was instrumental in saving the NZ Accident Compensation Commission over NZ \$1 billion in liabilities, through our work on organisational development projects that targeted claims cost savings.

- Employers Mutual's *Member Benefits* program invests over \$4 million a year in safety and RTW initiatives for our members.

These factors place us in a unique position to provide the Committee with insight into how we believe the Scheme can be improved.

Our submission will focus on tasks two and five of the Committee's terms of reference:

- How the Queensland workers' compensation scheme compares to the scheme arrangements in other Australian jurisdictions.
- Whether the current self-insurance arrangements legislated in Queensland continue to be appropriate for the contemporary working environment.

In particular, we make two firm recommendations:

- Run a pilot to determine if workers compensation agents can improve outcomes for both employers and injured workers.
- Promote the establishment of specialised insurance licences.

The following attachment explains these recommendations in more detail, analysing the strengths and challenges implicit in each. Should you require any additional information, please do not hesitate to contact me.

Employers Mutual has a wealth of experience in workers compensation and is passionate about improving the quality of Australian workers' compensation claims management. We would welcome the opportunity to assist the Committee in any way in its consideration of the Queensland workers compensation scheme.

Yours sincerely,



Mark Coyne  
Chief Executive

E: [M.Coyne@employersmutual.com.au](mailto:M.Coyne@employersmutual.com.au)

P: 02 8251 9260

M: 0423 023 607

Encl;

Appendix A: Employers Mutual's Recommendations

## Appendix A – Employers Mutual’s Recommendations

### “How the Queensland workers’ compensation scheme compares to the scheme arrangements in other Australian jurisdictions.”

The most fundamental difference in the Queensland workers compensation arrangement is that claims are managed by the Statutory Scheme. Queensland is the only state in Australia that does not promote competition. Such a model, though effective in allowing the government to maintain control over a sensitive portfolio, has a number of weaknesses, which ultimately sour scheme results:

#### Absence of benchmarking data

Each year, the *Australian & New Zealand Return to Work Monitor* provides an indication of how participating jurisdictions are performing on RTW over time. The 2010/11 report highlights a number of areas of concern with respect to Queensland’s performance.

Only 43 per cent of workers in Queensland noted that a RTW plan had been developed to guide their recovery, compared with the survey average of 54 per cent. In addition, only 70 per cent of Queensland workers felt ready to return to work, compared to the survey-wide average of 73 per cent. Only three per cent of workers considered WorkCover Queensland helped with their RTW plan. This is the lowest level across all Australian states.

While there may be legitimate reasons for these variances, the lack of competition in Queensland makes it difficult for the government to pinpoint the cause of such results. With no intra-Scheme benchmarking data, there is no way to know whether the internal claims management model is delivering the best possible outcomes for employers and injured workers under the legislative and regulatory requirements unique to Queensland.

#### Reduction in employer service levels

Our experience with employers who have operations in Queensland is that they feel frustrated that WorkCover Queensland does not consider them a key stakeholder in claims management decisions. We believe that the positive involvement of employers is fundamental to good claims outcomes. A lack of employer service is less likely to occur when there is competition between claims agents, as customer service is a major source of differentiation between agents.

#### Inability to transfer skills and innovations from other schemes

Many of the Australian claims agents work in different schemes, allowing them to take successful innovations from one scheme and apply them to another.

Employers Mutual’s experience, for example, reaches across nine state, federal and specialised insurance schemes. We have regularly transferred our learnings from one scheme to others. This allows us to spread costs, encouraging innovation and centralise expertise in claims management, training and quality control.

The transfer of skills and experience can also apply to the way in which legislation is framed to the benefit of injured workers and employers. For example, Employers Mutual’s learnings from the successful implementation of *Work Capacity Testing* in South Australia were submitted to the NSW government for consideration as it embarked upon legislative changes made recently.

### Imbalance of workers' rights versus responsibilities

The right to medical care, rehabilitation and compensation must be balanced with the obligation to participate in a strong RTW plan. It is common, however, for Statutory Authorities to develop cultures which focus disproportionately, though well-meaningly, towards the entitlements of the workers. Whilst the government must rightly safeguard the entitlements of workers in relevant statutory frameworks, it follows that a sustainable and efficient workers compensation scheme is consistent with those interests.

### Difficult to attract and retain talented staff

Difficulty in attracting and retaining talented staff is a key issue since the hard work and talent of case managers is a major factor in securing a successful RTW outcome. This is a particular issue for Statutory Authorities, which have less ability to be innovative with pay, bonuses and other incentives. Moreover, many high quality people may fear that their experience with a Statutory Authority might not be well received by future prospective employers if their performance can only be quantified by the overall performance of the scheme.

**Recommendation** → The Queensland scheme is sufficiently large to support more than one claim agent. Any gains in critical mass achieved by a monopoly provider are more than lost in the absence of incentives to innovate and improve results. We recommend the government considers running a pilot to determine if workers competition agents can improve outcomes for both employers and injured workers. Outsourcing under a pilot could occur by providing one or more claims agents with (i) a portion of the overall scheme; (ii) a particular industry; or (iii) a geographic location. Employers within this grouping must then be allowed to move between WorkCover Queensland and claims agents, creating the incentive to provide a higher level of employer service in key claims management decisions and the RTW process.

### **"Whether the current self-insurance arrangements legislated in Queensland continue to be appropriate for the contemporary working environment."**

There is a real opportunity to expand the current self-insurance arrangements legislated in Queensland to promote better outcomes for the Scheme. It is widely agreed that the engine room of economic growth lies in small and medium enterprises. Though they cannot self-insure, they should be allowed to group together and gain the benefits of specialised insurance.

Employers Mutual has unparalleled experience in the successful management of industry based funds in Australia. Our results speak for themselves and are testament to the benefits of specialised insurance:

- **Hospitality Employer Mutual (HEM):** HEM has operated for four years and is already achieving significantly superior RTW outcomes compared to the NSW WorkCover scheme. In a 26 week period, HEM achieves an 18 per cent better RTW outcome; over 52 weeks this increases to 22 per cent; and by 78 weeks this increases further to 39 per cent.
- **Coal Services:** After only six years, Employers Mutual reduced premiums dramatically from 11.4 per cent of wages to just 3.4 per cent.
- **Thoroughbred Racing Board Fund:** Employers Mutual has worked hard under this fund to promote workplace health and safety. A key achievement was working with the stewards to

make safety body vests compulsory in rides and track-work. This has drastically reduced workplace deaths and catastrophic claims.

- **Treasury Managed Fund:** Employers Mutual has significantly improved the Southern Health portfolio and is now working on assisting the NSW Police.

**Recommendation →** As part of the reform process, we strongly advocate that the *Workers' Compensation and Rehabilitation Act 2003* (Qld) be amended to allow self-insurance by industries, following the successful NSW specialised insurance model.