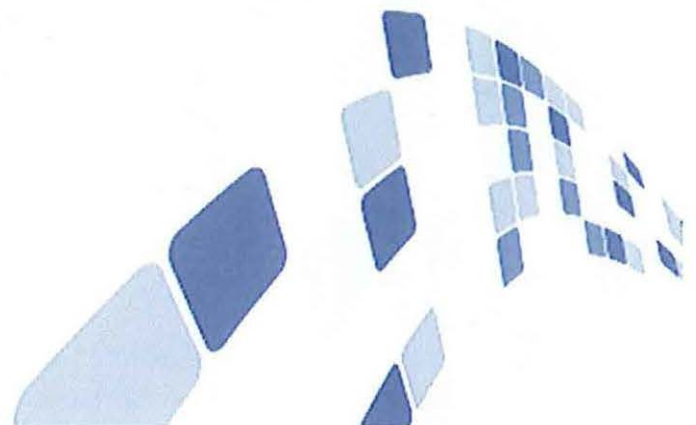




Submission to the Finance and Administration Committee

Operation of Queensland's Workers' Compensation Scheme

September 2012



Contents

1	KILCOY PASTORAL COMPANY	3
2	INTRODUCTION	3
3	EXECUTIVE SUMMARY	4
4	TERMS OF REFERENCE	5
5	INVESTIGATION	6
	5.14 RECOMMENDATIONS	7
6	INFORMATION SHARING	8
	6.4 RECOMMENDATION	8
7	COMMON LAW	9
	7.11 RECOMMENDATIONS	10
8	CLINICAL SUPPORT	11
	8.5 RECOMMENDATIONS	11
9	SELF INSURANCE	12
	9.7 RECOMMENDATION	14
10	CONCLUSION	15



1. KILCOY PASTORAL COMPANY

- 1.1. Kilcoy Pastoral Company Limited (KPC) was founded in 1953 on the initiative of Mr Damien Kennedy MBE, a local grazier who lived and worked in the district all his life. The Company grew from small beginnings to the stature we currently enjoy in the Australian Meat Industry and also the Kilcoy Community.
- 1.2. KPC is now considered a successful and dynamic food processing operation which supplies domestic and export markets. KPC celebrates the fact that we possess a reputation for product quality and service and our trade name and logo are well known and respected by customers, suppliers and competitors alike.
- 1.3. KPC employ 700 plus staff and implement a host of strategies to safeguard our staff from risk of workplace injury. We also believe in a strong client and quality focus and maintain a positive relationship with a multitude of clients through this philosophy. KPC is committed to maintaining our focus on quality.

2. INTRODUCTION

- 2.1. Kilcoy Pastoral Company ("KPC") is pleased to have the opportunity to present a submission providing feedback to the Finance and Administration Committee concerning the review of the Operation of Queensland Workers' Compensation Scheme.
- 2.2. KPC appreciate that the Attorney General has also suggested that section 5, *Workers Compensation Scheme* of the Workers' Compensation and Rehabilitation Act 2003 be reviewed. The passage that provokes interest for KPC is clause 4.

(4) It is intended that the scheme should—

(a) maintain a balance between—

(i) providing fair and appropriate benefits for injured workers or dependants and persons other than workers; and

(ii) ensuring reasonable cost levels for employers; and

(b) ensure that injured workers or dependants are treated fairly by insurers; and

(c) provide for the protection of employers' interests in relation to claims for damages for workers' injuries; and

- 2.3. KPC is of the opinion that clause 4 should regulate the insurer, WorkCover Queensland ("WCQ"), to ensure that both the employer and the employee are managed with a fair and equitable approach.
- 2.4. KPC consider that the current legislation, and the policy and procedures that dictate delivery of services are weighted in favor of the injured worker. KPC will provide examples and factors that support this view. KPC request that the legislation and the associated service delivery are adjusted to reflect the intent of the legislation. i.e. '*maintain a balance*'.
- 2.5. Where applicable and for the sake of relevance KPC will provide a response reflective of the issues and recommendations that have been identified in the '*Report of the Structural Review of Institutional and Working Arrangements in Queensland's Workers' Compensation Scheme*' ("RSR"). KPC however will also provide commentary on other factors relevant to the relationship between KPC and WCQ.



3. EXECUTIVE SUMMARY

- 3.1. KPC has reviewed an assortment of documentation that provides analysis and recommendations for the purpose of enhancing WorkCover Queensland's ("WCQ") financial viability and its overarching objective which is the delivery of appropriate services to employers and injured employees.
- 3.2. KPC understandably has its own agenda in that we want to ensure that not only do our employees who are unfortunate to suffer an injury receive the appropriate rehabilitative attention, but that KPC as the employer is also afforded a service which is considered fair and equitable when addressing the financial impact of claims management on the business.
- 3.3. KPC has identified 5 areas of interest that in our opinion would benefit the scheme, employers and employees.
 - Investigation.
 - Information Sharing.
 - Common Law.
 - Clinical Support.
 - Self-Insurance.
- 3.4. KPC consider that the investigation of complicated claims needs to have a more comprehensive process.
- 3.5. In addition the support for WCQ staff from internal clinical advisors may mitigate the costly external opinions, and also permit WCQ staff to be more pertinent in their communication with medical practitioners.
- 3.6. KPC considers that there is also a lack of information sharing that impact on the delivery of rehabilitation to employees from an employer's perspective.
- 3.7. KPC also consider that common law claims need intervention to restrict the costs of damages rising beyond the financial viability of the scheme. The implementation of a whole person impairment threshold is the prevalent opinion of the wider audience.
- 3.8. Finally self-insurance appears beyond the capacity of most Queensland employers, whereas the other states enjoy the option of choice, provided they meet the funding and workplace health and safety criteria.



4. TERMS OF REFERENCE

- 4.1. KPC understand that the document RSR identifies five terms of references and provides analysis and recommendation concerning those findings, KPC will concern itself with points that are relevant to our own interaction with either of the nominated authorities.
- 4.2. The five terms of reference are as follows, points three and five are those issues where KPC will provide response.
 - i. *Appropriate strategies and institutional arrangements to ensure the roles and functions of Q-COMP, WorkCover and the Department of Justice and Attorney General in Queensland workers' compensation are clear and well understood by stakeholders and the broader community.*
 - ii. *Arrangements that can be put in place to enhance transparency and ensure that information is readily available to stakeholders and the broader community on the workers' compensation scheme performance.*
 - iii. *Strategies to improve the efficiency and effectiveness of the workers' compensation claims management and common law settlements processes.*
 - iv. *The appropriateness of the current level of legal costs and management of the legal profession in workers' compensation matters.*
 - v. *What actions can be taken by scheme stakeholders to improve rehabilitation and return to work.*
- 4.3. The Chamber of Commerce and Industry "CCIQ" provided a submission¹ to the Department of Justice and Attorney-General in 2010. In this submission CCIQ provided a number of concerns that have been raised to them by Queensland employers. KPC shares those concerns and remains apprehensive about the ongoing management of statutory claims and common law claims.
- 4.4. The financial results for WCQ over recent years have demonstrated and have been reported by Deloitte² that with the current legislation and in particular access to common law claims the financial feasibility of the system is on a significant downward trend leading to an ultimate un-viability of the system.
- 4.5. Although Deloitte² offer some suggestion to increase premiums to counter the increasing claims activity, our suggestion is that the legislators review legislation of similar schemes in not only Australia, but also international schemes such as New Zealand to develop more robust legislation that will allow for comprehensive and accurate investigation into the actual root cause of the presented issue.
- 4.6. What also must be addressed is developing and implementing appropriate tools and strategies to assist WCQ staff to better manage the return to work of injured persons. Additionally with all due respect to the medical fraternity, WCQ must improve their method of administration and education of various clinicians whom do not appear to comply with the recognised rehabilitation model in their medical management of injured employees.
- 4.7. The improvement of these deliverables will go some way to improving the financial sustainability of the scheme.

¹ Chamber of Commerce and Industry (2010) 'Queensland Workers Compensation Scheme' to the Department of Justice.

² Deloitte (2009), *WorkCover Queensland Assessment and Improvement Opportunities*, to WorkCover Queensland.



5. INVESTIGATION

1. Workcover do not appear to investigate/contest claims comprehensively, where concern over the accuracy of the claim has been raised or identified or there is suspected embellishment of the claim facts.
2. WorkCover do not appear to have the support of legislation or tools to investigate complicated claims thoroughly, this is especially so for claims where the cause is considered to be an over a period of time application.
 - 5.1. Every claim that is accepted by WCQ establishes a potential risk to incur statutory costs, and then the acceptance of that statutory claim becomes the gateway for the possibility of a lodgement of a common law claim.
 - 5.2. Where this decision is erroneous, the cost to the employer can be significant, and not only will it have a negative effect on the employer's premium, but it can sour the relationship between WCQ and the employer. It can also set a precedent for other employees to follow suit, as WCQ settlements are perceived as 'easy pickings'. The current trend suggests that this is the case and there is little to indicate that this will change.
 - 5.3. The majority of claims that are lodged with WCQ for KPC are injuries that are considered to be a consequence of an acute event, there is usually good supporting evidence and a compliance by the employee to report their injury in a timely manner. As a result these claims are generally accepted by KPC as a work related injury without any contention, the employee is rehabilitated back into their pre-injury duty and there is typically no residual effect post recovery.
 - 5.4. Conversely it has been the experience of KPC that there are a number of claim applications where information provided by the medical practitioner is either;
 - a) *Sparse.*
 - b) *It does not correlate with other evidence.*
 - c) *A belief that the injury occurred over a period of time.*
 - 5.5. It is these claims that can become complicated when attempting to determine the accurate origin of the injury. There have been claims where KPC consider that WCQ have not sufficiently investigated the application to determine whether the employment tasks were a '*significant contributing factor*' towards the origin, or the aggravation of an injury.
 - 5.6. The conclusion is that with limited information, insufficient investigation methods, and a fairly modest legislative timeframe in which to issue a decision, WCQ generate decisions that are based on a *balance of probabilities* approach. Whilst these decisions often concur with the information that they have gathered, that information can at times, be deficient. This approach frustrates employers and needs review to ensure that the process is robust, thorough and is fair and reasonable for both the employer and the employee.
 - 5.7. It is for these reasons that access to the scheme for various claims continue to remain an issue for KPC. KPC consider that further investigation should be fully completed on complex cases, and also those cases where there is doubt concerning the authenticity of the application.
 - 5.8. When considering the medical evidence that is gathered by WCQ, KPC is aware that WCQ maintain on using the treating practitioner to provide a response when new information is at hand or WCQ may simply request an opinion on the employment contribution towards the development of an injury.



- 5.9. It is KPC's view that the treating clinician has a conflict of interest because typically they are involved in the lodgment of a claim. KPC would suspect that most clinicians would rarely sacrifice the relationship that they share with their patient by providing WCQ with a response that may have an adverse impact on their patient's WorkCover application. When applying the *balance of probabilities* theory in a clinical setting it can be relatively easy to provide an opinion that would favor an argument for either party. The result is that generally the treating clinician will very rarely alter their original position and continue to support their patient's application even if doubtful.
- 5.10. KPC do agree that the doctor should provide a good clinical report on the history of the condition and any other relevant information, but KPC do not consider that their opinion should be sought on the etiology of that condition where it is used to determine the applications access to the scheme.
- 5.11. KPC consider where the claim is complex, or needs further clarification, that the practitioner involved in the lodgment of a claim or the provision of treatment, is prejudice by default. Therefore a true second opinion should be gathered to remove the onus of potential patient-doctor conflict.
- 5.12. This process needs to be implemented with robust procedures and a consistent approach to ensure that the medical fraternity can adapt to the expectation of WCQ.
- 5.13. It is the experience of KPC representatives that WCQ has little to no motivation to reject a claim based on their own volition if WCQ is of the understanding that clinical support exists, whether justified or not and the employer (who has a lesser understanding of WC legislation) accepts liability of the claim.
- 5.14. **RECOMMENDATIONS**
 1. The legislative timeframe under S.134 of the Act concerning timeframes, e.g. *time to issue a decision*, needs review and is insufficient in determining cases of a more complex nature. The rapid timeframe provokes insufficient information gathering and as a consequence promotes hasty decisions.
 2. That for an *over a period of time* claim that further substantial information should be sought to assist in excluding other factors to eradicate co morbidities, other contributory activities and any other relevant factors.
 3. That for an *over a period of time* claim where contention exists, that an independent medical report should be sought rather than using the treating specialist/doctor.
 4. Where further investigation is required, that legislation, policy and process is developed and implemented to support that the process is consistent and is thorough.
 5. WCQ should consider reviewing legislation from other Work Compensation jurisdictions to make determination as to whether there is avenue to explore further investigative procedures that are fair and reasonable prior to claims acceptance, and if so make the necessary amendments to current QLD legislation.



6. INFORMATION SHARING

1. KPC consider that there is an absence of information sharing that permits the Rehabilitation Return to Work Coordinators to holistically manage an employee's return to full time employment.
 - 6.1. The Rehabilitation Return to Work Coordinator is legislatively obligated to provide support for an injured employee and to manage the return to work process for that employee. With limited information this process can be a little like "driving in the dark with the lights off".
 - 6.2. KPC has had an assortment of claims information provided from WCQ that demonstrates very little consistency within the department itself when releasing information. That being said the issue at hand is that WCQ are very reluctant to share any information with the employer.
 - 6.3. International case management models generally include the collection of thorough information throughout the rehabilitation process that permits an accurate ongoing evaluation of the person so that a holistic approach can be delivered.

6.4. RECOMMENDATION

1. The legislation already provides direction concerning confidentiality and the functions of a Rehabilitation Return to Work Coordinator. The legislation should be amended to also permit an exchange of information that would benefit both parties. Rehabilitation Return to Work Coordinators already segregate rehabilitation files from other employee records. Improved information sharing would afford this position the ability to manage a claim far more comprehensively.



7. COMMON LAW

1. KPC is of the opinion that common law claims are far too easy to access and there is often very little substantiation required to obtain an extravagant amount of money. Whereby an applicant requires 0% impairment and the defendant/workplace is deemed negligent and liable until it can prove itself innocent.

"The most significant increase in common law claims over recent years has occurred in the lower levels of WPI. Common law claims in the injury bands of 0-10% WPI accounted for 66% of common law claims and around \$233 million or 41.1% of all common law claim payments in 2008-09."³

- 7.1. In 2009 WCQ commissioned an independent business review to provide recommendations that would address the imminent risk to WCQ's ongoing financial viability and sustainability. The report was adamant that unless the growth in common law is reduced then the viability of the scheme remains at risk, Deloitte's² assumption was that there would be an \$8.6 billion deficit by financial year 2018 if left unchecked.
- 7.2. Common law access remains one of the most significant points of contention for KPC. KPC has experienced its own volume of claims where the residual effects of the injury were minimal to nil yet settlement figures continued to be awarded from 50K upwards.
- 7.3. These claims will persist to extract funds from the scheme and the trend that has been identified is that the anticipated settlement figure that applicants and their lawyers expect are on the rise.
- 7.4. Additionally as the long as there remains a specified KPI settlement timeframe, then the propensity to settle claims quickly will be at WCQ's forefront. This behaviour stimulates the theory that common law is seen as 'easy' money.
- 7.5. The theme that is prevalent in the majority of the WCQ review submissions that have been reviewed by KPC indicate that a Whole Person Impairment ("WPI") threshold should be introduced that would go some way to restrict access to the lodgment of a claim for damages.
- 7.6. The inclusion of a threshold could be offset by the delivery of a comprehensive rehabilitation process that achieves durable outcomes and is executed by applying the principles of duration management to ensure that intervention costs are managed to an optimum. This strategy could link in with the management of treating medical practitioners, WCQ and Q-Comp providing education and support for them in the duration management principles and will facilitate medical practitioners to manage treatment concurrently with rehabilitation.
- 7.8. Achieving sustainable durable return to work outcomes for claims will assist with the mitigation of costs for claims that are over the threshold that may continue into common law.
- 7.9. It will also provide quality and sufficient rehabilitation that can be construed as suitable reparation for those claims that would not then be eligible for common law damages, whereby claims with minimal impact from injury are less likely to need long durations of rehabilitation support versus claims where the WPI is over X% would still be able to pursue damages.

³ Department of Justice and Attorney-General (2010), *The Queensland Workers' Compensation Scheme: Ensuring Sustainability and Fairness discussion paper*, Brisbane

² Deloitte (2009), *WorkCover Queensland Assessment and Improvement Opportunities*, to WorkCover Queensland.



7.10. KPC also express concern over damages paid to employees who continue to work, either with KPC or with another employer. These employees often demonstrate a capacity to continue to earn remuneration which is similar to, or in excess of their pre-injury remuneration. The inclusion of future economic loss component and the parameters that govern that portion of the damages schedule needs to be given further consideration.

7.11. **RECOMMENDATIONS**

1. That a threshold between 5-20% be introduced to assist with aiding the financial viability of the scheme.
2. That the rehabilitation process be examined so that the rehabilitation deliverables are implemented using a duration management methodology. This may enable a short tail approach to be maintained.



8. CLINICAL SUPPORT

2. Workcover tend to act purely on the advice provided by the medical professionals' opinion, without suitably questioning why they have established their view. In our experience the employee/claimant often drives the opinion of the medical practitioners as the medical practitioner is often not able to clarify the truth of what they are being told. Workcover appear to lack having robust procedures or authority to challenge/question medical practitioners.

EXAMPLE

A claim was lodged for a hernia and KPC had provided a comprehensive task analysis of that meat processor position that illustrated that there was no element of heavy strenuous work tasks associated with that employee's position that could be considered as a significant contributing factor to the development or aggravation of a hernia. WorkCover sought opinion from the treating specialist to assist in the determination of the employment tasks that contributed to the development of the hernia. The task analysis was sent through to the specialist and regrettably there was no specific comment on the tasks or their relationship to the contribution concerning the development or aggravation of the hernia. The clinician merely suggested that after 28 years on the job, the hernia must be a work related hernia. WorkCover naturally accepted this claim and seemed indifferent with insisting that the clinician respond specifically to the task analysis document so that a more accurate contributory factor was identified before the acceptance decision was determined.

KPC are of the opinion that the reply from that specialist lacked the response that would have specifically addressed whether the tasks were considered as a significant contributing factor. In KPC's view this perspective was absent and WorkCover basically accepted the claim despite our protest that the specialist be prompted to respond.

- 8.1. The example above illustrates KPC's frustration with a lack of WCQ's capacity to address the clinical feature of a claim with the medical practitioner. KPC as a premium payer expect that our insurer would perform to the expectations as if they were in the private market. Therefore a process should exist that addresses the lack of clinical expertise within WCQ.
- 8.2. By appointing internal medical advisors WCQ would be in a position to assist staff to better understand how to communicate with external practitioners and elicit the appropriate response from those practitioners.
- 8.3. KPC's understanding of the Accident Compensation Corporation in New Zealand is that internal medical practitioners are utilised as advisors. Our research indicates that this system works very well, especially after those advisors have established tenure within the organisation and have developed a sound working knowledge of the key parts of legislation.
- 8.4. KPC wonder whether a lack of insurer competition in Queensland plays a significant part to WCQ being complacent about their performance.

8.5. RECOMMENDATIONS

1. That internal medical clinicians/experts are appointed that would assist with providing internal clinical opinion. This may minimise the number of costly external reports and the associated delay in receipt of those external reports. Presently WCQ would identify itself as having an unbiased stand-point regarding a presented claim.
2. Review other jurisdictions workers compensation legislation and framework to consider whether developing a competitive marketplace for Workers Compensation insurance will provide a better service for the Queensland Workers Compensation system in general.



9. SELF INSURANCE

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

9.1. Below is the comparison of the minimum number of employees and financial and prudential requirements to be eligible to perform in self-insurance in the relevant jurisdiction:

State ⁴	Employee Level	2000
Queensland	Employee Level	2000
Financial Requirements	A self-insurer must have sufficient financial resources to meet its liabilities and be able to demonstrate long term financial viability by way of audited financial statements prepared in accordance with generally accepted accounting principles for the previous five years	
New South Wales	Employee Level	500
Financial Requirements	<p>Workers Compensation Act 1987, Part 7, Div 5</p> <p>A self-insurer must have sufficient financial resources to meet its liabilities and be able to demonstrate long term financial viability by way of audited financial statements prepared in accordance with generally accepted accounting principles for the previous five years.</p> <p>WorkCover must be satisfied that self-insurers:</p> <ul style="list-style-type: none"> (i) are adequately capitalised, without any undue reliance on external borrowings - i.e. are conservatively geared (ii) have a strong and sound financial position based on net tangible assets (iii) have a sound profit history and positive cash flow. <p>In determining financial viability and strength, WorkCover is not restricted to the exclusive use of the above financial indicators.</p>	
South Australia	There is no formal number specified in the legislation, but the number of workers is relevant to the decision to grant or renew self-insurance. The current WorkCover policy is that employment of a minimum of 200 workers is considered adequate without further evidence.	
Financial Requirements	<p>s60 & s61</p> <ul style="list-style-type: none"> • Net worth of \$50 million or higher • gearing ratio of 2.0 or lower • liquidity ratio of 1.3:1 or higher • profitability ratio of 10% per annum on shareholders funds, and • positive rating by a mercantile agency of risk lower than the industry average. 	
Western Australia	Employee Level	Not applicable.
Financial Requirements	<p>s164 & s165</p> <p>Self-insurers are to maintain adequate financial resources to comply with the requirements of the WCIM Act 1981. Guidelines for the Approval and Review of Self-Insurers (the Guidelines) specify the financial resources required. Self-insurers are to provide audited financial statements, which include:</p> <ul style="list-style-type: none"> • Balance Sheet Test (i.e. total tangible assets/total liabilities) • quick liquidity (i.e. current assets less stock/current liabilities) • current liquidity (i.e. current assets/current liabilities) • interest coverage (net profit before tax/net interest expense) • return on investment (net profit before tax/total equity) • claims liability as a percentage of net assets (outstanding claims/net assets), and • gearing ratio (loan capital/total capital employed). <p>WorkCover WA, at its discretion, may apply further secondary financial indicators if there are doubts concerning the organisation's financial viability</p>	
Tasmania	Employee Level	Not applicable.
Financial Requirements	<p>Part IX, Div 2, s105</p> <p>s105(2) In granting a self-insurer permit, the Board is to take into account the applicant's financial history and ability to satisfy such prudential standards as the Board determines .</p> <p>On applying for a self-insurer permit, the applicant must provide the Board with, amongst other things;</p> <ul style="list-style-type: none"> • a completed financial indicators form (Self Insurers Financial Indicators Form) (Completing Financial Indicators Form (SI-110)) • a desktop review of financial information by an independent expert (Organising a desktop review of financial assessment indicators by an independent expert (SI-120)) • Copies of the organisation's last three annual reports <p>There may be extra requirements for a new entity employer – see Additional financial requirements when applying for a permit to self-insure (SI-103)</p> <p>Once the Board has granted provisional approval for a self-insurer permit, the applicant must provide:</p> <ul style="list-style-type: none"> • A financial undertaking from an APRA approved financial institution - see Providing a Financial Undertaking (SI-130); Methodology for determining the quantum of a Financial Undertaking (SI-140) and Financial Undertaking Form • Evidence of an Excess of Loss Policy secured by the organisation – see Securing an excess of loss policy (SI-150) • A Deed and Power of Attorney – see Completing the Deed and Power of Attorney (SI-160) <p>For more information see Applying for a self-insurer permit (SI-020)</p>	



State ⁴		
Northern Territory	Employee Level	Not applicable.
Financial Requirements	s119 & s120 Financial viability of the employer - s119(3)(d), which is to be demonstrated through: <ul style="list-style-type: none"> • the provision of the company's three latest detailed annual balance sheets, including profit and loss statements, together with notes and their auditor's report thereon • an actuarial report on the company, which details its current NT workers' compensation liabilities and ability to meet both its current and expected liabilities under the Act • reinsurance cover of an unlimited amount in excess of the company's liability of \$1 million (indexed) for any one event, and • a three year history of the company's Northern Territory workers' compensation claims. 	
Australian Capital Territory	Employee Level	Not applicable.
Financial Requirements	Workers Compensation Regulation 2002, Part 10 Copy of employer's annual report and balance sheet for the previous 3 years. Actuarial report, containing: <ul style="list-style-type: none"> • estimate of current outstanding liability in relation to compensable injuries • estimate of the total of the employer's expected liability for each year in relation to which the employer is applying to be a self-insurer, and • estimate of the total of the expected payments in satisfaction of the employer's liability for compensable injuries that will be made for each year in relation to which the employer is applying to be a self-insurer. A written statement by the employer that the employer will be able to meet present and future claims under the Act for which the employer is, or is expected to be liable. 	
Victoria	Employee Level	Not applicable.
Financial requirements	Sub-section 142(4)(a) of the Accident Compensation Act 1985 Consideration given to both primary and secondary indicators dependent on industry sector i.e. Manufacturing, Finance, Retail, Transport & Other. Primary indicators: Balance Sheet Test (0.9 – 1.3), Current Liquidity (0.8 – 1.0), Quick Liquidity (0.5 – 0.6), Interest Coverage (2 – 4), Return on Investment (8 -10%), Claims liabilities as % of Net Assets (4%), Gearing Ratio (55-80%), Bad Debt Ratio (2%). Secondary indicators: Excess Capital (10%), Stock Turnover (3.5-5%), Debtor Turnover (46-50%), Revenue Growth (2-16%) & Labour Costs (33%), Customer Loan ration (50), Net Interest Margin (1.5) & Operating Costs to Revenue (65%).	
New Zealand	Employee Level	No minimum employee number.
Financial Requirements	s185 Employers must provide evidence to prove their solvency and their ability to meet their obligations under the programme prior to acceptance in to the programme. ACC is required to satisfy itself in respect of an employers net worth, that the employer's contingent liabilities are not excessive, that it has satisfactory solvency, liquidity and profitability ratios over a period of time (usually three years). The measures are: <ul style="list-style-type: none"> • it has substantial net worth • that its contingent liabilities are not excessive (details to be provided including an evaluation as to likely crystallisation of those liabilities) • it has an appropriate working capital ratio based on current assets divided by current liabilities • it has an appropriate equity to debt ratio, and • it has an appropriate return on equity. These figures should, where possible, be provided for the 3 financial periods preceding the application and include best estimates for at least the then current financial period and the next financial period ("period" normally meaning a year).	
C'wealth Comcare	Employee Level	As per any Ministerial section 100 guidelines.
Financial Requirements	Part VIII—Financial: <ul style="list-style-type: none"> • Provide independent actuarial estimate of the liabilities that the licensee is likely to incur over the first 12 and 24 months of the licence. • Provide previous 5 years' audited statements. • Quality assets and liabilities will be assessed. • Up to date independent valuations of plant, property and equipment may be required. • Provide certification from principal officer that they are not aware of any likely events which may materially impact on the suitability of the applicant for approval. Prudential: <ul style="list-style-type: none"> • Must have actuary prepare a liability report to Commission's requirements. • Must estimate outstanding liability at the end of the first 2 years' of licence and the level of guarantee required. • Must recommend a level of provisions to be made in to accounts and appropriate reinsurance arrangements and comment on suitability of arrangements. • Licensee required to obtain bank or other guarantees in the form required by the Commission and before the commencement of the licence 	



- 9.2. New South Wales and South Australia to some degree require 500 and 200 employees respectively before consideration of a self-insurer license can be explored. The minimum level of 2000 employees in Queensland before an employer can be considered for self-insurance is certainly at the far end of the spectrum in comparison to other jurisdictions.
- 9.3. There is currently 25 self-insurers in Queensland, KPC understand that 5 of those self-insurers have employee levels of at least 500. Evidently these 5 self-insured employers have continued to satisfactorily meet the requirements, which suggest that 500 employees is a viable option.
- 9.4. KPC considers that it is financially viable and where we meet the criteria with a 500 employee cap, then KPC would like the opportunity to elect either the self-insurance option or continue with the status quo.
- 9.5. Self-insurance creates and fosters a significant by-product in terms of Workplace Health and Safety improvement. Self-Insurers have a vested interest over and above those covered/protected by the WCQ system to ensure a progressive and positive culture toward Workplace Health and Safety, as every dollar spent on claims (which are uncapped) is directly serviced by the business.
- 9.6. Benefits of self-insurance are as follows;
 - *Costs are lower as the self-insurer retains the profits and costs that are normally built into traditional insurance premiums.* ⁵
 - *There are also reduced costs as claims are often lower as claims are improved due to the self-insured having a vested interest in preventing claims as well as controlling costs through more hands-on managed care services.* ⁵
 - *A more contented workforce with better employee relations can be created as a result of improved training and loss controls creating the impression that the employer is more caring.* ⁵
 - *Investment income is generated on funds set aside to pay claims.* ⁵
- 9.7. **RECOMMENDATION**
 1. That the minimum amount of employees to be considered eligible for self-insurance be reduced to 500 to allow employers the opportunity to elect their preferred method of insurance management.



10. CONCLUSION

- 10.1. KPC are again appreciative of the opportunity to present a submission providing feedback to the Finance and Administration Committee concerning the review of the Operation of Queensland Workers' Compensation Scheme.
- 10.2. We have identified five areas that we believe have specifically impacted our business and have suggested recommendations in which we believe these areas may be able to be addressed to create a more positive outcome.
- 10.3. KPC suggest that the Finance and Administration Committee peruse and familiarise themselves with the reports and submissions that have been used as references in this document. KPC consider that these reports and submissions still provide relevance with the overall intent of improving the scheme performance and viability.
- 10.4. We would be happy to further discuss these points at a time convenient to the Finance and Administration Committee.

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