



Employers Mutual
Since 1910

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

RECEIVED

28 NOV 2012

Finance and
Administration Committee

Dear Committee Members

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

Thank you for the opportunity for Cameron McCullagh and me to attend the public hearings on behalf of the insurers.

We were interested in the focus on self insurance arrangements. Whilst we support a review of the arbitrary cut off of 2,000 employees for employers to be able to self insure, we note that the benefit to Queensland employers would be limited only to the few who are allowed to enter under new criteria.

Parliament can achieve a far greater gain for Queensland competitiveness by focusing on how to improve claims management for small and medium sized enterprises (SMEs). The most effective way of doing this would be to focus on contestability – that is, introducing competition in the scheme. This could be achieved by relaxing the requirements around Limited Partnerships and thereby supporting Industry based Insurance initiatives.

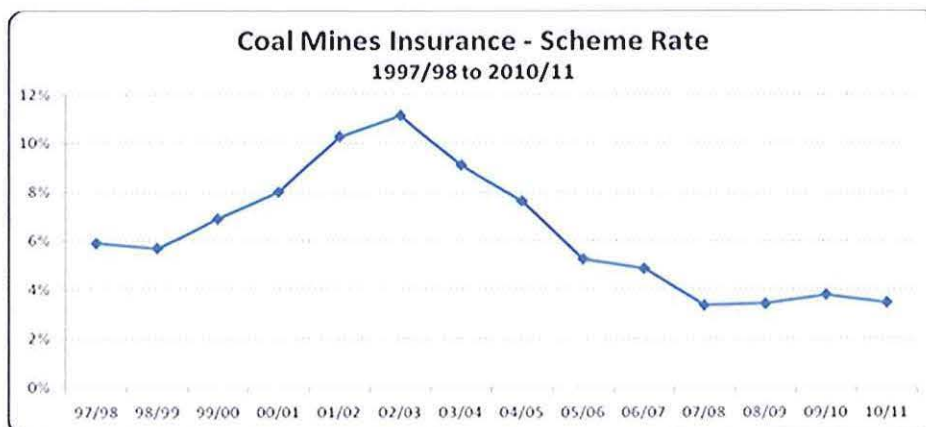
Employers Mutual would be willing to establish an Industry based Insurer for the Hospitality Industry (Hotels & Clubs), as we have done in NSW. With the same legislation as the WorkCover NSW scheme, we have been able to achieve significantly better outcomes in return in work and costs through our entity Hospitality Employers Mutual (HEM).

RTW Measure	WorkCover as at 31 Dec 2011	HEM as at 31 Dec 2011	Difference (Days)	Difference (%)
26 Weeks	37.20 days	30.67 days	6.53 days	17.55%
52 Weeks	18.70 days	14.63 days	4.07 days	21.76%
104 Weeks	25.80 days	15.78 days	10.02 days	38.84%

Return-to-Work Rates comparison HEM Vs WorkCover

Should we be able to provide substantial improvements in that Scheme, we would be willing to expand into other industries or act as a claims agent for WorkCover Queensland, allowing employers the choice of a different claims manager to WorkCover Queensland. We believe that merely the small level of competition of a Specialised Insurer, with the prospect of more, will increase the performance of WorkCover to the benefit of all Queensland employers.

Another industry of great interest to us is mining and mining services. From 2003 to 2011 Employers Mutual managed Coal Mines Insurance, a joint venture Specialised Insurer owned by the CFMEU and Minerals Council.



We are particularly proud of this improvement, as we were endorsed by both the CFMEU and Minerals Council.

Currently the legislation around Group Self Insurance for specific Industries (classification group employer as defined by the act) is limited by a combination of legislative definition and Q-Comp's interpretation of that definition. To be clearer, schedule 6 of the act defines a classification group employer as the following:

"... means 2 or more employers that are in—
(a) a pre-existing stable business relationship—
(i) of at least 2 years; or
(ii) for an entity that has been in existence for less than
2 years—since the entity's inception; and
(b) the same industry or business classification specified by
WorkCover by gazette notice."

Q-Comp has chosen to deviate from the standard industry code structure as declared by the Australian Bureau of Statistics and has split some industries from their natural industry group at a certain level. Q-Comp has obtained both internal and external legal advice that "business classification specified by WorkCover by gazette notice" means the businesses must at least share the same industry level classification within the WIC code. The industry level is defined by the first two digits of the six figure numerical component of the WIC code. Due to Q-Comp's choice to deviate some industry groups at the two digit level this means that industries that are commonly considered in the same industry group such as accommodation, pubs, clubs and restaurants and caterers cannot apply for one group licence. Certainly the Australian Bureau of Statistics and most other WorkCover schemes in the country would consider these to be part of the same industry group at the two digit code level as per Q-Comp's definition. This appears to us to be a deviation from our interpretation of the intention of the existing legislation.

Furthermore, the examples and definitions quoted above came from a real example of an industry group that had achieved loose agreement between their various associations and had intended to pursue a group licence but determined it was not viable due to the definition choices made by Q-Comp. In both deviating from the standard industry code structure and the interpretation of the legislation.

In order to avoid what seems to be to us an unintended interpretation and application of the legislation and to assist industry groups achieve greater choice and better outcomes, we would recommend that the definition of classification group employer in schedule 6 (b) of the Workers' Compensation and Rehabilitation Act 2003 be amended to read "the same industry, industry association or group of associations". This change clearly removes the reference to the WIC codes and allows Q-Comp to use common sense to apply the legislation as we believe it was intended to be applied. Including industry associations further strengthens the governance and outcomes of Work Health and Safety as associations generally are advocates of improving this element of their members daily activities.

Yours sincerely,



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Chief Executive

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