



Speech by

**CHRISTINE SMITH**

**MEMBER FOR BURLEIGH**

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Hansard 27 November 2002

**WORKCOVER QUEENSLAND AMENDMENT BILL**

**Mrs SMITH** (Burleigh—ALP) (4.28 p.m.): I am pleased to add my support to this bill and wish to highlight the advantages of structured settlements to injured workers and their dependants. We have all heard of cases where workers compensation payments have been lost either through bad investments or poor economic management and injured persons have had to rely on welfare payments for the rest of their lives. As an employee of Centrelink for 15 years, I saw on a daily basis the hardships caused by the erosion or loss of lump sum payments. Compensation awarded to cover loss of future earnings had been spent in a matter of months in some cases. Under the proposed legislation, claimants are still free to make a voluntary choice between a structured settlement and a lump sum payment. The advantage of lump sum settlements as proposed by the bill is that they remove the risk that the money will run out during the claimant's lifetime.

There is financial security and independence knowing that the money is guaranteed, which enables claimants to make their future plans with confidence. There is also the financial security of annuity providers. Compared with other financial institutions, life insurance companies have historically been extremely secure and stable. Although a particular named life insurance company may disappear—for example, as a result of mergers and acquisitions—the annuity payments should be safe. If a life insurance company was to become bankrupt and prioritisation of the available resources is necessary, annuitants usually come out on top of the list. For example, the interests of Capita's annuitants were fully protected even though the company got into trouble.

This risk may be further reduced with a structured settlement involving annuities from more than one life insurance company. The flexible payment options mean that a claimant can structure the payments to suit their needs and preferences. At the time of settlement they can specify features such as the amount of up-front lump sum, the amount and frequency of the periodic payments, indexation and the inclusion of guaranteed periods. Life insurers offer better risk management by taking on the investment and mortality risks that would otherwise be borne by the claimant. Life insurers are better able to manage and diversify these risks.

Structured settlements allow claimants to take advantage of the investment expertise of large, stable life insurance companies. They ensure that claimants have the benefit of full financial planning advice before the time of settlement. That planning includes the integration of expert tax, financial, medical and estate planning. There is no need to worry about the responsibilities of managing a lump sum investment or overseeing its investment by a third party manager. Money is guaranteed to arrive by direct deposit into the claimant's nominated account in accordance with the annuity contract.

Structured settlements will mean that more accident victims with long-term care and rehabilitation needs will have the income to be able to make a commitment to these types of services. This demand for services, backed by adequate funds to pay for the services, should stimulate the supply of such services. Sadly, the advantages of structured settlements are unlikely to be taken by Queensland's injured workers and their dependants right now because of the unfair and unjustified treatment of these arrangements by Commonwealth taxation laws.

I am advised that the minister has already made representation to the federal government in regard to amending the taxation laws that would twice tax injured workers in Queensland who choose to take up periodic payments under these significant reforms. I would urge the federal government to make those amendments as urgently as possible for the benefit of all workers in Queensland. I commend this bill to the House.