Speech By

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WORKERS' COMPENSATION AND REHABILITATION AND OTHER LEGISLATION AMENDMENT BILL

Mr KATTER (Mount Isa—KAP) (8.59 pm): I rise to speak to the Workers' Compensation and Rehabilitation and Other Legislation Amendment Bill 2013. To understand how this bill will impact on WorkCover Queensland and Q-Comp, members should research and understand the Kennett government's implementation and application of Project Victoria's recommendations relating to workers compensation. The government wants to abolish Q-Comp and restructure WorkCover Queensland, which appears to be in line with the Victorian model known as WorkSafe Victoria. The government's possible shift towards the Victorian model is an ideologically based decision instead of a decision based on economies of scale. The government has based this bill on the argument that WorkCover Queensland is a costly and a duplicative system which needs an overhaul. The evidence suggests that the government is wrong and validates the argument that this bill is purely ideologically driven.

The Queensland Law Society is encouraged that results for the 2012-13 financial year are tracking positively for the future financial viability of the scheme. It is understood that at present common law claims rates remain consistently low and common law average payments continue to reduce. Results presented at the November 2012 stakeholder actuarial presentation were very encouraging, evidencing the following: common law claims frequency are decreasing both by wages and by numbers of employees; common law claims nil finalisations are remaining high; common law claims payments are continuing to reduce; and actuarial provisions for outstanding claims were reduced by $114 million. The society notes that at the November 2012 stakeholder presentation the actuaries for both Q-Comp and WorkCover Queensland advised that sufficient time had elapsed since the passing of the 2010 amendments to confirm with certainty that the reforms in 2010 were effective in reducing exposure of the scheme to adverse claims trends, there was a five per cent reduction in common law frequency for 2011 and later injury years, and there was a five per cent reduction in common law settlement sizes for 2011 and later injury years. The society has consistently cautioned—and the actuaries for WorkCover Queensland and Q-Comp have confirmed—that any further significant structural change to the scheme will introduce actuarial uncertainty and that it may take some considerable time for the impact of such changes to crystallise.

In the case of the 2010 amendments, cautious actuarial confirmation indicates that that initiative has been successful, notwithstanding actuarial opinion recently expressed that, even without the 2010 amendments, the positive trends now confirmed may have eventuated. The submissions by the Queensland Law Society have presented sufficient evidence that places a question mark over the reasoning for the government to make changes to the basis for assessment of impairment to align the assessment method between the statutory and common law provisions of the scheme. The government is arguing that WorkCover is a costly scheme that needs to be restructured to reduce cost and increase efficiency. The government has once again been caught out making choices for the public which are based in bad faith. The committee report supports the observation by KAP which suggests the government is acting in bad faith, stating—

A paper presented at the Asia Pacific Risk and Insurance Association (APRIA) conference in 2008 reviewed the different Australian Workers' Compensation Schemes. The authors found that the managed scheme (such as that in South Australia and New South Wales) had the worst claims management performance, the highest frequency rate of injury and the highest cost ratio. The managed scheme also has the highest premium rate on average and the poorest funded scheme and although it had the lowest injury rate, it still had a higher cost ratio and lower funding ratio.

The above review also suggested the best scheme to be that of the government-run central scheme in terms of best claims management performance. The central scheme was the only scheme to have recorded a funding ratio above 100 per cent in each of the years examined in the study. As members should know, WorkCover Queensland is a government-run central scheme and this is the foundation of its success. So why does the government want to restructure a scheme which is internationally recognised as best practice? The cost efficiency of Queensland's WorkCover speaks for itself when compared to WorkSafe Victoria, as stated by the Law Society. In terms of comparing the Victorian experience, Victoria claims to have the lowest workers compensation premium in the nation but, as the society noted in its supplementary submission to the inquiry, there is a significant difference in the nature of the excess payable by employers in the two states. This will inevitably have an impact on premium levels. Queensland has the second lowest average workers compensation premium in the country at 1.45 per cent of wages. The published average premium in Victoria is lower at 1.29 per cent, but employers in Victoria must pay the first two weeks of wages and the first $629 in medical expenses of a claim directly. Employers can buy out of this excess by paying a 10 per cent premium increase, giving a total premium presently of 1.427 per cent.

Another aspect of the Victorian model is a threshold to access common law claim entitlements. The threshold contributes to the high rate of disputation in the Victorian scheme as a result of arguments over entitlements to pursue common law claims. Additional administrative burdens are placed on employers who are often required to participate in the complex multistage common law process in Victoria. Recent reporting has indicated that there are significant issues facing the Victorian scheme in the 2012-13 year in that there is a sustained surge in common law claims which has dented the performance of the Victorian scheme; half-year results for the 2012-13 year showed a significant reduction in profit from insurance operations, down from $118 million to $13 million; rising levels of common law claims for the half year added about $150 million to liabilities; and the Victorian scheme actuary has taken the view that the trend in the increased number of common law claims was not likely to abate. It is an interesting outcome that, despite having a threshold for access to common law claims in Victoria, there now appears to be a sustained increase in the claims rate. In Queensland we have open access to common law claims and a clearly identified decreasing common law claims rate, together with decreasing average claims payments, as a result of the introduction of the ISV scale in relation to awards of general damages.

The recent Victorian scheme claims experience reinforces the society's long-held position that the imposition of thresholds in order to access common law claims entitlements, firstly, does not necessarily impact upon common law claims rates; and, secondly, will not, going forward, result in the removal from the scheme of that cohort of claims which presently meets the claims profile which would be excluded by the imposition of a threshold. In other words, if, for example, the imposition of a threshold would, on current figures, remove 20 per cent of claims, the imposition of a threshold will never in reality achieve such an optimistic outcome and the actual reduction in claims will always be less than projected.

The Law Society also stated that the workers compensation scheme in Queensland is the best in the nation because it delivers fair benefits to injured workers, low premiums to employers, the right balance between the delivery of statutory benefits and access to common law, and the opportunity for employers to enjoy the benefits flowing from a positive involvement in the workplace health and safety of workers. The society has asserted for some time that significant structural changes to the scheme were not needed and that, with current claims, trends premium levels will decrease. The society urges the exercise of caution in undertaking significant changes to the scheme. If changes are considered necessary, it is to be expected that the actuaries for both WorkCover Queensland and Q-Comp will be given the opportunity to model the impact of any such reforms and, if necessary, further consultation with stakeholders will be undertaken.

WorkCover Queensland is the best in the country and it does not need restructuring. WorkCover Queensland positively meets all economic criteria to run a productive, efficient and successful business such as production efficiency, producing services at the lowest possible cost; increased opportunity cost as the workforce increases in Queensland and the opportunity cost of services increases; marginal cost, the marginal cost of a service is the opportunity cost of producing more services; increased economic growth; and comparative advantage. Members have to ask themselves: do we possibly want to go down the same path as the financially unsustainable WorkSafe Victoria, or do we maintain our financially viable and internationally recognised WorkCover Queensland system, which is the envy of many?