



ARIMA Ltd

Submission to the House of Representatives, Employment & Workplace Relations Committee, Inquiry into Aspects of Workers' Compensation

August 6, 2002

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ARIMA is the peak body for professional risk managers. Its members are corporate, individual, life and associate members. ARIMA is a non-profit organisation dedicated to advancing the discipline and practice of risk management. Founded in 1975 and formally incorporated in 1977, ARIMA provides a forum for those with responsibility for risk management to interact. It promotes professionalism in risk management, and provides educational opportunities for its members. ARIMA has played a key role in the development of the Australian and New Zealand risk management standard, AS/NZS 4360, which provides a generic framework for the establishment of risk management programs. It has also been instrumental in assisting with the establishment of the Australasian Risk Management Unit at Monash University, Melbourne, which offers a range of tertiary courses in risk management.

Introduction

Workers' compensation is a key responsibility for most corporate risk managers. Many ARIMA members' organisations are self-insurers for workers' compensation in states where that is permitted by law.

A key problem for ARIMA members whose organisations operate in more than one state is the administrative complexities of dealing with different schemes which have different rules and regulations. This is a significant administrative cost for those organisations. ARIMA members have indicated that they would favour a national scheme which incorporated the best aspects of each of the separate state schemes.

"The current arrangement of varying statutory requirements in every state is inefficient and costly to our business." -- ARIMA member whose organisation markets and rents machinery for the materials handling industry across Australia.

The ability to self insure is important for major organisations as they gain greater control over their premiums and claims management. Greater efficiencies are evidenced in self-insured organisations because they have ownership of workers' compensation issues. Woolworths Queensland, for example, has reduced the average time lost per claim by 30% since it began self-insuring on October 1, 1998. "Woolworths believes this success is a result of early rehabilitation intervention," Kate Thurbon, legal services manager told the Insurance Law Intensive Conference on the Gold Coast, on July 19, 2002. Woolworths has a policy of managing claims "in a holistic way. The rehabilitation co-ordinator, the injured worker, the doctor and the claims officer work as a team".

Thurbon said the goal was to get the injured worker back to work in a healthy, stable condition. That's a view shared by other self-insurers, who take responsibility themselves for improving their organisations' OH&S standards and managing claims in a proactive way.

Fraud

Anecdotal evidence from risk managers indicates there are insufficient prosecutions of fraudulent claims, including exaggerated claims. The systems have insufficient incentives for recovery so, while rehabilitation is an important component, there needs to be better methods of giving injured employees the motivation to return to work quickly, even if on light/altered duties, where possible.

When a scheme works on the basis that the more serious the injuries, the higher the payments, there is always an incentive for an unscrupulous injured worker to exaggerate symptoms or invent them. The schemes do not appear to have sufficient will to pursue those people which, in turn, encourages others to follow that same path.

In some states, the necessary “teeth” exist in the legislation, but investigations and prosecutions are insufficient.

In New South Wales, there is a great variation in the willingness of self-insurers to pursue fraudulent claims, compared with the fund managers. Fund managers are remunerated on closed claims, so their goal is to close files, rather than pursue fraudulent claims. There is an attitude that “it’s not my money, so why bother”.

Self insurers, on the other hand, are dealing with their own funds. The incentive is there to ensure fraud is stamped out.

Audit controls exist, but perhaps are insufficiently used to demonstrate to claimants that the schemes exist to assist the genuinely injured, they are not “cash cows” for those who view them as a means of gaining greater benefits than they are legally entitled to.

It is important not to disadvantage the genuinely injured, but the schemes anti-fraud mechanisms must be improved to weed out those who are simply taking advantage of the existence of a compensation scheme.

If greater determination to stamp out fraud was evident, and publicised, one of the key incentives to mount fraudulent claims would be removed.

Safety records/rehabilitation programs

ARIMA is certain that a study of like-injuries dealt with in workers’ compensation jurisdictions, compared to those of the self-employed or sports people, would show quite different injury recovery and rehabilitation rates. Despite the schemes’ focus on rehabilitation, there is not significant improvement in the duration of injuries and recovery times.

The schemes, in fact, discourage recovery because financial incentives mitigate against quick recoveries.

Summary

ARIMA's view is that:

- Costs would be significantly reduced if a national workers' compensation scheme existed Australiawide.
- Self-insurance ought to be encouraged more widely because its record of return-to-work rates is better than that for people injured under the statutory schemes.
- Improved prosecution rates for fraudulent claims will remove an incentive for fraud.
- The schemes need greater incentives for rehabilitation and early return to work.

A handwritten signature in black ink, appearing to read 'Bruce Ferguson', with a stylized, cursive script.

Bruce Ferguson
ARIMA President