

FURTHER SUBMISSION BY THE NATIONAL COUNCIL OF SELF INSURERS (NCSI)

OHS AND SRC LEGISLATION AMENDMENT BILL 2005

28 April 2006

1 Introduction

The NCSI is the national representative body for state based self insured employers. It provided a submission dated 23 March 2006 to the Senate Inquiry into the OHS and SRC Legislation Amendment Bill, and made oral submissions at the public hearing in Melbourne on 21st April 2006.

The NCSI sought and obtained leave to provide further submissions following on from oral submissions made to the Senate Inquiry after NCSI had made its submissions.

In particular the NCSI wishes to comment on the submissions that were made to the Senate Inquiry to the effect that the move by employers from State systems to the Commonwealth Workers' Compensation and Occupational Health & Safety regime will threaten the viability of State compensation systems and the interests of other employers and their employees.

2 Discussion

It is the OHS and SRC Legislation Amendment Bill 2005 (C'th) ("the Bill") that is the subject of this Senate Inquiry.

The NCSI's understanding is that the effect of the main amendment in the Bill will be to ensure that all employers that obtain a self-insurance license under the *Safety, Rehabilitation and Compensation Act 1988*, are automatically covered by the *Occupational Health and Safety (Commonwealth Employment) Act 1991*.

3 NCSI's position further to the submissions dated 23 March 2006

The NCSI remains of the view that with the subsequent amendments to Section 4 of the OHS (CE) Act, the Bill is a significant step forward

- in achieving national consistencies and national options, and therefore encouraging and stimulating business growth and development in Australia,
- in reducing inefficiencies and costs to business, and
- in providing benefit for the safety, health and welfare of employees.

In making its earlier submissions the NCSI had confined itself to making submissions about the effect of the Bill.

The NCSI does not consider the Bill raises the issue of whether moves by employers from State systems to the Commonwealth Workers' Compensation and Occupational Health & Safety regime will threaten the viability of the available State compensation systems.

If there is an issue of whether the move by some employers from State systems to the Commonwealth Workers' Compensation and Occupational Health & Safety regime will threaten the viability of the available State compensation systems, it is an issue that falls outside of what is considered in the Bill. It is an issue that was extensively reviewed and considered in the Productivity Commission Inquiry Report into National Workers' Compensation and Occupational Health and Safety Frameworks 2004.

In any event, the NCSI does not agree that moves by some employers from State to the Commonwealth workers' compensation and Occupational Health & Safety regime will threaten the viability of the available State compensation systems nor will it disadvantage other employers or their employees. This view was shared by the Productivity Commission Inquiry of 2004. *

Workers' Compensation Insurance is a compulsory insurance product for employers to purchase from the monopoly Workcover insurers in QLD, NSW, Victoria and SA or from the private insurers in the remaining states and territories. Pricing is based on the employer's risk and experience, and the premium paid effectively transfers the liability and risk from the employer to the insurer.

When an employer moves from state workers' compensation coverage to SRC Act coverage, they are effectively changing insurers. They move both their premium and their risk. Consequently, unless there are gross cross subsidies within the existing premium pool, such a move is cost neutral for the remaining scheme and its employers.

We agree that premium pools need to be of sufficient size to provide viable and stable insurance cover. The relatively smaller schemes of WA, NT and ACT are able to maintain viability with multiple insurers, so to suggest the viability of the significantly larger monopoly scheme such as NSW or Victoria is threatened by losing a few employers to the SRC Act, seems misguided at best. Further, some of the employers who qualify for SRC Act self insurance are already state self insurers already, so their departure should have no impact on state premium pools.

The NCSI calls on state governments to accept this new competitive environment, and focus on improving their schemes as viable alternatives to the SRC Act self insurance option. NCSI remains opposed to the restrictive measures introduced by some state schemes which penalise employers who elect to take up SRC Act self insurance.

4. Conclusion

NCSI supports the progression of the OHS and SRC Legislation Amendment Bill as amended. NCSI considers the Bill as a significant step forward in achieving national consistency and efficiencies while providing benefit for the health and safety of employees in Australia.

NCSI considers that issues of impacts for state Workcover insurance schemes have been comprehensively considered by the 2004 Productivity Commission in its inquiry and these issues fall outside of what is considered in the Bill. In any event, we strongly reject the assertion that the move by some employers from state Workcover insurance/self insurance to SRC Act self insurance in any way poses a threat to state scheme viability or other employers and their employees. On the contrary, the available choice of SRC Act self insurance will create a more dynamic and competitive environment which will support a more rapid progression towards national consistency and effective reform of workers compensation arrangements in Australia.

* Reference Appendix D (p427) of the Productivity Commission Inquiry