

WORKERS COMPENSATION, GOVERNMENT POSITION PAPER

405. Mrs C.L. EDWARDES to the Minister for Consumer and Employment Protection:

I refer to the position paper on workers compensation reform, dated October 2002, released by the minister, which sets out the Government's intentions on reform of the workers compensation system.

- (1) Will the minister confirm that the Government's own paper estimates that the total cost impact of these proposed reforms on workers compensation claims would be up to 13.8 per cent, representing an increase of at least \$50 million in the first year?
- (2) The minister told the House on 12 December 2001 that -

The Government's undertaking is that the costs and expenses will balance out, so that the net effect will be that premiums will remain the same, or hopefully continue to reduce.

Given that promise, how does the minister explain this cost increase?

Mr J.C. KOBELKE replied:

- (1)-(2) I thank the member for the question. The figure is correct, from memory, but one needs to be careful in this system, which is quite complex, about what costs one is talking about. In the past two years, the premiums collected in Western Australia by the private insurers and the self-insurers has been in the order of \$600 million. For the past two financial years, the payouts for things associated with injured workers, including support services and medical and hospital expenses, has been in the order of \$300 million to \$350 million. The premiums have been maintained at a level which has seen a much larger amount of money go to the insurers than goes through to injured workers. That is something the Government wants to address. The cost increases the member is looking at are increases on the current level of costs, not on the premium collections. It will be very important, to meet the undertaking that I clearly gave and that I will stick to and achieve, to see that the increased benefits do not flow through to increased premiums to employers. The huge gap leaves plenty of room to move. The 13.8 per cent increase is off the current cost level, not the current premium level. Further, of that 13.8 per cent, about four per cent is in one-off costs through the transition, and the rest looks to future costs, which include figures on erosion.

The Government has been discussing that position paper, and further work has been done on it. In some respects, the costing was seen to be an overestimation. There is still a fair bit of work to be done, but I am extremely confident that the increased benefits, which will increase costs, will not mean increased premiums.