



4 December 2015

Willing to Work
Australian Human Rights Commission
GPO Box 5218
SYDNEY NSW 2001

By email: ageanddisabilityinquiry@humanrights.gov.au

RE: WILLING TO WORK: NATIONAL INQUIRY INTO EMPLOYMENT DISCRIMINATION AGAINST OLDER AUSTRALIANS AND AUSTRALIANS WITH DISABILITY

I refer to the *Employment Discrimination Against Older Australians and Australians with Disability Issues Papers* (the Issues Papers). Suncorp welcomes the opportunity to contribute to the discussion on the Inquiry into employment discrimination against older Australians and Australians with disability.

Executive Summary

Disability and statutory insurance scheme reforms have a vital role in supporting other policy initiatives in fostering workforce participation. In the context of the Issues Paper, it is timely to consider the general policy direction of these schemes, and whether the design features would foster the desired outcomes.

Suncorp is of the view that statutory schemes have a significant role to play in supporting workforce participation, but realising the benefits will require positive collaboration between all governments and relevant stakeholders.

In considering these issues, our submission focuses on three key issues:

1. *Understanding the economic challenges*
2. *Enhancing the shift in cultural attitudes*
3. *The role of statutory schemes*

The Suncorp Group

Suncorp Group includes leading general insurance, banking, life insurance and superannuation brands in Australia and New Zealand. The Group has 14,500 employees and relationships with nine million customers. Suncorp Group Limited is a top 20 ASX-listed company with \$96 billion in assets.

Suncorp has five core businesses: Personal Insurance; Commercial Insurance; Vero New Zealand; Suncorp Bank and Suncorp Life. These are supported by corporate and shared services divisions. The Group's business strategy is to deepen relationships with customers through our portfolios of market-leading brands while benefiting from efficiencies of scale achievable as a large organisation.

Suncorp's General Insurance business includes one of Australia's largest insurers by Gross Written Premium (GWP) and the largest provider of personal injury and Compulsory Third Party (CTP) and workers compensation insurance, which serves the needs of governments, employers, employees, consumers and the community.



The key to Suncorp's success in general insurance is its portfolio of well known personal and commercial insurance brands - AAMI, GIO, Suncorp, Vero, Apia and Shannons are some of the brands in the Suncorp Group that have built reputations for insurance innovation and customer service. Our General Insurance business alone paid out \$5.8 billion in insurance claims in 2012-13, averaging more than \$15 million each day.

This submission is made on behalf of the Suncorp Commercial Insurance division.

Understanding the Economic Challenges

The intergenerational reports (IGR)¹ clearly identify the fiscal challenges to the long-term sustainability of Government policies created by an ageing population. These challenges may impact on economic growth, workforce and public finances over the next 40 years if not addressed with an integrated holistic response to increase workforce participation within Australia.²

The 2015 IGR projects the proportion of the population aged 65 and over will more than double by 2054-55. Currently, as the 'baby boomers' move into retirement and the tax base shrinks, Government schemes, such as health, welfare and pension schemes are increasingly under financial pressure. At the same time, life expectancy is also increasing, placing demand on health services.

Compulsory superannuation was introduced as part of a major reform package to address these challenges. This initiative has been supported by increasing the qualifying age for the Aged Pension over time.³ The aim of these initiatives is to lift mature aged workforce participation rates and support self-funded retirement.

Currently, many 'baby boomers' moving into retirement have concerns about their financial security.⁴ This group has not had the full benefit of compulsory superannuation, as it was introduced in 1992.

Superannuation balances are typically low on average for this group, particularly for women and those who have been out of the workforce for long periods of time, such as carers and those with disabilities. Further, mature aged workers tend to retire early, once they reach the preservation age (which also needs to be part of the holistic policy approach) to access their private superannuation in the face of uncertain employment prospects.

There are well documented barriers for mature aged workers to enter or remain in the workforce.⁵ These barriers include the existing cultural mind set to retire at the qualifying age for the Aged Pension. Other disincentives include the availability of insurance cover, particularly workers compensation insurance and personal products such as income protection policies.

¹ Published in 2002, 2007, 2010 and 2015

² The Treasury, *2015 Intergenerational Report* (2015). At <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report>

³ To be eligible for Age Pension a person must be 65 years or older. From 1 July 2017, the qualifying age for Age Pension will increase from 65 years to 65 years and 6 months. The qualifying age will then increase by 6 months every 2 years, reaching 67 years by 1 July 2023 - <http://www.humanservices.gov.au/customer/services/centrelink/age-pension>

⁴ The Sydney Morning Herald, *Over 50s want to work longer, report finds*, 27 July 2015 - <http://www.smh.com.au/business/workplace-relations/over-50s-want-to-work-longer-report-finds-20150727-gilceg.html>

⁵ The Treasury – *Advisory Panel on the Economic Potential of Senior Australians* - http://epsa.treasury.gov.au/content/advisory_panel.asp



The current disability reform agenda in Australia is another major initiative seeking to boost workforce participation, as part of the social independence outcome. The National Disability Insurance Scheme (NDIS) is a Federal Government underwritten scheme seeking to provide lifetime care and supports for those with significant and permanent disability arising from acquired medical conditions. The aim is to provide individualised care and supports to assist the person into early social and financial independence.

The NDIS is based on insurance principles. It seeks to minimise costs of support over a lifetime and seeks to maximise lifetime opportunities by investing in early intervention, investing in families in their supporting roles and encourages participants to maximise their contribution to society. This contrasts with the general approach towards the welfare scheme, where the focus is to minimise cost in a particular year.⁶

The economic benefits of the NDIS are significant. Once the NDIS is fully implemented it is estimated that 24,000 to 38,000 people with disability will enter the workforce resulting in an increase in gross domestic product (GDP) of \$7 to \$11 billion. Also 24,000 to 38,000 carers will enter the workforce resulting in an increase in GDP of \$11 billion. Consequently, taxation revenue would increase, as would savings to government in income support, offsetting the costs of the scheme.⁷

A sister scheme, the National Injury Insurance Scheme (NIIS) is intended to be a Federated-State scheme, government underwritten, providing medical treatment, care and supports to those who suffer catastrophic injuries from traumatic accidents on a no-fault basis. It has the same aim as the NDIS, to foster early social and financial independence. Suncorp is a strong advocate for disability reform and has advocated this position in numerous discussion and business insight papers.⁸

The implementation of the NIIS is changing the statutory insurance scheme landscape. Currently, NIISs are being created in Australian jurisdictions, on a no-fault basis, for those catastrophically injured from motor vehicle accidents, where previously no such schemes existed. Previously, those injured had to resort to private savings and the public health, disabilities and welfare schemes, already challenged to meet the needs of this group.

Early discussions are underway to include catastrophic injuries from workplace accidents and medical accidents into the NIIS framework. It is anticipated that the NIIS will ultimately provide medical treatment, care and support to those with catastrophic injuries arising from all accident types, once funding sources have been identified and secured.

Statutory schemes have an important role in supporting the policy direction in keeping workers employed for longer. Now is an important opportunity to integrate statutory insurance scheme policy objectives into a whole of government response to increase workforce participation, especially whilst the disability reform agenda is underway.

⁶ Radio National - Saturday Extra - Interview with Bruce Bonyhady, Chair of the Board of the National Disability Insurance Agency, 23 February 2014 - <http://www.abc.net.au/radionational/programs/saturdayextra/steering-the-ndis/5273020>

⁷ National Disability Services – *State of the Disability Sector Report*, 2014, at page 26 - http://www.google.com.au/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&ved=0CBwQFjAAahUKEwiO2Pi5I_PIAhXhGaYKHdbCBvA&url=http%3A%2F%2Fwww.nds.org.au%2Fasset%2Fview_document%2F979324120&usq=AFQjCNEGpEjYiLvFI5GF3YP9tnsCoYv9Yq&bvm=bv.106379543.d.dGY

⁸ Australian Government Treasury - *National Injury Insurance Scheme: Motor Vehicle Accidents: Motor Vehicle Accidents Consultation Regulation Impact Statement*, by PWC - <http://www.treasury.gov.au/ConsultationsandReviews/Consultations/2014/National-Injury-Insurance-Scheme-Motor-Vehicle-Accidents>; Suncorp Business Insights - <http://www.suncorpgroup.com.au/media/public-submissions?year=2014>



Supporting these initiatives are Government incentives encouraging businesses to employ mature-aged workers⁹ and those with disabilities.¹⁰ The framework to increase workforce participation has been evolving over time and policy settings need to be reviewed to ensure they are fully integrated (such as qualifying age for the Aged Pension, preservation age, superannuation policy settings and the like). It is important to now consider the barriers that prevent these groups of people from actually gaining or remaining in the workforce.

Enhancing the Shift in Cultural Attitudes

There are two areas where the shift in cultural attitudes needs to continue. First, the appropriate retirement age needs to be considered. Secondly, there needs to be more focus on the health benefits of work.

Suncorp has consistently argued that the key to mature age workforce participation is to recognise that the ideal retirement age varies for each individual. Therefore it is important to remove age barriers wherever appropriate and allow greater flexibility with transition into retirement.¹¹

Industry and professional bodies are best placed to determine the appropriate assessments and safe guards to assess mature aged workers' capacity for relevant positions.

With this in mind, there needs to be a continued focus on challenging the mind set that one should retire at a particular age or that traditional work arrangements should remain until retirement. This is essential given that 26% of the labour market is supplied by people aged 50 plus and that labour force participation declines with age.

As a national employer, Suncorp believes this focus needs to be driven from the highest level of management down. Suncorp takes pride in its own flexible work arrangements and its Horizons program. The Horizons program is designed to help 55 plus workers build a meaningful career and plan for transition into retirement, whenever that may be. Governments also have a role in encouraging businesses to put into place innovative working arrangements.

Statutory schemes, particularly workers compensation have a vital role here. These schemes should provide cover notwithstanding a person's age, if an injury occurs. Currently there are different rules on how mature-aged workers and workers with disability are treated nationally.¹² A national policy approach is required for workers compensation laws, which should be fully integrated with policy approaches to taxation, retirement through superannuation (including the preservation age), the Aged Pension and welfare schemes.

Confidence in available cover is likely to act as an incentive for the over 50s and those with disability to enter or remain in work, which in turn would drive demand for other insurance products, such as income protection policies. As the demand for these types of policies increases, suitable products are likely to be introduced to the market.

⁹ Department of Employment – *Restart Programme* - <https://www.employment.gov.au/restart>

¹⁰ Department of Employment – *Employing people with disability* - <https://www.employment.gov.au/employers-0#employing-people-with-disability>

¹¹ Suncorp Submission – *Australian Law Reform Commission – Grey Areas – Age Barriers to Work in Commonwealth Laws Discussion Paper* at page 2 - <https://www.alrc.gov.au/sites/default/files/subs/66.suncorp.pdf>

¹² Safe Work Australia - *Comparison of workers' compensation arrangements in Australia and New Zealand*

July 2015 at page 22 - <http://www.safeworkaustralia.gov.au/sites/SWA/about/Publications/Documents/924/comparison-wc-2015.pdf>



In respect to health benefits of work, there is much commentary.¹³ Staying in the workforce tends to improve health outcomes and general well-being. It also reduces the demand on health and welfare schemes.

Statutory schemes should be viewed through this cultural filter. In respect to traumatic injuries, the injured person should continue at work (on selected duties) whilst recovering, if at all possible. Failing this, statutory scheme design features should foster safe, early and durable return to work.

In aligning statutory schemes with an integrated holistic approach to foster workforce participation, Suncorp has long advocated the three fundamental aims for an effective personal injury insurance scheme are fairness, outcomes and affordability. When building a scheme based on these aims, Suncorp believes there are six (6) guiding principles, which are considered more fully below.

The Role of Statutory Schemes

Today, there are 11 main workers compensation schemes in Australia. Of these, eight are State/Territory schemes and three are Commonwealth schemes. All these schemes offer no-fault coverage, provided the worker is eligible. Some of the schemes also offer modified common law entitlements with the ACT being the only exception, offering full common law coverage.¹⁴

There is also a separate compulsory third party (CTP) scheme in each State/Territory. Of these, five have fault based schemes (QLD, NSW, ACT, STH AUST and WA). Further, in respect to motor vehicle licensing laws, each State/Territory has their own rules as they apply to older Australians or those with disabilities. It is important to appreciate this, as maintaining a motor vehicle licence provides social mobility and independence.

There are different rules that apply to mature-aged Australians and those with disabilities in each of these workers compensation and CTP schemes. This of itself, present significant barriers for businesses (particularly smaller to medium sized businesses) wanting to hire these groups of people, due to the sheer red tape involved and uncertainties on how the scheme laws and processes would respond to an emerging risk profile.

Historically, workers compensation and CTP regulators have not been particularly focused on road and workplace safety risks that relate specifically to the mature aged and those with disabilities. Understanding the risk profile of these groups would provide businesses with greater confidence in employing risk mitigation strategies to keep road and workplaces safe.

From a macro policy perspective, Suncorp has long advocated for national consistency of these laws and processes. Harmonisation of laws is one of the six guiding principles Suncorp considers should define an effective compensation scheme across all statutory classes. These six guiding principles are:

- Social Outcomes - The scheme's emphasis needs to be on the individual's health and social outcomes (wellbeing), with a reduced focus on compensation. The ideal scheme should seek to support individuals in becoming self-sufficient both socially and economically.
- Sustainability - The scheme should be self-sustaining and operated with sound pricing and capital management practices so that liabilities remain fully funded. The Suncorp paper titled "How international

¹³ Australian and New Zealand Consensus Statement on the Health Benefits of Work – *Position Statement: Realising the Health Benefits of Work*, October 2011 - <http://www.ipar.com.au/wp-content/uploads/Realising-the-Health-Benefits-of-Work.pdf>

¹⁴ Safe Work Australia – Comparisons of workers compensation arrangements in Australia and New Zealand, July 2015 - <http://www.safeworkaustralia.gov.au/sites/SWA/about/Publications/Documents/924/comparison-wc-2015.pdf>



financial markets impact personal injury insurance” provides an extensive discussion of the impact that bond yields have on the premium rate and capital requirements of insuring in a long-tail scheme.¹⁵

- Competition – Private competition is a key driver of innovation and can lead to improvements in pricing, claims management and health outcomes for claimants. The advantages of scheme privatisation are discussed more extensively in the white paper produced by Suncorp, titled “*Reflections on underwriting options for personal injury insurance*.”¹⁶ Further, Suncorp has commissioned PwC to economically model the benefits of introducing private capital into three personal injury schemes.¹⁷
- Defined and Controlled Benefits – Benefits that are clearly defined by realistic timeframes, dollar amounts, caps and limits reduce ambiguity and inconsistent outcomes. This reduces complaints, disputes, litigation and volatility which would otherwise have adverse impacts on the scheme’s affordability and financial viability. This approach is more likely to deliver greater scheme efficiency, where the level of the premium dollar returned to the injured person is maximised.
- National Consistency – Progressing national harmonisation of personal injury schemes will see fair and consistent benefits for all individuals, regardless of their place of residence and/or location of the accident. Employers, consumers and insurers would also gain benefits from a consistent approach across jurisdictions. It would also help minimise barriers for businesses wishing to operate beyond their home jurisdiction thus fostering healthy competition.
- Dispute Resolution – All decisions should be reviewable through a robust and cost effective dispute resolution system. It is important that all participants of the scheme, particularly claimants, have the opportunity to have their cases independently reviewed in a low cost, expedient and objective manner.

The insurance industry recently engaged Finity to consider a best practice workers compensation scheme.¹⁸ The report provides a good starting point of what best practice might look like to achieve the desired scheme outcomes, which should be aligned with the general policy approach to encourage workforce participation.

The analysis of best practice needs to continue, as there is more work to be done to build the best practice scheme. Defined and controlled benefits are vital part of the discussion as a means of keeping statutory schemes financially sustainable over the long term. This is particularly relevant for the anticipated emerging risk of pre-existing degenerative disease and/or disability, as the uptake of mature workers and those with disability within the workforce increases.

Empirical evidence is vital to drive the process, to ensure desired outcomes are achieved. Currently, empirical evidence is inconsistent, incomplete or absent. For instance, there should be more specific focus on the potential emerging risks of pre-existing degenerative conditions and/or disability, as well as general risk profiles for these groups within statutory schemes.

¹⁵ Suncorp website - http://www.suncorpgroup.com.au/sites/default/files/pdf/news/270812_CI_When%20markets%20hit%20motorists.pdf

¹⁶ Suncorp website - <http://www.suncorpgroup.com.au/sites/default/files/pdf/news/Suncorp%20White%20Paper%20-%20What%20scheme%20works%20when%20people%20get%20hurt%20-%20Nov%202012.pdf>

¹⁷ Suncorp website – *Competition Policy Review – Draft Report* - <http://www.suncorpgroup.com.au/sites/default/files/pdf/news/Harper%20Competition%20Policy%20Review%20-%20Suncorp%20response.pdf>

¹⁸ Finity – A Best Practice Workers Compensation Scheme, Insurance Council of Australia, May 2015 - <http://www.insurancecouncil.com.au/assets/report/May%202015%20-%20a%20Best%20Practice%20Workers%20Compensation%20Scheme.pdf>



Currently, scheme performance around the nation is not truly comparable, due to differing scheme design features. The impact of this situation should be fully realised.

Assessing the level of cost shifting from statutory schemes to Government funded schemes is difficult to assess, due to lack of available empirical data and the complicated funding formulas between governments. Such an analysis might better inform on what a best practice scheme should look like.

Fostering workforce participation is vital to Australia's future prosperity. A fully integrated national approach is required to maximise the desired outcomes.

Conclusion

Fostering workforce participation is vital to Australia's future prosperity. Suncorp is of the view that disability and statutory insurance scheme reforms have a vital role in supporting the policy direction. Given the importance of the policy outcomes, a national approach is required, which is fully integrated with the policy directions of the retirement, superannuation, the Aged Pension, health and welfare schemes.

We are not there yet and much work is still required to achieve a best practice scheme design. Suncorp is happy to collaborate further with the relevant stakeholders to progress the debate along. I am available to meet in person to discuss any aspect of this submission and can be contacted on 02 8121 3708 or 0421 050 926. Alternatively, please contact Jonathan Davies, Manager Public Policy – Commercial Insurance on 02 8121 0248 or 0467 707 697.

Yours faithfully

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