

5 July 2017

Dr Patrick Hodder  
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Dear Dr Hodder

**Parliamentary Joint Committee on Corporations and Financial Services - Options for greater involvement by private sector life insurers in worker rehabilitation – response to Questions on Notice**

The FSC would like to thank the Committee for the opportunity to appear at the hearing on Tuesday 19 June 2018 and has provided the following response to the Question taken on Notice.

**Question 1:**

**Mr VAN MANEN:** My first question is: how is it going to be paid for? Is it going to result in increased premiums, particularly for temporary disablement claims, income protection, total permanent disablement? At some point, somewhere, someone has got to pay for it. Secondly, to Mr Scealy, in your submission or your report, you state at the end of it that return-to-work rates have improved from 54 per cent in 2014 to 58 and nearly 59 per cent in 2016, which compares with a return-to-work rate for those on workers compensation systems being unchanged over that period. Could you please let us know what the figures are for the workers compensation system; but, firstly, to my first question: who is going to pay for all of this?

**Mr Scealy:** On the return-to-work numbers from workers compensation, I don't have those numbers at hand but I'm happy to take it on notice.

**Answer:**

*The first part of the question was answered at the hearing by Mr Hansell:*

**Mr Hansell:** Thank you, Mr Van Manen. I think the short answer is that this actually comes at no cost, and I will explain why. If an early intervention payment is made and that results in someone returning to work or coming off claim more quickly, then the claim that you would have had without the early intervention payment would have been much larger than the final result you receive with the early intervention payment. We're quite up-front about this. Insurers will save money as a result of it. But it's also the right thing to do for customers, to make sure that they can get back to wellness as soon as possible.

*The second part of the question is answered below:*

The return to work rates are sourced from Page 23 of the Swiss Re report 'Rehabilitation Watch 2016 - Australia', and indicate that workers compensation claims return to work rates have remained constant at 77 per cent across the periods 2014 and 2016. The nature of the claims handled by workers compensation versus Life Insurance Income Protection claims would naturally lead to higher return to work outcomes for workers compensation claimants, and so the value in this data is in noting the improvement in Life Insurance Income Protection claimants against a static benchmark.