



1. The Australian Manufacturing Workers' Union (AMWU) represents over 70,000 workers who create, make and maintain industry in every city and region across Australia.
2. The AMWU welcomes the opportunity to contribute to this investigation of options for greater involvement by private sector life insurers in worker rehabilitation.<sup>1</sup> In particular, it is investigating options for how schemes dealing with work disability could be utilised in worker rehabilitation. The schemes identified in the terms of reference include Total and Permanent Disability (TPD), Income Protection (IP, workers compensation, National Disability Insurance Scheme, private health insurance and national insurance schemes.
3. The AMWU supports the ACTUs submission to the Inquiry which notes that *"allowing private sector life insurers a greater role in worker rehabilitation, including via IP and TPD insurance is the thin end of the wedge, towards further privatisation and cost shifting and, would ultimately:*
  - a. *Undermine the expansion of the public health system;*
  - b. *Undermine the universality of access and coverage and primarily public nature of the workers' compensation system;*
  - c. *Help shift the cost of workers' compensation from the employer to the worker;*
  - d. *Reduce workers' retirement savings, as superannuation funds are required to withdraw money from the general fund in order to meet legitimate claims that the insurance companies underwriting their policies refuse to pay, as has often been the case;*
  - e. *Lead to 'step down's, whereby life insurers reduce the benefits paid if workers do not participate in the therapies recommended by life insurers;*
  - f. *Compromise the independence of doctors and the voluntary nature of treatment. The ACTU is concerned that the life insurance industry is motivated by profit and has an incentive to reduce the costs of claims and hence we are concerned that life insurers' involvement will allow them greater control over treatment and access to medical information they can use to unfairly reduce claims. Doctors' groups raised a plethora of concerns about the practices of the life insurance industry in the previous inquiry into the life insurance industry by this Committee; and*

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<sup>1</sup> See Terms of Reference:

[https://www.apf.gov.au/Parliamentary\\_Business/Committees/Joint/Corporations\\_and\\_Financial\\_Services/Rehabilitation/Terms\\_of\\_Reference](https://www.apf.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/Rehabilitation/Terms_of_Reference)



- g. Would be against the public interest. The recommendations of this Committee's recent inquiry into the insurance industry; for example, Recommendations 8.1 through to 8.7 and 10.3 highlight serious inadequacies in the life insurance industry. On this evidence alone, any expansion of the role of life insurance industry would be anathema to the public good and is opposed."*
4. Whilst all of the schemes mentioned in the Terms of Reference deal with incapacity to work in some form, there is such diversity of purpose and administrative arrangements that a comprehensive inquiry would take considerably longer than the time allocated to this inquiry.
  5. The AMWU strongly agrees with the ACTU that *The Terms of Reference for this inquiry are very broad and group together different private insurance products with varying terms and conditions which cannot be assessed without a very clear map of their interactions and the purpose and details of any intended changes.*
  6. The Financial Services Council submission<sup>2</sup> quotes the 2011 Health Benefits of Work Statement<sup>3</sup> from the Australasian Faculty of Occupational and Environmental Medicine which is currently under review. In 2015 the AFOEM indicated that the figures quoted by the FSC will be reviewed following admission that the figures have been misinterpreted<sup>4</sup>. The interpretation of the data was questioned by Purdie in 2015.<sup>5</sup>
  7. The AMWU agrees that the evidence is that returning to good work, following an injury or illness, is generally beneficial for recovery. However, the most important principle is that the work is good i.e. is safe, is healthy, is without risk of either further injuring or impeding the process of recovery and is individualised to the workers injury/illness and circumstances.
  8. The experience of AMWU members is that employers often do not want a worker to return to work unless they are 100% fit. This occurs across many schemes eg workers compensation, non work related injury and in some income protection schemes.
  9. The AMWU supports better interactions between schemes that improve outcomes for injured/ill workers. To that end, the AMWU endorses Income Protection products

<sup>2</sup> See Submission 1 to this inquiry by the Financial Services Council, dated 20 April 2018.

<sup>3</sup> <https://www.racp.edu.au/about/racps-structure/australasian-faculty-of-occupational-and-environmental-medicine>

<sup>4</sup> Wyatt M, *We respond to Dr Gordon Purdie's Viewpoint*, 20 November 2015, NZMJ 19 February 2016, Vol 129 No 1430

<sup>5</sup> Purdie, G *Is the statement that if a person is off work for 70 days the chance of ever getting back to work is 35% justified?* NZMJ 20 November 2015, Vol 128 No 1425

that prioritises the needs of the injured worker and the insurer works proactively with employers to return the worker to good work.

10. Insurers involved in IP must ensure that if the injury/illness is work related ie person is eligible for workers compensation, that the worker is not persuaded to apply only for income protection coverage. Workers compensation schemes provide statutory protections<sup>6</sup> and clear processes for handling of claims that are not replicated in IP. Despite shortcomings, often workers will do themselves a disservice by following the advice of employers who prefer an income protection claim [premium, paid for by the worker] vs a workers compensation [premium paid for by employer].
11. The AMWU recommends that penalties should be levied against employers that push workers into applying for income protection rather than workers compensation claim.
12. The administration of different insurance products varies in complexity and purpose. For example, if the Income Protection is not offered under Superannuation then it is taken out in the general insurance market<sup>7</sup>. IP in the general insurance market does not offer the same level of statutory protections for the injured. The brokers who transact the insurance have “no skin” in a return to work; their motivators are a sale only. For these third party administrators keeping the file open increases their remuneration.
13. Life Insurers have a conflict of interest, as the desire for profitability can conflict with the interests of the injured worker. Access to good rehabilitation service is important, like good clinical treatment. As with their doctors, injured workers must retain a right of choice regarding all health and allied health services including rehabilitation providers which is legally underpinned. Life insurers need to provide access to a default independent panel of rehabilitation providers to ensure best practice in return to work arrangements.
14. Legislation for access to rehabilitation maybe required to remove incentives for Life Insurers to act against the interests of the injured worker. Penalties for non compliance need to apply.
15. Rehabilitation providers must be unconflicted and working for the claimant. They are conflicted if they profit from premature return to work outcomes that are contrary

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<sup>6</sup> Workers compensation provides for access to rehabilitation providers, coverage for medical expenses etc.

<sup>7</sup> Income Protection Insurance endorsed by the AMWU is taken out in the Life Insurance market and is covered by legislation.





to the claimant's wellbeing. They must in this regard provide the same protections as that to the doctor patient relationship.

16. The AMWU is somewhat bewildered by the propositions put forward by the FSC, given the recommendations dealing with access to medical and genetic information of the previous inquiry<sup>8</sup>. The failure of sections of the life insurance industry to protect medical information of claimants is not a basis to recommend further extension of their coverage.
17. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has highlighted the poor performance of sections of the financial services industry – for example AMP. The evidence before the Royal Commission would suggest that provision of services, even within their current remit is a challenge for some organisations. In this context, any proposal to broaden the role would be foolhardy.
18. The AMWU does not support the proposals by the FSC to this inquiry. Changes do need to be made to improve access to quality rehabilitation for claimants, but the mechanisms to do so require rigorous examination which cannot be conducted without accurate and comprehensive information on the interaction of all of the current insurance schemes.

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<sup>8</sup> Life Insurance Industry, Parliamentary Joint Committee on Corporations and Financial Services, March 2018