



**Submission to SIRA's Self-insurance  
licensing framework review**

**November 2016**

## About QBE

QBE is one of the few domestic Australian-based financial institutions to be operating globally, with operations in and revenue flowing from 37 countries. Listed on the ASX and headquartered in Sydney, stable organic growth and strategic acquisitions have seen QBE grow to become one of the world's top 20 general insurance and reinsurance companies, with a presence in all key global insurance markets.

As a global insurer, QBE believes that Australia must continually look to refresh its financial and regulatory systems, to ensure the nation remains competitive with global financial markets, and attractive to investment.

As a member of the QBE Insurance Group, QBE Australia & New Zealand (**QBE**) operates primarily through an intermediated business model that provides all major lines of general insurance cover for personal and commercial risk throughout Australia.

QBE has a major presence in the Australian workers compensation and compulsory third party sectors providing insurance and specialist agency services in most jurisdictions throughout the country. QBE also has extensive experience in these areas in international jurisdictions.

For over a decade, QBE has supported outsourced self-insurance arrangements in Australia on behalf of its self-insured clients under various schemes including the Commonwealth Government Comcare scheme, The Treasury Managed Fund scheme in New South Wales and various state schemes.

## Background

In 2015, the State Insurance Regulatory Authority (**SIRA**) distributed an issues paper to elicit feedback from stakeholders in relation to a review of the NSW self-insurance licencing framework for workers compensation. QBE provided a detailed submission to this review in December 2015<sup>1</sup>.

Drawing on feedback from a range of stakeholders on the issues paper, PricewaterhouseCoopers (**PwC**) has produced a report (**PwC Report**), on behalf of SIRA, outlining a number of recommendations. These recommendations have been accepted by SIRA and are to form the basis for the new proposed licensing framework and supervisory model for NSW workers compensation self-insurers.

In September 2016, SIRA issued a discussion paper seeking further feedback on the implementation of the proposed licensing framework (**Discussion Paper**). QBE welcomes the opportunity to provide this brief submission in response to SIRA's Discussion Paper.

## PwC's report

The PwC Report proposes a framework with a three tiered model – the principle being that self-insurers that meet high standards will be subjected to fewer oversight requirements, while self-insurers that exhibit lesser performance levels will be subjected to greater oversight by SIRA. The licence term for top tier self-insurers would be increased to eight years. QBE notes that the PwC proposed framework is similar to the existing Comcare scheme that has been in place for some years<sup>2</sup>.

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<sup>1</sup> QBE submission on SIRA's review of Self-Insurance Licensing Framework, December 2015, [https://www.workcover.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0019/92422/QBE.pdf](https://www.workcover.nsw.gov.au/__data/assets/pdf_file/0019/92422/QBE.pdf)

<sup>2</sup> QBE also notes that a new draft proposed licensing framework for Comcare is contemplated and may see a reduction in oversight.

QBE is broadly supportive of the recommendations of the PwC report, which are consistent with the views expressed in our initial submission to the SIRA review. Our detailed comments are outlined in our previous submission and accordingly, we do not propose to comment further in this respect.

## Security bonds

One measure that QBE believes warrants further consideration is the utilisation of security bonds.

There is an opportunity to improve risk funding arrangements to support self-insurers with more flexible options in relation to the acceptable security they must provide to support their workers compensation liabilities on an annual renewable basis. QBE is frequently approached by licensed self-insurers seeking access to less capital intense options to secure their liabilities.

Currently, most self-insurers either provide “cash cover” or a “bank guarantee” in support of their workers compensation liabilities as determined via independent actuarial assessments. These options are not the most effective use of the employer’s capital and can place an unnecessary burden on the self-insurer’s cash flow or liquidity position.

QBE has developed a workers compensation security bond for self-insurers to address the heightened need for capital efficiency in the current environment. Functionally, these bonds operate in the same way as bank guarantees – the wording is unconditional and the bond is payable on demand. These bonds do not require cash-backed security or any form of registered security, allowing a company to free up working capital. These bonds are currently being used in South Australia (as approved by the South Australian government) and have recently been approved for use in Queensland.

As outlined in our initial submission, QBE submits that a change to the current requirements allowing security bonds to be provided as an alternative form of acceptable security is consistent with the NSW Government’s objectives of creating an environment in which business is encouraged to invest in growth initiatives.

## Conclusion

QBE appreciates the opportunity to respond to the Discussion Paper. Please do not hesitate to contact Kate O’Loughlin, Head of Government Relations & Industry Affairs, on [REDACTED] or at [REDACTED], if we can provide any further assistance.