



Queensland

Workers' Compensation and Rehabilitation Amendment Regulation (No. 1) 2009

Explanatory Notes for SL 2009 No. 14

made under the

Workers' Compensation and Rehabilitation Act 2003

General Outline

1 Authorising law

Section 453 of the *Workers' Compensation and Rehabilitation Act 2003*.

2 Policy objective of the legislation

The *Workers' Compensation and Rehabilitation Act 2003* considers WorkCover Queensland (WorkCover) to be fully funded if it is both able to meet its liabilities for compensation and damages payable from its funds and accounts, and maintains capital adequacy as required under a regulation. Section 5 of the Regulation currently requires WorkCover to meet the minimum capital adequacy requirements and calculate its capital adequacy as prescribed under the Australian Prudential Regulation Authority (APRA) Prudential Standard GPS 110 (Capital Adequacy).

These requirements were introduced in April 2005 to align WorkCover's capital adequacy requirements with the requirements applied to the general insurance industry. While workers' compensation authorities are exempt from adhering to the APRA standards and no other state requires their workers' compensation schemes to meet these APRA standards, this

change was introduced to improve WorkCover's ability to benchmark itself against general insurers.

From 1 July 2008, changes were made to the APRA standards which have resulted in these standards no longer providing an appropriate benchmark for a state-owned workers' compensation insurer.

It is proposed that WorkCover align its minimum capital requirements with other state workers' compensation funds, such as New South Wales. WorkCover would be considered fully funded if its total assets equal its total liabilities (i.e. maintains a funding ratio of 100 per cent). To further protect the scheme, the Chairperson of the WorkCover Board has advised that the Board will set a buffer of 20 per cent above this requirement.

The purpose of the *Workers' Compensation and Rehabilitation Amendment Regulation (No. 1) 2009* is to amend the *Workers' Compensation and Rehabilitation Regulation 2003* to align WorkCover's capital adequacy requirements with other state workers' compensation funds.

3 How policy objectives will be achieved

The *Workers' Compensation and Rehabilitation Amendment Regulation (No. 1) 2009* achieves its objectives by providing that WorkCover will be considered fully funded if its total assets are equal to its total liabilities.

4 Consistency with authorising Act and other legislation

The objective of the *Workers' Compensation and Rehabilitation Act 2003* is to establish a workers' compensation scheme for Queensland that provides benefits for workers who sustain injury in their employment, for dependants if a worker's injury results in the worker's death, for persons other than workers, and for other benefits, and that encourages improved health and safety performance by employers.

The objective of the *Workers' Compensation and Rehabilitation Amendment Regulation (No. 1) 2009* is consistent with this by supporting the sound financial management of Queensland's workers' compensation scheme.

5 Possible alternative approach

To meet the objective of achieving national consistency with the capital adequacy requirements for other state workers' compensation funds, no other alternative options were available. These objectives can only be achieved by regulatory amendment.

6 Benefits and costs of implementing the legislation

There are no costs associated with amending the way WorkCover calculates its capital adequacy. The *Workers' Compensation and Rehabilitation Amendment Regulation (No. 1)* is nationally consistent and provides the benefit of allowing WorkCover to benchmark its financial performance against other state workers' compensation funds.

7 Fundamental legislative principles

The *Workers' Compensation and Rehabilitation Amendment Regulation (No. 1)* raises no fundamental legislative principle issues. The *Workers' Compensation and Rehabilitation Amendment Regulation (No. 1)* has been drafted with regard to the fundamental legislative principles and is considered to comply with these principles.

8 Consultation

WorkCover Queensland, Department of the Premier and Cabinet, Queensland Treasury and the Office of Queensland Parliamentary Counsel were consulted.

Notes of Provisions

Part 1 Preliminary

Short Title

Clause 1 provides the short title of the regulation.

Regulation amended

Clause 2 provides that the regulation amends the *Workers' Compensation and Rehabilitation Regulation 2003*.

Replacement of s 5 (WorkCover's capital adequacy-Act, s 453)

Clause 3 provides that to maintain capital adequacy and be considered fully funded, WorkCover's total assets must be at least equal to its total liabilities. To further protect the scheme, the Chairperson of the WorkCover Board has advised that the Board will set a buffer of 20 per cent above this requirement.

ENDNOTES

- 1 Laid before the Legislative Assembly on . . .
- 2 The administering agency is the Department of Employment and Industrial Relations.

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