

# Workers' compensation versus personal life insurance

Australians who think they can fall back on workers' compensation to meet all their medical and personal costs in the event of a workplace accident, injury, disease or death, should think again. In most cases, the benefits and compensation amounts only cover a fraction of what's needed to pay the bills and keep a household going which is why personal life insurance is critical.

## Workers' compensation

Worker's compensation is a compulsory statutory form of insurance for all Australian employers and is designed to protect workers if they suffer a work-related injury or disease. In 2015/16, there were 104,770 serious workers' compensation claims, of which 90 per cent related to injury and musculoskeletal problems and the remainder due to disease<sup>1</sup>.

There are 11 various compensation schemes, each with varying benefits and compensation amounts. For example, the death benefit under workers' compensation in NSW is \$760,000 compared to \$211,952 in the ACT. For permanent impairment, benefits vary from \$211,952 in the ACT to \$848,952 in WA. Total and permanent incapacity payments under workers' compensation range from 100 per cent of pre-disability income in WA to 67 per cent of pre-disability income after 27 weeks in the ACT.

Medical assistance, return to work incentives and rehabilitation benefits also vary widely.

But, as the name suggests, workers' compensation is limited to workplace injuries and illnesses. It does not cover people for accidents or illnesses outside the workplace.

Worryingly, the onus is on the employee to prove that their employment was a 'significant contributing factor' to the injury, illness or disease before claims will be paid. This can take considerable time. It should also be noted that independent contractors are not deemed to be employees and therefore not covered under any workers' compensation scheme in Australia.

## Life insurance

Life insurance, on the other hand, pays income protection, total and permanent disablement, trauma and death cover benefits to individuals regardless of where they suffered an injury or contracted an illness or disease or passed away, be that at home, on holiday or in the workplace.

This is vitally important given chronic disease such as cancer, cardiovascular disease, mental health conditions, arthritis, back pain, chronic obstructive pulmonary disease, asthma and diabetes, affects 1 in 2 Australians<sup>2</sup>.

Of the 483,678 cases of hospitalised injury in Australia in 2014–15<sup>3</sup>, only 21.6 per cent – or 104,770 – were related to workers' compensation.

The overlap between people who could qualify for both workers' compensation benefits and benefits provided by life insurance companies is quite small.

Another key benefit of retail life insurance is that the maximum benefit amounts are not limited by an individual's state of residence, as with workers' compensation.

For example, there is no limit to the life cover sum insured an individual can apply for with LifeSolutions. TPD Cover has \$5 million sum insured limit in comparison to the most generous workers' compensation scheme of \$848,952.

Furthermore, workers' compensation does not provide any trauma cover.

LifeSolutions Income Protection cover can pay 75 per cent of pre-disability income up to age 70 with the option of superannuation contributions of up to an additional 15 per cent plus various ancillary benefits that will pay benefits regardless of whether or not the client can work. This compares to the most generous workers' compensation of 100 per cent of pre-disability income, provided the worker remains totally incapacitated. It should be noted that LifeSolutions Income Protection Cover Plus will not offset workers' compensation payments while Income Protection Cover will offset workers' compensation payments.

Overall, workers' compensation insurance offers valuable protection for workers, albeit insufficient benefit amounts, but is only available to employees injured at work. For the other 78.4 per cent of hospitalisations that occur in Australia, life insurance provides more comprehensive and generous benefits in the event of death, permanent incapacity (TPD), trauma and income protection.

1. Safe Work Australia – Australian Workers' Compensation Statistics – 2015-2016
2. Australian Institute of Health and Welfare – Evidence for chronic disease risk factors – 19 April 2016;  
Australian Institute of Health and Welfare – Australia's Health in Brief 2018
3. Australian Institute of Health and Welfare – Trends in hospitalised injury Australia – 1999-00 to 2014-15

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