

Ms Abigail Boyd  
Chair of the Public Accountability and Works Committee  
Parliament of New South Wales  
Via online submission

22 July 2025

Dear Ms Boyd

**Workers Compensation Legislation Amendment Bill 2025**

The Council of Australian Life Insurers (CALI) is the trusted voice of life insurance in Australia. We support Australians to make informed choices about their future and advocate for national policy settings that expand their access to the life insurance protection that suits them when they need it most over their lifetime.

Our mission is to ensure Australians view life insurance and the industry as accessible, understandable, and trusted. We do this by supporting our members to deliver the protection and certainty Australians need on their best and worst days.

CALI welcomes the opportunity to contribute to the Public Accountability and Works Committee's inquiry into the Workers Compensation Legislation Amendment Bill 2025.

Private life insurance sits alongside state-based workers compensation schemes as part of our nation's safety net that financially supports Australians when they are so injured or unwell that they are unable to work.

In 2024 Australia's life insurers provided nearly \$2 billion in financial support to almost 25,000 customers in New South Wales (NSW) who were either temporarily or permanently unable to work due to illness or injury.<sup>1</sup>

The changes to NSW WorkCover outlined in this Bill are evidence that the entire safety net is under immense strain. We understand the challenges the NSW system is facing with mental health claims because life insurers are experiencing them as well. We're reaching a tipping point, and without change, life insurance will become out of reach and unaffordable for everyday Australians.

Like the NSW workers compensation scheme, the private insurance system was not originally designed for mental health conditions. The assessment tools, evidentiary

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<sup>1</sup> Data collected from CALI member companies with customers in NSW.

requirements and recovery models were all built around objective medical diagnoses and functional impairments, not the complex, episodic nature of mental health conditions. It's like trying to put a square peg in a round hole.

Similar to the NSW workers compensation scheme, mental health claims are now the biggest driver of private insurance premiums and it's becoming unsustainable. Nationally private insurers paid more than \$2.2 billion<sup>2</sup> in mental health claims in 2024, an increase of \$1 billion on what was paid out in 2019<sup>3</sup>. Mental ill health is the leading cause of Total and Permanent Disability (TPD) claims in Australia, accounting for 31 per cent<sup>4</sup> of all claims paid. In addition, one in five income protection claims<sup>5</sup> is due to mental ill health.

In reducing the scope of the cover provided by the NSW scheme, pressure will inevitably shift to other parts of the safety net, primarily to private life insurers through increased claims and to the Australian Government through increased reliance on income support payments, benefits and concessions, and increased pressure on publicly funded health services.

While CALI understands the sustainability challenges facing the NSW Government, we urge the Committee to consider the broader ecosystem impacts that will likely result in increased life insurance premium prices for working Australians.

We anticipate that if this Bill is passed, there will be workers, particularly those who hold insurance through superannuation, who access financial support from the private insurance system in the absence of cover through the NSW workers compensation scheme. These changes are likely to drive changes in consumer behaviour, as individuals increasingly frame their circumstances in ways that align with compensation pathways. Insurers are starting to see this flow-on effect from similar changes to the Victorian workers compensation scheme made early last year.

CALI believes the changes proposed in this Bill, similar to the ones undertaken in Victoria, will create a cost shift rather than a cost solution, placing more pressure on another part of the system and accelerating life insurance affordability challenges for our customers.

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<sup>2</sup> Based on data included in the 2024 H2 COC Results Report scaled to the APRA Life insurance claims and disputes data December 2024

<sup>3</sup> <https://www.fsc.org.au/resources/2050-fsc-media-release-data-reveals-the-mental-health-burden-shared-across-the-nation-1/file>

<sup>4</sup> Based on data included in the 2024 H2 CALI -KPMG Data Collection Cause of Claims Results ("COC Results Report") (Released 30 May 2025)

<sup>5</sup> Based on data included in the 2024 H2 CALI -KPMG Data Collection Cause of Claims Results ("COC Results Report") (Released 30 May 2025)

Changes made in isolation to the workers compensation system will not address the root cause of the current pressures that mental health claims are putting on NSW and the whole nation's safety net. The underlying factors driving these claims represent a broader public policy challenge, one that requires systemic investment in prevention, early intervention and timely, affordable access to mental health care and support. We anticipate these trends will worsen without significant national action.

CALI intends to make a submission to help inform the development of the NSW Mental Health and Wellbeing Strategy next month.

Thank you for the opportunity to contribute to this inquiry. It is important to understand the broader context that workers compensation schemes operate in, to fully understand the potential impacts of these reforms. Please contact Keely O'Brien at [keely.obrien@cali.org.au](mailto:keely.obrien@cali.org.au) for more information.

Kind regards,



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Christine Cupitt  
CEO  
Council of Australian Life Insurers