



WORKERS' COMPENSATION IN EUROPE

Brussels, 14 May 2004

Report on the seminar organised by the
International Cooperation Network Working group,
chaired by Mogens N. SKOV

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1. Introduction

AISAM held its first seminar on “Workers’ compensation insurance systems in Europe” on Friday, 14 May 2004 in Brussels. The seminar was hosted by AISAM member Assubel, a mutual insurer and workers’ compensation specialist on the Belgian market.

The aim of the seminar was to contribute to the debate in Europe on the privatisation of social security systems.

Speakers included workers’ compensation specialists from Belgium, Finland, Denmark and Norway. In these countries (and Portugal), workers’ compensation insurance has been underwritten by the private insurance sector for several decades.

In all other European countries, insurers have a limited role in workers’ compensation insurance: in France, cover of accidents at work for the self-employed in the agricultural sector returned as recently as 2002 to the social security sector with an option to select a private insurer as management body; in Spain, the mutual sector is active in the workers’ accident prevention area as well as being the (mutual) provider of social security benefits.

The seminar was attended by around 50 delegates, mainly from AISAM members active in the field, some of which for as long as 100 years, but also from other insurers interested in this debate.

This report contains a summary of the presentations made by the speakers and of the concluding discussion session.

We should like to thank the speakers and the staff of AISAM’s Secretariat General for their contribution to the success of the seminar.

Mogens N. SKOV

Copenhagen, 1 September 2004

2. Overview of the European Workers' Compensation insurance market: the different models

Rachel Husebø CHAMBENOIT, Head of claims, Oslo Forsikring AS¹

The first part of this presentation focused on the different questions which arise when considering a workers' compensation scheme before going on to look at how these questions have been addressed in the systems in place in various European countries.

Part I

General principles

Who should be covered by such insurance? The first category naturally includes employees but there may be specific rules for certain groups, military personnel or civil servants for example. There may also be cover for independent workers or for those who work from home, or people doing voluntary work, including helping a neighbour. The second category could include school pupils or students, the third could include patients in institutions or prisoners. A scheme could also cover housewives or husbands and even unborn children.

What should be covered by such insurance? Schemes may include accidents and/or occupational diseases. An accident may be defined as a sudden, external, unforeseeable event at work and while working. However, questions appear regarding where the place of work is situated and whether travel to and from work, lunch breaks, private use of work premises or social events at work or organised by the employer should be covered. The main argument for including accidents which occur to/from work is that the injured was going to/coming from work at the time of the accident. If included, consideration must be given to whether the workers' compensation insurer may have recourse to a liable third party and whether only the direct journey is included or if it includes going via the supermarket or the school, for example. The main arguments against are that these accidents are often transport-related and therefore covered by another insurance cover, e.g. MTPL (motor third party liability), or that the employer has no influence over the environment and safety in these circumstances.

For occupational diseases, should all illnesses be included as long as it can be proven that they are work-induced? Or should there be a limited list or something in between? Should there perhaps be a time limit?

How should victims be compensated? Should there be specific rules with more or less standardized amounts? Should the same rules be applied as for common compensation law or should benefits be higher? Should the same compensation be given for similar damages or should it be higher if the employer is at fault? Should benefits be pecuniary – lump sum or annual pension - or in kind?

¹ Oslo Forsikring is the captive insurer of the municipality of Oslo, whose main branch is workers' compensation insurance. Workers' comp. insurance is a mandatory branch in Norway. The city of Oslo employs approximately 50000 people.

How should claims be managed? Claims may be managed by one centralized organisation which has the advantage of ensuring equal treatment for victims but may be slow and administrative. A centralised system means that the individual insurer has no control over claims handling which means he has less interest in the efficiency of the system. Experience shows that active claims handling and efficient rehabilitation services which are more frequent in non-centralised schemes are very important. The concept of 'case management' is also favoured by having each company handling its own claims. A centralized complaints office may also be set up.

Prevention

Prevention is essential in any workers' compensation scheme. Avoiding accidents is vital for all parties involved and prevention figures high on the European agenda. There are many European directives related to this issue and the European Agency for Safety and Health at work (<http://agency.osha.eu.int>) has also been set up. Records show that 80% of work accidents could have been avoided.

Work accidents are a huge burden for employers, not only in the cost of the insurance but in reduced productivity and efficiency. For prevention measures to be successful they must be controlled and sanctions must be applied if obligations are not respected. Measures must be proactive and systematic and not just a reaction to accidents which occur. Reliable, detailed statistics – centralized at a national level - make sure that prevention is developed in the right areas. Cooperation between insurers in this field improves results as does efficient claims handling. Prevention is too important to make it a competition tool. Prevention has taken on more and more importance and new measures are being studied: reducing stress rather than just concentrating on material safety installations; adapting measures to new working methods (less physical work, more IT-based work); combining the physical and psychological aspects of the working environment; promoting security. Recent developments also include increased cooperation between employers' and employees' organisations.

Active claims handling also has a preventive effect and is as important as many other elements of prevention.

Structural issues

Within the diverse possible systems, different roles are played by national governments and their social security schemes. Different aspects are governed by international, European or national law and interaction varies with other compensation schemes.

The role of the national government should be to lay down the overall structure of the scheme and to make sure the legal framework and obligations in general are respected. This may include being responsible for setting or controlling premiums, the level of claims reserves held by insurers or the whole area of prevention.

The social security may play an active part in claims handling or in organizing rehabilitation and may be responsible for taking recourse against the insurer. The costs of this intervention may be covered by a contribution from the workers' compensation

scheme. The question of whether benefits/pensions should be higher (or easier to obtain) for people injured at work than for other injuries remains an open one.

The legal obligations are set at national level and at European level through competition law, standards for prevention and safety at work and standards for statistics. Besides the national and European level, the International Labour Organisation (ILO) has also adopted a certain number of principles on who should be covered, definition of a work accident, areas for compensation and the overall organization of a workers' compensation scheme.

Miscellaneous

Some specific issues for workers' compensation insurers are the long tail nature of the risk, particularly in occupational diseases; an increased exposure to catastrophe claims with frequent high concentration of insured (for example all employees located in one office building); the insurability of the risk where statistics are poor or not centralized; the economic viability of the insurance class. Furthermore, it is also important to understand the intertwining of worker's compensation insurance with compensation schemes related to employer's liability insurance, general liability insurance, motor liability insurance and health and life insurance.

Part II

Within Europe, schemes can be divided into Private, or mainly private, Public, or mainly public, and Mixed, with most of the private schemes, and several of the public, being more or less mixed. Belgium, Denmark, Finland, Norway and Portugal have (mainly) Private systems whereas Austria, France, Germany, Italy, Spain and the UK have (mainly) public systems. In Spain and in the UK, public schemes give a minimum cover and employer's liability has taken a part of the market. Mixed systems exist in the Netherlands where private insurers offer additional cover, Sweden where an agreement between employers' and employees' organisations set up a private body hence closing the market for additional cover to other insurers and Switzerland where new classes of business are open to private insurers in competition with the public system.

Private schemes

Within private schemes, public authorities often play an active role through legislation, control of the system, participation of the social security and central funds for diseases. Private schemes are financed by capitalization and not "pay as you go" and vary greatly in detail from one system to another (see below) in terms of level of compensation, standardized cover or not, inclusion of journey claims, rates, recourse options (against liable driver or not, against social security, ...).

	Who is covered?	For which events?		Rates
		Occupational diseases	Accidents to/from work	
Belgium	Employees, students, occasional workers, excludes e.g. seamen, covered by fund	Covered by a specific fund	Included	Technical premium recommended by insurers' association
Denmark	Employees, trainees, voluntary workers	Covered by a specific association (AES)	Excluded	Recommendations given both for level of technical premium and margin
Finland	Employees in private and public sector	Covered	Included	Legislation gives general rules for rates
Norway	Employees working in Norway or on Norwegian ships / platforms	Covered	Excluded	Free
Portugal	Employees and independent workers	Covered by a specific fund	Included	Free

Private schemes have the advantage of adapting fairly rapidly to changes in the working environment and to developments in case law. Insurers have experience in claims' handling which can improve service. Competition between insurers can improve claims' handling and levels of benefits which in private schemes are often more generous than in public schemes. However, it may also drive down premium levels leading to the risk of bankruptcy. Differences between conditions offered by insurers may be very wide and there is no guarantee of continuity.

Public schemes

Public schemes have the advantage of guaranteeing continuity and avoiding the risk of bankruptcy. Changes are made to a public system after debate and with due consideration for the pros and cons. They tend to be more generous as regards who and what is covered but may be less so in levels of benefits. Being part of a huge administration can however add to costs and slow down adaptation to changes in the work environment. Claims'

handling tends to be less active and longer within a public system with no sanctions for late notification hence also making active claims handling more difficult. Reaction to changes in case law may also be slower. There is a risk that workers' compensation is not sufficiently seen as separate and becomes confused with the general social security system (for example, an accident at work is not registered as such and falls under the social security scheme).

Prevention

Both public and privatized schemes are aware of the importance of prevention and there are no obvious differences based on the model chosen. Nevertheless, private insurers generally have a better developed risk management concept and focus on models for reducing risk. As this also benefits other classes of business, they have a greater incentive.

Prevention measures are often imposed by law. An illustration of a privatized scheme include for example Belgium where the 1971 law insists on trying to get the victim back to work quickly or Finland where a well developed rehabilitation system was introduced via legislation from 1991.

Mixed schemes include for example Switzerland where the employer shall "take all measures which experience and the level of technical science have shown are possible and useful in the current work environment, in order to eliminate, or at least to diminish, the eventual danger" while the employee shall "cooperate and respect prevention measures imposed by the employer in matters of safety and use the relevant protection equipment". Federal and cantonal inspectors can impose additional measures and higher premium if not followed.

In the Netherlands, employers are sanctioned (malus / bonus) depending on their accident rate or level of occupational diseases leading to a total work incapacity. In a public scheme like France, employers are obliged since November 2002 to make a real risk survey of their work environment and include this in a so-called "document unique", which is of great importance for the evaluation of the company by the authorities. Penal sanctions are applied if not respected.

The way forward

Reforms to workers' compensation systems are under discussion in many countries. In Norway, a law has been proposed which would place the whole scheme in the hands of insurers (but still no recourse for ordinary benefits from Social Security). In Finland, a working group has been set up by the government to look at developments in occupational diseases.

In Sweden in 2001, a working group proposed changes to the administration of the scheme, for instance to centralize claims handling, and to include stress as an occupational disease. Insurers are calling for a privatization of the scheme, but only for accidents. In Denmark, the definition of work accidents has recently been simplified, which seems to have made it wider and claims handling has also been made more efficient.

In the UK, the Association of British Insurers (ABI) recently took the initiative to launch a rethink of the British workers' compensation scheme given that the minimum cover

provided by the State leads to employer's liability insurance being used to face up to extra costs. In France, recent studies (rapport Masse, Cour des Comptes) recommend a reform of the Scheme, made necessary by the developments in common compensation law.

3. How does Workers' Compensation insurance function in a private market?

3.1 Belgium: the "71 system", Renaud ROSSEEL, Commercial Director, Assubel

Background

There are currently two systems covering workers' compensation in Belgium, the first introduced in 1967 concerns employees of public bodies (national and local government) and the second introduced in 1971 covers the private sector employees. This presentation concerns the latter system.

Up until the end of 1903 a victim had to prove the fault of an employer but the Workers' Compensation Law of 24 December 1903 introduced compulsory compensation for blue-collar victims of industrial accidents but excluding home-work journey accidents. Extra cover remained optional.

In January 1904, the *Caisse Commune Accidents du Travail / Gemeenschappelijke Kas Arbeidsongevallen, Assubel*, was founded. In 1930, the Workers' Compensation Law was extended to include white-collar workers and in 1945 to include household staff and the work-home journey.

On 10 April 1971, workers' compensation insurance was made compulsory for all private employers. In 1987, the system was reformed making insurers instead of the Fund for Workers' Compensation responsible for losses of income. In 1988 a Royal Decree made insurers responsible for indexing and charges. A European Court of Justice ruling (Case C-206/98) of 18 May 2000 confirmed that insurers providing workers' compensation cover were indeed insurers, the Belgian government having excluded them from the scope of insurance legislation.

Given the compulsory nature of workers' compensation insurance in Belgium, the system remains closely linked to the social security system. The EVA-LEA network links insurers and the social security. The Federal Action Plan to Reduce Industrial Accidents (FARAO) links the federal government and insurers.

Workers' compensation insurance remains a specific line of business, but is completed on the one hand by the rules regarding occupational diseases and the social security rules relative to illness and disability on the other hand.

The system

Workers' compensation insurance in Belgium is entrusted to private insurers but supervised by the government which is responsible for safeguarding victims' interests as well as for financial monitoring. Income from workers' compensation insurance helps to finance the overall social security system through contributions amounting to around 200 million Euro

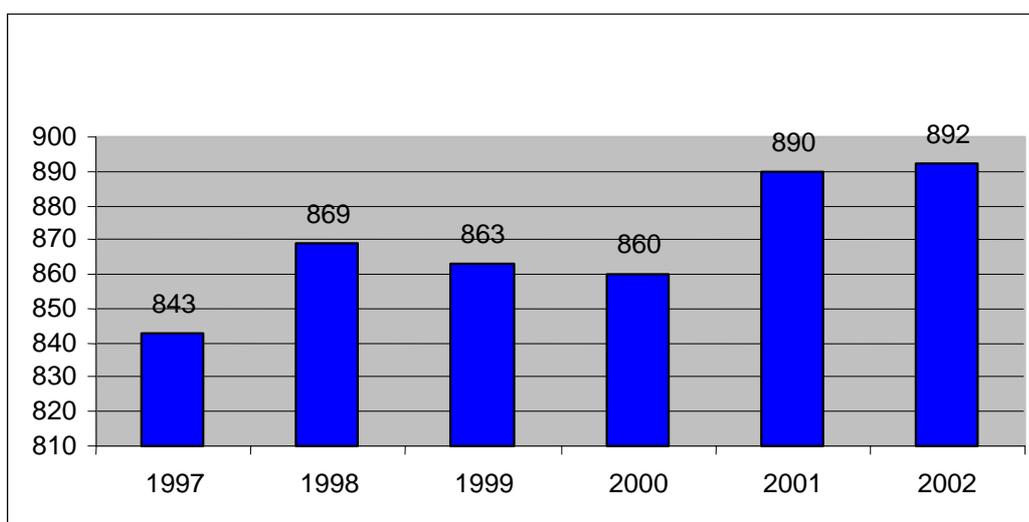
per annum paid by the private sector to the Fund for Workers' Compensation (FWC)² which are then passed on to the social security.

All employers in the private sector are obliged to take out workers' compensation insurance for their employees. It is not applicable to the self-employed. The system is not based on fault, i.e. the employee does not have to prove the fault of the employer. Benefits are paid out in lump sums and are calculated according to legal salary limits. A dual legal relationship exists, between the employer and the insurer through the Banking, Finance and Insurance Commission³ (CBFA, the supervisory authority) and between the victim and the insurer through the FWC.

The market

The 71 system covers 2,400,000 employees and 222,000 companies with gross premium income of some €900 million in 2002 collected by 15 insurance groups. Premium income remains stagnant (see below) as employment remains constant with little developments in salary levels while competition is tough. Whereas the 71 system covers 88% of the Belgian market, the 67 system or workers' compensation cover for the public sector accounts for 12%:

Premiums earned (in EUR million)

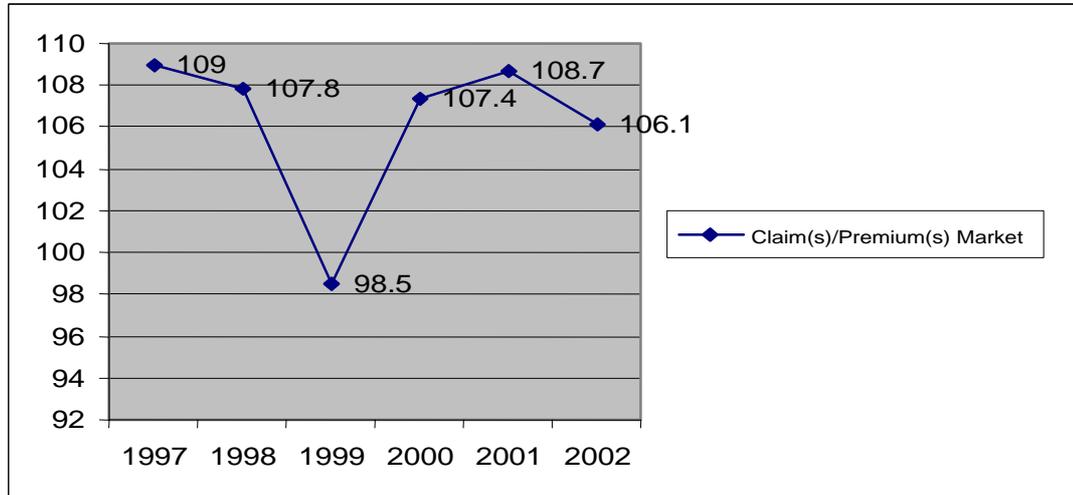


² FAO : Fonds voor Arbeidsongevallen; FAT: Fond pour les Accidents du Travail

³ CBFA : Commission bancaire, financière et des assurances / Commissie voor het Bank-, Financie- en Assurantiewezen

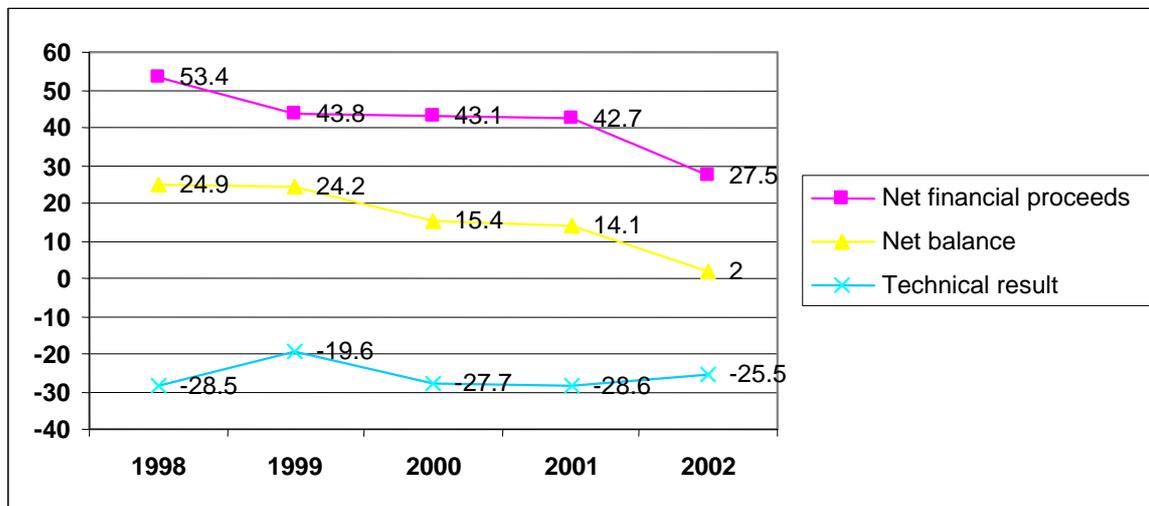
Claims amounted to €50 million in 2002 with the average cost of an industrial accident for a blue-collar worker being € 500. This resulted in a claims ratio of 106.1 in 2002.

Claims ratio (total claims/total premiums)



Overall provisions amount to €5,900 million and financial revenue runs at around €250 million. The system is by capitalization with provisions built up to cover future liabilities contrary to a social security based system which is a pure allotment system.

Technical & financial results (as % of earned premiums)



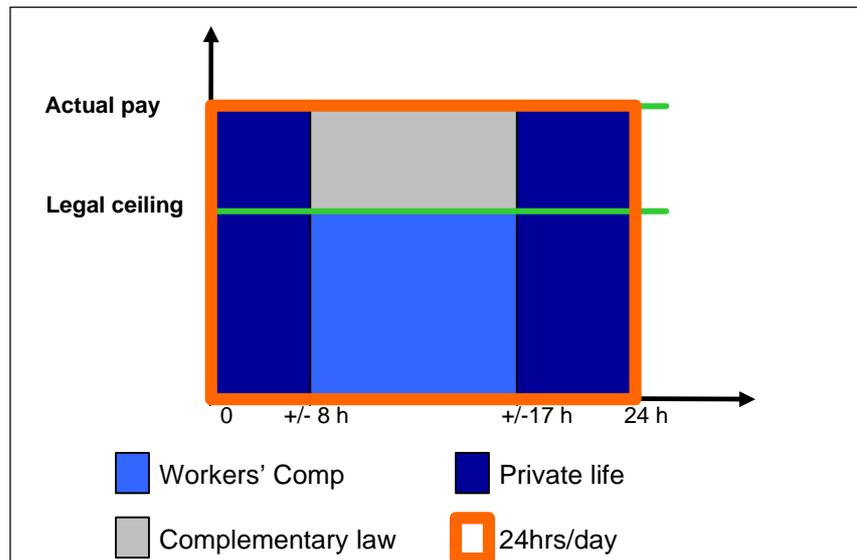
Based on a positive, yet declining financial result, the class posted only a €2 million benefit in 2002.

Workers' compensation cover represents 5 % of total commercial lines in Belgium.

The product

Workers' compensation insurance is legally defined in Belgium. It covers occupational risk accidents and the home-work journey. There is a maximum salary amount which may be

taken into account when settling claims; the current annually indexed amount is €26 410.73 (€31 578 as of 1 September 2004). Compensation is paid for a temporary or permanent incapacity to work, death and medical expenses. Cover above this salary amount is optional.



For temporary incapacity to work, compensation is calculated on the basis of $1/365 * 90\%$ of the gross annual salary. For permanent incapacity to work, compensation is paid for loss of income at a maximum of 100% (of the maximum, currently €26 410.73 but €31 578 as from 1/09/2004) + 100% of the minimum guaranteed monthly wage imposed by the government, and is indexed. A maximum of one third of the compensation may be paid in capital. In the case of death, the spouse receives 30% of the compensation entitlement, indexed and any children 15 or 20% each. Again a maximum of one third of the compensation may be paid in capital. Related medical expenses are also covered by the workers' compensation insurance and may in certain cases include aesthetic costs; in any case, first pillar social security as paid out by the sickness funds does not intervene.

A workers' compensation policy has a one year (expiry date 31/12) duration but for 10 or more people covered this may be extended to 3 years. Until 1992, the legal duration was 10 years. Policies may only be cancelled annually, 3 months before the expiry date. In the case of 3 year policies, cancellation may take place after a claim, or according to the specific terms of the contract, for example, for policies for up to 100 insured, only the insurer may cancel the policy as provided for in the terms.

The cover may be suspended if, for example, the employer does not pay the premium. However, the victim of an accident will still receive compensation from the workers' compensation insurer and the cost will be reclaimed from the employer. After a certain period a termination will follow and then the FWC pays in the case of an accident, with recourse to the employer. The victim remains the central focus and will always receive compensation.

An average of only 6% of claims is refused as not really being caused by accidents at work.

The rates for occupational accident insurance cover are fixed according to the level of risk, which is analysed in collaboration with the Ministry of Economic Affairs depending on the company's activity, the number of persons to be insured and statistics for previous similar

cover. For the home-work journey, rates vary between 0.6 and 0.69% for blue collar workers and between 0.4 and 0.69% for white-collar. They currently stand at 0.65% for the former and 0.43% for the latter. The average market rate for blue collar workers is +/- 3% for both occupational risk and home-work journey. The insured company will receive a provisional payment with the final settlement being made 1 year later.

Some recent developments are the increase in the number of people working from home and the subsequent adaptation of employment contracts and cover through collective private life policies; increased exposure to the risk of war which means additional premiums; the creation of a pool of insurers for refused risks.

90% of workers' compensation insurance is distributed via brokers which is a guarantee for a strong professional approach, a dynamic focus on price/quality and an additional guarantee for the insured party.

Supervisory and professional bodies

The Fund for Workers' Compensation (FWC) is a social security institution with 400 staff responsible for the protection of victims' rights, the supervision of the correct application of workers' compensation legislation and technical, medical and social monitoring. In 2002, 23% of the premiums paid for workers' compensation, i.e. €206 million, was passed on from insurers via the FWC to the social security system. On top of this, employers pay social security contributions to the FWC which amounted to €180 million in 2002.

The Banking, Finance and Insurance Commission (CBFA) is the Federal body responsible for the financial supervision of the entire Belgian financial sector. It was created on 1 January 2004 through the merger of the previously separate insurance and banking and finance supervisory bodies. It carries out all controls of the sector including the *a posteriori* control of solvency margins, as stipulated by the European directives.

Assuralia (previously BVVO/UPEA) is the professional association of insurers, defending their interests and lobbying as well as providing technical services. It has a special forum dedicated to workers' compensation and an assembly for workers' compensation insurers as well as several Commissions, one on prevention, one on legal matters and one on financial and technical issues.

Prevention

All companies must have either an internal department dedicated to prevention and protection at work or be affiliated to an external service providing the same service. Insurers have their own departments for prevention and a collective body, called Prevent, was also set up on the initiative of workers' compensation insurers. A technical inspectorate at Federal level and the FWC intervene in prevention as do independent experts.

The fact that workers' compensation insurance is part of the private sector has a clear advantage in the prevention area. The three main reasons for a strong prevention policy are human – no one may endanger another person's health or life; financial – the direct and indirect costs of the absence of such a policy; and legal – as specific legislation places an obligation on all employers to care for the well-being of their employees.

The Belgian workers' compensation insurers have consequently invested in prevention services for many years; individual insurers provide prevention services and currently have around 80 engineers active in the field at an annual cost of about €1.5 million. A company's risks are analysed and a plan of action developed in close collaboration with those responsible within the company for taking prevention forward. Particular attention is paid to training and there is a move towards a wider prevention policy covering ergonomics, psychosocial areas (stress, aggression, sexual intimidation, etc.) and toxicology, for example.

The independent Prevent institute which was set up in 1952 (under the name ANPAT / NVVA) organises collective action in the prevention field and is funded by insurers and income generated by its multidisciplinary prevention and protection activities.

Modernising Social Security

Since January 2003, insurers have become involved in modernising the social security system through EVA/LEA, a project started in 1999 which provides an electronic link between workers' compensation insurers, FWC, the Crossroads social security bank and social security institutions. The aims include moving from a manual to an automatic system by January 2006 with a check on the state of compulsory insurance and correct payments and settlements. A single input into the database informs at the same time the social security and the worker's compensation insurer. The result of a first EVA/LEA check revealed that 10,000 companies had workers' compensation cover but no social security number and 16,000 companies had a social security number but no workers' compensation insurance.

Conclusions

Workers' compensation insurance in Belgium has been evolving since 1903. The level of compensation, although a clearly limited lump sum, is very generous by European standards. It provides high protection for the social rights of the insured while offering highly competitive premiums to the employer and an optimisation of prevention efforts. Costs would be 50% higher if government managed.

Extra cover can be provided for (1) the self-employed (24 hours per day), (2) for excess, above the €26 410.73 limit (€31 578 from 01/09/2004), or (3) for private life.

Belgian workers' compensation insurers feel the Belgian model to be exemplary, with its own added value.

3. How does Workers' Compensation insurance function in a private market?

3.2 Belgium: the "67 system", Marc BOLLAND, Secretary General, Ethias

Description of the system

The second workers' compensation system in Belgium covers those employed in the public sector, the so-called "67" system. Here public liability is covered by public funding through public management.

The public authority employer is the debtor of the compensation and thus responsible for the payment of compensation; it decides on recourse against those responsible if necessary and on the level of the compensation as well as following the procedure through. The system is funded through the public authority's budget on a year on year basis (no reserves), through a repartition system with no provisions being built up (on a pay as you go basis). The public employer manages the system independently, deciding on whether there is a case for workers' compensation and on the level of disability and thus of benefits. Solidarity therefore only exists at the level of one employer.

Role of the private insurer

The private insurer plays a secondary level role as the public authority's reinsurer, the provider of specific services (subcontracting) and by sharing the risk and therefore has less freedom. Private insurers can only participate in the market if they reply to a tender written out by public procurement procedures.

a) as a reinsurer

A public authority employer has no obligation to be insured but may decide to take out insurance – reinsurance - with a private insurer. This may be for full or limited cover through repartition or capitalisation but there is no transfer of decision-making which remains in the hands of the public employer. The risk may thus be spread over time.

b) as provider of services

A private insurer may also offer services to the public authority employer, thus outsourcing certain functions, for example legal and administrative management, including claims management, or medical facilities. A private insurer is often able to reduce administrative costs by its more advanced use of IT and by taking on functions where it has more experience, e.g. recourse or prevention.

c) as a risk sharing device

The private insurance sector can help the public employer share its risks with other public bodies. This resulted in the creation of a mutual insurance company, Ethias (formerly SMAP/OMOB), created by 25 public authorities, now the largest mutual insurance group in Belgium. It holds about 80% of the workers' compensation market under the 67 system.

Conclusions

The Belgian 71 system seems to be an economically and socially acceptable model for the future of social security systems in Europe.

It results in acceptable costs for the employer and an efficiently managed scheme which is profitable for the insurer. The victim's rights are properly protected and he is well compensated while social costs are kept to a reasonable level by good prevention. The social partners are involved throughout the process.

The model would need two levels: a public compensation system on level 1 based on public solidarity and on level 2 funding by the private sector based on private solidarity which is complementary.

3. How does Workers' Compensation insurance function in a private market?

3.3 Finland, Timo PARKKISENNIEMI, Worker's Compensation Unit Director, Tapiola

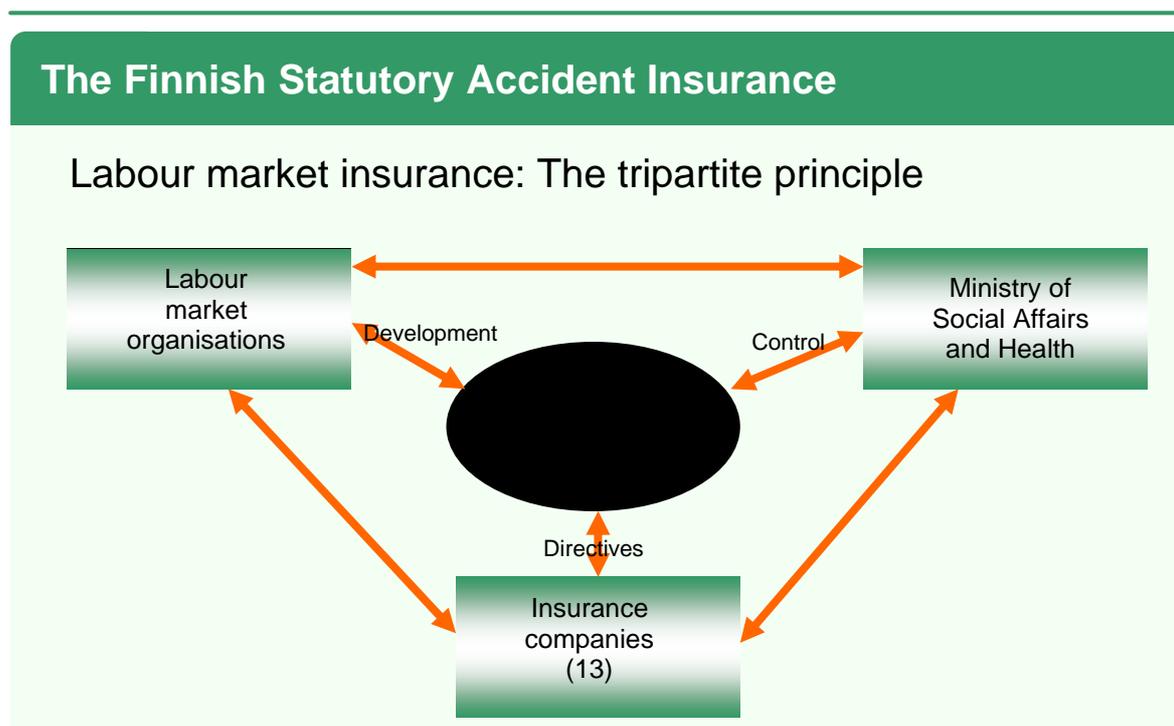
Legislation and supervision

Statutory accident insurance is the oldest form of social insurance in Finland, introduced through an Act of 1895. The current Act on accident insurance dates from 1948 with the latest amendments being made in 2000. For occupational diseases, the latest legislation dates from 1989. These two Acts cover private sector employees only; the self-employed in the agricultural sector and government employees are covered by separate legislation and managed respectively by the Farmers' Social Insurance Institution and the State Treasury. Apart from workers' compensation insurance, the Finnish social insurance system includes statutory pension insurance (the national flat-rate pension and earnings-related pension), statutory health, accident and unemployment insurance.

Supervision is carried out by the Ministry for Health and Social Affairs, the Insurance Supervisory Authority, the Parliamentary Ombudsman and the Federation of Accident Insurance Institutions.

Federation of Accident Insurance Institutions

Insurance of the labour market is organised around a tripartite principle with the Federation of Accident Insurance Institutions (FAII) playing a central role:



The Federation is the co-ordinating body for all organisations involved in workers' compensation insurance; membership is mandatory for all insurers offering workers' compensation. There are currently 13 Finnish companies offering workers' compensation insurance in Finland. There is no outside competition for three main reasons: the language barrier, the long tail nature of the claims and the unlimited level of compensation.

The FAII collaborates with the government in the development of legislation as well as in setting the levels of insurance premiums. It carries out supervision of its insurance company members, gives guidance in the handling of claims and is responsible for the payment of certain compensations. The FAII collates statistics on work accidents and occupational diseases. It negotiates agreements with nursing institutions for medical care and maintains the list of medicines obtainable without charge.

In the area of unemployment benefits, the FAII carries out certain tasks in collaboration with the central unemployment fund, collecting, processing and paying out unemployment premiums, done together with the workers' comp. premium collection. It also participates in social security issues at international level.

Insurance cover, benefits and rates

Workers' compensation insurance is obligatory in Finland for any employee who works more than 12 days per year for an employer. The cover and level of compensation are not negotiable and an insurer is obliged to accept all applications. For those employees not covered by this obligatory cover, the FAII compensates the employee directly. If an employer fails to take out cover, the FAII compensates the employee directly and debits the employer for the additional premium. The self-employed may choose to take out workers' compensation cover directly and family members may also be included.

An employee is covered while at work as well as on the home-work journey and while engaged in the employer's business which includes saving or protecting human life or the employer's property. War and armed conflict are also covered.

The type of accident or disease covered is clearly defined: an injury caused by an accident which occurs suddenly; certain injuries which appear within 24 hours such as abrasions, strains, chaffing, frostbite; occupational diseases which develop slowly and are caused by chemical, biological or physical events. 80% of accidents lead to an absence from work of just less than 2 weeks but the rest is long tail necessitating a high level of provisions.

Benefits are very diverse and include the costs of medical care, medical tests, medicines and travel expenses; an employment accident pension amounting to 85% of the salary; a daily allowance as well as an inconvenience allowance; the costs of adapting the home to cope with the consequences of an accident/disease; rehabilitation and re-education. In the case of death, funeral costs up to €3 000 are paid and the survivor receives a pension.

For a population in Finland of 5.2 million people, half of which make up the workforce, there are 200,000 employers. 120,000 work accidents occur every year, 14,000 of which on the home-work journey. There are 5,500 cases of occupational diseases and 2,000 deaths, half of which are asbestos related, every year.

The general principles regarding premium levels are laid down by the government and rates are then fixed depending on the size of the employer, i.e. its risk carrying capacity, the type of work and the employer's individual accident rate in the case of larger companies. There is very little freedom in pricing and price competition so that insurers compete in the services offered rather than premium levels. There are two rating systems: the tables or general rates (the average premium is 1.3% of total salary) and the special rates (mandatory for large companies, their own accident rate affects the premium).

Total annual premium income amounts to €15 million. Costs amount to 10%.

Unlike in Denmark, there are few cases of additional compensation via employer's liability insurance.

Future developments

In the current system, treatment must be provided without any unnecessary costs. This means that treatment is generally provided by the public sector and the insurer reimburses up to the level the victim would have paid had he had no insurance cover. Since this never covered the real cost of treatment, the insurer paid a so-called "band-aid" tax to cover the difference. In the future, this tax will be abolished and treatment carried out in the public sector will be charged at real cost. Insurers will be able to choose whether to use the private sector for treatment instead if this is more competitive.

The cover included in workers' compensation insurance will be modified in the near future so that employees' leisure time is no longer included. The question of whether the same adjustment should be made to the cover for the self-employed is still under discussion. The index system for compensation levels will also be renewed.

A working group has been set up by the government to look at developments in occupational diseases.

4. How does Workers' compensation insurance work in other markets?

4.1 Spain, José Germán ROMÁN REY, *FREMAP*

Preliminary remarks

In the following text, the original Spanish terms have been replaced by terms more commonly used in Europe. For example, “contingencies” becomes risks, “common contingencies” becomes private life risks and “vocational contingencies” becomes professional/occupational risks. “Vocational accidents” are work accidents and “vocational illness” is occupational disease.

The mutuels active in this sector have been called “Social security workers' compensation mutuels” to differentiate them from other mutual insurance companies.

History

The origins of the current Spanish Social Security System are to be found at the end of the 19th and early 20th century, among the earliest in Europe. The Labour Accident Act of 30 January 1900 brought about a decisive change in the social protection of workers. The principle of a worker assuming the inherent risks of his work was replaced by that of the employer taking the responsibility for that risk, either directly, or through insurance.

That Act led to employers joining forces to deal with these risks, leading to the foundation of the first Workers' Accident Mutual Companies.

Gradually, independent social insurance was established, such as that for old age (1919), a system of survivor pensions for near relatives of the deceased (1955), family charges (1938), private life illness and accidents (1942), invalidity (1947) and redundancy (1961). Cover was extended to agricultural workers, first the employed and, later, small land owners, freelance agricultural workers and self-employed workers in industry and services.

The social security system was integrated through the Basic Act of 28 December 1963 and the Articulated Text of 21 April 1966, introducing a unified protection system including a codified definition of risk.

More recent trends in the Social Security system are unfortunately less positive. The financial crisis of the Social Security system, due to unemployment, the progressive aging of the population, an increase in irregular or fraudulent situations as regards compensations, as well as defaults in the payment of contributions, has weakened the historical trend towards improvement in the level of compensation.

Definition

The definition of a work accident has remained substantially the same since the Act of 1900. At present, for employees: “A work accident is understood as all bodily injury the worker suffers due to or arising from work performed for others”. In the case of self-employed

workers, only accidents directly or immediately related to the work are considered a work accident. Workers' compensation covers all employed workers and the self-employed (in agriculture as well as in industry and at sea).

According to Spanish law, bodily injury does not only refer to the fact such as the blow, wound or burn, which has an immediate, direct effect, but also to other effects such as illness. The latest legislative reforms mean that not only employees enjoy protection against work accidents, but it has been extended to the self-employed or freelance workers. The last of the characteristics or elements that form the definition of a professional accident refer to the causal or cause-effect relation between the bodily injury and the work.

It is not sufficient for a worker to suffer bodily injury, but rather in order for it to be considered a professional accident, it must be related to the work carried out, and concern an injury suffered during working hours and at the place of work. If a fact or circumstance that breaks that causal connection arises, the event will cease to be classified as a professional accident. The wide scope of the concept leads to any fact linking, however tenuously, injury to work being considered.

In the case of the self-employed, according to the legal definition above, a direct, immediate relation between the professional accident and the work is required, and one must certify that the accident took place precisely when performing tasks related to the activity and as a direct, immediate consequence of it.

Accidents suffered when going to or returning from the place of work are covered for the employee but not for the self-employed.

A "common" illness contracted by the worker due to his work, as long as it is proven that the illness was caused exclusively by performing it, is covered. Any illness or defect previously suffered by the worker and aggravated by the injury constituting the work accident is covered. This means that congenital or degenerative illnesses will sometimes be covered when the anatomical area affected by the accident, however slight, coincides with that of the degenerative illnesses.

Spanish law contains the presumption that "It shall be assumed, except if proven otherwise, that injury suffered by the worker during working hours and at the place of work constitute a professional accident". That means that the burden of proof is on the party which states that an accident which arises during working hours and at the place of work is not work related. This also means that the Spanish courts consider myocardial infarcts and strokes at work to be professional accidents, which has considerable ramifications since approximately 15% of deaths in work accidents in Spain are due to heart attacks and similar illnesses. This presumption does not apply to the self-employed.

For employees, but not the self-employed, professional accident status also applies to accidents occurring neither at the place of work, nor going to or returning from work, but when performing work, duties or tasks assigned by the company.

Structure

Management of the social security workers' compensation (accidents and occupational diseases) system is carried out by 3 different types of institution: (1) the public bodies: the

National Social Security Institute, the National Health Management Institute, the Merchant Navy Social Institute and the Institute of Migrations and Social Services; (2) the General Treasury of the Social Security which provides joint services to all bodies; and (3) social security workers' compensation mutuals and authorised management companies which play a collaborative role.

The social security workers' compensation mutuals are private associations of public interest, created on a voluntary non-profit basis by employers under a Mutual Company regime and with joint liability, sharing the cost of compensation and services generated by their activities, authorised by the Ministry of Labour and Social Affairs.

Their governing bodies are: the General Meeting which approves the budget and accounts and the mutual's statutes; the Board which appoints the Managing Director who carries out the duties laid out in the mutual's statutes; the Special Services Committee which decides on the benefits to be paid; the Control and Monitoring Committee which oversees the institutional aspects of the mutual's activities.

As these social security workers' compensation mutual companies exclusively perform activities in the public interest, sharing the costs of providing compensation for their workers, they are not allowed any profit consideration whatsoever. The joint liability of their members covers all the obligations undertaken by law or contract by the mutual company, although that liability will only become effective once the reserves of the company are exhausted. Membership is voluntary and members, which may come from different sectors of activity, therefore have full freedom to join or leave.

Their field of action includes health assistance including convalescence services, financial compensation for work accidents and occupational diseases, financial compensation for temporary incapacity, for both professional and private risks, social assistance, risk management services and third party prevention services. They may provide cover for employees of private companies and public bodies as well as the self-employed.

Employers may also opt to take out insurance for their staff for private life risks with these social security workers' compensation mutuals. They may also opt to cover financial compensation for temporary incapacity, under the Special Regime for Self-employed Workers and that for freelance workers under the Special Agricultural Regime.

Social security workers' compensation mutual companies must represent at least 50 employers and 30,000 workers, collecting a volume of premiums for professional risks of not less than €0.02 million. The level of administration costs is limited depending on the size of the mutual and its scope of action. Accounts are audited annually by a Social Security body.

Social security workers' compensation mutual companies shall cease to collaborate with the Social Security, thus dissolving the mutual, in the cases established in the regulations on collaboration between these mutuals and the Social Security such as a resolution passed by the extraordinary General Meeting, merger or absorption of the entity, etc.

The Ministry of Labour and Social Affairs may authorise the merger of two or more Social security workers' compensation mutual companies to form a new entity. The Ministry may also authorise absorption of one or more of these mutuals by another.

Policy

Employers or the self-employed who wish to take out cover for work accidents and occupational diseases sign an "Association Agreement" (for employers) or a "Membership document" (for the self-employed) with the social security workers' compensation mutual of their choice. This contract determines the rights and obligations of each party for a specific term, not exceeding one year. At the end of the period, the employer may change cover to the INSS (National Social Security Institute) or another social security workers' compensation mutual. This is important as the possibility to change company stimulates better services which is beneficial to the employees.

Income

Another of the characteristics of cover for work accidents and occupational diseases is that contributions (fees) are paid exclusively by the employer, there being no contribution by employees or by the State, even though to all effects they have the same status as other Social Security contributions. These fees are paid along with the rest of the Social Security contributions.

The premiums of the social security workers' compensation mutual companies are received through the Treasury General of the Social Security. Part of the premiums paid is integrated into the overall social security system as their share in the joint services, i.e. to cover the costs of the elderly or the physically or mentally handicapped, and to contribute to the re-evaluation and periodic improvement of pensions for work accidents and occupational diseases.

Assets

Prior to the General Social Security Act in 1966, workers' compensation mutuals had their own assets. However, since the creation of the integrated Social Security System, the fees for work accidents and occupational diseases have the status of Social Security contributions and are thus part of the assets assigned to this purpose. Social security workers' compensation mutuals therefore have two sets of assets:

1. The General Social Security Act states that the **private assets** of social security workers' compensation mutuals are formed by the assets acquired prior to 1 January 1967 and those from the 20% surplus of surpluses constituted between that date and 31 December 1975. The availability of these assets and their yield are governed by the regulations contained in each mutual's statutes and may not be distributed as profit or return among the mutual's members.
2. **Social security assets:** since premiums for work accidents and occupational diseases have the status of Social Security contributions, assets are held by the mutual on behalf of the Treasury General. The mutual manages the assets for the purpose of its own activities.

Provision and Reserves

At the end of each financial year, social security workers' compensation mutuals must constitute the following provisions and reserves, against their management results:

a) Provision for pending risks (IBNR)

This covers the part not reinsured: the estimated amount of compensation for invalidity, death and survival that are pending final acceptance during the relevant financial year; the estimated amount of the compensation to be paid to employees for whom, in the opinion of the mutual's medical services, there will certainly be subsequent effects involving permanent incapacity; and the amount of the compensation arising from death foreseen in accident reports presented to the mutual before the year end.

b) Reserve for immediate obligations

This reserve shall be between 15 and 25% of the fees paid during the financial year by the member companies for professional risks, after deduction of the reinsurance of that year. The aim of this reserve is to financially strengthen the mutual and enable it to face payments not covered by the IBNR provision.

c) Stabilisation reserve

To correct possible inequalities in financial results from one year to the next, a stabilisation reserve is constituted at between 15% and 20% of the annual average of the fees collected for professional risks by the mutual in the last three years.

The mutual must also set aside a "stabilisation reserve for temporary disablement due to private risks (common contingencies)" of a minimum amount of 5% of the fees received for these risks. The mutual's positive results shall be included in this reserve up to a maximum of 25% of the related fees.

d) The statutes of the mutual may also foresee voluntary reserves.

Surpluses

The use of surpluses arising from the management of professional risks, after covering the provisions and mandatory reserves, is restricted.

80% may be used for the general purposes of prevention of professional risks and must be deposited with the Bank of Spain. It may be used by the mutual, following authorisation by the Ministry of Labour and Social Affairs, to sustaining its own centres or services assigned to those ends.

10% must be assigned to social assistance in favour of employees protected by the mutual or their beneficiaries (professional risks only).

The remaining 10% may be used for the constitution of voluntary reserves indicated in the mutual's statutes or, failing that, for social assistance as above.

Surpluses from private life risks are fully assigned to the Social Security Reserve Fund.

Reinsurance

Social security workers' compensation mutual companies are under the obligation to reinsure 30% of the periodic compensations arising from invalidity, death and survival (lump sum compensations, appropriate temporary incapacity compensation, health assistance and vocational convalescence for the duration are excluded). Thus, social security workers' compensation mutual companies carry the remaining 70% of the capital cost of the permanent invalidity or death related pensions due to work accidents.

Reinsurance to cover excess loss (to limit financial liabilities for frequent or costly claims which may make it impossible for the mutual to cover the compensations) is facultative. This reinsurance is arranged between the mutual and the Treasury, setting the maximum amount of direct participation by the mutual in the amount of the pension capitalisations, and stating the percentage of the fees received by the mutual for invalidity, death and survival which will be assigned to that joint service.

Should any social security workers' compensation mutual not be interested in signing an excess loss reinsurance agreement it may opt to make the relevant deposits with the General Treasury of the Social Security.

Benefits and services

The granting and payment of compensation is automatic and social security workers' compensation mutual companies must make immediate payment to the victim. If the employer is at fault, it is the responsibility of the social security workers' compensation mutual to take subsequent action against the employer, also on behalf of the victim.

Social security workers' compensation mutuals must offer health assistance including for rehabilitation services from the first moment when a labour accident or occupational disease occurs.

Financial compensation is paid depending on the level of disability. For non invalidity causing permanent injury, compensation levels are set according to the tables. For partial permanent invalidity which means a loss of 33% of the work capacity, or 50% in the case of self-employed workers, indemnity is 24 months of salary. For total permanent invalidity which means the person is unable to work in their usual profession, the indemnity is 55% of salary which may be increased to 75% if the worker is over 55. For absolute permanent invalidity which prevents execution of any profession, the indemnity is 100% of salary. In the case of major invalidity which means that the victim, in addition to being unable to perform any profession, requires the help of another person to perform vital activities, such as eating, washing, the indemnity is 150% of salary.

For total, absolute and major invalidity, professional re-training is provided in a new profession, according to the victim's capacity, to provide them with a new job.

In the case of death, the widow receives an income of 52% of the salary (may be increased to 70% when certain requisites are fulfilled) and orphans under 22 or 24 years old (absolute

orphans, in the latter case) receive an income of 20% of the salary. Other relatives may receive compensation depending on the degree of relationship and financial dependence.

Financial compensation for temporary disablement due to work accidents or occupational diseases is paid at a rate of 75% of salary for a maximum period of 12 months, extendable for a further 6 months. Since January 2004, this includes employees and the self-employed.

Since 1 June 1996, the management of financial compensation for temporary incapacity for private life accidents, for employees and for the self-employed, has also passed to these mutuals. Their participation is not limited to recognition of the relevant financial compensation, but also allows intervention in the medical process (health assistance for private life accidents is legally attributed to the Public Health Services) in order to provide a better service to companies and workers covered by the mutual.

The aim of social security workers' compensation mutuals is to ensure sick leave is not prolonged more than necessary, either due to existing waiting lists to perform diagnostic tests, or due to the lack of personalised monitoring of the patient's illness.

Social security workers' compensation mutuals may also provide Prevention Services, the cost of which will be borne by the member employers, according to the specific provisions that regulate Professional Risk Prevention Services. For nearly 100 years, they were the sole entities in Spain providing their members with prevention services.

In 1995 the Professional Risk Prevention Act introduced a new philosophy within the Spanish system, making accident prevention of central importance and relegating the key role of indemnity or compensation of professional risks to the background.

There are now two types of prevention activities carried out by the social security workers' compensation mutuals. Firstly prevention activities in general which fall within the Social Security and which are covered by the contributions the mutual's member companies pay the Social Security. Secondly there are the prevention activities offered by the mutual as a risk management service, separate from the Social Security obligations, which consist of activities of a specific nature in any of the preventive disciplines. At present, all the social security workers' compensation mutuals hold accreditation from the Labour and Health Authorities to offer prevention services.

Collaboration with companies

Another of the partners which collaborates with the Social Security in addition to the social security workers' compensation mutuals are the employers themselves. Their collaboration may be obligatory or voluntary.

In the case of **obligatory** collaboration, and notwithstanding the fact that the recognition of entitlement to financial compensation is the remit of the Social Security or social security workers' compensation mutuals, the companies must pay compensation to their workers, when a report of absence is issued for a work accident / occupational disease, or a private life illness / non-work accident. Thus the companies pay the compensation to their employees, discounting the amount of the settlements from the Social Security contributions they should pay, under the delegated payment regime. If the company does not pay Social Security contributions, it may not obtain reimbursement of the sums paid to its workers. The insuring body controls, reviews and checks the appropriateness of the deductions performed by the companies in the contribution documents.

In the case of **voluntary** collaboration, companies which meet certain criteria (more than 250 permanent employees and large enough premises to provide medical assistance) may become voluntary collaborators in Social Security management, directly undertaking the temporary disablement payments and providing health assistance, in the case of professional risks, or only the financial compensation for temporary incapacity in the case of private life risks. Companies that collaborate on a voluntary basis, directly undertaking the above services at their own expense, shall only contribute for the risks of incapacity, death and survival, with a small increase for joint services. That is, they pay approximately 60% of the professional risk contributions paid by a non-collaborating company.

All the companies may make voluntary improvements to the compensation levels, either directly, or through private insurance companies. Normally, these improvements are to the compensation for temporary disablement (undertaken directly by the companies) or lump sum indemnity in cases of permanent invalidity or death (insured with private insurance companies).

Conclusion

The main contribution by the social security workers' compensation mutuels in this field has been the formulation and development of the "integral (holistic) treatment of professional risk". This is understood to be the "co-ordinated application of all the preventive, assistance, repair and recovery techniques to combat the risks that affect health and their physical, mental, social and economic consequences".

This integral (holistic) treatment has been possible due to the high degree of specialisation of the social security workers' compensation mutuels and because they manage all the services arising from work accidents. When a work accident is managed by the State, each one of the services is provided by a different body, with lack of co-ordination and at great social cost. It has also been possible due to the guiding principles of social security workers' compensation mutuels' activity: human values, quality of the service, less bureaucracy, proximity to companies, specialised management and adaptation to changes / flexibility.

This specialisation has been extended, since 1996, to include the management of financial compensation for temporary incapacity due to private life risks (only management of financial and not health compensation) providing integral health treatment for the workers.

Thanks to this specialisation and their guiding principles, one may definitively say social security workers' compensation mutuels have achieved the following in Spain: fewer accidents, shorter duration of sick leave, less invalidity, reintegration of handicapped workers, greater prestige than official bodies, demonstration of the efficiency of private initiative in management of the Social Security, demonstration that competence (competition) improves service, demonstration that when a good service is provided, good results are generated.

Social security workers' compensation mutuels have become useful, necessary bodies, so their replacement is not easy.

Proof of the above is to be found in the data provided below:

- 29 social security workers' compensation mutuels (formerly 185)
- Cover for professional risks: 12,423,458 employees and 1,897,993 companies.
- Cover for private life risks: 6,988,288 employees and 893,902 companies and 1,275,407 self-employed.
- Contributions collected for professional risks: € 384 963 000

- Contributions collected for private life risks: € 587 515 587
- Prevention: service contracts: 175,504; income: €200 000 000
- Social security workers' compensation mutuals' employees: 25,500

If social security workers' compensation mutuals are so successful, why may only mutual specialised in work accidents work in this sector? Why not open up the field to other mutuals working in all branches of insurance, or to limited companies? In Spain, limited companies have not been allowed involvement in work accidents since 1966, the year in which an attempt was made to suppress all private initiative in the Social Security, although non-profit bodies were finally admitted. The understanding was that limited companies tried to optimise profit to provide more dividends, even at the cost of reducing services.

On the contrary, it was considered that social security workers' compensation mutuals tried to reduce member costs by optimising the service. The fact that only social security workers' compensation mutuals are allowed involvement in work accidents is aimed at preventing joint administration of public and private funds. Moreover, since, under current laws, the surplus cannot be distributed, the system would not be of interest to an investor, as they would be unable to receive any yield on their capital.

Although the situation of social security workers' compensation mutuals in Spain has been strengthened in recent years, there are, however, the dogmatic and doctrinarian who are not in favour of the present situation. Consolidation of social security workers' compensation mutuals has been achieved at a price: that of increasing control and intervention by public bodies. There may possibly be no public or private body in Spain subject to more control than social security workers' compensation mutuals, which depend on: the Ministry of Labour and Social Affairs which oversees, watches and controls; the Spanish Parliament which approves the budgets and accounts; the General Treasury of the Social Security which channels the financial flows; the Labour Inspectorate which monitors all the acts; the Social Security supervisors which annually review all the accounts; the Supreme Audit Body which analyses the balance sheet and accounts; and the Health Ministry which controls the health assistance standards.

Social security workers' compensation mutuals will continue to exist and become stronger, being founded on the conviction of employers who join forces to form an entity to provide them with a better service than the State. This continues to be a reality. If the social security workers' compensation mutuals did not exist, company owners and employers would have a worse service.

In order to improve service level, we claim legal conditions that allow more effective operation, as our action affects organisation of work by companies and their competitiveness. In a Europe without frontiers, on a globalised market, that competitiveness is essential. In order for companies to supply quality goods and services, they must receive quality from their "suppliers" and social security workers' compensation mutuals aim to provide it. To that end, the Spanish social security workers' compensation mutuals propose a strengthening of the mutual nature and status; control to attend more to management than administrative operations; variable tariffs (bonus-malus) according to the safety levels of companies; and distribution of the surpluses to stimulate good management.

4. How does Workers' compensation insurance work in other markets?

4.2 France: Workers' compensation insurance in the agricultural sector - a return to the public social security system, Jeanne-Marie CAMBOLY, Groupama

Social security protection and current workers' compensation cover

In France, there are three social security systems:

- **The general system**, covering all employees, except agricultural employees,
- **The self-employed workers' system**, covering artisans, merchants, liberal professionals and all self-employed, except self-employed agricultural workers,
- **The agricultural social security system**, covering agricultural employees and the self-employed.

Social security protection in France			
	General system	The self-employed workers' system	The agricultural system
Persons concerned	Employees, except agricultural employees	Self-employed, except agricultural self-employed	Agricultural employees and self-employed

The employees in the general system and agricultural employees are covered for workers' compensation by a special branch of their social security system. In this hypothesis, the general system and the agricultural system bear the risk and manage it entirely.

Self-employed workers have no specific cover for workers' compensation. Workplace accidents involving them are handled by the health branch of their social security system. This cover may, if the insured party wishes, include an optional complementary insurance underwritten with a private insurance company.

Agricultural self-employed – in practice farm managers – have only recently been covered by a workers' compensation branch of their social security system, with the particularity that they may choose the party handling the risk: a private insurer or the agricultural social security system.

In this particular case, the agricultural social security system bears the risk but is the *optional* manager of the risk, depending on the choice of the party insured by social security.

Cover of workers' compensation in France				
	General social security system	The social security self-employed workers' system	The agricultural social security system	
Role of social security and private insurance	- Specific workers' compensation branch	- No specific workers' compensation branch	Agricultural employees	- Specific workers' compensation branch. - Risks borne and managed by the agricultural social security system
	- Risks borne and managed by the general social security system	- Risks covered by the health branch of the social security self-employed system - Optional complementary cover by private insurance.	Agricultural self-employed	- Specific workers' compensation branch. - risks borne by the agricultural social security system. - risks managed by: ▪ Private insurance or ▪ The agricultural social security system.

Regardless of his social security system, the victim of an accident enjoys improved benefits, greater than that collected had he been sick. His medical expenses are fully defrayed. In the event of permanent or temporary incapacity and permanent disability, he receives daily benefits and a pension, which is higher than that provided in the event of sickness.

In the case of a lump sum payment, the amount is set by the public authorities.

This cover, in the case of employees, bars any additional recourse against the employer. It does not therefore provide complementary benefits, unless the person concerned has contracted complementary workers' compensation cover with a private insurer.

Workers' compensation for farm managers: the move from a private insurance system to a co-managed social security system

A recent French law, which entered into force on 1 April 2002, changed the agricultural workers' compensation insurance system into an agricultural social security system. A new social security branch was thus created within an agricultural social security system.

Before 1966, farmers had no specific cover for workers' compensation. Between 1966 and 2002, workers' compensation insurance was a social security risk covered by a private insurance contract.

1966 - 2002

A law passed in 1966 created a very particular workers' compensation system. Farmers were required to take out an insurance policy with the private insurer of their choice. The policy had to be legally defined and had to cover workers' compensation insurance. This single compulsory insurance policy covered both the farmer and his family members. Contributions were freely set by the chosen insurer whereas the benefits were set by law, at a relatively low level, to keep the premiums moderate.

Legal benefits were designed to cover the most serious consequences of a workplace accident and therefore limited to the full reimbursement of health care expenses and a pension, in the event of total or partial permanent disability. Cover of workers' compensation was extended to non-occupational accidents and occupational diseases.

In this system, the insurers acted both as insuring bodies (risk carriers) and (social security) management organizations.

This system functioned from 1966 to 2002, without raising any particular criticism. Then the government decided, for mainly political reasons, to incorporate workers' compensation insurance within the scope of agricultural social security.

Since 1 April 2002

The intention of the French Government was to transfer definitively workers' compensation insurance to Agricultural Social Security, with no compensation for the insurers.

Private insurers, apart from the financial loss directly attributable to this transfer, feared that this transfer would destabilize their agricultural portfolios. Since cover of workers' compensation was never distributed in an isolated fashion but, on the contrary, at the same time as other types of insurance, they feared that the insured, under the obligation to adapt their complementary workers' compensation cover to the new legal provisions, might be tempted to rethink their entire insurance plan.

In addition, the French insurance sector, along with GROUPAMA^(*), made an active effort to convince the public authorities and the French parliament to set up a workers' compensation system that would be managed by the Agricultural Social Security or by private insurers, in keeping with the choice of the farmer. In practice, around 70% of farmers wanted their workers' compensation to be managed by private insurers. This result meant that direct contact could be maintained with the insured and the risk of destabilizing the agricultural portfolio was thus neutralized.

The insurer of the new farmers' workplace accident system is the Agricultural Social Security but the management body comprises private insurers (70%) or the Agricultural Social Security (30%).

According to the new law, private insurers are required to group together in an association that fulfils the *acta iure gestionis* (calculations and calls for contributions; liquidation and payment of health care expenses, daily benefits and pensions to disabled persons and beneficiaries).

Contributions are set by the public authorities.

Benefits are defined by law at a level higher than the previous system when the victim is a farmer. In addition to fully defrayed health care costs and total or partial disability pensions, daily benefits may be paid out in the event of sick leave and orphans' and surviving spouse's pensions may be granted, in the event of death.

Only accidents at work and occupational diseases are covered, with the exclusion of non-occupational accidents, which are now covered by the health branch of the Agricultural Social Security.

In terms of cover, this new system provides greater protection to the farmer. However, it provides less protection to the rest of the family group, which has been partially excluded from the workers' compensation insurance scheme. It is also more costly and requires more paperwork than the previous system.

Conclusions

The public authorities, despite the change in government and in the parliamentary majority, are not currently considering a re-transfer of agricultural workers' compensation insurance back to private insurers.

However, the matter of the possible privatization of workers' compensation insurance in other social security systems is brought up on a regular basis and will probably be discussed during the next reform of the French health insurance system.

(*) GROUPAMA was heavily impacted by this reform. Some 70% of farmers' workers' compensation was insured by GROUPAMA.

5. How does a mutual insurer write workers' compensation insurance in a private environment?

The Danish joint solution, Niels S. VASE, *Forsikringselskabet Thisted Amt*

Introduction

Workers' compensation insurance has been mandatory in Denmark since 1916 for all employers but was first introduced in the country in 1899 through the so-called "Constitution on the Danish labour market". Accidents are covered through the private insurance market but occupational diseases, which also used to be covered by private companies, are now covered by a special institution formed of the unions and employers' organisations.

One of the differences of workers' compensation compared to other classes of insurance in Denmark is the fact that insurance companies are not in full charge of claims handling. They are not allowed to decide whether a case is covered or not by the workers' compensation insurance nor are they allowed to calculate the amount of compensation. This is decided by a public institution. There has been much discussion about this in Denmark as in most European countries. The tendency in Denmark like elsewhere seems to be towards privatisation and a greater role in this cover for private insurers could be envisaged in the future.

The current system is not very efficient, waiting times are long from the original claim to decision. More private involvement would surely make it quicker and more efficient.

In 2002, the Danish workers' compensation market had gross premium income of 1.8 billion DKK (around €40 million) or 1.6 billion DKK net (approx. €10 million). Total gross losses (claims and reserves) amounted to 2 billion DKK (around €70 million) or 1.8 billion DKK net (some €40 million). The market is not a very profitable one. There are 19 companies offering workers' compensation, 5 of them are mutual insurers with a market share of 5%.

In 2003, the situation has improved compared to 2002 not only in workers' compensation but also in other insurance classes. However, most companies report losses on old reserves for all kinds of personal injury claims including workers' compensation, motor liability, life and health.

Since January 2004, a new law has been introduced, not only to simplify the definition of an accident, but also to offer wider cover than before by adding compensation for several types of accidents which would not have been covered according to the previous rules. There was some discussion as to the cost for insurers prior to its introduction but it was decided to try and change the concept of so-called unforeseeable claims, the idea being to make policies less restrictive by including those claims which can more or less be foreseen, for example some back injuries. Public authorities estimated the rise in claims from this new legislation at around 20% whereas some insurers estimated it at around 90-100%; the average foreseen increase in claims is now thought to be around 50-80%.

Another recent change on the Danish workers' compensation market has been brought about by a Supreme Court Decision in December 2003. Employees having already suffered an

injury or disease may be given a new position in a so-called “artificial” job or protected employment, generally in the public sector but also in the private sector. They keep their previous salary but the difference between that salary and what their new “protected” job’s salary should really be is paid back to the employer from the compensation. The Supreme Court decided that these employees were entitled to claim further compensation if they suffered an accident/disease in their new “artificial” (protected) job. This is the first time that employees may receive in principle more than 100% compensation and anticipated costs are 300 million DKK (some €40 million).

Setting up a joint solution

The Forsikringssselskabet Nærsikring A/S (whose name refers to neighbourhood alongside insurance) was founded in 1984 by 10 mutual insurance companies, mainly working locally or regionally and wishing to maintain the notion of proximity to their policyholders.

The company was an experiment, founded by a group of mutual insurers to cover workers’ compensation only, as Danish legislation at the time only allowed a company to write workers’ compensation if it had a minimum of 10,000 policyholders. Since it was impossible for one single mutual to have that number alone, these 10 mutuals decided to join forces. It was set up as a joint stock company because of the difficulty in setting up a new mutual insurer under Danish legislation, but also to make sure control remained with the founding mutuals.

Underwriting is carried out by the individual member companies as is the search for new clients, through their own salaried sales staff, tied agents or brokers. Underwriting for special risks, of a complicated or expensive nature, is carried out by Forsikringssselskabet Nærsikring. All claims handling and other administrative tasks are carried out by Forsikringssselskabet Nærsikring with a team of 5 people. There were about 1,500 claims last year, whereas the total claims administered amount to 3,500.

The member mutuals (shareholders) have the right to cancel their membership at any time. Since its foundation, the number of shareholders has increased despite a number of mergers or acquisitions on the Danish market during that time and none have wished to leave voluntarily.

Results of Forsikringssselskabet Nærsikring A/S

Gross premium income in workers’ compensation insurance for 2003 was 66 million DKK (some €10 million) (occupational accidents only). The loss ratio was a little over 81% which is slightly above the average of a Danish insurance company and the cost ratio was 16% which is slightly higher than the Danish average. This results in a combined ratio of 97%. The company is a small player on the market with a share of 2.5%.

In its 20 years existence the company has generally been profitable, although 2003 was particularly exceptional. The company has developed relatively steadily and satisfactorily despite upheavals amongst its members and despite the fact that this is particular difficult type of business.

This experience shows that competitors can work together - and the member mutuals are fierce competitors outside this partnership - provided there is no dominant partner.

Although there are some double administrative costs, these can be kept down. Other attempts to extend cooperation into other areas, for example life insurance, pensions or reinsurance, have always failed. This may be because there was no choice but to cooperate in workers' compensation whereas other solutions were found for the other areas. It could also be because the members feared a negative impact on the original activities in case of failure.

Challenges for the future

The current market situation for insurance is difficult. This is particularly so for workers' compensation due to new legislation and the Supreme Court's decision as was mentioned above. Part of the difficulty is compensated by the rates having been adjusted to take account of the new legislation however this is not the case for consequences of the Supreme Court decision.

The shareholders agreement is up for a renewal in 2004 as it is from time to time but this should not pose a major problem. The company needs to invest in a new IT system which could not only be very costly but also complicated as it should be compatible with its members system and there is little unity between the insurance IT systems in Denmark.

Furthermore, there is a limited market for reinsurance for workers' compensation due to complicated Danish legislation and the subsequent reluctance of reinsurers to become involved in this market. The market traditionally buys at a low retention rate but even then it does not encourage reinsurers although Forsikringselskabet Nærskring is better off than many of its individual members.

Another particular challenge is from the effects of terrorism. A special group is dealing with this within the national association, not just in workers' compensation. At the present time terrorism is covered by Danish workers' compensation insurers but market leaders are calling for its exclusion. A submission has just been made to the Supervisory Authority pointing out the possibilities for the collapse of the Danish insurance market in the event of a catastrophic terrorist attack.

Active Claims handling

In the area of workers' compensation, there are many small insurers who do not have the manpower to carry out active claims handling and thus need to combine forces. As an experiment, 23 insurance companies have set up a new company called Rehab to offer active claims handling services to its owning companies in collaboration with the largest Danish disability insurer.

This being a totally new activity in Denmark, there have been a few teething problems, firstly with staff who are not used to this type of activity and who were reluctant to get involved in active claims handling. Claims in fire incidents for example had always been handled rapidly but not bodily injury claims in workers' compensation or motor. A year on, the mentality has changed and all claims are handled quicker. Another problem has been to persuade the claimants' lawyers that this new system is not about trying to pay out less in damages but about trying to make the system more efficient for all involved.

6. Prevention

Prevention activities of Spanish workers' compensation mutuals, Isabel MAYA, *Mutua Universal*

Introduction

The Spanish workers' compensation mutuals are employers' associations that were created for the management of risks concerning work-related accidents. Such associations have been private enterprises since their origins at the end of the 19th century.

The *Ley de Bases de la Seguridad Social* (Basic Social Security Law) of 1966 established that the insurers of such risks must be dedicated exclusively to this area, and this therefore implied a reorganisation of the insurance sector. From this point, workers' compensation mutuals, maintaining their legal mutual status, become bodies which had to collaborate in the management of the Social Security, acting within the *Reglamento de Colaboración* (Collaboration Rule). This Rule specifically provided for the intervention of workers' compensation mutuals in the prevention of work-related risks, but depending on the authorisation of the Ministry of Work and Social Security.

On the other hand, the transposition into Spanish law, through the Law on Prevention of Work-related risks, of the European Framework Directive introduced the possibility for Workers' Compensation mutuals to act as an external prevention service.

Subsequently, the regulation of 22 April 1997 laid down in detail the activities which are considered to be a part of the prevention services as authorised under article 13 of the Collaboration Rule.

This resulted in the separation of services offered by workers' compensation mutuals into two big groups: firstly, services to enterprises covered by the Social Security budget and secondly, other services which are part of these mutuals' external prevention services.

In line with the above-mentioned legal bases, these Spanish mutuals develop two kinds of activities in the prevention area:

- Prevention activities included in the cover of risks for work-related accidents and occupational diseases.
- Prevention activities included as a function of the mutual in its role as a body authorised to act as an external prevention service.

There are currently 29 social security workers' compensation mutuals in Spain insuring 12 million employees which is 83% of the total Spanish workforce covered by social security. Mutua Universal (formerly Mutua General) is one of these 29, set up in Barcelona in 1907. Today it has more than 160,000 company members, called associated members, across Spain and which cover 1,116,793 employees.

Mutua Universal offers the two types of protection services: "internal" where 12,128 actions were carried out in 2003, 8,402 of which in high risk areas called Diana enterprises; and

“external” (over and above the statutory minimum) where 600 safety and health practitioners and occupational doctors fulfil 20,000 contracts annually with a target in 2004 of €40 million.

Structure of protection activities

Under Article 68.2 of the Social Security Law, certain prevention services (accident and occupational disease risks, widened to common diseases) are included in the social security budget and thus included in the basic agreement linking the employer to the mutual. Under Art 32 of Law 31/1995 on occupational risk prevention (transposition of the 1989 European Framework Directive 89/391/CEE on the introduction of measures to encourage improvements in the safety and health of workers at work) and the Royal Decree 39/1997 on Prevention Service Rules, the mutuals may offer other contracts to their members which are not part of the social security budget.

These two activities, the so-called “internal” and “external” services, must be managed separately – in terms of resources, budget and people - and they are controlled within the mutual by a commission made up of employers and employees. Any person or legal entity with a role in the mutual’s governing body is not permitted to be involved in any other “external” prevention services. A governmental authorisation is necessary for external services based on Ministerial Decree of 22/4/1997.

Statutory protection activities (art 5, MD 22/4/97)

In the first case, prevention activities are planned yearly and are established according to the *Plan General de Actividades Preventivas* (General Prevention Activities Plan) which is drawn up and published by the Secretary of State for Social Security and is valid for 1 year. The aim of these prevention activities included in the statutory cover for occupational accidents and diseases is to reduce the occupational accident rate and offer support to companies with less resources, mainly small and medium sized enterprises (SMEs). The services provided to member companies include analysis and research into occupational accidents and diseases, advice in prevention matters which are then carried out by the company itself, awareness raising campaigns and skill building for employees and training for employees and employers. These services are aimed at companies with less than 50 employees (SMEs) but with special services for 1) those with less than 6 employees, 2) those in priority action sectors as decided by the social security every year and 3) those with high accident rates.

For small and medium sized companies, i.e. those with less than 50 employees, a programme is available which includes basic prevention training programmes for employers and employees as well as for appointed employees who are points of contact for prevention in the company and for the company’s prevention representative.

- Skill building is developed for companies with less than 6 employees and for the self-employed who have taken out workers’ compensation cover. This comprises a 30 hour basic prevention course for employees to implement prevention measures themselves. For the same categories, a visit programme is drawn up which implies advice and prevention orientation visits, drawing up a report on the accident rate and delivery of a management guideline for the prevention action.

- The current campaign which is part of a Europe-wide policy, running from 2003 to 2005, includes a particular focus on the prevention of falls in companies employing less than 50 employees in risk sectors such as the construction sector. Activities include disseminating information guidelines and conducting visits to advise building contractors during which a questionnaire is completed for collation at national level.
- Another part of the current activities covers companies with less than 250 employees with an accident incidence rate of more than 30% as well as companies with less than 6 employees. They receive advice and guidance on prevention matters; a report is drawn up establishing the causes of accidents; they receive publications especially developed for the sector. Visits are made to the companies and training provided.

For Mutua Universal, in 2003 this part of their activities was divided up into advice - 62%; training - 15%; reports - 10%; internal training - 7%; analysis of accidents - 6%. The incident (accidents and diseases) rate for Mutua Universal's members was lower than the annual average in 2002 and was again lower in 2003.

External protection services

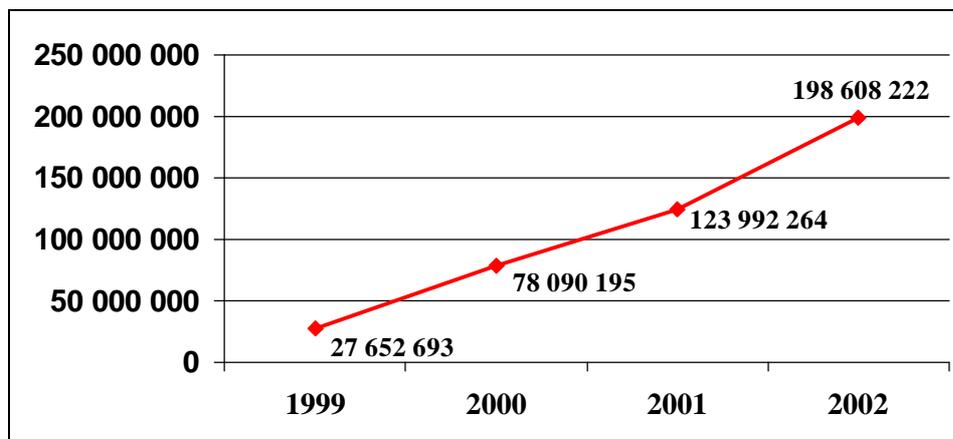
Social security workers' compensation mutuals may offer other protection services to their member companies only through direct individual contracts separate from the statutory activities. This external prevention service is carried out by professional teams specialised in safety, hygiene, ergonomics, psycho-sociology and work-related medical care. These teams develop activities established in the Prevention Law (transposition of the Framework Directive). This prevention activity is financed independently of insurance cover. Contracts which detail activities to be developed and their pricing are signed with each enterprise.

Under Spanish law (Law 31/1995 transposing the European Framework Directive 89/391/CEE), a company has various options for introducing prevention measures. For companies with less than 6 employees, the employer himself may implement the necessary measures. For other companies, they may appoint a specific employee, run their own prevention service or use the external prevention services of the social security workers' compensation mutuals or other authorised companies.

The services offered by external providers may include the design and implementation of plans and programmes of prevention action, evaluation of the risk factors that can affect employees' health and safety, determination of priorities in the adoption of suitable prevention measures and control of their efficiency, information and training for employees, first aid and emergency plans and health surveillance for employees in work-related risks. The staff of the external providers must cover many disciplines - industrial safety, hygiene, occupational medicine, ergonomics and psycho-sociology.

In 2003, besides the 29 social security workers' compensation mutuals, there were 520 other companies offering external prevention services. The 29 mutuals had an income of €98 million and the 520 others an income of €202 million.

Income for prevention services of social security workers' compensation mutuality in Euro



The average contract price for 2002 was €131 for the mutuality and €18 for the other companies. Mutuality covered all four of the above mentioned disciplines whereas only 39.8% of the other companies covered all four. 15 of the mutuality exercise their activities nationally and 14 regionally. For the other companies, almost half of them work regionally, a quarter locally and a quarter nationally. Overall, these mutuality cover 50% of the external prevention service market in Spain and have a competitive and quality service.

According to figures from the 1999 national survey on working conditions, most employers use an external prevention service rather than one of the internal options.

Number of contracts 2002

Number of Employees	Total Employed	Number Employees under Mutuality's Prevention Services	Number Employees under Other Prevention Services
1-5	669 723	27 591	158 453
6-49	88 710	41 165	49 258
50-249	10 565	7 220	3 299
250-499	1 006	723	377
> 500	855	393	376
Total	770 859	77 092	211 763
%		10%	27.5%

7. Active claims handling or rehabilitation:

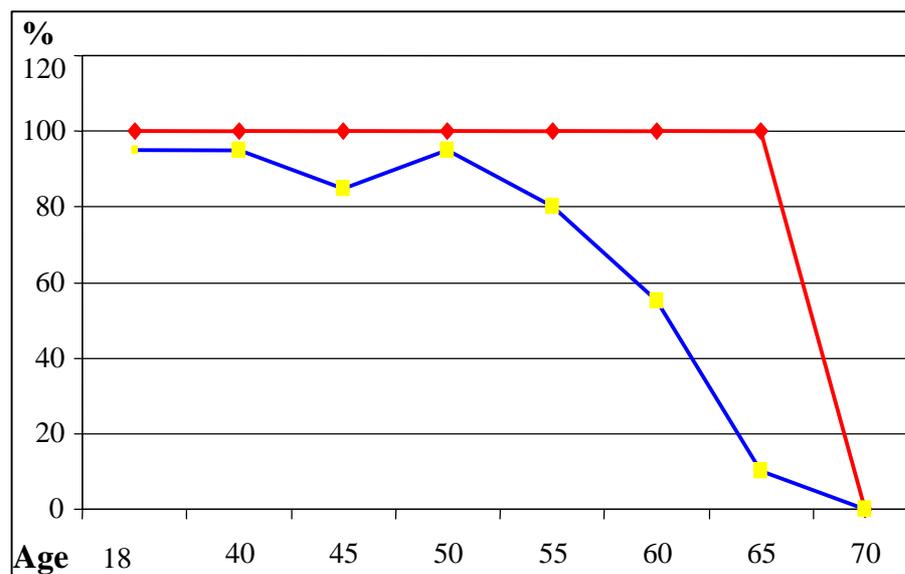
7.1 Norway: Assistance to victims; the effects of customer care, Ulla WANGESTAD, director, *Gjensidige Nor Forsikring*

Introduction

Four large insurance companies and many smaller ones are present on the Norwegian market with the mutual insurers taking the largest market share in 2004.

Since 1993, Gjensidige Nor has been running a programme of assistance to victims. It was set up to aid the victims but it is also seen as very positive by the claims department creating a win-win situation.

In Norway, which has a high-tech economic environment, the ideal employee would be one who smokes, drinks alcohol, drives a car, pollutes, is never on sick leave and lives not quite long enough to get his pension (the red line below). The reality (see the blue line below) is somewhat different: an employee tends to start taking sick leave around the age of 45, from 55 this becomes more permanent and the current average pension age is 59 although the official retirement age is 65. This creates a serious economic problem as the insurance companies have to make up the difference.



Occupational accidents and diseases

Norway has many accidents provoking musculoskeletal diseases where the average duration of sick leave is extremely long. 50% of employees return to work after 6 months but 10% only return to work after 48 months.

Victims feel that the quicker they recover from an accident the less they will receive in insurance compensation and there is therefore no incentive to get well. It is therefore important to find a common goal between the victim and the insurer which can be rehabilitation.

After an accident the normal trauma curve shows the greatest pain in the few days following the accident with a gradual petering off. However, in Norway, there are many so-called "abnormal" cases where the pain drops off but then increases again. Here again, active intervention can pay off.

Assistance to victims

Within Gjensidige Nor, claims handlers are taught how to interact with victims to help them recover and return to social life and work more rapidly. The victim and the insurer have a common interest in reducing permanent damage after accidents involving bodily injury or after sickness. Without the active intervention of the insurer, the costs can spiral rapidly with victims becoming "high cost health surf riders". Assistance to victims reduces long term medical and social problems, promotes positive customer relations, and is a good investment for the company.

For the victim any accident is important, whether small or serious. If their health status is unknown, they become insecure. Negative stories in the media or passed on by other people make victims more unwell or at least insecure and slow down their recovery. In Norway, the health system does not provide care when you need it unless you are badly hurt. If you are not admitted to hospital, you may have to wait some time to see your doctor and then he may not be an expert in your illness or injury.

Within an insurance company, the normal insurance habit of the claims handler may just be to register the accident and then put it aside to wait and see if the victim makes a claim. This has many negative consequences, for the victim and the company. Through this attitude, average claims handling time had reached 3 years. In 1994 only 9 % of all claims were settled within 12 months of an accident. Today more than 60 % are settled in the same time. This proves the success of an active claims handling policy.

Active rehabilitation

To bring this about, Gjensidige Nor taught its claims managers to change their attitude towards their customers. Customers are not the enemy and they need taking care of. The claims handler is the person with the experience and knowledge and he/she should guide the victim/patient through the healthcare jungle which is full of therapeutic offers of different quality. The claims handler must be the one to deal with all practical problems for the customer and to get them solved.

Claims handlers must start an active claims management process by contacting the victim/patient by telephone, never by letter. The aim is just to make contact, not to discuss the details of their insurance situation, nor their responsibility nor regulations. The claims handler must offer his/her help, take command of the situation and guide the patient, offering contacts with an experienced doctor or a recognised specialist in the field. He/She will take care of all practical details for the patient: time of the consultation, travel, babysitting, and costs of doctors or clinics. Customer feedback has been very positive. They were often surprised, but pleasantly so, to have received this kind of direct contact.

Gjensidige NOR has agreements with experienced doctors who are paid by the hour for the time spent with patients/victims. The patient has the right to leave, the doctor does not. Their primary task is to create a trustworthy atmosphere: to listen, examine, explain, answer,

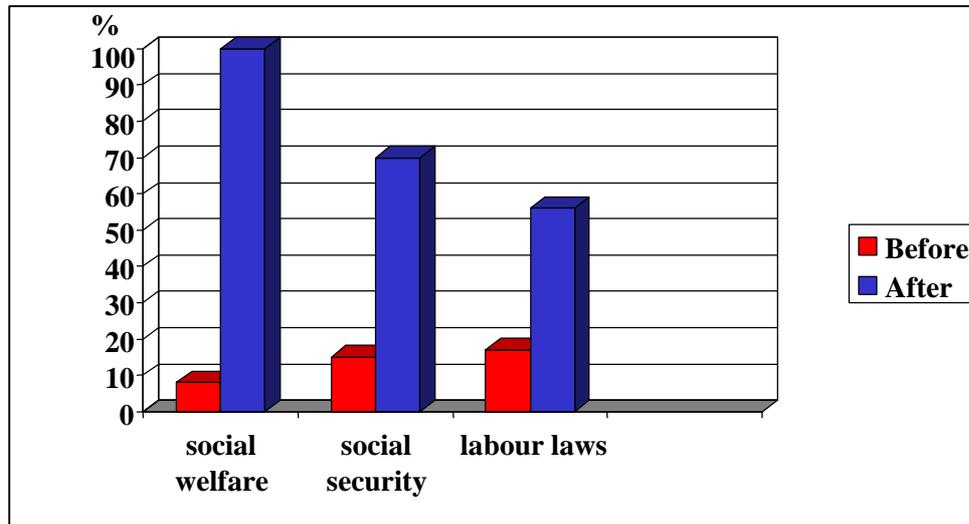
execute further examinations or treatment if necessary and reassure the patient if everything is ok. Within the Norwegian health system, patients often have the feeling that the doctor does not give him/her the time necessary. The fact that the doctor is paid by the company means that the patient/victim receives the attention he/she needs (or feels he deserves). Consultations cost Gjensidige NOR €380 for one hour.

Once the doctor's report is ready, it is sent to the customer (and his personal doctor if so requested) as well as the company. The claims handler then makes contact once again and makes sure the customer has understood the report and discusses what the company can do for the patient/victim ("What does the doctor say? Good to see there is no serious damage. Let's go through the report and see what we can do for you."). The large majority of cases end here. The customer has been treated with respect and the problems have been addressed seriously. The costs are usually low. This procedure gives the company more time for the seriously injured customers that really need help. Around 90% of victims are not badly hurt; 5% have serious problems.

The customer gets a quick clarification of his/her health status which prevents the development of secondary health and social problems. If there is no bodily damage, the claim is settled in a short time. If substantial harm is done, the insurance company can assist the victim as quickly as possible, to get the best result for both sides.

Through this process, victims' rights have also become much better represented in the areas of social welfare, social security and employment laws as the graph below indicates:

Rights' fulfillment before and after "Active rehabilitation"



Many people do not know their rights and do not therefore claim correctly under social welfare or social security. This active process has improved their access.

For cases of serious bodily injury, Gjensidige NOR has set up a special task force trained to search for the most appropriate solutions for each victim. They have been empowered to go far beyond the normal economic limits for accident claims, to give the necessary processes the right impetus and to make sure the victim understands the purpose of the intervention which is to assist and to achieve results.

Gjensidige NOR has its own rehabilitation clinics and if proposed by the doctor, the company can offer services through these clinics or other specified treatment. Contact is made with the employer to modulate the work situation for the victim or with the social security and employment office if a return to the former job is impossible. Gjensidige NOR has the experience and the professional staff members to take care of the victim's needs.

Gjensidige NOR considers its role in rehabilitation to be to help a victim/patient resume activities earlier, as far as this is possible. Disability is the difference between the demands of society and the individual conditions. The company's task is to diminish this difference. To achieve this, the client needs to be given new hope. He needs to be assured of your intention to help, of your ability to find out the wishes of and the possibilities for the victim with or without relief efforts. The offer must be adjusted to the victim and not the victim to the offer. This action is an investment, not a cost.

Results

Since the introduction of this proactive approach, the total costs of claims and handling have been dramatically reduced, down by approximately 50%. Conflicts are avoided: the number of cases which go to court is lower than Gjensidige NOR'S market share would predict. In Norway, around 30% of cases end up in a legal process. If a victim contacts the victims' union, he is referred directly to a lawyer leading to possible conflict. This proactive approach can prevent a union or lawyer becoming involved.

Claims' handlers become health providers and find providing assistance to victims to be a meaningful task. Social security officials have praised the company for this active co-operation in assisting victims.

Gjensidige NOR considers rehabilitation to be a win-win situation overall: the human aspects, the social outcome and the economic results are positive. Assistance to victims reduces long term medical and social problems, promotes positive customer relations, and is a good investment for the company.

There are no losers, only winners.

7. Active claims handling or rehabilitation:

7.2 Netherlands: From ARBO to managed care: supply chain management in health expense and guaranteed income insurance, Alexander KORBEE, Achmea Arbo

Introduction

Achmea is a Dutch mutual insurance company, part of the Europe-wide Eureko group which is present in 15 countries. In 2003, sales amounted to €5.7 billion and net profit €0.3 million. Achmea is a social, innovative and trendsetting company offering total finance and care services. Achmea aims to “de-care”, or to take its customers’ worries away, and has five main working principles: integrity, respect, involvement, professionalism and driven by results. People, planet and profit are its driving values.

Achmea’s finance activities are carried out by: Centraal Beheer for pensions, life and non-life insurance, which is the largest part of Achmea; Averro for insurance via intermediaries and which represents about one quarter of profits; the regionally based Zilveren Kruis, FBTO and Groene Land for health insurance; Achmea Inkomens Verzekeringen for guaranteed income insurance specialized in companies with less than 50 employees. Achmea’s specialties are prevention (Verzuimprevent) and rehabilitation (Verzuimalert).

Although originally an insurance company, Achmea has branched out into many other activities centred around the “care” motif: Achmea health (fitness) centres are implanted throughout the Netherlands, numbering around 40, and open to all; the Pim Mulier company fitness centres are available in-house for larger employers; a Lifestyle training centre concentrates on emotional rather than physical lifestyle training; the Argonaut job advisory centres offer advice to employees on sick-leave for 30 days; several Winnock rehabilitation centres are present in Holland; and finally there are the Achmea Arbo occupational health services.

Achmea branched out from its traditional insurance activities into the health side in order to rationalise.

Arbo

Arbo begins with an occupational risk scan of an employer, whether large or small. This includes physical, medical and psychological risks. Following on from this, periodical health checks are carried out, annually or biennially, depending on the seriousness of the risk. The Netherlands has had a tradition of high absenteeism leading to a high concentration on the topic. These checks must however be carried out in cooperation with rehabilitation centres and psychological therapists.

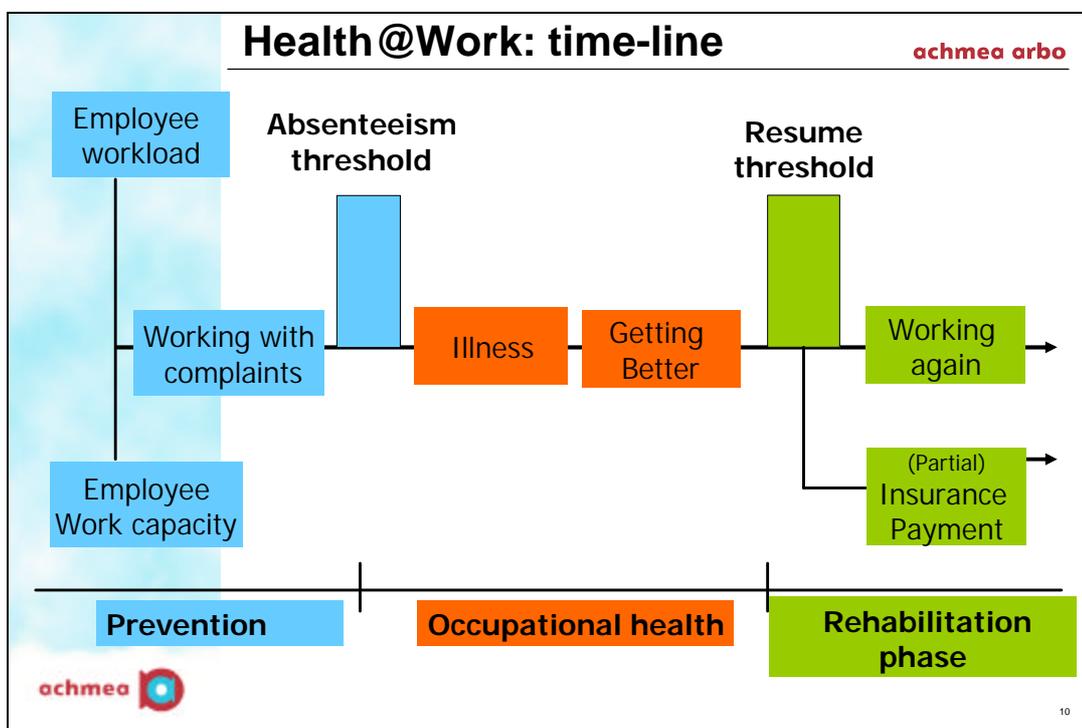
Achmea therefore moved on a step in its business development by buying physical and mental rehabilitation companies. The company decided to move on from the insurance focus and to buy a health company with rationalisation in mind. It is also looking to remodel the structure of insurance policies to cover the interventions of these rehabilitation companies. It seeks to be innovative and to work with the best women and men.

As a next step, the company looked at its supply chain. The concept is well known in other business lines but Achmea wanted to create an integrated one in service and care concepts. A new department was set up – the social security department – to attempt to link the rehabilitation concept and the prevention concept. This proved to be difficult due to the differing cultures in the companies which had been bought. The focus did however move from absenteeism to prevention resulting in a managed care system called Health@Work.

Health@Work

The concept, which is now up and running, is based around the provision that healthy work and a healthy life are essential both for the employer and the employee. It brings together all facets of health at work, i.e. prevention, occupational health, rehabilitation and social security.

Looking at the time-line below, the traditional role played by insurers is in the rehabilitation phase whereas in the Health@Work concept, the insurer can also play a role in the prevention, or health management, phase, averting the absenteeism in the same way as you would an accident through safety management.



Prevention

In this part of the Health@Work plan, the company Achmea Health plays its role through physical health checks – for diabetes and coronary heart diseases, for example. There are also the Achmea health centres where physical fitness programmes are available for a healthier lifestyle, including stop-smoking programmes, both in-house and externally. For the psychological part, the Lifestyle training centres offer training on how to deal with stress, how to manage your workload versus your work capacity and the tensions and changes in your life and how to recognise your qualities and talents.

Occupational Health

The second part of the Health@Work plan covers the traditional arbo services where Achmea Arbo deals with absenteeism, advice on getting employees back to work and improving the work environment. It also offers a Guaranteed Care service. This began from the problem of long waiting lists which exists in Holland. Achmea mediates on the waiting list issue and has a call centre which helps people find the most appropriate and quickest medical treatment with contacts even with other countries. Achmea guarantees care within certain time limits with a faster return to work, bringing down overall costs for the client (the employer) and the insurer (Achmea).

Rehabilitation

The third part of the Health@Work plan includes the rehabilitation services or Argonaut. These are traditional rehabilitation services such as back training and RSI (repetitive stress injury) support programmes but also conflict mediation, career consultancy, quick scans of the absenteeism risks and outplacement consultancy.

Social Security

The final part of the Health@Work concept is based on the social risk rather than the professional risk. In the Netherlands, employees are covered both for private and occupational accidents, which means high costs for the insurer. Achmea provides funding for prevention programmes (Verzuimprevent) such as fitness or anti-smoking or obesity; for occupational health, guaranteed care and rehabilitation (Verzuimalert); for worker's compensation in the first 2 years of absence (since January 2004, previously the first year) (Ziektewetplan) and for worker's compensation in the following years, dependent on the work inability index (WAO totaalpolis).

New developments

Achmea's customers are able to see the proof that this integrated approach is successful. As the Health@Work concept is up and running there are new developments being added on.

The Achmea Arbo Triage System is part of the occupational health services. Absenteeism is analysed per employee much earlier in the process by a paramedic rather than a doctor, leaving the specialist services to come into play in the next stage of the process. In the case of a conflict between employee and employer, this could be a social worker; in the case of a back problem, the patient is referred directly to the orthopaedic surgeon; in the case of a mental health problem, the employee would see a psychiatrist. In some cases, the paramedic begins the selection process on the second day of absence. Diagnosis is carried out by a professional (the social worker, orthopaedic surgeon or psychiatrist, for example) and the scientifically based intervention / treatment (physical, mental or otherwise) is provided quickly. The benefits of this system are lower absenteeism costs, down by about 30%.

The second new development is Integrated Health Management. This must be an integrated part of business policy for the employer and covers all lifestyle aspects – mental and physical - for the employee (obesity, smoking, coping with stress, etc.). Diagnosis is carried out by a professional and is also scientifically based as is the intervention by a provider (physical,

mental or otherwise). Part of this policy is also based on promoting healthy habits leading to the so-called Health Promotion Combination. The benefits are higher employee productivity for an employer.

Most of these managed health services are offered as modules for Achmea's customers but the waiting list mediation service, for example, is available to other insurance companies.

In short, Achmea stands for:

- A new model for rehabilitation and prevention
- Guaranteed care
- Innovative insurance policies
- Protocol based absenteeism management

8. Example of a Workers' Compensation mutual

Assubel, Belgium

ASSUBEL

protecting people at work

FOUNDATION

- 1903 Workers' Compensation
- 1904 Foundation of Assubel by The Brussels Chamber of Commerce

ASSUBEL

protecting people at work

ASSUBEL in the 50s

- Life insurance
- Non-life insurance
- Savings bank
- Non-profit organisations related to social security

*3rd insurance group in Belgium
1st multi-service group in Belgium*

ASSUBEL

protecting people at work

ASSUBEL in the 90s

Take over bid by joint-stock companies
(except Assubel mutual insurance non-profit organisation)

ASSUBEL

protecting people at work

ASSUBEL in 2000

- Assubel completely independent
- Merger non-profit organisations Assubel & La Famille = Partena
- Assubel 3rd place
- Assubel S.A. subsidiary
- Assubel Consult

ASSUBEL = 'Protecting people at work'

ASSUBEL

protecting people at work

Some facts and figures

- Premium income : €96,000,000
- Market share : 10 %
- Financial income : €21,000,000
- Balance sheet value : €625,000,000
- 40,000 members
(Delhaize Group, Volvo Cars and Trucks, UCB, Bekaert, Glaverbel and Glaceries Saint Roch)

8. What are the lessons learned from “privatizations” of Workers’ Compensation insurance?

What would they have done differently if they could turn the clock back?

Do’s and don’ts for those (re-)thinking?

Round Table chaired by Lieve **LOWET**, Deputy Secretary General, AISAM with Rachel Husebø **CHAMBENOIT**, Norway; Timo **PARKKISENNIEMI**, Finland; Renaud **ROSSEEL**, Belgium; Niels S. **VASE**, Denmark

Niels S. **VASE**: As stated, the Danish workers’ compensation system is a private one with two exceptions. Occupational diseases are outside the private system and should remain so. The other exception is the decisions on claims where most of them are taken in a public institution. Here, it would be beneficial – for claimants and for the insurance industry – if this were part of the ordinary insurance system. The insurance companies would be able to provide a better service if they had control over the claims handling. They would then be able to compete not only on rates but on services. Claimants would have the means to react if they were not happy with the service they received.

Lieve **LOWET**: This reaction is of course based on the Danish system which is not necessarily the same in other countries. In some countries the rates are more or less regulated and occupational diseases are not even a subject for discussion. There are a series of items on which this discussion could focus: claims, underwriting, inclusion and service levels amongst others.

Renaud **ROSSEEL**: In the Belgian system, the most problematic part is the level of the claims which are higher than premiums. Fortunately, financial results enable the insurers to maintain positive overall results. To counteract this, there should be greater medical control. Despite the Belgian experience of 100 years, this is still not sufficiently the case. In fact, those insurers who do apply a reasonable level of medical control are those in the occupational diseases branch rather than the accident branch. Although a victim should of course be permitted to choose his own doctor, there should be greater control over the result. The sick leave given is very often much longer than the accident warrants. Insurers should become more involved in controlling this aspect but with 220,000 claims per year, many of them small ones, it is very difficult. Victims’ rights should however be respected at all times.

As far as rates are concerned, they are open for policies above €5 million for blue collar workers and above €1.2 million for white collar. Below these sums, rates must be deposited with the Ministry for Economic Affairs. Despite agreements between workers’ compensation insurers taken through the professional association, there tends to be a difference in the rates deposited for the same type of risk.

In prevention, cooperation between the various stakeholders is very important and is currently being improved in Belgium with a Federal Action Plan for the reduction of workers’ compensation accidents. Collaboration is also very important in relations between the insurers and the public social security bodies involved in workers’ compensation. In Belgium, the ceiling for the level of compensation is soon to be raised from €6 410.73 to €31 578 and it has been recognised that insurers cannot cover this difference and it will therefore be covered by the Fund for Workers’ Compensation.

Timo **PARKKISENNIEMI**: As in Belgium, the list of points would cover faster claims handling, better prevention and services. There are however areas particular to Finland which merit highlighting. Competition between private and public health care is about to be opened and if this had happened earlier it would have been positive for insurers, employers and employees. The Finnish system can be praised for its unlimited level of compensation but the latest calculations show that the cost of one badly injured person is €32 million. A ceiling might therefore be a positive step.

Rachel Husebø **CHAMBENOIT**: Firstly, to take the changes which should be made to the Norwegian system, claims handling is currently divided between the social security and private insurers but not, as in Denmark, separated into occupational diseases on one side and accidents on the other, but rather a mix which creates not only double handling but also conflicts. For example, a claim may be accepted by the social security but refused by the insurer or vice versa. This situation would gain by being clarified. Ideally, occupational diseases should be part of the public system and accidents part of the private system. Occupational diseases are of a very different nature to accidents. Illness is generally part of life insurance whereas workers' compensation is classified as non-life business. Insurers are not therefore very good at handling the occupational diseases part since it is very difficult to find the right premium level given the long tail nature of the risk. It is very difficult to prove that a disease was provoked by a work related risk many years before rather than a private life risk.

Secondly, looking at privatised systems in Europe as a whole, there are a few points where improvements could be made. Victims should not be allowed to take action against their employer where the employer is at fault. This is never specifically stated and although problems may never arise, when they do they are serious. There have been recent examples in France and in Denmark where victims' lawyers have realised that employers' liability and workers' compensation schemes do not compensate to the same level and therefore have taken action following a first compensation.

Claims handling is another area where improvements can be made as shown by the various examples of active claims handling already cited. In Finland, the institutionalised rehabilitation system is worth taking as an example of good practice.

Control over reserves and rates, especially for new schemes moving from the public to the private sector, is also an important factor. In Norway, for example, where the current system was introduced in 1989, premiums were at a fairly high level compared to claims at the beginning leading employers to pressure the insurers to reduce their premium rates. However, following this reduction, benefits were also reduced as the insurers did not have sufficient reserve levels to cover older claims. Following this crisis, premium rates have been increased tenfold since the middle 1990s and are now at a satisfactory level. For new systems, the lack of experience can therefore be very dangerous and attention should be paid to statistics on schemes operating in other EU countries.

9. Conclusion

The seminar participants' discussions led to the conclusion that the ideal private workers' compensation insurance system would:

- be limited to accidents at work as well as the work-home journey (occupational diseases should be part of the public system);
- give the individual insurer complete responsibility for claims' handling (with no coordination in one joint institution and no double handling) and which should be active and include a rehabilitation programme;
- ensure benefits, which should have a ceiling, are comparable to other insurance classes;
- have no interaction with employers' liability insurance and no additional recourse against the employer (except for intentional fault or fault due to lack of prevention);
- include an integrated and coordinated prevention programme with the potential for better medical control;
- involve fixed premium rates in new systems only;
- guarantee respect for the rights of the victim while avoiding the introduction of an American-style litigation culture in Europe.

Appendix: Presentation of the speakers

Rachel Husebø **CHAMBENOIT**, Oslo Forsikring AS, Norway

Rachel Husebø Chambenoit joined Oslo Forsikring AS as Claims Manager last August. Oslo Forsikring AS is a captive insurance company, 100 % owned by the municipality of Oslo, Norway.

Before joining Oslo Forsikring AS, she spent ten years with SCOR in Paris, firstly as a lawyer in the claims and legal department and then as Reinsurance Treaty Underwriter, responsible for the Nordic countries.

Rachel first studied law at Bergen University in Norway before continuing her studies in Paris with a degree in law and then a post-graduate diploma in insurance law with a thesis on "Directors' and Officers' liability and the insurance solutions". She gained an MBA in June 2003 from the Ecole Nationale d'Assurance (ENAss) in Paris with a thesis entitled "Workplace accidents and Occupational Diseases in Europe – which model should be chosen?"

She is married with three children.

Renaud **ROSSEEL**, Assubel, Belgium

Renaud Rosseel is currently Commercial Director for Assubel having joined the company in 1988 as Manager Enterprises.

Before joining Assubel, he worked as an Engineer for Winterthur in fire, theft, technical lines and workmen's compensation.

Renaud first trained as an Industrial Engineer before going on to complete his education with a vocational certificate in Fire Security (protection), a Licence in safety regulations and labour hygiene and a Post Graduate in Sales Management.

He is married with one daughter and lives near Brussels.

Marc **BOLLAND**, Ethias, Belgium

Marc Bolland joined Ethias (formerly SMAP) in 1986 as a manager, then becoming successively Legal Advisor, Head of the Workers' Compensation department and head of institutional affairs. He has been Secretary General since 1 April 1999.

During his early career with Ethias, Marc was also a Parliamentary Secretary and then taught at the Public Authority training institute.

He holds a law degree from Liege University.

Alongside his insurance activities, Marc has been a local councillor since 1995, and Mayor since 2003.

He is married with six children.

Timo **PARKKISENNIEMI**, Tapiola, Finland

Timo Parkkisenniemi is currently Worker's Compensation Unit Director for Tapiola in Finland. He joined the company as a lawyer in the Collection Department in 1987 and was Department Chief of several Insurance departments before joining his current unit.

Before joining Tapiola, Timo practiced law at the Court of Kuusamo from 1985 to 1986 and was a lawyer with a Finnish Law Firm, Lakimiesyhtymä, from 1986 until 1987.

He has a Master in Law from the University of Helsinki.

José Germán **ROMÁN REY**, FREMAP, Spain

José Germán Román Rey is currently director of FREMAP's Algeciras (Cadiz) office but in a few weeks will be moving to a new office in Madrid.

As Office Director, José Germán is responsible for the mutual benefits (outpatient health care, work retraining, absenteeism management, prevention services, social assistance, financial assistance, professional readjustment...) of a professional group (doctors, nurses, engineers, administrative personnel...).

José Germán Román Rey graduated in Law from the University of Madrid in 1995.

Jeanne-Marie CAMBOLY, Groupama, France

Jeanne-Marie Camboly is currently Head of External Relations for Groupama and in charge, in particular, of Parliamentary and professional relations for the group. In this context, she runs the secretariat of the Fédération Française des Sociétés d'Assurances Mutuelles (FFSAM, the French Federation of Mutual Insurance Companies).

From 1983 until 2000, Jeanne-Marie was legal consultant for Groupama's Legal and Fiscal Department, specialising in personal non-life and health insurance.

Before joining Groupama, she was in charge of a general legal department at the Fédération Nationale des Coopératives de Consommateurs (National Federation of Consumer Cooperatives). Prior to this, she taught law at Paris and Sceaux faculties.

Jeanne-Marie holds a Post-Graduate diploma in insurance law as well as in real estate law. She also graduated top of her class from the Paris Law Faculty. She is the author of several legal reference books in insurance and particularly in agricultural social cover.

Jeanne-Marie is married with has two children and lives in the outskirts of Paris.

Niels S. VASE, Forsikringselskabet Thisted Amt, Denmark

Niels S. Vase graduated as lawyer from the University of Århus in 1979. After some years as a practising lawyer, he went into insurance in the mid 80-ies.

Since 1994 he has been the managing director of Forsikringselskabet Thisted Amt, g/s which is a medium sized mutual, mainly writing business in the countryside.

He is a long time board member of Forsikringselskabet Nærsikring A/S which is a company writing only workers' compensation on behalf of its shareholders, which are smaller and medium-sized mutuals all over Denmark.

Isabel MAYA, Mutua Universal, Spain

Isabel Maya Rubio graduated as a Chemical Engineer from the Chemical Institute of Sarrià (Barcelona).

She is currently Director of the R+D Department in the work-related risks Prevention Service of Mutua Universal.

She also works actively as:

An expert on the Advisory Committee on Safety, Hygiene and Health protection at work. Employment and Social Affairs DG, European Commission

A member of the Chemical Working Group of UNICE

A member of the Health and Safety Working Group of UNICE

Isabel Maya is married and has two daughters. She lives in a village near Barcelona.

Ulla WANGESTAD, Gjensidige Nor Forsikring, Norway

Ulla Wangestad is currently Director of the legal department of Gjensidige NOR in Norway. She joined the company in 1993 and occupied different positions before her current one.

Before joining Gjensidige NOR, she worked as an attorney in Lindorff.

Alongside her company activities, Ulla is also a member of different committees within the insurance sector. She is also a board member of the Norwegian Insurance Law Association, and a member of the editorial team for a periodical covering subjects within compensation law.

Ulla graduated from the University of Oslo. She also followed a master's programme in leadership at the Norwegian advanced commercial college, BI Handelshøyskolen.

She is married with 2 children and lives near Oslo.

Alexander KORBEE, Achmea Arbo, Netherlands

Alexander Korbee is currently Health management Consultant for Achmea Arbo. Achmea Arbo is one of the three largest Arbo (Prevention services for illness or accident related absences from work) companies in the Netherlands and is the result of the merger of two Arbo daughter companies of Achmea. He is responsible for business development and health management consultancy for large customers.

Before joining Achmea Arbo in 2002, Alexander was company doctor at Unilever and gained experience in setting up a prevention service. Prior to this he was a doctor in the Dutch army.

Alongside his company activities, Alexander continues to be involved in research related to the effectiveness of prevention management at the Northern Centre for Health Care Research at the University of Groningen.

Alexander is married and has three children.