

| Health and Safety Commission Paper | | HSC/M1/03/7 | |
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HEALTH AND SAFETY COMMISSION

CONSTRUCTION INDUSTRY ADVISORY COMMITTEE (CONIAC)

Employers' Liability Compulsory Insurance (ELCI) position paper

Issue

1. DWP has announced a review of the operation of ELCI
2. To update members on HSC's response.

Background

3. At the last meeting of CONIAC a paper (M3/2002/4) was presented to briefly explain what ELCI is, its purpose and that the Department of Work and Pensions (DWP) has the policy lead for it. The paper also outlined some current issues relating to ELCI.
4. Subsequently, towards the end of last year, in his Pre-Budget Report the Chancellor noted the problems, which many employers have faced in 2002 in securing ELCI. He expressed his belief that the problems reflect an acute market adjustment and said that the Government continues to encourage insurers, brokers and business to work together to mitigate these current difficulties.
5. However, the problems faced this year have also highlighted the concern of many of those involved that there are underlying, and long-term difficulties with the way in which ELCI operates in the UK. For that reason in mid-December the Government announced a review of the operation of ELCI, with a closing date of 17 February.
6. The purpose of the review is to assess the case for reforming ELCI and, if such a case is demonstrated, to identify the objectives and options for such reform.
7. The terms of reference for the review are attached at Annex A. DWP lead on the review and have said they will work closely with all stakeholders. Their plan is to report to Ministers in early March 2003.
8. The review has provided a key opportunity to influence how insurance is used, so that it may motivate employers to improve their health and safety performance

and to rehabilitate their injured workers - which is covered by strategy statement point v of Revitalising Health and Safety.

9. The Commission's response (copy attached as Annex B) indicates that it considered the sustainability of the present arrangements for ELCI and whether it would deliver the improvements in health and safety to which it is committed by the PSA targets. It concluded that:
 - major reform of the compensation, benefits and insurance systems presents a powerful new lever to raise health and safety standards;
 - current arrangements for workers compensation, both ELCI and Industrial Injuries Disablement Benefit, are unable to deliver the step change aimed for.
10. The letter offers both long-term objectives DWP to consider. It also suggests short term ones that might ease matters in the meantime.
11. We shall report back to CONIAC when DWP and ministers have agreed how to proceed.

Action

12. CONIAC members are invited to note the line that the Commission has taken.

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Terms of Reference for DWP's review of ELCI

1. The terms of reference for the review are:
 - Survey the operation of ELCI, taking into account any relevant aspects of the state benefits systems.
 - Assess the scale and nature of the current difficulties being experienced in relation to ELCI, in particular the extent to which these difficulties are likely to be short-term only, repeated in the future or permanent.
 - Make recommendations to Ministers as to the case or otherwise for reforming ELCI.
 - If a case for reform is found, make recommendations as to the objectives, principles and high-level options for such reform.