

**Report to the federal Parliament:  
Financial transfers in the industrial accidents branch of the social security  
system**

**In its report to the federal Parliament the Court examined the various financial transfers from the insurers in the private sector to the work accident fund. Part of it is transferred to the so-called Social Security Global Management to make up for deficits in other branches of the social security system. The Court also highlighted the resulting problems among which issues such as the future negative impact on the Social Security Global Management as well as shortcomings in the management, the control and the accounting processing of these transfers.**

Although work accident insurance is part of the social security system it is managed by private insurers under government supervision. Private insurers build up reserves and pay out a benefit or a pension to the person who sustained an accident at work or his/her surviving dependent. In 2008 insurers collected 1,162 million euros in contributions.

The work accident fund (FAT/FAO) checks whether all employers are insured and whether insurers comply with the technical, legal and medical prescriptions.

The Court found that in spite of the principle that insurers are assumed to bear the cost of work accident benefits various financial transfers happen from the private sector (employers and private insurers) to social security institutions including the work accident fund. These financial transfers are to contribute to the social security financial balance. In 2008 they amounted roughly to 644.2 million euros, among which 257.8 million euros were transferred from insurers to the work accident fund. The concept of transfers to the work accident fund was introduced mainly for budgetary reasons and dates back to the years 1980. With that money the fund compensates among others certain categories of injured persons and surviving dependents. The balance is paid by the work accident fund to the Social Security Global Management. In 2008 this accounted for a positive net transfer of 68.3 million euros.

As a result of these transfers the work accident insurance scheme is managed through two channels: not only private insurers but also the work accident fund pay out benefits or pensions. Moreover revenue (and related expenses) at the work accident fund is transferred in a pay-as-you-go pension scheme without any reserves built up for future expenses. This will oblige the work accident fund to request additional funds from the Global Management when it needs to deal with the rising cost of a greying population.

Moreover the control of the collection of these transfers by the work accident fund and the payment of benefits entail additional costs. Transfers are also partly used for funding the cost of the welfare adjustments for the insurers. As a result, this funding lacks transparency and is difficult to control.

The Court found that the transfers and their impact on the Global Management are not systematically followed up. This is shown by the lack of regular prognoses and adequate information on the cost price of transfers. It stressed the need for regularly estimating the future capital transfers to the work accident fund for work accidents with a permanent disability of up to 19% and the related expenses and for following up their impact on the net transfer to the Global Management.

The work accident fund should optimize its cost price calculation. To that end, it should, according to the Court, later provide for specific objectives and efficiency indicators in its administration contract and draw up a performance budget.

The Court asked to implement additional management measures to collect and check the amounts from private insurers (for instance by introducing a management information system) and specific checks to ensure a better follow-up of the activities of the work accident fund's operational services. It also suggested improving the check on notifications of work accidents and on the applicability of the law on work accidents in the private sector to public employers. The Court also noticed that the work accident fund did not always charge contributions and interests on arrears correctly and developed a very flexible system to award waivers and reductions.

There are contentions between private insurers and the work accident fund as to the calculation of the benefits in cases of concurrent payment of a work accident benefit and a retirement benefit. The Court asked the work accident fund to investigate the risks associated with it and to suggest possible management measures. The work accident fund should also improve its related internal and external reporting on that matter. Once disputes have been solved savings could be made by having private insurers pay out work accident benefits to the beneficiaries as they did before.

The Court recommended a better organization of the data in the accounts books and a complete segregation of the pay-as-you-go pension scheme - the operations of which determine the financial transfers from and to the Global Management - and the funded pension scheme. Measures and possibly a law amendment are needed to ensure that the work accident fund transfers all financial resources available in excess of the authorized working capital to the Global Management. Finally it should invest the financial resources available on a competitive footing.

In her reply the minister for Social Affairs said she agreed to the Court's recommendation to split correctly the pay-as-you-go pension scheme and the funded pension scheme. She would also check how interpretation discrepancies can be prevented in the future between the Social security - Global Management (Committee for financial problems) and the work accident fund, so as to avoid the building up of surpluses in excess of the authorized working capital at the work accident fund.