



 **WorkCoverWA**

## Guide: Changes to workers' compensation premium rating classifications – 2018/19



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## 1. Introduction

In Western Australia, the premium rating methodology for workers' compensation insurance is an industry-based premium rating system. This system uses the *Australian and New Zealand Standard Industrial Classification* (ANZSIC) developed by the Australian Bureau of Statistics (ABS).

The industry classification associated with premium rates is being updated and extended to reflect the current industry classifications used by the Australia Bureau of Statistics. WorkCover WA is implementing the industry premium rating classification based on the ANZSIC 2006 edition (ANZSIC 2006) instead of the ANZSIC 1993 edition (ANZSIC 1993). This will ensure WA has codes consistent with other workers' compensation jurisdictions. The change will take place for policies effective during the 2018/19 financial year onwards.

WorkCover WA has made a small number of modifications to ANZSIC 2006 where industry classes have similar economic activities but a significantly different workers' compensation risk.

The purpose of this document is to provide information regarding the changes to industry premium rate classification codes.

### **In determining premium rates, insurers will:**

- assign an industry classification based on the nature of the business
- request the total amount of remuneration paid to workers
- examine risk factors

## 2. Transitional period

To assist with the transition to ANZSIC 2006, insurers have provided WorkCover WA with policies coded to the existing and new classifications from the reporting years 2012/13 to 2016/17 (i.e. ANZSIC 1993 and ANZSIC 2006). WorkCover WA has established Form WC12 to accommodate reporting of premium and claim information at the individual policy level showing both ANZSIC 1993 and ANZSIC 2006 for each reporting period.

The scheme actuary advised that dual-coded policies data for the reporting years 2012/13 to 2016/17 was sufficient to transition to the ANZSIC 2006 edition. The transition to ANZSIC 2006 will take place for policies effective during the 2018/19 financial year onwards.

## 3. Premium Rating for Workers' Compensation

WorkCover WA has developed a comprehensive *Guideline on the Workers' Compensation Industry Based Premium Rating System* available at: [workcover.wa.gov.au/resources/rates-fees-payments/transition-to-anzsic-2006-for-recommended-premium-rates/](http://workcover.wa.gov.au/resources/rates-fees-payments/transition-to-anzsic-2006-for-recommended-premium-rates/).

A brief overview of WorkCover WA's classification rules is provided below.

### 3.1 Variations to ANZSIC for premium rating

The industry premium rating classifications are adapted from the ANZSIC coding system. WorkCover WA has made a small number of modifications to ANZSIC 2006 where industry classes have similar economic activities but a significantly different workers' compensation risk. These industry classes have been identified and allocated separate industry codes (WA-specific codes).

For example, under ANZSIC 2006, Gold Ore Mining (Class 0804) is a classification used in the ANZSIC coding system but to identify the different risks associated with above and below ground gold mining, two separate ANZSIC codes have been created:

- Gold ore mining – above ground (ANZSIC 08040)
- Gold ore mining – underground (ANZSIC 08041)

For a comprehensive list of all ANZSIC 2006 industry codes (including the WA-specific industry classes, please refer to spreadsheet, *WorkCover WA Industry Codes for Recommended Premium Rates* available at: [workcover.wa.gov.au/resources/rates-fees-payments/transition-to-anzsic-2006-for-recommended-premium-rates/](http://workcover.wa.gov.au/resources/rates-fees-payments/transition-to-anzsic-2006-for-recommended-premium-rates/).

## 3.2 Coding an Employer

The code for an employer in a particular industry is the classification that most accurately describes the nature of the industry in accordance with ANZSIC.

For workers' compensation premium rating purposes, all gross wages for an employer in a particular industry are calculated on the same rate.

Only one rate may apply to each establishment. An establishment is defined as "a unit covering all the operations of a company conducted at or from a single location".

## 3.3 WorkCover WA classification rules

### 1. Separate industries operating from separate locations

- an employer operating several separate industries from separate locations should be allocated the appropriate ANZSIC codes for each separate industry.

### 2. Head Office

- where an employer operates a Head Office comprising mainly of clerical employees, the wages and claims should be allocated to the employer's predominant industry unless they can be directly linked to a more relevant industry.

### 3. More than one industry at the same location

- where an employer operates more than one industry at the same single location, that employer's predominant industry shall determine the rate which is to be applied to all of their operations at that site.

All other employers on the same site are to be rated in accordance with their own predominant industry.

### 3.4 Definition of 'predominant industry'

WorkCover WA has determined that for a given employer, their predominant industry will be the industry with the largest remuneration base.

If at an establishment:

- there are one or more work areas in which two or more industries are being conducted
- the classification of each of the industries is different
- the classification shall be determined by the predominant industry unless WorkCover WA is satisfied that:
  - there is no means of internal access or communication between or among the industries
  - the industries are conducted by the same employer as separate industries.

### 3.5 Coding of contract staff

The premium rating system for workers' compensation codes contract staff services differently into:

- (i) clerical staff
- (ii) all other contract staff services.

The *Government Gazette* on recommended premium rates has a recommended premium rate for the Services - Predominantly Clerical Staff classification however, the Services - n.e.c. (rate as per industry) is published in the gazette without a recommended premium rate.

To code employers mainly engaged in supplying their own employees (that is, other than clerical staff) to other businesses on a fee or contract basis, where assignments are short term and performed under the supervision of staff of the client unit, an assessment of the predominant activity of the establishment to which these employees are assigned, must be made.

For further information, see page 4 of the *Guideline on the Workers' Compensation Industry Based Premium Rating System* available at:

[workcover.wa.gov.au/resources/rates-fees-payments/transition-to-anzsic-2006-for-recommended-premium-rates/](http://workcover.wa.gov.au/resources/rates-fees-payments/transition-to-anzsic-2006-for-recommended-premium-rates/).

## 4. Impact on Stakeholders

In conjunction with WorkCover WA, the scheme actuary performed analysis of dual-coded policy data since 2013/14. The WorkCover WA Board has approved the implementation of ANZSIC 2006 for 2018/19 financial year onwards. The new industry premium rates classification will come into effect for policies commencing 4pm on 30 June 2018.

Stakeholders should be aware that some employers may have an increased or decreased premium rate, depending on their new classification. While steps have been taken to minimise premium differences, some changes are inevitable but expected to be minimal. Employers will be directed to contact their insurer or broker with queries regarding the transition and its impact on premium rates if required.

## 5. Resources

To assist with the transition to ANZSIC 2006, a number of support tools are listed below. It is important that underwriters, brokers and employers are aware of the change prior to issuing policy renewals and underwriting new policies for the 2018/19 financial year onwards.

WorkCover WA has a dedicated web page ([workcover.wa.gov.au/Resources/Rates-fees-payments/Transition-to-anzsic-2006-for-recommended-premium-rates](http://workcover.wa.gov.au/Resources/Rates-fees-payments/Transition-to-anzsic-2006-for-recommended-premium-rates)) with current information relating to the transition:

- Guideline on the Workers' Compensation Industry Based Premium Rating Systems
- WorkCover WA Industry Codes for Recommended Premium Rates
- Employer Fact Sheet: Changes to premium rating classifications effective from 30 June 2018.

The ABS support tools for the transition from ANZSIC 1993 to ANZSIC 2006 are available via the ABS website ([abs.gov.au](http://abs.gov.au)) including:

- correspondences between the old and new classifications
- class change table
- indexes of primary activities.

For further information or assistance with specific coding issues, please call Advice and Assistance on 1300 794 744 or email WorkCover WA: [communications@workcover.wa.gov.au](mailto:communications@workcover.wa.gov.au).

## 6. ANZSIC Classification Structure

The ANZSIC system is a hierarchical classification with four levels:

- Divisions (the broadest level)
- Subdivisions
- Groups
- Classes (the finest level).

At the Divisional level, the main purpose is to provide a limited number of categories which provide a broad overall picture of the economy. The Subdivision, Group and Class levels provide increasingly detailed dissections of these categories for the compilation of more specific and detailed statistics. In WA recommended premium rates are set at the class level.

The numbering system adopted in the ANZSIC is alphanumeric and has a hierarchical structure (see example below), where the leading alpha character denotes the industry division. The ANZSIC subdivision, group and class levels are denoted by numeric codes.

*Level Example from ANZSIC 2006*

Division C Manufacturing

Subdivision 11 Food Product Manufacturing

Group 111 Meat and Meat Product Manufacturing

Class 1111 Meat Processing

Detailed industry activities are included under each class code, for example Class 1111 (Meat Processing) includes:

- Abattoir operation (except poultry)
- Animal meat packing and freezing
- Animal oil or fat, unrefined, manufacturing.

## 7. Understanding ANZSIC 2006

### 7.1 Changes to ANZSIC 2006

ANZSIC 2006 introduced changes to all levels and parts of the classification, wherever relevant. New codes have been allocated to industries in ANZSIC 2006 independently of any previous codes that were applied. Where the same code exists in both ANZSIC 1993 and ANZSIC 2006, it cannot be assumed that the contents of that category are the same in the two editions.

The ANZSIC 2006 division structure includes 19 divisions compared with 17 in ANZSIC 1993 (see Table 1). ANZSIC 2006 includes 86 two digit subdivisions compared with 53 for ANZSIC 1993. Many individual classes in ANZSIC 1993 have been affected by change of some type. In some cases, two or more ANZSIC 1993 classes have been merged to form one class and others have been separated into more detailed classes.

#### Changes to current ANZSIC 1993 classes:

- 10% have merged
- 53% remain the same
- 37% have been sub-divided and apportioned to two or more ANZSIC 2006 classes.

Table 1: Difference between ANZSIC 1993 and ANZSIC 2006 at the divisional level

	ANZSIC 1993		ANZSIC 2006
A	Agriculture, Forestry and Fishing	A	Agriculture, Forestry and Fishing
B	Mining	B	Mining
C	Manufacturing	C	Manufacturing
D	Electricity, Gas and Water Supply	D	Electricity, Gas, Water and Waste Services
E	Construction	E	Construction
F	Wholesale Trade	F	Wholesale Trade
G	Retail Trade	G	Retail Trade
H	Accommodation, Cafes and Restaurants	H	Accommodation and Food Services
I	Transport and Storage	I	Transport, Postal and Warehousing
J	Communication Services	J	<b>Information Media and Telecommunications *</b>
K	Finance and Insurance	K	Financial and Insurance Services
L	Property and Business Services	L	<b>Rental, Hiring and Real Estate Services *</b>
		M	<b>Professional, Scientific &amp; Technical Services *</b>
		N	<b>Administrative and Support Services *</b>
M	Government Administration and Defence	O	Public Administration and Safety
N	Education	P	Education and Training
O	Health and Community Services	Q	Health Care and Social Assistance
P	Cultural and Recreational Services	R	Arts and Recreation Services
Q	Personal and Other Services	S	Other Services

\* New divisions

## 7.2 New Divisions – Description

### Property and Business Services Division (ANZSIC 1993)

The very large and diverse Property and Business Services Division in ANZSIC 1993, together with some other services, has been rearranged into new divisions in ANZSIC 2006:

- Rental, Hiring and Real Estate Services
- Professional, Scientific and Technical Services
- Administrative and Support Services.

Information Media and Telecommunications was created in its own right, comprising telecommunications services from ANZSIC 1993 (Division J Communication Services) and incorporating new classes which did not exist in ANZSIC 1993.

### 7.2.1 Rental, Hiring and Real Estate Services

A new division of Rental, Hiring and Real Estate Services has been introduced in ANZSIC 2006. This division brings together units mainly engaged in renting, hiring and leasing tangible and non-financial intangible assets (except for copyright). This includes:

- Real Estate, Property Operation, Equipment Hire activities from the ANZSIC 1993 Property and Business Services division.
- Personal Goods and Household Goods Hire activities from the ANZSIC 1993 Personal and Other Services division.

### 7.2.2 Professional, Scientific and Technical Services

The introduction of Professional, Scientific and Technical Services division for ANZSIC 2006 brings together activities which require a high degree of labour skills (i.e. tertiary qualifications) including:

- Scientific Research, Technical Services, Computer Consultancy Services, Legal and Accounting Services, Marketing and Business Management Services from the ANZSIC 1993 Property and Business Services division.
- Veterinary Services from the ANZSIC 1993 Health and Community Services division.

### 7.2.3 Administrative and Support Services

The new Administrative and Support Services division comprises of businesses which are mainly engaged in performing routine support activities for the day-to-day operations of other businesses. This includes:

- Clerical, Employment Placement, Labour Supply, Pest Control and Building Cleaning activities from the ANZSIC 1993 Property and Business Services division.
- Travel Agency Services from the ANZSIC 1993 Transportation and Storage division.
- Casting Agency, Event Ticketing, and Sports or Arts Event Promotion (without facilities) services from the ANZSIC 1993 Cultural and Recreational Services division.
- Gardening services from the ANZSIC 1993 Personal and Other Services division.

### 7.2.4 Information Media and Telecommunications

Information media and telecommunications have been identified as a rapidly growing sector in the Australian and New Zealand economies since the last review.

A new Information Media and Telecommunications division has been introduced. This group of units mainly engaged in:

- the creation and storing of information products for dissemination purposes
- transmitting information products using analogue and digital signals
- providing transmission and storage services for information products.

Under ANZSIC 2006, this new division now includes:

- Publishing activities from ANZSIC 1993 Manufacturing division.
- Motion Picture Production and Distribution activities and Sound Recording activities from ANZSIC 1993 Cultural and Recreational Services division.
- Telecommunications activities from ANZSIC 1993 Communications Services division.
- Other activities such as Internet Service Providers, Web Search Portals, Libraries and Data processing.

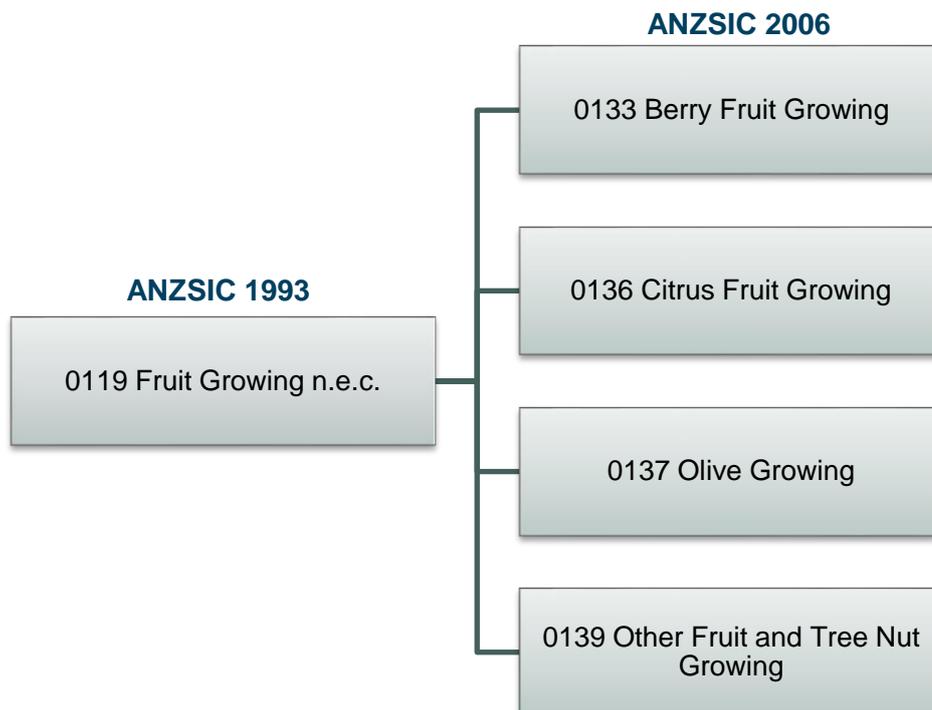
**Please note: Information Technology (IT) services are not included in this division.**

## 7.3 Examples of Changes from ANZSIC 1993 to 2006

### 7.3.1 Separation of Classes

Within ANZSIC 2006, some classes have been further separated to provide more specific classifications. For example, the ANZSIC 1993 class 0119 Fruit Growing n.e.c. has been divided into four separate classes to dissect the type of fruit growing.

*Diagram 1: ANZSIC 2006 - Dissection of Fruit Growing class*



### 7.3.2 Merging of classes

Another major change from ANZSIC 1993 is that some classes have merged under ANZSIC 2006. For example, Class 1351 Clothing Manufacturing combines four separate ANZSIC 1993 classes, as the example below illustrates.

Diagram 2: ANZSIC 2006 - Merging of Clothing Manufacturing class

