

Insurance Premium Rates and Review

The Bill maintains WorkCover WA's role in setting recommended premium rates for workers compensation policies but a new review process will be implemented where employers seek to challenge the premium charged by insurers.

Key Points

Bill ref: cl. 253-255

- The Bill provides for the making of an industry classification order and the fixing of recommended premium rates by WorkCover WA. This is substantively the same as the current Act. An industry classification order classifies all industries for the purposes of recommending a premium rate for each industry class.
- The existing provisions that prohibit an insurer from charging a loading on a recommended premium rate of more than 75%, unless permitted by WorkCover WA, are not replicated in the Bill. However, the provisions for appeal of the premium rate or industry classification of the employer (called review of premium charged) have been retained and clarified.
- A premium review can only be undertaken if the premium charged is at least 75% greater than the relevant recommended premium rate. Provisions for the review process have also been streamlined to ensure parties have made reasonable efforts to resolve the issue.

Questions & Answers

Q. Is a premium amount determined by an insurer payable if it is subject to a premium review?

A. Yes, the premium will be payable in accordance with the terms of the policy of insurance. However, if as a result of a premium review a lesser premium amount is payable than that already paid by the employer, the insurer will be required to repay to the employer the amount of the overpayment.

Q. Why is a premium review only available if the premium determined by the insurer is at least 75% greater than the recommended premium rate?

A. Insurers can currently charge up to 75% greater than the recommended premium rate without WorkCover WA approval, and this loading percentage on the premium will be used instead as a threshold amount for a premium review.

Q. Will all cases be reviewed where the premium charged is at least 75% greater than the recommended premium rate?

A. No. Historically, many premium loadings greater than 75% of the recommended premium rate are found to be appropriate based on the claims experience and/ or risk of the employer, with many employers accepting the insurer's assessment of the premium payable. The premium review process in the Bill provides a mechanism for employers who do not accept an assessed premium greater than 75% of the recommended premium rate is proper in the circumstances so long as reasonable efforts have been made to resolve the issue with the insurer.

