

Premium and Industry Classification Review Guidelines

1. The *Premium and Industry Classification Review Guidelines* (Guidelines) inform and guide employers, insurance brokers (and employer authorised representatives) of WorkCover WA's processes and steps applicable to premium and industry classification reviews.
2. These Guidelines should be read in conjunction with the:
 - a. *Workers Compensation and Injury Management Act 2023* (the Act)
 - b. WorkCover WA's Industry Classification Order
 - c. *Insurer and Self-insurer Principles and Standards of Practice* (Principles and Standards)
 - d. *Brokers Principles and Standards of Practice*.
3. While insurers determine premiums, the workers compensation legislation and the Principles and Standards establish checks and balances in the underwriting process for premium assessments and industry classifications.
4. All employers are legally required to hold workers compensation insurance with a licensed insurer for which they pay an insurance premium.
5. Private insurance companies underwrite workers compensation insurance in Western Australia. WorkCover WA is not an insurer and does not collect insurance premiums nor manage claims.
6. WorkCover WA sets recommended premium rates as a benchmark for insurers to establish insurance premiums for employers across a range of industries. Recommended premium rates for each industry vary from year-to-year and are published annually by WorkCover WA on the WorkCover WA website. The recommended premium rates are calculated on the weighted six-year claim experience of each industry class.
7. Insurers are responsible for assigning each employer to one or more industry class using the WorkCover WA Industry Classification Order, which is based on the Australian Bureau of Statistics 2006 *Australian and New Zealand Standard Industrial Classification* (ANZSIC).
8. Labour hire entities have unique features, being assessed at a total policy level, not each individual ANZSIC level. The insurer will provide the employer with a blended rate (expressed as a percentage of wages) at a total policy level.
9. Employers may use an insurance broker to source workers compensation quotes and insurance. Insurance brokers typically charge an employer a fee for their service, and/or receive a commission from an insurer.
10. Insurance brokers have a key role in finding employers the most competitive rate by negotiating with insurers on a range of quantitative and qualitative factors. Workers compensation can be included with, or be separate to, an insurance package placed with an insurer.
11. In most cases, WorkCover WA has no direct role in setting a premium charged by an insurer, unless a premium review is sought.

12. An employer may apply to WorkCover WA for a review of the following in respect of a premium determined by an insurer for the issue or renewal of a workers compensation policy:
 - a. the industry classification of which the premium for the policy is determined; and/or
 - b. the premium as determined by the insurer for the policy, where the premium is 75% more than the recommended premium rate set by WorkCover WA.
13. Section 236(1)(c) of the Act provides an obligation for licensed insurers to provide a quote of a premium for the issue or renewal of a workers compensation policy.
14. Insurers can use the recommended premium rates as the basis for their quotes; however, insurers can increase (load) or decrease (discount) the recommended premium rate, based on the employer's risk profile.
15. An insurer's premium is typically based on the nature of an employer's business activity, risk profile, the actual and projected frequency, cost and loss ratio of insurance claims, and an employer's demonstrated commitment to safety and risk management.
16. For an insurer to provide a quote, an employer (usually through an insurance broker) is required to provide an estimate of their annual total wages. Additional information including business activities, risk management controls, wage, and claims history, should be provided, or may be requested to ensure the quotation request is complete.
17. Where an insurer is proposing a premium which is 75% more than the recommended premium rate set by WorkCover WA, the insurer must:
 - a. advise the employer/insurance broker of their legislative right to seek a review from WorkCover WA
 - b. direct them to the WorkCover WA website for further information.
18. Where a premium review is requested, the insurer must provide details of the premium determined for the policy period, including:
 - a. premium rate determined (expressed as a percentage of wages) - if estimated wages are not yet provided for forthcoming policy period, the insurer will use the expiring year's wages
 - b. industry classification and the corresponding recommended premium rate
 - c. requested loading percentage (labour hire entities at a total policy level, expressed as a percentage of total wages)
 - d. total premium amount (excluding all costs outside of the base premium, such as commissions, brokerage, GST, overseas common law, industrial common law, principal's indemnity etc.)

- e. claim and policy data extract, including information on claims where there is a potential for third party recovery costs, and the quantum of the expected recovery.
19. Where an employer requests an industry classification review, the insurer must supply information to support the requested industry classification (i.e., description of the employer's profile and business activities, predominant business activity by location, breakdown of wages and any advice or information from the Australian Bureau of Statistics).
 20. When an employer requests an industry classification review in conjunction with a premium review, the insurer must provide a proposed premium for both the current and the proposed industry classification. In such instances, WorkCover WA will make concurrent decisions on both the industry classification and the proposed premium. A change in industry classification does not necessarily result in a lesser premium.
 21. Despite an application for review being in progress, the employer must maintain insurance cover by selecting an insurer and, where required by the insurer, paying the premium requested. The payment terms and conditions are a commercial arrangement between the employer and their selected insurer. The insurer must then issue or renew the policy.
 22. In assessing a premium review, WorkCover WA uses a statistical actuarial model to evaluate the reasonableness of the proposed premium. The model provides WorkCover WA with a quantitative guide on the maximum appropriate premium relative to the industry recommended premium rate. The actuarial model considers an employer's past claims performance, including estimates of outstanding claim liabilities. WorkCover WA does not conduct an independent underwriting assessment on the employer.
 23. For labour hire entities, WorkCover WA's actuarial model combines (or blends) wages and claim costs across all industry classifications for the one labour hire entity, including inactive classifications, using up to six years of data.
 24. The primary assessment of the review is the outcome produced by the actuarial model, based on claims history, and claim liabilities (current and estimates). Although an employer may consider certain claims as 'one-offs,' these claims are still relevant and therefore considered by the WorkCover WA actuarial model. Other factors such as an employer's financial viability, risk management processes and/or insurer service standards, are secondary considerations and do not carry the same weight.
 25. WorkCover WA will only consider information which was known to all parties as at policy expiry. This does not preclude the clarification of claims and policy data.

How to seek a premium and/or industry classification review

26. The employer can submit directly or with the assistance of an insurance broker, to seek, or consider, a proposed premium from a licenced insurer (insurer), licenced by WorkCover WA to underwrite workers compensation insurance in the Western Australian scheme.
- An insurer, must:
- for new policies, provide a written quote of the premium determined for the industry classification, inclusive of full terms (for the identified policy period), within 14 days of receiving the request; or
 - for policy renewals, provide a written quote of the premium determined for the industry classification, inclusive of full terms (for the identified policy period), at least one month prior to policy expiry.

Where an insurer or employer, is seeking to change the industry classification of a current policy, parties must be advised of this intent at least one month prior to policy expiry.

27. An employer (or their insurance broker) must engage with the insurer, attempting to resolve any concerns in relation to the premium or industry classification determined (for the identified policy period).
28. Employers must always maintain workers compensation coverage. Failure by an employer to maintain coverage is an offence under the Act and subject to penalty.

Prior to the policy expiry date of a workers compensation policy, an employer must select an insurer for continued coverage (for the identified policy period) and make payment according to the insurer's payment terms and conditions. The insurer will commence (new policies) or maintain (renewals) policy coverage for the employer.

29. Where concerns relating to the premium and/or industry classification determined (for the identified policy period) remain unresolved, if it is within one month of the date the quote was received from the insurer, the employer can seek a review.

To seek a review of the premium and/or industry classification from WorkCover WA, the employer should:

- review the *Premium and Industry Classification Review Guidelines*
- complete the *Premium and Industry Classification Review Request Form*
- concurrently email the following documents to both WorkCover WA (records@workcover.wa.gov.au) and the insurer.
 - *Premium and Industry Classification Review Request Form*
 - Copy of the written quote, inclusive of full terms, as provided by the insurer.

In extenuating circumstances, WorkCover WA may allow a longer period for submission.

30. WorkCover WA will confirm parties have attempted to resolve their concerns on the premium determined and/or industry classification, and the application for review meets the timeframes outlined in clause 29.

WorkCover WA will provide the parties with a copy of the claims data, including outstanding claim estimates (up to six years of current and former insurers). Parties are then responsible for confirming the accuracy of the information, including outstanding claim estimates. In situations where claims data and/or estimates cannot be agreed upon, WorkCover WA will decide based on the information provided.

Where there is the potential for third party recovery of costs, insurers are required to provide that information to the employer/broker/authorised representative and to quantify the expected recovery. Where there is disagreement between an insurer and an employer/broker/authorised representative on the prospect of claim recovery, WorkCover WA will decide based on the information provided.

On confirmation of the data, WorkCover WA will undertake an assessment using WorkCover WA's actuarial model.

WorkCover WA may request parties to provide further information at any stage of the review process.

All information is assessed, with WorkCover WA's final decision made by the WorkCover WA Board.

31. The WorkCover WA Board will consider all information and make one of the following findings for the identified policy period:
 - a. Dismiss the employer's application for review.
 - b. Uphold the employer's application for review and set the:
 - proper industry classification for the calculation of premium; or
 - proper premium for the employer (referred to as the assessed rate); or
 - proper industry classification and assessed rate for the employer.

WorkCover WA will advise parties in writing of the outcome of the review. The outcome of the review is final, with there being no opportunity for resubmission or further review.

The insurer must give effect to WorkCover WA's decision/s as an outcome to the review process.

In meeting the insurer's payment terms and conditions, if a premium has been paid by the employer and the WorkCover WA decision is that a lesser sum is payable, the insurer must repay the employer the amount of overpayment.