

Australian Capital Territory

# Workers Compensation (Premium Rate Methodology) Protocol 2012 (No 1)\*

Notifiable instrument NI2012–59

made under the

*Workers Compensation Regulation 2002*, regulation 100 (Approved protocols about certain documents and information)

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## 1 Name of instrument

This instrument is the Workers Compensation (*Premium Rate Methodology*) Protocol 2012 (No 1).

## 2 Commencement

This instrument commences on the day after it is notified.

## 3 Approved protocols for insurers

In accordance with regulation 100 of the *Workers Compensation Regulation 2002*, I approve the Premium Rate Methodology Protocol.

Dr Chris Bourke, MLA  
Minister for Industrial Relations  
30 January 2012

\*Name amended under Legislation Act, s 60



## PROTOCOL FOR APPROVED INSURERS

<b>Protocol Number</b>	2012-1
<b>Protocol Name</b>	Premium Rate Methodology

### Purpose

To specify the information Approved Insurers licensed under s145 of the *Workers Compensation Act 1951*,<sup>1</sup> are required to disclose regarding the calculation and methodology of premium rates for workers' compensation policies issued in the ACT private sector scheme.<sup>2</sup>

### Context – law and policy

An Insurer licensed under s145 of the Act is required to comply with any protocol approved by the Minister that relates to Insurers.<sup>3</sup> This protocol is approved by the Minister in accordance with reg 100 and forms part of the conditions of approval to which Approved Insurers are subject.

### Calculation of premiums

The *Workers Compensation Regulation 2002*<sup>4</sup> provide that, on request, Approved Insurers are required to provide information on how they have calculated premiums for their workers' compensation policies.<sup>5</sup>

This information is used to determine whether an Approved Insurer's premium model complies with the statutory requirements under reg 75,<sup>6</sup> which are as follows:

- An insurer must provide for sufficient (but not excessive) income from premiums to fully fund liabilities arising from policies of insurance to which the premiums relate. Insurers need to act in accordance with actuarial advice about the liability arising from the policies of insurance to which the premiums relate when considering this point; and
- An insurer must ensure that premiums are structured to minimise, as far as reasonably practicable, the cross subsidisation of premium rating groups.

In accordance with reg 75,<sup>7</sup> there is considered to be sufficient income from policies to which the premium relates if the premium:

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<sup>1</sup> The Act

<sup>2</sup> The Scheme

<sup>3</sup> Regulation 78, *Workers Compensation Regulation 2002*

<sup>4</sup> The WC Regulation

<sup>5</sup> Regulation 74, WC Regulation

<sup>6</sup> Regulation 75, *Workers Compensation Regulation 2002*

<sup>7</sup> Regulation 75, *Workers Compensation Regulation 2002*

- fully funds claims liabilities arising from the insurance policies to which the premiums relate;
- pays all acquisition, policy administration and claims settlement expenses of the Insurer;
- provides a profit margin after the payment of claims, costs and expenses that represents an adequate return on capital invested and compensation for the risk taken;
- provides for anything else that a prudent Insurer should, in the circumstances, provide for; and
- provides for contributions or other charges payable by the Insurer under the Act.

## **Requirements**

All Approved Insurers must provide information and evidence as to the model used within their organisation for the determination of workers' compensation policy premium rates. To ease the administration burden for Insurers and to provide consistency in the reporting of data across jurisdictions, this information must be provided in accordance with the template attached to the Protocol – which has been adopted based on the Tasmanian Workers' Compensation Scheme, allowing for some ACT specific requirements.

The following data (reflected in the attached template) is the minimum information that is required to assess the Approved Insurers calculation of premium rates:

1. Claim frequency;
2. Average claim size;
3. Average risk premium (% of wages);
4. Claims handling expenses (% risk premium);
5. Net cost of reinsurance (% average premium excluding GST);
6. Commission and brokerage (% average premium excluding GST);
7. Acquisition & policy handling expenses (% average premium excluding GST);
8. Other assumptions (specify nature and value of assumption);
9. Profit margin (% average premium excluding GST);
10. Average premium excluding GST on premiums (% of wages);
11. Average premium including GST on premiums (% of wages);
12. Period premiums are to apply;
13. Default Insurance Fund levy (% of average premium excluding GST); and
14. Regulation cost (% of average premium excluding GST).<sup>8</sup>

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<sup>8</sup> The loading included in the premium for the Magistrates Court Levy, Licence Fees and Compliance Audit Fees for the policy year expressed as a % of premiums.

## **Timing of disclosure**

Approved Insurers are required to submit this information by **close of business the 4<sup>th</sup> Monday in May** each year using the template attached. This information is required for each policy year, commencing for the 2012/2013 policy year.<sup>9</sup>

The information must be provided electronically using the attached template via the following address [oir@act.gov.au](mailto:oir@act.gov.au)

## **Related documents**

Provision of premium information (template) – available at the following webpage:

[http://www.worksafety.act.gov.au/workers\\_compensation](http://www.worksafety.act.gov.au/workers_compensation)

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<sup>9</sup> The first reporting under this protocol is therefore required on 28 May 2012 in relation to premiums for the 2012/2013 policy year.