

Australian Capital Territory

Workers Compensation (Licensed Insurer Premium Rate Methodology) Protocol 2022

Notifiable instrument NI2022–594

made under the

Workers Compensation Regulation 2002, section 101 ((Approved protocols for licensed insurers and licensed self-insurers))

1 Name of instrument

This instrument is the *Workers Compensation (Licensed Insurer Premium Rate Methodology) Protocol 2022*.

2 Commencement

This instrument commences 14 days after notification.

3 Approval

I approve the attached *Licensed Insurer Premium Rate Methodology Protocol 2022*.

4 Revocation

This instrument revokes the *Workers Compensation (Premium Rate Methodology) Protocol 2012 (No 1)* [NI2012–59].

Mick Gentleman
Minister for Industrial Relations and Workplace Safety
22 November 2022



ACT
Government

Licensed Insurer Premium Rate Methodology

Protocol

November 2022

1. Purpose

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

2. Context – law and policy

An insurer licensed under section 145 of the Act is required to comply with any protocol approved by the Minister that relates to insurers. This protocol is approved by the Minister in accordance with section 101 of the *Workers Compensation Regulation 2002* (the Regulation) and forms part of the standards and conditions of approval to which insurers are subject.

2.1 Calculation of premiums

The Regulation provides that, on request, insurers are required to provide information on how they have calculated premiums for their workers' compensation policies.

This information is used to determine whether an insurer's premium model complies with the statutory requirements under section 75 of the Regulation, 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 should act in accordance with actuarial advice about the liability arising from the policies of insurance to which the premiums relate;
- an insurer must ensure that premiums are structured to minimise, as far as reasonably practicable, the cross subsidisation of premium rating groups; and
- in accordance with section 75 of the Regulation, there is considered to be sufficient income from policies to which the premium relates if the premium:
 - 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.

2.2 Requirements

All 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. The template will be sent to insurers annually and can also be issued separately upon request.

The following data is the minimum information that is required to assess insurers' calculation of premium rates:

- a) claim frequency;
- b) average claim size;
- c) average risk premium (% of wages);
- d) claims handling expenses (% risk premium);
- e) net cost of reinsurance (% average premium excluding GST);
- f) commission and brokerage (% average premium excluding GST);
- g) acquisition & policy handling expenses (% average premium excluding GST);
- h) other assumptions (specify nature and value of assumption);
- i) profit margin (% average premium excluding GST);
- j) average premium excluding GST on premiums (% of wages);
- k) average premium including GST on premiums (% of wages);
- l) period premiums are to apply;
- m) Default Insurance Fund levy (% of average premium excluding GST); and
- n) regulation cost (% of average premium excluding GST).¹

2.3 Timing

Insurers are required to submit this information electronically by close of business the **4th Monday in May** each year using the template provided. This information is required for each policy year.

¹ The loading included in the premium for the Magistrates Court Levy, Regulatory Levy and Compliance Audit Fees for the policy year expressed as a % of premiums.