

# Fact Sheet: Insurance and Premiums

## Who has to pay workers compensation insurance?<sup>1</sup>

CMOs must be covered for workers' compensation insurance if they pay more than \$7,500 in wages, employ an apprentice or trainee, or are part of a group for premium purposes.

## How are premiums calculated?

Workers Compensation Insurance Premiums are legislated via the [NSW Insurance Premiums Order](#). Insurers calculate the premium via a formula determined by WorkCover.

The amount of workers' compensation premium is based on factors<sup>2</sup> such as:

- the industry in which the employer operates (the industry premium rate takes into account the costs of compensation claims that have occurred in the industry)
- the amount of wages the employer pays to its workers
- the costs of any claims made by their workers

The workers compensation insurance premium should cost the same for a particular CMO no matter which insurer is used.

There is a [Premium Estimator](#)<sup>3</sup> on the NSW WorkCover website.

## When is the premium calculated?

The insurance premium is calculated twice during each policy period.

At the beginning of the policy period, an **initial premium** (or "premium estimate") is calculated, based on an **estimate** of wages that the CMO is likely to pay during the policy coverage period.

At the end of the policy period, a **final premium** (or "hindsight premium") is calculated, based on the **actual** amount of wages paid by the CMO during the policy coverage period.

## Why are adjustments made to the premium?

Adjustments are made to the premium according to the difference between the [premium estimate](#) and the [hindsight premium](#). The insurer:

- repays or credits the CMO when there has been an overpayment of the premium
- invoices the CMO when there has been an underpayment of the premium.

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<sup>1</sup> **Small Business** NSWa

<sup>2</sup> WorkCover NSW (2010) *Premiums*.

<http://www.workcover.nsw.gov.au/insurancepremiums/premiums/Pages/default.aspx>

<sup>3</sup> WorkCover NSW (2011) *Workers Compensation Premium Estimator*.

<http://www.workcover.nsw.gov.au/insurancepremiums/premiums/premiuvestimator/Pages/premiuvestimator.aspx>

## What is the role of WorkCover?

[WorkCover](#) regulates and manages the workers compensation system. WorkCover's primary objective is to work in partnership with the community to achieve safe workplaces, effective return to work and security for injured workers.

## What is expected of insurers?

It is expected that insurers will:

1. calculate accurate premiums
2. make timely decisions about claims
3. keep relevant parties informed of decisions
4. facilitate cooperative approaches so that the injured employee, employer, treatment provider and insurer work together to ensure injured employees:
  - receive timely treatment and assistance for return to work
  - return to appropriate work, where possible.
5. make timely payments of benefits and medical expenses<sup>4</sup>.

### a) What does WorkCover say about insurer responsibilities?

According to WorkCover, insurers (scheme agents) are appointed to<sup>5</sup>:

- issue workers compensation insurance policies
- determine and collect insurance premiums
- manage workers compensation claims
- provide support for injured workers, including rehabilitation
- pay workers compensation benefits to injured workers
- manage any third party service providers (eg medical or rehabilitation services).

### b) What outcomes are expected of insurers?

The contract between the NSW government and scheme agents states that scheme agent *“performance will be monitored through a combination of self-reporting and WorkCover monitoring to ensure compliance with contractual and service delivery requirements. Key outcomes that will be monitored include:*

- *service delivery to workers and employers*
- *return to work outcomes*
- *financial performance”<sup>6</sup>.*

### c) What does WorkCover actually measure to determine insurer performance?

The deed of agreement between WorkCover and the Insurer<sup>7</sup> specifies “Key Performance Indicators” or “KPIs” (performance measures) for the insurer. However, these are set out in Schedule 5 of the agreement, which is not available to the public.

### d) What can CMOs do if they have concerns about the performance of their insurer?

WorkCover NSW states that if CMOs are not satisfied with their insurer, the process is:

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<sup>4</sup> Adapted from WorkCover NSW (2009) [Your recovery and return to work after a workplace injury](#). Publication # WC01415

<sup>5</sup> WorkCover NSW (2011). [Scheme agents](#).

<sup>6</sup> NSW Department of Commerce (2006) [Completed Department of Commerce Contract Disclosure Form](#) Contract Ref # 0401681

<sup>7</sup> WorkCover (2009). *Scheme agent deed 2010 to 2014*.

<http://www.workcover.nsw.gov.au/formspublications/publications/Pages/schemeAgentDeed20102014.aspx>

1. Attempt to resolve the problem directly with the insurer, using the insurer's complaints process
2. If the CMO is unable to achieve a satisfactory resolution, contact WorkCover, through which another attempt at resolution will be made.