

CLIENT ALERT

IMPACT OF CHANGES TO NSW WORKERS COMPENSATION SCHEME

Since 30 June 2013, WorkCover NSW has reported average premium rate reductions of 15% across the scheme.

On 3 June 2014, WorkCover NSW announced an additional suite of changes aimed at further improving the scheme and reducing red tape for NSW employers. These changes come into effect for all new or renewed policies from 30 June 2014, via the release of the Insurance Premiums Order (IPO) for 2014/15.

While successive announcements by Work Cover NSW suggest across-the-board premium reductions to the workers compensation scheme in NSW, there are important changes contained in the IPO that might result in the reverse effect.

Clients are urged to carefully consider the announced changes alongside other factors in assessing how they might be affected.

Outlined below are the key changes:

1. Maximum premiums

WorkCover NSW has introduced maximum premium caps for all employers. Previously premium caps only applied for small to medium employers with premiums not limited for large employers.

WAGES	MAXIMUM PREMIUM CAP
<\$50,000	1.50 x T
<\$100,000	1.75 x T
<\$200,000	1.85 x T
<\$300,000	2.00 x T
<\$500,000	2.50 x T
>\$500,001	3.00 x T

(T) = Base Tariff Premium

2. Extended instalment option

WorkCover has introduced a new 3 month instalment option for adjustment premiums greater than \$1,000, to assist with employers' cash flow. It is important to note that this option is only available on adjustment premiums for policies renewing on or after 30 June 2014 and not the adjustments that many employers will receive as a result of the adjustment to their 2013/14 policy.

3. Grouping threshold

The grouping wage threshold has increased from \$500,000 to \$750,000 to align with the Office of State Revenue's payroll tax threshold.

4. Actual wages declarations

The timeframe to report actual wages has been extended from two to four months after the policy expiry date. For policies renewing at 30 June this year, the actual wages declaration for the prior year must now be provided to the insurer by 31 October (back from 31 August).

IMPORTANT CONSIDERATIONS: WHAT WAS NOT ANNOUNCED

Of particular importance to medium and large employers is the IPO announcement of new industry rates for the upcoming policy period, which, together with other factors, might have a material impact on the ultimate premiums.

One such factor is the Industry Claims Cost Ratio (ICCR). While ICCRs are specific to each industry, they appear on average to have decreased by 25%. The practical effect of a decreasing ICCR is a corresponding inversion that in fact *increases* premiums.

Consequently, our modelling suggests that unless an employer has improved their claims performance by approximately 25%, they may see comparative increases in premium for both the 2013/14 adjustment premiums and 2014/15 renewal premiums.

We recommend that all medium to large employers contact their Marsh broker to determine the likely actual impact of these changes on their premiums.

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