

CLIENT ALERT

UNFORESEEN PREMIUM INCREASES FOLLOWING CHANGES TO NSW WORKERS COMPENSATION SCHEME

In May, Marsh issued a Client Alert outlining the NSW Government's key areas of premium reform to the state's workers compensation scheme. Central to the NSW Government's message was that the changes would streamline the process for employers and pass on to them some of the benefits of the scheme's recent performance improvement.

This was interpreted by many as a signal of premium reductions for the majority of employers.

As expected, the release of the Insurance Premiums Order in early June included radical changes between the old and new approach to establishing premiums for medium to large employers.

Consequently, it was widely anticipated that a number of employers, primarily the poorest performing 16% of employers in the state, would face significant premium increases. Whilst premiums have yet to be calculated for the 2015/16 policy period, it now appears that far more than the expected 16% of employers will receive marked premium increases. Alarming, these changes have affected even some of those employers whose claims experience had been improving year on year in the period prior to these reforms.

As NSW Scheme Agents are only now starting to release premium simulations, many employers are learning of these impacts without notice and with little ability to manage the proposed increases within their business lifecycle and financial frameworks.

Marsh believes a significant factor to the current confusion is that the new calculation model released in the latest IPO has not been uniformly applied by Scheme Agents and, in some cases, calculations have been incorrectly applied, leading to grossly erroneous simulations being shared with employers. As a precautionary measure, all medium to large employers (defined as those with base tariff premiums > \$30,000) who are clients of Marsh are urged to

immediately contact their broker or the Workforce Strategies team and allow us to help you navigate these changes, confirm your 'true' premium and, where impacted, explore options on your behalf.

In order to seek greater clarity for clients, Marsh is working with all Scheme Agents in confirming forecast premiums.

Clients can be assured that Marsh has also made representations to WorkCover NSW in relation to these most recent changes and is ready to provide advice and clarity to your situation.

CONTACT:

Rob Peseta

Principal – Workforce Strategies

02 8864 8739

robert.peseta@marsh.com

Disclaimer: Statements concerning legal matters should be understood to be general observations based solely on our experience as insurance brokers and risk consultants and should not be relied upon as legal advice, which we are not authorized to provide. All such matters should be reviewed with your own qualified legal advisors. This document contains proprietary, confidential information of Marsh and may not be shared with any third party without Marsh's prior written consent.

The information contained in this publication is based on sources we believe reliable, but we do not guarantee its accuracy. This information provides only a general overview of the subjects covered.
CATS 15/0028. MAD_A_15-1488

© Copyright 2015 Marsh Pty Ltd. All rights reserved.