

WORKERS COMPENSATION, PREMIUMS

**Hon HELEN HODGSON to the Attorney General representing the Minister for Labour Relations:**

- (1) Is the Minister for Labour Relations aware that insurance companies are offering workers compensation customers premiums that are more than 100 per cent more than the gazetted maximum premiums?
- (2) Is the minister aware that some insurance companies are applying these large loadings to workers compensation premiums despite the insured having made no claims against their policy?
- (3) Is the minister aware that certain insurance companies will not write new policies unless other insurance policies are transferred to that company?
- (4) Is the minister aware that if insurance companies offer premiums at more than the 100 per cent of gazetted maximum, the customer has no right to complain to WorkCover until the premium has been accepted?
- (5) What steps, if any, has the department been taking to monitor the loading practices of insurance companies under the workers compensation system?
- (6) Is this how the minister intended the legislation to apply when allowing insurance companies to apply loadings to workers compensation insurance premium rates?

**Hon PETER FOSS replied:**

I thank the member for some notice of this question.

- (1) Yes.
- (2) No, as all loadings of more than 100 per cent of a recommended premium rate are reviewed and approved by the Workers Compensation and Rehabilitation Commission. All applications to date have claims experience.
- (3) No formal advice of this practice has been received.
- (4) Employers have the right of appeal under section 154(1)(b) of the Workers' Compensation and Rehabilitation Act 1981 if they are dissatisfied with the amount of premium that an insurer assesses as required to insure him under this Act at the time of issue or renewal of the policy. Under section 152 of the Act, "unless permitted by the commission to do so, an insurer shall not charge a loading on a recommended premium rate of more than 100 per cent of that rate". Approved insurers seek approval to charge more than 100 per cent of the rate following acceptance of the premium.
- (5) Approved insurers are required to seek the formal approval of the commission prior to charging a loading on a recommended premium rate of more than 100 per cent of that rate.
- (6) Prior to the October 1999 legislative amendments, the premium rating system allowed approved insurers to surcharge up to 100 per cent of the recommended premium rate without approval. With the system moving to a risk-rating model, both the premium rates committee and the commission supported the increase of the loading to 100 per cent and to more than 100 per cent subject to commission approval to balance the removal of the insurer of last resort. This means the insurance industry is required to rate and write all risks. It also ensures good performing employers do not cross-subsidise poor performing employers.

For members' information, 15 applications have been received requiring approval to surcharge beyond 100 per cent. Of the 15 applications, 10 were approved based on their claims performance, four are currently being examined and one did not proceed.