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# Xth Accident Compensation Seminar

2004



## Premium System Reforms in Victoria

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# Today's presentation

- Victoria's premium system
- Why change?
- Fairer Simpler Insurance project
- What we delivered
- Impacts of change
- Next steps...



# WorkSafe Insurance System

- Compulsory for employers, fully funded
- Collects \$1.7 billion in premium annually
- Manages \$6.5 billion in liabilities
- Covers 190,000 businesses
- 75% employers are small (<\$200K rem)
- Average premium rate 1.98%



# WorkSafe Premium System

## Main principles:

### Collect enough premium to cover:

- compensation & services to injured workers
- cost of OH&S activities
- administration of the Scheme

### Establish strong financial incentives:

- prevent injuries by better workplace OH&S
- safe, sustainable return to work after injury



## **Brief history of the Vic scheme...**

- 1985 Community-rating
- 1988 Bonus and penalty
- 1993 Experience-rated premium system
- 2001 “Frozen” rates for small employers
- 2002 Reforms to premium system start
- 2004 New premium system



# Why change the insurance system?

Employers told us the previous system:

- Was too hard to understand
- Offered little financial incentive to improve
- Involved too much red tape
- Offered limited choice
- Was unfair for good performers



# **Fairer, Simpler Insurance project**

## **To make premium fairer**

- premium based on your own experience
- good performance is rewarded

## **To make premium simpler**

- notices easier to understand
- understand how premium is calculated



## **What we delivered this policy year**

- Stronger link of experience to premium
- Fewer employers disadvantaged by “frozen” rates
- Fairer way to estimate claims costs
- Simpler paperwork
- 10% cut in the average premium rate
- Transition to new system



# Linking performance to premium

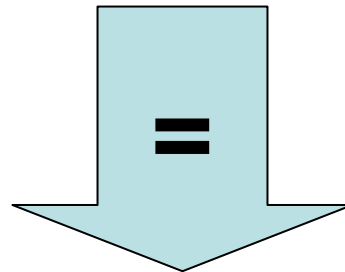
**Your own  
performance**

Increased weighting  
Case Estimates

**X**

~~Prior Rate~~  
**Industry rate**

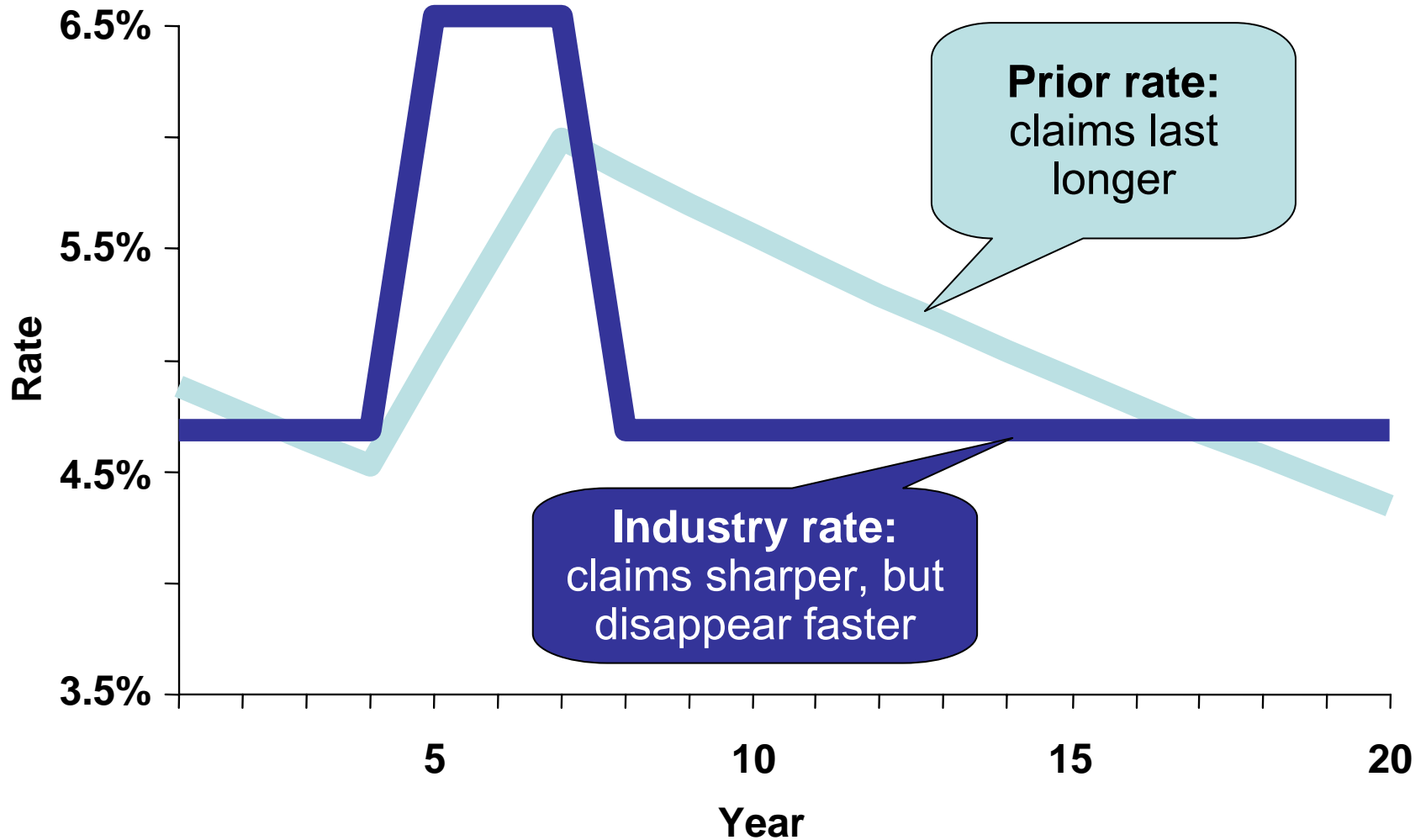
Lower  
weighting



**Calculated  
premium rate**

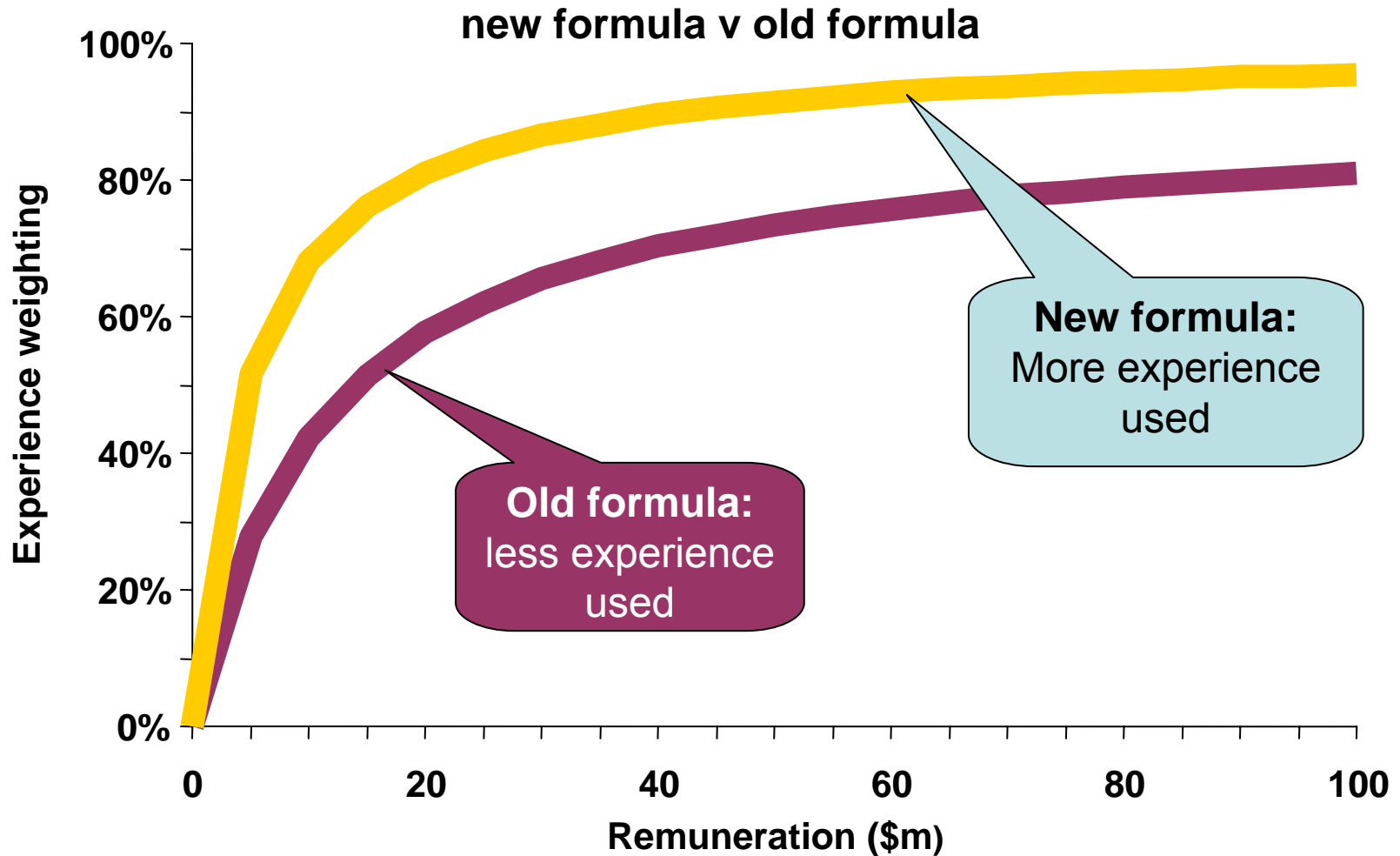


## Industry rate v Prior rate





# Experience will count more...





# Stronger link between safety & premium





## Outcomes of the new system

- 148,000 employers with rate decreases (compared to 32,500 last year)
- 3,200 employers with rate increases (20,600 last year)
  - significant deterioration in claims costs
- Premium rate increases capped at 30%
- Transition to 25% of new rate
- Of 518 industries only 21 went up



# Communicating the changes

- Mail outs to all employers
- Booklet to outline changes
- Series of info sessions around State attended by nearly 10,000 employers
- Advertising campaign – print & TV
- Involving our agents



## Where to next?

- Review workplace classification system
  - Priority is on-hire & agency/wholesaler
- Pilot group incentive scheme for SMEs
- Voluntary excess for large employers
- Further reduce employers “frozen”?
- Work with industries to improve OH&S



## Key points

- Stronger link between recent claims performance and premium
- Industry rates updated to reflect risks
- Transiting to new system over 4 years
- Manage OH&S well to lower premium, over time
- Info at [www.worksafe.vic.gov.au](http://www.worksafe.vic.gov.au)