

Workers Compensation Premiums

The WorkCover Industry Classification (WIC) System was introduced in 2001 and was based on ANZSIC 1993 industrial classification system. It created over 500 classes spread across 17 Industry Divisions and created a better alignment between industry activities and the true risk rate of related industries for premium calculation purposes.

Premiums are calculated based on:

- Wages
- Industry Rate – WIC (actuarially calculated and approved in the Premium Filing annually)
- Employer Claims
- Industry Claims
- Levies (DDL & MSL)
- Safety and RTW incentives

There are two employer categories in the workers compensation system for icare:

Small Employers have an APP ≤ \$30K

Premium = Average Performance Premium + levies - incentives

Average Performance Premium (APP) = Wages x WIC (industry) rate

$$\$5,000 = \$100,000 \times 5\%$$

Medium-Large Employers have an APP >\$30K

1. Average Performance Premium (APP)
2. Experience premium adjustment – Using APP and claims history for previous three years
3. + Levies - Incentives

Premium can be positively influence through injury prevention, early intervention and recovery at work strategies.

The incentives include the ESI (Employer Safety Incentive), RTWI (Return to work incentive) and the Apprentice Incentive Scheme (A).

Levies include:

Dust Diseases Contribution (DDL)

DDL is charged with all WIC rates, collected by icare on behalf of the Dust Diseases Board.

Mine Safety Premium Adjustment (MSL)

Levy charged for WICS within the Mining Division.

Manufacturing and WIC Classifications

For the purposes of the WIC classification system, manufacturing relates to the physical or chemical transformation of materials or components into new products, whether the work is performed by power-driven machines or by hand.

In general, the manufacture of parts or components is a primary activity of the same class as the manufacture of the finished product. When determining the appropriate WIC for a policy, manufacturing also includes the activities of assembly, installation, maintenance and repairing where these activities are not specifically classified somewhere else within the WIC classification system.

When determining the appropriate WIC to be applied to an employer's policy it is the employer's predominant business activity that is used to identify and assign the WIC. The usual incidental activities of a business, such as clerical / administrative support, sales / marketing, warehousing / transport and management are not separate activities and are not allocated a separate WIC for premium calculation purposes.

The manufacturing WIC division is segmented in various subdivisions based upon the type of material involved in the process and the type of product produced such as wood and timber, plastic, petroleum, coal, chemical, non-metal and metal products.

A percentage rate is attached to each WIC, which reflects the claims risk of the businesses in that classification. The WIC rate is used to calculate the employer's Average Performance Premium (APP), i.e. annual Wages x WIC % rate.