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# Workers' Comp Premiums Glossary

Plain-English definitions of the terms used across NSW workers' compensation premiums, claims and return to work.

**A companion to the webinar**
Proven Ways to Reduce your Workers Comp Premiums

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- → The NSW scheme
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**Note**

**How to use this glossary**

Terms are grouped by topic, with abbreviations shown in bold and their full names underneath. Premium rules change from year to year, so check current iCare guidelines before making decisions about your policy.

## The NSW scheme

Who does what in the NSW workers' compensation system.

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| **SIRA**<br>State Insurance Regulatory Authority | The NSW regulator for workers' compensation. It sets the rules and standards for the scheme and oversees how the legislation is applied. |
| **iCare**<br>Insurance and Care NSW | The government agency that manages the NSW workers' compensation scheme as the Nominal Insurer. |
| **Nominal Insurer** | The main NSW scheme, covering employers who take out workers' compensation insurance through iCare. This glossary focuses on premiums under this arrangement. |
| **Scheme agent** | An insurer appointed to manage claims on iCare's behalf, such as EML, Allianz, GIO or QBE. |
| **Case manager** | Your main contact at the scheme agent, responsible for managing a claim from day to day. |
| **Self-insurance** | An arrangement where eligible employers manage and fund their own workers' compensation liabilities instead of insuring through iCare. |
| **Treasury Managed Fund (TMF)** | The NSW Government's own self-insurance arrangement for its agencies. |
| **Specialised insurer** | An insurer that provides workers' compensation cover for certain industries under an industry-specific arrangement. |

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| **Workers compensation legislation** | The Workers Compensation Act 1987 and the Workplace Injury Management and Workers Compensation Act 1998, which together set the legal framework for the NSW scheme. |

## Premium basics

The building blocks every premium starts from.

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| **Premium (P)** | The total amount an employer pays for workers' compensation insurance for a period of insurance. |
| **Wages** | The wages you declare to your insurer for the period of insurance, as defined for workers' compensation purposes. Wages are the starting input for your premium. |
| **WIC**<br>Workers' Compensation Industry Classification | The classification that describes your business's industry and reflects its risk profile. |
| **WIC rate** | The premium rate attached to your WIC. Higher-risk industries attract higher rates and lower-risk industries attract lower rates. |
| **APP**<br>Average Performance Premium | Your total wages multiplied by your WIC rate. The APP is the foundation of every premium before any claims adjustment is applied. |
| **Grouping** | Where related businesses are treated as a group for premium purposes. Grouping can affect which premium model applies and how the premium is calculated. |
| **Premium appeal** | A formal challenge to how a premium has been calculated, for example where the wrong industry classification, grouping or wage data has been used. |

**Actevate Tip**

**Check your classification at every renewal**

An incorrect industry classification can inflate your premium for years. In one recent case, correcting the classification and grouping saved an employer $990,000 over three years.

## Premium models

Which model applies depends largely on the size of your APP.

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| **Conventional model**<br>For small employers | The premium model for employers with an APP below the applicable threshold. The premium is primarily based on the APP, and an individual employer's claims experience does not directly adjust it. |
| **Experience-rated model**<br>For medium and large employers | The premium model generally used for employers with an APP between $30,000 and $500,000. Your own claims performance can directly influence your premium through the Claims Performance Adjustment. |
| **LPR**<br>Loss Prevention and Recovery | An optional premium model for eligible large employers with an APP above $500,000. Each period of insurance is calculated on the employer's own claims costs for that period as they develop over four years. |
| **LPR Plus** | A product for the largest employers in the scheme, with an APP greater than $3 million and stable, favourable claims performance. |

## Premium formula terms

The components that appear in iCare's premium formulas.

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| **D**<br>Dust diseases contribution | A contribution collected through workers' compensation premiums to help fund compensation for workers with dust-related diseases. |
| **M**<br>Mine Safety Fund premium adjustment | An adjustment to the premium relating to the Mine Safety Fund. |

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| **SER**<br>Safe Employer Reward | A reward applied to eligible employers that reduces the premium. |
| **PD**<br>Performance discount | A discount that reduces the premium where the employer meets the eligibility criteria. |
| **A**<br>Apprentice incentive discount | A discount for eligible employers who take on apprentices. It also applies to LPR policy holders. |
| **Q**<br>Premiums adjustment contribution | A contribution added to the premium as part of iCare's premium calculation, together with any other iCare incentives and charges. |
| **CCC**<br>Catastrophic claims contribution | A contribution added to the premium towards the cost of catastrophic claims. |
| **CPM**<br>Claims Performance Measure | Your claims costs over the relevant three-year period, relative to your APP over that same period. |
| **SPM**<br>Scheme Performance Measure | A measure of the performance of the broader scheme, rather than your own results. |
| **CPA**<br>Claims Performance Adjustment | The adjustment that the CPM and SPM feed into. Under the experience-rated model, your APP is multiplied by the CPA. |
| **Claims loading** | The increase applied to a premium because of claims costs. There are eight loading categories, and the higher the base premium, the higher the maximum loading that can apply. |
| **Premium capping** | A former limit on how much a premium could change from one year to the next. It no longer applies, so poor claims performance can attract the full loading every year. |

# Loss Prevention and Recovery

Terms specific to the LPR premium model for large employers.

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| **Deposit premium**<br>Also called renewal premium | The premium paid at the start of each LPR period of insurance, based on the employer's APP. |
| **Adjustment contributions** | Further amounts calculated for each LPR period of insurance at 24, 36 and 48 months after renewal. They can result in a refund or an additional payment. |
| **Adjustment factor (AF1, AF2, AF3)** | The multiplier applied to your claims costs at each adjustment date. The factors are set when the period starts and are higher if the lower large claim limit is chosen. |
| **AFmin**<br>LPR minimum premium factor | The factor used in calculating the minimum premium payable under LPR. |
| **Large claim limit** | The cap applied to individual claims costs under LPR. Employers choose a limit of $350,000 or $500,000 at the start of each period of insurance. |
| **Maximum premium** | The most an LPR employer can pay for a period of insurance, set as a multiple of the APP depending on the employer's APP band. |
| **Security** | An amount an LPR employer may provide at the start of a period so funds are available if it cannot meet its workers' compensation liabilities. |
| **RPA**<br>Renewal Premium Adjustment | An alternative to providing security, charged as an additional 25% on top of the calculated deposit premium (excluding standard levies and incentives). |

# Claims and claims costs

The costs that can count towards your premium, and those that can be excluded.

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| **Cost of claims** | The claims costs used to calculate a premium. Under LPR this covers costs already incurred plus estimated costs for future payments. |
| **Weekly compensation**<br>Also called weekly wage benefits | Payments that replace an injured worker's income while they are unable to work or are working reduced hours. |
| **PIAWE**<br>Pre-injury average weekly earnings | The figure used to calculate an injured worker's weekly compensation payments. |
| **Medical and hospital expenses** | The cost of treatment for an injured worker, including doctors, specialists, allied health and hospital care. |
| **Service provider costs** | Costs for services delivered as part of a claim, such as workplace rehabilitation providers. |
| **Investigation costs** | The cost of investigating a claim, including factual investigations into how an injury occurred. |
| **Legal costs** | Legal expenses incurred in managing or disputing a claim. |
| **Lump sum benefits** | One-off payments to an injured worker, such as compensation for permanent impairment. |
| **WPI**<br>Whole person impairment | An assessment, expressed as a percentage, of the permanent impairment caused by a work injury. It is used to determine lump sum entitlements. |
| **Work injury damages**<br>Also called common law damages | Damages an injured worker may claim from their employer for negligence, where the injury meets the required severity threshold. |
| **Estimated costs for future payments** | The expected cost of payments still to be made on a claim. Because estimates are included, an open claim can affect the premium before the money is paid. |

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| **Recovery** | Money recovered from another party responsible for an injury, such as a third-party insurer. A full recovery means the claim's costs are recovered in full. |
| **CTP**<br>Compulsory Third Party insurance | Motor vehicle insurance that covers injuries caused in road accidents. Not at fault CTP claims with a police report are excluded from LPR claims costs. |
| **Journey claim** | A claim for an injury that happens while a worker is travelling to or from work. Journey claims are excluded from LPR claims costs. |
| **Recess claim** | A claim for an injury that happens during a recess break away from work. These claims are excluded from LPR claims costs. |
| **Claim coding**<br>Also called claim classification | How the insurer records and classifies a claim. Correct coding decides whether excluded costs are kept out of your premium calculation. |

**Actevate Tip**

**Ask how every claim has been coded**

If a claim qualifies for an exclusion, the classification applied by your insurer decides whether those costs land in your premium. It is always worth checking.

## Return to work and injury management

The practices that keep claims short and costs down.

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| **RTW**<br>Return to work | The process of helping an injured worker recover and get back to work safely, often through a return-to-work plan. |
| **Suitable duties** | Work that an injured worker can safely do while recovering, matched to their capacity. Suitable duties help reduce time off work and weekly compensation costs. |
| **Suitable duties register** | A list of pre-identified tasks across your business that injured workers can take on while they recover. |

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| **Certificate of capacity** | The medical certificate that sets out what an injured worker can and cannot do, and for how long. |
| **Early intervention** | Acting quickly after an injury, with early reporting, treatment and rehabilitation, to improve recovery and limit claim costs. |
| **Initial liability** | The insurer's early decision on whether to accept a claim and begin payments. |
| **Workplace rehabilitation provider** | An accredited organisation of health professionals that helps injured workers recover and return to work, coordinating between the worker, employer, treating team and insurer. |
| **WHS**<br>Work health and safety | The laws, systems and practices that protect workers from harm and prevent injuries. |
| **Psychosocial hazard** | An aspect of work that can cause psychological harm, such as excessive job demands or workplace bullying. |
| **Escalation pathway** | The agreed steps for raising an issue with your insurer, from your case manager to a team leader and beyond. |

## Not sure how these terms apply to your premium?

Our workers' compensation specialists can review your premium, claims and classification to find where you may be paying more than you need to.

### Request a premium review

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This glossary provides general information only, based on iCare guidance at the time of publishing. It is not financial or legal advice. Premium rules and thresholds change, so check current iCare guidelines or speak with us about your situation.