



FAQs – premium pricing 2021-22

The underlying objective of the Coal Mines Insurance (CMI) Scheme's premium system is to ensure premiums remain stable, affordable and fair for employers while providing a sustainable Scheme for the NSW coal industry workers of today and the future.

What do premiums cover?

Premium collected by CMI is the key source of funding, together with investment earnings, to provide for the following expenses each year:

- The cost of claims
- Provision of statutory services (Orders 34, 40, 42, 43)
- Reinsurance
- All CMI operational expenses
- Certain Mines Rescue functions, Standing Dust Committee
- NSW District Court contribution

When comparing CMI to other insurers it should be noted that premium collected by CMI also helps provide relevant statutory services under the various Orders as well as dust disease coverage.

What are some of the pressures on the CMI Scheme?

In recent years the CMI Scheme has experienced a variety of pressures – the main one being increasing claims costs.

The Scheme is seeing a higher severity and complexity of injuries, increasing psychological claims and the impact of developing claims costs from older accident years. This is resulting in increasing claims costs in weekly benefits, common law and legal claims, as well as the associated legal costs.

Other cost pressures include:

1. Increased costs to ensure the full provision of statutory health surveillance to the NSW coal mining industry under Order 43
2. Additional regulatory and governance requirements, which Coal Services is meeting by modernising its infrastructure, including IT platforms
3. Implementation of the new CMI IT system to improve efficiencies in claims and policy management

How is CMI ensuring the Scheme remains effective?

CMI has responded to the increasing pressures on the Scheme in numerous ways, including instigating several independent reviews of the Scheme between 2014 and as recently as this year.

These reviews have provided valuable insights into areas that were working well for the CMI Scheme and areas requiring improvement. Many review findings have been implemented while others are intended to be the subject of stakeholder consultation.

Of particular note:

- **The implementation of the Injury Management and Injury Prevention (IPIM) program which was initiated in 2016.**

The program consists of four stages implemented over six years: a new case management model and account management model (stages 1-3) and a new CMI IT system (stage 4). The latter is due to be completed in the first half of the 2021-22 financial year.

- **The findings of other Scheme reviews**

The findings of the independent review of the CMI Operating Model in 2021 confirmed that the new CMI operating model is working with some areas requiring further refinement.

What are the category rates for 2021-22?

Each year, the CMI Scheme category rates are set based on independent actuarial advice regarding the Scheme's outstanding claims liabilities, the expenses of managing claims and policies, as well as providing the statutory services delivered to industry by Coal Services.

Premium Risk Category	2021-22 Category Rate	2020-21 Category Rate
Open Cut Mine	4.86%	4.29%
Underground Mine	5.84%	5.22%
Operational Mining Services – Onsite	2.14%	2.05%
Operational Mining Services – Offsite	2.14%	2.05%
Administration – Onsite	0.94%	0.85%
Administration – Offsite	0.94%	0.85%

Note: Administration categories are set at the minimum premium rate (see below).

What does this mean for my premium?

The increase in each category rate will increase the Base Tariff Premium (BTP) calculation for policyholders.

How this impacts your individual premium depends on whether you are deemed to be a small or large employer for premium calculation purposes.

Small policyholders (wages less than or equal to \$2.5m)

- Premiums will be set equal to the BTP.

**BTP = annual wages x category rate
(or weighted category rate if wages are declared in more than one premium risk category)**

- Premium rates for small employers will change in accordance with the size of their wages and the risk category or categories wages are declared in.

Large policyholders (employers with wages greater than \$2.5m)

- The impact on premium will differ for each large employer depending on their mix of wages, claims costs and risk categories.
- Despite the increase in the category rates, some large employers will see a decrease in actual premium rate for 2021-22 compared to their 2020-21 premium rate.

Will my premium be capped?

New premium capping arrangements have been introduced that are effective from the 2021-22 policy year.

Small employers

- Premiums for small employers will be set equal to the BTP.

Large employers

- Premium capping will be applied based on a policy's BTP. See below:

• BTP less than or equal to \$500,000	a cap of 1.5 times the BTP
• BTP greater than \$500,000 and up to \$1.5M	a cap of 2.0 times the BTP
• BTP greater than \$1.5M and up to \$3.0M	a cap of 2.5 times the BTP
• BTP greater than \$3.0M	a cap of 3.0 times the BTP

For more information about capping arrangements please refer to ['New capping arrangements for 2021-22'](#) on our website.

What is the minimum premium rate?

The minimum premium rate for the 2021-22 policy year is set at 0.94%.

The minimum premium rate ensures all policyholders pay their fair share of the Scheme's administration costs. This includes the fixed costs of underwriting each policy and other non-claim related expenses.

The minimum premium rate was last increased following a review of the CMI premium system undertaken over 2013-2015. Following the review, the rate moved from 0.74% over two policy periods – 2016-17 (0.80%) and 2016-17 (0.85%). This is the first increase to the minimum premium rate since that time.