

CMI Scheme update

Premium pricing 2021-22



Coal Mines Insurance



Our premium system

The underlying objective of the 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
- Mines Rescue, 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.

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

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, including: 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 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.

'...premium collected by CMI also helps provide relevant statutory services under the various Orders as well as dust disease coverage.'

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

What does this mean for my premium?

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

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

Small employers (annual wages < or = \$2.5 million)

- Premiums will be set equal to the BTP.

$$\text{BTP} = \text{annual wages} \times \text{category rate}$$

(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 employers (annual wages > \$2.5 million)

- 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.

For small employers:

- Premiums will be set equal to the BTP.

For large employers:

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

BTP	Premium capped at
Less than or equal to \$500,000	1.5 x BTP
More than \$500,000 and up to \$1.5 million	2.0 x BTP
More than \$1.5 million and up to \$3 million	2.5 x BTP
More than \$3 million	3.0 x BTP

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

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 2017-18 (0.85%).

This is the first increase to the minimum premium rate since that time.

'...premiums remain stable, fair and affordable for employers while providing a sustainable Scheme...'

For more information see our FAQs on our website. Visit www.coalservices.com.au

If you have any questions please contact your Account Manager or call Employer Services (02) 8270 3257.