

FREQUENTLY ASKED QUESTIONS

Grouping of related entities for workers compensation premium purposes

Do I have to register for grouping?

Related employers with combined wages greater than \$600,000 are required to be grouped.

What is meant by related employers?

Where there is common ownership and/or a controlling interest of more than 50 per cent directorship and/or shareholding. Related entities who share common employees are also required to be grouped. The *Workers Compensation Act 1987* (the Act) requires related employers to register for grouping for workers compensation purposes and is similar to that for pay-roll tax. More detail regarding related entities can be found on the *Grouping registration* form (catalogue no. WC04895).

My business is a part of a group, what must I do now?

You need to complete a *Grouping registration* form (catalogue no. WC04895) and return it to WorkCover NSW. All members of your group must also complete a *Grouping registration* form (catalogue no. WC04895).

WorkCover will write to you and your scheme agent to advise the group number and details of other registered employers in your group.

A *Grouping registration* form (catalogue no. WC04895) can be obtained from the WorkCover website workcover.nsw.gov.au or by contacting WorkCover on 13 10 50.

How do I submit the *Grouping registration* form (catalogue no. WC04895)?

Completed forms can be returned to WorkCover by:

- fax to (02) 9271 6250
- email to premiums.branch@workcover.nsw.gov.au
- post to Premiums Branch, Locked Bag 2906, Lisarow, NSW 2250

Who is not required to be grouped?

Grouping does not apply to:

- self and specialised insurers
- government departments
- members of a group where combined group wages payable to workers does not exceed \$600,000.

Why must all group members hold their policies with the same scheme agent and have a common renewal date?

It is a legislative requirement for grouped employers to hold their policies with the same scheme agent and have a common renewal date. If the policies do not share a common renewal date and are not held with the same scheme agent, it is not possible for the scheme agent to accurately calculate the premium for the group members.

Can the group choose any date as the common renewal date?

All group members must ensure that their policies have a common renewal date. The group can choose a renewal date that best matches the group's accounting period or some other convenient date.

What if the first renewal date for the group is not the preferred renewal date for the group?

If this is not a suitable renewal date for the group, all group members can organise with the scheme agent to short-term their policies to the preferred common renewal date.

How does grouping impact my premium?

Grouping for workers compensation purposes means that the experience adjustment factor (S factor), used in the premium calculation for each related employer in a group, is calculated using the combined basic tariff premium of the group. The impact of grouping on an individual employer's premium will depend on the employer's cost of claims performance.

The larger group S factor provides a large premium discount for group members with low claim costs.

Does the group 'S' (sizing) factor reduce the premium of an employer in a group who has not had any claims?

Yes. For those employers with a nil or low claims cost history, using the group 'S' factor in the premium calculation will generally have the effect of reducing the premium payable.

Are there any caps in place that limit the impact of claims costs on an employer's premium? How will this affect employers that are grouped?

Yes, these are called maximum premium or T caps and apply as follows:

- Where the group basic tariff premium does not exceed \$50,000, the total premium payable by individual group members cannot exceed one and a half times the basic tariff premium of the individual group member.
Where the group basic tariff premium is equal to or greater than \$50,000 and less than \$150,000, the total premium payable by individual group members cannot exceed two times the basic tariff premium of the individual group member.
- Where the basic tariff premium is equal to or greater than \$150,000 and less than \$300,000, the total premium payable by individual group members cannot exceed two and a half times the basic tariff premium of the individual group member.

Do the claims costs of other group members impact my premium?

No. The claims cost of one member in the group does not impact the other group members. Only the basic tariff premium (BTP) of each employer in the group is taken into account to derive the group S (sizing) factor, which is used in the premium calculation of each registered group member.

I have an exempt employer who pays annual wages equal to or less than \$7500 in my group. Does an exempt employer need to register for grouping?

Yes. If the exempt employer is a related entity they are required to maintain a policy and be grouped under the Act.

Will there be any penalties for short-terming to align policies for grouping?

There may be changes to premiums depending on a number of factors associated with short-terming policies. Employer's entitlement to pay their premiums by instalments and/or the number of instalments may also be affected. Employers should contact their scheme agent for more information on how short-terming their policy will affect them.

Our group members are engaged in a range of different industries and a different WorkCover Industry Classification (WIC) applies to each of the policies. Will all of the policies need to have the same industry classification?

No. As long as the businesses are considered separate and distinct in line with current provisions, the classification that most accurately reflects the predominant business activity of the group member will apply to the group member's policy.

Many of our group companies have policies with multiple WICs. Are they still able to do so under the grouping arrangements?

Yes. If employers within the group carry out separate and distinct business activities under a single policy, multiple WICs can be allocated to the policy.

I am a member of a group of companies that has a combination of small and medium sized employers. How does grouping affect my group?

Where the combined basic tariff premium of a group exceeds \$30,000, all employers within the group, including small employers, will be experience adjusted. If the combined basic tariff premium of the group does not exceed \$30,000 group members premium will not be experience adjusted.

What will happen if one of the members of the group ceases trading and closes down?

The wages history and any claims cost history for the group member that has closed will be proportionally allocated to the other members of the group for both the current policy period and the two consecutive policy periods following the period in which the employer closed down. Allocation of the wages history will not affect the basic tariff of the remaining group members.

Are charities exempt from grouping?

Charities and other not-for-profit organisations can apply to WorkCover for exclusion from grouping status for those group members not in direct competition with for-profit businesses. Charities and other not-for-profit organisations must first register for grouping before applying for exclusion.

The employer will need to complete an *Application for exclusion from grouping* (catalogue no. WC04894) form. The form can be obtained from the WorkCover website workcover.nsw.gov.au or by contacting WorkCover on 13 10 50.

What are the procedures for excluding a not-for-profit employer from a group?

Employers who wish to apply for exclusion from grouping must first register for grouping. Employers should complete the Application for exclusion from grouping form and provide documentary evidence that they are a not-for-profit employer, such as their constitution and letter of endorsement from the Australian Taxation Office.

Employers who apply for exclusion will also need to show that they do not compete with the private sector. These employers should provide information about such things as the goods and services they provide, the target market, sources of funding as well as details of other employers in the same area who provide the same goods and services.

Once all of the required information is received, WorkCover will determine within 30 days whether a not-for profit employer can be excluded from a group. WorkCover will provide the results of the determination in writing to the employer and to the employer's scheme agent.

Are there any other grounds for exclusion from a group other than not-for-profit employers who do not compete with the private sector?

Yes, employers can also apply for exclusion from a group in the following cases:

- primary groups arising from the use of common employees
- an employer who carries on a business as a trustee of a trust(s).

Disclaimer

This publication may contain work health and safety and workers compensation information. It may include some of your obligations under the various legislations that WorkCover NSW administers. To ensure you comply with your legal obligations you must refer to the appropriate legislation.

Information on the latest laws can be checked by visiting the NSW legislation website legislation.nsw.gov.au

This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals or as a substitute for legal advice. You should seek independent legal advice if you need assistance on the application of the law to your situation.

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