



CGU Workers Compensation
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The General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

21 September, 2007

Dear Sir or Madam

Exclusive Dealing Notification: Racing and Wagering Western Australia N93093

We refer to your letter dated 17 September 2007 addressed to Mario Pirone, the CEO of CGU Insurance and provide a response to the ACCC's draft determination on the notification lodged by Racing and Wagering Western Australia (RWWA).

Our submission provides responses to the questions raised under 6.4 of the draft Notice issued by the ACCC on the 29 August 2007. To assist we have provided both the question raised under 6.4, together with our comments on the issues raised.

1. What, if any, level of discount may be achieved under RWWA's proposal?

The average premium rate achieved will be dependent upon the claims experience of the arrangement over time.

The recommended rate for trainers from the 1 July 2007 is 5.94% which is around three times the average rate in the WA scheme, so there is plenty of room for improvement.

In the first instance a key outcome of the proposal will ensure that the premium pool payable by trainers appropriately reflects their exposure. Once this is achieved, then premium rates can be adjusted in line with claims costs. We expect that this can be achieved from year 2 onwards.

2. Whether any discount RWWA negotiates with the insurer can be maintained over the proposed 3 year contract period?

The answer to question 1 also applies to this question.

3. To what extent will a competitive tender conducted every 3 years ensure competitive premiums?

The workers' compensation market in Western Australia is very competitive and we expect a number of Insurers may be interested in competing for the business once the arrangement is established.

4. What are the costs involved in conducting a tender process to select the nominated insurer? Who will pay for the costs of the tender process?

From CGU's point of view there are no costs involved in providing premium terms.

5. Is there a risk that premiums for some horse trainers may actually increase because horse trainers are being pooled into one large risk pool?

While it is possible that premiums might rise for some trainers, indications are that many trainers do not appreciate their obligations under the Workers' Compensation Act and, therefore, fail to take out a policy.

We would expect that if all trainers in WA were required to take out a policy, then this would result in an increase in the premium pool available to pay claims and over time this should result in a reduction in the average rate applied to trainers.

6. Is the proposed arrangement consistent with the WorkCover WA pricing arrangements which allow insurers to provide a discount or surcharge from recommended rates based on an employer's individual risk profile?

The scheme would allow individual trainers' premiums to be loaded and discounted in line with the pricing arrangements in WA. However, smaller trainers who cannot be assessed on their own experience would receive the average rate applicable to the arrangement.

7. Which insurance providers do horse trainers in Western Australia currently obtain workers' compensation insurance from?

While this question would be better answered by an insurance broker, as CGU has around 25% of the WA workers' compensation market we would expect that this would be an indication of our share of the trainers.

8. Could RWWA provide further information on its claims of better and more efficient outcomes resulting from the proposed conduct? (see paragraph 5.16).

While this question is directed at the RWWA, there would be a greater ability to influence improved and consistent safety practices if all trainers were covered under the one arrangement.

9. How will the requirement to obtain workers' compensation insurance from one nominated provider ensure that horse trainers take out adequate coverage?

Provided a policy is effected, then the cover provided to trainers would be the standard Employers' Indemnity policy issued in WA irrespective of the number of Insurers involved. The major challenge for the RWWA is to ensure that trainers declare either wages or another appropriate measurement that ensures premiums adequately reflect the exposure of individual trainers.

10. Are there other methods to ensure that horse trainers have adequate workers' compensation insurance?

If trainers were required to take a policy in order to maintain their licence, then it would ensure that their workers were all covered under the Workers' Compensation and Injury Management Act in WA.

One of the major issues, however, is that we believe that wages paid to workers may not be appropriately recorded and declared for workers' compensation purposes.

We suspect that some workers are engaged on a casual basis and paid in cash and, therefore, wages declared do not represent a true indication of the exposure involved in this industry.

This issue, together with the fact we believe many trainers do not take out a policy, artificially increases the premium rate for those trainers who are insured.

11. Could RWWA simply require horse trainers to provide a copy of their workers' compensation policy to ensure horse trainers have adequate insurance?

The answer to this question is "yes" but does not resolve the fundamental issue that the RWWA is trying to address.

12. Why is it necessary that RWWA's scheme be compulsory for horse trainers in Western Australia?

Firstly, it is compulsory for trainers to take out a workers' compensation policy in WA if they employ workers. Due to the nature of the industry many trainers may not be aware that they have an obligation under the Workers' Compensation and Injury Management Act to cover their workers and contractors, particularly if they are engaged on a casual basis.

To address the fundamental issues we support RWWA's proposal which will ensure that the premium pool appropriately reflect the exposure for trainers in WA. Such an arrangement would also allow risk management practices to be put in place on a consistent basis to improve workplace safety across the industry.

If you require any further information please do not hesitate to contact me by telephone on 08 9264 2202 or by e-mail at garry.moore@iag.com.au.

Yours sincerely



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