

Accident insurance: implementation of a no-claims bonus scheme

Since 2011, employers and freelancers have been required to pay an “accident insurance” contribution based on a single rate, irrespective of the accident risk inherent in their line of work. This rate is fixed annually for all contributing members to cover all current expenses foreseen for the coming financial year. To encourage employers to invest more in occupational health and safety and the prevention of occupational accidents, the Grand Ducal Regulation of 8 February 2016 provides for the introduction of a **no-claims bonus scheme** applicable as of financial year 2019.

A common base rate for all contributing members (employers and freelancers) will be fixed at the start of the year and will then be “individualized” by a **specific multiplication factor for each contributing member** called the “no-claims (bonus/penalty) factor.”

To calculate this factor, employers are divided into risk class and then compared with other contributing members in the same class. The comparison is based on the cost of the accidents.

Breakdown of risk class

In the beginning of 2017, each employer and freelancer was assigned to a risk class by the *Association d'Assurance Accident* (AAA) [Accident Insurance Association] according to their respective core activity. If a contributing member carries out several activities, only **his core activity** is taken into account for assignment purposes. As a result, each contributing member is assigned to a single risk class.

The Grand Ducal Regulation defined 17 risk classes:

- **Class 01:** Commercial activities not assigned elsewhere
- **Class 02:** Household and cleaning activities
- **Class 03:** Hotels, restaurants, and cafés
- **Class 04:** Education, associational, recreational, athletic, cultural and religious activities
- **Class 05:** Health, social work and beauty care
- **Class 06:** Insurance, financial, IT and real estate activities, consultancy firms, provision of services and the media
- **Class 07:** Industrial activities not assigned elsewhere
- **Class 08:** Metal, wood and synthetic material working, manufacturing, installation, repair and maintenance of machinery, motor vehicles and equipment, precision workshops
- **Class 09:** Construction, shell, roofing, extractive industries
- **Class 10:** Layout and completion, technical equipment of the building
- **Class 11:** Road, inland waterway, maritime and air transport, handling and warehousing, mail distribution
- **Class 12:** Temporary employment

- **Class 13:** Food production
- **Class 14:** Agricultural, winemaking, horticultural, silvicultural and similar activities
- **Class 15:** Proprietary commercial and handicraft activities and the professions
- **Class 16:** Municipalities
- **Class 17:** State

It is worth noting that freelancers are always grouped in risk class 15 without taking their actual occupation into account. Furthermore, freelancers who also have employer status will be assigned to a risk class for each of those activities.

An employer who changes core activity must report it to the Joint Social Security Centre, as the risk class may have to be changed as a result. In such an eventuality, or if agreement cannot be reached on the assigned risk class, the AAA (prevention.aaa@secu.lu) must be contacted. This request must be accompanied by vouchers relating to the core activity such as an extract from the trade and companies register.

Determination of the no-claims (bonus/penalty) factor

To determine the no-claims (bonus/penalty) factor of a contributing member, the AAA calculates two coefficients:

- the load coefficient of the contributing member: this is the ratio between the contributing member's benefits as a result of the accident and the overall base used to determine the contributions paid by the contributing member.
- the load coefficient of a risk class: this is the ratio between benefits as a result of the accident of all contributing members of this risk class and the overall bases used to determine the contributions paid by said contributing members.

Once these coefficients have been determined, the AAA compares them:

- If the contributing member's coefficient exceeds that of his risk class, his no-claims (bonus/penalty) factor is greater than 1 and a **penalty will be applied**.
→ Such will be the case if an employer's benefits as a result of the accidents are greater than those of his risk class during the reference period.
- If the contributing member's coefficient is lesser than or equal to that of the risk class, his no-claims bonus is equal to 1 and **no bonus nor penalty will be applied**. The accident insurance contribution will therefore be equivalent to a single contribution rate.
→ Such will be the case if the employer's benefits as a result of the accidents are lesser than his risk class during the reference period.
- If the contributing member's coefficient is substantially lesser than that of his class, his no-claims (bonus/penalty) factor is less than 1 and a **bonus is applied**.
→ Such will be the case if no accident insurance benefit is paid by the AAA during the reference period.

Determination of the contribution rate

A common contribution rate will continue to be fixed every year. As of financial year 2019, this contribution rate will be added to the individual no-claims (bonus/penalty) factor which may assume the following values: **0.9, 1, 1.1, 1.3 and 1.5**. The base rate will therefore be multiplied by one of these values to determine the final contribution rate applicable to each company.

Example: A company is given a penalty of 1.5.

The base rate for 2019 is maintained at 0.9% (= single rate of 2018)

⇒ The applicable rate for this company in 2019 will be 1.35% (= 0.9 % * 1.5)

Relative difference between the contributing member's charge coefficient and the charge coefficient of the class to which he is assigned = (contributing member's coefficient – class coefficient) / coefficient class	No-claims (bonus/penalty) value
Equal to -100%	0.9
Greater than -100% and lesser than or equal to 0%	1
Greater than 0% and lesser than or equal to 33%	1.1
Greater than 33% and lesser than or equal to 100%	1.3
Greater than 100%	1.5

Observation period

The benefits charged to occupational accidents (exclusive of accidents on the way to and from work) that occurred as of 1 January 2011 and paid during an observation period from 1 April of the penultimate year to 31 March of the year prior to the financial year concerned, are taken into account to determine the no-claims (bonus/penalty) factor.

The first observation period ran from 1 April 2017 to 31 March 2018. This period will therefore serve as reference pursuant to the no-claims scheme in 2019.

Application of the no-claims scheme

Employers and freelancers will receive a letter in January 2019 indicating the new "accident insurance" contribution rates. The single contribution rate will remain applicable in January and February, and the new rate will be charged as of March 2019.

The single contribution rate will be disclosed only in the beginning of next year, but it should be similar to that for 2018 (i.e. 0.9%) or lower.

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