PREMIUM DETERMINATION GUIDELINES 2016

The Safety, Rehabilitation and Compensation Commission (Commission) has prepared and issues the following guidelines to the Chief Executive Officer of Comcare under subsection 97E(1) of the Safety, Rehabilitation and Compensation Act 1988 (SRC Act). These Guidelines replace any previous guidelines for the determination of premiums under the SRC Act prepared and issued by the Commission.

This instrument commences on the day after it is registered.

DATED this 22nd day of July 2016

Barry Sherriff
Chairperson
1. In determining the amount of premiums to be paid by each Entity and by each Commonwealth authority under the SRC Act in respect of a financial year, Comcare must:

(a) comply with section 97A of the SRC Act and any relevant directions by the Minister under section 73 of the SRC Act; and

(b) save for any inconsistency with the matters referred to in paragraph (a), comply with the following guidelines –

i) Comcare should aim to return the scheme to a fully funded position where fully funded means Comcare has sufficient assets to meet its liabilities, as calculated by an actuary, of the premium-funded scheme.

ii) The amount of premiums determined should balance responsiveness to changes in claims experience with the need for stable and predictable premiums.

iii) Significant long-term cross-subsidisation between Entities and Commonwealth authorities should be avoided.

iv) The methodology for calculation of premiums in one financial year should be used to calculate penalty and bonus amounts in the following year (regardless of whether the methodology has been varied in the interim).

v) The impact of claim performance and other variable costs on premiums must be transparent and explained to Entities and Commonwealth authorities.

vi) Indicative premiums should be advised to each Entity and Commonwealth authority in time for consideration in the context of that Entity or Commonwealth authority’s budgets for the following financial year.

vii) Adjustments due to correction of data should only be made if identified before finalisation of the charge to which they relate, except for errors made by Comcare.

viii) Significant changes to the methodology for calculation of premiums must be explained to Entities and Commonwealth authorities.

ix) A minimum premium must be determined, to apply in relation to each Entity and Commonwealth authority.
authority, to ensure the recovery of administrative costs incurred by Comcare.

x) Comcare must advise the Commission annually on its compliance with these guidelines.

NOTES:

1. ‘Entity’ and ‘Commonwealth authority’ are defined in section 4 of the SRC Act and, by reason of a declaration made under section 4A of the SRC Act the Australian Capital Territory is a Commonwealth authority.

2. Premiums fund Comcare’s lifetime claim liabilities and claim management expenses in respect of injuries suffered by employees of Entities and Commonwealth authorities.

3. Section:

   (a) 97J of the SRC Act provides for the review by Comcare, at the request of an Entity or Commonwealth authority, of a premium determination under section 97 of the SRC Act;

   (b) 97K of the SRC Act provides for the further review by the Commission, at the request of an Entity or Commonwealth authority, of a premium determination under section 97 of the SRC Act that has been reviewed by Comcare under section 97J of the SRC Act; and

   (c) 97M of the SRC Act provides for the variation by Comcare, in certain specified circumstances, of a premium determination.

4. When:

   (a) reviewing a premium determination under section 97J of the SRC Act or varying a premium determination under section 97M of the SRC Act, Comcare will need to consider whether the premium determination being reviewed or as varied complies with section 97A of the SRC Act and these guidelines; and

   (b) reviewing a premium determination under section 97K of the SRC Act, the Commission will need to consider whether the premium determination being reviewed complies with section 97A of the SRC Act and these guidelines.