

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation, Science, Research and Tertiary Education Portfolio
Supplementary Budget Estimates Hearing 2012-13
17 October 2012

AGENCY/DEPARTMENT: COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION (CSIRO)

TOPIC: Comcare premium

REFERENCE: Written Question – Senator Bushby

QUESTION No.: SI-71

At the hearing of 17 October, Dr Clark and Mr Roy linked the substantial increases in CSIRO's Comcare premium and penalty for 2012-13 to an across-the-board rise in Comcare liabilities for government agencies for this financial year. Is this the only reason for each of these rises – or are other factors also responsible in CSIRO's case? If so, what are each of the other factors?

ANSWER

The factors contributing to CSIRO's premium increase for 2012-13 are detailed in the following quote from Comcare's letter to CSIRO of 28 June 2012.

“Factors affecting the 2012-13 premium rate for this agency include

- i. The revised 2011-12 rate which is the starting point for calculating the 2012-13 rate.
- ii. Trends in the number and cost of this agency's claims for injuries suffered in 2011 and earlier.
- iii. Trends in the number and costs of claims for all agencies combined.
- iv. The total amount that Comcare needs to collect from all agencies combined.”

Data provided in this letter also confirms that:

- CSIRO's 2012-13 premium of 0.67 per cent is less than the average premium for all agencies combined of 1.77 per cent;
- CSIRO's current average lifetime cost of claim as assessed to February 2012 of \$33,809 is less than the average cost for all agencies combined of \$74,771

A full copy of this letter is attached.



Australian Government

Comcare

28 June 2012

Dr Megan Clark
Chief Executive Officer
Commonwealth Scientific and Industrial Research Organisation
PO Box 225
DICKSON ACT 2602

Dear Dr Clark

Workers' compensation premium and regulatory contribution

I write to advise you of your agency's workers' compensation premium and regulatory contribution for 2012-13 under the Comcare scheme.

Premium

I advise that your agency's premium for 2012-13 is \$4,951,300 (inclusive of GST).

Comcare has a statutory requirement to set a premium pool which covers the estimated lifetime cost of workers' compensation claims expected to occur in the premium year. Based on peer-reviewed, independent actuarial advice, the overall premium pool for the Commonwealth sector needs to increase to 1.77 per cent of payroll for 2012-13 (from 1.41% for 2011-12) to meet the estimated cost of claims.

This increase reflects that people harmed at work in federal workplaces are not recovering as quickly as they should, evidenced by increases in the average duration of lost time for recent claims and poor return to work for long-term incapacity claims. Reductions in market interest rates this year have also contributed to the increase.

The adverse trends in the duration and cost of claims have significantly increased Comcare's liabilities for outstanding claims. By setting the 2012-13 overall premium pool at 1.77 per cent of payroll, Comcare is striking a balance between the requirement to meet the increase in claims cost and a medium-term path to strengthen the scheme's funding position. The action Comcare is taking to address the increasing complexity and cost of claims and the increase in premiums in 2012-13 will assist to return the scheme to a sustainable funding position over time. However, on the current actuarial projections, further premium increases are likely to be required in future years.

Under Comcare's premium model, which is unchanged from 2011-12, each agency's premium also responds to its own work health and safety and rehabilitation performance. Performance is measured by the number of claims and their estimated lifetime cost. Federal law also allows for a revision of a previous year's premium rate to reflect the development of claims arising from injury or disease suffered in previous years, in the form of a bonus or penalty premium component.

Your agency's premium for 2012-13 has been calculated taking into account your agency's number of claims and their estimated lifetime cost as well as the total premium pool needed for the Commonwealth sector. The premium is based on:

- a 2012-13 premium rate for your agency of 0.67% of 2012-13 payroll. The early development of injury year 2011 indicates more claims for injuries suffered in 2011 than for injuries suffered in 2010.

- a revision of the 2011–12 premium rate for your agency from 0.33% to 0.47% of 2011–12 payroll. The revision responded to the development of your agency's claims for injuries suffered in 2008, 2009 and 2010. The development of your agency's claims has increased the estimated cost of claims for all of these injury years.

Regulatory contribution

Under federal law, Comcare is required to collect contributions from employers to fund its regulatory activity in respect of work health and safety, rehabilitation and compensation. These amounts are determined in accordance with principles outlined in the *Australian Government Cost Recovery Guidelines*.

Accordingly I advise that your agency's regulatory contribution for 2012–13 is \$350,817.

Invoice

The invoice for the 2012–13 premium and regulatory contribution will be sent directly to your finance section with a copy of this letter.

Supporting information and right of review

We have attached to this letter an explanation of the methodology for determining premiums and regulatory contributions together with details of the specific data and calculations for your agency.

If you wish to discuss any aspect of the premium or regulatory charges, please contact Mr Rodney Smith, Director Prudential Management, on (02) 8218 3790 or by email rodney.smith@comcare.gov.au.

As explained in the attached guides, federal law allows a review of the premium and regulatory charges outlined in this notification. Please note that requesting a review does not affect an agency's obligation to make payment by the due date.

Future goals

At Comcare we recognise the key role which employers play to reduce harm and support workers in their recovery and return to work. We will continue to support you to improve injury prevention and rehabilitation outcomes. Your commitment is important to promote worker health and wellbeing and assist harmed workers in their return to health and work.

I look forward to working closely with you in the future.

Yours sincerely



Steve Kibble

Deputy CEO



Commonwealth Scientific and Industrial Research Organisation

	Last year 2011-12	This year 2012-13	
Bonus amount or a penalty amount	\$58,500 (a bonus)	\$844,200 (a penalty)	This amount is due to a revision of the 2011-12 premium for this agency: From 0.33% To 0.47% This revision responded to development to the end of February 2012 of this agency's claims for injuries suffered in 2008, 2009 and 2010. Page 2 shows claim information.
Prescribed amount	\$1,989,900	\$4,107,100	The prescribed amount depends on: 1 The payroll. - The 2011-12 payroll was \$603,000,000 - The 2012-13 payroll is \$613,000,000 2 The agency's premium rate. - The rate for 2011-12 was 0.33% (now revised to) 0.47% - The rate for 2012-13 is 0.67% Factors affecting the 2012-13 premium rate for this agency include i. The revised 2011-12 rate which is the starting point for calculating the 2012-13 rate. ii Trends in the number and cost of this agency's claims for injuries suffered in 2011 and earlier. iii. Trends in the number and cost of claims for all agencies combined. iv. The total amount that Comcare needs to collect from all agencies combined. Page 2 shows claim information.
Premium	\$1,931,400	\$4,951,300	

The table below shows premium rates over several years.

Premium rates	2009-10	2010-11	2011-12	2012-13
Latest premium rates for this	0.26%	0.40%	0.47%	0.67%
Premium rates for all agencies combined	1.25%	1.20%	1.41%	1.77%



Commonwealth Scientific and Industrial Research Organisation

This agency's claims	Injuries suffered in			
	2008	2009	2010	2011
Number of claims				
Includes overall allowance for claims not yet accepted.				
Estimate at June 2011	80.7	89.5	69.7	
Estimate at June 2012	81.2	90.2	71.7	84.4
Estimated total (lifetime) claim cost				
	\$M	\$M	\$M	\$M
Development to end February 2011	0.716	2.023	1.385	
Development to end February 2012	1.100	3.095	2.789	3.297
Excluding claim processing and administration costs.				
Estimates for an injury year become more influential as the claims develop and the estimates become more reliable. A significant increase in influence applies when an injury year is assessed the second time for premium calculations.				
Estimated total (lifetime) claim cost after capping (below the cap cost for each claim plus 5%)				
	\$M	\$M	\$M	\$M
Development to end February 2011	0.752	2.127	1.458	
Development to end February 2012	1.155	3.009	2.935	2.853
Claim frequency (claims per \$M payroll)				
Estimate at June 2011	0.15	0.16	0.12	
Estimate at June 2012	0.15	0.16	0.13	0.14
Average (lifetime) claim cost (after capping)				
Development to end February 2011	\$9,321	\$23,763	\$20,927	
Development to end February 2012	\$14,219	\$33,355	\$40,921	\$33,809

All agencies' claims (for comparison)

Claim frequency (claims per \$M payroll)

Estimate at June 2011	0.21	0.18	0.18	
Estimate at June 2012	0.21	0.18	0.18	0.16

Average (lifetime) claim cost

Development to end February 2011	\$48,425	\$54,914	\$63,635	
Development to end February 2012	\$56,050	\$62,302	\$71,949	\$74,771

2012–13 Regulatory Contribution Quick Reference Sheet



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The regulatory contribution is \$350,817.

The regulatory contribution comprises:

- \$46,930 to fund the costs of regulatory functions under the SRC Act. For 2012–13 this component is 0.01142647 times the premium without bonus or penalty.
- \$303,887 to fund the costs of functions under the WHS Act.

This is attributed to agencies based on:

- Reactive investigations component based on the number of investigations in 2010 & 2011.
- Disputed PIN investigations component based on the number of investigations in 2010 & 2011.
- Size component. This part depends on the agency's FTE number of employees. This is a balancing item to ensure that the total amount collected for the WHS Act across all employers matches the total costs of WHS Act functions.

2012–13 Premium without bonus or penalty is \$4,107,100.

2012–13 Estimate of Full Time Equivalents (FTE) provided by your agency is 6,528.

WHS Act Investigations for your agency:

Calendar year	2010	2011
Count of reactive investigations	0	1
Count of disputed PIN investigations	0	0

For details of WHS investigations please call the Regulatory Services Support Team, Regulatory Services Group on 03 9914 6324 or email whsplan@comcare.gov.au



Guide to 2012–13 regulatory contributions



Australian Government
Comcare

JUNE 2012

Introduction

The *Safety, Rehabilitation and Compensation Act 1988* (SRC Act) requires employers in the Comcare scheme, including Commonwealth agencies, to fund the costs of Comcare and the Safety, Rehabilitation and Compensation Commission (the Commission) associated with regulating the SRC Act and the *Work Health and Safety Act 2011* (WHS Act).

Regulatory functions of the Safety, Rehabilitation and Compensation Commission and Comcare

The SRC Act requires the Commission and Comcare to perform regulatory functions that can be broadly categorised as:

- developing and implementing workers' compensation and rehabilitation policy in the Commonwealth jurisdiction
- working with employers to improve work health and safety outcomes
- managing the approval of rehabilitation providers
- monitoring and reporting scheme performance
- managing the funding of the scheme.

The WHS Act requires Comcare to perform regulatory functions that can be broadly categorised as:

- compliance functions such as:
 - assessing non-compliance by conducting reactive investigations and inspection programs pursuant to the WHS Act
 - managing notifications, complaints, requests and allegations relating to non-compliance
 - audit, inspection and verification of compliance
 - issuing and managing statutory notices
 - initiating enforcement action, including court-based proceedings, under the WHS Act if appropriate
- prevention and education functions such as:
 - proactive, educative inspection programs
 - helping agencies with strategic planning of their injury prevention activities
 - providing practical WHS guidance material
 - conducting information sessions for employers on requirements of the legislation
 - providing WHS information that is relevant to the Commonwealth jurisdiction
 - accrediting training for Health and Safety Representatives
 - participating in national and jurisdictional working groups, boards and other safety initiatives
 - development and implementation of workplace safety policy in the Commonwealth jurisdiction
 - responding to national harmonisation initiatives.

The WHS Act requires the Commission to provide Comcare with advice on the conduct and management of regulatory programs of work; and to advise the Minister on regulatory performance.

Calculation of regulatory contributions

The regulatory contribution is the amount estimated by Comcare to represent the costs of the Commission's and Comcare's regulatory functions under the SRC Act and the WHS Act which are reasonably referable to that employer.

Each regulatory contribution comprises:

- an amount to fund the costs of regulatory functions under the SRC Act. This amount is proportional to the premium without bonus or penalty.
- an amount related to the costs of functions under the WHS Act. Items in this amount are:
 1. Reactive investigations. This is based on the number of investigations in calendar years 2010 and 2011.
 2. Disputed PIN investigations. This is based on the number of disputed PIN investigations in calendar years 2010 and 2011.
 3. Size. This part depends on the agency's full-time equivalent (FTE) number of employees. The amount per employee is calculated each year. This is a balancing item to ensure that the total amount collected for the WHS Act component across all agencies matches the total costs of WHS Act functions. This item funds work not funded directly in the other items including prevention and education functions and general WHS advice, compliance assistance, and policy and regulatory development.

Because it is a regulatory charge, the contribution is not subject to GST. Therefore agencies cannot claim input tax credit on the regulatory contribution.

Payment and review of regulatory contributions

Agencies must pay the regulatory contribution to Comcare by the later of 31 July or 30 days after Comcare sends the notice. Comcare will charge interest on any amount not paid by the due date.

Within 14 days of notification of the regulatory contribution, the principal officer of an agency may, by written notice of objection, ask Comcare to review the regulatory contribution. A notice of objection must set out the grounds for the objection and be addressed to:

Chief Executive Officer
Comcare
GPO Box 9905
Canberra ACT 2601

Comcare will review the regulatory contribution and advise the principal officer if the amount is confirmed or varied. Within 14 days of that advice, the principal officer may by another written notice ask the Commission to review the regulatory contribution.

A request for review does not alter the due date for payment of the regulatory contribution. If a review reduces a regulatory contribution, Comcare will refund the difference with interest.

For more information, please call Comcare's Prudential Management Team on 02 8218 3792.