

WorkCover SA (now officially [Return to Work SA](#)) have informally announced the new premium system. The proposed changes will mean a large shift in how premiums are calculated and in turn affect the way business need to manage their compensation claims.

### The new formula

The new approach to premium calculations is touted by Return to Work SA as a fairer and simpler approach. On its face, it is simpler than the existing approach, which comprises around 6 pages of complex formulae. However, there remains some complexity and there are a number of unknowns in this process. Each component of the new formula is briefly discussed below.

The new formula is:

$$\text{Premium} = \text{Base Premium} \times (1 - \text{Discount}) + \text{Claims Costs} - \text{Apprentice Costs} + \text{Surcharge} + \text{GST} + \text{WHS}$$

#### Base Premium:

The base premium is your total remuneration (wages etc.) multiplied by your industry base rate. Return to Work SA have announced that "SAWIC" classifications will be replaced with "SAIC" classifications that align with Australian Standard definitions. Industry rates for FY2015/16 are likely to be announced in early April, with premium notices expected in late-May or June. It has not been clarified if groups of related corporation will continue to have different premium calculations.

**NB:** Some employers in high risk industries may face a base premium that is above the existing industry cap (7.5%). It is not known at this stage who or how many will be affected by this change.

#### Discount Factor:

The discount factor is an automatic reduction in premiums based on an employer's total remuneration, according to the following table:

Base Premium	Discount factor
\$0 - < \$10K	0.05
\$10K - <\$50K	0.10
\$50K - <\$100K	0.15
\$100K - <\$500K	0.20
\$500K - <\$1m	0.25
\$1m +	0.30

#### Claims Costs:

The claims costs included in the calculations will be much narrower under the new system. It is now only income support costs actually paid in the previous financial year, for claims with a date of injury within the past three financial years, that will be counted in the premium assessment.

The claims costs component is capped at three times the amount of the discount factor.

#### Apprentice & Trainee:

This is the deduction for apprentice and trainee wages in the existing system.

#### GST:

Goods and services tax is added to the amount.

WHS: This is the fee provided to SafeWork SA.

Surcharge: One unknown is the surcharge component. Return to Work SA have advised they will be targeting 'problem' employers, who will be asked to commit to an improvement program. If they do not comply with the program or refuse to participate, they will be hit with a surcharge. The amount of these 'surcharges' have not been confirmed but are anticipated to be significant. The process by which an employer is targeted, and the details of the programs, has not been clarified.

### Managing claims under the new system

The new levy system includes many positives for employers. 'Hindsight' adjustments have been removed, providing an employer with certainty as to that year's premiums (except to the extent actual remuneration changed). Similarly, 'claims estimates', the cause of considerable disputation, have been removed. On the other hand, the removal of secondary claims means that employers will need to carefully manage their recruitment and safety processes to minimise risk. NB: secondary injuries with a date of injury prior to 1 July 2015 will not be included in future premium calculations.

Importantly, the removal of claim costs other than wages (eg. medical costs, lump sum impairment and death benefits, legal/disputation costs and rejected claims) should serve to focus a prudent employer's attention to the importance of actively managing claims.

In practice the new formula means the employer will pay the income maintenance component of any workers compensation claims that occurred in the last three financial years (up to the capped amount). This means employers will need to take a more proactive approach to managing accepted claims – including ensuring good rehabilitation practices and suitable duties where practicable – along with actively disputing claims they consider should not be accepted. Similarly, there is no direct benefit to an employer directly paying medical and other expenses where there is no lost time in an injury.

### Need more information

If you would like to discuss the new system, or have active or potential disputes that you wish to discuss in preparation for the new system, please contact the team at Fair Work Lawyers.



**David Putland**  
Partner  
david@fairworklawyers.com.au  
m: 0419 839 125



**Tom Earls**  
Partner  
tom@fairworklawyers.com.au  
m: 0409 939 010

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