

# Guide to premium devolution

## - splitting a premium within an agency



Comcare sets workers' compensation premiums for Commonwealth authorities and entities. The "Guide to Premiums", available at [www.comcare.gov.au](http://www.comcare.gov.au), explains how Comcare sets premiums.

### Splitting a premium within an agency

To increase management accountability and awareness of differences in claim performance across areas in an agency, an agency may wish to split the premium between areas. This document outlines some ways that agencies might consider to do this. This document is a guide only. Comcare has no authority to split premiums. Each agency decides whether to, and how to, allocate the premium to areas.

Following are three ways that an agency might consider to allocate its premium to areas.

#### 1. Workers' compensation claim experience

An agency could use each area's contribution to the claim experience of the agency to allocate the premium to each part of the agency. For example, if a part of an agency has incurred 10% of the agency's workers' compensation claim costs, then the agency could allocate 10% of the premium to that area.

##### *Advantages*

Using claim experience to allocate the premium provides a financial incentive for each area within an agency to reduce the cost of their workers' compensation claims.

##### *Disadvantages*

Workers' compensation claim experience, especially for smaller areas, can be extremely volatile. For example, an area could incur no claims for several years and then a one million dollar claim. In this case, the amount of premium allocated to this area could increase from nothing to several hundred thousand dollars in one year.

If an area has not incurred any claim costs they will not make any contribution towards paying the premium.

#### 2. Payroll or number of employees

The agency may choose to allocate the workers' compensation premium based on the payroll or the number of employees in each area. For example, if a part of an agency makes up 10% of the agency's payroll or staff, then the agency could allocate 10% of the premium to that area.

##### *Advantages*

This approach is simple.

All areas in an agency will make some contribution towards the premium every year.

##### *Disadvantages*

If an agency uses this approach, there is no extra financial incentive for an area within an agency that has a poor record of claims compared with an area that has a good record of claims.

#### 3. Some claim experience and some payroll

An agency may choose to allocate some of the workers' compensation premium using the 'Workers' compensation claim experience' approach and the rest using the 'Payroll or number of employees' approach. For example, an agency might choose to allocate half of the agency's premium using claim experience and the other half using payroll or number of employees.

### Data from Comcare

Comcare can provide a summary of claims split by areas within an agency.

To request a summary of claims split by areas within an agency, please call 02 8218 3792 or email: [premiums.help@comcare.gov.au](mailto:premiums.help@comcare.gov.au).