



**Australian Government**

**Comcare**

# USER GUIDE FOR THE PREMIUM CALCULATION TOOL

The Premium Calculation Tool has been developed by Comcare as a guide only, to assist entities to better understand Comcare's premium model and how changes in entity claims experience flow through to their premium.

The Tool's functionality allows users to re-create premium outcomes for the current premium year as well as vary entity claims experience and payroll over the reassessment window for future premium years. It shows how changes in entity claims experience and payroll size, both for a single year and over a sustained period, can impact on prescribed amount and bonus/penalty outcomes.

The following limitations must be noted:

- > Comcare does not give any warranties or make any representations in relation to the accuracy, reliability or completeness of the results generated by the calculation tool as it is a simplification of Comcare's actual premium model.
- > The Tool may not be able to exactly re-create your entity's actual premium outcome for the current premium year because your entity's experience over the reassessment window is treated in the Tool as a single block, rather than as individual years, and because of the effects of rounding.
- > There will be variation between the generated results and actual premium outcomes and in some instances the variation could be significant depending upon several factors, including but not limited to the actual movements in scheme average premium rate, payroll for the premium year and average payroll over the reassessment window and the average incurred cost over the reassessment window.
- > Entities, in their decision making, should rely only on the formal notification of their premium outcomes which is sent by Comcare annually.

## BEFORE YOU START

There are a few resources we recommend you have with you before using the calculation tool. These include:

- > Your entity's coverage start date
- > Your entity's payroll history (ask Comcare for this information if needed)
- > Any forecasts of your entity's payroll
- > Information about your entity's projected incurred cost (the following section provides further detail to assist with obtaining incurred cost information)
- > Your entity's input tax credit percentage (ITC), if less than 100%.



## INCURRED COST DATA

The most recent estimate of incurred claim cost can be obtained from Comcare's online 'Customer Information System' (CIS). If you don't have access to CIS you will need to provide [agency.updates@comcare.gov.au](mailto:agency.updates@comcare.gov.au) with a completed CIS Access Request form. Please contact [agency.updates@comcare.gov.au](mailto:agency.updates@comcare.gov.au) for details.

If you would like to use CIS data and your entity has any of the following special circumstances, then we suggest you confirm the CIS data with your entity's Account Manager at [EmployerAccountManagement@comcare.gov.au](mailto:EmployerAccountManagement@comcare.gov.au):

- > reorganisations (Machinery of Government etc.) in the past four years or planned for future years
- > employees outside Australia covered under declared '24/7' coverage
- > employees covered under special firefighter provisions.

A small number of premium payers have premiums that cover multiple CIS entities. If you are estimating premiums for one of these entities, please make sure to run CIS reports for the correct 'grouped' entity that covers all the relevant entities.

We suggest you run CIS 'Case Management' report '66. Customer Data Report – claim detail'. The incurred cost data is in the column 'Uncapped incurred costs'. After you have run this report, select claims where:

- > the 'Date of Injury' is within the reassessment window, and
- > the 'Liability Status' is 'A' (accepted), and
- > the 'Exposure Date' is blank.

## Understanding incurred cost data

Selecting an appropriate assumption for incurred cost is a key step in using the premium calculation tool as an unrealistic assumption can lead to misleading forecasts. Please keep the following in mind when you select your incurred cost assumption:

- > The incurred cost data reported by Comcare for a claim depends on estimates of future cost (case estimates), which can be relatively volatile in the early stages of a claim or following significant changes in the circumstances of a claim (e.g., a (re)commencement of incapacity benefits). This volatility will be exaggerated in cases where there are delays in Comcare receiving updated information on the claim (e.g., delays in submission of claim for time off work forms).
- > There can be significant lags in reporting of claims. This means that the cost estimates for recent years are likely to increase over time as late-reported claims are added.
- > When using CIS reports, it is important to note the 'Case estimate date' at the end of the report which provides the as at date for the data provided.
- > Case estimates can vary significantly from month to month to reflect the latest claim developments and so a mid-year estimate may be significantly different to the actual premium result.

If you would like further information about the incurred costs to be used in the premium calculation tool, please contact your entity's Account Manager, or [EmployerAccountManagement@comcare.gov.au](mailto:EmployerAccountManagement@comcare.gov.au).

# USING THE CALCULATION TOOL

## Your entity details

When you open the calculation tool, you will see the 'Your entity details' section which is where you can enter the relevant inputs and assumptions for your entity for each premium year.

### Coverage start date and input tax credit percentage

The first two inputs are for the coverage start date and input tax credit percentage which remain the same for each premium forecast year.

1. If your entity's coverage start date (the date your entity started coverage under Comcare's scheme) is after the start of the reassessment window, select "Yes" at the coverage question and enter your entity's start date by selecting the calendar. Otherwise, select "No" at the coverage question.
2. If your entity's ITC percentage for the current premium year is less than 100 per cent, enter your entity's ITC percentage in the text box provided (to two decimal places). For most entities, the ITC is 100 per cent.

*Example: if your entity's ITC is 50%, enter '50.00' in the text box provided.*

### Current premium year

3. Click on the first tile to display the inputs required to calculate your entity's premium outcomes for the current premium year.
4. Enter the value you wish to use for your entity's payroll estimate (in \$million) in the text box provided.  
*Example: if your entity's payroll estimate is \$150,000,000, enter '150' in the text box provided.*
5. Enter your entity's initial prescribed rate (excl. GST) for the previous premium year in the text box provided.  
*Example: if your entity's initial prescribed rate (excl. GST) is 1.50%, enter '1.5' in the text box provided.*
6. Enter the value you wish to use for your entity's average payroll (in \$million) over the reassessment window in the text box provided.  
*Example: if your entity's average payroll over the reassessment window is \$150,000,000, enter '150' in the text box.*
7. Enter the value you wish to use for your entity's average incurred cost (in \$million) over the reassessment window in the text box provided.

*Example: if your entity's average incurred over the reassessment window is \$1,500,000, enter '1.5' in the text box provided'.*

Once you have entered all these values, your entity's performance adjustment, prescribed rate and amount excluding GST will be shown in the 'Overview' section.

## Next premium year

8. Click on the second tile to display the inputs required to calculate your entity's premium outcomes for the next premium year.
9. Enter the value you wish to use for your entity's payroll estimate (in \$million) in the text box provided.
10. Enter the value you wish to use for your entity's initial prescribed rate (excl. GST) for the current premium year in the text box provided. The calculation tool will automatically carry forward the rate it calculated for the current premium year, however if this is not consistent with the actual rate determined for your entity, you can enter the actual rate previously advised by Comcare.
11. Select an adjustment due to the pool trend from the drop-down box provided. This reflects the change in the aggregate premium pool from the previous year. A negative value represents an improvement in claims experience across the scheme as a whole, while a positive value reflects a deterioration in claims experience across the scheme as a whole.
12. Enter the value you wish to use for your entity's average payroll (in \$million) over the reassessment window in the text box provided. The reassessment window for the next premium year is rolled one year forward from the current premium year. As you step through the premium calculation tool you should make sure that any changes you assume in your entity's average payroll over the reassessment window are consistent with any changes you have assumed in your entity's payroll for the premium year (i.e., the inputs at steps 4 and 9).
13. Enter the value you wish to use for your entity's average incurred cost (in \$million) over the reassessment window in the text box provided.

Once you have entered all these values, your entity's performance adjustment, prescribed rate and amount and Bonus/ Penalty excluding GST for the next premium year will be shown in the 'Overview' section.

## Future premium years

The steps to calculate future premium rates and amounts are the same as the steps to calculate the next premium year's rate and amount, with the exception that you do not have to enter your entity's previous financial year initial prescribed rate, as that is carried over from the previous year's premium calculation. Also note that the reassessment window rolls one year forward each year. You should ensure that the average payroll assumed for the reassessment window is consistent with your assumptions for payroll in earlier premium years.

## Detailed calculations

The 'Detailed calculations' section allows you to view the detailed steps in the calculation of premium outcomes for a given year and to compare this to the prior premium year.

You can also download the detailed calculations for your entity in a .csv or .pdf format so that you can save these for further use.