

Article

WORKERS COMPENSATION & SELF INSURANCE

De-mystifying ReturnToWorkSA Premiums

By Jonathan Ikonmopoulos

ReturnToWorkSA (“RTWSA”) provides South Australian employers with insurance to protect their business and their workers in the event of a work-related injury. The scheme is funded by employers who pay an annual insurance premium which includes cover for wages, reasonable medical treatment and care and support costs for workers who have suffered a compensable injury¹.

Along with an employer’s obligation to provide suitable employment pursuant to section 18 of the *Return to Work Act 2014* (SA), premium impact is an important consideration in circumstances where an employer seeks advice in relation to a claim.

It is important for employers to understand the componentry of their premium and the method by which RTWSA calculates it, together with the factors likely to influence it each financial year. Calculation of employers’ premiums can be expressed by the following equation:

$$\begin{aligned}
 &BP \text{ (Remuneration } \times \text{ IR)} \\
 &\quad - \\
 &\quad \text{Discount} \\
 &\quad + \\
 &\quad \text{IS Costs} \\
 &\quad + \\
 &\quad \text{WHS Fee} \\
 &\quad + \\
 &\quad \text{GST} \\
 &\quad = \\
 &\text{Premium Payable}
 \end{aligned}$$

Base Premium

The Base Premium (“BP”) is the starting point for the calculation and is determined having regard to the amount of remuneration that an employer pays to its workers. In order to determine the amount of remuneration an assessment in dollars terms is made of the wages, salaries, allowances and superannuation paid multiplied by the employer’s Industry Rate (“IR”).

The IR reflects the general level of work injury risk for the industry within which the employer operates.

Discount

Some employers may be entitled to receive a discount which is deducted from an employer’s

premium and is measured in percentage terms according to an employer’s BP. Generally, the higher the BP the higher the discount that can be received.

Income Support Costs

Once an employer’s BP has been determined and any discount applied Income Support Costs (“IS Costs”) are added. IS Costs are assessed having regard to the amount of income support payable to workers in respect of compensable injuries that they have suffered during the previous three financial years.

Only the previous financial year’s IS Costs are to be included in the calculation.

If an employer has made no income support payments to workers in the previous financial year, it will retain its full discount in circumstances where it is entitled to receive one. If an employer incurs IS Costs in the previous year those costs will diminish the discount and potentially increase its premium above the BP depending on the amount of the IS Costs.

¹ An injury which has been accepted by reference to the provisions prescribed in the Return to Work Act 2014 (SA).

continued overleaf...



It is for this reason that employers are often told that the only direct impact on their premium is weekly payments of income support which is paid to their workers.

A Work Health Safety Fee (“**WHS Fee**”) collected by RTWSA on behalf of SafeWorkSA is subsequently added to an employer’s premium, and the total premium payable is GST inclusive. Employers can directly influence the amount of their premium payable each year, and the most effective way to do so is to ensure that injury is prevented in the first place.

Proposed changes to the Premium Process

On 21 January 2019 RTWSA published a consultation paper setting out the proposed changes to the premium end of year process. A copy of the paper can be accessed [here](#). The most significant changes concern the information gathering process with respect to the reporting of remuneration.

The current process requires employers each financial year to provide RTWSA with an estimate of the remuneration that they pay their workers for the upcoming year in addition to the actual remuneration that they paid to their workers for the previous financial year.

The estimated remuneration is used by RTWSA to calculate an employer’s BP for the upcoming financial year. The actual remuneration for the previous financial year is compared with the employer’s original estimated remuneration for that financial year, and where the two amounts vary, the premium is adjusted, resulting in refunds or additional amounts due.

The proposed changes will be of most benefit to those employers who experience a significant fluctuation in the amount of remuneration that they pay their workers and those that are otherwise impacted by factors critical to cash flow.

In the event that the proposed changes are to be implemented, employers will be provided with an opportunity each financial year to elect between the current process and the proposed process as part of having their 2019/20 premium calculated.

We are regularly providing clarification to our clients in respect of their RTWSA premiums. If this is something you feel you need assistance with please contact our workers compensation specialists.



[MORE INFO](#)

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