

## Contribution rating factors

### Workers Compensation

The factors considered when calculating TMF workers compensation contributions are:

- actual costs of claims for a fund year
- agency risk exposures
- claims costs for previous years
- performance from similar industries and other jurisdictions
- impacts to claims from legislative reforms and initiatives

### General Lines

The factors considered when calculating general lines are:

Class of risk	Rating factors
Liability	<ol style="list-style-type: none"> <li>1. Agency claims experience</li> <li>2. Agency deposit contribution for the previous year</li> <li>3. Admin costs (primarily made up of service provider expenses)</li> <li>4. Cost of reinsurance</li> </ol> <p>The contribution is subject to a cap increase or decrease of 35% each fund year. Note, this may not apply in special cases such as mergers of agencies, large exposure changes or changes in deductible amounts.</p>
Property	<ol style="list-style-type: none"> <li>1. Agency asset value</li> <li>2. Agency claims experience</li> <li>3. Admin costs (primarily made up of service provider expenses)</li> <li>4. Cost of reinsurance</li> </ol> <p>The contribution is subject to a cap increase or decrease of 35% each fund year. Note, this may not apply in special cases such as mergers of agencies, large exposure changes or changes in deductible amounts.</p>
Miscellaneous	<ol style="list-style-type: none"> <li>1. Agency claims experience</li> <li>2. Exposures contribution</li> <li>3. Admin costs (primarily made up of service provider expenses)</li> </ol> <p>The contribution is subject to a cap increase or decrease of 35% each fund year. Note, this may not apply in special cases such as mergers of agencies, large exposure changes or changes in deductible amounts.</p>
Motor Vehicle	<ol style="list-style-type: none"> <li>1. Agency claims experience</li> <li>2. Number and category of vehicles in the fleet</li> <li>3. Benchmark rates for each category of vehicle based on private sector experience for commercial vehicles</li> <li>4. Admin costs (primarily made up of service provider expenses)</li> </ol>

**Calculating annual contributions is a three stage process**



**target contribution**

Target contributions are a forecast of the total claims costs, expenses and recoveries for the fund year, calculated by actuaries at a pool level.

A pool grouping helps to separate agencies that have large or unique operations. To assist smaller agencies, high claims costs are shared across all agencies in a pool. Each pool's target contribution is not impacted by the claims experience of agencies in other pools.

For general lines, pools exist based on agency size and the types of cover (Liability, Property, Motor and Miscellaneous).



**deposit contribution**

Actuaries calculate each agency's annual payment towards the target contribution, known as deposit contributions. These differ for workers compensation and general lines insurance and are reflective of exposure and experience.

Deposit contributions are calculated using claims experience including incurred costs (recent years' claim payments), trends in claims frequency, large claims and credibility factor\*, industry benchmarks (for WC and Motor only) and an assessment of risk exposure.

Actuaries also analyse each pool's claims experience and forecast factors which could affect the future cost and frequency of claims. Examples include new legislation or improved work safety initiatives.

Your recent declarations (including Wages, Property, Motor, Miscellaneous, and Public Liability information) helped us understand your agency's experience and risk exposure to accurately calculate the contribution to cover that risk.



**benchmark funding**

NSW Treasury provides funding to budget sector agencies to pay contributions. Calculations differ for each of the TMF coverage classes.

**Workers Compensation**

The 2019/20 benchmark funding is set to 100 per cent of the deposit contribution for each budget agency.

**Liability, Property and Miscellaneous**

The 2019/20 benchmark funding is set to 99 per cent of the deposit contribution for each budget agency.

**Motor Vehicle**

The 2019/20 benchmark funding is set to 100 per cent of the deposit contribution for each budget agency.

**How can you impact your contribution?**

Agencies can improve deposit contributions through effective management of claims, claim prevention and risk management. An agency demonstrating improvement in their claims experience over time will generally benefit through a reduction in their required deposit contribution rate.

For more information please contact your icare Insurance for NSW Client Engagement Manager.

\*Credibility factor is how much claims experience can be relied on to indicate future claims costs. Larger agencies have a greater credibility factor. This is because they have a more stable history of claims experience which can be used as an accurate basis for future claims.