

Lifetime Care and Support (Catastrophic Injuries) Work Injury Levy Determination 2020 (No 1)

Notifiable instrument NI2020–288

made under the

Lifetime Care and Support (Catastrophic Injuries) Act 2014, section 84 (Determination of LTCS levy – Work Injuries)

EXPLANATORY STATEMENT

Section 84 of the *Lifetime Care and Support (Catastrophic Injuries) Act 2014* (LTCS Act) requires the Lifetime Care and Support Commissioner of the Australian Capital Territory (LTCS Commissioner) to determine the LTCS levy relating to work injuries for a contribution period.

Under the LTCS Act, the LTCS Commissioner is required to assess the amount needed to be contributed to the LTCS Fund (the fund) in each contribution period so that the scheme is fully funded. Specifically, the required fund contribution is an amount that will:

- fully fund the present and likely future liabilities of the LTCS Scheme under part 6 (Payments under LTCS scheme) of the LTCS Act; and
- provide for any other matters the LTCS Commissioner should, in all the circumstances, prudently make provision for in relation to liabilities under part 6 of the LTCS Act.

The required fund contribution is based on an actuarial estimate of the likely work injury liabilities for each contribution period. Levies for work injuries determined to be payable by each insurer or self-insurer under Schedule 1 are calculated by apportioning the required fund contribution for the period between insurers and self-insurers.

The methodology for determining the levy is specified in the *LTCS Work Injury Guideline* DI2016-168. The Guideline provides that each workers' compensation insurer and self-insurer in the ACT will be assessed a portion of the required fund contribution based on estimated market share for the contribution period. The LTCS Commissioner will apply market share estimates for each insurer and self-insurer as determined for the ACT workers' compensation regulatory levy under section 210 of the *Workers Compensation Act 1951*.

At the end of each contribution period, actual market share values will be assessed based on the ACT workers' compensation regulatory levy determination. The contribution payable by each insurer and self-insurer in the next levy determination is adjusted to reflect any difference in the contribution paid between the estimated and actual market share. The LTCS Commissioner will refund the balance to insurers and self-insurers in the event that the amount of an adjustment exceeds the current year's contribution.

This instrument determines the LTCS levy payable by each insurer and self-insurer in 2020-21. The contribution period applicable for this instrument is the financial year from 1 July 2020 to 30 June 2021.

The LTCS Commissioner has determined the contribution payable by each insurer and self-insurer based on the best available data and actuarial advice. The contribution apportioned to each insurer and self-insurer includes an actual market share adjustment for 2018-19. This is the third year that an actual market share adjustment has been made.

As the Scheme has only been in operation for less than four years, a high degree of uncertainty remains with respect to the number of participants and the costs of administering the scheme. Noting that it may take a number of years of experience before more robust scheme data becomes available, the LTCS Commissioner will reassess the levy amount on the basis of updated advice of an independent actuary, after the scheme has operated for a further 12 month period.