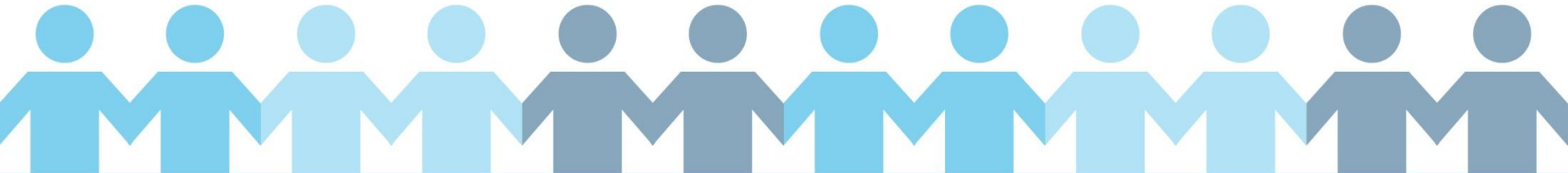


2019 Rate Setting

- Changes impacting on 2019 rates
- Recap of transitional changes



Rate Setting Goals : Policy 31.05.05

- Promote and enhance workplace safety and health;
- Promote effective workplace disability management programs;
- Allocate the costs of the compensation system among employers in a fair manner;
- Balance rate stability with rate responsiveness; and
- Maintain the financial integrity of the workers compensation system.



Classification Group Risk and Rates

- All employers are placed in an industry classification when they register with the WCB.
- An industry classification is a group of employers who operate in a similar industry. Each industry classification is assigned a risk category that describes their level of risk (cost of injuries) compared to the system average.



Risk Categories

We are moving from nine risk categories to eighteen, eliminating risk categories 70%/120%

15%*	125%*
20%	150%
25%*	200%*
33%	250%
40%*	300%*
50%	400%
60%*	500%*
75%*	600%
100%*	800%*

*Risk categories currently populated with employers

- Employers moved to the most appropriate new risk category based on a review of the past four years of claims costs, which may cause an increase or decrease to their 2019 rate.
- This helps to ensure that industries and large employers are more accurately assigned to categories and rates that reflect their most recent experience.

New Rate Model - No. of Risk Categories

Implementation – 2019 Rate Setting (18 Risk Categories)

15%	33%	60%	125%	250%	500%
20%	40%	75%	150%	300%	600%
25%	50%	100%	200%	400%	800%

Old Model (9 Risk Categories)

15%	70%	300%
25%	120%	500%
40%	200%	800%



Elimination of 70% Rate Category

- Review of 4 years of payroll and claim costs
- Calculation of 4 year forecast rate
- If 4 year forecast rate closer to 60% rate category, then move to 60% category
- If 4 year forecast rate closer to 75% rate category, then move to 75% category
- Move to 75% rate category somewhat offset by reduction in balancing factor to 1.99%
- This can allow industries/large accounts to move to new risk categories sooner

Elimination of 120% Rate Category

- Review of 4 years of payroll and claim costs
- Calculation of 4 year forecast rate
- If 4 year forecast rate closer to 100% rate category, then move to 100% category
- If 4 year forecast rate closer to 125% rate category, then move to 125% category
- Move to 125% rate category somewhat offset by reduction in balancing factor to 1.99%
- This can allow industries/large accounts to move to new risk categories sooner



Experience Period

- This is the time during which claim costs are accumulated to calculate an employer's experience. Under the previous rate model, the experience period was 12 months of costs for claims that had an accident date in the previous five calendar years.
- Under the new rate model, the time frame will be three calendar years of costs for claims that had an accident date in the last three calendar years. This new approach will be fully implemented by 2020.



Transition Claims Costs

- For 2019 the experience period changed to 24 months of costs over four years to transition towards the new rate model experience period of three calendar years of costs for claims incurred in the last three years.
- If an employer has claims with an accident date between 2014 through 2017, that had claims costs between January 1, 2016 to December 31, 2017, then this will affect their 2019 rate.
- An employer's actual claim costs are compared to a weighted average for all Class E employers based on assessable payroll levels.



Employer Comparison

- An employer's actual claim costs are compared to a weighted average for all Class E employers based on assessable payroll levels
- Actual claim costs are divided by Class E average claim costs to derive a ratio
- This ratio multiplied by average rate of \$0.95 to derive an experience rate
- Experience rate is then subject to experience factor, experience factor based on employer payroll size

Fatalities

- Wide range in actual costs of a fatal claim
- Can range from \$12,000 to \$1 million or more
- Remove actual costs of fatality and replace them with an actuarial average
- For 2019, average cost of fatality is \$150,000
- Under old model, annual change limit could have been higher than 50% (regular rate change limit plus additional 25%)
- Under new model, annual change limit does not exceed 15%

Experience Factor

- Ensures rate changes are less volatile and can't climb as high as they once did. The experience factor is based on payroll size.

	Small Employers	Medium Employers	Large Employers
The percentage of your individual experience used to calculate your rate	20%	30-40%	40-100%
The percentage of your classification's experience used to calculate your rate	80%	60-70%	0-60%

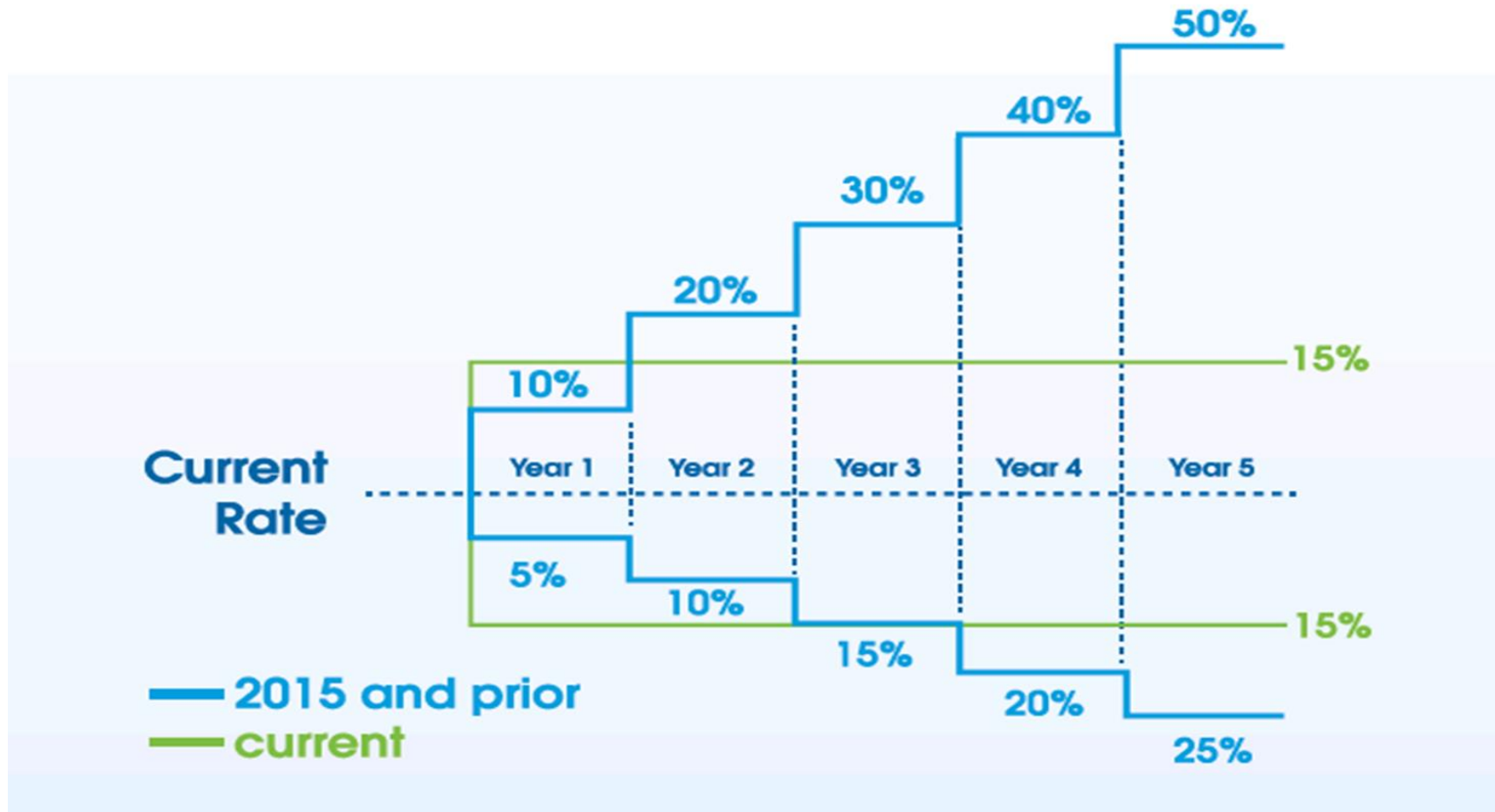
Rate Ranges

- Also ensures rate changes are less volatile and can't climb as high as they once did. The rate ranges are based on payroll size.
 - Small accounts -10% to +30%
 - Medium accounts -20% to +60%
 - Large accounts -40% to +120%
- Determination of small, medium or large based on classification code payroll size, not overall firm size
- One account with more than one classification code can be categorized as small account in one classification code and as a large account in another classification code

Reduced the Annual Basic Rate Change Limit

- Previously, an employer's rate could move up at an ever increasing pace if they had high claims costs.
 - For example, after three years of excessive claims costs - rate increased by 30%, after four years by 40%, and after five years by 50%. As their experience improved, their rate would decrease much more slowly.
- Now, the basic annual rate change limit is capped to restrict how much a rate can move to a maximum of 15 per cent up or down per year
- Maximum increase or decrease still subject to balancing factor

Annual Basic Rate Change Limit continued



Apply Balancing Factor

- When setting average rate, the Board determines an overall revenue target for the rate model to generate
- With all the limits in rate model to prevent rate shock, the model will generally fall a few percentage points short of the revenue target
- For example, model should generate an average rate of \$0.95, but once all limits are applied average rate comes in at \$0.92
- Balancing factor added to all final rates to meet revenue target
- 2019 balancing factor 1.99%

New Rate System - Transition Timeline

Revised – as of June 2018

Implementation complete

	2015-2018 Rate Setting	2019 Rate Setting	2020 Rate Setting	2021 Rate Setting	2022 Rate Setting
Risk Categories	<ul style="list-style-type: none"> Decrease top category range from 200% to 120% (2016) Decrease bottom category range from -40% to -20% (2016/17) Introduced category ranges based on employer size (2018) <ul style="list-style-type: none"> Small: -10% to +30% Medium: -20% to +60% Large: -40 %to +120% 	<ul style="list-style-type: none"> Category range based on employer size. <ul style="list-style-type: none"> Small: -10% to +30% Medium: -20% to +60% Large: -40 %to +120% Start process of introducing new categories 	<ul style="list-style-type: none"> Category range based on employer size. <ul style="list-style-type: none"> Small: -10% to +30% Medium: -20% to +60% Large: -40 %to +120% Enhanced category monitoring – 1st notice of potential movement in 2022 	<ul style="list-style-type: none"> Category range based on employer size. <ul style="list-style-type: none"> Small: -10% to +30% Medium: -20% to +60% Large: -40 %to +120% Enhanced category monitoring – 2nd notice of potential movement in 2022 	<ul style="list-style-type: none"> Category range based on employer size. <ul style="list-style-type: none"> Small: -10% to +30% Medium: -20% to +60% Large: -40 %to +120% Introduce 7 new risk categories and begin movement to new risk category
Change Limit	<ul style="list-style-type: none"> Change Annual Rate Change Limit from -25% / +50% to a maximum movement of +/- 15% (2018) 	<ul style="list-style-type: none"> Limit annual rate changes to +/- 15% 	<ul style="list-style-type: none"> Limit annual rate changes to +/- 15% 	<ul style="list-style-type: none"> Limit annual rate changes to +/- 15% 	<ul style="list-style-type: none"> Limit annual rate changes to +/- 15%
Experience Factor	<ul style="list-style-type: none"> Experience Factor (2018): <ul style="list-style-type: none"> Small: 20% Medium: 30-40% Large: 40-100% 	<ul style="list-style-type: none"> Experience Factor: <ul style="list-style-type: none"> Small: 20% Medium: 30-40% Large: 40-100% 	<ul style="list-style-type: none"> Experience Factor: <ul style="list-style-type: none"> Small: 20% Medium: 30-40% Large: 40-100% 	<ul style="list-style-type: none"> Experience Factor: <ul style="list-style-type: none"> Small: 20% Medium: 30-40% Large: 40-100% 	<ul style="list-style-type: none"> Experience Factor: <ul style="list-style-type: none"> Small: 20% Medium: 30-40% Large: 40-100%
Claims Experience	<ul style="list-style-type: none"> Remove prediction index (2018) Calendar year period (2018) 	<ul style="list-style-type: none"> Move from 1/5 Experience period to 2/4 Experience period 	<ul style="list-style-type: none"> 3/3 Experience period Changes in risk categories based on new experience period 	<ul style="list-style-type: none"> 3/3 Experience period 	<ul style="list-style-type: none"> 3/3 Experience period
Certification & Rebate	<ul style="list-style-type: none"> New Industry Based Safety (IBSP) Funding Program SAFE Work Certified Rebate Program 	<ul style="list-style-type: none"> New IBSP Funding Program SAFE Work Certified Rebate Program 	<ul style="list-style-type: none"> New IBSP Funding Program SAFE Work Certified Rebate Program 	<ul style="list-style-type: none"> New IBSP Funding Program SAFE Work Certified Rebate Program 	<ul style="list-style-type: none"> New IBSP Funding Program SAFE Work Certified Rebate Program
Average Rate	\$1.30 → \$.95	\$.95	\$.95	\$.95	\$.95



Completed elements



Transition action introduced



New system feature introduced

Subject to change as WCB monitors the transition plan.

Here's a Snapshot of the New Rate Model as of 2020

	Small	Medium	Large
Payroll Size	Up to \$750,000	\$750,000 - \$7.5 million	Over \$7.5 million
Experience Factor	20%	30-40%	40-100%
Risk Category Range	10% below to 30% above category range	20% below to 60% above category range	40% below to 120% above category range
Annual Basic Rate Change Limit	+ / - 15%	+ / - 15%	+ / - 15%
Experience Period	3 years of costs on 3 years of claims	3 years of costs on 3 years of claims	3 years of costs on 3 years of claims

2019 Rate Model Impacts

- Decrease GT 10% 5,719 firms 20%
- Decrease 5% to 10% 1,863 firms 6%
- Decrease 0% to 5% 12,982 firms 44%
- Increase 0% to 5% 5,796 firms 20%
- Increase 5% to 10% 645 firms 2%
- Increase GT 10% 2,271 firms 8%



Safety Programs Classification Codes

- Applies to following classification codes:
- 31002 Foundries
- 31003 Metal Working Plants
- 31004 Rolling Mills
- 31008 Scrap Metal & Salvaging
- 31009 Manufacturing Vehicles
- 31010 Manufacturing Agricultural Equipment
- 31103 Light Metal Products Manufacturing
- 31403 Manufacturing Doors & Windows
- 31404 Manufacturing Millwork & Furniture

Safety Programs Classification Codes

- 31405 Manufacturing Beams & Trusses
- 31407 Manufacturing Fibre & Asphalt Products
- 31408 Manufacturing Bricks & Blocks
- 31510 Manufacturing Brooms, Brushes, Plastic Material
- 31523 Manufacturing Beds, Bedding, Foam & Rubber
- 31607 Manufacturing Fibreglass Products
- 31615 Manufacturing Corrosive Chemicals
- 32002 Manufacturing Aircraft
- 60408 Aircraft Repair

Safety Programs Levies

- Safety levy applied after balancing factor, last step in calculation of rate
- 2019 9.91%
- 2018 9.36%

History of Average Rates

- 2014 \$1.50
- 2015 \$1.30
- 2016 \$1.25
- 2017 \$1.10
- 2018 \$0.95
- 2019 \$0.95

2018 Average Rates Across Canada

- Nova Scotia \$2.65
- Ontario \$2.35
- Newfoundland \$1.90
- Quebec \$1.79
- New Brunswick \$1.70
- Prince Edward Island \$1.60
- BC \$1.55
- Saskatchewan \$1.19
- Alberta \$1.02

Rate Letters

- Previously sent in early December
- Now sent in October
- Classification code
- Risk category (current year and future year)
- Rate range (lower and upper boundary)
- Employer size (small, medium or large)
- Premium rate (current year and future year)
- Participation in industry based safety program *

2019 Rate Setting

