WCB’S RATE MODEL CHANGES
Impacts to Rate Codes

Speaker
Peter Federko, CEO, WCB

Peter is a CPA and has been with the Saskatchewan WCB since February 1994. He was appointed Vice President, Budget and Finance in September 1994 and was appointed the first Chief Executive Officer of the WCB in June 1996. He is the longest-serving CEO among Canadian WCBs today. Over his 22 years with the WCB, Peter has led the organization through major financial challenges and change initiatives that position the WCB as a leader in its industry. Peter has served on the Association of Workers’ Compensation Boards of Canada (AWCBC) as President, and is a Past President of the International Association of Industrial Accidents Boards & Commissions (IAIABC) and Chair of the Disability Management and Return to Work Committee.
Agenda

1. WCB Background
2. Purpose of the Rate Model Review
3. 2017 Industry Impacts – Current vs Enhanced model
4. Next Steps
Section 1: WCB Background
Why do you pay WCB premiums?

Historical Compromise

Employers agreed to accept collective liability

Workers gave up their right to sue

Your premium assessments fund the compensation system
The Rate Setting Process

Step 1: Industry Classification

Step 2: Industry Premium Rates

Step 3: Experience Rating
Section 2: Purpose of the Rate Model Review
Why did we need a review of the Rate Model?

- Following the Asset Liability Study (conducted by Eckler Consultants and Actuaries), a recommendation was made to review the WCB’s rate model.

- Employer feedback
Rate Model Balancing Principles

- Accountability
- Collective Liability
- Rate Stability
- Reactivity
What was critical to the review process?

To maintain high levels of fairness and transparency overall in the rate setting process:

- Predictability of costs - Premiums collected in the future must be sufficient to cover expected costs and expenses
- Model must be fair and equitable for all employers
- Model must follow actuarial standards
Rate Model Review

Key Findings

- Process for establishing premium rates is sound and collects required premiums
- Refinement vs. overhaul

Key Recommendations

- Credibility of industries
- Classification
- Use of indicators to predict costs
- Costly claim pooling
- Allocation of fatality costs
- Long term claims
- Allocation of administration costs
Section 3:
2017 Industry Impacts
Current vs Enhanced Model
2017 Industry Impacts

- Industry impacts show the differences of the 2017 premium rates under the current model compared to the enhanced model.

- The 2018 rates will be released Fall of 2017 and will include updated experience.

- Industry impacts may not sum to overall impact due to rounding.
Credibility of Industries

Recommendation:
- Rate codes that are not fully credible should be complimented with a longer experience period

Credibility – Extent that you can use an industry’s past experience to predict its future experience

Why the Change:
- Increases accountability by allowing more industries to stand on their own cost experience
- Improve predictability and stability for small industries

WCB Decision:
- If 5 years of cost history does not provide enough experience to predict future costs, 10 years is used to supplement the 5 year experience
G22 - Credibility of Industries

RATE IMPACT

<table>
<thead>
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<td>Credibility</td>
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<td>Long-Term Claims</td>
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<tr>
<td>Administration Costs</td>
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Mission: Zero

Saskatchewan Workers’ Compensation Board
Use of Indicators to Predict Costs

Recommendation:
The WCB should not use the number of time loss claims, instead use the evolution of workforce to adjust past costs in the projection of future costs.

Workforce – estimate of the change in the number of insured workers for the rate year

Why the Change:
- The number of time loss claims has been declining, but there has not been a proportional decline in costs

WCB Decision:
- Use change of workforce instead of time loss claims to predict costs
G22 - Change of Indicators

RATE IMPACT

- Credibility
- Change of Indicators
- Costly Claim Pooling
- Fatalities
- Long-Term Claims
- Administration Costs

$0.00
-$0.01
-$0.02

-$0.01
Costly Claim Pooling

Recommendation:
- The pooling of large claims should be done at the board level
- Use an indexed limit as opposed to a fixed one
- Use total claim costs instead of just pension
- Pooled costs should be redistributed based on costs

Why the Change:
- Increases collective liability so rare costly claims do not unduly burden an industry

WCB Decision:
- Apply all costs up to a maximum of 3 times the ultimate maximum insurable wage to the industry experience. Remaining costs are pooled at the Board Level.
G22 - Costly Claim Pooling

RATE IMPACT

- $0.02 Credibility
- $0.01 Change of Indicators
$0.03 Costly Claim Pooling
$0.00 Fatalities
$0.00 Long-Term Claims
$0.00 Administration Costs

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MISSION: ZERO
Allocation of Fatality Costs

Recommendation:
Fatalities should be charged to the industries based on actual or averaged costs

Why the Change:
- Increases accountability to industries that have fatalities

WCB Decision:
- Costs for a fatality claim will be charged to the industry in which they occur and treated the same as all other claims
G22 - Allocation of Fatality Costs

RATE IMPACT

- $0.02  Credibility
- $0.01  Change of Indicators
$0.03  Costly Claim Pooling
- $0.01  Fatalities

Long-Term Claims  Administration Costs
Long Term Claims

_Recommendation:_ Use more recent experience to predict future costs at the industry level. Costs beyond this period should be allocated based on claims costs.

_Why the Change:_
- Increases reactivity by putting emphasis on recent cost experience
- Increases accountability to industries

_WCB Decision:_
- Applies all costs for the first 7 years of a claim to the industry experience. Remaining costs are pooled at the Board Level
G22 - Long Term Claims

RATE IMPACT

- Credibility: -$0.02
- Change of Indicators: -$0.01
- Costly Claim Pooling: $0.03
- Fatalities: -$0.01
- Long-Term Claims: $0.11
- Administration Costs
Allocation of Administration Costs

**Recommendation**
Align the allocation of fixed and variable costs to better reflect the actual admin cost structure

**Why the Change:**
- Increase fairness so all industries appropriately share the costs

**WCB Decision:**
- Increase the fixed component from 10% to 30%.
G22 - Allocation of Administration Costs

RATE IMPACT

- $0.02
- $0.01
$0.03
- $0.01
$0.11
$0.01

Credibility
Change of Indicators
Costly Claim Pooling
Fatalities
Long-Term Claims
Administration Costs
## Premium Composition

### G22 - Health Authority, Hospitals and Care Homes

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<tr>
<th>Factors</th>
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Differences between this table and impact charts are due to rounding
Section 4: Next Steps
Next Steps

- Today’s full presentation will be recorded and available on www.wcbsask.com
- More questions?
  - If you have additional questions, please email askwcb@wcbsask.com
- Transition Feedback
  - Provide your feedback on how the WCB’s enhanced rate model will be transitioned in 2018
    - www.wcbsask.com/feedback
You can influence the premium rate you pay.
UPCOMING WCB EVENTS

WCB’s Free Annual Learning Event
March 20 & 21 2017 – TCU Place Saskatoon