

WCB'S RATE MODEL CHANGES

Impacts to Rate Codes



Speaker – Phillip Germain, Vice President, Prevention & Employer Services, WCB

Phil has been with the Saskatchewan WCB since 2005. He was appointed Vice-President of Prevention & Employer Services in 2012. Prior to starting with the WCB, Phil worked for the Agricultural Manufacturers of Canada and the Saskatchewan Construction Safety Association. He serves on the Disability Management and Return to Work Committee and the Standards and Research Committee, International Association of Industrial Accidents Boards and Commissions (IAIABC). He is a Director of the Saskatchewan Safety Council Board and on the Board of Governors for the Canadian Centre for Occupational Health and Safety. Phil holds a Bachelor of Science Degree from the University of Alberta and holds a professional designation from the Board of Canadian Registered Safety Professionals.



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Construction Rate Model Impacts

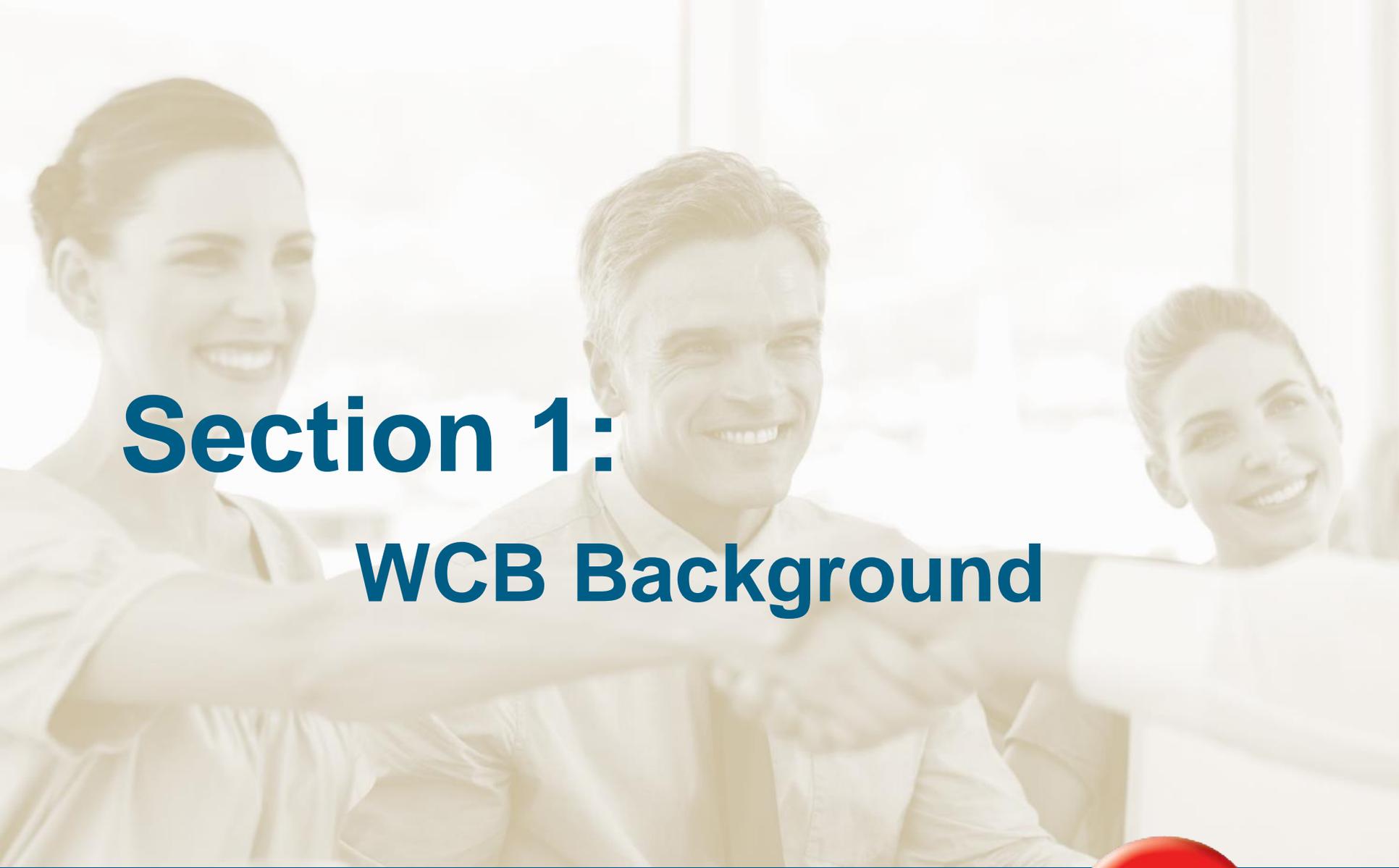
March 7, 2017



Agenda

1. WCB Background
2. Purpose of the Rate Model Review
3. 2017 Industry Impacts – Current vs Enhanced model
4. Next Steps



A photograph of three business professionals (two women and one man) smiling and looking towards the right. They are in a meeting setting, with one woman pointing towards the right. The image is overlaid with a semi-transparent blue filter.

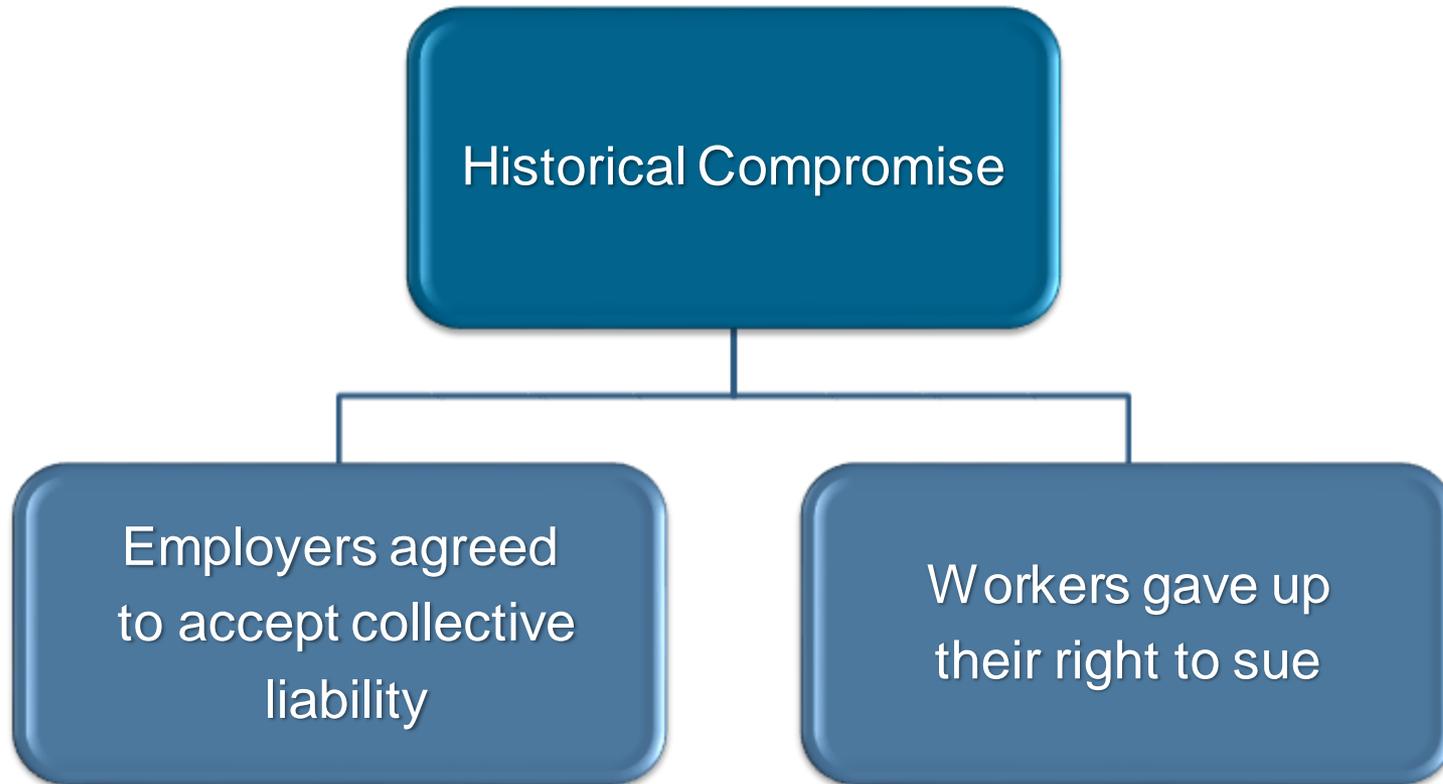
Section 1: WCB Background

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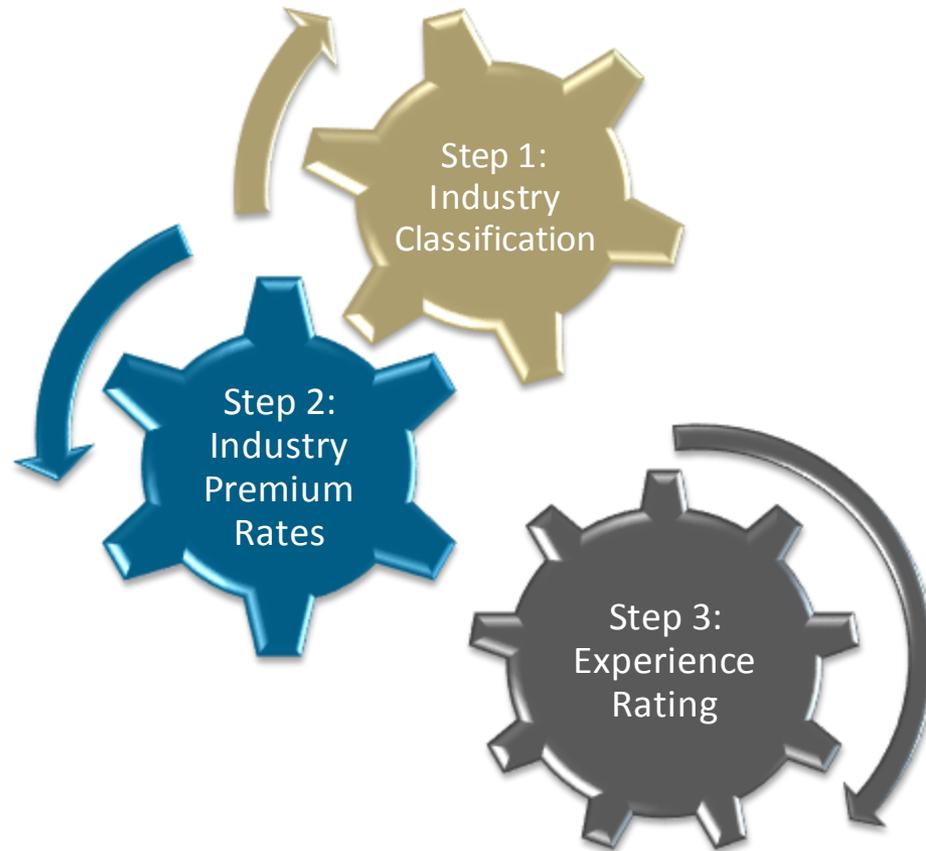
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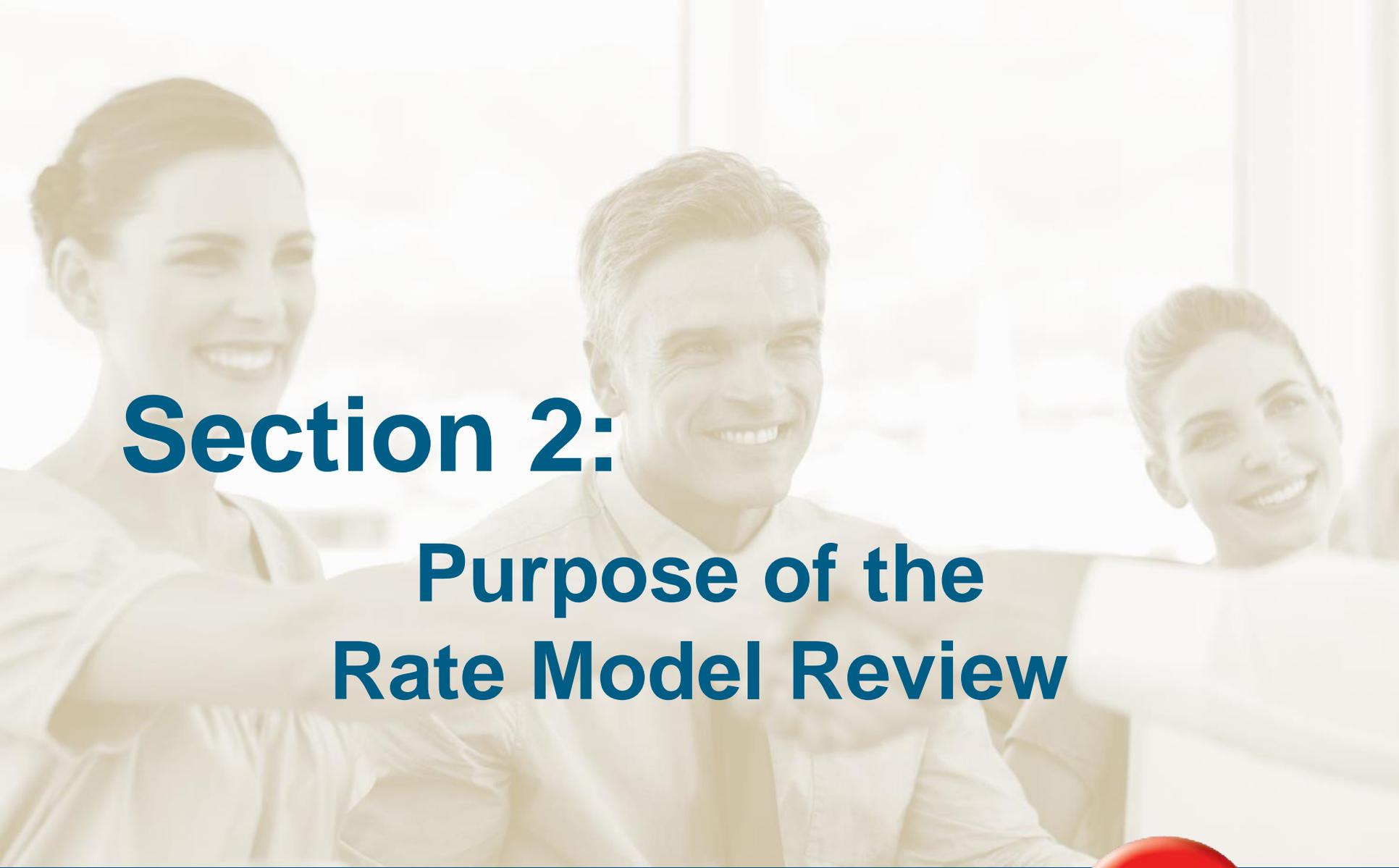
Why do you pay WCB premiums?



Your premium assessments fund the compensation system

The Rate Setting Process





Section 2:

Purpose of the Rate Model Review

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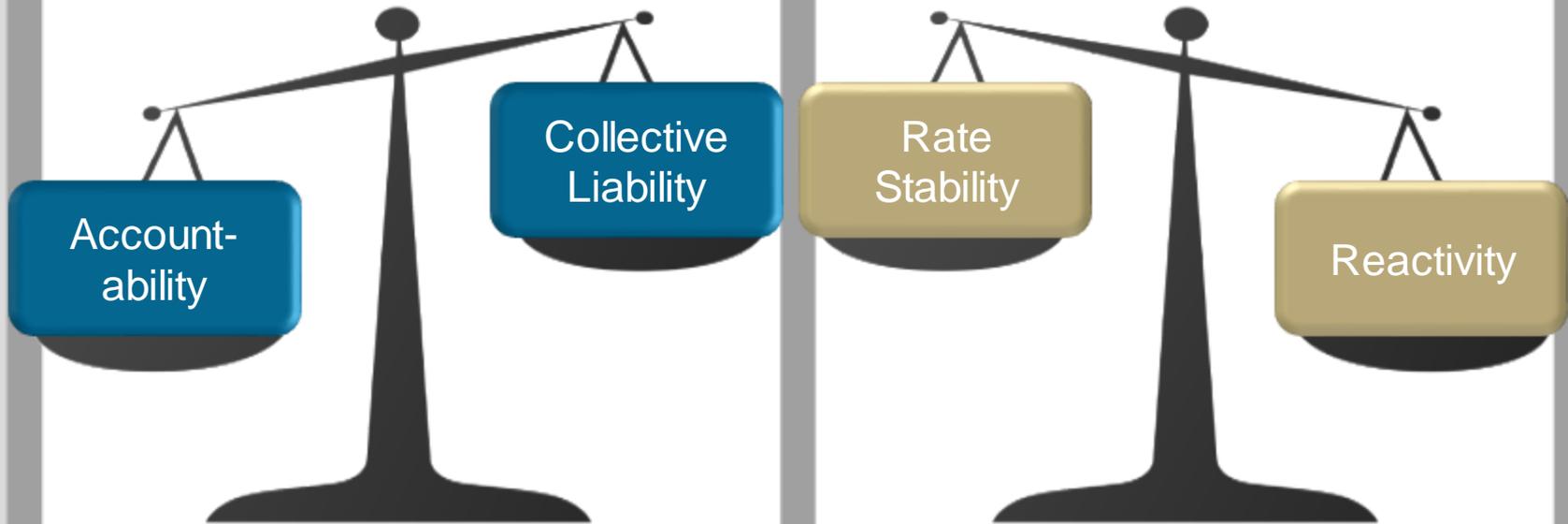
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Why did we need a review of the Rate Model?

- 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



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

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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

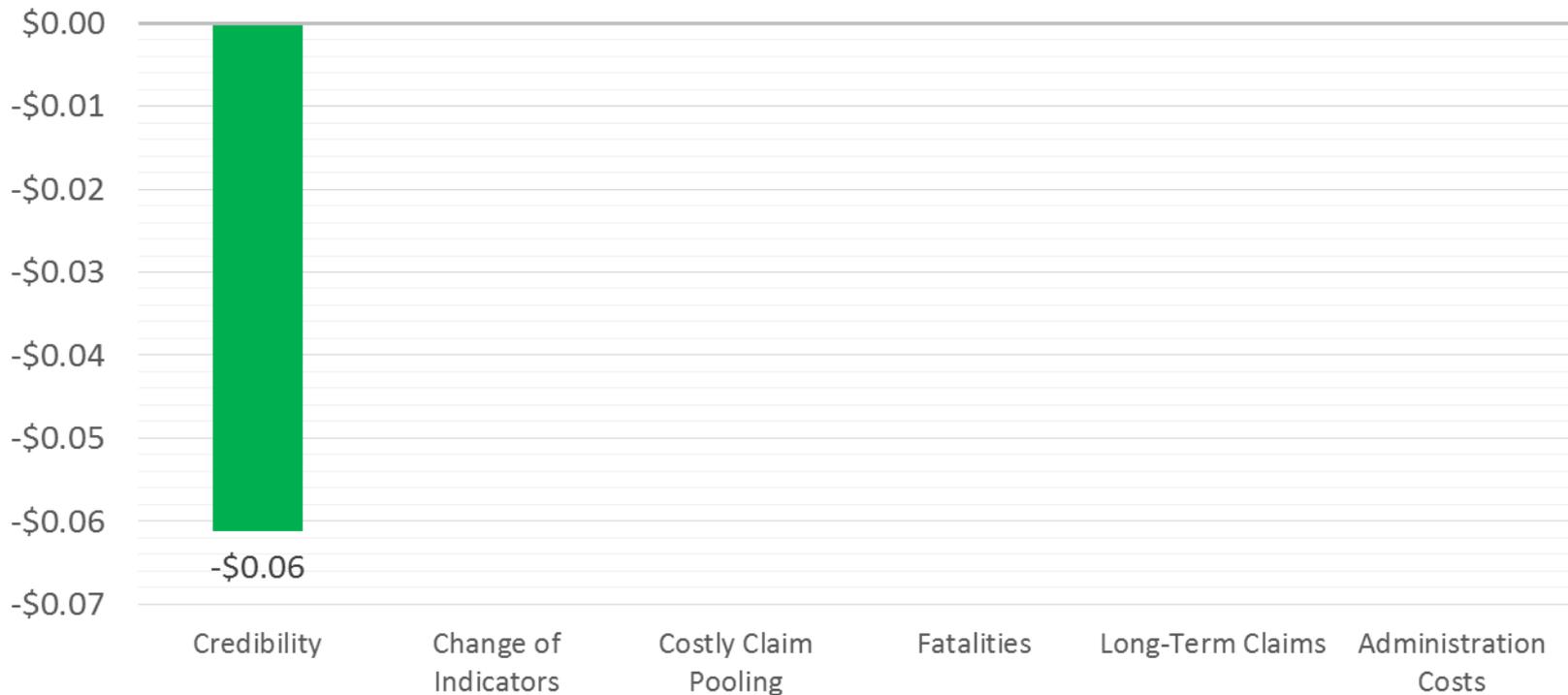
WCB Decision:

- 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



B11 - Credibility of Industries

RATE IMPACT

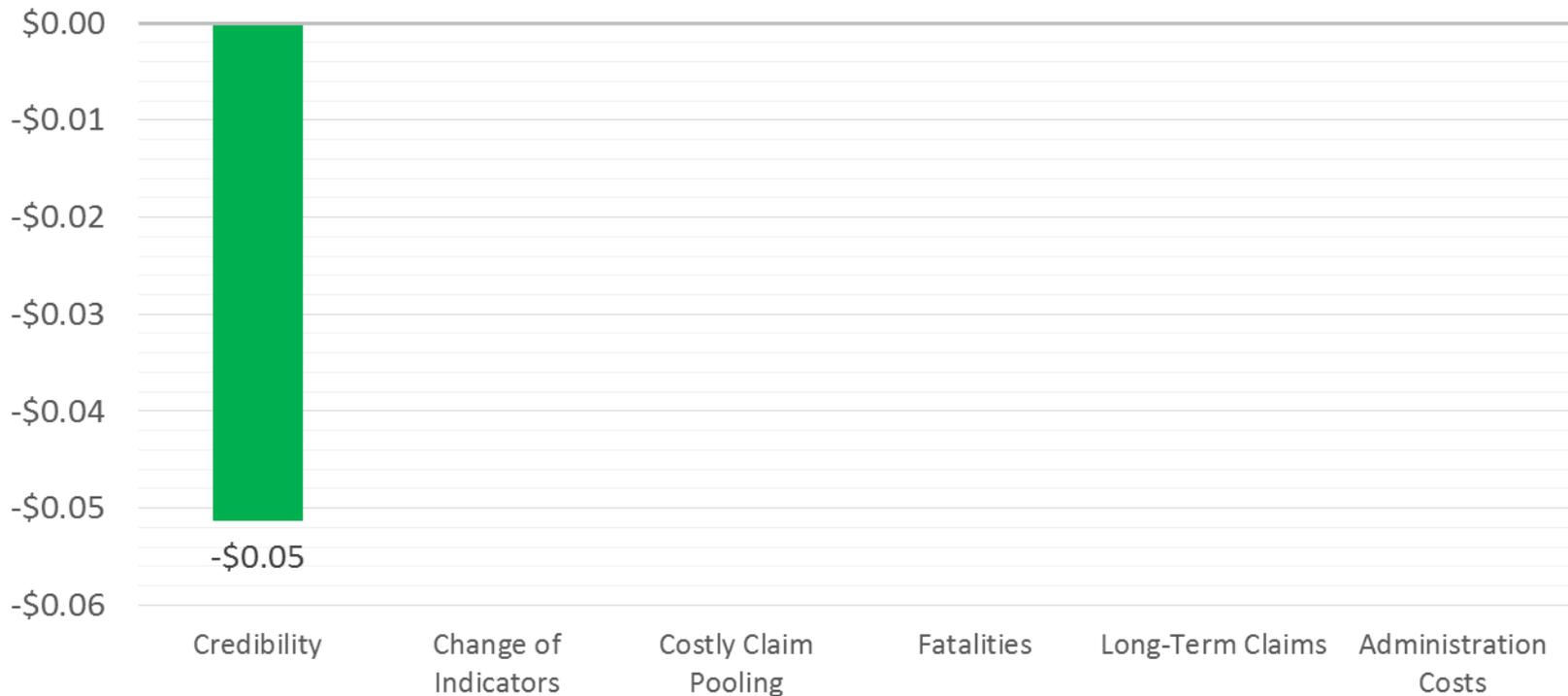


B12 - Credibility of Industries



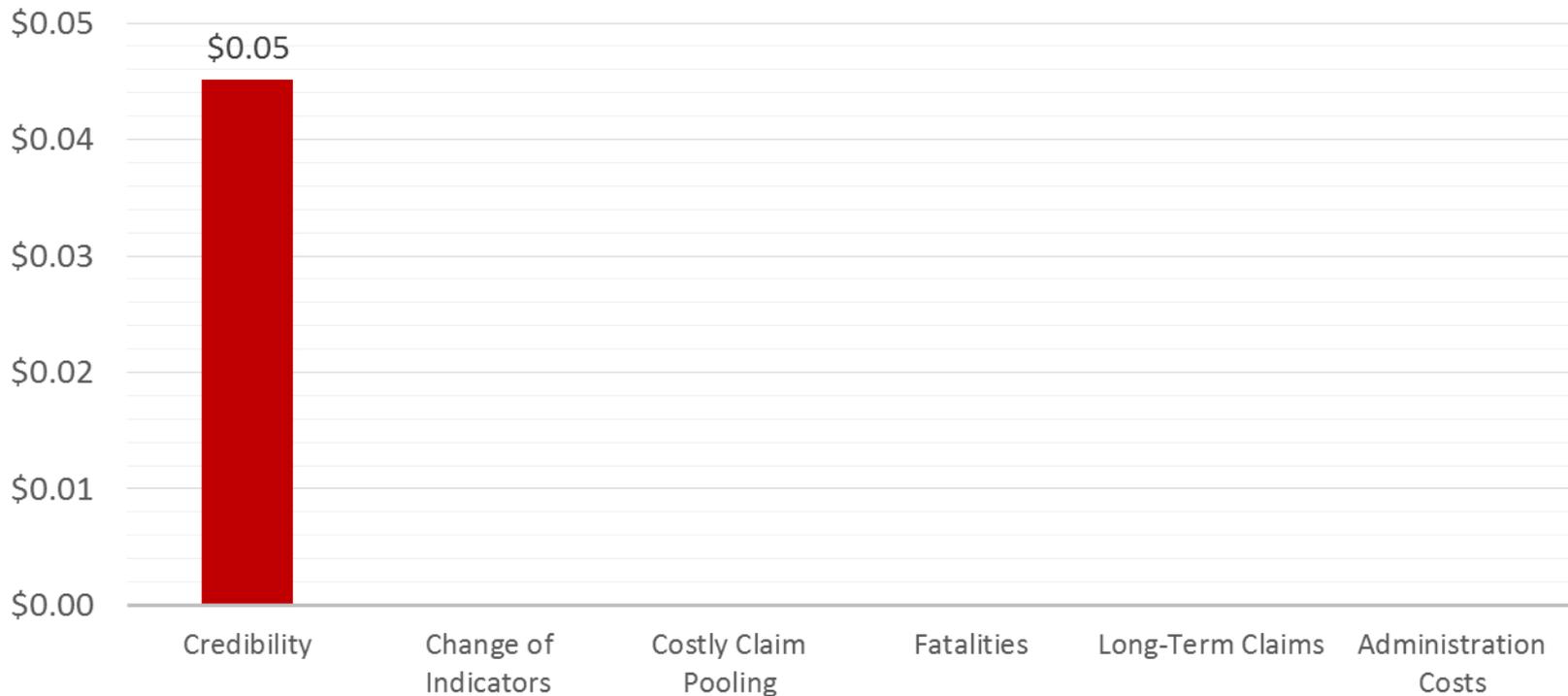
B13 - Credibility of Industries

RATE IMPACT



R11 - Credibility of Industries

RATE IMPACT



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

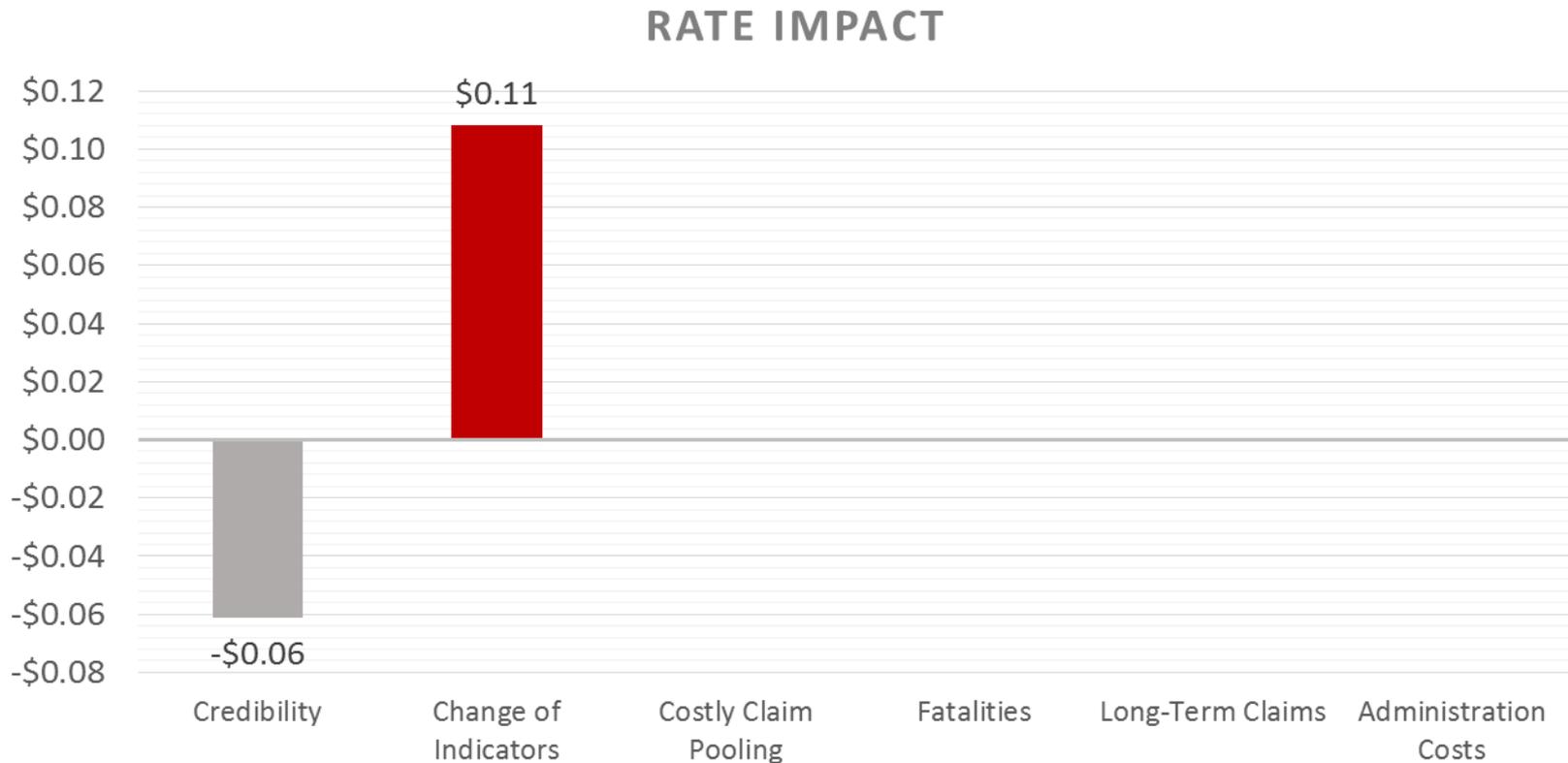
Why the Change:

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

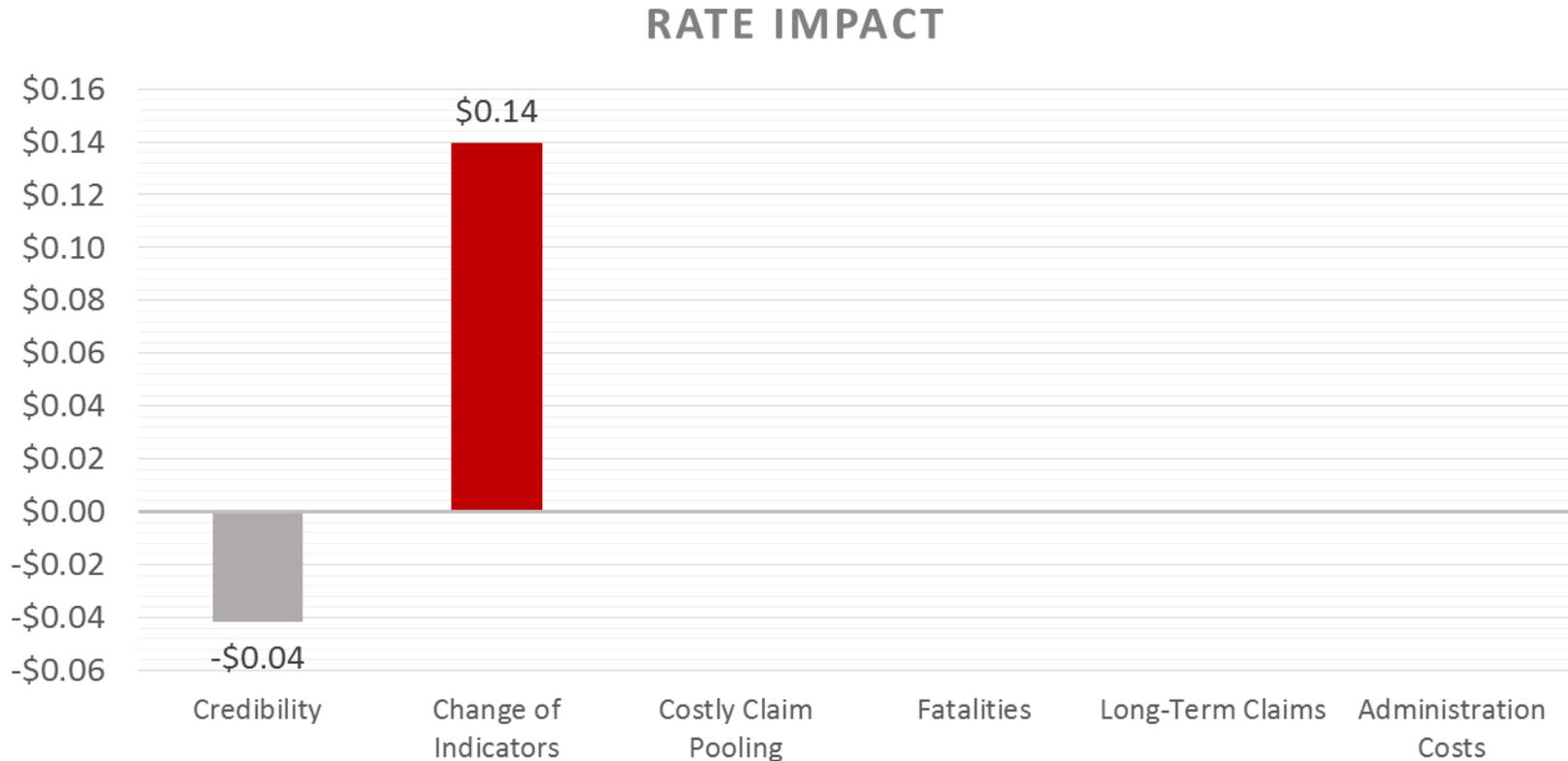
WCB Decision:

- Use change of workforce instead of time loss claims to predict costs

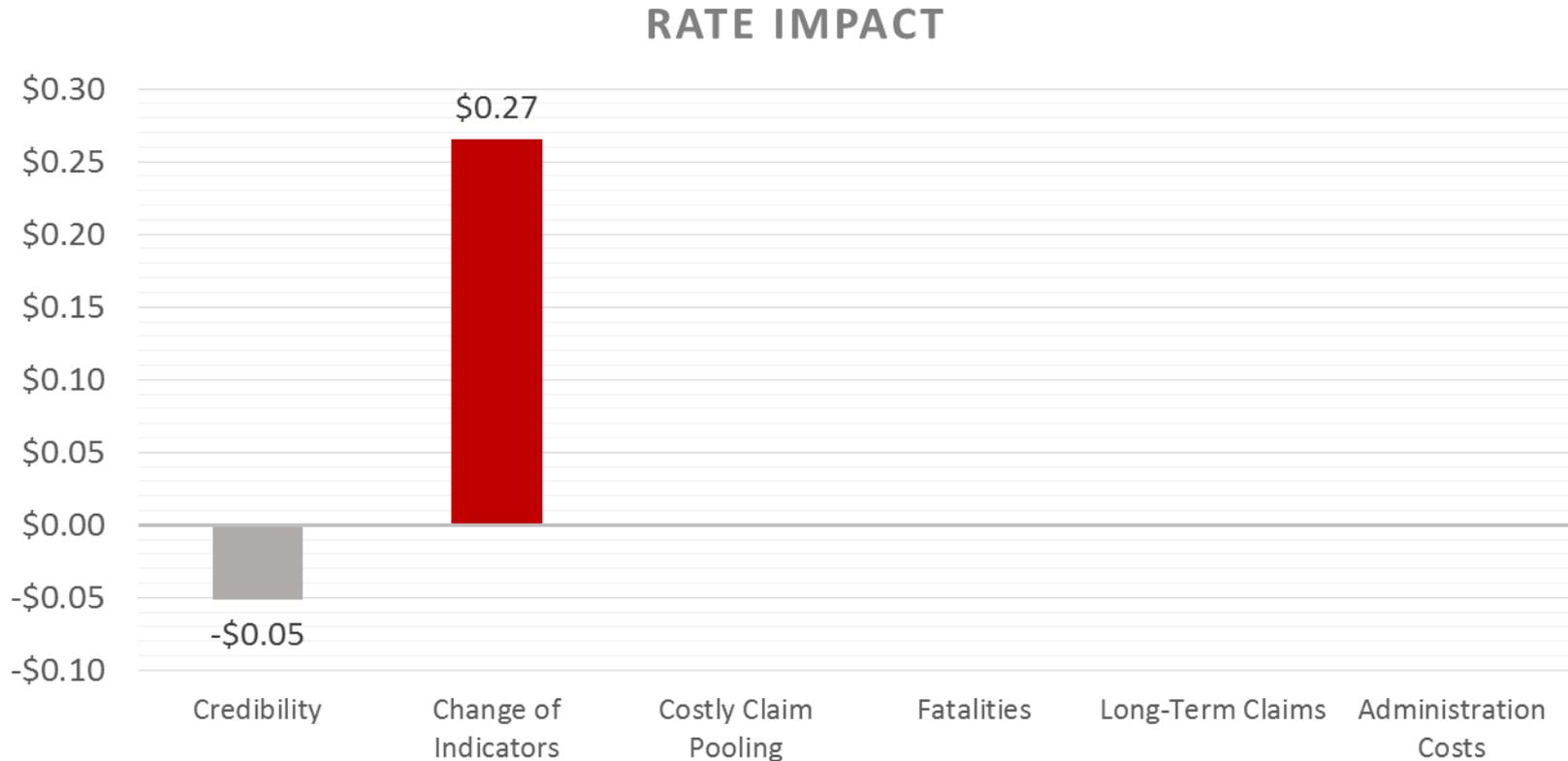
B11 - Change of Indicators



B12 - Change of Indicators



B13 - Change of Indicators



R11 - Change of Indicators



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*

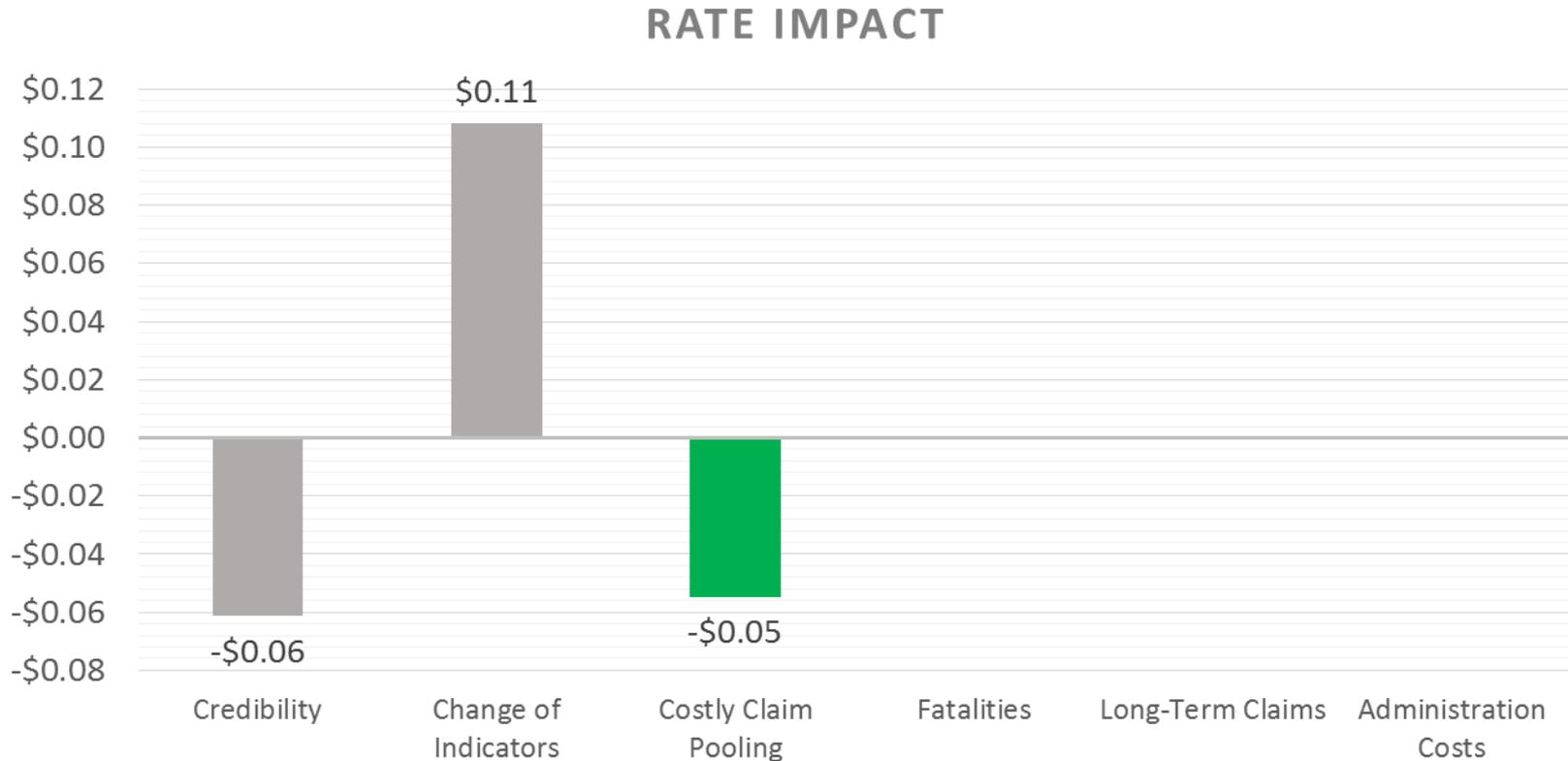
Why the Change:

- 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.

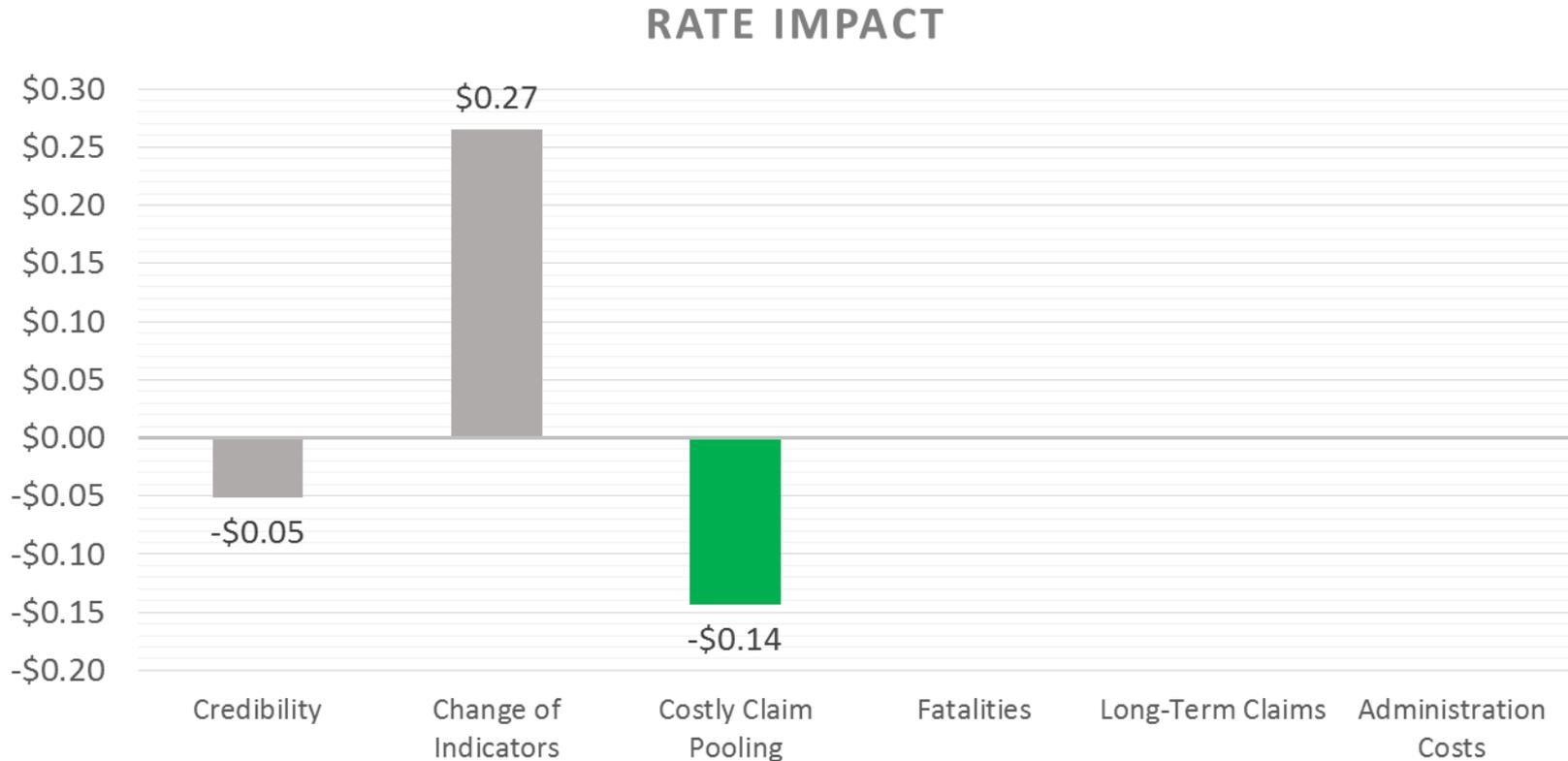
B11 - Costly Claim Pooling



B12 - Costly Claim Pooling



B13 - Costly Claim Pooling



R11 - Costly Claim Pooling



Allocation of Fatality Costs

Recommendation:

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

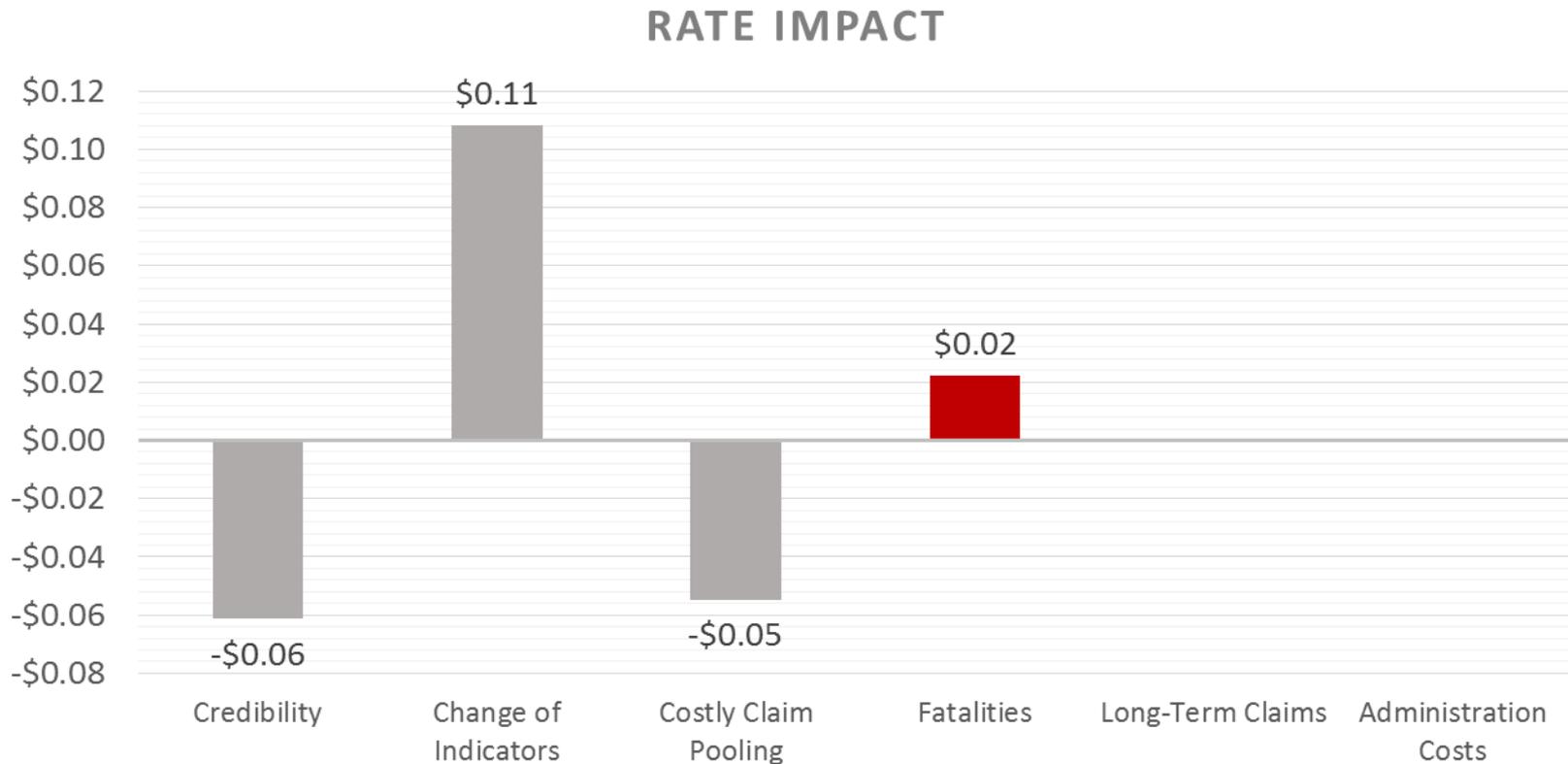
Why the Change:

- Increases accountability to industries that have fatalities

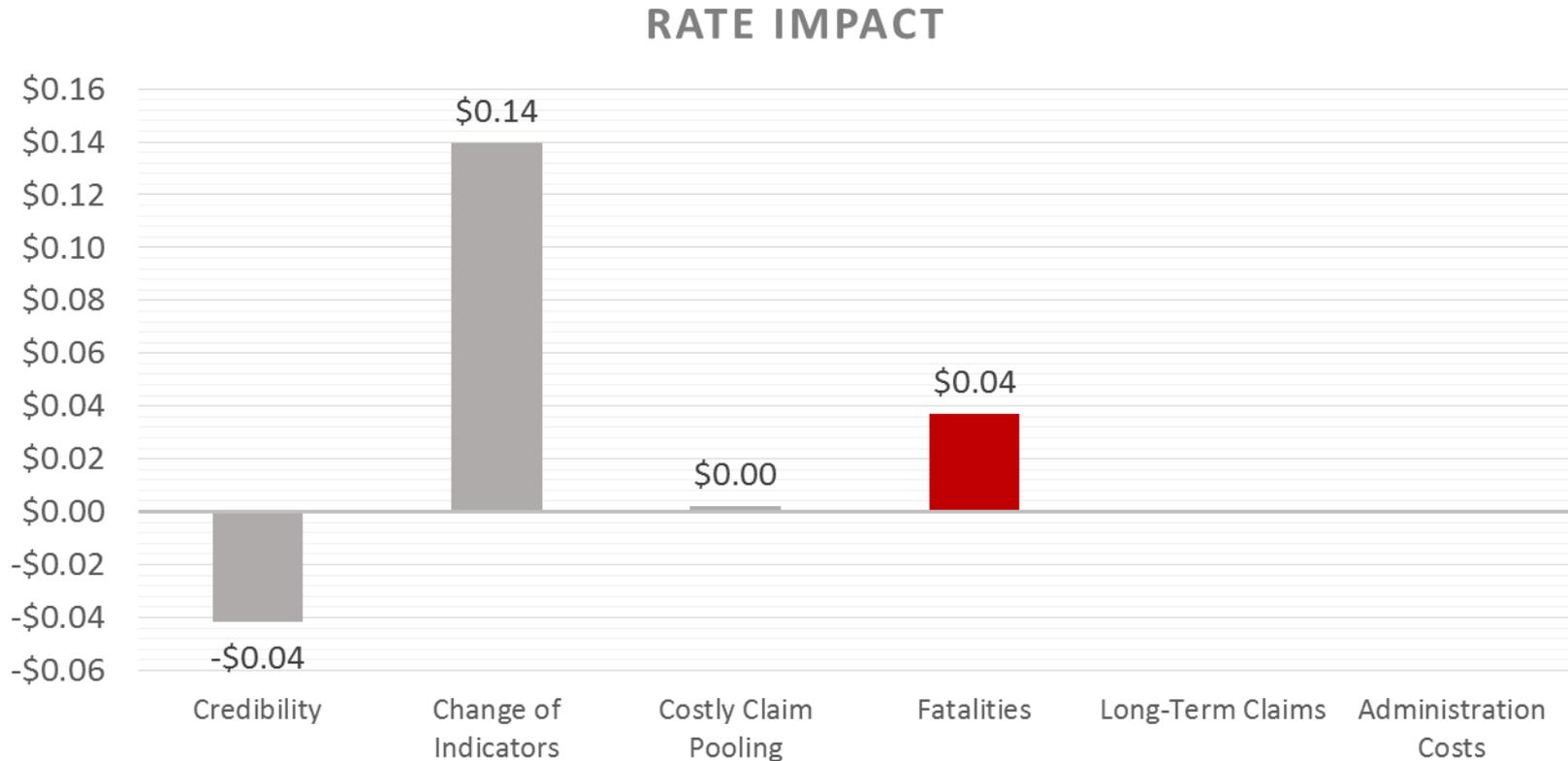
WCB Decision:

- Costs for a fatality claim will be charged to the industry in which they occur and treated the same as all other claims

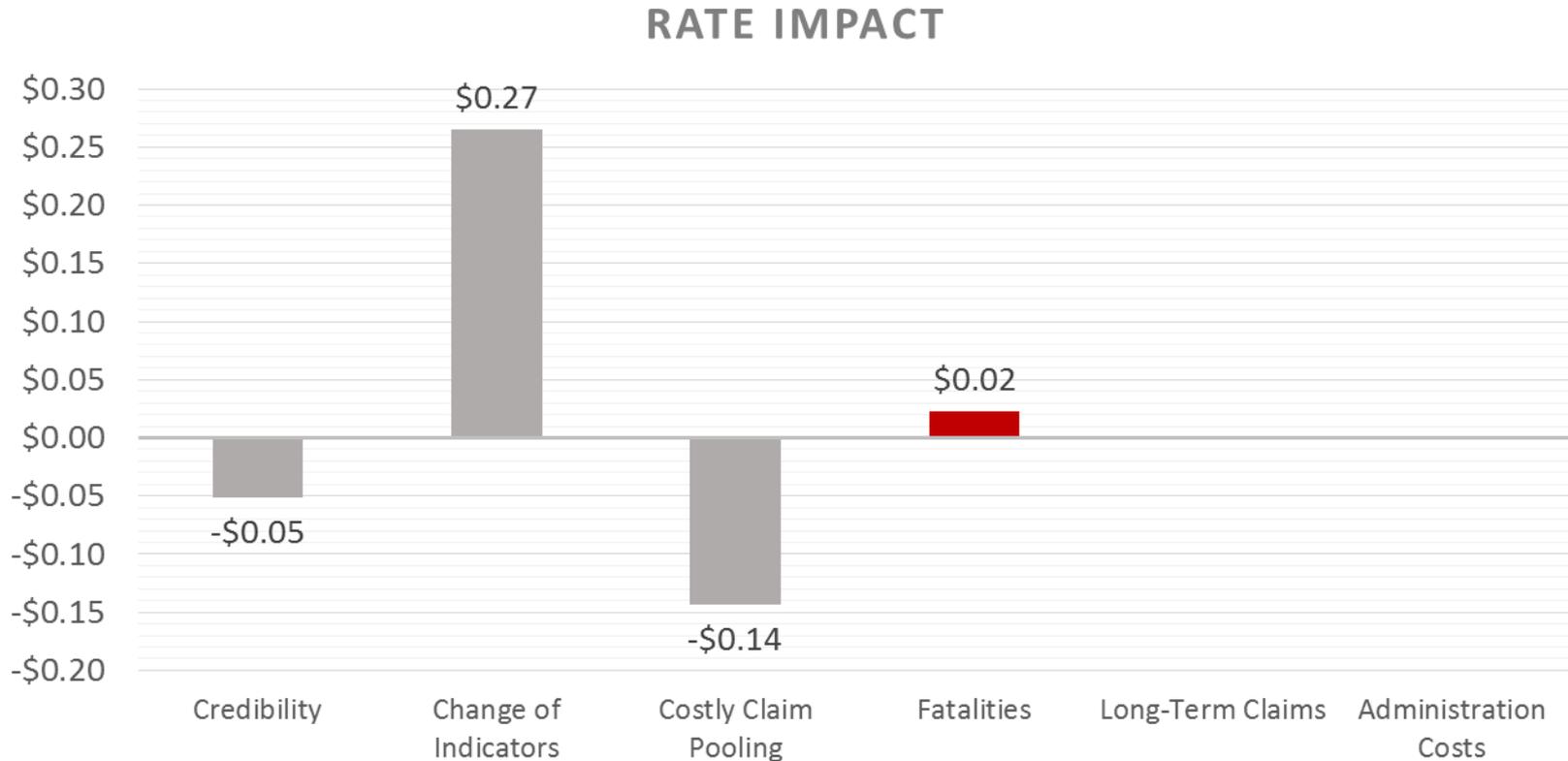
B11 - Allocation of Fatality Costs



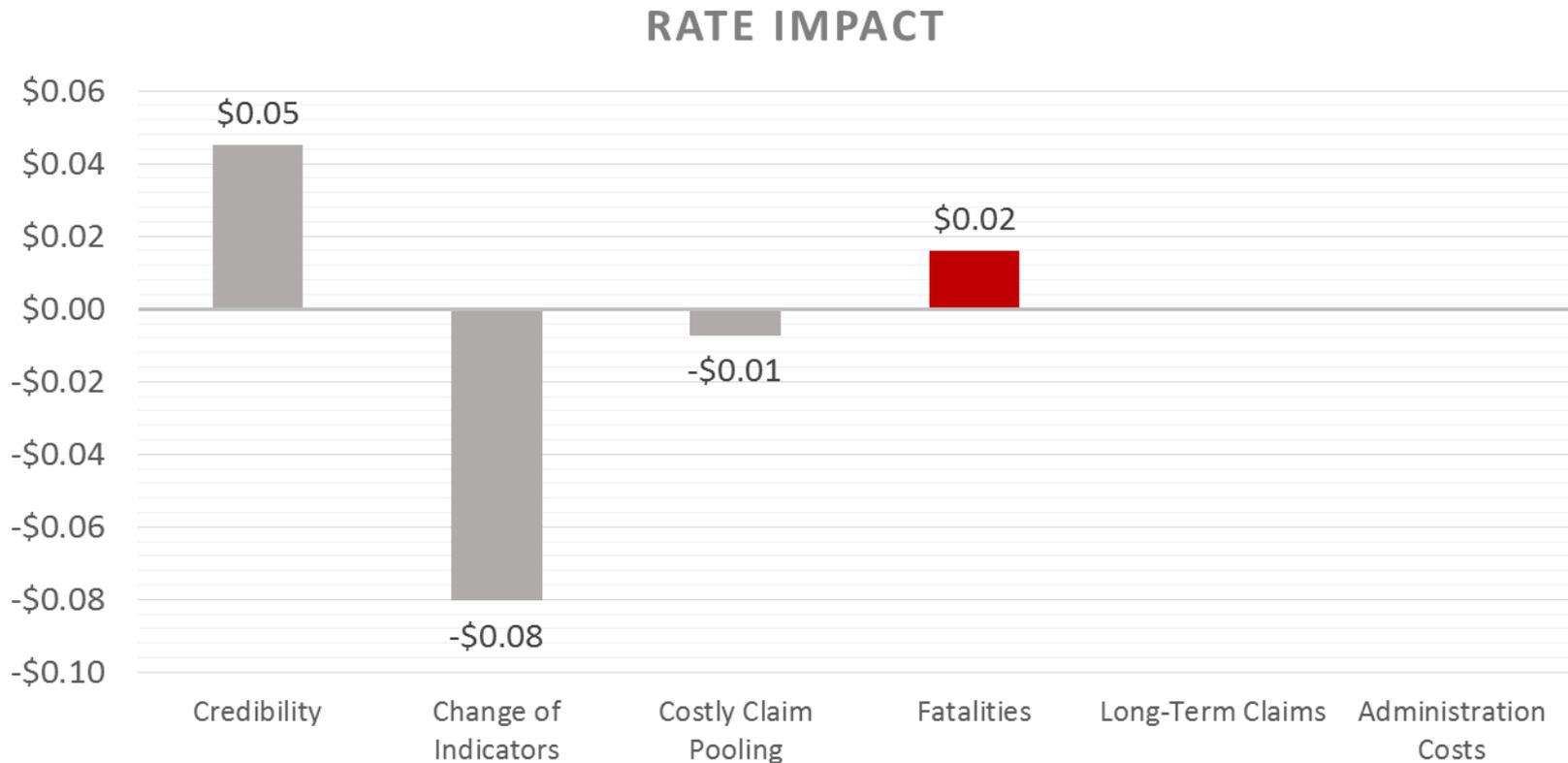
B12 - Allocation of Fatality Costs



B13 - Allocation of Fatality Costs



R11 - Allocation of Fatality 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

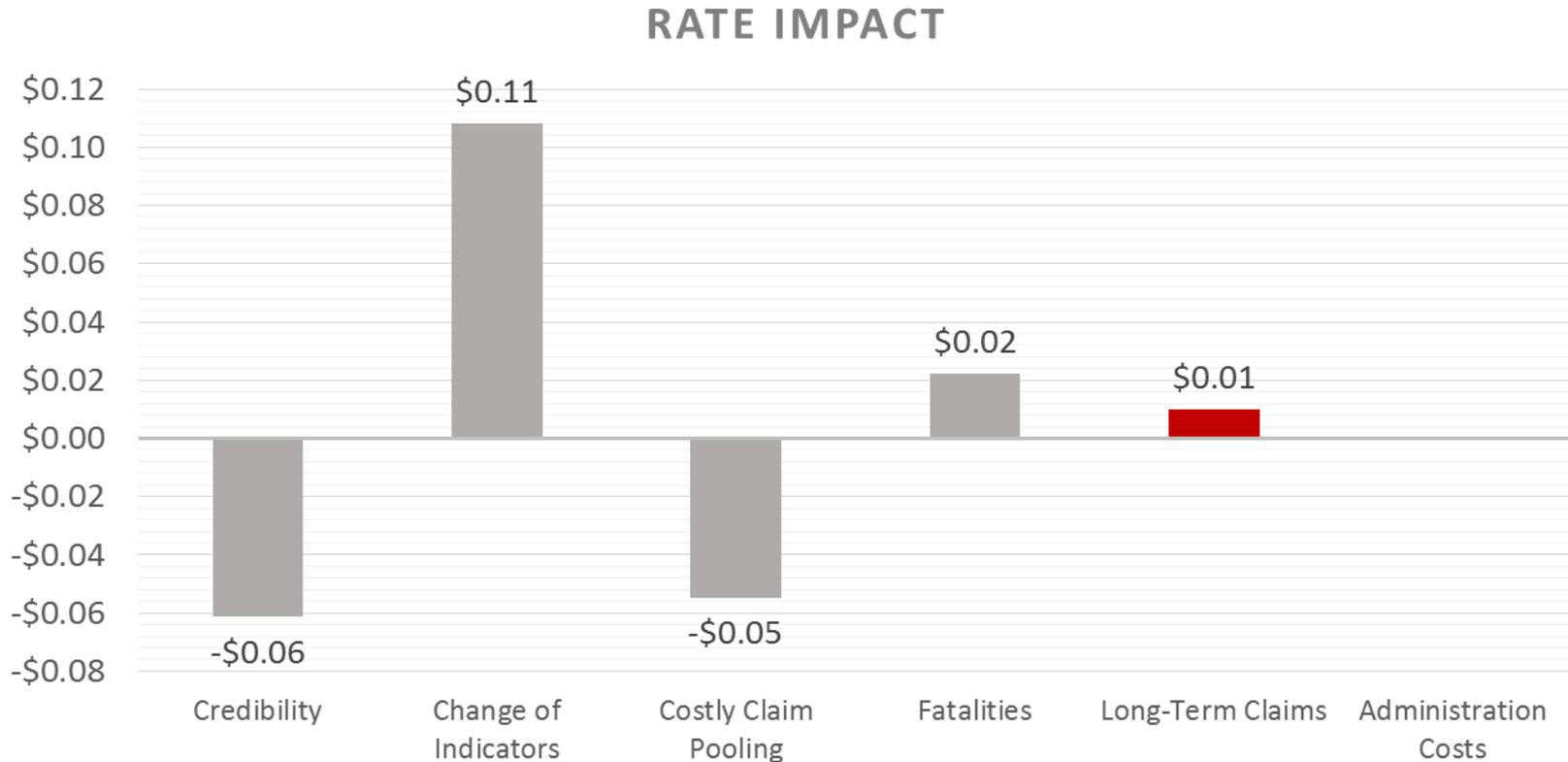
Why the Change:

- 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

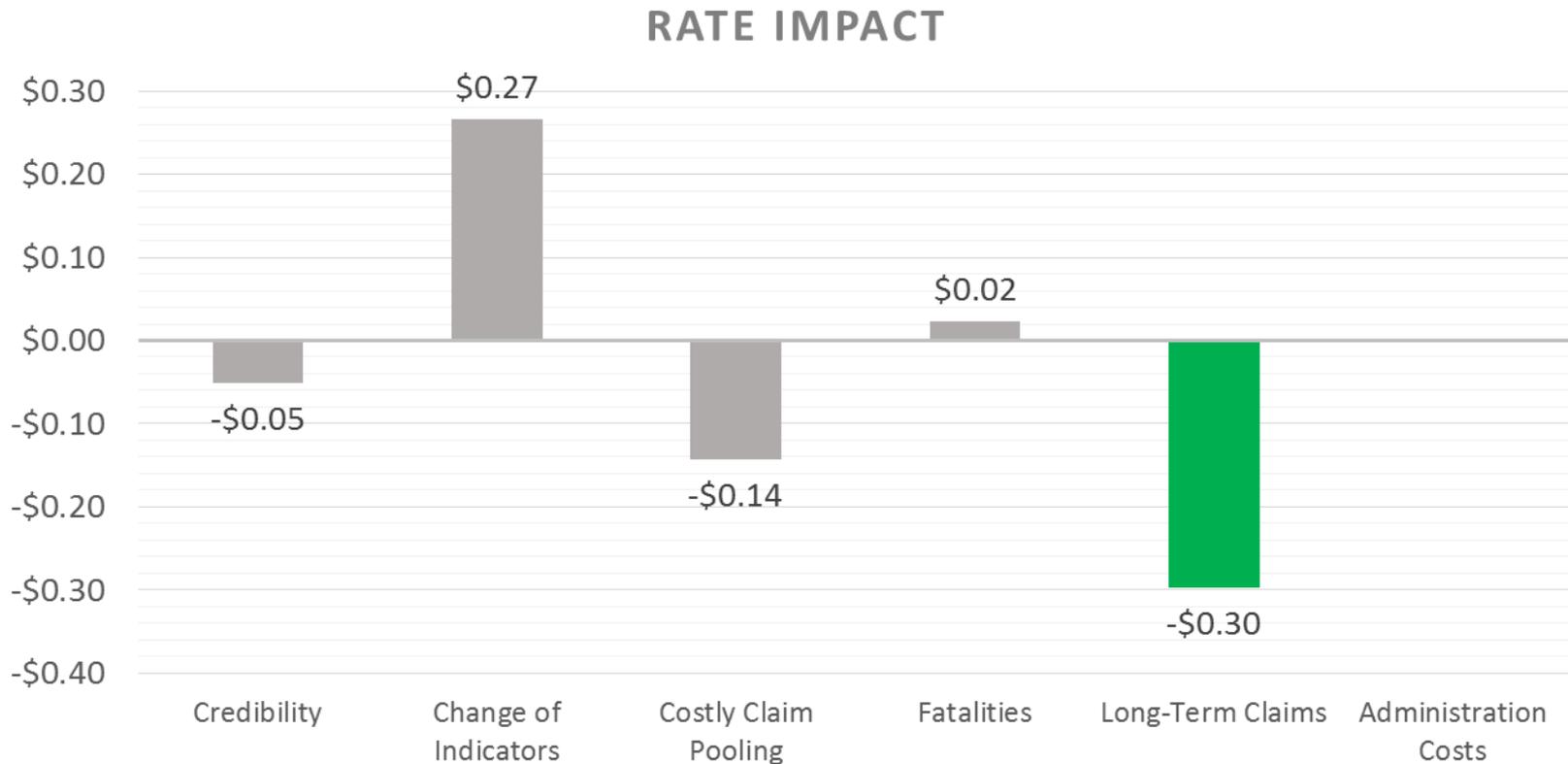
B11 - Long Term Claims



B12 - Long Term Claims



B13 - Long Term Claims



R11 - Long Term Claims



Allocation of Administration Costs

Recommendation

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

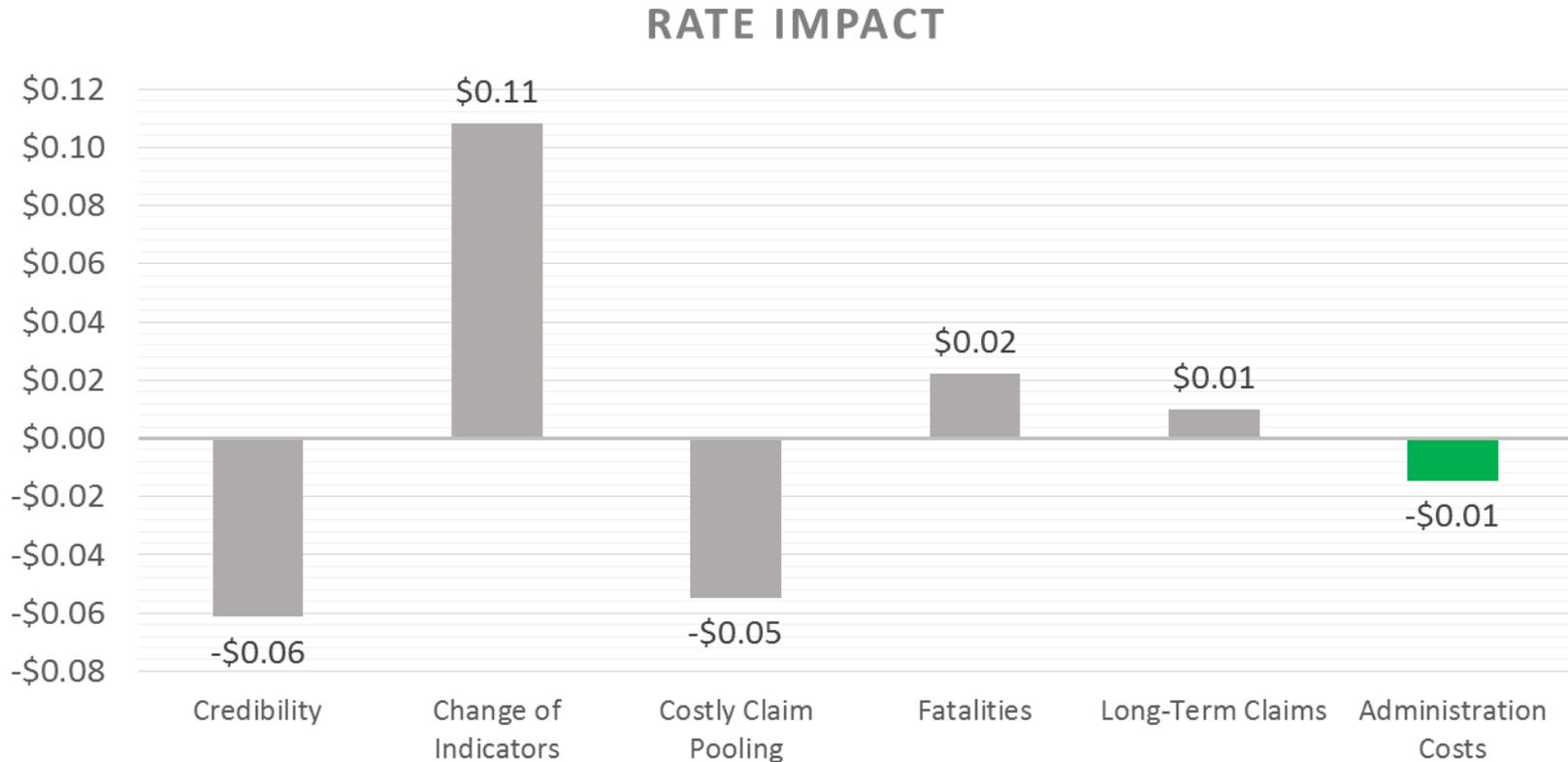
Why the Change:

- Increase fairness so all industries appropriately share the costs

WCB Decision:

- Increase the fixed component from 10% to 30%.

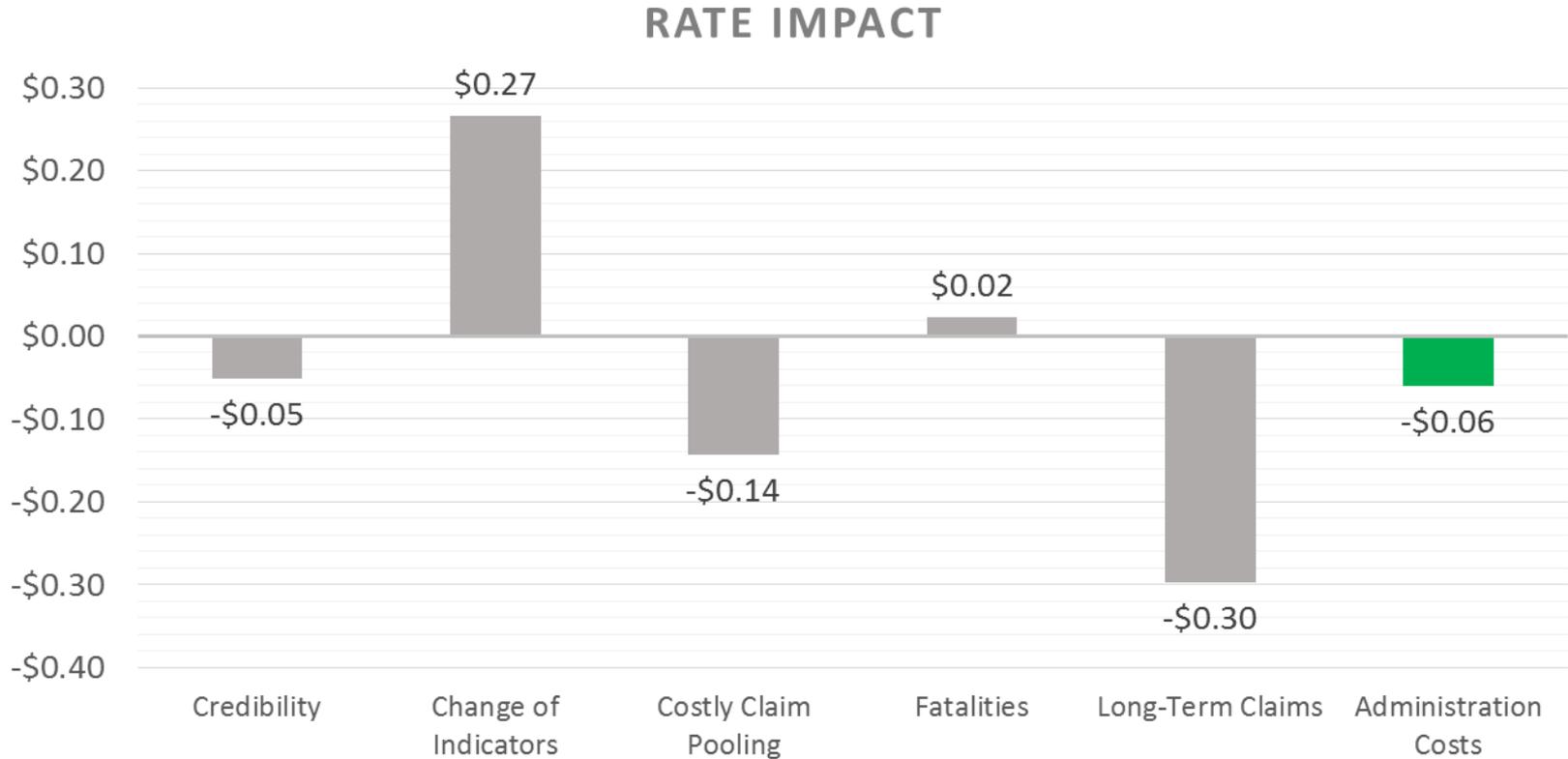
B11 - Allocation of Administration Costs



B12 - Allocation of Administration Costs



B13 - Allocation of Administration Costs



R11 - Allocation of Administration Costs



Premium Composition

B11 - Construction Trades

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.991	\$ 0.923	\$ 0.923		
Fatalities	\$0.043	\$ 0.040	\$ 0.065		
Administration	\$0.353	\$ 0.378	\$ 0.364		
Safety Associations	\$0.186	\$ 0.178	\$ 0.178		
Industry Base Rate	\$ 1.57	\$ 1.52	\$ 1.53	0.7%	\$0.01

Differences between this table and impact charts are due to rounding



Premium Composition

B12 - Residential Construction

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$1.962	\$ 1.771	\$ 1.728		
Fatalities	\$0.043	\$ 0.040	\$ 0.082		
Administration	\$0.630	\$ 0.649	\$ 0.584		
Safety Associations	\$0.186	\$ 0.178	\$ 0.178		
Industry Base Rate	\$ 2.82	\$ 2.64	\$ 2.57	-2.7%	-\$0.07

Differences between this table and impact charts are due to rounding



Premium Composition

B13 - Commercial, Industrial Construction

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$1.475	\$ 1.293	\$ 1.065		
Fatalities	\$0.043	\$ 0.040	\$ 0.064		
Administration	\$0.448	\$ 0.462	\$ 0.402		
Safety Associations	\$0.186	\$ 0.178	\$ 0.178		
Industry Base Rate	\$ 2.15	\$ 1.97	\$ 1.71	-13.2%	-\$0.26

Differences between this table and impact charts are due to rounding



Premium Composition

R11 - Road Construction and Earthwork

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$1.277	\$ 1.152	\$ 0.979		
Fatalities	\$0.043	\$ 0.040	\$ 0.061		
Administration	\$0.424	\$ 0.427	\$ 0.378		
Safety Associations	\$0.116	\$ 0.115	\$ 0.115		
Industry Base Rate	\$ 1.86	\$ 1.73	\$ 1.53	-11.6%	-\$0.20

Differences between this table and impact charts are due to rounding



A photograph of three business professionals (two women and one man) smiling and looking towards the right. They are in a meeting setting, with their arms extended as if pointing at something off-camera. The image has a warm, yellowish tint.

Section 4: Next Steps

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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 2017 Compensation Institute

Safety & Prevention: *How to transform your workplace*

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

Event details and registration at www.wcbsask.com.