

# 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.



wcb

Saskatchewan  
Workers'  
Compensation  
Board

# Service & Hospitality Rate Model Impacts

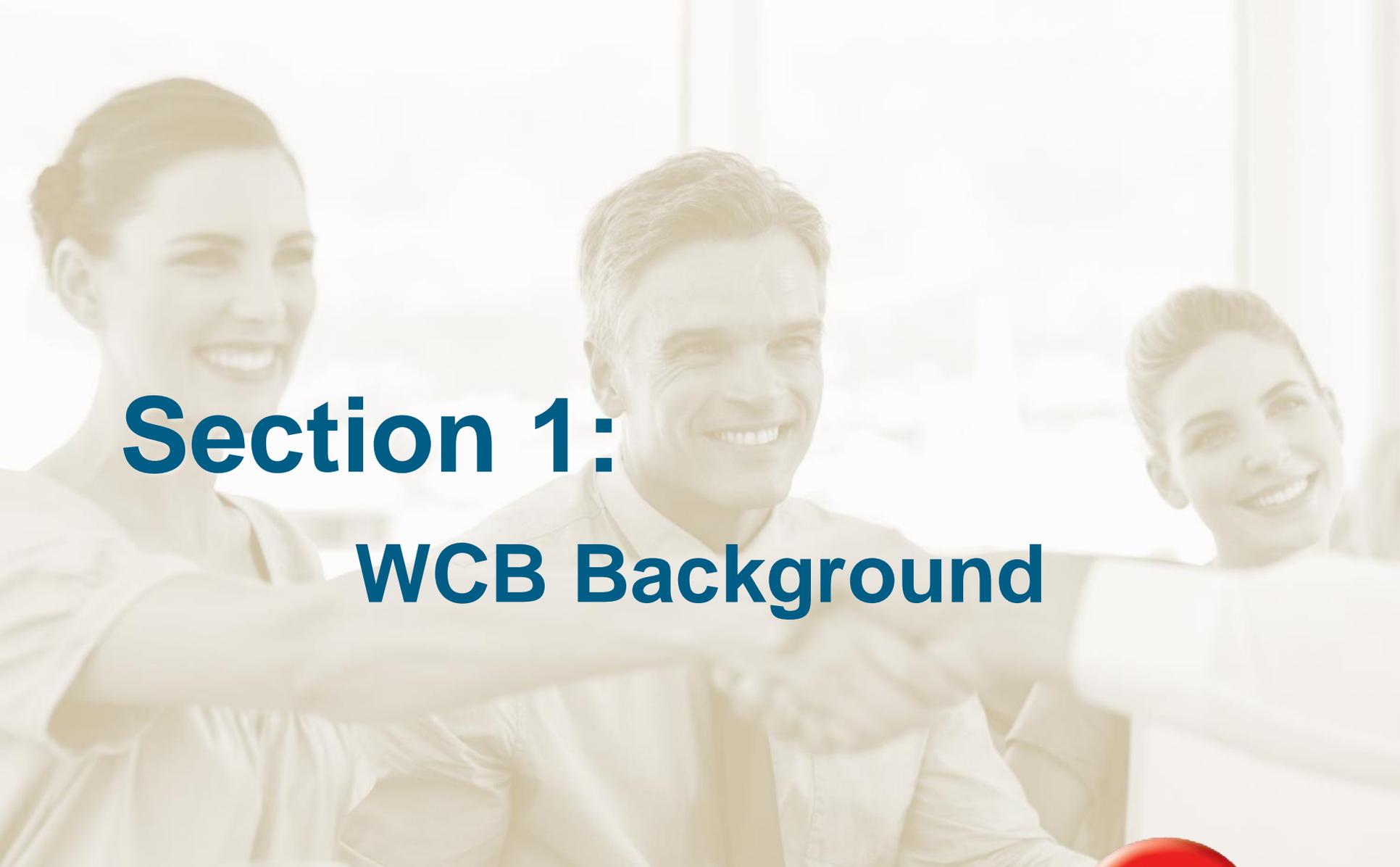
March 8, 2017



# 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.

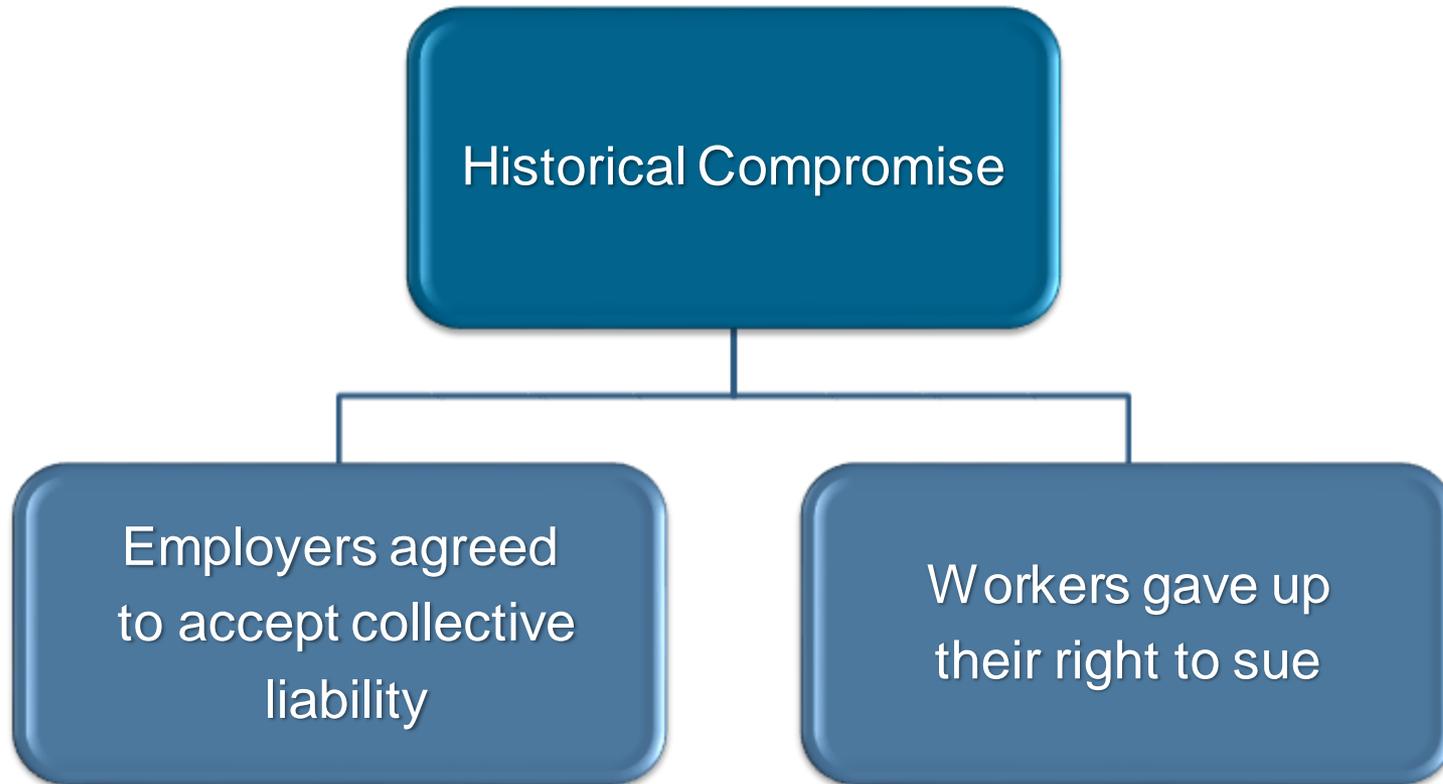
# Section 1: WCB Background

wcb

Saskatchewan  
Workers'  
Compensation  
Board

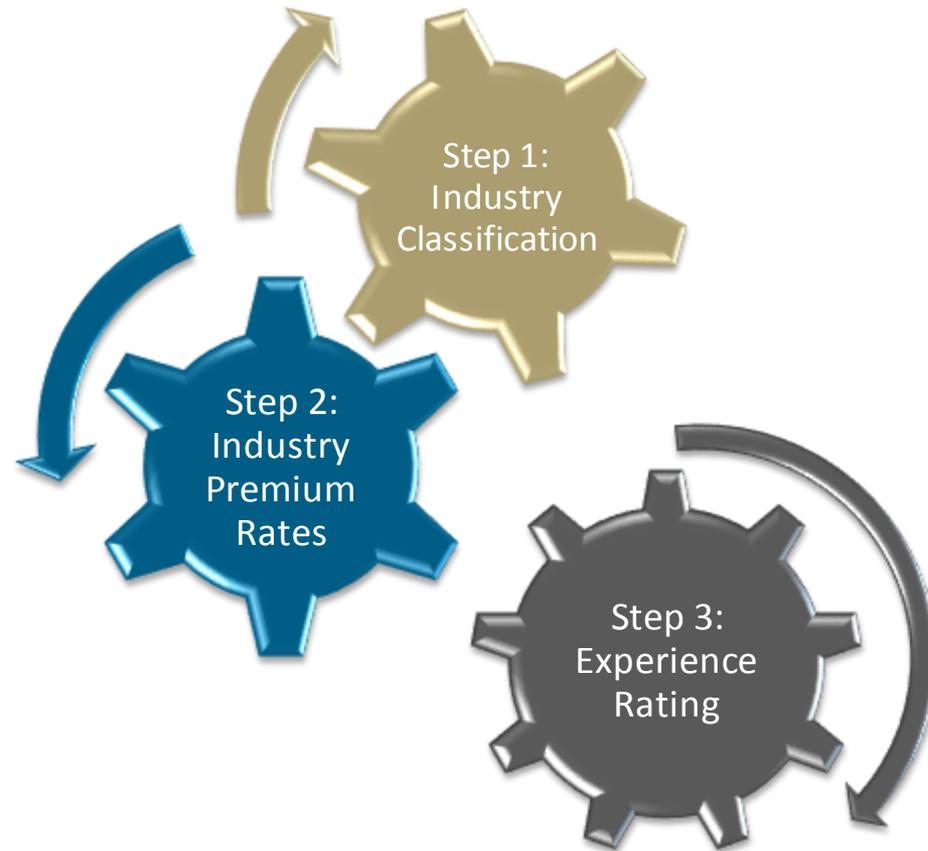
MISSION:  
*ZERO*

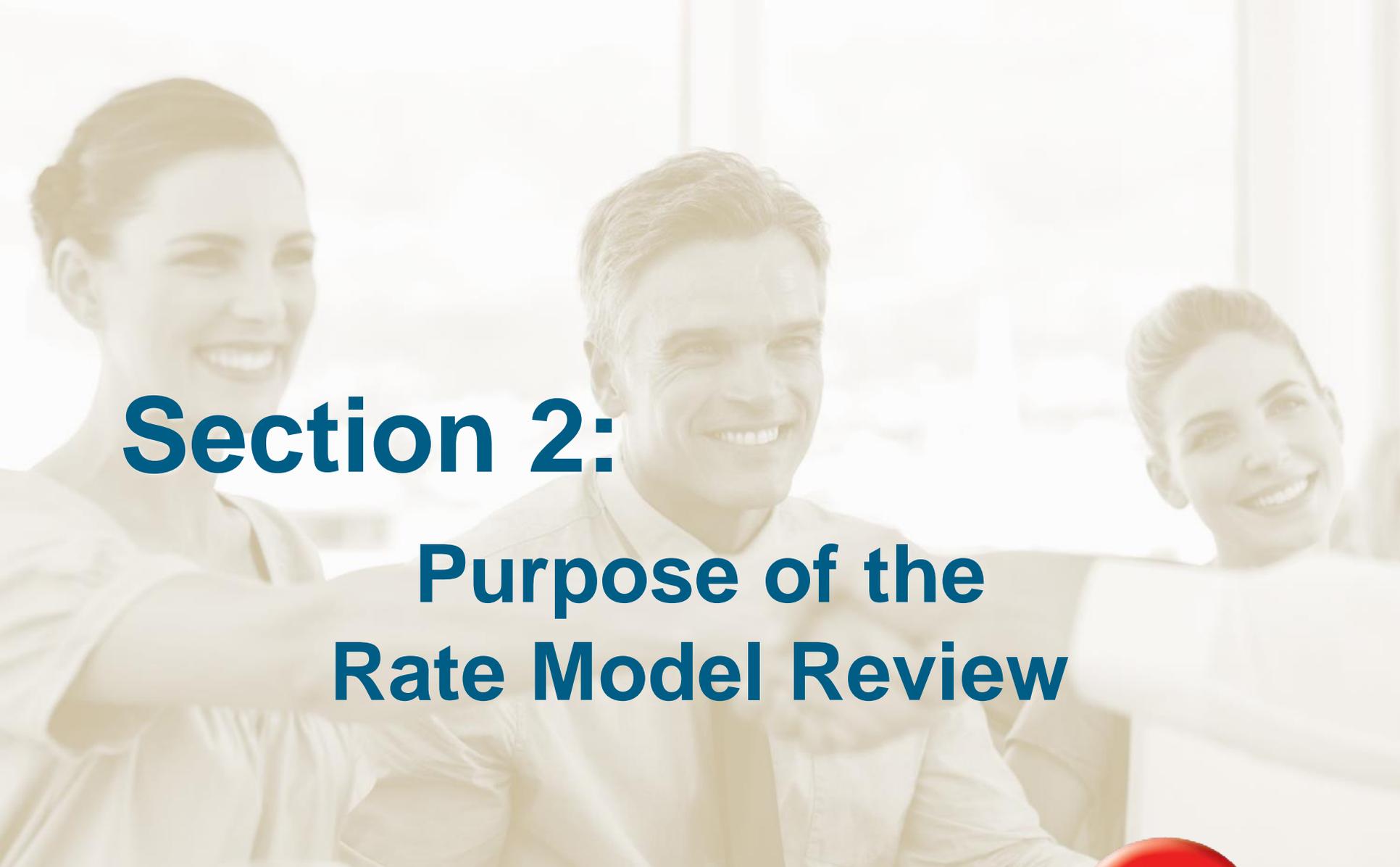
# Why do you pay WCB premiums?



Your premium assessments fund the compensation system

# The Rate Setting Process





# Section 2:

## Purpose of the Rate Model Review

wcb

Saskatchewan  
Workers'  
Compensation  
Board

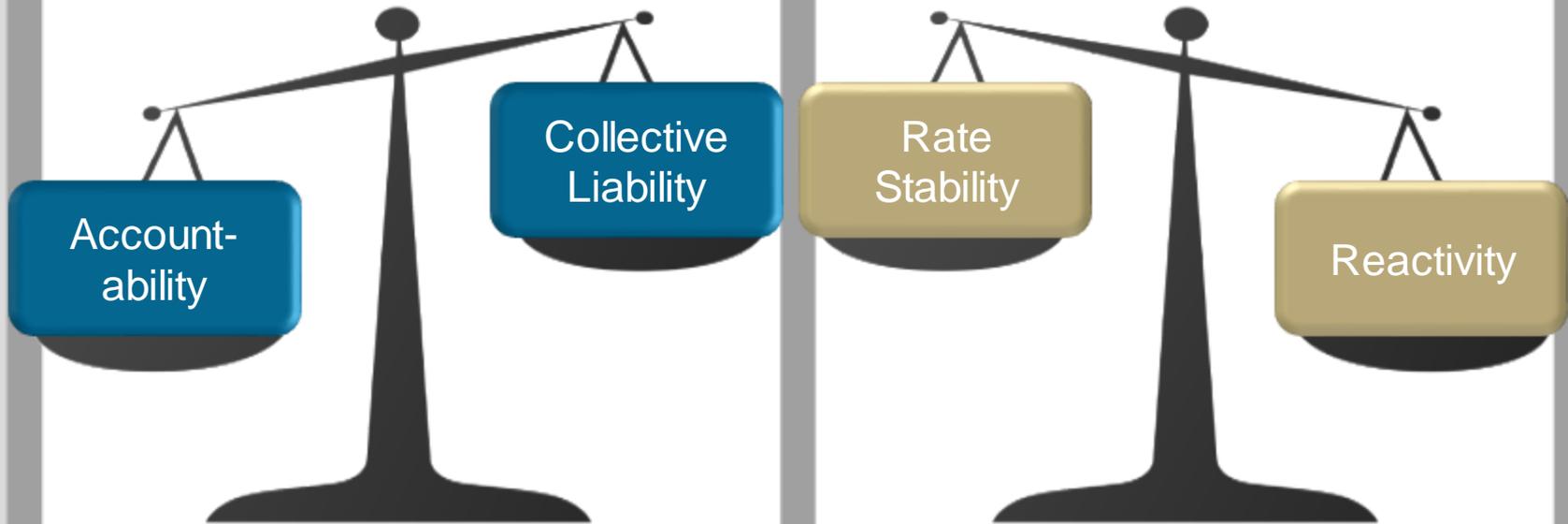
MISSION:  
*ZERO*

# 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

wcb

Saskatchewan  
Workers'  
Compensation  
Board

MISSION:  
*ZERO*

# 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

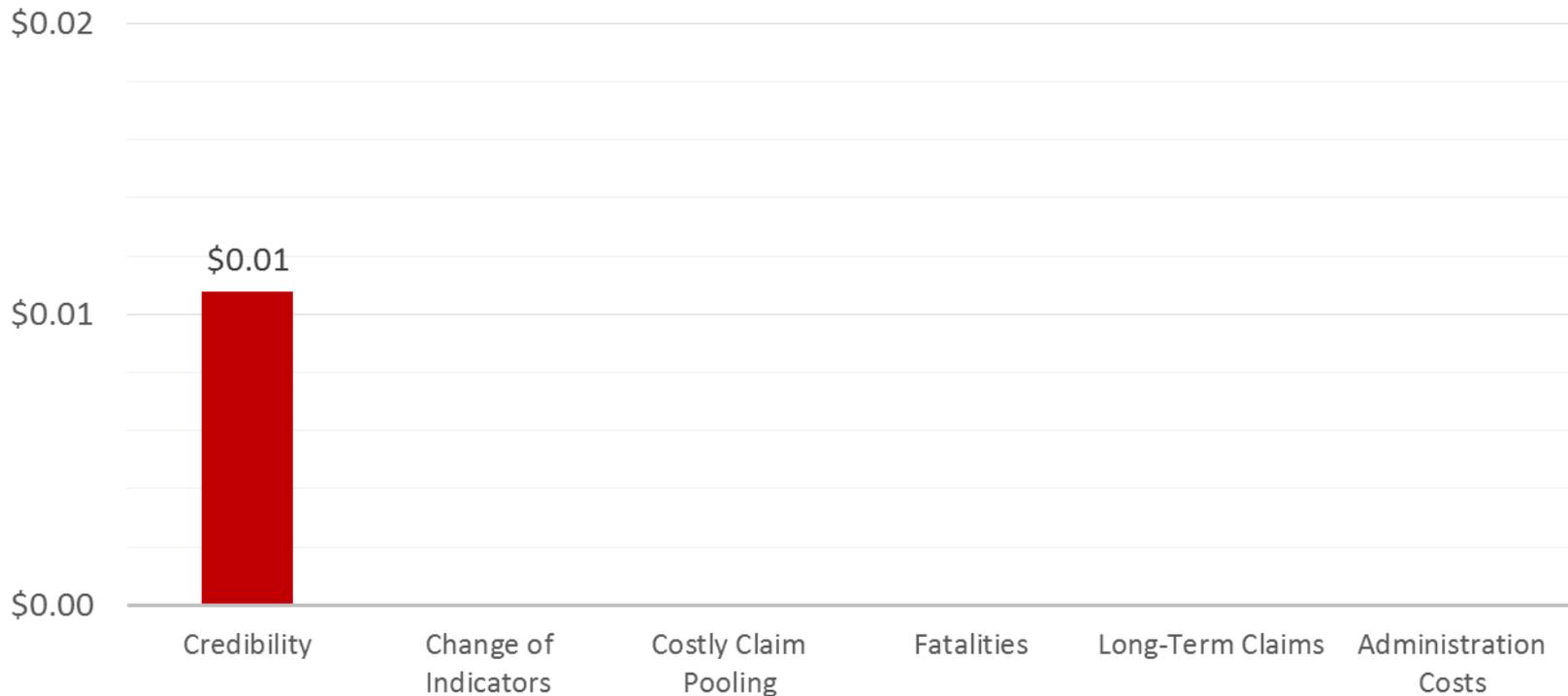
## WCB Decision:

- 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



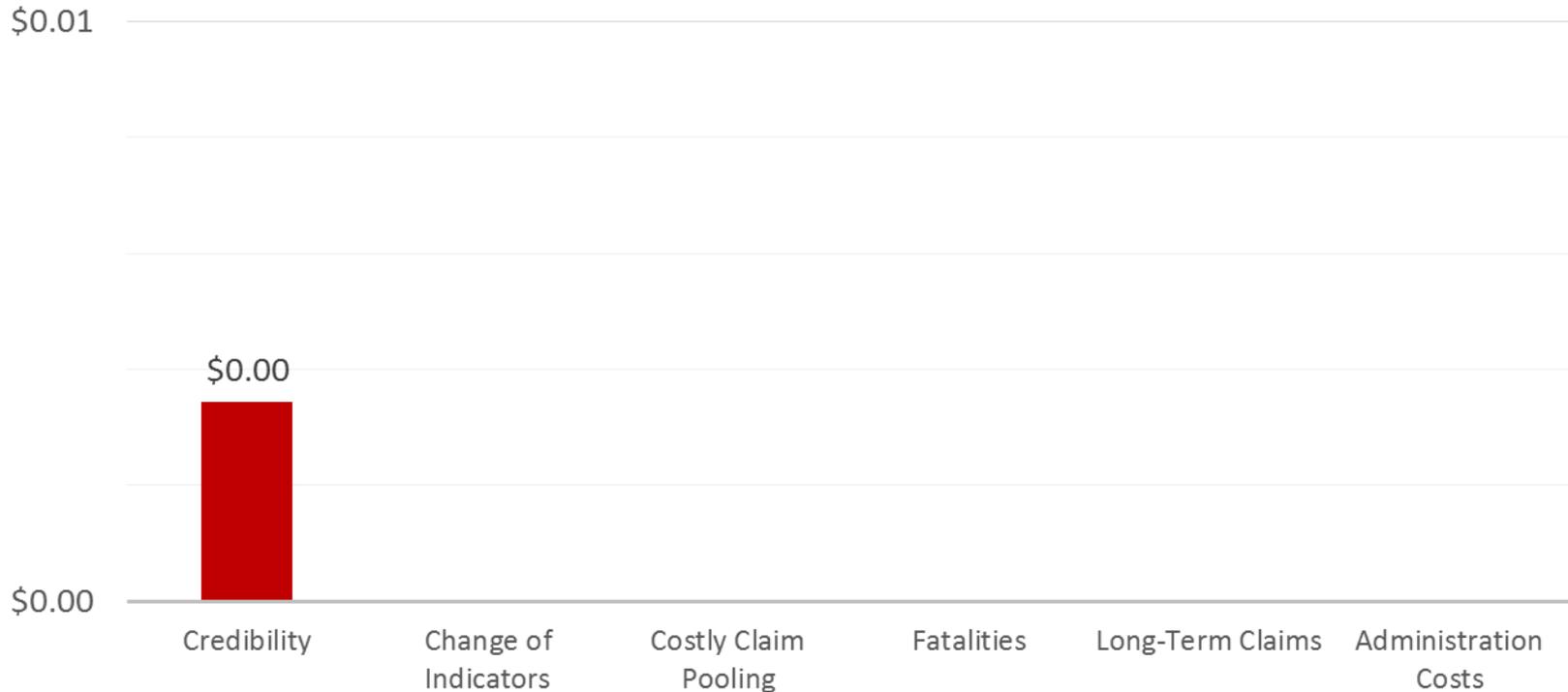
# S21 - Credibility of Industries

## RATE IMPACT



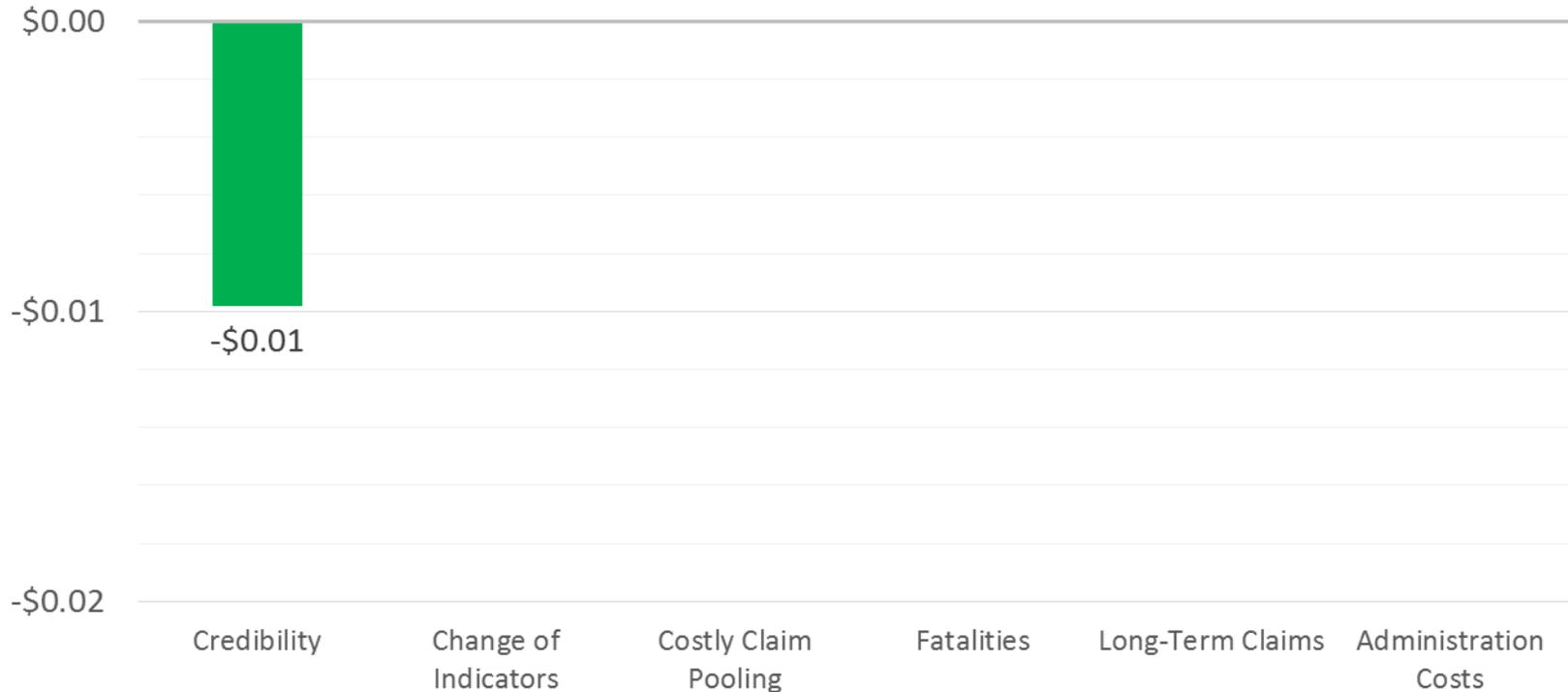
# S22 - Credibility of Industries

## RATE IMPACT



# S23 - 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

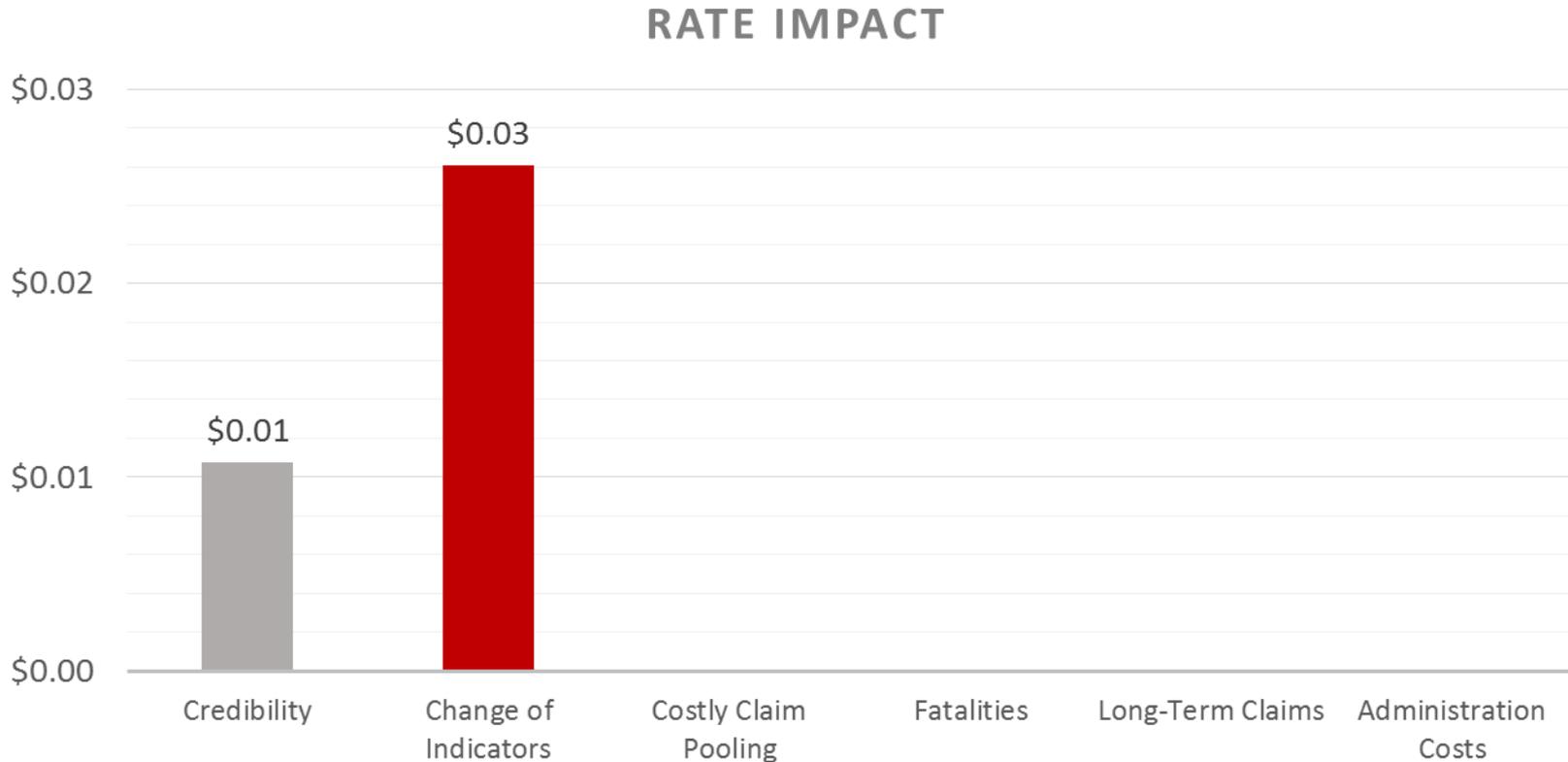
## Why the Change:

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

## WCB Decision:

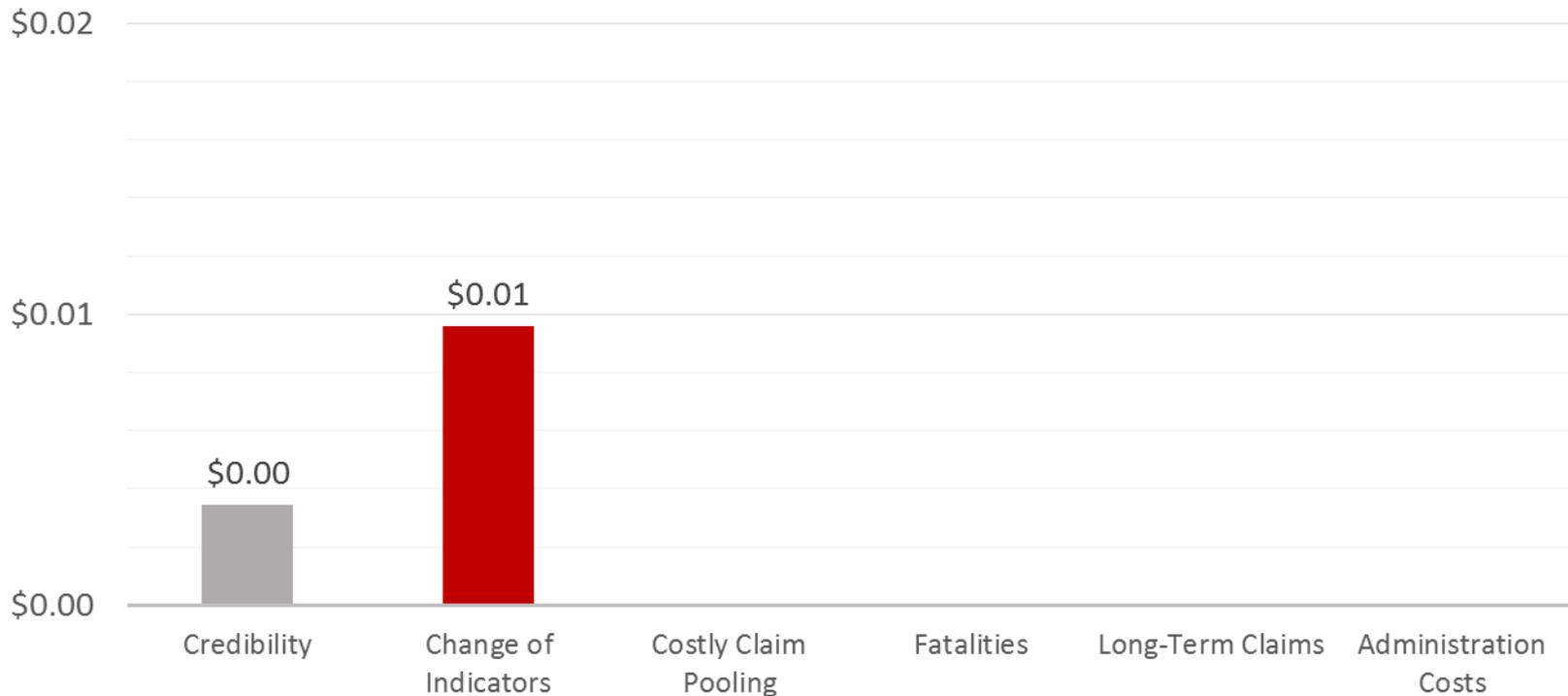
- Use change of workforce instead of time loss claims to predict costs

# S21 - Change of Indicators



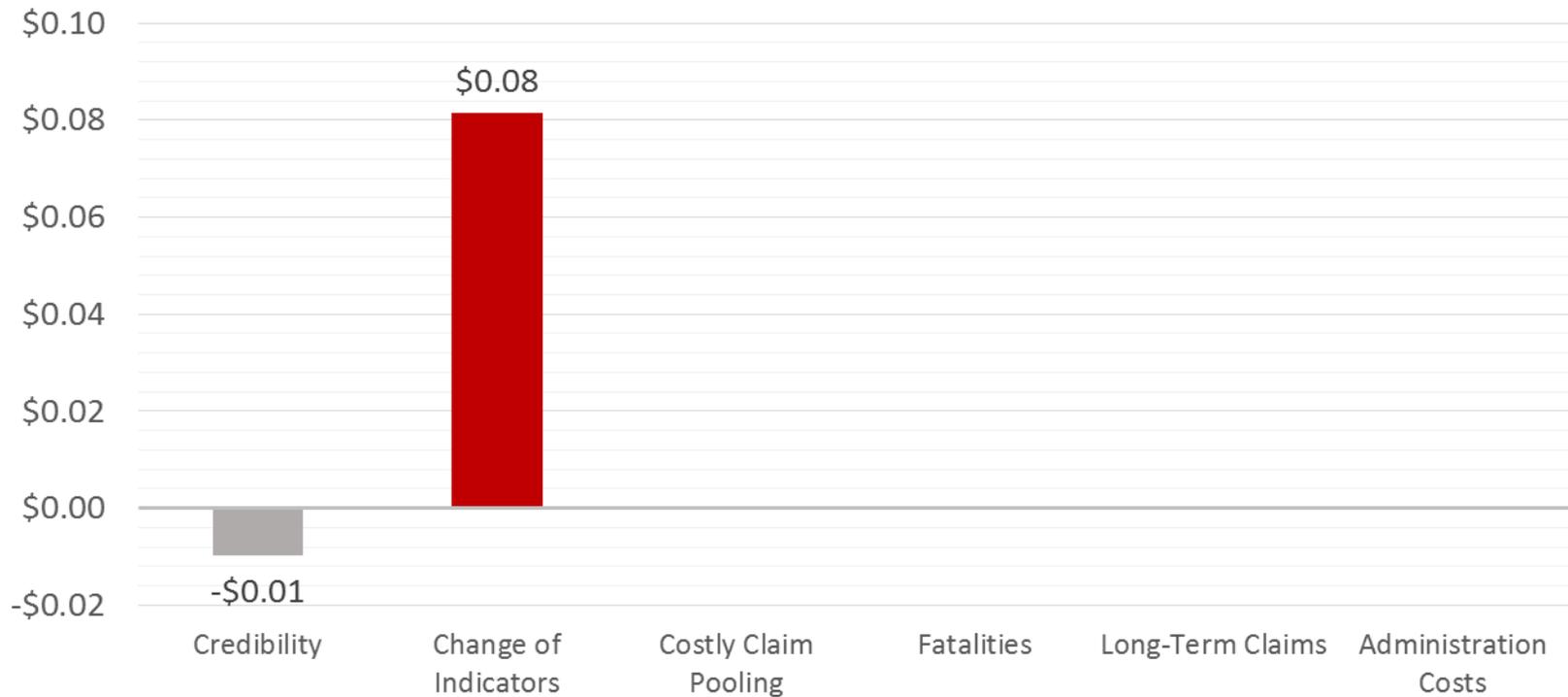
# S22 - Change of Indicators

## RATE IMPACT



# S23 - Change of Indicators

## RATE IMPACT



# 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*

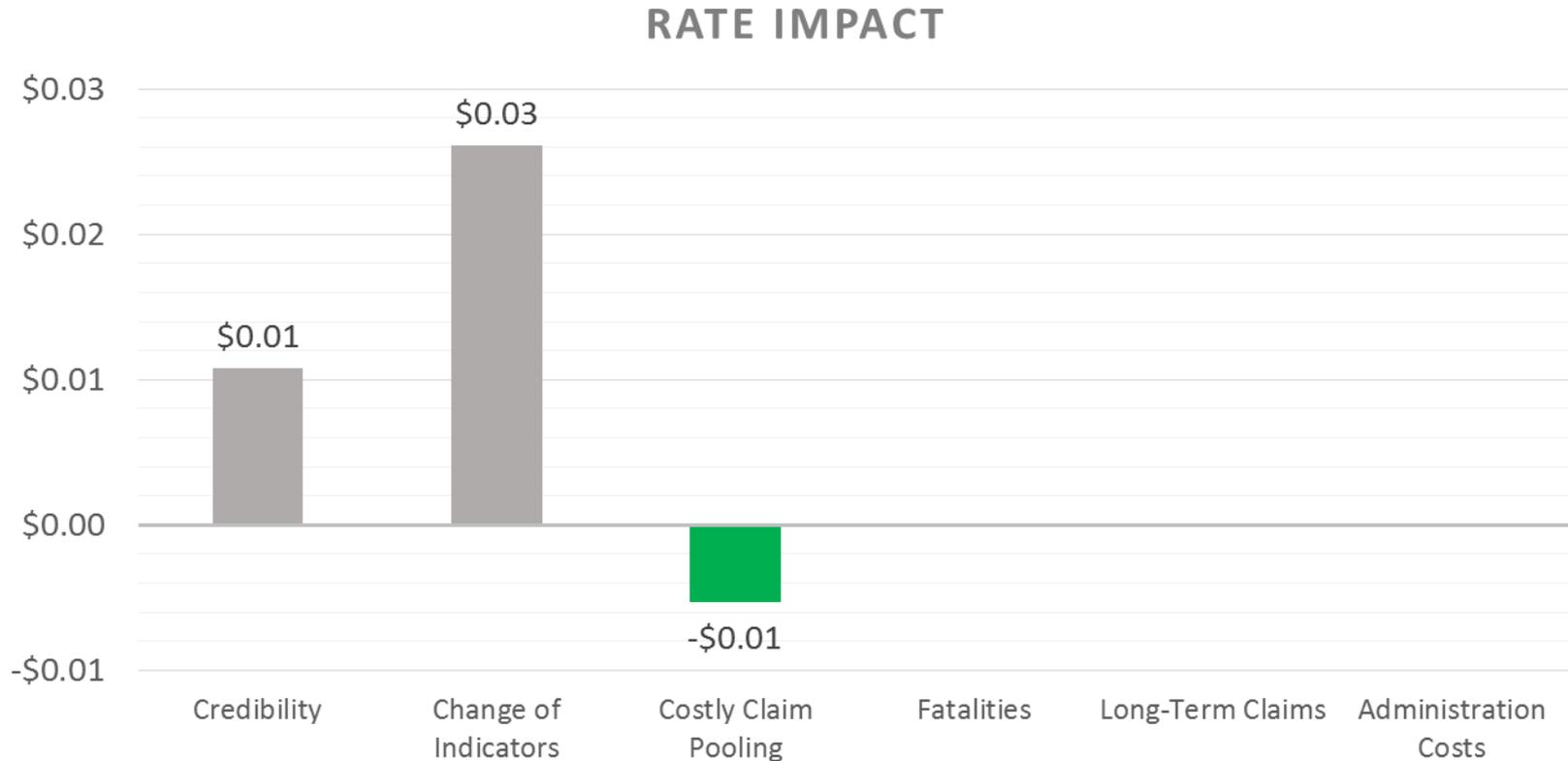
## Why the Change:

- Increases collective liability so rare costly claims do not unduly burden an industry

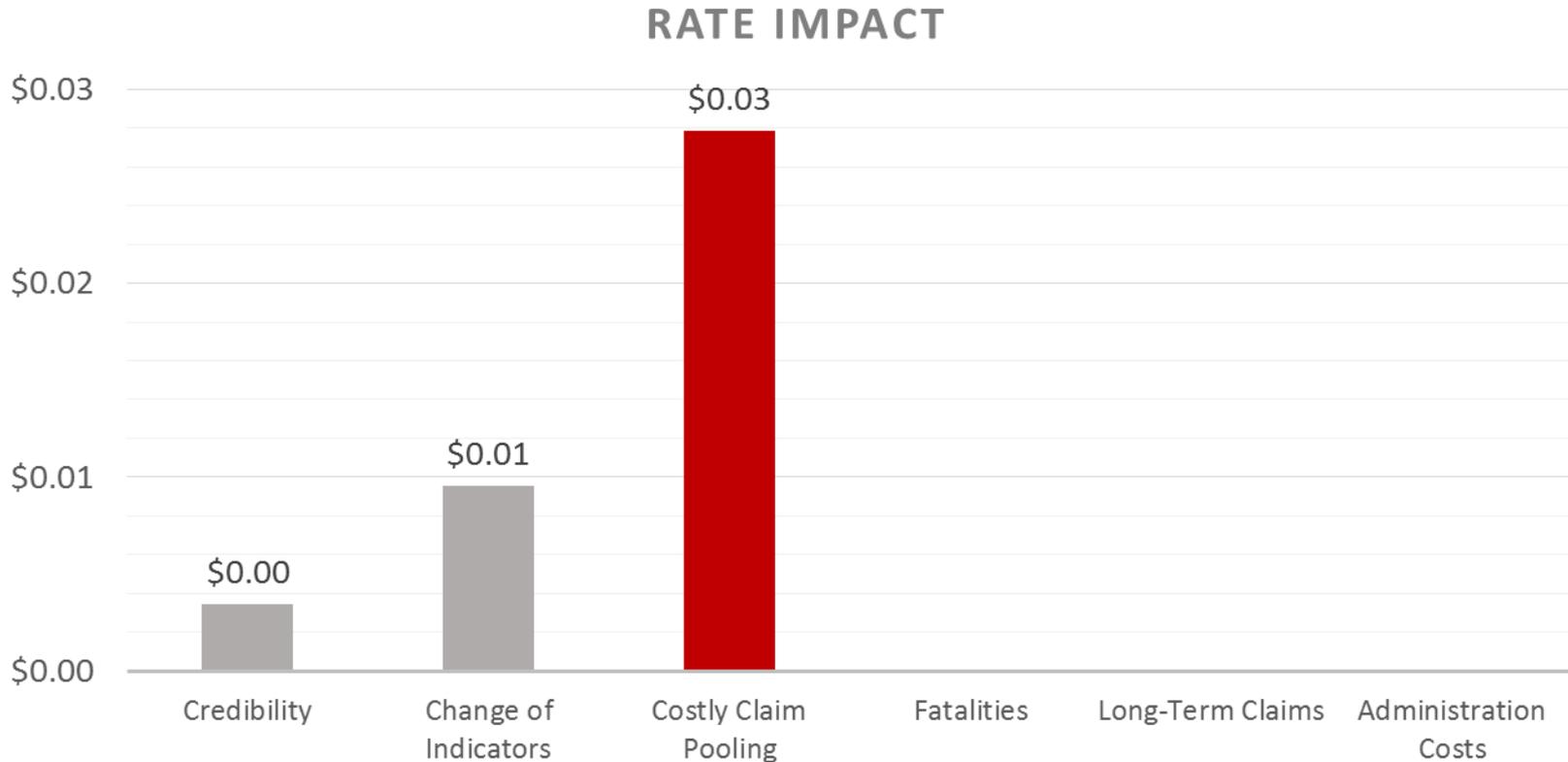
## WCB Decision:

- 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.

# S21 - Costly Claim Pooling



# S22 - Costly Claim Pooling



# S23 - Costly Claim Pooling

## RATE IMPACT



# Allocation of Fatality Costs

## Recommendation:

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

## Why the Change:

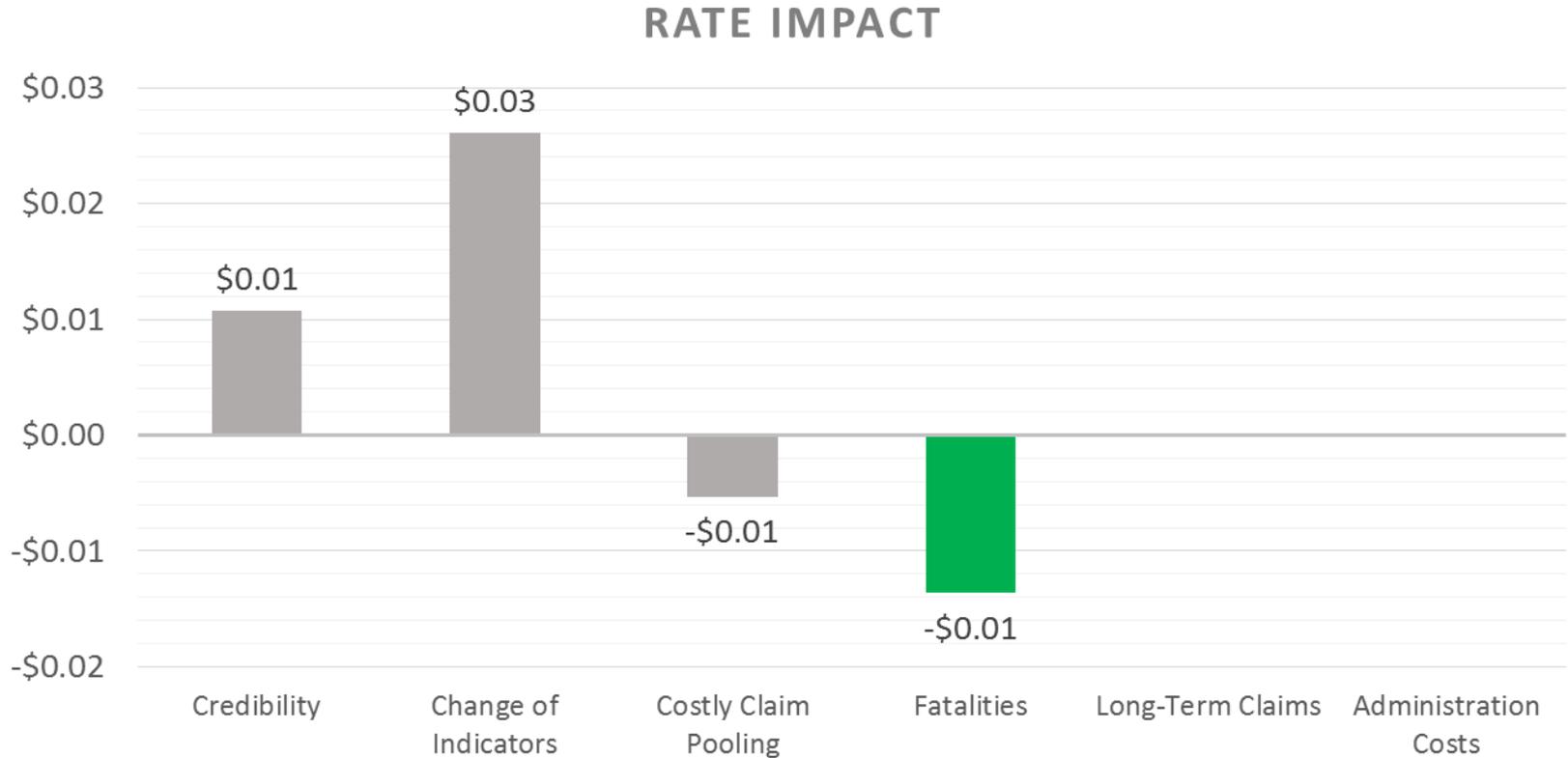
- Increases accountability to industries that have fatalities

## 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



# S21 - Allocation of Fatality Costs



# S22 - Allocation of Fatality Costs



# S23 - 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

# S21 - Long Term Claims

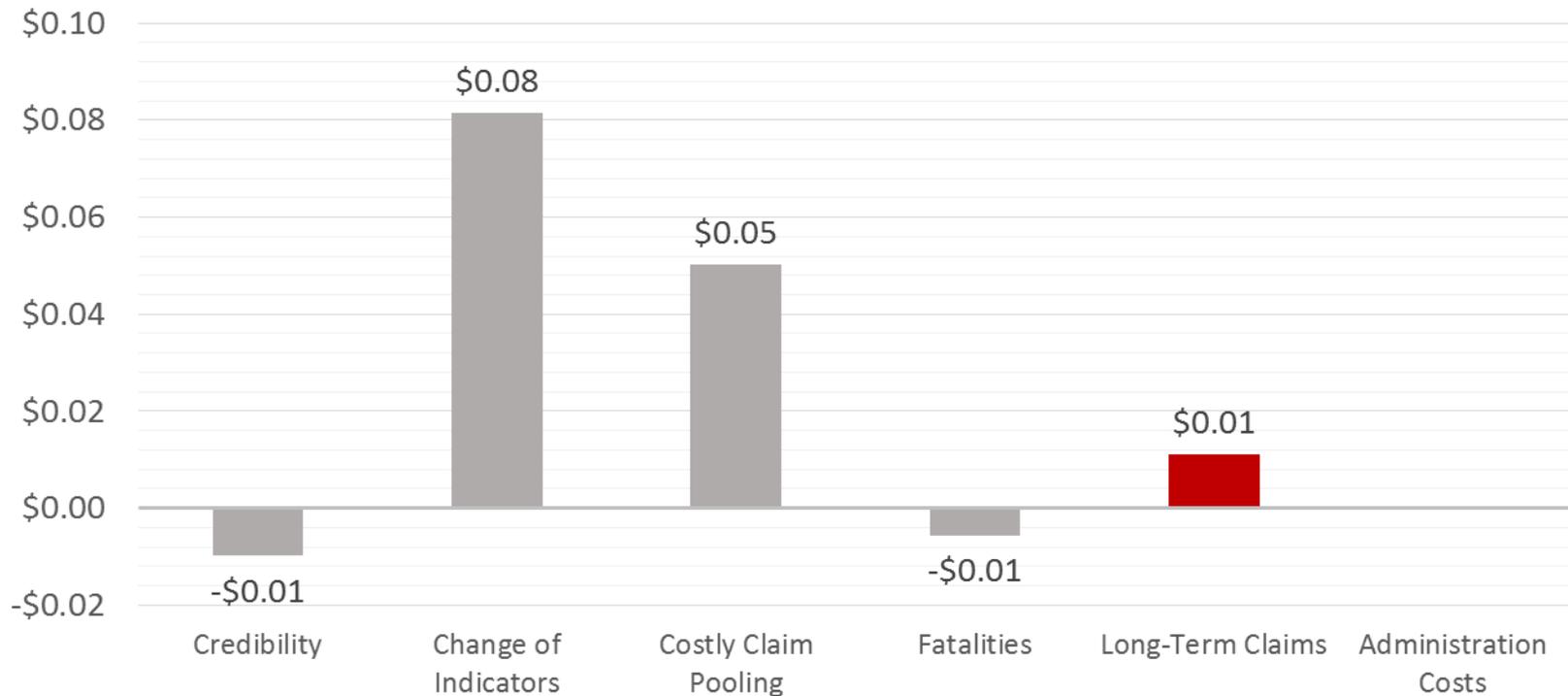


# S22 - Long Term Claims



# S23 - Long Term Claims

## RATE IMPACT



# Allocation of Administration Costs

## Recommendation

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

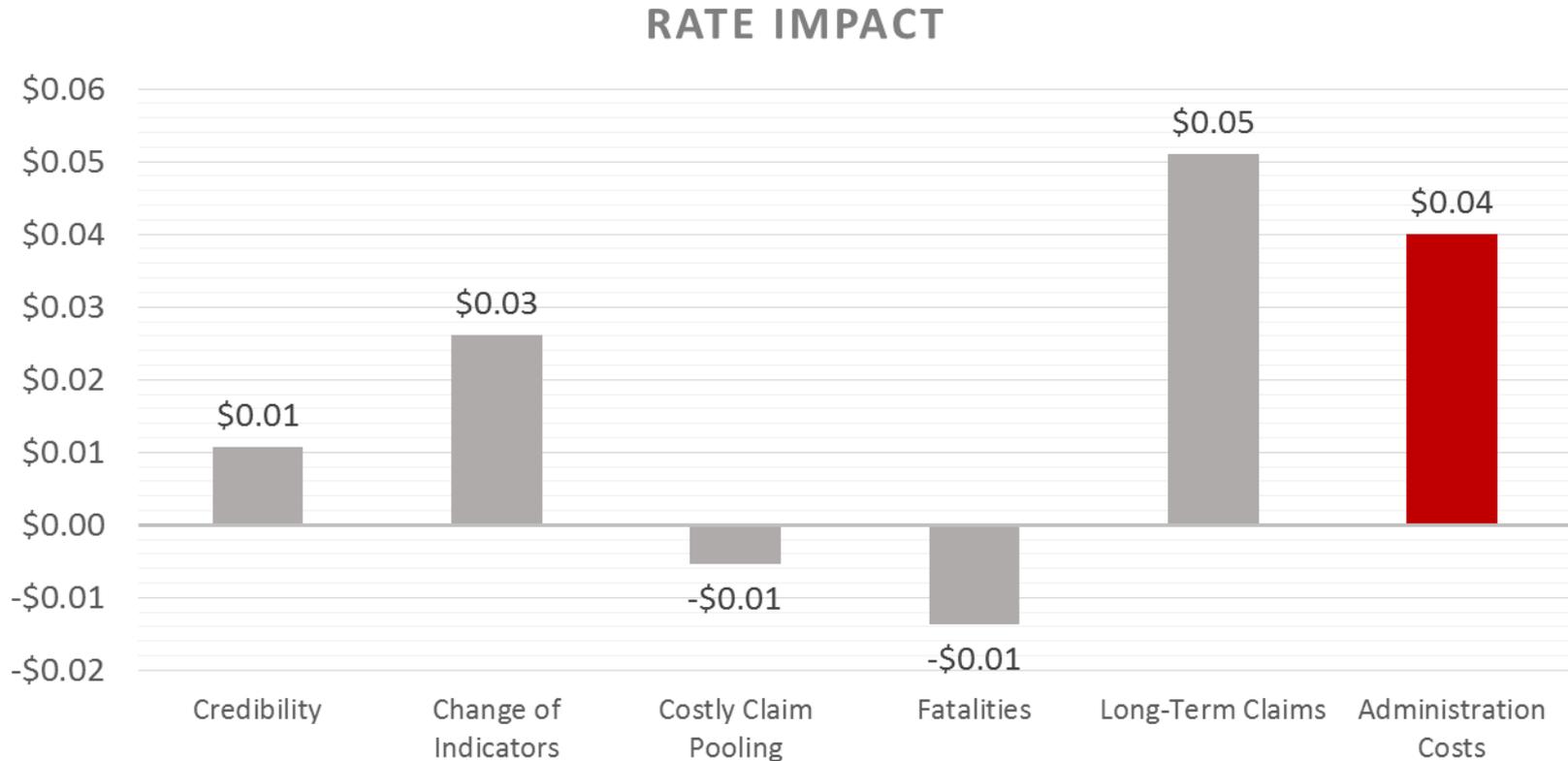
## Why the Change:

- Increase fairness so all industries appropriately share the costs

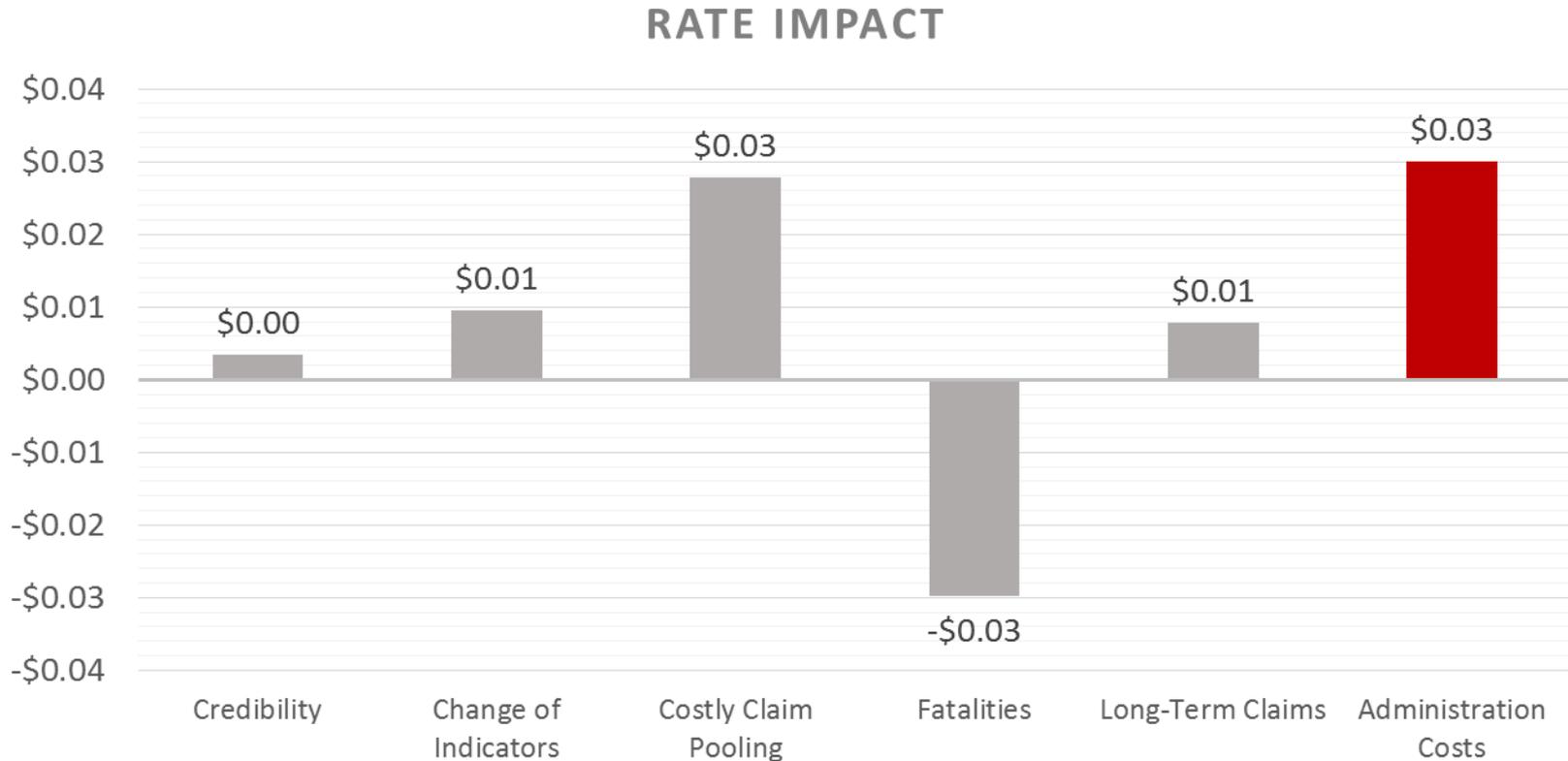
## WCB Decision:

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

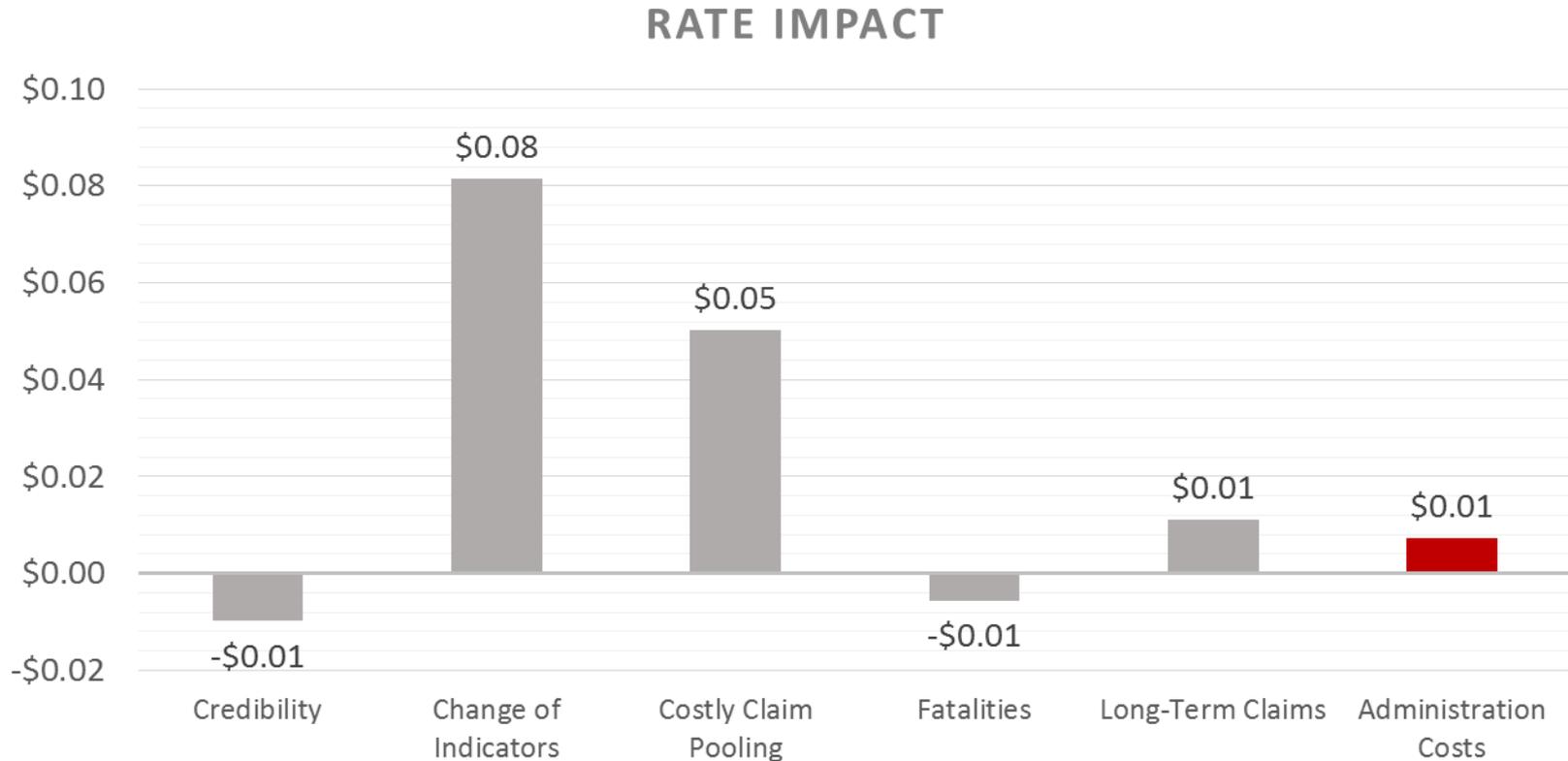
# S21 - Allocation of Administration Costs



# S22 - Allocation of Administration Costs



# S23 - Allocation of Administration Costs



# Premium Composition

## S21 - Community and Social Services

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.700	\$ 0.645	\$ 0.723		
Fatalities	\$0.043	\$ 0.040	\$ 0.032		
Administration	\$0.270	\$ 0.261	\$ 0.301		
Safety Associations	\$0.086	\$ 0.080	\$ 0.080		
<b>Industry Base Rate</b>	<b>\$ 1.10</b>	<b>\$ 1.03</b>	<b>\$ 1.14</b>	<b>10.7%</b>	<b>\$0.11</b>

Differences between this table and impact charts are due to rounding



# Premium Composition

## S22 - Restaurants, Catering, Dry Cleaning

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.525	\$ 0.485	\$ 0.528		
Fatalities	\$0.043	\$ 0.040	\$ 0.016		
Administration	\$0.215	\$ 0.214	\$ 0.244		
Safety Associations	\$0.086	\$ 0.080	\$ 0.080		
<b>Industry Base Rate</b>	<b>\$ 0.87</b>	<b>\$ 0.82</b>	<b>\$ 0.87</b>	<b>6.1%</b>	<b>\$0.05</b>

Differences between this table and impact charts are due to rounding



# Premium Composition

## S23 - Hotels, Motels, Taxis

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$1.067	\$ 0.971	\$ 1.098		
Fatalities	\$0.043	\$ 0.040	\$ 0.041		
Administration	\$0.387	\$ 0.394	\$ 0.401		
Safety Associations	\$0.086	\$ 0.080	\$ 0.080		
<b>Industry Base Rate</b>	<b>\$ 1.58</b>	<b>\$ 1.49</b>	<b>\$ 1.62</b>	<b>8.7%</b>	<b>\$0.13</b>

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

wcb

Saskatchewan  
Workers'  
Compensation  
Board

MISSION:  
*ZERO*

# Next Steps

- Today's full presentation will be recorded and available on [www.wcbsask.com](http://www.wcbsask.com)
- More questions?
  - If you have additional questions, please email [askwcb@wcbsask.com](mailto: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](http://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](http://www.wcbsask.com).