WCB’S RATE MODEL CHANGES
Impacts to Rate Codes

Speaker
Ann Schultz, CFO, WCB

Ann, CPA, CA joined the Saskatchewan WCB in 2012. She oversees the ITS, Strategic Finance and Data Governance Departments and is Chief Financial Officer on the Executive Team at the WCB. She was born and raised in Saskatchewan and holds a Bachelor of Commerce and Masters of Business Administration Degrees from the University of Saskatchewan. Following 8 year of experience in a public accounting practice, she worked in financial management positions in PreK to 12 and post secondary institutions in Saskatchewan.
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
C61 - Credibility of Industries

RATE IMPACT

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C62 - Credibility of Industries

RATE IMPACT

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$0.04
$0.03
$0.02
$0.01
$0.00

Credibility  Change of Indicators  Costly Claim Pooling  Fatalities  Long-Term Claims  Administration Costs
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
C61 - Change of Indicators

RATE IMPACT

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- $0.02 Change of Indicators
  - $0.02 Costly Claim Pooling
  - $0.02 Fatalities
  - $0.02 Long-Term Claims
  - $0.02 Administration Costs

Saskatchewan Workers' Compensation Board

MISSION: ZERO
C62 - Change of Indicators

RATE IMPACT

- $0.05

Credibility, Change of Indicators, Costly Claim Pooling, Fatalities, Long-Term Claims, Administration Costs
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.
C61 - Costly Claim Pooling

RATE IMPACT

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C62 - Costly Claim Pooling

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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
C61 - Allocation of Fatality Costs

RATE IMPACT

- $0.05 Credibility
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- $0.02 Long-Term Claims
- Administration Costs
C62 - Allocation of Fatality Costs

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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
C61 - Long Term Claims

RATE IMPACT

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C62 - Long Term Claims

RATE IMPACT

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- Change of Indicators: $0.00
- Costly Claim Pooling: $0.00
- Fatalities: $0.00
- Long-Term Claims: $0.00
- Administration Costs: -$0.05

wcb
Saskatchewan Workers' Compensation Board

MISSION: ZERO
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%.
C61 - Allocation of Administration Costs

RATE IMPACT

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- $0.04 Change of Indicators
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- $0.02 Long-Term Claims
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C62 - Allocation of Administration Costs

RATE IMPACT

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- Fatalities: $0.00
- Long-Term Claims: $0.00
- Administration Costs: $0.03

Saskatchewan Workers’ Compensation Board

MISSION: ZERO
## Premium Composition

### C61 - Automotive and Implement Sales and Service

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Differences between this table and impact charts are due to rounding.
## Premium Composition

### C62 - Automotive Service Shops, Towing

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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