

Discounts and Surcharges – Advanced Program

There are five steps in calculating a discount or surcharge in the Advanced Program.

Step 1: Calculate Base Discount or Surcharge

- An employer's base discount or surcharge is calculated by determining their Weighted Loss Ratio (WLR) and comparing it to their industry's WLR.
- The WLR is the employer's ratio of their claim costs to their base premiums and each year of the evaluation window is assigned a weight. To be more responsive to improved safety and prevention strategies, the most recent year in the evaluation window has the highest weight.
 - i. For example, an employer's discount or surcharge for 2017 is determined in 2016. The years would be weighted as follows:

Evaluation Year	Weight
2015 (most recent year)	50%
2014 (second most recent year)	33%
2013 (third most recent year)	17%

- The employer's WLR is compared to the industry's WLR to determine a base discount or surcharge, as follows:

Employer's WLR compared to the industry's WLR	Potential Discount or Surcharge
If an employer's WLR is better than the industry's WLR.	For every 3.33% better, the employer can receive up to a 1% discount.
If an employer's WLR is equal to the industry's WLR.	Employer pays industry premium rate.
If an employer's WLR is worse than the industry's WLR.	For every 1.5% worse, the employer can receive up to a 1% surcharge.

Step 2: Determine Eligibility Factor

- An employer's base discount or surcharge is adjusted by an eligibility factor, which is based on the number of consecutive years they have premiums. The more years' experience an employer has, the higher the eligibility factor.

Consecutive Years of Experience	Eligibility Factor
1	33%
2	67%
3	100%

Step 3: Calculate Participation Factor

- An employer's base discount or surcharge is also adjusted by a participation factor, which accounts for an employer's size. Larger employers have more influence on their industry's experience and therefore participate more fully in the program.
- The participation factor is based on total base premiums in the evaluation window. The higher the premiums, the more fully an employer participates in the program.
- Every employer starts with a base participation factor of 41.5% and increases by 1% for every \$1,500 in additional base premiums over \$21,000.

Step 4: Calculate Final Discount or Surcharge

- An employer's final discount or surcharge is calculated as follows:

$$\text{Base Discount or Surcharge} \times \text{Eligibility Factor} \times \text{Participation Factor} = \text{Final Discount or Surcharge}$$

ii. **Step 5: Calculate Firm Rate**

- The WCB determines an employer's firm rate by applying their final discount or surcharge to their industry premium rate.