

WCB'S RATE MODEL CHANGES

Impacts to Rate Codes



Speaker

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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.



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Government & Crowns Rate Model Impacts

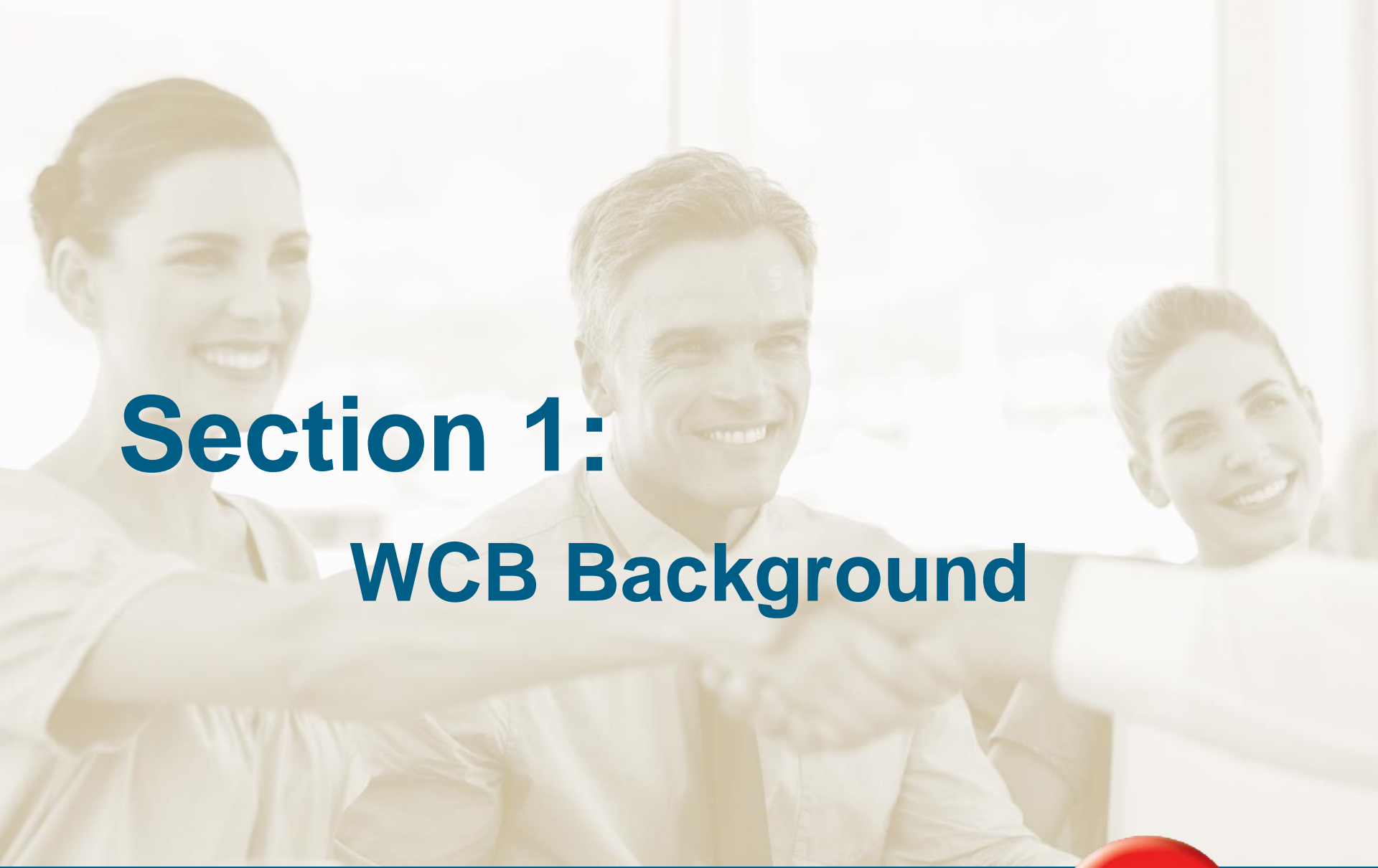
March 1, 2017



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.

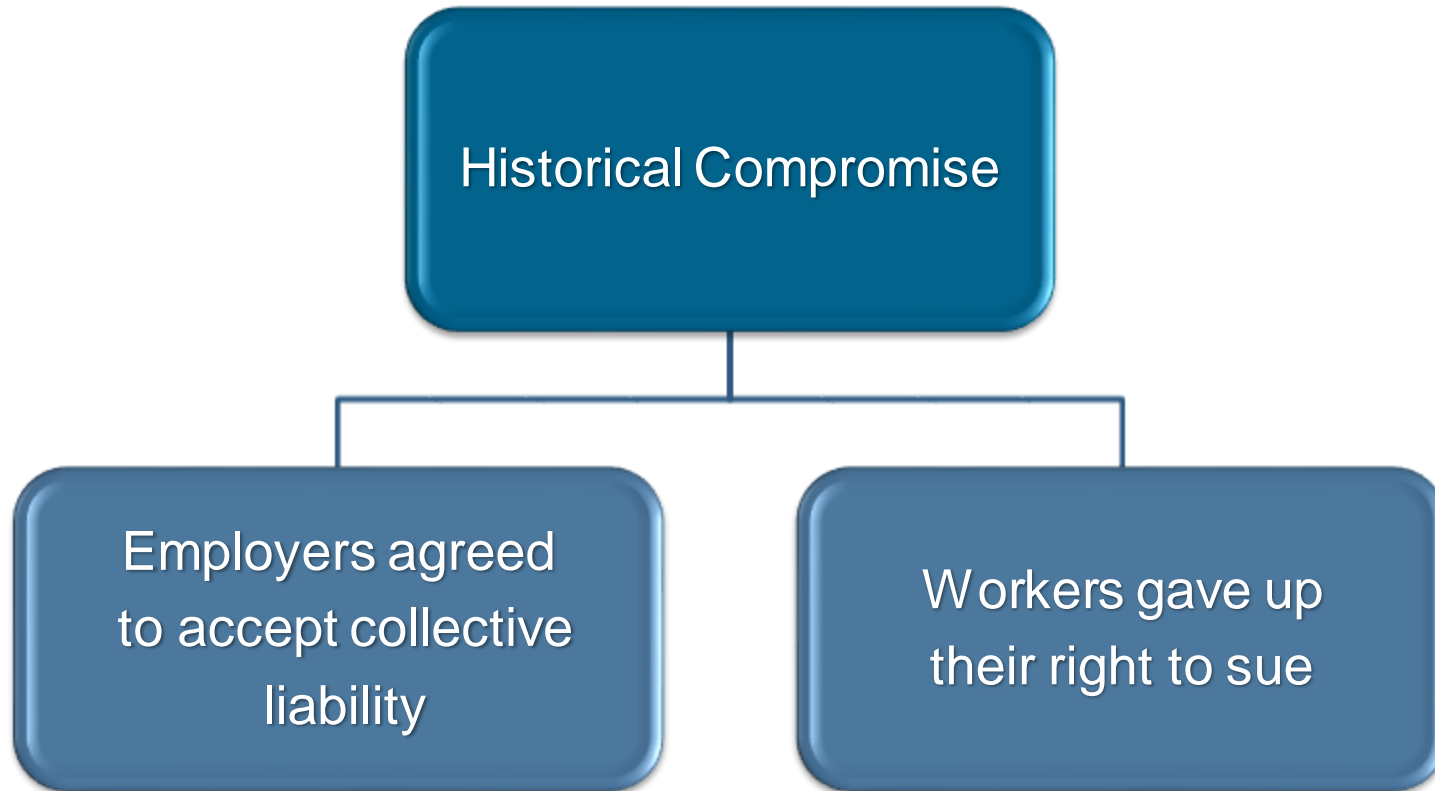
Section 1: WCB Background

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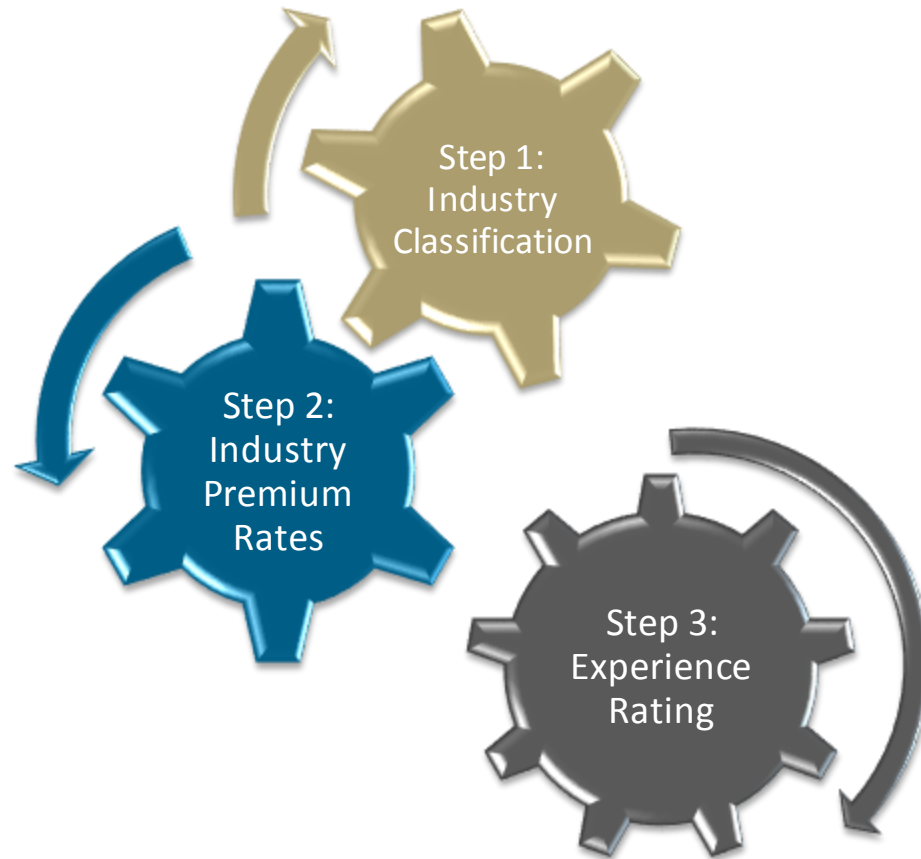
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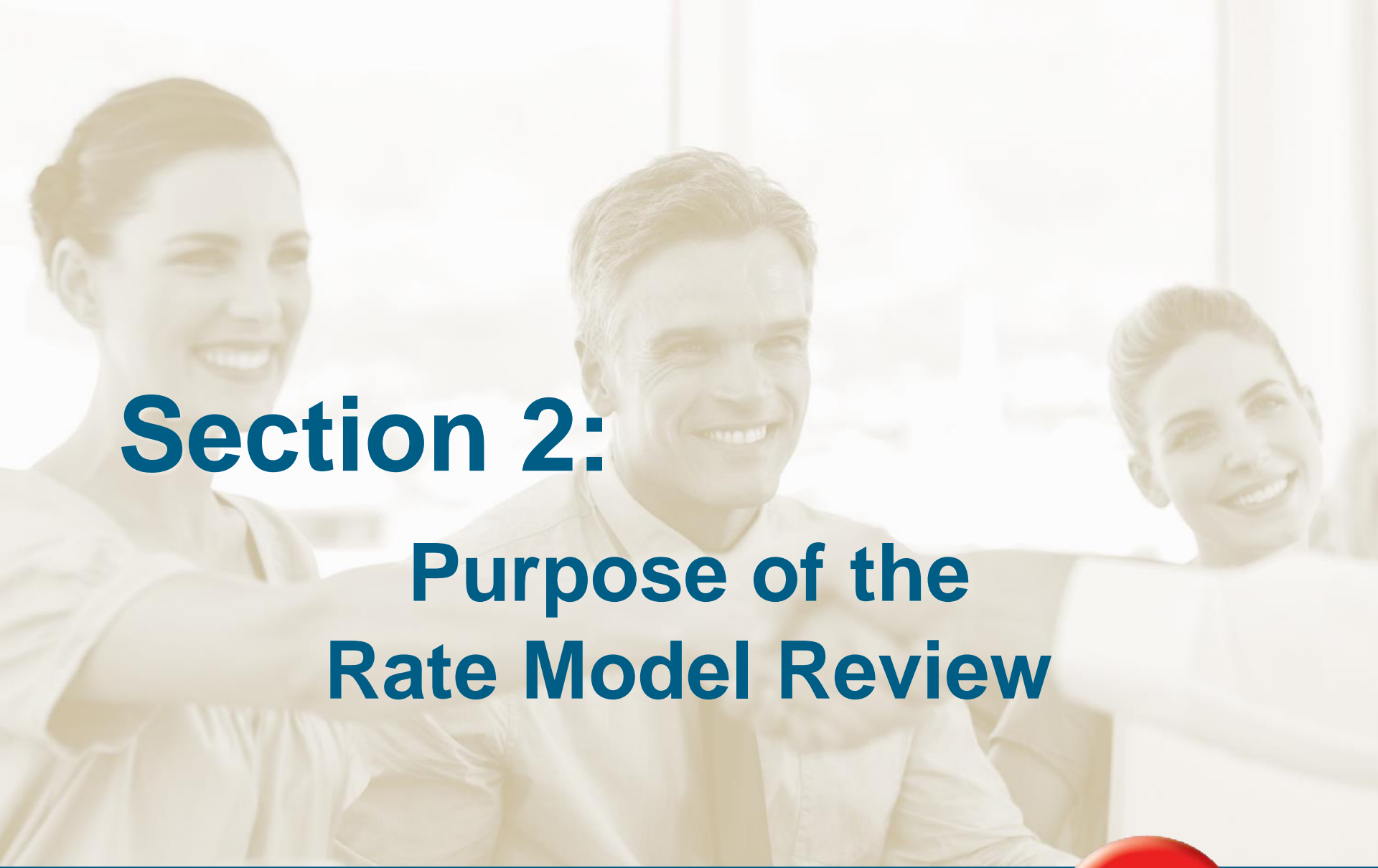
Why do you pay WCB premiums?



Your premium assessments fund the compensation system

The Rate Setting Process





Section 2:

Purpose of the Rate Model Review

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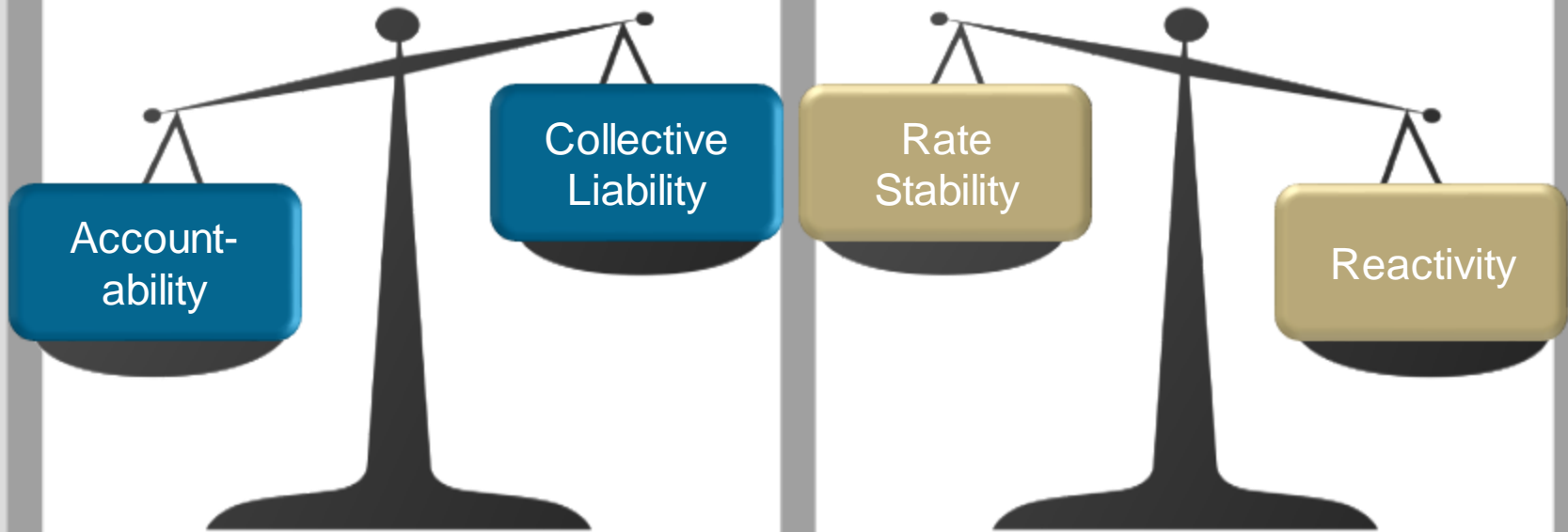
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Why did we need a review of the Rate Model?

- 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

G51 - Credibility of Industries



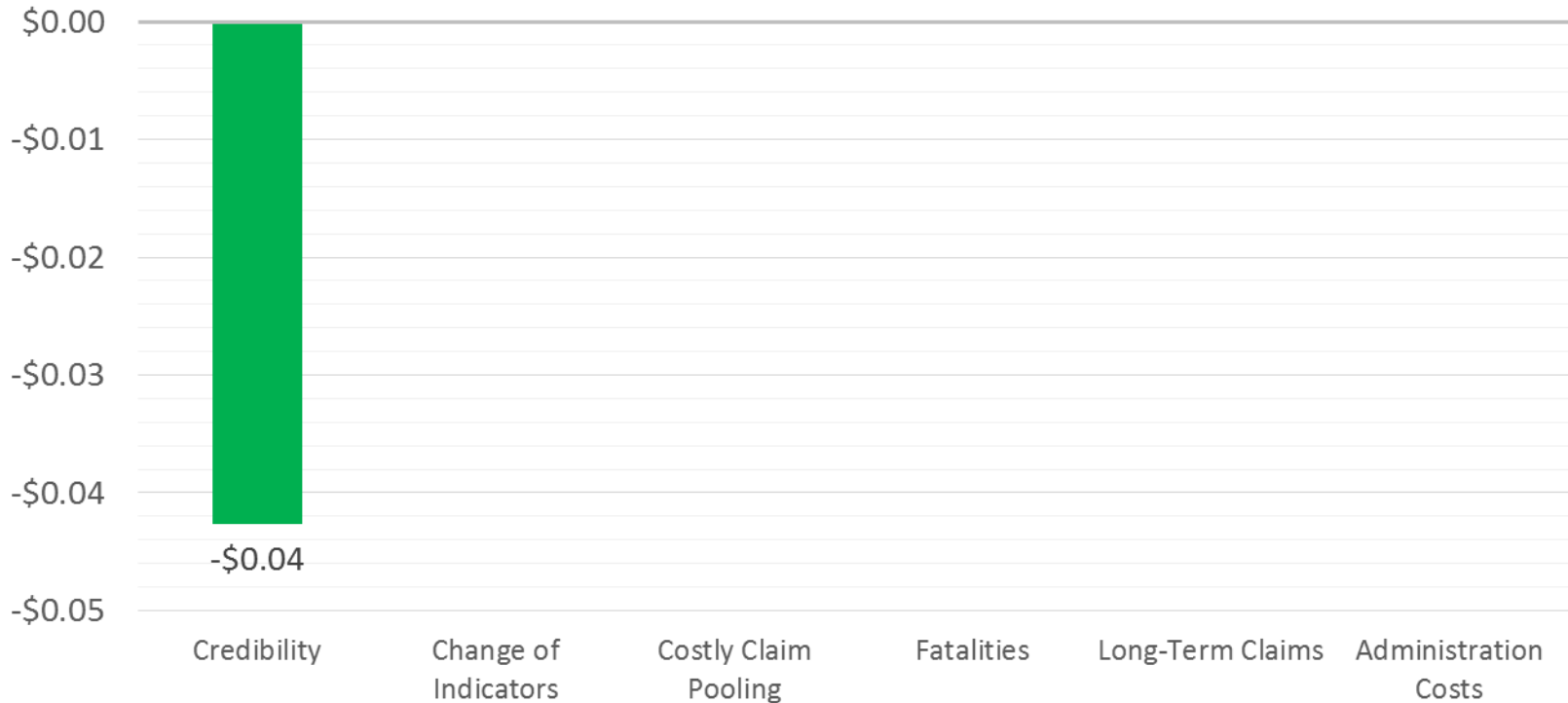
M31 - Credibility of Industries

RATE IMPACT



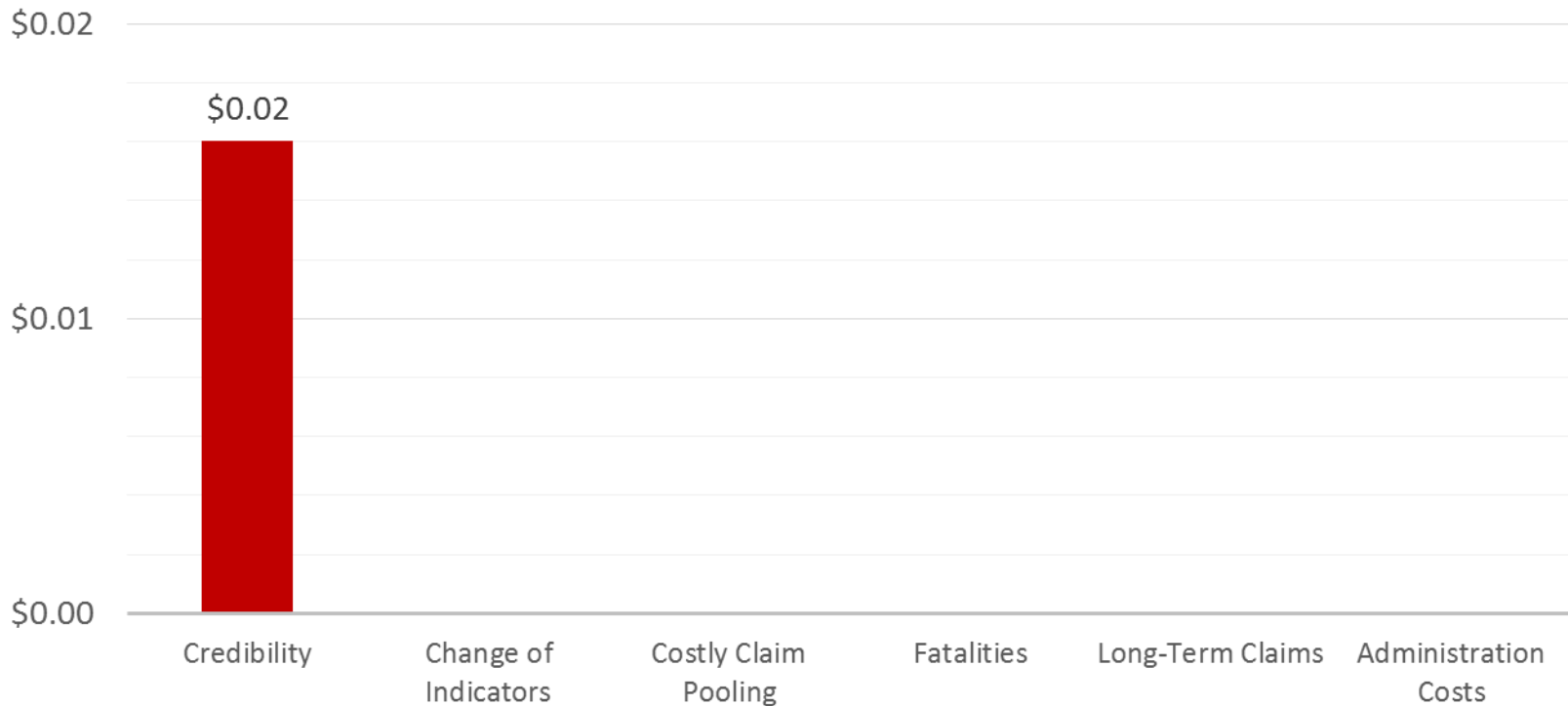
U11 - Credibility of Industries

RATE IMPACT



U31 - 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

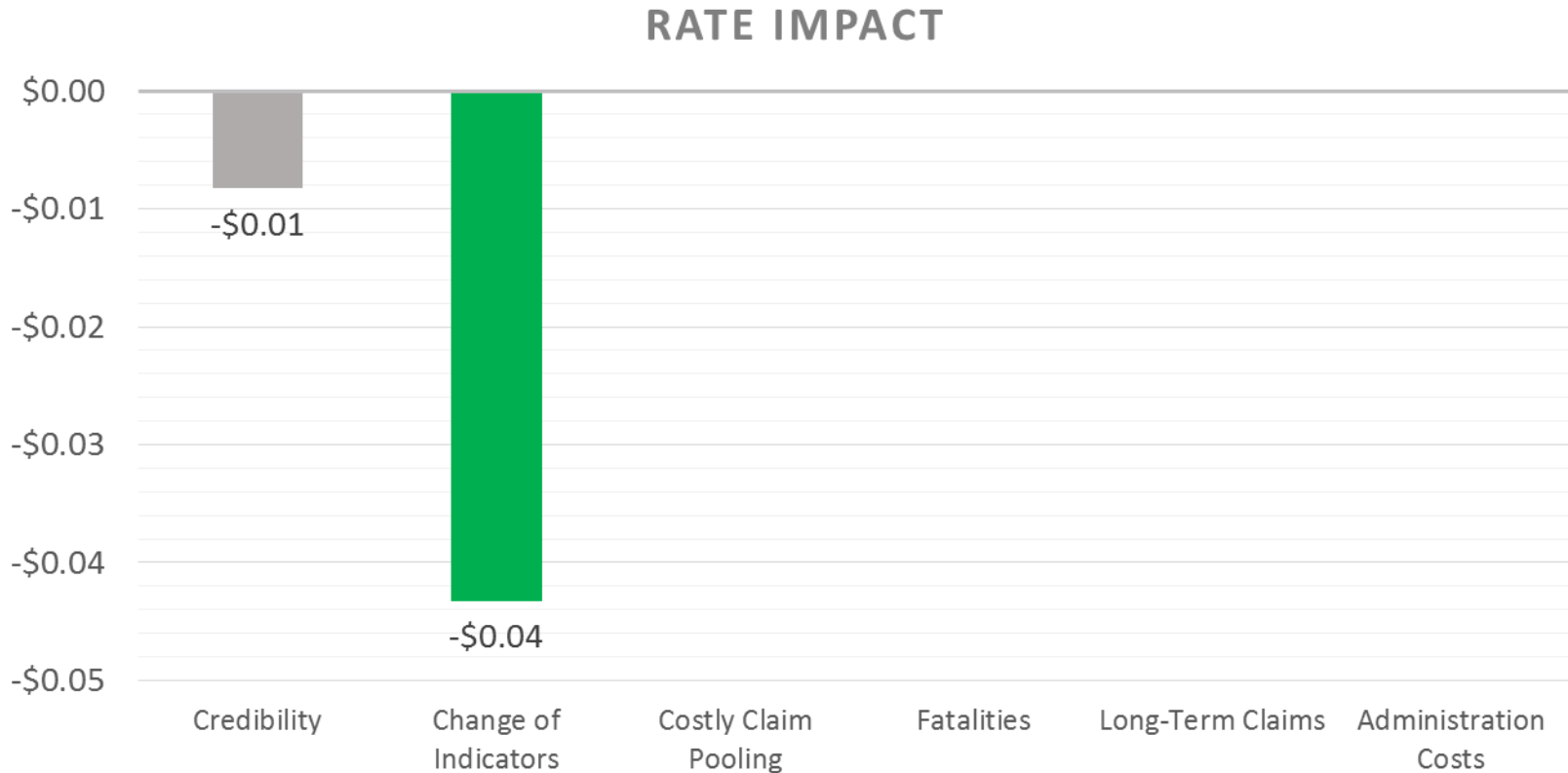
Why the Change:

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

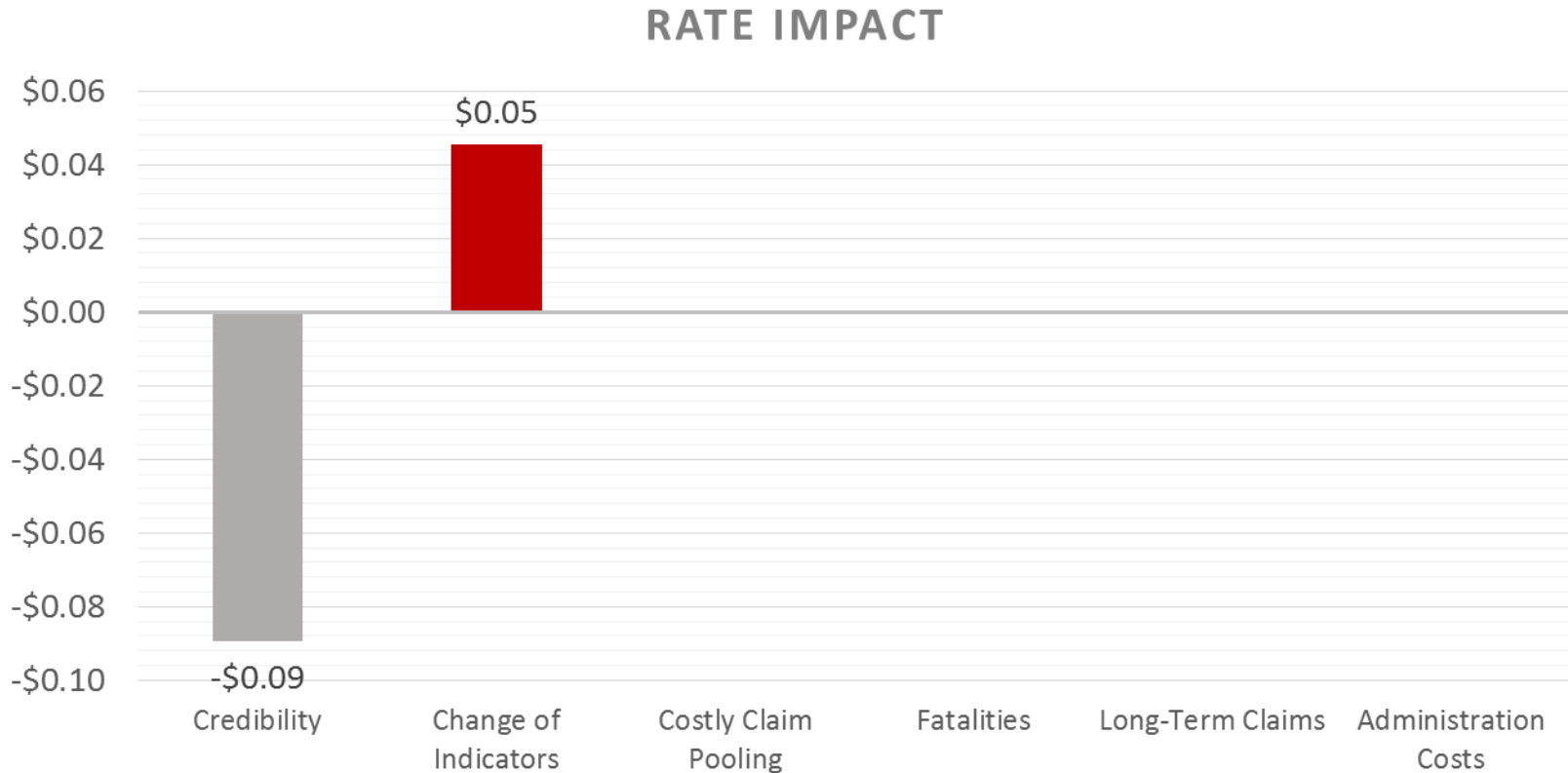
WCB Decision:

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

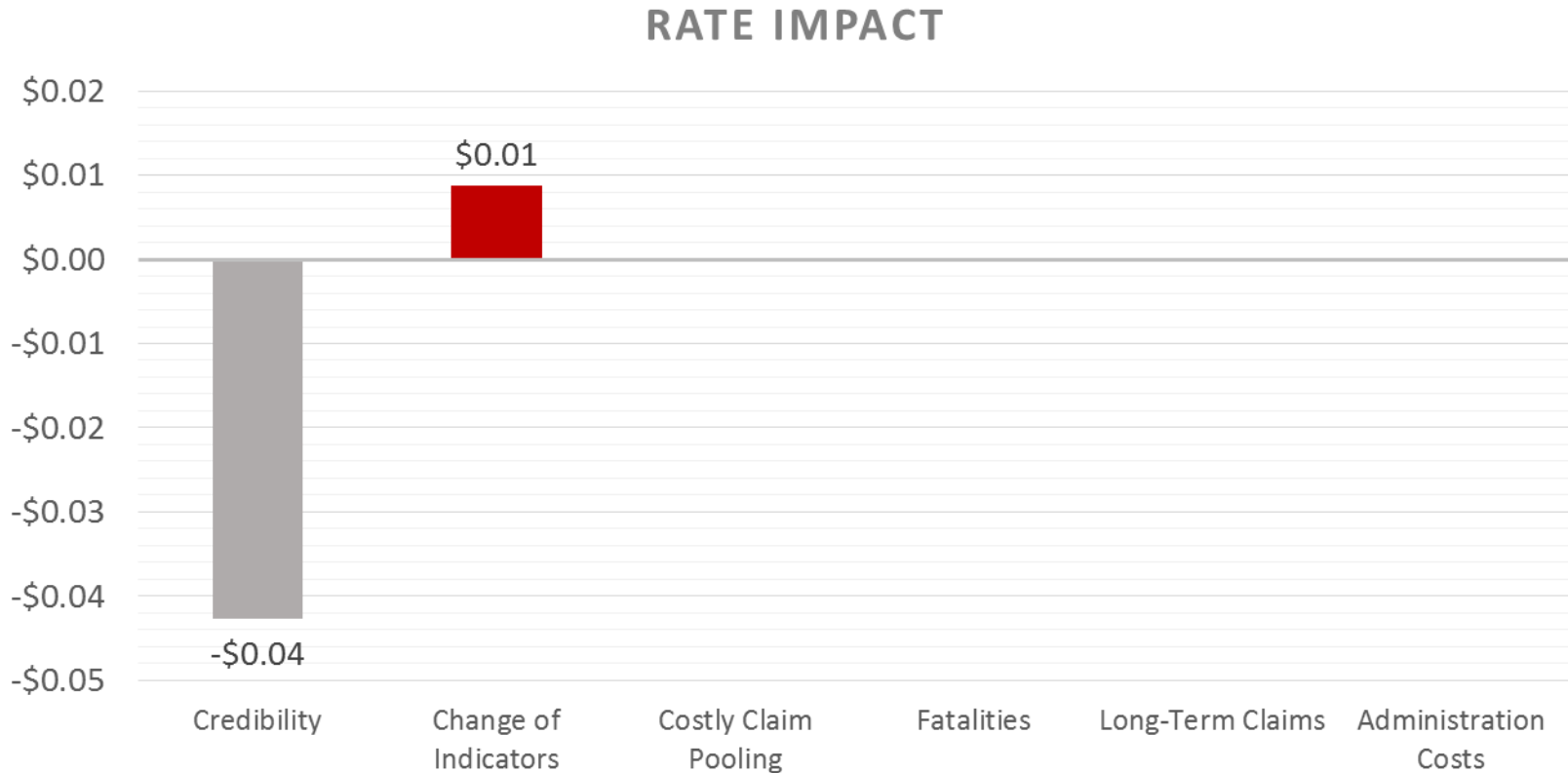
G51 - Change of Indicators



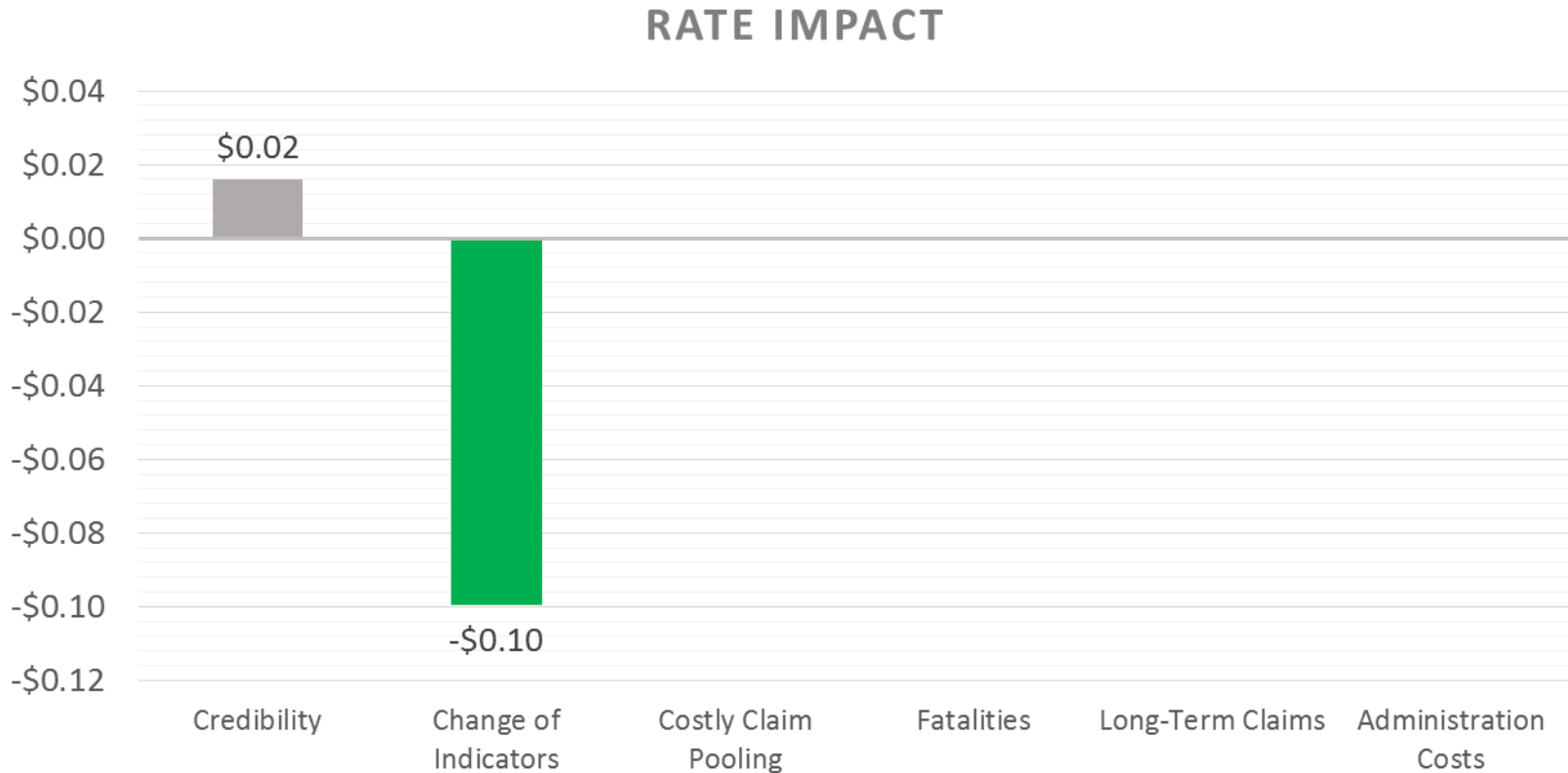
M31 - Change of Indicators



U11 - Change of Indicators



U31 - 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*

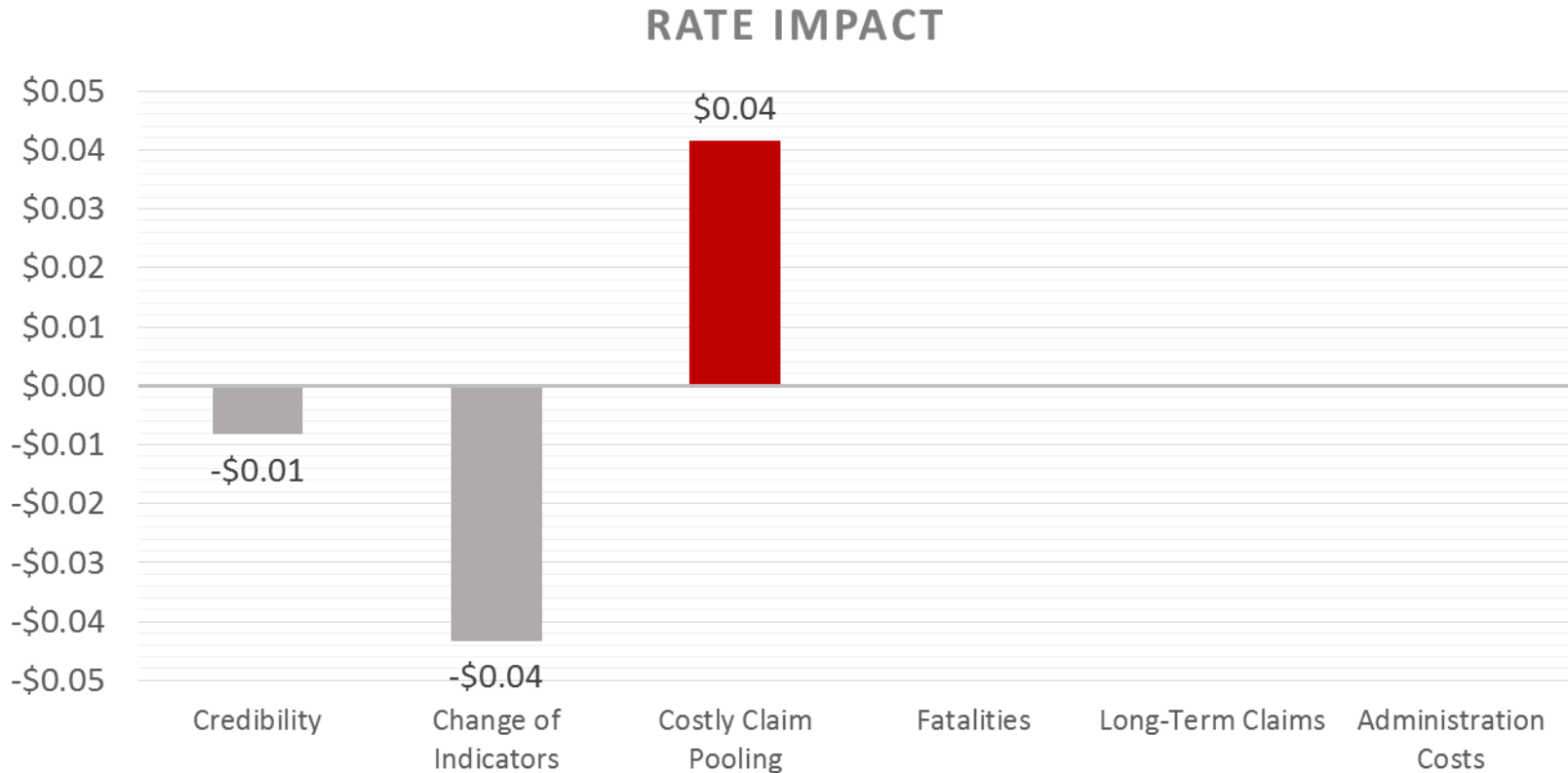
Why the Change:

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

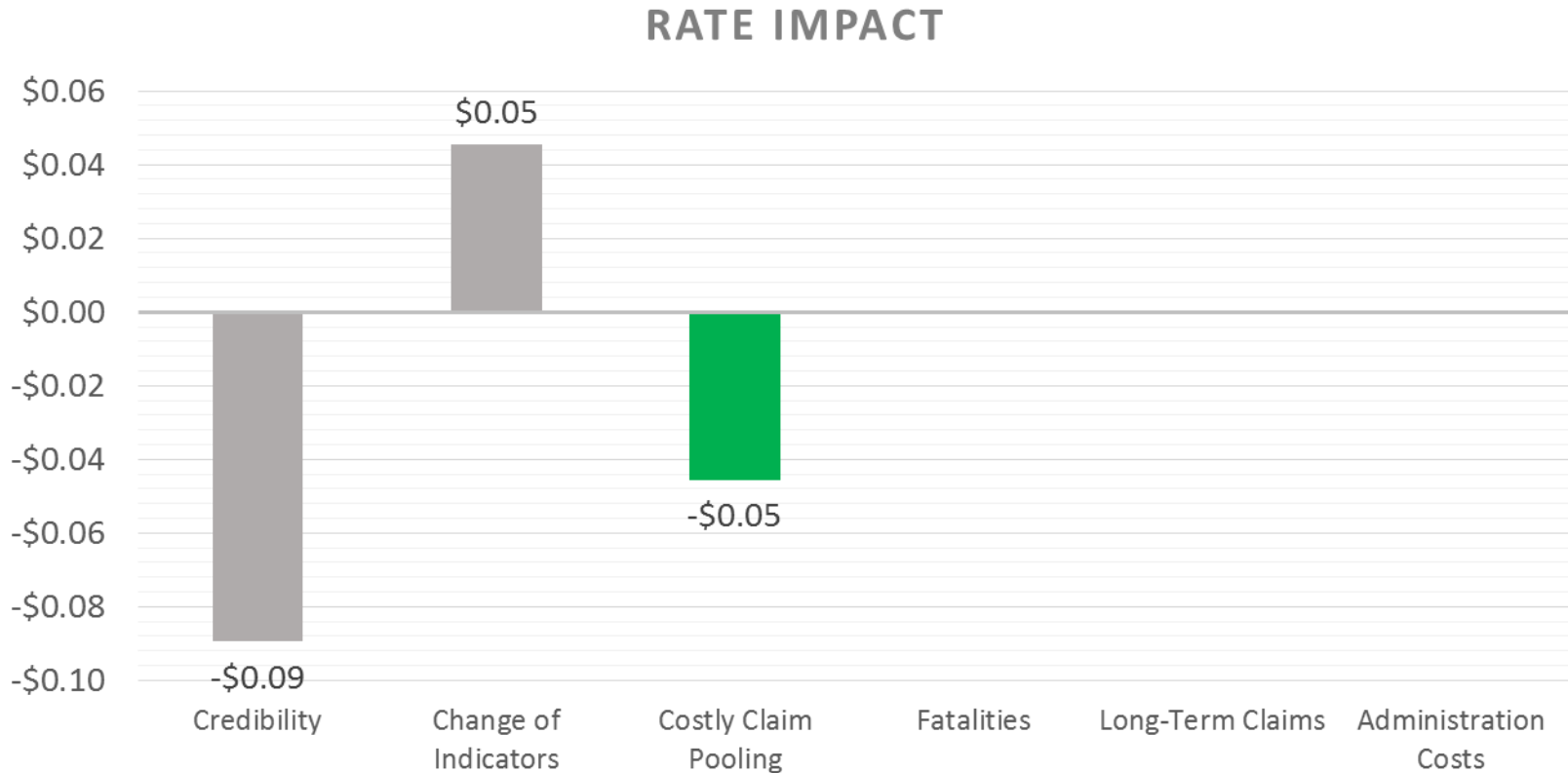
WCB Decision:

- 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.

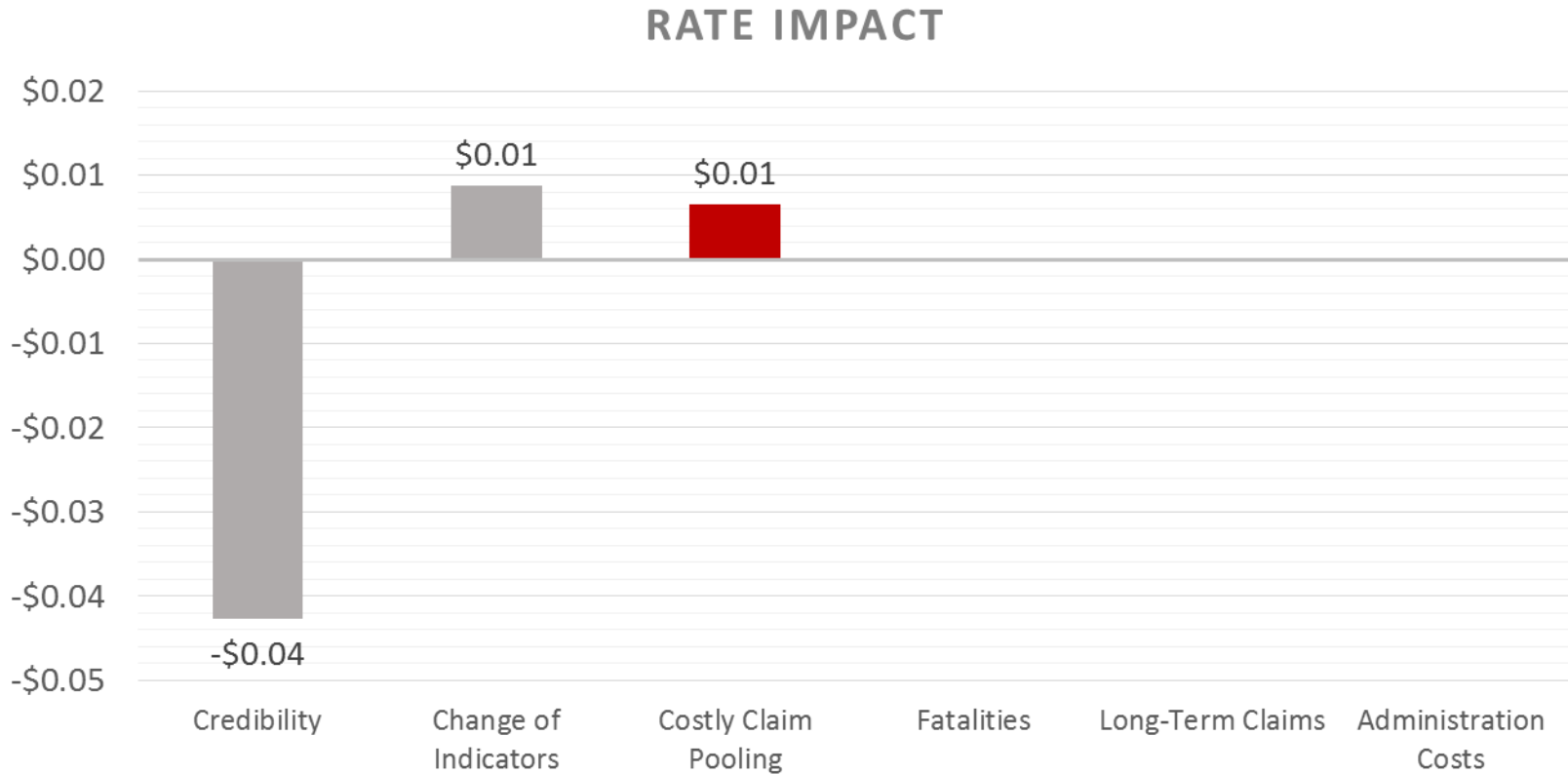
G51 - Costly Claim Pooling



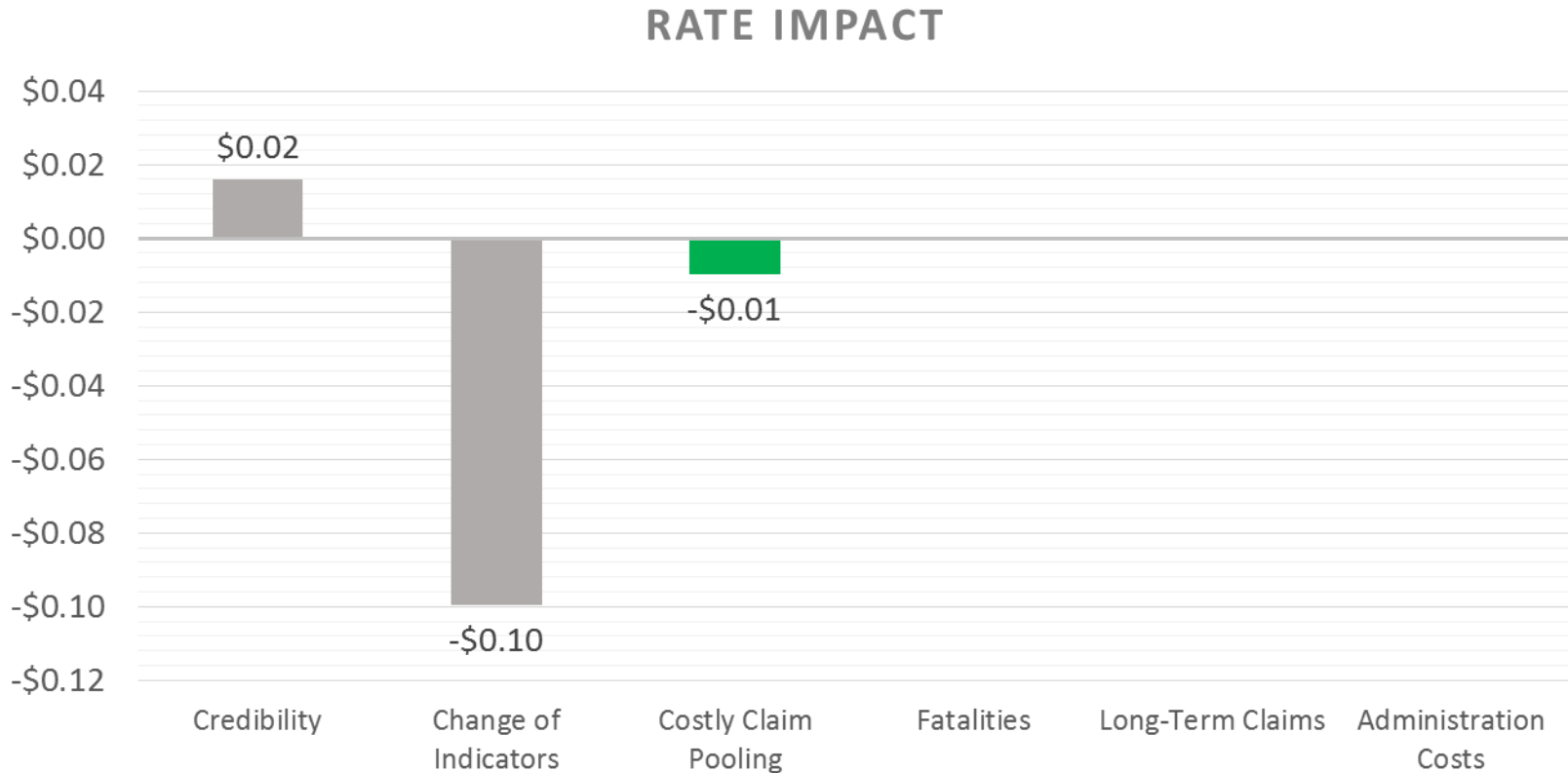
M31 - Costly Claim Pooling



U11 - Costly Claim Pooling



U31 - Costly Claim Pooling



Allocation of Fatality Costs

Recommendation:

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

Why the Change:

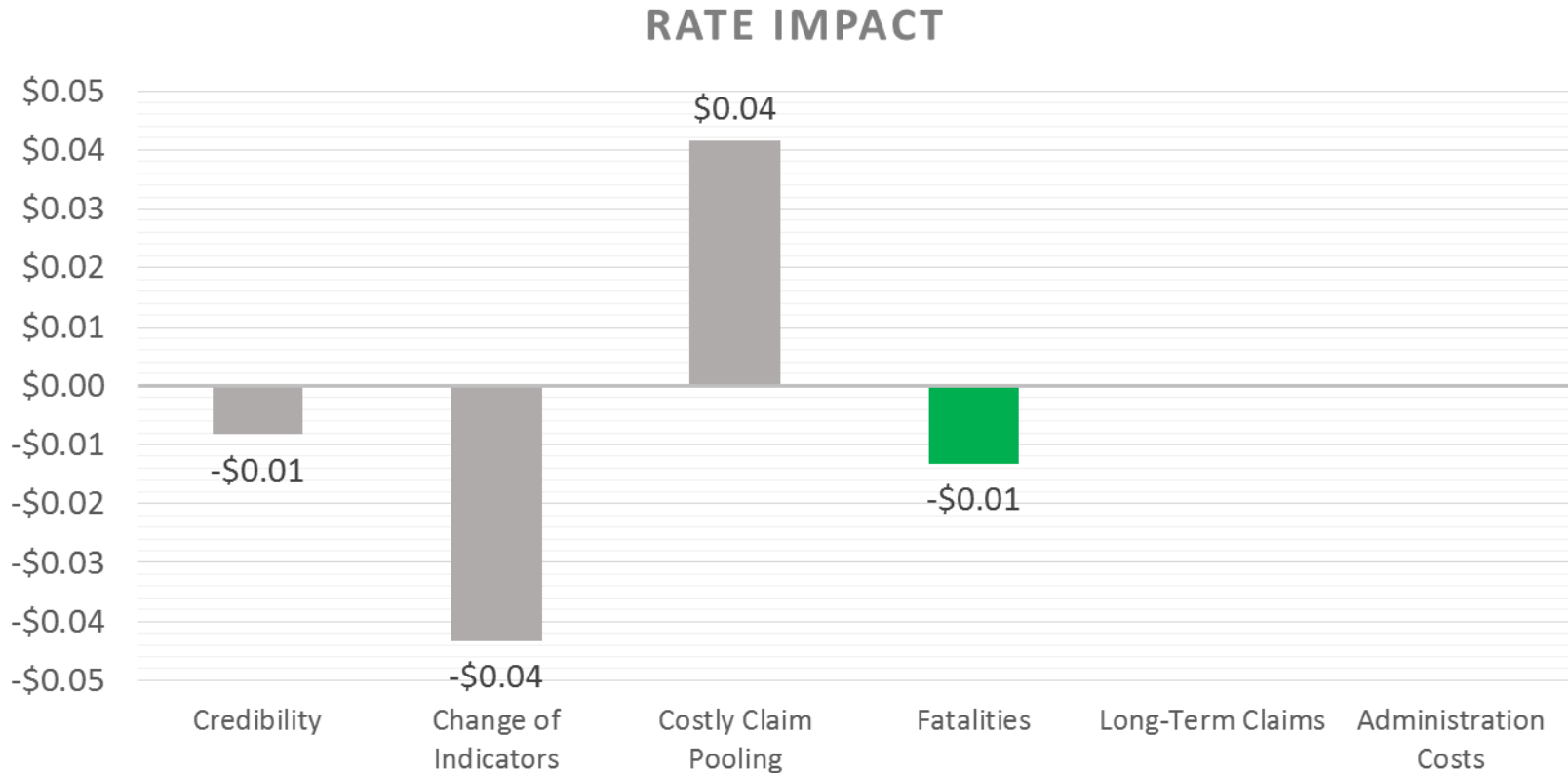
- Increases accountability to industries that have fatalities

WCB Decision:

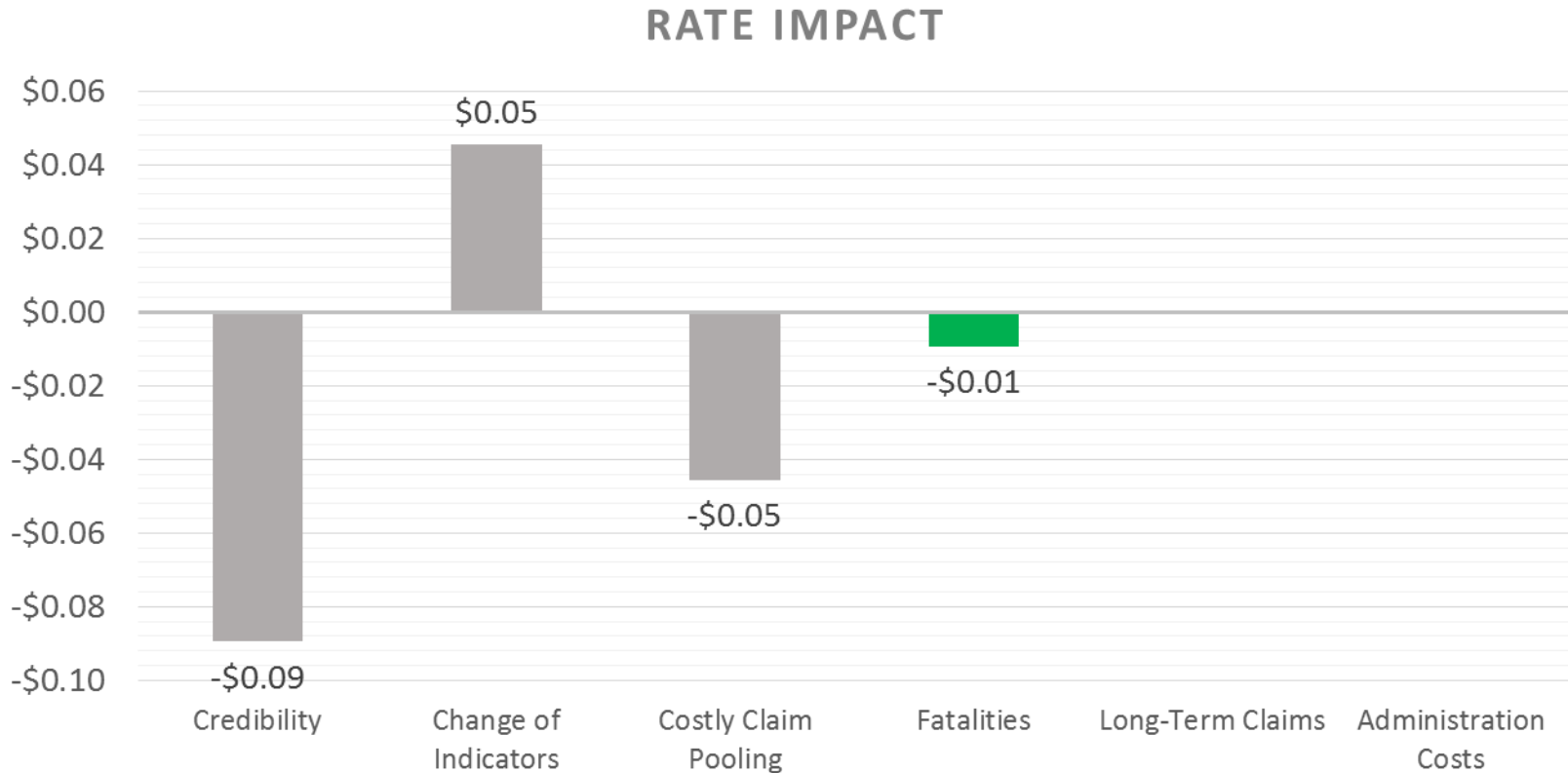
- Costs for a fatality claim will be charged to the industry in which they occur and treated the same as all other claims



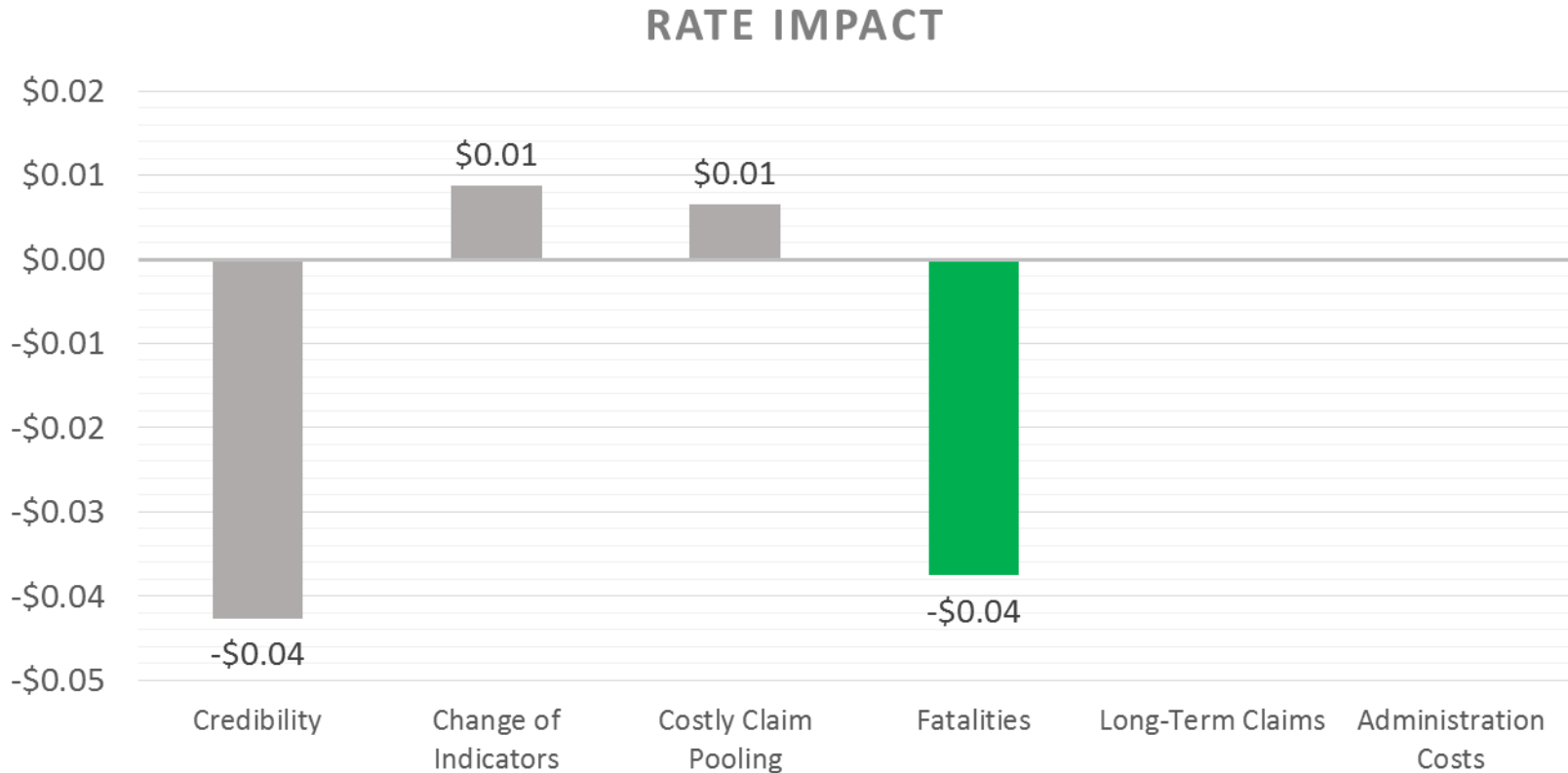
G51 - Allocation of Fatality Costs



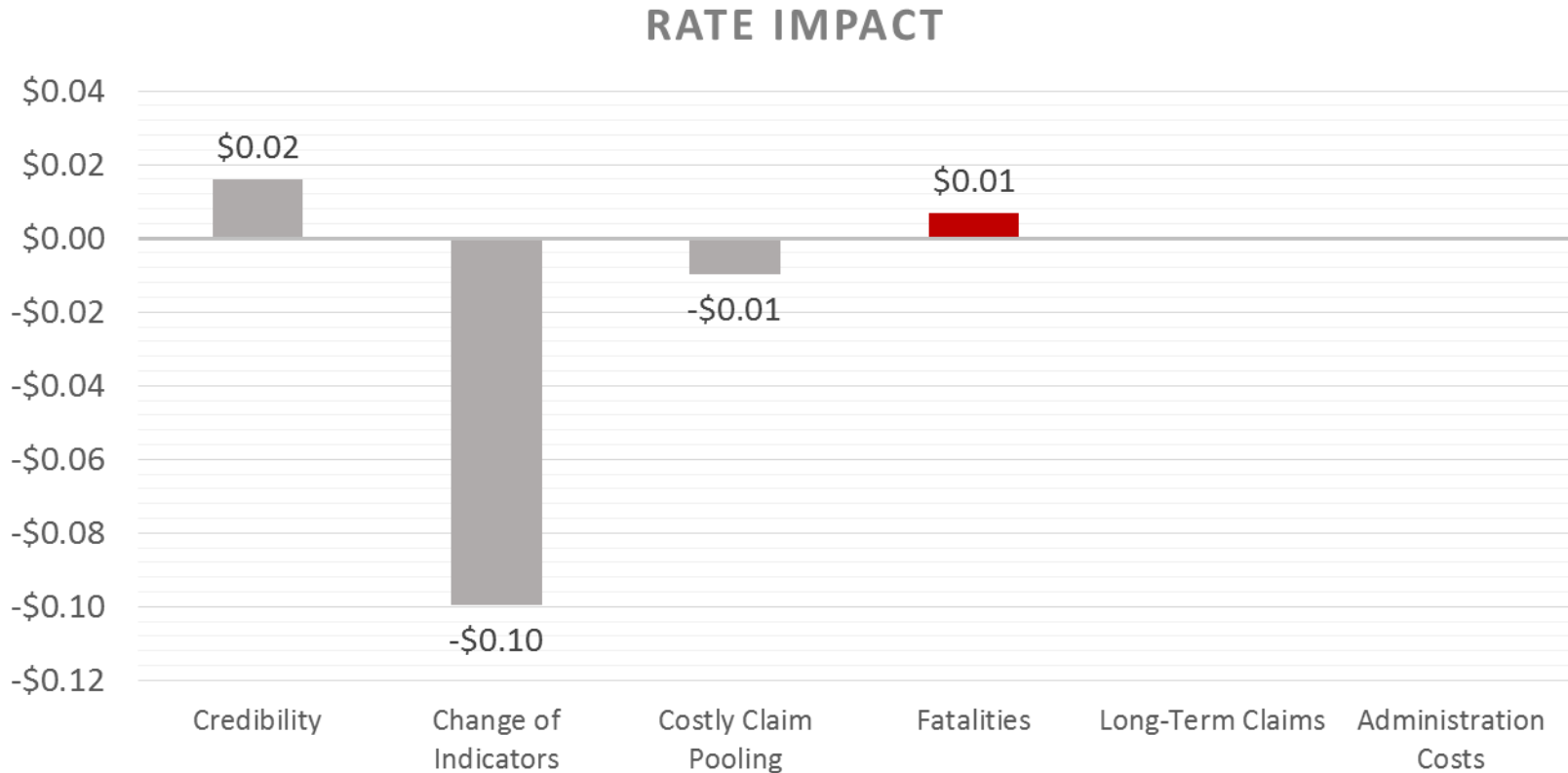
M31 - Allocation of Fatality Costs



U11 - Allocation of Fatality Costs



U31 - 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

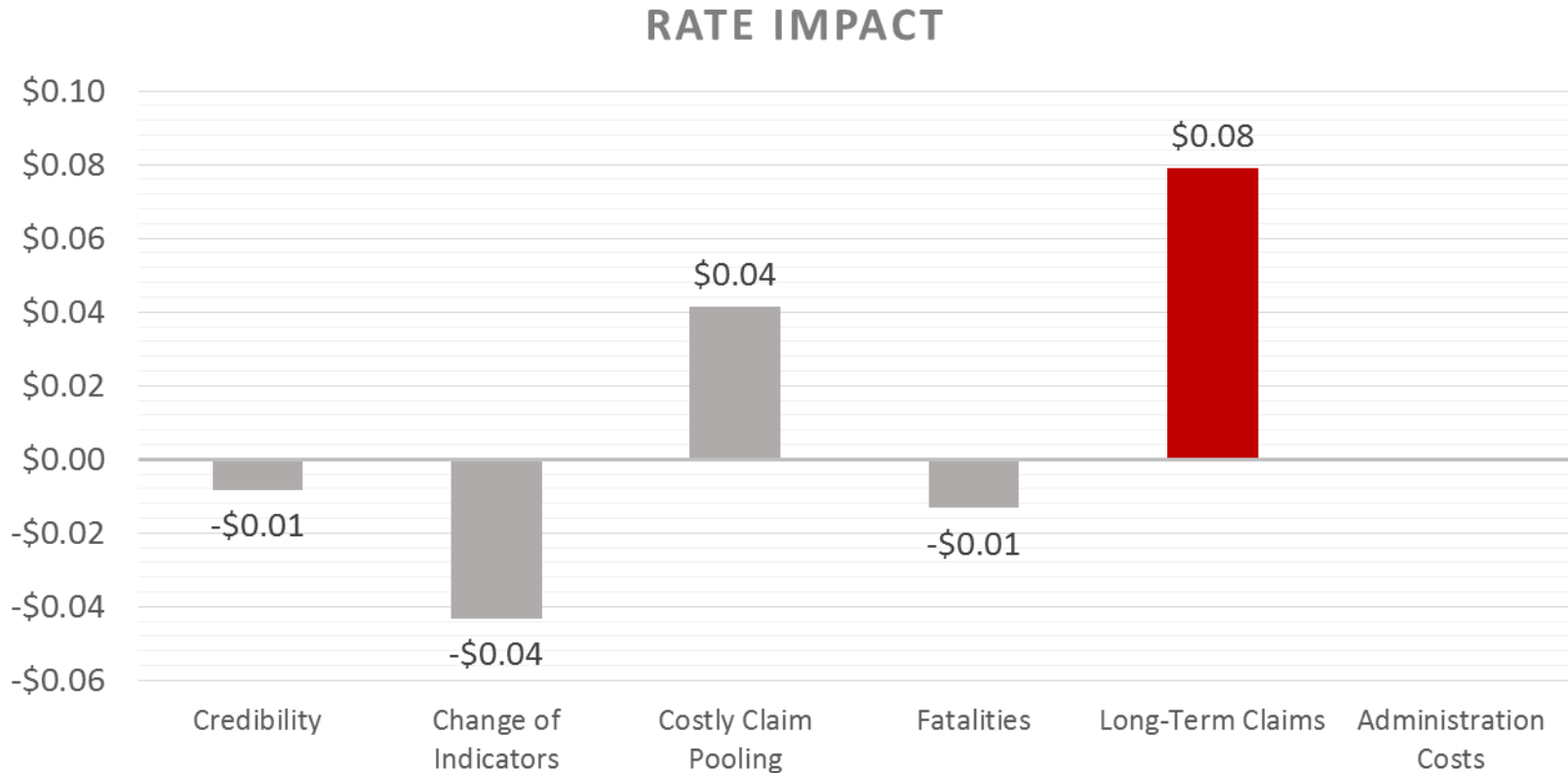
Why the Change:

- Increases reactivity by putting emphasis on recent cost experience
- Increases accountability to industries

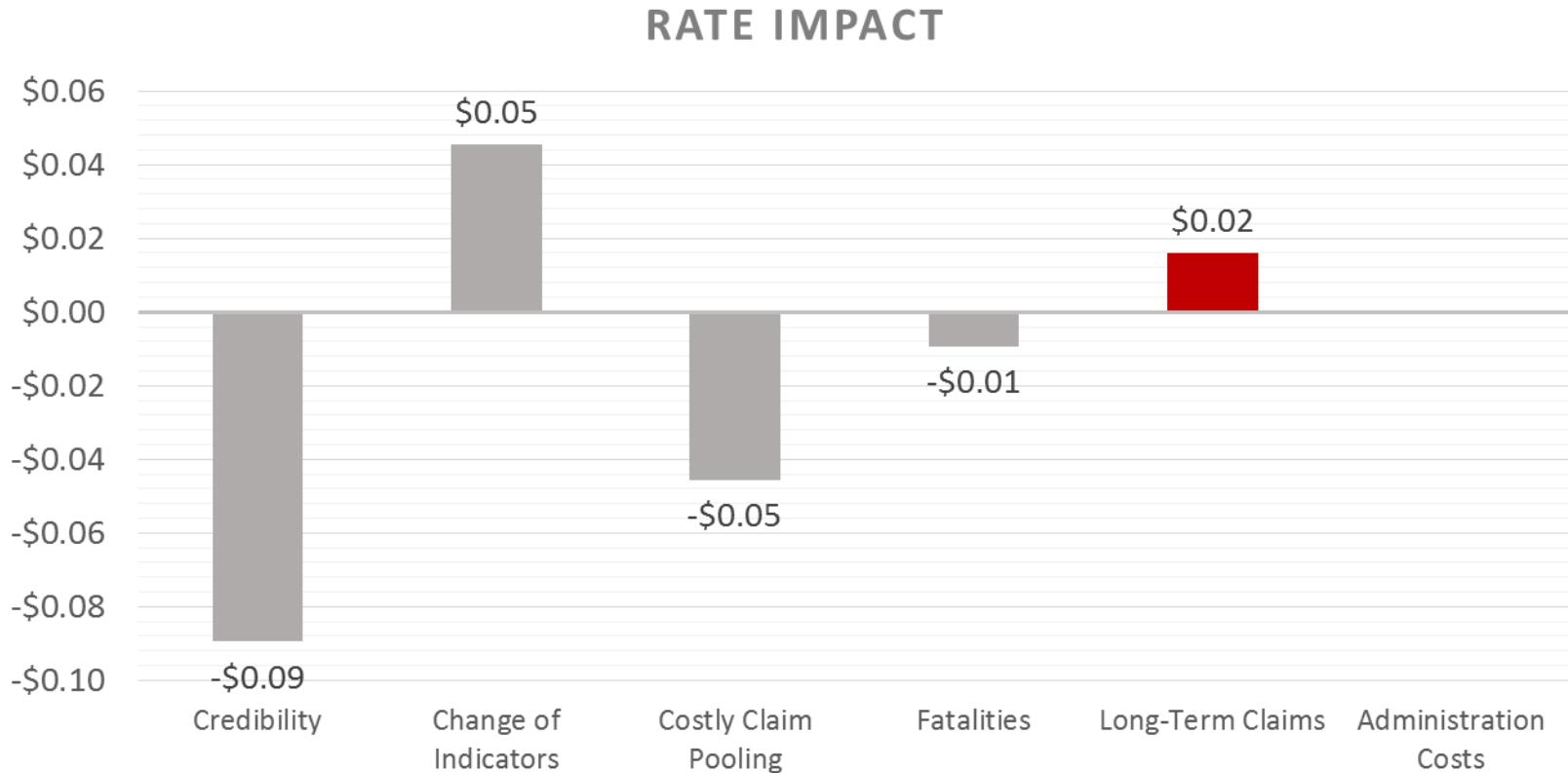
WCB Decision:

- Applies all costs for the first 7 years of a claim to the industry experience. Remaining costs are pooled at the Board Level

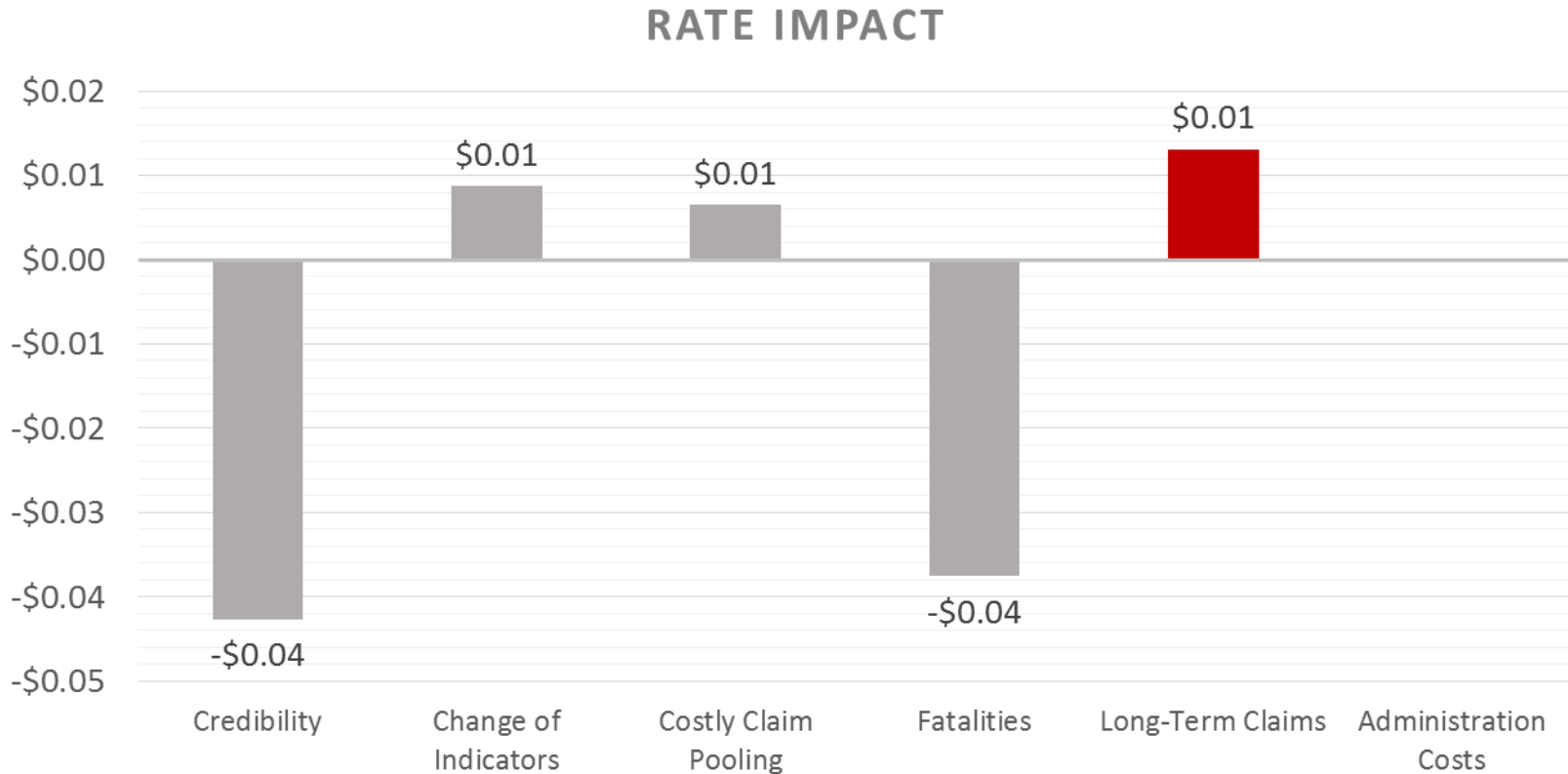
G51 - Long Term Claims



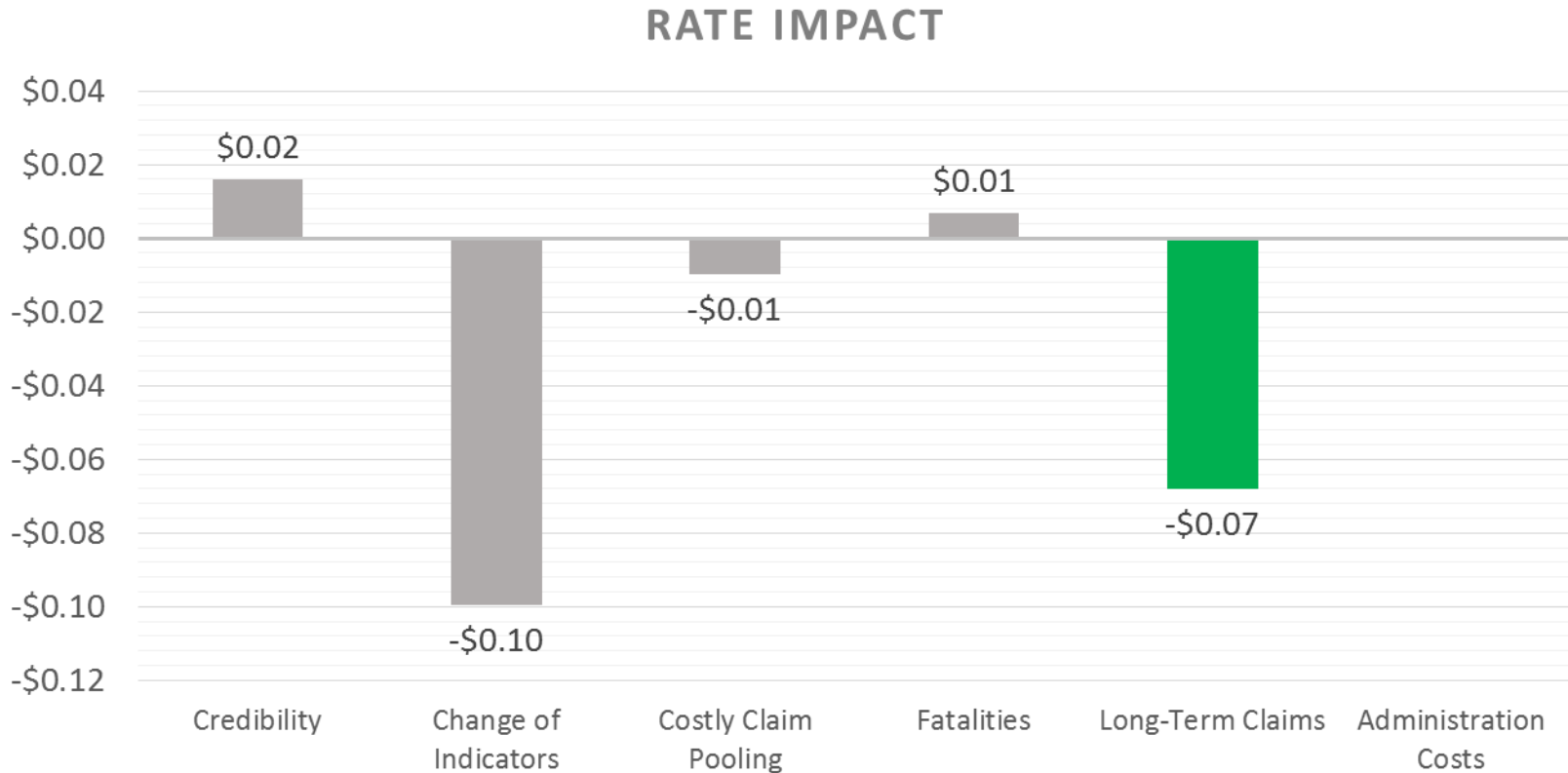
M31 - Long Term Claims



U11 - Long Term Claims



U31 - Long Term Claims



Allocation of Administration Costs

Recommendation

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

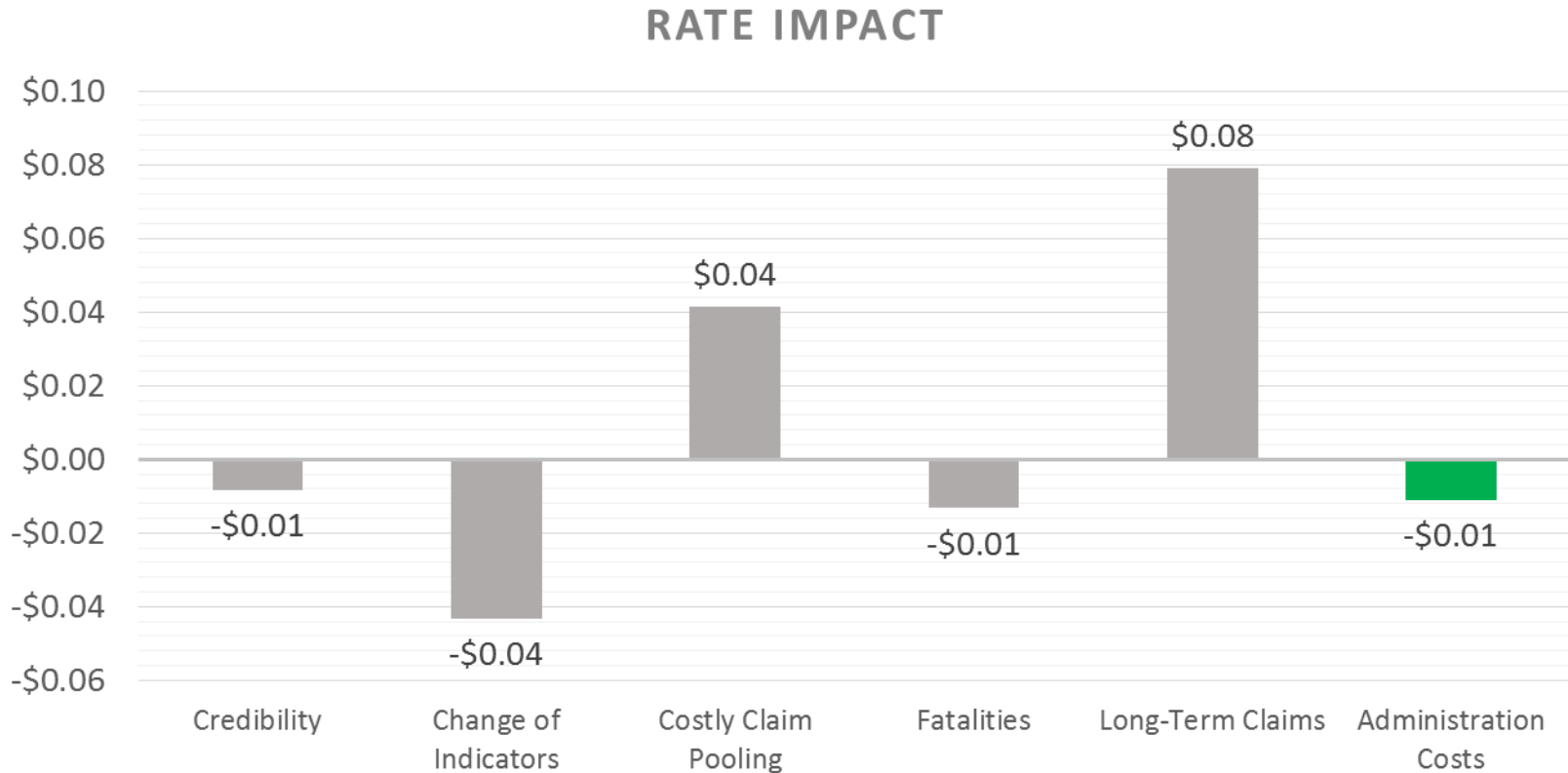
Why the Change:

- Increase fairness so all industries appropriately share the costs

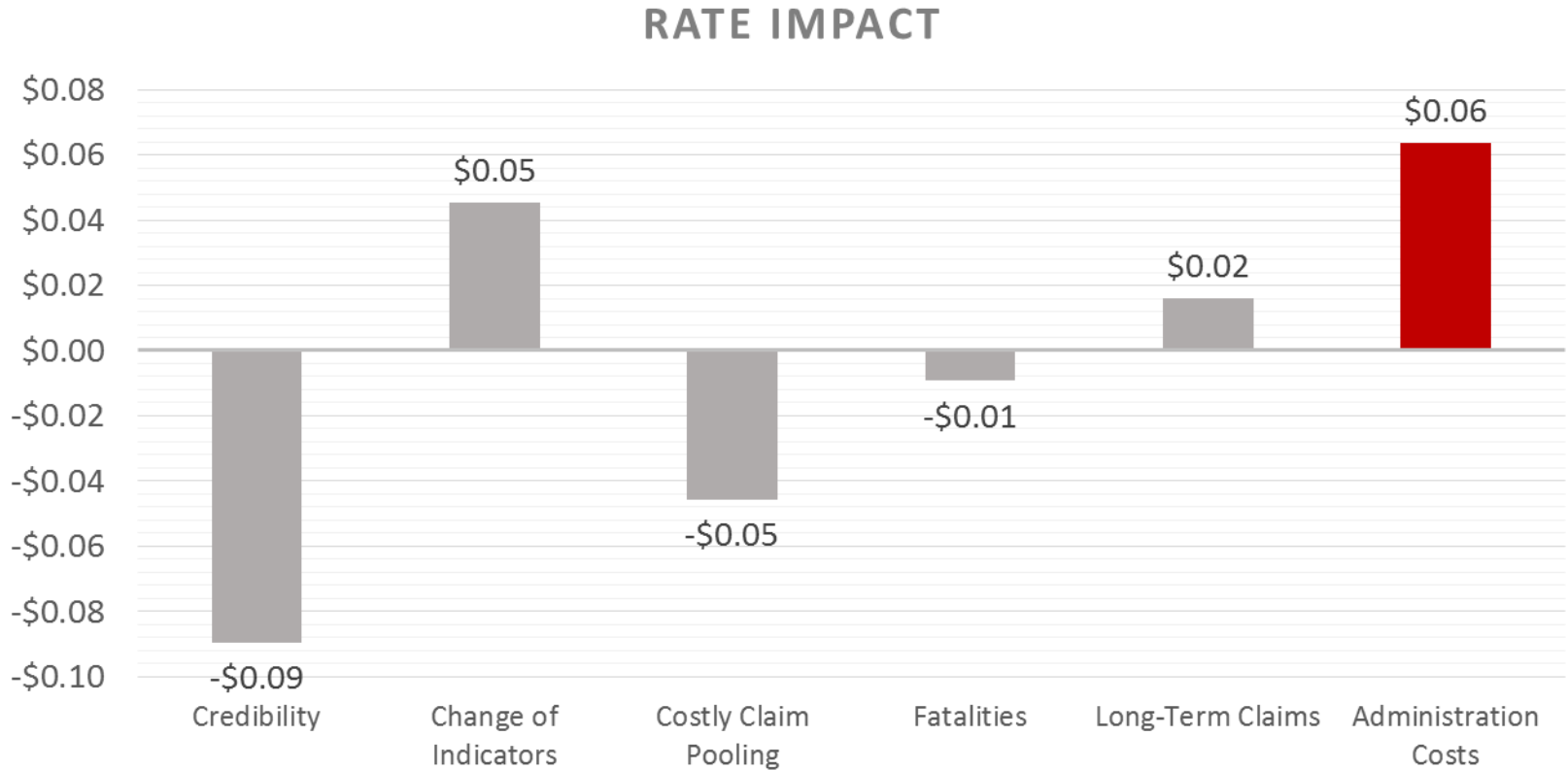
WCB Decision:

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

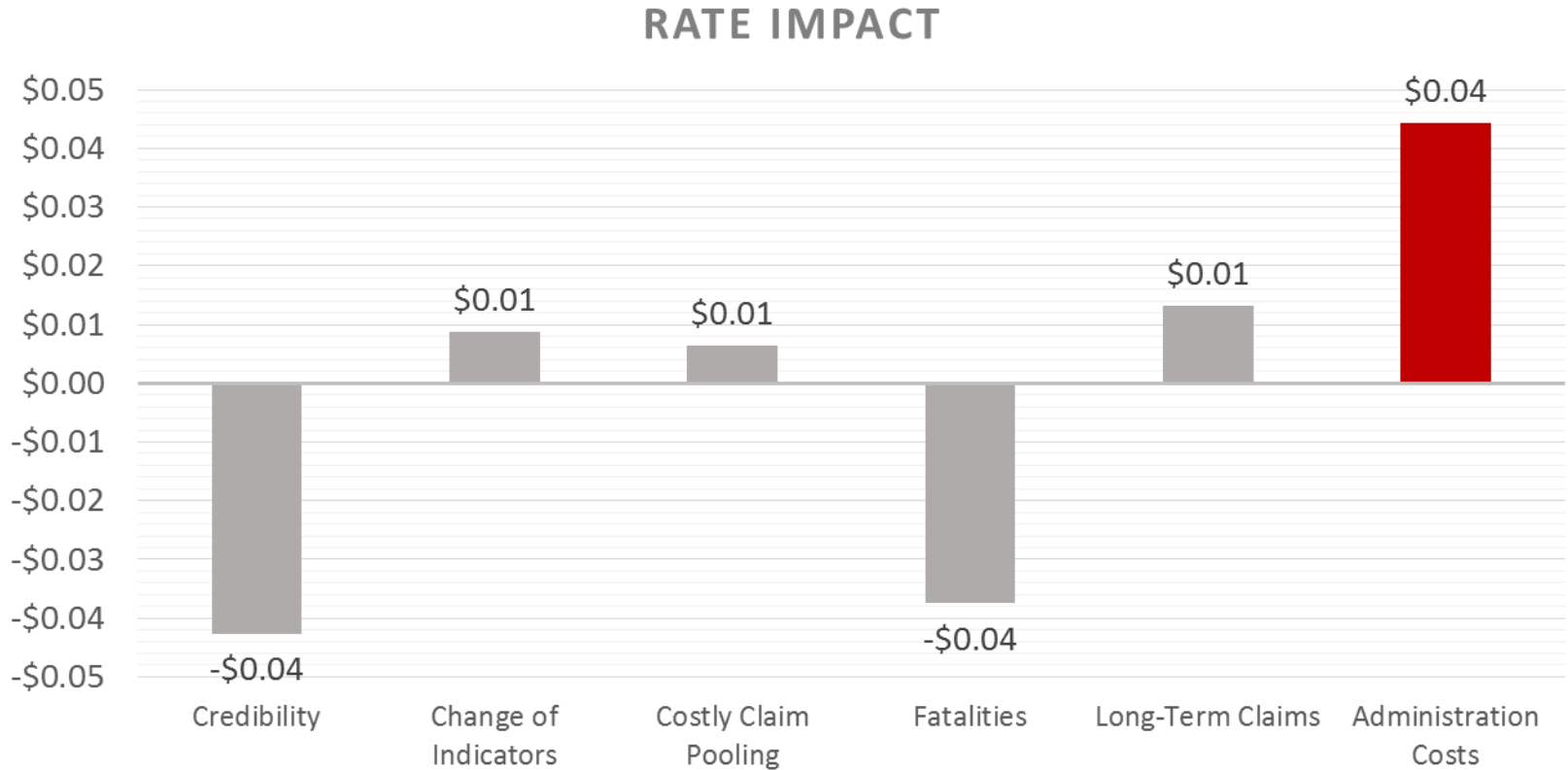
G51 - Allocation of Administration Costs



M31 - Allocation of Administration Costs



U11 - Allocation of Administration Costs



U31 - Allocation of Administration Costs



Premium Composition

G51 - Government of Saskatchewan and Ministries

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.966	\$ 0.883	\$ 0.947		
Fatalities	\$0.043	\$ 0.040	\$ 0.033		
Administration	\$0.383	\$ 0.372	\$ 0.362		
Safety Associations	\$ -	\$ -	\$ -		
Industry Base Rate	\$ 1.39	\$ 1.30	\$ 1.34	3.1%	\$0.04

Differences between this table and impact charts are due to rounding



Premium Composition

M31 - Manufacturing, Pipeline Operations

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.376	\$ 0.318	\$ 0.239		
Fatalities	\$0.043	\$ 0.040	\$ 0.036		
Administration	\$0.118	\$ 0.107	\$ 0.171		
Safety Associations	\$ -	\$ -	\$ -		
Industry Base Rate	\$ 0.54	\$ 0.46	\$ 0.45	-2.2%	-\$0.01

Differences between this table and impact charts are due to rounding



Premium Composition

U11 - Telecommunications

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.290	\$ 0.265	\$ 0.245		
Fatalities	\$0.043	\$ 0.040	\$ 0.008		
Administration	\$0.130	\$ 0.120	\$ 0.165		
Safety Associations	\$ -	\$ -	\$ -		
Industry Base Rate	\$ 0.46	\$ 0.43	\$ 0.42	-2.3%	-\$0.01

Differences between this table and impact charts are due to rounding



Premium Composition

U31 - Electric Systems

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.561	\$ 0.506	\$ 0.348		
Fatalities	\$0.043	\$ 0.040	\$ 0.044		
Administration	\$0.222	\$ 0.197	\$ 0.202		
Safety Associations	\$ -	\$ -	\$ -		
Industry Base Rate	\$ 0.83	\$ 0.74	\$ 0.59	-20.3%	-\$0.15

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 appear to be in a meeting or collaborative work environment. The image is overlaid with a semi-transparent blue filter.

Section 4: Next Steps

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ZERO

Next Steps

- Audio recording of this session will be available
- More questions?
 - If you have additional questions, please email askwcb@wcbask.com
- Transition Feedback
 - Provide your feedback on how the WCB's enhanced rate model will be transition in 2018
 - www.wcbask.com/feedback



Next Steps

- Today's full presentation will be recorded and available on www.wcbsask.com
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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.