

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.



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Mining Rate Model Impacts

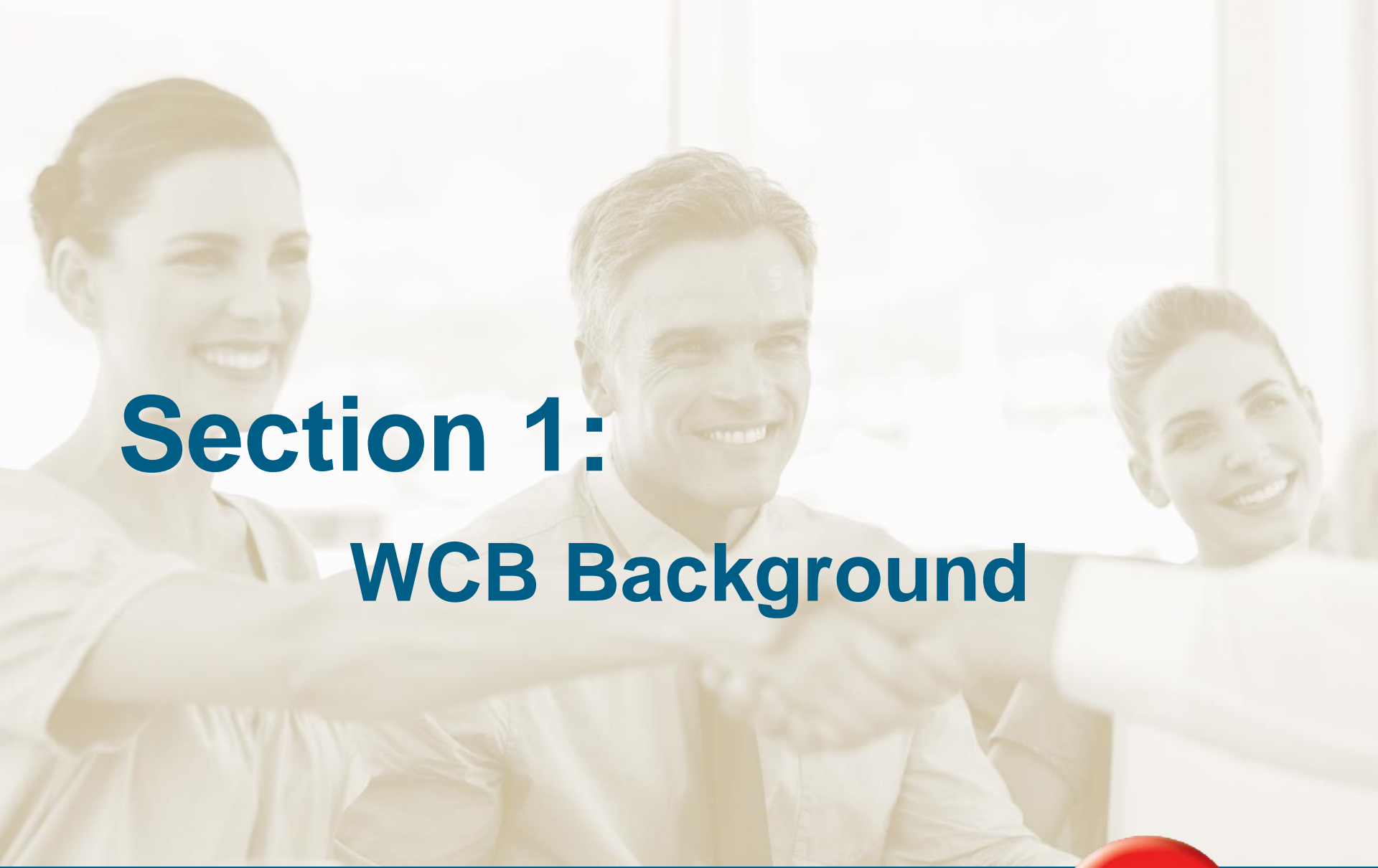
March 7, 2017



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.

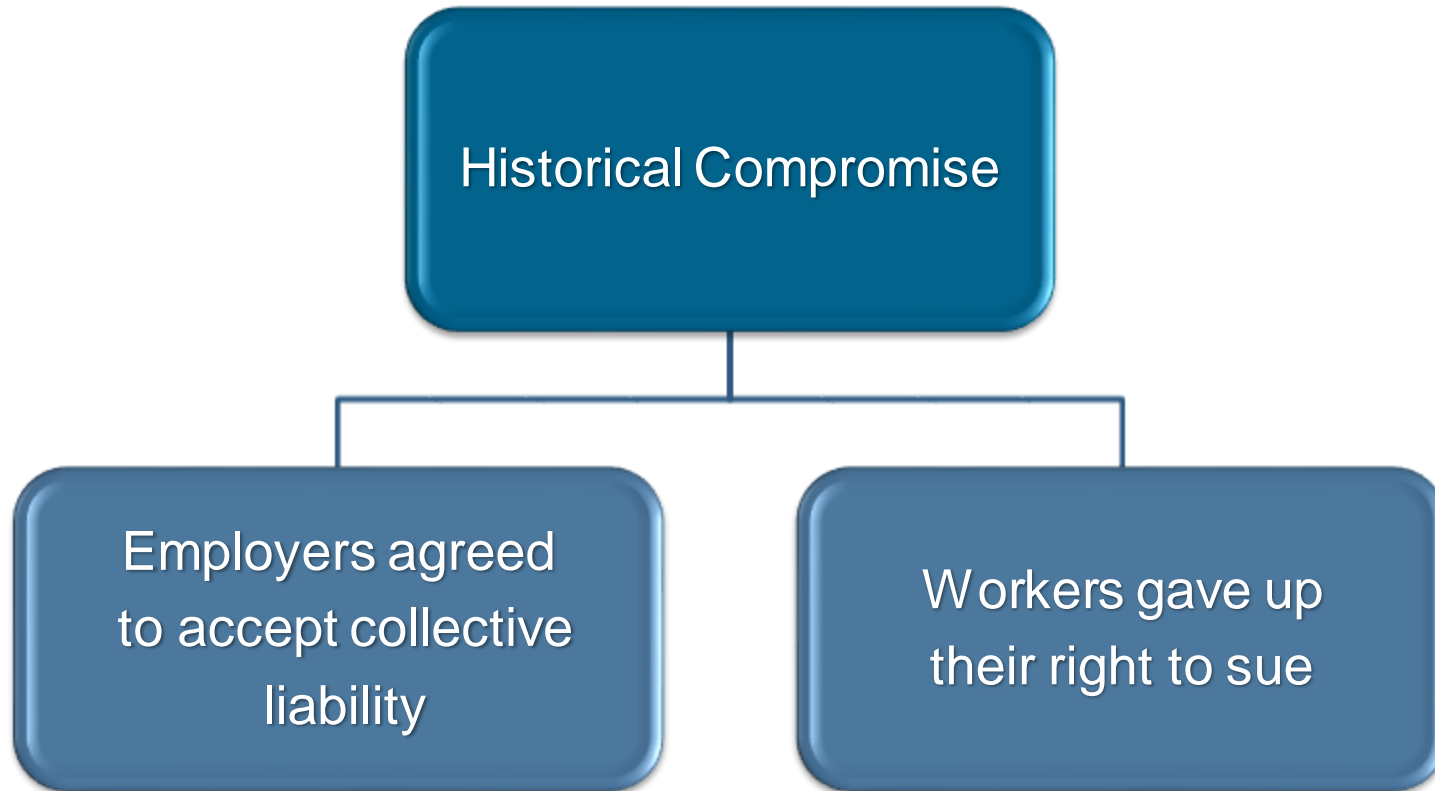
Section 1: WCB Background

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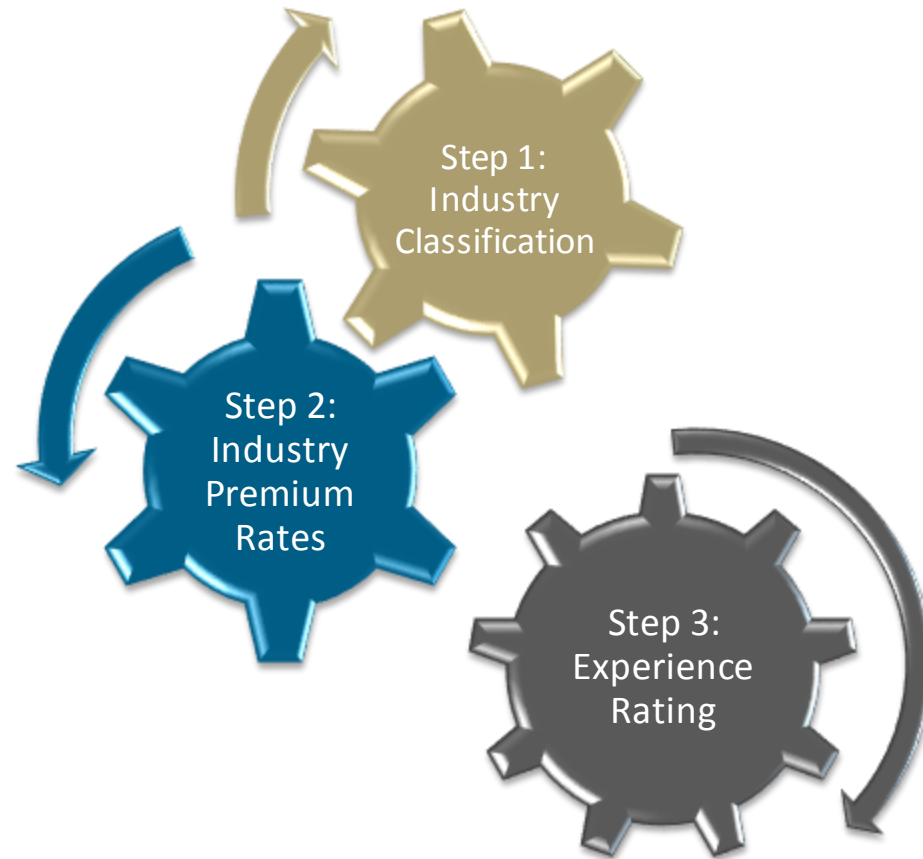
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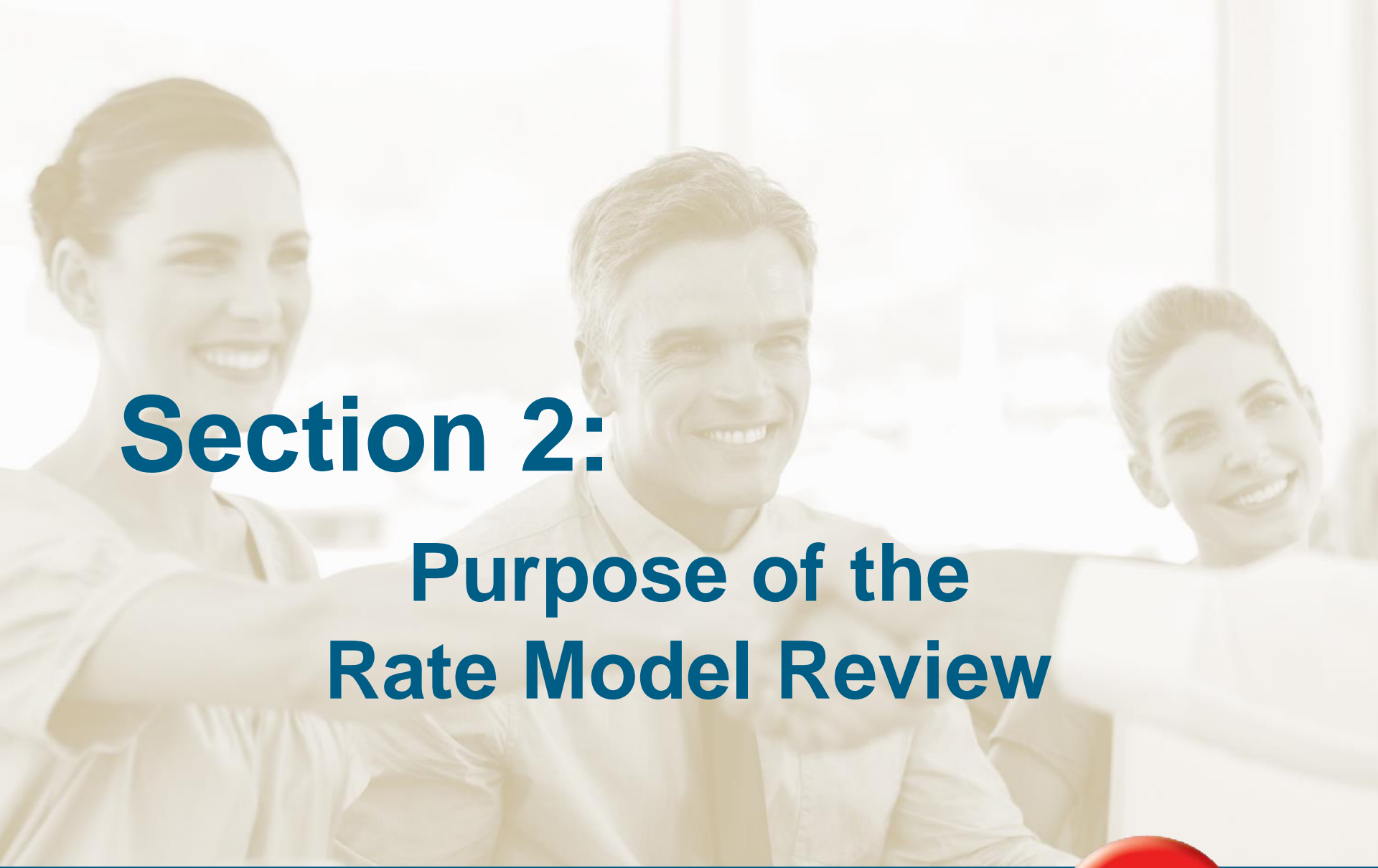
Why do you pay WCB premiums?



Your premium assessments fund the compensation system

The Rate Setting Process





Section 2:

Purpose of the Rate Model Review

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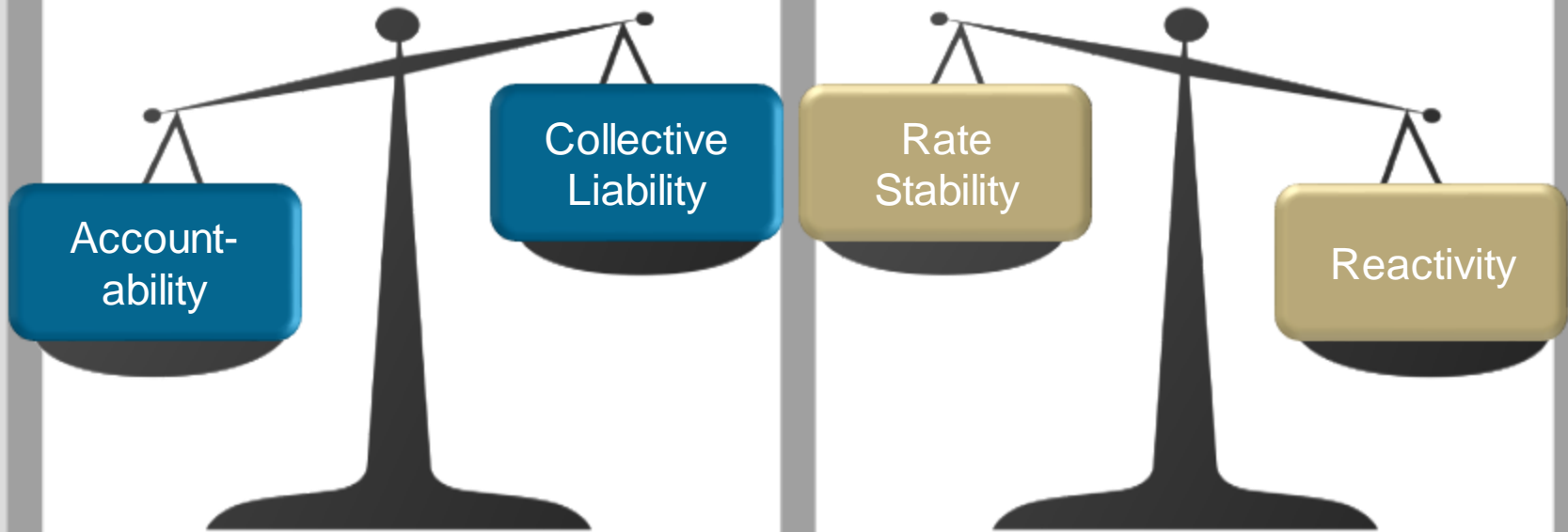
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Why did we need a review of the Rate Model?

- 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

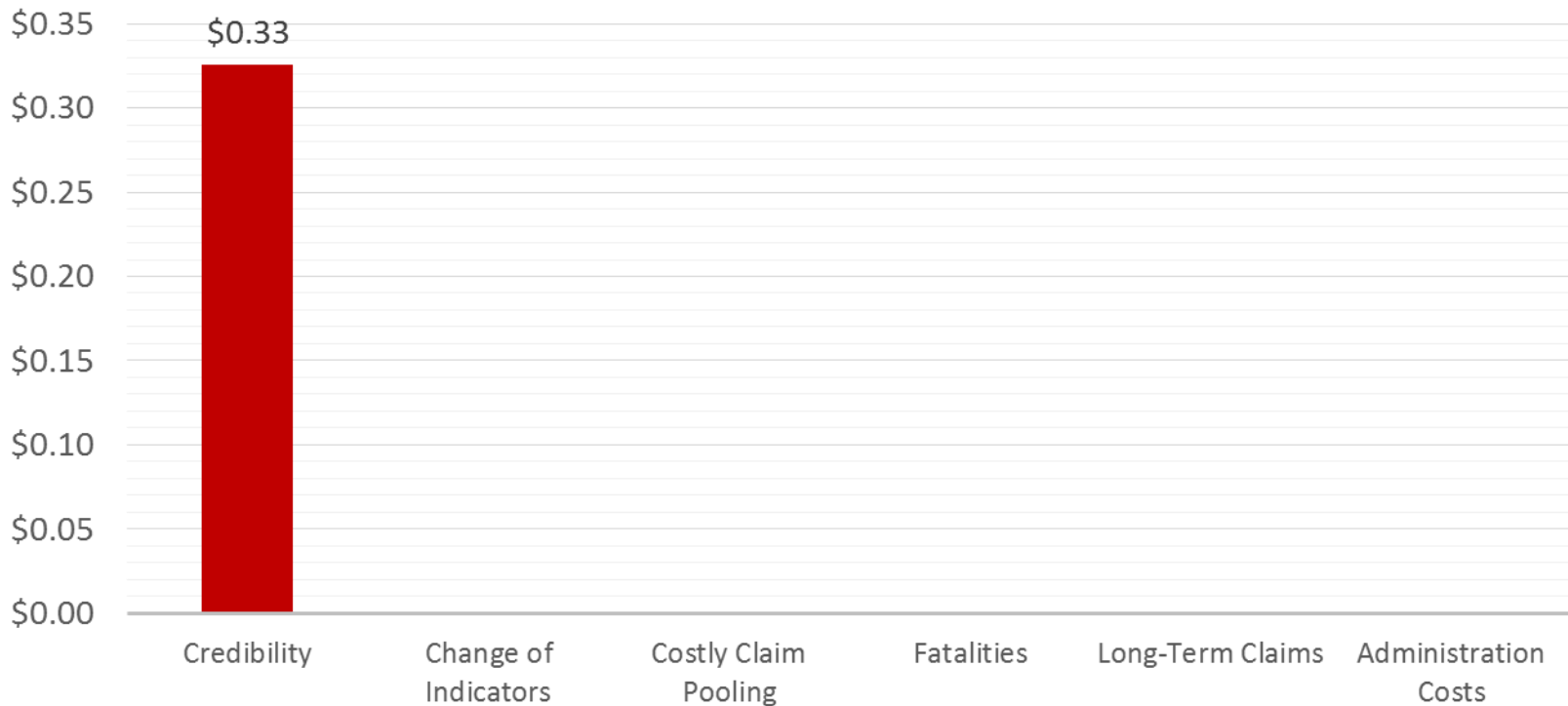
WCB Decision:

- 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



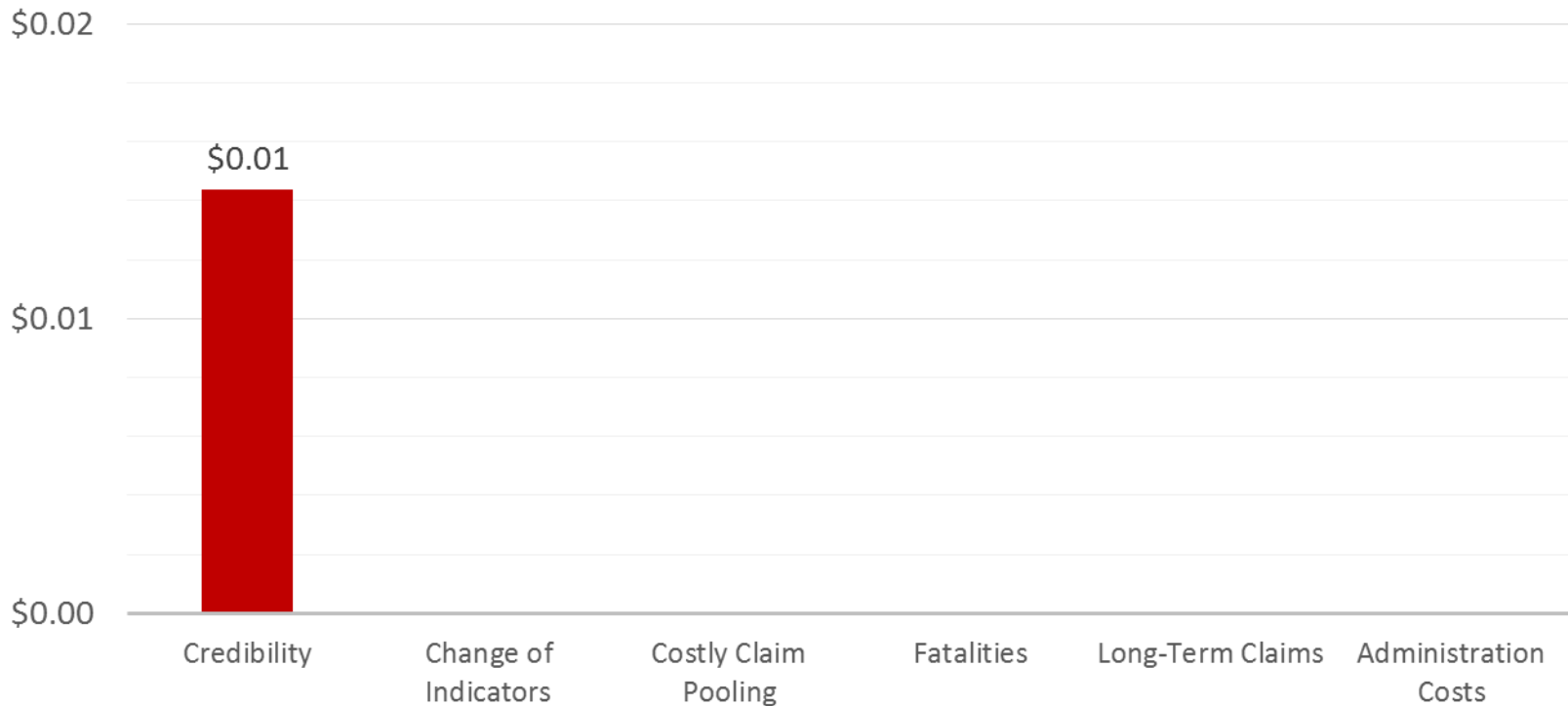
D71 - Credibility of Industries

RATE IMPACT



D72 - Credibility of Industries

RATE IMPACT



D73 - Credibility of Industries

RATE IMPACT



M31 - 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

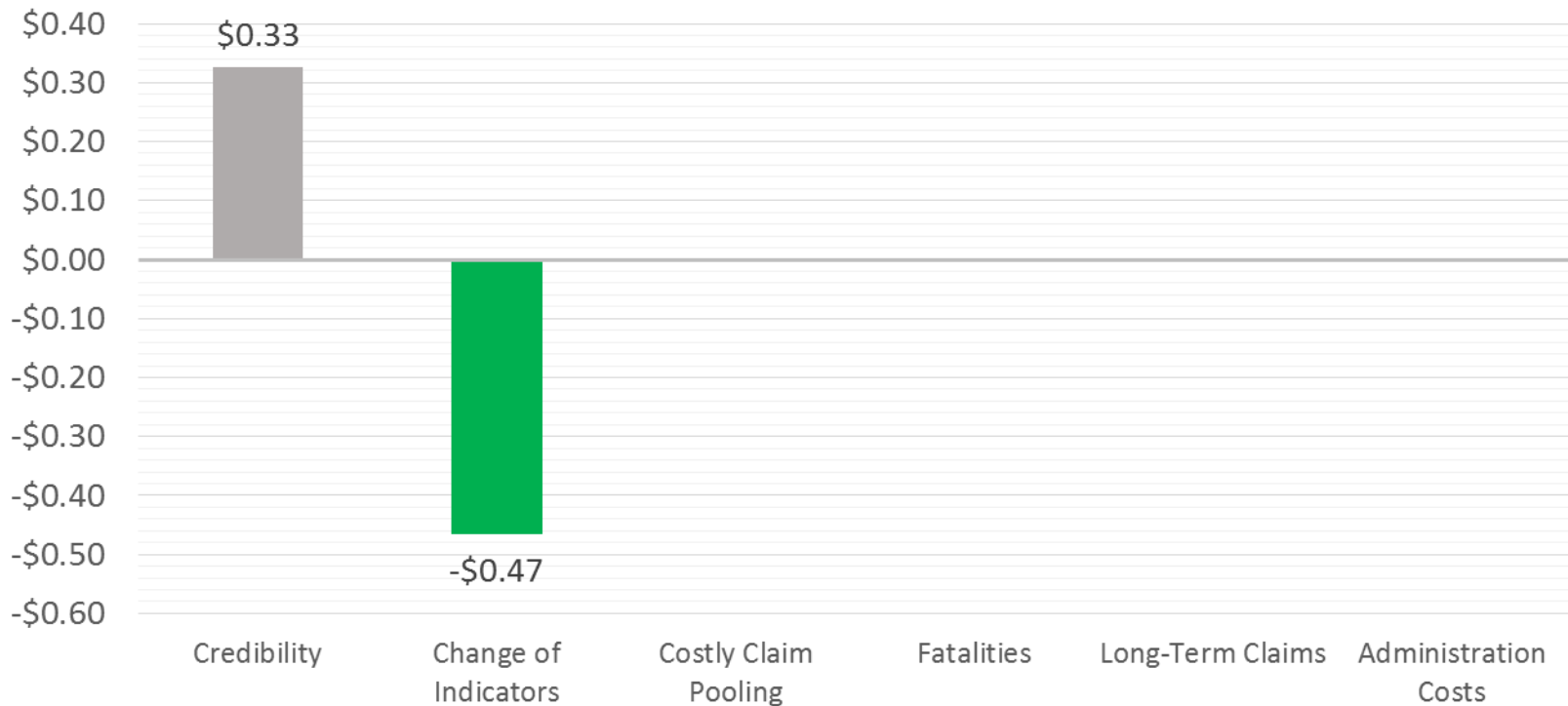
WCB Decision:

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



D71 - Change of Indicators

RATE IMPACT

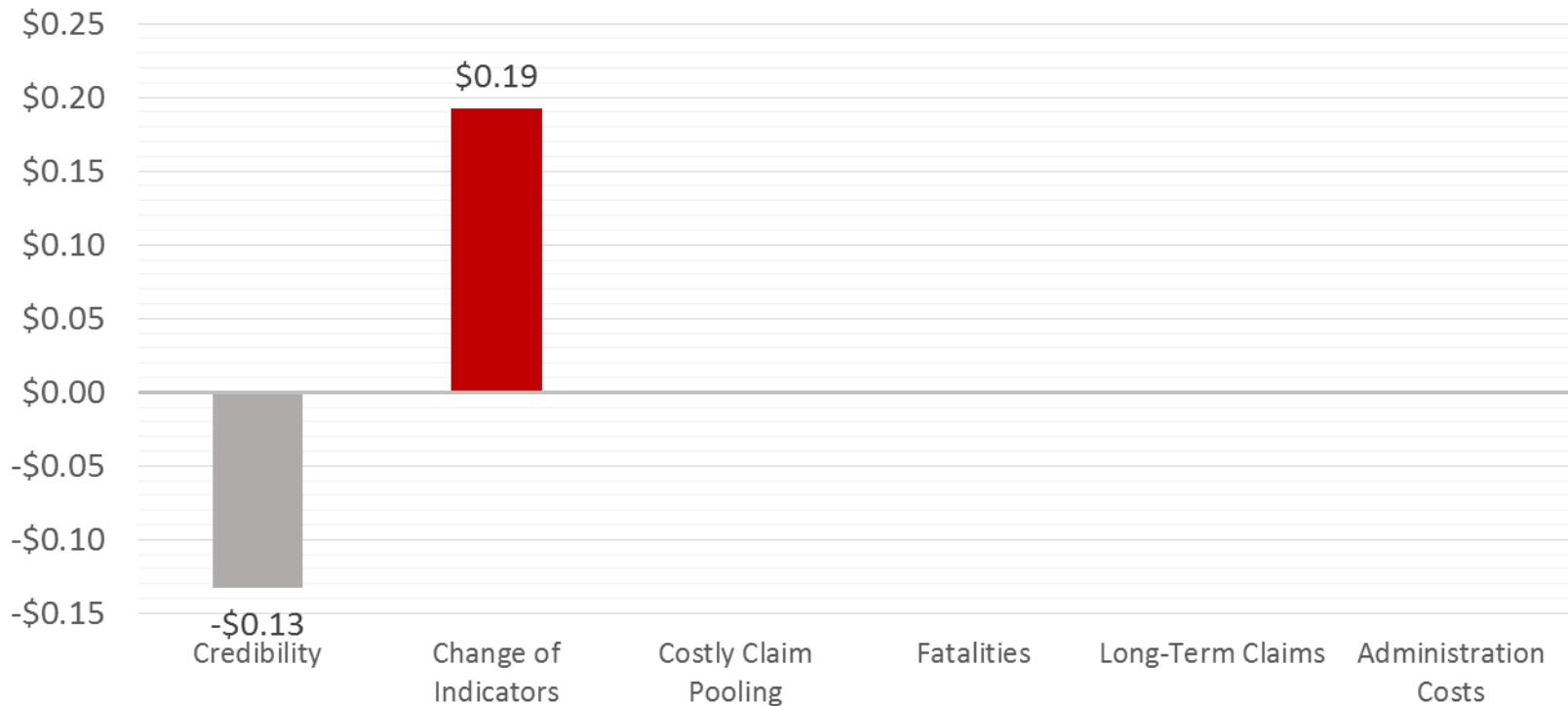


D72 - Change of Indicators

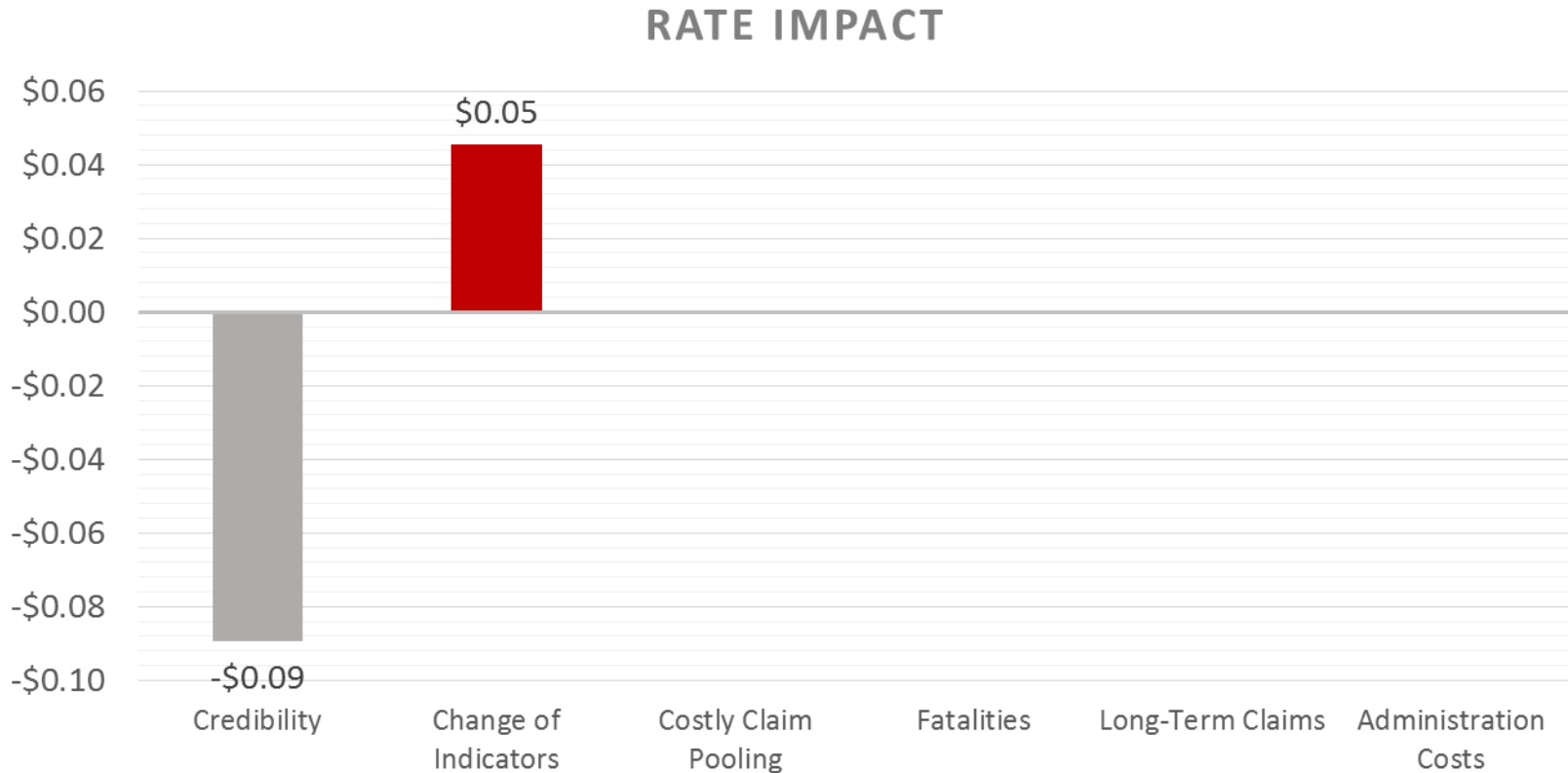


D73 - Change of Indicators

RATE IMPACT



M31 - 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:

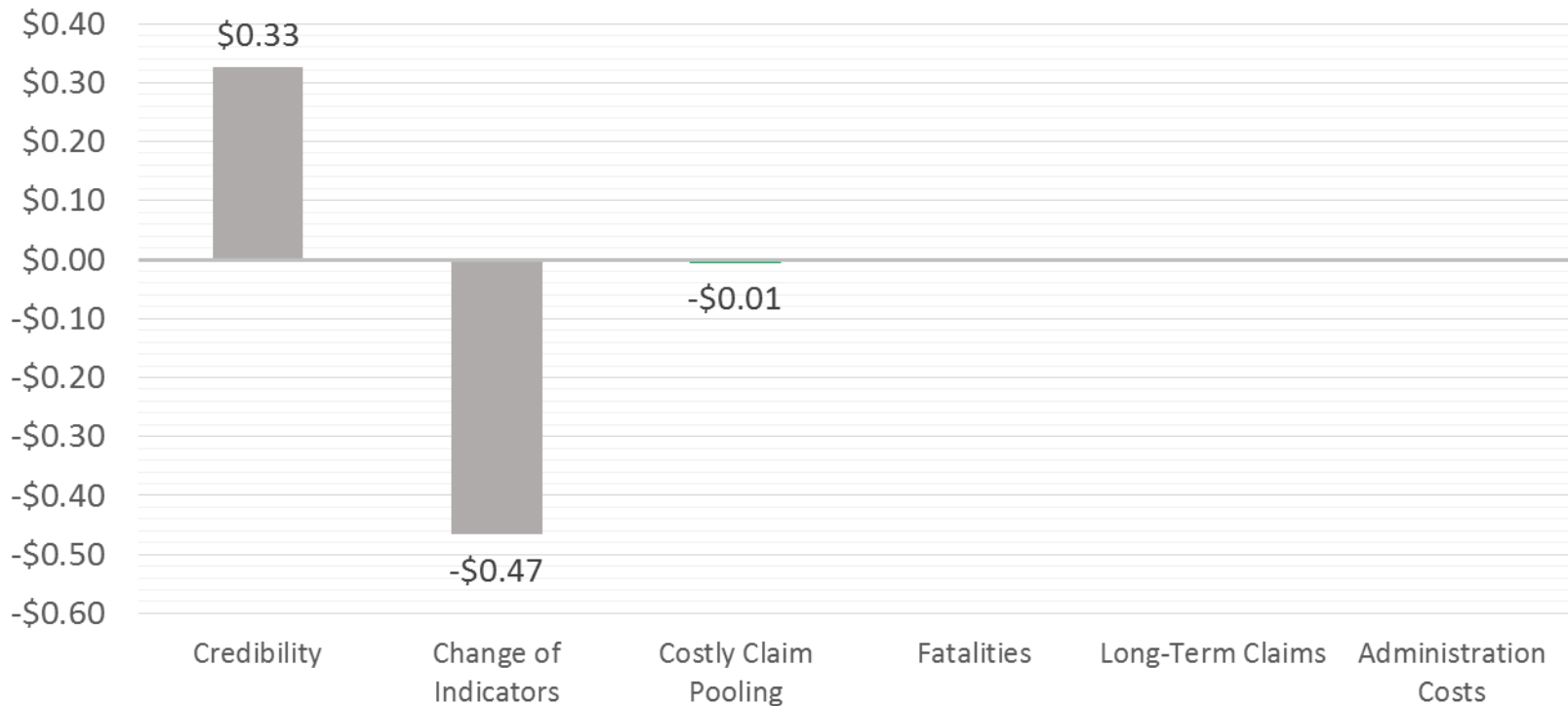
- Increases collective liability so rare costly claims do not unduly burden an industry

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.

D71 - Costly Claim Pooling

RATE IMPACT



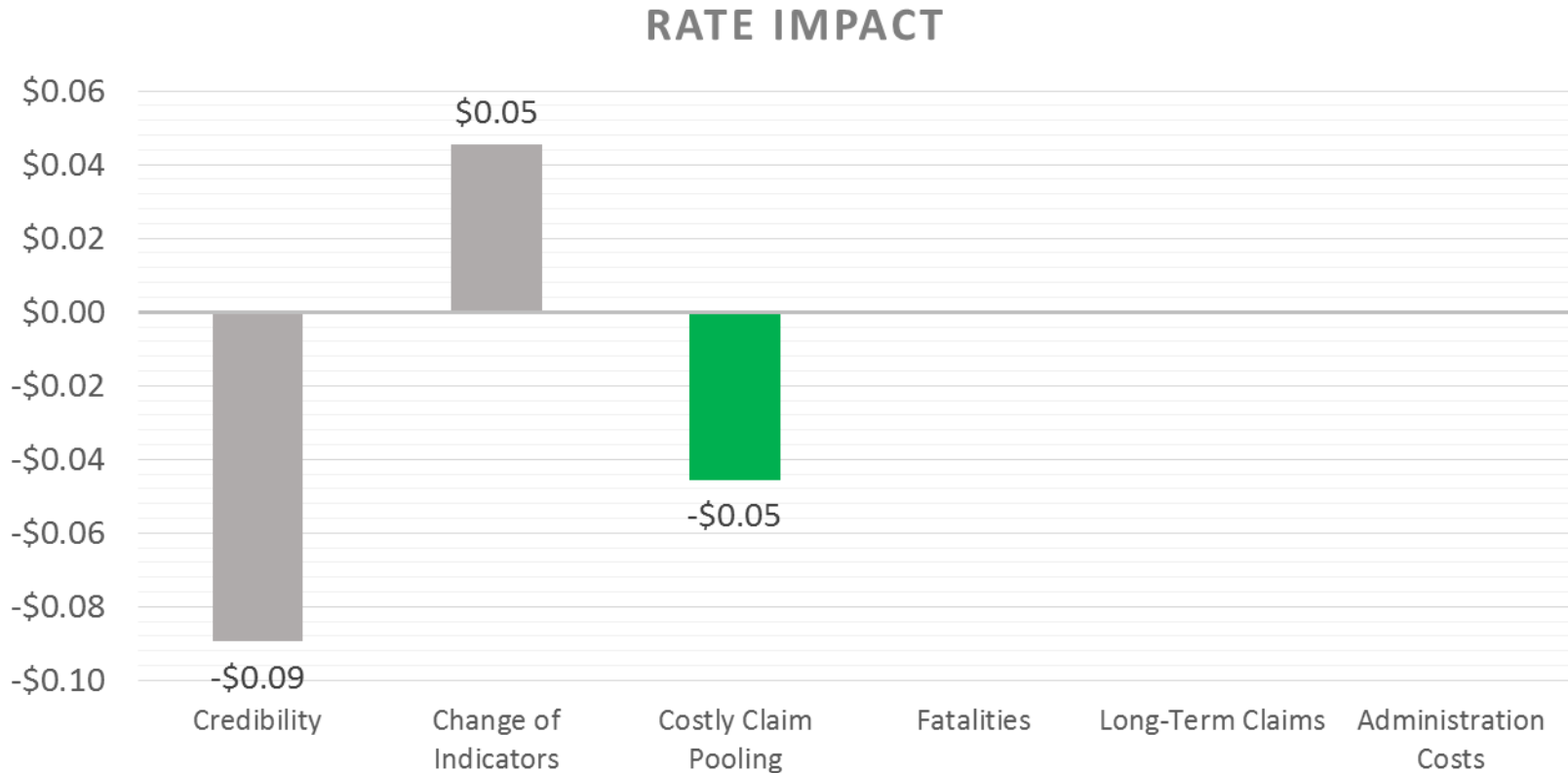
D72 - Costly Claim Pooling



D73 - Costly Claim Pooling



M31 - 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

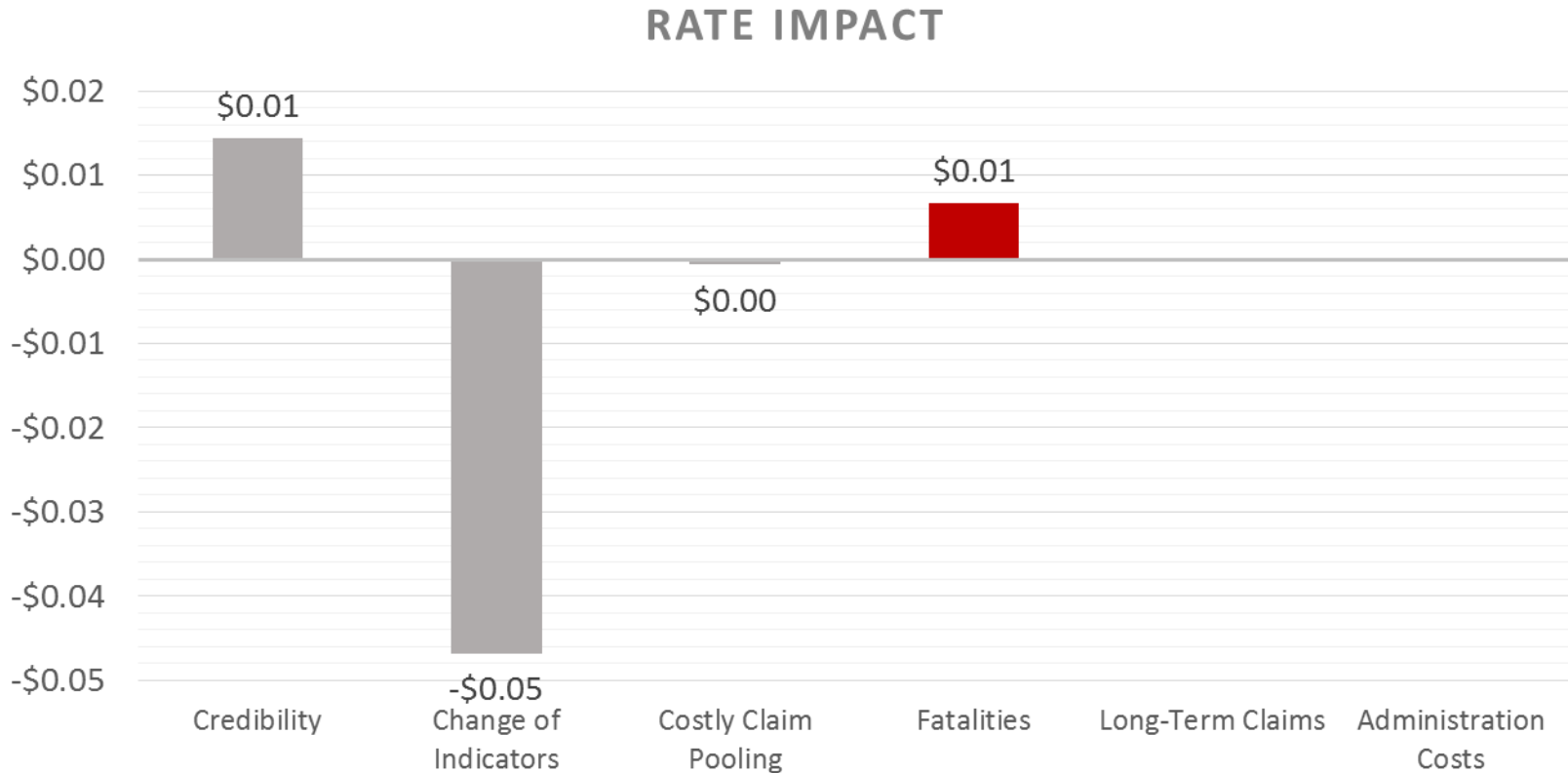
WCB Decision:

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

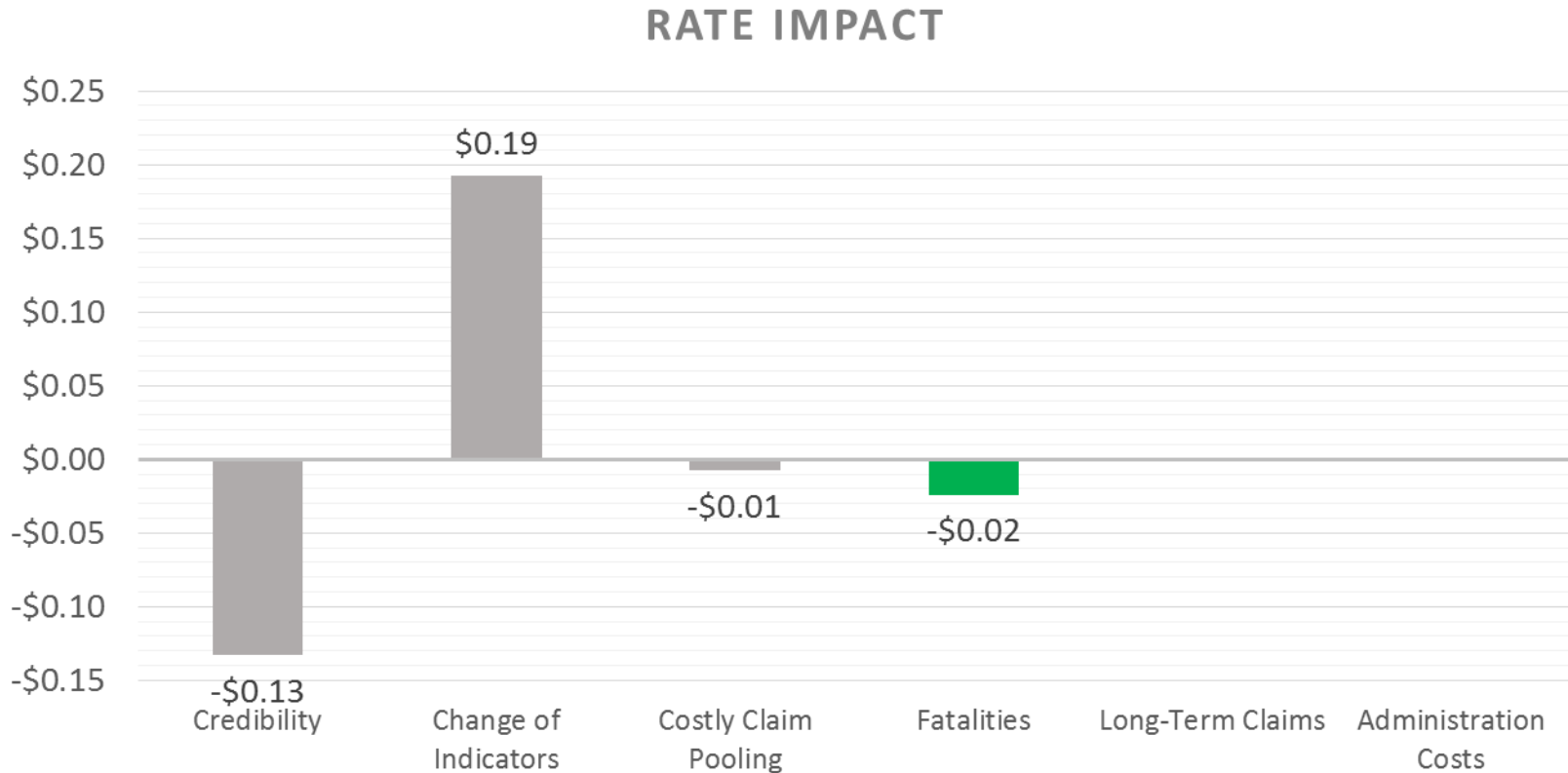
D71 - Allocation of Fatality Costs



D72 - Allocation of Fatality Costs



D73 - Allocation of Fatality Costs



M31 - 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

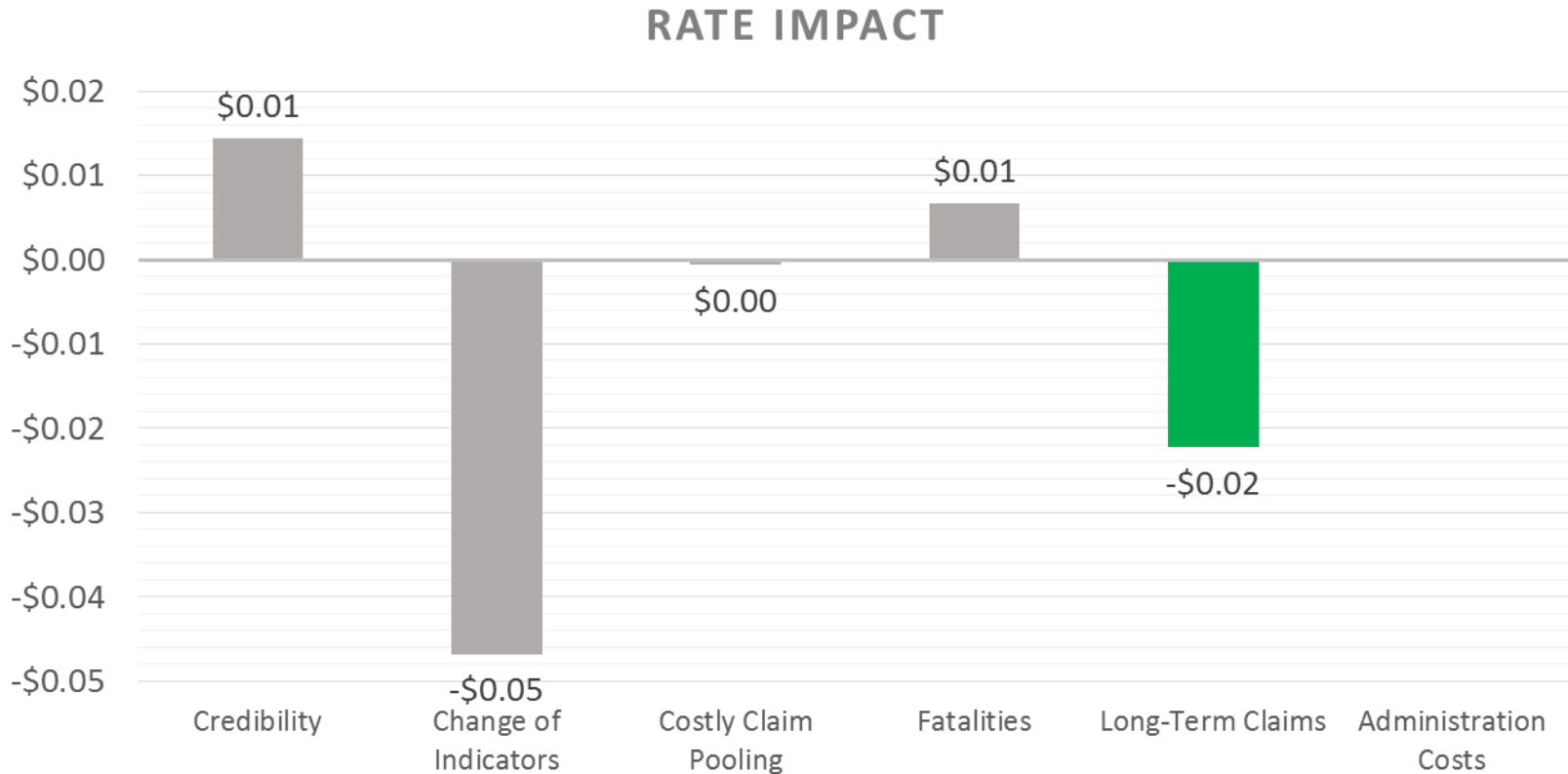
WCB Decision:

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

D71 - Long Term Claims

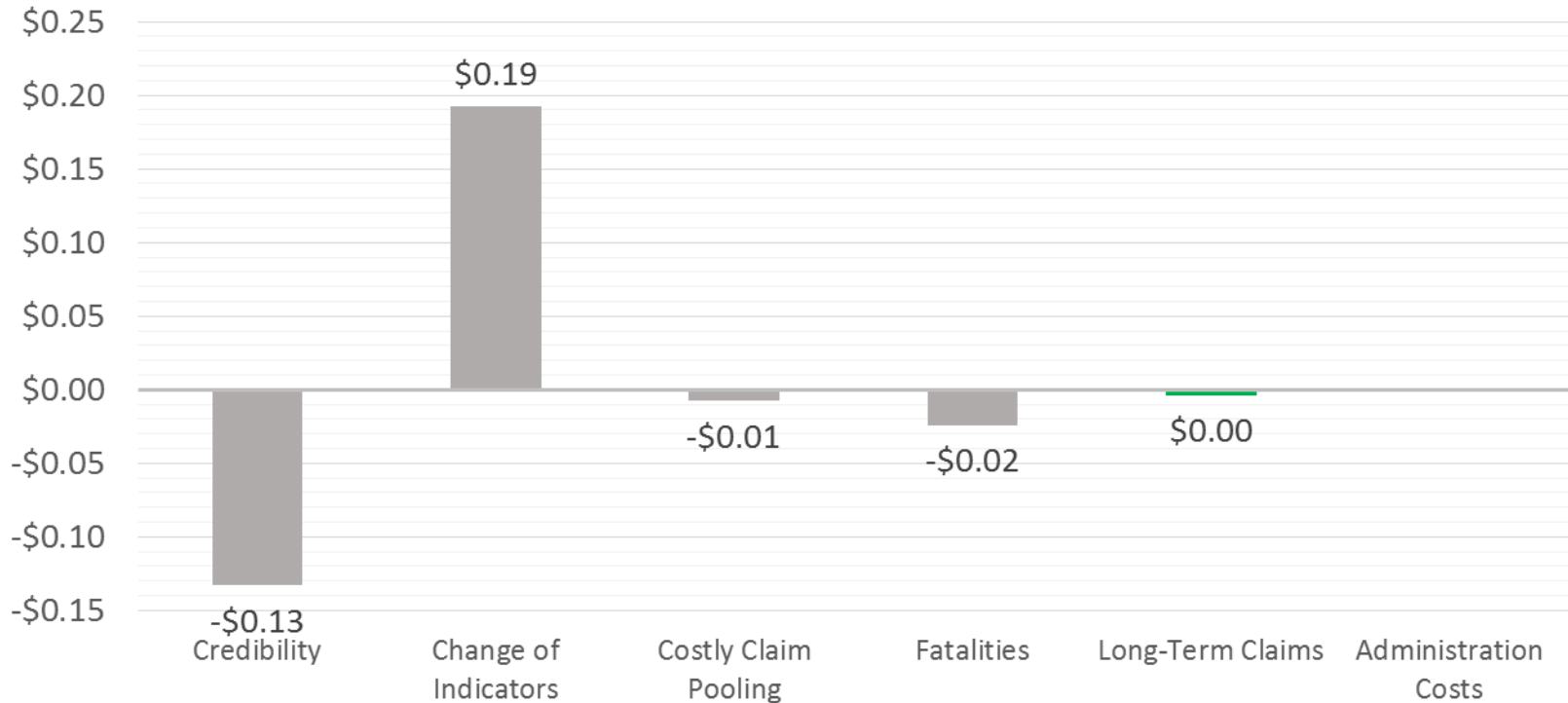


D72 - Long Term Claims

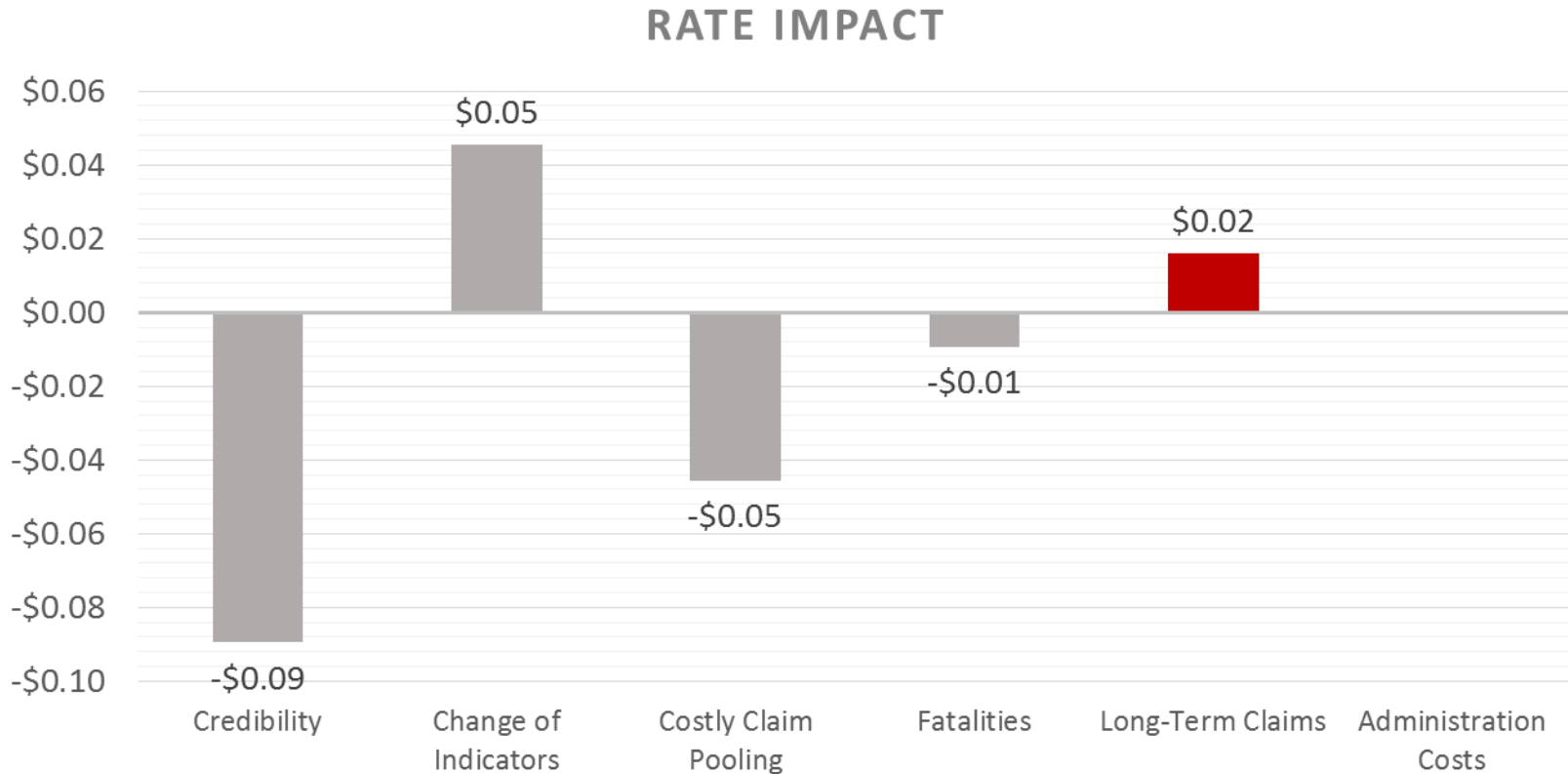


D73 - Long Term Claims

RATE IMPACT



M31 - Long Term Claims



Allocation of Administration Costs

Recommendation

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

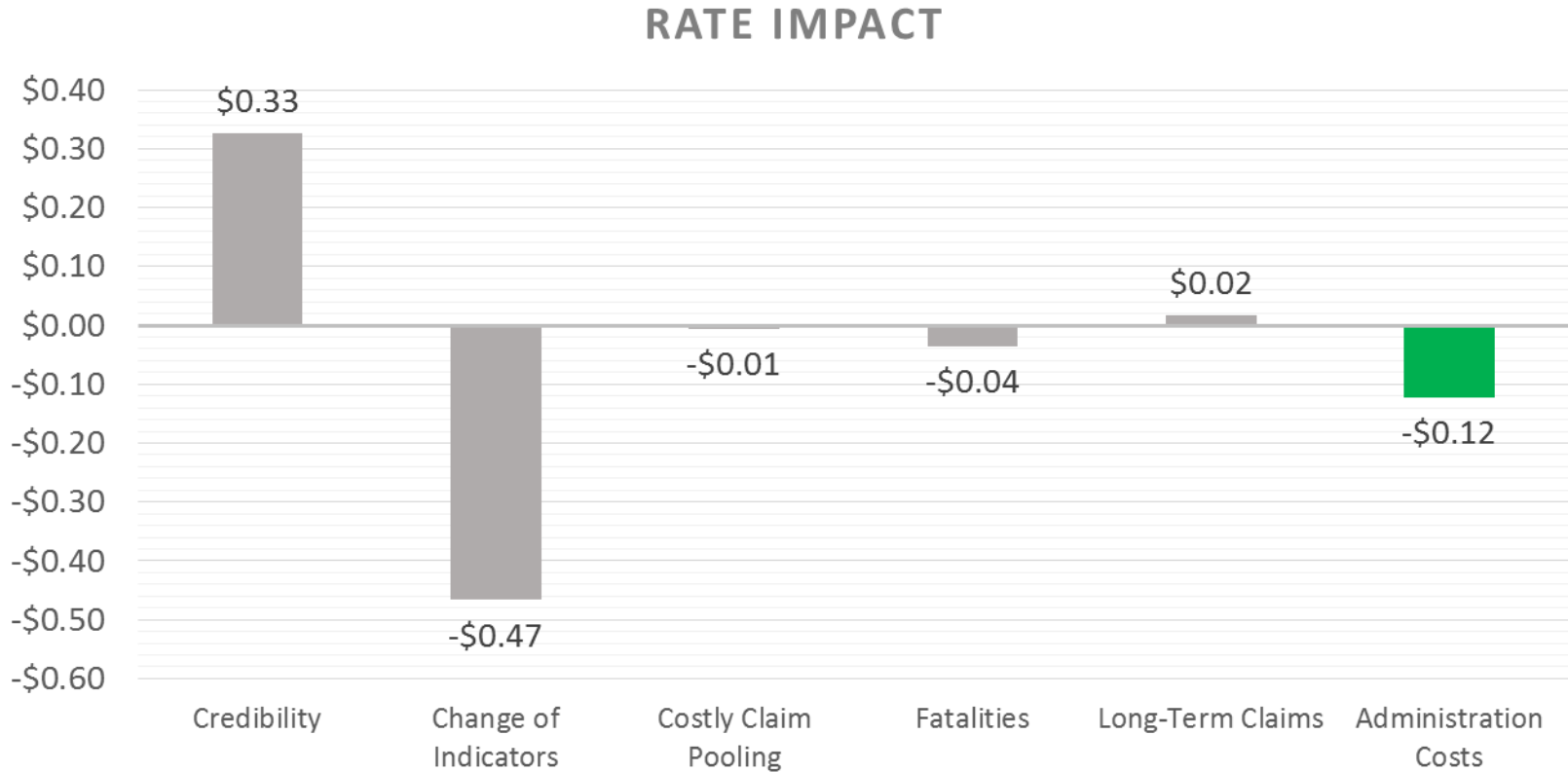
Why the Change:

- Increase fairness so all industries appropriately share the costs

WCB Decision:

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

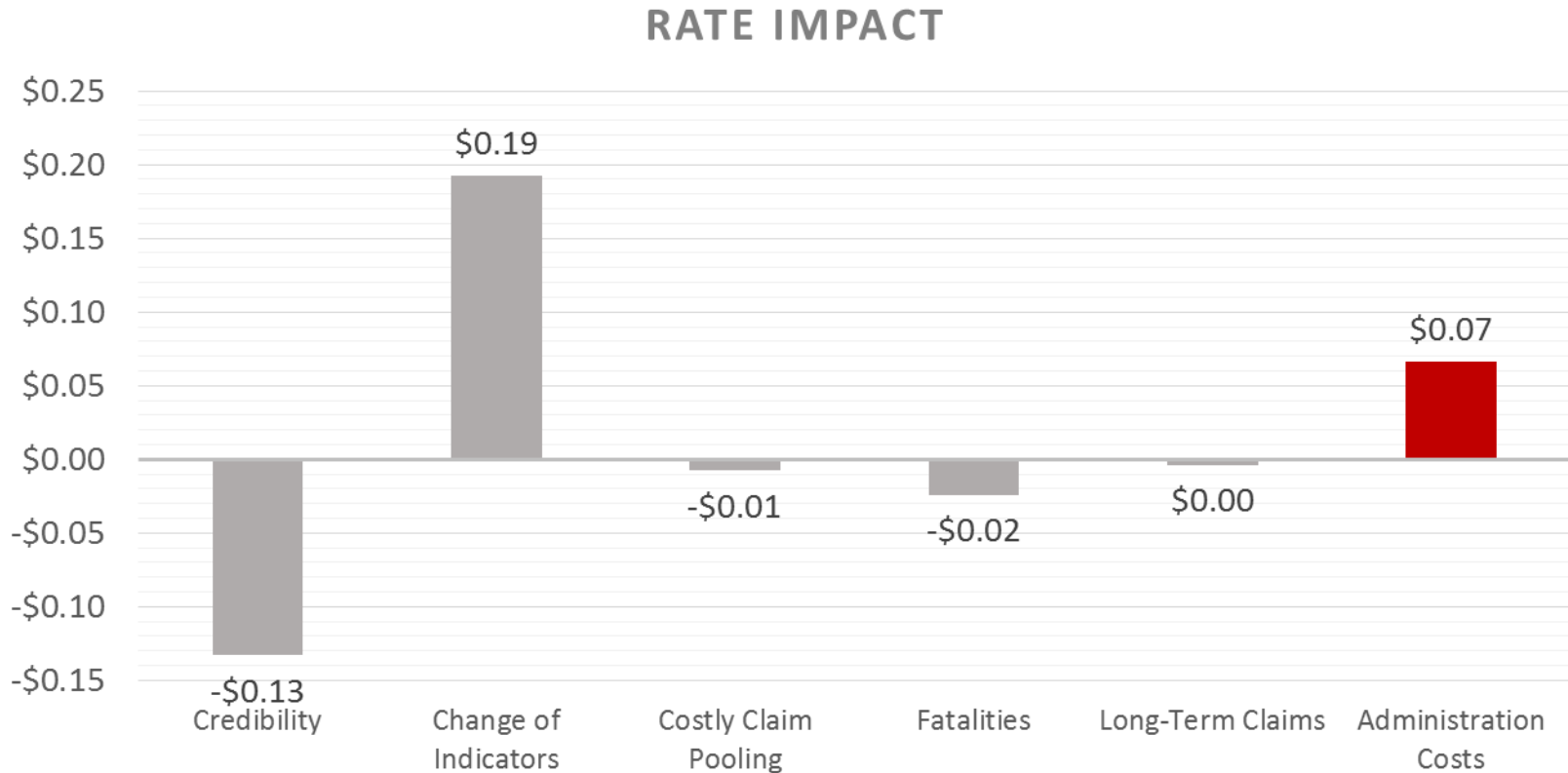
D71 - Allocation of Administration Costs



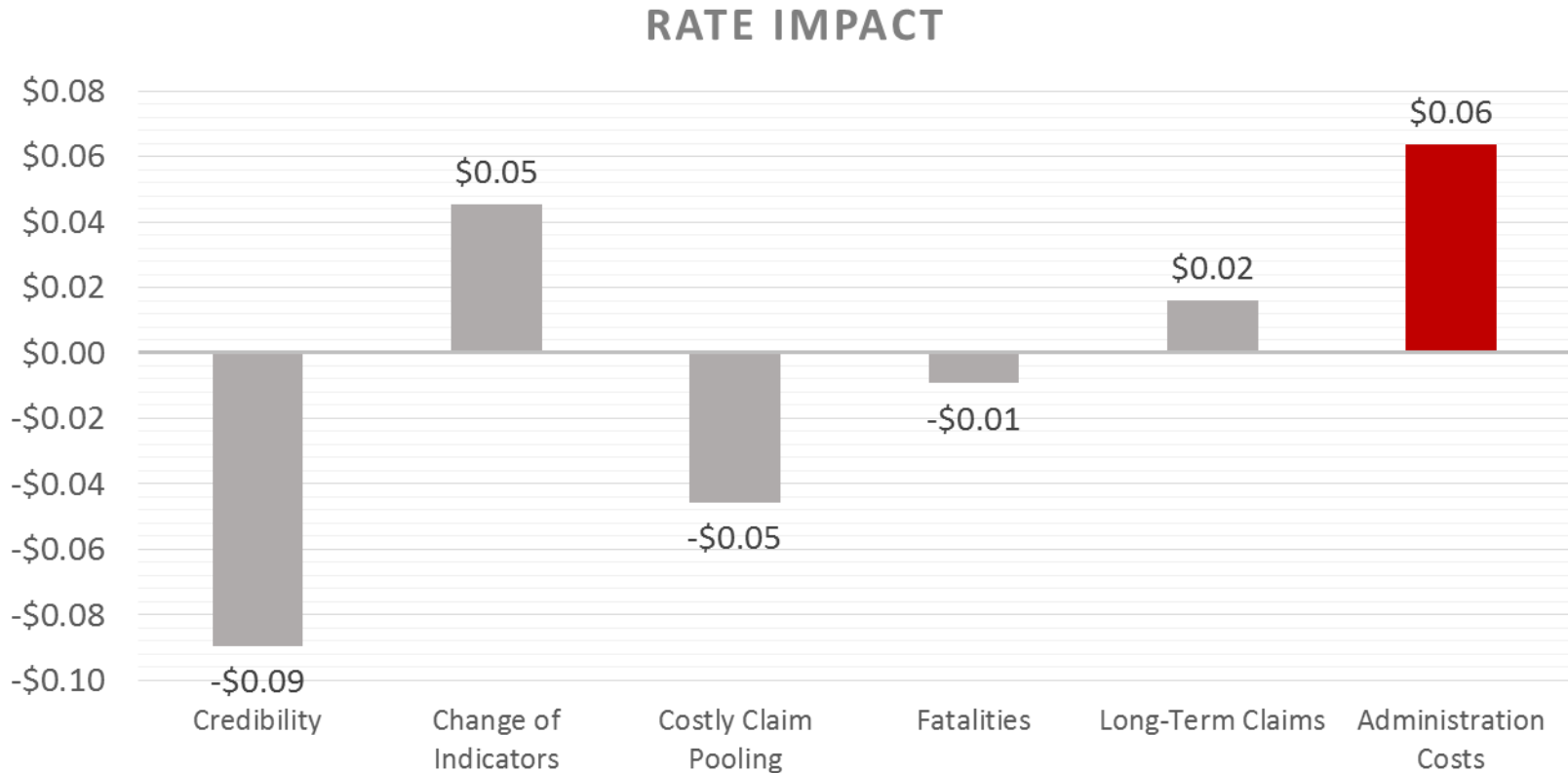
D72 - Allocation of Administration Costs



D73 - Allocation of Administration Costs



M31 - Allocation of Administration Costs



Premium Composition

D71 - Open Pit Mining

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.470	\$ 0.513	\$ 0.378		
Fatalities	\$0.043	\$ 0.040	\$ 0.010		
Administration	\$0.352	\$ 0.321	\$ 0.199		
Safety Associations	\$ -	\$ -	\$ -		
Industry Base Rate	\$ 0.86	\$ 0.87	\$ 0.59	-32.2%	-\$0.28

Differences between this table and impact charts are due to rounding



Premium Composition

D72 - Underground Softrock Mining

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.557	\$ 0.480	\$ 0.421		
Fatalities	\$0.043	\$ 0.040	\$ 0.051		
Administration	\$0.171	\$ 0.206	\$ 0.224		
Safety Associations	\$ -	\$ -	\$ -		
Industry Base Rate	\$ 0.77	\$ 0.73	\$ 0.70	-4.1%	-\$0.03

Differences between this table and impact charts are due to rounding



Premium Composition

D73 - Underground Hardrock Mining

<i>Factors</i>	<i>2016</i>	<i>2017 Current</i>	<i>2017 Enhanced</i>	<i>% Change</i>	<i>\$ Change</i>
Claims Costs	\$0.675	\$ 0.553	\$ 0.595		
Fatalities	\$0.043	\$ 0.040	\$ 0.021		
Administration	\$0.250	\$ 0.195	\$ 0.261		
Safety Associations	\$ -	\$ -	\$ -		
Industry Base Rate	\$ 0.97	\$ 0.79	\$ 0.88	11.4%	\$0.09

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



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.