



# The Rate Framework

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# Agenda

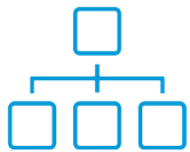
1. What is the rate framework?
2. The three step approach:  
A high level overview
3. Key features
4. How will this affect the construction sector?
5. What's next?



# What is the rate framework?

- Innovative rate setting model intended to increase the transparency and boost fairness of the premium rate setting process to better align employer premium rates with the actual costs of the system
- Replaces the current employer classification structure with the new NAICS system
- Moves from a retrospective adjustment model to a prospective rate-setting model

## Key goals:



**SIMPLER**  
CLASSIFICATION



**EXPERIENCE**  
**BASED**  
PREMIUM RATES



PREMIUM RATE  
**STABILITY**



**FAIR AND**  
**TRANSPARENT**



**COLLECTIVE**  
LIABILITY

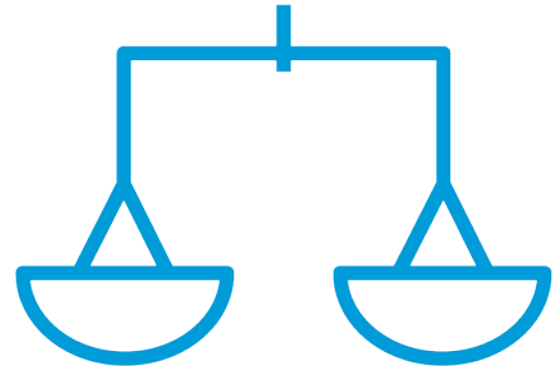


**EASE OF**  
ADMINISTRATION

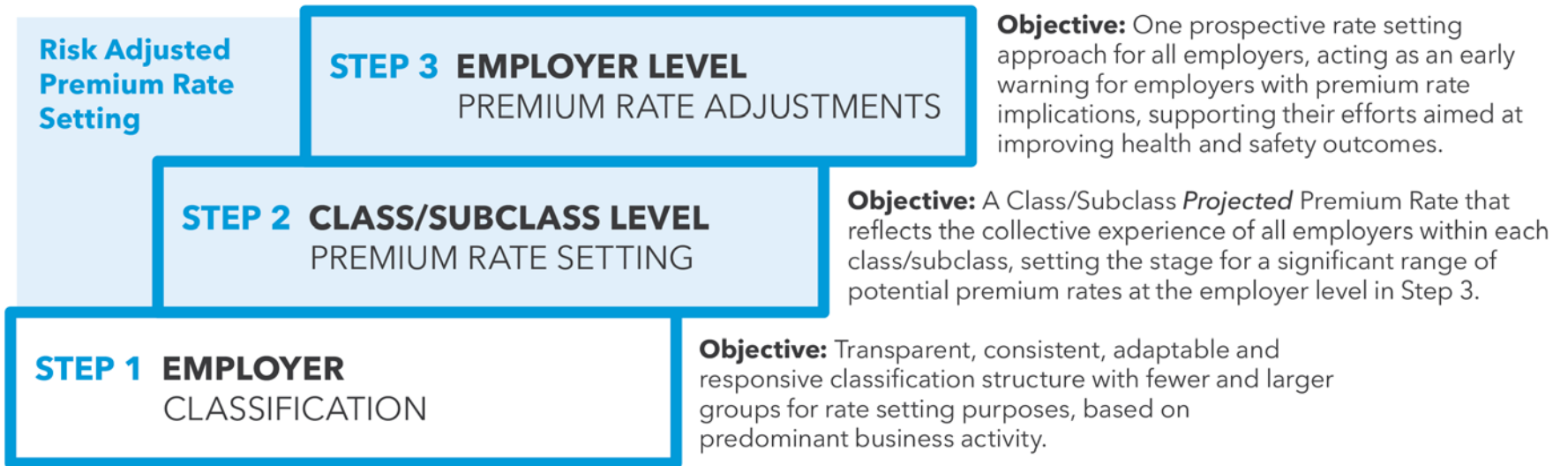
# What will it do?

The rate framework addresses the challenges of the existing premium rate model by:

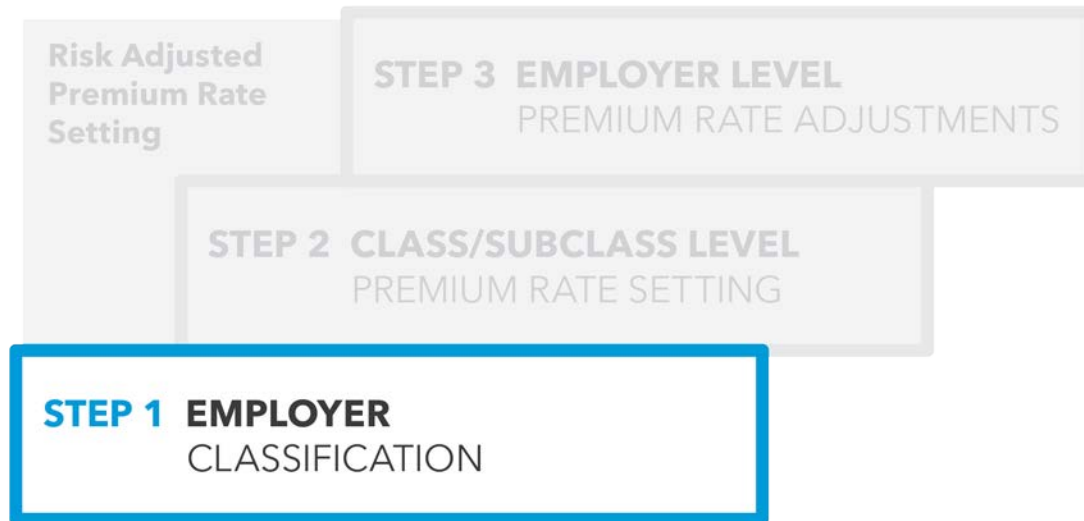
- Providing a fair and transparent rate setting approach
- Supporting employers with a gradual transition into the new model, based on what they were previously paying
- Embedding stability measures to limit premium rate volatility
- Reflective of employers' individual experience
- Eliminating two year wait for employer rate adjustments



# The Three Steps



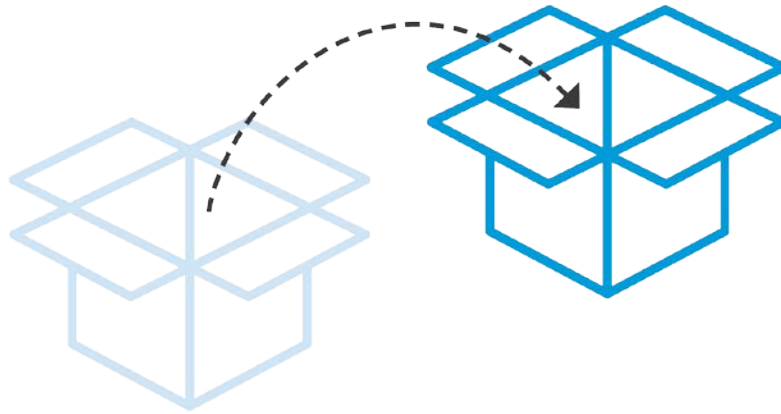
# Step 1 – Employer Classification



# NAICS: North American Industry Classification System

The rate framework replaces the existing classification system with a new industrial coding system, the North American Industry Classification System (NAICS)

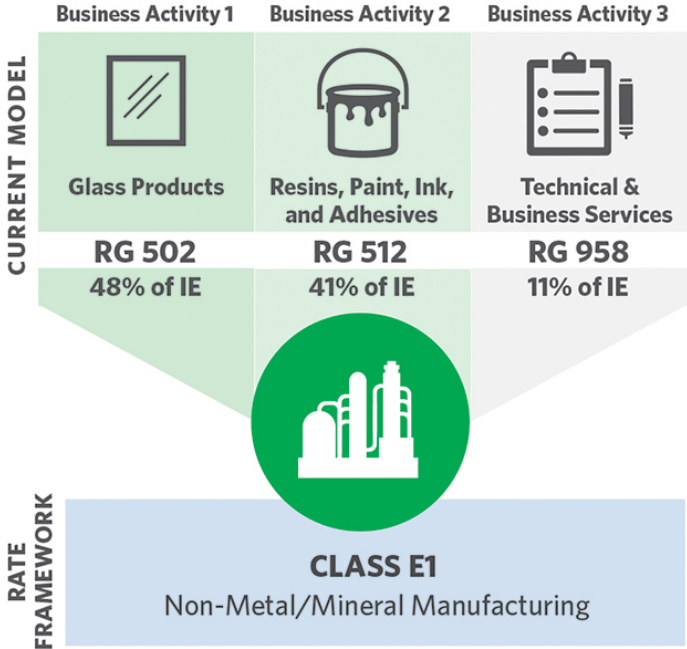
NAICS Hierarchy
Industry subsectors (three-digit codes)
Industry groups (four-digit codes)
Industries (five-digit codes)
Canadian industries (six-digit codes)



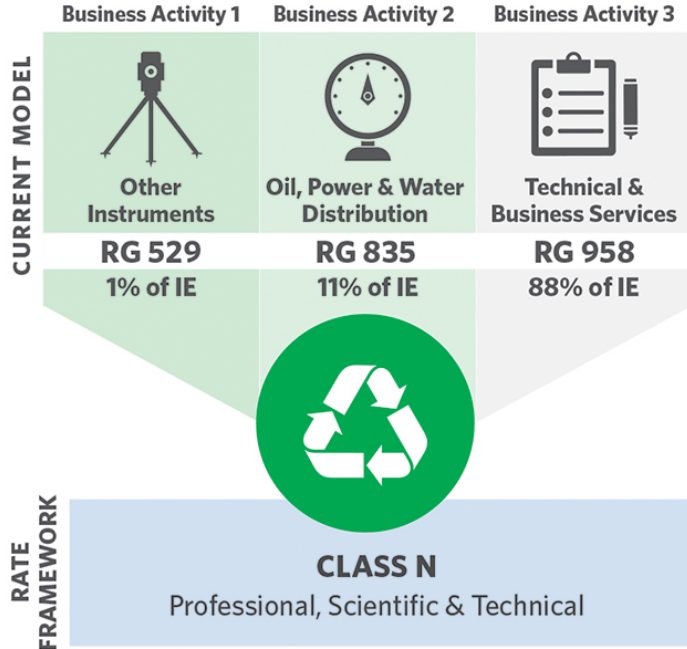
# Predominant Business Activity

Employers with more than one business activity will be classified according to their predominant business activity – the business activity with the highest amount of insurable earnings

## Window Manufacturing Employer



## Other Scientific and Technical Services Employer



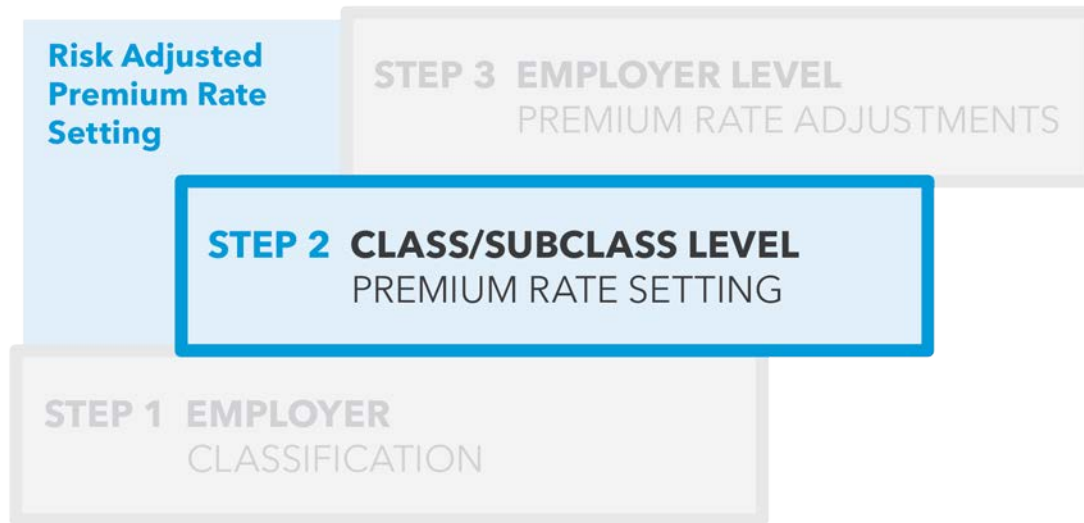


# Employers with Multiple Business Activities

The WSIB recognizes the need for some form of multi-rating for certain employers meeting certain conditions.

- 1. The employer must properly segregate payroll for the business activity.**
- 2. The business activity must not form an “integrated operation” with the employer’s other business activity or activities.**
- 3. The business activity must be significant enough (a sufficient share of payroll).**

# Step 2 – Class/Subclass Level Premium Rate Setting

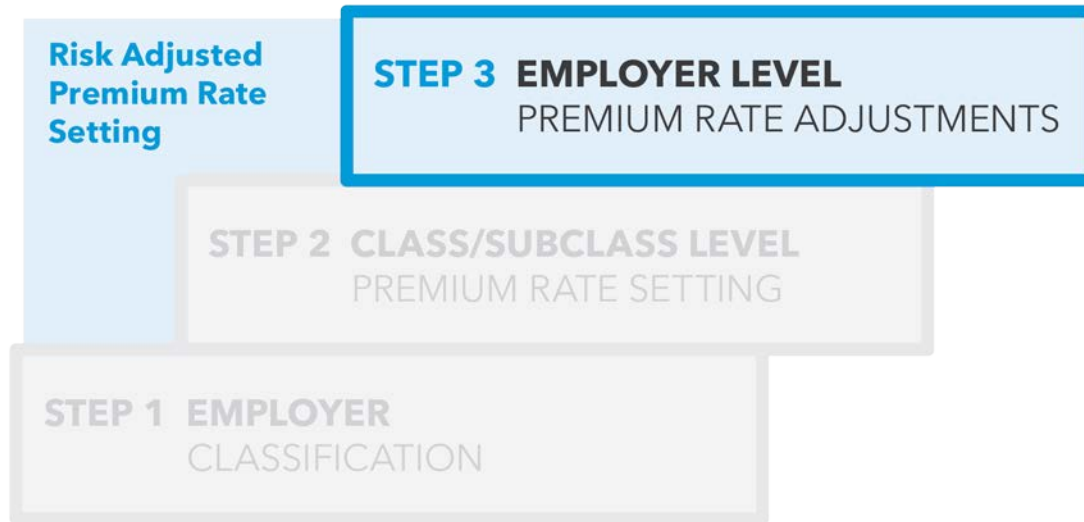


# Class Projected Premium Rate

**Class Projected Premium Rate** is a premium rate based on the collective experience of all employers within a respective class, their allocation of administrative costs, and apportionment of the remaining unfunded liability.

- The class projected premium rate acts as a representation of the premium rate required from a particular industry class.
- This is a foundational component to Step 3 where employers will see their premium rate as a more accurate reflection of their individual user experience.

# Step 3 – Employer Level Premium Rate Adjustments



# Setting Premium Rates

The system will use a process to determine employer level premium rates under the rate framework by considering three variables:

- 1. Insurable earnings:** represented as the payroll that is reported to the WSIB
- 2. Number of Claims:** this includes both lost time and no lost time injuries
- 3. Actual Claims Costs:** the actual benefits provided to the injured worker



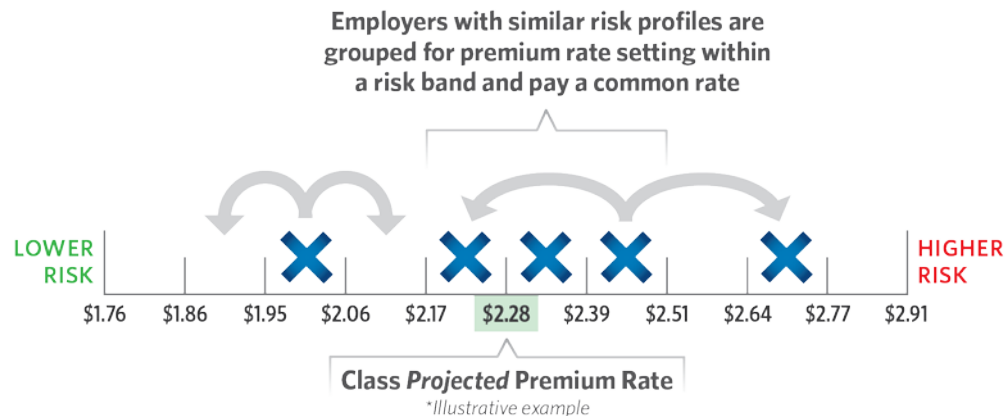
# Key Features

1. Risk Banding
2. Rate Setting Window
3. The Projected Premium Rate



# Key Feature: Risk Banding

- Risk Bands are a hierarchical series of divisions within each class.
- The rate framework includes over 2,500 risk bands across Schedule 1, with each industry class having between 40 – 80 risk bands where individual employers would be placed with employers that share similar risk profiles.
- The WSIB developed an approach to handle the varying risk of employers by creating risk bands that are in 5% increments in premium rate between each risk band to provide greater rate stability by limiting annual year over year rate changes to +/- 3 risk bands.



# Key Feature: Rate Setting Window

The rate framework includes a weighted rate setting window, that values the most recent three years at two thirds (66.6%), and the remaining three years at one third (33.3%).

Six year window including claim cost from Jan 1, 2011 to Dec 31, 2016						
Injury year	Incurred claim costs paid by year					
	2011	2012	2013	2014	2015	2016
2011						
2012						
2013						
2014						
2015						
2016						
	Total claim costs	Total claim costs	Total claim costs	Total claim costs	Total claim costs	Total claim costs
	1/3			2/3		



# Key Feature: The Projected Premium Rate

- **Employer Projected Premium Rate** is an adjusted premium rate that represents how much an employer needs to pay in order to fund their fair share of costs, as well as the collective costs of their class.
- The rate framework will act as an early warning for employers by providing projected premium rates, allowing employers to better identify the future projected path of their premium costs and take proactive health and safety actions (e.g. prevention and return to work to address the risks).



# What's changing for you?

- Since we are adopting a new standardized approach to classifying businesses and will be using the NAICS structure, the construction sector will see a classification change.
- Employers that engage in business activities in this industry will be assigned one or more NAICS codes that fall under:  
**G1 – Construction, Building construction**  
or  
**G2 – Construction, Infrastructure construction**  
or  
**G5 – Construction, Specialty trades construction**



# Next Steps

- We will begin to **share projected premium rates** under the rate framework with employers at the end of 2018
- We **launched an extensive engagement campaign in September 2017** about the rate framework, which will be further amped up in 2018
- We will share the **results of our recent policy consultation** to ensure employers understand how the new model will be governed



# Need more information?

- For more information and to keep up-to-date with all of the coming changes, visit: [www.wsibrateframeworkreform.com](http://www.wsibrateframeworkreform.com)
- Email us with questions at: [consultation\\_secretariat@wsib.on.ca](mailto:consultation_secretariat@wsib.on.ca)

