

# Rate Framework Modernization

OHBA Conference

September 2015

# Revenue Neutrality as a Foundation

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- The proposed preliminary Rate Framework represents a plausible working model that aims to address fundamental issues raised by stakeholders, partners and the WSIB itself, with the current employer classification structure and premium rate setting processes.
- The adoption of a new classification structure and prospective Risk Adjusted Premium Rate process would not affect the total amount of premium dollars collected by the WSIB, thereby remaining revenue neutral.
- However, a new system would, in a reasonable and gradual manner, shift the distribution of premiums among individual employers based on their claims experience, while ensuring that employers are paying their fair share of workplace coverage.

# Proposed Preliminary Rate Framework: Three Step Approach

**Objective:** Transparent, consistent, adaptable and responsive classification structure with fewer and larger groups for rate setting purposes, based on predominant business activity.

**STEP 1:  
Employer  
Classification**

**STEP 2:  
Class Level  
Premium  
Rate Setting**

**STEP 3:  
Employer Level  
Premium  
Rate  
Adjustments**

**Risk Adjusted  
Premium Rate  
Setting**

**Objective:** A Class Target Premium Rate that reflects the collective experience of all employers within each class, setting the stage for a significant range of potential premium rates at the employer level in Step 3.

**Objective:** A prospective rate setting approach for all employers.

# Results - Risk Disparity Analysis

- The charts below demonstrate the potential expansion of industry classes, utilizing the risk disparity methodology developed and published by the WSIB.

**Proposed 22 Industry Classes**

Class Letter	Class Description	2014 Class Rate
A	Primary Resource Industries	\$4.68
B	Utilities	\$1.06
C	Public Administration	\$3.86
D	Food, Textile, and Related Manufacturing	\$3.08
E	Resource and Related Manufacturing	\$3.30
F	Machinery and Related Manufacturing	\$3.20
G1	Building Construction	\$5.22
G2	Infrastructure Construction	\$4.87
G3	Specialty Trades Construction	\$4.57
H	Wholesale Trade	\$1.73
I	General Retail	\$1.66
J	Specialized Retail and Department Stores	\$1.46
K	Transportation and Warehousing	\$4.26
L	Information and Culture	\$0.61
M	Finance	\$1.37
N	Professional, Scientific and Technical	\$0.55
O	Administrative, Waste and Remediation	\$2.59
P	Hospitals	\$1.13
Q	Health and Social Services	\$2.28
R	Leisure and Hospitality	\$1.90
S	Other Services	\$2.43
T	Education	\$0.43
	<b>Schedule 1</b>	<b>\$2.46</b>



**Results of Risk Disparity Analysis (32 Industry Classes)**

Class Letter	Class Description	2014 Class Rate
A	Primary Resource Industries	4.69
B	Utilities	1.06
C	Public Administration	3.86
D	Food/Textile & Related Manufacturing	3.08
E1	Non-Metallic/Mineral Manufacturing	4.45
E2	Printing, Petroleum/Chemical Manufacturing	1.88
F1	Metal/Transportation/Furniture Manufacturing	4.10
F2	Machinery/Electrical/Other Manufacturing	2.59
F3	Computer/Electronics Manufacturing	0.41
G1	Building Construction	5.23
G2	Infrastructure Construction	4.88
G31	Foundation/Structure/Building Exterior Contractors	8.27
G32	Building Equipment Contractors	3.17
G33	Specialty Trade Contractors	4.45
H1	Petroleum/Food/Vehicle/Other Wholesale	2.99
H2	Personal/Building Materials/Machinery Wholesale	1.24
I1	Vehicle/Building Material/Food & Beverage Retail	2.23
I2	Furniture/Home/Clothing Retail	1.44
I3	Electronics/Appliances/Personal Care Retail	0.49
J	Specialized Retail & Department Stores	1.46
K1	Rail/Water/Truck & Postal Service Transportation	6.74
K2	Air/Ground/Pipeline/Courier Transportation & Warehousing	2.60
L	Information & Culture	0.61
M	Finance	1.38
N	Professional, Scientific & Technical	0.55
O	Administrative, Waste & Remediation	2.60
P	Hospitals	1.13
Q1	Nursing & Residential Care Facilities	3.32
Q2	Ambulatory Health Care & Social Assistance	1.61
R	Leisure & Hospitality	1.90
S	Other Services	2.43
T	Education	0.43
	<b>Schedule 1</b>	<b>2.46</b>

# Concordance – Results from Risk Disparity Analysis to North American Industry Classification System (NAICS)

- The proposed classification structure, while using a lettering system to align with legislative provisions, is mapped to the NAICS numbering system.
- The accompanying chart identifies the correspondence between the WSIB’s proposed classification structure and the 2, 3 or 4 digit level found in NAICS.
- For further information on the business activities included in each class, see link to Statistics Canada website on NAICS – [Click Here](#)

Proposed Classification Structure		NAICS Equivalent
A	Primary Resource Industries	11-21
B	Utilities	22
C	Public Administration	91
D	Food/Textile & Related Manufacturing	31
E1	Non-Metallic/Mineral Manufacturing	321-322-326-327
E2	Printing, Petroleum/Chemical Manufacturing	323-324-325
F1	Metal/Transportation/Furniture Manufacturing	331-332-336-337
F2	Machinery/Electrical/Other Manufacturing	333-335-339
F3	Computer/Electronics Manufacturing	334
G1	Building Construction	236
G2	Infrastructure Construction	237
G31	Foundation/Structure/Building Exterior Contractors	2381
G32	Building Equipment Contractors	2382
G33	Specialty Trade Contractors	2383 & 2389
H1	Petroleum/Food/Vehicle/Other Wholesale	411-412-413-415-418
H2	Personal/Building Materials/Machinery Wholesale	414-416-417-419
I1	Vehicle/Building Material/Food & Beverage Retail	441-444-445-447
I2	Furniture/Home/Clothing Retail	442-448
I3	Electronics/Appliances/Personal Care Retail	443-446
J	Specialized Retail & Department Stores	45
K1	Rail/Water/Truck & Postal Service Transportation	482-483-484-491
K2	Air/Ground/Pipeline/Courier Transportation & Warehousing	481-485-486-487-488-492-493
L	Information & Culture	51
M	Finance	52-53-55
N	Professional, Scientific & Technical	54
O	Administrative, Waste & Remediation	56
P	Hospitals	622
Q1	Nursing & Residential Care Facilities	623
Q2	Ambulatory Health Care & Social Assistance	621-624
R	Leisure & Hospitality	71-72
S	Other Services	81
T	Education	61

# Commitment to Health & Safety

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- The proposed preliminary Rate Framework would act as an early warning for employers by providing target 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 (RTW) to address the risks).
- Employers could see premium rate implications as a result of:
  - A transition to a more responsive Rate Framework;
  - A significant gap between their historical rates in the current system and their new Target Premium Rate;
  - A sustained performance trend leading to a significant increase in their risk profile; and
  - A risk profile that is disproportionate to their respective industry performance.
- New and enhanced risk reduction support services (focusing on RTW and Prevention) are delivered by the WSIB's Workplace Health and Safety Services function and other Occupational Health and Safety partners (including the Ministry of Labour, the Chief Prevention Officer and Health and Safety Associations).
- These services would be most helpful in assisting employers who have a particular interest in reducing their claims experience performance trends that have led to high premium rates.
- The design of the proposed preliminary Rate Framework could accommodate other health and safety initiatives or programs (Ministry of Labour/Chief Prevention Office).

# Key Considerations to Transition

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- The transition to any new Rate Framework, the introduction of employer target rates, and the elimination of the unfunded liability are linked components to the WSIB developing a system that is fair, simple and equitably shares the costs amongst the participants.
  
- The following considerations would form the basis for adopting an approach to transitioning employers to their Employer Target Premium Rate:
  - Gradual, incremental movement towards Class Target Premium Rates;
  - Utilizing the decreasing/eliminated UFL to support movement towards Employer Target Premium Rates;
  - Balance between degree of premium rate increases and decreases;
  - Gradual, incremental movement towards Employer Target Premium Rates; and
  - Consideration for economic circumstances and potential legislative amendments.
  
- The WSIB continues its analysis and will engage stakeholders to consider a reasonable transition path to ensure employers could gradually adjust to any new rate setting process.

# Consultation Plan

<b>April 2015</b>	<ul style="list-style-type: none"><li>• Public technical briefing sessions for stakeholders to provide a baseline understanding of the proposed Rate Framework and how it works, including a question and answer period.</li><li>• Host webinars for small/medium business to provide overview and chance to engage in consultations.</li></ul>
<b>May 2015</b>	<ul style="list-style-type: none"><li>• Host WSIB working group sessions (open to all employer and worker-focused stakeholders) to be a follow-up on the technical sessions obtaining stakeholder feedback considering merits, potential variations and implications.</li></ul>
<b>October 2, 2015</b>	<ul style="list-style-type: none"><li>• Wrap up of online and written submissions.</li></ul>
<b>Fall 2015</b>	<ul style="list-style-type: none"><li>• Review of input received and share overview of stakeholder perspectives.</li><li>• “What we’ve heard” sessions with key stakeholders/ participants in the consultation process to provide an understanding of the feedback received during the consultation.</li></ul>

A comprehensive transition plan to support stakeholders and the WSIB’s own implementation would be developed towards implementation and form part of further stakeholder discussions at a later phase.



# The WSIB wants to hear from you!

For further information visit

[www.wsibratereform.com](http://www.wsibratereform.com)

Or email us at [consultation\\_secretariat@wsib.on.ca](mailto:consultation_secretariat@wsib.on.ca)

# Q & A

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## Question and Answer Period