

## The New NEER: it will cost your company more in 2016!

The June NEER statements were released in late August and Ontario Employers just got a big surprise!

The WSIB has once again decreased the Expected Cost Factor. This is what this means for your company:

- Your Maximum Rebate is substantially smaller, and
- Your threshold to move into a surcharge position is much lower

A SE-GA Client in Automotive parts manufacturing decreased their WSIB premiums from 2015 to 2016 by roughly 10% but their Expected Cost Factor was **decreased by 40%**!

### NEER Comparision:

**2015 Maximum Rebate: \$ 34,604.25**

**2016 Maximum Rebate: \$ 18,410.21: a decrease of 47%**

More importantly the cost of your claims will be going up by a large margin as well due to the substantial increase in the Overhead Cost Factor. For the same employer their 2015 OCF was 48% but it jumped to 72% in 2016. **This is a 50% increase for what amounts to the cost to the Board to administer the claims you pay for with your premiums!**

### NEER Comparison: using a no-lost time claim (no reserved dollars)

**2015 Claim Cost: \$ 3,076.64 (Actual Spent) + \$ 1,476.79 (OCF) = \$ 4,553.43**

**2016 Claim Cost: \$ 3,076.64 (Actual Spent) + \$2,215.18 (OCF) = \$ 5,291.82**

### NEER Comparison: 4 month lost time (Claim Code 08 – inactive)

**Food Manufacturing: 2015 OCF: 66%, 2016 OCF 92%**

**2015 Claim Cost: \$ 11,551.01 + \$25,623.61 + \$ 24,535.25 = \$ 61,709.87**

**2016 Claim Cost: \$ 11,551.01 + \$25,623.61 + \$ 34,200.65 = \$ 71,375.22**

**The cost of the claim increased, from one year to the next, by almost \$10,000**

Ontario’s NEER employers are going to have to work much harder to get a NEER Rebate in 2016 than it was in 2015. Every company must focus on:

- Prevention
- A Return to Work Plan in place before your next accident, for any possible workplace accident and for every employee
- Appeal for cost relief for your costly claims

NOTE: Overhead Cost Factor is determined by your rate group and the change in your rate group’s OCF may be very different from these examples (eg. Trucking – RG 570 increased from 39% OCF to 49% OCF). If you’d like to discuss how these changes will impact your company please call SE-GA for a non-cost, no-obligation NEER review. 416-463-7342 ext 5.

September  
2016

**Financial Forecasting: What will our Rebate be this year?**

As the summer comes to an end employers across Ontario are asking the same questions:

**What will our NEER (or CAD-7) rebate/surcharge be this fall?**

**Is it possible to forecast what our rebate/surcharge will be in 2017?**

For **NEER** companies: SE-GA can use the June report to accurately estimate the 2016 NEER financial outcome and provide a year to date report for the 2017 report as well. When the September and December 2016 NEER statements are issued SE-GA’s projection can be reviewed to will further validate the projected financial outcome.

For **CAD-7** companies: SE-GA can use this report, and your 2016 monthly accident cost statements, to compile a year to date projection of your 2017 CAD-7 financial outcome. Once all of the 2016 monthly accidents cost statements have been issued SE-GA’s projection can be reviewed to provide greater validity to the projected financial outcome.WSIB will not allow/reinstate Loss of Earnings benefits.

**How to calculate your 2016 NEER Rebate/Surcharge position**

To calculate this year’s NEER financial outcome you need to compare your June 2016 NEER statement to your September 2015 NEER statement.

**For the 2015 NEER Year, Using the June 2016 NEER statement, do the following:**

$\{(\text{Expected Costs} - \text{Actual Costs}) \times \text{Rating Factor}\} / 100$

As an example:

**Expected Costs = \$100,000    Actual Costs = \$ 65,000    Rating Factor = 80.00**  
 **$\{(\$100,000 - \$65,000) \times 80\} / 100 = \$28,000$**   
 **$\{(\$35,000 \times 80) / 100 = \$28,000$**   
 **$\$2,800,000 / 100 = \$28,000$**

If the 2015 Expected Costs are greater than the 2015 Actual Costs than your company earned a rebate for the 2015 NEER year.

If the 2015 Actual Costs are greater than the 2015 Expected Costs your company earned a surcharge for the 2015 NEER year.



**For the 2014, 2013 and 2012 NEER Years do the following:**  
Compare the actual costs, on a per year basis, from the June 2016 statement to the September 2015 statement.  
{(June 2016 Actual Costs – September 2015 Actual Costs) X Rating Factor/100}

Do this for each year (2014 to 2014, 2013 to 2013 and 2012 to 2012)  
As an example:  
For the 2014 Year: **2014 Actual Cost \$ 75,000 June 2016 NEER statement**  
**2014 Actual Cost \$ 90,000 September 2015 NEER statement**  
**Rating Factor = 60%**  
**(\$ 75,000 – \$ 90,000) X 60.00/100 = \$ 9,000**  
**(\$ 15,000 X 60.00)/100 = \$ 9,000**  
**\$ 900,000/100 = \$ 9,000**

If the June 2016 Actual Costs are less than September 2015 Actual Costs for the specific year your company has earned a rebate for that year.  
  
If the June 2016 Actual Costs are higher than the 2015 Actual Costs for the specific year your company has incurred a surcharge for that year.

**Final Calculation to determine the NET Rebate or Surcharge**

Total the 2015 outcome to the year to year changes for the 2014, 2013 and NEER years

2015 Rebate	\$	100,000
2014 Rebate	\$	15,000
2013 Surcharge	\$	30,000
2012 Surcharge	\$	5,000
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<b>2016 NEER Rebate</b>	<b>\$</b>	<b>80,000</b>

**NEER TIP:** Claims that are inactive after the year of the accident (the worker has not received loss of earnings benefits or a NEL award from the WSIB) will decrease in cost over time. In the above example all of the 2014 claims remained inactive in 2016 but claims from 2013 and 2012 drew new LOE benefits in 2016.

Please contact SE-GA when you receive your June 2016 NEER statement if you would like SE-GA to do this exercise for you. SE-GA offers in-house NEER training sessions if you need training on how to do these calculations. This session is recommended for Human Resources, Health and Safety, Finance and Operations Managers.

**CAD-7 Projection for 2017:** Frequent readers of the SE-GA Advisor have read about the complexity of the CAD-7 formula. If you would like to read our prior newsletter **THE 6 KEYS TO CAD-7** follow this link:

[http://segaconsulting.com/wp-content/uploads/bsk-pdf-manager/SEGA\\_CAD-7\\_August\\_2014\\_Special\\_Edition\\_Advisor\\_5.pdf](http://segaconsulting.com/wp-content/uploads/bsk-pdf-manager/SEGA_CAD-7_August_2014_Special_Edition_Advisor_5.pdf)

SE-GA can, with some information from your company, provide a projection of your 2017 rebate/surcharge position. We strongly recommend that any company that receives a surcharge in 2016 ask SE-GA to do this analysis for your surcharge so your company can begin to accrue for your 2017 (very likely) surcharge.

Call SE-GA at 416-463-7342 ext 5 to discuss your 2016 CAD-7 and projection into 2017



## In-House Training

September  
2016

Talk to your SE-GA contact about our in-house and public access training sessions on all types of WSIB matters.

When we conduct an in-house session we will use your WSIB statements to demonstrate the true cost of a WSIB claim and the real savings that can be achieved through a productive return to work program.

### CAD-7: Seasonal Layoffs Cometh

Recently a construction employer client contacted our office to discuss what is likely not a unique scenario.

This company's primary business activity is road building and they layoff roughly 90% of their field staff every winter with an expected recall in early spring.

They have a worker who suffered an injury this year where the worker has been able to continue working but will require surgery to return to full health. To date the company has been able to offer light duties and they have avoided incurring CAD-7 costs.

They called to ask if the worker, who will be part of their seasonal layoff and will receive Employment Insurance benefits during the winter, will have an active WSIB claim due to the surgery.

#### **The answer is:**

**The surgery is related to a workplace injury and the WSIB will be responsible for the healthcare costs.**

**The worker will be unavailable to work during their recovery period and will be eligible for WSIB Loss of Earnings benefits.**

**In order to avoid a costly WSIB claim the company will have to provide this worker with modified work until they are deemed able to return to normal duties for either this or any other employer.**

The responsibility to manage your workers, from a WSIB prospective, does not end with the layoff date. If your company has any questions about your 2016 seasonal layoff please contact SE-GA. Remember every situation is unique and all the details need to be discussed. While the above situation may be considered straight forward, we strongly encourage you seek legal advice since a claim under the CAD 7 program with only two weeks of lost time could equate to tens of thousands of dollars to your bottom line. As we have stated in our best practices in the past "Everybody should know the cost of a lost time under the CAD 7 program for your company!"

*As always, everyone's situation is different. The above is not intended to be legal advice for any particular situation and it is always prudent to seek professional legal advice before taking any decisions on one's own case.*



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