

Rate Framework: 2021

The WSIB held their Annual General Meeting on October 1, 2020 and, due to the Covid-19 pandemic, announced many changes that were designed to provide stability for Ontario businesses while at the same time ensuring the system is properly funded.

1) Employer Premium Rates are unchanged from 2020 to 2021

The Rate Framework model is a premium only experience rating system (no rebates or surcharges) whereby an Employer's premium rate is based upon their own accident costs history from six prior years. For example, your 2020 premiums, announced in September of 2019, were based on accident costs from 2013-2018.

It is an individual price model where your premium rate is reflected in premium rate increases or decreases. ***IT IS AN INDIVIDUALIZED MODEL.***

The first three years (2020 – 2022) of the new model was meant to be a phased in approach that limited premium rate increases for new claim costs but did not limit premium rate decreases for improved performance and other cost reduction measures, such as Second Injury Enhancement Fund Cost Relief.

The most important of the recently announced changes, is **there will be a rate freeze on 2020 WSIB premiums.** Employers will now pay the same rate for 2021 that they

did for 2020. In essence the Board is repeating **YEAR ONE** of the new model with the phase-in period expanding from three years to four, concluding in 2023 (originally 2022).

While on the surface this appears to benefit the employer community, it is the WSIB who is the big winner with this announcement.

Initially, during the phase in period in year one, the maximum any Employer with higher than expected costs could forecast a 5% increase in their premium from 2020 to 2021.

NOTE: The new model uses risk-bands and the difference between each risk band is 5%

Additionally, for those Employers whose claim costs decreased, they expected a premium rate decrease far greater than one risk band with no limits to how low their premiums could drop. With the new changes, **any company that was expecting a premium rate decrease for this coming year will now realize those savings in 2022.**

This change was to ensure the viability of the publicly funded system and to protect Ontario's Employers. Ultimately, this change hurts far more companies than it helps.

2) Premium Deferral Program

One of the ways the WSIB supported Ontario's Employer community was to defer monthly premium contributions, without interest or penalty, beginning in April to October 2020. The premium rate deferral program has now been extended to January 2021.

Companies have until June 30, 2021 to repay any deferred amounts interest-free.

It is recommended companies report their deferred payments before the October 31, 2020 deadline and continue to do so for November and December 2020 as well.

3) Increase in Maximum Insurable Earnings

Annually the Board updates the limit at which an employer no longer remits premiums on an individual employee's earnings.

Maximum Insurable Earnings is directly linked to average earnings in Ontario measured by Statistics Canada.

For 2020 the maximum insurable earnings is \$95,400 and that amount has been increased to \$102,800 for 2021.

4) Update for Construction Rate Groups

For the initial year of the Framework model in 2020 "Business Class" G1 was for all Building Construction.

For 2021 G1 is now exclusively for Residential Building Construction and a new Class – G6 – has been created to recognize Non-Residential Construction as a separate business activity.

For companies that do provide both residential and non-residential construction you may be eligible to contribute to both classes.

NOTE: In the prior system Business Classes were called Rate Groups

5) Changes to the Rate Framework Formula

There are two critical elements to the Framework model, one that is easy to understand and one that is much more complicated.

The first is the Class Rate. For each Business Class the starting point is Risk-Band 60 with 83 being the maximum risk-band and risk-band 0 (in some cases less than zero) being the bottom risk band.

Using a golf analogy think of Risk-Band 60 as being "Par" with every company's goal to be below par. If your company is in risk-band 57 your score is -3.

The risk-bands are determined by the prior six-year claim cost history of the Business Class. It was not unexpected for the Class Rate (risk-band 60) to change on annual basis, but this change will impact the premium rate for every member of the business class.

The second is how an individual company's premium rate is calculated. The formula is driven by the Class/Subclass Risk Profile (Section G). Your premiums rates are driven by your claim cost performance compared to the classes' performance.

What is interesting about both of these changes is some companies will see lower premium rates; others will see increased rates (in 2022).

To understand how these changes affect your expected future premium rate contact your SE-GA representative.

WSIB Statements: What you need to know, look for and look at

All Construction companies received their last ever CAD-7 report in August 2020.

In November 2020 every NEER employer will receive their last report with the issuance of the September 30th report.

It is for this reason it is very important to review the statements the WSIB posts to your on-line account (under REPORTS) or mails to your office.

Accident Cost Statement: The WSIB issues a new ACS report during the first week of every month.

The ACS shows any claim that drew costs in the past month, including claims that are well outside of the 6-year experience rating window.

NOTE: The WSIB has already determined your 2020 and 2021 premium rates

For your company's 2021 premium rate you need to monitor any claim from 2014 – 2019 that draws claim cost in 2020.

Any claim with an accident date before January 1, 2014 no longer impacts your experience rating calculation.

Many companies never open their accident cost statements. If this includes your organization, contact SE-GA to discuss ways we can help.

NEER Statement: Non-Construction Employers with annual average premiums for the last three years are in the NEER program

The WSIB issues NEER statements every quarter (March 31, June 30, September 30 and December 31) to reflect your claims activity for the last four years.

The annual reconciliation NEER is the September 30 report, which tells you if your company is going to have to pay a surcharge or receive a rebate.

The last NEER statement ever will be the September 30, 2020 report which will likely be published to on-line accounts near or around the last week of November.

CAD-7 Statement: Construction companies with annual average premiums for the last three years are in the CAD-7 program.

CAD-7 was an annual report where your rebate or surcharge was based on claim costs over the past 5 years (charged to the year the WSIB paid out the benefits) and Actual Injuries (workplace accident where the injured worker received loss of earnings benefits (full or partial days) for a minimum of 8 days.

The last CAD-7 report was issued in August 2020.

Both NEER and CAD-7 were *retrospective* experience rating programs and both concluded Decembers 31st, 2019.

Employers received a final NEER or CAD-7 in 2020 so that the 2019 accident year could be reconciled in the prior program(s).

The Rate Framework program replaced both systems with a universal experience rating program that is prospective in nature. While the Accident Cost Statement is still in use, there are now new reports for this system.

Premium Rate Statement: This report tells your company your premium rate for the coming year and your anticipated premium rate in the next year. It provides no explanation as to why or how the WSIB determined these rates.

Premium Rate Extended Statement (PRExS): This report contains a history of the sum of your claim costs over the last six years with costs charged to the year the WSIB paid out the benefits.

(If a 2016 claim drew new benefits in 2020 the cost would be charged to the 2020 accident year).

It is very likely any company that had difficulty understanding their NEER or CAD-7 statement will have even more difficulty understanding the PRExS. Contact us to discuss how we can help you understand this report, and in turn the strategies to manage the claims in the Rate Framework model.

Claims Detail Statement (CDS): This report shows all claims for the last six years. More importantly it shows WHEN (by year) those charges were made against your company.

In order to understand your PRExS it is crucial to look at the claims within your CDS report.

TRAINING on the Rate Framework model

For the time being we will remain in a virtual world. SE-GA can provide your management team with an overview of the rate framework model:

- How the WSIB determined your current premium rate
- How your company is trending for future year premium rates
- The drivers of premium rate changes

This course is customized to your experience rating statements, discusses the claims that determined your premium rates, and strategies for 2021 and beyond.

Additional Courses:

- WSIB Responsibilities for Employees
- WSIB Responsibilities for Supervisors
- WSIB 101

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