

The Countdown to 2020 has started

On January 1, 2020 the WSIB will terminate the RETROSPECTIVE experience rating NEER and CAD-7 plans (these systems result in a rebate or surcharge based upon past performance) to the PROSPECTIVE Rate Framework Modernization model (a premium only system that incorporates past performance to determine a company's individualized premium rate).

This change will more accurately reflect a company's usage both in terms of the number of workplace accidents a company incurs, AND the seriousness of those accidents. As with any change of this nature there will be both "winners" and "losers".

To date the WSIB has not issued a great deal of information to employers in order to calculate your formula to determine 2020 premium rates but we do know the following:

- 6 year experience rating window:
 - To determine your 2020 premiums the system will factor accident costs from 2013-2018
 - For 2021 the system will factor 2014-2019, and so on
- The formula is weighted for the greatest emphasis on the most recent accident year (from the example above meaning 2018) with the least emphasis on the final year (2013)
- Health Care costs and Wage Replacement costs will carry equal weight
- While costs will be charged to the year of the accident that charge will impact at least 6 years of the premium calculation rate and potentially as many as 11 years.
- The system is predicated on a new industry classification system
 - The current model has 155 rate groups
 - The new system will have 34 rate groups utilizing NAICS codes
 - 4 year experience rating window
 - Unless there is a separate, distinct and sizable secondary business within a company every company will only contribute to one rate group
- Rate Groups will have at least 40 risk-bands (Price Points) and could have as many as 100 risk-bands
- Once "slotted" into your initial risk-band a company can only move +/- 3 risk bands (Price Points) a year
 - Reduces premium volatility
 - Each risk-bands represents roughly a 5% change
 - It is going to be relatively easy to increase up to 3 risk bands
 - It is going to be difficult to decrease 3 risk bands

POSITIVE: Companies will know their WSIB expenses at the start of the year and will no longer have to accrue (or be surprised by) a surcharge

NEGATIVE: For companies that see their premium rate increase 3 risk bands in one year it is going to take several years to return to your original premium rate

CAUTION: Companies that forecast their future year’s WSIB expenses (for tendering, budgeting, job costing) using their current year premium rate likely will miscalculate that expense

- i.e. - It is very unlikely your 2020 premium rate will be your 2022 rate. It will be very important to track your WSIB charges in order to calculate future premium costs
- Companies that tend to get rebates should see premium rates fall over time;
- Companies that tend to pay surcharges should expect premium rate increases over time.

NET PREMIUMS: While the WSIB has yet to release the formula to determine exactly a companies 2020 premium rate, there is a simple formula to obtain a rough estimate of your annual premium expense.

To determine your NET premium:

- NET Premium = Your premium +/- your rebate or surcharge for that year
- Total your NET premiums for the 2016, 2017 and 2018 accident years and divide by 3
- This amount represents your expected annual premium rate in Rate Framework Modernization
- Compare your 2016 through 2018 net premiums to determine if your 2020 premium rate

Example:

	Premiums	Outcome	NET Premium
2019	\$360,000	to be determined	
2018	\$330,000	\$60,000 Rebate	\$270,000
2017	\$300,000	\$80,000 Surcharge	\$380,000
2016	\$280,000	\$10,000 Surcharge	\$290,000
Total Net Premiums			\$940,000
Average Net Premiums			\$313,333

This company is likely to see a 5.1% decrease in their premium contribution in Rate Framework Modernization as compared to their expected 2018 premium rate.

BEST PRACTICE TO PREPARE FOR 2020:

The key to Rate Framework Modernization is where you start. If this company were to receive COST RELIEF from the Second Injury Enhancement Fund (SIEF) for any of the accidents that contributed to their 2016 or 2017 surcharges they would have a much lower average net premium.

The WSIB has confirmed that cost relief will remain under the Rate Framework Modernization system and it is strongly recommended every company undertake a review of their past claims at this time. Any cost relief will give triple benefit as it will lower both your NEER and Rate Framework Modernization net premium expenses as well as your premium rate into future years.

The Cost of One Accident

Recently SE-GA was approached by a large construction company (CAD-7) that also has NEER operations. A serious workplace accident was charged to this company but to their very small services division. This claim had a NEER cost of over \$300,000 but, due to the small premiums in the services division, the NEER surcharge was only slightly more than \$12,000.

This company has made a significant investment in prevention and has an excellent return to work program in the event of a workplace accident. Unfortunately this worker required significant rehabilitation and was absent from work for several months.

The company asked SE-GA what this accident would have cost the company if the WSIB costs would have been charged to either of their large accounts and the results were striking.

This company earned a sizeable CAD-7 rebate for 2018 and this charged accident would still leave them in a rebate position but the two year cost of this claim would have reduced their rebate by \$93,724.63!

The company also earned a rebate in their large NEER division but this claim would have taken them from rebate into a surcharge for the 2017 accident year, and the result was a loss of \$277,591.46!

An excellent 2018 performance does not necessarily mean your company will be accident free in 2019. Stay diligent! Reinforce your prevention strategies, Lock down your Return to Work management system and reporting procedures, educate your employees on their obligations to participate in modified work programs. Your Rate Framework Modernization premium rate will recognize your effort for years to come.

The Big Premium Rate decrease for 2019

Is it good for all employers?

Almost every company in Ontario received very good news from the WSIB last fall when the Board announced that the UNFUNDED LIABILITY had been retired, and as a result that portion of the premium would be removed from the 2019 premium rate.

With the exception of two rate groups (507 and 512, which remain unchanged) every rate group saw a decrease in their 2019 premium rate, when compared to the 2018 rate. The smallest decrease is in rate group 222 – Confectionary, which saw a decrease of 2.7%, and the largest decrease was in rate group 428 – Motor Vehicle Fabric Accessories, with a premium rate drop of 47.8%.

This is great news but it's not the whole story, and that story won't be known until the June NEER statements are issued in August 2019.

The NEER Rebate/Surcharge formula is dependent upon a number of factors:

(NOTE: you may want to review your NEER with one of SE-GA's experienced paralegal's in order to understand how these changes will impact your company)

- Will your Expected Cost Factor fall by an equal or greater amount than the premium rate decrease
- Will your Rating Factor fall by an equal or greater amount than the premium rate decrease

If a company has the same claim cost in 2018 (and received a rebate) and in 2019 it is possible that company would pay a surcharge for the 2019 NEER year

There are also specific factors that affect the cost of a claim

- There are three costs to a claim
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 - Past Discounted Awards = Actual Spend
 - Projected Future Costs = Insurance Costs
 - Overhead Cost Factor = Administrative Fees
- OCF is a fixed percentage of total claim costs
- $(PDA + PFC) \times OCF = \text{Overhead costs}$
- $PDA + PFC + \text{Overhead costs} = \text{Ltd Claim Costs}$
- **If**, as a result of the premium rate drop the WSIB increases either the Projected Future Costs and/or the Overhead Cost Factor
- **Then**, the cost of each claim, especially claims with more than 5 days of lost time, will be much more expensive

Bottom Line: The net gain a company will obtain from the premium reduction depends upon how the total NEER equation absorbs this change, and will not be known until we are well into the NEER year.

The only way to fully absorb the benefits of the price drop is to go accident free in 2019.

The reduction in Premium Rates is fantastic and long overdue given that the unfunded liability has been shrinking for a long time.

Perhaps the most important question is how this reduction in premium rates will transfer to the Rate Framework Modernization system beginning in 2020.

2019 Seminar Schedule

Throughout November SE-GA travelled across Ontario hosting NEER and CAD-7 (with an overview of Rate Framework Modernization as well) training sessions and we have never had bigger audiences.

In May (official dates TBA) SE-GA, in conjunction with Orillia Soldiers Memorial Hospital, will be hosting two WSIB training sessions at their Hospital. The morning session will be specifically for health care organizations and the afternoon session will be open to all other industries. Senior Consultant Mark Senicar will be presenting on the latest updates on the Rate Framework Modernization model, 2019 NEER Rebate/Surcharge projections and Claims Management Techniques for Mental Health Claims Please contact SE-GA for more information.

We will be hosting these sessions in **Montreal and Northern Ontario** in the Spring of 2019, and **Toronto, Ottawa, Kitchener-Waterloo** in November 2019. If you would like SE-GA to present this session to your company or community please contact us at info@segaconsulting.com

We have presented to many associations, such as the Fleet Safety Council, Regional Construction and Trade Specific groups, The Ontario Agri-Business Association, and a chapter of the Human Resources Professional Association. Contact SE-GA for information about a session for your association.

Many companies have had SE-GA host an in-house lunch and learn format session for Senior Management, Human Resources, Health & Safety and Operations/Department Heads. These sessions are customized to your company utilizing your recent NEER or CAD-7 statements to demonstrate:

- When claims become costly/avoidance strategies
- Your financial parameters
- Best possible rebate
- Worst possible surcharge
- Your 2019 expected rebate/surcharge
- WSIB math made easy
- How much money your company saves by providing Modified Work
- The role of the Worker, their Doctor and your company's key personnel

These sessions are hosted by Licensed Paralegals who have been WSIB professionals for more than 20 years. Last years attendees included Hospitals, Manufacturers, Service Agencies, Construction companies and their job titles ranged from Health and Safety Managers, Human Resources Professionals, Chief Financial Officers and Owners.

Ask SE-GA how we can be of assistance with your WSIB challenges and we will provide a solution for your business that is based on Best Practices for Cost Avoidance and Employee Participation.

Coming soon in our Spring 2019 Advisor

1. Updates on the WSIB's new Rate Framework Modernization Transitional Policies and their impact on Employers.
2. Confirmed dates for seminars at **Orillia Soldiers Memorial Hospital, Northern Ontario and Montreal.**
3. A WSIAT tribunal decision on the negative financial impact of waiting to request Cost Relief on your costly claims.

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