

RATE FRAMEWORK MODERNIZATION UPDATE

July 2015

Since the launch of the Rate Framework Modernization consultation in March, the WSIB has engaged stakeholders through two technical sessions (held in April) to provide a detailed overview of the proposed preliminary Rate Framework. To help stakeholders with their submissions the WSIB facilitated more than 35 working group sessions with employers, employer associations and representatives, injured workers and labour groups.

The WSIB continues to receive constructive feedback from stakeholders during these outreach efforts, and is gaining great insight as part of these discussions. As recently announced, given the breadth of the information being consulted on and the importance of stakeholder input, the deadline for submissions to the Rate Framework Modernization consultation has been **extended from June 30, 2015 - October 2, 2015**.

This extension will enable the WSIB to provide further information (noted below) later this summer to greater assist stakeholders with their understanding of the process. The extension of the consultation deadline will not affect the overall Rate Framework Modernization consultation timeline, with the WSIB scheduled to meet with stakeholders in late fall of 2015 to summarize the perspectives shared and the next steps for the initiative.

Themes from Stakeholder Working Group Sessions

From the various sessions held with stakeholders, a number of themes have been identified and shared for consideration. These are shared below to provide all stakeholders with the opportunity to incorporate their perspectives on these items through the consultation submissions that are due on October 2, 2015.

Risk Disparity / Expanding the Number of Industry Classes

Some stakeholders have responded to the WSIB questions on whether the WSIB should consider expanding the number of classes it has recommended under the proposed preliminary Rate Framework to account for what may be very different risk or claims experience within the proposed 22 industry classes.

The WSIB has committed to an examination of the proposed classification structure consisting of 22 classes to identify where risk disparity may exist, while balancing the need for large enough industry classes to ensure the resulting premium rate does not bring premium rate volatility from one year to the next. The approach and analysis that is being undertaken as part of our Risk Disparity Analysis may lead to a revised and greater number of classes in a new Rate Framework.

This analysis will be made public on our website at www.wsirateframeworkreform.com later this summer.

Second Injury and Enhancement Fund (SIEF)

The WSIB has heard many perspectives on the recommended approach to discontinue the Second Injury and Enhancement Fund (SIEF) program. This includes the concerns raised with the recommended approach and a clear consensus that some form of cost relief is required. Some stakeholders have also highlighted potential unintended consequences with the proposal to discontinue SIEF, while others have provided specific examples to support their view. These perspectives are important to us and will assist us in making the most appropriate decision on this point.

Long Latency Occupational Disease (LLOD)

Similarly, a number of employers have shared their perspectives on how LLOD claims should be allocated under the proposed preliminary Rate Framework. The majority of stakeholders have stated that LLODs should be excluded from individual employer experience, while some have even suggested that some percentage of the LLOD costs should be shared across the whole of Schedule 1, rather than simple one industry class, given the more recent fact that the Ontario workforce moves across varying industries, and may be exposed to the drivers of LLODs across industries.

Weighting Experience Window

Some stakeholders have suggested that the proposed approach may provide an imbalance towards greater rate stability, with not enough focus rate responsiveness. To counter this perceived imbalance, some have brought forward the consideration of amending the proposed six year window by adding more weight to the claims and insurable earnings experience on the more recent years (e.g. most recent 2-3 years) and less weight on the historic years (e.g. years 4-6).

Graduated Risk Band Limits

Similarly, certain stakeholders have suggested that the WSIB explore linking the current three risk band limitation that limits year over year rate changes to provide greater rate stability, to the steps in the predictability scale (in a manner similar to the graduated per claim limit). This would see the current proposed risk band limitation of three risk bands (where each risk band represents a 5% increase in premium rate) vary based the predictability of employers. For example, this would suggest that the largest, most predictable employers could see an increased risk band limitation of +/- 5 risk bands, and smaller, less predictable employers could see a reduced risk band limitation of +/- 1 or 2 risk bands.

Surcharging Mechanism

A number of stakeholders have expressed their support for a special surcharge mechanism for employers who are above the premium rate cap on a sustained basis, which would result in greater employer responsibility for those claims costs, rather than have the industry as a whole bear that responsibility. Similar to the approach in Alberta, some have suggested that the WSIB consider using the Workwell program to work with these employers to identify and address these circumstances, towards a progressive surcharge if no improvement is seen after a number of years of effort.

Rate Group Analysis

Some stakeholders have also asked for information specific to their current rate group to better understand how the proposed preliminary Rate Framework differs from the current system. Specifically, they have asked the WSIB to provide information that explains how employers within a specific rate group might be classified, what target and actual premium rates might be like, and also highlight new target rates for these rate group (e.g. the premium rate that the current rate groups ought to pay in the current system to better reflect their experience).

Similar to the Risk Disparity analysis, this Rate Group Analysis will be made public by rate group on our website at www.wsibratereform.com later this summer.

The WSIB appreciates the ongoing engagement with its stakeholders and welcomes any opportunity for additional dialogue. To schedule a working group session or submit an inquiry about the proposed preliminary Rate Framework, please contact us at consultation_secretariat@wsib.on.ca.