Rate Framework Modernization

The New Rate Framework

MARCH 2017

WORKPLACE SAFETY AND INSURANCE BOARD

Table of Contents

INTRODUCTION 3

THE NEW RATE FRAMEWORK'S **KEY GOALS** 4

STEP 1 EMPLOYER CLASSIFICATION 5

The Classification Structure 6
Why These 34 Classes/Subclasses? 8
How is NAICS different? 10
Classification by Predominant Industry Class/Subclasses 11
Employers with Multiple Business Activities 11
Important Business Rules 12

STEP 2 CLASS/SUBCLASS LEVEL PREMIUM RATE SETTING 13

Class/Subclass Projected Premium Rates 14
Long Latency Occupational Diseases 16
Second Injury and Enhancement Fund (SIEF) 16
Self Sufficiency of Industry Classes/Subclasses 16

STEP 3 EMPLOYER LEVEL PREMIUM RATE ADJUSTMENTS 17

Setting Premium Rates 18
Step A: Determining an Employer's Actuarial Predictability 19
Step B: Determining an Employer's Weighted Claims Cost 22
Step C: Determining an Employer's Weighted Insurable Earnings (IE) 23
Step D: Determining an Employer's Risk Profile 25
Step E: Determining the Class/Subclass Risk Profile 26
Step F: Determining an Employer's Adjusted Risk Profile 27
Step G: Determining an Employer's Risk Profile Index 28
Step H: Determining an Employer's Projected Premium Rate 30
Step I: Determining an Employer's Actual Premium Rate 33
Employer Costs Above the Premium Rate Thresholds 36
Maximum risk band for small employers 36
Mechanism for Greater Employer Accountability 37
Compass Tool 38

CONCLUSION 39

GLOSSARY 40

INTRODUCTION

Dating back to both the Arthurs *Funding Fairness* (2012) and Stanley *Pricing Fairness* reports (2014), the WSIB's Rate Framework Modernization initiative has been a multi-year engagement with experts and stakeholders to address identified challenges with the current processes related to employer classification, premium rate setting and current experience rating programs.

The more recent history on this initiative began with the proposed Preliminary Rate Framework, released in March 2015 by the WSIB for the purpose of engaging in robust discussions and consultation with stakeholders, partners and experts. Key highlights include:

- The **March 2015 – October 2015 consultation period**, with the WSIB participating in over 100 working group sessions with individual employers, employer associations and representatives, injured workers and labour groups. This culminated with the WSIB receiving 57 formal submissions. These sessions and submissions provided valuable feedback on the Proposed Preliminary Rate Framework.
- On **December 1, 2015 the WSIB hosted a stakeholder session** attended by approximately 160 stakeholders. This session provided the WSIB with the opportunity to present the Updated Rate Framework, which highlighted updates and revisions that incorporated suggestions and recommendations from stakeholders, and analyses undertaken by the WSIB.
- **Following the December 1, 2015 stakeholder session**, the WSIB posted premium rate information for each of the proposed 34 industry classes/subclasses, and the Rate Group and Risk Disparity analysis that provides greater detail on premium rate implications and the classification structure.
- The WSIB opened a **subsequent consultation period from December 1, 2015 to March 31, 2016**. The purpose of this consultation period was to obtain feedback on the Updated Rate Framework. During this consultation period the WSIB participated in over 40 working group sessions and received 19 formal submissions.

One of the key concerns with the current approach to employer classification and premium rate setting is that it does not accurately reflect the risk brought forward by individual employers. The new rate framework addresses this point, in addition to other challenges and concerns brought forward regarding the current approach, by:

- Establishing a standardized, simpler and more consistent classification approach to classify employers and set their premium rates.
- Incorporating stability measures to limit exposure and premium rate volatility, and provide support for a gradual transition towards the new rate framework.
- Recognizing that individual employers within an industry bring different risk given investments in Occupational Health and Safety (OHS) to protect and support their workers.
- Eliminating the two year wait for employer premium rate adjustments based on actual risk, impacting cash flow and investment in their operations, including OHS programs and initiatives.
- Providing a premium rate setting approach that can be easily understood by all stakeholders.

THE NEW RATE FRAMEWORK'S **KEY GOALS**

The new rate framework considers the *Pricing Fairness* recommendations, extensive stakeholder discussions and submissions, further analyses undertaken by the WSIB and the **Key Goals** developed to support its design and development.

Revenue Neutrality as a Foundation

The new rate framework addresses fundamental issues with the current employer classification structure and premium rate setting processes as raised by stakeholders, partners, and the WSIB itself.

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 experience, while ensuring that employers are paying their fair share of workplace coverage.

Clear and Consistent

A new streamlined and simpler classification structure that is clear and consistent in its application as a foundation.

Fairly Allocated Premiums

An approach that ensures a fair premium for workplace coverage, based on each employer's risk and claims experience to ensure occupational health and safety is top of mind for employers as it relates to their premiums.

Balanced Rate Responsiveness

A reasonable consideration for premium rate stability, while also ensuring responsiveness to risk and claims experience attained through occupational health and safety efforts to reduce workplace injuries and return workers to productive work.

Transparent and Understandable

A new rate framework that stakeholders can easily understand, and promotes active and informed participation.

Collective Liability

A risk sharing arrangement exists among employers who collectively pay premiums to maintain the insurance fund.

Ease of Administration

Efficient and effective for the employer community and for the WSIB to administer and maintain.

STEP 1
EMPLOYER CLASSIFICATION

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

The Classification Structure

The new rate framework uses a 34 industry class/subclass structure adapted from the North American Industry Classification System (NAICS) to suit Ontario's workers' compensation system and Ontario's unique economy. The new rate framework replaces the existing classification system that is based on the Standard Industrial Classification (SIC) codes.

The NAICS is an industry classification system developed by Statistics Canada, working with their counterpart statistical agencies in Mexico and the United States to replace the SIC codes. It was created to provide a common framework for statistical analysis of the three economies. In addition to its primary use as a basis for statistics, it is used for business reporting purposes (e.g., Income tax returns) and is also used and adapted for classifying industries by other workers' compensation boards (such as New Brunswick and some U.S. states).

NAICS Hierarchy
Industry sectors (two-digit codes)
Industry subsectors (three-digit codes)
Industry groups (four-digit codes)
Industries (five-digit codes)
Canadian industries (six-digit codes)

The first version of NAICS was released in March 1998. Since then, NAICS has been reviewed and revised every five years, initially more substantially to improve comparability across the three countries, and subsequently to ensure that new and emerging industries were appropriately captured.

NAICS is structured hierarchically and includes all economic activities. The highest level (two digits) divides NAICS Hierarchy Industry sectors (two-digit codes) Industry subsectors (three-digit codes) Industry groups (four-digit codes) Industries (five-digit codes) Canadian industries (six-digit codes) the economy into 20 sectors. These sectors are further subdivided at the three, four and five digit level. A sixth digit is used to distinguish between definitions that are unique to one or more of the North American countries that participate in developing the system.

For the majority of employers, NAICS codes will be very familiar as it is a requirement to identify and include their six-digit NAICS code in their tax filings with the Canada Revenue Agency, with a single NAICS generally identified for their entire operation.

By advancing significantly fewer employer groupings than exist in today's classification structure, the new rate framework's 34 industry class/subclass structure considers the need for a new streamlined and simpler classification structure that is clear and consistent in its application as a foundation. At the same time, grouping employers into classes/subclasses ensures that the principle of collective liability (employers sharing the risk within their respective class/subclass) remains a key consideration moving forward.

While the WSIB's new classification structure is based on a 'lettering' approach given legislative parameters, there is a direct concordance between the new rate framework and the NAICS for ease of reference and to support transition. An employer with their existing NAICS codes would be able to generally determine how the new rate framework would classify their business operations. The table below identifies the 34 classes/subclasses, as well as their NAICS equivalent.

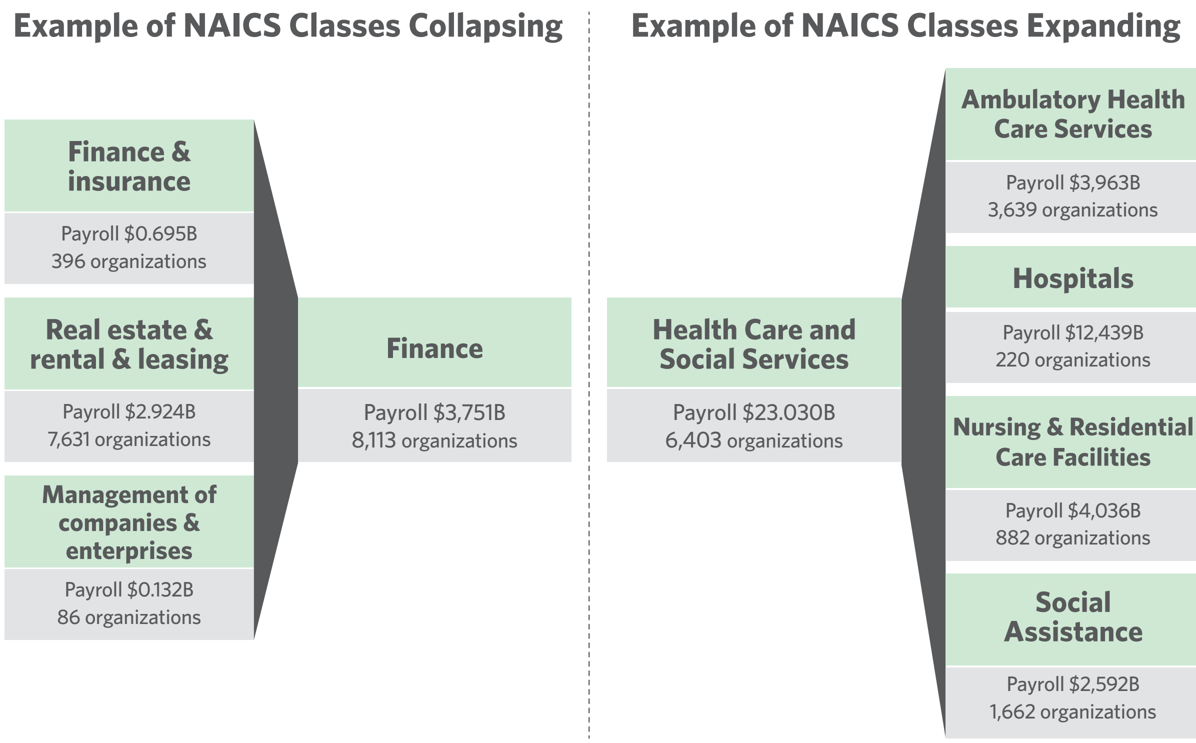
Figure 1: The Classification Structure – 34 Classes/Subclasses

CLASS/SUBCLASS & DESCRIPTION		NAICS EQUIVALENT
CLASS A	Agriculture	11
CLASS B	Mining, quarrying, and oil and gas extraction	21
CLASS C	Utilities	22
CLASS D	Governmental and related services	
SUBCLASS 1	Educational services	61
SUBCLASS 2	Public administration	91
SUBCLASS 3	Hospitals	622
CLASS E	Manufacturing	
SUBCLASS 1	Food, textiles and related manufacturing	31
SUBCLASS 2	Non-metallic, and mineral manufacturing	321-322-326-327
SUBCLASS 3	Printing, petroleum, and chemical manufacturing	323-324-325
SUBCLASS 4	Metal, transportation equipment, and furniture manufacturing	331-332-336-337
SUBCLASS 5	Machinery, electrical, and miscellaneous manufacturing	333-335-339
SUBCLASS 6	Computer and electronic manufacturing	334
CLASS F	Transportation and warehousing	
SUBCLASS 1	Rail, water, truck transportation and postal service	482-483-484-491
SUBCLASS 2	Air, transit, ground passenger, recreational and pipeline transportation, courier services, and warehousing	481-485-486-487- 488-492-493
CLASS G	Construction	
SUBCLASS 1	Building construction	236
SUBCLASS 2	Infrastructure construction	237
SUBCLASS 3	Foundation, structure, and building exterior construction	2381
SUBCLASS 4	Building equipment construction	2382
SUBCLASS 5	Specialty trades construction	2383-2389
CLASS H	Wholesale	
SUBCLASS 1	Petroleum, food, motor vehicle, and miscellaneous wholesale	411-412-413-415-418
SUBCLASS 2	Personal and household goods, building materials, and machinery wholesale	414-416-417-419
CLASS I	Retail	
SUBCLASS 1	Motor vehicles, building materials, and food and beverage retail	441-444-445-447
SUBCLASS 2	Furniture, home furnshings, clothing, and clothing accessories retail	442-448
SUBCLASS 3	Electronics, appliances, health and personal care retail	443-446
SUBCLASS 4	Specialized retail and department stores	45
CLASS J	Information and culture	51
CLASS K	Finance, management, and leasing	52-53-55
CLASS L	Professional, scientific, and technical	54
CLASS M	Administration, services to buildings, dwellings, and open spaces	56
CLASS N	Non-hospital health care and social assistance	
SUBCLASS 1	Ambulatory health care	621
SUBCLASS 2	Nursing and residential care facilities	623
SUBCLASS 3	Social assistance	624
CLASS O	Leisure and hospitality	71-72
CLASS P	Other services	81

Why These 34 Classes/Subclasses?

Beginning with the NAICS 2-digit level as a foundation, the WSIB expanded and collapsed certain groupings to ensure the new rate framework's classification structure included the appropriate number of classes/subclasses, with each class/subclass demonstrating a level of actuarial predictability that supports the setting of reliable and predictable premium rates and lessens premium rate volatility.

Figure 2: Example of a NAICS Class Expanding and a NAICS Class Collapsing



Originally set at 22 industry classes/subclasses as part of the preliminary Rate Framework, the classification structure was established with each industry class/subclass having $12 billion in insurable earnings over a six year period to ensure greater stability, or actuarial predictability, in setting premium rates.

Following engagement with stakeholders, adjustments were made to ensure that the WSIB was grouping together industries with similar occupational risks and claims experience. In doing so, the WSIB published a Risk Disparity Analysis, to consider looking not only at the actuarial predictability of a class/subclass, but also the risk disparity within each class/subclass. The following rules were applied for this analysis:

Rule 1 – Risk Disparity

Risk disparity would be examined by comparing the risk profile of the 34 industry classes/subclasses to the next level of the NAICS. This would assist in determining if further expansion of the number of classes/subclasses would produce improved outcomes that address and balance any risk disparity and actuarial predictability. An industry class/subclass would demonstrate risk disparity if the risk profile within each industry class/subclass, tested to the next level of NAICS where appropriate, is greater than +/- 20%.

Risk disparity is when claims experience or premium rates vary significantly from the average experience of the class/subclass.

Rule 2 – Actuarial Predictability

If an industry class/subclass met the risk disparity threshold, the actuarial predictability would be tested against a revised level of actuarial predictability that would support reliable and stable premium rate setting, established as either $12.0 billion in insurable earnings over 6 years or $6.0 billion in insurable earnings and $15.0 million in claims costs, over 6 years.

Taken together, both risk disparity and actuarial predictability will form part of the regular, ongoing monitoring of the new rate framework that would help determine when or if any further changes to the classification structure would be required. This will ensure that the classification structure evolves with any changing risk and experience within a particular industry, rather than holding to a firm number of classes/subclasses.

How is NAICS different?

For modeling purposes, the WSIB reviewed each Classification Unit (CU) description from the current classification structure and matched the CU to the most appropriate six-digit NAICS Code and then aggregated the information to the 34 class/subclass structure. The results showed that the NAICS-based classification would group certain types of industries differently.

Owing to the mapping of the current structure to the NAICS structure, certain business activities would move to a different class/subclass than the one they are in today. The chart below highlights some of the changes for business activities and industries in moving to a NAICS-based approach.

Figure 3: Current Class Structure to NAICS

CURRENT CLASS	UPDATED CLASS STRUCTURE
Class A	88.7% of insurable earnings in Class A, Forest Products, would more appropriately fit into the E2 Non-Metallic and Mineral Manufacturing class; 9.7% would move into the A, Agriculture class.
Class B	91% of Class B, Mining and Related Industries would move to the Mining, Quarrying & Oil and Gas Extraction B class; the remainder would move to G2, Infrastructure Construction (2.6%) and E2 Non-Metallic and Mineral Manufacturing (4.4%).
Class C	59% of Class C, Other Primary Resources would shift to the A, Agriculture class; 31.1% would move to M, Administration, Services to Buildings, Dwellings and Open Spaces.
Class D	Class D, Manufacturing, would be primarily split between the manufacturing classes: E1, Food, Textiles and Related Manufacturing (14.1%), E2, Non-Metallic and Mineral Manufacturing (11.1%), E3, Printing, Petroleum and Chemical Manufacturing (10.7%), E4, Metal, Transportation Equipment and Furniture Manufacturing (35.9%), E5, Machinery, Electrical Equipment and Miscellaneous Manufacturing (12.7%) and E6, Computer and Electronic Manufacturing (8.4%)
Class E	Class E, Transportation and Storage, would primarily map to F1, Rail, Water, Truck Transportation and Public Postal Service (36.4%) and F2, Air, Transport, Ground Passenger, Recreational and Pipeline Transportation, Courier Services and Warehousing (46.1%), but some (7.7%) would move to the M, Administration, Services to Buildings, Dwellings and Open Spaces.
Class F	Class F, Retail and Wholesale Trades, would map to five classes: H1, Petroleum, Food, Motor Vehicle and Miscellaneous Wholesale (9.6%), H2, Personal and Household Goods, Building Materials and Machinery Wholesale (21.2%), I1, Motor Vehicles, Building Materials and Food Retail (21.1%), I2, Furniture, Home Furnishings, Clothing and Clothing Accessories Retail (8.4%), I3, Electronics, Appliances, Health and Personal Care Retail (10.6%), I4, Specialized Retail and Department Stores (14.2%).
Class G	Class G, Construction, would be primarily split between five classes: G1, Building Construction (18.2%), G2, Infrastructure Construction (10.1%), G3, Foundation, Structure and Building Exterior Construction (15.0%), G4, Building Equipment Construction (31.6%), and G5 Specialty Trades Construction (18.0%).
Class H	Class H, Government and Related Industries, would be split primarily between six classes: C, Utilities (8.2%), D3, Hospitals (34.3%), N2, Nursing and Residential Care Facilities (11.0%), N1, Ambulatory Health Care (10.6%), N3, Social Assistance (6.9%) and D1, Educational Services (18.4%).
Class I	Class I would move primarily to one of six classes: J, Information and Culture (7.5%), K, Finance, Management and Leasing (8.9%), L, Professional, Scientific and Technical (26.3%), M, Administration, Services to Buildings, Dwellings and Open Spaces (10.3%), O, Leisure and Hospitality (26.2%), and P, Other Services (6.7%).

e.g., Paper bags & consumer products, particle board, shingles – moving to manufacturing

e.g., Barn cleaning, lawn maintenance – moving out of Primary Resources

e.g., Asbestos abatement & window cleaning – moving out of construction

Classification by Predominant Industry Class/Subclasses

The new rate framework generally classifies employers with multiple business activities in a single industry class/subclass according to their predominant class/subclass. The WSIB is generally defining the "predominant class/subclass" as the class/subclass that represents the largest percentage of the employer's insurable earnings.

For the majority of employers, all of their business activities will fall into one single industry class/subclass. To ensure that the identification of the employer's predominant class/subclass based on insurable earnings results in a consistent and fair classification outcome, the WSIB classification process would generally determine an employer's classification by assessing the rolling three years of insurable earnings reported to the WSIB. For example, to determine the classification for the 2016 premium year using the new rate framework, the WSIB would review the available information from the three prior years, 2012 to 2014.

In addition, the process will also consider the employer's predominance within an industry class/subclass (e.g., manufacturing, construction or retail). For example, an employer, structured by share of insurable earnings, as follows:

- 20% food, textile and related manufacturing;
- 20% printing, petroleum and chemical manufacturing;
- 25% metal, transportation and furniture manufacturing; and
- 35% specialty trade contractors

would be classified in "metal, transportation and furniture manufacturing". This is because the WSIB would first take into account the fact that 65% of the employer's insurable earnings are in manufacturing, and second, would determine the predominant class/subclass based on the largest share of insurable earnings within the manufacturing operations (in this case, 25% is in metal, transportation and furniture manufacturing).

Employers with Multiple Business Activities

The WSIB recognized that there are circumstances where an employer will engage in distinct and unrelated business activities. Therefore, the new rate framework will maintain an ability to allow employers, meeting certain conditions, to be appropriately allowed to distinguish between these activities and have multiple premium rates set for those activities.

Further to analysis undertaken by the WSIB and engagement with other jurisdictions on similar practices, the WSIB has determined that it will allow employers to have multiple premium rates by demonstrating that they meet the following identified requirements:

1. The employer must properly segregate payroll for the business activity. As is the case today, all employers must report their insurable earnings by business activity, regardless of whether they will have their premium rate calculated together for the whole of their operations or for each business activity separately.
2. The business activity must not form an "integrated operation" with the employer's other business activity or activities. An employer can have two or more business activities that together form an "integrated operation" and at the same time one or more other business activities that do not meet the "integrated operation" criteria.

3. The business activity must be significant enough (a sufficient share of payroll). With respect to determining if the business activity is of sufficient "size" to be assessed separately, an exact number (either as a percentage of total assessable payroll or a threshold amount of insurable earnings) would need to be identified in policy.

Similar principles will be used to determine when associated employers (where control is exercised between legal entities and would form an "integrated operation" if they were performed by a single employer) will be considered a single employer for employer classification and premium rate setting

Under the new rate framework, Temporary Employment Agencies (TEAs) will have multiple premium rates, corresponding with each industry class/subclass to which they supply labour, in addition to a premium rate for their own internal operations. TEAs are expected to pass along their premium costs to client employers as part of their fee. Each of the TEA's premium rates will be based on their own experience in that particular industry.

Important Business Rules

The concept of business activity remains central to the classification of employers in the new rate framework. To determine what is (and is not) considered a business activity for classification purposes, the WSIB would continue to consider operations that are "ancillary" to the business activity (i.e. in support of the business activity) as part of, and therefore not separately classified from, the employer's business activity.

Where an employer engages in both compulsorily covered and non-compulsorily covered business activities, the employer would be classified according to their predominant compulsorily covered business activity at the class/subclass level. An employer would not be required to have coverage for the non-compulsorily covered part of their operations, provided the employer can reasonably demonstrate that there is a true separation between the business activities.

If the employer elects to have coverage for the non-compulsorily covered business activity, and that business activity is their predominant business activity at the class/subclass level, then the employer would be classified according to that activity.

When an employer begins a new business activity or discontinues a business activity, and this change would result in a predominant class/subclass change, the WSIB would consider a potential change in classification, to reflect the immediate changes made by the employer. Where an employer does not begin or discontinue a business activity (e.g., only their insurable earnings have changed), the WSIB would consider this information for potential reclassification for the following premium year, subject to premium rate setting policy rules.

STEP 2
CLASS/SUBCLASS LEVEL PREMIUM RATE SETTING

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

Class/Subclass Projected Premium Rates

The Class/Subclass Projected Premium Rate is a premium rate based on the collective experience of all employers within a respective class/subclass, including their New Claims Costs, an allocation of the WSIB's Administrative Expenses, and apportionment of the Past Claims Costs for each class/subclass in Schedule 1.

Class/Subclass Projected Premium Rates were calculated using the following approach, which is identical to the current approach, though for the 34 industry classes/subclasses that have been established:

- **New Claims Cost (NCC)** – The expected future cost of your industry class/subclass' new claims for the year.
- **Administration Expenses** – The industry class/subclass' share of the WSIB's operating costs and the legislated funding that goes to the Ministry of Labour, Ontario's Health and Safety Associations, and other organizations that serve Ontario workers and employers, allocated based on its respective share of NCC and insurable earnings across the whole of Schedule 1.
- **Past Claims Cost (PCC)** – A charge required to eliminate the WSIB's unfunded liability, allocated to each industry class/subclass based on its respective share of NCC across the whole of Schedule 1.

IMPORTANT: The Class/Subclass Projected Premium Rate does not act like the current rate group premium rate. It acts as a representation of the premium rate required from a particular industry class/subclass and is a foundational component to Step 3 (Employer Level Premium Rate Adjustments) where individual employers will see their own annual premium rate better reflect their own risk and claims experience.

Unlike the current Rate Group premium rates, individual employers would not be limited to this premium rate pending any experience rating adjustments. With the exception of new employers, predictable individual employer experience would be utilized to prospectively set premium rates for individual employers.

For illustrative purposes, based on these assumptions, the chart on the next page outlines what 2016 premium rates would have been under the new rate framework.

Figure 4: 2016 Class/Subclass Projected Premium Rates

CLASS/SUBCLASS & DESCRIPTION		CLASS/SUBCLASS PROJECTED PREMIUM RATE ($)			
		NCC	Admin	PCC	Total
CLASS A	Agriculture	2.63	1.14	2.60	6.37
CLASS B	Mining, quarrying and oil and gas extraction	2.33	0.84	2.30	5.48
CLASS C	Utilities	0.41	0.32	0.41	1.13
CLASS D	Governmental and related services				
SUBCLASS 1	Educational services	0.17	0.14	0.17	0.47
SUBCLASS 2	Public administration	1.75	0.70	1.73	4.17
SUBCLASS 3	Hospitals	0.37	0.29	0.37	1.03
CLASS E	Manufacturing				
SUBCLASS 1	Food, textiles and related manufacturing	0.92	0.49	0.91	2.32
SUBCLASS 2	Non-metallic and mineral manufacturing	1.72	0.69	1.70	4.10
SUBCLASS 3	Printing, petroleum and chemical manufacturing	0.70	0.43	0.69	1.82
SUBCLASS 4	Metal transportation equipment and furniture manufacturing	1.50	0.63	1.48	3.61
SUBCLASS 5	Machinery, electrical equipment and miscellaneous manufacturing	0.96	0.50	0.95	2.41
SUBCLASS 6	Computer and electronic manufacturing	0.14	0.12	0.14	0.39
CLASS F	Transportation and warehousing				
SUBCLASS 1	Rail, water, truck transportation and postal service	3.63	1.17	3.58	8.38
SUBCLASS 2	Air, transit, ground passenger, recreational and pipeline transportation, courier services and warehousing	1.06	0.52	1.04	2.62
CLASS G	Construction				
SUBCLASS 1	Building construction	2.05	0.77	2.02	4.85
SUBCLASS 2	Infrastructure construction	2.22	0.82	2.19	5.23
SUBCLASS 3	Foundation, structure and building exterior construction	3.98	1.26	3.93	9.16
SUBCLASS 4	Building equipment construction	1.40	0.61	1.39	3.40
SUBCLASS 5	Specialty trades construction	2.17	0.80	2.14	5.12
CLASS H	Wholesale				
SUBCLASS 1	Petroleum, food, motor vehicle and miscellaneous wholesale	1.29	0.58	1.27	3.14
SUBCLASS 2	Personal and household goods, building materials and machinery wholesale	0.52	0.39	0.52	1.43
CLASS I	Retail				
SUBCLASS 1	Motor vehicles, building materials and food and beverage retail	0.85	0.47	0.84	2.16
SUBCLASS 2	Furniture, home furnishings, clothing and clothing accessories retail	0.50	0.38	0.49	1.36
SUBCLASS 3	Electronics, appliances, health and personal care retail	0.19	0.15	0.19	0.53
SUBCLASS 4	Specialized retail and department stores	0.50	0.38	0.49	1.36
CLASS J	Information and culture	0.23	0.19	0.23	0.65
CLASS K	Finance, management and leasing	0.51	0.39	0.50	1.40
CLASS L	Professional, scientific and technical	0.17	0.14	0.16	0.47
CLASS M	Administration, services to buildings, dwellings and open spaces	1.36	0.60	1.35	3.31
CLASS N	Non-hospital health care and social assistance				
SUBCLASS 1	Ambulatory health care	0.71	0.43	0.70	1.83
SUBCLASS 2	Nursing and residential care facilities	1.10	0.53	1.09	2.72
SUBCLASS 3	Social assistance	0.70	0.43	0.69	1.82
CLASS O	Leisure and hospitality	0.62	0.41	0.61	1.64
CLASS P	Other services	1.00	0.51	0.99	2.50
	SCHEDULE 1	**1.01**	**0.48**	**1.00**	**2.49**

Long Latency Occupational Diseases

The new rate framework is continuing with the current assignment of Long Latency Occupational Disease (LLOD) claims as a collective cost that is pooled at the class/subclass level. As these costs are excluded from being considered under the current three experience rating programs, likewise, they would continue to be excluded from being considered under the Risk Adjusted Premium Rate Setting process.

Second Injury and Enhancement Fund (SIEF)

The Second Injury and Enhancement Fund (SIEF) is a policy tool meant to ensure that employers do not bear the full cost of an occupational injury (in situations where one of their workers already suffers from some existing disability that prolonged or enhanced the injury),and therefore removing a potential obstacle to the employment of workers suffering from such impairments.

The WSIB recognizes the need for some form of cost relief. The WSIB will therefore be maintaining SIEF, as an interim measure, pending a full review and consideration of alternatives to the program and policy.

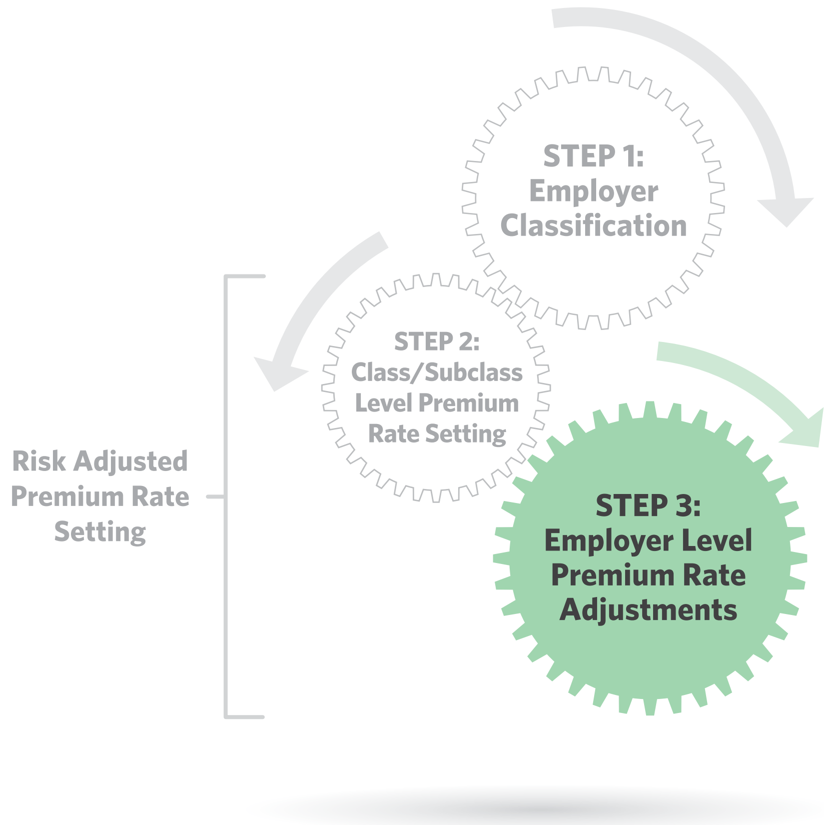
Self Sufficiency of Industry Classes/Subclasses

Under the new rate framework, each class/subclass stands on its own with no pooling of costs (such as new claim costs (NCC),bad debts and gains and losses, etc.) from other classes/subclasses or from Schedule 1.

Charging employers for their own class/subclass experience results in a fair premium rate that reflects the collective class/subclass experience, as opposed to charging employers premium rates that factor in the collective experience from other classes/subclasses.

The new rate framework places more emphasis on an employer's accountability for claim costs,and charging that employer a premium rate that represents their fair and reasonable share. As a result, employers in any given industry class/subclass would only want to pay a share of the collective costs that occurred (or that they contributed to) within that class/subclass, as opposed to paying a premium rate that includes collective costs from other classes/subclasses.

STEP 3
EMPLOYER LEVEL PREMIUM RATE ADJUSTMENTS



Objective: One prospective premium rate setting approach for all employers, acting as an early warning for employers with premium rate implications, supporting their efforts aimed at improving health and safety outcomes.

The new rate framework uses a methodology that sets employer centric premium rates that consider an employer's claims experience in setting a premium rate for the upcoming year, and gradually moves employers towards a premium rate that is more reflective of their own experience. Simply explained, the new rate framework sees individual employers more fairly assessed based on their own claims experience.

The new rate framework replaces the existing experience rating programs with a prospective, Employer Level Premium Rate Adjustment process, as part of a Risk Adjusted Premium Rate Setting process that applies to all Schedule 1 employers.

Setting Premium Rates

The following steps describe the process that would be used to determine Employer Level Premium Rates under the new rate framework by considering three variables:

- **Insurable earnings**, represented as the payroll reported to the WSIB;
- **Number of allowed claims**, including both Lost Time Injuries and No Lost Time Injuries; and
- **Actual claims costs**, defined as the actual benefits provided to the injured worker.

STEPS:

A) Determining an Employer's Actuarial Predictability

B) Determining an Employer's Weighted Claims Costs

C) Determining an Employer's Weighted Insurable Earnings

D) Determining an Employer's Risk Profile

E) Determining the Class/Subclass Risk Profile

F) Determining an Employer's Adjusted Risk Profile

G) Determining an Employer's Risk Profile Index

H) Determining an Employer's Projected Premium Rate

I) Determining an Employer's Actual Premium Rate

Step A: Determining an Employer's Actuarial Predictability

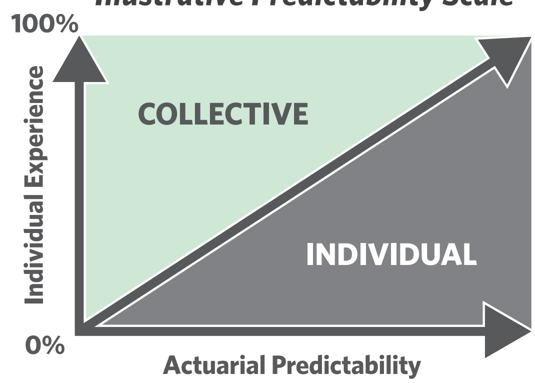
To undertake employer-level adjustments, an employer's actuarial predictability will determine the extent to which their premium rate should be affected by their own individual claims experience versus the collective experience of their respective class/subclass.

The new rate framework considers each employer's claims experience while also mitigating potential large swings in their Employer Level Premium Rate Adjustment. This is particularly important for small employers who have greater sensitivity to premium rate volatility. This approach would allow an employer to anticipate ahead of time what their future WSIB premium costs would be, and provide greater certainty for business planning purposes.

Through this assessment, the WSIB determined that when employers have high insurable earnings and total number of claims, more consideration can be placed on the employers' individual claims experience. Conversely, when employers have low insurable earnings and total number of claims, less consideration can be placed on the employer's individual claims experience.

This can be best illustrated by Figure 5, a version of which was presented by Douglas Stanley in his final report. For new employers, more weight will be placed on providing collective protections since they are reporting insurable earnings for the first time and the WSIB cannot adequately predict their accident history, and their fluctuating experience may create significant volatility. Once an employer has greater actuarial predictability (which means they have been registered for a minimum of 12 months in a calendar year at the time of premium rate setting, and have therefore submitted insurable earnings information and potentially, claims information), the WSIB is able to better predict their future insurable earnings and claims experience, and therefore, they can be held more accountable for the costs they place on the system.

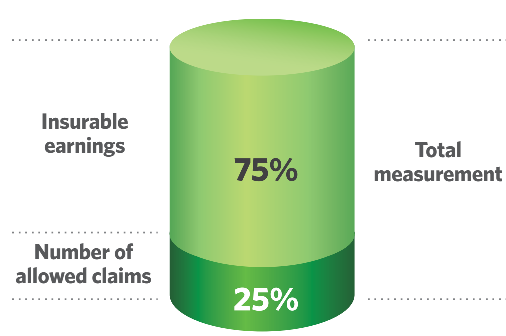
Figure 5: Illustrative Predictability Scale



This approach was based on the premise that utilizing both the insurable earnings and number of allowed claims provided the WSIB with a holistic assessment of the level of protection required for employers from a premium rate volatility perspective, while taking into consideration the impacts that this calculation would have on premium rate stability. Using both of these factors enables the WSIB to better predict the level of emphasis that could be placed on the employer's individual claims experience and to generate a premium rate that reflects this experience.

By taking an employer's actuarial predictability the WSIB is better positioned to attribute each employer to an actuarial predictability factor. The WSIB has also attributed a weight to these two components, 75% for insurable earnings predictability and 25% for claims predictability. The formulas listed below are utilized to determine each employer's actuarial predictability factor.

Figure 6: WSIB's Proposed Measurement of Employer Actuarial Predictability



$$\text{Actuarial predictability of insurable earnings (IE)} = \left(\sqrt{\frac{\text{6 years total IE}}{\text{12000 x Max IE}}}\right) \text{ and capped at 100\%}$$

$$\text{Actuarial predictability of total number of allowed claims} = \left(\sqrt{\frac{\text{6 years total number of allowed claims}}{\text{1200}}}\right) \text{ and capped at 100\%}$$

$$\text{Combination of predictability} = \text{75\% of actuarial predictability of IE} + \text{25\% of actuarial predictability of total number of allowed claims}$$

The result of using the above predictability formulas enables the WSIB to group employers into a predictability scale that measures the level of individual and collective experience to assign to an employer.

Figure 7: Predictability Scale

PREDICTABILITY SCALE (%)	<= 2.5	2.5-5.0	5.0-10	10-20	20-30	30-40	40-50	50-60	60-70	70-80	80-90	90 +
Individual Experience for Premium Rate Setting (%)	2.5	5.0	10.0	20.0	30.0	40.0	50.0	60.0	70.0	80.0	90.0	100.0
Collective Experience for Premium Rate Setting (%)	97.5	95.0	90.0	80.0	70.0	60.0	50.0	40.0	30.0	20.0	10.0	0.0

Protection for Small Employers

As the table above shows, premium rates for employers with low predictability are less able to reflect their claims experience and require more protection from premium rate fluctuations. These employers would pay a premium rate that is more reflective of the collective experience, with smaller, more reasonable adjustments for their own individual experience.

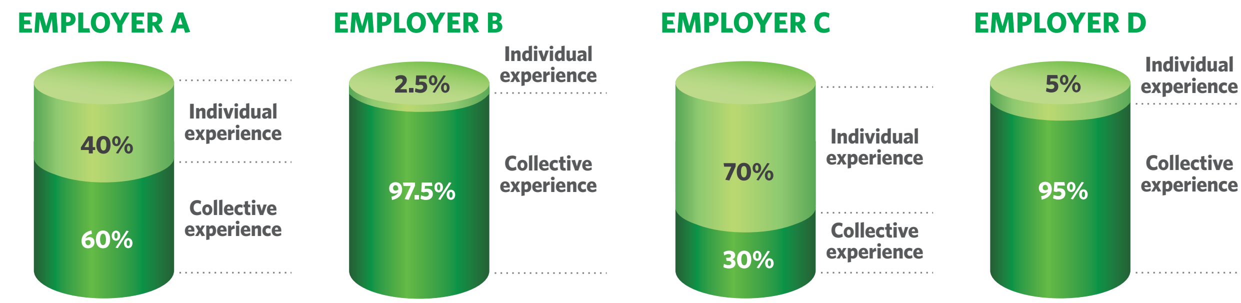
Alternatively, employers are deemed to have an actuarial predictability factor of 100% (and therefore are accountable for their full experience) if, over a six year period, they had approximately $1 billion in insurable earnings and approximately 1,200 allowed claims.

To ensure that employers with a low actuarial predictability factor are participating in the program and accepting some responsibility for their claims experience, a minimum factor of 2.5% was established, with the balance consisting of the collective experience of their class/subclass. This scale, combined with the graduated per claim limit, described further in this paper, provide small employers with an ability to influence their premium rates (something the current system does not offer), yet provides them with appropriate levels of insurance protection to manage their premium exposure. This guarantees that all employers participate, in some fashion, in Employer Level Premium Rate Adjustments.

In Step A, four employers are used to demonstrate what factors the WSIB considers when determining an employer's actuarial predictability.

- **Employer A** represents a medium sized employer that has an individual responsibility of 40% (0.4), and collective responsibility of 60% (0.6).
- **Employer B** represents a small employer that has an individual responsibility of 2.5% (0.025), and collective responsibility of 97.5% (0.975).

- **Employer C** represents a large employer that has an individual responsibility of 70% (0.7), and collective responsibility of 30% (0.3).
- **Employer D** represents a small employer that has an individual responsibility of 5% (0.05), and collective responsibility of 95% (0.95).



	Employer A	Employer B	Employer C	Employer D
# claims	145	0	736	0
IE/6yrs	$120.809M	$0.647M	$442.323M	$1.491M

Step B: Determining an Employer's Weighted Claims Cost

The WSIB would review all of the claims costs that occurred over a rolling six year period. This means that for the 2016 premium year, for example, the WSIB would use 2009 to 2014 injury years.

Then, the WSIB would summarize all the associated costs that have been paid for those registered claims, taking into consideration the claim limits assigned at the employer level (as outlined below, under graduated per claim limit).

The Weighted Premium Rate Setting Window is a six-year time frame for establishing premium rates based on an individual employer's or class/subclass' performance. Initially, the WSIB proposed a six year window with no weighting. Stakeholders commented that more recent years are more indicative of the current workplace and greater emphasis should be placed on the experience in those years compared to prior years. Based on this stakeholder feedback, the most recent three years are valued at two thirds (66.6%), and the remaining three years at one third (33.3%).

The following examples are intended to guide the reader through the Employer Level Premium Rate Adjustment process. In this step, the WSIB would determine Employer A,B,C and D's weighted claim costs (CC) over a six year period.

Weighted Claims Cost	Weighted Claims Cost	Weighted Claims Cost	Weighted Claims Cost
EMPLOYER A	**EMPLOYER B**	**EMPLOYER C**	**EMPLOYER D**
$0.025M	**$0M**	**$0.378M**	**$0M**

Six year window including claim cost from Jan 1, 2009 to Dec 31, 2014						
	Incurred claim costs paid by year					
Injury year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
2009						
2010						
2011						
2012						
2013						
2014						
	Total claim costs	Total claim costs	Total claim costs	Total claim costs	Total claim costs	Total claim costs

1/3

2/3

Step C: Determining an Employer's Weighted Insurable Earnings (IE)

The WSIB would then obtain the insurable earnings for the same six year period (up to each year's annual maximum earnings) for each employer, as they were recorded for the reporting and payment of premiums.

The following illustrative example shows each employer's insurable earnings.

Weighted Insurable Earnings	Weighted Insurable Earnings	Weighted Insurable Earnings	Weighted Insurable Earnings
EMPLOYER A	**EMPLOYER B**	**EMPLOYER C**	**EMPLOYER D**
$20.669M	**$0.113M**	**$74.443M**	**$0.310M**

Each employer's risk profile is determined based on the weighted claim costs that the employer paid into the system versus the weighted insurable earnings that were reported for that same time period.

Graduated Per Claim Limit

The WSIB will apply the per claim limit at the employer level. In order to assign responsibility/accountability to employers for their claims costs, the use of a per claim limit ensures that premium rate adjustments do not overcharge employers for having a single high cost accident. It also helps to minimize premium rate fluctuations and provides premium rate stability for employers, especially in those circumstances when a catastrophic claim occurs.

The new rate framework will implement a graduated per claim limit that changes based on an employer's predictability. A graduated per claim limit offers more protection for small employers who may have that one large claim, as opposed to large employers, who may be better positioned to absorb a claim that carries the same cost or a higher cost.

Figure 8 outlines the graduated per claim limit approach. The graduated approach uses predictability scales as the basis for comparison purposes.

Figure 8: Graduated Per Claim Limit Approach

PREDICTABILITY SCALE	2.5%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Current RG method	2.5 times the maximum insurable earnings ($88,000) or $220,000											
Graduated Per Claim Limit Approach	0.25 times maximum IE ($88,000) or $22,000	0.5 times maximum IE ($88,000) or $44,000	1.0 times maximum IE ($88,000) or $88,000		2.0 times maximum IE ($88,000) or $176,000		4.0 times maximum IE ($88,000) or $352,000		5.0 times maximum IE ($88,000) or $440,000		7.0 times maximum IE ($88,000) or $616,000	

Under the graduated approach, small employers would have a lower per claim limit and be less individually accountable for the claim costs that they incur (with the remainder of the costs being pooled at the class/subclass level). Larger employers, on the other hand, would have more individual accountability and less of their claim costs would be pooled at the class/subclass level.

Fatal Claims

The WSIB's current Fatal Claims Policy would be inoperable in the new rate framework, as a result of replacing the current experience rating programs and the associated rebates. The current policy is specifically tied to NEER and CAD 7 rebates.

A number of other workers' compensation boards in Canada use a fixed proxy cost in place of the actual cost of the fatal claim, for example, the average cost of a fatality across all industries or the per claim limit for a given employer. For these jurisdictions, the per claim limit applies to fatality claims.

The fixed proxy approaches to fatal claims in other jurisdictions are seen as attempts to normalize the cost of a fatality across employers, irrespective of the circumstances of the particular worker and to avoid absurd and variable premium rate implications, which some have suggested is a significant concern with the WSIB's current approach.

The new rate framework incorporates a rolling six year average cost of fatalities across Schedule 1, in place of the actual cost of a fatal claim. For example, for the 2009-2014 period, the average cost of a fatality was approximately $367,000. If a fatality occurred in the period, then based on the credibility scale below, the following claim costs would be assigned to an employer.

Like the Graduated Per Claim Limit, the new rate framework incorporates an average cost of a fatality that changes based on an employer's predictability. A graduated average cost of a fatality offers more protection for small employers.

Figure 9: Average Cost of Fatality Approach

CREDIBILITY SCALE	2.5%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Per Claim Limit based on 2016 Maximum Insurable Earnings of $88,000	0.25 X Max IE	0.5 X Max IE	1.0 X Max IE		2.0 X Max IE		4.0 X Max IE		5.0 X Max IE		7.0 X Max IE	
Application of Max IE to Average Cost of Fatality	$22,000	$44,000	$88,000		$176,000		$352,000		$367,000		$367,000	

Step D: Determining an Employer's Risk Profile

Using Steps B & C, the WSIB would then determine an employer's risk profile using the following formula:

Formula 1: Determining an Employer's Risk Profile

$$\frac{\text{Step B}}{\text{Step C}} \times 100 = \text{Employer's Risk Profile}$$

EMPLOYER A

$$\frac{\text{CC} \quad \$0.025\text{M}}{\text{IE} \quad \$20.669\text{M}} \times 100 = 0.122$$

EMPLOYER B

$$\frac{\text{CC} \quad \$0\text{M}}{\text{IE} \quad \$0.113\text{M}} \times 100 = 0$$

EMPLOYER C

$$\frac{\text{CC} \quad \$0.378\text{M}}{\text{IE} \quad \$74.443\text{M}} \times 100 = 0.508$$

EMPLOYER D

$$\frac{\text{CC} \quad \$0\text{M}}{\text{IE} \quad \$0.310\text{M}} \times 100 = 0$$

Step E: Determining the Class/Subclass Risk Profile

Formula 2: Determining the Class/Subclass Risk Profile

$$\frac{\textbf{Total Class/Subclass Claims Cost}}{\textbf{Total Class/Subclass Insurable Earnings}} \times 100 = \textbf{Class/Subclass Risk Profile}$$

In order to compare how the employer's risk profile compares to the class/subclass risk profile, the WSIB needs to obtain the total claims costs and insurable earnings for the class/subclass of that employer. The following illustrative example depicts the calculation of the class/subclass risk profile.

The class/subclass risk profile is also weighted, in that it adds together all employers' weighted claims costs and weighted insurable earnings for each class/subclass to perform the calculation above.

Class/Subclass Risk Profile

EMPLOYER A

$$\frac{\$0.0062B}{\$3.3563B} \times 100 = 0.1847$$

Class/Subclass Risk Profile

EMPLOYER B

$$\frac{\$0.0109B}{\$4.1053B} \times 100 = 0.2655$$

Class/Subclass Risk Profile

EMPLOYER C

$$\frac{\$0.0150B}{\$2.6550B} \times 100 = 0.5646$$

Class/Subclass Risk Profile

EMPLOYER D

$$\frac{\$0.0026B}{\$9.1313B} \times 100 = 0.0289$$

Step F: Determining an Employer’s Adjusted Risk Profile

In order to calculate the employer’s adjusted risk profile, the WSIB multiplies the employer’s actuarial predictability factor (from Step A where the WSIB discussed individual and collective experience) against their risk profile (Step D) and calculates their adjusted risk profiles as seen below.

Formula 3: Determining an Employer’s Adjusted Risk Profile

(Step A x Step D) + [(1.0 – Step A) x Step E] = Employer Adjusted Risk Profile

EMPLOYER A	EMPLOYER B
(0.40 x 0.122) + [(1.0 - 0.4) x 0.1847] = 0.1596	(0.025 x 0.0) + [(1.0 - 0.025) x 0.2655] = 0.2589
EMPLOYER C	**EMPLOYER D**
(0.70 x 0.5083) + [(1.0 - 0.7) x 0.5646] = 0.5252	(0.05 x 0.0) + [(1.0 - 0.05) x 0.0289 = 0.0275

By using an employer’s adjusted risk profile, the WSIB is better able to generate a premium rate that reflects the employer’s own past experience, while not subjecting the employer to unpredictable and volatile premium rate fluctuations. Thus, in Step F, an employer’s risk profile is adjusted by the employer’s own experience using the predictability scale and the class/subclass risk profile.

Step G: Determining an Employer's Risk Profile Index

In this step, the WSIB would assess the employer's results against the class/subclass risk profile (Step E) to determine how this employer performed versus the average of all the other employers in the same class/subclass. This calculation gives the WSIB the employer's risk profile index.

Formula 4: Determining an Employer's Risk Profile Index

$$\frac{\text{Step F}}{\text{Step E}} \times 100 = \text{Employer's Risk Profile Index}$$

EMPLOYER A

$$\frac{0.1596}{0.1847} \times 100 = 86.4\%$$

EMPLOYER B

$$\frac{0.2589}{0.2655} \times 100 = 97.5\%$$

EMPLOYER C

$$\frac{0.5252}{0.5646} \times 100 = 93.0\%$$

EMPLOYER D

$$\frac{0.0275}{0.0289} \times 100 = 95.0\%$$

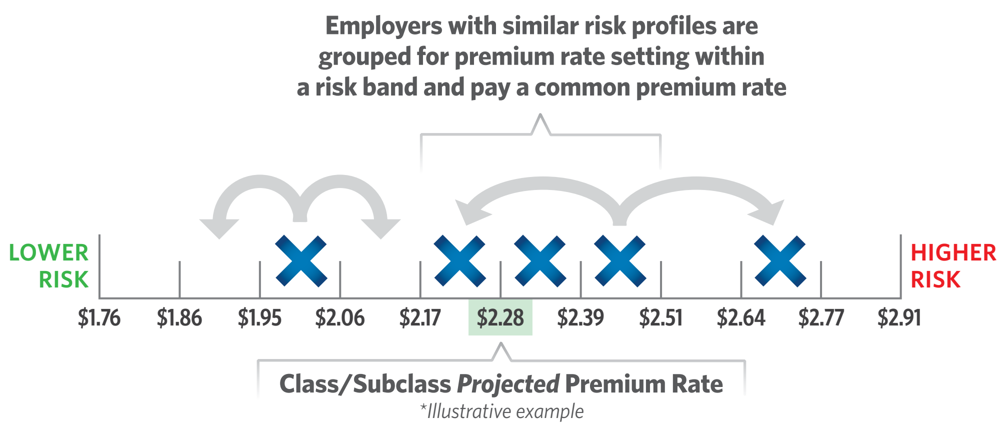
Risk Banding

Under the new rate framework, each employer's premium rate will be adjusted higher or lower than the Class/Subclass Projected Premium Rate based on the risk that the employer brings to the system (after taking into consideration each employer's historical experience or actuarial predictability). This adjustment will result in an Employer Projected Premium Rate for the upcoming calendar year.

Risk bands are hierarchical series of divisions within each class. Each division represents a different level of risk where employers will be placed relative to the risk band corresponding to the Class/Subclass Projected Premium Rate. Employers with similar risk profiles would be grouped for premium rate setting purposes within a risk band and pay a common premium rate. In each class/subclass, risk bands are subject to limitations such as the premium rate of the minimum risk band ($0.20) and the maximum risk band, which will not exceed about three times the risk band corresponding to the Class/Subclass Projected Premium Rate. Each risk band represents approximately 5% increments in premium rate.

Despite an employer's occupational health and safety efforts, each employer still represents some degree of risk to the system. In addition, each employer represents real costs to the system (e.g., the WSIB must bill and collect premiums from each employer and incurs additional overhead costs over and above the UFL recovery charge). For these reasons, the WSIB has a minimum premium rate, to ensure that all employers contribute some reasonable amount towards the costs of risk and administrative costs. In order to ensure all employers pay their fair share of the costs of the system, the premium rate for the minimum risk band in each class/subclass is set at $0.20. A description of the maximum premium rate of each class/subclass and how this maximum is set is described in the section of this paper entitled, Employer Costs above the Premium Rate Thresholds. Figure 10 illustrates how a risk band chart could appear under the new rate framework.

Figure 10: Illustrative Risk Banding Scale



In order to determine Employer Level Premium Rate Adjustments, and where an employer would be placed relative to the Class/Subclass Projected Premium Rate, the WSIB will first determine the employer's individual actuarial predictability as described in Step A. The WSIB will then use the steps outlined in the rest of this section to determine the Employer Level Premium Rate Adjustments for the upcoming year, and what risk band they would be in.

Step H: Determining an Employer's Projected Premium Rate

In order to calculate the Employer Projected Premium Rate that each employer should be paying, the WSIB would need to determine the employer's projected risk band relative to the risk band corresponding to the Class/Subclass Projected Premium Rate, as well as the collective cost component of the class/subclass.

Using six years of insurable earnings and claims experience (2009-2014), the WSIB generated 2016 employer premium rates so that employers would be able to relate to the premium rates that were created at the class/subclass level.

To show employers how their Employer Projected Premium Rate would compare to their Class/Subclass Projected Premium Rate, the Figure 11 below outlines at the class/subclass level, the minimum and maximum range of the risk bands, as well as the range of actual lowest and highest Employer Projected Premium Rates.

Figure 11: 2016 Class/Subclass Projected and Employer Projected Premium Rates

CLASS/SUBCLASS & DESCRIPTION		CLASS/SUBCLASS PROJECTED PREMIUM RATE ($)	EMPLOYER PROJECTED PREMIUM RATE				
			RISK BAND RANGE ($)			ACTUAL RISK BAND PREMIUM RATES ($)	
			Min. Band	Highest Band	# of Risk Bands	Lowest	Highest
CLASS A	Agriculture	6.37	0.31	19.82	83	4.74	17.98
CLASS B	Mining, quarrying and oil and gas extraction	5.48	0.27	16.79	83	3.63	16.79
CLASS C	Utilities	1.13	0.20	3.51	58	0.68	3.51
CLASS D	Governmental and related services						
SUBCLASS 1	Educational services	0.47	0.20	1.55	42	0.20	1.55
SUBCLASS 2	Public administration	4.17	0.20	12.90	83	2.52	12.29
SUBCLASS 3	Hospitals	1.03	0.20	3.21	56	0.28	3.21
CLASS E	Manufacturing						
SUBCLASS 1	Food, textiles and related manufacturing	2.32	0.21	7.39	72	1.06	7.39
SUBCLASS 2	Non-metallic and mineral manufacturing	4.10	0.21	13.32	83	1.14	12.08
SUBCLASS 3	Printing, petroleum and chemical manufacturing	1.82	0.20	6.32	69	0.70	6.32
SUBCLASS 4	Metal transportation equipment and furniture manufacturing	3.61	0.20	11.38	81	0.93	11.38
SUBCLASS 5	Machinery, electrical equipment and miscellaneous manufacturing	2.41	0.20	7.79	74	1.01	7.79
SUBCLASS 6	Computer and electronic manufacturing	0.39	0.20	1.41	40	0.20	1.41
CLASS F	Transportation and warehousing						
SUBCLASS 1	Rail, water, truck transportation and postal service	8.38	0.41	25.99	83	5.61	25.99
SUBCLASS 2	Air, transit, ground passenger, recreational and pipeline transportation, courier services and warehousing	2.62	0.20	9.32	77	0.39	9.32
CLASS G	Construction						
SUBCLASS 1	Building construction	4.85	0.24	15.19	83	2.41	15.19
SUBCLASS 2	Infrastructure construction	5.23	0.26	16.73	83	3.26	16.73
SUBCLASS 3	Foundation, structure and building exterior construction	9.16	0.44	28.02	83	6.37	20.91
SUBCLASS 4	Building equipment construction	3.40	0.20	10.55	79	2.06	10.55
SUBCLASS 5	Specialty trades construction	5.12	0.25	16.03	83	3.29	13.19
CLASS H	Wholesale						
SUBCLASS 1	Petroleum, food, motor vehicle and miscellaneous wholesale	3.14	0.20	9.47	77	1.94	9.47
SUBCLASS 2	Personal and household goods, building materials and machinery wholesale	1.43	0.20	6.27	70	0.61	6.27
CLASS I	Retail						
SUBCLASS 1	Motor vehicles, building materials and food and beverage retail	2.16	0.20	6.57	70	0.44	6.57
SUBCLASS 2	Furniture, home furnishings, clothing and clothing accessories retail	1.36	0.20	4.27	62	0.92	4.27
SUBCLASS 3	Electronics, appliances, health and personal care retail	0.53	0.20	1.74	44	0.20	1.74
SUBCLASS 4	Specialized retail and department stores	1.36	0.20	3.98	60	0.63	3.98
CLASS J	Information and culture	0.65	0.20	2.27	49	0.29	2.27
CLASS K	Finance, management and leasing	1.40	0.20	4.51	63	0.75	4.51
CLASS L	Professional, scientific and technical	0.47	0.20	4.95	66	0.20	4.95
CLASS M	Administration, services to buildings, dwellings and open spaces	3.31	0.20	10.46	79	1.66	10.46
CLASS N	Non-hospital health care and social assistance						
SUBCLASS 1	Ambulatory health care	1.83	0.20	5.48	67	0.67	5.48
SUBCLASS 2	Nursing and residential care facilities	2.72	0.20	8.71	76	1.61	7.52
SUBCLASS 3	Social assistance	1.82	0.20	5.44	67	1.06	5.44
CLASS O	Leisure and hospitality	1.64	0.20	5.01	65	0.88	5.01
CLASS P	Other services	2.50	0.20	8.08	74	0.59	8.08
	SCHEDULE 1	**2.49**	**2.49**		**2,384**	**2.49**	

At a more detailed level, the following illustrative examples show how the WSIB would determine an Employer's Projected Premium Rate.

EMPLOYER A

86.4%

Class/Subclass Projected Premium Rate

85.7 - 90.3	90.3 - 95	95 - 98	98 - 102	102 - 105
$1.57	$1.65	$1.74	$1.83	$1.92

From Step G we have determined that Employer A's risk profile index is 86.4%. This would place them within the 85.7%–90.3% Risk Profile Index Range, which would give them an Employer Projected Premium Rate of $1.57.

EMPLOYER B

97.5%

Class/Subclass Projected Premium Rate

90.3 - 95	95 - 98	98 - 102	102 - 105	105 - 110.3
$2.36	$2.49	$2.62	$2.75	$2.89

From Step G we have determined that Employer B's risk profile index is 97.5%. This would place them within the 95%–98% Risk Profile Index Range, which would give them an Employer Projected Premium Rate of $2.49.

EMPLOYER C

93.0%

Class/Subclass Projected Premium Rate

85.7 - 90.3	90.3 - 95	95 - 98	98 - 102	102 - 105
$7.18	$7.56	$7.96	$8.38	$8.80

From Step G we have determined that Employer C's risk profile index is 93%. This would place them within the 90.3%–95% Risk Profile Index Range, which would give them an Employer Projected Premium Rate of $7.56.

EMPLOYER D

95%

Class/Subclass Projected Premium Rate

90.3 - 95	95 - 98	98 - 102	102 - 105	105 - 110.3
$0.42	$0.45	$0.47	$0.49	$0.52

From Step G we have determined that Employer D's risk profile index is 95%. This would place them within the 90.3%–95% Risk Profile Index Range, which would give them an Employer Projected Premium Rate of $0.42.

Step I: Determining an Employer's Actual Premium Rate

There may be a difference (varying from a very small to a large variance) between what an employer should be paying as their Employer Projected Premium Rate and what the employer is paying under the current system. Some employers (especially those who are seeing their premium rates increase) would not want to experience drastic changes in their premium rates from one year to the next to reach their Employer Projected Premium Rate.

To determine what would be the "right balance" of employer movement from current premium rates to future premium rates under the new rate framework, the WSIB evaluated a number of scenarios, including moving employers up or down:

- when employers had a premium rate change ranging from 5 to 20% relative to the performance of their class/subclass;
- when employers had a premium rate change greater than 10 to 20%; and
- by limiting the total (class/subclass and employer level) premium rate change from 10 to 20%.

The results of the above analysis showed that when the premium rate changes were small, it would take a longer time (either up or down) for employers to reach their Employer Projected Premium Rates and there would be too much premium rate stability. Logically, the opposite would also be an issue when the premium rate changes were larger, employers would reach their Employer Projected Premium Rate quite quickly and there would be too much premium rate responsiveness. The WSIB concluded that in order to ensure premium rate stability for employers that the trend in risk performance is sustained (and not too responsive to the increases/decreases in premium rates), every year an employer could move either up or down to a maximum of three risk bands, relative to the performance of their class/subclass, in order to reach their Employer Projected Premium Rate.

Determining a Starting Point for Any Transition – Employers' Net Premium Rate

Notwithstanding the proposed risk band movement limitations, the WSIB also recognizes that the premium rate that employers are paying under the current classification scheme would be different from the premium rate that they will be paying under the new rate framework.

In order to move employers from the current to the new process, a starting point or an employer's Net Premium Rate in terms of their Employer Actual Premium Rate needs to be established. The Net Premium Rate will compare an employer's experience under the current scheme—what best represents what employers are paying today—to the new rate framework.

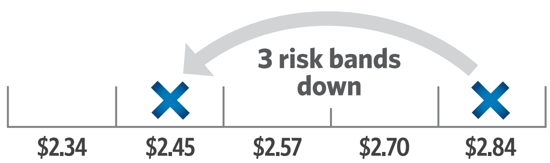
After considering a number of methods, the WSIB determined that the following approach provides a reasonable reflection of an employer's premium rate experience and helps address any potential anomalies that may have occurred in the prior year:

- For employers who are currently participating in WSIB experience rating programs: generally using the employer's average "net" premium rate (after considering experience rating refunds and surcharges) over the last three years; and
- For employers who are not experience rated (who are not eligible to participate in an experience rating program) using the premium rate of the RG from the prior year.

Employer Level Premium Adjustments

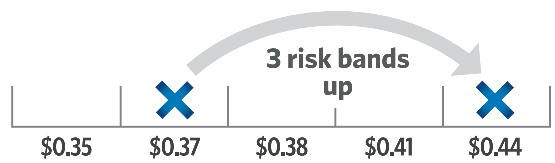
This step gradually moves an employer from their Net Premium Rate towards their Employer Projected Premium Rate in a manner that would enable them to better predict their WSIB premiums from one year to the next. Using the three risk band limitation (up and down), the WSIB would gradually move employers towards their Employer Projected Premium Rate.

EMPLOYER A



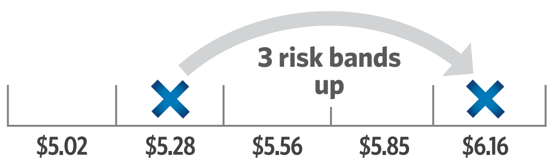
In Step H, we determined Employer A's Projected Premium Rate to be $1.57. In this step, Employer A will be moving from their Net Premium Rate of $2.84 towards their Employer Projected Premium Rate.

EMPLOYER B



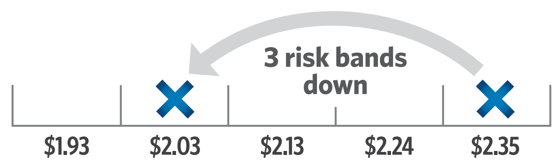
In Step H, we determined Employer B's Projected Premium Rate to be $2.49. In this step, Employer B will be moving from their Net Premium Rate of $0.37 towards their Employer Projected Premium Rate.

EMPLOYER C



In Step H, we determined Employer C's Projected Premium Rate to be $7.56. In this step, Employer C will be moving from their Net Premium Rate of $5.28 towards their Employer Projected Premium Rate.

EMPLOYER D



In Step H, we determined Employer D's Projected Premium Rate to be $0.42. In this step, Employer D will be moving from their Net Premium Rate of $2.35 towards their Employer Projected Premium Rate.

All of the Employer Level Premium Rate Adjustments (adjusting an employer risk profile, risk band limitations, minimum premium rate of $0.20,and the starting point for transition purposes) would result in collective costs that would need to be shared by all employers at the class/subclass level. This can result in a Class/Subclass Actual Premium Rate that may be quite different from the Class/Subclass Projected Premium Rate which was suggested under Step 2, Class/Subclass Level Premium Rate Setting.

If an employer's claims cost and insurable earnings experience (relative to the Class/Subclass Projected Premium Rate) results in an Employer Projected or Actual Premium Rate that is lower than the minimum premium rate amount ($0.20),any difference between these two premium rates would be treated as a gain. This difference would be included as a collective amount that would be shared by all employers in that class/subclass.

Below is a summary of the Class/Subclass Projected Premium Rates that incorporates all of the limitations being proposed under Step 3,Employer Level Premium Rate Adjustments. The Risk Band Range represents the span of possible risk bands in each Industry Class/Subclass. The Actual Risk Bands represents the risk bands corresponding to the experience of the employers, as part of the new rate framework, in each Industry Class/Subclass.

Figure 12: 2016 Comparison of Class/Subclass Projected and Employer Actual Premium Rates

CLASS/SUBCLASS & DESCRIPTION		CLASS/ SUBCLASS PROJECTED PREMIUM RATE ($)	EMPLOYER PROJECTED PREMIUM RATE				
			RISK BAND RANGE ($)			ACTUAL RISK BAND PREMIUM RATES ($)	
			Min. Band	Highest Band	# of Risk Bands	Lowest	Highest
CLASS A	Agriculture	6.37	0.20	26.97	98	2.84	22.19
CLASS B	Mining, quarrying and oil and gas extraction	5.48	0.20	16.17	88	2.70	11.49
CLASS C	Utilities	1.13	0.20	4.29	62	0.84	2.77
CLASS D	Governmental and related services						
SUBCLASS 1	Educational services	0.47	0.20	3.09	56	0.26	3.09
SUBCLASS 2	Public administration	4.17	0.21	21.70	93	2.81	10.96
SUBCLASS 3	Hospitals	1.03	0.21	2.93	54	0.40	2.30
CLASS E	Manufacturing						
SUBCLASS 1	Food, textiles and related manufacturing	2.32	0.20	6.34	70	0.38	5.48
SUBCLASS 2	Non-metallic and mineral manufacturing	4.10	0.20	13.62	84	1.51	11.21
SUBCLASS 3	Printing, petroleum and chemical manufacturing	1.82	0.20	6.99	71	0.54	5.75
SUBCLASS 4	Metal transportation equipment and furniture manufacturing	3.61	0.20	12.19	82	0.48	11.61
SUBCLASS 5	Machinery, electrical equipment and miscellaneous manufacturing	2.41	0.20	8.27	75	0.47	6.17
SUBCLASS 6	Computer and electronic manufacturing	0.39	0.20	2.77	0.54	0.20	2.77
CLASS F	Transportation and warehousing						
SUBCLASS 1	Rail, water, truck transportation and postal service	8.38	0.20	29.77	100	3.30	13.64
SUBCLASS 2	Air, transit, ground passenger, recreational and pipeline transportation, courier services and warehousing	2.62	0.20	10.49	80	0.23	10.49
CLASS G	Construction						
SUBCLASS 1	Building construction	4.85	0.20	12.68	83	0.20	12.08
SUBCLASS 2	Infrastructure construction	5.23	0.20	16.10	88	0.24	12.01
SUBCLASS 3	Foundation, structure and building exterior construction	9.16	0.20	24.93	96	0.20	18.60
SUBCLASS 4	Building equipment construction	3.40	0.20	10.29	79	0.22	10.29
SUBCLASS 5	Specialty trades construction	5.12	0.20	15.54	87	0.20	15.54
CLASS H	Wholesale						
SUBCLASS 1	Petroleum, food, motor vehicle and miscellaneous wholesale	3.14	0.20	11.34	81	0.50	10.28
SUBCLASS 2	Personal and household goods, building materials and machinery wholesale	1.43	0.20	10.45	80	0.37	10.45
CLASS I	Retail						
SUBCLASS 1	Motor vehicles, building materials and food and beverage retail	2.16	0.20	7.17	72	0.76	7.17
SUBCLASS 2	Furniture, home furnishings, clothing and clothing accessories retail	1.36	0.20	6.42	70	0.94	6.42
SUBCLASS 3	Electronics, appliances, health and personal care retail	0.53	0.20	2.37	51	0.23	2.37
SUBCLASS 4	Specialized retail and department stores	1.36	0.20	10.00	79	0.73	10.00
CLASS J	Information and culture	0.65	0.20	2.62	52	0.28	2.62
CLASS K	Finance, management and leasing	1.40	0.20	6.50	70	0.20	6.50
CLASS L	Professional, scientific and technical	0.47	0.20	5.77	69	0.20	5.77
CLASS M	Administration, services to buildings, dwellings and open spaces	3.31	0.20	18.72	91	0.26	18.72
CLASS N	Non-hospital health care and social assistance						
SUBCLASS 1	Ambulatory health care	1.83	0.20	6.76	71	0.59	6.76
SUBCLASS 2	Nursing and residential care facilities	2.72	0.20	7.89	74	1.70	4.84
SUBCLASS 3	Social assistance	1.82	0.20	7.88	74	0.97	7.88
CLASS O	Leisure and hospitality	1.64	0.20	7.63	74	0.36	7.63
CLASS P	Other services	2.50	0.20	9.72	78	0.35	9.72
	SCHEDULE 1	**2.49**	**2.49**		**2,586**	**2.49**	

Employer Costs Above the Premium Rate Thresholds

To ensure the Employers Projected and Actual Premium Rate does not increase beyond a specific limit that would be unreasonable for an employer to pay, the WSIB would set a maximum premium rate that would not exceed about three times the Class/Subclass Projected Premium Rate. Below this ceiling, employers would be accountable/responsible for sustained poor claims experience, by paying up to about three times the Class/Subclass Projected Premium Rate, subject to the three risk band movement limitation relative to their class/subclass, noted above.

Some employers might find themselves above the ceiling on a sustained basis,(something that would represent a small number of employers (800 to 1,000 organizations). Those costs could be shared amongst the class/subclass as a further element of collective responsibility. In addition, a surcharge could be imposed on those specific employers that seem dramatically and sustainably out of step with their peers within their class/subclass, which attributes greater employer responsibility for those claims costs, rather than have the industry as a whole bear that responsibility. Details on Mechanism for Greater Employer Accountability can be found on p. 38.

Maximum risk band for small employers

The WSIB further analyzed the distribution of employers by risk band and by actuarial predictability scale and concluded that applying the same maximum premium rate of about three times the class/subclass average premium rate to all employers regardless of their actuarial predictability created too much volatility for very small employers.

The WSIB developed a premium rate approach that would further limit increases for certain employers:

- Employers with 2.5% actuarial predictability (average annual payroll of approximately $40,000) to not exceed 6 risk bands from the Class/Subclass Average Premium Rate, or approximately 30%.
- Employers with 5% actuarial predictability (average annual payroll of approximately $295,000) would not exceed 9 risk bands from the Class/Subclass Average Premium Rate, or approximately 45%.

Based on 2016 new rate framework model information, this would impact 3,532 employers (2,099 for 2.5% predictable employers; 1,433 for 5% predictable employers).

Mechanism for Greater Employer Accountability

As part of the new rate framework, the WSIB would cap Employer Level Premium Rate Adjustments up to about three times the Class/Subclass Projected Premium Rate. This measure would limit an employer's risk band movement each year and protect the employer from unexpected catastrophic claim costs in a specific year.

However, there may be employers that have high and disproportionate claim costs relative to their class/subclass, year over year. Additionally, the gap between what they are actually paying in premium rates and what they should be charged may be significantly different. As such, it may make sense to assign these employers some additional accountability for their consistently poor behavior.

The WSIB undertook a review to develop a specific approach for these employers. The intent is to identify a set of employers that may benefit from engagement with the WSIB and system partners with respect to health and safety and return to work.

Depending on those outcomes, some employers may warrant greater accountability for costs they bring to the system. However, greater premium costs would not be issued automatically without some opportunity – over the course of some time – to take steps to address discrepancies in their performance.

The WSIB modeled a set of criteria to identify a set of employers that would benefit from supports and services to address poor claims cost performance, which includes:

- Employers who 'ought' to be paying a premium rate (i.e. 'projected employer premium rate') that is greater than the Maximum Risk Band identified for their industry; or
- Employers who have a difference between their projected risk band and their actual risk band that is greater than 20 risk bands (approximately 100%).

In addition, the list of employers was further refined to respond to sustained and material performance based on the following criteria:

- The employer must have more than two claims and each claim's total costs for the review period must be greater than $500 (to ensure that employers with limited experience are not captured).
- No single claim can be greater than 90% of the total weighted claim cost (after the per claim limit) (to address the concern that a single, large claim could be the driver for their poor experience).
- For employers whose actuarial predictability is 2.5%, their actual predictability must be above the average predictability of all 2.5% employers in the model year (to ensure that very small employers that are less predictable are removed).

When comparing the Class/Subclass Projected Premium Rate to the employer's starting point, the change must be less than 100% (to adjust for employers whose starting point is too low because of a classification change from current structure to the new rate framework).

A gradual approach to greater accountability will provide an opportunity for employers to take steps to address some of the drivers of their claims costs experience. This gradual approach would be structured as follows:

Year 1 – Awareness: The employer would be informed of their position to ensure they understood the extent that their experience is out of step with their industry, or their current premium rate.

Year 1-2 – WSIB H&S services engagement: If the employer does not make improvements or demonstrates worse performance than year 1, the employer would be offered support from the WSIB and system partners.

Year 3 – Risk band increases: If the employer continues to not make improvements or demonstrates worse performance than in prior years, or based on the consideration of other OHS factors (e.g., potential leading indicators, or compliance outcomes under the *Occupational Health and Safety Act* or the *Workplace Safety and Insurance Act, 1997*) they would see progressive increases in their risk band and premium rates.

Compass Tool

The WSIB is committed to the development of Compass and recognizes that this initiative is an important companion to the new rate framework as it enhances the customer experience with the WSIB and responds to stakeholders needs for actionable information to promote active participation in occupational health and safety.

Compass will provide employers with the information to make informed decisions on health and safety and claims management and together with the new rate framework will act as an early warning to employers by providing projected premium rates allowing employers to:

- understand the nature of their injuries in greater detail
- identify the future projected path of risk and premiums
- benchmark their performance against industry peers
- take proactive OHS actions (e.g. prevention and RTW)
- target specific workplace risks and hazards

This new offering addresses the new rate framework's Key Goal of 'Transparent and Understandable' in that employers and workplaces would have actionable information to promote health and safety.

CONCLUSION

The new rate framework aims to address some of the fundamental issues raised by stakeholders, partners and the WSIB itself, with the current framework and its associated business processes. The WSIB has done extensive technical analysis and modeling of design features to ensure the new rate framework is aligned with the new rate framework's Key Goals.

The WSIB's objectives are to consider reforms that ensure that everyone pays their fair share for workplace coverage, to ensure that there is a reasonable balance between premium rate stability and responsiveness, and to make it easier for stakeholders to understand and engage in the process.

The new rate framework would allow the WSIB to allocate the distribution of costs to the system appropriately, and help build a more equitable and modernized classification structure and Risk Adjusted Premium Rate Setting process.

Throughout the document, the WSIB has illustrated, through examples, how the new rate framework would work for employers. These examples are intended to demonstrate that the Employer Level Premium Rate Adjustments would be a reflection of the real costs they are generating, balancing premium rate stability, while also ensuring measured responsiveness to employer efforts to reduce workplace injuries through risk and claims experience.

GLOSSARY

Actuarial Predictability is a process where the Workplace Safety and Insurance Board (WSIB) determines the degree to which past claims cost can be relied upon to predict future outcomes and therefore fairly and accurately set premium rates.

Assessment Year refers to the year under which insurable earnings and incurred claim costs are calculated.

Business Activity refers to any operation, which relates to producing a product or providing a service. This includes both profit-making and non-profit operations.

Claims Cost Limit in order to assign responsibility/accountability to employers for their claims costs, the use of a per claim limit ensures that premium rate adjustments have a set upper limit for employers having a single high cost accident.

Class/Subclass Actual Premium Rate is the premium rate that is set by the WSIB, taking into consideration risk band limitations, previous year(s) premium rates, as well as the collective experience of all employers in that class/subclass.

Class/Subclass Actuarial Predictability is a threshold of $12 billion or $6 billion in insurable earnings and $15 million in claims costs over six years. This predictability is used to determine class/ subclass structure and the threshold for acceptable risk disparity is greater than +/- 20%.

Class/Subclass Average Premium Rate is the average premium rate for an entire class/ subclass. It is compiled of three components New Claims Costs, Administrative Costs and Past Claims Costs.

Class/Subclass Level Premium Rate setting is determined by using three components New Claims Costs, Administrative Costs and Past Claims Costs.

Class/Subclass Projected Premium Rate is a premium rate based on the valuation of collective liabilities of new claim costs for the employers within a respective class/subclass, their allocation of administrative costs, and apportionment of the past claims costs for a particular class/ subclass.

Class/Subclass Risk Profile is a measurement of risk associated with an entire class/subclass. The class/subclass risk profile is the total claims cost of the class divided by the total insurable earnings of a class/subclass.

Employer Actual Premium Rate is an adjusted premium rate that represents how much each employer would pay after taking into consideration: risk band limitations, previous year(s) premium rates, minimum premium rate, as well as the collective experience of all employers in that class/subclass.

Employer Level Premium Rate Adjustment is a process where the Class/Subclass Projected Premium Rate is adjusted for an individual employer based on their risk relative to the Class/Subclass Projected Premium Rate, to arrive at their individual risk band position and corresponding Employer Projected and Actual Premium Rate.

Employer's Actuarial Predictability is a threshold weighted 75% based on actuarial predictability standard of $1 Billion of Insurable Earnings, and 25% based on an actuarial predictability standard of 1200 claims, over a six year period.

Employer's Adjusted Risk Profile is the employer's risk profile adjusted by the employer's own experience using the predictability scale and the class/subclass risk profile. It is calculated by multiplying the employer's actuarial predictability factor against their risk profile.

Employer Net Premium Rate is the premium rate comprised of the published premium rate combined with any premium adjustments resulting from the existing experience rating programs, as applicable.

Employer's Risk Profile is a measurement of risk for the individual employer. It is determined by dividing the employer's claims costs over the past 6 years by the total insurable earnings.

Employer's Risk Profile Index is an assessment of the employer's risk profile against the class/subclass risk profile to determine how an employer performed compared to the average of all the other employers in the same class/subclass.

Employer's Projected Premium Rate is an adjusted premium rate that represents how much an employer needs to pay in order to fund their fair share of costs, as well as the collective costs of their class/subclass.

Financial Integrity refers to the overall quality of the financial management practices underpinning the collection of and reporting on revenues from premiums charged to employers.

Graduated Per Claim Limit is a graduated approach based on an employer's actuarial predictability that limits the individual accountability for claims costs incurred by individual employer

Maximum Premium Rate is a ceiling established to ensure premium rates do not increase beyond a specific limit that would be unreasonable for an employer to pay. The new rate framework sets a maximum premium rate that does not exceed about three times the average premium rate for each Industry Class/Subclass.

New Rate Framework is the new rate framework, as approved by the WSIB's Board of Directors in the fall of 2016. It incorporates the feedback stakeholders provided on the Updated Rate Framework.

North American Industry Classification System (NAICS) is a hierarchical industry classification system developed by the statistical agencies of Canada, Mexico and the United States. It replaced the Standard Industrial Classification (SIC) system in 1997, and is refreshed every five years to reflect the changing landscape of the North American economy.

Predictability Scale is a mechanism that defines the level of individual versus collective liability when determining an employer's premiums. There is a greater level of individual employer experience with greater actuarial predictability, and greater insurance protection for employers with less predictability. The scale ranges from a minimum of 2.5% predictability up to 100%.

Predominant Class/Subclass is the class/subclass that represents the largest percentage of the employer's annual insurable earnings, using a three year rolling window of insurable earnings if available.

Proposed Preliminary Rate Framework was the original Rate Framework presented from March 2015 to October 2015. It was developed to address a number of fundamental challenges arising out of the WSIB's classification and premium rate setting approach. It incorporated feedback from stakeholders, recommendations in Douglas Stanley's Pricing Fairness report and WSIB's own analysis.

Rate Framework Modernization is the process through which the WSIB is reviewing and revising its classification and premium rate setting approach.

Revenue Neutrality is a principle of the new rate framework that ensures 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.

Risk Disparity is the differences between the claims experience brought to an industry class/subclass by different employers.

Risk Adjusted Premium Rate Setting is a two-step process that includes setting the Class/Subclass Projected Premium Rate and Employer Level Premium Rate Adjustments.

Risk Bands are a hierarchical series of divisions within each class/subclass. Each division represents a different level of risk where employers would be placed relative to the Class/Subclass Projected Premium Rate. In each class/subclass, risk bands are subject to limitations, such as the premium rate of the minimum risk band ($0.20), and the maximum risk band will not exceed about three times the Class/Subclass Projected Premium Rate. Each risk band represents approximately 5% increments in premium rate.

Risk Profile is a step in determining the allocation of the costs to the system between the classes/subclasses and/or individual employers, and is based on an employer's (or a class/subclass') claims costs relative to their insurable earnings.

Standard Industrial Classification is the classification system previously used by Statistics Canada to classify establishments, companies and enterprises according to their business activities. Its use by Statistics Canada ended in 1997 when it was replaced with the North American Industry Classification System (NAICS).

Temporary Employment Agency (TEA) is a firm that finds and retains workers who are then contracted out to other companies on a short-term or temporary basis.

Weighted Rate Setting Window is a six year time frame for establishing premium rates based on an individual employer's or class/subclass' performance. The most recent three years are valued at two thirds (66.6%), and the remaining three years at one third (33.3%). This means that for the 2016 premium year, for example, the WSIB would use 2009 to 2014 injury years.