Board of Directors
September 21, 2017

Additional Recommended 2018 Premium Rate

Confidential Advice to Government/Cabinet Record – Not For Distribution

Background

- The BoD has approved an average 3% rate reduction, incorporating new CMS legislation
  - Resulting rate was $2.36
- The recommended implementation at the rate group level was:
  - Rate group increases only if resulting from expected CMS costs
  - Rate group decreases allowed but not to exceed 7.6%
- For some rate groups, the impact of CMS was substantial (approaching 20%)
- This led us to consider an alternative scenario, capping the CMS-related increases to achieve more rate stability
- The additional scenario is the following:
  - Increases capped at 5% of 2017 rates (average rate becomes $2.35)
  - The maximum 7.6% decrease is unchanged i.e. the only change from last week's Board-approved scenario is the inclusion of a maximum increase

Decision

It is recommended that the Board of Directors approve the Chief Actuary's revised 2018 premium rate recommendation:

- Of an average decrease of 3.3% for the 2018 premium rate;
- That the average 3.3% decrease be applied at the Rate Group level as follows;
  - That premium rate decreases of up to 7.6 per cent; be allowed
  - That any increases be applied only for CMS legislation and that these increases be capped at 5 per cent

Confidential Cabinet Record – Not For Distribution

Resulting Rates

- The following table sets out the resulting rates by premium rate component:
  - 5% maximum corresponds to a decrease of 3.3%

Components of Average Premium Rate		
	No limit on increase	5% limit
New Claims Cost	$ 0.93	$ 0.93
Expenses	$ 0.53	$ 0.53
Past Claims Cost	$ 0.90	$ 0.89
Total	$ 2.36	$ 2.35

Confidential Cabinet Record – Not For Distribution