

TO: Board of Directors  
FROM: Donald Blue, Vice-President and Chief Actuary  
DATE: September 21, 2017  
CLUSTER: Finance  
SUBJECT: Rate Setting for 2018  
SUBMISSION: Decision

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**Issue**

A revised 2018 average premium rate requirement prepared by the Chief Actuary is submitted to the Board of Directors for decision.

**Background:**

When setting premium rates for 2018 as approved by the Board of Directors last week, costs were incorporated for legislation related to chronic mental stress (CMS). The number of traumatic mental stress and PTSD claims across each industry class over the past 10 years was used to develop a proxy for the expected distribution of CMS claims.

When we distributed costs at the rate group level, some groups saw premium rate increases due to their industry class, even though their past experience has been positive. In some cases, the increases were substantial.

In the interests of furthering rate stability for the Schedule 1 employers, I recommend the following:

1. An increase in the average premium rate reduction to 3.3 per cent
2. Limiting rate group premium rate increases to 5 per cent
3. Continued allowance of decreases of up to 7.6 per cent
4. Continued application of increases that relate to CMS legislation only

This brings the recommended average premium rate for 2018 down to \$2.35 for every \$100 dollars of insurable earnings from \$2.43 in 2017

**Relevant Factors:**

Appended to this memorandum for your review is a presentation setting out the results of our projections, summarizing other relevant information and presenting an assessment of the required rate.

**Recommendation:**

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

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

By this approval BOD Minute #2, September 13, 2017, Page 2 is rescinded and superseded.

APPROVED BY THE BOARD  
OF DIRECTORS

this...21...day of.....September.....20...17

.....*Diane Weber*.....  
Secretary

# Board of Directors September 21, 2017

## Additional Recommended 2018 Premium Rate

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## Background

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- 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

APPROVED BY THE BOARD  
OF DIRECTORS

this 21<sup>st</sup> day of September 2017



Secretary

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## 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	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

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