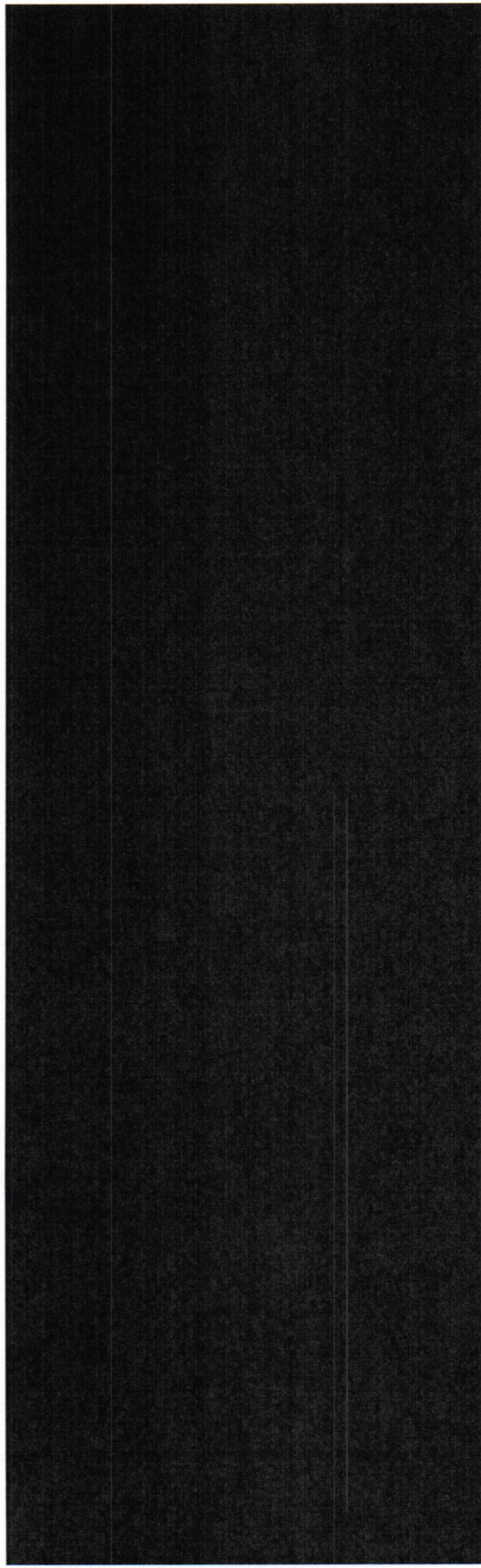


Board of Directors June 21, 2017

Preliminary 2018 Rate Strategy and Premium Rate

Preliminary Recommended 2018 Premium Rate Action

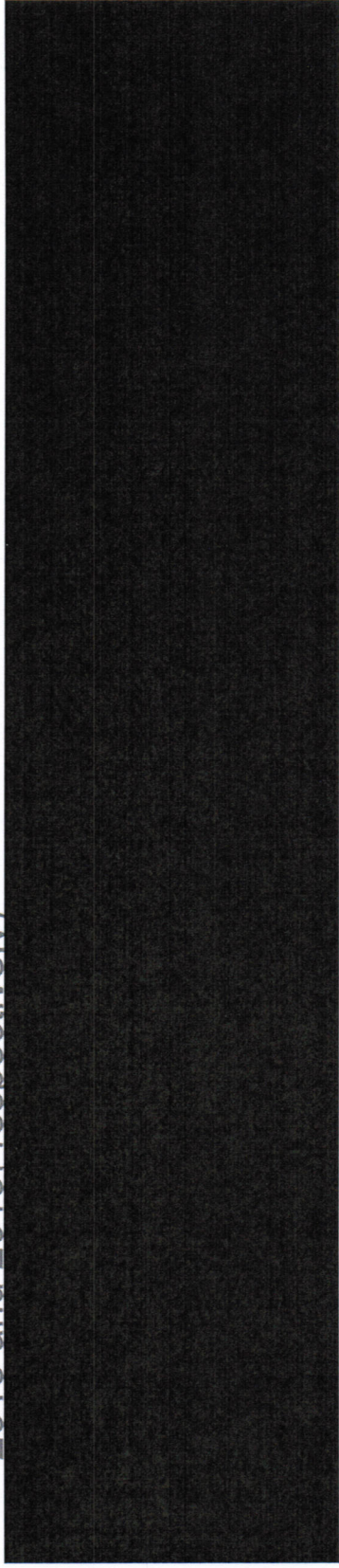
- Our preliminary recommendation is an average Schedule 1 premium rate reduction of 3% i.e. from \$2.43 per \$100 of Insurable Earnings to \$2.36 per \$100 of Insurable Earnings



- Please refer to slide #8 for additional details on the options
- The subsequent slides in the deck provide relevant detail to support our preliminary recommendation

2017 Funding Projection Scenarios

- Various Funding Scenarios are prepared reflecting the latest set of assumptions:
 - Base case (assumes 6.2%, 3.0%, 0% premium rate reductions for 2017, 2018 and 2019, respectively)



See slide #5 for summary results

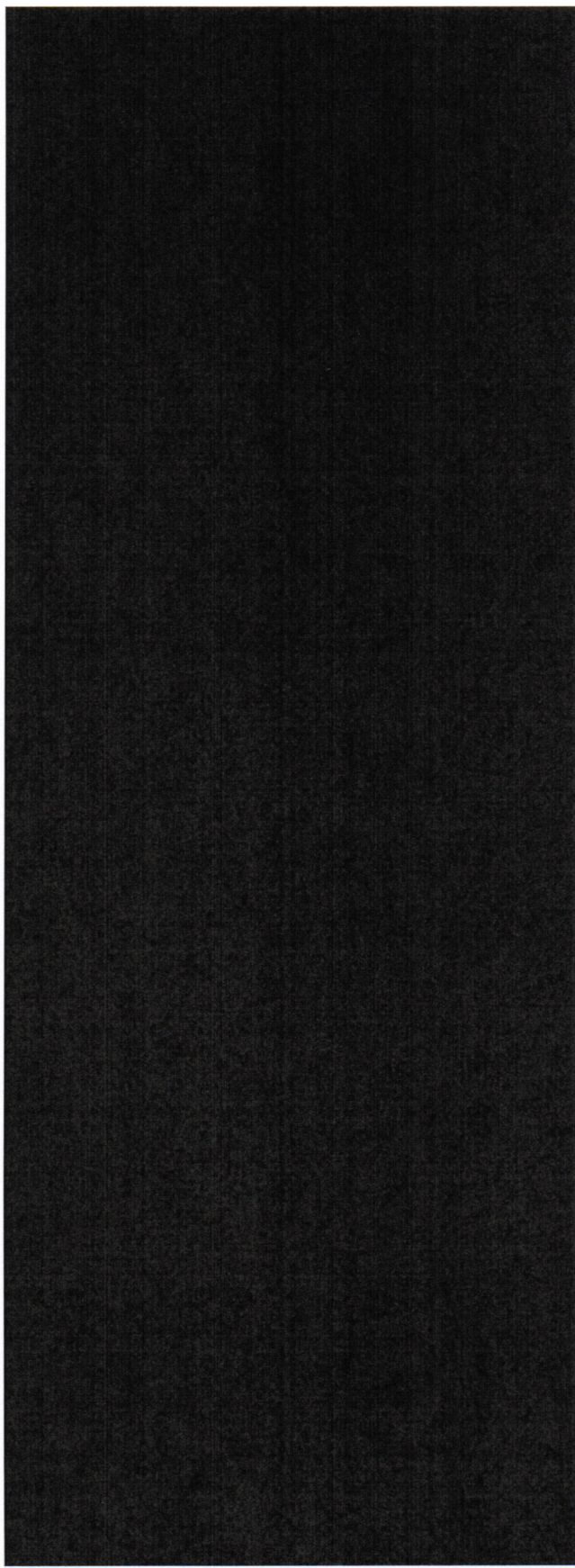
- Adverse scenarios are also prepared to assess the potential risk exposure
- The different scenarios enable us to consider the rate setting strategy before the Rate Framework is implemented

Comparison of Assumptions

Key Assumptions	2016 Funding Base Assumptions (for 2017 rate setting)	2016 Economic Statement Assumptions
Long Term Target Investment Rate	5.25%	5.25%
Investment Returns	2016-2019 : 3.5% 2020+ : 5.25% Level equivalent rate of about 4.6%	2016-2019 : 3.5% 2020+ : 5.25% Level equivalent rate of about 4.6%
Discount Rate	4.75%	4.75%
Insurable Earnings Growth	2016-2017: 2.5% 2018+: 2.0%	2016-2017: 2.5% 2018+: 2.0%
NCC	\$0.85 (2016), \$0.93 (2017+) Base NCC: \$0.75 PTSD: \$0.01 Indexation: \$0.01 Firefighters Presumptive: \$0.01 Margin: \$0.15 (breakdown for NCC = \$0.93)	\$0.85 (2016), \$0.93 (2017+) Base NCC: \$0.75 PTSD: \$0.01 Indexation: \$0.01 Firefighters Presumptive: \$0.01 Margin: \$0.15 (breakdown for NCC = \$0.93)
Chronic Mental Stress (CMS)	none	none

Premium Rate Reductions

- Premium rate reductions for 2018 and 2019 lowered to 3.0% and 0% from 5.0% (in 2016 Funding) for the following reasons:
 - Ensure solid financial position at Rate Framework implementation in 2020
 - Uncertainty about cost of CMS
 - Enables potential larger decrease in the year of introduction of RFM to smooth transition
 - Provided greater than a 5.0% decrease in 2017 premium rates



2017 Base Scenario Funding Projections

Basis	NCC/\$100 IE		Indexation		Investment Returns		Discount Rate		Insurable Earnings Growth		Prudency Formula
	Benefit		Full	Partial	2016-2017	2018+	2016-2017	2018+	2015-2017	2018+	
2016 Funding - Base	\$0.85(2016), \$0.93(2017+)		2.0%	0.5% (2016), 1.0%(2017), 2.0%(2018+)	3.5%	3.5%(2018-2019), 5.25%	4.75%	4.75%	2.5%(2016- 2017)	2.0%	8.5% of Rev Prem
2017 Funding - Base	\$0.95		2.0%	1.0%(2017), 2.0%(2018+)	3.0%	3.0%(2018-2019), 4.75%	4.50%	4.50%	2.5%(2017)	2.0%	8.5% of Rev Prem

Note: The indexation assumptions prior to 2018 assume indexation is applied to gross earnings. Indexation assumptions for 2018 and later assume indexation is applied to the benefit rate.

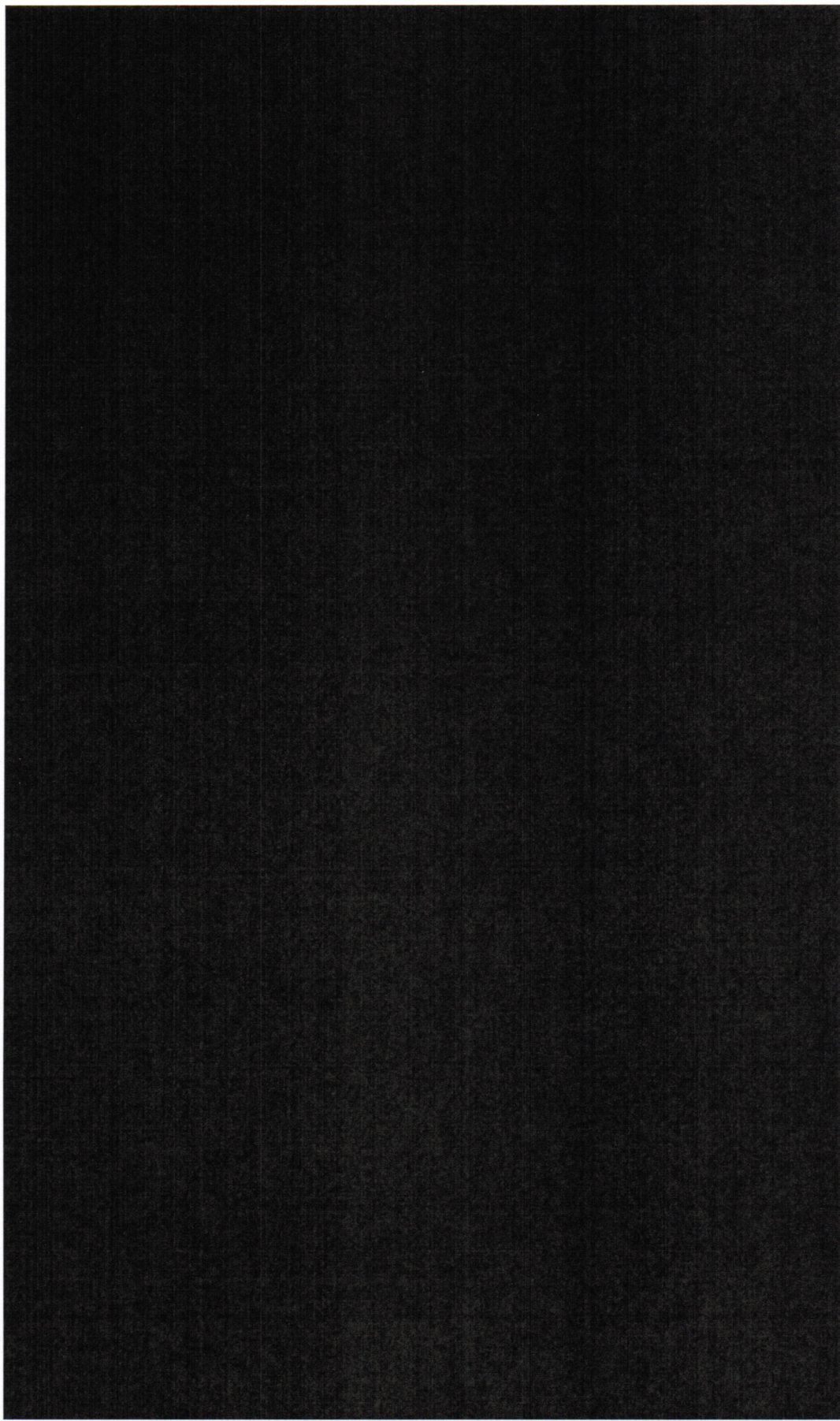
Basis	Premium Rate				Sufficiency Ratio				100% SR Achieved							
	2016	2017	2018	2019	2020	2021	2022+	2016		2017	2018	2019	2020	2021	2022	2027
2016 Funding - Base (6.2% ,5% ,5% premium rate reductions for 2017-2019)	\$2.57	\$2.42	\$2.30	\$2.11	\$2.12	\$2.12	\$2.12	\$2.12	84.4%	89.4%	93.1%	95.3%	97.5%	103.3%	123.4%	2021
2017 Funding - Base (6.2% ,3% ,0% premium rate reductions for 2017-2019)	\$2.59	\$2.43	\$2.36	\$2.36	\$2.28	\$2.28	\$2.29	\$2.29	87.4%	92.7%	96.6%	99.8%	103.4%	110.2%	134.0%	2019

2017 Funding Projections – Adverse Scenarios

Scenario	Industry Sector	Insurable Earnings	Sensitivity Applied (Years)	NCC	Investment Rate of Return	Premium Decrease
Adverse 1	All	1.5%(2017-2019), normal growth thereafter	3	No change	Investment loss of 1% in 2017 followed by a 15% loss in 2018	6.2%, 3%, 0% for (2017 to 2019)

Basis	Premium Rate						Sufficiency Ratio					100% SR Achieved				
	2016	2017	2018	2019	2020	2021	2022+	2016	2017	2018	2019	2020	2021	2022	2023	2024
2017 Funding - Base (6.2%, 3%, 0% premium rate reduction for 2017-2019)	\$2.59	\$2.43	\$2.36	\$2.36	\$2.28	\$2.28	\$2.28	\$2.29	87.4%	92.7%	96.6%	99.8%	103.4%	110.2%	134.0%	2019
2017 Funding - Adverse 1, (6.2%, 3%, 0% premium rate reduction for 2017-2019)	\$2.59	\$2.43	\$2.36	\$2.36	\$2.28	\$2.28	\$2.28	\$2.28	87.4%	92.3%	93.8%	92.7%	92.3%	92.1%	113.6%	2024

Discussion - Employer's Rate Setting Options



Possible Next Steps

- July/August: Discuss proposed 2018 preliminary rates with AAC/CAC
- August: Recommend 2018 rates to BoD
- September: Communicate 2018 rates to employers and release of Economic Statement and Sufficiency Plan Update

Appendix

1. Rate Groups where NCC plus Admin exceeds the Total Rate
2. Rate Groups with further decreases due to 2017 Target change from \$2.59 to \$2.46

Summary of 2017 Published Rates to [REDACTED]

by Class [REDACTED]

Premium rates and premium rate components under 2017 Published Rates, [REDACTED]

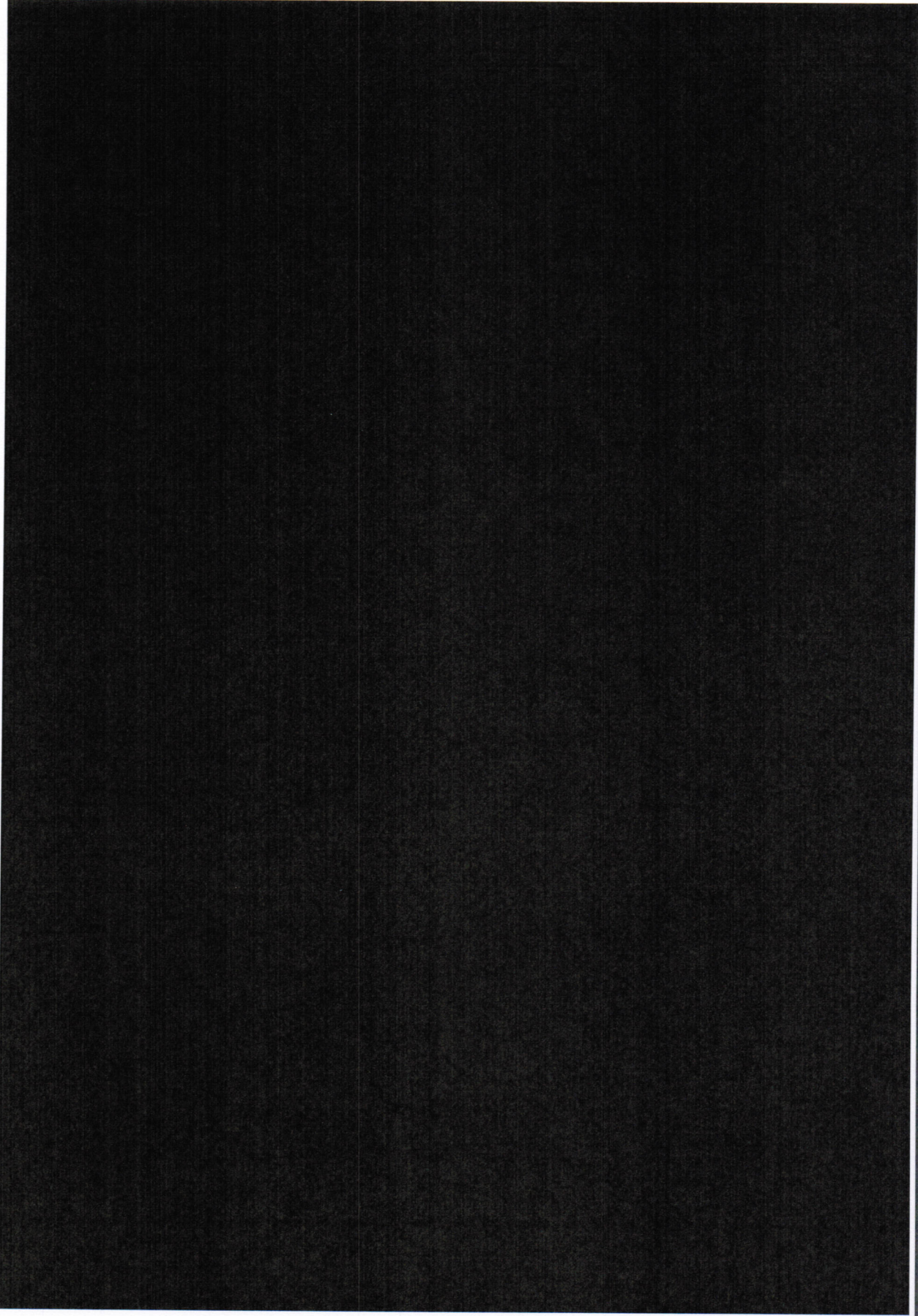
Class Description	2017 Published Rates (added)			
	New Claims Cost Rate	Overhead Rate	Past Claims Cost Rate	Premium Rate
Forest Products	2.872	1.156	1.436	5.46
Mining and Related Industries	2.307	1.163	2.776	6.25
Other Primary Industries	2.136	0.864	1.151	4.15
Manufacturing	1.033	0.545	0.927	2.51
Transportation and Storage	2.164	0.830	2.049	5.04
Retail and Wholesale Trades	0.602	0.385	0.716	1.70
Construction	2.136	0.897	2.755	5.79
Government and Related Services	0.508	0.316	0.543	1.37
Other Services	0.384	0.264	0.546	1.19
Schedule 1	0.930	0.479	1.019	2.43

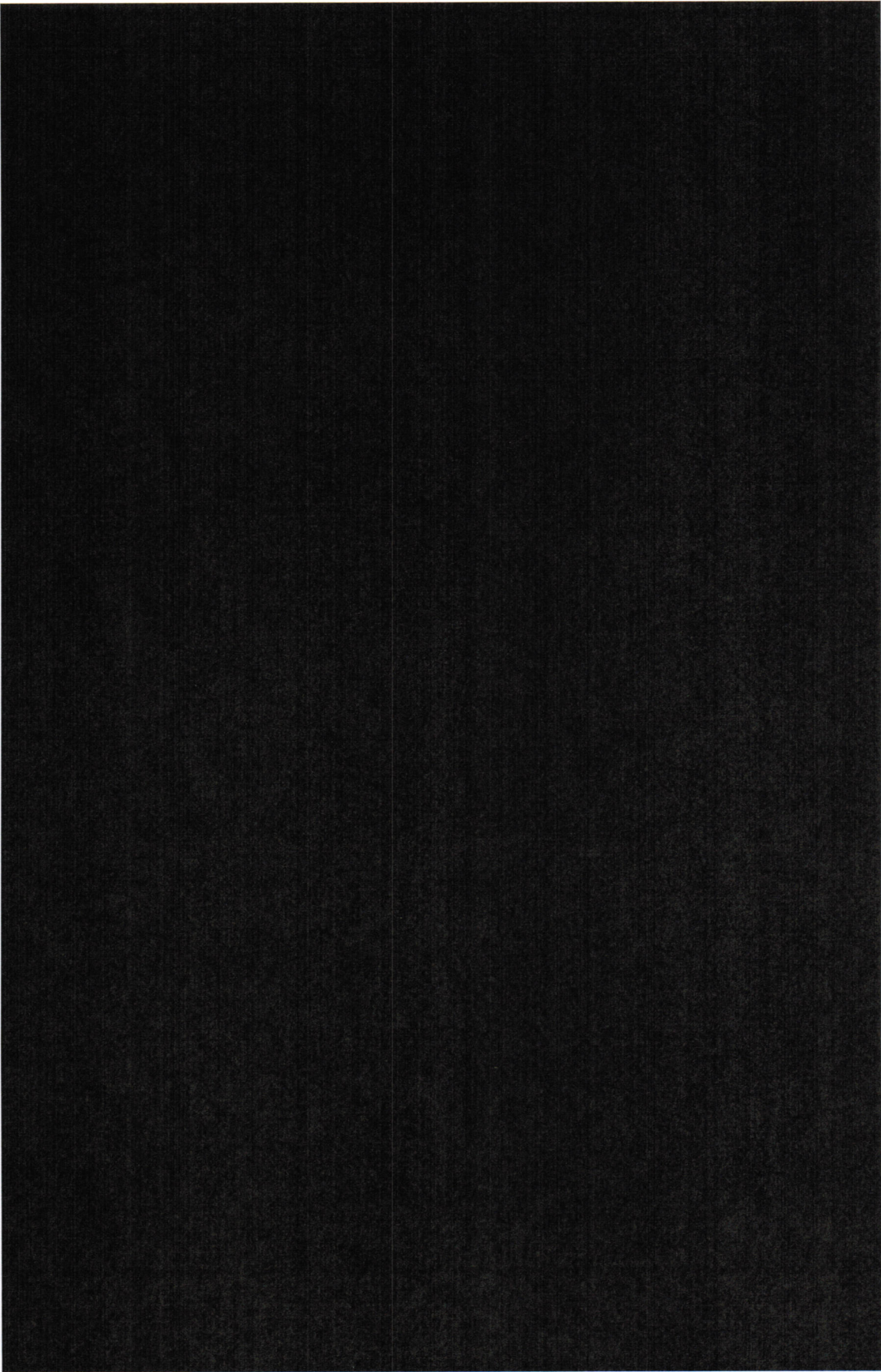
Summary of 2017 Published Rates to [REDACTED]

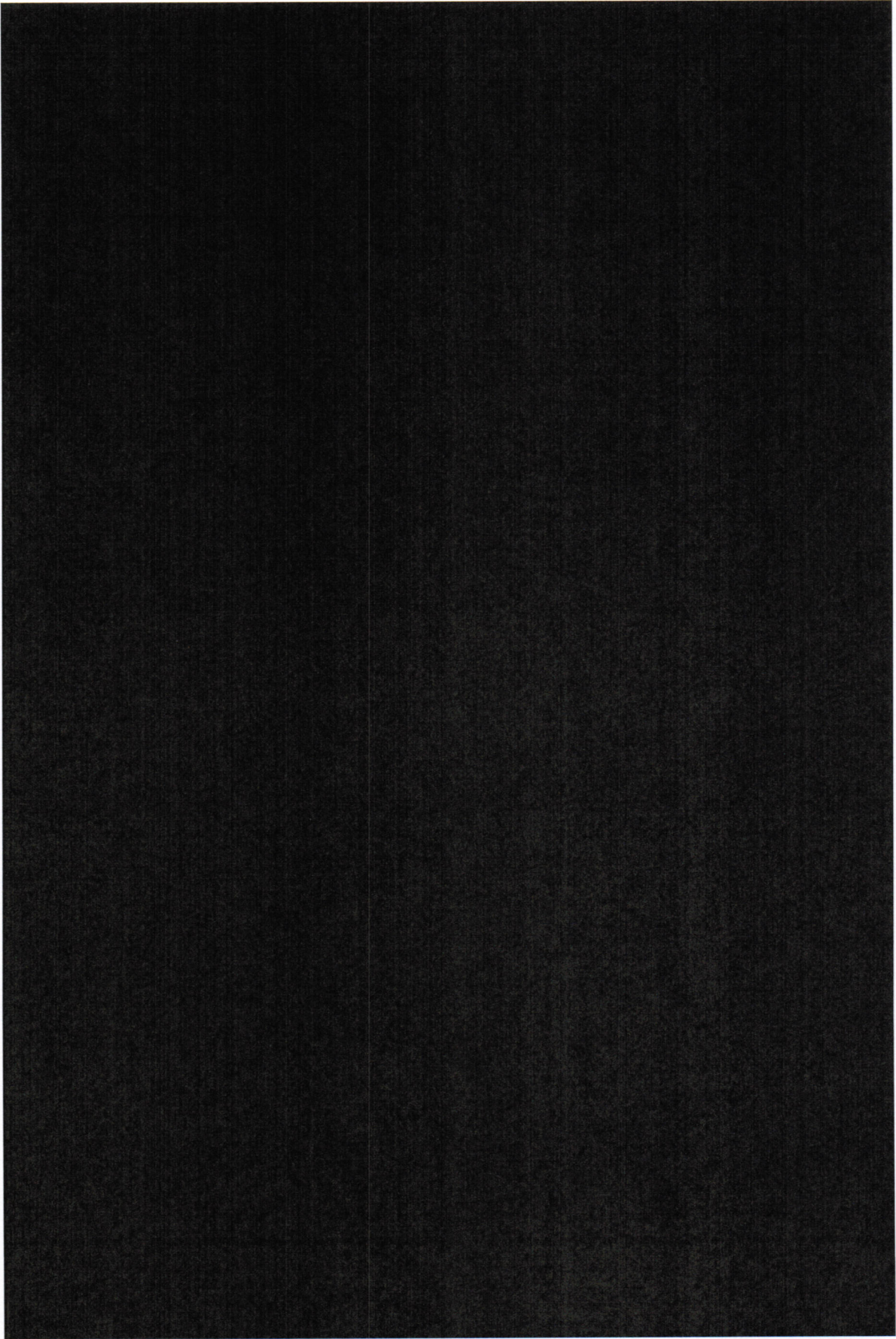
by Class

Premium rates and premium rate components under 2017 Published Rates, [REDACTED]

Class Description	2017 Published Rates (added)			
	New Claims Cost Rate	Overhead Rate	Past Claims Cost Rate	Premium Rate
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Rate Groups with Insufficient Rates

- For RGs with insufficient rates, where NCC plus Admin exceeds the current Total Rate, the NCC is adjusted as follows:
 - PCC was set to close to 5% on each RG's overall rate
 - Means that NCC and Admin for RG are insufficient

2017 Rates		Proposed 2018 Rates - [REDACTED]	
4 Insufficient Rate Groups		6 Insufficient Rate Groups	
39 - Pulp, Newsprint And Specialty Papers		39 - Pulp, Newsprint And Specialty Papers	
389 - Metal Closures And Containers		222 - Confectionery	
507 - Petroleum And Coal Products		358 - Foundries	
512 - Resins, Paint, Ink And Adhesives		389 - Metal Closures And Containers	
		507 - Petroleum And Coal Products	
		512 - Resins, Paint, Ink And Adhesives	

2018 Rate Impact: Rate Groups Benefiting from 2017 Misstatement

- There were 34 Rate Groups whose 2017 rate based on an average rate of \$2.46 exceeded the initially published rate. All were charged the initially published rate.
- Some viewed this as “unfairly benefiting” these Rate Groups
- All see a decrease prior to the 2018 CMS [REDACTED] (based on recommendation)
 - After CMS, some need to be increased; most are still eligible for a decrease
- The following 4 Rate Groups see an increase in their 2018 target rate (\$2.36)

Rate Group	Rate Group Description	2017 \$2.46 Starting Point	2017 \$2.43 "Final" Rate
689	Waste Materials Recycling	5.65	5.65
301	Clothing, Fibre And Yarn	2.19	2.19
921	Hotels, Motels And Camping	2.69	2.69
852	Homes For Residential Care	2.84	2.84

2018 Rate Impact: Rate Groups Benefiting from 2017 Misstatement ()

Rate Group	Rate Group Description	2017 \$2.43 "Final" Rate	Rate Group Description	2017 \$2.43 "Final" Rate
905	Apartment And Condominium Services	2.70	944	Personal Services
830	Power And Telecommunication Lines	3.83	560	Warehousing
668	Computer, Electronic And Electrical Equipment, Sales	0.45	231	Soft Drinks
983	Communications Industries	0.32	923	Janitorial Services
838	Natural Gas Distribution	0.62	220	Other Bakery Products
908	Other Real Estate Services	1.13	607	Specialty Food Stores
636	Other Sales	1.32	975	Linen And Laundry Services
517	Soap And Toiletries	1.45	428	Motor Vehicle Fabric Accessories
641	Clothing Stores	1.37	608	Beer Stores
919	Restaurants And Catering	1.58	929	Supply Of Non-Clerical Labour
442	Railroad Rolling Stock	2.36	719	Inside Finishing
323	Metal Furniture	2.14	110	Gold Mines
214	Fruit And Vegetable Products	2.44	764	Homebuilding
681	Lumber And Builders Supply	2.72	751	Siding And Outside Finishing
533	Signs And Displays	2.75	748	Form Work And Demolition
				3.08
				3.21
				3.54
				3.21
				3.55
				4.00
				3.59
				4.35
				6.65
				7.01
				7.83
				8.82
				15.75