

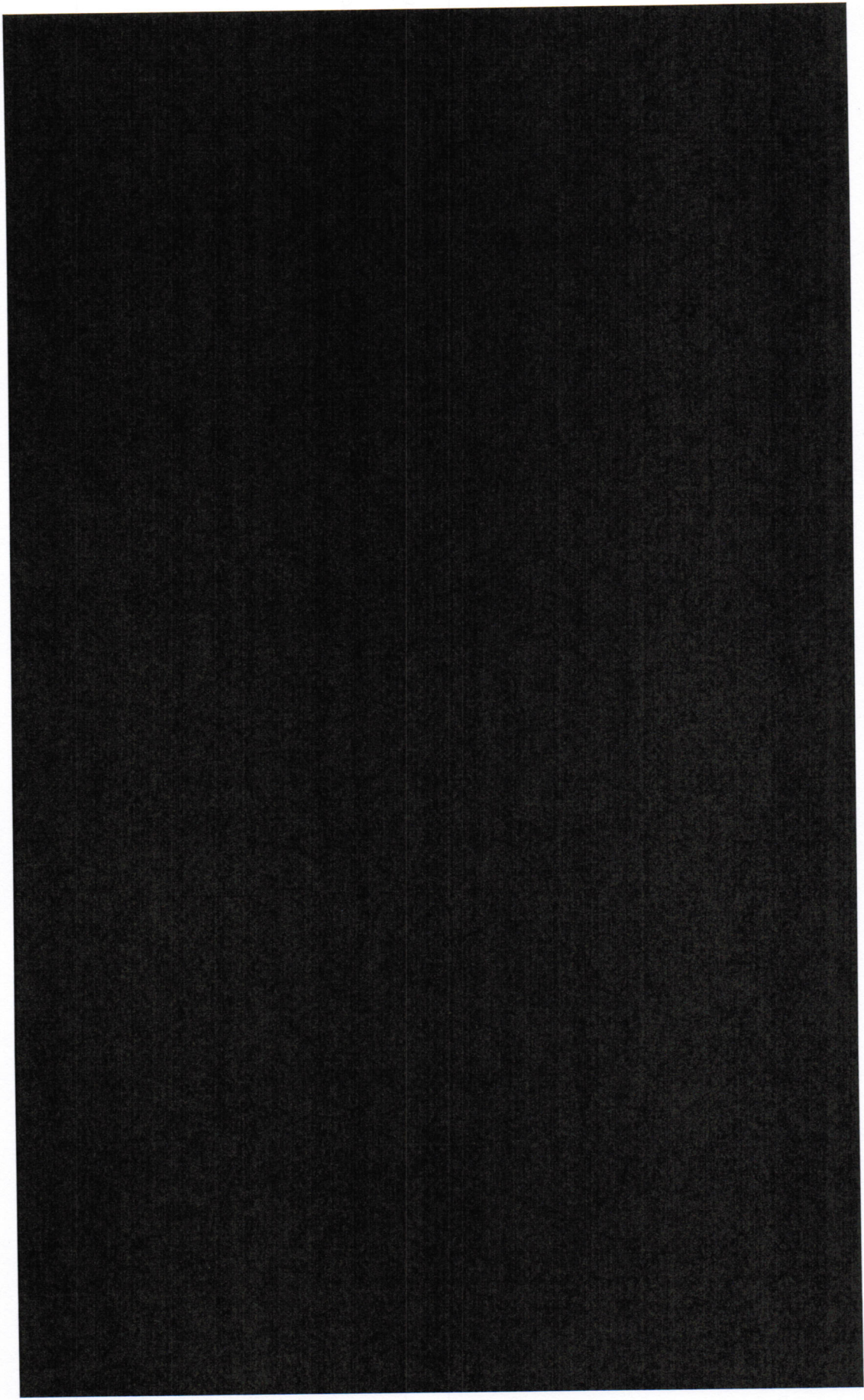
Board of Directors September 13, 2017

Recommended 2018 Rate Strategy and Premium Rate

**Confidential Advice to Government/Cabinet
Record – Not For Distribution**

Background

- The MoL has added Chronic Mental Stress (CMS) as an allowable source of claim
 - Current legislation does not provide for retroactivity
- WSIB has not yet finalized its CMS adjudication model [REDACTED]
- Funding analysis suggests that [REDACTED], a 3% rate reduction can prudently be offered
 - Current average rate is \$2.43; a 3% reduction produces \$2.36
- Preliminary rate group recommendation submitted in August was:
 - No increases except those resulting from CMS
 - Decreases limited to 7.6%
 - Led to the 3% average reduction

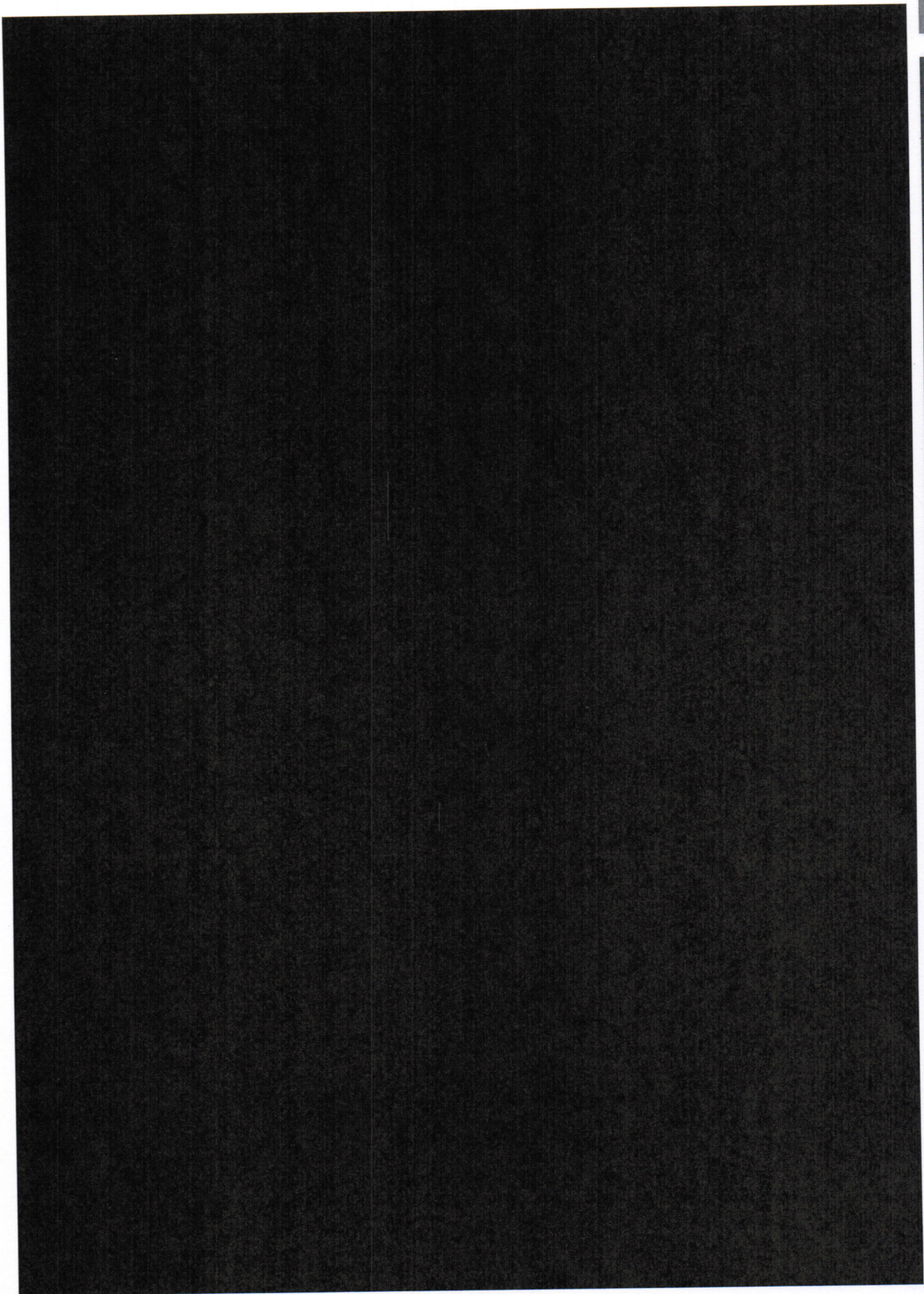


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Decision

- We seek BoD approval for an average 3% reduction, reflecting prospective CMS with rate group action as follows:
 - No increases except those resulting from CMS
 - Decreases limited to 7.6%
- The impact of this suggested rate group action is analyzed by class on slide #9.

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2017 Funding Projection Scenarios

- Various Funding Scenarios are prepared reflecting the latest set of assumptions:
 - Base case, [REDACTED] (assumes 6.2%, 3.0%, 0% premium rate reductions for 2017, 2018 and 2019, respectively)
 - [REDACTED]
 - See slide #6 for summary results
- Adverse scenarios were also prepared to assess the potential risk exposure
 - Projections not included in this deck, but similar to those presented previously
 - In adverse circumstances, rate increases might be required
- The different scenarios enable us to consider the rate setting strategy before the Rate Framework is implemented

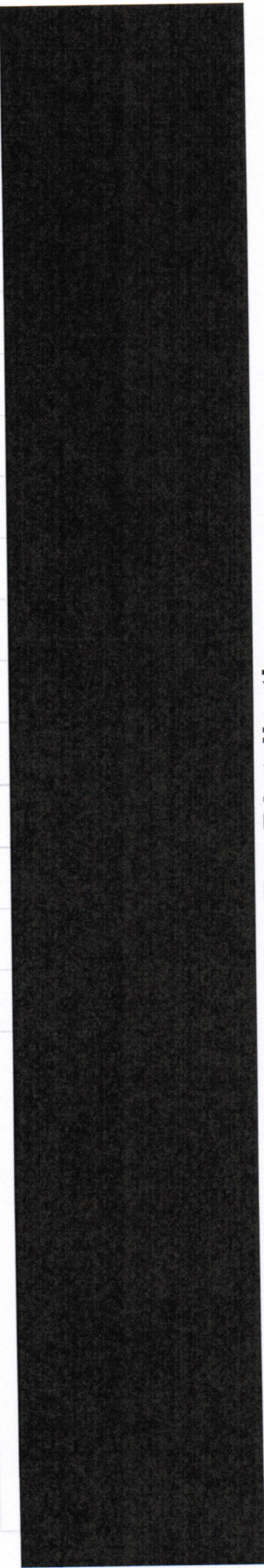
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2017 Base Scenario Funding Projections

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						
	2016	2017	2018	2019	2020	2021	2022+	2016	2017	2018	2019	2020	2021	2022	2025	2027	Achieved
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%	114.8%	123.4%	2021
2017 Funding - Base (6.2%, 3%, 0% premium rate reduction for 2017-2019), NCC=\$0.93	\$2.59	\$2.43	\$2.36	\$2.36	\$2.28	\$2.28	\$2.28	\$2.29	87.4%	92.8%	96.8%	100.2%	104.0%	111.1%	125.4%	135.7%	2019



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Workplace Safety and Insurance Board | Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

Summary of 2017 Published Rates to [REDACTED] by [REDACTED] Class (CMS = \$0.075 analysis – [REDACTED])

While the average rate adjustment for each Class differs, overall, Schedule 1 employers' average premiums will be reduced by 3%, from \$2.43 to \$2.36.

Summary of Class Rates:

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

Rate Setting Considerations (Cont'd) – Rate Decrease Approach (CMS = \$0.075 analysis –)

Up to a 7.6% rate premium reduction has been recommended for the best performing rate groups.

Summary of Rate Group Changes, By Class:

Class	Class Description	RG Count	Firm Count	Decreases in the RG Basis			Increase in the RG Basis			No change in the RG Basis		
				# RG	# Firms	% Firms	# RG	# Firms	% Firms	# RG	# Firms	% Firms
A	Forest Products	5	1,413	3	504	36%	2	909	64%	-	-	0%
B	Mining and Related Industries	4	929	3	859	92%	1	70	8%	-	-	0%
C	Other Primary Industries	6	16,421	2	3,604	22%	4	12,817	78%	-	-	0%
D	Manufacturing	73	25,701	30	9,472	37%	42	16,138	63%	1	91	0%
E	Transportation and Storage	8	16,868	2	946	6%	6	15,922	94%	-	-	0%
F	Retail and Wholesale Trades	16	56,122	8	35,270	63%	8	20,852	37%	-	-	0%
G	Construction	13	111,919	13	111,919	100%	-	-	0%	-	-	0%
H	Government and Related Services	14	11,009	4	2,436	22%	10	8,573	78%	-	-	0%
I	Other Services	16	75,953	11	64,594	85%	5	11,359	15%	-	-	0%
Schedule 1		155	316,335	76	229,604	73%	78	86,640	27%	1	91	0%

Communication Plan – 2018 Premium Rates

- Communication products to prepare include the following:
 - House note, press release, web message, letters and Q&A
 - Rate group specific information sheets
- Activities after 2018 rates are approved:
 - Briefing with MOL/Minister’s Office
 - Distribution of internal materials (CONNEX message and Staff Q&As)
 - Public Notice of 2018 Rates (Press release and web message issued) and Economic Statement to be released as part of AGM, planned to be on September 20, 2017
 - Up to three Technical Rate sessions live plus webinar – November

Appendix

1. Comparison of Assumptions

2. 

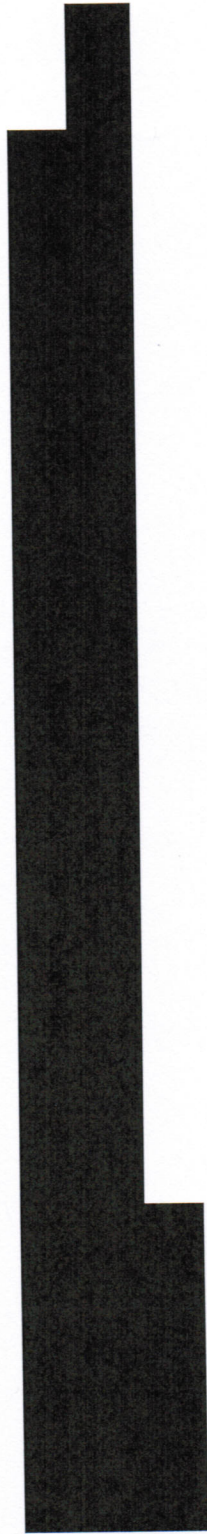
Comparison of Assumptions



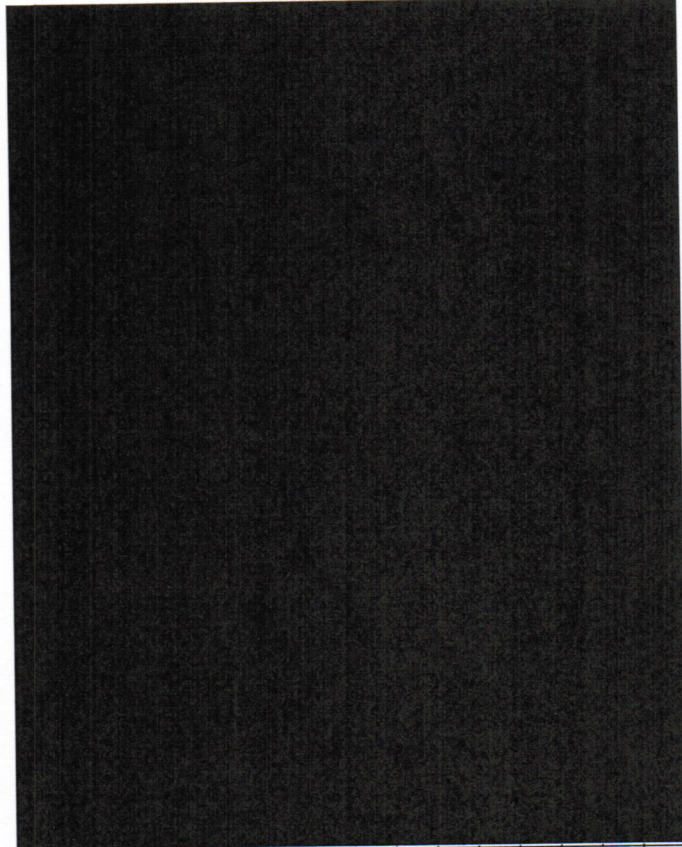
Key Assumptions	2016 Funding Base Assumptions (for 2017 rate setting)	2016 Economic Statement Assumptions	2017 Funding Base Assumptions (for 2018 rate setting)
Long Term Target Investment Rate	5.25%	5.25%	4.75%
Investment Returns	2016-2019 : 3.5% 2020+ : 5.25% Level equivalent rate of about 4.6%	2016-2019 : 3.5% 2020+ : 5.25% Level equivalent rate of about 4.6%	2017-2019 : 3.0% 2020+ : 4.75% Level equivalent rate of about 4.2%
Discount Rate	4.75%	4.75%	4.50%
Insurable Earnings Growth	2016-2017: 2.5% 2018+: 2.0%	2016-2017: 2.5% 2018+: 2.0%	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)	\$0.93 Base NCC: \$0.69 CMS: \$0.075 PTSD: \$0.01 Margin: \$0.155
Chronic Mental Stress (CMS)	none	none	\$0.075 included in NCC

Note: Level Equivalent Rate for Investment Returns determined by solving for the equivalent rate to achieve the same sufficiency ratio at 2027. 2017 Funding NCC was determined based on the NCC for the current 2016 Injury Year, \$0.075 for proposed Chronic Mental Stress legislation, \$0.01 for post traumatic stress disorder with a 20% margin applied to each of these components.

Rate Setting Considerations – Rate Classes



Summary of Class Rates:



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