

# **2017 Premium Rate Strategy Discussion Executive Committee**

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March 8, 2016

# 2017 Rate Setting Considerations

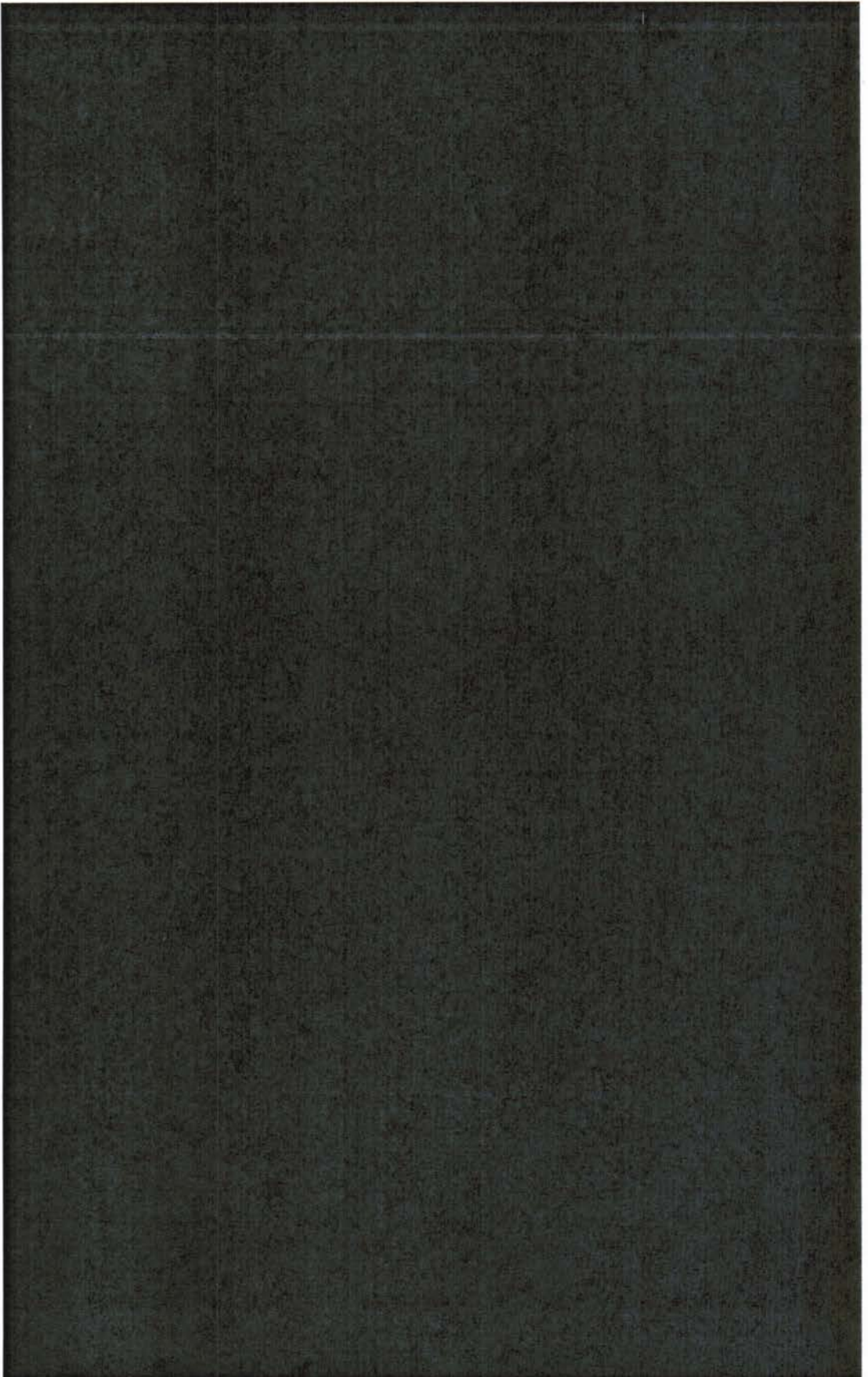
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- Rate Group Rates have been unchanged for over 4 years. The Historical Approach to rate setting has been to allow decreases/increases to rate groups reflecting the experience of the rate group
- The 2015 Economic Statement stated that Schedule 1 (S1) rate reductions between 2017 and 2022 might be possible and that experience would be considered in making appropriate adjustments. This language was deliberately chosen to provide the WSIB with the flexibility to review other approaches, including consideration of the new Rate Framework.
- The BOD has indicated that any rate reductions should be justified by experience. Stakeholders have expressed concern that rate group reductions for rate groups would reward industries or employers that do not all deserve rate decreases given it could be inconsistent with their experience.
  - Experience varies among individual employers, with the result that across-the-board decreases within a Rate Group will result in some employers receiving a decrease who would otherwise receive an increase
  - Current experience rating programs would allow some adjustment to reflect experience of employers within the rate group
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Experience Rating Programs will continue in the interim and end on a timetable to be determined.
- There are potentially significant rate implications because of Post Traumatic Stress Disorder (PTSD) on two rate groups (Rate Groups #845 and #590. Rate Group #845 saw their rates increase in 2015 by 28.6% because of presumptive cancers).

## 2017 Rate Setting Considerations (cont'd)

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- Recently we met with the Actuarial Advisory Committee (AAC) to discuss the 2017 Rate Setting approach. The following two approaches were discussed:
  - [REDACTED]
  - [REDACTED]
- Further analysis was done after the AAC meeting and the following slides discuss possible 2017-2019 rate setting strategies using this additional analysis



# 2017-2019 Schedule 1 Rate

# 2017-2019 Rate Setting Strategy

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## ■ Key Guiding Principles

- Adhere to the Funding Policy
  - As the Sufficiency Ratio improves, prudence embedded into rate setting projections can become relatively smaller
  - WSIB wants to provide a S1 rate decrease in 2017
  - Approach needs to be revenue neutral (excluding any reductions in S1 rate)
  - WSIB must be able to operationalize the strategy chosen with minimal disruption and support, given ongoing commitments
  - Approach must be understandable for stakeholders i.e. simplicity is important
  - Communication and rate announcement to employers must be made in a timely manner
- A strategic rate setting plan should consider the following:
1. Schedule 1 average rate
  2. Employer rates
  3. Enabling smooth transition to the New Rate Framework

# 2017-2019 Rate Setting Strategy

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- Schedule 1 Average Rate:

- We present the following options:

- Option 1: A level 5% decrease per year in S1 rate between 2017 to 2019

[Redacted content]

# Funding Forecast : Comparison of Assumptions

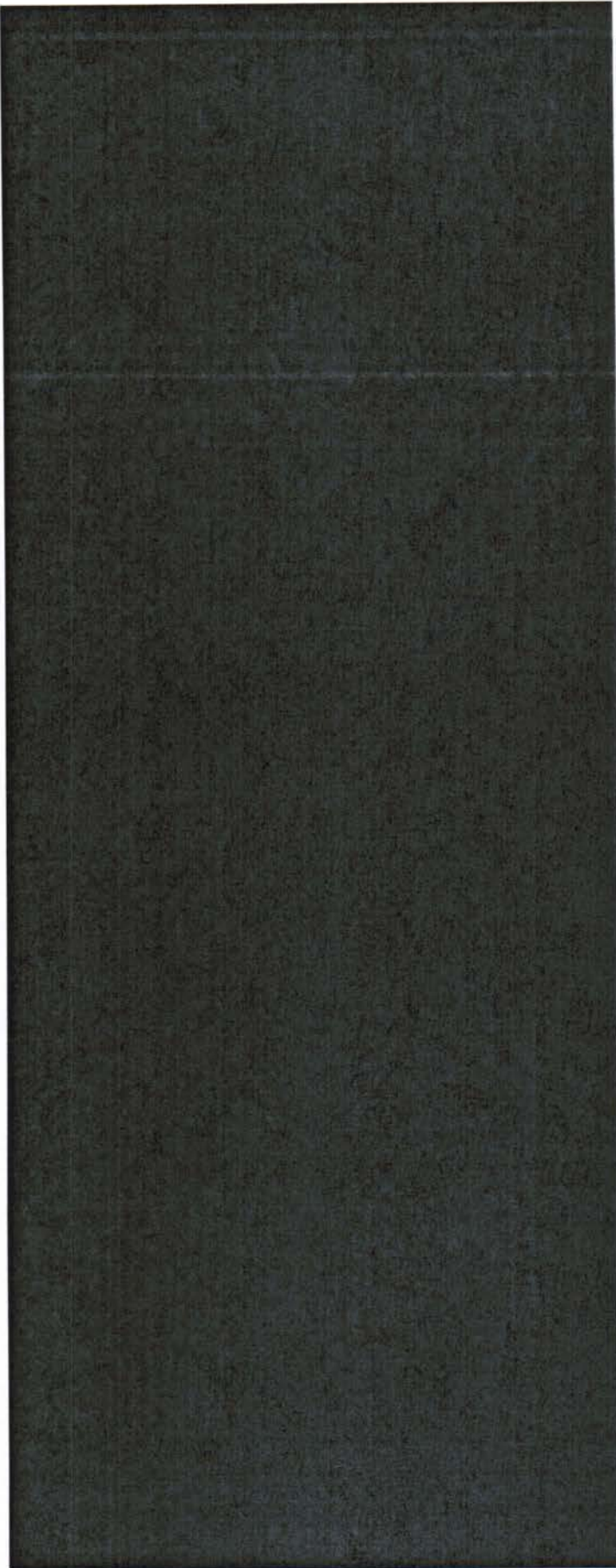
Key Assumptions	2015 Funding Base Assumptions (for 2016 rate setting)	2015 Economic Statement Assumptions	2016 Funding Base Assumptions (for 2017 rate setting)
Long Term Target Investment Rate	6.00%	5.25%	5.25%
Investment Returns	2015-2017: 3.5%	2016-2019 : 3.5%	2016-2019 : 3.5%
	2018+: 5.5%	2020+ : 5.0%	2020+ : 5.25%
	Level equivalent rate of about 5.1%	Level equivalent rate of about 4.5%	Level equivalent rate of about 4.6%
Discount Rate	2015-2017: 4.75%	4.75%	4.75%
	2018+: 5.25%		
	Level equivalent rate of about 5.15%		
Insurable Earnings Growth	2015: 1.7%	2016-2017: 2.5%	2016-2017: 2.5%
	2016-2017: 3.0%	2018+: 2.0%	2018+: 2.0%
	2018+: 2.5%		
NCC	\$1.01	\$0.96	\$0.93

Note: Level Equivalent Rate for Investment Returns determined by solving for the equivalent rate to achieve the same Sufficiency Ratio at 2027  
 2016 Funding NCC was determined based on the current 2015 Injury Year including 20% loading plus an additional \$0.01 each for partial indexation legislation, firefighter presumptive cancer legislation and proposed legislation for post traumatic stress disorder.



## Summary of Funding Forecast Scenarios

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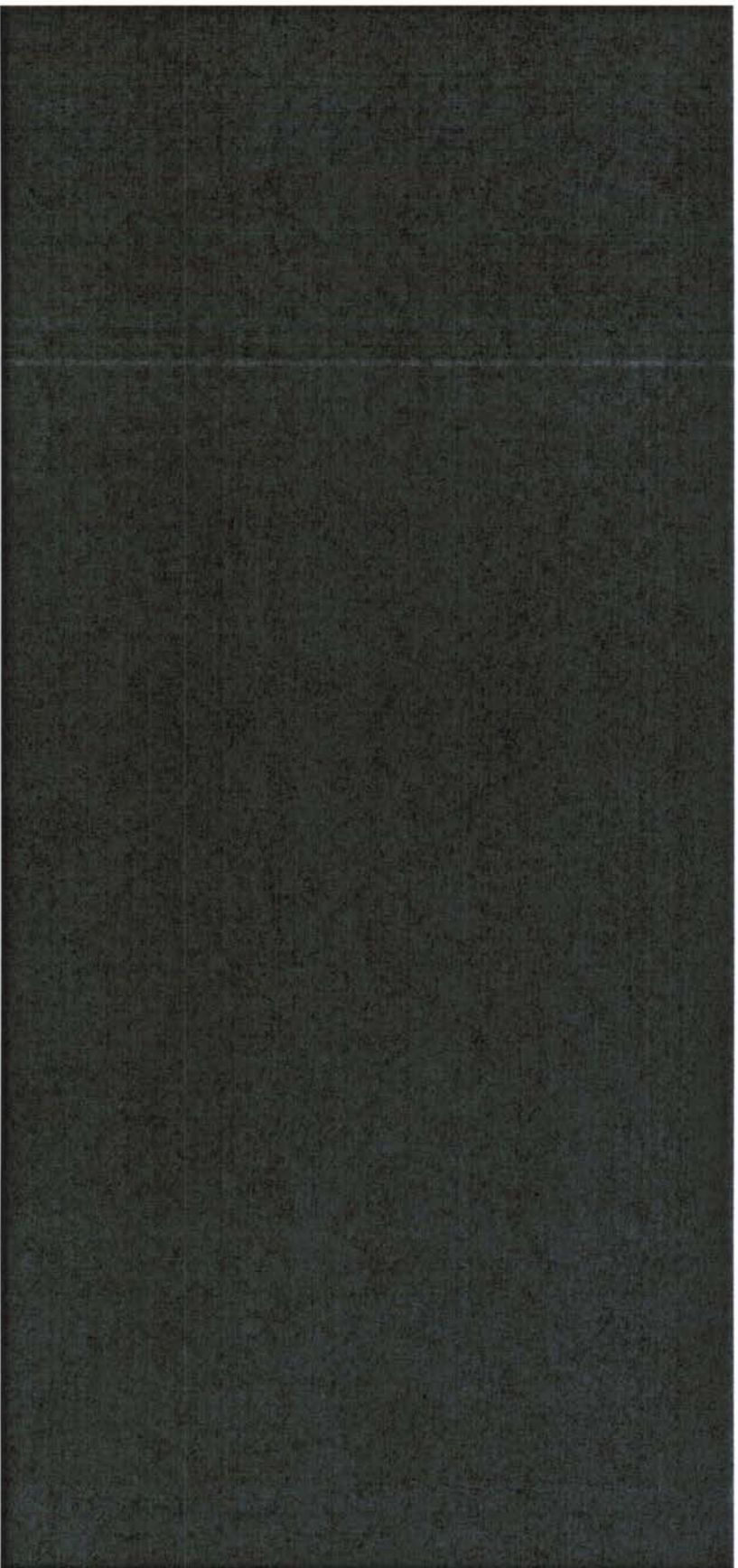


- 2016 Funding Base Scenario shows improvement over the 2015 Funding Base Scenario at all projection points
- The premium rate reduction scenarios including the economic statement show that we are well positioned to contemplate further rate reductions after 2017
- Possible to achieve a 100% Sufficiency Ratio well ahead of our regulated requirement of 2027

# 2017-2019 Rate Setting Strategy for Employers

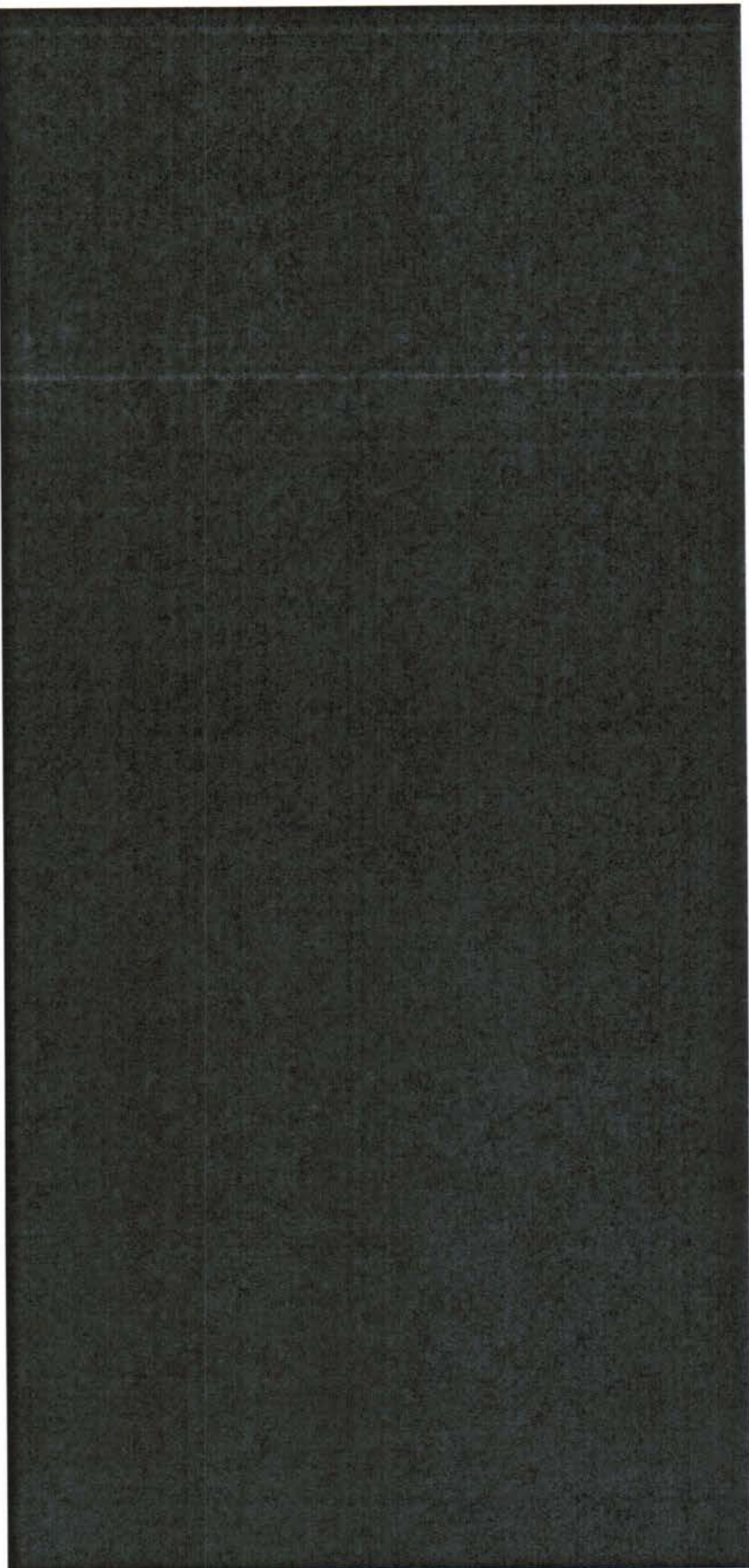
# 2017-2019 Rate Setting Strategy for Employers

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## 2017-2019 Rate Setting Strategy for Employers (con't)

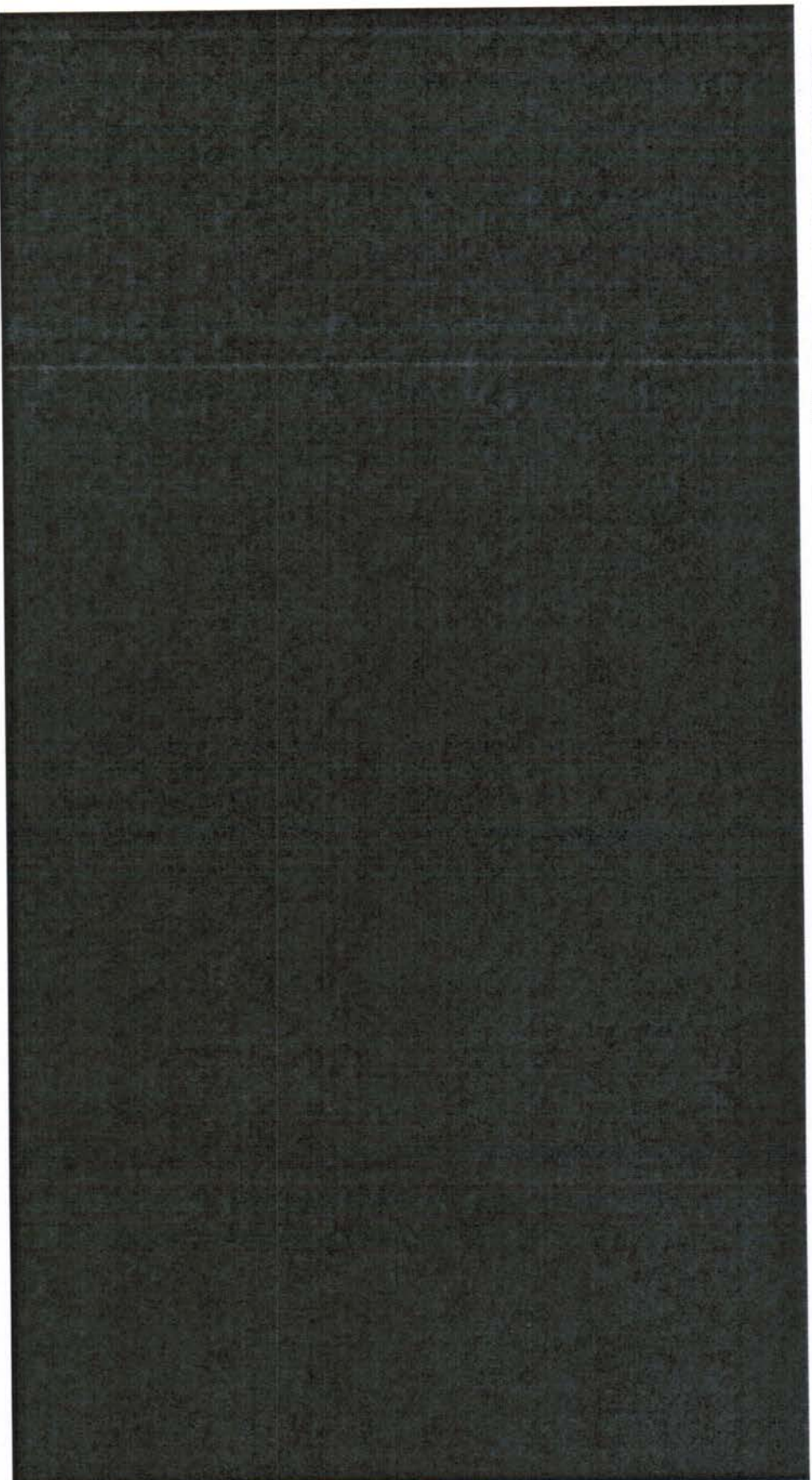
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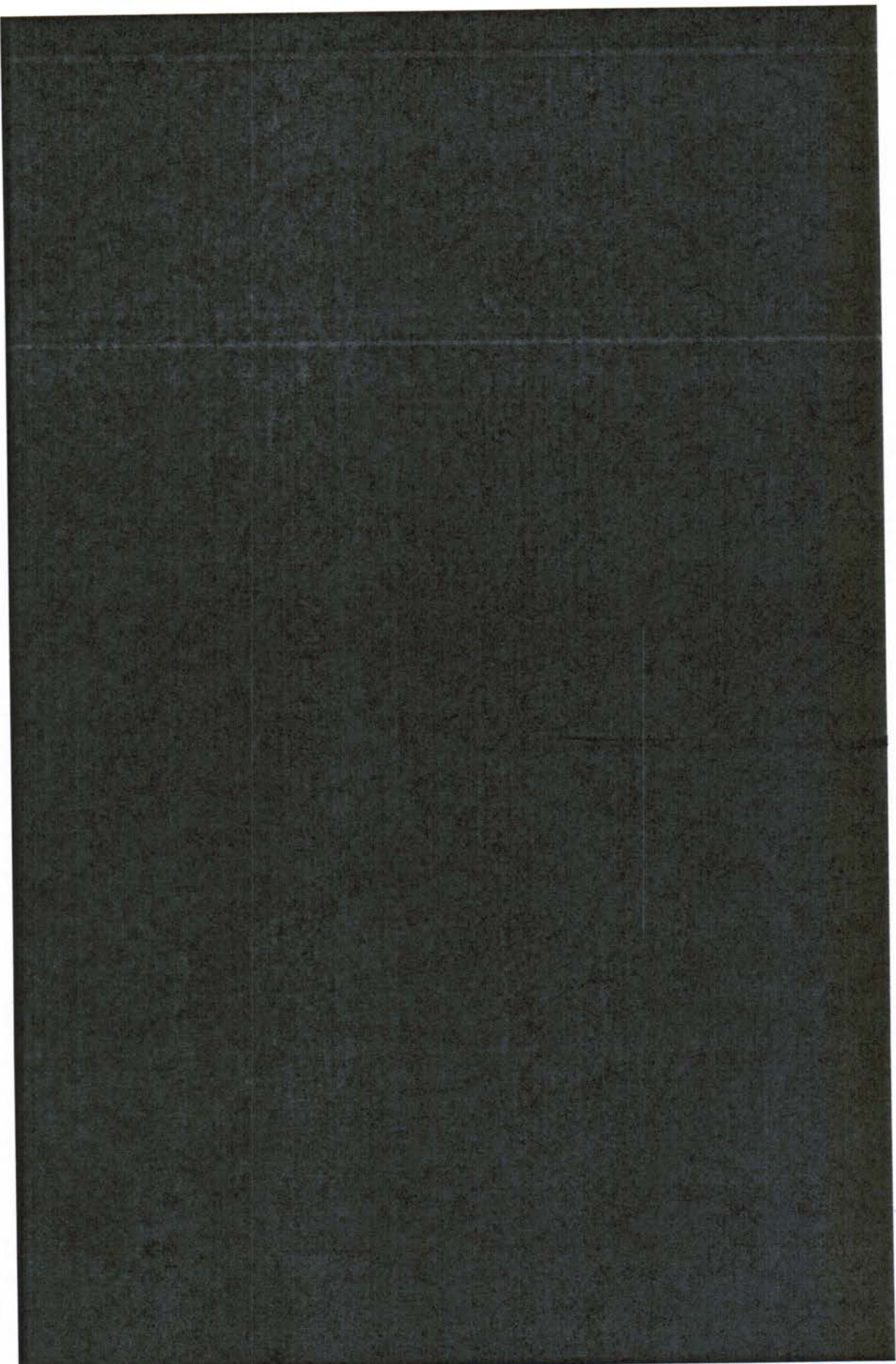
- Under any of these options, ER programs continue in 2017 and 2018

## Illustrative Analysis on different approaches

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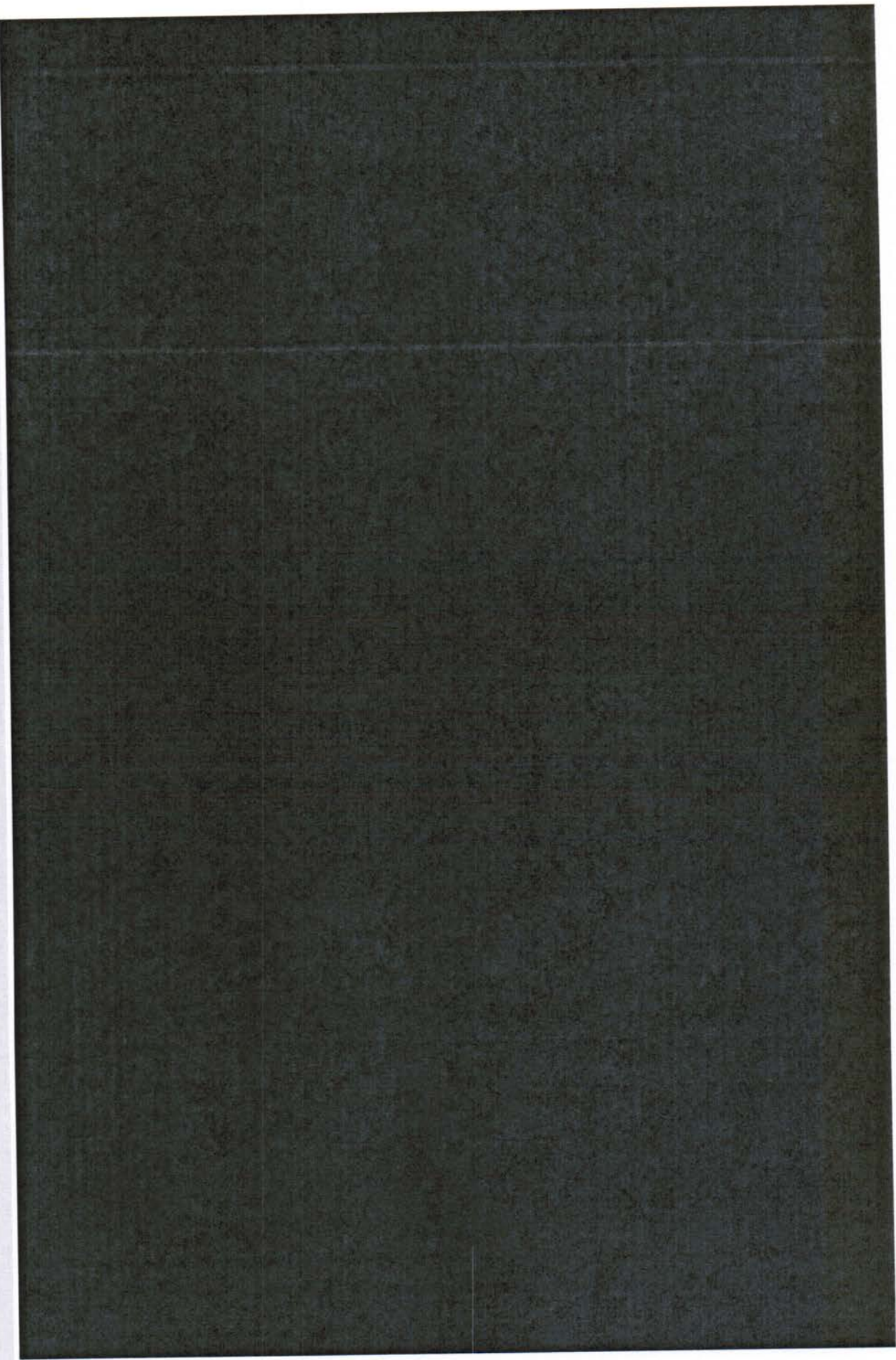


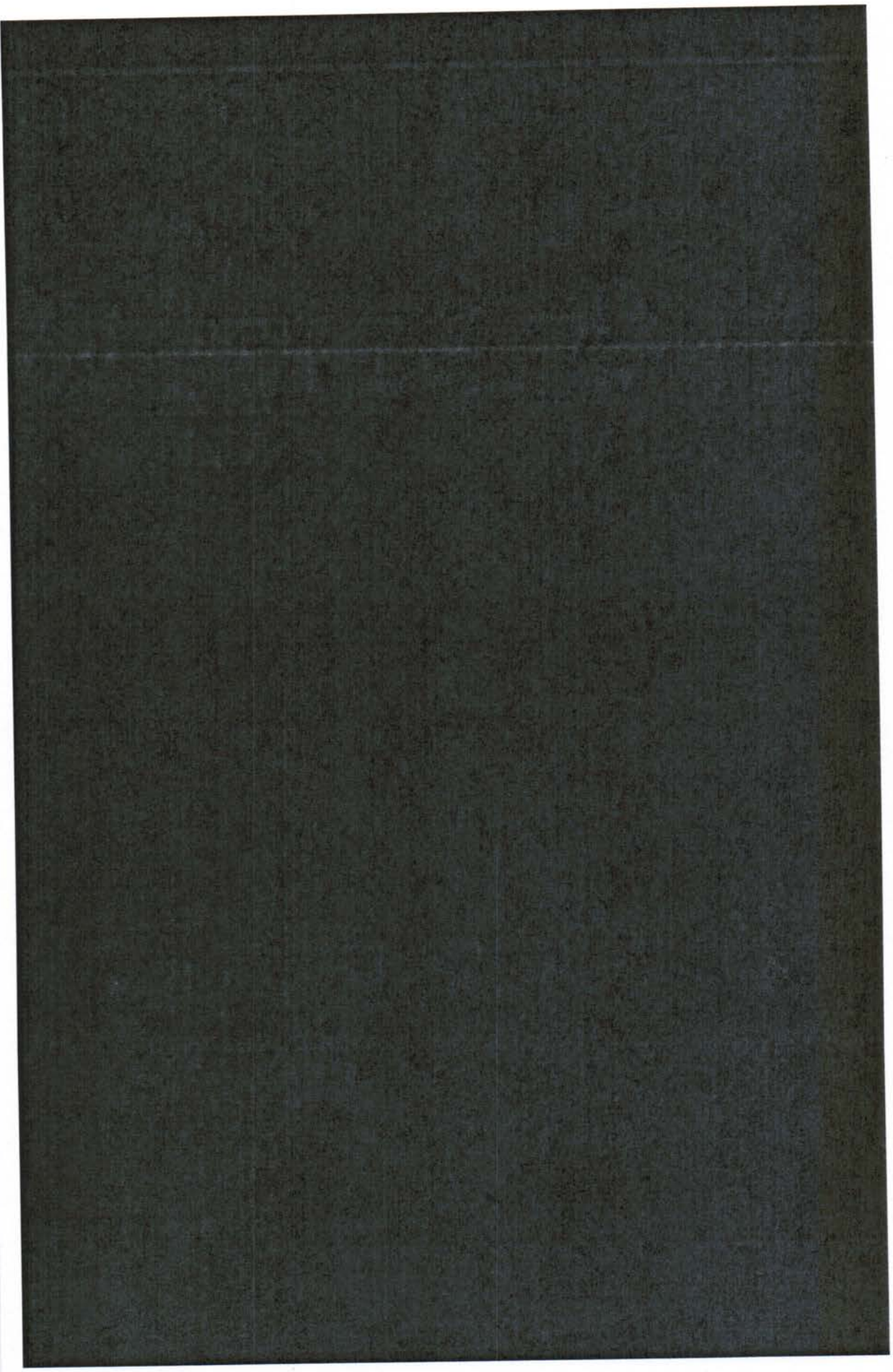


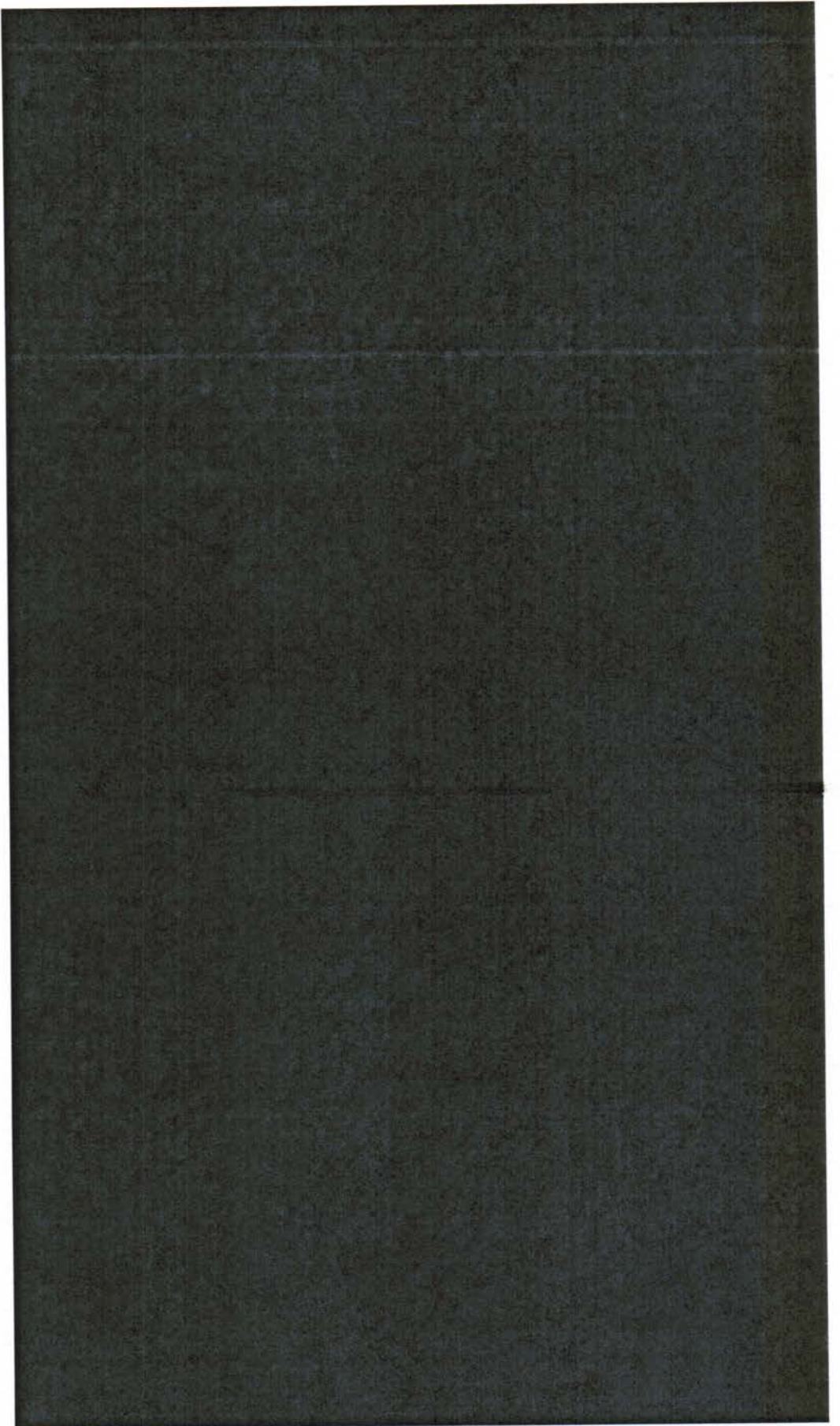


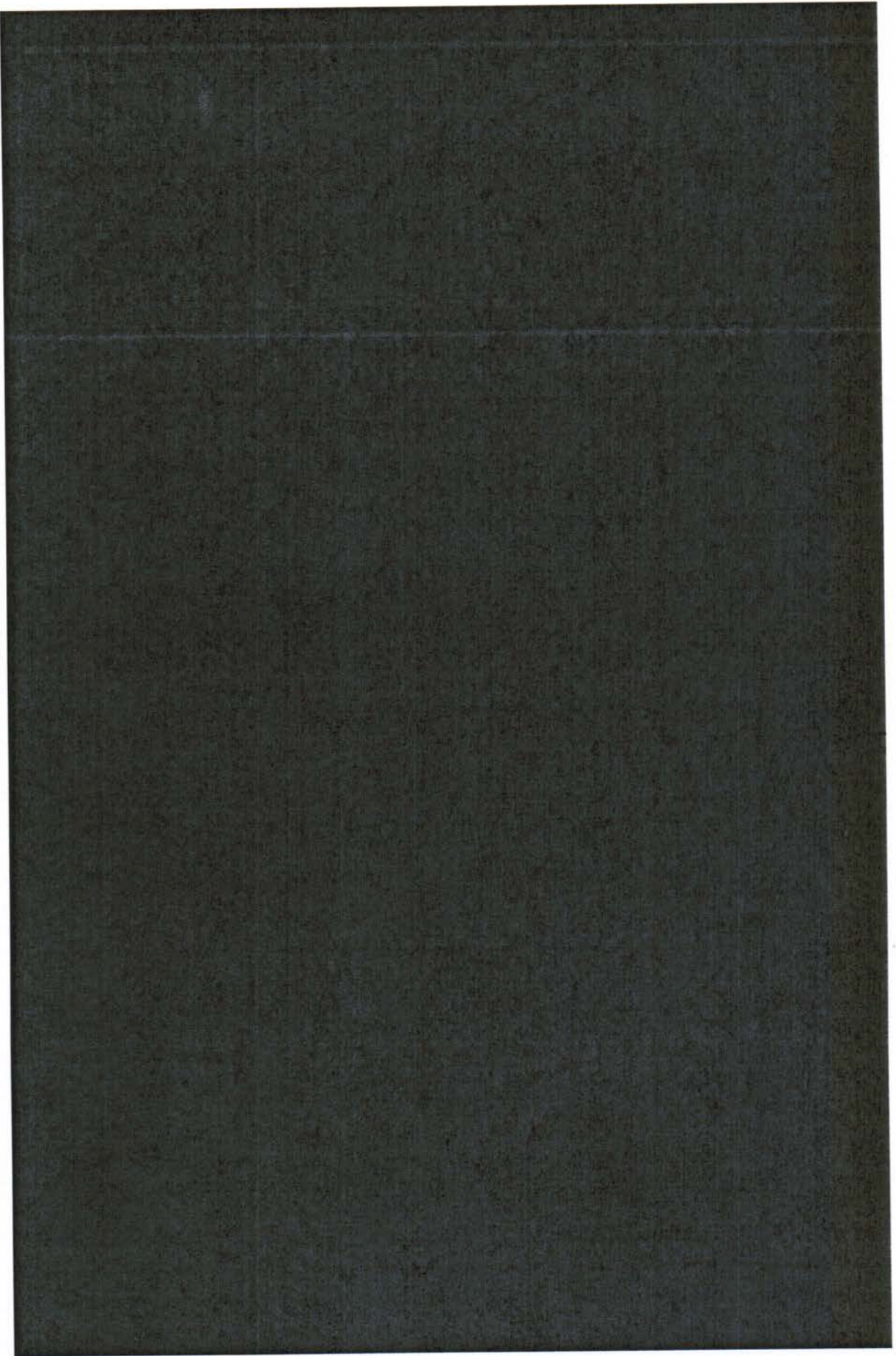












## Timeline for 2017 Premium Rates

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- May: AAC/CAC meetings to present proposed approach for 2017 rates
- June: A&FC to present funding forecast and finalize 2017 rate setting approach
- July: Discuss proposed preliminary rates with AAC/CAC
- August: Recommend 2017 rates to BoD and seek approval of Rate Framework (as required, based on selected approach)
- September: Communicate 2017 rates to employers and release of Economic Statement and Sufficiency Plan Update

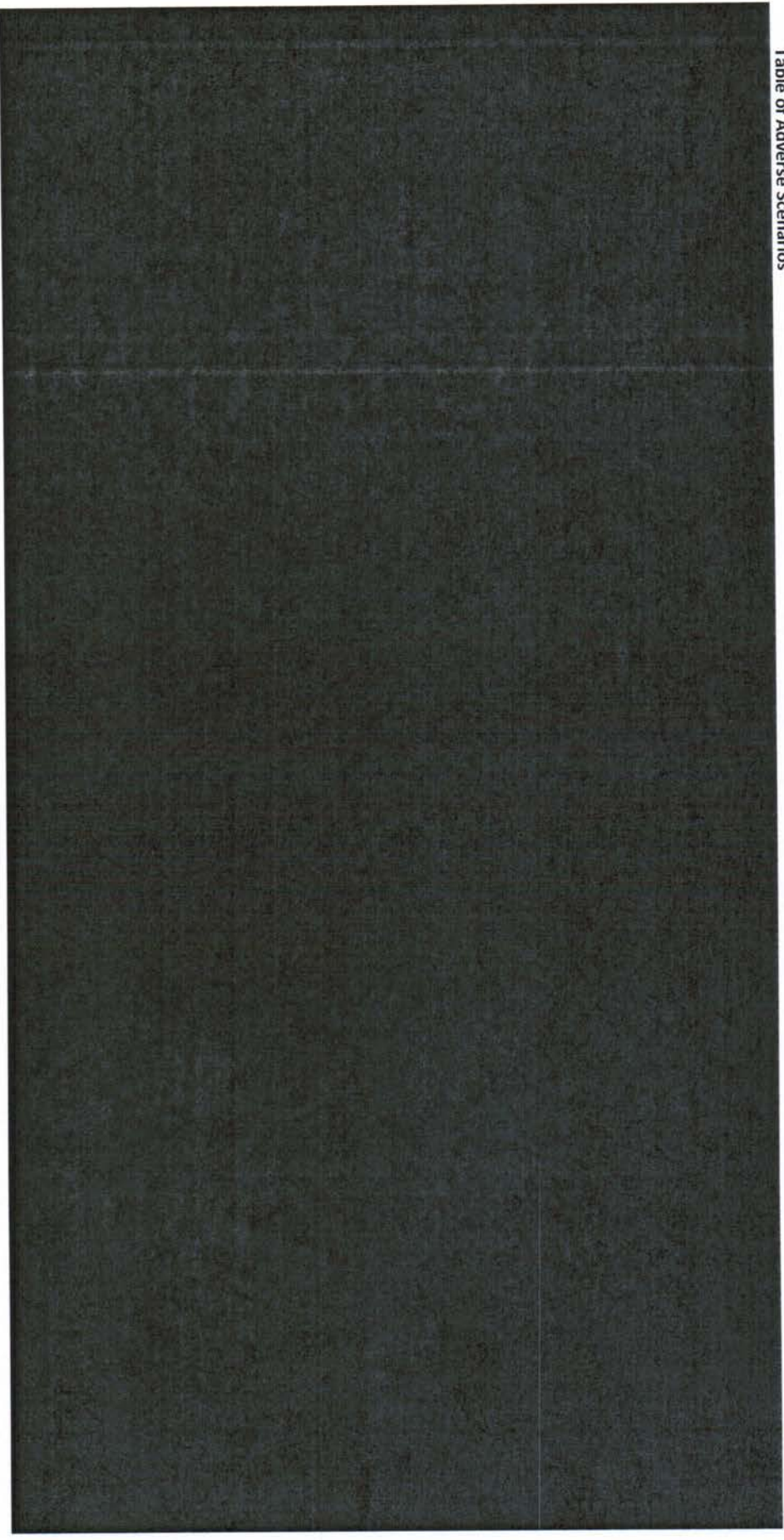


# Appendix

## 2017-2019 Rate Setting Strategy (cont'd) – Adverse Scenario Testing Description

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Table of Adverse Scenarios





## 2017-2019 Rate Setting Strategy (cont'd) – Adverse Scenario Testing Results

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