

2017 Premium Rate Strategy Discussion **Executive Committee**

April 4, 2016

2017-2019 Rate Setting Strategy

- A strategic rate setting plan should consider the following:
- Schedule 1 average rate
- Employer rates
- 3. Enabling smooth transition to the New Rate Framework

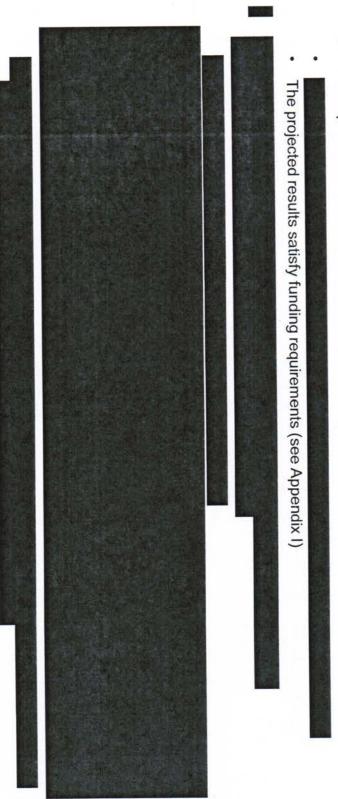
Key Guiding Principles

- Adhere to the Funding Policy
- As the Sufficiency Ratio improves, prudency 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
- 1 Communication and rate announcement to employers must be made in a timely manner



Background

- Actuarial analysis strongly suggests we plan for a reduction in 2017
- Most recent funding projections with updated assumptions confirmed that a 5%-10% rate reduction in 2017 would meet the funding target
- At present expect no additional reduction in 2018, followed by a significant reduction in 2019, when we plan to introduce the New Rate Framework





2017 Rate Setting Strategy for Employers

move towards the appropriate RF rate under each of the two proposed 2017 rate Framework (RF) basis as a means of counting the number of employers who would Analysis on the following slides compares the two approaches with the Rate implementation approaches



B. RG Rate Decrease Approach

- Establish the RG target rate:
- Reflect the proper New Claims Cost (NCC) based on past 6 years experience
- based on NCC of RG to Schedule 1 (traditional method) Allocate the admin expenses by 50% NCC and 50% insurable earnings and Past Claims Cost (PCC)
- Develop the proposed RG rate
- No RG rate increases
- Rate decreases for those RGs with good performance but limited to 15%
- Resulting overall Schedule 1 rate decrease about 5%
- All employers within a RG pay the same rate

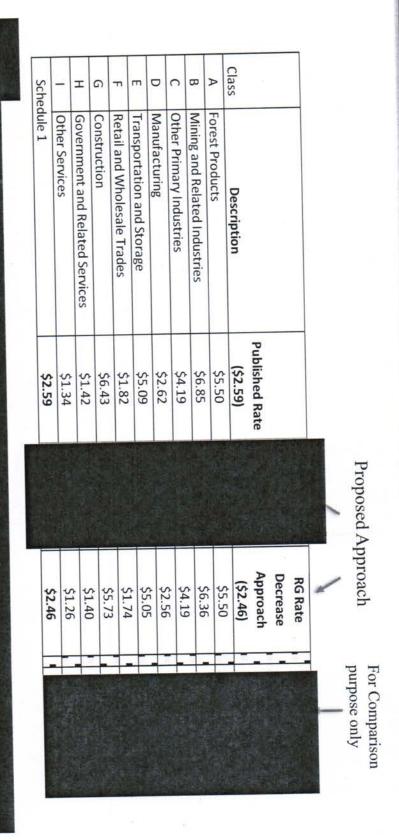


Distribution of # of firm changes by class and approach

		Proposed Approach	oach			For Comparison purpose omy
		RG	RG Rate Decrease Approach	ease Appr	oach	
		(con	(compared to Published Rates)	ublished	Rates)	りはこれを表現している。
			Firm Co	Firm Counts with		
		Rate	Rate	No		
7	Class Description	Increase	se Decrease	Change	Total	
Cidoo	Enract Products		48	1,148	1,196	
2	Mining and Belated Industries		341	494	835	
0	Willing and relaced measures		0	15,733	15,733	
, ,	Other Fillidy Illustries		5,620	17,715	23,335	图 图 框 源
1 0	Widiful accurring		607	14,619	15,226	
, ,	notesi and Wholesale Trades		33,104	19,579	52,683	
ד	Retail and Wildresare Haces		95,912	5,450	101,362	
: G	Construction		2,622	7,429	10,051	
. =	GOVERNING IN METACLE SCIENCES	0	49,515	19,561	69,076	
Cahadiil	Other Services		187,769	101,728	289,497	
T Sinnailoc	F	0.0%	% 64.9%	35.1%	100.0%	日本 日本 日本



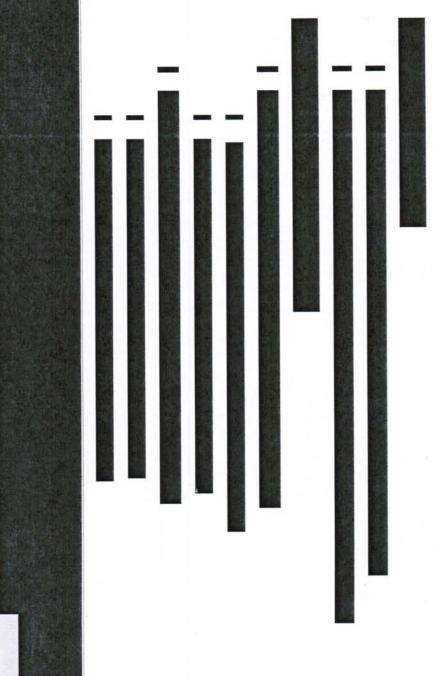
Comparison of Class Rates





Differing Employer Impacts

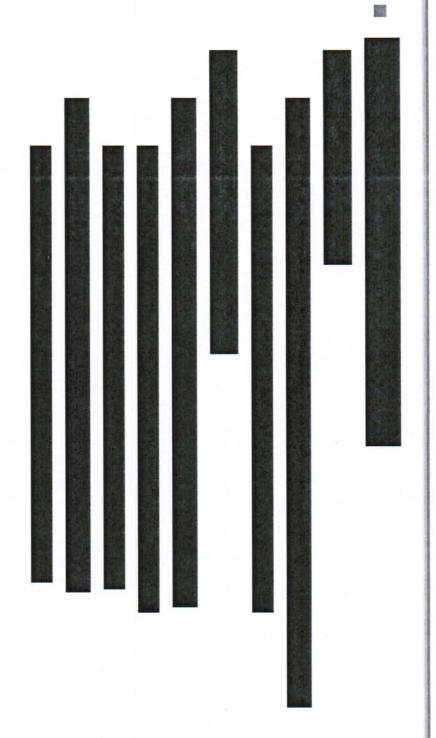
On a Schedule1 level basis





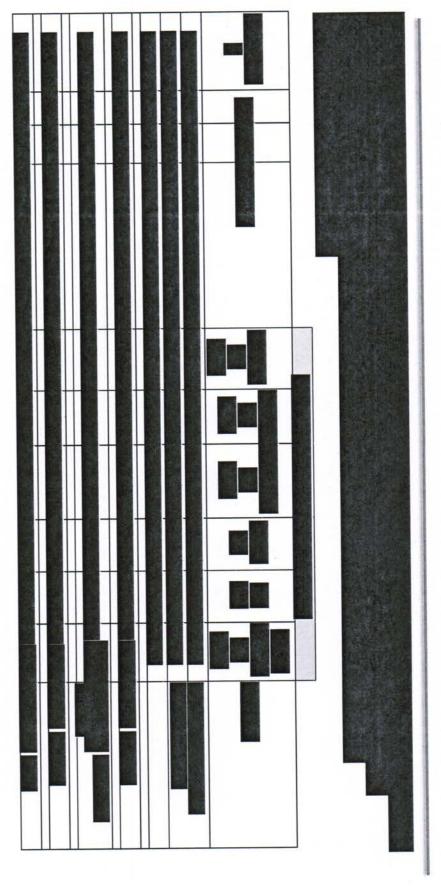


Differing Employer Impacts (cont'd)

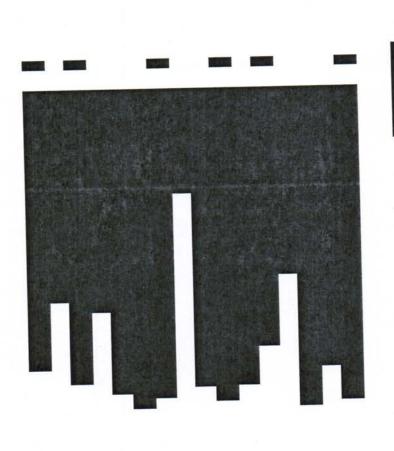




Examples of employers



Comparison of the Two Approaches



RG Rate Decreases (with no increases, max decrease 15%)



Reflects performance of RGs with modest decrease and no increase

Allows employers with poor performance to have rate decrease (31,000 firms) or no change in rate (55,000 firms)

Rate decreases for some RGs with good performance may be limited

Simple to understand and implement



Communication and Issues Management Considerations

- consistent with the 2015 Economic Statement: "...this may lead to reductions of between 10 premium rates in 2018 and possible further reduction in 2019 of ten per cent would be and 15 per cent over a five year period, starting in 2017." [Financial Post OP-ED, February The proposal to reduce premiums by five per cent in 2017, and potentially freeze but not reduce
- There is an expectation of rate reductions by employers.

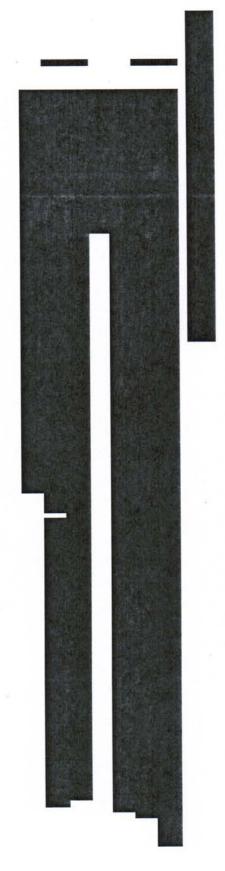


- conceived notion that there will be a rate reduction in every year. (2017, 2018 and 2019) A premium rate freeze in 2018 may be unwelcome by employers as they may have the pre-
- to launch the Ontario Registered Pension Plan (ORPP). The proposed 2018 rate freeze would happen on the year that has been chosen by the province
- enabling opponents of the government to characterize the lack of further rate reduction in that year as a broken political promise. The proposed 2018 rate freeze would also fall on an election year in Ontario, potentially



Communication and Issues Management Considerations (cont'd)

The following will also have to be considered



A rate group decrease (no increase & maximum of x% increase):

- Reflects performance of employers within the rate group.
- This would align more closely to the Rate Framework that reflects employers' performance.
- decrease in the rate groups that have 'no change'. There may be complaints that strong performing employers do not get the "deserved"
- There may be complaints that the reduction is limited.
- a maximum of 15 per cent decrease in premium rates for strong performing rate groups This scenario would see no premium rate increase for poor performing rate groups and up to



Timeline for 2017 Premium Rates

- May: AAC/CAC meetings to present proposed approach for 2017
- approach June: A&FC to present funding forecast and finalize 2017 rate setting
- July: Discuss proposed preliminary rates with AAC/CAC
- August: Recommend 2017 rates to BoD
- September: Communicate 2017 rates to employers and release of Economic Statement and Sufficiency Plan Update





Appendix

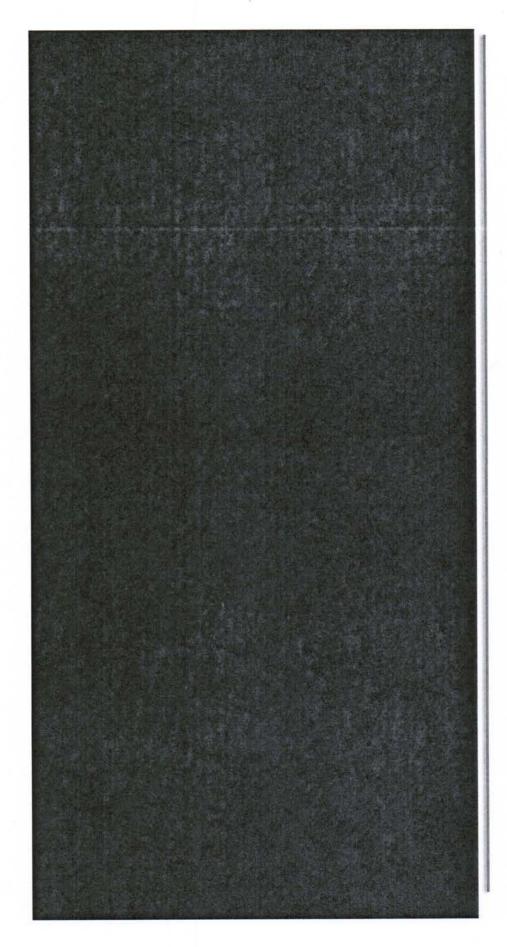
Funding Forecast: Comparison of Assumptions

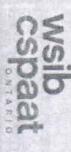
Key Assumptions	2015 Funding Base Assumptions (for 2016 rate setting)	2015 Economic Statement Assumptions	2016 Funding Base Assumptions (for 2017 rate setting)
Long Term Target Investment Rate	6.00%	5.25%	5.25%
Investment Returns	2015-2017: 3.5% 2018+: 5.5% Level equivalent rate of about 5.1%	2016-2019 : 3.5% 2020+ : 5.0% Level equivalent rate of about 4.5%	2016-2019 : 3.5% 2020+ : 5.25% Level equivalent rate of about 4.6%
Discount Rate	2015-2017: 4.75% 2018+: 5.25% Level equivalent rate of about 5.15%	4.75%	4.75%
Insurable Earnings Growth	2015: 1.7% 2016-2017: 3.0% 2018+: 2.5%	2016-2017: 2.5% 2018+: 2.0%	2016-2017: 2.5% 2018+: 2.0%
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 firefighter presumptive cancer legislation and proposed legislation for post traumatic stress disorder. 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,



Summary of Funding Forecast Scenarios





March 8 Discussion Employer's Rate Setting Options

