2017 Premium Rate Strategy Discussion
Executive Committee

April 18, 2016

2017 Rate Setting Strategy for Employers

- It was discussed at the last EC meeting (April 4) that the 'RG Rate Decrease Approach' would be the preferred approach for 2017 rate setting
  - RG Rate Decrease approach defines target rates for each RG based on the experience of all employers within the RG using the following criteria :
    - Traditional method of setting the UFL component (based on NCC)
    - 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; however, they will continue to be subject to our experience rating programs which will alter their final rates
- Based on the RG Rate Decrease Approach analysis (using 2016 rate basis), there will be certain rate groups that would not have a rate decrease.

[redacted]

[redacted]

Distribution of # of firm changes by class and approach

[redacted]

Recommended Approach

For Comparison purpose only

[redacted]

Class	Class Description	RG Rate Decrease Approach (compared to Published Rates) Firm Counts with Rate Increase	Rate Decrease	No Change	Total
A	Forest Products	0	48	1,148	1,196
B	Mining and Related Industries	0	341	494	835
C	Other Primary Industries	0	0	15,733	15,733
D	Manufacturing	0	5,620	17,715	23,335
E	Transportation and Storage	0	607	14,619	15,226
F	Retail and Wholesale Trades	0	33,104	19,579	52,683
G	Construction	0	95,912	5,450	101,362
H	Government and Related Services	0	2,622	7,429	10,051
I	Other Services	0	49,515	19,561	69,076
Schedule 1		**0**	**187,769**	**101,728**	**289,497**
		0.0%	64.9%	35.1%	100.0%

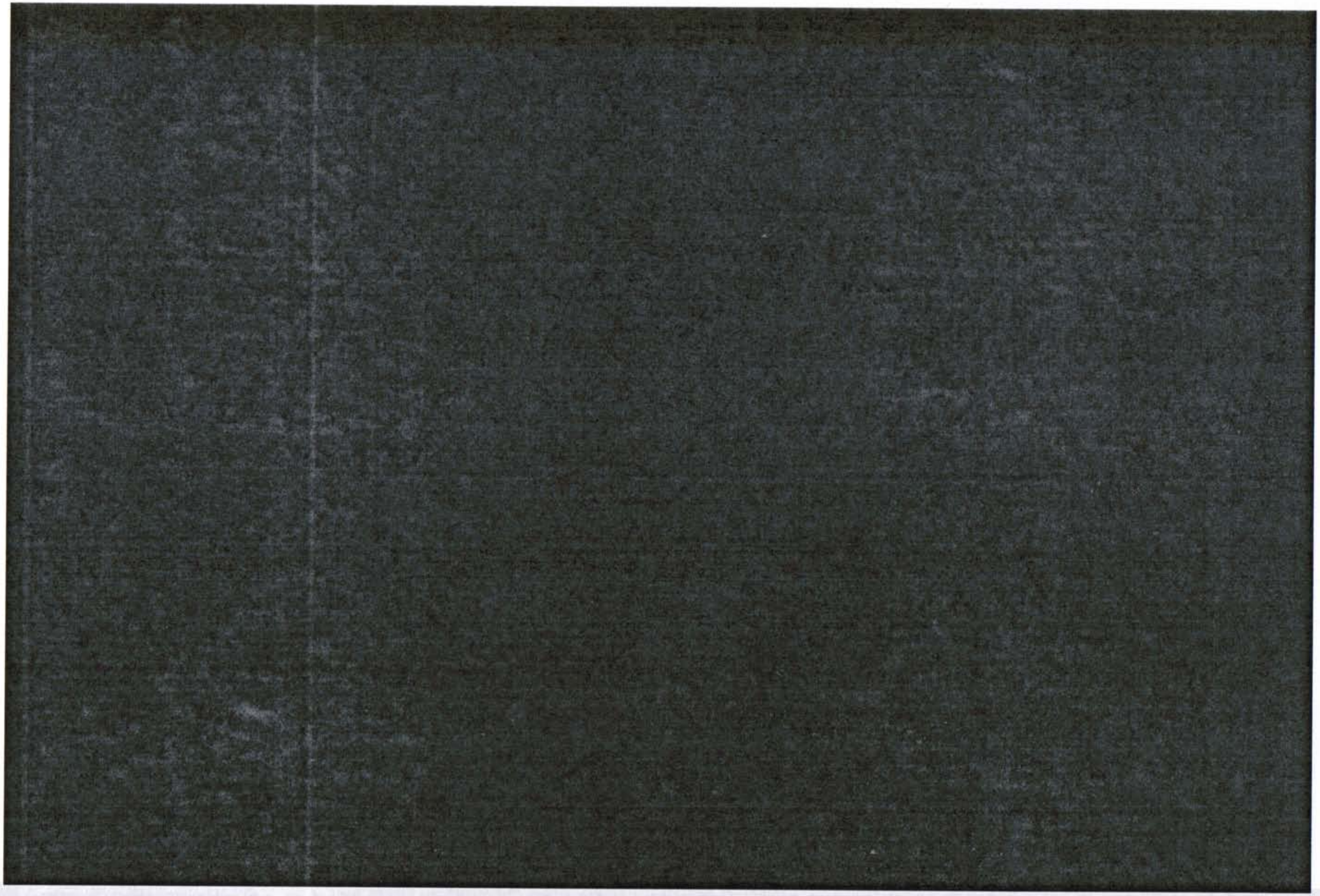
RG Rate Decrease Approach Analysis : RG and firms with no decrease

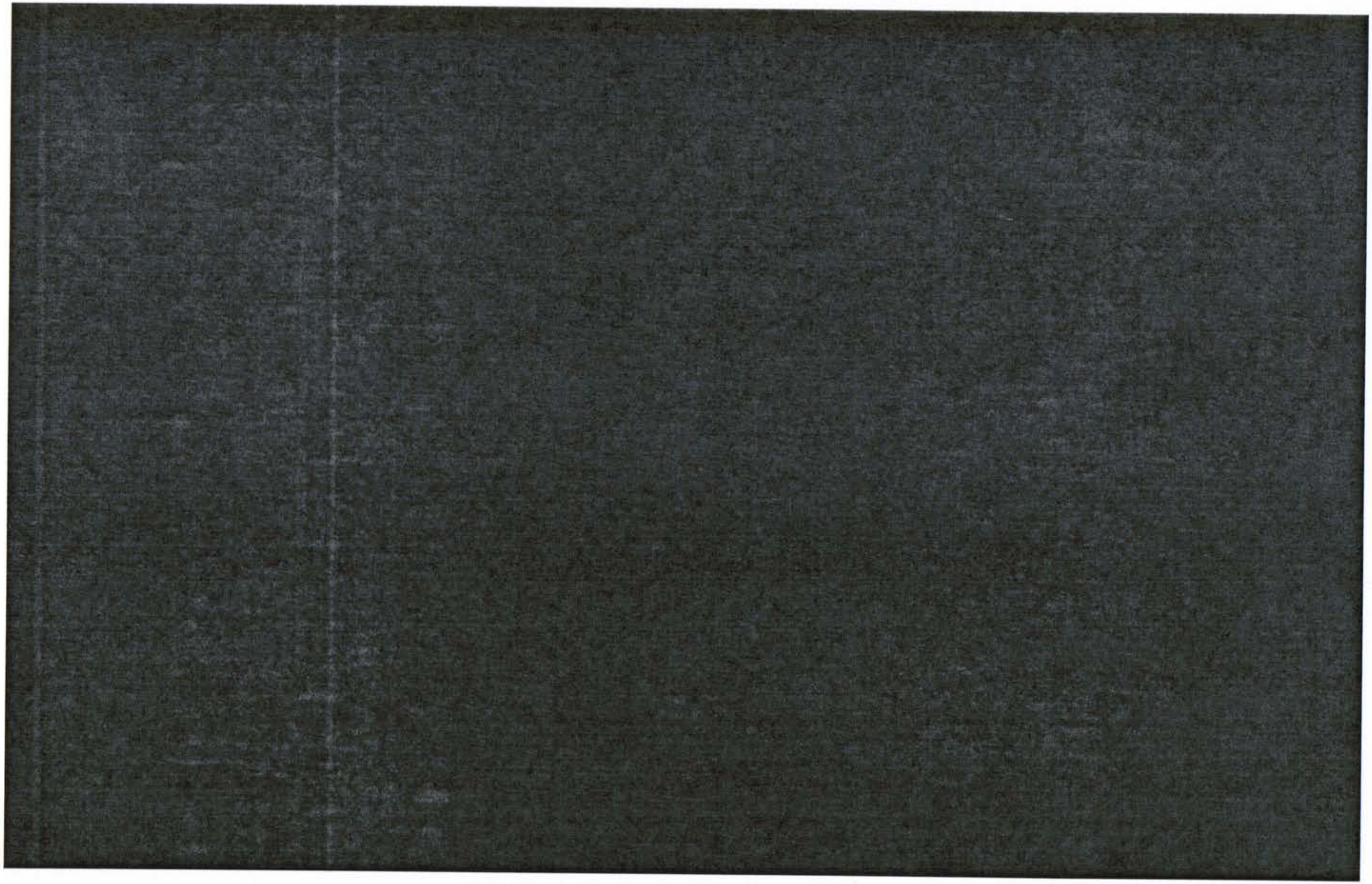
Class	Class Description	Profile		RG Rate Decrease Approach			
		# of RGs	Total # of Firms	# of RGs with no decrease	# of firms with no decrease	Percentage to Total # of Firms	[redacted]
A	Forest Products	5	1,196	4	1,148	96.0%	[redacted]
B	Mining and Related Industries	4	835	2	494	59.2%	[redacted]
C	Other Primary Industries	6	15,733	6	15,733	100.0%	[redacted]
D	Manufacturing	73	23,335	51	17,715	75.9%	[redacted]
E	Transportation and Storage	8	15,226	7	14,619	96.0%	[redacted]
F	Retail and Wholesale Trades	16	52,683	5	19,579	37.2%	[redacted]
G	Construction	13	101,362	1	5,450	5.4%	[redacted]
H	Government and Related Services	14	10,051	9	7,429	73.9%	[redacted]
I	Other Services	16	69,076	7	19,561	28.3%	[redacted]
Schedule 1		**155**	**289,497**	**92**	**101,728**	**35.1%**	[redacted]

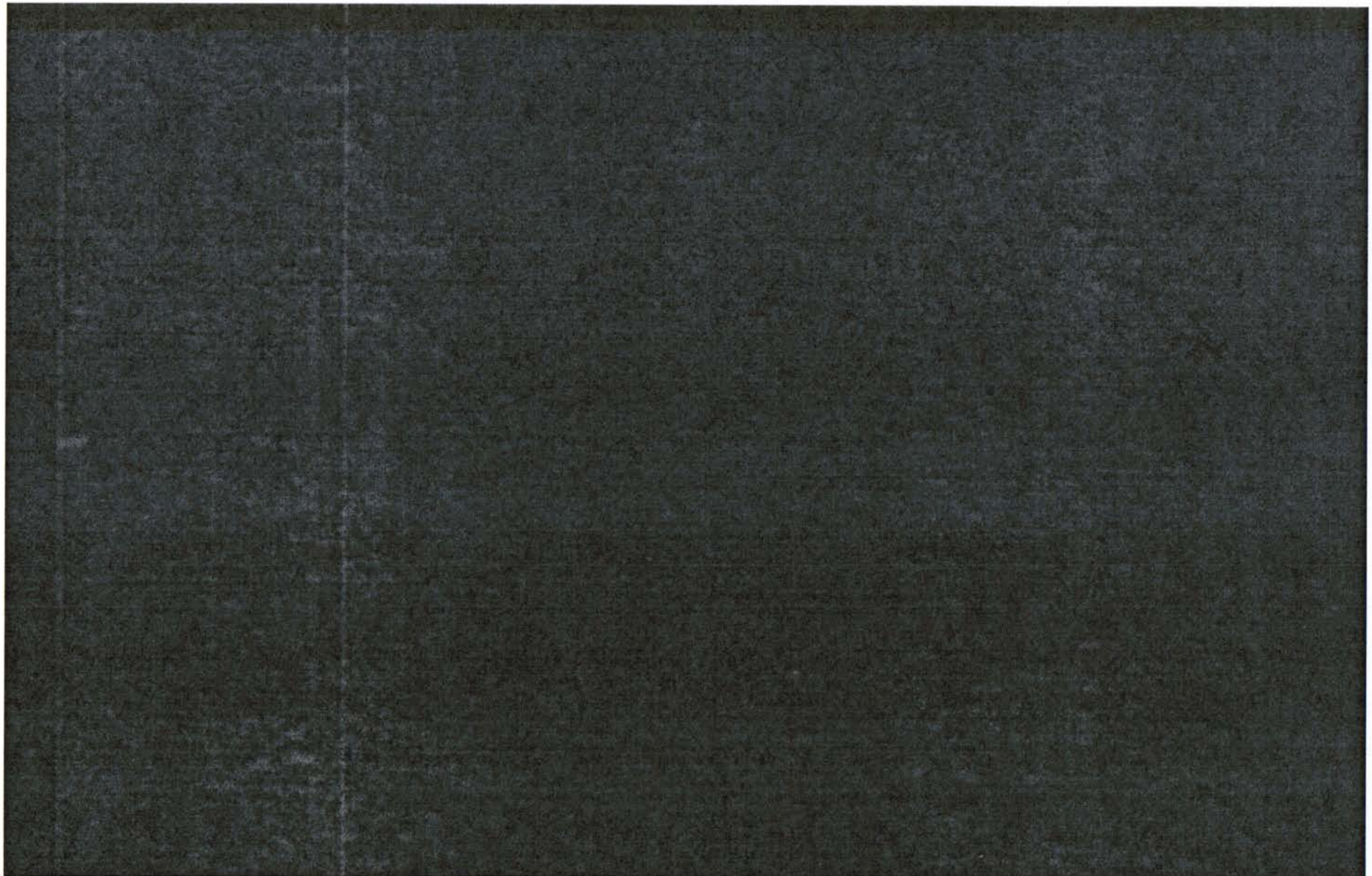
* The above analysis is based on 2016 Rates Information

- The one rate group that has no decrease in Construction is RG 755 'Non-Exempt Partners and Executive Officers'. It has a special rate (same rate as RG956) in the current classification scheme.
- For most of the RGs with no decrease, the revised allocation of UFL in the RG target rate approach is the main driver of the required increase

[redacted]







Possible Next Steps

- April – May : Prepare the 2017 Rate Group Rates
- May: AAC/CAC meetings to present proposed approach for 2017 rates
- June: BoD to present 2016 funding forecast and propose 2017 rate setting approach
- July/August: Discuss proposed 2017 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 (to be confirmed)

Communication & Issue Management Considerations

Communication and Issues Management Considerations

- The proposal to reduce premiums by *five per cent* in 2017, and *potentially freeze but not reduce* premium rates in 2018 and possible further reduction in 2019 of ten per cent would be consistent with the 2015 Economic Statement: *"...this may lead to reductions of between 10 and 15 per cent over a five year period, starting in 2017." [Financial Post OP-ED, February 2016]*

- There is an expectation of rate reductions by employers. The proposed approach of reducing rates in rate groups with good performance and no increase to rate groups that may require higher rates than current would be reasonable on an interim basis as a bridge to the new Rate Framework in 2019.

- A premium rate freeze in 2018 may be unwelcome by employers as they may have the pre-conceived notion that there will be a rate reduction in every year. (2017, 2018 and 2019)

- The proposed 2018 rate freeze would happen on the year that has been chosen by the province to launch the Ontario Registered Pension Plan (ORPP).

- The proposed 2018 rate freeze would also fall on an election year in Ontario, potentially enabling opponents of the government to characterize the lack of further rate reduction in that year as a broken political promise.

Communication and Issues Management Considerations (cont'd)

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.
- There may be complaints that strong performing employers do not get the "deserved" decrease in the rate groups that have 'no change'.
- There may be complaints that the reduction is limited.
- [redacted].

Appendix
(Some prior EC presentations material for reference purpose)

2017-2019 Rate Setting Strategy

- 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
- 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
  - 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
    - [redacted]
    - The projected results satisfy funding requirements (see Appendix I)
  - The 2017 reduction is to be implemented at the rate group level. Two options for consideration (March 8 discussion slide – see Appendix II):

[redacted]

[redacted]

[redacted]

Differing Employer Impacts

[redacted]

Differing Employer Impacts (cont'd)

[redacted]

Comparison of Class Rates

Proposed Approach

For Comparison purpose only

Class	Description	Published Rate ($2.59)	[redacted]	RG Rate Decrease Approach ($2.46)		[redacted]
A	Forest Products	$5.50	[redacted]	$5.50		[redacted]
B	Mining and Related Industries	$6.85	[redacted]	$6.36		[redacted]
C	Other Primary Industries	$4.19	[redacted]	$4.19		[redacted]
D	Manufacturing	$2.62	[redacted]	$2.56		[redacted]
E	Transportation and Storage	$5.09	[redacted]	$5.05		[redacted]
F	Retail and Wholesale Trades	$1.82	[redacted]	$1.74		[redacted]
G	Construction	$6.43	[redacted]	$5.73		[redacted]
H	Government and Related Services	$1.42	[redacted]	$1.40		[redacted]
I	Other Services	$1.34	[redacted]	$1.26		[redacted]
Schedule 1		**$2.59**	[redacted]	**$2.46**		[redacted]

[redacted]

Comparison of the Two Approaches

- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]

- RG Rate Decreases (with no increases, max decrease 15%)
  - [redacted]
  - 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)
  - [redacted]
  - Rate decreases for some RGs with good performance may be limited
  - Simple to understand and implement

March 8 Discussion Employer's Rate Setting Options

[redacted]