

**Board of Directors Meeting
August 18 2016**

2017 Premium Rates

Agenda

- Activities Leading to this Point
- Recap of June BOD Meeting
- 2017 Premium Rates – Final Recommendation
- Outlook 2018 and Beyond
- Communication Plan
- Appendices

Activities Leading to this Point

- June BoD meeting on Preliminary 2017 Premium Rate recommendation
- Actuarial Advisory Committee meeting in May to discuss rate strategies
- Developed the rate group rates with the recommended approach
- Discussion with the Chair's Advisory Committee on August 10
- Planning to develop a Communications Strategy

Recap of June Board of Directors Meeting

- Various Funding Scenarios were prepared reflecting the latest set of assumptions based on a 5% reduction in each of the next 3 years
 - The different scenarios enable us to test adequacy of the rate setting strategy before the Rate Framework is implemented in 2019 at the earliest
- Discussed 2017-2019 Rate Setting strategy with the following considerations :
 - Schedule 1 average rate
 - Employer rates
 - Enabling smooth transition to the New Rate Framework
- 2017 Rate Setting Strategy
 - It was concluded that The 'RG Rate Decrease Approach' was the preferred approach for 2017 rate setting (the Actuarial Advisory Committee has endorsed this approach)
 - It takes actual rate group experience into account i.e. is more consistent with the rate framework approach (although at RG level instead of individual employer)
 - Moves fewer employers requiring an increase away from their projected rate under the new rate framework

Recap of June Board of Directors Meeting (cont'd)

- Preliminary Recommendation for 2017 Rates
 - Overall Schedule 1 average rate reduction of 5%
 - Current Rate Group Approach
 - Rate Groups with good performance to receive rate reduction up to 14%
 - Other Rate Groups will have no rate change from 2016
 - Additional PTSD cost to be included in RG 845 Local Government Services and RG 590 Ambulance Services
- With the above approach, preliminary Schedule 1 Rate Components are as follows:

Premium Rate Component	2016	2017	% change
		(Proposed)	
New Claims Cost (NCC)	1.01	0.93	-7.9%
Overhead Expenses (WSIB Administrative & Legislative Obligations)	0.48	0.48	0.0%
Past Claims Cost	1.10	1.05	-4.5%
Total	2.59	2.46	-5.0%

Expected Gross Premium Revenues in 2017 (in \$'M) based on the proposed 2017 rate would be

New Claims Cost (NCC)	\$1,792
Overhead Expenses (WSIB Administrative & Legislative Obligations)	\$925
Past Claims Cost	\$2,024
Total	\$4,741

Note: Premium Rate shown before adjustment for Merit Adjusted Premium program

Proposed 2017 Premium Rates

Summary of the class rates and profile

- The following few slides provide :
 - Summary of class rates
 - Summary of rate group changes by class

Proposed 2017 Premium Rates – Comparison of class rates

Class	Description	2016 Published Rate (\$2.59)	RG Rate No Increase (except PTSD) and Decrease (up to 14%) (\$2.46)	% Change
A	Forest Products	\$5.50	\$5.51	0.2%
B	Mining and Related Industries	\$6.85	\$6.33	-7.6%
C	Other Primary Industries	\$4.19	\$4.15	-1.0%
D	Manufacturing	\$2.62	\$2.54	-3.1%
E	Transportation and Storage	\$5.09	\$5.05	-0.8%
F	Retail and Wholesale Trades	\$1.82	\$1.71	-6.0%
G	Construction	\$6.43	\$5.89	-8.4%
H	Government and Related Services	\$1.42	\$1.40	-1.4%
I	Other Services	\$1.34	\$1.21	-9.7%
Schedule 1		\$2.59	\$2.46	-5.0%

RG Rate Decrease Approach Analysis

Class	Class Description	Profile		RG Rate No Increase and Decrease Up to 14% Except PTSD											
		# of RGs	Total # of Firms	Up to 5% Decrease		5-10% Decrease		Over 10% Decrease		Unchanged		Increase Due to PTSD *			
				# of RGs	# of firms	# of RGs	# of firms	# of RGs	# of firms	# of RGs	# of firms	# of RGs	# of firms	# of RGs	# of firms
A	Forest Products	5	1,196	0	0	1	48	0	0	4	1,148				
B	Mining and Related Industries	4	835	1	260	1	437	1	81	1	57				
C	Other Primary Industries	6	15,733	0	0	1	293	0	0	5	15,440				
D	Manufacturing	73	23,335	13	2,706	5	1,880	6	1,612	49	17,137				
E	Transportation and Storage	8	15,226	0	0	0	0	1	607	6	14,589	1	30		
F	Retail and Wholesale Trades	16	52,683	2	2,296	6	28,567	3	3,827	5	17,993				
G	Construction	13	101,362	2	12,704	3	10,500	4	54,058	4	24,100				
H	Government and Related Services	14	10,051	3	2,729	1	1,498	3	888	6	4,282	1	654		
I	Other Services	16	69,076	3	3,898	2	31,784	8	24,661	3	8,733				
Schedule 1		155	289,497	24	24,593	20	75,007	26	85,734	83	103,479	2	684		

* RG 590 is in Class E and RG 845 is in class H. The increase is due to PTSD

Recommendation

- Recommendation for 2017:
 - Rate Group Rate Decrease Approach
 - Overall Schedule 1 average rate reduction of 5%
 - Current Rate Group Approach
 - Rate Groups with good performance to receive rate reduction up to 14%
 - Other Rate Groups will have no rate change from 2016
 - Additional PTSD cost to be included in RG 845 Local Government Services and RG 590 Ambulance Services

Observations and comments on Outlook for 2018 and Beyond

- The analysis led us to conclude that a 5% rate reduction in 2017 was affordable and sustainable:
 - Uncertainty arising from Brexit and the US election
 - At present possible adverse impacts not expected to be as severe as the “Extreme Adverse Scenario” modeled previously (results included in Appendix)
- We need to continue to monitor the economic environment in order to confirm the rate strategy beyond 2017

Communication Plan - 2017 Premium Rates

- **Communication products prepared include the following:**
 - House note, press release, web message, letters, and Q&A
 - Rate group-specific information sheets
- **Activities after 2017 rates are approved:**
 - Briefing with MOL/Minister's Office
 - Distribution of internal materials (CONNEX message and Staff Q&As)
 - Public Notice of 2017 Rates (Press release and web message issued) and Economic Statement to be released as part of AGM, planned to be on September 14th
 - Industry-specific technical sessions – TBD (September/October)

Appendix

2017 Maximum Insurable Earnings (MIE)

- The Workplace Safety and Insurance Act (“WSIA”) stipulates the maximum level of insurable earnings for both premium rate setting and claim payment purposes
- Section 54 of the WSIA stipulates that the MIE is limited to 175% of the average industrial wage for Ontario based upon the most recent published material available on July 1 by Statistics Canada.
- The formula in determining the Maximum Insurable Earnings Ceiling is: $\$([\text{average weekly industrial earnings}] \times 365) / 7 \times 1.75$
- In accordance with the WSIA, we have referred to the Statistics Canada publication released on June 30, 2016, which defines the average weekly industrial earnings in Ontario to be \$970.25.
- This results in MIE of \$88,500 for 2017, an increase of 0.6% from 2016

Funding Forecast Summary Results (June BOD)

Assumptions

Basis	NCC/\$100 IE	Indexation		Investment Returns		Discount Rate		Insurable Earnings Growth	
		Full	Partial	2015-2017	2018+	2015-2017	2018+	2015-2017	2018+
2014 Funding - Base (2015 Rates; last year)	\$1.11	2.00%	0.50%	3.50%	5.50%	5.00%	5.50%	3.4%(2014), 3.0%(2015-2017)	2.50%
2015 Funding - Base (2016 Rates)	\$1.01	2.00%	0.50%	3.50%	5.50%	4.75%	5.25%	1.7%(2015), 3.0%(2016-2017)	2.50%
2015 Funding - Extreme Adverse Scenario	+15%(2016) grade to normal 5 years (2021)	2.00%	0.50%	3.5%, -1%, -15%	5.50%	4.75%	5.25%	1.7%(2015), -15%(2016), 0%(2017-2019), 2.5% thereafter	

Results

Basis	Premium Rate					Sufficiency Ratio						
	2014	2015	2016	2017	2018+	2014	2015	2016	2017	2022	2027	
2014 Funding - Base (2015 Rates; last year)	\$2.46	\$2.46	\$2.46	\$2.46	\$2.46	66.8%	70.9%	75.0%	78.8%	99.1%	125.7%	
2015 Funding - Base (2016 Rates)	\$2.46	\$2.46	\$2.46	\$2.46	\$2.46	70.9%	76.0%	81.3%	86.5%	109.2%	138.8%	
2015 Funding - Extreme Adverse Scenario	\$2.46	\$2.46	\$2.46	\$2.46	\$2.46	70.9%	76.0%	79.2%	80.4%	77.8%	96.5%	

The exceptionally strong 2014 financial performance has led to an enhanced projected sufficiency position beginning in 2015. With sustained favourable results, 100% funding is achievable well in advance of the target date (year 2021).

Notes:

- Other adverse scenarios were also performed but the results did not appear to threaten achievement of the Sufficiency Targets.
- \$2.46 is the nominal average rate. Rate group premium rates remain unchanged from 2014, however average premium collected could be higher (in the range of \$2.53) if expected changes in industry mix materialize.
- In the extreme adverse scenario, rate increases would be needed to assure achievement of the funding requirements.

2017 Rates Due to Legislation Changes (June BOD)

- Premium Rate impact due to recent legislation changes :
 - In 2015 the rate for RG 845 (Local Government Services) was increased from \$2.24 to \$2.88 to take account of presumptive cancer legislation.
 - Presumptive PTSD Legislation for First Responders was introduced on April 6, 2016
 - Costing was done to estimate the annual cost and two-year retroactive cost based on the legislation
 - It is recommended that for pricing purposes we assume a lower impact than will be assumed for liability purposes
 - The Rate Groups that would be affected are :
 - RG 845: Government Services - includes police, firefighter etc. This represents about 88% of First Respondents population
 - RG 590 : Ambulance Services - includes paramedics. This represents about 12% of First Respondents population
 - Proposed cost impact to the Rate Groups would be :

Rate Group	2016 Rate	2017 Proposed Rate * (w/o PTSD)	PTSD Rate Impact	2017 Proposed Rate with PTSD	% Increase
590 in Class E	\$6.46	\$6.46	\$0.30	\$6.76	4.60%
845 in Class H	\$2.88	\$2.88	\$0.17	\$3.05	5.90%

* The proposed rate reflects the latest experience that these rate groups would not entitle a rate reduction

Rate Group 764: Homebuilding
 Premium Rate: \$7.83 per \$100 of insurable earnings

Schedule 1

Rate group premium rates have not changed in line with experience for over four years. Based on the 2016 Funding Projection, the BOD has approved the 2017 Premium Rates as follows:

- Overall Schedule 1 average rate reduction of 5%
- Rate Groups with good performance to receive a rate reduction up to 14%
- Other Rate Groups will have no rate change from 2016
- Additional PTSD cost to be included in RG 845 Local Government Services and RG 590 Ambulance Services

Total Premium Rate of your Rate Group

First, "target" premium rates were set for each rate group according to the traditional approach of reflecting their recent claims experience, a share of administration expenses and a share of the charge to reduce the unfunded liability. Then, the rules from the BOD decision were applied resulting in either a rate reduction or the rate being held at its 2016 level. Where the target rate has been limited, the unfunded liability charge is adjusted accordingly.

Your Rate Group's premium rate is comprised of three components shown in the table below:

- A. New Claims Cost – The expected future cost of your rate group's new claims for the year.
- B. Administration Expenses – Your rate group's share of the WSIB's operating costs and the legislated funding that goes to the Ministry of Labour, Ontario's Health and Safety Associations, and other organizations that serve Ontario workers and employers.
- C. Past Claims Cost – A charge required to eliminate the WSIB's unfunded liability.

2017 Premium Rate Components

	2016	2017	Percentage Change
A. New Claims Cost	2,851	2,780	-2.5%
B. Administration Expenses	1,049	1,079	2.9%
C. Past Claims Cost	5,200	3,971	-23.6%
D. Total Premium Rate	9.10	7.83	-13.9%

Your total premium rate has decreased due to:

- New Claims Cost shows your Rate Group's performance has been improving
- Past Claims Cost has decreased (lower allocation of past claims due to the lower new claims cost compared to previous year).