

## FTR Now

# An Update on WSIB Rate Framework Reform

**Date:** August 21, 2015

In March 2015, the Workplace Safety and Insurance Board (“WSIB”) released a preliminary Rate Framework (“Proposed Framework”) which, if adopted, would fundamentally change the way the WSIB classifies Schedule 1 employers and sets their premium rates (see our *FTR Now* of April 17, 2015 [“WSIB Rate Framework Reform: Stakeholder Input Invited”](#)). At the same time, the WSIB announced a consultation process to obtain stakeholder input on the Proposed Framework.

In this *FTR Now*, we provide you with an update of the recent developments in the Proposed Framework consultation process.

## CONSULTATION PERIOD EXTENDED

The deadline for submissions for stakeholders to submit written submissions to the WSIB has been extended from June 30, 2015 to October 2, 2015. The WSIB’s rationale for extending the consultation was the breadth of the Proposed Framework and the importance of stakeholder input. The WSIB states that this extension will not impact the overall consultation timeline.

## UPDATE THEMES IDENTIFIED IN STAKEHOLDER FEEDBACK

In July 2015, the [WSIB released a consultation update](#) identifying a number of themes from the stakeholder sessions. The WSIB invited all stakeholders to consider these themes in any further consultation submissions. The themes included the following:

- consider expanding the number of classes under the Proposed Framework to take into account risk and/or claims disparity;
- discontinuance of the Secondary Injury and Enhancement Fund (“SIEF”) is problematic. Some form of cost relief is required;
- Long Latency Occupational Disease claims costs should be excluded from individual employer experience or shared across Schedule 1;
- the proposed six year window should be amended to put less weight on the historic years of claims (e.g. 4-6 years) and more weight to the claims and insurable earnings experience in more recent years (e.g. most recent 2-3 years);
- create graduated risk band limits by linking the risk band change limitation to the predictability of the employer. This would suggest that large, predictable employers could see an increased risk band limitation of +/- 5 risk bands and smaller, less predictable

- employers could see a reduced risk band limitation of +/- 1 or 2 risk bands;
- institute a special surcharge mechanism for employers who are above the premium rate cap on a consistent basis; and
- provide more information on the specific rate group analysis so that employers can better understand how the Proposed Framework differs from the current system.

## STAKEHOLDER FEEDBACK INVITED ON INFORMATION

In response to feedback received from stakeholders, the WSIB has also provided the following new information to stakeholders to consider in their submissions on the Proposed Framework.

### RATE GROUP ANALYSIS

- Created in response to requests from stakeholders for information that would help them better understand how the Proposed Framework differs from the current system, the [Rate Group Analysis](#) provides an overview of each current rate group and, as stated by the WSIB:
- explains how employers within a specific rate group in the current classification structure might be classified in the proposed classification structure;
- identifies potential class and employer level target and actual premium rates under the Proposed Framework; and
- highlights target rates for each rate group in the current classification and rate setting system (e.g. the premium rate that the current rate groups ought to pay in the current system to better reflect their experience).

Each Rate Group Analysis also provides information relating to employer target premium rates and employer actual premium rates under the Proposed Framework as well as risk band movement.

### RISK DISPARITY ANALYSIS

Undertaken as part of the WSIB's consideration of whether the number of classes under the Proposed Framework should be expanded to account for different risk or claims experience within the proposed industry classes, the [Risk Disparity Analysis](#) considers whether expansion of the classes would produce improved outcomes and thus a different premium rate.

The Risk Disparity Analysis compared the risk profile of the proposed industry classes to the next level of the North American Industry Classification System ("NAICS") industry classes. In doing so, the WSIB reviewed the level of risk disparity within each class, balanced against the need for reliable and predictable industry classes to ensure the resulting premium rate does not bring premium rate volatility from one year to the next. As a result, the WSIB suggested a possible expansion of the number of industry classes from 22 to 32.

## NEXT STEPS

Employers now have an extended period of time to consider the information released by the WSIB and provide their critical stakeholder feedback.

Should your organization wish to make stakeholder submissions to the WSIB, we would be pleased to assist. In this regard, or for more information on the Proposed Framework, please contact [Jodi Gallagher Healy](#) at 519.931.5605, [Edward J. O'Dwyer](#) at 416.864.7483 or your [regular Hicks Morley lawyer](#).

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