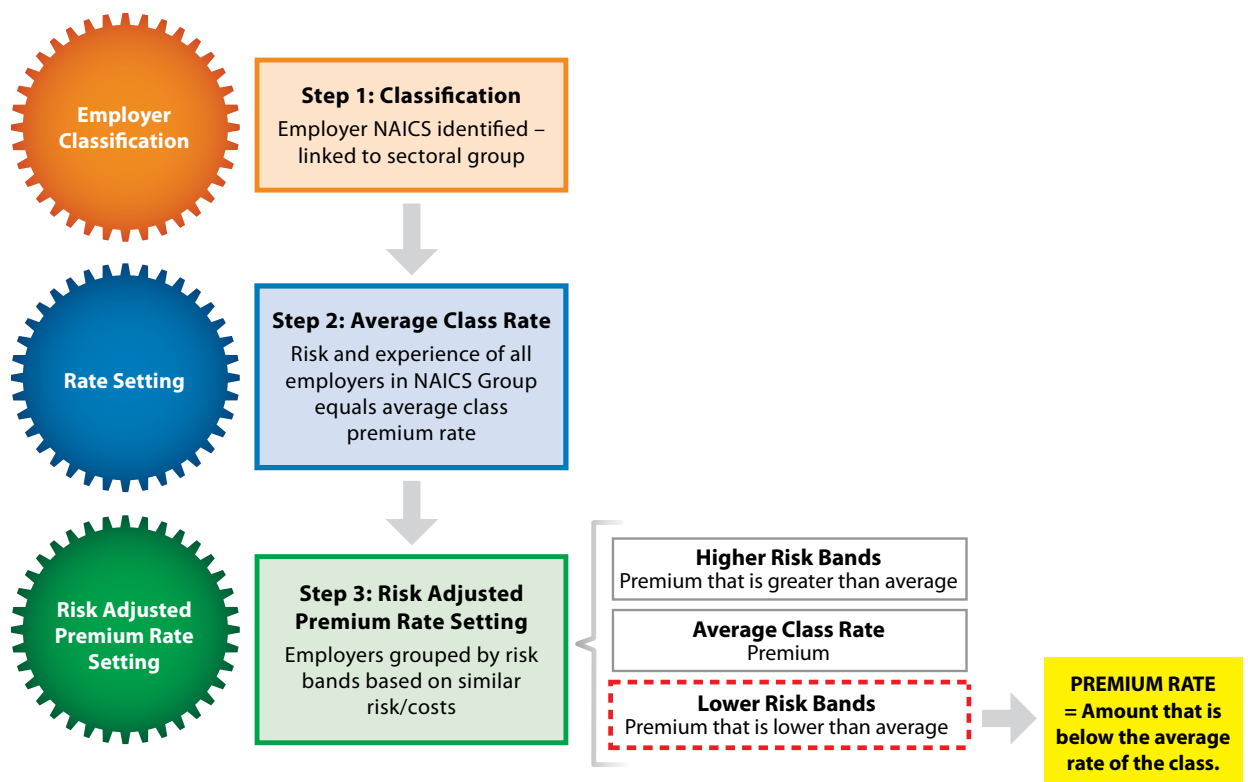


## SIX | SUMMARY OF RECOMMENDATIONS AND NEXT STEPS

I have provided what I refer to as a “conceptual framework” for a new integrated system of classification, rate-setting and experience-rating. In the actual design of a working model, there is a tremendous amount of work that has to be done by the WSIB. That work will involve technical analysis and modeling of design features, to ensure objectives are met and that undesirable outcomes do not also result. The transition to a new system will be a technical and administrative challenge for the WSIB. There will have to be extensive consultation with stakeholders who have a right to be assured that this is a secure and efficient system for raising the necessary funds.

I’ve provided an illustrative example below to show how an employer’s premium rate would be determined under the Rate Framework that I’m proposing:

**Figure 15: Illustrative Example (Schedule 1 employers)**



I opened the Report by revisiting the question of the need for change because some stakeholders were concerned that taking on this challenge of developing a whole new system would sidetrack the achievement of the real goal of getting to full funding. That is a legitimate concern and I agree full funding is the ultimate objective. However, in my discussions with stakeholders, reviewing the excellent reports that have been done and examining the systems of other jurisdictions I have concluded that a new rate setting framework will not detract from the goal of full funding. Rather, a new framework, that is transparent, fair and understandable will build confidence in the system, allocate costs appropriately, and support the WSIB as it fulfill each of its strategic transformation objectives.

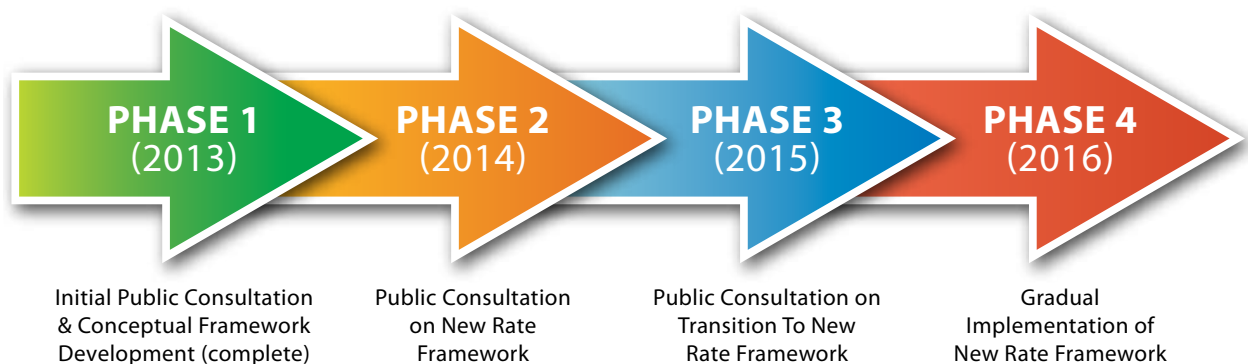
I have also found that there is considerable stakeholder support for a fresh look at these issues, considerable frustration with the existing system and a genuine interest in making the system work. The WSIB can build on some of that stakeholder enthusiasm. The framework I recommend is very different from the existing one. It is simple and transparent and once in place should be easier to administer. In developing a working model of the framework, the WSIB should provide stakeholders with examples of how it will apply them. There will be employers/sectors whose rates will go up and employers/sectors where rates will go down. However, it should be clear that, whatever those outcomes are, they are a reflection of the real costs those employer/sectors are generating.

I am cognizant of the legislative framework under which the WSIB operates. I have tried to limit my recommendations to changes that are within the mandate of the organization and do not require legislative change, though changes to regulations and to policies may be anticipated. However, others will make that determination.

I have highlighted recommendations throughout the body of the Report. In addition there are suggestions made in the text that should assist in putting together a working model from the conceptual framework. I share the sense of urgency expressed by some stakeholders. I would hope that these are recommendations that the WSIB is able to act on in a thoughtful but expeditious manner.

As outlined in the introduction, prior to moving towards implementation of a new Rate Framework, the WSIB will need to develop an approach and seek input from stakeholders for the phasing-in of a new system to ensure an orderly transition for Schedule 1 employers.

**Figure 16: Conceptual Transition Plan**



I recommend the WSIB introduce a transition process so that changes in premium rates are spread over a number of years to ensure a smoother process for employers. However, it is important to ensure that a balance is maintained between rate increases and decreases for this transition period. Otherwise, the WSIB will affect its revenue objectives and lead to further unfunded liability and deterioration of its funding position.

The WSIB could consider establishing a set of rules whereby premium rates would increase or decrease no more than a set percentage for each year of the transition period. This could provide a fair and equitable distribution of costs without disruption to a great degree to the current Schedule 1 employers. Before establishing this set of transitional rules, the WSIB has to have some sense of the extent of individual employer rate changes that will result from the new model.

As part of the transition phase, the WSIB would also need to determine the best approach and timing when abandoning the current experience rating programs and how it would coincide with the implementation of a new Rate Framework. This element of the transition would require a great deal of consideration and analysis to move from primarily retrospective programs to a prospective risk adjusted premium setting process in a fair and equitable manner.