

**Operational
Policy**Section
Employer ClassificationSubject
Transition to the Rate Framework

Policy

The rate framework is effective January 1, 2020. It is a new classification and premium rate setting model for Schedule 1 employers.

To transition employers to the new model, their business activities are transferred to the new classification structure and an initial prior year risk band is determined for them.

The initial prior year risk band is the starting point for employers in the new model, see 14-02-01, Employer Level Premium Rate Setting.

Purpose

The purpose of this policy is to outline:

- how employers' business activities are transferred to the new classification structure
- how an initial prior year risk band is determined for employers to place them into the new model
- the special risk band movement rules used to transition employers to the new model and set premium rates for 2020, 2021, 2022 and 2023
- how transition costs are funded by employers, and
- how the 2021 premium rate hold is applied to employers.

Guidelines

Classification

To transition to the new classification structure, each employer's business activity is classified in the 6-digit classification code that the WSIB determines best represents the business activity.

For each classification unit (CU) the employer was classified in before January 1, 2020, the employer's insurable earnings and claims experience is attributed to a 6-digit classification code. The WSIB selects the 6-digit classification code based on which one it determines best represents the employer's business activity in the CU.

Initial prior year risk band

The WSIB determines a net premium rate for each employer. This net premium rate takes into consideration their experience prior to the implementation of the new model. The net premium rate is then used to determine their initial prior year risk band and set their premium rate for 2020.

The method used to determine the net premium rate differs based on whether an employer received an experience rating adjustment in any of the 2016, 2017 or 2018 calendar years.

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An experience rating adjustment includes a MAP premium rate adjustment, NEER bulk issue rebate/surcharge and/or CAD-7 bulk issue rebate/surcharge.

Employer received an experience rating adjustment

If an employer received an experience rating adjustment, their total premiums charged in the 2016, 2017 and 2018 calendar years, with their bulk issue experience rating adjustments in those years factored in, are divided by the total premiums they would have been charged if they were not subject to an experience rating program. The result of that calculation produces a net premium ratio.

The net premium ratio is applied to the 2019 premium rate of the rate group an employer was classified in to produce the net premium rate.

If they were classified in multiple rate groups in 2019, the net premium ratio is applied to the 2019 premium rates of the rate groups. To produce the net premium rate, the resulting premium rates are then weighted.

NOTE

To ensure past claims costs (PCC) are appropriately considered when calculating the net premium rate, they are excluded from certain components of the calculation.

An employer that received a zero per cent MAP premium rate adjustment, zero dollar NEER bulk issue rebate/surcharge or zero dollar CAD-7 bulk issue rebate/surcharge is still considered to have received an experience rating adjustment for the purposes of this policy.

Employer did not receive an experience rating adjustment

If an employer did not receive an experience rating adjustment, their net premium rate is the 2019 premium rate of the rate group they were classified in.

If they were classified in multiple rate groups in 2019, the 2019 premium rates are weighted to produce the net premium rate.

New employers

Employers with coverage in Schedule 1 for less than 11 months in the review period are considered new employers, see 14-02-01, Employer Level Premium Rate Setting.

If a new employer registered with the WSIB before January 1, 2020, they are assigned an initial prior year risk band and a projected risk band. The projected risk band is the class risk band.

The new employer moves from their initial prior year risk band towards their projected risk band based on the special risk band movement rules described below.

Exceptional circumstances

To meet the objective of establishing an appropriate starting point for each employer in the new model, the WSIB may adjust the employer's net premium rate if the WSIB determines there are exceptional circumstances in a particular case.

Special risk band movement

Employers generally move a maximum of three risk bands each year from their prior year risk band towards their projected risk band, see 14-02-01, Employer Level Premium Rate Setting. However, for setting 2020, 2021, 2022, and 2023 premium rates only, special rules apply that supersede those rules. These special rules intend to smooth employers' transition to the new model by limiting premium rate increases and allowing greater premium rate decreases during the transition period.

2020: Employers move downward from their initial prior year risk band directly to their projected risk band, or no risk bands upward.

2021: Employers' 2020 premium rates are assigned to them in 2021, with limited exceptions. See the **2021 premium rate hold** section below.

2022: Employers move downward from their prior year risk band directly to their projected risk band, or a maximum of one risk band upward.

2023: Employers move downward from their prior year risk band directly to their projected risk band, or a maximum of two risk bands upward.

Transition costs

As part of the transition to the new model, annual transition costs are generated. Such costs are recovered from employers eligible for a premium rate decrease through an annual transition charge.

The transition charge is applied to an employer's projected and actual premium rates after their projected and actual risk bands have been determined.

The method the WSIB uses to calculate the transition charge ensures that employers who are eligible for a premium rate decrease before the transition charge is applied actually receive a premium rate decrease.

Temporary employment agencies (TEAs)

Special classification rules apply to TEAs, see 14-01-08, Temporary Employment Agencies. Due to those rules, it is necessary to apply special transition rules to TEAs, see 14-01-10, Temporary Employment Agencies Transition to the Rate Framework.

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Special transition rules apply to NPOs, see 14-01-11, Non-Profit Organizations Transition to the Rate Framework.

2021 premium rate hold

In response to the impact of the novel coronavirus (COVID-19) on the workers' compensation system, employers' 2020 premium rates are assigned to them in 2021, with limited exceptions. However, 2021 projected premium rates are still calculated in accordance with 14-02-01, Employer Level Premium Rate Setting.

If an employer's 2020 premium rate is revised in 2021 or beyond (e.g., due to a retroactive adjustment), the revised premium rate is also assigned to them in 2021.

New employers that first open in 2021 are assigned the 2020 class premium rate. This also applies to any premium rate setting classes to which TEAs begin supplying workers in 2021, see 14-01-10, Temporary Employment Agencies Transition to the Rate Framework.

Exceptions

Generally, the only exceptions to the premium rate hold occur in the following circumstances:

- It is not technically possible to maintain an employer's 2020 premium rate in 2021 (e.g., when two employers merge in 2021). In such cases, a 2021 premium rate is calculated based on 2020 (or earlier if necessary) premium rate(s), with necessary modifications based on the facts of the case.
- An employer's federally regulated status or eligibility for the mine rescue charge changes between 2020 and 2021. In such cases, the premium rate is revised in 2021 to reflect the change. However, the other elements of the premium rate are not revised.

Application date

This policy applies to all decisions made on or after January 1, 2021.

Policy review schedule

This policy will be reviewed within five years of the application date.

Document history

This document replaces 14-01-09 dated January 2, 2020.

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References

Legislative authority

Workplace Safety and Insurance Act, 1997, as amended
Section 83

O. Reg. 175/98

Minute

Administrative

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