Policy

The *Workplace Safety and Insurance Act, 1997* authorizes the WSIB to charge premiums to employers in Schedule 1 to maintain the insurance fund, which funds the benefits provided to injured workers and the costs of running the workers' compensation system.

The WSIB uses a two-step model to set premium rates for employers in Schedule 1 for the upcoming year.

Step 1 involves setting a class premium rate based on each class' share of responsibility for the costs generated to maintain the insurance fund.

Step 2 involves setting a risk adjusted premium rate for each employer based, in part, on how their risk and claims experience compares with the collective experience of their class.

The premium rate is expressed as a dollar amount per $100 of insurable earnings.

Purpose

The purpose of this policy is to outline how premium rates are set for each employer in Schedule 1 for the upcoming year.

Guidelines

Step 1: Class premium rates

Schedule 1 employers are assigned classes according to the WSIB's classification structure, ~~see~~ refer to 14-01-01, The Classification Structure and 14-01-07, Single and Multiple Premium Rates.

In some cases, employers are assigned subclasses. For the purpose of premium rate setting, each subclass is treated the same as a class. References to classes in this policy should be read as classes and subclasses.

The WSIB sets a class premium rate for each class for the upcoming year.

Step 2: Employer risk adjusted premium rates

The WSIB determines a premium rate for each employer based, in part, on how their individual claims experience and insurable earnings compares with the collective claims experience and insurable earnings of their class.

As part of this approach, each employer will annually receive an employer projected premium rate and an employer actual premium rate. The premium rate calculation methodology for both rates is essentially identical, except as noted in their definitions ~~below~~.

Employer projected premium rate: A premium rate that represents how much an employer should pay to fund their share of costs, as well as the collective costs of their class.

An employer will not necessarily pay their employer projected premium rate for the upcoming year. However, it provides them with an indication of the premium rate they are heading towards in subsequent years if their claims experience, insurable earnings and class experience remains relatively the same.

Employer actual premium rate: A premium rate that represents how much an employer will pay after taking into consideration: risk band limitations, previous year(s) premium rates, as well as the collective costs of their class. This is the premium rate that an employer will pay for the upcoming year.

Further details about certain premium rate setting features ~~components~~ included in this policy and others can be found in the Premium Rate Setting Administrative Practice Document.

Review period

The premium rate calculation methodology considers all of an employer's insurable earnings, claim count and the associated claim costs over the six year period before the year premium rates are set. The six year period is termed the review period and the year premium rates are set is termed the premium rate setting year.

The claim count refers to allowed claims with an accident date within the review period. The claim costs refer to the actual costs that are paid in respect of claims with an accident date falling within the review period.

In the premium rate setting year, premium rates for the upcoming year are calculated based on the information available as at the cut-off date.

The cut-off date may vary from year to year. However, it will typically fall between January 1 and May 31 of the premium rate setting year. The WSIB usually advises employers of the cut-off date when it issues their premium rates for the upcoming year. As a result, employers are generally informed of the cut-off date only after it has passed.

Actuarial predictability

The WSIB determines actuarial predictability (hereafter predictability) for each employer, which is a measure of the degree to which their past experience can be relied upon to predict future outcomes. An employer's predictability determines the extent to which their premium rate is affected by their individual experience. To determine an employer's predictability, their

insurable earnings and claim count over the review period are considered and a predictability value is calculated for them.

The predictability value is used to assign employers to a grouping on the predictability scale ~~illustrated below~~. Each grouping contains a range of predictability values and identifies the percentage of individual experience that will be considered.

Predictability scale

Predictability value range	<=2.5%	>2.5%, <=5%	>5%, <=10%	>10%, <=20%	>20%, <=30%	>30%, <=40%	>40%, <=50%	>50%, <=60%	>60%, <=70%	>70%, <=80%	>80%, <=90%	>90%
Predictability grouping	2.5%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

Percentage of individual and class experience considered

Predictability grouping	2.5%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Percentage of individual experience considered	2.5%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Percentage of class experience considered	97.5%	95%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%

Risk profile

The WSIB determines an adjusted risk profile for each employer. It is calculated using two components, employer risk profile and class risk profile.

1. The employer risk profile incorporates the employer's claim costs and insurable earnings over the review period and greater weight is placed on the three most recent years.

2. The class risk profile incorporates the weighted claim costs and insurable earnings of employers in the class.

The employer risk profile and class risk profile are weighted based on the employer's predictability grouping to produce their adjusted risk profile.

The employer's adjusted risk profile is compared with the class risk profile to produce the employer projected premium rate.

Risk bands
Within each class, a series of hierarchical divisions are established (termed risk bands) that represent different levels of risk in relation to the class risk profile. A premium rate is assigned to each risk band at approximately five per cent increments in premium rate.

Risk band movement
Generally, employers move a maximum of three risk bands each year from their prior year risk band towards their projected risk band, which contains their employer projected premium rate. As a result, employers may not reach their projected risk band in a given year. The prior year risk band is the risk band that contains the premium rate closest in value to the actual premium rate the employer was last assigned.

The risk band that an employer moves to is their actual risk band, which contains their employer actual premium rate.

In the first year of the rate framework, an initial prior year risk band is determined for certain employers.

Risk band limits
Employers are assigned a risk band limit based on their predictability grouping that generally limits how much their premium rate may move above the class premium rate, which is assigned to the class risk band.

Employers assigned a predictability grouping of:
- 2.5% will not move more than six risk bands above the class risk band~~,~~
- 5% will not move more than nine risk bands above the class risk band~~,~~
- 10% will not move more than 14 risk bands above the class risk band, and
- 20% to 100% will not move more than 23 risk bands above the class risk band.

Additional considerations
Minimum premium rate
On an annual basis, the WSIB determines the minimum premium rate that employers will be charged. This is to ensure all employers pay a minimum share of the costs necessary to maintain the insurance fund.

Claims excluded from the risk adjusted premium rate calculation
When calculating an employer's risk adjusted premium rate, the following claims are excluded from their claims experience:
- Claims with a date of accident before the oldest year in the review period.
- Claims arising from the following long-latency conditions and diseases:
  - Acquired Immune Deficiency Syndrome (AIDS)
  - carcinoma

- chest diseases due to aluminum and cadmium exposure
- chronic noise exposure
- chronic obstructive lung disease
- pneumoconiosis due to asbestos, silica, talc, hard metal (cobalt) and other mineral dust, and
- scleroderma.

Per claim cost limit

A per claim cost limit is assigned to each employer based on their predictability grouping.

The per claim cost limit is applied to each claim in the review period and is re-determined each year based on the employer's predictability grouping.

The costs of a claim may be apportioned between employers, ~~see~~ refer to 14-05-01, Transfer of Costs. In such cases, the per claim cost limit applies for each employer.

Per claim cost limits

Predictability grouping	2.5%	5%	10% & 20%	30% & 40%	50% & 60%	70% & 80%	90% & 100%
Per claim cost limit	0.25 X maximum insurable earnings of injury year	0.5 X maximum insurable earnings of injury year	1.0 X maximum insurable earnings of injury year	2.0 X maximum insurable earnings of injury year	4.0 X maximum insurable earnings of injury year	5.0 X maximum insurable earnings of injury year	7.0 X maximum insurable earnings of injury year

Traumatic fatalities

In the year of a work-related traumatic fatality claim, a fixed claim cost equivalent to the average cost of traumatic fatalities across Schedule 1 (based on a six year rolling average) is added to the employer's experience record. The fixed claim cost replaces the actual costs of the claim and is subject to the employer's claim cost limit.

A work-related traumatic fatality claim is an allowed claim for a worker who died of a work-related traumatic incident.

Cost relief

All approved cost relief is taken into consideration, ~~see~~ refer to 14-05-03, Second Injury and Enhancement Fund (SIEF), 14-05-01, Transfer of Costs, 14-05-02, Removal of Costs, and 15-01-06, Third Party Motor Vehicle Accident Claim Costs.

Mechanism for greater employer accountability

The WSIB will identify employers with poor experience relative to their class and engage with them to support health and safety and return to work efforts. If they do not demonstrate

improvement, the WSIB may hold them more accountable for their experience by adjusting their risk band movement limit and/or risk band limit ~~based on the steps below~~.

For the purpose of this mechanism, an employer has poor experience relative to their class if:

- their projected risk band is greater than their risk band limit identified in ~~the~~ "Risk band limits" ~~section above~~, or
- they exhibit a difference between their projected risk band and their actual risk band that is greater than 20 risk bands, regardless of their predictability grouping.

Year 1-2 – Health and safety engagement: The WSIB engages with the employer and provides them with resources and other supports that may be required.

Year 3 – Risk band adjustments: Following the health and safety engagement, if the employer does not demonstrate improvement, their risk band movement limit and/or risk band limit may be adjusted, which would result in greater premium rate increases.
If Year 1-2 health and safety engagement with the employer has occurred in previous years, the WSIB may proceed with Year 3 risk band adjustments without conducting additional health and safety engagement.

The WSIB may determine that, in certain exceptional circumstances, it is not appropriate to adjust an employer's risk band movement limit and/or risk band limit, even if they meet the criteria for poor performance ~~outlined above~~.

Single and multiple premium rates

Generally, an employer is assigned a single premium rate. However, in certain circumstances they may be assigned multiple premium rates, ~~see~~ refer to 14-01-07, Single and Multiple Premium Rates.

If an employer is assigned multiple premium rates, each component of their operations is treated like a separate employer for premium rate setting purposes (i.e., a separate predictability grouping, adjusted risk profile etc. is calculated for each component).

New employers

Employers with coverage in Schedule 1 for less than 11 months in the review period are considered new employers. New employers are assigned the class premium rate.

For the purpose of the 11 month threshold only, an employer is considered to have continuous coverage from the day after their first business activity start date.

Exception

An employer in Schedule 2 may transfer to Schedule 1, ~~see~~ refer to 12-01-02, Employer by Application. Upon their transfer to Schedule 1 they are considered a new employer. However, instead of automatically being assigned the class premium rate, an employer projected

premium rate is calculated for them. It is based on their claims experience and insurable earnings in Schedule 2 over a six year review period. They are assigned that premium rate, which is not subject to risk band limits, until they are no longer considered a new employer.

Premium rate adjustments

Generally, an employer's premium rate for the **upcoming year** is not adjusted based on changes to the information used to calculate the premium rate or other changes that occur after the cut-off date in the premium rate setting year. However, there are certain circumstances when the WSIB may make adjustments. For example, refer to "Predominant class change" and 14-01-06, Associated Employers.

Generally, an employer's premium rate for the **current year**, or for **prior years**, is not adjusted based on changes to the information used to calculate the premium rate or other changes. However, there are certain circumstances when the WSIB may make adjustments. For example, refer to "Deleting or changing an existing six-digit classification code" and 14-02-06, Employer Premium Adjustments. When current year or prior year adjustments are made after the cut-off date in the premium rate setting year, the premium rate for the upcoming year may also be adjusted.

Predominant class change

~~As part of the annual premium rate setting process, a~~An employer's predominant class may change for the upcoming year due to insurable earnings changes, including due to insurable earnings changes that occur after the cut-off date for premium rate setting. In such cases, an adjusted prior year risk band is determined to calculate their premium rate for the upcoming year.

If a risk adjusted premium rate has already been calculated for the employer, the adjusted prior year risk band is the risk band in the new predominant class that contains the premium rate closest in value to the actual premium rate they were last assigned.

If a risk adjusted premium rate has not already been calculated for the employer (i.e., they are a new employer assigned the class premium rate), the adjusted prior year risk band is the class risk band of the new predominant class.

Deleting or changing an existing ~~6~~six-digit classification code

If an employer discontinues or changes a business activity, the WSIB may delete or change a ~~6~~six-digit classification code they are classified in and assign them to a new class or predominant class (if applicable), ~~see~~ refer to 14-01-07, Single and Multiple Premium Rates.

In such cases, their current year premium rate is re-calculated in the new class or predominant class.

To re-calculate the current year premium rate, the employer is treated as if their predominant class changed when their premium rate was originally calculated for the current year. ~~(see~~ refer to ~~the~~ "Predominant class change" ~~section above)~~. They then move a maximum of three risk bands towards their projected risk band in the new class or predominant class.

The recalculated premium rate is assigned from the effective date of the discontinuance or change onwards.

Associated employers

The WSIB may determine that two or more employers are associated and their operations are treated as if they are carried out by a single employer for the purposes of classification and premium rate setting, ~~see~~ refer to 14-01-06, Associated Employers.

Provisional insurable earnings

In certain circumstances, the WSIB may apply provisional insurable earnings to an employer (e.g., if they fail to report their actual insurable earnings). If provisional insurable earnings are applied to one or more reporting period(s) in one or more years in the review period, they may experience upward risk band movement. However, they may not experience downward risk band movement until they become compliant.

Legislated obligations

A charge to fund legislated obligations is removed from federally regulated employers.

If an employer is federally regulated, they must apply to the WSIB to have the charge removed.

Mine rescue funding

A charge to fund mine rescue is applied to all employers that engage in a business activity classified in specific ~~6~~six-digit classification codes that fall under Class B, Mining, quarrying and oil and gas extraction.

Non-exempt partners and executive officers (EOs) in construction

Employers with a non-exempt partners or EOs in construction ~~6~~six-digit classification code are assigned a separate premium rate for that component of their operations.

The premium rate is calculated for the upcoming year based on the collective experience of all non-exempt partners and EOs in construction. As a result, the same premium rate is assigned to all non-exempt partners and EOs in construction each year.

~~**Premium rate adjustments**~~
~~Under certain circumstances, the WSIB may retroactively adjust an employer's premium rate for a given year(s), see 14-02-06, Employer Premium Adjustments.~~

Application date

This policy applies to all decisions made on or after January 1, 2027~~3~~.

Document history

This document replaces 14-02-01 dated- January 3, 2023~~March 9, 2021~~.

This document was previously published as:
14-02-01 dated March 9, 2021
14-02-01 dated January 2, 2020.

References

Legislative authority

Workplace Safety and Insurance Act, 1997~~, as amended~~
Section 81, 81.1, 82, 83, 87, 88, 95, 96, 96.1, 96.2, 96.3, 97-100

Ontario Regulation 141/12
~~*O. Reg 141/12*~~

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