

POLICY NUMBER: POL-23

**Chapter:
EMPLOYER SERVICES**

**Subject:
SETTING ASSESSMENT RATES**

**Effective Date:
November 15, 1994**

**Last Update:
September 26, 2016**

PURPOSE STATEMENT:

The purpose of this policy is to explain how the Workers Compensation Board sets assessment rates for employers.

REFERENCE:

Workers Compensation Act R.S.P.E.I.1988, Cap. W-7.1, Sections 63, 65.
Workers Compensation Board Policy, POL-42, Employer Classification.

DEFINITION:

In this policy

“Assessment rates” means the schedule of rates established, by the Workers Compensation Board, each year levied upon employer payrolls.

“Injury cost experience” means the ratio of weighted claims cost experience to assessable payroll over the five year experience period examined for purposes of setting assessment rates.

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POLICY:

General

1. The objective of the Workers Compensation Board assessment rate setting system is to establish overall assessment rates based on objectives including:
 - a system which balances responsiveness and stability;
 - a system which is understandable;
 - a system which is manageable.
2. The assessment rate setting system must generate sufficient revenue, through assessment rates charged to employers, to cover the estimated total revenue requirements for the respective assessment year.

Average Rate

3. An average rate will be calculated based on the projected total annual revenue required and the projected total payroll to be reported for the respective assessment year.
4. The projected total annual revenue required may include:
 - full cost of new accidents including all projected future costs for these accidents;
 - direct and indirect administrative costs;
 - cost of any other Workers Compensation Board approved programs or activities;
 - the cost of annual deficit recovery.
5. The projected total payroll for an assessment year represents an estimate of payroll to be reported by employers who are registered and assigned to a Rate Group as outlined in Workers Compensation Board policy, POL-42, "Employer Classification."

Group Rates

6. A rate will be calculated for each Rate Group.
7. The projected total revenue requirement will be distributed across Rate Groups based on injury cost experience. The average rate will be adjusted up or down, for the Rate Group, depending on whether the respective group's experience is better or worse than

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the consolidated experience of all Rate Groups.

8. Factors to be considered when adjusting the average rate for respective Rate Groups include:
- projected total revenue required from the Rate Group based on injury cost experience;
 - maximum annual increase and maximum annual decrease limits.

Annual Monitoring of Rate Group Assignment

9. Each year, as part of the rate setting process, the Workers Compensation Board will examine the injury experience of each Industry Group, as defined in Workers Compensation Board Policy, POL-42, "Employer Classification," and identify Industry Groups which have injury experience that is significantly different from the injury cost experience of their current Rate Group. The Workers Compensation Board may assign these Industry Groups to a new Rate Group within their Class.

Experience Rating System and Experience Rates

10. The objective of the Workers Compensation Board Experience Rating System is to increase the accountability of employers for their individual claim costs, while providing an incentive for employers to implement prevention and return to work programs.
11. Participation in the Experience Rating System will be based on eligibility criteria and will be mandatory for employers who meet such criteria.

Employers who do not meet the eligibility criteria for participation will be assessed at the Rate Group.

12. The basic principle of the Experience Rating System will be a comparison between an individual employer's historical injury cost experience and the historical injury cost experience of the respective employer's Rate Group.

An experience rate will be calculated for each participating employer. The Group Rate will be adjusted up or down, for the individual employer, depending on whether the respective employer's experience is better or worse than that of the Group Rate.

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13. To the extent possible, the Experience Rating System will be revenue neutral within the Rate Group. Increases in rates will be approximately equal to reductions in rates.

Notification of Rate

14. Employers will be notified of their individual rate for the assessment year once rate setting calculations have been completed and the annual average assessment rate has been approved by the Board of Directors.
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HISTORY:

September 2016 - Non-substantive changes. Reviewed by Chief Executive Officer and Director; no other revisions required.

December 16, 2010 - Amended to reflect changes to the Workers Compensation Board classification system. The amended policy was approved on December 16, 2010 with an effective date of January 1, 2011.

June 22, 2006 - The policy was updated as a result of the 60 month policy review process. As part of this review the name of the policy was changed from "Rate Setting Structure" to "Setting Assessment Rates".

May 18, 2000 - Replaced "Board" with "Workers Compensation Board" and amended format.

February 4, 1999 - Reviewed and reaffirmed with the Board of Directors.

Board of Directors Approval Date: November 15, 1994