



Experience Rating Program

Participant Guide

The purpose of the Experience Rating Program Participant Guide is to describe the benefits of participation for Island employers and to explain how experience factors into the calculation of assessment rates.

For more information about WCB programs and services, visit our website www.wcb.pe.ca, or contact us at 1-800-237-5049 (toll free in Atlantic Canada).

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Overview

The Experience Rating Program offers a financial incentive to you as an employer. If you invest in injury prevention and return to work programs, you will also have a safer workplace with fewer work injuries and less lost time at work. As a result, you may lower your Workers Compensation Board (WCB) costs.

The Experience Rating Program spreads the costs of workers compensation fairly across employers within each rate group. We use your business's experience, or history of claims, to determine your rate. If you are an employer with a lower cost of claims than other employers in your industry, you receive a discount on your rate. If you have a higher cost of claims, your rates are higher.

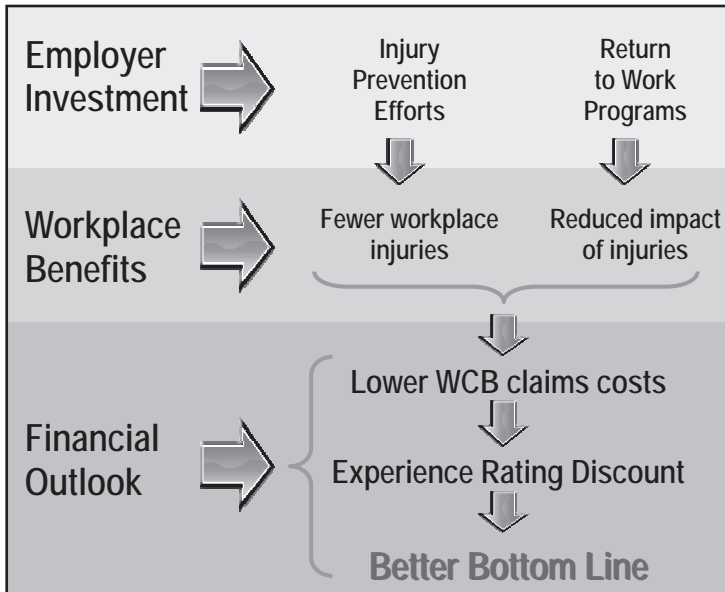
What is the Experience Rating Program?

The workers compensation system is based on collective liability. All employers share the costs of the system. We base the amount that you pay as an employer on your group rates and your payroll.

WCB coverage is a type of group insurance. We use an employer classification system to group your business by the industry that it operates in. We group businesses into classes with other businesses that share similar activities and risks. Then, we group those businesses further into industry groups to set rates. Industries with a lower risk of workplace injury have a lower group rate than those with a higher risk.

The Experience Rating Program refines the rate system even further. Safety performance can vary between employers in an industry. The program uses your experience and history of claims and compares it to other employers in your rate group. If you have a lower cost of claims, you receive a rate discount. The higher amounts paid by some employers balance the discounts given to other employers. The total amount of money collected remains the same.

About 75% of employers pay the same or less than their group rate. About 25% of employers pay more than their group rate.



Experience

How can I improve my experience rating?

If you invest in workplace safety and return to work programs, you can reduce your WCB claims costs and improve your experience rating. The changes may take some time, but with continued effort, you could see a reduction in your rate.

How many years does the WCB consider when calculating my experience rating?

When calculating your experience rating, we use compensation costs from the first three of the past four years. For example, when calculating your rating for the upcoming year, we use the compensation costs and payroll for the previous three years. We do not use the current year to allow enough time to pass to gather complete information. The current year also provides enough advance notice so that you can budget for your next assessment year.

Why does the WCB use three years?

Three years can protect you from changes that may be associated with one year of high claims costs. It can also provide a short enough period to prevent old claims costs from affecting your rate. Three years can also minimize the period for new businesses to qualify for the program.

Do I have to participate in this program?

You must participate in this program if you are an employer that requires WCB coverage, and if you paid a total of \$3000 or more to the WCB over the last three years.

Why is the program mandatory?

Making the program mandatory provides an effective incentive for employers to improve safety performance. Employers that face experience rating surcharges cannot opt out of the program.

Does the Experience Rating Program apply if I am buying an existing business?

If the business that you are buying is part of the Experience Rating Program, we transfer the experience to you.

Rates

How does the WCB calculate my experience rating?

We use your business' history of costs associated with workplace injury to calculate your experience rating.

Part of that calculation is determining your cost ratio over a three-year period. The cost ratio is your total claim costs divided by the total payroll used to calculate your WCB rate. Then, we compare your cost ratio to that of your rate group. To view a sample notification and calculation, see Calculation on page 7.

How much of a rate discount could I be eligible for?

If you have a lower cost ratio than your rate group average, you will receive a discount of up to 25% on your rate.

If I have to pay more, how much more will I have to pay?

If you have a higher cost ratio than your rate group average, you could face a surcharge of up to 50% of the group rate.

Why does the WCB use these limits?

We set the adjustment limits to provide a meaningful difference in your rate, while providing protection from extreme fluctuations. The rates also maintain the principle of collective liability.

What types of claim costs does the WCB include in the experience rating?

We include the following costs:

- Short-term compensation
- Healthcare
- Rehabilitation
- Long-term compensation
- Impairment awards
- Occupational disease
- Fatality costs – up to the maximum earnings level of the accident year

You can find a total of these costs per claim on your Notification of Assessment form. They appear as new injury costs.

Does the WCB exclude any costs?

We do not include the following costs:

- Administration costs
- Claims that involve a civil suit with a third-party
- Overpayment on claims
- Payments on claims that occurred before the three-year period
- Payments on claims in excess of the maximum earnings level of the accident year

How does the WCB notify me of my rate?

Each year, you will receive a Notification of Assessment Rate. It provides you with the information about the cost of your claims and a detailed calculation of your rate. To view a sample notification and calculation, see Calculation on page 7.

You will receive a separate notification for each employer account that is part of the Experience Rating Program.

Who sees my experience rate?

Your experience rate is confidential. We do not release it to anyone other than those that your business authorizes.


Is there a tool that I can use to predict my experience rate?

You can view your experience rating calculation online using the WCB's Online Services. This secure site provides you with access to your account at any time. You can sign up at www.wcb.pe.ca. After you sign up, you can view your calculation and use the Rate Calculation Inquiry service.

Calculation

Every year, you will receive a Notification of Assessment Rate. This notification includes 10 numbered sections.

We use six steps to calculate your experience rate. Below is a sample Notification of Assessment Rate, followed by an explanation of how we calculate the rate. The values used in your calculation will vary from this example.



Safety Matters @Work
Workers Compensation Board of PEI

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NOTIFICATION OF ASSESSMENT RATE

Assessment Year YYYY

<p>SAMPLE COMPANY</p> <p>123 SAMPLE STREET</p> <p>Charlottetown PE A1A 1A1</p> <p>Operation 1</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Firm number</td> <td style="width: 50%;">Date</td> </tr> <tr> <td>###</td> <td>DD/MM/YYYY</td> </tr> <tr> <td>Rate Group</td> <td># of Pages</td> </tr> <tr> <td>999</td> <td>1</td> </tr> </table>	Firm number	Date	###	DD/MM/YYYY	Rate Group	# of Pages	999	1
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<p>1 - Claim cost experience rating for each year of injury:</p> <p>YEAR1/ 650.00 YEAR2/ 0.00 YEAR3/ 500.00</p> <p><u>New injury costs</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 20%;">Claim Number</th> <th style="width: 30%;">Name</th> <th style="width: 20%;">Year of Injury</th> <th style="width: 30%;">Year</th> </tr> <tr> <td>#####</td> <td>NAME</td> <td>YYYY</td> <td>YYYY</td> </tr> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 20%;">Claim Number</th> <th style="width: 30%;">Name</th> <th style="width: 20%;">Year of Injury</th> <th style="width: 30%;">Year</th> </tr> <tr> <td>#####</td> <td>NAME</td> <td>YYYY</td> <td>YYYY</td> </tr> </table>	Claim Number	Name	Year of Injury	Year	#####	NAME	YYYY	YYYY	Claim Number	Name	Year of Injury	Year	#####	NAME	YYYY	YYYY	<p>2 - Payrolls</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">YEAR 1</td> <td style="width: 50%;">250,000.00</td> </tr> <tr> <td>YEAR2</td> <td>300,000.00</td> </tr> <tr> <td>YEAR3</td> <td><u>400,000.00</u></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">950,000.00</td> </tr> </table> <p>3 - Employer cost ratio</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">1 / 2</td> <td style="width: 50%;">0.001105</td> </tr> </table> <p>4 - Group Ratio</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">0.006326</td> </tr> </table> <p>5 - Employer variance percentage</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">$\frac{3 - 4}{4} \times 100 =$</td> <td style="width: 50%;">-82.53%</td> </tr> <tr> <td></td> <td style="text-align: center;">Lower than group</td> </tr> </table> <p>6 - Participation Factor</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">55%</td> </tr> </table> <p>7 - Rate Adjustment</p> <p>1% for each 4% of employer variance</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">$\frac{5 \times 6}{4} \times 100 =$</td> <td style="width: 50%;">-11.35%</td> </tr> <tr> <td>Max discount =</td> <td>25%</td> </tr> <tr> <td>Max surcharge =</td> <td>50%</td> </tr> </table> <p>8 - Industry Assessment Rate</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;">2.03</td> </tr> </table> <p>9 - Experience Rate</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">8x7 =</td> <td style="width: 50%;">-0.23</td> </tr> </table> <p>10 - Net Assessment Rate</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">8+9 =</td> <td style="width: 50%;">1.80</td> </tr> </table>	YEAR 1	250,000.00	YEAR2	300,000.00	YEAR3	<u>400,000.00</u>		950,000.00	1 / 2	0.001105		0.006326	$\frac{3 - 4}{4} \times 100 =$	-82.53%		Lower than group		55%	$\frac{5 \times 6}{4} \times 100 =$	-11.35%	Max discount =	25%	Max surcharge =	50%		2.03	8x7 =	-0.23	8+9 =	1.80
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Any inquiries regarding the notice should be made to Employer Services
Tel 902-368-5680 Fax 902-368-5705

Step 1: Calculate the employer cost ratio

The first two sections of the Notification of Assessment show your claims costs and your payroll.

Section 1: Claim cost experience rating for each year of injury

The first section includes the total claims costs for the three-year period. In this example, the claims costs are:

YEAR 1/ \$650.00	YEAR 2/ \$0.00	YEAR 3/ \$500.00
TOTAL= \$1050		

Section 2: Payroll

The second section lists your payroll totals for the three-year period. In this example, the payroll values are:

YEAR 1	\$250,000.00
YEAR 2	\$300,000.00
YEAR 3	<u>\$400,000.00</u>
TOTAL	\$950,000.00

Section 3: Employer cost ratio

The third section shows the employer cost ratio. We calculate this ratio by dividing the total claims costs (Section 1) by the total payroll (Section 2). In this example, the employer cost ratio is:

$\frac{\$1,050}{\$950,000} = 0.001105$
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Step 2: Calculate the employer variance percentage

The next two sections of the notification show your group ratio and your variance percentage.

Section 4: Group ratio

The fourth section shows the average employer cost ratio for all employers in your rate group. The group ratio helps to determine how much your business varies from the experience of other employers in your rate group. In this example, the group ratio is:

0.006326

Section 5: Employer variance percentage

The fifth section shows the employer variance percentage. We compare your employer cost ratio (Section 3) to the group ratio (Section 4). The value shows how much better or worse your experience is, when compared to the group average.

We subtract the group ratio from the employer cost ratio, divide the value by the group ratio, and multiply it by 100. In this example, the employer variance percentage is:

$$\frac{0.001105 - 0.006326}{0.006326} \times 100 = -82.53\%$$

Step 3: Calculate the participation factor

The next section of the notification shows your participation factor.

Section 6: Participation factor

The participation factor protects smaller employers from fluctuations in their rates each year. We use the size of your payroll to establish your participation factor. If you have the minimum qualifying average assessment of \$1000 per year, your participation factor is 25%. Your participation factor increases by 5% for every \$1000 of assessment. In this example, with an average assessment of \$7500, the participation factor is:

$$25\% + (6 \times 5\%) = 55\%$$

Step 4: Calculate the rate adjustment

The next section shows your adjusted rate.

Section 7: Rate adjustment

We adjust your rate based on your employer variance percentage (Section 5) and your participation factor (Section 6).

We multiply the variance by the participation factor and divide the result by four. Dividing the result by four protects your rate from changing significantly each year. This also limits the impact that a single, costly claim may have on your assessment rate.

We apply a 25% maximum adjustment for discounts and a 50% maximum for surcharges. If your rate discount is greater than the 25% maximum or your rate surcharge is greater than the 50% maximum, the maximum applies.

In this example, the adjusted rate is:

$$\frac{-82.53\% \times 55\%}{4} \times 100 = -11.35\%$$

Step 5: Calculate the experience rate

The next two sections of the notification show your industry assessment rate and your experience rate.

Section 8: Industry assessment rate

The next section shows the assessment rate of your rate group. In this example, the assessment rate is:

\$2.03

Section 9: Experience rate

We calculate your experience rate by multiplying your rate adjustment (Section 7) by the industry assessment rate (Section 8). Your experience rate is the amount of discount or surcharge. In this example, the experience rate is:

$\$2.03 \times -11.35\% = -0.23$

Step 6: Calculate the net assessment rate

The next section shows your final assessment rate after applying the experience rate.

Section 10: Net assessment rate

We apply the experience rate discount or surcharge (Section 9) to the industry assessment rate (Section 8) to calculate your net assessment rate. In this example, the net assessment rate is:

$\$2.03 + -0.23 = 1.80$

Because of this business's good experience rate, the net assessment rate is lower than the group average. This business would receive a discount on their WCB rates.

For more information

For more information, contact us:

- **Online:** www.wcb.pe.ca
- **In person:** 14 Weymouth Street, Charlottetown
- **By mail:** PO Box 757, Charlottetown, PE, C1A 7L7
- **By phone:** 902-368-5680 or
toll-free in Atlantic Canada at 1-800-237-5049
- **By fax:** 902-368-5705



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