

# Rate Framework Modernization

Presentation on Rate Group 732  
Heavy Civil Construction

**UPDATED RATE FRAMEWORK**  
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# Illustrative Example

## Rate Group 732 – Updated Rate Framework

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- The following information is provided to demonstrate an illustrative example for **Rate Group 732 Heavy Civil Construction** within the updated Rate Framework.
- The updated Rate Framework is a plausible working model that utilizes sufficient data to be able to:
  - identify how employers would be classified in the 34 industry classes contained in the proposed classification structure; and
  - provide an illustrative example of potential premium rates to employers from a premium rate perspective.
- The working model reflects the updated Rate Framework as though it had been implemented in 2016, considering relevant data for the period 2009 - 2014. See Appendix A for the underlying assumptions.

# North American Industry Classification System (NAICS) - Adaptation

- The proposed classification structure, while using a lettering system to align with legislative provisions, is mapped to the NAICS numbering system.
- The accompanying chart identifies the correspondence between the WSIB's proposed classification structure and the 2, 3 or 4 digit level found in NAICS.

## NAICS Hierarchy

Industry sectors (two-digit codes)

Industry subsectors (three-digit codes)

Industry groups (four-digit codes)

Industries (five-digit codes)

Canadian industries (six-digit codes)

Proposed Classification Structure		NAICS Equivalent
A1	Agriculture	11
A2	Mining, Quarrying & Oil and Gas Extraction	21
B	Utilities	22
C	Public Administration	91
D	Food, Textile & Related Manufacturing	31
E1	Non-Metallic & Mineral Manufacturing	321-322-326-327
E2	Printing, Petroleum & Chemical Manufacturing	323-324-325
F1	Metal, Transportation & Furniture Manufacturing	331-332-336-337
F2	Machinery, Electrical & Other Manufacturing	333-335-339
F3	Computer & Electronics Manufacturing	334
G1	Building Construction	236
G2	Infrastructure Construction	237
G31	Foundation, Structure & Building Exterior Contractors	2381
G32	Building Equipment Contractors	2382
G33	Specialty Trade Contractors	2383-2389
H1	Petroleum, Food, Vehicle & Other Wholesale	411-412-413-415-418
H2	Personal, Building Materials & Machinery Wholesale	414-416-417-419
I1	Vehicle, Building Material, Food & Beverage Retail	441-444-445-447
I2	Furniture, Home & Clothing Retail	442-448
I3	Electronics, Appliances & Personal Care Retail	443-446
J	Specialized Retail & Department Stores	45
K1	Rail, Water, Truck & Postal Service Transportation	482-483-484-491
K2	Air, Ground, Pipeline, Courier Transportation & Warehousing	481-485-486-487-488-492-493
L	Information & Culture	51
M	Finance	52-53-55
N	Professional, Scientific & Technical	54
O	Administrative, Waste & Remediation	56
P	Hospitals	622
Q1	Nursing & Residential Care Facilities	623
Q21	Ambulatory Health Care	621
Q22	Social Assistance	624
R	Leisure & Hospitality	71-72
S	Other Services	81
T	Education	61

# How Could RG 732 Employers be Classified?

- The chart below outlines the classes to which employers in this Rate Group could be allocated under the updated Rate Framework:

Proposed Classification Structure	Number of Employers	2014 Insurable Earnings (\$B)	% of Employers	% of Insurable Earnings
G2 - Infrastructure Construction	455	0.79	85.7%	90.5%
G33 - Specialty Trade Contractors	76	0.08	14.3%	9.5%
<b>Total</b>	<b>531</b>	<b>0.87</b>	<b>100.0%</b>	<b>100.0%</b>

- On the next slide, the charts will demonstrate Employer Projected and Actual Premium Rates for employers in Classes G2 and G33 by considering their predominant class in RG 732, based on the 2016 premium rates used in the updated Rate Framework and using the underlying assumptions identified in Appendix A.
- Key Definitions:

**Class Projected Premium Rate** is a premium rate based on the valuation of collective liabilities of new claim costs for the employers within a respective class, their allocation of administrative costs, and apportionment of the past claims costs for a particular class.

**Employer Projected Premium Rate** is an adjusted premium rate that represents how much an employer needs to pay in order to fund their fair share of costs, as well as the collective costs of their class.

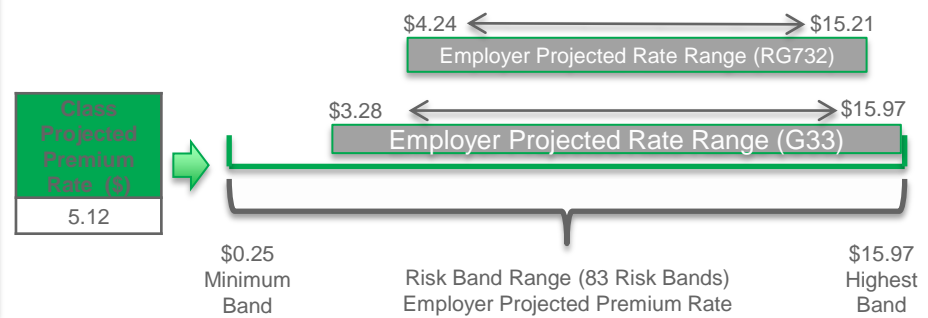
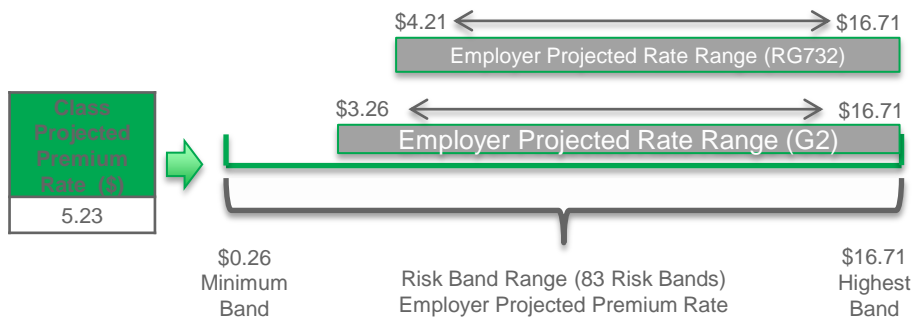
**Employer Actual Premium Rate** is an adjusted premium rate that represents how much each employer would pay taking into consideration risk band limitations, previous year(s) premium rates, minimum premium rate, as well as the collective experience of all employers in that class. For the purpose of this analysis, this is represented as a premium rate for 2016, (considering the relevant data from 2009 - 2014).

# What Could the Premium Rates look like?

- The charts below represent the ranges of **Employer Projected Premium Rates** for employers in Classes G2, G33 and RG 732, based on the 2016 premium rates used in the updated Rate Framework and using the underlying assumptions identified in Appendix A.

**Class G2 – Infrastructure Construction**

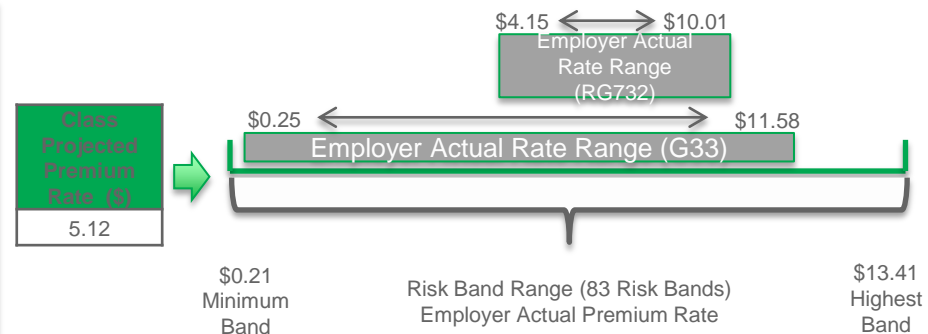
**Class G33 – Specialty Trade Contractors**



- The charts below represent the ranges of **Employer Actual Premium Rates** for employers in Classes G2, G33 and RG 732, using the same methodology.

**Class G2 – Infrastructure Construction**

**Class G33 – Specialty Trade Contractors**



# Risk Band Analysis

# RG 732 Employers Projected Risk Band Premium Rate

- The chart below outlines possible risk bands for employers in RG 732 who will be moving to Class **G2 – Infrastructure Construction**, by showing the number and percentage of employers and their projected risk band premium rate.

## G2 – Infrastructure Construction - RG 732: 2016 Employer Projected Rate

	Lowest Band	Risk Bands										Highest Band	
Risk Band Movement from Class Premium Rate (Risk Band 0)		<-3	-3	-2	-1	Average 0	1	2	3	>3		Total	
Risk Band Rate	\$4.21	-	\$4.66	\$4.91	\$5.17	\$5.44	\$5.71	\$6.00	\$6.30	-	\$16.71		
# of Employers	9	22	27	91	212	18	7	19	7	52	1	455	
% of Employers		4.8%	5.9%	20.0%	46.6%	4.0%	1.5%	4.2%	1.5%	11.5%		100.0%	

77.3%
18.7%

### Overview of Analysis:

- About 77.3% of employers will see a lower projected risk band premium rate when compared to the average risk band premium rate.
- A small percentage (4.0%) of employers will pay the average risk band premium rate.
- About 18.7% of employers will see a higher projected risk band premium rate when compared to the average risk band premium rate.

# RG 732 Employers Actual Risk Band Premium Rate

- The chart below outlines possible risk bands for employers in RG 732 who will be moving to Class **G2 – Infrastructure Construction**, by showing the number and percentage of employers and their actual risk band premium rate.

## G2 – Infrastructure Construction - RG 732: 2016 Employer Actual Rate – Subject to Transition Plan\*

	Lowest Band	Risk Bands										Highest Band	
Risk Band Movement from Class Premium Rate (Risk Band 0)		<-3	-3	-2	-1	Average 0	1	2	3	>3		Total	
Risk Band Rate	\$0.30	-	\$4.51	\$4.75	\$5.00	\$5.26	\$5.53	\$5.80	\$6.09	-	\$12.06		
# of Employers	1	5	3	12	19	24	26	96	59	211	1	455	
% of Employers		1.1%	0.6%	2.6%	4.2%	5.3%	5.7%	21.1%	13.0%	46.4%		100.0%	

8.5%
86.2%

### Overview of Analysis:

- About 8.5% of employers will see a lower premium rate when compared to the average risk band rate.
- About 5.3% of employers will pay the average risk band rate.
- About 86.2% of employers will see a higher premium rate when compared to the average risk band rate. The majority of these employers will gradually see their premium rate decrease over time, if cost experience is demonstrated to be in line with the class average experience.

\* While the above chart outlines the impact to employers considering a +/- 3 risk band limitation scenario that incorporates their Starting Point, these results may be different once a final transition plan (that has received stakeholder input) has been developed to transition employers from the current approach to setting and classifying rates under the updated Rate Framework scheme.



# RG 732 Employers Projected Risk Band Premium Rate

- The chart below outlines possible risk bands for employers in RG 732 who will be moving to Class **G33 – Specialty Trade Contractors**, by showing the number and percentage of employers and their projected risk band premium rate.

## G33 – Specialty Trade Contractors - RG 732: 2016 Employer Projected Rate

	Lowest Band	Risk Bands										Highest Band	
Risk Band Movement from Class Premium Rate (Risk Band 0)		<-3	-3	-2	-1	Average 0	1	2	3	>3		Total	
Risk Band Rate	\$4.24	-	\$4.46	\$4.69	\$4.94	\$5.20	\$5.46	\$5.73	\$6.02	-	\$15.21		
# of Employers	2	2	1	8	45	2	0	2	3	13	1	76	
% of Employers		2.6%	1.3%	10.6%	59.2%	2.6%	0.0%	2.6%	4.0%	17.1%		100.0%	

73.7%
23.7%

### Overview of Analysis:

- About 73.7% of employers will see a lower projected risk band premium rate when compared to the average risk band premium rate.
- A small percentage (2.6%) of employers will pay the average risk band premium rate.
- About 23.7% of employers will see a higher projected risk band premium rate when compared to the average risk band premium rate.

# RG 732 Employers Actual Risk Band Premium Rate

- The chart below outlines possible risk bands for employers in RG 732 who will be moving to Class **G33 – Specialty Trade Contractors**, by showing the number and percentage of employers and their actual risk band premium rate.

## G33 – Specialty Trade Contractors - RG 732: 2016 Employer Actual Rate – Subject to Transition Plan\*

	Lowest Band	Risk Bands										Highest Band	
Risk Band Movement from Class Premium Rate (Risk Band 0)		<-3	-3	-2	-1	Average 0	1	2	3	>3		Total	
Risk Band Rate	\$4.15	-	\$3.74	\$3.94	\$4.15	\$4.37	\$4.58	\$4.81	\$5.05	-	\$10.01		
# of Employers	2	0	0	0	2	1	3	4	9	57	1		
% of Employers		0.0%	0.0%	0.0%	2.6%	1.3%	4.0%	5.3%	11.8%	75.0%		100.0%	

2.6%
96.1%

### Overview of Analysis:

- A small percentage (2.6%) of employers will see a lower premium rate when compared to the average risk band rate.
- A small percentage (1.3%) of employers will pay the average risk band rate.
- About 96.1% of employers will see a higher premium rate when compared to the average risk band rate. The majority of these employers will gradually see their premium rate decrease over time, if cost experience is demonstrated to be in line with the class average experience.

\* While the above chart outlines the impact to employers considering a +/- 3 risk band limitation scenario that incorporates their Starting Point, these results may be different once a final transition plan (that has received stakeholder input) has been developed to transition employers from the current approach to setting and classifying rates under the updated Rate Framework scheme.

# Projected Premium Rates

# Updated Rate Framework

## Class Level Projected Premium Rates and Risk Band Ranges

Class Letter	Class Description	2016 Class Premium Rates with Current UFL				2016 Class Premium Rates with \$0 UFL			
		Class Projected Premium Rate (\$)	Employer Projected Premium Rate			Class Projected Premium Rate (\$)	Employer Projected Premium Rate		
			Minimum Band	Highest Band	# of Risk Bands		Minimum Band	Highest Band	# of Risk Bands
A1	Agriculture	6.37	0.31	19.77	83	3.78	0.19	11.73	83
A2	Mining, Quarrying & Oil and Gas Extraction	5.48	0.26	16.74	83	3.18	0.15	9.71	83
B	Utilities	1.13	0.20	3.50	58	0.73	0.15	2.26	55
C	Public Administration	4.17	0.20	12.87	83	2.44	0.15	7.53	79
D	Food, Textile & Related Manufacturing	2.32	0.20	7.38	72	1.41	0.15	4.49	69
E1	Non-Metallic & Mineral Manufacturing	4.10	0.21	13.33	83	2.41	0.15	7.84	79
E2	Printing, Petroleum & Chemical Manufacturing	1.82	0.20	6.29	69	1.13	0.15	3.91	66
F1	Metal, Transportation & Furniture Manufacturing	3.61	0.20	11.37	81	2.13	0.15	6.71	76
F2	Machinery, Electrical & Other Manufacturing	2.41	0.20	7.77	73	1.46	0.15	4.71	69
F3	Computer & Electronics Manufacturing	0.39	0.20	1.34	39	0.26	0.15	0.89	37
G1	Building Construction	4.85	0.24	15.13	83	2.82	0.15	8.79	82
G2	Infrastructure Construction	5.23	0.26	16.71	83	3.04	0.15	9.71	83
G31	Foundation, Structure & Building Exterior Contractors	9.16	0.44	27.99	83	5.23	0.25	15.98	83
G32	Building Equipment Contractors	3.40	0.20	10.49	79	2.01	0.15	6.20	75
G33	Specialty Trade Contractors	5.12	0.25	15.97	83	2.97	0.15	9.26	83
H1	Petroleum, Food, Vehicle & Other Wholesale	3.14	0.20	9.42	77	1.87	0.15	5.61	73
H2	Personal, Building Materials & Machinery Wholesale	1.43	0.20	4.44	63	0.91	0.15	2.83	60
I1	Vehicle, Building Material, Food & Beverage Retail	2.16	0.20	6.56	70	1.32	0.15	4.01	66
I2	Furniture, Home & Clothing Retail	1.36	0.20	4.27	62	0.87	0.15	2.73	59
I3	Electronics, Appliances & Personal Care Retail	0.53	0.20	1.72	44	0.34	0.15	1.10	41
J	Specialized Retail & Department Stores	1.36	0.20	3.97	60	0.87	0.15	2.54	57
K1	Rail, Water, Truck & Postal Service Transportation	8.38	0.41	25.92	83	4.80	0.23	14.84	83
K2	Air, Ground, Pipeline, Courier Transportation & Warehousing	2.62	0.20	7.97	74	1.58	0.15	4.81	70
L	Information & Culture	0.65	0.20	2.26	49	0.42	0.15	1.46	47
M	Finance	1.40	0.20	4.47	63	0.89	0.15	2.84	60
N	Professional, Scientific & Technical	0.47	0.20	1.69	44	0.30	0.15	1.07	41
O	Administrative, Waste & Remediation	3.31	0.20	10.42	79	1.96	0.15	6.17	75
P	Hospitals	1.03	0.20	3.21	56	0.67	0.15	2.09	54
Q1	Nursing & Residential Care Facilities	2.72	0.20	8.68	76	1.63	0.15	5.20	71
Q21	Ambulatory Health Care	1.83	0.20	5.20	66	1.14	0.15	3.24	62
Q22	Social Assistance	1.82	0.21	5.43	66	1.13	0.15	3.37	63
R	Leisure & Hospitality	1.64	0.20	5.00	65	1.03	0.15	3.14	62
S	Other Services	2.50	0.20	8.02	74	1.51	0.15	4.85	70
T	Education	0.47	0.20	1.54	42	0.31	0.15	1.01	39
	<b>Schedule 1</b>	<b>2.49</b>				<b>1.49</b>			

# Appendix A

# Underlying Assumptions

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- The working model reflects the updated Rate Framework as though it had been implemented in 2016, considering relevant data for the period 2009 - 2014.
- To develop this version of projected premium rates, the WSIB considered the following:
  - Adjusted NCC by industry class in line with their claims experience;
  - Allocation of the administrative costs, using the current method, but factoring adjusted NCC;
  - Apportionment of the UFL utilizing the former NCC methodology, but factoring adjusted NCC; and
  - Revenue neutrality, balancing class-level projected rates to \$2.49 and \$1.49, where only the value of the UFL (\$1.00) represents the variance.
- The updated Rate Framework does not currently consider:
  - Where the Temporary Employment Agencies (TEA) will be classified based on the industry classes they supply labour to, as the appropriate allocation of their insurable earnings and costs to the appropriate industry class is unknown. Consequently, the insurable earnings and claim costs associated with these TEA's have been removed from the proposed 34 classes. These insurable earnings and claims costs will be added to the proposed 34 classes once the data has been validated with the TEA's; and
  - Allowing multiple rates for distinct business activities that have no ancillary relationship, association or dependency, when constituted as a single legal identity or not. This concept is under review by the WSIB.