

New 2006 changes to the NEER experience rating program

A LETTER TO EMPLOYERS

September 2005

Dear Employer:

Experience rating uses financial incentives to encourage employers to improve their workplace health and safety and return to work programs. It is a key component of the WSIB's workplace health and safety strategy. Under the NEER experience rating program, your company's workplace health and safety experience is assessed, and rebates or surcharges are generated based on that assessment.

The WSIB recently concluded a review of its funding framework. This review looked at the need to improve the fairness and financial sustainability of experience rating. Consequently, a number of changes have been made. These changes will improve fairness by aligning incentives more closely with actual health and safety and return to work performance, and increasing accountability for poor-performing workplaces.

The new NEER changes come into effect for claims occurring on or after **January 1, 2006**. The changes, described below, will be reflected in your **June 2006 NEER statement**. They are being announced now to give you the opportunity to do the necessary business planning.

IMPACT STATEMENTS NOW AVAILABLE

To help you understand the financial implications of the changes, the WSIB is offering your company a NEER impact statement. This impact statement will use the same injury year (2002) as your June quarterly statement, but the rebate or surcharge shown will reflect the NEER changes discussed below. If you would like an impact statement, please contact the WSIB's Prevention Hotline at **1-800-663-6639**.

CHANGE TO EXPECTED COST FACTOR

The basis used to determine the Expected Cost Factor will change for the 2006 injury year. Second Injury and Enhancement Fund (SIEF) and Long Latency Occupational Disease (LLOD) costs are pooled charges, or "insurance provisions," under the NEER program. They are excluded from your actual cost. To align with the actual cost, the new basis will reflect the removal of SIEF and LLOD from the calculated expected cost for firms participating in NEER. Generally, this means lower expected costs for most NEER employers.

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RESERVE FACTORS AND LOADING (CURRENTLY “OVERHEAD”)

Actual claim costs, reserves and loading costs are combined to make up your total NEER costs. A new method of determining reserve factors will be introduced to better estimate the future cost of claims. Claims administration and OHIP costs, which are now included in reserves, will be moved from the reserves to the loading factors. Generally, this means lower reserves and higher loading costs.

ORGANIZATION AND CLAIM COST LIMIT

The organization cost limit will increase from three times expected cost to four times expected cost. This change increases accountability for employers with poor health and safety and return to work performance by increasing the maximum surcharge from twice the maximum rebate to three times the maximum rebate.

The claim cost limit will increase from four times maximum insurable earnings to five times maximum insurable earnings. This will also increase accountability for employers with poor safety records.

These changes in limits will reduce the pooling of claim costs above the organization and claim cost limits.

INFORMATION SESSIONS

In the fall of 2005, the WSIB is holding information sessions on the new experience rating changes across the province. If you would like to know more about the changes, I encourage you to register for one of these sessions or contact your WSIB account manager or customer service representative. Information about registration is enclosed.

The leadership shown by Ontario employers in workplace health and safety and return to work is vital. The WSIB will continue to work with employers to mitigate the significant costs of claims already in the system, and develop leading edge prevention strategies that will save lives and reduce future injury and illness costs. I thank you for your continued efforts to improve your workplace health and safety and return to work programs.

Sincerely,



Jill Hutcheon,
President and Interim Chair