2022 PREMIUM RATE GUIDE

A guide to understanding how your workers' compensation rate is calculated

RATE SETTING PRINCIPLES

Employers pay premiums to fund workers' compensation insurance. WorkSafeNB determines revenue requirements annually based on the best estimates of the total costs and insurable earnings for the given year.

An employer's premium rate directly reflects their own safety performance as well as that of their industry. The premium rate is the cost of coverage per $100 of insurable earnings of an employer's workers.

WorkSafeNB sets premium rates using the following principles:

- **Full-funding -** The workers' compensation cost of any given year is fully funded by that year's premiums. This means the premiums collected in the year need to cover all current and anticipated future costs for the injured worker claims from employers operating in that year. Only 20% of these costs are paid in the accident year while the other 80% is paid well into the future. It is imperative to secure a worker's benefits for the lifetime of their claim and avoid passing costs on to future employers.

- **Collective liability -** Costs are spread among all employers to maintain a balance between individual employer accountability and collective liability. An employer's premium rate is not only affected by their own claims' experience but it also factors in the experience of others in their rate group along with overall provincial trends.

- **Accountability and incentives -** Rates vary based on claims experience, so each employer and each industry is accountable for their performance. Employers who pay more than $2,000 in premiums get experience rating discounts or surcharges.

CLASSIFICATION AND RATE SETTING STRUCTURE

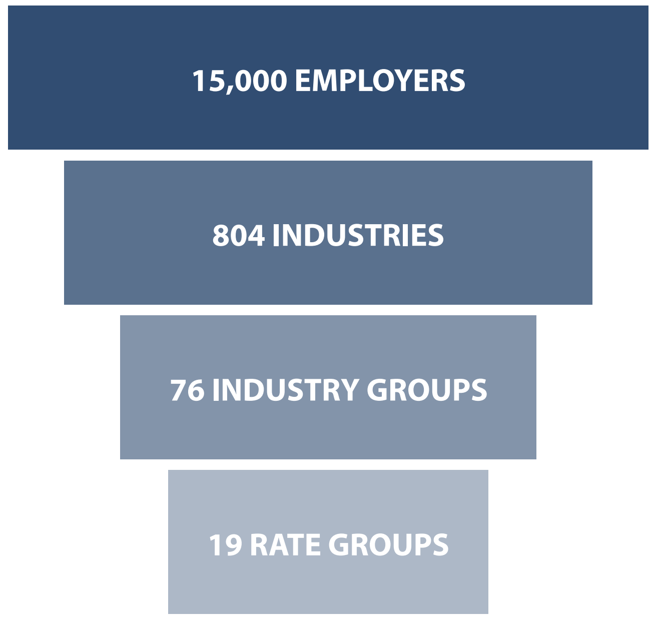
The classification system used to identify employers with similar business and risk characteristics is the foundation for premium rate setting.

Approximately **15,000** registered New Brunswick are employers classified into:

- **804 Industries -** Employers are classified into industries based on the business they conduct. WorkSafeNB defines industries using the North American Industry Classification System (NAICS). Statistical information on claim costs and insurable earnings is recorded and tracked by employer and by industry.
- **76 Industry Groups -** Industries involved in similar activities having similar risks are combined into industry groups.
- **19 Rate Groups -** To attain a sufficient statistical base, industry groups are consolidated into broader categories referred to as rate groups. Particularly large industry groups can form their own rate group while smaller industry groups are combined on the basis of similar claim experience.

The collective claim experience of the rate group has a large influence on premium rates for each employer in the rate group, providing accountability.

WorkSafeNB conducts annual reviews to ensure our classification structure is statistically reliable and aligns with our commitment of fairness to New Brunswick's employers. The performance of industries and industry groups within a rate group is monitored to ensure trends do not diverge substantially within the rate group.



HOW WE CALCULATE PREMIUM RATES

STEP 1:
Determine full cost of benefits and administration

Each year's assessment rates must generate enough revenue to cover all current and future costs associated with that year's workplace injuries, including health care, rehabilitation, wage replacement benefits and administration.

STEP 2:
Calculate full funding requirement

To ensure the long-term security of benefits for injured workers, WorkSafeNB has a long-term financial objective of maintaining a funding level between 115% and 125% of assets over liabilities. If below or above this range, we include a surcharge in the premiums' rates or apply a credit toward premiums owed.

STEP 3:
Establish provisional average rate

With the full revenue requirement calculated, we establish the provisional average rate per $100 of projected insurable earnings from employers throughout New Brunswick.

STEP 4:
Determine rate group basic rate

We look at five years of costs for new accidents and insurable earnings to determine the cost ratio for each rate group. A global loading factor is then applied to each individual rate group cost ratio to determine a basic premium rate for each group.

STEP 5:
Set the industry basic rate

The industry basic rate is the rate group's basic rate subject to any adjustment for safety associations and/or reclassification.

STEP 6:
Establish employer experience rate

Employer premiums are adjusted based on their individual performance in comparison to others in their rate group. This adjustment improves employer awareness of the importance of safety in the workplace and encourages employers to help injured workers recover and return to work as soon and as safely as possible.

An employer's net rate is their basic rate plus their experience rate.

STEP 7:
Calculate employer premiums

An employer's total yearly premiums are calculated by multiplying their employer net rate by their insurable earnings and dividing that total by $100.

A more detailed breakdown of these seven steps to calculating premium rates follows.

DETAILED BREAKDOWN OF PREMIUM RATE CALCULATIONS

STEP 1:
Full cost of benefits and administration

The rate setting process begins by forecasting the total costs of workplace injuries expected to occur in the assessment year, including all future costs associated with these injuries as well as any exposure that may lead to long latency occupational diseases such as cancers.

This involves forecasting costs well into the future based on current economic and claim trends. Some claims can last longer than 30 years, which means we have to account not only for the expected costs in today's dollars but also for inflation that is expected in the following years.

STEP 2:
Full funding requirement

Expected costs must be fully funded to ensure the security of benefits to injured workers. Estimates for prior year accidents are revised each year based on the latest trends and factor in any benefit changes arising from legislative and policy amendments.

WorkSafeNB also relies on investment returns to fund benefits paid to injured workers. In recognition of the risks associated with potential market fluctuations, the long-term financial objective is to maintain a funding level between 115% and 125% of assets over liabilities. Any shortfall below 115% is amortized in the premiums over a period not greater than 10 years. Any excess above 125% is amortized over a period not greater than 10 years and applied as a credit toward premiums owed. In an effort to maintain rate stability, the surcharge or credit will not exceed $0.35 per $100 of insurable earnings, provided the surcharge meets the Legislative requirement to reach 100% funding within 15 years.

STEP 3:
Provisional average rate

Insurable payrolls are forecasted to generate the average premium rate per $100 of insurable earnings. Payrolls are projected for each industry group using industry specific growth factors along with New Brunswick wage inflation forecasts.

$$\frac{\text{Revenue requirement}}{\text{Projected insurable payroll}} \times 100 = \text{Provisional average rate}$$

STEP 4:
Rate group basic rate

Rate setting then becomes a process of determining rate group rates based on statistical information for the first five of the previous six-year period. A rate group's five-year payroll and claims cost experience for injuries occurring in that period are combined to produce their direct cost ratio.

The payments for severe injuries are limited to $140,000 and fatalities are also valued at $140,000 when determining rate group costs. This maximum protects rate groups from large shifts in their premium rates due to the random occurrence of expensive claims and does not impact the benefits paid to the injured worker in any way.

$$\frac{\text{5-yr new accident costs}}{\text{5-yr insurable payroll}} = \text{Cost ratio}$$

$$\text{Cost ratio x Global loading factor} = \text{Rate group basic rate}$$

The annual global loading factor is applied to each rate groups' individual cost ratio to determine the rate group basic rate. Applying the global loading factor ensures premiums will be sufficient to meet required revenue. This process means that administration and occupational health and safety costs are distributed among rate groups proportionally to cost ratios. For most rate groups, that represents an equitable portion of resources allocated to the rate group. However, for the rate group with the lowest cost ratio, it does not yield an adequate amount to cover basic services; in this case a minimum rate that will cover basic services is applied.

STEP 5:
Industry basic rate

The industry basic rate is the rate group's basic rate subject to any adjustment for safety associations and/or reclassification.

- **Safety associations –** Safety association levies are applied to participating industries. Not all industries within a rate group are subject to such levies.
- **Classification changes –** Industries moving to different rate groups are subject to annual transition limits until they reach the new rate group rate. Rate changes are limited to 20%, in addition to the percentage change in the average assessment rate.

The employer basic rate is the industry basic rate subject to a 4% Occupation Health and Safety rebate for federally regulated employers.

STEP 6:
Employer experience rate

Employers who pay an average of more than $2,000 in premiums before any experience rating discounts and surcharges over a three-year period receive experience rate discounts or surcharges.

Participation Factor

The extent to which an employer participates in experience rating depends on the company's size – large employers participate fully, medium sized employers participate on a partial basis, and small employers who pay an average of less than $2,000 in premiums over three years are not eligible. This is what we call participation factor.

$$25 + \frac{\text{(Average 3-yr premium excluding experience rating - \$2,000)}}{750} = \text{Participation factor (\%)}$$

Employers with $58,250 or more in average premiums fully participate and have a participation factor of 100%.

Employer Variance

Claim costs and insurable earnings for workers covered are reviewed over a historical period to establish an employer's experience record based on accident trends. The first three of the previous four years are used as the experience period. The payments for severe injuries are limited to $70,000 and fatalities are also valued at $70,000 to provide appropriate insurance protection.

The employer variance is the comparison of the employer's performance to the average of the rate group in which the employer's industry is categorized. It is determined by comparing the employers cost ratio to the rate group cost ratio.

$$\frac{\text{3-yr new accident costs}}{\text{3-yr insurable payroll}} = \text{Cost ratio}$$

$$\frac{\text{Employer cost ratio}}{\text{Rate group cost ratio}} - 1 = \text{Cost ratio}$$

Rate Adjustment

Employers receive a rate adjustment of 1% for each 2.5% variance from their rate group ratio. If an employer has lower than average claim costs experience, they could earn a discount of up to 40% off their industry premium rate. If an employer has higher than average claim costs experience, they could receive a surcharge of up to 80%. These discounts and surcharges are subject to the employer's participation level. These limits provide reasonable incentive for employers to improve their claims experience through prevention and return to work programs, while ensuring that all employers support the ongoing costs of the workers' compensation system.

$$\frac{\text{Experience variance}}{2.5} = \text{Rate adjustment}$$

$$\text{Rate adjustment x Participation factor x Basic rate} = \text{Experience rate}$$

$$\text{Basic rate + Experience rate} = \text{Net rate}$$

The surcharges collected from employers with above average experience fund the discounts given to employers with below average experience in each rate group. In this way, the experience rating program is revenue neutral. Rate group cost ratios are adjusted to ensure each rate group's discounts and surcharges are balanced.

STEP 7:
Employer premiums

To establish employer premiums, the employer net rate is applied to insurable earnings up to the maximum insurable earnings established in a given year for each worker.

$$\frac{\text{Employer net rate x Insurable earnings}}{\$100} = \text{Employer premiums}$$

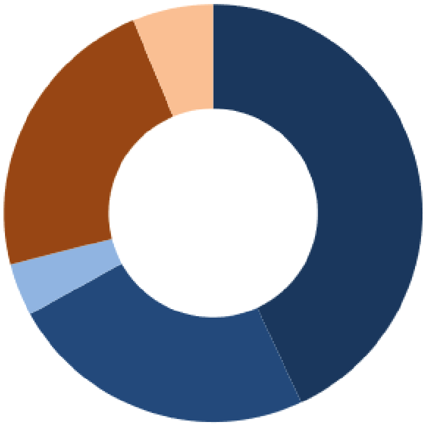
Paying your premiums

Employers can report payrolls and pay their premiums monthly by enrolling in Monthly Assessments on Actual Payroll (MAAP) program. The online program can help employers improve cash flow and reduce risks associated with underestimating insurable earnings. Employers can also report payroll annually by submitting a Form 100 online through MyServices or by mail and can opt to pay annually or bi-annually (twice a year).

SAFIS - Large Employer Experience Rating Program

Large employers pay more than $500,000 in annual premiums can choose to participate in the Safety Achievement Financial Incentive System (SAFIS), a retrospective program that compares premiums paid to costs incurred. When costs are lower than anticipated, employers receive refunds and when costs are higher than anticipated, they must pay a surcharge. The SAFIS program gives large employers the assurance that they are paying their fair share.

2022 ASSESSMENT RATES BY THE NUMBERS



Benefits

- Wage replacement and rehabilitation (2022 claims): $77.2M
- Healthcare (2022 claims): $42.8M
- Occupational disease provision (2022 claims): $7.3M

Administration

- Administration (general): $40.7M
- Occupational health and safety: $11.2M

	2018	2019	2020	2021	2022
Required revenue (in millions)					
New accident costs	$136.6	$162.0	$150.6	$132.6	$127.3
Administration	$43.3	$58.6	$58.9	$48.9	$51.9
Funding level adjustment for prior year claims	($21.5)	$38.1	$36.2	$35.0	$0
Total required revenue (in millions)	**$158.5**	**$258.7**	**$245.7**	**$216.4**	**$179.2**
Projected insurable payroll (in billions)	$9.3	$9.8	$10.2	$10.0	$10.6
Provisional average rate	$1.70	$2.65	$2.40	$2.17	$1.69
Lowest rate	$0.35	$0.53	$0.51	$0.48	$0.39
Highest rate	$5.48	$8.51	$7.66	$6.92	$5.30
Maximum assessable earnings	$63,600	$64,800	$66,200	$67,100	$69,200
Insured employers	15,000	15,100	14,900	15,000	*
Lost-time claims accepted	5,188	4,532	3,786	*	*

Average premium rate by jurisdiction ($)

	2018	2019	2020	2021	2022
Newfoundland and Labrador	1.90	1.69	1.69	1.69	1.69
Prince Edward Island	1.60	1.58	1.52	1.57	1.43
Nova Scotia	2.65	2.65	2.65	2.65	2.65
New Brunswick	**1.70**	**2.65**	**2.40**	**2.17**	**1.69**
Quebec	1.79	1.79	1.85	1.77	1.67
Ontario	2.35	1.65	1.37	1.37	1.30
Manitoba	0.95	0.95	0.95	0.95	0.95
Saskatchewan	1.19	1.17	1.17	1.17	1.23
Alberta	1.04	1.08	1.14	1.14	1.17
British Columbia	1.55	1.55	1.55	1.55	1.55
Yukon	1.93	2.05	2.09	2.07	*
Northwest Territories and Nunavut	2.05	2.10	2.40	2.40	2.40

* Not available as of January 5, 2022.

Provisional average rate	The average provincial assessment rate per $100 of projected insurable earnings.
Employer net rate	The employer net rate is the cost of coverage per $100 of insurable earnings.
Employer premiums	The total sum owed to WorkSafeNB in a given year to cover all workers.
Insurable earnings	Also known as insurable payroll, this is the total amount of salaries an employer pays per given year, up to the maximum assessable earnings. This can also include personal coverage and the labour value of unregistered contractors.
Maximum assessable earnings	The maximum salary or earnings covered per individual worker. Earnings of excess of this amount do not require reporting.
Claim experience / Cost ratio	The cost ratio is used to measure claim experience by comparing costs of new accidents and insurable earnings.
Experience rate	The rebate or surcharge applied to the employer's basic rate.
Participation factor	The extent to which an employer participates in experience rating.
Employer variance	The employer variance is the comparison of the employer's accident experience to the average of the rate group in which the employer's industry is categorized.