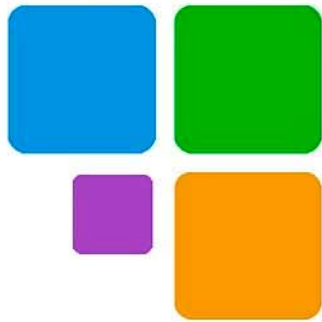


WCB presentation to: Propane Dealers of Canada, Alberta Provincial group

Sept 11, 2009



- A No Fault disability insurance system, funded entirely by employers, which provides benefits to injured workers through:
 - Wage replacement (Max \$72,600 gross=\$929/week take home) \$77,000 in 2010
 - Medical costs
 - Rehabilitation if required
- Follows WCB legislation
- Employers and Workers covered by WCB AB at the time of the accident cannot sue each other in Alberta

- Industry code 69300
- Propane distributors or marketers deal exclusively with product of propane and are primarily engaged in wholesale bulk distribution and retail dispensing of this fuel to residential, commercial, industrial, agricultural and automotive users.

Propane dealers would never do this



- Total claims administered: 2008 -211,735; 2007- 217,442; 2006- 223,331.
- Fatalities: 2008- 166; 2007- 154; 2006 -124.
- Average premium rate for all industries was \$1.33 per \$100 of payroll. Average rate for 2009 is \$1.32.

Top Three Lowest and Highest Rates

- **Lowest Premium Rates**

- 775200 Engineering \$0.20 to \$0.21 up 5.00%
- 771201 Staffing Services - Clerical/Professional \$0.26 to \$0.25 down 3.85%
- 621102 Office Equipment-Sales/Srvc- \$0.29 to \$0.28 -3.45%

- **Highest Premium Rates**

- 423500 Roofing/Siding \$7.26 to \$6.41 down 11.71%
- 291200 Scrap/Salvage Dealers \$4.85 to \$6.05 up 24.74%
- 422902 Construction Trade Services \$6.38 to \$5.99 down - 6.11%
- **PROPANE DEALERS** \$1.43 down from \$1.58 in 2008

- **Claim Costs – for Years: 2004 to 2009**
- **Total claims -Claims costs – Number LTC claims**
- **2004 27 \$61,959 16**
- **2005 36 \$140,105 23**
- **2006 40 \$104,246 24**
- **2007 46 \$181,224 25**
- **2008 47 \$351,681 31**
- **2009 YTD 24 \$58,769 9**

BODY PART; TOP 5 BY TOTAL LTC'S PROPANE DEALERS

<u>BODY PART</u>	2008	2009
• BACK	7	1
• TRUNK	4	2
• KNEES	4	1
• HAND /WRIST	2	1
• MULTIPLE PARTS	2	1

NATURE OF INJURY

	2008	2009
• SPRAINS /STRAINS	16	3
• SUPERFICIAL WOUNDS	4	1
• FRACTURE DISLOCATION	3	1
• BURNS	3	0
• OTHER/ TRAUMATIC	2	3

Age of injured worker and Severity

- 2008 under 19- 19to 25 -43-50- 51-60
 0 5 7 8
- 2009 0 2 2 2

Severity (days)

2008	under 19	– 19to25-	43-50-	51-60
	0	10.8	65	2
2009	0	7.5	4	2

Maximum Adjustment (from industry base rate)

- **discounts and surcharges can increase from 40% to 60%**

Participation (adjusted based on size of employer)

- **can increase from 50% to 100% to allow larger adjustments and more opportunity for maximum adjustments**

Experience Ratio (compares employer performance to an industry average)

- **can increase from 80% to 100% to recognize more experience for all employers**

Cost Relief (cost used to measure performance)

- **the levy for cost relief would be removed from the industry rate and in return costs related to the aggravation of a pre-existing condition would not be removed the employer's experience record**

Industry Custom Pricing (ICP) – What is it?

ICP is a *VOLUNTARY* pricing program that offers flexibility for different approaches to safer workplaces:

- **stronger messages about performance**
- **bigger incentives to improve outcomes**
- **lower premium rates for most employers**

ICP is about industries.....

- **making *CHOICES* on pricing programs**
- **taking *CONTROL* of premium distribution**

- **48 of 403 industries are participating in ICP**

- **2 industries have selected all ICP options for 2009:**
 - **Auto Dealers**
 - **Meat Processing**

- **46 industries have selected the cost relief option**

- **ICP has lowered the industry rates from \$0.01 to \$0.07 from what they otherwise would have been**

ICP - Customization of ER Components

$$\text{Participation} \times \text{Experience Ratio} = \text{Adjustment}$$

(Size of Employer)

(Measure of Performance)

(Size of Financial Incentive)

Base Program

50%

80%

40%



ICP (maximums)

100%

100%

60%

ICP – Maximum Adjustment

$$\begin{array}{ccc} \text{Participation} & \times & \text{Experience} \\ \text{(Size of Employer)} & & \text{Ratio} \\ & & \text{Ratio} \\ & & \text{(Measure of Performance)} \end{array} = \begin{array}{c} \text{Adjustment} \\ \text{Ratio} \\ \text{(Size of Financial Incentive)} \end{array}$$

Base Program	50%	80%	40%
ICP (eg 1)	100%	60%	60%
ICP (eg 2)	60%	100%	60%

- Under the base program, only large employers with maximum experience can receive the maximum adjustment
- With ICP, the maximum adjustment is increased, and more employers can achieve the new maximum adjustment

ICP – Motor Dealers Premium Distribution

Year	Industry Rate	Number of Discounts	Discount Premiums	Number of Surcharges	Surcharge Premiums*
2003	\$1.53	174	-\$405,039	114	\$481,921
2004	\$1.54	212	-\$624,089	114	\$670,579
2005	\$1.43	224	-\$1,529,319	134	\$1,726,241
2006	\$1.16	241	-\$1,526,300	144	\$1,525,223
2007	\$1.01	257	-\$1,614,118	145	\$1,527,356
2008	\$0.89	245	-\$1,490,245	149	\$1,431,908

- Motor Dealers enrolled in ICP in 2005 with further changes in 2008
- Under ICP, discounts and surcharges continue to balance, however:
 - employers with good performance pay significantly less
 - offset by higher premiums for employers that have not performed as well
- Industry rate has decreased due to a variety of factors including ICP

ICP – Summary of ER Components

	<u>Base Program</u>	<u>ICP</u>
Maximum Adjustment	40%	60%
Participation Rate (1% Adjustment per Unit of Premium)	\$4,000	\$2,000
Maximum Participation	50%	100%
Maximum Experience	80%	100%

These features

- will not change the overall premium required from the industry that year
- will change the distribution of premium based on outcomes
- will provide larger discounts for good performance; higher surcharges for poor performance
- will reduce the overall industry premium required over time

Industries have an option on costs used to measure performance:

- **Waive the use of cost relief for claims with aggravation of a pre existing condition**
- **Eliminates a levy in industry rates to fund the use of cost relief**
- **Provides incentives for disability management**
- **Experience rating adjustments based on outcomes**
- **Reduces subsidies between employers**

In the Motor Dealer industry for 2009, the cost relief option resulted in:

- **industry rate decrease from \$0.89 to \$0.87**
- **industry premium reduction of \$248,485**
- **428 of 436 employers (98%) with a premium reduction**
- **For Propane dealers industry 69300 the 2009 industry rate was \$1.43. The rate for ICP could be \$1.41**

Cost Relief means:

- some or all of the cost of an employer's claim are not used when determining premiums through pricing programs such as experience rating and PIR
- lowers the premium that an employer would otherwise pay

Cost relief does NOT reduce the cost of a claim:

- removes cost from employers experience rating
- cost relief is included in industry experience to set industry base rate
- leads to increased costs if no incentive to manage claims

Cost relief affects premiums by:

- shifting premiums from users to non users through industry rates and E/R
- requiring a levy in industry rates to fund retroactive cost relief
- higher industry rates if no incentive to lower costs

ICP Cost Relief Option:

- cost relief would not be used for claims with aggravation of pre existing conditions
- this is the most common type of cost relief and can have the biggest impact
- all other types of cost relief remain available for industries in ICP

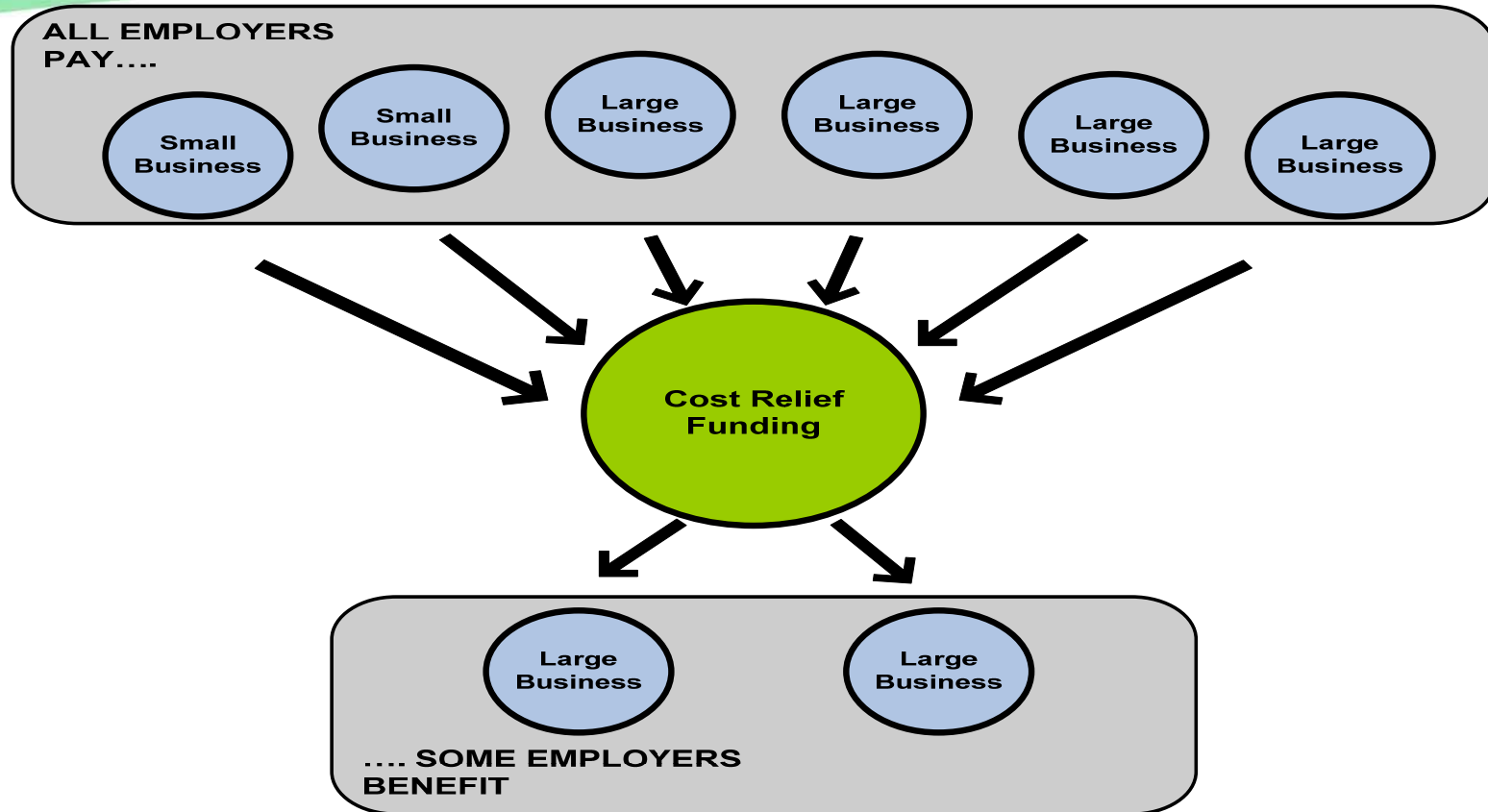
Cost Relief is NOT a form of disability management:

- disability management treats the claim and reduces cost with modified work
- cost relief can discourage modified work if not accountable

Protection for costly claims:

- experience rating has a Maximum Per Claims Cost (MPCC)
- limits the impact of any one claim based on size of employer
- impact is limited to 10% of 3 year premium
- With a 3 year premium of \$100,000 – MPCC is \$10,000

ICP – Understanding Cost Relief



- All employers contribute \$15 million to a pool of funds
- Less than 5% of employers benefit from premium transfer
- Industry rates adjusted from \$0.01 to \$0.12 to provide funding

Employers participating in ICP are:

Eligible to earn discounts in Partnerships in Injury Reduction

- Can earn up to 20% discount
- Subject to a maximum combined discount of 60%
- Complements ICP especially for employers with room for improvement
- Cost Relief option applies to PIR as well as E/R

Subject to the Poor Performance Surcharge (PPS)

- Up to maximum 200% in addition to ICP surcharge
- Subject to same PPS rules as the regular program

CONSULTATION



POLLING



IMPLEMENTATION
(upon industry approval)

Industry Custom Pricing is a VOLUNTARY program that offers flexible pricing options that reflect the industry's goals for premium distribution.

Industry Custom Pricing will:

- **give industries more control over premium distribution**
- **allow premium rates to be more reflective of actual experience**
- **produce larger discounts and surcharges for employers**
- **send stronger messages to medium and small employers**
- **lower industry rate and overall premium with Cost Relief option**

Claims management and Industry Custom Pricing - ICP

Industries...

Making CHOICES...

Taking CONTROL...

- On line services; Reporting, Loss control reports, Clearances, account management
- Employer training –Disability mgmt, Claims info and appeals; WCB web
- Occupational Services OIS –WCB web
- Fact sheets –WCB web site
www.wcb.ab.ca

- Thank you for your time and participation
- Jim Watson
WCB Account Manager Red Deer
403-341-5670
james.watson@wcb.ab.ca