

November 2017

Update 2017 – 2

TO: HOLDERS OF THE *ASSESSMENT MANUAL*

This update to the *Assessment Manual* contains amendments to the *Manual* implemented since Update 2017 – 1.

This update includes the following:

- Item AP1-42-1, *Experience Rating*, **effective November 22, 2017**.
- Item AP1-42-4, *Partners in Injury and Disability Prevention Program* ("Partners Program").

A summary of the amendments is attached and the amended pages are included as part of this package.

These amended pages or the complete manual are available at
<https://www.worksafebc.com/en/law-policy/insurance-assessments/assessment-manual>

Ian Shaw
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Attachments

ASSESSMENT MANUAL

SUMMARY OF AMENDMENTS – Update 2017 – 2

AP1-42-1	Pages 1 – 2 and Page 7	Policy updated to no longer include the capitalized values of permanent disability awards in ER determinations.
AP1-42-4	Pages 3 and 4	Interim policy extended to December 31, 2018

RE: Experience Rating**ITEM: AP1-42-1**

BACKGROUND

1. EXPLANATORY NOTES

Experience rating is a means of adjusting individual employers' assessment rates to reflect their actual claims cost experience. Employers whose experience is better than their rate group average receive a discount. Employers whose experience is worse than their rate group average pay a surcharge.

The experience rating program attempts to promote positive safety attitudes and to provide equity through a system of recognition and accountability for claims costs. The goal is to encourage employers with high injury costs to reduce them, and to encourage employers with low injury costs to keep them low. The desired outcome is a reduction in the social and economic costs of work-related injuries and diseases.

2. THE ACT

Section 42:

The Board must establish subclassifications, differentials and proportions in the rates as between the different kinds of employment in the same class as may be considered just; and where the Board thinks a particular industry or plant is shown to be so circumstanced or conducted that the hazard or cost of compensation differs from the average of the class or subclass to which the industry or plant is assigned, the Board must confer or impose on that industry or plant a special rate, differential or assessment to correspond with the relative hazard or cost of compensation of that industry or plant, and for that purpose may also adopt a system of experience rating.

POLICY

(a) The Experience Rating Plan

The main features of the experience rating ("ER") plan are:

- (1) The ER plan applies to all employers and independent operators in rated classification units.

- (2) The ER plan is prospective in application. ER adjustments are calculated on the basis of past claims costs and payroll and are applied to employers' assessments. Thus, a firm's experience is a measure of a firm's performance relative to its rate group based on information derived by the Board from appropriate past claims costs and payroll.
- (3) ER adjustments are based solely on claims costs. The costs used are those directly associated with compensation claims. The cost used for fatal claims is the five-year moving Board-wide average rather than the actual cost of each claim.
- (4) The Board's administrative costs are not included in the ER calculation.
- (5) The ER plan uses claims costs arising from claims commenced in the three calendar years prior to the year in which the calculation is made (the "ER Window"). This includes all costs of those claims up to and including June 30th of the year of calculation.
- (6) The costs included are subject to maximum limits for each claim as follows:
 - 100% of the first \$70,000;
 - 50% of the next \$50,000; and
 - 10% of all costs above \$120,000.
- (7) An employer's cost to assessable payroll ratio is compared to the cost to assessable payroll ratio of the rate group to which the employer is assigned.
- (8) The payroll used is the total assessable payroll used to calculate employers' assessments in the ER Window. This amount excludes earnings above the maximum wage, and includes Personal Optional Protection amounts.
- (9) In determining the cost to assessable payroll ratio in the ER Window, the most recent year is weighted at 50%, the prior year at 33.3%, and the most distant year at 16.7%.
- (10) The calculation involves combining an employer's cost experience in the ER window with its ER factor for the previous year. The ER factor reflects the fact that employers participate at different levels, based on the size of the employer's assessment before the ER adjustment. The higher an employer's base assessment, the higher its level of participation in the plan. A higher level of participation means an employer's ER adjustment

EFFECTIVE DATE:	November 22, 2017
AUTHORITY:	s. 42, <i>Workers Compensation Act</i> .
CROSS REFERENCES:	See also Requesting a Variance from a General Exemption (AP1-2-2), Personal Optional Protection (AP1-2-3), Extending the Application of the <i>Act</i> (AP1-3-1) with regard to sections 3(5) to 3(7) of the <i>Act</i> , Classification – Changes (AP1-37-3), Registration of Employers (AP1-38-1), Payroll Estimates (AP1-38-5), Maximum Wage Rate (AP1-38-6), ER Cost Inclusions/Exclusions (AP1-42-2) and Transfer of Experience Between Firms (AP1-42-3) in the <i>Assessment Manual</i> .
HISTORY:	<p>Updated to no longer include the capitalized values of permanent disability awards in ER determinations, effective November 22, 2017. Firms' ER determinations for rate years before 2018, which had included these capitalized values, are not affected by the change.</p> <p>Consequential changes related to the consolidation of the classification policies were made effective January 1, 2013.</p> <p>Updated to add Net Rate Transitioning effective October 11, 2012.</p> <p>Updated to add the Excess Cost Surcharge effective January 1, 2009.</p> <p>Updated to define "experience" effective June 1, 2005.</p> <p>Replaces Policies No. 30:50:10 and 30:50:41 of the <i>Assessment Policy Manual</i> and Decision No. 401 in Volumes 1 - 6 of the <i>Workers' Compensation Reporter</i>.</p> <p>This Item results from the 2002 "editorial" consolidation of all assessment policies into the <i>Assessment Manual</i>. The POLICY in this Item continues the substantive requirements of the policies and items referred to in the HISTORY as they existed prior to the Effective Date, with any wording changes necessary to reflect legislative and other changes since the policies and items referred to in the HISTORY were issued.</p>
APPLICATION:	The amended policy applies to rate determinations for the 2018 and later rate years.

(a) COR Certification

Employers work with Board approved certifying partners to meet the program's standards and achieve a COR. The COR certification requirements are as follows:

- 1) the employer registers with a certifying partner;
- 2) the employer implements an occupational health and safety management system as specified by the Board and certifying partner; and
- 3) the employer passes a certification audit and conducts annual maintenance audits.

An employer's COR certificate is valid for three years, after which a re-certification audit is required.

The Board is responsible for setting minimum audit standards and approving audit tools.

(b) COR Rebate

COR rebates are eligible to be paid in the year following COR certification. An employer with a valid COR certification is eligible to receive a 10% rebate of the employer's base assessment premiums in each year they are "in good standing".

An employer is not "in good standing" for a year if at any time in that year an activity, incident or violation occurs that has one or more of the following results:

- the Board is considering imposing an administrative penalty or has imposed an administrative penalty on the employer (citations under section 196.1 of the *Act* are not considered an administrative penalty when determining whether an employer is "in good standing");
- the employer is convicted by a Court of a violation of the *Act*;
- the employer has prevented or attempted to prevent reporting to the Board as outlined under section 177 of the *Act*;
- the employer has reduced claim costs in a manner that is contrary to the *Act* or Board policy;
- the employer has an outstanding balance related to its account;
- the employer has not reported payroll to the Board for the certification year; or
- the employer has engaged in other misconduct the Board considers to be inconsistent with participation in the Partners Program.

Employers who are not “in good standing” will not receive a COR rebate for the year in which the activity, incident or violation occurred.

PRACTICE

Employers will be ineligible for COR rebates until the condition creating the ineligibility has been resolved. Where the employer’s activities have indicated that the employer is ineligible for the COR rebate and where an appeal process is in place and an appeal is being pursued by the employer, the employer’s eligibility for COR rebate will not be determined until the appeal process is completed.

If the appeal is resolved in favour of the employer the COR rebate will be granted. If one or more of the above conditions causing ineligibility applies, for which there has been no successful appeal by the employer, the employer will be ineligible for COR rebate applicable to any calendar year to which the ineligibility condition relates.

For any relevant PRACTICE information, readers should consult the Practice Directives available on the WorkSafeBC website at www.worksafebc.com.

EFFECTIVE DATE:	February 15, 2016
AUTHORITY:	ss. 36, 42, 111, and 113(5), <i>Workers Compensation Act</i> .
CROSS REFERENCES:	See also <i>Penalties – Criteria for Imposing</i> (<i>Prevention Manual</i> D12-196-1) and <i>Partners in Injury and Disability Prevention Program</i> (<i>Prevention Manual</i> D2-111-4).
HISTORY:	Interim policy in effect until October 31, 2016. Interim policy extended to December 31, 2017. Interim policy extended to December 31, 2018.
APPLICATION:	The amended policy applies to all decisions, including appellate decisions, made on or after February 15, 2016 and remain effective until December 31, 2018.