

Client Services Policy Manual

Policy Number: **ES-08**
Subject: **Rate Setting**
Chapter: **Employer Services**

Policy Statement

WorkplaceNL reviews and sets assessment rates annually for each industry group in accordance with the funding policy (Policy IF-01 “Long Term Financial Strategy”). As part of this process, WorkplaceNL reviews the arrangement of Newfoundland Industrial Classification (NIC) codes in Industry Groups. An independent actuarial firm performs the technical analysis for rate setting. Annually, employers are notified of their next year’s assessment rates.

Rates are set at the Industry Group level, not at the individual employer level. The cost experience for an entire Industry Group is used to set rates. The individual cost experience for a single employer is not relevant in rate setting. For this reason, this policy does not apply to the individual employer. WorkplaceNL’s PRIME program (Policy PR-01: PRIME Overview) provides individual employers with opportunities to lower their assessments based on good prevention and return-to-work practices, and claims cost management.

Definitions

Rate Setting

The process by which a total revenue requirement is determined and allocated among industry groups to produce assessment rates. The process is designed to ensure that different assessment rates reasonably reflect different claims cost experience for each Industry Group.

Newfoundland Industrial Classification (NIC) Code

Refers to the four digit numerical coding system used to classify the different economic activities conducted in the province of Newfoundland and Labrador. WorkplaceNL assigns each employer to a NIC code to identify the primary industrial undertaking of the employer and corresponding assessment rate.

Industry Group

The level of grouping into which WorkplaceNL classifies all NIC codes, based on the degree of similarity of business activities and/or claims cost experience.

Credibility

Used to measure the degree of reliance assigned to an Industry Group’s recent claims cost experience to predict its future experience.

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Hazard

For the purposes of rate setting, the primary means of evaluating the degree of “hazard” is defined by the claims cost experience associated with a NIC code or Industry Group.

General

NIC codes are arranged into Industry Groups based on the degree of similarity of business activities and/or claims cost experience. Because the reliability of observed experience depends on the numbers of claims and volumes of business activity, similarity of claims cost experience cannot be assessed by simply comparing two figures. Statistical analysis is therefore used to assess the degree of similarity of claims cost experience. This analysis takes into account both the level of experience (i.e., degree of hazard) and its reliability. When claims cost experience is highly reliable, less emphasis may be placed on similarity of business activities and vice versa.

The assessment rate for those Industry Groups that are fully credible is based on the claims cost experience for the most recent five completed calendar years for injuries that occurred in the same period. Full credibility refers to a situation where claims cost experience is sufficient, reliable and meaningful to calculate a rate which is a true reflection of the underlying risk characteristics of an Industry Group.

Rates for those Industry Groups that are not fully credible are based partly on claims cost experience for the most recent five completed calendar years, as well as a credibility factor to stabilize the claim cost experience. The credibility factor is determined by the independent actuarial firm.

The rate setting process is intended to achieve a balance between having assessment rates that are reasonably stable, while at the same time reflecting changes in claims cost experience for each Industry Group.

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Reference: *Workplace Health, Safety and Compensation Act*, (the "Act"), Sections 94, 95 and 97.
Policies: IF-01 "Long Term Financial Strategy",
PR-01 "PRIME Overview".

Amendment History

<i>Original Effective Date</i>	1992 10 16
<i>Revision #1</i>	2002 03 25
<i>Revision #2</i>	2012 04 04