

Section Title: Finance, Assessments and Administration - Assessments
Subject: Mid-Year Increase of 4.7% in Rates for 2002
Effective Date: January 1, 2002

POLICY PURPOSE

This policy establishes criteria for an increase in rates of 4.7% midway through 2002. An increase in rates is required to ensure financial stability within the Board. However, a full-year increase announced at the fourth quarter of 2001 may not allow employers enough time to budget for this increase. Therefore, it is appropriate to apply the increase in rates effective the second half of 2002.

This policy incorporates the following principles:

1. Easily understood by employers
2. Ease of administration for employers
3. Ensure all employers are treated fairly and consistently in the application of the average rate increase. In order to ensure consistent treatment for all employers, the rate increase should be blended and applied to all earnings throughout the year. No impact upon employer's cash flow until the second half of 2002
4. Employer's current payroll reporting activities are maintained

A. POLICY

This policy applies only to firms whose assessment rates are set under the principle of collective liability (only Class "E").

There are two different reporting options and three different payment options that are addressed by this policy (quarterly actual, annual estimate with three payments and annual estimate with one payment).

All firms will be advised of their 2002 assessment rate, which will be based on their own individual cost experience, as determined by the assessment rate model. The assessment rate model will determine each firm's assessment rate, using an overall average rate of \$1.49 as a starting point. Firm individual cost experience is compared to the Class E average, resulting in the firm's actual assessment rate. This rate can be higher or lower than the average, depending on how the firm compares to the average. Effective July 2, all firms' actual assessment rates will be increased by 4.7%, to ensure the WCB meets its revenue requirements.

The scenarios described throughout this policy illustrate the assessment due based on the average rate of \$1.49 for the first half of the year, increasing to \$1.56 for the second half of the year, overall resulting in a blended average rate for the complete year of \$1.525. (Please note that the vast majority of firms do not pay the average rate).

1. Quarterly Reporting Firms

In January 2002, the WCB will assign initial rates based on an average rate of \$1.49. These rates will be in effect for the first and second quarters. After the second quarter earnings have been applied, these rates will be removed from the system. These will be replaced with rates based on the blended average of \$1.525. This will have the same impact as applying an average rate of \$1.56 for the second half of the year. These rates will be applied retroactively to the first and second quarters, as well as to the third and fourth quarters.

Quarterly reporting (example based on average rate, firm rates will vary)

Payment	Due Date	Firm Earnings	Assessment Rate	Assessment
1st Quarter	April 20, 2002	\$125,000	\$1.49	\$1,862.50
2nd Quarter	July 20, 2002	\$125,000	\$1.49	\$1,862.50
3rd Quarter	October 20, 2002	\$75,000	\$1.49	\$1,117.50
Reconciliation Adjustment	October 20, 2002	\$325,000	\$1.525 - \$1.49	\$113.75
4th Quarter	January 20, 2003	\$75,000	\$1.525	\$1,143.75
Total Annual Assessment		\$400,000	\$1.525	\$6,100.00

2. Annual Estimate Firms – 3 Payments

In 2002, the WCB will initially assign rates based on an average rate of \$1.49. These rates will be in effect from January 1, 2002 until early October 2002. In early October these rates will be removed from the system and will be replaced with rates based on the blended average rate of \$1.525. This will have the same impact as applying an average rate of \$1.56 for the second half of the year. October was selected as it corresponds with the third installment date and the increase will be applied at the same time as for quarterly firms.

Early in 2003, firms will provide actual earnings for 2002. These earnings will be reconciled to the blended average rate of \$1.525 during the normal reconciliation period.

Annual reporting, with three annual installments (example based on average rate, individual firm rates will vary)

Payment	Due Date	Firm Earnings	Assessment Rate	Assessment
1st Installment (40%)	March 31, 2002	\$400,000	\$1.49	\$2,384.00
2nd Installment (30%)	August 31, 2002	\$400,000	\$1.49	\$1,788.00
3 rd Installment (30%)	October 31, 2002	\$400,000	\$1.49	\$1,788.00
Reconciliation Adjustment	October 31, 2002	\$400,000	\$1.525 - \$1.49	\$140.00
Total Payment	October 31, 2002			\$1,928.00
Total Annual Assessment				\$6,100.00

Employers will see on their October statement both their regular third installment at \$1.49, plus the reconciliation of all year to date earnings from \$1.49 to \$1.525. This will ensure that quarterly reporting firms and annual estimate firms are treated consistently as both will see rate increases implemented in late October.

3. Annual Estimate Firms – 1 Payment

Employers with a total assessment less than \$500.00 are required to pay the total assessment in one payment. These employers would not normally receive an account statement in October.

In 2002, the WCB will initially assign rates based on an average rate of \$1.49. These rates will be in effect from January 1, 2002 until early October 2002. In early October these rates will be removed from the system and will be replaced with rates based on the blended average rate of \$1.525. This will have the same impact as applying an average rate of \$1.56 for the second half of the year.

In October, employers will see the increase from \$1.49 to \$1.525 on all transactions from January 1, 2002. This will ensure that quarterly actual firms, 3 payment annual estimate firms and 1 payment annual estimate firms are treated consistently as all will see the 4.7% rate increase by late October.

Early in 2003, firms will provide actual earnings for 2002. These earnings will be reconciled to the blended average rate of \$1.525 during the normal reconciliation period.

4. 2003 Rate Setting/Rate Adjustments

For the purposes of the **2003 rate model**, all firms' 2002 starting point will be based on the average rate of \$1.56.

For all firms (quarterly firms, annual firms with 3 payments, annual firms with 1 payment), the increase in the average rate midway through 2002 will only be applied to active firms. Firms that have ceased operations prior to July 1st will not have their assessment rates adjusted.

For new firms that start employing after July 1st, they will be assigned a new firm rate based on the average of \$1.56.

B. REFERENCES

The Workers Compensation Act, sections 73, 81(1), 81(3), 81(4), 81(7.2)

WCB Policy 31.05, *Funding Policy*

Rate Setting Model

History:

1. Policy for Mid Year Increase of 4.7% in Rates for 2002 was approved by Board Order 30/01 on November 29, 2001.
2. Minor formatting changes were made to the policy, June 27, 2012.