



WSIB **2006**
Premium
Rates **MANUAL**

SECTION 3

Summary of Allocation Rules

SUMMARY OF ALLOCATION RULES FOR 2006 PREMIUM RATES

A. New Claims Cost

Gross new claims costs are determined at the class level. However, rate groups belonging to a class pay them.

The share of the class gross new claims cost charged to a member rate group is based on the number of Lost Time Injuries (LTIs), the average cost of an LTI expected for that rate group and a loading for future claims administrative expenses of new claims for the premium year.

The average cost of an LTI for a rate group is determined via a Cost Index, which indicates the relative costliness of an average LTI of the rate group as compared to that of its class.

Net new claims cost is the gross cost adjusted for expected relief and transfer charge for the Second Injury and Enhancement Fund (SIEF).

B. Overhead Expenses

Overhead expenses are allocated to rate groups in proportion to their net new claims cost and insurable earnings.

A rate group is granted overhead relief if its allocated overhead charge exceeds a set percentage of its net new claims cost.

Rate groups covered by a particular Safe Workplace Association (SWA) pay a share of the expenses of that SWA.

Overhead expenses for classes are the sum of expenses for member rate groups.

C. Unfunded Liability

The Unfunded Liability (UL) charge is determined for Schedule 1 as a collective whole. However, rate groups pay it.

The share of the UL charge paid by rate groups is in proportion to their net new claims cost.

The UL charge for a class is the sum of the UL charges for member rate groups.

D. (Gain)/Loss

Gains and losses are determined at the class level and spread over a period of five years. If the actual claims cost experience of a class was better than its expected experience then a gain is generated for that class. Conversely, when the actual experience was worse than expected, there is a loss. For the 2006 premium rates, gains and losses are based on accident years 2000 through 2004.

A gain results in a reduction in premium rates while a loss results in an increase.

The gain or loss of a class is allocated to its rate groups in proportion to their net new claims cost.