

**Alberta WCB
Policies &
Information**

Chapter:

PRICING

Subject:

EXPERIENCE RECORDS

Authorization:

BoD Resolution 2016/07/18

Date:

November 29, 2016

APPLICATION 2: EXPERIENCE RATING

1. *What is experience rating?*

Experience rating is a method of adjusting premium rates based on the individual employer's accident experience. Experience rating is intended to provide an incentive to reduce the number and costs of work-related injuries. Experience rating applies separately to each industry classification assigned to an employer.

2. *Are there different methods of experience rating for large and small employers?*

Yes. Effective January 1, 1998, employers who have paid less than \$15,000 in premiums based on their industry premium rate in the first three of the previous four calendar years (the experience period) are considered small employers and participate in the Experience Rating Plan for Small Employers.

Employers who have paid \$15,000 or more in premiums based on the industry premium rate in the experience period are considered large employers and participate in the Experience Rating Plan for Large Employers. The experience period allows WCB to compare an employer's costs to industry averages.

Prior to 1998, all employers who paid \$3,000 or more in premiums based on the industry rate premium during the experience period were included in the Experience Rating Plan.

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3. *How does the Experience Rating Plan for Small Employers work?*

Small employers are eligible for small-business discounts and surcharges that recognize their WCB claims experience. Small-business discounts and surcharges are based on five years of claims information instead of three, as these employers have limited claims experience.

For the year in which the discount is calculated, the first five of the previous six years are measured. If the employer has not had any lost-time claims in this period and has reported insurable earnings to WCB in each of those years, the employer receives a 5% discount from the industry rate in the current year.

Employers who have five or more claims during the five-year experience period will have a 5% surcharge added to their industry rate in the current year.

4. *How does the Experience Rating Plan for Large Employers affect employers' premium rates?*

The Experience Rating Plan for Large Employers is intended to provide an incentive to reduce the number and costs of work-related injuries. Experience rating applies specifically to each industry classification assigned to an employer.

Employers who have lower than average claim costs compared to their rate group earn a discount up to 40% from their industry premium rate. Employers with higher than average claim costs receive a surcharge up to 40% on their industry premium rate.

5. *What factors are considered when calculating a premium adjustment for the Experience Rating Plan for Large Employers?*

The premium adjustment in the Experience Rating Plan is determined by the following formula:

$$\text{Experience Ratio} \times \text{Participation Factor} \times \text{Eligibility Factor}$$

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<i>Experience Ratio</i>	The experience ratio indicates each employer's relative performance compared with its rate group.
<i>Participation Factor</i>	The participation factor limits the impact of experience rating based on the employer's premiums.
<i>Eligibility Factor</i>	The eligibility factor limits the impact of experience rating based on the length of time the employer's account was open during the experience period.

6. *What claim costs are used to determine a premium adjustment in the Experience Rating Plan for Large Employers?*

All costs charged to an employer's experience record for claims that occurred during the experience period are used to determine the premium adjustment, except for the following:

- costs transacted outside the experience period,
- costs when the total costs of the claim are less than the amount prescribed by WCB and there is no time lost (the amount will be reviewed periodically and shared with the Board of Directors),
- cost relief adjustments (see Policy 05-02, *Cost Relief*),
- costs over the employer's Maximum Per Claim Cost (MPCC), and
- costs over the Maximum Per Incident Cost (MPIC).

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7. *What are the Maximum Per Claim Cost (MPCC) and Maximum Per Incident Cost (MPIC)?*

The Maximum Per Claim Cost (MPCC) and Maximum Per Incident Cost (MPIC) are caps on the claim costs used for experience rating which limit the impact of random accidents on an employer's premium adjustment. This ensures the costs of individual claims do not unfairly impact an employer's premium rate. They have no effect on the injured worker's benefit entitlement.

The MPCC varies between employers and is based on the size of the employer's industry premium for the experience period. The MPIC is twice the maximum insurable earnings for a rate year (see Appendix F).

“Incident” as used in MPIC means a single event at a specific point in time, from which one or more claims directly result. It does not apply to industrial diseases or conditions which may develop out of prolonged exposure to a particular industry or process.

8. *Are there other surcharges which may be applied to employers' accounts?*

Yes, in addition to the discount and surcharge provisions of the Experience Rating Plan for Large Employers, a Poor Performance Surcharge is applied if employers in the Plan have had:

- the maximum surcharge for their size for two or more consecutive years, and
- four or more claims used in experience rating for two or more consecutive experience periods.

A Poor Performance Surcharge of up to 200% is applied in addition to the surcharge in the Experience Rating Plan. The Participation Factor applied in the Experience Rating Plan for Large Employers is not applied in the Poor Performance Surcharge.

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9. Which adjustments to an employer's account affect experience rating?

WCB will normally recalculate an employer's premium when the following adjustments are made to the employer's account:

- insurable earnings are revised (see Policy 06-03, *Premiums*),
- claim costs are revised, or
- the employer is assigned a different industry classification (see Policy 07-01, *Classification*).

Any changes to the employer's premium will be applied for the current calendar year and up to six prior calendar years, except for most cost-relief adjustments made on or after January 1, 1999.

Effective January 1, 1999, most cost-relief adjustments affecting an employer's experience rating will only be available for a maximum of four years following the year in which the accident occurred. As a result, application for cost relief must be made no later than December 31 of the 4th calendar year following the accident year (see example below).

Example:

<i>Cost-relief application period for an accident occurring in 1995</i>			
1996 Year 1	1997 Year 2	1998 Year 3	1999 Year 4 (Current Year)

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10. Which cost-relief adjustments are not affected by the four-year window?

The four-year window for cost-relief adjustments applies to all cost-relief provisions in Policy 05-02, *Cost Relief*, except for:

- enhancement factor
- hearing loss
- respiratory disease
- occupational disease
- third-party recoveries
- negligence of another employer [s.95(2)]

Premium adjustments resulting from the circumstances listed above will continue to be recalculated for the current calendar year and up to six prior calendar years.

11. Are there circumstances when WCB will withhold premium adjustments?

Yes. When an employer fails to report the actual insurable earnings for any year during the experience period, WCB will withhold any discount. However, all surcharges will apply (see Policy 06-03, *Premiums*).

12. How does experience rating apply when an employer reopens an account?

When an employer reopens an account, the experience accumulated during the experience period that reflects similar business activities, risks, and hazards will be used for premium adjustments (see Policy 07-01, *Classification*).

13. How are premium adjustments affected by a change in industry classification?

When an employer is assigned to a different industry classification, the premium adjustment is calculated for the new classification from the effective date of the change (see Application 4, Question 2 and Question 4).

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14. *Is there any consideration for employers when business disruptions during a local or provincial state of emergency prevent employers from continuing to provide temporary modified work?*

Yes, in order to alleviate the financial consequences caused by the inability to continue to provide temporary modified work during a state of emergency, WCB may, at its discretion, reallocate costs to the Accident Fund so as to reduce the impact of those costs on the experience rating for affected employers.

WCB may consider reallocating costs when all of the following conditions apply:

- an event or series of events affecting multiple employers results in evacuation and/or major business disruption
- in response to the event or series of events, a local or provincial state of emergency is declared under the *Emergency Management Act*

In most cases, cost reallocation is applicable only during the state of emergency. So, for example, when the state of emergency ends, WCB will normally recommence charging any applicable costs to the employers' experience accounts. WCB may consider other start and end dates on a case-by-case basis.

15. *When is this policy application effective?*

This policy application (Application 2 – Experience Rating) is effective May 1, 2016, except when noted otherwise in a specific policy section(s).

Previous versions

- [Policy 0702 Part II - August 2015](#)
- [Policy 0702 Part II - December 2010](#)
- [Policy 0702 Part II - January 2008](#)
- [Policy 0702 Part II - January 2004](#)
- [Policy 0702 Part II - January 2002](#)

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- [Policy 0702 Part II - June 2001](#)
- [Policy 0702 Part II - December 2000](#)
- [Policy 0702 Part II - January 2000](#)
- [Policy 0702 Part II - September 1999](#)
- [Policy 0702 Part II - June 1999](#)
- [Policy 0702 Part II - March 1999](#)
- [Policy 0702 Part II \(consolidated manual 1st Issue\) - June 1998](#)