

NEXUS ACTUARIAL CONSULTANTS

June 13, 2014

Alice Sayant
Vice President
Prevention, Assessments, and Customer Service
Workers Compensation Board of Manitoba
333 Broadway
Winnipeg, Manitoba
R3C 4W3

Dear Ms. Sayant:

RE: Review of the April 2014 “A discussion paper on the rate setting model” prepared by Douglas C Stanley

We recently accessed Douglas Stanley’s discussion paper on your web site and feel it appropriate to share with you our considered understandings under the following headings.

- Primary characteristic of safe workplaces;
- Primary features of Manitoba’s current rate model that make it “best in class”
- Challenges with the Appendix

Primary characteristic of “Risk” in the workplace

We continue to be of the opinion that occupational health and safety (attitude {particularly by senior management}, awareness, training, procedures and practices) plus technology can and should be the dominant characteristics of “Risk” in the workplace rather than “Industry”.

Primary features of Manitoba’s current rate model that make it “best in class”

1. Use of overall system experience (class E) as the base used for establishing each employer’s relative experience;
2. Use of very recent payment experience (12 months ending September 30th of the current year);
3. Stepping an employer’s assessment rate towards what they are currently costing the system from what they are currently paying;
4. Increasing the size of the steps, the more consecutive years they have been under / over paying;
5. Emphasizing “health, safety and technology” rather than “industry” by having reasonably wide lower and upper boundaries.
 - a. The boundaries are not based upon statistical theory that depends upon the assumption that there is a homogeneous underlying “Risk” per industry;

- b. Our experience is that “Risk” is very manageable and that homogeneous “Risk” by industry has become less and less realistic over the last 100 years with the ongoing advances in attitude, awareness, training, procedures, practices and technology.
6. Financial Soundness by having maximum increases twice maximum decreases:
 - a. In Manitoba at least 75% of firms are better than the average for their risk category;
 - b. Without the 2 for 1 feature the base for setting relative performance would need to be modified in order to maintain the “Required Revenue”.
7. Transparency by measuring an employer’s recent performance relative to the Class E average:
 - a. An employer’s rate generally moves with their recent performance, reducing when their recent claims payment experience improves relative to the Class E average and increasing when it deteriorates.

Challenges with the Appendix

The example in the Appendix is so extreme that our understanding is that it has never happened in Manitoba. Better illustrations would be for cases where:

- An employer who has a challenged workplace record turns their experience into a good workplace record over 2 or 3 years;
- An employer who has a good workplace record letting up on occupational health and safety so that their workplace experience becomes challenged over 2 or 3 years;
- A realistic random event based upon an extreme example found in the 2014 rate setting data for an employer with a least 10 workers.

In closing we would be pleased to discuss our considered understandings with you at your convenience.

Sincerely,



John Neal, F.C.I.A.
Principal