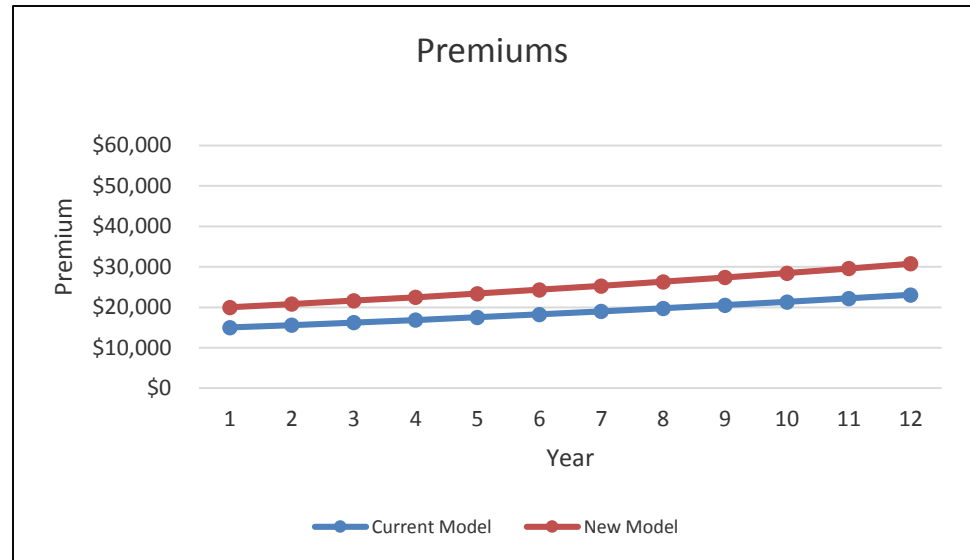
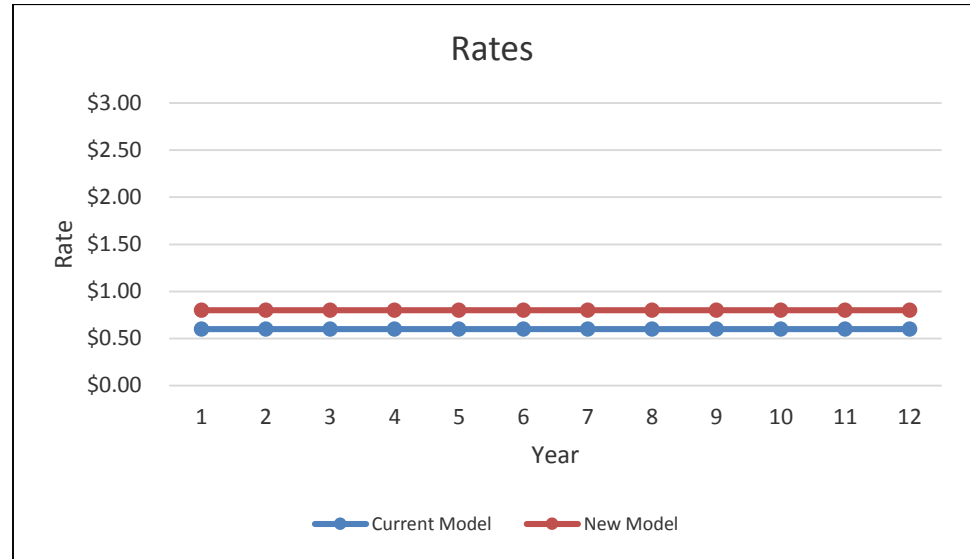


## Medium Employers - Payroll Between \$750,000 and \$7,500,000

### Scenario 1 - Consistently Low Cost Employer

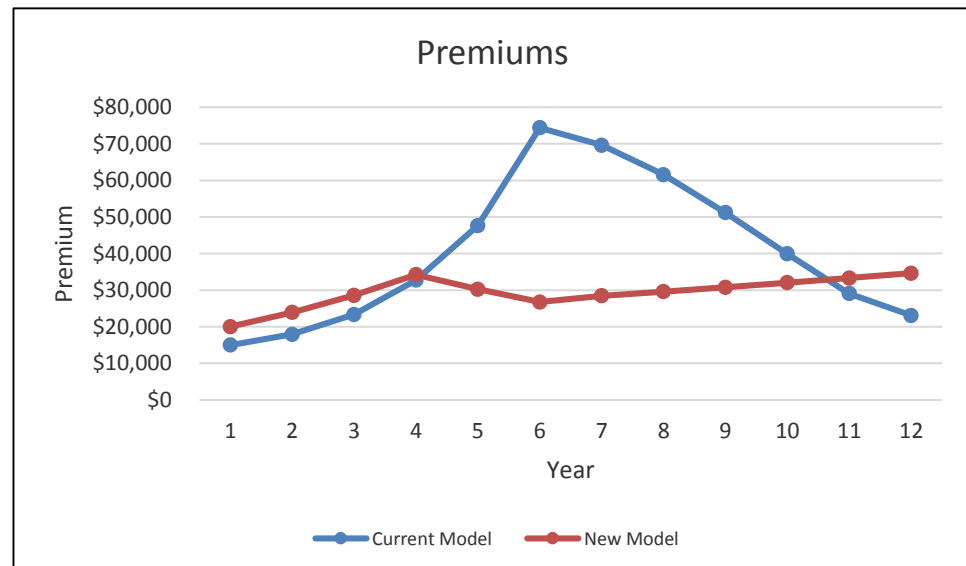
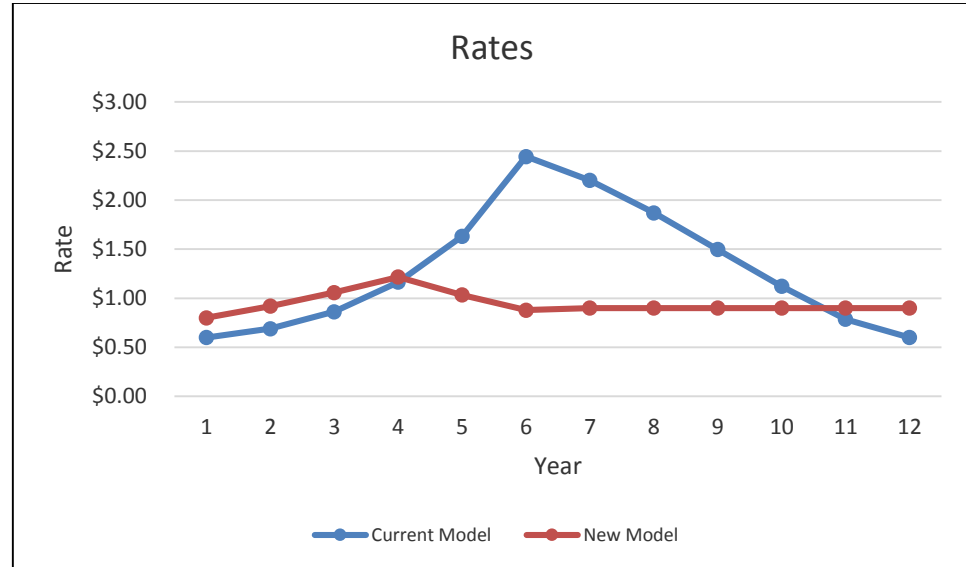
<b>Scenario</b>	Employer consistently has zero claims costs.
<b>Assumptions</b>	<p>Category Average Rate is \$1.00 throughout the period.</p> <p>Assessable Payroll is \$2,500,000 in Year 1 increasing 4% per year thereafter.</p> <p>Experience Factor is 30%</p> <p>Individual firm target rate is \$0.00</p>
<b>Outcomes</b>	<p>Annual premium slowly rises by 4% per year in lock step with payroll increase.</p> <p>Total 12-year premium is <b>\$225,387 under current model</b> and <b>\$300,516 under new model</b>.</p>
<b>Explanation</b>	<p>Employer is consistently at the lower boundary of the risk category range in both models. The lower boundary is <b>40% below average (\$0.60) in the current model</b> and <b>20% below average (\$0.80) in the new model</b>.</p> <p>Employer pays more under the new model for better protection against extreme increases if and when a costly claim is incurred.</p>



## Medium Employers - Payroll Between \$750,000 and \$7,500,000

### Scenario 2 - Low Cost Employer with High Claims Costs Ongoing for 5 Years

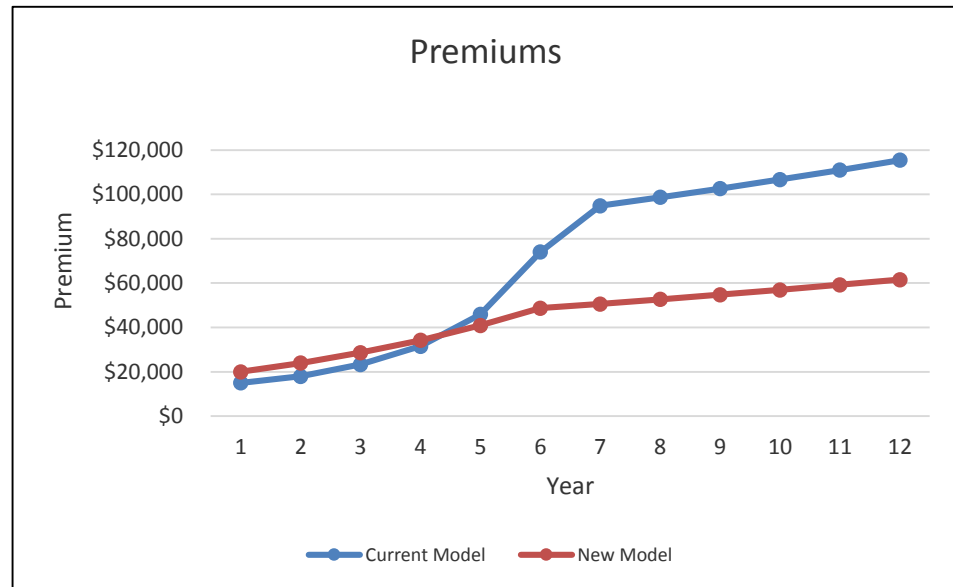
<b>Scenario</b>	Employer with low claims costs experiences high claims costs for 5 years (generally one claim).
<b>Assumptions</b>	<p>Category Average Rate is \$1.00 throughout the period.</p> <p>Assessable Payroll is \$2,500,000 in Year 1 increasing 4% per year thereafter.</p> <p>Experience Factor is 30%</p> <p>Individual firm target rate is \$3.00</p>
<b>Outcomes</b>	<p>Annual premium moderately rises for 3 years and then starts to decline until the lower boundary of the risk category is reached. It then slowly rises by 4% per year in lock step with payroll increase.</p> <p>Total 12-year premium is <b>\$485,509 under current model</b> and <b>\$352,567 under new model</b>.</p>
<b>Explanation</b>	<p>Employer is protected from an extreme increase that can arise from one high cost claim. The maximum rate increase per year <b>Increases each year up to 5 years in the current model</b> and <b>Limited to 15% in the new model</b></p> <p>Employer is protected from extreme increases if and when a costly claim is incurred.</p>



## Medium Employers - Payroll Between \$750,000 and \$7,500,000

### Scenario 3 - High Cost Employer with Consistently Poor Cost Experience

<b>Scenario</b>	Employer has consistently above average claims costs
<b>Assumptions</b>	Category Average Rate is \$1.00 throughout the period. Assessable Payroll is \$2,500,000 in Year 1 increasing 4% per year thereafter. Experience Factor is 30% Individual firm target rate is \$3.00
<b>Outcomes</b>	Annual premium moderately rises until the upper boundary of the risk category range is reached, then slowly rises by 4% per year in lock step with payroll increase. Total 12-year premium is <b>\$837,172 under current model</b> and <b>\$532,045 under new model</b> .
<b>Explanation</b>	Employer's rate increases until it reaches the upper boundary of the risk category range in both models. The upper boundary is <b>200% above average (\$3.00) in the current model</b> and <b>60% above average (\$1.60) in the new model</b> .  Employer pays more under the new model for a lower maximum rate if an employer has consistently poor cost experience.



## Medium Employers - Payroll Between \$750,000 and \$7,500,000

### Scenario 4 - Low Cost Employer with High Claims Costs all in One Year

<b>Scenario</b>	Employer with low claims costs experiences one year with high claims costs.
<b>Assumptions</b>	<p>Category Average Rate is \$1.00 throughout the period.</p> <p>Assessable Payroll is \$2,500,000 in Year 1 increasing 4% per year thereafter.</p> <p>Experience Factor is 30%</p> <p>Individual firm target rate is \$1.50</p>
<b>Outcomes</b>	<p>Annual premium rises for 3 years then decreases until the lower boundary of the risk category range is reached. It then slowly rises by 4% per year in lock step with payroll increase.</p> <p>Total 12-year premium is <b>\$228,268 under current model</b> and <b>\$322,997 under new model</b>.</p>
<b>Explanation</b>	<p>Employer's one year of high claims costs will impact its rate for 3 years. The experience period is <b>1 year of claims costs on 5 years of claims in the current model</b> and <b>3 years of claims costs on 3 years of claims in the new model</b>.</p> <p>Short duration claims can impact an employer's rate for up to 3 years. Claims that last longer than 3 years will not impact an employer's rate after the 3<sup>rd</sup> year.</p>

