

POLICY		23-605
Experience Rating System	Effective : Month 00, 2024	Release 6

PROPOSED	CURRENT	REASON FOR REVISION
Authority	Authority	
<i>Workers' Compensation Act</i> Sections 31(1) , 57(1), 57(2)	<i>Workers' Compensation Act</i> Sections 57(1), 57(2)	Subsection 31(1) of the <i>WC Act</i> has been added as it outlines WorkSafeNB's broad authority to determine how to collect the funds needed for compensation payments.
Definitions	Definitions	
Accident – includes a wilful and intentional act, not being the act of a worker, and also includes a chance event occasioned by a physical or natural cause, as well as a disablement caused by an occupational disease and any other disablement arising out of and in the course of employment, but does not include the disablement of mental stress or a disablement caused by mental stress, other than as an acute reaction to a traumatic event. (<i>WC Act</i>)	Accident – includes a wilful and intentional act, not being the act of a worker, and also includes a chance event occasioned by a physical or natural cause, as well as a disablement caused by an occupational disease and any other disablement arising out of and in the course of employment, but does not include the disablement of mental stress or a disablement caused by mental stress, other than as an acute reaction to a traumatic event. (<i>WC Act</i>)	
Assessment premium - is equal to the assessment rate multiplied by \$100 of assessable payroll.	Assessment premium - is equal to the assessment rate multiplied by \$100 of assessable payroll.	
Cost Ratio – refers to the new injury costs during the exposure period divided by total assessable payroll during the same time	Cost Ratio – refers to the new injury costs during the exposure period divided by total assessable payroll during the same time	

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period.	period.	
Experience rate – is the adjustment applied to the basic rate to reflect employers' cost experience.	Experience rate – is the adjustment applied to the basic rate to reflect employers' cost experience.	
Exposure period - for the purpose of this policy, it is a period of time containing the data used for setting basic assessment rates.	Exposure period - for the purpose of this policy, it is a period of time containing the data used for setting basic assessment rates.	
Fatality - an occurrence of death as a result of an accident that arose out of and in the course of employment.	Fatality - an occurrence of death as a result of an accident that arose out of and in the course of employment.	
New injury costs - total direct claim-related costs arising as a result of an accident that arose in the course of employment that occurred within the exposure period. Costs associated with accidents that occurred outside the exposure period are not included.	New injury costs - total direct claim-related costs arising as a result of an accident that arose in the course of employment that occurred within the exposure period. Costs associated with accidents that occurred outside the exposure period are not included.	
Rebate – a discount on assessment premiums.	Rebate – a discount on assessment premiums.	
Surcharge – an additional charge on assessment premiums.	Surcharge – an additional charge on assessment premiums.	
Policy	Policy	
WorkSafeNB operates on the principle of collective liability, which means that the revenue from the entire assessed employer population is pooled to maintain the workers' compensation system.	WorkSafeNB operates on the principle of collective liability, which means that the revenue from the entire assessed employer population is pooled to maintain the workers' compensation system.	

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When determining the assessment rates for individual employers, WorkSafeNB takes into account an employer's accident history through WorkSafeNB's Experience Rating System.	When determining the assessment rates for individual employers, WorkSafeNB takes into account an employer's accident history through WorkSafeNB's Experience Rating System.	
The objective of the experience rating system is to improve equity in sharing the costs of the system among employers by:	The objective of the experience rating system is to improve equity in sharing the costs of the system among employers by:	
<ul style="list-style-type: none"> Increasing employers' accountability for their individual claim costs; and 	<ul style="list-style-type: none"> Increasing employers' accountability for their individual claim costs; and 	
<ul style="list-style-type: none"> Providing an incentive for implementing accident prevention measures and promoting early and safe return to work 	<ul style="list-style-type: none"> Providing an incentive for implementing accident prevention measures and promoting early and safe return to work 	
Interpretation	Interpretation	
1. The experience rating system provides employers with a rebate or surcharge on their assessment rate depending on their claim cost experience relative to their assigned rate group's claim cost experience.	1. The experience rating system provides employers with a rebate or surcharge on their assessment rate depending on their claim cost experience relative to their assigned rate group's claim cost experience.	
2. Employers qualify to participate in experience rating system if their basic average assessment premium is \$2,000 or more over the exposure period.	2. Employers qualify to participate in experience rating system if their basic average annual assessment premium is \$2,000 or more over the exposure period.	This revision will change that the total premiums over the exposure period of three years is divided by three, even if the employer has not been active over the three years. The effect will decrease participation in experience rating for new employers.
3. The employer's participation level is based on the historical payroll and rates of their current industry. Employers with an average assessment of \$2,000 participate	3. The employer's participation level is based on the historical payroll and rates of their current industry. Employers with an average assessment of \$2,000 participate	

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at the minimum level of 25%. The participation level increases uniformly as average assessment premiums increases up to the maximum participation level of 100% when average assessment premiums are equal to or higher than \$58,250.	at the minimum level of 25%. The participation level increases uniformly as average assessment premiums increases up to the maximum participation level of 100% when average assessment premiums are equal to or higher than \$58,250.	
4. The experience rating program is designed to be approximately revenue neutral for each rate group.	4. The experience rating program is designed to be approximately revenue neutral for each rate group.	
5. Rebates and surcharges are determined by:	5. Rebates and surcharges are determined by:	
<ul style="list-style-type: none"> Calculating the employer's and the rate group's cost ratio; 	<ul style="list-style-type: none"> Calculating the employer's and the rate group's cost ratio; 	
<ul style="list-style-type: none"> Adjusting each rate group's cost ratio until approximate revenue neutrality is achieved; 	<ul style="list-style-type: none"> Adjusting each rate group's cost ratio until approximate revenue neutrality is achieved; 	
<ul style="list-style-type: none"> Determining the variance between the employer's cost ratio and the rate group's adjusted cost ratio 	<ul style="list-style-type: none"> Determining the variance between the employer's cost ratio and the rate group's adjusted cost ratio 	
<ul style="list-style-type: none"> Adjusting the employer's rate up or down by 1% for every 2.5% variance between the employer's cost ratio and the rate group's cost ratio to a maximum rate rebate of 40% or a maximum rate increase of 80%; and 	<ul style="list-style-type: none"> Adjusting the employer's rate up or down by 1% for every 2.5% variance between the employer's cost ratio and the rate group's cost ratio to a maximum rate rebate of 40% or a maximum rate increase of 80%; and 	
<ul style="list-style-type: none"> Prorating the rebate or surcharge by the employer's participation level. 	<ul style="list-style-type: none"> Prorating the rebate or surcharge by the employer's participation level. 	
6. WorkSafeNB uses the following information	6. WorkSafeNB uses the following information	

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when determining experience rating cost ratios:	when determining experience rating cost ratios:	
<ul style="list-style-type: none"> A three-year exposure period; New injury costs up to the maximum per claim cost level for accidents that occur during the exposure period; and Maximum per claim costs level for fatalities that occur during the exposure period, regardless of actual costs. 	<ul style="list-style-type: none"> A three-year exposure period; New injury costs up to the maximum per claim cost level for accidents that occur during the exposure period; and Maximum per claim costs level for fatalities that occur during the exposure period, regardless of actual costs. 	
7. Claims accepted for COVID-19 in accident years 2020, 2021, and 2022 will not be included in determining employers' experience rating cost ratios.	7. Claims accepted for COVID-19 in accident years 2020, 2021, and 2022 will not be included in determining employers' experience rating cost ratios.	
8. The maximum claim cost is <u>\$77,500 in 2024 and will increase thereafter</u> to the <u>average</u> maximum assessable earnings <u>over the exposure period</u> , rounded to the nearest <u>\$5,000, if higher</u> . For more information on the maximum assessable earnings, please see Policy 37-110 New Brunswick Industrial Aggregate Earnings.	8. The maximum claim cost is equal to the maximum assessable earning, rounded to the nearest \$2,500 . For more information on the maximum assessable earnings, please see Policy 37-110 New Brunswick Industrial Aggregate Earnings.	<p>Changes have been made to maintain the balance between collective liability & individual accountability and stability & responsiveness by:</p> <ul style="list-style-type: none"> Providing a revised formula to determine the maximum cost per claim for experience rating. This formula will be used to set the maximum on a go forward basis with the maximum established for 2024 (\$77,500) remaining until the calculation method produces a higher value. Using average maximum assessable earnings (MAE) over the three-year exposure period. This aligns maximum claim cost with the MAE used to determine benefits & reported payroll and allows for a smoother transition as the MAE has been changed from 1.5 to 1.6 times the NBIAE.

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		<ul style="list-style-type: none"> Rounding to \$5,000 further promotes stability and avoids changing the maximum per claim annually.
Previous Versions	Previous Versions	
<ul style="list-style-type: none"> <u>Policy 23-605 Experience Rating System, release 5, effective August 10, 2022</u> 		
<ul style="list-style-type: none"> Policy 23-605 Experience Rating System, release 4, effective January 31, 2013 	<ul style="list-style-type: none"> Policy 23-605 Experience Rating System, release 4, effective January 31, 2013 	
<ul style="list-style-type: none"> Policy 23-605 Experience Rating System, release 3, effective November 26, 2008 	<ul style="list-style-type: none"> Policy 23-605 Experience Rating System, release 3, effective November 26, 2008 	
	<ul style="list-style-type: none"> Policy 23-605 Experience Rating System, release 2, effective September 3, 1998 	
Approval Date	Approval Date	
Month 00, 2024	August 10, 2022	