

Experience Rating System 2008

2008 - maximum annual assessable earnings \$54,200

Experience rating is designed to improve employer awareness of the importance of safety in the workplace and to achieve greater equity through the use of rewards and penalties based on the employer's own accident cost experience.

Who participates in Experience Rating?

Employers who pay an average of \$1,000 or more of assessment at the basic group rate for the years 2004, 2005 and 2006 participate in the program. Every employer averaging \$1,000 of assessments will participate at the minimum level of 25%. The participation level will increase by 1% for every additional \$500 of average annual assessments, up to the full participation of 100% [see (7) for example]. Non-participating employers are simply assessed at the basic group rate.

The following is set out to provide further information on the *Experience Rating Statement* calculating form.

1. New injury Costs

The Experience Rating System uses new injury costs to determine your adjustment to the basic assessment rate. New injury costs are those costs arising from injuries that have occurred in the most recent three completed year's experience only (2004, 2005 and 2006). In addition, each claim used in experience rating is limited to \$55,000 (indicated by "*"). This maximum per claim cost places an emphasis on the frequency of claims in order to protect against the impact of a serious single claim.

2. Payrolls

Assessable payrolls are used in the calculation for the same three-year period as used for the new injury costs (2004, 2005 and 2006).

3. Employer Cost Ratio

This ratio is determined by dividing your three-year new injury costs (1) by your three year payrolls (2).

4. Industry Cost Ratio

This is calculated as in (3) above, by dividing new injury costs by payroll for all active employers in your industry group.

5. Employer Variance Percentage

This shows the percentage difference between your cost ratio (3) and the group cost ratio (4). If your cost ratio is **less** than the group cost ratio, the employer variance percentage will indicate, "lower than average", resulting in

a rate reduction. If your cost ratio is **greater** than the group cost ratio, the employer variance percentage will indicate "higher than average", giving a rate surcharge.

6. Rate Adjustment

Your rate is initially adjusted higher or lower by 1% for every 2.5% variance from your group's cost ratio.

7. Participation Factor

This rate determines the level of participation an employer will have in experience rating. The minimum qualifying assessment of \$1,000 average will result in a 25% participation rate. This rate increases 1% for every additional \$500 in average assessments, up to a maximum of 100%. In this way, smaller employers are shielded from excessive changes to their rates from year to year.

Example of calculation

Average annual assessment (¥)	\$3,500	
Less: Minimum participation level at	<u>\$1,000</u>	25%
	\$2,500	

Divide excess by 500 to determine

additional participation	÷500	<u>5%</u>
Employer's level of participation		<u>30%</u>

(¥) calculated as the average of "group basic rate" x payroll x 1% for 2004, 2005 and 2006.

8. Experience Ratio

This ratio is arrived at by multiplying the rate adjustment (6) by the participation factor (7).

9. Basic Rate

The basic assessment rate is determined each year for all **active and inactive** employers within each rate group before applying the experience rating. This basic rate uses both **direct and indirect** costs.

10. Experience Rate

This adjustment to the basic rate is arrived at by multiplying the basic assessment rate (9) by the experience ratio (8).

11. 2008 Net Rate

This rate is to be applied to your **2008** payroll to determine your assessment. This rate is the basic assessment rate (9) plus or minus the experience rate (10)

