

## **Persuading poor performers to improve**

*WCB surcharge increase aims to motivate employers to make safety a priority*

Most Alberta employers are working hard—despite the relentless demands of a growing economy—to keep their workers safe on the job and support them after an injury. But a very small percentage show sustained poor safety and claims management performance. WCB hopes an increased poor performance surcharge will prompt them to change.

On January 1, 2008, the Poor Performance Surcharge Policy will be amended to increase the maximum possible poor performance surcharge from 40 per cent to 200 per cent. The surcharge is levied against employers with consistently poor claims performance. The intent of the policy change is to motivate these employers to make health and safety a priority.

“We’ve seen tremendous commitment to safety and disability management from many Alberta companies,” says WCB’s Dieter Brunsch, V.P. Customer Service and Risk Management, “but a small number of employers have fallen behind. WCB is committed to doing everything we can to help them change their behaviour and prevent them from staying in a poor performance situation.”

### ***Pricing policy reflects collective and individual performance***

WCB uses performance-based pricing to balance collective insurance protection with individual accountability. Similar employers are grouped together for premium rate-setting purposes, and then premiums are adjusted based on individual experience. Employers with poor claims experience pay higher premiums.

Depending on how a large employer’s performance compares to others in its industry group, it can earn a discount or receive a surcharge of up to 40 per cent. The poor performance surcharge is then applied to employers with chronic higher-than-average claim frequency and duration. Employers facing an increase to a 200 per cent surcharge have been in a poor performance surcharge situation for five or more years, which means they’ve been 80 per cent worse than industry average in that time.

The surcharge—introduced in 1999—initially succeeded in motivating employers to improve poor accident experience. But stakeholder feedback said that the current surcharge (maximum 40 per cent) is not effectively reaching some of the chronic poor performers. Two rounds of consultation on the policy change indicated strong support from both worker and employer groups for strengthening the policy to ensure these employers get the right messages about their performance.

### ***WCB offers resources to help employers improve***

The surcharge increase will be phased in over two years; the maximum will increase to 100 per cent in 2008 and 200 per cent in 2009. The advantage to this approach is that it gives time for poor performance employers to work with WCB to get out of a surcharge position. If an employer turns around its performance in just one experience period, it effectively resets its history and the surcharge is lifted.

WCB teams are working directly with poor performance employers, offering a variety of programs and resources to help improve safety performance and reduce costs, including:

- **The Partners in Injury Reduction program**, which can help employers reduce premiums by up to 20 per cent as they improve their claims performance.
- **Claims audit services**, which can help employers understand their claims management responsibilities and evaluate how well they manage return to work.
- **Reports and data services**, which include online reports that provide current data to help employers monitor WCB claims, claim costs, frequency and severity rates and more.
- **The disability management seminar**, a free session which helps employers understand the relationship between claim costs and WCB premiums and how these can be controlled through an effective disability management program.

If you would like more information on how to take advantage of WCB’s services, please visit the WCB website at <http://www.wcb.ab.ca/employers/> or call 1-866-922-9221.

**Poor performance = high injury rates = high claim costs**

To receive a poor performance surcharge employers must meet two criteria:

1. They have been at the maximum experience rating surcharge for two or more years, and
2. They have had four or more claims for at least two consecutive experience periods.

Only large employers (those with greater than \$15,000 in premiums over three years) can be assessed the surcharge.

Currently, employers can receive up to a 40 per cent poor performance surcharge on top of the maximum experience rating surcharge. An employer could pay up to a total of 80 per cent in surcharges (see '2007 maximum poor performance surcharge' in the table below).

With the policy change, the criteria will remain the same, with two changes:

1. The maximum surcharge will increase from 40 per cent to 200 per cent.
2. The participation factor (a cap on surcharges and discounts based on business size) will be eliminated from poor performance surcharge calculations. This change will make employers more accountable for the impact of their claims experience.

The surcharge will be phased-in, so an employer could pay up to a total of 140 per cent in surcharges in 2008 and a total of 240 per cent in 2009 (see '2008/2009 maximum poor performance surcharge' columns in the table below).

Below is a simulation based on an organization with a payroll of \$5,000,000 and an industry base rate of \$1.21 per \$100 of payroll. This shows the impact on the rate of a PIR discount at 20% plus the 40% discount versus the potential of PPS at the 200% maximum plus the 40% surcharge.

Category of adjustment	Maximum PIR discount (20%) plus maximum experience rating discount (40%)	Maximum experience rating discount (40%)	Base 2007 industry rate for Cities & Towns	Maximum experience rating surcharge (40%)	Maximum experience rating surcharge (40%) plus maximum PPS (40%)  (2007 maximum)	Maximum experience rating surcharge (40%) plus maximum PPS (100%)  (2008 maximum)	Maximum experience rating surcharge (40%) plus maximum PPS (200%)  (2009 maximum)
% of adjustment	60%	40%	Industry rate	40%	80%	140%	240%
Rate per \$100 of payroll	\$0.48	\$0.73	\$1.21	\$1.69	\$2.18	\$2.90	\$4.11
Premium at the adjustment based on \$5,000,000 payroll	\$24,000	\$36,500	\$60,500	\$84,500	\$109,000	\$145,000	\$205,500

Based on this example, the difference between the industry rate of \$1.21 and the maximum surcharge in 2009 represents a premium difference of **\$145,000**.

For further clarification or questions, contact the WCB Account Manager for your area:

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