

**Operational
Policy**

Section
Experience Rating

Subject
NEER (New Experimental Experience Rating Plan)

Policy

The New Experimental Experience Rating Plan (NEER) generates premium refunds and surcharges based on an employer's accident cost experience. When determining claims costs for the refund or surcharge calculation, NEER takes into account overhead costs and the future costs of benefits relating to the claim.

Effective January 1, 2020, the WSIB adopted a prospective method of setting employer premium rates called the rate framework. As a result, the experience rating plans are being phased out (see 'NEER wind-down' and 'Refund and surcharge adjustments during transition to rate framework' sections for more information).

Guidelines

General

NEER is one of the WSIB's two experience rating plans. The other is CAD-7, which applies to employers with rate groups in the construction industry with more than \$25,000 in average annual premium (see policy 13-02-06, Construction Industry Plan (CAD-7)).

Rate groups

NEER coverage includes all rate groups in Schedule 1 except those in CAD-7. NEER applies to employers paying more than \$25,000 in average annual premium. Although the WSIB collects and maintains accident cost data at the classification unit level for other purposes, NEER operates on the basis of comparing an employer's accident cost data with equivalent data calculated at the rate group level.

NOTE

As a result of the experience rating programs being phased out due to the implementation of the rate framework on January 1, 2020, new employers will no longer be enrolled in the experience rating programs as of December 31, 2019.

Retrospective rating

The WSIB's experience rating plans operate on the principle of retrospective rating. However, some types of claim costs are excluded from the experience rating calculations (e.g., see Excluded claims below).

In the case of NEER and effective 2008, the WSIB reviews the claims costs for a given accident year on September 30 of the four following years. The recalculation of claims costs under NEER throughout the four-year review period takes into account any additional benefits or approved cost relief made on the claim. See policy 14-05-03, Second Injury and Enhancement Fund (SIEF); policy 14-05-01, Transfer of Costs; policy 14-05-02, Removal of Costs; policy 15-01-06, Third Party Motor Vehicle Accident Claim Costs.

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If the employer's claim costs for a given accident year differ from the expected rate group average based on costs as of September 30 in the first year of review, the WSIB issues a refund or a surcharge for that accident year. If claims costs for that accident year change in the second through fourth year of review, the WSIB adjusts the refund or surcharge accordingly.

For example, accidents occurring in 2008 have their costs reviewed for the first time on the basis of claims costs recorded up to and including September 30, 2009. Subsequent reviews of the 2008 claims costs take place in 2010 through 2012.

NEER wind-down

As a result of the phasing out of the experience rating programs, the 2017, 2018 and 2019 accident years will not be subject to the four year review period as outlined in the 'Retrospective rating' section above. The final review for claims with accident years in 2017, 2018 and 2019 will occur in 2020. The final issue of refunds or surcharges for the NEER program will occur in 2020.

Excluded claims

NEER automatically excludes from its calculations claims arising from the following long-latency conditions and diseases:

- Acquired Immune Deficiency Syndrome (AIDS)
- carcinoma
- chest diseases due to aluminum and cadmium exposure
- chronic noise exposure
- chronic obstructive lung disease
- pneumoconiosis due to asbestos, silica, talc, hard metal (cobalt) and other mineral dust, [and](#)
- scleroderma.

Quarterly statement

Refunds or surcharges can be estimated for a given year by referring to the detailed NEER quarterly statement. One quarterly statement per account is mailed every three months and consists of two parts:

The Firm Summary Statement compares claims costs to date under NEER with expected claims costs for each accident year under review, by rate group, for each WSIB account.

The statement also provides a performance index which compares the accident cost record with the expected average for that rate group. If the costs are higher (lower) than average, a surcharge (refund) is generated.

The Claim Cost Statement details the cost of each claim and the total cost that is eligible under NEER for a potential refund or surcharge.

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Issue of refunds and surcharges

NEER refunds and surcharges are calculated late in each calendar year using claims cost data up to and including September 30 of that same year. The data and the calculation of the refund or surcharge appear on the Firm Summary Statement for September 30. A refund amount, as calculated, is first applied to any outstanding balance; only the net (remaining) amount, if any, is issued as a refund directly to the employer.

Past awards and projected future costs

NEER bases its calculations on the lifetime cost of each claim. It breaks down the cost of a claim into three parts:

1. actual past benefits up to the date of the calculation
2. projected future costs for the lifetime of the claim, and
3. overhead.

These components are detailed on the Claim Cost Statement so that an employer knows precisely how the claims costs under NEER are calculated.

NOTE

Projected future costs are not calculated for claims with health care only benefits.

Projected future costs are not calculated as long as the total loss of earnings (LOE) benefits paid in a given claim remain less than or equal to the claim's initial weekly benefit rate.

Claims costs calculation for deceased workers

If an injured worker dies for reasons unrelated to the workplace injury within the **four**-year NEER review period, the projected future costs for the claim are eliminated. Employers must apply to have the projected future costs removed from their Claim Cost Statement, and must include a copy of the worker's death certificate. Applications must be received by the WSIB prior to expiry of the NEER review period.

Active and inactive claims

Most claims under NEER are classified as either active or inactive. A claim is inactive in a given calendar year if the claim draws no benefits, or if the only benefits the claim ~~draw~~draws in that year are health care benefits. Any amount for any other type of benefit paid on a claim renders that claim active.

Because active claims are more likely to have future costs, more money is set aside for the projected future costs of these claims than for inactive claims. Employers can usually expect a higher surcharge or lower refund amount because of these active claims.

[As part of the NEER wind-down, the WSIB will identify any 2017, 2018 or 2019 accident year claims that were classified as active in the 2020 bulk issue calculation and drew no benefits](#)

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[between April 1, 2020 and September 30, 2020. Any claims identified will be re-classified as inactive and the 2020 bulk issue will be adjusted in the 2021 calendar year as appropriate. Such adjustments may only increase a rebate, reduce a surcharge, and/or turn a surcharge into a rebate. This is an exception to the process of adjusting rebates and surcharges described elsewhere in the policy.](#)

NEER cost limits

The WSIB reduces the total claims cost under NEER by protecting employers from the financial effects of a catastrophic claim or an unusually high number of costly claims in any given year.

Claim cost limit

A limit is placed on the maximum cost which can be used by NEER for any one claim. Beginning with the 2006 accident year, the per claim limit is equal to five times the maximum insurable earnings. This represents the maximum earnings for which benefits can be paid as of January 1 of each year, and is fixed by legislation. For example, the 2011 maximum insurable earnings is \$79,600 so the claim cost limit for 2011 is 5 x \$79,600=\$398,000.

Firm cost limit

A further limit is placed on the firm's total claims costs for a given accident year for each particular rate group. Beginning with the 2006 accident year, the firm cost limit is equal to four times the expected claims costs.

Rating factor

After the claim cost limit and the firm cost limit have been applied to the total claim costs, the WSIB calculates the refund or surcharge under NEER using a rating factor. Generally, the smaller the premium or insurable earnings, the lower the rating factor, thus the smaller the potential refund or surcharge.

The rating factor is a figure calculated on premium or insurable earnings.

The WSIB has set the minimum and maximum rating factors for all rate groups at 40% and 100%, respectively. Rating factors calculated above the maximum are reduced to 100%, those calculated below the minimum are increased to 40%.

Multiple rate groups

If the account has more than one rate group, the quarterly statement summarizes information separately for each rate group. Accordingly, separate refund/surcharge results for each rate group appear on the September 30 statement.

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Multiple account organizations

The rating factor, expected cost factor, and firm cost limit are calculated at the rate group level but with reference to the overall operations of the employer.

For example, where the employer has multiple accounts containing a common rate group, the premiums and costs associated with that rate group, for each account, are combined for the purposes of calculating the rating factor, expected cost factor and firm cost limit. This calculation process is repeated for each common rate group in the employer's accounts.

As a result, each employer has one rating factor, one expected cost factor and one firm cost limit per rate group, regardless of the number of separate WSIB revenue accounts maintained. Each factor or limit is then applied to each of the accounts containing the common rate group(s) in question. In effect, for the purposes of computing the three NEER parameters mentioned, the employer is treated in the same way as if it had one single WSIB account per rate group.

Refunds and surcharges

The formula for calculating refunds and surcharges is:

$(\text{actual NEER costs} - \text{expected NEER costs}) \times \text{rating factor} = \text{refund or surcharge}$

If the final amount is negative, the calculation produces a refund. If the amount is positive, a surcharge results.

Refund and surcharge adjustments during transition to rate framework

Any adjustments to refunds or surcharges requested by employers or identified by the WSIB on or after January 1, 2020 will be processed as outlined in policy 14-02-06, Employer Premium Adjustments.

If the potential adjustment impacts a period considered by the 2019 and/or 2020 NEER bulk issues, the WSIB may adjust the relevant 2019 and/or 2020 NEER bulk issue rebates or surcharges. If the potential adjustment impacts a period considered prior to the 2019 NEER bulk issues, the WSIB will **not** adjust earlier NEER bulk issue rebates or surcharges.

If the adjustment is first requested by the employer or identified by the WSIB after December 31, 2021, and the adjustment impacts a period considered by the NEER program, the relevant NEER rebates or surcharges will **not** be adjusted.

Exception

~~The~~ As an exception to the adjustment limitations described above, the WSIB adjusts the final NEER refund or surcharge as far back as required under the following circumstances. ~~This is an exception to the adjustment limitations described above.~~

- the reversal of a decision to allow entitlement to a claim (at the employer's request)
- court judgements, or data revisions generated by a judgement

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- retroactive adjustments recommended by the WSIB's Regulatory Services, or ~~the~~ Legal Branch Services, for an offence or a fraudulent act, or
- retroactive adjustments to provisionally calculated premiums levied when the WSIB does not receive the year-end reconciliation.

Application date

This policy applies to all NEER decisions made on or after January 1, ~~2020~~[2021](#).

Policy review schedule

This policy will be reviewed within five years of the application date.

Document history

This document replaces 13-02-02 dated ~~July 15, 2011~~[January 2, 2020](#).

This document was previously published as:

13-02-02 dated [July 15, 2011](#)

[13-02-02 dated](#) January 3, 2006.

References**Legislative authority**

Workplace Safety and Insurance Act, 1997, as amended
Section 83(1) 83(2), 83(3)

Minute

Administrative