

New Experimental Experience Rating (NEER)

USER GUIDE



This brochure is designed to help you understand the New Experimental Experience Rating (NEER) program. It does not replace the *Workplace Safety and Insurance Act* as the final authority for the Ontario workers' compensation system. For exact descriptions of the law concerning the workers' compensation system in Ontario, refer to the *Workplace Safety and Insurance Act*.

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INTRODUCTION

The New Experimental Experience Rating (NEER) program plays an important role in preventing injuries and keeping workplaces safe. By providing the financial incentive of reduced premiums, NEER encourages employers to make a strong commitment to the elimination of all injuries and illnesses in the workplace. An ongoing investment in prevention will pay dividends in the form of increased productivity and a motivated workforce, thus leading to better economic competitiveness and an improved quality of life in the workplace.

NEER also helps promote a fairer distribution of the premium burden. Without experience rating, individual companies with a good safety record and those with a poor record within a particular industry rate group pay the same premium rate. But under NEER, a company with a good record relative to the industry average gets a refund of its premium: those with a poor record relative to the average pay a surcharge.

The purpose of this guide is to explain the basic principles of NEER and help you develop a working understanding of the program. The Guide also provides a detailed explanation of the NEER Quarterly Statement.

The Guide has four sections, each of which can be read as a section on its own. Section 1, Basic Principles, outlines fundamentals about NEER in straightforward language. Section 2, NEER at Work, takes you through the program in more detail and introduces some of NEER's concepts and terminology. Section 3, How to Read Your Quarterly Statement, uses the Quarterly Statement to show how NEER works in particular cases, using the language that appears on the statement. Section 4 provides a glossary of NEER terms and definitions.

SECTION 1

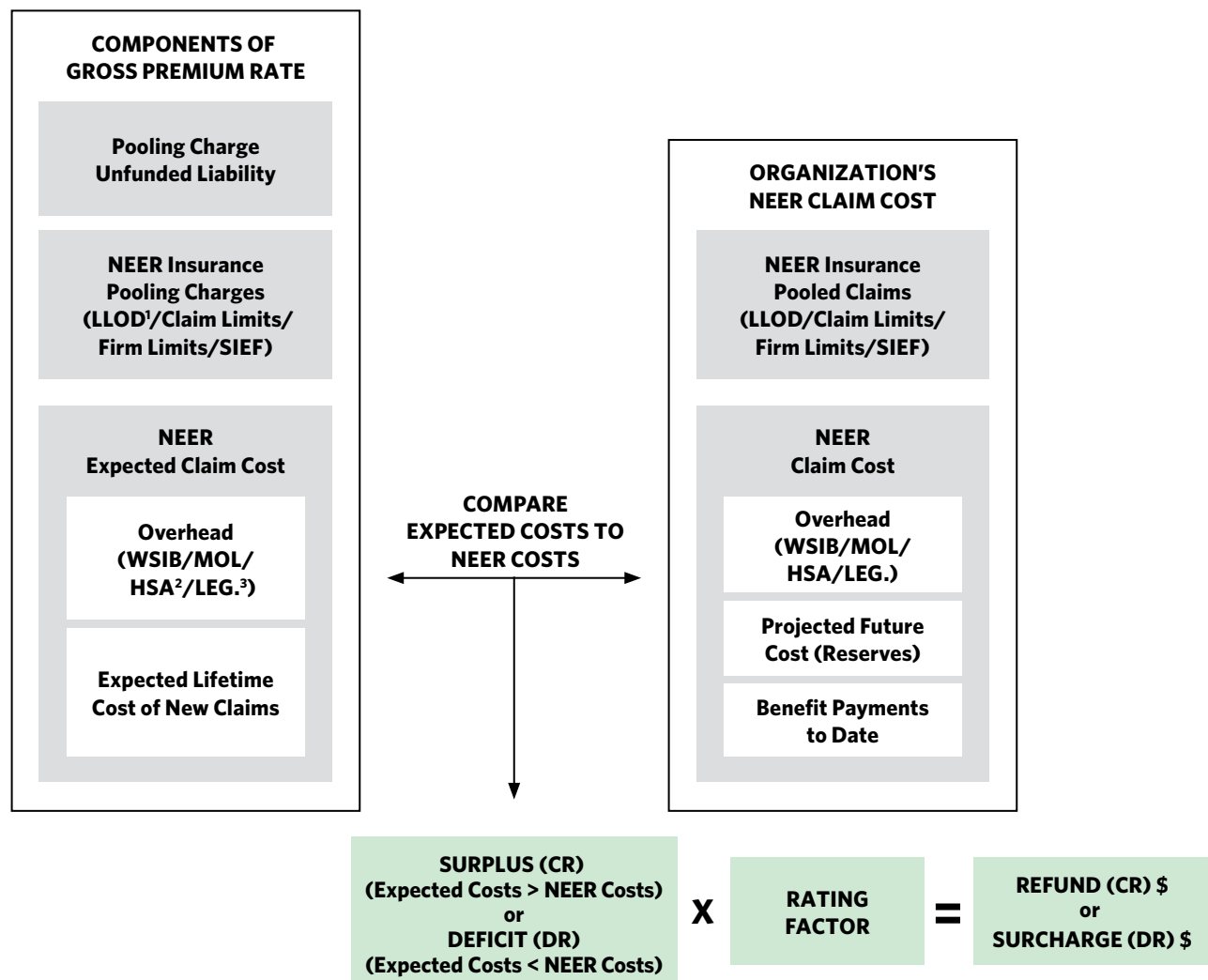
BASIC PRINCIPLES

If you have made the investment in prevention and have shown superior health and safety results, NEER provides a refund of your annual premium. Conversely, if you have not made a commitment to health and safety and have a poor health and safety record, NEER adds a surcharge to your premium.

To determine these refunds and surcharges, your expected claims costs, which reflect the rate group average for firms of your size, are compared to your NEER claims costs.

Your expected claims costs represent your initial premium less the portion allocated to reducing the unfunded liability, amounts transferred to the Second Injury and Enhancement Fund (SIEF) and the NEER Insurance safeguards. Your actual or NEER claims costs represent your total claims benefit payments to date plus any projected future costs on those benefits and an overhead charge; all of which are subject to the claim and firm limits (known as the NEER insurance safeguards).

HOW NEER WORKS



¹ LLOD: Long Latency Occupational Diseases ² HSA: Health and Safety Associations ³ LEG: Legislated Obligations under the WSIA

ACTUAL CLAIMS COSTS

NEER bases refunds and surcharges only on those total claims costs for which you may reasonably be expected to exercise some control. For example, while you may make every effort to reduce the incidence of long-latency occupational disease in your workplace, the symptoms of these diseases often show themselves long after exposure occurs. Efforts to control them may not produce measurable results in the foreseeable future. As a result, these claims and their costs are not considered for experience rating purposes.

Furthermore, any costs on a claim resulting from a condition or injury existing prior to the accident are removed from your incident record. These amounts are allocated through a process known as the Second Injury and Enhancement Fund (SIEF).

Once costs like SIEF have been removed, the actual cost for an individual claim includes payments already made for items such as Health Care and Loss of Earnings (LOE), as well as an administrative fee. In most cases, the actual cost also includes possible future costs on the claim (Projected Future Costs). The calculation takes into account information such as the type of disability benefits involved and the age of the claim.

Most injuries are not serious and the costs involved may be relatively small. However, the cost of a serious injury can exceed half a million dollars over the injured worker's lifetime.

To protect you from the financial impact of an unusually high cost claim, NEER's insurance provisions set a limit on how much of each claim's cost (Limited Claim Cost) is charged as actual claims cost. The same insurance provisions also protect you against unusually high claim costs in any given year by limiting the total cost of all your claims (Firm Limit) in that year.

EXPECTED CLAIMS COSTS

The methods for determining expected claims costs under NEER are essentially the same as those for actual claims costs. The expected claims costs are calculated for each firm taking into account the average past claims experience for firms of comparable size within your rate group.

The basic principle in deriving expected claims costs is to exclude those components of the premium not considered reasonably within your control. Two examples of this are SIEF charges and the payment to reduce the unfunded liability.

The third component is the cost of NEER's insurance provisions. As mentioned in the previous discussion of actual claims costs, these provisions reduce your total NEER claims costs depending on the amount of individual claims and the size of your firm. Costs in excess of the limits incurred by individual firms are shared by all employers within your rate group. The pro-rated share of these costs is not included in your NEER calculation. The remaining portion of the premium represents your expected claims cost as used in your NEER refund and surcharge calculation. For each of the excluded components of the premium there is a corresponding exclusion in the calculation of your actual claims costs. This ensures that the comparison between actual and expected costs is a fair one. Only the same types of costs are considered in each.

The resulting refund or surcharge is based on a percentage of the difference between your NEER Costs and your Expected Costs. This percentage, called Rating Factor, may range between 40 to 100 per cent – the smaller the firm, the lower the percentage. Because smaller firms are less able to absorb large surcharges, a lower percentage helps to stabilize their costs.

SECTION 2

NEER AT WORK

Under NEER, only the costs of claims arising out of incidents occurring in a given calendar year are considered for that year. The costs of claims include not only the actual payments (and/or awards) to date but also a projection for possible future payments and the costs of administering the workplace insurance system. The total cost of a claim, which is comprised of total past costs, Projected Future Costs and Administrative Cost, is the lifetime cost of the claim

PROJECTED FUTURE COSTS

The future costs of a claim take into account the fact that claims costs don't always end after a worker receives health care benefits or Loss of Earnings (LOE) benefits. Nor do claim files close permanently for an injured worker even if he or she returns to work at full pay.

For example, an employee with a broken leg who returns to a regular job after six weeks on temporary LOE may appear completely recovered. But in a few years the employee could develop health problems due to that injury. Or an employee with a back strain can be treated and may improve, but a flare-up might occur in the future. The amount the WSIB estimates a claim will cost in the future is its projected future costs.

You, as an employer under NEER, are individually responsible, in part, for your own accident costs. The refunds or surcharges modifying your premium are based on your individual accident record. As a result, you require a detailed breakdown of claim costs. For this reason, we provide an estimate of the projected future costs of each claim as part of the information we provide to you.

The Reserve Factor

To calculate how much to set aside for a claim's future costs under NEER, we keep track of the cost history of all similar claims. This information provides the basis for determining the 'reserve factor' — a percentage applied to the total cost of the LOE, Health Care, Retirement Pension and Work Re-integration Benefits paid to date in order to determine the amount to be set aside for future costs. Claims drawing only health care benefits and/or a total of one week or less of LOE benefits do not have projected future costs calculated for them.

The reserve factor is based on historical data provided by the rate group's accident costs averaged for each claim type. Each rate group therefore has its own set of reserve factors.

Claim Types (JAN 01, 2004 ONWARD)	
	TYPE
LOE less than or = 1 week	01
Health Care Benefits Only	02
Temporary Disability Benefits	
Less than 4 weeks payment	
Active	03
Inactive	04
4 to less than 16 weeks	
Active	05
Inactive	06
16 weeks to less than 52 weeks	
Active	07
Inactive	08
52 weeks to 104 weeks	
Active	09
Inactive	10
Permanent Disability Awards	
Non Economic Loss	
Active	11
Inactive	12
LOE payment beyond 24 months of date of injury with Retirement Pension Contribution	
Active	13
Inactive	14
Fatalities	15
Other	15

INSURANCE PROVISIONS

NEER protects you from the full extent of an expensive claim or a particularly bad accident year in three ways:

1. A limit is placed on the maximum cost which can be used for NEER for any individual claim. For claims occurring January 1, 2006 onward, the Claim Cost Limit is equal to five times the Maximum Insurable Earnings for that calendar year.
2. A further limit is placed on the accumulated amount of your individual claims. For 2006 calendar year onward, the Firm Cost Limit is equal to four times your Expected Costs for the given accident year.
3. A limit is placed on the degree to which you're held financially accountable for your claims costs under NEER. Depending on the size of the firm you are only liable for a portion of the difference between your Expected and Actual costs. The percentage of liability is represented by the Rating Factor. The smaller the premium or insurable earnings the lower the rating factor and the lower the degree to which the firm is held financially responsible for the actual accident cost. This helps to maintain greater cost stability for smaller firms by reducing potential refunds, as well as surcharges.

The Rating Factor is restricted to a minimum and maximum, 40 to 100 per cent. In other words, depending on the size of your premium or insurable earnings, you can be responsible for between 40 and 100 per cent of the difference between the Actual Costs and Expected Costs of your incidents.

The excess costs of individual and total claims are shared by the rate group as a whole and are not subject to experience rating.

RETROSPECTIVE RATING

NEER operates on the principle of retrospective rating. To assess the amount of your refund or surcharge, we require accurate data about payments to date on a claim, as well as up to date estimates of the future costs.

The projected future costs become more precise as more claims cost data becomes available. Prior to the 2008 accident year, the WSIB reviewed the claim costs for a given accident year for three years. Effective the 2008 accident year, the review period was extended to four years. The WSIB reviews the claims costs for a given accident year in each of the four following years. The recalculation of claim costs under NEER throughout the four year review period takes into account any additional benefits or approved cost relief made on the claim. As a result, claims costs are constantly being updated on your Quarterly Statement. These revisions affect the NEER refund or surcharge adjustment to the premium calculated in the fall of each year.

To be completely accurate, revisions to claim costs would have to be made for every year that a claim was still active and benefits were being awarded. However, because of cost complexity, we limit the retrospective review of claim costs the first four years following the year in which the claim was registered. Regardless of what happens to the claim after the fourth refund or surcharge adjustment, no further adjustments will be made.

By limiting these adjustments to four years, NEER gives you a further incentive to advance early and safe return to work and work re-integration programs.

In the months immediately following a claim, claims data can be incomplete and future costs difficult to estimate. In the interests of accuracy, therefore, no refund or surcharge is issued for claims registered in the current incident year. This means that your premium and claims experience for 2015 was adjusted retrospectively with a refund or surcharge for the first time in the fall of 2016 with the fourth and final review in 2019.

REFUNDS AND SURCHARGES

The WSIB calculates the refund or surcharge for an accident year using the updated claim cost data on the September 30 Quarterly Statement. The formula for calculating your NEER refund (R) or surcharge (S) applies the rating factor (RF) to the difference between the NEER Costs and the Expected Costs. The formula for calculating a refund or surcharge is:

$$R \text{ or } S = (\text{NEER Costs} - \text{Expected Costs}) \times RF$$

A negative amount indicates a refund and a positive amount indicates a surcharge.

The refund or surcharge adjusts the premium for the incident year. This adjustment, along with any adjustment made for previous years, is shown on the September 30 Quarterly Statement.

For example, the first NEER adjustment for claims occurring in 2013 was made in the fall of 2014. Refund or surcharge adjustments on these claims will also be made in 2015, 2016 and, for the last time, in the fall of 2017.

The following table shows the sequence of NEER adjustments made over three review years (2014 – 2016) showing the individual accident years that are being reviewed/assessed.

Sept. Quarterly Statement Year	Calendar Years Being Reviewed				
2014	2010 (4th)	2011 (3rd)	2012 (2nd)	2013 (1st)	
2015		2011 (4th)	2012 (3rd)	2013 (2nd)	2014 (1st)
2016			2012 (4th)	2013 (3rd)	2014 (2nd) 2015 (1st)

The refund and surcharge adjustments for each accident year are totaled on the NEER Quarterly Statement to show one overall refund or surcharge amount. In addition, the adjustments for each accident year will appear on the monthly Statement of Account.

If there is an overall refund, the WSIB may send a refund cheque some time after the NEER Annual Issue in January following year of Annual Issue. The overall refund amount is first applied to any outstanding balance owing to the WSIB as indicated on the Statement of Account. Any remaining credit is then issued as a refund cheque.

If the September Quarterly Statement indicates an overall surcharge, the WSIB takes no further action at that time. The surcharge adjustments for each accident year appear on the Statement of Account at the Annual Issue and must be paid in full by the due date indicated.

NOTE: *In cases where the employer has more than one account with common rates, the NEER refund and surcharges adjustments will be calculated using cost factors (for example, the Expected Cost Factor and the Rating Factor) based on the total premium (or insurable earnings in the case of the Rating Factor) for the common rate group in all the accounts in which it appears. For all illustrative purposes in this Guide, we will use the assumption that the firm in question has one account, one rate.*

SECTION 3

HOW TO READ YOUR QUARTERLY STATEMENT

The function of the Quarterly Statement is to give you as complete a picture as possible of your incident experience. At the same time, the statement allows you to monitor your safety and return to work efforts on a quarterly basis, and to compare your record with your rate group average and your previous record. This helps you to take quick action, if necessary, to improve safe workplace procedures and early and safe return to work programs.

The Quarterly Statement is issued for each firm every three months (as at March 31, June 30, September 30 and December 31). It is normally produced and mailed four to six weeks after each quarter end. The Statement comes in two parts, the NEER Firm Summary Statement and the NEER Claim Cost Statement. If your firm falls under more than one rate group, you will receive separate statements for each rate group.

All claims for the current year and the four years under review are listed on the NEER Claim Cost Statement. Claims are revalued on an ongoing basis, so the costs of a claim in the current or any previous accident year may change from one Quarterly Statement to the next. The most recent estimates of these costs are updated to the day indicated as of the Quarterly Statement date.

The NEER Firm Summary Statement shows how your NEER Costs (which are made up of your actual claim costs, plus Projected Future Costs (if any), plus Overhead Costs) compare to your Expected Costs. Through the Performance Index, the NEER Firm Summary Statement also indicates how your cost performance to date compares to the rate group average for a firm of your size.

The Performance Index for each accident year is updated every quarter as claims costs may change. By comparing the NEER Costs for each year with the Expected Costs, the index indicates whether your firm may receive a refund or have a surcharge levied in a given accident year. The Performance Index is obtained by the formula:

$$\text{Performance Index} = \text{NEER Costs} \div \text{Expected Costs}$$

Expected Costs reflect average costs within the rate group for a firm of similar size. If the NEER Costs are the same as the Expected Costs, the Performance Index will be 1.00, indicating no refund or surcharge as the firm performed as expected. The lower the NEER Costs in comparison to the Expected Costs the lower the Performance Index and the greater the refund. A Performance Index over 1.00 indicates a surcharge. Commencing with the 2006 incident year forward, the upper limit, or Firm Limit, is 4.00.

HOW TO CALCULATE NEER CLAIM COSTS

Here are two examples of how to calculate the actual cost of a given claim under NEER. For this example, we are assuming that the statement year we are using is 2016 and both claims occurred in 2015.

NEER Claim Cost Statement

ACME Corp
123 Safety Way
Anytown, ON
K0K 0N0

Accident Year	2016	2015	2014	2013	2012
Claim Cost Limit (\$)	440,000	426,000	420,500	416,000	408,500
Overhead Factor (%)	53.00	52.00	53.00	53.00	52.00

Account No.	1234567
Firm No.	000001
Rate No.	999
Past Awards to:	30SEP16

Claim No.	Worker's Name	Accident Date	Claim Type	Claim Age	Past Awards Non Pension (\$)	Past Awards Pension (\$)	Discounted Past Awards (\$)	Projected Future Costs (\$)	Overhead Costs (\$)	Limited Claim Costs (\$)
1234	O'Leary, Jim	04JAN15	09	20	83,421.58	0.00	82,767.55	264,748.56	180,708.38	426,000.00**
2567	Blair, Dave	12APR15	02	17	110.26	0.00	110.26	0.00	57.34	167.60
4432	Bush, Henry	15JUN15	02	15	158.93	0.00	158.93	0.00	82.64	241.57
5561	Kerr, Kim	24JUL15	06	13	12,342.26	0.00	12,342.26	17,406.06	15,469.13	45,217.45
6231	Chen, Ki	27AUG15	09	12	57,327.65	0.00	56,665.99	239,444.82	153,977.62	426,000.00**
7891	Blue, Ann	11OCT15	01	11	658.62	0.00	658.62	0.00	342.48	1,001.10
8123	Bing, Ray	22DEC15	01	09	375.91	0.00	368.51	0.00	191.63	560.14
Total 2015:					154,395.21	0.00	153,072.09	521,599.44	350,829.23	899,187.86

Total NEER Costs (\$): 645,000.000

**Subject to Claim Cost Limit

NOTE: INDIVIDUAL NEER COSTS CHANGE OVER TIME

Example 1

CLAIM NUMBER 1234 - O'LEARY, JIM

Jim works for ACME Corp and was injured on January 4, 2015. He was hospitalized and off work for 82 weeks, during which time he was paid LOE plus Health Care benefits for his medical treatment. His claim would appear as shown above on the firm's September 30th 2016 NEER Claim Cost Statement.

The costs on Jim's claim have been updated to September 30th, as indicated under the Discounted Past Awards Column. On the tables of claim types, (pg 8) an active claim with 82 weeks of Loss of Earnings is a claim type 09.

Information regarding the detailed breakdown of Non-Pension and Pension awards on the NEER Claim Cost Statement can be found on the Accident Cost Statement that the firm may be receiving on a monthly basis. From these statements we can determine that total Health Care benefits paid are \$17,821.58 and Loss of Earnings is \$65,600.00, for a total of \$83,421.58 (which is reflected under the Non Pension column). There is no economic loss or Survivor Benefit paid in this claim, so it's \$0.00 under the Pension column.

The Discounted Past Awards column shows a value of \$82,767.55. This indicates that some or all of the benefits paid in Jim's claim were paid outside the year of incident. To determine this, we would need to again go to the Accident Cost Statements to see how much in benefits were paid in the 2015 calendar year and how much was paid in the 2016 calendar year and apply the appropriate discount factors if need be. An amount of \$50,053.00 was paid in 2015 and \$33,368.58 was paid in 2016. Therefore the \$33,368.58 paid

must be discounted by multiplying it by a discount factor of 0.9804, giving us a total of \$32,714.55. This is then added to the monies paid out in 2015, coming up to a Discounted Past Award of \$82,767.55.

To determine the Projected Future Costs of Jim's claim, the reserve factor for the claim type and the age of the claim is applied to the discounted non-pension past awards. A period of 20 months has elapsed between the Accident Date and the valuation date (September 30, 2016).

The 2015 Reserve Factor Tables for this rate group indicate that the reserve factor for a 20 month old claim type 09 is 3.1987. The Projected Future Costs are therefore calculated by multiplying the reserve factor (3.1987) by the Discounted Non-pension Past Awards of (\$82,767.55), yielding a sum of \$264,748.56.

After the payments to date and the Projected Future Costs, the third element in estimating the actual cost of a claim is overhead. This amount is determined by applying the Overhead Factor, a percentage calculated annually for the rate group- to the sum of all Discounted Past Awards plus the Projected Future Costs.

The Overhead Factor for this accident-year is 52.00%, and the sum of the Discounted Past Awards (\$82,767.55) and Projected Future Costs (\$264,764.56) is \$347,532.11. The calculation yields an overhead charge of \$180,708.38.

The final Limited Claim Cost is the sum of the Discounted Past Awards, the Projected Future Costs and the Overhead (\$82,767.55, \$264,748.56 plus \$180,708.38 equals \$528,224.49). The Claim Cost Limit for 2015 claims is \$426,000.00. The program will use the lesser of the two values, which in this case is the claim limit of \$426,000.00.

Example 2

CLAIM NUMBER 7891 - BLUE, ANN

Ann from ACME Corp had a minor injury on October 11, 2015, which required her to stay home for three days receiving LOE and associated Health Care payments made for medical treatment. Her claim would appear as shown above on the firm's September 30th 2016 NEER Claim Cost Statement.

On the tables of claim types (Page 8) , you will note that a claim type 1 is a claim that has had one week or less of LOE Benefits paid out as was in the case of Ann. The claim age in this case is 11.

The Accident Cost Statement tells us that the benefits paid to date are comprised of \$480 in Loss of Earnings and \$178.62 for Health Care totaling \$658.62. This amount is listed under the Non-Pension section of Past Awards.

One of the enhancements to the NEER Program made in 2004 was the introduction of no reserving for claims that receive one week or less of Loss of Earnings benefits. Ann's claim falls into the categorization of claim type 1's which do not carry any projected future costs, which is why there is no dollar value under that column for Blue's claim.

The overhead is determined by multiplying the sum of the Discounted Past Awards and Projected Future Costs (\$658.62 + 0.00), \$658.62 multiplied by 52% equals \$342.48.

When the Discounted Past Awards, the Projected Future Costs and the Overhead are added together, we get a total claim cost of \$1,001.10. The claim limit for 2015 is \$426,000. The program will use the lesser of the two values, which in this case is \$1,001.10.

NEER COSTS

Let's assume that, in addition to Jim's and Ann's claims, the firm had another five claims as seen in the example. The total Limited Claim Costs is \$899,187.86. In this particular situation, the total Limited Claim Costs exceed the firm limit, which are capped at four times the firm's Expected Costs. This will be illustrated when we review the NEER Firm Summary Statement in the next part.

NEER Claim Cost Statement

ACME Corp
123 Safety Way
Anytown, ON
K0K 0N0

Accident Year	2016	2015	2014	2013	2012
Claim Cost Limit (\$)	440,000	426,000	420,500	416,000	408,500
Overhead Factor (%)	53.00	52.00	53.00	53.00	52.00

Account No.	1234567
Firm No.	000001
Rate No.	999
Past Awards to:	30SEP16

Claim No.	Worker's Name	Accident Date	Claim Type	Claim Age	Past Awards Non Pension (\$)	Past Awards Pension (\$)	Discounted Past Awards (\$)	Projected Future Costs (\$)	Overhead Costs (\$)	Limited Claim Costs (\$)
1234	O'Leary, Jim	04JAN15	09	20	83,421.58	0.00	82,767.55	264,748.56	180,708.38	426,000.00**
2567	Blair, Dave	12APR15	02	17	110.26	0.00	110.26	0.00	57.34	167.60
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5561	Kerr, Kim	24JUL15	06	13	12,342.26	0.00	12,342.26	17,406.06	15,469.13	45,217.45
6231	Chen, Ki	27AUG15	09	12	57,327.65	0.00	56,665.99	239,444.82	153,977.62	426,000.00**
7891	Blue, Ann	11OCT15	01	11	658.62	0.00	658.62	0.00	342.48	1,001.10
8123	Bing, Ray	22DEC15	01	09	375.91	0.00	368.51	0.00	191.63	560.14
Total 2015:					154,395.21	0.00	153,072.09	521,599.44	350,829.23	899,187.86
									Total NEER Costs (\$):	645,000.000

**Subject to Claim Cost Limit

NOTE: INDIVIDUAL NEER COSTS CHANGE OVER TIME

READING AND UNDERSTANDING A NEER FIRM SUMMARY STATEMENT

ACME Corp
123 Safety Way
Anytown, ON
K0K 0N0

NEER Firm Summary Statement

Account No.	9876543
Firm No.	000001
Rate No.	999
Past Awards to:	30SEP16

Accident Year	Premiums (\$)	Expected Cost Factor (%)	Expected Costs (\$)	NEER Costs (\$)	Rating Factor (%)	Performance Index
2016	550,000	33.12	182,160	18,641	75.68	0.10
2015	500,000	32.25	161,250	645,000	74.63	4.00*
2014	475,000	33.55	159,362	23,012	73.39	0.14
2013	450,000	32.97	148,365	32,865	72.40	0.22
2012	410,000	29.87	122,467	1,838	70.56	0.02

* Subject to maximum surcharge.

The premium for 2015 is \$500,000. To determine how much of that premium would be used for the calculation of refunds and surcharges under NEER, the Expected Cost Factor (32.25%) is applied to the premium. This Expected Cost Factor accounts for those components of the premium covering SIEF relief, the payment to reduce the rate group's unfunded liability and NEER's insurance provisions.

Refund/Surcharge Calculation

Accident Year	Primary Adjustment (\$)	Previous Adjustment (\$)	Current NEER Adjustment (\$)
2015	361,022.63 DR	0.00 CR	361,022.63 DR
2014	100,067.27 CR	95,893.63 DR	195,960.90 CR
2013	83,622.00 CR	56,302.22 DR	139,924.22 CR
2012	85,115.82 CR	83,285.32 CR	1,291.60 CR
Total Surcharge:			23,845.91 CR

The amount remaining is the Expected Costs which will be compared to the NEER Costs. The amount for the NEER Costs is the same amount as the Total NEER Costs that appears for this incident year on the Claim Cost Statement. In this case, the premium (\$500,000) times the Expected Cost Factor (32.25 %) yields Expected Costs of \$161,250.00

To arrive at your refund or surcharge for the 2015 incident year, the difference between your NEER Costs and your Expected Costs is multiplied by the Rating Factor. This percentage varies your final refund or surcharge depending on the size of your company. In this case, the Rating Factor is 74.63%.

The actual calculation for the refund of surcharge is as follows:

$$\begin{aligned}
 \text{R or S} &= (\text{NEER Costs} - \text{Expected Costs}) \times \text{RF} \\
 &= (645,000 - 161,250) \times 74.63 \\
 &= \$361,022.63 \text{ dr}
 \end{aligned}$$

If the NEER Costs are greater than the Expected Costs, then the firm is in a surcharge position as in the situation above. If the NEER Costs are less than the Expected Costs, then the firm is in a refund position.

The calculation for the Performance Index is:

$$\begin{aligned}
 \text{PI} &= \text{NEER Costs} \div \text{Expected Costs} \\
 &= 645,000 \div 161,250 \\
 &= 4.00^*
 \end{aligned}$$

*subject to a maximum surcharge

HOW TO CALCULATE REFUNDS AND SURCHARGES

In addition to helping firms monitor their accident experience, the Firm Summary Statement allows you to estimate your possible refund or surcharge for a given accident year. The information on the statement also allows you to calculate what the maximum and minimum refund or surcharge would be for the same period.

The basic formula for calculating refunds (R) and surcharges (S) is as follows:

$$\mathbf{R \text{ or } S = (NEER Costs - Expected Costs) \times Rating Factor \% (RF)}$$

The maximum refund is paid when the NEER Costs are \$0.00. When this happens the formula for calculating a refund reduces to:

$$\begin{aligned}\mathbf{R} &= \mathbf{(NEER Costs - Expected Costs) \times RF \%} \\ &= \mathbf{(0 - Expected Costs) \times RF \%} \\ &= \mathbf{Expected Costs \times RF \%}\end{aligned}$$

This means that your maximum refund for any accident year can be calculated as soon as your first Quarterly Statement is received indicating the premium and the Expected Costs.

Your maximum surcharge can be calculated in a similar manner. The potential NEER Costs already has a maximum imposed on it by the Firm Cost Limit, which is equal to four times the Expected Costs. Therefore, the maximum surcharge that can be levied on your firm occurs in a situation where the NEER Costs reach this limit. The formula for the maximum surcharge then becomes:

$$\begin{aligned}\mathbf{S} &= \mathbf{(NEER Costs - Expected Costs) \times RF \%} \\ &= \mathbf{((4 \times NEER Costs) - Expected Costs) \times RF \%} \\ &= \mathbf{(3 \times Expected Costs) \times RF \%}\end{aligned}$$

Your maximum surcharge is always equal to three times your maximum refund.

With reference to the table below, the Primary Adjustment represents the NEER Refund/Surcharge for each incident year at the Past Awards Date. The Previous Adjustment is the NEER Refund/Surcharge issued in previous year (s). The Current NEER Adjustment is the difference between the Primary Adjustment and the Previous Adjustment (s).

The first retrospective adjustment for the 2015 incident year would be calculated in the fall of 2016 using updated claim costs and premium information as of the September 30, 2016 Quarterly Statement. The second, third and fourth retrospective adjustments would be issued in the fall of 2017, 2018 and 2019 respectively.

Refund/Surcharge Calculation

Accident Year	Primary Adjustment (\$)	Previous Adjustment (\$)	Current NEER Adjustment (\$)
2015	361,022.63 DR	0.00 CR	361,022.63 DR
2014	100,067.27 CR	95,893.63 DR	195,960.90 CR
2013	83,622.00 CR	56,302.22 DR	139,924.22 CR
2012	85,115.82 CR	83,285.32 CR	1,291.60 CR
Total Surcharge:			23,845.91 CR

NOTE: this box only appears on your September NEER Firm Summary Statement.

SECTION 4 – GLOSSARY

NEER CLAIM COST STATEMENTS

NEER Claim Cost Statement

ACME Corp
123 Safety Way
Anytown, ON
K0K 0N0

Accident Year	2016	2015	2014	2013	2012
Claim Cost Limit ¹ (\$)	440,000	426,000	420,500	416,000	408,500
Overhead Factor ² (%)	53.00	52.00	53.00	53.00	52.00

Account No.	1234567
Firm No.	000001
Rate No.	999
Past Awards to ³ :	30SEP16

Claim No.	Worker's Name	Accident Date ⁴	Claim Type ⁵	Claim Age ⁶	Past Awards Non Pension ⁷ (\$)	Past Awards Pension ⁸ (\$)	Discounted Past Awards ⁹ (\$)	Projected Future Costs ¹⁰ (\$)	Overhead Costs ¹¹ (\$)	Limited Claim Costs ¹² (\$)
1234	O'Leary, Jim	04JAN15	09	20	83,421.58	0.00	82,767.55	264,748.56	180,708.38	426,000.00**
2567	Blair, Dave	12APR15	02	17	110.26	0.00	110.26	0.00	57.34	167.60
4432	Bush, Henry	15JUN15	02	15	158.93	0.00	158.93	0.00	82.64	241.57
5561	Kerr, Kim	24JUL15	06	13	12,342.26	0.00	12,342.26	17,406.06	15,469.13	45,217.45
6231	Chen, Ki	27AUG15	09	12	57,327.65	0.00	56,665.99	239,444.82	153,977.62	426,000.00**
7891	Blue, Ann	11OCT15	01	11	658.62	0.00	658.62	0.00	342.48	1,001.10
8123	Bing, Ray	22DEC15	01	09	375.91	0.00	368.51	0.00	191.63	560.14
Total 2015:					154,395.21	0.00	153,072.09	521,599.44	350,829.23	899,187.86
Total NEER Costs ¹³ (\$):									645,000.000	

**Subject to Claim Cost Limit

NOTE: INDIVIDUAL NEER COSTS CHANGE OVER TIME

- 1. Claim Cost Limit:** The maximum cost that can be charged to you for any one claim. For 2006 accident year onward, it is five times the maximum insurable earnings. The maximum insurable earnings represent the maximum earnings for which benefits can be paid as of January 1st of each year.
- 2. Overhead Factor:** A percentage applied to the total cost of each claim to arrive at the overhead. The NEER Overhead Factor for each rate is determined by dividing its Administration Costs by New Claims Costs.
- 3. Past Awards to:** The claims costs on this statement have been updated to the valuation date recorded here.
- 4. Accident Date:** The date of the injury or accidental death of the worker; or, if the claim is for an occupational disease covered under NEER, the date the impairment started, as confirmed by a medical practitioner.
- 5. Claim Type:** A claim's classification based on type of benefits paid, length of time on benefits and whether or not the claim has been recently active.
- 6. Claim Age Months:** Age of claim in complete months, equal to the length of time between the accident date and the valuation date recorded under the heading Past Awards to.
- 7. Past Awards Non-Pension:** Benefits are the sum of all health care plus any labor market re-entry or work re-integration benefits and retirement pension contributions paid from date of incident to the valuation date.

- 8. Past Awards Pension:** Benefits are the sum of any Non-Economic Loss and/or Survivor Benefits awarded from date of accident to the valuation date.
- 9. Discounted Past Awards:** The sum total of the Non-Pension, plus Pension benefits valued in accident year dollars.
- 10. Projected Future Costs:** An estimate of the cost of future benefits based on the discounted Non-Pension past awards, claim type and claim age. These projections will vary over time. Health Care only claims and claims with one week or less of Loss of Earnings and Fatalities will not carry Projected Future Costs.
- 11. Overhead:** The amount of money added to the claim cost to pay for overhead costs. The amount is calculated by applying the Overhead Factor to the sum of the Discounted Past Awards plus the Projected Future Costs.
- 12. Limited Claim Costs:** Maximum amount that can be charged for this particular claim. It is calculated by adding up the Discounted Past Awards, the Projected Future Costs and the Overhead. If this is greater than the amount listed as the Claim Cost Limit, it is replaced by the Claim Cost Limit applicable for that calendar year.
- 13. Total NEER Costs:** The NEER Claims Costs used in your refund or surcharge calculation, representing the total of all claims costs for the incident year subject to NEER. The amount recorded may not match the total of the Limited Claims Costs for two possible reasons.
- i.* To give a meaningful estimate for the calculation of the possible refund or surcharge, the Total NEER Costs should cover the incident experience for a full year. For the current year, however, this would only be possible on the final Quarterly Statement of the year when costs are updated to December 31st.
 - ii.* Therefore, on your June and September Quarterly Statements for the current year, the Total NEER Costs are revised to reflect what the year end total might be if costs were incurred at more or less the same rate throughout the year.
 - iii.* The NEER insurance provision limiting the total amount of your claims costs may have come into effect. If the total of the Limited Claim Costs goes over this Firm Cost Limit, then the Firm Cost Limit becomes the Total NEER Costs. For 2006 calendar year onward, the Firm Cost Limit is subject to the maximum of four times the Expected Costs.

NEER FIRM SUMMARY STATEMENT

ACME Corp
123 Safety Way
Anytown, ON
K0K 0N0

NEER Firm Summary Statement

Account No.	9876543
Firm No.	000001
Rate No.	999
Past Awards to ¹ :	30SEP16

Accident Year ²	Premium ³ (\$)	Expected Cost Factor ⁴ (%)	Expected Costs ⁵ (\$)	NEER Costs ⁶ (\$)	Rating Factor ⁷ (%)	Performance Index ⁸
2016	550,000	33.12	182,160	18,641	75.68	0.10
2015	500,000	32.25	161,250	645,000	74.63	4.00*
2014	475,000	33.55	159,362	23,012	73.39	0.14
2013	450,000	32.97	148,365	32,865	72.40	0.22
2012	410,000	29.87	122,467	1,838	70.56	0.02

* Subject to maximum surcharge.

- Past Awards to:** All payroll, classification and claims data on this statement reflect all updates processed as of the valuation date recorded here.
- Accident Year:** The calendar year Expected Costs are calculated for and the year the accident occurred in.
- Premium:** Your firm's premium for the year based on your insurable earnings and your rate group's premium rate.
- Expected Cost Factor:** A percentage applied to your premium to derive the Expected Costs. The amount excluded once the factor is applied, is an estimate of the claim costs transferred to SIEF, the portion of your premium applied to your rate group's unfunded liability, and the likely effects of NEER's insurance provisions averaged across the rate group. The percentage varies each year depending on the rate group and size of firm.
- Expected Costs:** Your firm's expected claims costs for this Accident Year. The amount is calculated by applying the Expected Cost Factor to the premium.
- NEER Costs:** Your firm's actual claims costs, equivalent to the total claims costs subject to experience for the Accident Year. The amount for each Accident Year is the same as the Total NEER Costs for that year on the NEER Claim Cost Statement.
- Rating Factor:** The percentage applied to the difference between your actual claims costs and your expected claims costs to arrive at the refund or surcharge. The factor ranges from a minimum of 40% for smaller firms to a maximum of 100% for larger firms.
- Performance Index:** An indicator of your firm's accident costs in relation to the rate group. An index of less than 1.0 indicates you are performing better than rate group average and may receive a refund. Greater than 1.0 shows that your record is poorer than average and you may have a surcharge levied.

