



July 18, 2012

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WCB Industry Custom Pricing (ICP) Proposal – 2013 89925 – Social/Community Support Svce

Your industry is voting on participating in Industry Custom Pricing (ICP) effective January 1, 2013. Please vote by completing the Polling Form attached to this proposal and forwarding it to us by August 20, 2012.

It is very important that all employers in your industry vote and understand the purpose and impact of ICP prior to voting. Whether your industry remains in standard pricing or participates in ICP, it will have a financial impact on your company and all other employers in your industry. Please review the following information for more details on ICP and the Waiving of Cost Relief Option (CR Option) your industry is being polled on.

Why did WCB-Alberta create ICP and what is the goal of the program?

- ICP is a voluntary flexible pricing program at the industry level, which allows industries to customize various features of our standard pricing program to have a more direct relationship between an employer's experience record and premium rate.
- The goal of the ICP program (and of the WCB-Alberta) is to reduce the impact of workplace injury and illness on Albertans. We rely on employers' continued focus on injury prevention and claims management to achieve this goal and provide them with an increased financial incentive to do so.

What is the effect of participating in ICP to my company and industry?

- Your entire industry will benefit from the reduction in the base rate of \$0.02 (based on 2012 rates) for waiving the use of one type of cost relief. In addition, most employers will see a better experience rating (ER) and lower premiums.
- At the employer level (based on 2012 rates), of the 546 employers in your industry, 544 would see a rate decrease while only two would see a rate increase.
- Employer's experience records better reflect their actual performance. This creates an added financial incentive for employers to manage claims more effectively.

How would it have impacted our premiums if our industry was already in ICP?

- If your industry voted in favour of participating in ICP beginning in 2009, to date your industry would have been afforded approximately \$235,869 in premium reductions.

What is the effect of continuing in standard pricing to my company and industry?

- Again, based on 2012 rates, your entire industry will continue to see an increase in the base rate of \$0.02, as a levy is required to fund this type of cost relief.
- Employers would have less financial motivation to manage claims as effectively and the entire industry can be impacted through increased claim costs and higher premiums. Although not all employers are motivated to prevent or manage claims solely due to financial issues, the impact on premiums can be a strong motivator to improve performance.

What is cost relief?

- Cost relief removes some or all of the costs of a claim from an employer's experience record. It does not change the actual costs of a claim. The removal of these costs from the employer's record could result in an adjustment when determining the discount or surcharge the employer will receive on the industry rate. These costs will still remain solely on the industry record and will impact all employers in the industry through higher industry rates. Cost relief transfers the premiums from employers who use cost relief to all other employers in the industry.
- There are multiple types of cost relief (such as hearing loss, occupational disease, concurrent injuries and aggravation of a pre-existing condition) available to an employer. The only cost relief impacted by the CR Option is costs due to a prolonged period of recovery from the aggravation of a pre-existing condition.
- Worker benefits are not impacted by cost relief. However, cost relief may adversely impact how a claim is managed by an employer.

How does the CR Option of ICP work?

- The type of cost relief being waived is for workplace injuries where there has been an aggravation of a pre-existing condition. If recovery from the injury is prolonged due to aggravation of a pre-existing condition, costs associated with the prolonged recovery may be removed from an employer's experience record and stay solely on the industry experience record.
- All employers in the industry pay a levy in their industry rate to fund this type of cost relief, regardless of whether or not they need or use it. Industries participating in this option of ICP choose to waive the use of this type of cost relief and in return have the levy removed from their industry rate. Costs associated with these types of claims now form part of an employer's experience record and could impact their pricing adjustments and incentives.
- Employers are no longer eligible to have cost relief adjustments applied on claims that affect the year an industry starts to participate in the CR Option and onward, even if cost relief was previously granted.
- Participation in this option of ICP will not affect an employer's rate in any year prior to the year implemented. Employers are still eligible for cost relief on claims that affect a year prior to ICP participation.

- Employers are categorized in two different programs, ER Program for Large Employers or ER Program for Small Employers. Employers in the ER Program for Small Employers are rated on the number of claims on their experience record not the cost of the claims. As a result their experience records do not benefit from cost relief.

How does the CR Option affect cost relief previously received on a claim?

- An employer may receive cost relief on a claim while in standard pricing. However once in ICP, cost relief is no longer applied to that same claim for any years the claim is used in determining the employer's premium adjustments.
- For example, an employer receives cost relief on a 2009 claim. The 2009 claim will be used to determine an employer's premiums for 2011, 2012 and 2013. The employer's industry begins participating in the CR Option of ICP for 2013. Cost relief on this claim will be applied when determining their 2011 and 2012 premium rate. Cost relief would not be applied to the claim for determining the employer's premium rate for 2013.

Am I still protected from high cost claims affecting my company's rates?

- Features such as maximum per claim cost (MPCC) remain in place and are still available to your industry. MPCC limits any one claim to a maximum cost of 10 per cent of an employer's industry rated premium over a three year period. Costs beyond your MPCC will not impact premium adjustments. For 2012, MPCC's range from \$1,500 to \$86,700.
- All other forms of cost relief (such as hearing loss, concurrent injuries and occupational disease), cost transfers and maximum per incident cost features are still available to help your company control claims costs.

How does our industry participate in ICP?

- If more than 50 per cent of your industry's employers vote to renew participation, the entire industry will participate in the CR Option of ICP for at least three years from the start of the next rate year.
- Participation in this option of ICP will continue after the minimum three year period, unless there is sufficient support your industry would like to change their ICP option, or return to standard pricing.
- The 50 per cent standard applies to all of the insurable earnings in the industry, not just those who responded. In all cases where an industry is participating in ICP, employers with more than 50 per cent of the total insurable earnings in the industry have voted in favor of ICP.
- All employers in your industry are bound by the majority decision of the pricing program chosen by your industry.

How do I get more information about ICP, its premium impact and rate calculations?

- For information on the program, options, impact, and polling process please visit our website www.wcb.ab.ca/employers/ICP.asp or contact our team in Underwriting by email at icp@wcb.ab.ca or call 780-498-7936.
- To receive a projection of the premium impact to your company and industry you can log on to our website via your "myWCB" access to request them. If you don't have "myWCB" access you can sign up at www.wcb.ab.ca/employers/online_signup.asp.
- For more information on rate calculations please review our Pricing Guide at www.wcb.ab.ca/employers/discounts.asp or contact Underwriting.

Underwriting Team
WCB-Alberta

ICP POLLING FORM

89925 – Social/Community Support Svce

Your industry is voting on participating in Industry Custom Pricing (ICP) for a minimum three years, or continuing in standard pricing, effective January 1, 2013.

If more than 50 per cent of the employers within your industry (as measured by employers' insurable earnings) vote in favour of participating, your entire industry will participate in ICP for a minimum of three years beginning January 1, 2013. Your industry will continue in the standard pricing program beginning January 1, 2013 if the proposal does not receive a minimum of 50 per cent support. All employers in your industry are bound by the majority decision.

Your vote is very important. Please indicate your vote and sign this polling form only if you are authorized to make this type of financial decision on behalf of your employer.

ICP – Waiving of Cost Relief Option Vote

A **YES** vote means your industry should participate in ICP. This means your industry will receive a reduction in the base rate by excluding the cost relief levy (\$0.02 based on 2012) in the calculation of your industry rate. Claims costs associated with prolonged recovery time due to the aggravation of a pre-existing condition would now form part of an employer's experience record. Your industry will not have cost relief adjustments applied to claims that affect determining your 2013 premium rate and onward as long as your industry participates in this option of ICP.

A **NO** vote means your industry should continue in standard pricing and include the cost relief levy in the calculation of your industry rate. This allows employers to have claims costs associated with prolonged recovery time due to the aggravation of a pre-existing condition removed from their records. These costs would solely remain on the industry record, affecting the premium rate of all employers in your industry.

Please indicate if you are in favour of participating in the ICP option of Waiving of Cost Relief for your industry, effective January 1, 2013.

RESPONSE: **YES** (\$0.02 levy removed, not eligible for cost relief)

NO (\$0.02 levy remains, eligible for cost relief)

Employer: EDMONTON BICYCLE COMMUTERS' SOCIETY

Account: 6040018

Industry: 89925

Name (Please Print): _____

Title: _____

Signature: _____

Date: _____

With the above signature I acknowledge the following on behalf of my company. I have read the Industry Custom Pricing Renewal and Polling Form. I have the necessary authority or secured required approval within my company to sign this Polling Form.

**Please forward the completed Polling Form by
August 20, 2012 to our Underwriting team by:
E-mail - icp@wcb.ab.ca, Fax - 780-498-7874, or Mail.**

ICP Program CR Option Summary

89925 – Social/Community Support Svce

How you participate

- If more than 50 per cent of your industry (as measured by employers' insurable earnings) votes in favour of an ICP option, your industry will be enrolled in the CR Option for a minimum three year period. This period begins January 1, 2013.
- All employers in your industry are bound by the majority decision of the pricing program chosen by your industry.

Implementing the CR Option of ICP

- Starting January 1, 2013, all employers in your industry will be ineligible for cost relief pertaining to claims where there has been a prolonged recovery period due to the aggravation of a pre-existing condition. This affects claims that impact 2013 premium rates and onward as long as your industry participates in this option of ICP.
- All other forms of cost relief (such as hearing loss, concurrent injuries and occupational disease), cost transfers, maximum per claim cost and maximum per incident cost features are still available to help your company and industry control claims costs.
- ICP will not affect an employer's rate in any year prior to participating in ICP and employers are still eligible for cost relief on claims that affect a rate year prior to ICP participation.

Example: An employer receives cost relief on a 2009 claim. The 2009 claim will be used to determine an employer's premiums for 2011, 2012 and 2013. The employer's industry begins participating in the CR Option of ICP for 2013. Cost relief on this claim will be applied when determining their 2011 and 2012 premium rate. Cost relief would not be applied to the claim for determining the employer's premium rate for 2013.

- In return for waiving the use of this type of cost relief, your industry will not pay a levy to fund it when calculating your premium rate. This levy will continue to be removed as long as your industry is participating in this option of ICP.

Example: An industry has a base rate of \$2.00 with a cost relief levy of \$0.05 included in the rate. In the CR Option, the industry base rate would decrease to \$1.95 with the levy removed.

Continuing participation

- Participation in this option of ICP will continue after the minimum three year period, unless there is sufficient support your industry would like to change their ICP option, or return to standard pricing.
- The same process of voting is required for opting out or making changes to ICP as was required to start an ICP program. This means a majority of the insurable earnings (more than 50 per cent) in the industry must vote in favour to remain in ICP or change options, otherwise the industry will revert to standard pricing.

For more information on the ICP program, options, impact, polling process or rate calculations please visit our website www.wcb.ab.ca/employers/ICP.asp or contact our team in Underwriting at icp@wcb.ab.ca or 780-498-7936.