



DON'T YOU END UP
IN THE
HOW COME?
ROOM

Recent changes to the NEER Experience Rating Program may create unpleasant surprises down the road.

Ever spent time in the *How Come?* Room? That's the place you get asked questions such as *How come this is happening to us?* or *How come we didn't see this coming?*

Changes to NEER in 2004 offer little benefit to medium sized employers and place higher liabilities on larger employers.

One improvement in NEER touted on the WSIB website is the increase in the minimum Rating Factor to 40% and larger increases to larger payroll companies.

The table below depicts how this can result in higher refunds for low accident cost companies:

ACCIDENT YEAR	PREMIUM (\$)	EXPECTED COST FACTOR (%)	EXPECTED COSTS (\$)	NEER COSTS (\$)	RATING FACTOR (%)	PERFORMANCE INDEX
2004	133,745.11	20.16	26,963.14	4,244.76	43.59	0.16
2003	153,081.57	31.40	48,067.61	1,497.64	31.82	0.03
2002	148,786.58	30.34	45,141.85	3,552.50	31.54	0.08

This good news is mitigated by the 2004 NEER changes that lower the Expected Cost Factor. Now you're expected to use less of your annual premium!

Look at how this affects the Refund/Surcharge position. Since the Refund/Surcharge is the product of Expected Costs less NEER Costs times the Rating Factor this company will enjoy a refund of \$9,902.

Compare that to the 2003 Accident Year where the Expected Costs are higher and the company enjoyed a refund of \$14,819.

While refunds are reduced for companies with excellent lost time records, those with higher costs are penalized more harshly:

ACCIDENT YEAR	PREMIUM (\$)	EXPECTED COST FACTOR (%)	EXPECTED COSTS (\$)	NEER COSTS (\$)	RATING FACTOR (%)	PERFORMANCE INDEX
2004	93,623.91	14.60	13,669.09	37,537.00	40.00	2.75
2003	91,001.25	24.59	23,852.61	7,684.05	25.00	0.32
2002	94,313.88	23.71	22,363.24	35,550.69	25.00	1.59

Compare the Surcharge of about \$10,000 for 2004 as compared to the Surcharge of just over \$3,000 in 2002 - despite close to the same NEER Costs for both years.

The bottom line is that since 2004, not only employers with poor Early Safe Return to Work Programs and Attendance Management will pay more: all employers with lost time claims will pay more!

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Another How Come?

Are those really Independent Operators working for you?

Just because a sub-contractor or contractor appears to you to be an independent business and you are paying for their services does not mean WSIB sees it that way.

Did you know that WSIB can perform a Revenue Audit of your firm and determine that contracts for service qualify in their eyes as employment contracts and require you to pay back premiums for the cost of their service?

If you do not keep detailed records WSIB can also include the cost of materials and expenses that those contractors have invoiced you.

What if the contractor hires workers but is not registered with WSIB or their account is not in good standing? You may be liable for unpaid premiums and claim costs.

We bring this to your attention because we are seeing more cases of Revenue Audits levying significant bills for retroactive premium.

You can find the details of WSIB's policy in Policy 12-02-01 of the Operational Policy Manual and the questionnaire used by WSIB to determine employment status is available at WSIB.on.ca.

Check your Contractors and Sub-Contractor's Procedure in your Health and Safety Manual (if you have that section).

Some companies find it helpful to run the questionnaire by us before contacting their WSIB office or Account Manager.

We'll be glad to help keep you out of the *How Come?* room.

