

Industry custom pricing (ICP)—waiving of cost relief option

ICP is a voluntary performance pricing program at the industry level that allows industries to customize various features of standard pricing.

Premium adjustments in ICP are more reflective of an individual employer's experience, which creates greater accountability and promotes injury prevention and disability management.

Costs used to measure an employer's performance is one of the features of standard pricing that can be customized with the waving of cost relief option in ICP.

What is cost relief?

- Cost relief, if eligible, 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 it, to all other employers in the industry.
- There are multiple types of cost relief available to an employer such as hearing loss, occupational disease, concurrent injuries and aggravation of a pre-existing condition.
- The only cost relief impacted by the waiving of cost relief option (CR option) are 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 an industry pay a levy in their industry rate to fund this type of cost relief, regardless of whether or not they 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, Experience Rating Program for Large Employers or Experience Rating Program for Small Employers. Employers in the Experience Rating Plan for Small Employers are rated on the number of claims on their experience record, not the cost of their 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.

Example

An employer receives cost relief on a 2016 claim. The 2016 claim will affect the employer's premiums for 2018, 2019 and 2020. The employer's industry begins participating in the CR option of ICP for 2019.

Cost relief on this claim will be applied when determining their 2018 premium rate. Cost relief would not be applied to the claim for determining the employer's premium rate for 2019 and 2020.

- **Employers' experience records better reflect their actual performance.** This creates an added incentive for employers to manage their claims more effectively. Over time this can also reduce the overall claims costs in an industry and further reduce the premium rate.
- **Only those employers who have a high use of this type of cost relief could see an increase in their premium rate.** This is a result of no longer being allowed to remove the costs of these types of claims from their experience record which provides them with a less favorable experience rating adjustment.

Are employers still protected from high cost claims affecting their rates?

- Features such as maximum per claim cost (MPCC) remain in place and are still available to an 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 the MPCC will not impact premium adjustments. For 2021, MPCC's range from \$1,500 to \$98,700.
- 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 companies control claims costs.

What is the effect of participating in the CR option of ICP?

- **The entire industry will benefit from a reduction in the base rate for waiving the use of one type of cost relief.** Most employers who use little or none of this type of cost relief could see better experience rating adjustments, which results in a further premium reduction.

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

- For information on the program, options, impact, and polling process, visit our [website](#), contact our team in Underwriting by email at icp@wcb.ab.ca.
- 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 [here](#).

For more information on rate calculations please review our [Pricing Guide](#).

