



**YUKON WORKERS'
COMPENSATION
HEALTH AND
SAFETY BOARD**

SUBJECT: RATE STABILIZATION COMPONENT POLICY NO.: FN - 15
 BOARD APPROVAL: [Signature] 805197
 APPROVAL DATE: OCTOBER 8, 1997
 BOARD ORDER NO.: _____ **REVOKED**
 EFFECTIVE DATE: OCTOBER 8, 1997 **FEB 22 2005**

POLICY STATEMENT

SECTION REFERENCE: **44(5)** **1992 WORKERS' COMPENSATION ACT**

POLICY: **RATE STABILIZATION COMPONENT**

GENERAL INFORMATION

The Compensation Fund operates on the principle of collective liability. This means Yukon employers pool the risk and share the costs of work-related disabilities.

In accordance with the Funding Policy, the Rate Stabilization Component is a component of the "Potential Liability and Asset Replacement Reserve." The Rate Stabilization Component ensures that Assessment rates are stabilized for individual employers, industry, classes and sub-classes. The Board approves the appropriate minimum and maximum levels of the Rate Stabilization Component.

The board maintains the "Potential Liability and Asset Replacement Reserve" to provide funding to cover the costs of: claims disasters; unknown disabilities such as occupational diseases or enhanced disabilities; asset replacement; and rate stabilization. The Reserve is used to provide protection to employers against any adverse financial experience that could unduly burden employers.

Any operating surplus or deficit is first charged to the rate stabilization component. Any positive balance in the rate stabilization component is allocated in the following order of priority:

- Provision for Claims Disasters Component 20 % of benefits liability
- Provision for Unknown Disabilities Component:
occupational disease or enhanced disability 20 % of claims disasters
- Provision for the capital Asset Replacement Component equals the accumulated asset amortization.

If the provision for the Rate Stabilization Component falls to a level where there is insufficient funds to make all of the above allocations, then allocation is made until the Rate Stabilization Component equals zero. If an operating deficit causes the Rate Stabilization Component to be negative before any allocations are made, then funds are reallocated back to the Rate Stabilization Component until it equals zero. This is done by reducing the other components, listed above, in reverse order of priority.

POLICY

A. RATE STABILIZATION COMPONENT

The Rate Stabilization Component shall be established in order to minimize the impact of fluctuations in revenues or expenses on annual assessment rates, and to reduce current assessment rates through the interest earned.

B. MINIMUM LEVEL

The minimum level for the Rate Stabilization Component shall be \$0.

C. MAXIMUM LEVEL

The maximum level for the Rate Stabilization Component shall be equal to the previous year's total annual assessment revenues.

D. SURPLUS OR DEFICIT

Any annual operating surplus or deficit shall be allocated to the Rate Stabilization Component.

If at any time the Rate Stabilization Component is projected to, or actually falls below the minimum level, the Board shall examine available options and determine the degree and timing of measures that shall return the component to within the minimum and maximum level range.

If at any time the Rate Stabilization Component is projected to, or actually rises above the maximum level, the Board shall examine available options and determine the degree and timing of measures that shall return the component to the maximum level.

E. ANNUAL ALLOCATION

Any operating surplus or deficit is first charged to the rate stabilization component. Any positive balance in the rate stabilization component is allocated in the following order of priority:

Provision for Claims Disasters Component	20 % of benefits liability
Provision for Unknown Disabilities Component: occupational disease or enhanced disability	20 % of claims disasters

Provision for the capital Asset Replacement Component equals the accumulated asset amortization.

If the provision for the Rate Stabilization Component falls to a level where there is insufficient funds to make all of the above allocations, then allocation is made until the Rate Stabilization Component equals zero. If an operating deficit causes the Rate Stabilization Component to be negative before any allocations are made, then funds are reallocated back to the Rate Stabilization Component until it equals zero. This is done by reducing the other components, listed above, in reverse order of priority.

F. **REVIEW**

The minimum and maximum levels for the Rate Stabilization Component shall be reviewed by the Board at least every five years from the date that this policy is first approved.

REFERENCES

Yukon Workers' Compensation Health and Safety Board:
Asset Replacement Component Policy Statement
Claims Disaster Component Policy Statement
Funding Policy Statement
Unknown Disabilities Component Policy Statement

HISTORY

1. *Workers' Compensation Act*, Chapter 16, in force January 1, 1993.
2. Policy, Funding Policy Statement, effective May 14, 1996.
3. Policy, Rate Stabilization Component Policy Statement, effective October 8, 1997.