

Questions and Answers about HSC's New Risk Rating System

How does the risk rating system work?

The rating is based on a provider's claims history. It considers the frequency and severity of individual provider claims. Ratings are assigned on a scale of 1 (low risk, no losses) to 6 (high risk, multiple and/or costly losses).

My organization hasn't had a claim in several years. Why is our risk rating number so high?

One important component of the risk rating is your organization's **five-year loss ratio**. A loss ratio is a calculation based on the premium you have paid relative to the claims you have made. Providers with loss ratios over 60% are considered high risk by the insurance industry. As such, they receive a higher risk rating.

Your loss ratio will go down over time because the financial impact of the claim will diminish. As a result, your risk rating will also go down.

How can I improve my organization's risk rating?

Providers can improve their risk rating by reducing the cost and/or frequency of their claims.

A key way of doing this is to implement practical risk management measures in your building(s). For example, careless smoking fires are preventable but are extremely costly and surprisingly common in our program. Implementing a smoke-free policy in your building(s) can help reduce the likelihood of smoking-related fires. Similarly implementing mandatory tenant insurance can help because it can help control the final cost of a claim if it is the result of tenant negligence. In both cases, implementing these measures will also give you a discount on your premium. *[View sample lease language for adopting [mandatory tenant insurance](#) and [smoke-free policies in your building\(s\)](#)]*

We have had a few claims in the past few years but they have been very small. Why is our risk rating so high?

While small claims may not seem significant, because they do not cost the program much money, they play an important role in determining your risk rating. That is because underwriters evaluate our program, and determine the group's premium, based on both the total cost of claims and the number of claims.

The frequency of claims is also a factor because if a provider has multiple, small claims,

the likelihood of having a larger claim is significantly higher than for a provider with no claims history or even those with a single, large claim.

if my rating is a 1, why has my premium increased?

There are many providers in our program with impeccable track records. Unfortunately, premiums are not just determined by claims made to the program. They are also determined by other things – such as the state of the broader insurance market and how the industry evaluates different types of risk.

Natural catastrophes, such as forest fires or hurricanes, can result in large property losses globally that can take insurers years to pay off. These types of events also have a ripple effect across the insurance industry since insurers cover many different types of clients.

In addition, some types of risks are viewed more favourably than others – because they may be lower risk and more profitable. Unfortunately, residential properties are viewed as a higher risk. As a result, there are fewer insurers willing to cover the risk and this leads to higher costs.

HSC has focused on controlling premium costs by developing long-term relationships with underwriters, introducing features such as the Property Claims Trust Fund and playing an active role in managing claims and keeping costs low. Introducing a rating system helps demonstrate to the underwriters that we are taking concrete steps to better understand and address risks in our program.

Does the risk rating calculated based on all coverage areas?

No, at this point your risk rating is determined by your property claims performance only.