



WorkSafeNB – Tim Petersen

PRESENTATION TO STAKEHOLDERS

SEPTEMBER 20, 2017

AGENDA

- Overview
- 2018 Rate-Setting Process
- Recap from June 20th Meeting
- Cost trends update
- Workers Compensation Costs in Canada
- Current Situation
- Initiatives
- Conclusions
- Resources

Safety Share

OVERVIEW

- Not about right or wrong
- Workers' Compensation System belongs to the workers and employers of NB
 - Balance and compromise required
 - System can be anything you or government want it to be
 - Our vision is for healthy and safe workplaces and a sustainable workers' compensation system
 - Fair administration of the system
- Need to understand what matters most, and
 - Aids in focusing attention where it is most needed

2018 RATE-SETTING PROCESS

- Administration budget preparation – July/August
- Claim costs and employer payrolls are estimated based on actuarial analysis
- 3 scenarios presented – based on trend expectations
- Very little discretion for Board – WCA 52 & 54(1)

2018 RATE-SETTING PROCESS

52 The Commission shall on or before the first day of February of each year make an estimate of the assessments necessary to provide funds in each of the classes sufficient to meet:

- a) the cost of all claims for compensation incurred during that year;
- b) the estimated future cost of the claims in paragraph (a) payable during subsequent years; and
- c) such sum as the Commission considers appropriate for the administrative expenses of the Commission.

54(1) The Commission shall every year assess and levy upon and collect from the employers in each class, by an assessment rated upon the payroll, or otherwise as the Commission may deem proper:

- a) the cost of all claims for compensation incurred during that year;
- b) the estimated future cost of the claims in paragraph (a) payable during subsequent years; and
- c) such sum as the Commission considers appropriate for the administrative₆ expenses of the Commission.

2018 RATE-SETTING PROCESS

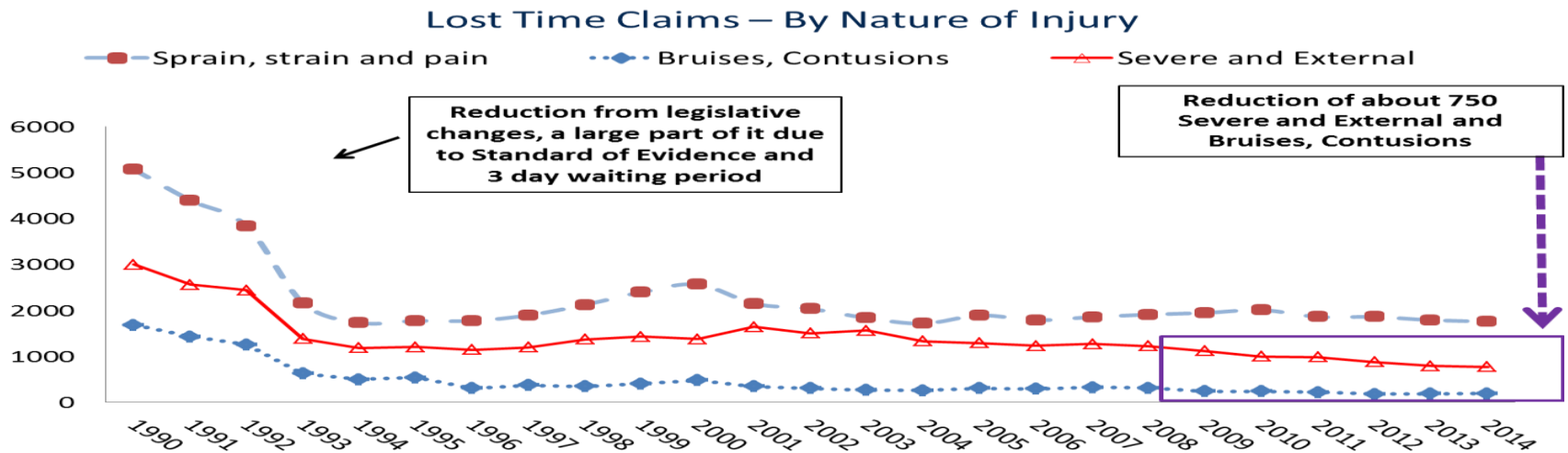
- Funding requirements – WCA and Policy
- 2018 Administration Budget
 - Administration costs reduced 12%
 - Equates to \$0.09 on the rate
 - Position elimination through improved efficiencies
 - Lean Six Sigma program introduced
 - Roadmap
 - Online service offerings
 - Front-end services
- Appeal Tribunal overturn trends
 - Trend analysis
 - WorkSafeNB attendance for policy-related issues
 - Employer attendance is rare

RECAP FROM JUNE 20, 2017 STAKEHOLDER MEETING

- Changes were introduced on January 1, 1993 to address high cost of the system at the time:
 - Most notable changes affecting claiming patterns:
 - Government introduced a clause allowing for consideration of preponderance of evidence in determining eligibility for benefits, and
 - Government introduced a 3 day waiting period.
 - Other benefit reductions reduced cost per claim, but had a much smaller influence on claiming patterns
- Other systems where benefit reductions were introduced in 1990s and early 2000s
 - NL 1993, NS 1996, ON 1997 and PE 2002
 - PE reduced 3 day waiting period (to 2 days) in 2014, then eliminated

RECAP FROM JUNE 20, 2017 STAKEHOLDER MEETING

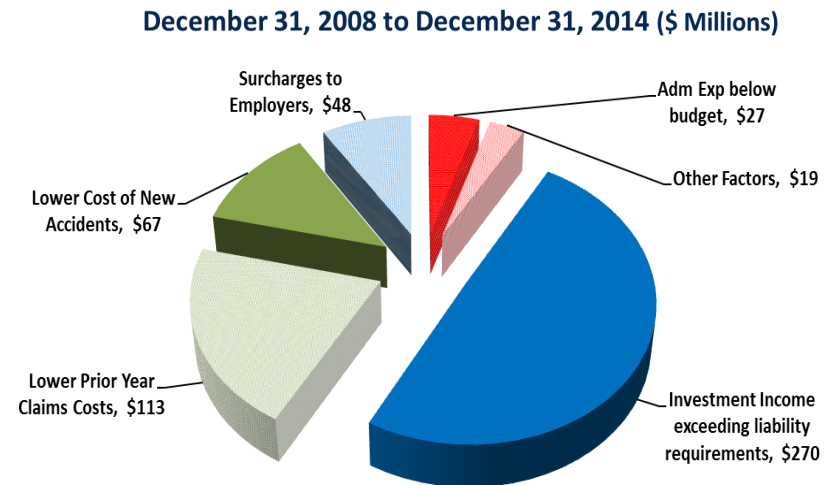
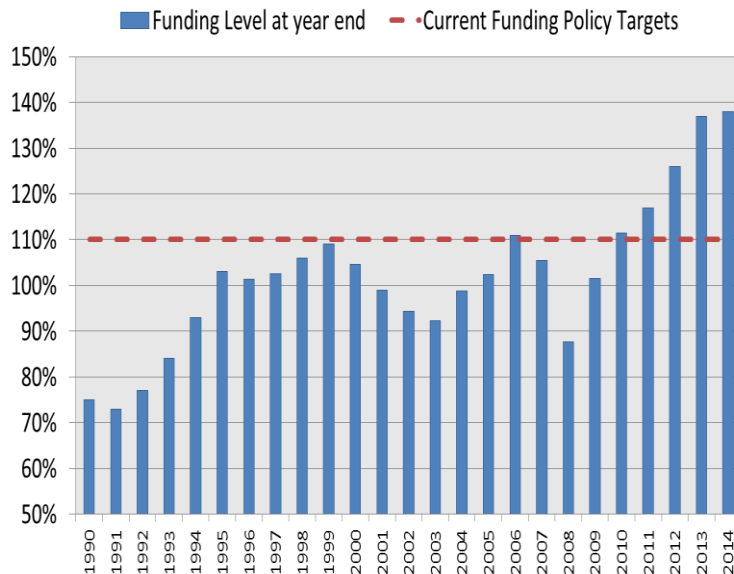
- Impact on claiming patterns from 1993 to 2014
 - Steep decline in claiming patterns from 1993 to 1996
 - Sprain, Strain and Pain claims showed the most important reduction
 - Steadily declining claiming patterns after 1996
 - Pattern consistent with all other boards in Canada, except one; and
 - Stronger decline for Severe and External injuries from 2007 to 2014.



RECAP FROM JUNE 20, 2017 STAKEHOLDER MEETING

➤ Funding levels

- Rapid climb to full funding from 1993 to 1996;
- Variations after that linked to financial markets performance;
- Reached a peak of 138% funded at December 31, 2014 with largest contributor since low of 2008 being investment performance

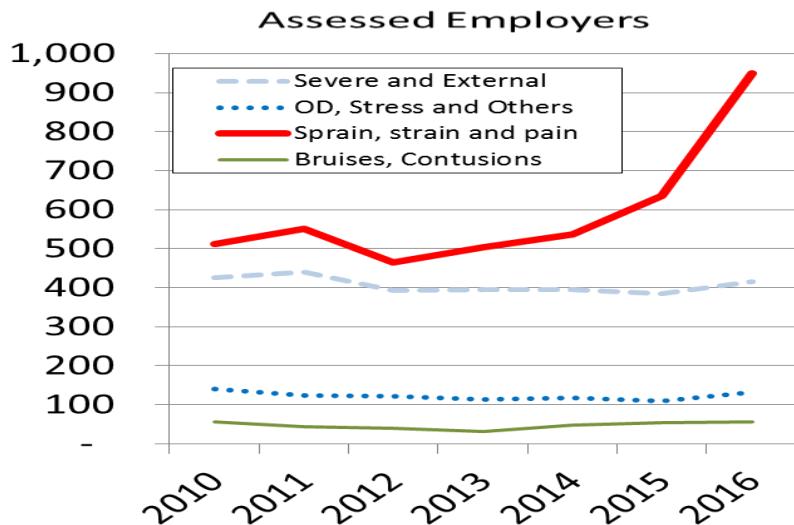


RECAP FROM JUNE 20, 2017 STAKEHOLDER MEETING

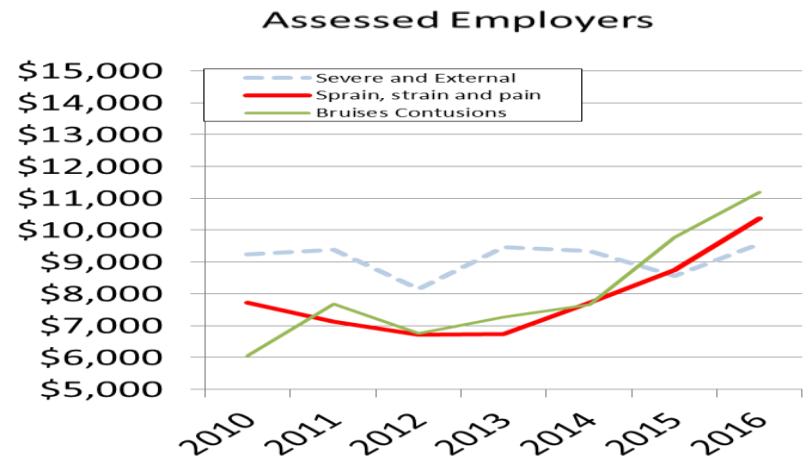
➤ Claiming Patterns for 2015 and 2016

- Gradual increase at first with rapid increase starting in March 2016
 - Primary driver is increased duration of claims;
 - Lost time claims frequency up about 10% (96% acceptance)
 - Virtually all increase for assessed employers from Sprain, Strain and Pain claims

CHANGE IN OPEN LOST TIME CLAIM COUNTS BY NATURE OF INJURY



CHANGE IN AVERAGE COST FOR PRIOR YEAR CLAIMS EACH YEAR BY NATURE OF INJURY IN 2016 \$

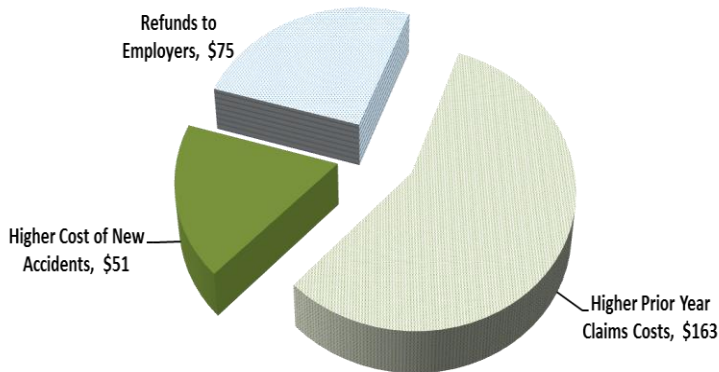


RECAP FROM JUNE 20, 2017 STAKEHOLDER MEETING

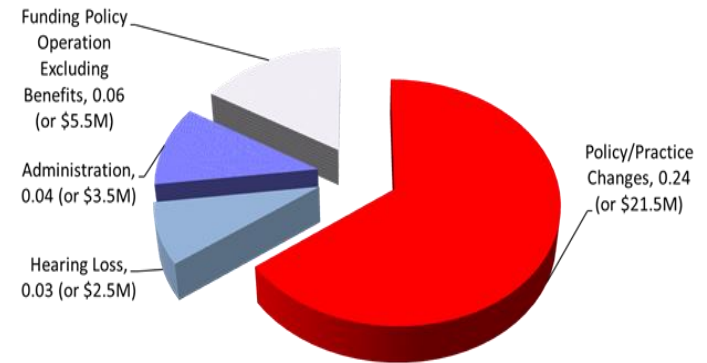
➤ Funding Patterns for 2015 and 2016

- Funding level deteriorated rapidly from 138% to 112% and is expected to continue to decline
- Increasing claims costs is primary contributor to:
 - Decrease in funding level, and
 - \$0.37 per \$100 rate increases for 2017.

December 31, 2014 to December 31, 2016 (\$ Millions)



SOURCE OF ASSESSED EMPLOYERS AVERAGE INCREASE OF \$0.37 (OR \$33M) IN 2017



RECAP FROM JUNE 20, 2017 STAKEHOLDER MEETING

Factors that did NOT contribute to rate increase:

- Investment Performance
 - Averaged 10% return over last 8 years (2016 – 9.16%)
- Administration Expenses
 - Second lowest among comparably sized jurisdictions and declining in 2018
- Deterioration of prevention and return to work efforts
 - Not Realistic
- No major changes in economy or covered workforce
- Board or Staff composition did not change materially

RECAP FROM JUNE 20, 2017 STAKEHOLDER MEETING

- Aging of population a contributor but not a driver

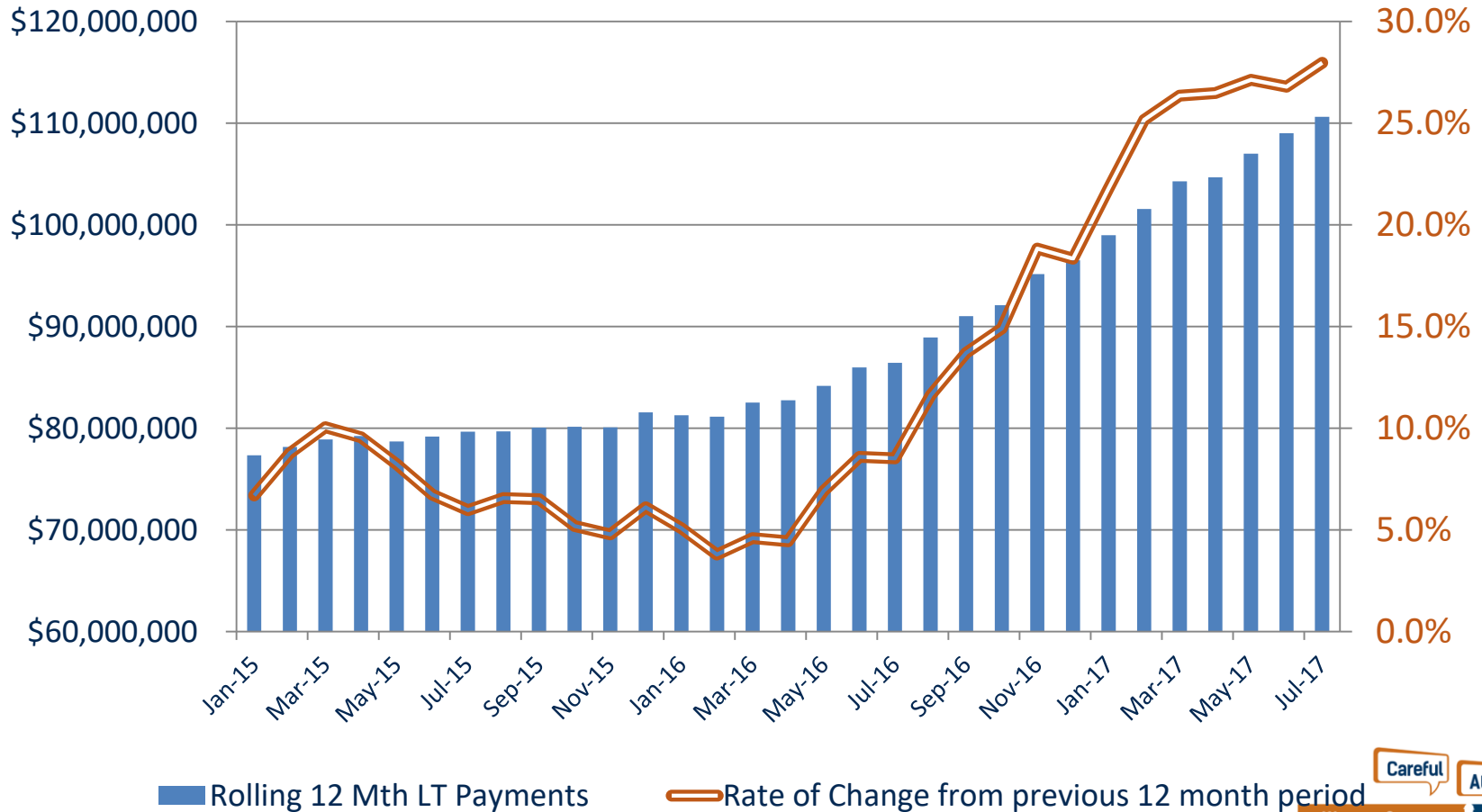
- **Factors DRIVING cost increases:**
 - Change in application of standard of evidence on appeal
 - Increased claim acceptance, and
 - Increased claim duration
 - Removal of Supplements
 - Treatment of CPPD pensions
 - Impact on Estimated Capable Earnings
 - Hearing loss claims
 - Non Compensable Intervening Conditions (i.e. personal conditions)

RECAP FROM JUNE 20, 2017 STAKEHOLDER MEETING

- **NOT a RIGHT vs WRONG** discussion
- Board and staff :
 - Have, and will, administer the system the stakeholders or government want
- **FACTS are clear:**
 - **Fundamental change in the nature of workers compensation system in NB**
 - **Rates are increasing because costs are increasing**

LOST TIME CLAIM PAYMENTS

(SAME AS PRESENTED ON JUNE 20TH BUT UPDATED TO JULY 31ST)



BEST ESTIMATE ASSESSMENT RATE AT JULY 31, 2017 (PER \$100 OF PAYROLL) - ASSESSED EMPLOYERS ONLY

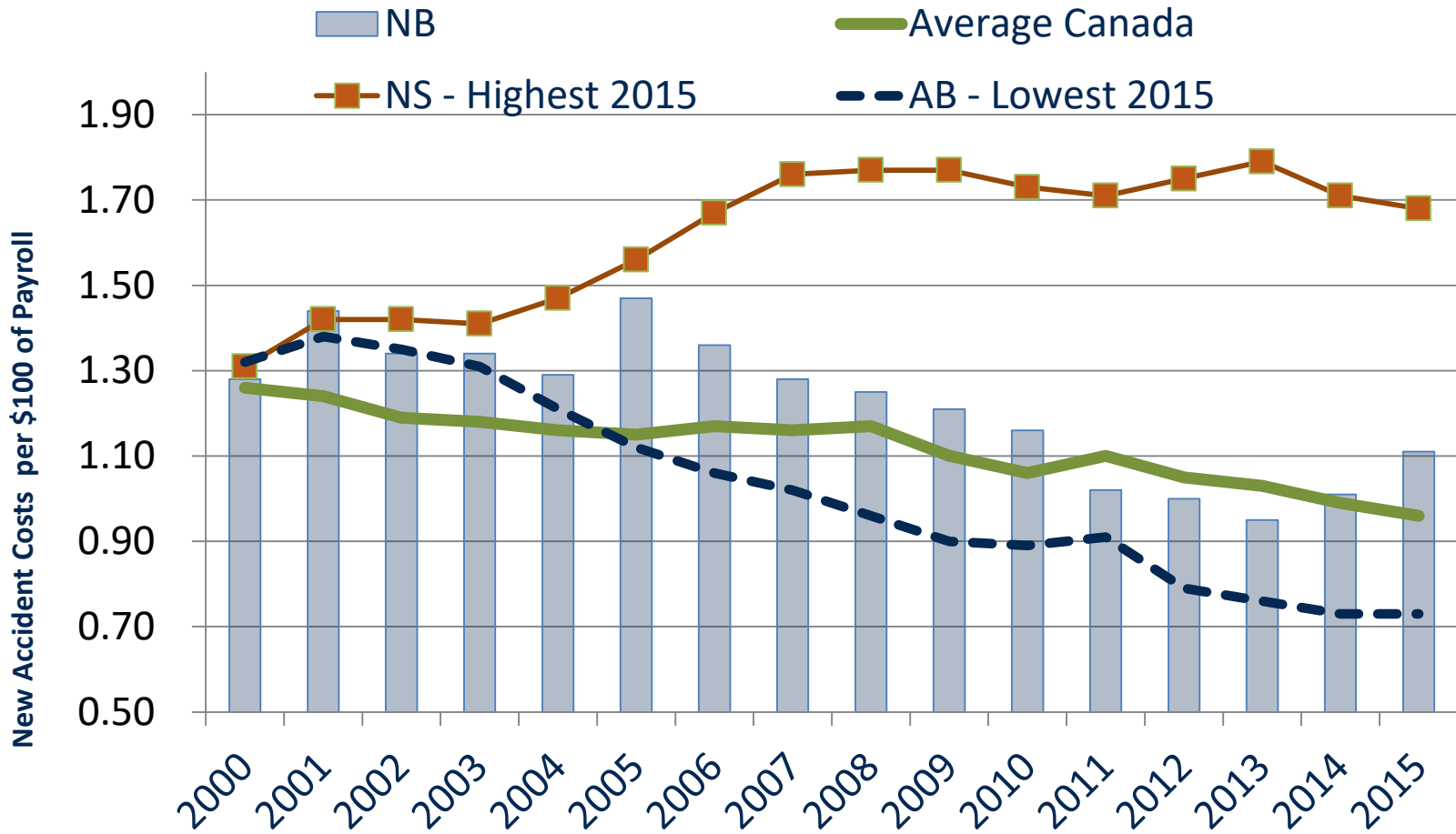
- **Preliminary range** of possible average assessment rate for 2018 considering only potential claiming pattern trends up to end of July 2017
 - Three potential scenarios relative to 2016 cost trends:

	Optimistic (Trend Flattens)	Moderate (Best Estimate)	Cautious (Trend Continues)
New Injury Costs	\$1.51	\$1.62	\$1.78
Administration	\$0.49	\$0.49	\$0.49*
Target Funding	\$(0.04)	\$(0.04)	\$(0.04)
Total	\$1.96	\$2.07	\$2.23
	Increase from 2017 average rate of \$1.48		
Increase per \$100 of payroll	+\$0.48	+\$0.59	+\$0.75
Increase %	+32%	+40%	+51%
Increase in \$	+\$48.8M	+\$59.4M	+\$73.9M

* Have not accounted for potential increase to administration costs due to increased claim volume

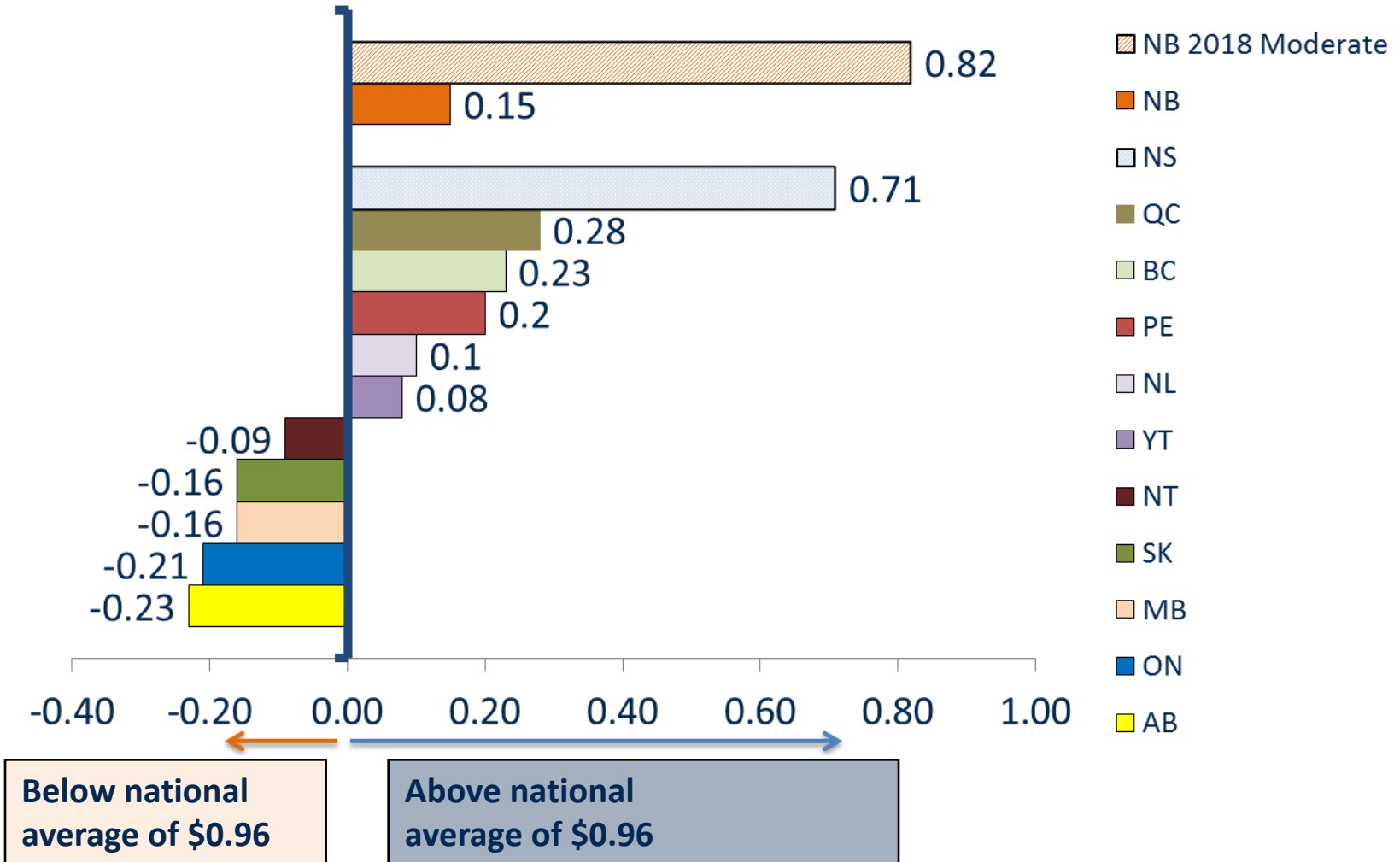
NEW ACCIDENT COSTS PER \$100 OF PAYROLL 2000-2015

Source: AWCBC KSMs total new accident costs divided by assessable payroll reported



NEW ACCIDENT COSTS – ALL JURISDICTIONS 2015

Variance relative to New Injury Cost Average of \$0.96 per \$100 of payroll for CANADA



CURRENT SITUATION

- NB will join NS as only jurisdictions in Canada with higher costs in 2016 than in 2000
- Current cost increases in NB:
 - Driven by changes to the system that affect both the level of benefits and the decision making process;
 - Strongly influenced by standard of evidence; and
 - May not have peaked yet.
- Expect increase in assessment rates in the future, if
 - System now reflects what stakeholders and government want, and
 - Funding the system adequately is still an objective

CURRENT SITUATION

- Task Force mandated to review the system and we understand will be reaching out to stakeholders
- Workers compensation system belongs to workers and employers collectively
- Board actively involved in recommending legislative change, but government has final decision
- Legislation not always explicit – requires interpretation
- Board has interpretation/policy authority, but final interpretation authority rests with WCAT

CURRENT SITUATION

- Board has a rate decision to make:
 - Required range based on information to end of July 2017 and under existing rules is from \$1.96 to \$2.23 per \$100 of payroll or about a 32% to 51% increase.
 - Note that this may still be too low if claiming trends continue at current pace

INITIATIVES

- Service Excellence (40 initiatives over 5 years)
 - Several initiatives to identify efficiencies
 - Streamlining business processes
 - Roles analysis
 - IT systems modernization
 - On-line service offerings
 - Investment management review
 - WCAT attendance and trend analysis
 - Hearing loss
 - Campaign
 - Procurement

CONCLUSIONS

- The reason rates need to increase are because:
 - Costs are increasing rapidly; and
 - Current assessment rates have fallen behind what is needed to fund the system using sound financial management principles.
- Arbitrary decisions on rate setting:
 - Do not solve the fundamental challenge,
 - They only defer the problem to the future, and
 - Put the financial security of injured worker benefits at risk.
- **IT IS YOUR SYSTEM (Workers and Employers Collectively)**

RESOURCES

Many resources available at www.worksafenb.ca

Questions