



2018

# 3<sup>rd</sup> Quarter Report

July-September 2018

## Quarterly Results: A Message from WorkSafeNB's President and CEO

New Brunswick's workers' compensation system is continuing to experience challenges that require collaboration and urgent legislative change if we are to ensure an effective, fair and sustainable system for future generations. In July, at our Annual General Meeting, I presented [2018 second quarter results](#) and expressed deep concern over the continued increased in claim costs, driven primarily by longer claim duration and a sharp increase in hearing loss claims. Unfortunately, these trends have continued into the third quarter.

Despite the number of workplace injuries remaining static, when comparing the cost of claims of Q3 in 2014 to Q3 in 2018, the costs have more than doubled. During this period, the impact of this cost increase was partly offset by strong investment returns. However, WorkSafeNB cannot count on investment returns to continue to offset cost increases. In fact, when comparing our most recent investment results to the returns at this time last year, investment fund income has dropped by more than 60%. As of September 30, 2018, these financial pressures have resulted in the value of the Accident Fund dipping to a level that is insufficient to pay for all future liabilities related to existing injured worker claims – our liabilities are 95% funded. By December, given current trends, we expect the liabilities to be 88-91% funded, representing a shortfall of approximately \$170M.

WorkSafeNB has been taking prompt action to review all of our policies and processes to find efficiencies and improvements to help improve the financial pressures. We take this situation very seriously and are committed to doing our part to improve our position. However, legislative change is required to ensure the long-term sustainability of the system and that is why WorkSafeNB supports all [28 recommendations put forward by the Ministerial Task Force](#). The implementation of the Task Force recommendations would protect security of benefits for injured workers and would provide assurances to our province's employers that the rapid increases in assessment rates should begin to stabilize, allowing for a more predictable cost environment.

If you'd like to learn more details about our financial outlook and the impact of the Task Force recommendations, I encourage you to visit our website to view an updated presentation outlining cost drivers and outcomes.

  
Douglas Jones

## Financials

### Statement of Operations - September 30, 2018 (in millions)

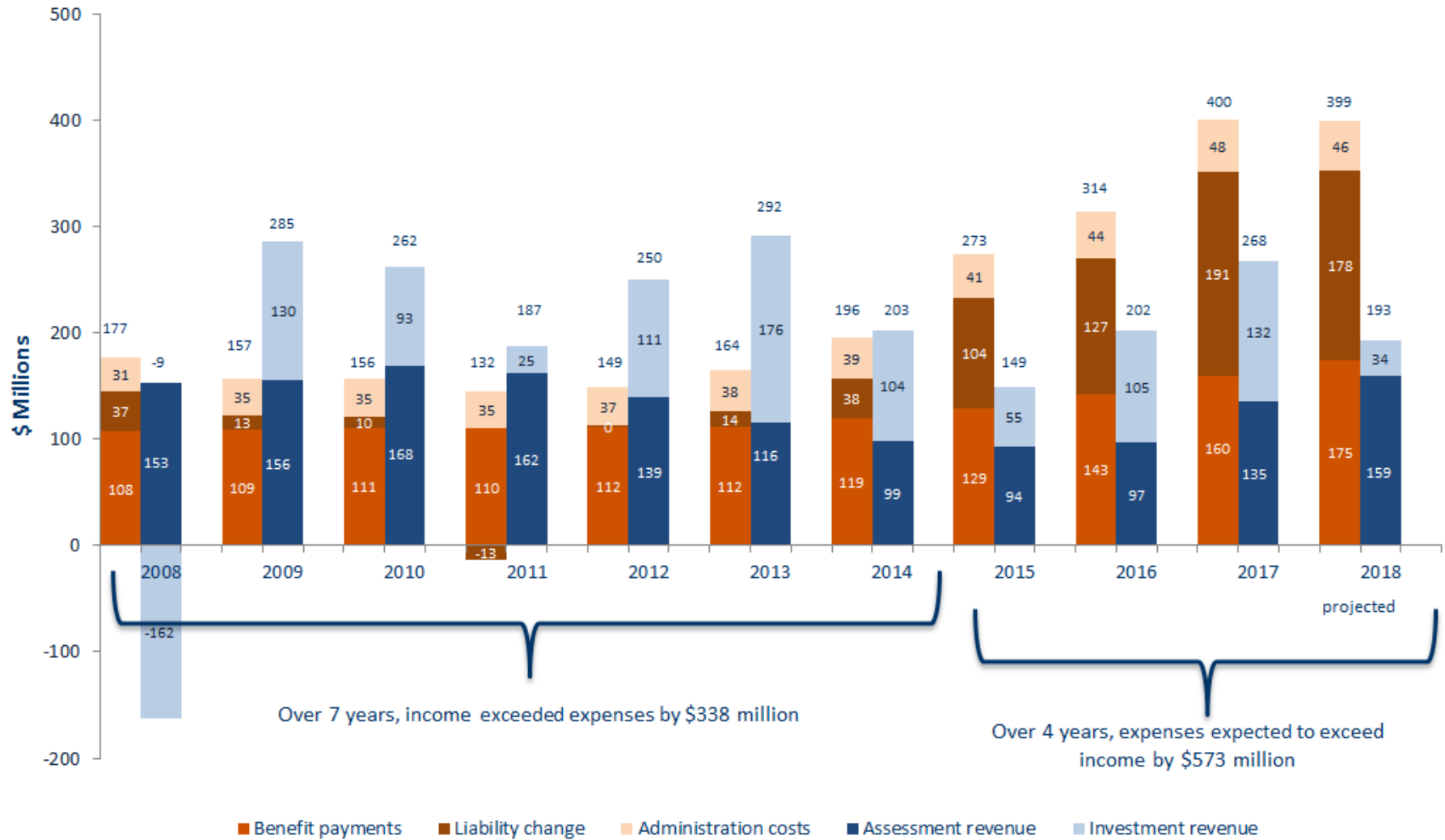
	Q3 2014	Q3 2015	Q3 2016	Q3 2017	Q3 2018
<b>Income</b>					
Assessed employer income	\$77,115	\$72,786	\$74,577	\$103,909	\$122,898
Investment fund income	\$81,792	\$17,707	\$67,439	\$77,266	\$29,960
Self-insured employers	\$35,453	\$40,046	\$49,354	\$71,016	\$87,397
<b>TOTAL</b>	<b>\$194,360</b>	<b>\$130,539</b>	<b>\$191,370</b>	<b>\$252,191</b>	<b>\$240,255</b>
<b>Expenses</b>					
Claim costs incurred					
Assessed employers	\$99,679	\$112,425	\$137,758	\$184,923	\$250,684
Self-insured employers	\$30,220	\$34,386	\$42,503	\$63,659	\$79,406
Administration and legislative obligations	\$33,741	\$34,378	\$37,808	\$40,626	\$39,621
<b>TOTAL</b>	<b>\$163,640</b>	<b>\$181,189</b>	<b>\$218,069</b>	<b>\$289,208</b>	<b>\$369,711</b>
<b>Excess of income over (expenses) for the year</b>	<b>\$30,720</b>	<b>-\$50,650</b>	<b>-\$26,699</b>	<b>-\$37,017</b>	<b>-\$129,456</b>

Both assessed and self-insured employers are experiencing an increase in claim costs. Excess of income over expenses has dropped significantly year after year since 2014, the last year in which a positive excess was reported. We currently have a deficit of over \$129M.

Balance Sheet (in millions)	2014	2015	2016	2017	2018 Forecast
<b>Assets</b>	\$1,521	\$1,520	\$1,594	\$1,709	\$1,728
<b>Liabilities</b>	\$1,108	\$1,234	\$1,422	\$1,671	\$1,898
<b>Net Income</b>	\$ 7	-\$126	-\$114	-\$134	-\$207 to -\$237
<b>Funding Position</b>	\$413	\$287	\$172	\$37	-\$170 to -\$200
<b>Funding Level</b>	137%	123%	112%	102%	88% to 91%

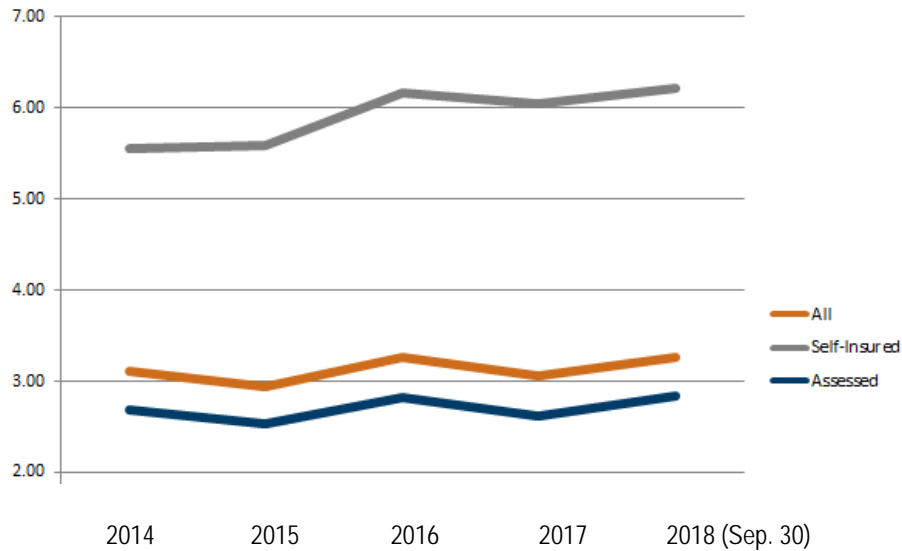
While investment income has helped offset the rising costs of compensation, ongoing increase of claim costs is outpacing the return of our investments – having a direct impact on our funding level (accident fund). Funding levels have decreased significantly over the years, despite above-average returns on investments. When funding levels drop below 90 per cent, legislation requires that the fund return to full funding within five years which will result in steep surcharges and/or benefit reductions.

### Benefit Costs and Revenue (Assessed employers)

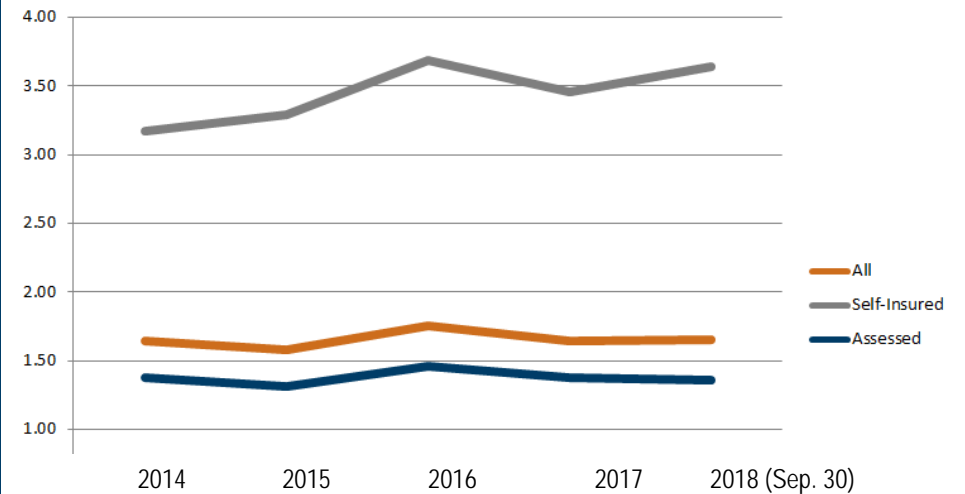


# Safety Statistics

### All Claims Accident Frequency



### Lost-Time Accident Frequency



### Quarter over Quarter

	2017 Q3	2018 Q3
All	10454	11234
Self-insured	2703	2762
Assessed	7751	8472

### Quarter over Quarter

	2017 Q3	2018 Q3
All	5447	5694
Self-insured	1469	1620
Assessed	3977	4074

Our top priority is ensuring that every worker returns home safely at the end of the work day. Unfortunately, workplace injuries and occupational disease still occur. At the end of September 2018, we lost 8 workers to workplace injuries and occupational disease.

## WorkSafeNB Key Initiatives

- Implementation of Auditor General report recommendations on Phase 1 Audit – Governance
- Auditor General report recommendations on Phase 2 Audit – Claims management underway and scheduled to be tabled later this year
- Development of new 3-year strategic plan to be implemented in January 2019
- Organizational restructuring for functional alignment to improve processes and identify efficiencies
- Collaborating with Atlantic partners for the launch of new social marketing campaign to be launched in fourth quarter
- New violence and harassment regulations announced in Fredericton on August 16, that will be coming into force on April 1, 2019
- Creation of tools and awareness building regarding impairment in the workplace in preparation for cannabis legalization

