



WorkSafeNB – Tim Petersen

PRESENTATION TO STAKEHOLDERS

JUNE 20, 2017

AGENDA

- Workers' Compensation System & Principles
- 2016 Annual Results
- Conrad Ferguson – claim costs/2018 assessment rate
- Next steps

SYSTEM & PRINCIPLES

- Shared Vision – **Healthy and Safe Workplaces in NB**
- Complex system founded on 5 Meredith Principles (1918)
 - No-fault compensation; Collective Liability
 - Security of benefits; Independence; Exclusive jurisdiction
- Balance and compromise are fundamental to the system
 - Neither workers nor employers can get 100%
 - Supported by a stakeholder Board with sound discipline

2016 ANNUAL RESULTS

- Deficit of \$115 million
- Funded level of \$172 million – 112% (2015 – 123.2%)
- Investment returns – 9.16% (Target – 6.08%)
- Administration - \$48.7M (Budget - \$51.2M)
- Claim costs - \$377M (2015 - \$292M Budget - \$189M)



Morneau Shepell - Conrad Ferguson

PRESENTATION TO STAKEHOLDERS

JUNE 20, 2017

QUESTIONS ANSWERED?

- What are the key drivers to the change in funding levels over time?
- What **has** and **has not** changed in last 5 years?
- Is aging of population an important factor?
- What is the level and timing of claims cost increases?
- What are the sources of claims cost increases?
- What are the key components of the 2017 rate increase?
- What are the key drivers to cost increases in the last 5 years?
- What does this mean for 2018 rates?
- Final observations

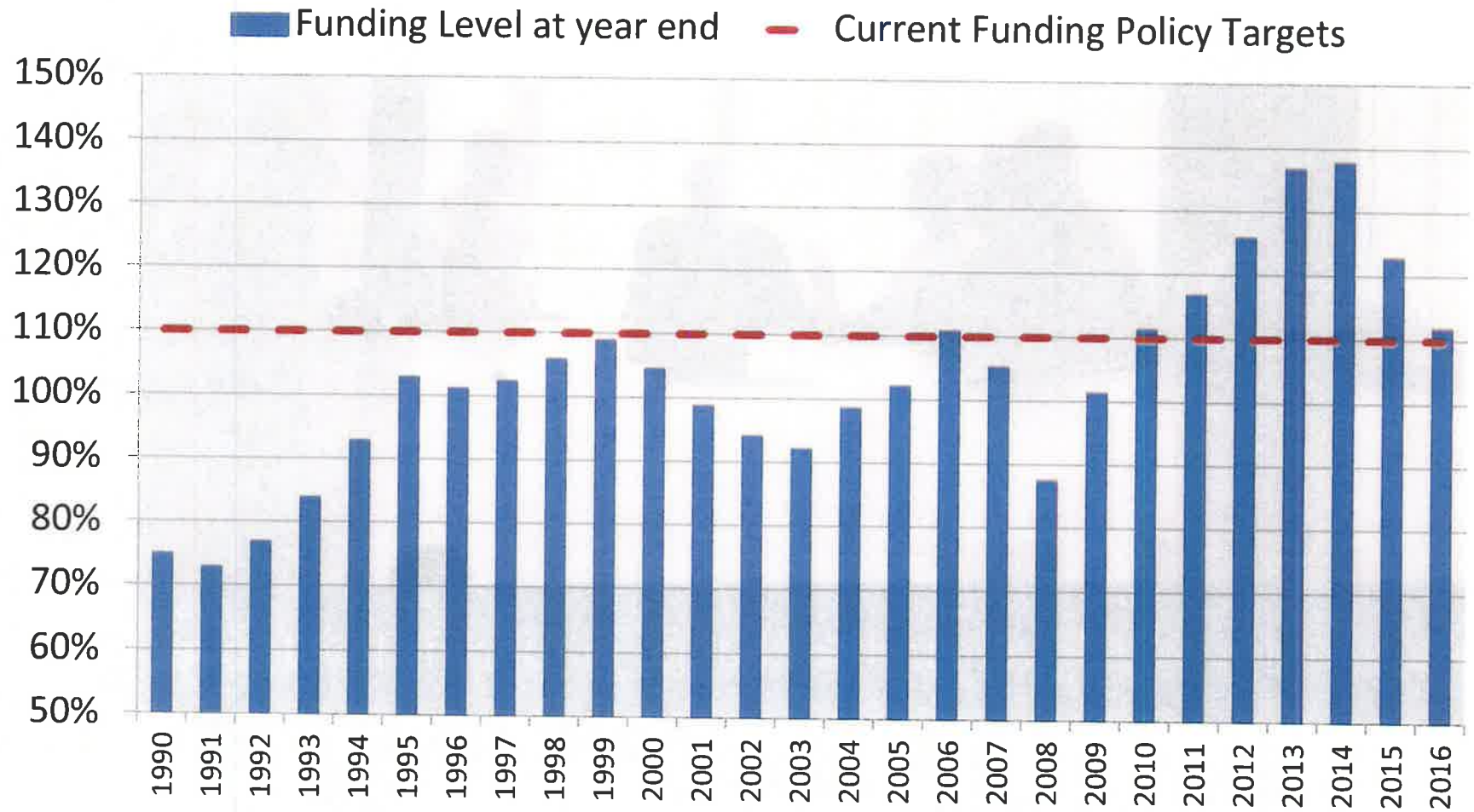


What are the key drivers to the change in funding levels over time?



WHAT ARE THE KEY DRIVERS OF CHANGES IN FUNDING LEVELS OVER TIME?

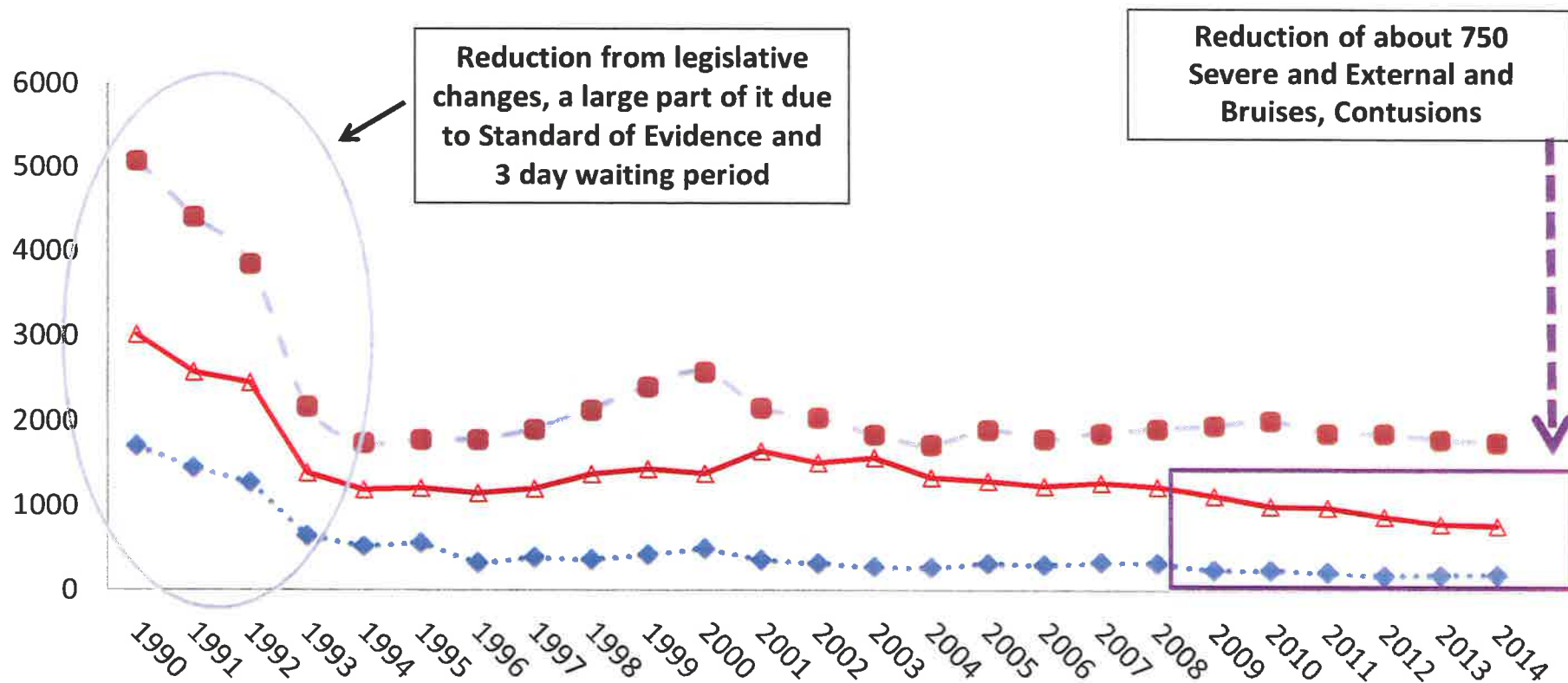
FUNDING LEVELS 1990 TO 2016



WHAT ARE THE KEY DRIVERS OF CHANGES IN FUNDING LEVELS OVER TIME? CLAIMS EXPERIENCE ANALYSIS – ASSESSED EMPLOYERS ONLY

Lost Time Claims – By Nature of Injury

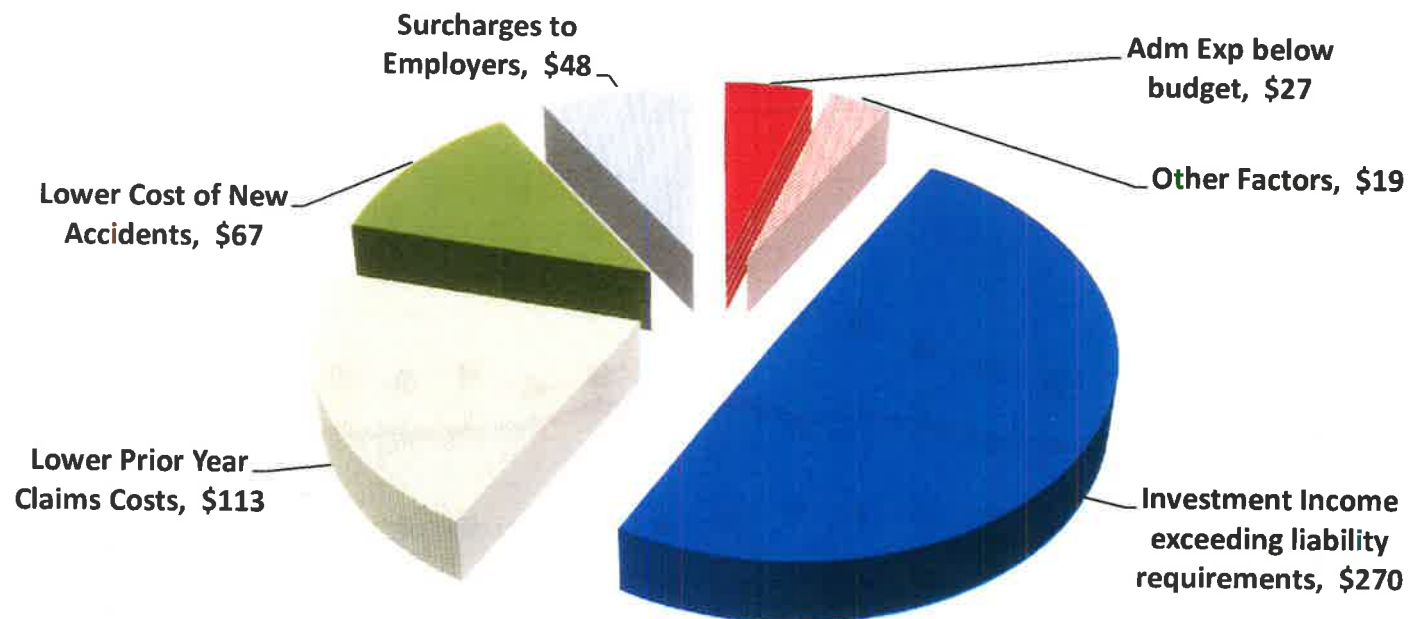
■ Sprain, strain and pain
 ◆ Bruises, Contusions
 ▲ Severe and External



WHAT ARE THE KEY DRIVERS OF CHANGES IN FUNDING LEVELS OVER TIME? DRIVERS OF FUNDING LEVEL INCREASE

December 31, 2008 to December 31, 2014 (\$ Millions)

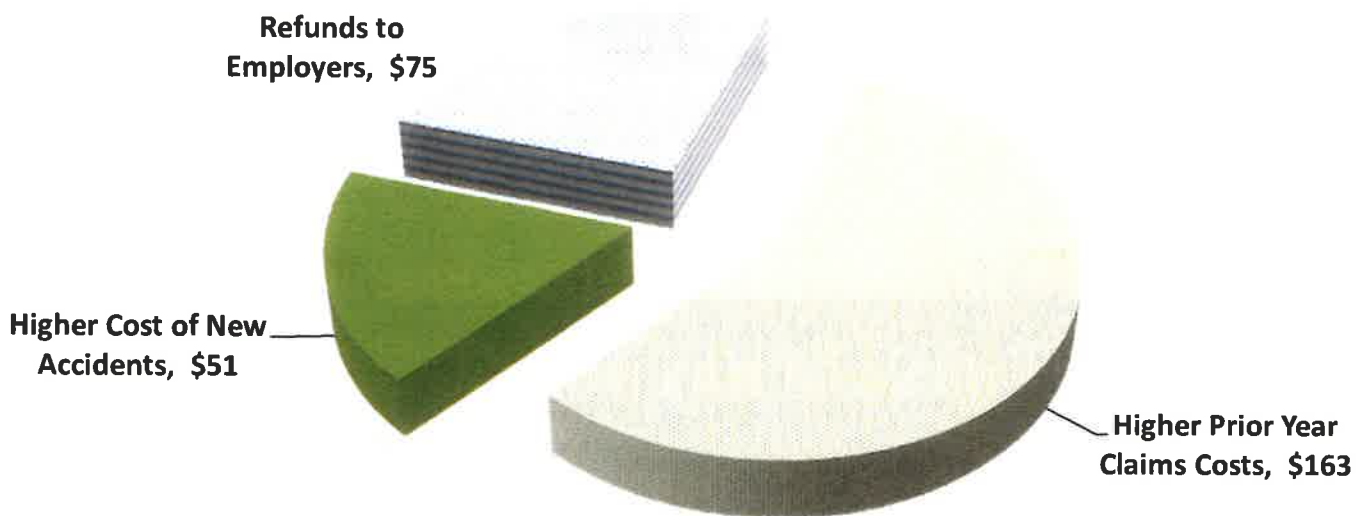
- Funding level went from 89% to 138%, a difference of \$ 544 M
- Where did \$ 544 M come from?



WHAT ARE THE KEY DRIVERS OF CHANGES IN FUNDING LEVELS OVER TIME? DRIVERS OF FUNDING LEVEL DECREASE

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

- Funding level went from 138% to 112%, a difference of (\$241 M)
- Excess investment income amounted to +\$ 39 M, spending below administration budget amounted to +\$ 4 M and other factors amounted to about + \$ 5 M , which means funding level reduced by (\$ 289 M) in total over the period
- Where did (\$ 289 M) come from?





What **HAS** and **HAS NOT** changed?

Careful Attention

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WHAT HAS AND HAS NOT CHANGED?

What HAS NOT changed?

- No major transformation in economy
- Essentially similar group of employers
 - › Not realistic to think prevention and RTW practices in workplaces have changed so dramatically in such a short period (same could have been said following 1993 changes)
- Essentially similar profile of workers
 - › Average age of working population increasing by about 0.1 year each year based on Statistic Canada data
- Staff at WSNB essentially the same
- Investment income generated gains of \$309 M since 2008
- Administration expenses account for a rate increase of \$0.04 since 2010 (note average month end open caseload for 2016 was about 40% higher than corresponding number for 2014)
 - › Administration expenses excluding OHS comparable to other WCB's of similar size in Canada



WHAT HAS AND HAS NOT CHANGED?

What HAS changed?

- Definition of compensable injury or disease expanded to presumption in favour of worker from a preponderance of evidence basis (pre-1993 definition)
- Conditions affecting continuation of a lost time claim, benefit level and closure for reasons other than age and duration limits now subject to presumptive-like standard of evidence
- Supplements list has been narrowed significantly
- Criteria for receiving LTD benefits has expanded and does not allow for Estimated Capable Earnings as often as pre-1993 situation
- CPPD offset has been reduced and 10% annuity contributions required on amount of CPPD offset
- Various other medical and support expenses provided on expanded basis



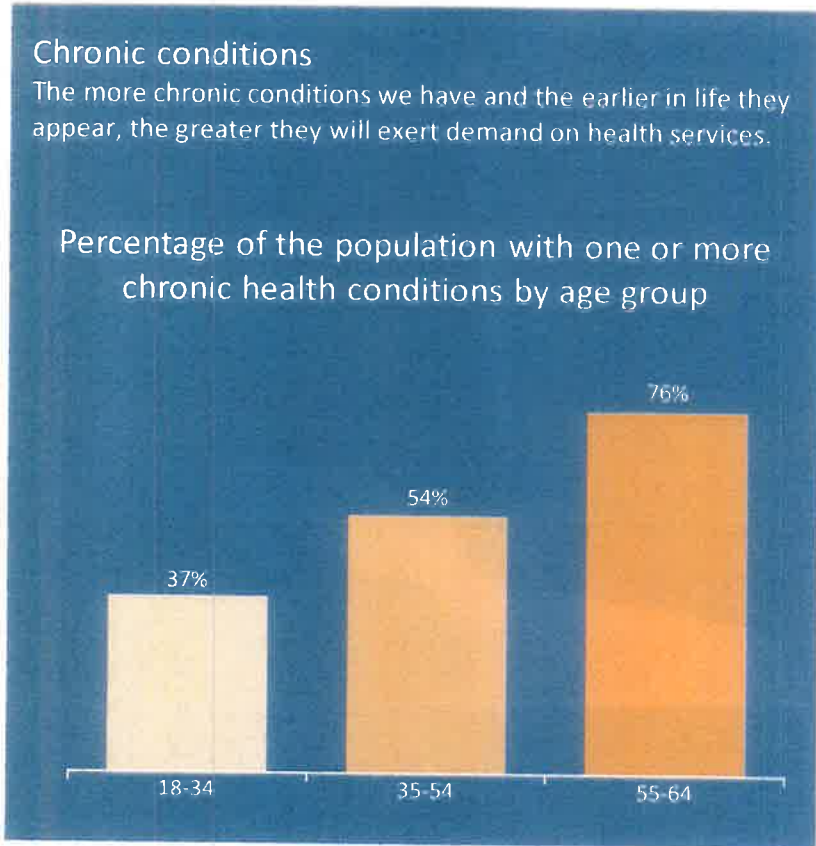
Is aging of population an important factor?

Careful

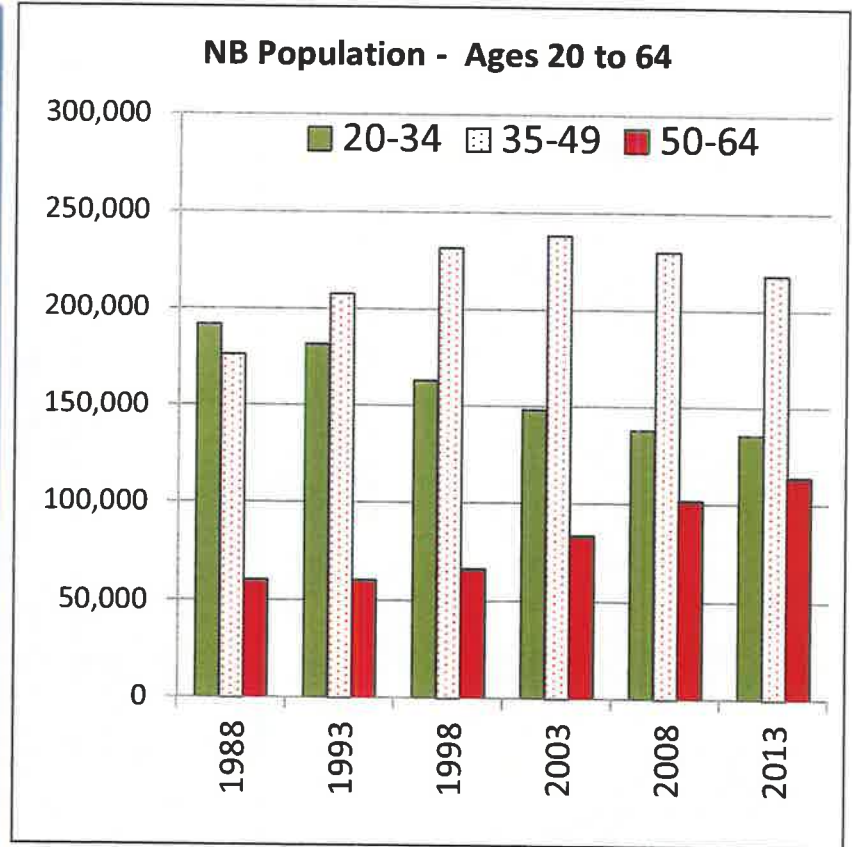
Attention

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IS AGING OF POPULATION AND IMPORTANT FACTOR? GENERAL POPULATION HEALTH AND AGING



Source: New Brunswick Health Council –
Health System Sustainability in New Brunswick
July 2015



Source: Statistics Canada

IS AGING OF POPULATION AND IMPORTANT FACTOR?

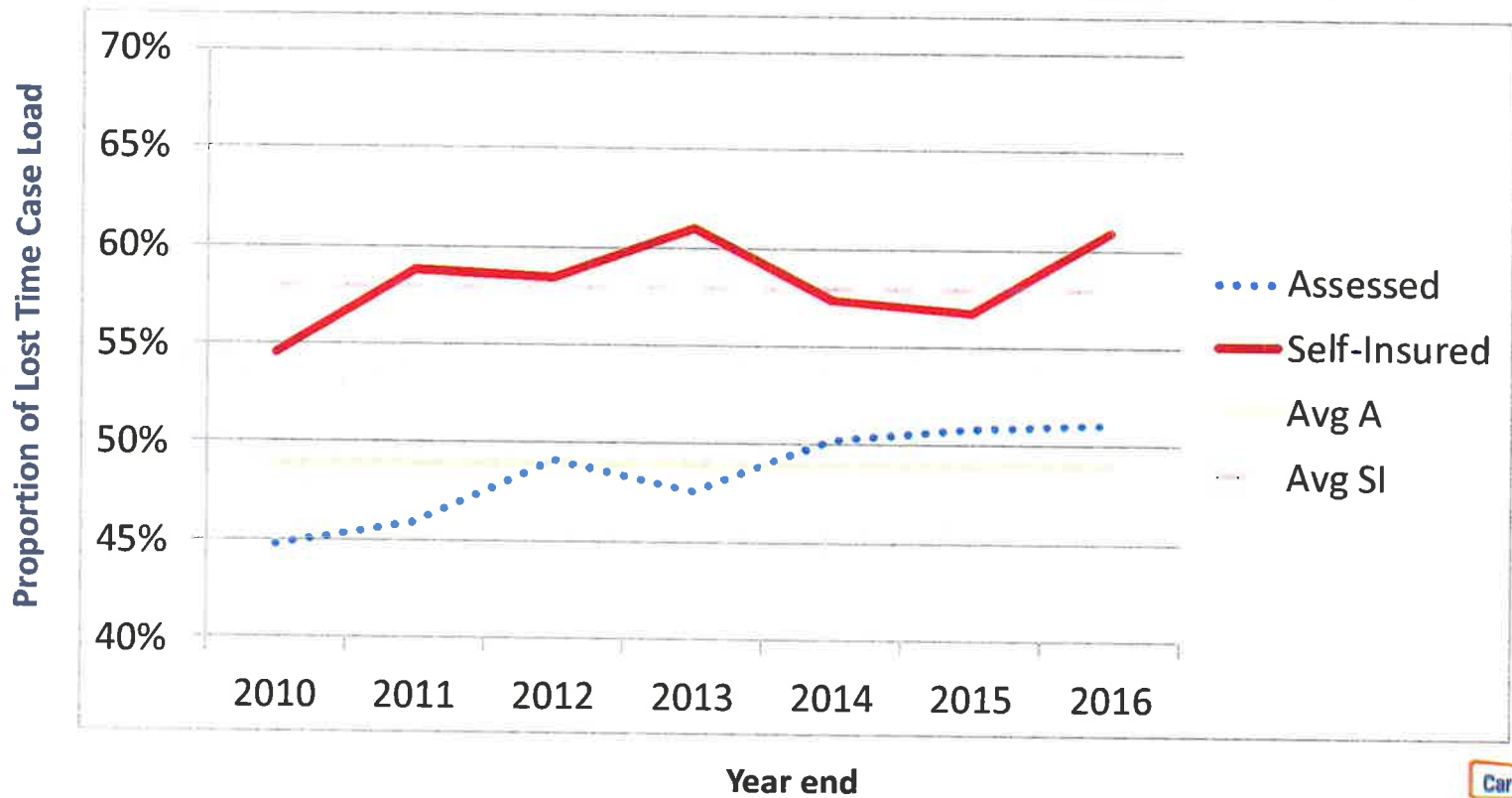
- Pre-existing chronic conditions are prevalent in NB population at all working ages
- Prevalence increases rapidly with advancing ages, as expected
- Worker population has aged significantly in last 25 years
- In context of the current standard of evidence:

Risks of increased claims volume and costs is definitely increased by combination of aging and general population health



IS AGING OF POPULATION AN IMPORTANT FACTOR? PROPORTION OF LOST TIME CASE LOAD AGED 45 AND OVER

- Aging is NOT a major driver (other changes are).
- Aging has to be a meaningful contributor considering:
 - prevalence of pre-existing conditions with advancing age;
 - older working age population; and
 - enhanced weight on presumption in the standard of evidence.





What is the level and timing of claims cost increases?

Careful Attention

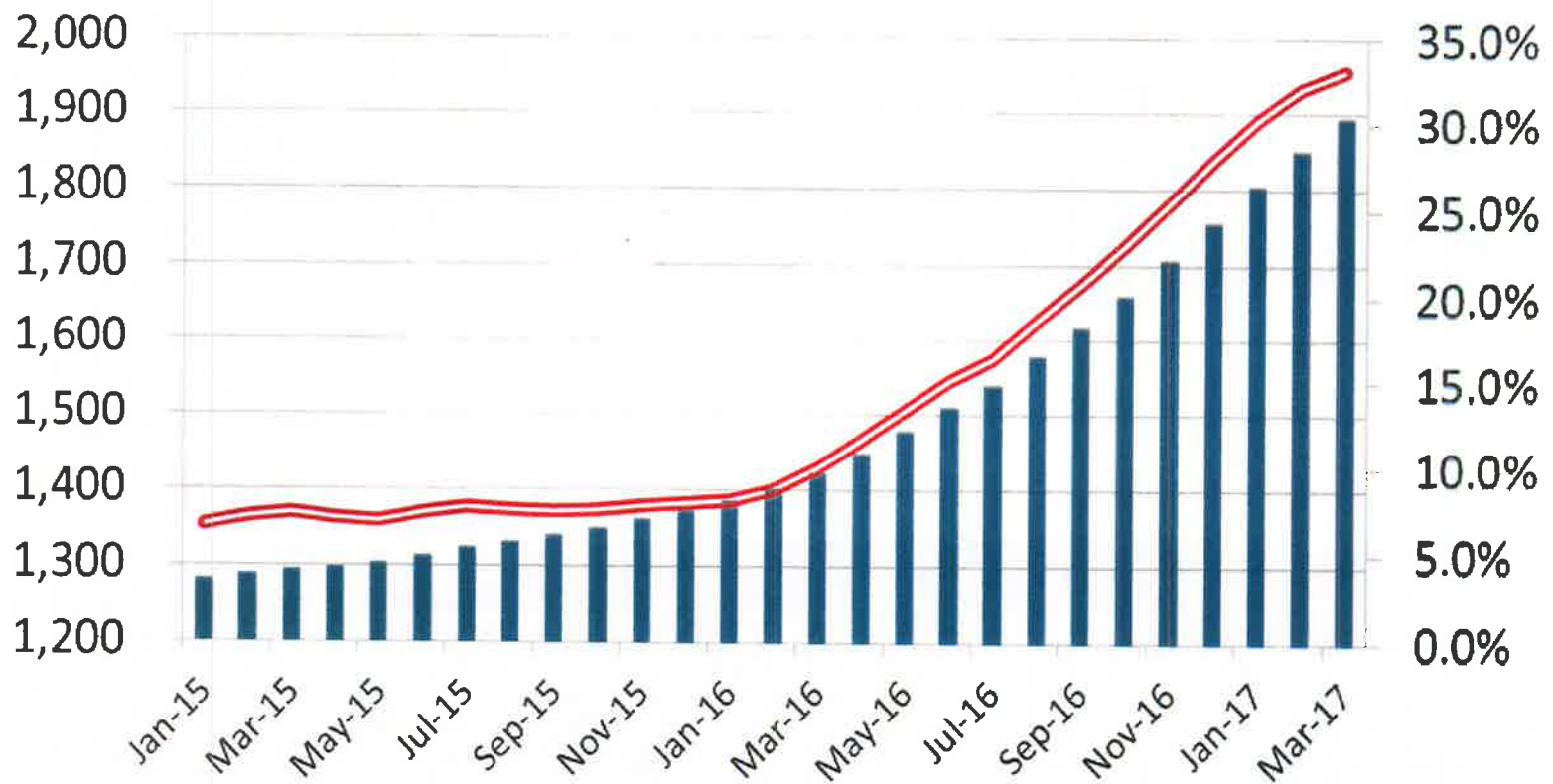
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WHAT IS THE LEVEL AND TIMING OF CLAIMS COST INCREASES? CASELOAD (I.E., LOST TIME CASES OPEN AT MONTH END)

Figures taken from corporate statistics and financial indicators

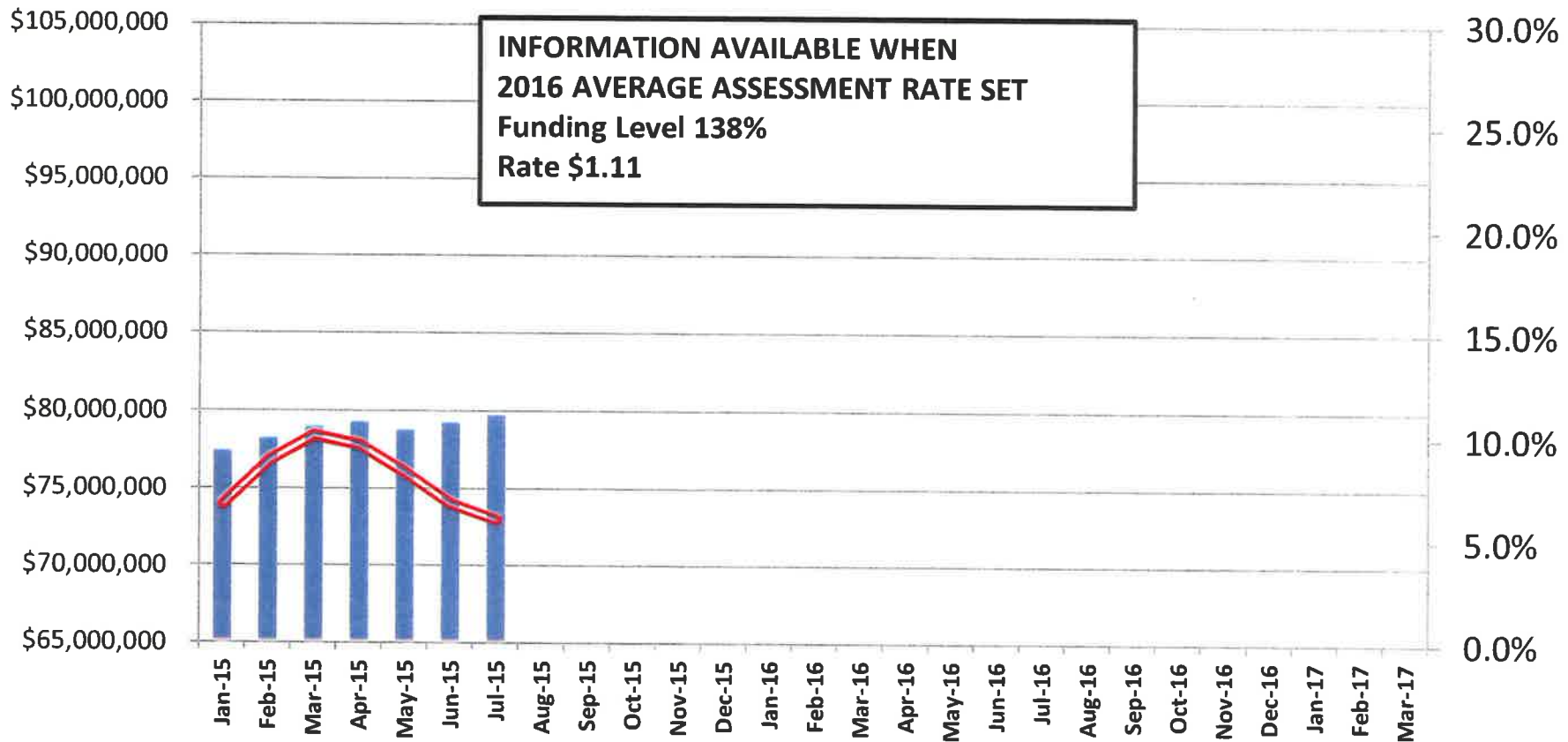
- Rolling 12 months average lost time caseloads shown



WHAT IS THE LEVEL AND TIMING OF CLAIMS COST INCREASES? LEVEL AND TIMING OF LOST TIME CLAIM CASH PAYMENTS

Figures taken from corporate statistics and financial indicators

- Rolling 12 months average lost time claim cash payments shown

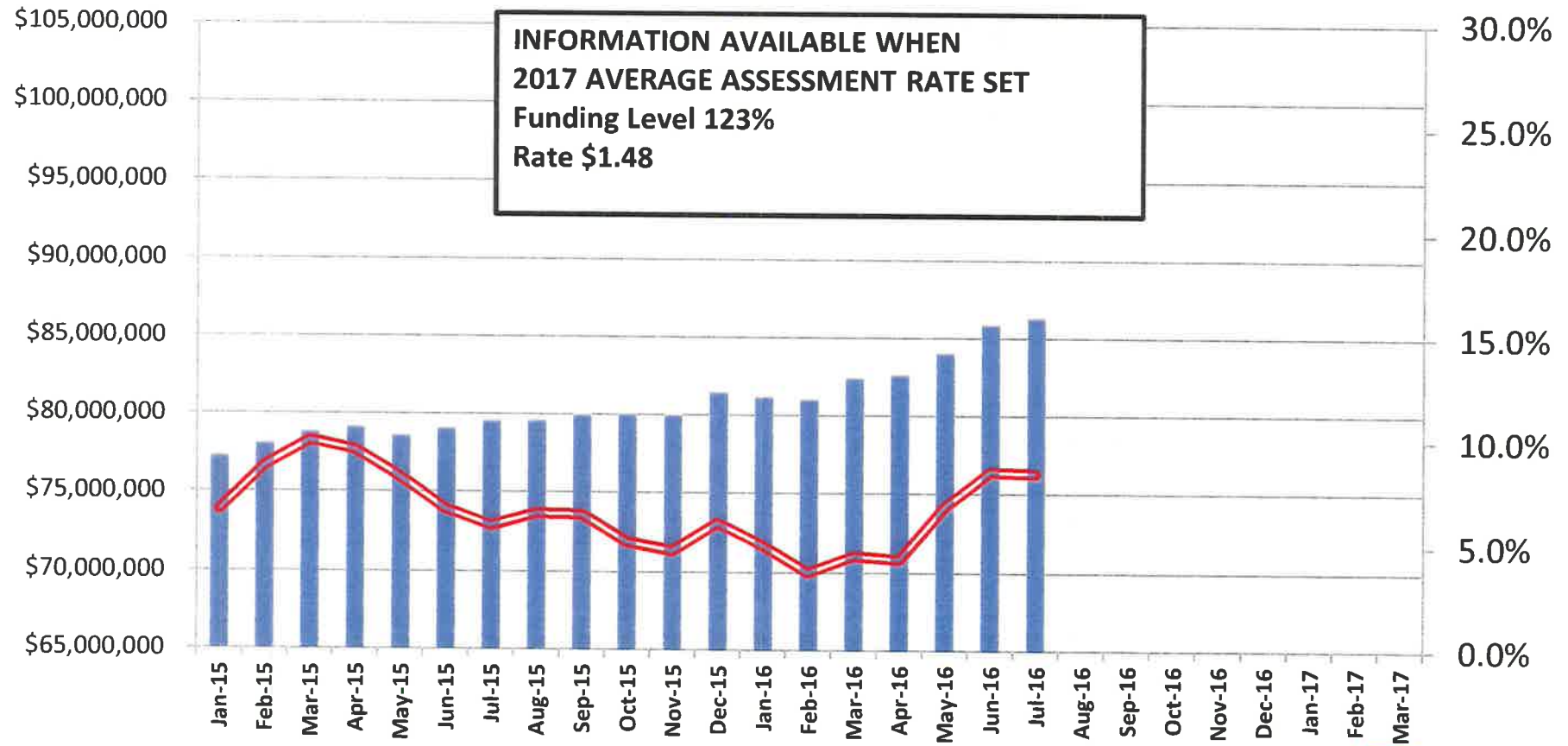


WHAT IS THE LEVEL AND TIMING OF CLAIMS COST INCREASES?

LEVEL AND TIMING OF LOST TIME CLAIM CASH PAYMENTS

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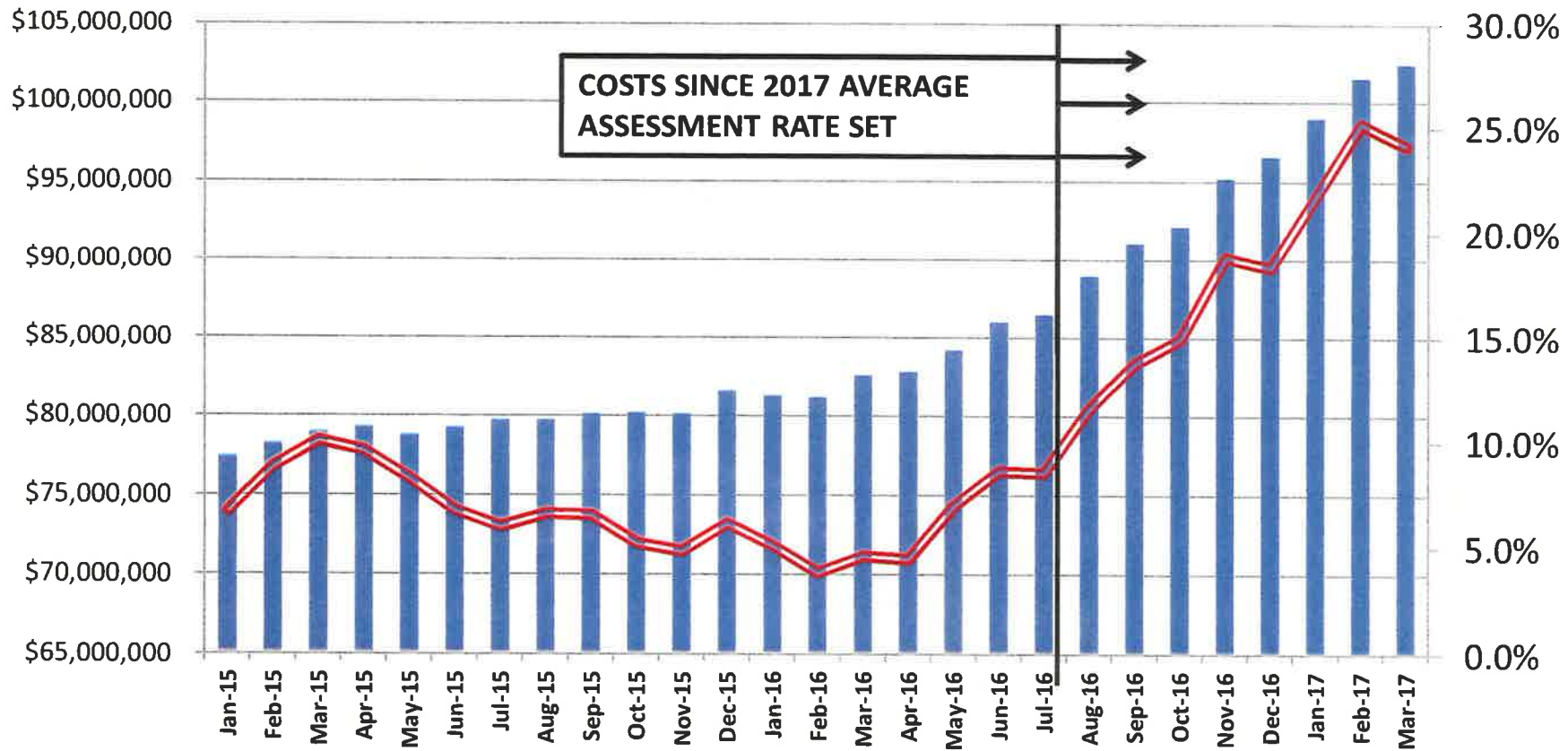
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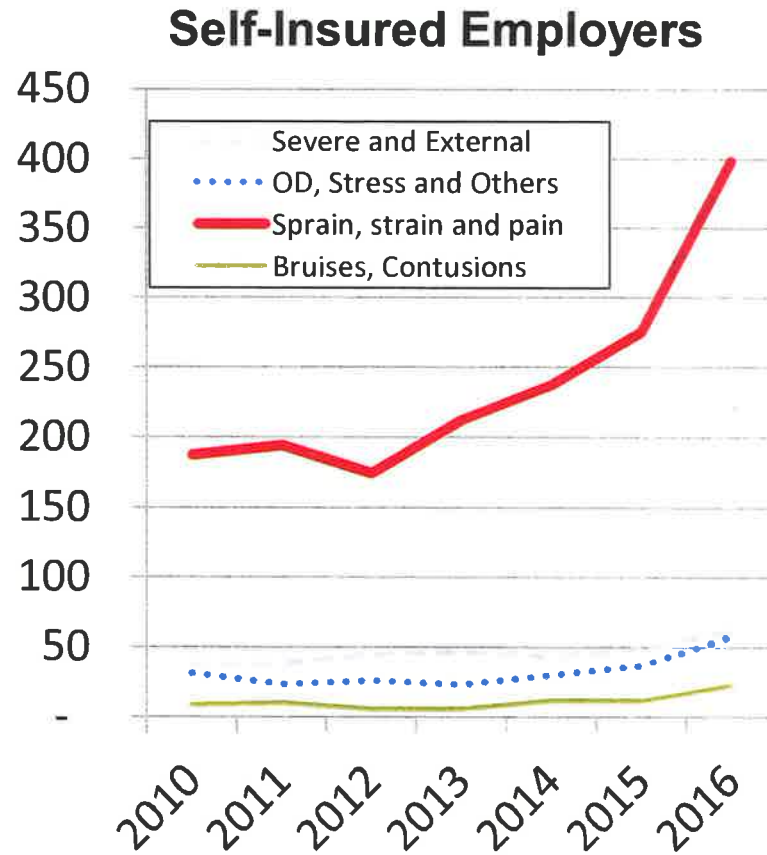
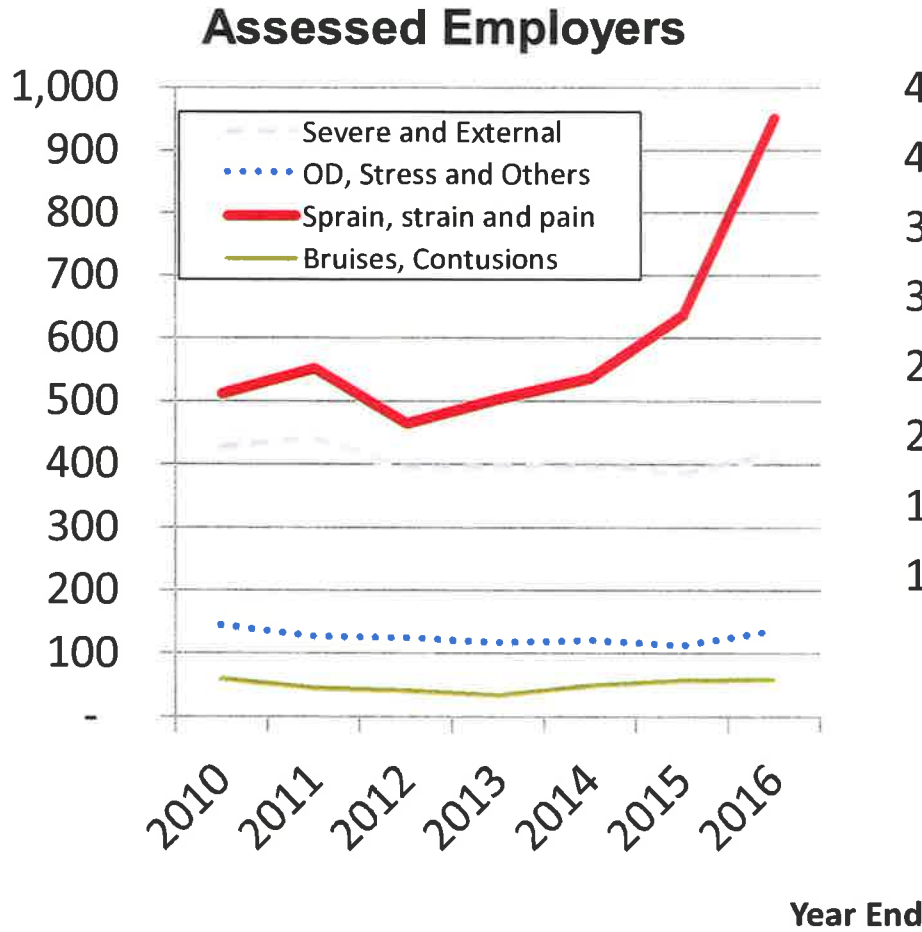
What are the sources of cost increases?

Careful Attention

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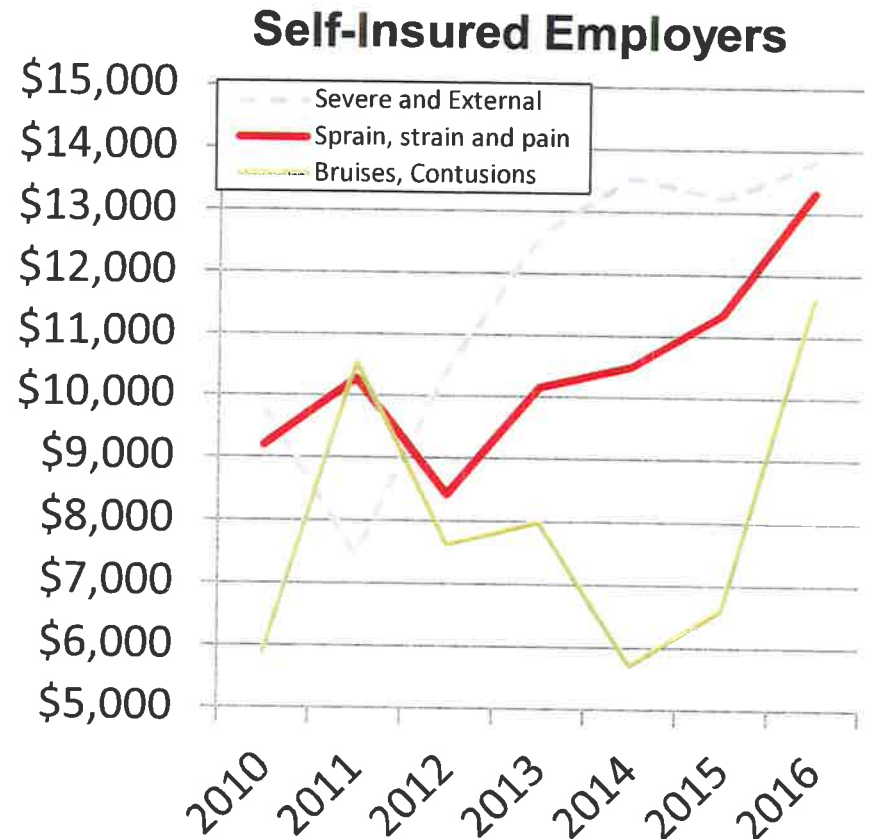
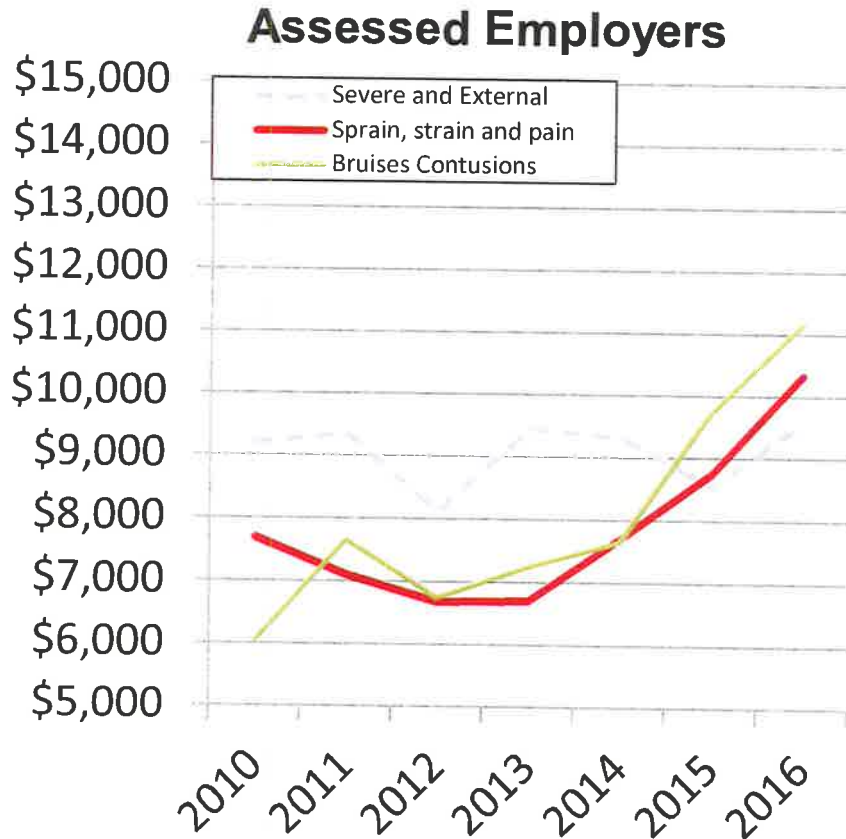
WHAT ARE THE SOURCES OF COST INCREASES?

CHANGE IN OPEN LOST TIME CLAIM COUNTS BY NATURE OF INJURY



WHAT ARE THE SOURCES OF COST INCREASES?

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



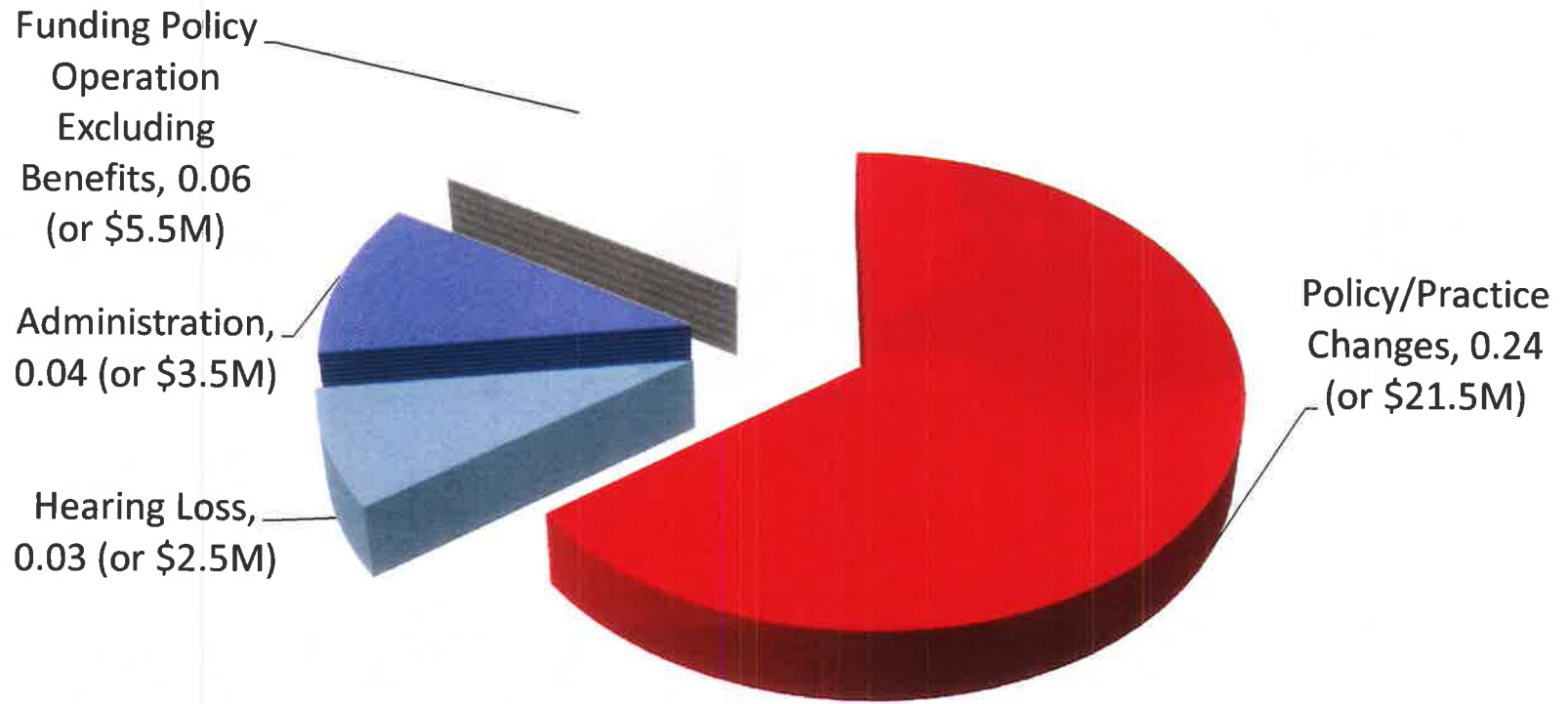
Year



What are the key components of the 2017 rate increase?



WHAT ARE THE KEY COMPONENTS OF THE 2017 RATE INCREASE?
SOURCE OF ASSESSED EMPLOYERS AVERAGE INCREASE OF \$0.37 (OR \$33M) IN 2017

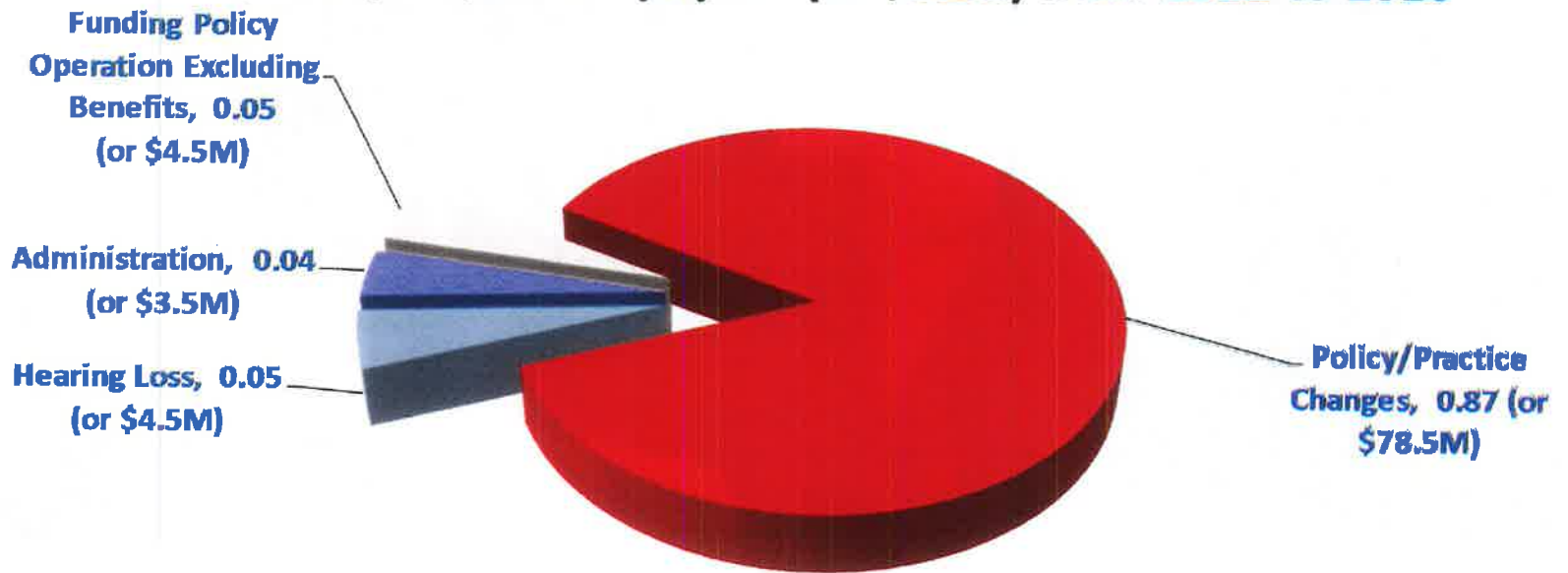


All Figures are Per \$100 of Payroll
(\$ amounts rounded to nearest \$0.5M)



WHAT ARE THE KEY COST DRIVERS FOR THE LAST 5 YEARS?
BEST ESTIMATE ASSUMING COST TRENDS FLATTEN AFTER 2016

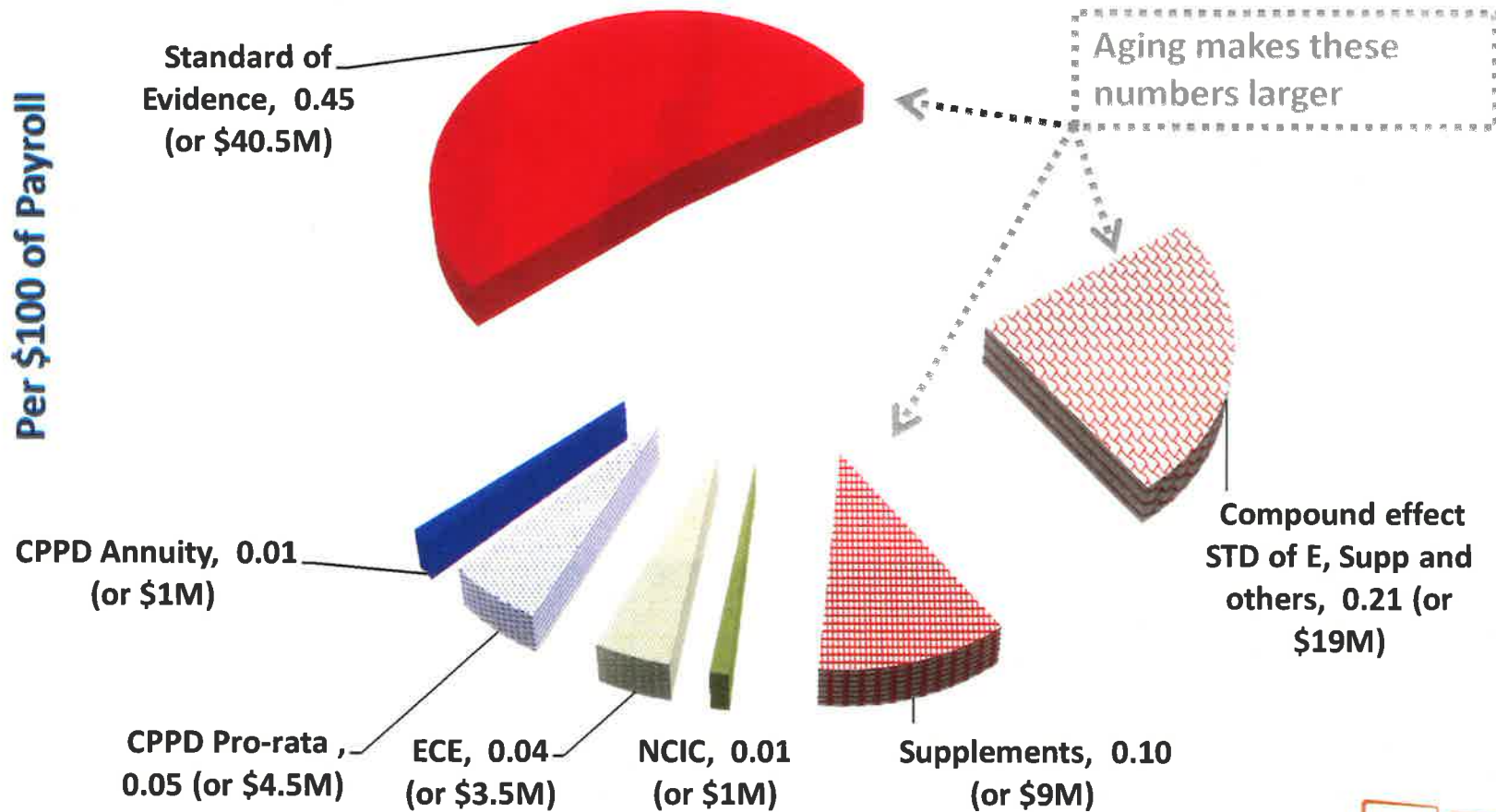
**Total increase in costs of
\$1.01 per \$100 of payroll (or \$91M) from 2012 to 2016**



All Figures are Per \$100 of Payroll
(\$ amounts rounded to nearest \$0.5M)

SOURCES OF COST INCREASE FOR ASSESSED EMPLOYERS
 BEST ESTIMATE ASSUMING COST TRENDS FLATTEN AFTER 2016

Total increase in claims costs of
 \$0.87 per \$100 of payroll (or \$78.5M) from 2012 to 2016



\$ amounts rounded to nearest \$0.5M





How will this affect rates for 2018?



HOW WILL THIS AFFECT RATES FOR 2018?

- Consistent with past valuation, 2016 valuation assumptions/methods:
 - › **DO NOT** reflect full impact of major shifts since about March 2016
 - › Do keep pace with trends on an averaging period of about 3 years
- **CAUTION** – Had we fully reflected 2016 trends, valuation results and funding requirements would have been materially different:
 - › Funding level would be 106.2% instead of 112.1%
(a change of \$78 M or \$0.10 on the rate for the current funding policy)
 - › New injury costs:
 - per \$100 of payroll for assessed employers would have increased by about \$0.30 at a minimum
 - \$8.2 M higher for self insured employers (a 17% increase)



HOW WILL THIS AFFECT RATES FOR 2018?

ACTUAL PAYMENTS MADE VERSUS PROJECTIONS - FIRST QUARTER 2017

Benefit Category	Assessed Employers	Self-Insured Employers
Hospitals	126%	136%
Medical	109%	121%
Hearing Loss	98%	113%
Short term Disability	117%	109%

- Very early results
- Suggests trend is continuing
- Cannot determine from this, how much and for how long?

HOW WILL THIS AFFECT RATES FOR 2018? ASSESSED EMPLOYERS ONLY POTENTIAL RATE IMPACT FOR 2018 (PER \$100 OF PAYROLL)

- **Very preliminary range** of possible average assessment rate for 2018 considering only at potential claiming pattern trends up to July 2017

› Three potential scenarios relative to 2016 cost trends:

	Reversal of Trend	Trend Flattens	Trend Continues
New Injury Costs	\$1.35	\$1.53	\$1.83
Administration	\$0.55	\$0.55	\$0.58*
Target Funding	\$(0.04)	\$(0.04)	\$(0.04)
Total	\$1.86	\$2.04	\$2.37
Increase from 2017 average rate of \$1.48			
Increase per \$100 of payroll	+\$0.38	+\$0.56	+\$0.89
Increase %	+26%	+38%	+60%
Increase in \$	+\$34.0M	+\$50.5M	+\$80.0M

* Added \$0.03 to administration costs due to increased claim volume



FINAL OBSERVATIONS

- Virtually all claims cost factors showing significant upward trends
- No doubt from the emerging claims experience that the system is undergoing a fundamental transformation

*Changes in standard of evidence +
Fewer supplements +
Aging of worker population +
Prevalence of pre-existing conditions*

***Significantly
increased
claims costs***



Business. Needs. People.

Thank you

Conrad Ferguson

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NEXT STEPS

- Task Force
- Auditor General
- Next stakeholder meeting – early September in Southeast

RESOURCES

Many resources available at www.worksafenb.ca

- Statistical data requested April 19th