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2018 WORKSAFEBC UPDATE

HIGHLIGHTS

- WorkSafeBC (WSBC) 2018 assessment rates are generally a good news story for BC employers. For the second consecutive year, average base rates have been lowered.
- The small drop in average WSBC premium rates will be welcomed by BC employers, who have been dealing with repeated hikes in government-mandated taxes and levies in the last half-decade.
- As employers are responsible for covering all premiums levied by WSBC, they have a strong interest in WorkSafeBC's performance— as well as in ensuring that the system is properly managing cost drivers.
- BC's workers' compensation system has a good record of controlling costs and limiting the rise in employer premiums, relative to the systems in most other provinces.
- The arrival of a new government in Victoria may herald a shift in occupational health and safety policies and regulations that will have an impact on future employer premiums as well as on regulatory compliance costs. The Business Council intends to devote additional resources to research and advocacy on WorkSafeBC issues in 2018-19.

WorkSafeBC (WSBC) has set its assessment rates for 2018, and the news is generally positive for employers in the province. For the second consecutive year, average base rates have been lowered. In 2017, the average base rate dipped from 1.70% to 1.65% of assessed payroll, and for 2018 average base rates are decreasing from 1.65% to 1.55% (see the middle line in Figure 1).

An efficient, cost-effective and well-managed workplace safety agency is an important component of a competitive provincial economy. As employers are responsible for covering all premiums levied by WSBC, they have a strong interest in WorkSafeBC's performance — as

well as in ensuring that the system is properly managing cost drivers. The small drop in average WSBC premium rates will be welcomed by BC employers, who have been dealing with repeated hikes in government-mandated taxes and levies in the last half-decade — including rising corporate income taxes, the return of sales tax on many business inputs starting in 2013, escalating carbon and other fuel taxes, higher property taxes, and increased national payroll taxes.

KEY INDICATORS

Data collected and reported by WSBC point to fewer workplace

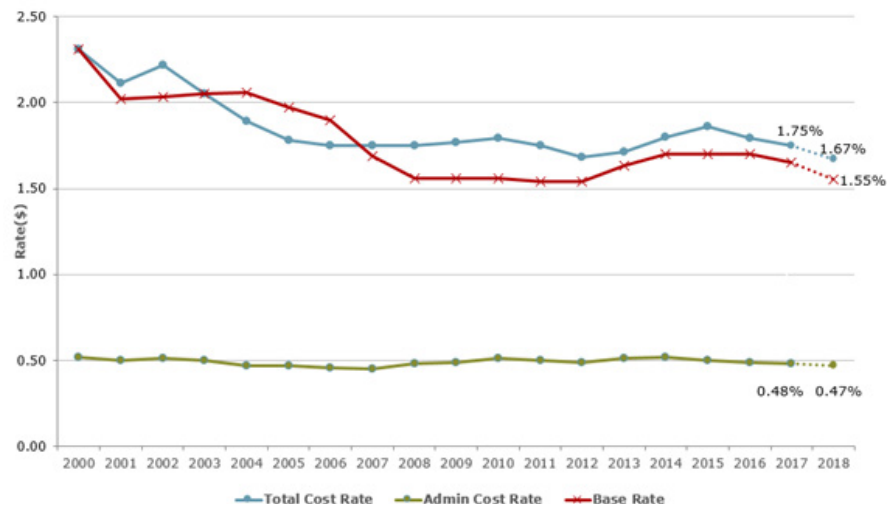
injuries, improvements in injury prevention, and a fall in the number of claims over the last five years (Table 1). The injury rate dropped by 6% between 2012 and 2016, while the total number of claims decreased by 3%. Moreover, this occurred at a time when employment in BC was rising briskly. On the other hand, long-term disability and health-related costs for injured workers have been climbing since 2012. Of concern, the share of mental health claims under “vocational rehabilitation” and resulting claims costs continue to grow significantly. Rising claims and higher costs in this area may soon begin to put upward pressure on premium rates (Table 2).

FINANCIAL PERFORMANCE

The performance of WorkSafeBC’s investment portfolio and lower claims costs in some areas have contributed to the agency’s solid financial position. In 2016, WSBC posted a surplus: total comprehensive income — aggregate revenues minus costs — came in at \$488 million (see Figure 3). Employer premiums totaled around \$1.5 billion, while the agency’s investment income was \$826 million (see Table 3). The investment portfolio accumulated a total return of 5.1%, down from 8.7% in 2015. While most major global stock markets have been reporting healthy gains, in 2016 WSBC’s equity returns were negatively impacted by foreign exchange losses which resulted in lower investment income. Despite this, WSBC still came out ahead: income distributions and realized portfolio gains more than offset unrealized losses. On the cost side of the ledger, claims costs rang in at \$1.6 billion and operating costs totalled another \$266 million.

WSBC’s large portfolio produces investment earnings that improve the agency’s overall finances. WSBC’s investment strategy is cautious and grounded in the reality of low bond yields and an expectation of “[turbulent financial markets...likely to be faced in future years.](#)” Although interest rates have started to tiptoe higher, it makes sense to plan for 2018 as a low-return year given the recent strength in equity markets. The future investment return projections adopted by WorkSafeBC are conservative, and prudently so. In an era of low interest rates

FIGURE 1: **WSBC PREMIUM RATES AND COSTS, 2000-2018¹**



Source: [WSBC Consolidated Financial Statements.](#)

TABLE 1: **KEY INDICATORS, 2012-2016**

Key Indicators	2012	2013	2014	2015	2016	Change 2012-2016	Change 2015-2016
Injury rate ²	2.34	2.30	2.27	2.23	2.20	-6.0%	-1.3%
Total duration ³	60.0	57.7	55.3	54.3	54.2	-9.7%	-0.2%
Average weekly wage	\$853	\$862	\$866	\$878	\$890	4.3%	1.4%
Number of claims	50,296	49,853	49,746	49,322	48,775	-3.0%	-1.1%

Source: [WSBC Statistics 2016.](#)

TABLE 2: **DISTRIBUTION OF COSTS BY CLAIM TYPE, 2012-2016 (\$ THOUSANDS)**

Cost History	2012	2013	2014	2015	2016	Change 2012-2016	Change 2015-2016
Short term disability	\$276,307	\$257,013	\$240,909	\$236,014	\$261,841	-5.2%	10.9%
Long term disability	\$280,614	\$271,527	\$264,728	\$270,511	\$285,690	1.8%	5.6%
Survivor benefits	\$27,835	\$29,217	\$30,119	\$32,470	\$23,878	-14.2%	-26.5%
Health care	\$305,998	\$294,138	\$289,855	\$287,266	\$314,509	2.8%	9.5%
Vocational rehabilitation	\$56,237	\$56,250	\$53,959	\$63,337	\$84,883	50.9%	34.0%
Total costs	\$946,911	\$908,145	\$879,570	\$889,598	\$970,801	2.5%	9.1%

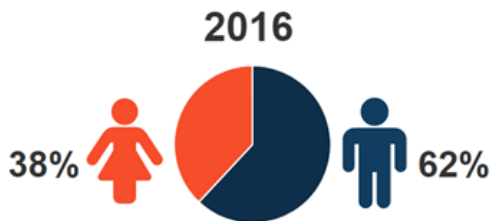
Source: [WSBC Statistics 2016.](#)

¹ Base Rate: Base premium rate charged to employers; Administration Cost Rate: The marginal cost of funds (MCF) to collect and administer employer premiums; Total Cost Rate: The total cost of administration, operations and other overhead costs of maintaining WSBC.

² Injury rate: The number of time-loss claims per 100 people working all year, whether on a part-time or full-time basis.

³ Duration is the average number of workdays lost per accepted claim.

FIGURE 2: **DISTRIBUTION OF CLAIMS BY GENDER, 2016**



and modest prospective equity market returns, less money will be available from WSBC’s investment earnings to help cover overall system costs. All else equal, this is likely to translate into upward pressure on premiums in the coming years. The agency’s investment portfolio and track record of investment returns has played a significant role in keeping a lid on the average assessment rates paid by employers.

2018 RATE CHANGES BY INDUSTRY

While WSBC’s average base rate dropped in 2018 for the second year in a row, the picture differs significantly across industry sectors. In 2018, 63% of employers will see lower rates while 26% will experience rate increases. The remaining 11% will see little or no change to their rates.

WorkSafeBC assigns employers to one of 547 “classification units” or various sub-industry groupings. The 547 classification units in turn are divided into 232 “industry groups,” and then pooled into 54 “rate groups.” Employers in the various sub-sectors cover the cost of workplace injuries and diseases affecting workers in their assigned sub-sector. Variations in rate changes across industries are mainly due to different patterns of injuries and related claims

costs, as well as employers’ own “experience rating”—i.e. their claims history. For a general sense of claims among sectors and how they compare, see Figure 4.

There are 37 classification units in line for **higher premiums**⁴ in 2018, including:

- Pre-hospital Emergency Health Care, Construction or General Labour Supply, Veterinary Hospital, Multimedia Services, Physiotherapy, Occupational Therapy, Community Health Support Services, Hospitals, and Auto Parts Supply.

Industry sub-sectors that will enjoy **lower premiums** in 2018 include:

- Waterfront Industries, Local Government, Commercial and Residential Construction, Trucking, Courier, Ranch, Auto Dealerships, Oil Refining, Dairy Farming, Convenience Stores, Home Improvement Centres, General Retail, and Universities.

Industry sub-sectors facing **little**

to no change to their 2018 rates include:

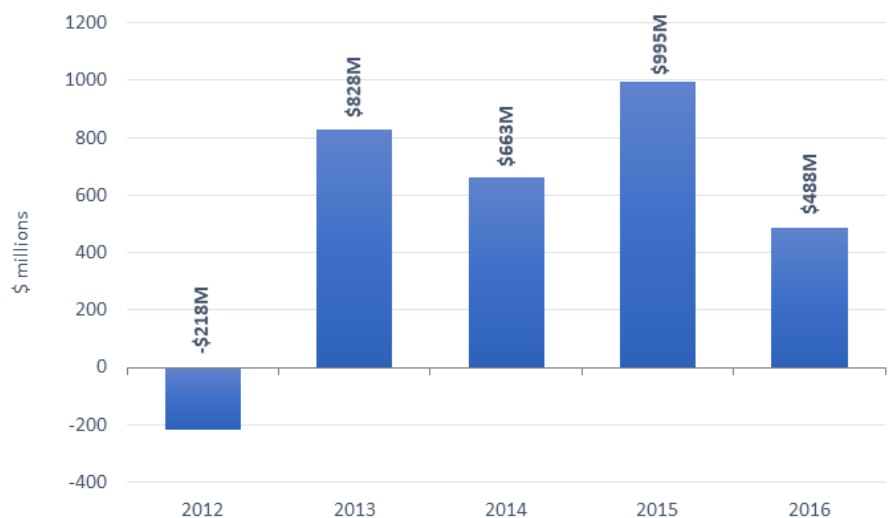
- Alcohol or Drug Treatment Centres, Consulting Engineering, Law Offices, Aviation or Flying School, Graphic Design, Financial Services, and Chamber of Commerce.

OTHER FACTORS IMPACTING COSTS

The pattern of rate increases/decreases for 2018 reflects the expected number of WorkSafeBC claims for different industries and classification units, the average cost of claims in these sub-industries, and WSBC’s expected (modest) investment returns.

WorkSafe’s own activities and regulatory decisions also influence costs — e.g., its claims management processes, use of technology, appeal decisions, and periodic changes to occupational health and safety regulations. While mental health disorders still represent a small

FIGURE 3: **TOTAL COMPREHENSIVE INCOME, 2012-2016**



Source: [2016 WSBC Annual Report](#).

⁴ Maximum one-year rate changes are generally limited to no more than 20%.

TABLE 3: **WSBC FINANCIAL HIGHLIGHTS 2015-2016 (FIGURES IN \$ MILLIONS)**

Financial Highlights (\$ millions)	2016	2015	Change
Portfolio investments	16,111	15,463	648
Benefit liabilities	11,444	11,402	42
Unappropriated balance	1,419	1,722	(303)
Accumulated other comprehensive losses	(143)	(160)	17
Reserves	3,727	2,953	774
Total funded position	5,003	4,515	488
Premium income	1,494	1,413	81
Investment income	826	1,306	(480)
Other income	8	11	(3)
Claim costs	1,591	1,550	41
Operating costs	266	252	14
Surplus from operations	471	928	(457)
Other comprehensive income	17	67	(50)
TOTAL COMPREHENSIVE INCOME	488	995	(507)

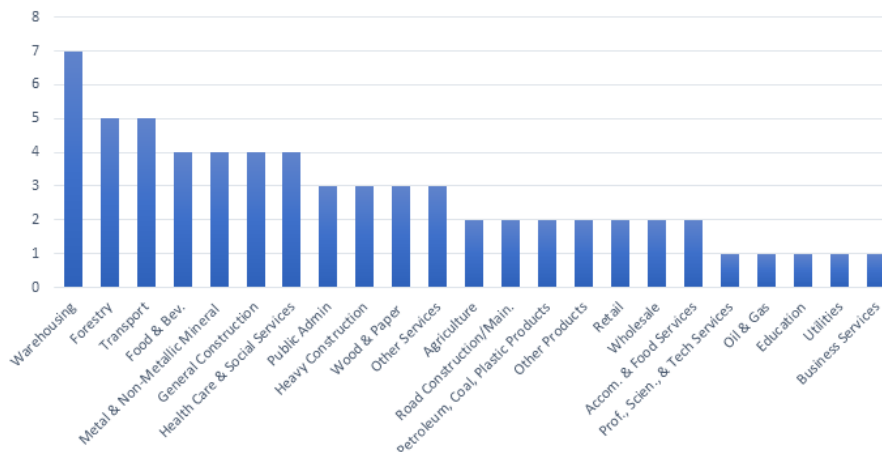
Source: [2016 WSBC Annual Report](#).

TABLE 4: **RATE DATA (FIGURES IN \$ MILLIONS)**

Rate Data	2012	2013	2014	2015	2016	Change 2012-2016	Change 2015-2016
Assessable payroll	\$78,713	\$81,751	\$85,079	\$88,737	\$92,553	17.6%	4.3%
Accumulated payroll	\$95,702	\$95,601	\$95,018	\$95,007	\$94,875	-0.9%	-0.1%
Benefit cost rate	0.99	0.95	0.93	0.94	1.02	3.0%	8.5%

Source: [WSBC Trend figures for all rate groups, 2018](#).

FIGURE 4: **INJURY RATE BY RATEABLE SUBSECTOR, 2016**



Source: [2016 WSBC Annual Report](#).

subset of claims⁵ — just 1% of all claims accepted in 2016 — claims based on psychological injuries have grown significantly over the past five years, and are [up 20% from 2015 levels](#). In addition, a rising share of claims (21%) in 2016 involved older workers (age 55 and over). Looking ahead, these two factors combined with the rising costs of health care are likely to nudge average premium rates higher. Potential changes to WorkSafeBC’s policies, and/or to provincial occupational health and safety legislation, may also affect future costs and therefore the premiums paid by employers.

HOW BC FARES AMONG PROVINCIAL WCBs

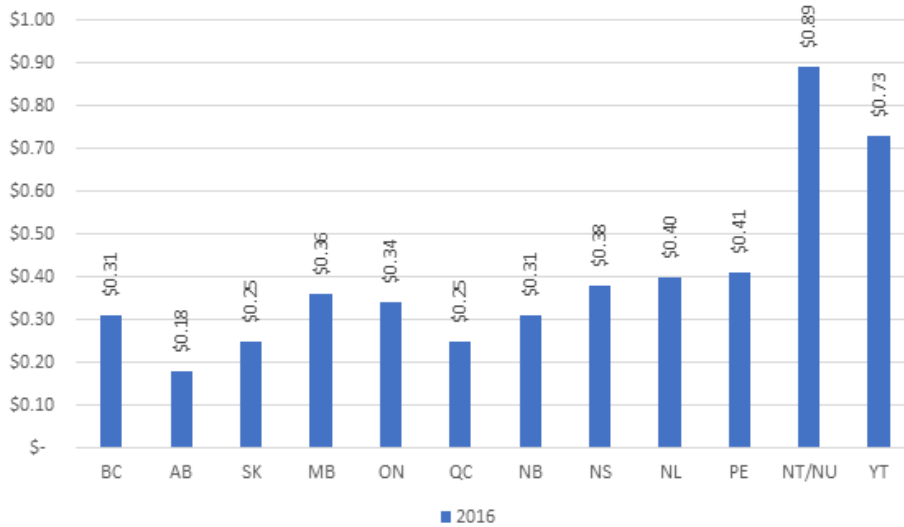
BC’s workers’ compensation system has a pretty good record of controlling costs and limiting the rise in employer premiums, relative to the systems in [most other provinces](#) (see Figure 5). This is important, since employers are required to fund the full cost of the system and, in aggregate, paid \$1.5 billion in premiums in 2016. Administration costs increased by 6.7% (\$18.3 million) in 2016, and the province’s assessable payroll expanded by 4.1% (\$3.6 billion).

CHANGES AHEAD

Changes to WorkSafeBC’s Board of Directors were announced on [December 1, 2017, effective immediately](#). The Minister of Labour appointed four new members to the Board. The four outgoing directors include the former board chair, while five current board members will continue their terms. The total

⁵ 2012 marked the first year that WSBC made provisions for psychological health claims.

FIGURE 5: **ADMINISTRATION COSTS PER \$100 OF ASSESSABLE PAYROLL, 2016**



Source: [2016 WSBC Annual Report](#).

number of board members is maintained at nine.

Of note, the WSBC Board has been given the mandate to deliver “a new vision for British Columbia’s workers’ compensation system”, in keeping with the NDP’s 2017 election platform; but no details have been released. The arrival of a new government in Victoria may herald a shift in occupational health and safety policies and regulations that will have an impact on future employer premiums as well as on regulatory compliance costs. On behalf of the employer community, the Business Council intends to devote additional resources to research and advocacy on WorkSafeBC issues in 2018-19. We will also maintain our involvement in the [Employers’ Forum](#), a group comprised of employers and industry associations with a shared interest in occupational health and safety matters.

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