



Moving Forward: Amending the Workers' Compensation Act

OCTOBER 2022

Lower Rates. Better Benefits.

RECOMMENDED UPDATES TO THE *WORKERS' COMPENSATION ACT*

WorkSafeNB is mandated to review the *Workers' Compensation Act* every five years. During the most recent review process, we identified opportunities to update the *Act* that will support our modernization efforts with a clear focus on People, Prevention, and Integrity. This review process included a formal consultation component with workers and employers, whose input is reflected in the recommendations.

It is important to recognize that WorkSafeNB's financial standing is strong. Our funding position at June 30, 2022 stood at 137.7%, well above our target range of 115% to 125%. This is thanks to WorkSafeNB's prudent financial management and a commitment to safety from New Brunswick's workers and employers.

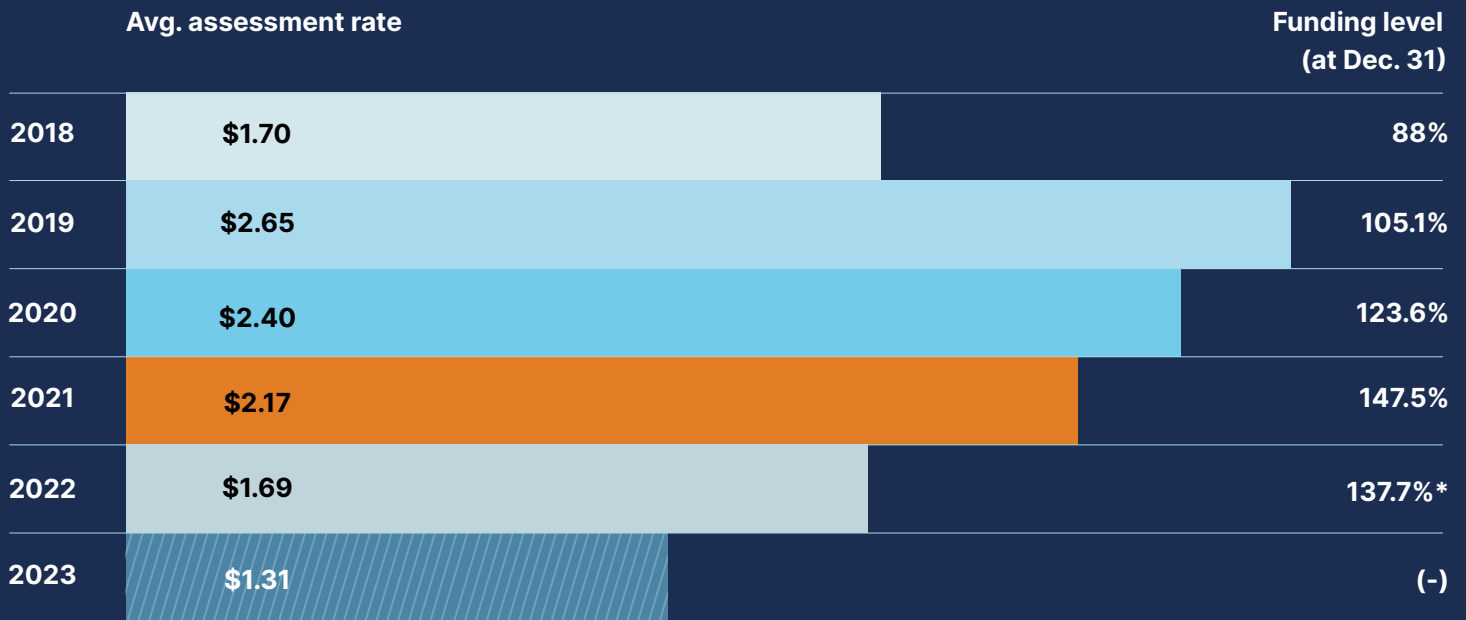
Our strong financial position allows us to reduce assessment rates and propose improving benefits for injured workers and their families in the coming year. In 2023, we will see an average assessment rate of \$1.31, 22.5% lower than the 2022 rate of \$1.69, and well below the rate of \$2.65 in 2019

At the same time, we propose an increase to the Loss of Earnings (LOE) benefit from 85% to 90%, helping to ease the financial hardship of being off work, especially now as we see a high rate of inflation. We are also proposing an increase to the Maximum Annual Earnings (MAE) threshold, so more workers have more of their wages covered.

These changes are proof WorkSafeNB can strike a balance between more affordable assessment rates for employers and a competitive suite of benefits for injured workers and their families.

Assessment Rates

Average assessment rates continue to trend downward from the highwater mark in 2019.



* Funding level as of June 30, 2022

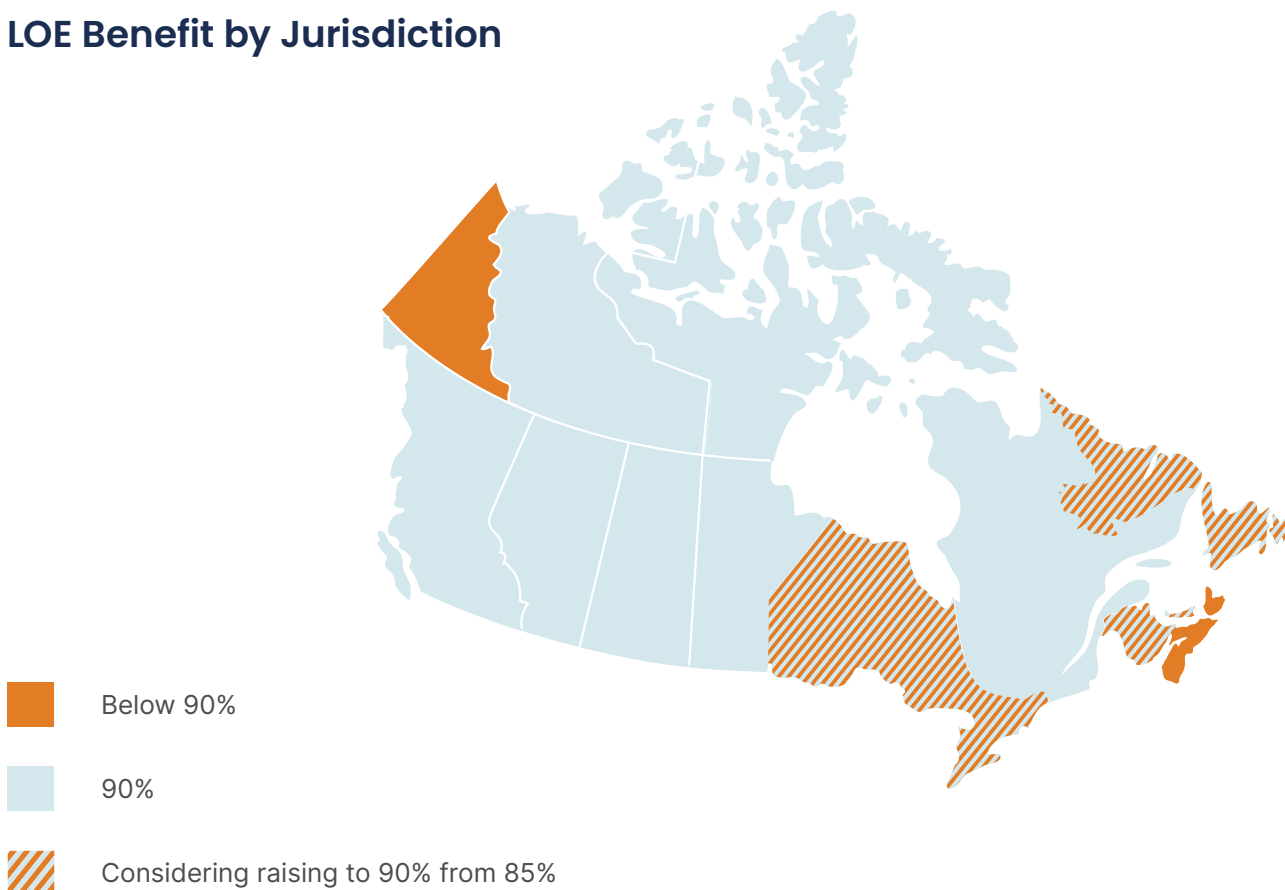
Increase Loss of Earnings Benefit

An employee who is injured at work may have to take on a different lower-paying job, work fewer hours per week or take time off to recover before returning to work in any capacity. Regardless of the situation, WorkSafeNB provides financial support – the loss of earnings (LOE) benefit. The LOE is a percentage of the employee's usual take-home pay, up to a maximum insurable amount.

New Brunswick's LOE benefit stands at 85%. It was reduced from 90% in 1993 in response to financial challenges WorkSafeNB faced at the time. Today, most jurisdictions have an LOE benefit of 90%. Of those that do not, Ontario and Prince Edward Island are undertaking consultations aimed at increasing the rate to 90%, and Newfoundland and Labrador is considering a similar move based on a recommendation from an independent review. If these provinces move to 90%, Nova Scotia and Yukon will be the only jurisdictions below that figure.

Increasing future benefits for workers previously injured would increase benefit liabilities by an estimated \$33.1 million. Going forward, this change will add an estimated \$4.2 million per year, or roughly \$0.04 per \$100 of payroll in New Brunswick.

LOE Benefit by Jurisdiction



Increase Maximum Annual Earnings

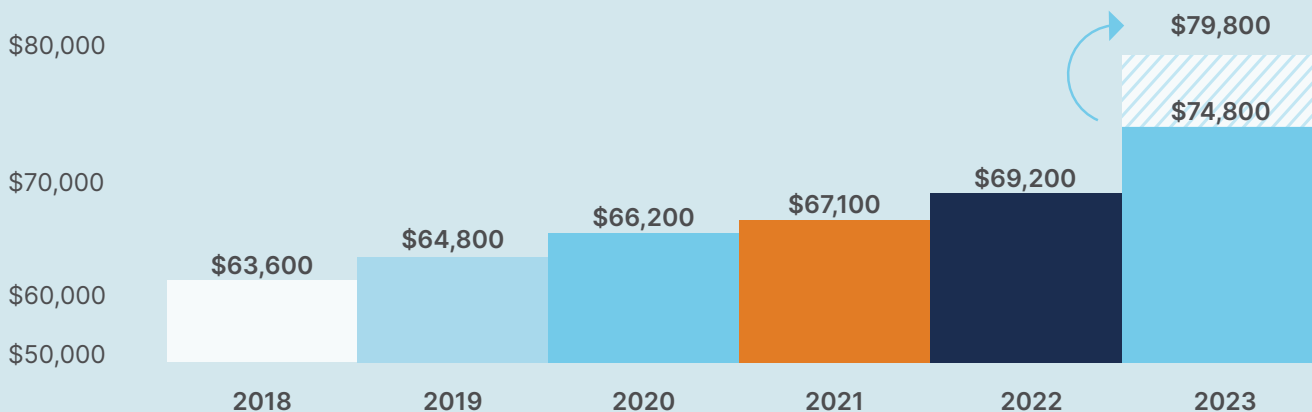
Maximum Annual Earnings (MAE) are the maximum earnings included in the calculation of the benefit payable to workers and represent the maximum assessable earnings per worker. Premiums, paid by employers, are calculated with payrolls up to this figure. The MAE in 2022 is \$69,200, fully covering an estimated 80.2% of injured workers.


We propose increasing the MAE threshold so more workers have more of their wages covered. This proposal was initially estimated to increase the percentage of workers fully covered to 81.3%, getting New Brunswick closer to the national average of 81.9%. Boosting the MAE threshold also improves benefits for injured workers not fully covered, including nurses, healthcare workers, police officers and others.

Increasing the MAE would increase benefit liabilities for previously injured workers by an estimated \$13 million. For accidents going forward, it would add \$1.5 million per year. The average assessment rate would not be significantly impacted. However, employers with workers earning more than MAE would see that same rate applied to a larger payroll base, resulting in higher premiums. Employers with workers earning less than the MAE threshold will not be significantly affected by this change.

The high inflationary environment alone will lead to a significant increase in MAE in 2023 to \$74,800, from \$69,200 in 2022. Both inflation and the MAE threshold increase would result in approximately 83.6% of the population being fully covered, near or slightly above the anticipated 2023 national average. In addition, all workers currently above MAE would see more of their wages covered.

Maximum Annual Earnings




 MAE with proposed increase to threshold.

Example: How these benefit improvements would impact a higher wage earner

It is important to note that both increasing the LOE and MAE have an impact on high-earning workers, increasing the benefits paid to injured workers and their families, as seen in the following example:

Pat makes \$85,000 per year (gross). After deductions, Pat takes home \$60,200 (net earnings). If Pat was injured at work, compare the compensation they would receive in 2022 to what they would receive with the proposed improvements:

	CURRENT (2022)		ESTIMATED WITH PROPOSED IMPROVEMENTS (2023)
EARNING MAXIMUM APPLIED	\$69,200		\$79,800
NET	\$50,000		\$56,700
BENEFIT LEVEL	85%		90%
WAGE LOSS BENEFITS	\$42,500		\$51,100
% OF PRE-ACCIDENT NET EARNINGS	71%		85%

*2023 is illustrative only and was approximated using 2022 tax rates

Striking a Balance

The workers' compensation system is premised on striking a balance between the needs of workers and employers. Moving forward on these recommended changes at this time achieves that balance, continued lowering assessment rates while recommending increasing benefits for injured workers and their families, and bringing New Brunswick more in line with national averages for coverage.



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