



Third Quarter & 2019 Rate Presentation



Presentation Agenda

- 01 Background
- 02 Current financial situation
- 03 Drivers – what has and has not changed?
- 04 Report of the Task Force on WorkSafeNB
- 05 Financial impact of the Task Force recommendations

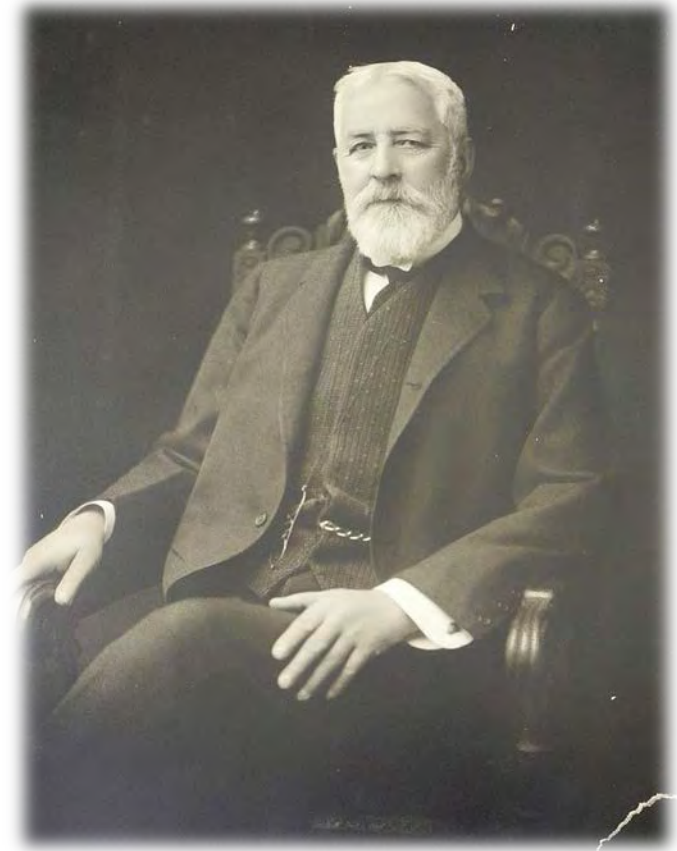
Background



WORKERS' COMPENSATION IS FOUNDED ON THE MEREDITH PRINCIPLES

1. No fault compensation
2. Security of benefits
3. Collective liability
4. Independent administration
5. Exclusive jurisdiction

Founded on historic compromise:
workers receive benefits and medical
treatment, employers pay a premium but can't
be sued when workplace injury occurs.





WorkSafeNB is a Crown corporation reporting to the Minister of Labour, Employment and Population Growth.

We are committed to preventing workplace injuries and illness through education and enforcement.

We administer no-fault workplace accident and disability insurance for employers and their workers, funded solely through employer assessments.



Employer premiums cover costs related to:

- Occupational health and safety requirements (prevention, inspection and compliance)
- Medical care and rehabilitation for injured workers
- Prescriptive benefits outlined in legislation (ex. wage loss compensation benefits for injured workers)
- Discretionary benefits outlined in policy
- WorkSafeNB administration costs
- Other legislative requirements (ex. Workers' Compensation Appeals Tribunal, worker and employer advocates)

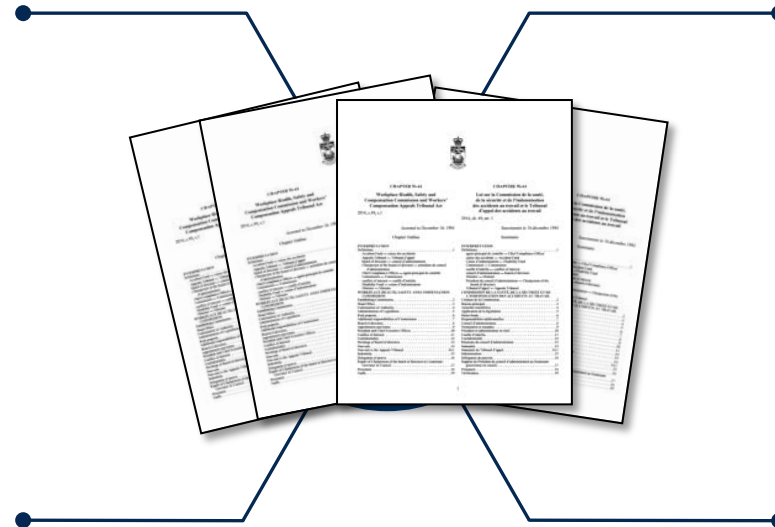


WORKPLACE HEALTH SAFETY COMPENSATION COMMISSION & WORKERS' COMPENSATION APPEALS TRIBUNAL ACT

Outlines authority and
governance for both
WorkSafeNB and the WCAT

OCCUPATIONAL HEALTH AND SAFETY (OHS) ACT

Act and regulations concerned
with the health and safety of
New Brunswickers at work



WORKERS' COMPENSATION (WC) ACT

Act outlining wage replacement
and medical benefits to New
Brunswickers injured in the
course of employment

FIREFIIGHTERS' COMPENSATION (FC) ACT

Act outlining wage replacement
and medical benefits to New
Brunswick firefighters injured in
the course of employment

WHO WE SERVE

15,000 registered employers

30,000 workplaces

≈ 80% of employers have fewer than 10 employees

≈ 92% of employers have fewer than 20 employees

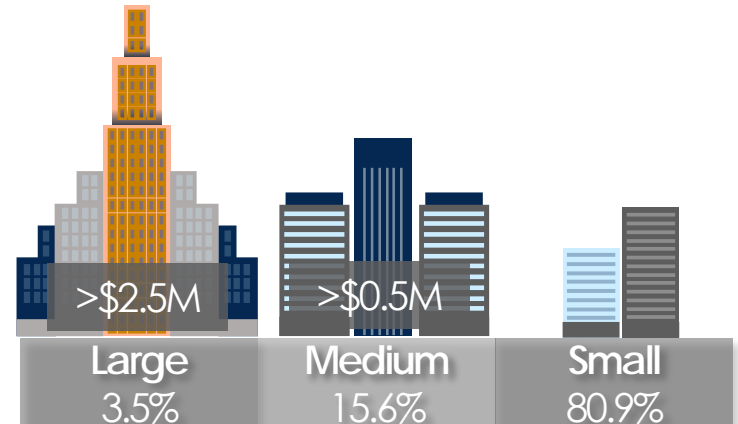
300,000 workers

≈ 5,500 claims per year where worker misses time from work due to workplace injury

≈ 5,600 claims per year where medical treatment required for workplace injury but no time is missed from work due to workplace injury



Largest Sectors



Employer Type by Size (payroll)



ASSESSED EMPLOYERS

- Mostly private sector
- Employer assessment rates are determined by the in-year claim costs plus all estimated future costs (liabilities) related to injuries that occurred that year
- Assessment rates are calculated per \$100 of employer payroll
 - Rates vary as annual costs and investment returns fluctuate
- Funds collected for future liabilities are invested in an “Accident Fund”

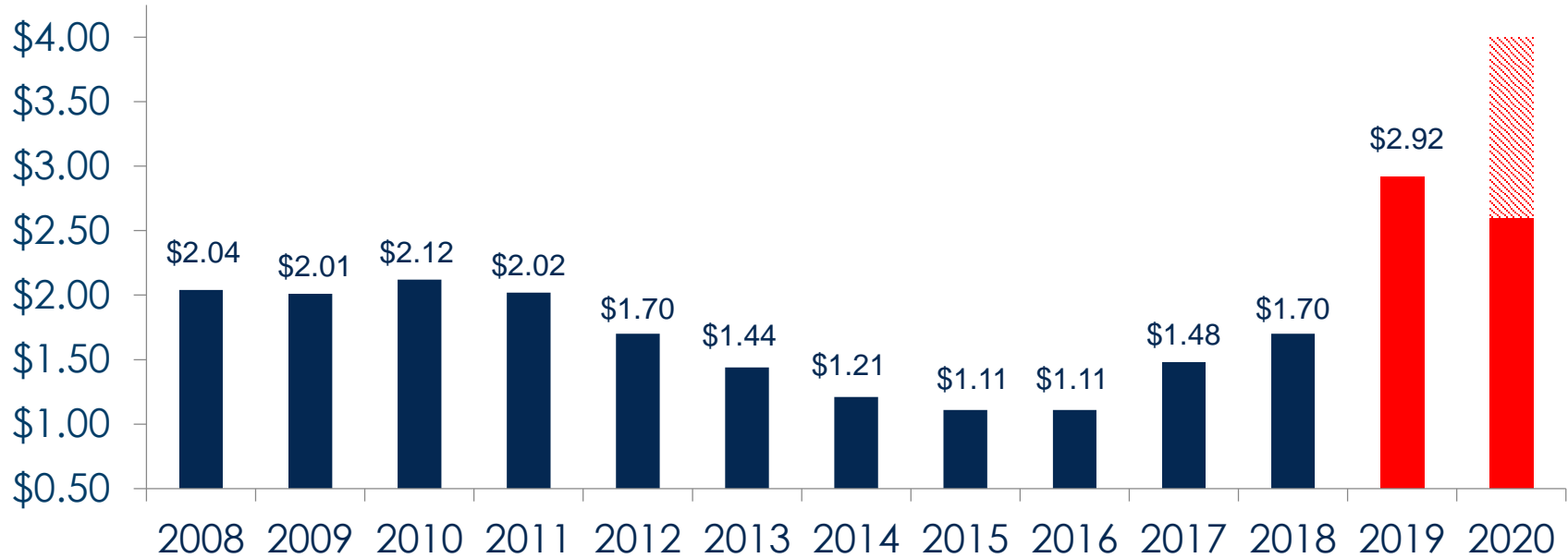
SELF-INSURED EMPLOYERS

- Most provincial and federal public sector employers
- Pay-as-you-go
- Do not contribute to the Accident Investment Fund
- Less focus on education and prevention services that could be provided by WorkSafeNB

Current Financial Situation



ASSESSMENT RATE HISTORY



- July AGM – Announced 2019 range of \$2.69 - \$2.95 per \$100 of payroll

2019 ASSESSMENT RATE COMPONENTS



2019 Assessment Rate Components	
New Accident Costs	\$1.81
Funding Required to Return Accident Fund to 110% (\$380 million payable over 8 Years)	\$0.52
Administration*	\$0.52
Reorganization & IT Systems Transformation	\$0.08
Average Assessment Rate	\$2.92

- 7,000 small employers will pay an average of \$700 more than in 2018
- 6,500 medium size employers will pay an average of \$5,000 more than in 2018
- 1,100 large size employers will pay an average of \$45,000 more than in 2018
- 120 largest employers will pay an average of \$327,000 more than in 2018
- Large and largest employers will pay 71% of the increase - 1,220 employers will pay about \$90 million more than in 2018

KEY FINANCIAL METRICS

(\$ MILLIONS)

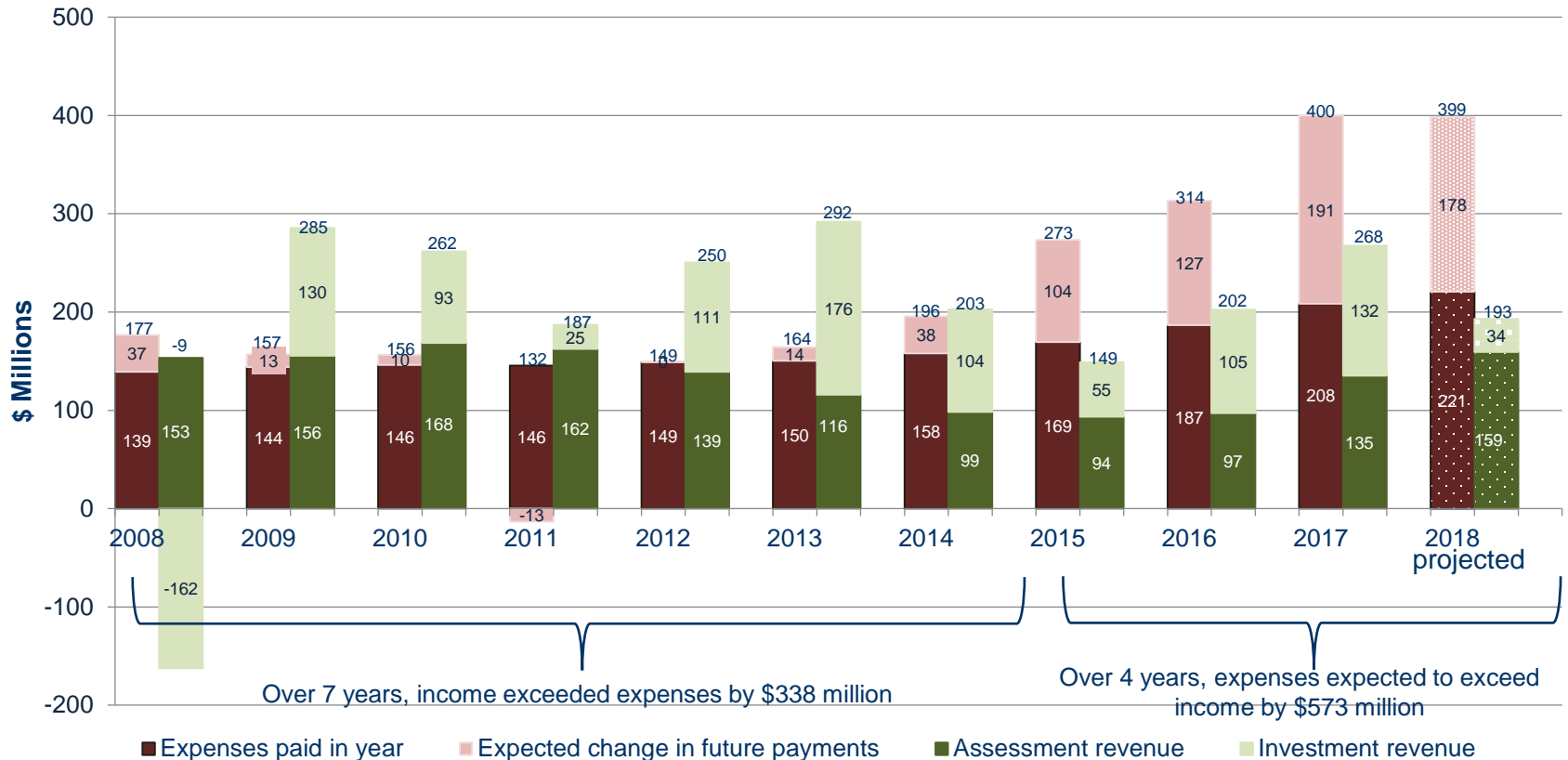
	2014	2015	2016	2017	2018 Forecast
Assets	\$1,521	\$1,520	\$1,594	\$1,709	\$1,728
Liabilities	\$1,108	\$1,234	\$1,422	\$1,671	\$1,898
Net Income	\$7	-\$126	-\$114	-\$134	-\$207 to -\$237
Funding Position	\$413	\$287	\$172	\$37	-\$170 to-\$200
Funding Level	137%	123%	112%	102%	88% - 91%

From 2014 to end of 2018:

- Liabilities increased by \$800M
- Funding position decreased by about \$600M
- Assets increased by roughly \$200M due to strong investment performance

BENEFIT COSTS AND REVENUE

ASSESSED EMPLOYERS

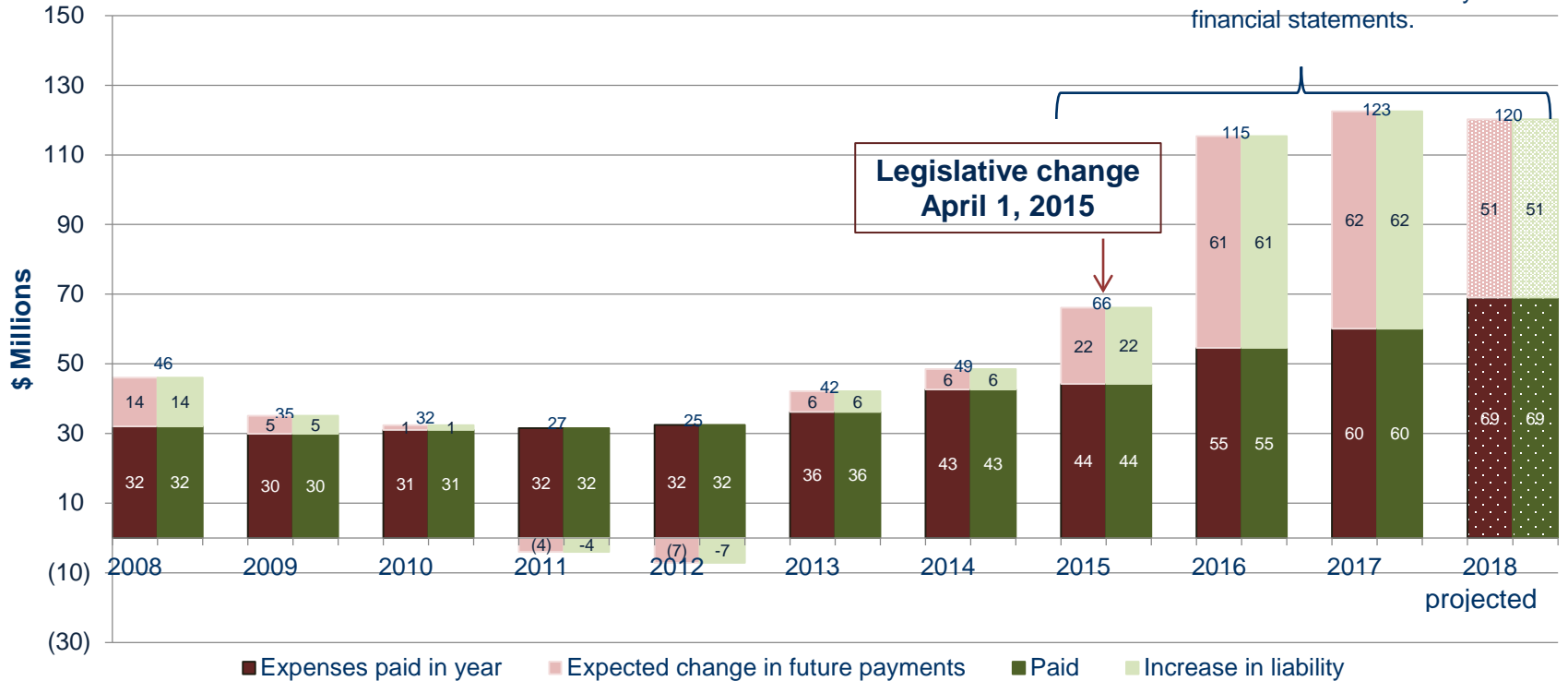


BENEFIT COSTS AND REVENUE

SELF-INSURED EMPLOYERS



Estimated liability increase of \$196M based on WorkSafeNB's discount rate. Liabilities will be higher when valued at lower discount rate used by GNB for its financial statements.



UNDERFUNDED LIABILITY

WORKERS' COMPENSATION BOARDS HAVE BEEN HERE BEFORE

In 1992, WorkSafeNB was underfunded with a funding level of 77%. To return to full funding, significant measures included:

1. Reduction in benefit (Ex. loss of earning coverage as a % of wages for workers was reduced from 90% to 80% for the first 39 weeks then 85% thereafter)
2. The three-day unpaid waiting period was introduced
3. Steep surcharges were added to already high employer premiums

Ontario, Nova Scotia and Newfoundland have all faced difficult decisions in last 15 years due to underfunding.

Drivers – what has and has not changed?

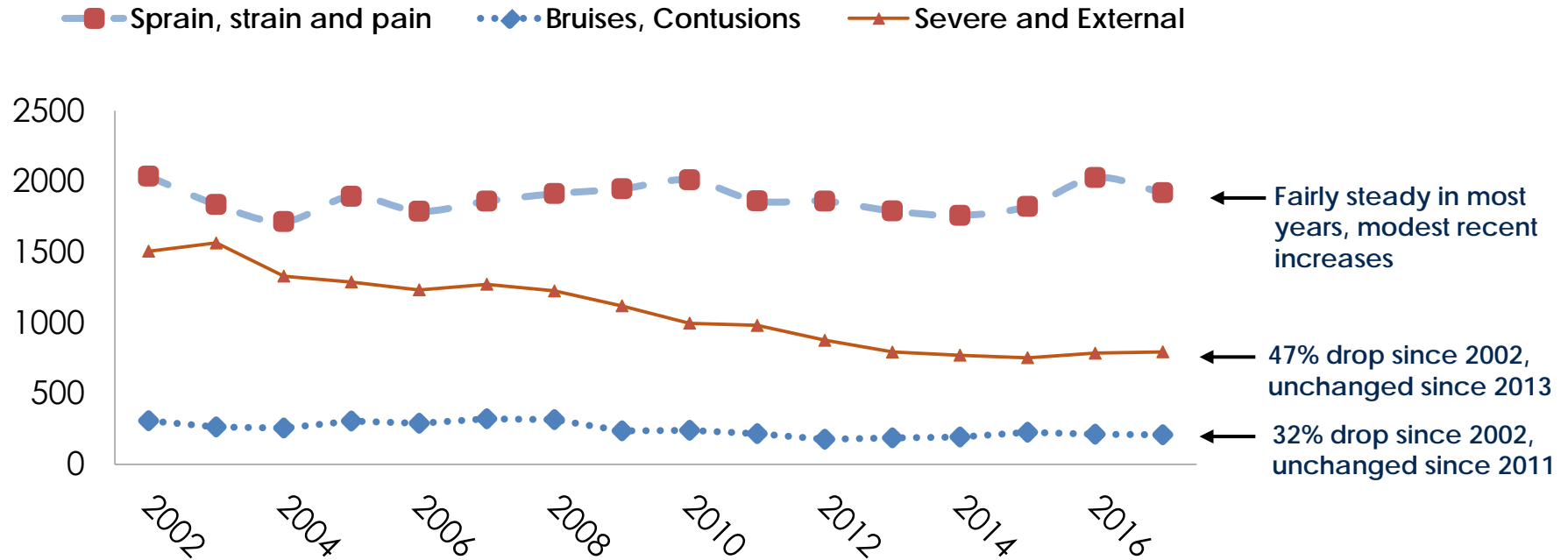


WHAT HAS NOT CHANGED?



- No major transformation in economy
- Essentially similar group of employers
- Essentially similar profile of workers
- Investment income generated gains of \$309 million since 2008 (exceeding target)
- Administration expenses excluding OHS comparable to other Worker Compensation Boards of similar size in Canada

LOST-TIME CLAIMS ASSESSED EMPLOYERS



IF EMPLOYERS ARE NOT ANY LESS SAFE, WHAT HAS HAPPENED?

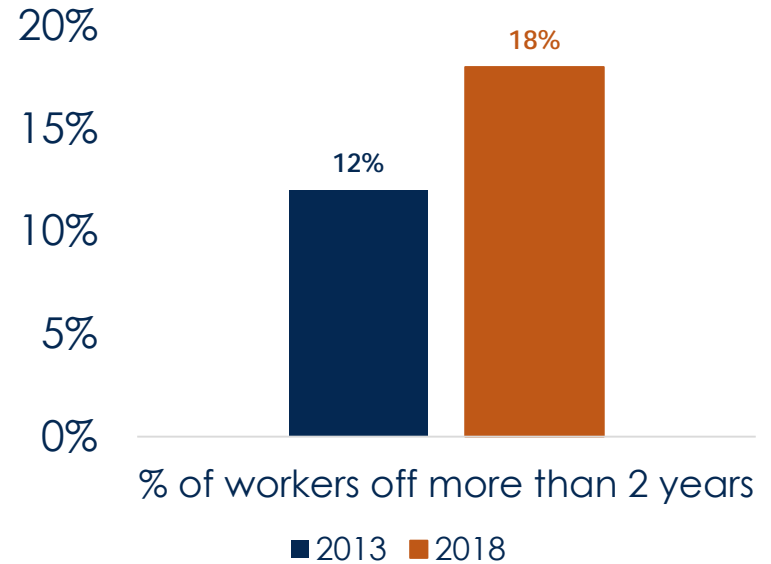
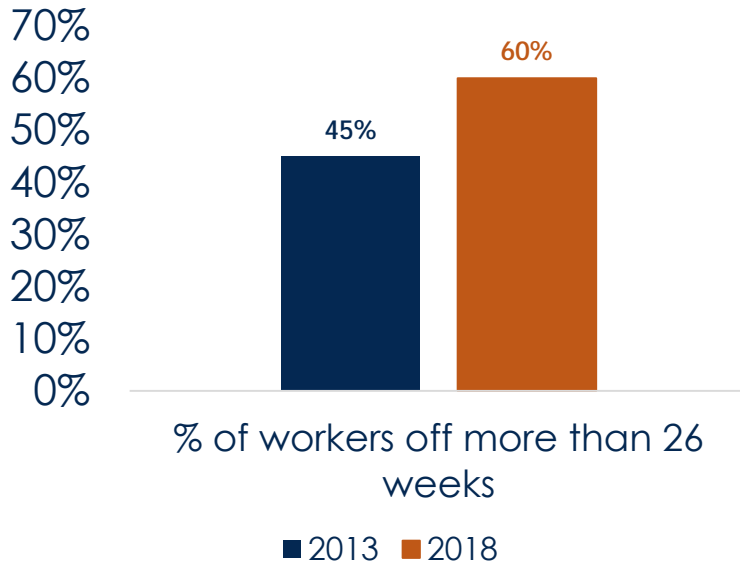
- NB system outcomes very comparable to rest of Canada from 2000 to about 2015
- In 2015, legislation was implemented that established an independent, external Appeals Tribunal , consistent with other provinces, essential for fairness, sober second thought
- The legislation granted the authority to the Appeals Tribunal to overturn Board policy and bind WorkSafeNB in all matters. This is unique to only NB and Quebec and has resulted in unintended consequences
 - The Workers' Compensation Appeals Tribunal does not have visibility on the substantial collective change resulting from an individual decision and its binding effect on WorkSafeNB policies
 - Claiming patterns and associated costs
 - Effective broadening of the *Workers' Compensation Act* to cover social health costs

#1 COST DRIVER: LONGER CLAIM DURATION

- Duration – length of time that benefits are paid
- Unable to cease benefits
- More long-term disability

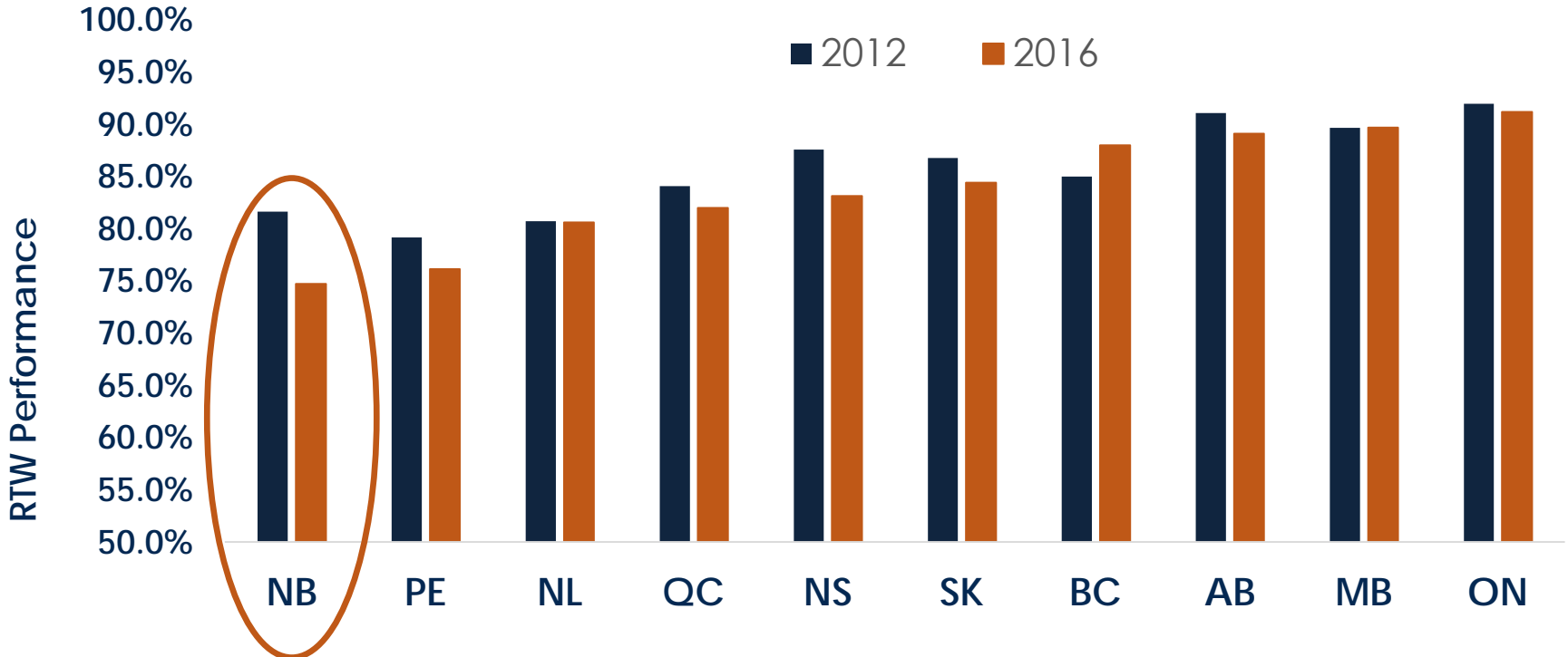


DURATION CONTINUES TO INCREASE



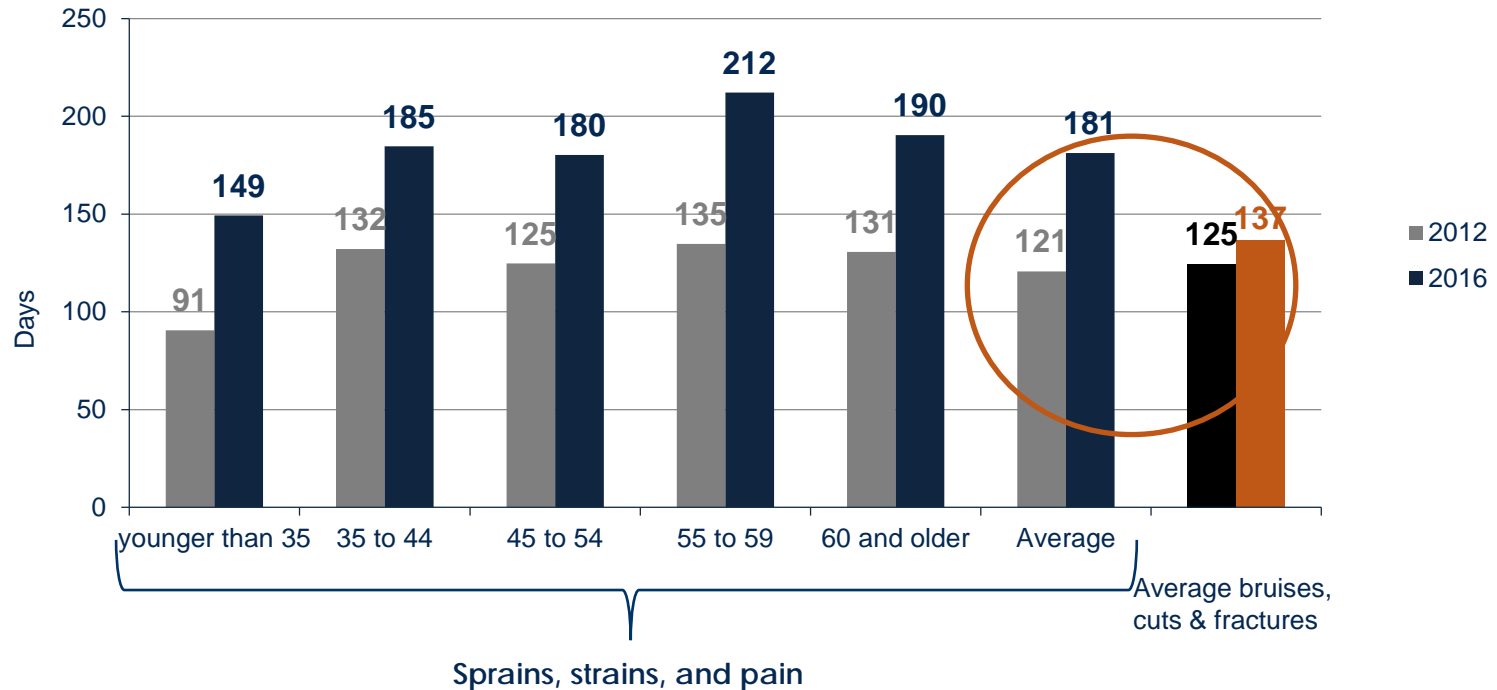
- Each long-term disability claim costs more than \$150k

RETURN TO WORK (RTW) OUTCOMES AT SIX MONTHS



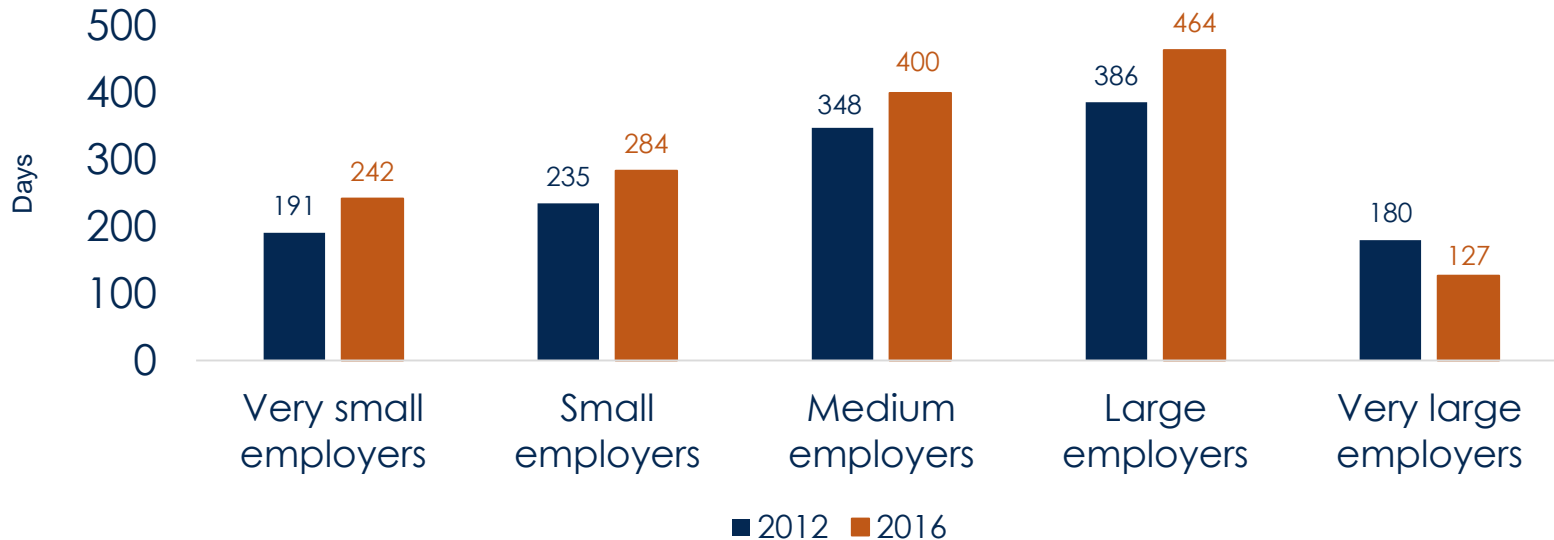
Source: Association of Workers' Compensation Boards of Canada

DURATION OF NEW LOST-TIME CLAIMS LASTING MORE THAN 30 DAYS



- Significant increase in days lost over all age groups for sprains, strains, and pain type claims.
- Average increase of 60 days or 50% for sprains, strains and pain vs 12 days for bruises, cuts and fractures or 10%

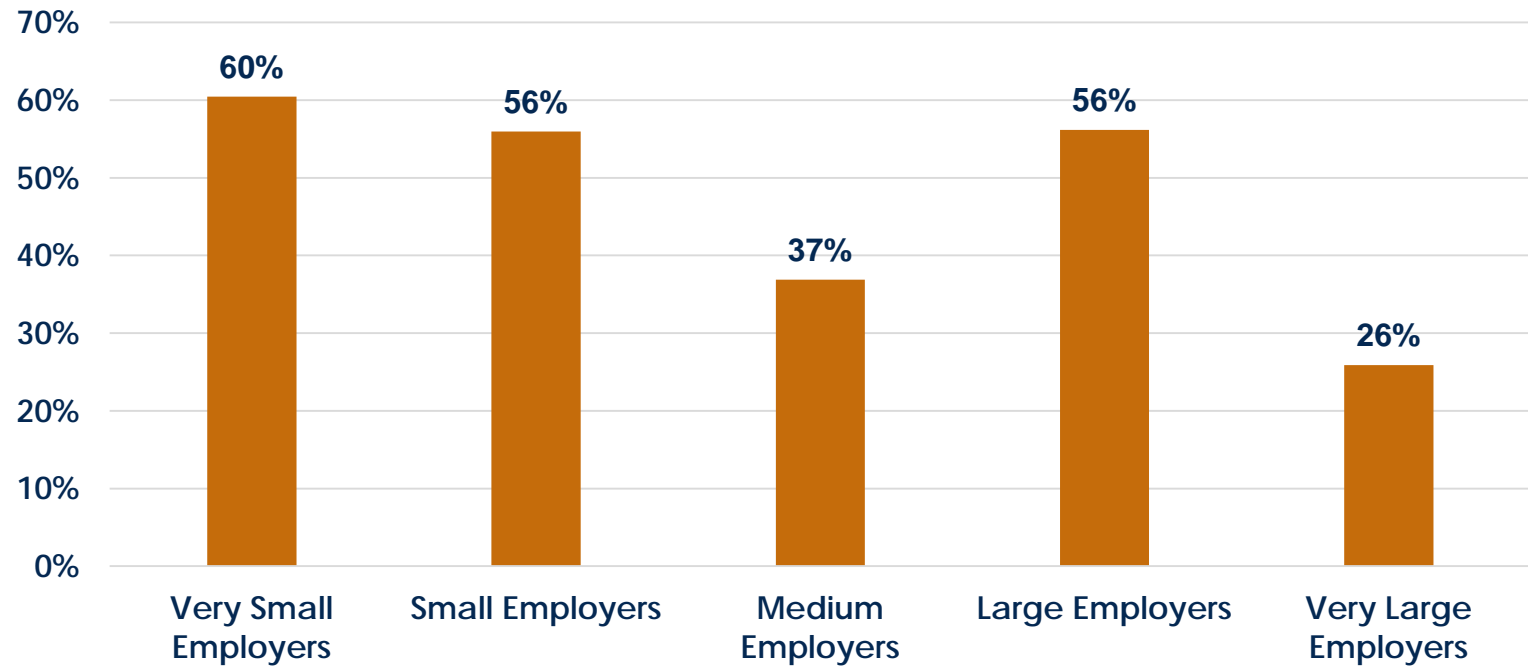
NUMBER OF LOST-TIME CLAIMS MORE THAN 30 DAYS



- Very large employers experienced a 29% improvement
- Very small, small, medium and large employers experienced higher claim volumes by 27%, 21%, 15% and 20% respectively

INCREASE IN PAYMENTS FOR LOST TIME CLAIMS LASTING MORE THAN 30 DAYS

2012 VS 2016



WHY ARE CLAIMS LASTING LONGER?



Policy Before September 2015	Policy After August 2015
Loss of earnings ceases (worker returns to work)	Loss of earnings ceases (worker returns to work)
Worker turns 65	Worker turns 65
Another illness (not work related) is primary reason for off work	
Retirement removing themselves from workforce	
Relocating outside of province removing themselves from the workforce	
Not fully participating in rehabilitation	

Let's explore some examples

IMPACT OF CONDITIONS UNRELATED TO THE WORKPLACE INJURY

- Employee injured and receiving wage loss compensation.
- During rehabilitation, injured worker is diagnosed with a non-work related illness such as cancer.
- Employee is rehabilitated but cancer treatment becomes the primary reason the employee can not return to work.
- With the pre September 2015 policy being struck down **as inconsistent with legislation**, wage loss compensation now continues to age 65 or the Loss Of Earnings ceases to exist (employee returns to work).
- **Costs are distributed to all employers.**

1. Employee injured and is receiving 85% of net income from WorkSafeNB.
2. Employee decides to retire before age 65 and removes him/herself from the workforce.
3. With the policy being struck down as inconsistent with legislation, compensation now continues to age 65 – **in addition to any pension benefit** (ex. 150% income of pre-accident employment, no incentive to return to work).

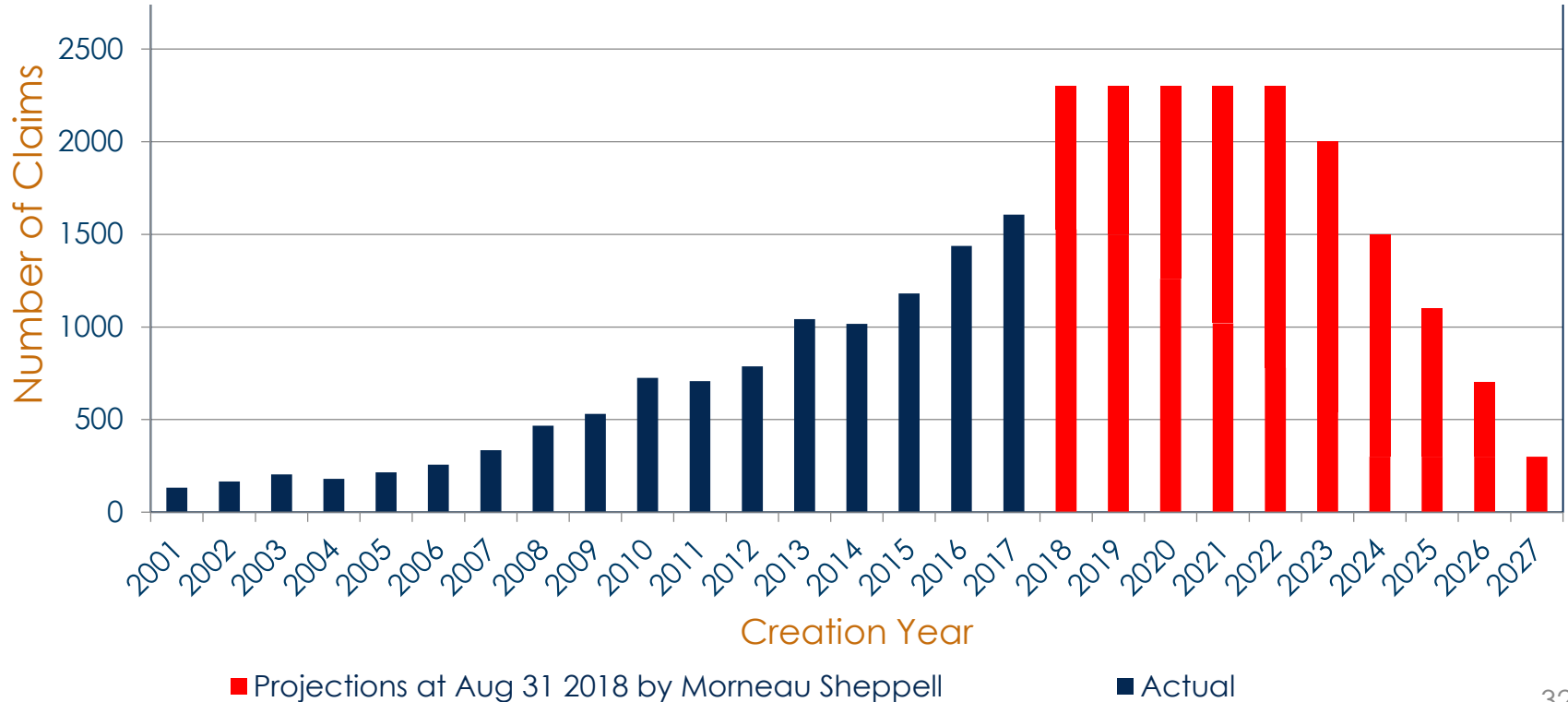


#2 COST DRIVER: HEARING LOSS CLAIMS



HEARING LOSS

LATEST PROJECTIONS



HEARING LOSS CLAIMS ALSO DRIVING COSTS

1. Hearing claim liabilities increased **\$161M** from 2015 to 2017
2. 1,793 new claims at age **70+** in the past three years
3. Over **\$1M** in payments every month on hearing loss payments
4. Claiming rate **3 – 4x other compensation boards** in Canada
5. As of 2017 YE there were over **10,000 hearing loss claims** already accepted.
6. Revised projections are that there would be about 26,000 hearing loss claims in 10 years or about **50% of NB Population** with hearing loss

- Other factors to consider:
 - No margin left in accident fund
 - Possibility of a for market correction sooner rather than later
 - Potential for introduction of new conditions such as work-related mental illness

Report of the Task Force on WorkSafeNB





- WorkSafeNB accepts all 28 recommendations from the Ministerial Task Force
- Recommendations were compiled from equal representation of employers and workers following robust consultation
- These recommendations will result in improvements to worker benefits and occupational health and safety along with system sustainability measures

TASK FORCE RECOMMENDATIONS



#	Addressed Through Legislation
4	Repeal certain sections of Act governing WCAT
5. a to g	<ul style="list-style-type: none"> • Restrict WCAT decisions to application of WCA, regulations and policies from facts of the case • No new evidence allowed, or if available, send to WorkSafeNB for review before hearing appeal • WCAT cannot alter Board policies nor have jurisdiction to alter, reverse or amend any policies. Case specific decisions only. • WCAT can postpone hearing and refer legislative and policy issues back to the Board for consideration • WCAT can confirm, alter or reverse a Hearing Officer decision
11	Proactive role in return to work efforts
12	Functional ability forms similar to ON
13	Physicians must complete physical ability form
14	Work with New Brunswick Medical Society (NBMS) to adopt practices pertaining to opioid addictions
15	Continue efforts pertaining to work-related mental health issues, focusing on functional abilities
17	Board has exclusive jurisdiction on the establishment and enforcement of policies
18	Fair and reasonable income relevant with apportionment of other revenue sources and streamlined application to apply for benefits from other sources
19	Board has authority to determine additional benefits other than prescribed income replacement
20	Clear definitions of pre-existing and intervening conditions and applicable benefits
21	Board has final authority on benefit entitlement
28	Repeal 3-day waiting period



#	Addressed Through Board Policy Dependent on Legislative Changes Returning Policy Deference to Board
1, 2	<ul style="list-style-type: none"> Ensure variance in Accident Fund does not exceed 120% and surplus above 120% managed in transparent fair manner.
3	<ul style="list-style-type: none"> Provide meaningful information to stakeholders including reports on rate component, its impact and management.
11, 12, 13, 14, 15, 16	<ul style="list-style-type: none"> Return to work and rehabilitation improvements.
18, 19	<p>Explicit legislation to ensure:</p> <ul style="list-style-type: none"> Workers receive fair, reasonable and seamless income replacement and apportionment. The WC Act prescribes the boundaries for financial benefits. How those benefits are calculated or offset by other revenue can impact perceptions of fairness. Define other benefit entitlements.
20	<p>Explicit legislation to clarify:</p> <ul style="list-style-type: none"> Definitions, entitlement and benefits related to pre-existing conditions and intervening personal conditions .



#	Addressed Through Memorandum Of Understanding
25, 26, 27	<p>Explicit legislation to:</p> <ul style="list-style-type: none">• Ensure relationship between WorkSafeNB and Government be transparent and respectful.• Ensure mandate letters reflect unique nature of WorkSafeNB and its independence.• Require a value for money audit every five years by the Auditor General.



Task force recommendations will:

- Improve health and safety of NB workplaces
- Achieve balance between stakeholders such as elimination of the three-day waiting period and level of costs charged to employers
- Restore system sustainability by providing exclusive jurisdiction and full accountability for the workers' compensation system to the WorkSafeNB Board

WORKSAFENB & WCAT RELATIONSHIP



Before April 1, 2015	Current	After Task Force recommendations
WCAT Internal body to WorkSafeNB	WCAT External body to WorkSafeNB	WCAT External body to WorkSafeNB
WorkSafeNB Board established policy	WorkSafeNB board policy authority diminished	WorkSafeNB Board establishes policy
Structure & power of WCAT and WorkSafeNB relationship did not align with rest of Canada	Structure & power of WCAT and WorkSafeNB relationship does not align with rest of Canada	Structure & power of WCAT and WorkSafeNB relationship will align with rest of Canada
WorkSafeNB board ability to weigh all information before policy changes including costing and impact on assessment rates	WorkSafeNB board not able to weigh all information before policy changes including costing and impact on assessment rates	WorkSafeNB board ability to weigh all information before policy changes including costing and impact on assessment rates
No internal formal review body before proceeding to appeal	Formal internal review body available to re-examine some decisions before proceeding to appeal	Enhanced internal review body to re-examine all decisions before proceeding to appeal
Appeal Tribunal decisions had little influence on WorkSafeNB policy and practice	Appeal Tribunal decisions bind WorkSafeNB in all matters before it	Appeal Tribunal makes recommendations to WorkSafeNB when inconsistencies in interpretation arise
Appeals Tribunal decisions were applied to the individual decision under appeal	Appeals Tribunal decisions bind the Commission in all matters before it	Appeals Tribunal decisions are applied to only the individual decision under appeal



WorkSafeNB is committed to:

- Keeping people safe at work
- Continuously improve our care and support model
- Modernizing our technology and improving the client experience
- Sustainability



Thank you

Questions?

