Steve Wallace

Steve Wallace, Heavy Construction Safety Association. I just had one quick question. WCB, a few years ago, changed how they actually recorded things. So, for example, if somebody was injured, returned back to work, and then they had to go like to physio or whatever an hour a day for ten days, it used to be that would aggregate into like about a day and a half time loss. What they do now is they now call that whole day as gone. Now they sort of say -- the good news is, they only charge the employer the time that the gentleman’s gone. The problem for our industry, heavy construction, is because we are on registries, a lot of times instead of showing a day and a half loss, it’s now showing ten days. So we’re starting to have a lot of our guys go, “Geez, return-to-work, this is not worth it. Because if it’s going to show up as ten days, we lose bids.” So that gets to be an issue. And I don’t know if you guys are going to look at changing that or not.

Peter Federko

We are just in the process of doing the root cause analysis and coming up with a policy proposal to the board to actually rectify that situation.

Sandra Cripps

Sandra Cripps with the Healthcare Safety Association, SASWH. Just an observation from your comments, Peter, on one of the slides. And I’m just wondering if you could add a bit more clarity. When you talked a little about the escalation in medical aid costs and in the slide it actually shows that healthcare costs were coming down in 2016, or projected to, unless I’m reading that incorrectly, and I’m just wondering if that comment about the projected costs was not in relation to this slide or something separate? It was the slide right after premium composition.

Peter Federko

In terms of total costs, we are seeing a growth in health care costs and we are projecting that total health care costs will go up. But when we look at the premium composition we are now
taking that, our forecast of medical costs for 2016 -- remember, we are forecasting 2016 claim costs -- and now we are dividing it by the payroll. The growth in the costs, the health care costs, is not a great as the growth in the payroll and that’s why the component is coming down. But the total cost of health care is still projected to increase.

Sandra Cripps
Okay. So it’s increased at the front end and then levelled off in the premium composition?

Peter Federko
Yeah. So we are expecting the amount of health care costs that’s required to be funded to increase. But it’s going to be funded over a greater base. So the cost per base unit is going down, but the total cost is actually going up. Okay?

Dwayne Marling (webinar)
Dwayne Marling from Restaurants Canada. WCB has committed to conduct a review of its rate setting model this year. Could you provide the timelines of that review? Could you provide a description of how the review will be done? Will this review involve industry stakeholder consultation? Will it look at management assumptions and not just actuarial assumptions?

Peter Federko
We are in the RFP process with respect to finding an actuary to conduct the review. We are hoping that that review can be completed, we are asking that it be completed by the end of this year. Not sure that that’s possible at this particular date, so whenever the actuary conducts their study will be determined. So probably looking at first quarter of 2016, I would say optimistically, now.

In terms of stakeholder consultation, that part has not been decided by the board, so first things first in terms of getting an actuary to actually undertake the review. The firm will review all aspects of the rate making model. I’m not sure I understand the differences between mathematical versus actuarial assumptions because it’s all within the same model and they are reviewing all elements that are within that model. If it’s the math of how we divide cost by payroll, that’s all part of the calculation. If it’s the math that’s involved with how we forecast future trends, that’s all part of the model. It’s all subject to review by that actuary. But we haven’t even discussed the consultation part. It’s just a little too early in the process to make that kind of decision. Speaking from my perspective only -- and I’m not going to put the board on the spot
because we haven’t talked about this -- but this is a highly technical review. Whether the actuary identifies some elements of the model -- I know that one particular association -- wondered if we would survey for employer tolerance of rate volatility. In other words, this model that we are using tends to produce fairly stable rates. The question that was asked is if employers have tolerance (and) don’t mind the rates swinging by 30 percent in a year, then maybe the model can become more aggressive. I’m not sure. I think we would ask for the advice of the actuary in that particular regard. And no decision, as I said, has been made whether we will go out to consultation at all.

Dwayne Marling (webinar)
Why are you increasing anyone’s premium rate when you are anticipating 91 million over the 120% funding policy?

Peter Federko
Great question, two separate issues. The $1.34 premium rate is a 100% reflection of the amount of money that’s required to fund the cost of claims. The surplus being generated that we are forecasting, the 90 million dollars, roughly, based on a 128% funded position, is a result of excess investment earnings. Our investment’s at 48 million dollars at the end of September, is significantly higher than what we had anticipated or require to fund our liability. So the 90 million dollars is generated out of excess surplus and we actually won’t know that number until our year end is completed at the end of March. We need to get our premium rates out by January 1 and timing wise it doesn’t really work. But more importantly, we believe it’s incredibly important that that premium rate be strictly a pure reflection of the actual insurance costs, not the impact of how well our investments have done. So they are really two totally separate pieces. We want employers to understand, whether it’s through experienced rating, that their rate is going up because of their claim experience, not hidden by strong investment returns that are accumulating in another bank account. And so that’s why we really choose to keep them separately and the policy that’s actually approved by our board says we will not look at anything other than that is realized and separate the decision in terms of are we above the 120 from actually what’s required to fund the claims.

Marilyn Braun-Pollon
Marilyn Braun-Pollon with the CFIB. Just a couple of points of clarification and I think it probably builds on what the Restaurants Canada had questioned. With regard to the upcoming reviews -- and we are pleased that you are looking at both of the rate setting model, but also the funding
policy -- if we could recommend as employers, to have some input into those processes would be welcomed. I know that with the surplus distribution there was a decision made, but with feedback from employers you reconsidered, went out for consultation, which was a good thing, and then decided to return 100% which was also a good decision based on feedback. So if this, truly requiring feedback and looking at feedback from employers, we would recommend that you include a stakeholder consultation component of that. And you may say it’s technical, but many organizations are involved in rate setting reviews across the country -- I know in Manitoba they are going through a rate setting review right now of their model and so many organizations have been part of these reviews in other jurisdictions and we would encourage the board to consider that approach as well.

Gord Dobrowolsky
Marilyn, thanks for your input. You are absolutely right with regards to the surplus distribution. The consultations were not that formal with regards to surplus distribution. If you recall, basically it was people like you and others, Steve McLellan, and others coming to the mic and saying, very straightforward, that the surplus was employers’ money. Hard to argue with that, right? So as a result of that type of feedback, the board reconsidered and as a result returned 100% of the surplus. So we get your message, for sure.

Marilyn Braun-Pollon
I also do think there was feedback within those submissions -- that led to the funding mechanism of 105 to 120 and the generosity of that range. So I think -- there is an appetite. If I can leave you this, there is an appetite for employers, all stakeholders, to have a say in those structural changes that may in fact take place.

Gord Dobrowolsky
Okay, for sure. All policies at WCB are regularly reviewed, a three year maximum I would think, for review, but any policy is reviewable at any time. And we know where you are coming from and we have had other verbal submissions, if you will, with regards to the funding policy. So we hear you.

Marilyn Braun-Pollon
The second question I have is related to the committee of review consultations. And I know that that committee has been struck and they are in fact holding consultations around the province and written submissions are also considered. What is the board’s plan to engage in that
process? Is there a formal presentation coming from the board?

Gord Dobrowolsky
No.

Marilyn Braun-Pollon
Has the board made presentations in the past to the committee of review.

Gord Dobrowolsky
Not to my knowledge.

Peter Federko
I’m testing my memory -- 2004, maybe, 2002, maybe, 2004, somewhere in there, whenever the committee of review was struck, in that timeframe, we actually did make a presentation. The board chair and myself appeared before the committee of review and did make a presentation to the committee on items that had arisen. You may recall there was an administrative review done to make comments and recommendations relative to some of the issues that came out of that administrative review. But otherwise we have not. There are a few legislative changes we would like to see happen, so we will be running a written submission, by the board to get their concurrence with the kinds of things that we will be asking the committee to consider. But beyond that, we have nothing else planned, no.

Marilyn Braun-Pollon
Okay, thank you.

John Hopkins
I’m just trying to understand sort of the competitiveness of WCB here in Saskatchewan, so I’ve got a few components to this question. Fourth lowest rate, which is great: I think that’s very competitive. 20% for admin costs, I’m just curious how that compares across the country. I also noted that Newfoundland has reduced their rate by 10% and yet I’m not sure their economy is doing anywhere near as well as us because a lot of what they were going through in terms of growth in their economy was driven by oil and gas, particularly offshore, so I’m wondering about that. And then if you could comment on Manitoba has the highest time loss and yet their rate is lower. And is that due to volatility in their rate setting model? What would that be due to?
Peter Federko
The admin costs: we have a national association, the Association of Workers' Compensation Boards of Canada, and they publish -- anybody can go on their website, awcbc.org, and they actually publish some key, what they call key statistical measures, which benchmark us against each other. They measure two things -- they measure administrative cost per time loss claim and administrative cost per $100 of assessable payroll as two efficiency measures. And we have consistently been either lowest, second or third lowest across the country on both of those metrics. So relative to other jurisdictions, we are not the best. Close to it, better than middle of pack, significantly below the national average. So our administration cost per time loss claim is around $6,000. The national average is over ten. From an efficiency perspective pretty good.
The second question: Newfoundland had built into their premium rate a deficit funding component, so the Newfoundland Board has been less than 100 percent funded for a number of years. And I’ve forgotten what year it was, John, but let’s say ten years ago, they put an extra 20 cents in their premium rate to bring them back up to 100%. They hit 100% funding last year and so they have dropped their 20% deficit funding under their premium rate. It has really nothing to do with the economy, nothing to do with reduced injuries; it’s just that they were able to reach a 100% funded position so they have dropped their debt reduction and charge.

John Hopkins
And they still have a high rate. Their rate’s still pretty high.

Peter Federko
Yeah. Manitoba, boy, I wish I knew the answer to that. It’s a bit of a mystery. As Marilyn pointed out they are currently reviewing their rate making model. I would say not as transparent as ours. It’s like kinda difficult to understand. I would suspect, though, John, what’s happened is they have taken a different strategy than we have here. 2014 was a good year for pretty much all the compensation boards from an investment perspective. And Manitoba has a funding policy like we do, they do it on a market basis whereas we take unrealized gains out. But I’m suspecting the big decrease -- they dropped from I think $1.50 to $1.30 last year -- I think some of that they used their surplus to actually subsidize their premium rate, but I actually don’t know the answer to that.

Korene Boehm (webinar)
Korene Boehm from Floors by Design. Why the change to grab all employer wages? Why can they no longer opt out or choose their own insurance provider?
Peter Federko

In 1930 in Saskatchewan legislation was introduced that created this thing called the workers’ compensation system. And every employer other than ones who were excluded by regulation -- so there are several industries and occupations that don’t have to have mandatory coverage, like farming, for example, that you can opt in or you can opt out -- but all of the industries have to belong. And the primary reason was because of this historic compromise that was agreed to, you know, brokered by Meredith in Ontario and Percy Anderson in Saskatchewan, where employers agreed to fund and workers gave up the right to sue. Unless that compromise is somehow broken -- this isn’t a grab or anything. We don’t -- as a workers’ compensation board, we don’t have any choice but to cover everybody. So unlike a private insurance company who can pick and choose their risks -- if I’m a bad insurance risk, I’m going to have a hard time finding insurance -- but when it comes to Workers’ Comp, we take every and all risks. And we have to, because that’s what the law says we have to do. So if any changes were required, I guess, the committee of review would be an option of where someone who was lobbying for greater opt out could ask for legislative change. But I can tell you, the movement across the country is to increase coverage and not reduce it. Alberta just recently added agriculture to their covered industries, for example. BC I think covers 100% of all industries.

Tim Allen (Webinar)

Tim Allan from Motor Safety Association. Is the WCB looking at funding additional safety associations for those industries that do not have one and what are the requirements necessary to set up a safety association?

Peter Federko

Yes, we would welcome and fund other industry based safety associations. There is a specific policy, again on our website. You can go to our policy manual and see what our safety association policy is. But, essentially, there has to be at least 50% support from the industry to fund that safety association before we will consider it. If an industry was considering organizing a safety association, they would have to present us with, among other things all listed in the policy, with evidence that they have 50% plus one, a majority support, of employers within that industry to fund a safety association. Because as I pointed out earlier, employers within that industry 100% fund that safety association. If we don’t have assurance that employers are in agreement that they will fund that safety association, that’s kind of a show stopper for us and we won’t approve it. They have to form a separate non-profit with an independent board made up of
equal representation of workers and employers. It’s all listed in our policy. But in a nutshell, you would firstly have to secure the majority of the support of the employers within that industry group before we would even consider establishing one.

**Gord Dobrowolsky**
Quite frankly, the more safety associations the better, to echo what Peter was saying, so by all means.

**Joseph Opper (webinar)**
Joseph Opper from Stark & Marsh. To clarify, you stated that individual employer discount surcharges are based on the number of time loss claims. Does this mean that if an employer who might have non-time claims but no time loss claims, can expect the maximum discount?

**Peter Federko**
Well, this will be strictly in the standard program, so you have paid less than $15,000 of premium in the last three years. The frequency count is strictly time loss claims. So if you only had medical claims, only, it wouldn’t affect your discount or surcharge.

**Jim Bence (webinar)**
The asset liability study recommended that WCB look at unrealized gains. Last year that amounted to 332 million. Where are unrealized gains at now? What would be the funding level if they were used? Will the WCB start looking at unrealized gains as the asset and liability study suggested?

**Peter Federko**
I don’t know and I don’t know and I don’t know. I’m not sure where the unrealized are right now, but they would not be anywhere near what they were last year simply because markets have gone down quite significantly. I don’t know what our funding position would be if we had those percentages. I will certainly get those and email them to you, Jim. With respect to the last question, I don’t know the answer to that. I mean as I said, we have the asset liability study. It’s made several recommendations including the one that Jim referenced. So what the actuary said to us in the asset liability study is pretty much every other jurisdiction includes unrealized gains and losses in calculating their funded position. As you know, we do not. And the actuary said, “Well, you might want to look at that.” You know, if we did -- and one of the parts Jim didn’t mention -- if we did that, the actuary is also recommending that we widen the range, especially
the upper end of the range, to take the -- because you know what happens with unrealized, it’s volatile as heck. And so to take the volatility out so that one year we’re not paying and the next year we are collecting it back, the actuaries recommended a widening of the range. Personally, I don’t favour that, but these will all be recommendations put in front of our board for a policy decision on whether that gets changed or not. I wasn’t being a smart-alec by saying I don’t know, I don’t have the first two pieces in front of me. I can get those emailed to Jim. And the last one, we are just formulating the policy for board consideration right now.

October 23, 2015
Q & A - Saskatoon

Ken Ricketts
Ken Ricketts with the Safety Association of Saskatchewan Manufacturers. First a comment. I’ve been through this process about four or five times now. I learn more each time. Either I’m getting, I’m picking it up better, or Peter’s getting better at presenting it. I’m not sure. And one suggestion for the new board members. I think take some of that surplus and get tattoos of the Mission Zero. One question, the estimate, do we have an estimate of 165% of the average industrial wage will be by 2019?

Peter Federko
Ken, I don’t remember specifically, but it’s over 90,000.

Ken Ricketts
Okay. In the presentation in the financial portion you mentioned legislated obligations are up by about, or I believe it was about a 30% change.

Peter Federko
So two things. We’ve got the committee of review which we had not had last year – so we are anticipating a couple hundred thousand dollars we are probably going to have to pay into that. Plus we are seeing an increase in the budget for the Office of the Workers’ Advocate, again, around a couple hundred thousand dollars. So that’s all been kind of included in that.

Ken Ricketts
Okay. Is there a basic figure we could use – of course I’m with the safety associations I’m looking at gently beating some of my members over the head. I have a couple of members that I may need to do that. Do you have a minimum cost of running a claim through the system? And I’m talking from the internal costs.

Peter Federko
There is an Association of Workers’ Compensation Boards of Canada, it’s awcbbc - Association of Workers’ Compensation Boards of Canada, awcbbc.org. They publish around 20 what they call key statistical measures where they compare us province to province as best they can. There is a couple of indicators in there relative to kind of administrative efficiency. And there is a measure of the cost per time loss claim and a measure of the cost per $100 of assessable payroll. Now the last number that we have is based on 2013 is the most recently published national comparisons. Our cost per claim, time loss claim, is about $5,600. The national average in 2013 was around $9,000. So it puts us third lowest in the country at 5,600 bucks. The cost per assessable payroll is we’re 28 per $100 of payroll, and that’s puts us second or third lowest in Canada as well. Anyways, on average, to run a claim through the system just the administration costs. The claims costs, if it’s a time loss, are actually closer to 12,000. I just used ten because the math’s really easy for me. The claims costs for a time loss claim are roughly $12,000 per claim, the administration costs are about 5,600, per time loss claim.

If we did that over the entire population, I don’t know. I don’t think we calculated that, but it would be a third of that. So if we took our admin costs divided by total claims, it would be about say 2,000 bucks.

Ken Ricketts
Okay. Thank you.

Rick Morrison
My name is Rick Morrison. I’m from Cameco McArthur River, so a mining guy. I just wanted to make a comment first and then a question, comments about the Mission Zero. So I know that we have the second highest rate in Canada and the idea of how do you get behind that. And I would suggest from the data that you have shown us here today – and I think it’s well known within many of the industries that you look at the claims distribution and the unsecured or the claims costs that most of the injuries that are costing money, and I’m talking strictly on a financially end, are centred around high risk activities. So if you would look at an enhancement
on our Mission Zero -- Zero's been out there for 20 plus years. So to look at some of the studies done out of Australia, what they did is they haven't been able to stop the fatalities. What they have really come to understand is that the correlation between high risk activities in any individual industry, when they are identifying, and the efforts put towards ensuring the controls and focus are around high risk activities have been able to reduce fatality. So I would suggest for our province that we look at enhancing Mission Zero or an evolution beyond the comments on Mission Zero and really focus on high risk activities. And I think that's what would pay the benefits on the fatality side. So that's the comment I have on high risk activities. And I think what we do is we -- yeah, the numbers show we've got finger and hand injuries and yet we are still having serious back injuries, so where is it ending? And I sort of think what we're underlying doing that with regards to the Chiropractor Association and others, but I think a more concerted effort around high risk activities will pave the way for less fatalities in our province. And so, speaking of fatalities, my question really goes to the fundamentals on the structure and some of the things you have put forward today how groups pay poor performance. And I'm curious why when it comes to fatalities that that we average the costs.

Peter Federko

In response to your comment, within our targeting strategies we have actually targeted fatalities as one of the things we need to learn more about and focus on from a prevention targeting perspective. So we don't have that strategy. I really appreciate those comments. That's additional information we can look at as we formulate our thoughts about how we can best target these fatalities. The reason, again, that we cost average the fatalities is because in any given year any employer, any industry code, can have a fatality. And when we looked at the stats over the last ten years, every industry rate code had at least one fatality. There was a general concern -- and this will be one of the elements that we will be asking our actuary to have a look at in terms of that component of our rate making model -- but there has been concern expressed in the past about not wanting to -- I can't think of a really politically correct way to say this, so I'm just going to put it out there and I'll give you the number of our lawyer. There has been concern expressed in the past that not embarking on fatality cost averaging would encourage employers to hire single people because -- particularly in high risk industries -- because the cost of a death to a single person is far less than the cost of someone who is married with children. And that's the truth. I mean in terms of the costs it is the truth. Someone with three dependents, the youngest being one year of age, you're looking at over $500,000. A single person dying, you're basically looking at burial. With no dependents, you're looking at burial costs in the $20 - $30,000 range. And so to take the differences out relative -- I mean a
death is a death. Whether it costs $30,000 or $500,000 is -- the focus should be on the fact that someone actually died. And so to take the cost impact out, to take the discriminatory factor out of whether you are single or married with children and to recognize that in any given year an employer could have a fatality and then having to bear 100% of the cost of that fatality could really place undue hardship on them. So we have, for 15 years now, employed this sort of ten-year fatality cost averaging. I’m not sure if that’s right or not, I’m just telling you that’s what the thought process was when we put this in place.

Rick Morrison
So I guess my question would lie -- is there an industry that’s performing poorer on the average based payroll dollars, is there a correlation there that we need to have a higher focus on? And if so, why are fatalities treated differently? And, fundamentally, if that logic holds true of why they haven’t did that, the logic being that a single person is less cost to an employer on a fatality, would that not hold true on all hiring practices, then, because then they wouldn’t have to pay additional benefits on their benefit stream? So I don’t know of anybody in industry I have ever talked to or sat with that would even breach that subject in a meeting. Can you imagine how the Human Rights Commission would handle something like that? Like I think the logic that we just articulated is flawed because I don’t think I will ever sit in a responsible meeting with responsible people and anybody would put forth that logic. So I think the actuary has an opportunity to look at it and see if we can maybe target behaviours or performances by certain industries to improve it. Thank you.

Chris Luczka
My name is Chris. I’m with Baydo Developments. I’ve got a question about construction premiums. My company has roughly 90% of our staff employed as professionals, engineers, designers, and accountants, but yet we pay premiums based on construction rates. Has there been any thoughts on prorating for companies that -- I mean I don’t even own work boots. So I mean -- is there any policy on prorating for companies that are heavily weighted to administration staff but still classified as construction?

Peter Federko
We do not use occupation, that’s not the basis of our classification and I can’t think of any system in Canada that, or elsewhere really, that looks at occupation. I think New Zealand might, or Australia, one of those countries. What we look at is what the underlying business activity is. I
don’t know your business -- I’m sorry, sir -- but you are either an engineering company and so you might fit into the engineering classification, but if you are involved in the construction or closely tied to the construction industry where all your activity is related to that, you will be associated with that. And there is no consideration given to saying a portion of the business is administration as opposed to whatever the actual business activity is. Because you couldn’t strip out -- if you could strip out your administration and say, “Well, there are other businesses that avail themselves of the administrative services we provide and therefore this section of our business can stand on its own without the rest of our business activity,” then you might have a case for saying, “We have a separate entity over here that doesn’t just provide services to Mother Company but to 15 other non-associated companies,” that in my mind would be a separate business entity entitled to its own administrative code. And then you would be left with the construction industry. I think what we have to keep in mind -- this is true in all sectors -- so unless you are an accounting or a law firm where everyone is kind of administrative, every business has got an administrative element, so whether it’s manufacturing or construction or mining or whatever. The fact that those occupations have in all likelihood fewer injuries than the ones who are actually working in the holes in the earth serves to actually subsidize the premium rate within that industry. So if we were to peel all administrative services out of every industry sector, say all of the accountants, administrative assistants, engineers sit over here in this code, effectively you would see the premium rate in the base industry codes have to go up because the cost per payroll dollar would have to increase. But to answer your question, no, we would not considering prorating. We have actually had companies who created holding companies and spun off their administrative services into a holding company. That holding company only provided those administrative services to Parent Company. We said, “Nah. We are looking through that corporate veil. You are still all the same entity. You are just trying to avoid having to pay premiums.” If you have questions about that, again, we have got far more qualified people than I do sitting at that back table there that can talk to you about the classification. They would ask you specific questions about your business. You may be improperly classified. But it would worthwhile having a talk with them.

Gord Dobrowolsky

First of all, thank you, a very sincere thank you for attending today. We do appreciate your input and your attendance, for sure. Secondly, Peter, the board, and myself, would like to also thank the people who put this together, because there are a lot of people in the background that put this all together and we are very appreciative. So with that, again, thank you for attending, thank you for your input, and have a safe drive home.