Saskatchewan Workers' Compensation Board

Annual General Meeting

May 2 & 3 2018

Peter Federko

Good morning, everyone. We have a bit of an agenda for you here this morning.

I will cover off the first part of the presentation. I will then invite my Vice Presidents to come up and give specific reports with respect to their particular areas of responsibility, a financial report from our Chief Financial Officer. I will provide a bit of an outlook in terms of 2018 and somewhat beyond, and then of course we will have a question and answer session at the end.

I really want to welcome all of you here in attendance today and welcome those of you who are joining us by webinar. I really appreciate your interest in what's going on with your compensation system, and we are very, very pleased to report out to you. I am very pleased to be joined this morning by my Board, two of my Board members, Larry Flowers, who is the

Employer Representative on our Board, and Garry Hamblin, who is the Labour Representative on the Board. I want to bring regrets from our Chairman, Gord Dobrowolsky who unfortunately couldn't be with us here today.

I am also joined by my Vice Presidents, Ann Schultz, who is our Chief Financial Officer, Claude Bwanka, who is our Vice President of Administration and Process Improvement, Mick Williams, our Vice President of Operations, which is the claims side of our business, and Stuart Cunningham, our Vice President of Human Resources and Communications. Again, regrets on behalf of our Vice President of Prevention and Employer Services, Phillip Germain, who himself is dealing with some medical issues as well and could not travel. Unfortunately, we are not really the poster children for Mission Zero today, and maybe we can talk a little bit more about that later as we get into the presentation.

I am very pleased to bring remarks on behalf of the Board and our Chairman, Gord Dobrowolsky, in terms of inviting you here. It truly is a pleasure for us today to share with you the results of our operations for 2017 and give you a glimpse of what we are looking at in '18 and a little bit beyond.

We take very seriously our obligation to provide excellent service to the workers and employers of Saskatchewan, our customers in the Workers' Compensation system, and express gratitude to our partners, both internal and external, for allowing us to improve the level of service to those two primary customers. Of course, we want to operate our system in the most effective and efficient way possible and our objective today is to try and provide a little glimpse in terms of how well we are actually doing with respect to discharging those responsibilities. Consulting with you and in public meetings with you are an extremely important part of the way we choose to do business here in Saskatchewan. This is our 18th public meeting this year in 2018. We had over a thousand participants join us in 16 industry-based rate setting presentations in February and March of this year, we had over 500 people in attendance at our Compensation Institute in March, and of course we have our AGM here today.

First of all, a little bit of history, just a reminder of why the workers' compensation system exists and kind of fundamentally what the foundational principles of a workers' compensation system are.

The Workers' Compensation in Canada began in Ontario in the early 1900s and was founded to solve a problem that the Government of Ontario was facing with respect to not having any kind of social safety net with respect of what happened when workers got injured on the job. And what was happening is because there was no social safety net like workers' compensation, the only recourse that workers had was to actually sue their employers. Very few of them were ever successful in those lawsuits and they became the responsibility of the province, falling onto whatever other social safety nets were available to them through the government systems. That became quite expensive for the Government of Ontario and so they appointed a fellow by the name of William Meredith to study an alternative. And Meredith came up with this concept of a workers' compensation system which became law in 1915 in Ontario. That similar legislation was introduced in Saskatchewan in 1930.

The fundamental principle on which compensation systems across Canada were based and continue to form the foundation for compensation systems in Canada, and quite frankly in most jurisdictions around the world, are kind of these five principles often referred to as the Meredith Principles. But the underlying premise or the underlying motivation for the establishment of compensation systems was what's often referred to as The Historic Compromise, a deal that was struck between labour and employers whereby employers agreed that they would 100 percent fund the operation of the compensation system in exchange for which workers would give up their right to sue.

As I said, those principles have been in effect in Canada for over 100 years, and in our opinion and in the opinion of many others in a system like ours, continue to form the foundation of compensation systems again, around the world and are as valid today as they were 100 years ago. I am not going to go through all of the principles. We have done that many times before for those of you who have been here before, but fundamentally workers' compensation is an insurance system based on the concept of no fault and collective liability. The distinction between the workers' compensations system and other insurance companies is this principle referred to as exclusive jurisdiction, where compensation boards, or commissions as they are described across Canada, are really the ones who are ultimately responsible for providing that insurance, are the only monopolistic insurance company from which employers can actually buy their compensation coverage.

Just a very high-level overview of kind of the activities or things that we had undertaken in 2017. As a result of an actuarial study that actually began in 2016, the Board approved an enhanced rate model, and starting late in 2016 and continuing on in 2017 many consultation meetings were held with industry to describe the elements, the principles, of the enhanced model, which fundamentally the enhancements were to increase the accountability and really balancing competing, what we see as competing principles. The principle of reactivity: we want our premiums to react in a way that reflects kind of current injury experience, but at the same time we want to balance that with providing stable premium rates. We also want to balance this concept of accountability whereby employers are held accountable for their individual injury experience, but balance that with the underlying insurance concept or principle of collective liability. The Board approved this enhanced rate model in 2017, but wanted to consult with the industry with respect to how we would implement that rate model.

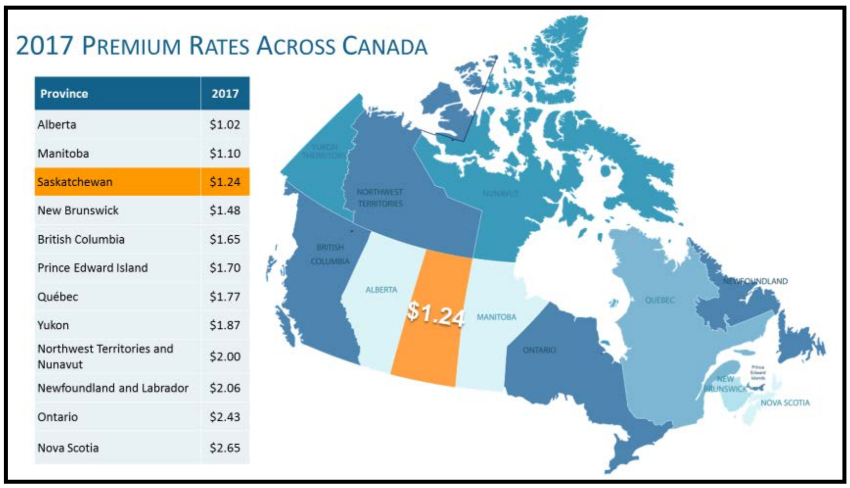
Some employer rate codes were positively impacted by the rate model, in other words saw their premium rates go down, others were negatively impacted by the rate model, seeing those premium rates increase. And again the 16 industry-based consultation meetings we held earlier this year were to meet with those specific industries to help them understand exactly why their premium rates were being affected the way they were. The Board approved the implementation of the enhanced rate model beginning in 2018 with a transition provision for those industries that were negatively impacted as a result of the enhancements made to the rate model. What that meant is for industry rate groups who were seeing their premium rates go down as a result of the enhanced model, they received 100 percent of the benefit of the enhanced rate model in their 2018 premium rates. For those employer rate codes that were negatively impacted by the enhanced rate model, the Board decided to withdraw money from our surplus or our injury fund and essentially hold the premium rates where they would have been had we not changed the rate model for 2018, with full implementation of the enhanced rate model for 2019. Beginning in 2019 all industry rates will be established using the enhanced rate model.

Our operational results for 2017 we believe were positive. Ann will go through in greater detail our financial results, but we generated in operating our net income of about 110 million dollars for the year, which put our funded position at 117.8% which is within our funded range of 105 to 120%. Our organization remains well funded, protecting instability in premium rates for employers moving forward, as well as ensuring guarantee of our ability to actually pay future benefits to injured workers.

Our injury prevention programs – and I will talk in a little greater detail about that in a few minutes – we believe we were quite successful with employers, 88% of employers actually achieving Mission Zero which means zero injuries and zero fatalities throughout 2017. We had a record number of workers covered, or our fulltime equivalents covered, in 2017 increased by almost 3,000 workers, and notwithstanding that we continue to see positive results with respect to what's happening on the injury prevention front.

The Board also undertook a review of our funding policy and made some relatively minor but important amendments to that funding policy, and when Ann delivers the financial overview she will talk in greater detail about the changes that were actually made to that funding policy. In 2017 we were able to reduce average premium rates for employers again down $1.24. Our total injury rate decreased again down to 5.25%. Unfortunately, our time loss injury – and again I will talk a little bit more about that in a minute – our time loss injury stayed stable at about 1.86%. All in all we believe the operating results for 2017 were positive.

Premium rates in Saskatchewan at $1.24 for 2017 remain the third-lowest in Canada. As a result of positive injury prevention results, injury experience results, as well as claims experience, we were further able to reduce the average premium rate down to $1.19.



In 2018 at $1.19, we remain the third-lowest in Canada with respect to the 2018 premium rates. The work that we do is very much influenced and driven by the strategic direction that the Board provides to the administration. And the beginning point of that strategic journey is the vision for our organization, the ultimate objective that we are intending to achieve. As I mentioned earlier, our focus very much is on the provision of excellent service to our customers.

And our vision statement is intended to reflect that commitment to the provision of excellent service by stating that we are here "to excel in the development and delivery of both workers' compensation and prevention programs and services." Our mission statement informs us as the Board's expectations in terms of how we will deliver on that vision statement. And as stated, "We will be a customer-centric organization that continuously seeks to add value for our customers through a culture of continuous process improvement." So looking at ways continuously to improve our processes, to deliver additional value for our customers, is our journey in terms of trying to achieve the ultimate vision of our organization which is to excel at the programs over which we have responsibility.

The vision and mission of our organization are supported by five corporate beliefs, which really focuses on the five critical things that we believe need to be focussed on and working together improve the customer experience. At the centre of this pentagon is how we think about that customer experience, and we describe it as workers and employers deserve excellent customer service. After all, that is what employers pay for. In improving that customer experience we realize that we must focus on the people who are actually doing the work and so our commitment to our people is that our people expect leadership to provide a healthy and engaging environment. A healthy and engaged staff are better positioned to serve our customers.

We continue to focus on the elimination of injuries and fatalities and so we cull that out: every injury is predictable and preventable, our customers rely on us to help them eliminate injuries, but our staff also deserve to work in a safe and secure environment.

We recognize the importance of our financial stewardship and we know that our customers expect us to deliver value through our services and programs at a fair and reasonable cost and to meet all our obligations now and into the future, and it's for that specific reason that you will see things like a funding policy that ensure the financial integrity of our system.

We also know that timeliness and quality are critically important in terms of fulfilling or improving the customer experience. We know that customers rely on us to deliver service at the right time, that is when they need it, and we know that we owe our customers defect-free service. These beliefs, supporting our mission and vision of our organization, really guide how we go about doing our day-to-day work at the administrative level.

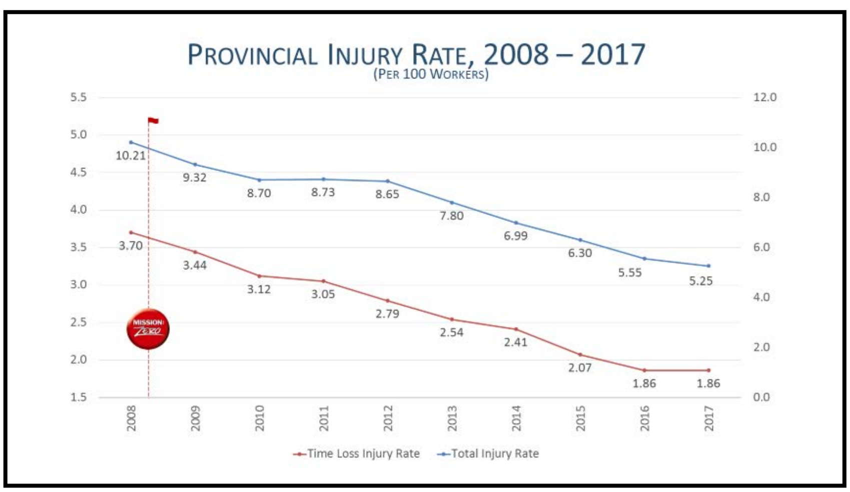
Our Employer Services unit provides a myriad of services to our employers. We collect payroll information, we assess that payroll information for purposes of collecting our premiums, we register employers, we conduct payroll audits, we are involved in the process of establishing premium rates, we provide confirmation of coverage with respect to claims that will come into the system, we need to make sure that there is actually an employer that has coverage before we accept an injury claim, we register new employers, and we provide clearances. As you can see from the numbers, it's kind of a busy part of our organization.

You will note that on the payroll audit side that our payroll audits actually decreased in 2017 compared to 2016, and that's primarily due to vacancies that we have had in our audit team that did not get dealt with. I think the interesting thing about our payroll audits is not only are we looking for underreporting of payroll but we are looking for overreporting of payroll. It's become apparent to us that there is not a clear understanding still on the part of employers exactly how much payroll they are to report to us, perhaps a lack of recognition that the payroll reporting is actually limited to the maximum insurable earnings. In 2017, the net result of the audits that we conducted actually resulted in credits being applied to employer accounts because of overreporting of the payroll, so refunds or credits were issued on those employer accounts as a result of those payroll audits being conducted.

As a result of innovations and through process improvements we have significantly been able to improve the services provided to employers through our Employer Services unit. 99% of all clearance certificates are issued within half a day. Over 90% of those are now currently being done online, self-service being provided through online services allows employers at their convenience to go online and actually receive their clearance certificates. We have also been able to improve our results with respect to employer registrations.

In 2016 around 40% of employer registrations were completed within five days of request. We were able to improve that to 74% in 2017, again as a result of process improvements and innovations that were put in place.

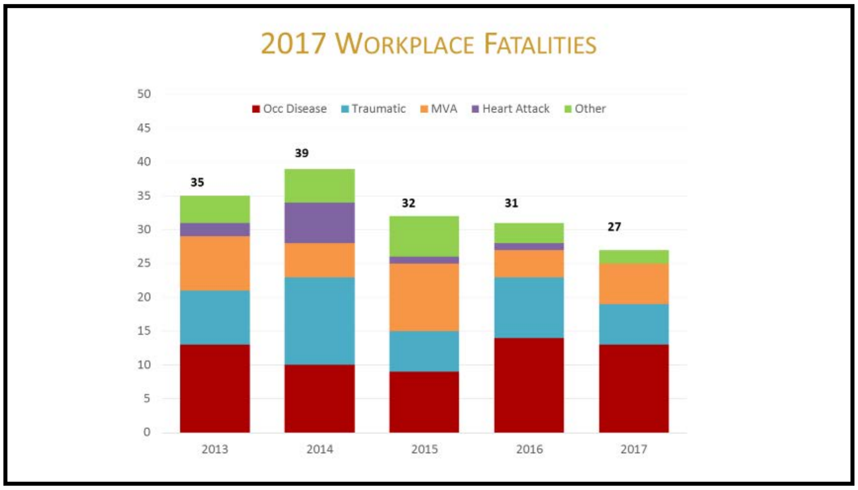
Looking at the prevention side of our business, these are kind of the key metrics that we monitor and look at with respect to our prevention efforts. We look at the number of no time loss claims, those that don't require any wage loss, time away from work. We actually saw a decrease in our no time loss claims of almost 1,200 claims in 2017. Our time loss claims, unfortunately, did not see that same experience. As a matter of fact, we saw an increase of almost 80 time loss claims in 2017. Fatalities – and I will talk a little bit more about that – we had 27 people in 2017 actually succumb to their workplace injuries.



Looking at our injury rates, which is one of the ways we actually monitor what's happening with respect to relative safety in workplaces, so the line at the top is our total injury rate, that's total injuries divided by the number of fulltime equivalents covered, and you will see there has been a significant drop in that total injury rate over the reported period. 2008 was the year that we actually introduced Mission Zero as our call to action, being the elimination of injuries and fatalities in our province. There has been significant reduction since 2002 when we first introduced WorkSafe Saskatchewan. However, the majority of that decrease in both the no time loss and the total injury rate have occurred since 2008. This is incredibly positive and attributed to the efforts of workers and employers in the workplaces in Saskatchewan to make their workplaces safer. Fewer people are getting injured today than they were when we introduced Mission Zero or back in 2002 when our injuries really spiked.

However, for the first time in 14 years we have missed both targets with respect to our total injury rate as well as our time loss injury rate. As I mentioned earlier, our time loss injury rate stayed flat at 1.86%. Somewhat concerning to us in terms of a levelling off of that, as I mentioned just a few minutes ago, an actual increase to the number of time loss injuries. Our total injuries, however, did decline as I said by about 1,200, however that reduction was not sufficient for us to actually meet our target for 2017 which was a total injury rate of 5.17. Instead we settled out at 5.25. Still very, very positive in terms of the results because we are covering more workers and to see at least no deterioration in the injury rates and a continued decrease in the total injury rates is still very, very positive from our perspective.

Now what does this actually mean in real terms? Over the last five years the reduction in the time loss injury rate actually removed almost 2,900 time loss claims from our system, an additional 6,000 no time loss claims. Each time loss claim roughly costs $14,000, we simply do the math and multiply 2,900 times 14,000. That means all of the things being equal, roughly 40 million dollars in compensation costs was removed from the system on an annual basis over the last five years. If we look back to the inception of WorkSafe Saskatchewan in 2002, we have seen a 62% in the reduction of our total injury rate, removing over 7,200 time loss claims from our system. Applying the same $14,000 per claim actually results in a savings of over 70 million dollars a year in compensation costs. Not only are these injury prevention efforts reducing the pain and suffering that's inflicted upon injured workers whose lives are dramatically impacted by a workplace injury, it also has extremely positive economic impacts and has been the primary reason that we have been able to reduce consistently average premium rates over the last ten years.



Fatalities is another whole matter. One of the most stubborn areas with respect to our injury prevention efforts. And notwithstanding that we see the reduction in the number of total fatalities over the last two years, if we were to look at the fatality rates over the last ten years we would actually see that we really haven't in any dramatic way impacted what's happening with respect to fatalities. A recent study done by the University of Regina comparing Saskatchewan to other jurisdictions indicated that Saskatchewan has the highest workplace related fatality rate, of all provinces in Canada. It's not something to be particularly proud of.

As we proceed with our strategic and operational plans moving forward, we are becoming far more aggressive in terms of strategies specifically to address what's happening with respect to fatalities. About half of the fatalities in 2017 were actually the result of occupational diseases, being asbestos and cancers. The other half were the result of traumatic injuries, falls, being crushed, those kinds of things. We have seen a reduction in each of the respective categories of fatalities with the exception of motor vehicle crashes where we actually saw an increase in the number of fatalities as a result of motor vehicle crashes. I believe it increased from 4 to 6, which is contrary to what provincially we have seen through our auto insurer SGI who reported a decrease in motor vehicle fatalities in 2017. It's a bit of a conundrum or a mystery to us in terms of what's going on and will really be one of our primary focusses as we plan for 2018, '19 and through to '21 in terms of our efforts to reduce the harm caused to workers.

The other category that you see in terms of fatalities really relates to medical complications that occurred as a result. For example, one of those fatalities – we had two of those in 2017 – one of those fatalities was as a result of medical complications. The original injury was actually the result of a fall, but due to some medical complications from that fall the worker actually passed away.

While it’s easy for us to dismiss the occupational disease fatalities by saying that’s the result of exposures that occurred years ago, there is very little we can do today to actually impact what’s happening with respect to those occupational fatalities resulting from exposures. However, asbestos continues to exist in our provinces and in Canada. The majority of homes built prior to 1990 in all likelihood will contain asbestos. The majority of commercial buildings in our province that are fairly old will continue to have asbestos. We have workers entering both residential and commercial, and industrial properties conducting renovations and as they open up walls of course there is the risk to being exposed to asbestos, exposures.

As part of our prevention strategy – and I’m not sure if any of you saw the morning news this morning, but our Director of Prevention, Kevin Mooney, did a little interview in terms of our efforts with respect to bringing a particular focus on preventing occupational disease as a result of asbestos exposure through a partnership with WorkSafe BC, and I want to share with you a very short video with respect to asbestos.

We continue to focus on the asbestos exposures, understanding and appreciating that the potential for exposures today could actually infect our working population moving forward.

Our prevention strategies are really anchored around four primary pillars. WorkSafe Saskatchewan is a partnership that was formed in 2002 between the Workers' Compensation Board and the Occupational Health and Safety Division of the Ministry of Labour Relations and Workplace Safety, supported by a memorandum of agreement that was signed in 2016.

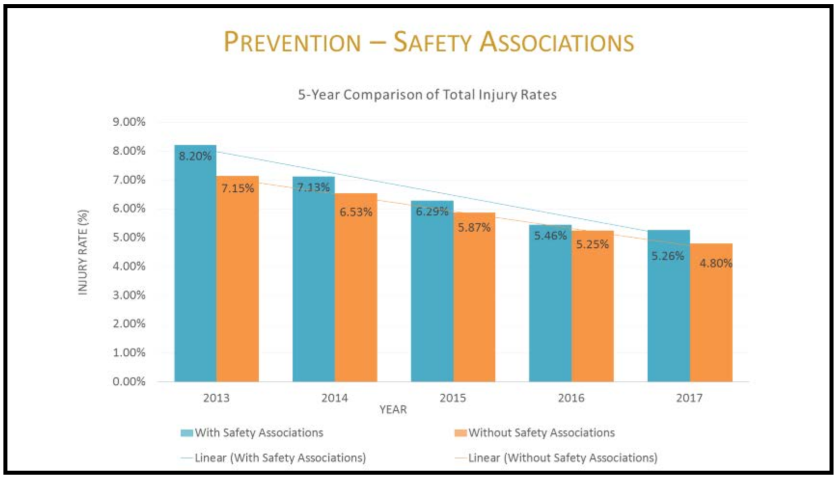
OH&S and WCB, through WorkSafe, have been planning together, integrating our plans, with respect to a unified prevention strategy that focusses both on the regulatory requirements as well as the educational and awareness components of what we consider to be a fulsome prevention strategy. The first pillar, of course, is our awareness campaigns. Hopefully you will have seen many of our commercials that are in papers, on billboard, through our social media, on televisions, and in print, trying to create awareness about the significance of taking responsibility with respect to workplace injuries. As we run these awareness campaigns we actually survey our customer groups to try and get an indication with respect to whether these are having any particular impact on our culture, on our attitudes and behaviours, with respect to injury prevention, and we look at something called an injury tolerance index. One of the questions we ask in the survey is "Do you believe that workplace injuries are preventable?" When we started doing these surveys more than ten years ago we were getting responses somewhere between 65 and 70% in terms of people who believed that workplace injuries were preventable. Our current injury tolerance index is sitting at around 88%. It has been flat for the last couple of years. The other question that we asked is "Do you believe that getting injured is just part of the job?" and unfortunately, we still have 51% of respondents who believe that accidents just happen and it's in the normal course of your work, you should expect to be injured on the job. So, we are focussing a future campaign on trying to get to that particular segment of the population to help them understand that it is not about expecting to get injured at work but working together to protect ourselves and each other to ensure that we go home at the end of the day in the same condition that we actually arrived at.

Another strong element is our education and training and that relates to online and classroom training. Over 10,000 people were trained in 2017, the majority of those being online, and that training relates to primarily Occupational Health and Safety. We just had a group yesterday in our Saskatoon office going through the Train the Trainer training programs. But there are also various other modules and I would encourage you to go to Worksafesask.ca and look at all of the training modules that are available. Very recently at our Compensation Institute we actually rolled modules as it relates to mental health, working in partnership with the Canadian Centre of Occupational Safety and Health. There are five modules as it relates to the prevention of psychological injuries as well as being able to recognize when that's happening. There is a module on resiliency. These are really quite short, they range from 30 to 60 minutes in length. There are things on violence in the workplace, there are modules on inspections, WHMIS. There's all kinds of resources through WorkSafe Saskatchewan that would be available to employers and workers to assist you in your prevention efforts. I really encourage you to go to Worksafesask.ca and really see all of the training and educational opportunities that are available.

Targeting is a very, very important pillar of ours as well. And working again in partnership with Occupational Health and Safety, we have this group that we call priority employers. It is over 200 employers who based on their injury experience we identify as those perhaps benefiting most from our assistance -- and in partnership with Occupational Health and Safety, inspections are done, recommendations with respect to implementation, development of safety management systems, follow-up audits are being done with these priority employers to ensure that they are taking steps to improve the relative safety in their workplaces. In 2017 priority employers made up about half a percent of all employers registered with us and yet they accounted for almost 25% of the injuries. We believe focussing on those priority employers and assisting them in reducing injuries in their workplaces will have an overall impact on our provincial results. And in 2017 we actually saw our priority employers' total injury rates drop by 15% as a result of the joint efforts. We also have a targeted campaign on residential construction. And while we did see some positive effects with respect to reduction in the injury rates, it was certainly not to the same extent that we have seen in other areas, which simply reinforces that we need to continue to focus targeting efforts on residential construction. Manufacturing is another industry – and I should say we are working in conjunction and partnership with the safety associations in these industries. Manufacturing, we know that a large number of their injuries are the result of repetitive strain, musculoskeletal injuries, and we have been working with the safety association. We are actually seeing a bit of an increase in the total injury rate in the manufacturing sector. Musculoskeletal injuries, are actually coming down, but are seeing an increase in hand injuries in that particular sector. Health care is another sector that we focus on. They are very, very, a large employer in this province contributing a very large number of claims into the system. We are focussing on backs and shoulders and on specific facilities where the injuries are actually occurring.

We also have a targeting strategy as it relates to youth, youth still representing about 15% of the injuries that we receive. Our online social marketing strategies, trying to get to that youth population for them to understand their rights and responsibilities and their right to actually refuse work, and to take responsibility again for their own safety as well as the safety of those that they are working with. Our Ready for Work program, which we partner with provides curriculum, working with Saskatchewan Safety Council to provide job-ready training, free job-ready training, and the Saskatchewan Safety Council has terrific free online training available, and again I would encourage you to go to their website to see all the programs that are available for those of you who predominantly employ our young workers.

Another very important pillar of our prevention strategy are our partnerships. We have about 47 partnerships with various organizations throughout Saskatchewan and across Canada. I mentioned CCOHS - Canadian Centre for Occupational Safety and Health. We have partnerships with many, many individual employers, our seven industry-based safety associations, the Chambers of Commerce, the Federation of Labour, Canadian National Institute for the Blind, and so on and so on, working together with these organizations to address the change in culture, the change in attitudes and behaviours across our province, by working with likeminded people to help us create additional awareness, additional education and training, strength being in the numbers.



We have seven industry-based safety associations. What this graph represents –the blue bars actually represent the total injury rates for those industries that have safety associations and the orange bar represents injury rates for those industries that do not have safety associations. I mentioned we have seven industry-based safety associations; they actually represent 18 industry rate codes. And while the industry covered by safety associations total injury rate is high, it's primarily because the industries that have safety associations are those that generally we would think of as being the higher risk industries, like oil and gas and construction, and health care as I mentioned to just to name a few. What's important in noting in this slide is the progression or the reduction in the total injury rates, for those that have safety associations, relative to those that don't. And as a matter of fact, the reductions have been greater over the long term in those industries that have industry-based safety associations compared to those that do not. The end story here is industry-based safety associations are critically important in terms of addressing the risks and hazards in the specific industries. And any other industries that are having particular issues, we would encourage you to consider the formation of an industry-based safety association to assist you in improving your injury results in your industry group.

As I mentioned earlier, a very important partner of ours in WorkSafe Saskatchewan is the Occupational Health and Safety Division of the Ministry of Labour Relations and Workplace Safety, and I would like to invite Ray Anthony, Executive Director of Occupational Health and Safety, to share some information with respect to the work that OH&S has done over the past year.

Ray Anthony

Well, good morning everybody, and thank you to the WCB for inviting us to be here today. On behalf of the Ministry of Labour Relations and Workplace Safety and our Minister, Don Morgan, we are glad to be here and support our partners in Mission Zero. Primarily the Ministry of Occupational Health and Safety and the Occupational Health and Safety Division acts as a regulator in the form of inspection and enforcement of the Occupational Health and Safety Regulations in Part III of The Saskatchewan Employment Act. That said, we always say we enforce regulation but we advocate best practice across the board, whether that be North American or international standards, whatever that might be. Along with this, what was our contribution to the effort?


Worksite Visits April 2017 – March 2018

Targeted Employers	2,341
Complaint Driven	645
Officer Initiated/Random	608
Notifications, Harassment, etc.	391
Total Worksite Visits	**3,985**

As Peter said, we are very big on targeting. Back in 2013 when we started targeted enforcement we began to build profiles of employers, and what we discovered was that 83% of employers when looking at a five-year window had already achieved Mission Zero, but there was 17% of the employers in the province that were responsible for 100% of all reported incidents. With the old adage, “Where there is smoke, there’s fire,” we began to concentrate our efforts on that group. And along with that, the targeting was not limited to just the employer, but it was to look at what were the causes and results of things that were injuring workers in that workplace, when you go out, look at those things, whether they be chemical, ergonomic, whatever the matter, look at those things and address those things in the workplace. And as Peter pointed out, it’s been quite successful. Again, I have got to apologize. The Government year is slightly different than the WCB’s calendar year; we work a fiscal year from April 1st to March 31st.

Summary Offence Tickets as of March 31, 2018

	Since Inception (Jul/14)	Current Fiscal Year
Issued	77	29
Guilty	66	25
In Progress	3	3
Stayed/Withdrawn	8	1

But when you look at it, we did 3,985 workplace inspections last year. That’s an increase of 15% or 536 inspections from the previous year, so we are actually ramping up the number that we are doing. We still had 645 complaints from workers that had to be addressed and resulted in workplace visits and inspections. That’s still about 18, 19%, not a great number. Officer-initiated inspections: these are the result of officers going out and basically doing inspections on things that they find in the various geographic areas, 608 inspections. And finally, notifications, those are things that are required by legislation or they happen to be harassment complaints that came into the office, at 391. That’s essentially the inspection side.

Prosecutions as of March 31, 2018

	2017-18	2016-17
Files sent to Justice	35	52
Prosecutions Initiated	29	38
Prosecution Convictions	37	25
Total Penalties	**$1,411,930**	**$870,996**

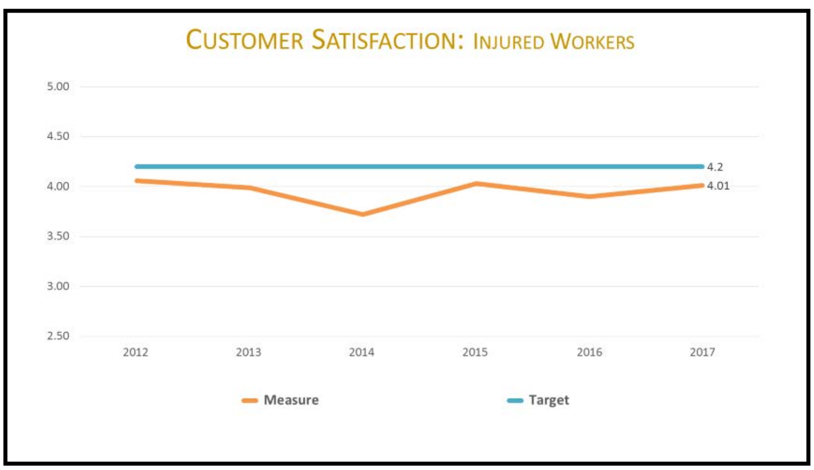
Prosecution outcomes and statistics for the current (and previous years) may be accessed from saskatchewan.ca.

Saskatchewan

The prosecution side, the enforcement side, falls into two groups. Back in 2014 we got the Minister to designate certain numbers of Occupational Health Officers as peace officers, and this enabled them to actually write tickets pursuant to The Summary Offences Procedures Act. It was a slow start. We had two officers, one in the North and one in the South, that were eligible to do this, and the purpose of it was to work with employers that were refusing to comply, work with employers that were refusing to communicate with us. And it followed basically four tenets. People fall off things, so fall protection, safety and excavations, things fall on people, guarding, people get tied up in equipment, and reporting. If we engage with an employer we want engagement, we want reporting back and forth. If we don't get it, there is a consequence to it. The total since inception, we had 77 actual tickets written -- 29 were written last year. I am happy to say now that we have moved up to 11 officers that are eligible, this is beginning to ramp up. And the system isn't any different than Traffic Court or if you get caught for catching too many pickerel. You go to Provincial Court or Traffic Court in Regina and in Saskatoon. It's another enforcement tool that officers have available to bring compliance online, but it is not used for an incident – those are our prosecutions. And as you can see, last year prosecutions, there were 37 convictions, which resulted in $1,411,930 in fines. This is up $540,934 or 62% from the year previous. I thought I would throw it out here. If you look at the numbers they don't mean too much, but basically, we had 62 prosecution files that went through in two years, 730 days, resulting in a prosecution on an employer every 11.37 days by the Ministry of Justice. It is fairly frequent and fairly often that we are in court now. And it's unfortunate because it's a failure in the system. At some point a worker has been hurt, an employer has been charged, and again our efforts have failed. It's not a good thing to say, but it is the means that the Government has chosen to enforce the regulations.

Mick Williams

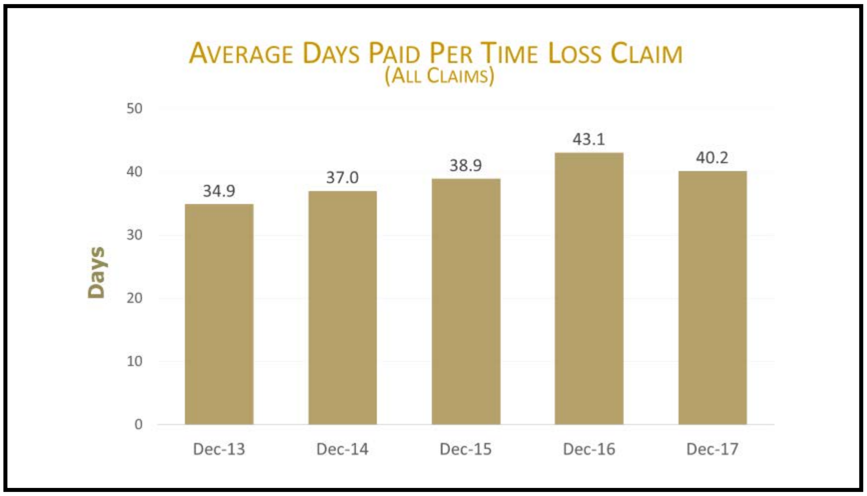
Good morning, in Operations we had a couple things that we were working on. We wanted to increase our accessibility and availability to be contacted, and the other was we were hoping to be working on getting better at reducing the durations of our time loss claims. I want to report out on that a little bit, talk about what we are planning to do for next steps, and then we will have Ann come up and present the financials.



On claims, the way we kind of at a high level keep track of whether we are striking the right balance between getting our workers back safely and in a timely fashion with what the employers need to have them back at work and to accommodate them. We have a semi-annual survey to each of those parties, and we keep our eyes on this at a very high level. One of the things that when we looked at this last year, this is where we drew the conclusion that we needed to get better at being available to respond to what your concerns were and be more timely in getting back to people and things like that. This is the worker results for this year. One of the missions we undertook this year was we needed to make ourselves more available to respond by telephone the first time it rang and so we were able to pay some attention to that and increase our pick-up rate, if you want to call it that. And we did see an increase in our customer satisfaction on the worker side of things, so that probably was one of the things that they were impacted by the most.

On the employer side – I'll show that slide in just a minute – it doesn't seem to have had the same effect. We do plan to continue to work on that, we know that there's probably some other things that we need to address as well in order to be continuously trying to get better at providing service that you feel good about.

As I said earlier, we had a bit of an improvement on the injured worker impressions on this score. On the employer side you can see there was actually a dip in 2017. When we looked a little bit closer at that to see what were the kinds of things that employers were more concerned about, we have got things in front of us like being able to provide better explanations. It's more on the qualitative side, if once you get a hold of us are we getting better at solving problems with you and things like that. That's where we are going to be turning our attention through 2018. The other main objective that we wanted to have in front of us in 2017 was the duration of time loss claims.



As you can see by this graph, over the years we were experiencing difficulty keeping our durations down. The average claim that where we have got loss time, this is the amount of time that that claimant is off work. Across Canada and I think probably in most jurisdictions worldwide there has been, we have been experiencing difficulty in increasing durations. We knew that some of this was contributed to claims mix, the types of claims we were getting. Some of it was due to mathematical implications of employers becoming better and better at preventing less serious injuries from becoming time loss injuries, so some of this was really mathematical. But we also knew that some of this was likely attributable to us having backlogs in our work. On this particular one the actions we took over the year, where we invested more predictive staffing model, it was a little bit more expensive to go that route but the things that we were hearing back from our stakeholders and customers was that, a) it takes too long to get back to claimants and to employers, and b) also that there's too many handoffs and changes of hands and you are not able to talk to the same person, continuity of the relationship, those types of things. We moved to a model of staffing where we anticipated absences versus responded to absences and we were able to diminish a lot of the backlogs in the queue work and through the year, as you will see the results, we actually were able to have a bit of an impact on durations. The extent to which that can be attributed to the backlog work improvement we haven't been able to isolate. As we look at it today on a go forward basis we are trying to figure out and sort out whether or not we should continue to invest in this fashion or whether we have gotten probably as much gain from a duration perspective from doing this as we are going to. So far in 2018, we have been able to maintain these improvements, but we haven't actually reduced it beyond the level of 40 days. We are still, as of the end of April we are still right around that 40 days for average duration. That's kind of at a very high level the claims story for 2017; there was some improvement.

Opportunities going forward for us: when we look at what's in front of us we think that we have a lot of opportunity in providing a better interface for our customers to provide information to us. Whether it be online or whether it be an improvement to the way we gather that information. The change in our psychological claim policy really brought forward and highlighted for us the deficits that we have in our W1 (form), for instance. We have always known that our E1(form), we go out and we try to collect a lot of information on that particular form and I suspect that that's as much of a headache for you as it is for us as we try to complete the information that comes in on that. We are looking at things like that in an effort to become a little bit easier for you to do business with and for us to be able to look at these claims and get to the ones that need our attention more quickly. One of the things that we have become very aware of in the past 12 to 18 months is that not every one of these claims needs the same response from us and the care community and the employer community. We have undertaken a few studies internally about how do we identify earlier those claims that need our attention. Because it's the claims that we have now that are taking us a long time to restore them to their function and their abilities and their ability to go back to work. It's those claims that we want to be targeting as we move forward because we believe that that's in all likelihood, if we can get better at identifying those particular claims, then that's our biggest opportunity to get people back to their normal lives faster, remove costs from our system, and just generally do a better job with our claims.

The other dimension we are looking at that has sort of again been looked at in a lot of other jurisdictions as well with the increased scrutiny or the increased attention that we are paying the psychological injuries, I think the impact that we maybe have not been paying attention to over the years is the psychological impact on the physical injury and how do we get better at isolating the variables in those claims where you may have a very similar injury to another person yet your return to work takes a much different path for a number of other factors that maybe up to this point we haven't had our eyes on. As we look forward to how, we want to get better at managing claims, we think that that's probably an area that we need to gain more confidence in. That's kind of the story in claims for 2017 and kind of a real quick look forward on it. Now I would like to ask Ann to come forward and present the financials.

Ann Schultz

Good morning. I am happy to be here today to give the WCB's 2017 financial report.

Statement of Operations & Other Comprehensive Income

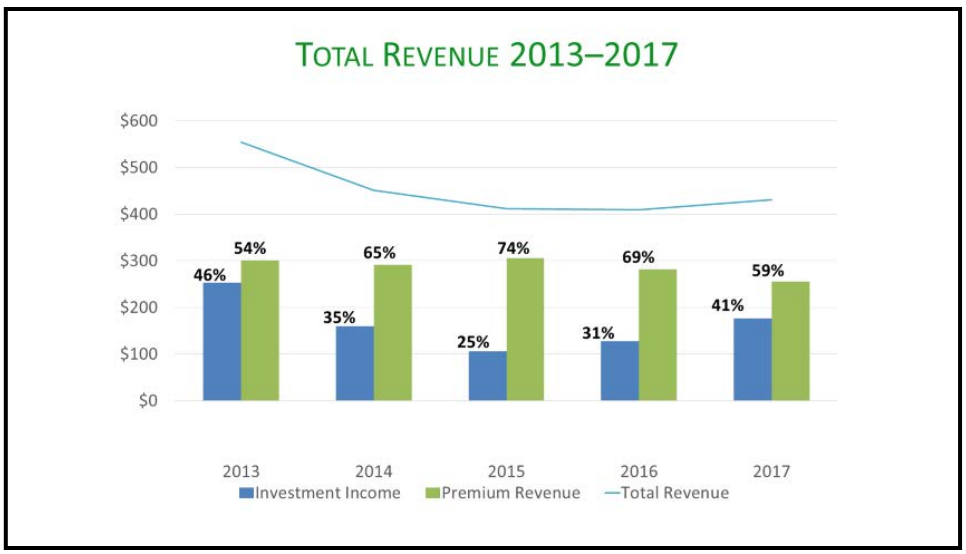
($000)	2017 Actual	2017 Budget	2016 Actual
Premiums	$255,172	$277,540	$281,823
Expenses			
Claims Costs	230,153	274,638	286,770
Administration	45,800	47,431	46,001
Safety & Prevention	24,491	24,769	23,292
Annuity Fund Interest	19,928	15,400	16,420
Legislated Obligations	1,207	1,157	1,339
Total Expenses	321,579	363,305	373,822
Underwriting Profit (Loss)	**(66,407)**	**(85,765)**	**(91,999)**
Investment Income	175,778	97,000	127,097
Net Income before Surplus Distribution	**109,371**	**11,235**	**35,098**
Surplus Distribution	0	0	281,500
Net Income (Loss)	**109,371**	**11,235**	**(246,402)**
Other Comprehensive Income	888	0	63
Total Comprehensive Income (Loss)	**$110,259**	**$11,235**	**($246,339)**

Our 2017 operational results are reflected in the statement of operations and other comprehensive income as portrayed on this slide. Premium revenue to fund the cost of claims is WCB's main source of revenue. In 2017 the premium revenue was 255 million, which was down about 26 million from 2016 and under our budgeted forecast by about 22 million. Provisional payroll, which drives the premium revenue, was anticipated to be about 22.5 billion in 2017, however it came in slightly below that at 21.8 billion. The average 2017 premium rate, which Peter already talked about, decreased 7.5% to $1.24 per $100 of assessable payroll from $1.34 in 2016. Despite the difficult economic conditions for some sectors in 2017, we did experience payroll growth, as I mentioned before. Assessable payrolls increased by 4.3%. Approximately 2% of that 4.3% was attributable to the increase in the maximum insurable earnings that was effective January 1, 2017.

The next category that we are going to go through here are all the expenses that we recognized. Claims costs totalled 230 million and we are about 57 million dollars less than in 2016. We will discuss claims costs and the reasons for that variance in a future slide. The net administration costs were a slight decrease from 2016 of $200,000 and we are under budget by approximately 1.5 million, mainly because some of our computer projects that get capitalized and amortized didn’t happen as anticipated which reduced our amortization expense. The other large reason for the variance, or the other reason for the variance to our budget was that we administered more federal government employee claims and we recover some of the costs of administrating those claims, so we collected more money from the Federal Government or our self-insured employers. Salaries and benefits make up about 70% of our administration expense and were relatively flat to 2016. There was actually a slight reduction of $100,000 and we were $352,000 under budget in 2017. Safety and prevention expenses includes the costs of the Occupational Health and Safety program at the Ministry of Labour Relations and Workplace Safety, funds to safety associations and WorkSafe Saskatchewan expenses. In 2017 there was a 1.2 million dollar increase in OH&S funding of approximately 1.1 million dollars. Safety and prevention expenses were under budget by about $270,000, and this was mainly due to WorkSafe expenditures on media productions. The anticipated production and media costs were less than what we had anticipated. The next expense on the schedule in front of you is annuity interest. Once a worker is receiving long term wage loss for 24 consecutive months, an amount equal to 10% of their wage loss benefit is put into an annuity fund for that worker until he or she reaches age 65. These funds are intended to provide injured workers with a source of income to replace Canada Pension Plan or other pension plan contributions that wouldn’t be generated because the worker was receiving comp benefits. At December 31, 2017, the liability related to the annuity funds exceeded 220 million dollars. This annuity fund earns interest and this amounted to the 19.9-million-dollar expense. Annuity interest is calculated based on a five-year average and in 2017 the interest calculated was 9.8% that we paid on the annuity funds as compared to 8.4% in 2016, explaining the variance from 2016.

Legislated obligation expense includes the Office of the Workers’ Advocate and Committee of Review expenses. In 2017 we paid the Ministry of Labour Relations and Workplace Safety 1.2 million dollars to fund the Workers’ Advocate Office and there were no Committee of Review expenditures. Total expenses, therefore, for 2017 were 321.6 million as compared to 373.8 million in 2016. This is a decrease of 52 million dollars. The underwriting loss, which is taking the premium revenue less our expenses, was 66 million dollars as compared to 92 million dollars in 2016. Investment income, our other source of revenue at the WCB to help fund expenses, is made up of realized investment earnings which are from regular interest and dividend payments as well as gains on disposal of our investment assets. We also have unrealized investment earnings when the fair market value of the assets becomes greater than what we paid for those assets. In 2017 realized investment income was 99 million and unrealized gains were 77 million. Total investment income in 2017 was 175.8 million as compared to just slightly over 127 million in 2016. Our investment returns for 2017 on our total investment portfolio were 9.8% as compared to 7.1% in 2016.

Other comprehensive income of $888,000 in 2017 includes the actuarial gain on our employee benefit plan with respect to our closed defined pension benefit plan. Therefore, the total results, as Peter indicated earlier, for 2017 was a total comprehensive income of slightly over 110 million dollars compared to a comprehensive loss of 246 million in 2016. The loss in 2016 was due to the recognition of the surplus distribution expense of over 281 million dollars in 2016. This distribution of surplus funds was approved by the Board in 2016 and related to our funded position at the end of 2015. We will go over the funding position in a bit more detail in a coming slide.



This slide shows the relative proportion of our revenue sources. The blue bars are investment income and the green are premium revenue. With unrealized gains and losses on investments recorded in investment income there is potential for significant fluctuation in our investment income from year to year. The years from 2013 to 2017 shown in the graph were relatively stable. However, as markets go up and down so will WCB’s investment income as we recognize unrealized gains and losses. 2011 doesn’t show on this graph, but that was a very poor year for our investments and investment income in that year actually was -13% of total revenues while in 2013 investment income made up almost half, 46% of our total revenue. As I promised earlier, we are going to revisit the claims costs.

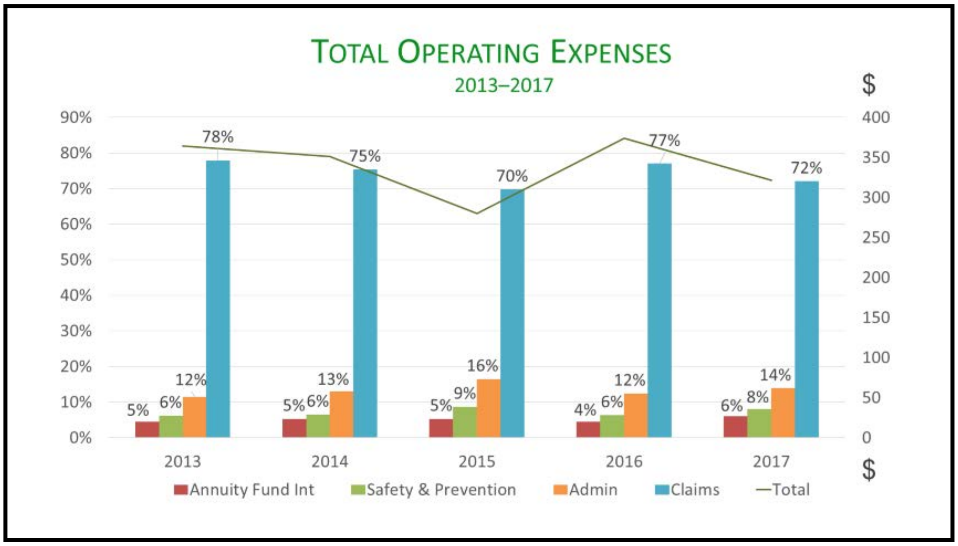
CLAIMS COSTS (Thousands)

	2017	2016
Program Expenses		
Short and long term wage loss	$117,341	$119,975
Health care	78,890	79,760
Vocational rehabilitation	4,563	4,341
Claims administration	11,151	11,401
Total Program Expenses	$211,945	$215,477
Actuarial Claims Experience Adjustment	18,208	71,293
TOTAL Claims Costs	**$230,153**	**$286,770**

Claims costs decreased almost 20% in 2017, from 287 million to 230 million. As Mick mentioned earlier, durations were slightly down, which impacted claim costs. Durations and the number of time loss claims are two drivers of the short and long-term compensation costs. Durations decreased in 2017, and total time loss claims in the system, that Peter introduced, actually increased slightly. Total days paid, however, did decrease somewhat that did impact that duration calculation bringing it down to just over 40 days. Health care cost inflation remains our greatest claim risk. In 2017 health care inflationary increases were offset by decreases in utilization of tertiary and secondary treatment services. Vocational rehab includes the expenses incurred to return injured workers to a meaningful employment and were fairly stable in 2017.

Claims administration is an actuarily determined amount to administer claims that are in the system at the end of the year to the end of the claim. Claims can last several years, therefore the actuaries require that we recognize some of the cost to administer those claims as a claims cost. The benefits liability on our statement, the financial position, is the actuarily determined amount that would settle all claims in the system if WCB ceased to exist. We must ensure that we have enough financial assets to honour all claims costs for all claims in the system to the end of the claim, and that could out as far as 50 years if a young injured worker is included. The benefit liability adjustment is the change in the benefit liability year over year. In 2017 the benefit liabilities increased by 18.2 million dollars to 1.229 billion from slightly over 1.2 billion amount at the end of 2016. In 2016 our external actuaries determined that a change in the methodology was required to value our benefits liability. In the past methodology prior to 2016 the number of time loss claims was used to predict future costs. However, the actuaries found in their experience studies, that is their back testing of actual claims cost experiences compared to what they had previously predicted, that there were inconsistencies arising. The correlation between time loss claim counts and actual costs was diverging in more recent years. While time loss counts were decreasing, there wasn't a proportional corresponding decrease in claims costs. Some of the reasons include the actual demographic and the nature of the time loss claim has changed over the last years. Shorter time loss claims have either fallen off due to prevention activities or better return to work practices. The claims left in the system are more serious, last longer and cost more. And the other reason that the actuaries decided that the methodology needed to change was that no time loss claims were actually increasing in cost due to medical costs incurred. Injured workers still need medical attention and ongoing medical support while they were able to stay at work and accommodated duties. The actuaries changed the method to look at medical costs for all claims, both NTL, no time loss, and time loss claims, and also changed the methodology with respect to the predictions on how long claims would last in the system. This increased the benefit liability in 2016 by 71.3 million dollars and is the main reason for the variance in the claims costs between 2017 and 2016. In 2017 the actuaries further refined the estimate for short term wage loss benefits or the non-pension costs projected to consider the experience of claims lasting more than one year in 2017. Previously they considered the claim costs that occurred in the year in that prediction. This resulted in an increase of 18.2 million dollars to our benefit liability.

Other assumptions used to value the benefits liability calculation remained the same, that's our discount rate, which considers the long-term investment income expectation on the assets we hold, and inflation assumptions for wages and medical costs remain the same. They did update the mortality tables for Saskatchewan experience that are reused in the calculation. Total claims costs were 230.2 million dollars for 2017.



This slide shows a comparison of our expense categories to total expenses. While it can be more stable than the comparative slide with respect to our revenue sources, it can also fluctuate based on changes to claims costs. Claims costs are represented by the blue bars on the graph – claims costs made up 78% of total costs in 2013. And the reason for that was that there was an 84-million-dollar adjustment to claims costs in that year on account of the new legislation and the increased maximum insurable earnings, so the actuaries had to bump up the benefit liability for claims that were in the system because of the impact of the new legislation. In 2014 claims costs were impacted by a change in actuarial standards that required that actuaries estimate and include costs for latent occupational disease, that's for diseases that had not occurred but could be reasonably expected to occur. That increased our claims costs in 2014 by almost 80 million dollars. 2015 was kind of a normal year; there weren't any extraordinary adjustments to the benefits liability and claims costs totalled 70% of our total expenses. In 2016 the claims costs were increased by 71.2 million for that change in methodology which was with respect to medical costs and claim duration. And then in 2017 we did experience the 18.2 million dollar increase in the benefits liability because of the further refinement in the claims prediction estimates that the actuary used.

Administration cost expense, which are the orange bars, are impacted by the ups and downs of the claims costs. The relative proportion of our administration costs will vary depending upon how claims costs move. Without the large claim cost adjustments, we usually run in the range of 15 to 16% administration cost as a percentage of total expenses. In 2016, the most recent year the data is available from AWCBC, the Association of Workers' Compensation Boards of Canada, Saskatchewan had the fourth-lowest administration cost per time loss claim in Canada.

A second measure of administrative efficiency that AWCBC collects is the cost to administer $100 of assessable payroll. For 2016 – again, that's the most recent data available – Saskatchewan had a ratio of .26 per $100, making us tied for second-lowest in Canada.

2017 Funding Position

Funded Position (Millions)	**2017**	**2016**
Injury Fund	$555.0	$446.2
Unrealized Gains on Investments	(297.1)	(219.8)
Injury Fund removing Unrealized Gains	257.9	226.4
Benefits Liabilities	1,228.4	1,210.2
Benefits Liabilities & Annuity Fund Payable	1,449.9	n/a
Injury Fund as a % of Benefits Liabilities and Annuity Fund Payable	17.8%	18.7%
Funding Position	**117.8%**	**118.7%**

Our funding position at the end of 2017 is 117.8%. And as I mentioned earlier, investments are recorded at fair market value and the changes in unrealized gains and losses is recorded through investment income. This can introduce volatility into our funded position as fair market values go up and down. The WCB's funding policy removes these unrealized gains and losses from the injury fund for purposes of calculating the funding percentage to remove that volatility and provide that stability in premium rates. The calculation then remains consistent year over year and the funding percentage is not subject to those market valuation fluctuations. The Board initiated a review of its funding policy and released a position paper in late 2016 inviting input from stakeholders on recommendations from the 2016 asset liability study. The funding policy was updated in 2017 to include the annuity fund payable, our other long-term liability in the funding percentage. At December 31st the annuity fund included was 221 million. The Board also made some changes with respect to actions to be taken when we move either below or above the funding range. Below 100%, immediate action should be taken to replenish the fund to 100%. When we go below 103%, the fund shall be replenished over a period not to exceed three years. And when we exceed our funding ratio greater than 122%, the surplus should be paid in the following year at the discretion of the Board. I am now going to turn it back to Peter and he will take us through the 2018 outlook.

Peter Federko

Thanks, Ann. One of our final obligations is to share with you a bit of an outlook in terms of what we are working on for 2018, and a little glimpse into the future beyond that. As I indicated in my earlier comments, we very much at the administrative level are driven by the strategic direction that is provided by the Board. We review our strategic and operational plan on an annual basis, updating it on a rolling three years. At any point in time we have a three-year strategic and operational plan in place based on an annual review that was done by the Executive and the Board. In the past that process was quite frankly done in isolation of the rest of the organization, it would always start with the Executive reviewing the vision and mission statements and value statements of the organization and proposing something to the Board. Upon the Board affirming the vision and mission of the organization, the Executive again would seek to establish annual objectives and plans and then cascade that into the organization, hand that over basically to the management team saying, “Go ahead and now do something in order to hit these targets that we have set for you.” Part of our continuous process improvement journey really requires us to look at the underlying systems that support that we are doing from a process improvement perspective. And one of those systems is the strategy of deployment, how do we create and deploy strategy through the organization to create better alignment from the vision handed down by the Board to the day-to-day work that is done by the frontline staff in fulfilling that particular vision.

The starting point of that strategy to deployment is really what is the vision, is the vision of the organization compelling, is it motivating and inspiring for the staff and does it enable the staff to connect their day-to-day work for what it is that the Board is asking us to do from the ultimate strategy perspective. As we reviewed that vision statement, again the process started with the Executive, last September, deliberating over how compelling the existing vision statement is. Remember it's "to excel in the delivery and development of both compensation and prevention programs and services." As we thought about that, we understand what that means in terms of reinforcing the importance of excellence in service, we didn't necessarily feel that, one of our staff, would find that particularly compelling or understand the underlying intent or purpose of that vision statement. So, as we entered into the 2018 planning cycle our first step was to reconsider that vision statement, and through that process we actually proposed to the Board a change, a simplified version. Prior to taking it to the Board, though, we shared that with the entire management team to get their feedback, and using their feedback made revisions before we actually went to the Board.

We think we have come up with a far more inspiring and compelling vision for our organization. Very simply put, the work that we do, the ultimate purpose of our organization, is twofold. We simply eliminate injuries through our Mission Zero and through our multidimension prevention strategies, and in the event that an injury occurs we actually restore the individual's abilities including return to work. Understanding that every individual is somewhat different and the barriers that might be in one individual's circumstance will be different than the barriers present in another individual's circumstance, whether it be their state of mind, the fear of reinjury or whatever the case may be, the resiliency of that individual. When we were intending to come through with restorabilities, is the need to look at the individual circumstance of that worker and what might be impeding the physical recovery and re-entry into the workplace, understanding that that injury not only destructed their work life but their entire life. And if we had time today I would share with you personally how this particular injury of mine totally derailed my life. And sitting at home for a couple of weeks because you can't do anything because you are in pain and you can't see a specialist, not knowing whether anything you can do will reinjure or make it worse, is excruciatingly painful from a psychological perspective in terms of your feeling of self-worth. And in a very short period of time I could feel this kind of feeling of worthlessness or depression setting in. My wife would go off to work, I would be home by myself, moving from couch to chair to bed to couch to chair, waiting for her to come home so she could make dinner. It was kinda sweet for a couple of days, I couldn't vacuum, I couldn't do dishes, I can't buy groceries because I can't carry or lift anything. It's great travelling now because my VPs are my roadies, they have to carry my bags for me. But after a little bit it gets pretty thin in terms of not having the same independence that you want to have, once had. I am fortunate that I have a job that can accommodate my situation. To get meaning out of life, at least I have work where I can contribute. What it reinforces for us is the importance of accommodation and modified light duties, connection with the workplace, in order to facilitate the physical healing, and it also reinforces with us the importance of understanding that individual's circumstance and perspective in restoring the individual's ability to work. So that's what were trying to get at. We feel that's quite a lot more compelling. And we have shared that with our staff through information sessions over the last couple of weeks and there is general agreement that, "Yeah, I can connect way more on a day-to-day basis." And we are not talking about benevolence here, we are not talking about paying for pain and suffering, we are not talking about any of those kinds of things where minds might go. It's about simply recognizing what we need to do in order to restore that individual's abilities to re-enter the workforce.

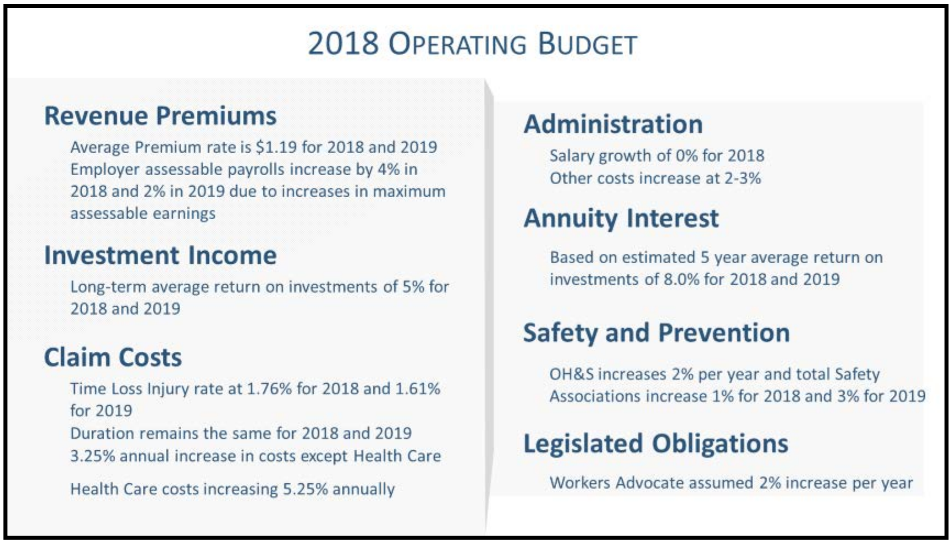
The way we do that is dictated by our mission that has not changed. We will be a "customer-centric organization that continuously seeks to add value for our customers through continuous process improvement," looking at ways of improving our processes in order to better restore people's abilities, continue the durations going down. It's not just about the duration number, it's about the loss of productivity that is being caused economically and in our workplaces because individuals are not able to re-enter the workplace, the disruption that's caused in the individuals' lives because of workplace injuries.

We will look to our processes and partnering with you and others in order to be more effective on these fronts. From that has flowed three strategic objectives, three priorities, over the three-year period, the first being Mission Zero relating directly to elimination of injuries. We will prevent injuries, fatalities, and suffering in all workplaces. And we have established a three-year objective. By December 31, 2021 there will be a 30% reduction in workplace injuries and fatalities. And thinking about our own employees, there will be zero WCB staff injuries and fatalities.

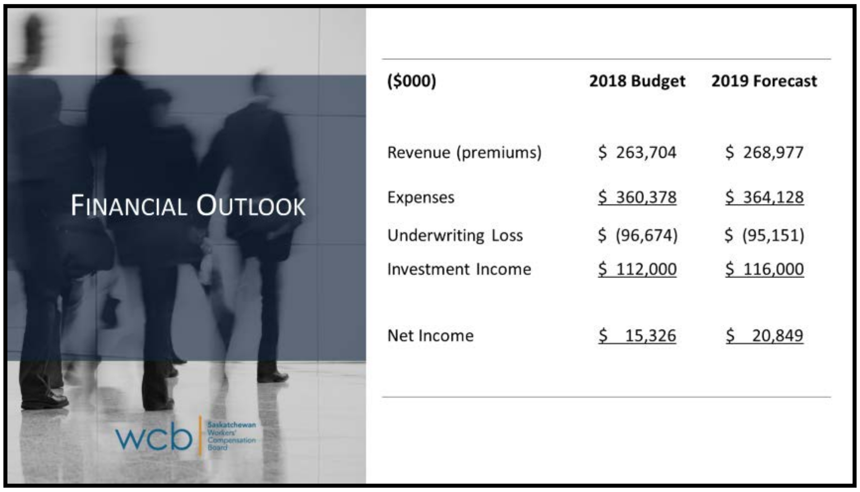
Looking at the restore abilities, we will restore the abilities of injured workers, and our objective is by December 31, 2021, 95% of injured workers will have their function restored within six months from the date of injury. Today it's taking us approximately 13 months to restore 95% of workers' abilities. We want to cut that in half over the next three years, understanding that we cannot do this without the engagement of our staff who do the work on a day-to-day basis.

We recognize the importance of having this culture of continuous process and improvement. We will develop a culture that engages all staff in solving problems. And our three-year objective is to improve our employee engagement results to 90% from 74% today. From that we do have annual objectives that are laid out in our strategic and operational plan for you to review, but I am not going to get into that level of detail. We believe this approach in terms of strategy deployment, starting with a compelling vision, cascading down through the corporate beliefs that I shared with you earlier in the presentation, and through these three-year breakthrough objectives that then cascade down into annual objectives and into shorter-term objectives the closer we get to where the work is being done, will make us more effective in improving the customer experience and the overall outcomes of our system.

Looking forward, sharing some projections with you, with respect to our premium revenue here are the assumptions that went into the formation of our projections.

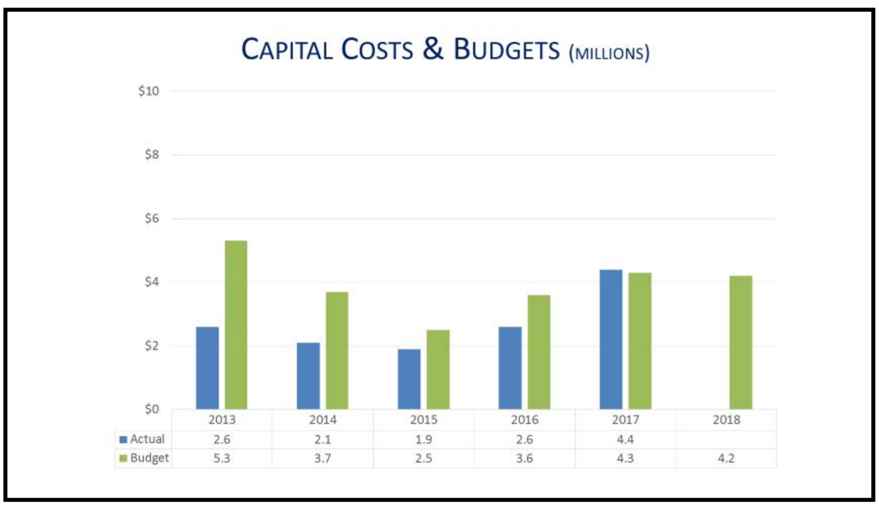


Our premium rate, as I said, for 2018 is $1.19 and we are assuming that is going to stay constant for 2018 and 2019. We are projecting a 4% increase in assessable payroll in 2018 and a 2% increase in 2019. Our investment income, we are assuming a 5% return in each year. Our claims costs based on our time loss and total injury rate targets of 1.76% and 1.61% and durations staying flat at about 40 days, costs in general, wages and other costs we are assuming are going to increase by 3.25%. However, health inflation is higher. We are assuming an increase of 5.25% annually in our medical costs. Administration costs, 0% growth in salaries in 2018 and a 2 to 3% increase in 2019. Annuity interest based on our five-year return of 8%. Safety and prevention, OH&S, a 2% increase, and a 1% increase in other safety association related costs. Legislated obligations, primarily being the Office of the Workers' Advocate, a 2% increase.



When we translate that into financial results, our budget for 2018 is as presented. We are forecasting a net income of about 15 million dollars for 2018, and for 2019 a net income of about 20.8 million dollars.

Our forecast for 2018 is that we will end up with a funded percentage of about 117%, not significantly different from where we are currently at.



With respect to our capital budgets, again sharing with you what our plans are, not much change in terms of our budget for 2018 in terms of capital projects. The majority of this is related to our enhancements for technology as well as IT hardware support in terms of licensing and so on so forth agreements. No major projects in terms of system replacement with the exception of our employer services system the technology is old it’s no longer supported.

Our challenges moving forward -- as I said we are seeing it flattening out in our injury rates both at the total and time loss, per time loss basis. It's the first time in 14 years that we have actually missed our targets. While we continue to see a drop in total injury rates, that little creep – I know it's only one year in a row, but that little creep in time loss claims has us somewhat concerned.

The stubbornness of our fatalities, staying at that kind 30 fatality per year level, has us concerned. And our future efforts will be focussed on – I know that our WorkSafe team is working on enhancing our targeting strategies, enhancing our awareness campaigns, strategies specifically related to the reduction of motor vehicle crash fatalities and fatalities from falls, and we will continue to be ever vigilant on that and need your continued support and partnership in this in order to make this happen. We continue – and notwithstanding all this progress, we continue to have the third-highest time loss injury rate in Canada, similar to our fatality rate, not something that we are particularly happy with.

Creating this culture of continuous process improvement, if any of you have ever tried to change the culture of your organization you know what a challenge that can be, and our focus will be on engaging the staff and hopefully the changes that we have made to our strategy deployment system will assist us in creating better alignment and creating that cultural shift we need to have our employees engaged in solving of problems that will make it better for our customers.

Our investment returns – any of you watch the investment markets with the President south of us being somewhat unpredictable, probably an understatement – you never know how world markets are actually going to react and we have adjusted the asset mix in our investment portfolio to try and more stabilize the investment returns and take some of the volatility out of the investment markets. Those changes are complete and in place and we need to continue to monitor that. As Ann showed you in her financial results, investment income continues to be a very, very important part of our financial success as an organization.

It would be remiss if I didn't continue to repeat the Mission Zero mantra, and that is one injury, one fatality, is simply one too many. Mission Zero needs to continue to be our call to action in terms of elimination of all injuries and fatalities in this province. Zero injuries, zero fatalities, zero suffering.

I thank you all very much for attending here this morning and would now open it up for any questions or comments that you might have.