2020 preliminary rate information meeting for 2021 rates
Virtual meeting

Wednesday, Oct. 28, 2020

Gord Dobrowolsky

Good morning, ladies and gentlemen, thank you for taking the time to join us virtually today. My name is Gord Dobrowolsky, and I am the chair of the Saskatchewan Workers' Compensation Board. On behalf of the WCB, I want to welcome you to our preliminary rate information meeting. I would also like to welcome you on behalf of your board members, employer rep Larry Flowers, and worker Rep Garry Hamblin.

It is indeed my privilege to address you this morning. This is a unique year for the meeting and the COVID-19 pandemic has created some challenges in us hosting annual public meetings. We remain committed to the health and safety of our staff, our customers, and our partners. Because of the ongoing COVID-19 pandemic and to maintain physical distancing, we are required to host our preliminary rate information meeting by teleconference. And as a safety precaution, wherever you are today, we urge you to follow Saskatchewan Government guidelines on self-monitoring and self-isolation to protect yourself and your family.

If you have been to a previous preliminary rate Information meeting, you already know that we have a lot of information to cover in the next hour. We will have 30 minutes after the presentation for your questions, so please take notes and write down your questions as we proceed. The question period is open to everyone attending. When our CEO has wrapped up his final comments you can submit your questions through the chat function. It should be on the right hand side of your screen. Our moderator will read your questions. And please be sure to cite your name. We will try to get to all of your questions on the call today. If not, we will add responses and post the Q&A to our website. After today's meeting, the preliminary industry rate code specific sheets will be available on WCB's website. Each sheet contains specific rate code statistics and the 2021 preliminary premium rate. This annual meeting is part of our rate setting process so we can remain accountable to you. This is also why we want your feedback on the proposed rates. We really appreciate the time you have taken to be here and be part of this meeting.

Our vision at the WCB is to eliminate injuries and restore abilities. That's the foundation of all the work we do at the WCB. There are things we all must do to achieve this. As employers, you need to provide a safe workplace for your employees. We believe the best employers have effective safety management systems in place to protect their workers. If anyone cuts corners to save time, this could cost a life. Even small actions can have devastating consequences. To illustrate the commitment, we hope all business owners share, the familiar phrase, "on time and on budget" should be expanded to say, "on time, on budget, with no injuries." We believe that by adding those three little words we are now covering every measure of success including the health and safety of the people working on those projects.

At the WCB we strive to balance the needs of workers and employers. To achieve our vision, our mission is to be a customer-centric organization that continuously seeks to add value for our customers through a culture of continuous process improvement. This means, we are continuously improving our practices to deliver the best customer service possible. Towards that goal, later this year we are moving to a paperless system of the 2021 rates. You will be able to log into your secure WCB online account to view your 2021 premium rate statement, experience rating letter, and certificate if eligible. We will not be sending any physical mail. By moving this information online, you get the information quicker and it helps protect your privacy. Less printed paper helps contribute to reducing the spread of COVID-19. Environmentally, this is a more sustainable approach to significantly reduce the amount of paper printed and mailed. If you don't have a secure WCB online account, you can sign up for one at www.wcbsask.com.

We are also taking steps to make sure our rate setting meetings are more valuable for you, our customers. Today's information will be available online after the meeting. This is all part of our efforts to constantly advance our service to you. By the way, you can find a recorded copy of all of our public sessions on our YouTube channel. Just search for Saskatchewan Workers' Compensation Board.

As a board, it is our legislative obligation to guarantee the future of our compensation system. That means we need to be good financial stewards, even in the midst of this pandemic. As we all know, this is a year of extraordinary circumstances in Saskatchewan. No doubt many workers and employers are feeling the impact associated with COVID-19, including business closures and, unfortunately, job losses. Canadians across the country are experiencing additional pressure, both at home and on the job, as our world continues to change and adjust to this pandemic. There is a lot of uncertainty as to what the future holds and how long the pandemic will continue.

Under our rate model, and taking into account claims costs and payroll, we calculated what the average preliminary rate would have been for 2021. We calculated the rate to increase to $1.23. However, to help mitigate the impact the pandemic has had on our economy, we as a board made the decision not to pass these increases to employers. For 2021, we will hold the preliminary average premium rate at $1.17, which is exactly the same as the 2020 average rate. Now, for the third year in a row the WCB's 2021 proposed average employer premium rate will remain at $1.17. Decreases in reported payroll compounded with increasing claim costs result in the average industry premium rate of $1.23. But, again, we have made the decision to hold at the board level and hold at $1.17 for 2021.

This slide shows the average premium rate history. Holding at board level this year means that everyone realizes some of the benefit of this decision. Some other compensation boards in Canada have also released their 2021 preliminary average premium rates. Those that haven't will likely do so in the next few weeks. As you can see from the slide, BC is proposing to keep their rate steady at $1.55, Quebec is proposing to decrease their rate by eight cents to the $1.77, Nova Scotia is proposing to keep their rate steady at $2.65, and Ontario is proposing to keep their rate steady at $1.37. With the hold across the board, we expect our rate to be the third lowest in the country. However, it may surprise you to know that our goal as a board is not to have the lowest rate in Canada. Our goal is to uphold a balance between stable rates and a fully funded compensation system. Employers can influence their industry and individual premium rate through effective injury prevention and return-to-work programs. Industry premium rates are also affected by the degree to which employers in an industry work to eliminate workplace injuries. After all, the least expensive injury is the injury that never happens. Individually, employers who commit to eliminate injuries in their workplace benefit from lower premium rates through the Experience Rating program. In 2019, for the fourth year in a row, 88per cent of employers in Saskatchewan recorded zero injuries and zero fatalities in their workplaces. This was a huge success and a testament to the safety efforts being done in our province. So, thank you for all of your health and safety efforts.

However, even with these advances, the average premium rate for 2021 would have increased if it weren't for the pandemic. This indicates there is still more work to be done and so we must all remain vigilant. The purpose of this slide is to help employers understand why you pay premiums. The workers' compensation system in Canada as we know it has been established through something known as the Meredith Principles. These principles were adopted over 100 years ago and I believe they are still as valid today as they ever were. Reflecting something known as the historic compromise, the Meredith Principles provide for an employer-funded compensation system in exchange for which the workers give up their right to sue. The principles stipulate that the WCB will provide no-fault mandatory insurance coverage to protect workers from workplace injuries by providing benefits such as wage loss and medical. Through this no-fault system, employers are protected from legal action arising from workplace injury and collectively fund the compensation system. We remain committed to the Meredith Principles that protect families, employers, and entire communities. All of us here representing the Saskatchewan WCB are extraordinarily proud to be able to help injured workers, their families, and employers, when they are negatively affected by a workplace injury. I would like to now turn it over to our CEO, Phil Germain, to discuss the evolving economic conditions and funding future costs. Again, thank you for attending today.

Phil Germain

I hope you have managed to stay healthy and well during the pandemic. As most of you know, WCB has a legal obligation to be fully funded so that we can meet all of our obligations to employers and injured workers. There are four key drivers or issues that impact our funding and future costs that we are watching closely and managing.

The first is the positive trend in claims experience, as we have talked about for the last couple years, is flattening out and in some cases it's reversing. As you can see from Gord's comments, this is putting upward pressure on premium rates. We signalled this last year during rate setting and many rate codes and employers can reasonably expect rate increases in the future, as early as 2022, if performance doesn't change. One of those factors is health care costs continue to increase at a rate higher than inflation. Now having said that, there is research to strongly suggest that investing in health care early can lead to better outcomes overall including quicker recovery and return to work. A good example of this is psychological injuries. Psychological claims costs do continue to increase and there is increased frequency of psychological claims and corresponding durations. However, this could be a result of the fact that society is getting more comfortable with reporting because there is less stigma around talking about psychological injuries. A large portion of these claims come from industries with higher averaged salaries. These points help explain the increase in compensation trends to some extent that we are seeing and the increase in medical aid trends that we are seeing. There are also fee schedules in place with general inflation increases that contribute to those increases as well. In summary, there are more claims that are accessing improved health care services and those health care services are increasing over time. Overall, the long-term trend in claims experience, like I said it's flattened out and it's no longer offsetting the increasing costs in health care and the average weekly wage.

The second major factor that we are paying attention to is projecting payroll. Projecting payroll and costs for 2021 was challenging. We are expecting to see an increase of payroll of about 4 per cent from 2020 to 2021. Due to the negative impacts of COVID-19, there are major decreases in payroll for some industries while others showed more typical increases. We have decided to use pre-pandemic experience to predict the post-pandemic payroll and costs. We are seeing at this point, unless future experience tells us otherwise, that the pandemic situation that we saw in March, April, May, June, July, August, September is so far a temporary adjustment. We will pay attention to that and see how that trend continues. The maximum assessable wage for 2021 will be $91,100, which is a 2.5 per cent increase from the 2020 maximum assessable wage of $88,906.

The third factor is related to investments and the overall economy, and it's not clear to us how long the pandemic will continue or what permanent effect it will have on employment or claims experience into 2021 and beyond. Due to the uncertainty, these costs will not be passed on to employers at this time. Ongoing investment losses, ongoing higher number of serious injuries and fatalities that are typically high costs and increasing health care costs, could put insurmountable pressure on premium rates in the short to medium term.

The fourth major factor is our funded ratio. The board is financially sound to absorb the cost increases in the short term, but cannot continue this practice going forward. I have stated in the 2016 rate model review, premiums collected in the future must be sufficient to cover expected costs and expenses. Given the changing economic environment, the WCB's external actuary, Aon, has recommended a financial sustainability study. The scope of this actuarial study will be comprehensive and will commence in early 2021. We are currently anticipating increased premium rates in 2022 at this time.

So why did we decide to go with $1.17 versus $1.23? The required according to the rate model and without a board level hold on premium rate is $1.23. Later in the presentation we will discuss the reasons for increases related to administration and health care components of the premium rates. The six-cent artificial reduction in the premium rate amounts to a 13.4-million-dollar subsidization of the premiums. While this will result in a drop in our funding ratio, we believe it's the right thing to do under the circumstances. Keeping the rate at $1.17 means that WCB will be collecting 13.4 million dollars less in premiums in 2021, which will result in a loss in 2021 of an additional 13.4 million dollars. The premiums collected are not expected to cover estimated costs for 2021 and therefore will ultimately mean that the injury fund will be reduced. This reduction to the injury fund would still keep our funded ratio above the minimum target of 105 per cent as defined by our policy. While we were at 119 per cent funded in early 2020, based on our current data the funding ratio will approximately be 110 per cent in 2021. This does not factor in the possibility of another major market downturn. The board recognizes the difficult economic situation 2020 has brought and the rate hold is a short-term measure in place for the benefit of all employers. The board is financially sound to absorb the cost increases in the short term, but as I have said, we cannot continue this practice or it may push us into an unfunded position which could cause premium rate increases for several years, as we have seen in other jurisdictions. I will now turn it over to Crystal Nett, our Chief Financial Officer and Vice-President of Corporate Services, to walk us through our disciplined approach to rate setting which includes balancing key principles.

Crystal Nett

Good morning, everyone. Thank you, Phil. As you can see on this slide, we look at the balancing principles needed within our rate model. The premium rate setting process should appropriately balance these sometimes-competing principles. It should provide for the security of benefits, be robust and sustainable, as well as satisfy the needs, goals, and expectations of employers while being actuarially sound, relatively simple and easy to understand, communicate and administer. Fairness needs to be balanced with collective liability, however, and as you can see these are the first two principles. Fairness is about accountability, equity, and incentive for prevention. Premiums paid by current employers should cover the costs of their injured workers during the premium period. This principle covers intergenerational equity, in other words, current employers should not be paying for claims costs generated by past employers, nor should they be subsidizing the claims costs of future employers. And Intragenerational equity, meaning that employer rate codes that incur injury should be responsible for the costs associated with those injuries. A fair rate making model encourages workplace safety and effective return-to-work policies by financially incentivizing employers' positive behaviours.

Now if we look at the principle of collective liability, employers as a group and those within the same industry are jointly responsible for all workers' compensation costs. Employers should not be excessively punished for unusually costly claims. Thus, portions of those kinds of unusually costly claims should be shared by all employers. Then we look at the principles of rate stability or predictability along with transparency. In the realm of predictability, employers should be able to rely on a level of predictability and stability in rates. From a reactivity perspective, industries should expect quicker recognition of successful prevention initiatives and claims management practices. Industries with poor safety performance should also be recognized quickly in the system. For transparency, our final principle, employers should be able to understand the factors that went into setting their premiums and the WCB should be able to clearly communicate the information to employers.

So, when we look at our process, we want to consider what was critical to the process. And in that we recognize that maintaining high levels of fairness and transparency overall in the rate setting process must factor in a few principles. Premiums collected in the future must, over the long term, be sufficient to cover expected costs and expenses. The model should be fair and equitable for all employers. The model must also be actuarially sound, meaning, as was mentioned earlier, that the plan is sufficiently funded to meet its projected liabilities and in a position to defray the reasonable expenses of its operations based on commonly accepted sound actuarial principles. Rate stability is important, and we don't want to see massive increases result in the future. The system, though, must be sustainable. As already mentioned, it isn't clear how long the pandemic will continue or the permanent effect it will have on employment or benefit experiences into 2021 and beyond, and we have made a decision that we don't want to pass that uncertainty onto employers at this point in time.

This slide shows the key components of the rate model. And I have already spoken about some of these to a degree, but what this does is summarize the key components of the rate model and how they connect to the balancing principles. As you can see, most of the components impact more than one of the balancing principles. For example, both costly claim pooling and using an indicator to predict costs contribute to rate stability. This is offset by the impact that long term claim costs have on rate reactivity. And I am sure you can imagine that we can't pick and choose which component to use. The components work together within the rate setting model to determine our overall cost projection for the upcoming year.

This next slide you can see the key drivers of the premium rate. The premiums that each employer pays belong with the investment income from those premiums fund the workers' compensation system. There are two key components that factor into the calculation of premium rates that is, the payroll and the claims costs. In the payroll, being the first component, it drives the premium rate based on all employers' payroll. And payroll is collected for all employers – for all workers, excuse me – in all industries subject to coverage under The Saskatchewan Workers' Compensation Act. From the perspective of claims costs, those costs associated with workplace injuries that have occurred in the past help us project what future claims costs will be, and so then our premium rates are set based on the ratio of claims costs to payroll.

When we look at our overall payroll numbers – those are assessable payroll – in the billions that are illustrated on the chart, we are still expecting an overall reduction of 3.94 per cent for 2020 payroll, but we are expecting a return to 2019 levels in the year 2021. Assessable employer payroll for the 2021 premium year is expected to rise by 4 per cent to 22.9 billion, up from the 2020 estimate of 22 billion. Since 2014, the WCB has been moving the maximum assessable earnings towards 165 per cent of the average annual wage. The move was gradual in order to ease employers into the increased premiums they would have to pay as a result. For 2019, the maximum assessable earnings rate was at 165 per cent of the average annual wage. Beginning in 2020, the maximum assessable earnings are indexed with the change in average annual wage. This results in a 2021 average annual wage of $91,100. So, the payroll projections are based on industry trends, industry input, and payroll revisions. Last year at this time we were projecting 2020 payroll to be 23.9 billion, however, as I just mentioned we are now projecting this will be lower at 22.0 billion. The pandemic has had impact for the entire economy, but there are more pronounced impacts for certain sectors. The rate codes in which payroll is anticipated to be most impacted by the pandemic are S22, which covers restaurants, catering and dry cleaning, were we're seeing a -30.3 per cent. In S23, which covers hotels, motels, and taxi, we are looking at a -28.9 per cent. In T61, which is commercial air transportation, we are anticipating a -27.3 per cent. And lastly, in D52, which is drilling, we are expecting a -20.77 per cent. In each of these cases it is expected that 2020 payroll will be down at least 20 per cent from the previous year, as I just provided. In M33, which is refineries and upgraders, at -35.5 per cent, this is another rate code that's experiencing payroll turbulence. However, this is mainly attributable to the labour dispute at the Co-op Refinery and with a tentative agreement now being in place this volatility may settle. The sectors anticipated to be marginally impacted by the pandemic are utilities, which is U11, at a +2.1 per cent and U31 at a +5.3 per cent. Health care, or G22, is expecting a +2.3 per cent, and government, at G51, is expecting a +4.9 per cent. Lastly, agriculture, which is A11 and A21, it's a +2.3 per cent and a +6.8 per cent respectively.

I will pass the presentation over to Jennifer Norleen-Beitel, our Vice-President of Operations, and she will share some of the claims cost trends.

Jennifer Norleen-Beitel

Thank you, Crystal. Welcome, everyone. Overall, we are seeing an increase in costs within the rate model, and a primary driver of these cost increases is within the medical aid category. As Phil mentioned earlier, the longer an injured worker is off work, the more challenging it can be to get them back to work, and investing in health care earlier on is truly an investment in keeping the longer-term claims costs down. Primary drivers of increases within the medical aid category include tertiary treatment programs as well as costs related to psychological injuries. Tertiary treatment provides multiple services by an interdisciplinary team of health care providers experienced in the management of injuries with permanent impairments and/or significant psychosocial and pain management issues. Tertiary treatment costs are up 3.3 per cent in 2019 and 7.6 per cent over a five-year period. Tertiary treatment represents 20.6 per cent of all medical aid costs paid in 2019. We have also seen significant costs associated with psychological injury claims. We have experienced a 162 per cent increase in accepted psychological injury claims from 2015 to 2019 from 135 to 354. The costs associated with psychological injuries have increased by 11.8 per cent in 2019, however, the five-year cost increase is even more striking, up 30.9 per cent comparing the 2014 to 2018 period to the 2015 to 2019 period, which those five-year periods are used in the rate setting process. The five occupations with the most psychological injury claims include first responders, correctional services officers, registered nurses, community and social service workers, and transit operators. We anticipate that psychological injury claims will continue this upward pressure on the system, which is why part of our serious injury and fatality strategy includes a focus on the prevention of psychological injuries which you will hear more about a bit later this morning.

This slide shows the overall cost increases from 2015 to 2019, and you can see an increasing trend here. I have already spoken to the medical aid costs, which are those blue bars on the bottom. The grey bars represent pension costs, which include earnings replacement such as long-term wage lost costs, as well as survivor benefits, and those have been relatively stable from year-to-year. The small yellow bars are the costs associated with vocational rehabilitation, which include retraining or education costs when injured workers cannot return to their preinjury job, and these represent a small portion of the overall claim costs. The orange bars represent compensation costs which are continuing to increase. When we look at these compensation cost increases, serious injuries continue to be a concern and a significant contributor to these increases. Approximately 12 per cent of claims are considered serious injuries and account for 85 per cent of compensation days and 83 per cent of compensation costs. The combination of a consistent number of serious injuries per year – around 2,500 – as well as increasing benefit levels due to increasing maximum wage are both drivers of compensation cost increases. In recognition of the fact that a small percentage of claims are driving the costs within the system, we are looking at a two-pronged approach. The first is preventing serious injuries from occurring, which is the focus of the Serious Injuries and Fatality strategy that Kevin is going to speak about in a little bit. The second, in the event that an injury does occur, we want to prevent work disability, when a person is unable to stay at work, resume work, or return to work due to illness or injury. In order to prevent work disability, we are looking to transform the way that we manage claims to enable better outcomes for the workers and employers of Saskatchewan.

In pursuit of our claims transformation, we recognize that learning from our customers is critical. We have partnered with customers in two events so far this year. The first was a psychological visioning event in March. The purpose of this event was to identify gaps in the psychological claims management process so that we could better prioritize our improvement efforts. The event brought together over 30 participants representing injured workers, employers, and support organizations from within the first responder community over two days to hear customer stories, learn from others, and identify opportunities for improvement.

More recently in August we held a claims transformation value stream mapping event that helped vision our future for managing claims. Employers, workers, and family representatives were involved in this event to keep us grounded, focussed, and inspired. Some of what we heard from our customers include: customers want flexibility in how they are served and self-serve options are desirable. Relationships are key. Customers want to be more than just a number. Waiting is frustrating. And anticipating customer needs and proactively reaching out is valued. Telling their stories to multiple people is challenging and customers don't see the value in that. The information coming out of our value stream mapping event was excellent and we are currently developing a multiyear plan to ensure we implement the right changes at the right time. We are committed to talking and working with our customers about our future processes and look forward to more events in the coming months and years. With that, I am going to turn it over to Kevin Mooney, our Vice-President of Prevention & Employer Services, to run us through the preliminary rates and injury breakdown.

Kevin Mooney

Thanks, Jennifer. And welcome, everyone. Over the next couple of slides, I will be talking about the 2021 preliminary rates and injury breakdown. The main objectives of the rate setting process are to ensure that the overall premium requirements of the WCB for the upcoming year are met. Premiums should cover all current and future costs for claims from employers operating during that year. And it includes worker compensation and vocational rehabilitation benefits, health care, survivor benefits, administration, and safety associations. The distribution of these revenue requirements across all employers is equitable, and while maintaining collective liability they should promote accountability and fairness and recognize injury prevention and disability management.

The rate setting process involves three steps to determine an employer’s premium rate. The first one is industry classification, the second is establishing industry premium rates, and the third is the experience rating process which considers an individual employer’s claims experience. And I will talk about each of these here briefly.

Workers’ Compensation is a no-fault insurance system and it’s based on collective liability where all employers share liability for workplace injury insurance. The total cost of the compensation system is shared by all covered employers. The first step in the rate setting process is classification and this is a process where similar employers are grouped together to form an industry rate code. Our classification system has 50 industry rate codes and premium rates are set for each rate code based on the collective claims experience of employers within each of those industry rate codes. All employers within an industry rate code start off with the same industry premium rates, and the rate model strikes a balance. And Crystal talked about this earlier in the presentation. One is fairness, where industry rate codes are responsible for the injuries they incur and the costs associated with those industries, and the second part is collective liability, where employers are not unfairly burdened by unusually costly claims, and a portion of those costs are shared amongst a larger group of employers.

The WCB is funded 100 per cent by premiums employers pay and the investment income earned from those premiums. Premiums that we collect in a year cover all costs of claims that happen in the year. So, for example, if somebody was injured in a business at the age of 15, we would collect enough in the 2021 to pay for the lifetime costs of that claim. An actuarial rate model is used to predict claims costs for the upcoming year. So, setting and collecting premiums based on actuarial models promote financial stability of the system and security of the benefits for everyone. Costs include an industry's own claim costs as well as the portion of any shared costs, and again, that's the collective liability component. So, industry premium rates are the costs divided by the payroll, is how we arrive at the premium rate.

So, in this diagram we will discuss the breakdown of the 2021 required rate compared to the adjusted 2021 rate that Phil spoke about earlier in the presentation. I would like to draw your attention to the 2020 and 2021 required columns, so both columns to the far right. As mentioned earlier, the six-cent increase from 2020 to the required 2021 rate comes from increases in health care and administration, so a three-cent increase for health care and a three-cent increase for administration. As represented by the bold figures, claim costs increased from 78 cents to 81 cents, and this is driven by the health care portion. Jennifer and Phil both talked about the costs of psychological claims. The admin cost rose from 28 cents to 31 cents, and the bulk of the increase here is related to a new collective, bargaining agreements, which drove up this ratio. To offset these increases and to invest in the strategic initiatives that target the 12 per cent of serious injuries but account for greater than 80 per cent of the compensation costs, management also cut back on other administration expenses. The administration component is made up of a number of things: WCB admin expenses, Government of Canada fees, and WorkSafe Saskatchewan, funding that partnership. The remainder of the rate is comprised of legislative obligations, Occupational Health & Safety, Workers' Advocate, and Committee of Review process, which is, will occur in 2021. We also have seven funded safety associations representing 18 different rate codes. And this brings us to the average premium rate of $1.17 when holding the health care admin components at last year's level.

In 2021 a capping mechanism to limit the increases and decreases in industry rates to no more than 10 per cent is being implemented. This helps to limit the negative economic impact triggered from the COVID-19 pandemic. In addition to the board level hold, actuarial services recommends a capping mechanism to limit the increases and decreases in industry rates to no more than 10 per cent. Capping is a practice that is used by other boards and in determining your rate, the rates were calculated by applying a cap and then rounding accordingly. Therefore, on your industry summary sheet a plus or minus 10 per cent will indicate that a cap has been applied, even though the actual rate change may not be a plus or minus 10 per cent. This is also a way to smooth out experience over time and not see drastic increases. This allows us to see if the experience can be corrected over a longer period of time, and the impacts will be shown on the next slide.

The pie chart on the left shows the breakdown of the change from 2020 rates to the required 2021 rates. Under this scenario the orange slice shows that 87 per cent of employers from 41 of the 50 rate codes would have seen an increase to their industry rate compared to last year. The blue slice shows that approximately 12 per cent of employers from seven rate codes would receive a decrease and 1 per cent of employers from two rate codes would see no change. However, with the rate adjustments the pie chart on the right shows the breakdown of the change from 2020 rates to the adjusted rate for 2021. Under this proposed scenario you can see that the orange slice of the pie has shrunk. As depicted by the orange slice, only 29 per cent of employers in 20 rate codes will see a higher 2021 industry premium rate. The blue slice has grown significantly. 62 per cent of employers from 26 rate codes will see lower 2021 industry premium rates. And the grey slice has also grown to 8.7 per cent of employers in rate codes seeing no change at all.

The third step in the rate setting process is the experience rating program. The experience rating program adjusts your premium rate based on your individual claims experience and provides an incentive to influence injury prevention. If your claims experience is better than your industry, you are likely in a discount position, if worse, a surcharge position. Therefore, reducing the number and costs of claims through injury prevention and workplace safety can improve your experience rating and reduce the WCB premiums that you pay. There are currently two programs in the experience rating program. The standard program is for smaller employers and the advanced program is for larger employers. I will briefly discuss each here. The standard program applies to employers with less than 21,000 in premiums over a three-year period and is based on the frequency of time loss injuries. There is a maximum discount of 25 per cent and a maximum surcharge of 75 per cent. And the standard program applies to approximately 88 per cent of Saskatchewan employers. The advanced program applies to employers with premiums of at least 21,000 over a three-year period, so it applies to larger employers. It’s a cost-based program where individual employers are compared to others in their industry, and if their performance is better they will receive a discount which is a maximum of 30 per cent, if worse they can receive a surcharge up to 200 per cent.

This slide shows the estimated breakdown of employers’ rate changes from 2020 compared to their 2021 premium rate after the experience rating program is applied. In the previous slides we saw a similar pie chart showing the breakdown at the industry level of premium rates. In the adjusted rate breakdown well over half of the employers in the province would see a discount. After experience rating is applied to each employer, the pie changes slightly. The blue slice, approximately 50.7 per cent of employers would receive a discount to the firm rate compared to the rate they paid in 2021. The orange slice, approximately 37 per cent of employers, would receive an increase to their 2021 rates, and the grey slice, approximately 12.3 per cent of employers, will see no change.

Over the next several slides I will talk about prevention and highlight what individual employers can do to influence their rate and speak to what the WCB is doing to influence the system on a broader scale. There are ways to influence and reduce your premium rates: 1) by making sure you have an effective safety management system, and 2) by having a solid return-to-work program in the event that somebody is injured. The safety management system prevents injuries, and a return-to-work program assists with injured workers' recovery. Prevention of injuries is the best way to control the premiums you pay to the WCB and WorkSafe Saskatchewan has a number of free online training programs available. In addition, the WCB prevention department has resources to help you with your safety needs. The services include training for occupational health committee members and supervisors, safety management system assessments, and information on how to develop the elements of your safety management system or return-to-work program. There are also seven funded safety associations that work directly with members of their industry rate codes to prevent workplace injuries and they truly are the industry experts when it comes to safety in those rate codes.

Serious injuries here: so, despite a consistent reduction in Saskatchewan's provincial total injury rate over the last ten years, there are signs that reductions in workplace injuries are starting to plateau in the province. Research completed by other jurisdictions, including the Campbell Institute in the U.S., highlight the opportunity to focus efforts on the reduction of serious injuries as a strategy to further reduce workplace injuries and address the plateau that we are experiencing. The Saskatchewan WCB definition for serious injury includes the following criteria: if a claim is a fatality, if a claim has more than 50 days of compensation paid; if a claim has a Labour Relations Workplace Safety referral flag, which means if it's a serious incident where there could have been an amputation, a fracture, head injury, neck injury, a serious eye injury; if a claim is primary psychological mental health claim; and the fifth criteria is a claim that includes a permanent functional impairment equal to or greater than 10 per cent. So, if an injury meets one of those criteria it's flagged as a serious injury.

The graph on this slide indicates the total number of serious injuries in Saskatchewan workplaces on annual basis. And Jennifer already touched on this, but there are approximately about 2,400 to 2,500 serious injuries annually. And these numbers have remained relative constant despite the reduction of time loss and no time loss claims during the same timeframe. And, again, serious injuries in 2019 accounted for approximately 12 per cent of our total claims, however, make up 85 per cent of compensation days, 83 per cent of compensation costs, and almost 71 per cent of medical costs. So as a result, there is good reason to focus on these serious injuries.

This slide is another reminder as to why we are shifting our focus. Every year fatalities continue to take place in Saskatchewan workplaces, having a profound impact on workers, employers, families, and communities. As of September 30, 2020, we have had 27 fatalities in the workplace in Saskatchewan. Ten of these are related to asbestos exposure, five are due to firefighter cancer exposure, and four are related to motor vehicle crashes. Fatalities happen in many different industries. For example, fatalities happened in 37 of the 50 rate codes from 2015 to 2019. And during that same timeframe, 42 per cent of fatalities were related to occupational disease and 58 per cent were related to acute traumatic injuries.

At the end of 2019, WorkSafe Saskatchewan, a partnership between the WCB and The Ministry of Labour Relations and Workplace Safety, released the Fatalities and Serious Injury Strategy. WorkSafe continues to work on the implementation of the initiatives outlined in the strategy. As it relates to fatalities, the main areas of focus include asbestos exposure, motor vehicle crashes, firefighter cancers, and falls from heights. As it relates to motor vehicle crashes in 2020, we are trending at a 33 per cent reduction when comparing statistics from January to September from 2020 against 2019. Also, falls from heights are also trending below last year, trending at a 14.5 per cent reduction during the same timeframe. The main areas of focus related to serious injuries include health care, transportation, first responders, construction, and manufacturing. Progress related to this strategy is updated every six months and the most current report outlining what has been achieved to the end of June 2020 is posted on the WorkSafe website at www.worksafesask.ca.

As stated in the previous slides, we have a consistent number of serious injuries and fatalities in Saskatchewan workplaces. As a result, the WCB has a strategic initiative which is a three to five-year strategy to reduce serious injuries and fatalities in the province. And over the next five years the WCB prevention department will collaborate and work more side by side with our customers to reduce serious injuries and fatalities. So, we are really wanting to get outside of the classroom, where we spend most of our time right now teaching, and getting into more of a consulting role and working side by side with our customers. In addition, customer involvement in planning and implementing sustainable safety solutions to mitigate serious injuries and fatalities will be well established. So, in 2021 we are looking to implement a stakeholder engagement strategy to further engage stakeholders from the employer community, industry, labour, to continue to develop and refine the strategy. In 2021, we will continue to implement the Fatalities and Serious Injury Strategy -- we do have objectives that are outlined to the end of 2021 -- and we will look to further engage stakeholders in the process. Work has also begun on a collaborative consulting approach to work directly with employers to identify and address root causes of serious injuries, and we are currently piloting that with the health care industry. As we work with employers on root cause investigations there is an opportunity to further develop external partnerships. So, as we learn more about the root causes of those 2,500 serious injuries it will help inform strategic partnerships that we need to form to help address those root causes. One of those new partnerships is a partnership with Dr. Jodi Samra, a registered psychologist, and this will address the growing prevalence of psychological injuries that Jennifer spoke to earlier.

In 2021, we will also continue the development and implementation of a Psychological Health and Safety Resource Centre. The resource centre will have practical resources available to workers and employers to help educate and create a psychologically healthy and safe work environment. The first set of resources being developed will focus on the 13 psychosocial factors as outlined in the CSA standard as well as the five domains of psychologically safe leadership. And those of you that are attending the psych. health and safety virtual event on Nov. 26, 2020 will get a sneak peek at this resource centre. Very excited about it. We will also look to engage with the employer groups through a community of practice, so we will form safety groups and help employers develop and implement a psychologically safe workplace and will continue our work with the First Responder and Mental Health Committee. I will now hand the reigns back over to Phil to walk us through the long-term outlook.

Phil Germain

Thanks, Kevin**.** When we think of the long-term outlook, I would like to reiterate some of my previous messages. First, the prior trend in positive claims experience is flattening and for some rate codes and employers it’s reversing. This injury rate experience is no longer able to offset the increases in compensation and health care costs, so some rate codes and employers can expect rate increases in the near future and possibly as soon as 2022. Second, projecting payroll and costs for 2021 was challenging. The forecasting process developed for post-pandemic projections are based on pre-pandemic experience. Third, economic and investment market uncertainty, the consistent number of serious injuries and fatalities, and increasing health care costs, are putting upward pressure on premium rates. And fourth, the Board is financially sound to absorb the cost increases for 2021 but cannot continue this practice in future years. Given the changing economic environment, WCB's external actuary, AON, has recommended a financial sustainability study. The scope of this actuarial sustainability study will be comprehensive and will commence towards the beginning of 2021. The sustainability study helps the Board understand the framework needed to steer the ship in the right direction over the long term. It may also help with rate stability, but it does not directly help with reducing claims costs or premiums required to cover those claims costs. The study should help us meet our long-term outcomes and ensure policies are in place to maintain or improve fairness in the system.

As it relates to our strategic plan, assuming that nothing was to change, we will see increases in premium rates. However, there is a strategic plan that is meant to minimize the impact by reducing serious injuries and fatalities and improving recovery and return-to-work outcomes. I want to pause for a second and thank all those customers and stakeholders as has been talked about by Kevin and Jennifer. We want to engage our customers in helping us improve our processes. And I want to thank Labour Relations and Workplace Safety, employer associations, labour representatives, first responders, the workers, employers, researchers, safety associations, that all have supported us in developing the Fatality and Serious Injury Strategy. The rapid improvement event related to psychological claims and the value stream mapping event related to claims. All of those external, the input from external parties was extremely invaluable to us and we will continue to engage stakeholders in figuring how we can better serve our customers and create better outcomes. So, this three to five-year plan should help us stabilize or maybe even reduce that pressure to increased costs. Assuming our plan is successful, we could see pressure on premium rates reversed. This plan will require ongoing partnerships and supports from employers, workers, employer associations, labour organizations and safety associations. In particular, we need our customers and stakeholders to support the necessary investments to improve the systems that will lead to better customer service and improved outcomes.

And just a reminder, based on what we saw in the rate model 2021 premium rates, it will not be a surprise if we see increases in 2022. So, what's next? As you know, October is traditionally a time for us to provide information on premium rates, to share this with employers and stakeholders. Any rate codes that have increases over 10 ½ per cent will be published in the Saskatchewan Gazette. Affected employers will receive a letter advising them of an increase over 10 ½ per cent. Our practice is traditionally, and will continue, to provide employers with 30 days to provide feedback regarding premium rates, and we welcome your feedback within this timeframe. Please email, askwcb@wcbsask.com with any feedback you have.

In November we will collect all the feedback, provide that to the board, and the board considers the feedback in ultimately determining the final rates. Then in December employers will receive their rate letters with their premium rate for 2021. Ensure your business has a WCB online account for early access to your premium rate notice. We are anticipating having premium rate letters out maybe as early as December 3. In addition, there are industry rate sheets that will be available at the end of this presentation on our website. This information includes some rate code statistics as well as premium rate information. There will be a portion of the explanation that shows for your specific rate code the reduced amount based on the approach we took this year in establishing premium rates. WCB resources of course are always available if you have questions. If you would like more industry information or a discussion about what's happening in your industry, our account managers from the prevention department are always available to arrange a time to discuss this with you. And then a reminder that the information presented today will be on our website at www.wcbsask.com, and on our YouTube channel. Just search for the Saskatchewan Workers' Compensation Board and you should see a link to our YouTube channel. Again, I would like to thank you for your participation today.

Gord Dobrowolsky

Thank you, Phil, and thank you to all the VPs that presented. This brings our formal presentation to a close.