



Yukon Workers' Compensation Health and Safety Board

Assessment Premium Subsidy Reduction

September 15, 2005



Presentation Outline

- Why are subsidies being removed?
- Comparison to other Boards
- Financial Position

Why is the YWCHSB Removing Subsidies?

- Never intended to be permanent.
 - Original plan (1998)
 - remove subsidies over 10 years
- Have reached desired funding level based on new reserve structure.
- Claims costs are higher than originally projected.
- Investment revenue has been lower than projected.



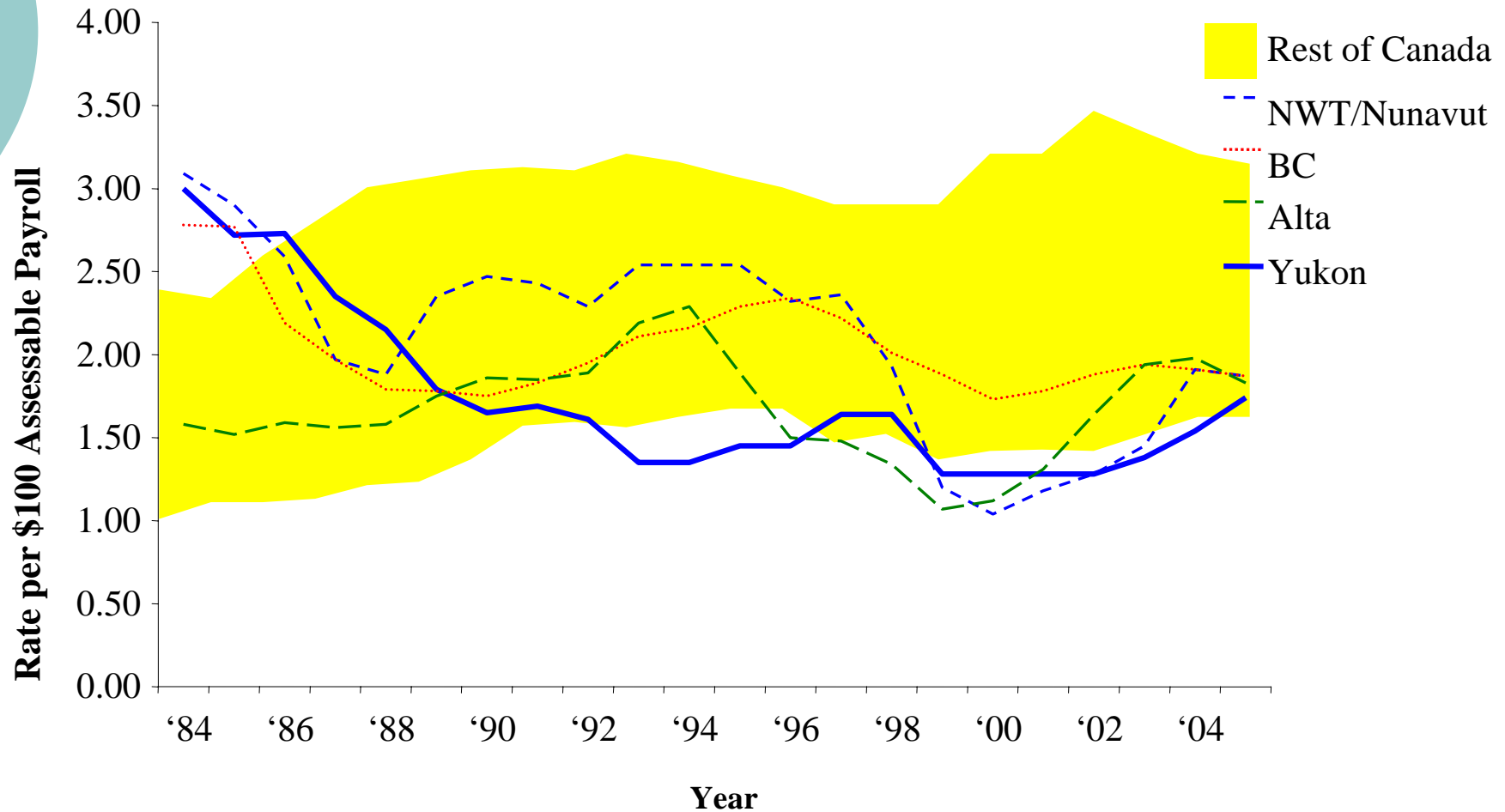
Comparison to Other Boards

- YWCHSB has:

- Subsidized assessment rates.
- Second highest benefits.
- Strong funded position.
- Operating costs are in line with other boards.

In order to maintain stable rates - a strong funding position is required.

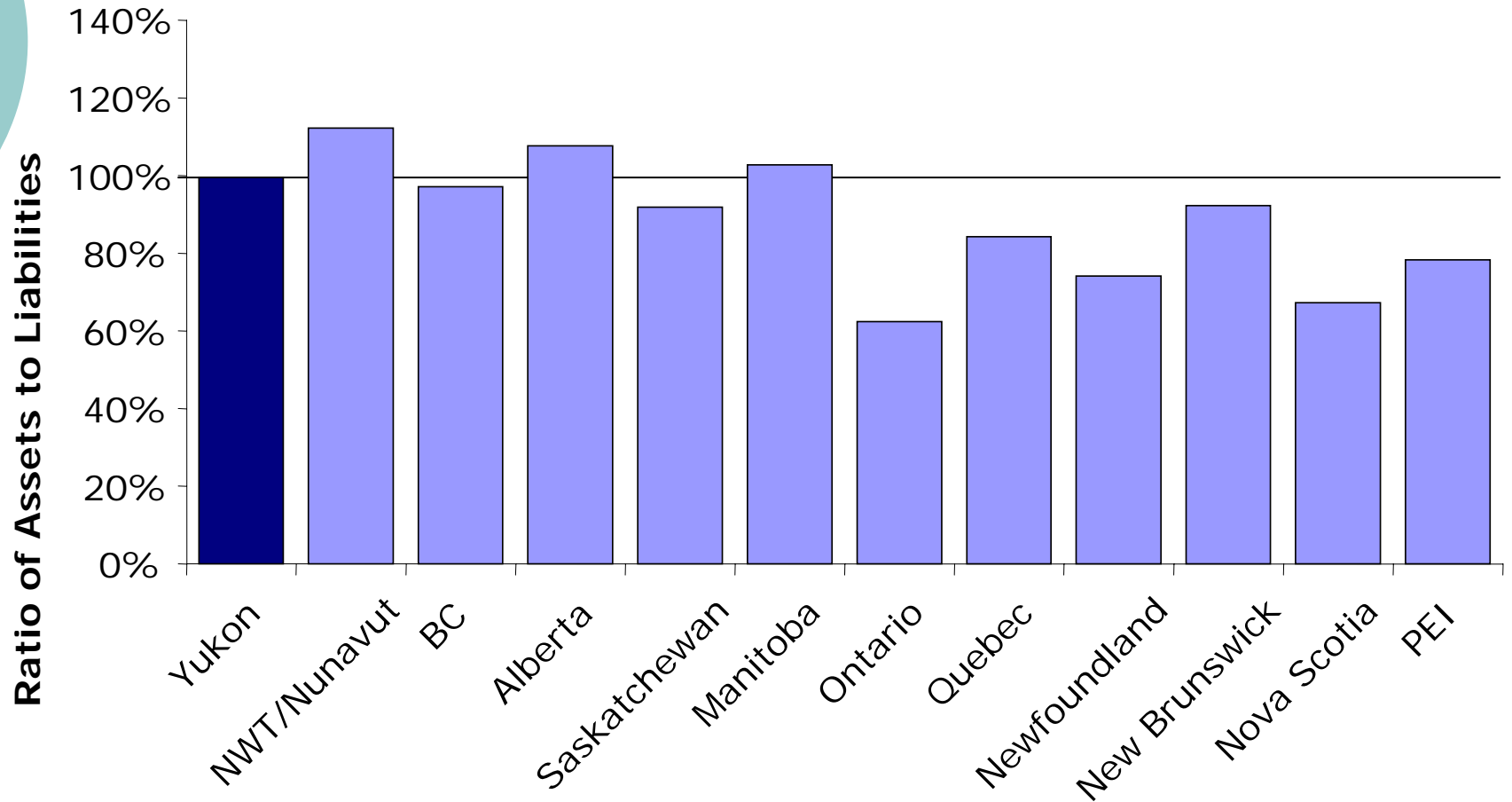
Assessment Rate Comparison



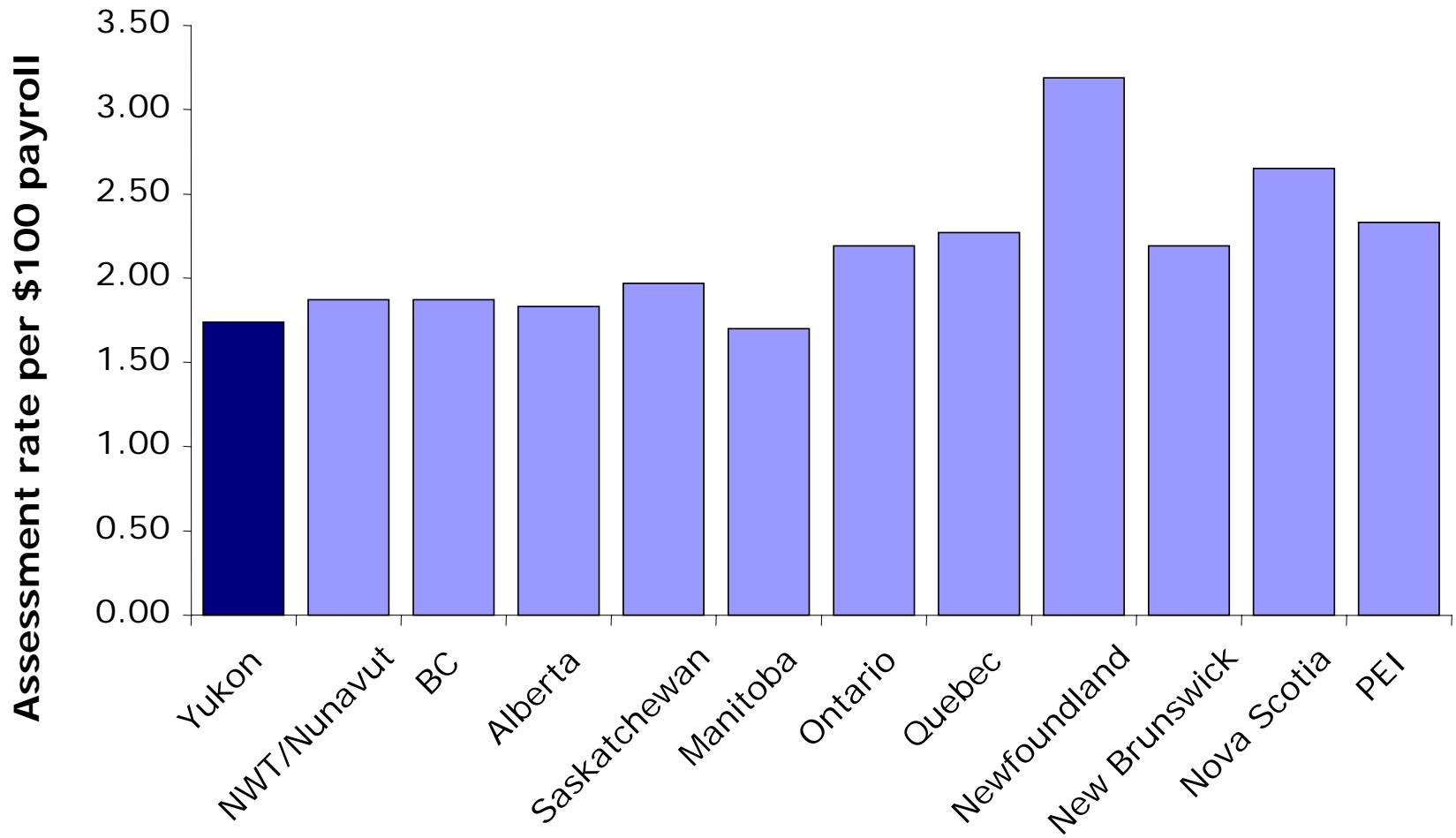
Key Comparisons

	Funded Position (Dec2003)	Average Assessment Rate 2005	Maximum Assessable Earnings 2005
Yukon	100%	\$1.74	\$67,000
NWT/Nunavut	110%	1.87	\$66,500
BC	97%	\$1.87	\$61,300
Alberta	108%	\$1.83	\$62,600
Saskatchewan	92%	\$1.97	\$55,000
Manitoba	103%	\$1.70	\$58,260
Ontario	62%	\$2.19	\$67,700
Quebec	84%	\$2.27	\$56,000
Newfoundland	74%	\$3.19	\$46,275
New Brunswick	92%	\$2.19	\$50,900
Nova Scotia	67%	\$2.65	\$43,800
PEI	78%	\$2.33	\$42,300

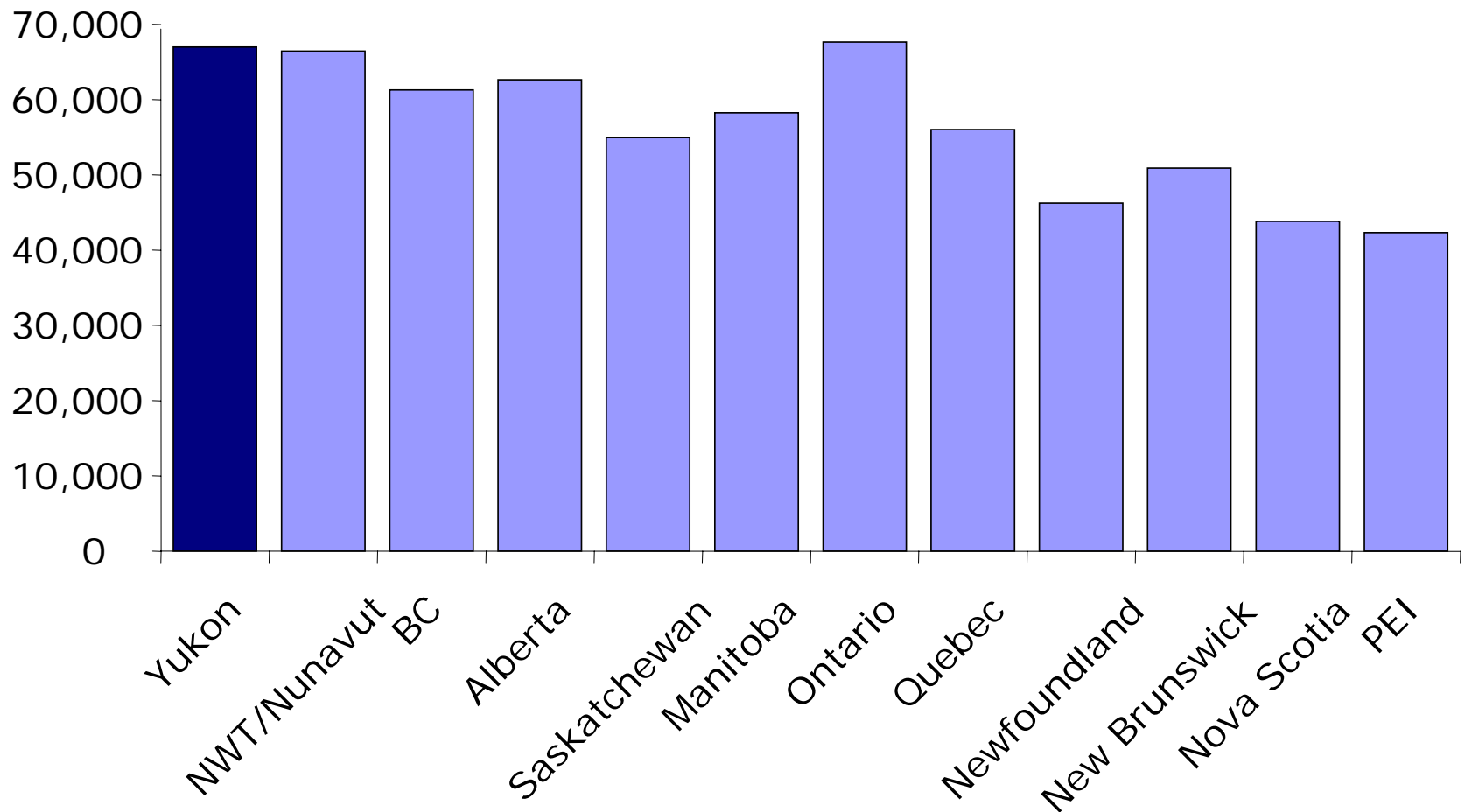
Funded Position – Dec2003



Average 2005 Assessment Rates



Maximum Assessable Earnings (2005)





Financial Position

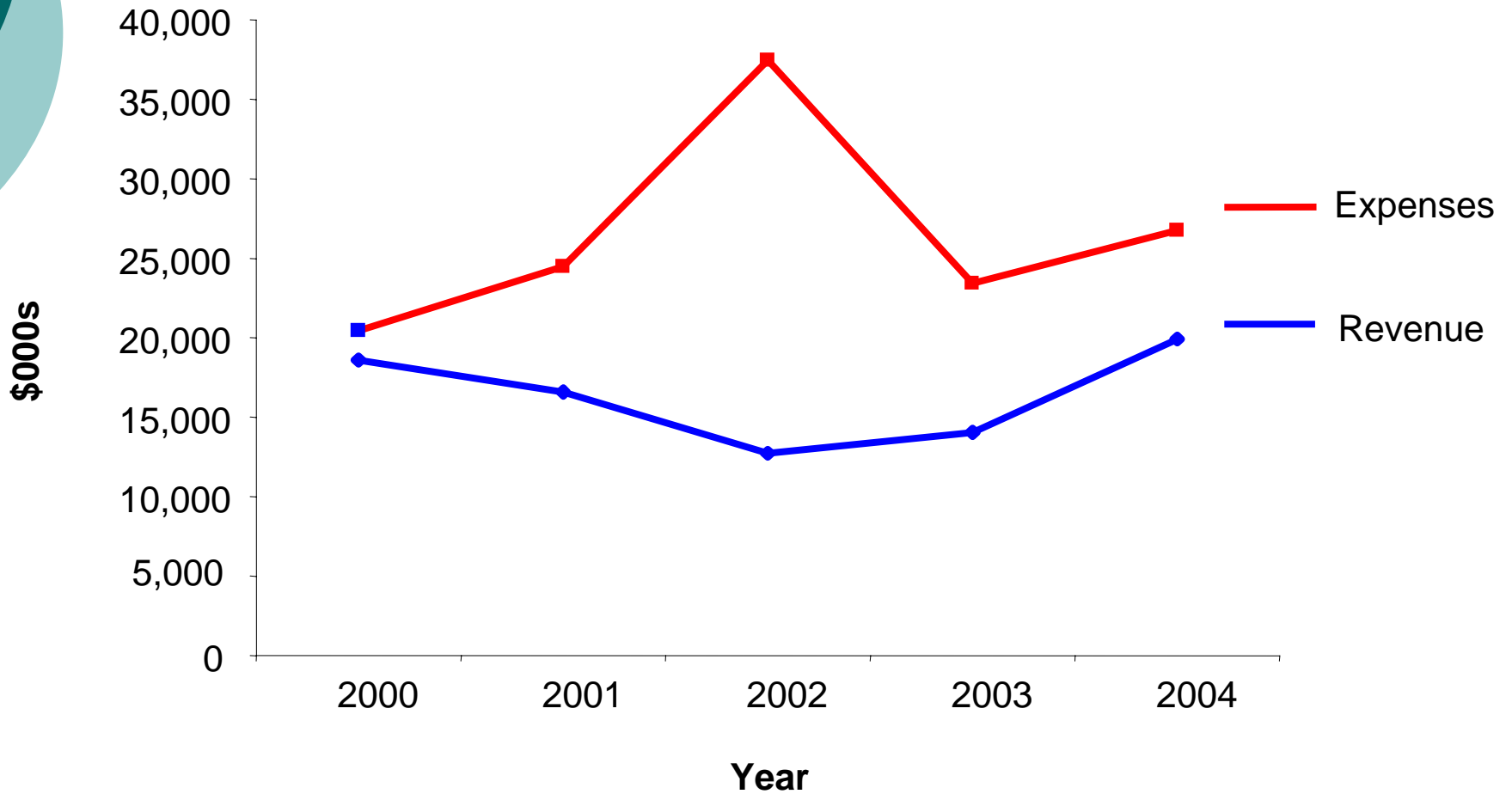
Why remove subsidies now?

- YWCHSB – currently fully funded
- Claims costs are increasing
- Investment Returns -modest
- Negative operating cash - past 3yrs.
- Annual operating deficits- last 5yrs.
- Reserves are at target level

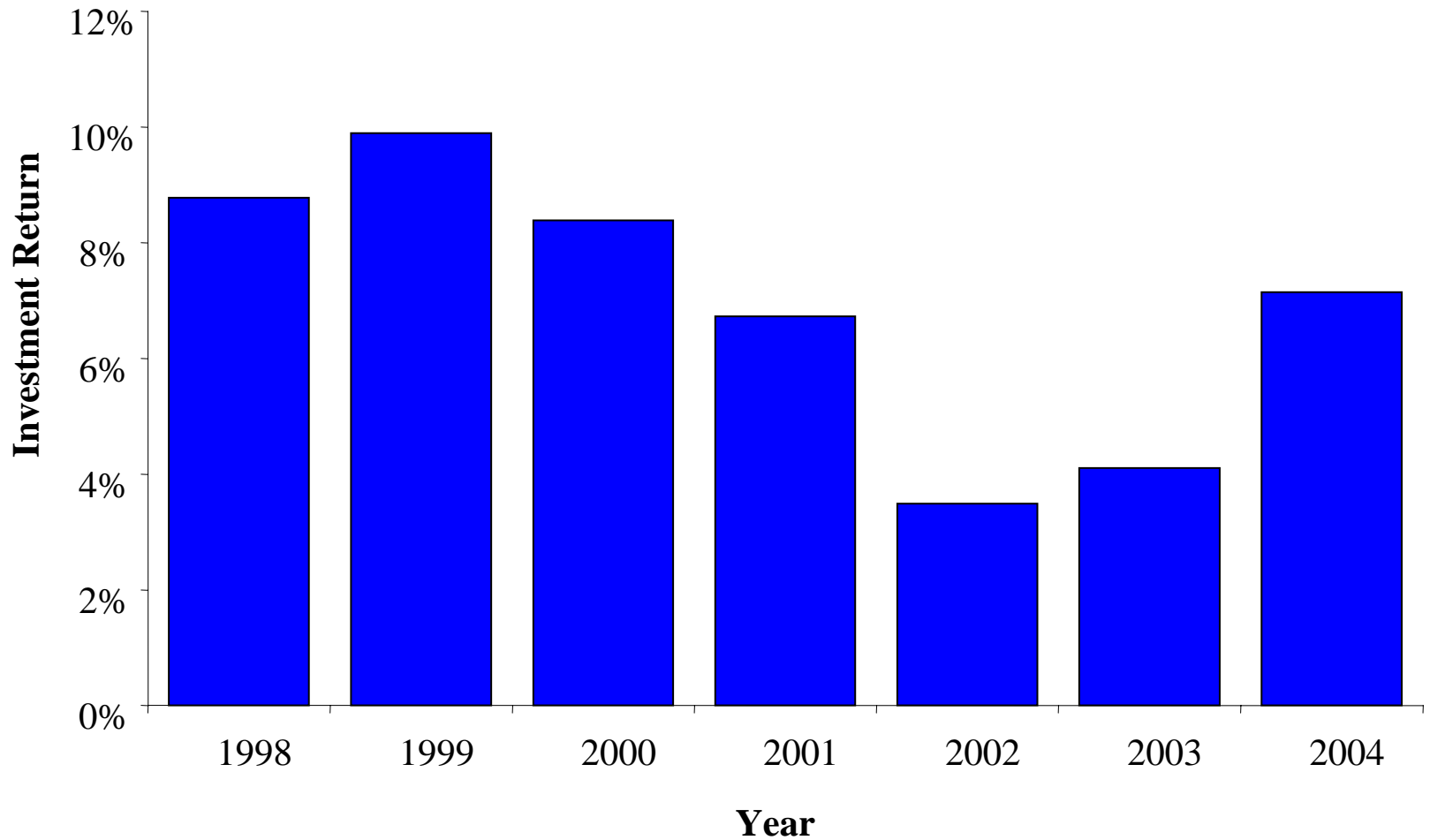
Comparisons from 1998-2004

Balance Sheet	2004	2003	2002	2001	2000	1999	1998
	(pre audit)						
Investments	131,677	123,440	128,871	136,874	137,475	132,997	125,935
Benefit Liability	96,793	89,673	95,022	78,174	80,792	74,144	67,489
Reserves	35,611	33,971	35,071	59,550	58,099	59,935	59,726
	<u>132,404</u>	<u>123,644</u>	<u>130,093</u>	<u>137,724</u>	<u>138,891</u>	<u>134,079</u>	<u>127,215</u>
Income Statement							
Revenue							
Assesments	9,680	8,428	7,749	7,165	6,814	6,500	7,603
Investment	8,829	5,102	4,590	9,004	10,982	12,319	10,276
Recoveries	1,445	477	412	412	805	906	886
Total	19,954	14,007	12,751	16,581	18,601	19,725	18,765
Expenses							
Claims	19,543	15,703	29,465	17,548	14,257	13,843	9,148
Administration & Prevention							
Administration	5,089	5,697	5,869	5,464	4,945	4,730	4,647
OH&S	923	1,008	907	952	896	943	934
Worker's Advocate	342	378	343	309	195	-	-
Appeal Tribunal	171	187	179	194	144		
Employer Consultant	111	137	80	-	-	-	-
Business Process Improvement		156	603				
Other -CSA, Act review, C	591	177					
Sub-Total	<u>7,227</u>	<u>7,740</u>	<u>7,981</u>	<u>6,919</u>	<u>6,180</u>	<u>5,673</u>	<u>5,581</u>
Total	26,770	23,443	37,446	24,467	20,437	19,516	14,729
Operating Surplus (Deficit)	(6,816)	(9,436)	(24,695)	(7,886)	(1,836)	209	4,036
Effect on Change in Assumption		8,336		9,337			
Final Operating Surplus (Deficit)	(6,816)	(1,100)	(24,695)	1,451	(1,836)	209	4,036
Net cash provided by operating activities	(4,253)	(5,063)	(6,580)	(617)	5,470	5,333	6,575

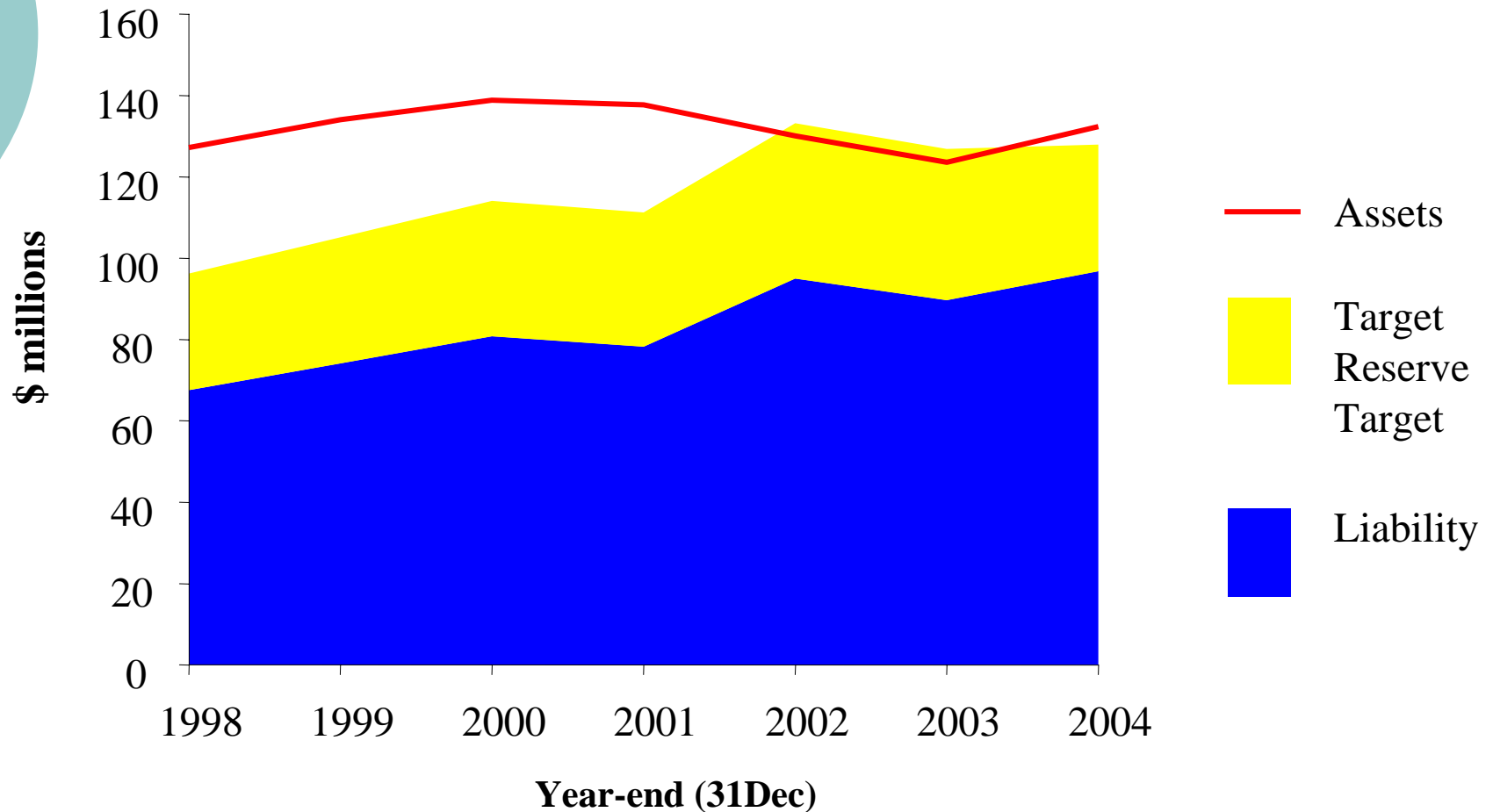
Revenue and Expenses



Investment Return



Financial Position





Yukon Workers' Compensation Health and Safety Board

Determining Assessment Rates

September 15, 2005



Presentation Outline

- Rating principles
- Rating approach (base rates)
- Subsidy removal
- Results



Principles

- Ultimately the cost of the WCHSB programs funded by assessments
 - Issue is timing of employer funding
- Under-funded Board transfers costs to future generations of employers
- Small Board needs contingency reserves to provide assessment stability and security of benefits



Principles

- Significant subsidies should be removed before prevention incentive programs are introduced
- Rate stability remains a key principle for Board
- Industry rates reflect the risk of the industry
 - Challenge due to size of Yukon



Approach

- 2,400 business are classified into 53 industry groups
- 53 industry groups are separated into 4 industry sectors
 - 3 private sector, 1 government sector
- Each non-government industry sector is separated into 3 risk groups
 - 9 private sector risk groups, 1 government
- Assessment rates are set for each risk group



Approach

- Classification into industry is based on worksite activity
- Classification into risk group is based on the Board's assessment of the risk the whole industry brings to the WCHSB
 - Primary assessment is claims experience
 - Other considerations are
 - WCHSB staff assessment
 - classification in other jurisdictions
- Risk group's rate based on claim experience of all industries in risk group



Risk group re-classification

- Industries may be re-classified based on emerging claim experience
- Reviewed by Board and the actuary to ensure emerging experience is meaningful

2006 Re-classifications

Lower risk group

Resources and Transportation

- From risk group C to risk group B
 - 113 Slashing, Staking or Line Cutting
 - 316 Outfitting

Construction

- From risk group C to risk group B
 - 204 Concrete Mixing Plants
 - 208 Heating and Air Conditioning

Services

- From risk group B to risk group A
 - 308 Communication Services
 - 313 Light and Power Operations

2006 Re-classifications

Higher risk group

Resources and Transportation

- From risk group A to risk group B
 - 112 Short Haul Trucking

Construction

- From risk group B to risk group C
 - 202 Building Construction

Services

- From risk group B to risk group C
 - 302 Vehicle Sales or Service



Subsidy Removal

- Currently, average non-government subsidy is 38%
 - Many industries with 30% subsidy
 - Some subsidies as high as 77%
- Rate increases have been limited to 20%
- Need to accelerate subsidy removal, particularly for high subsidy industries
- High subsidies are predominately in the higher risk industries



Subsidy Removal

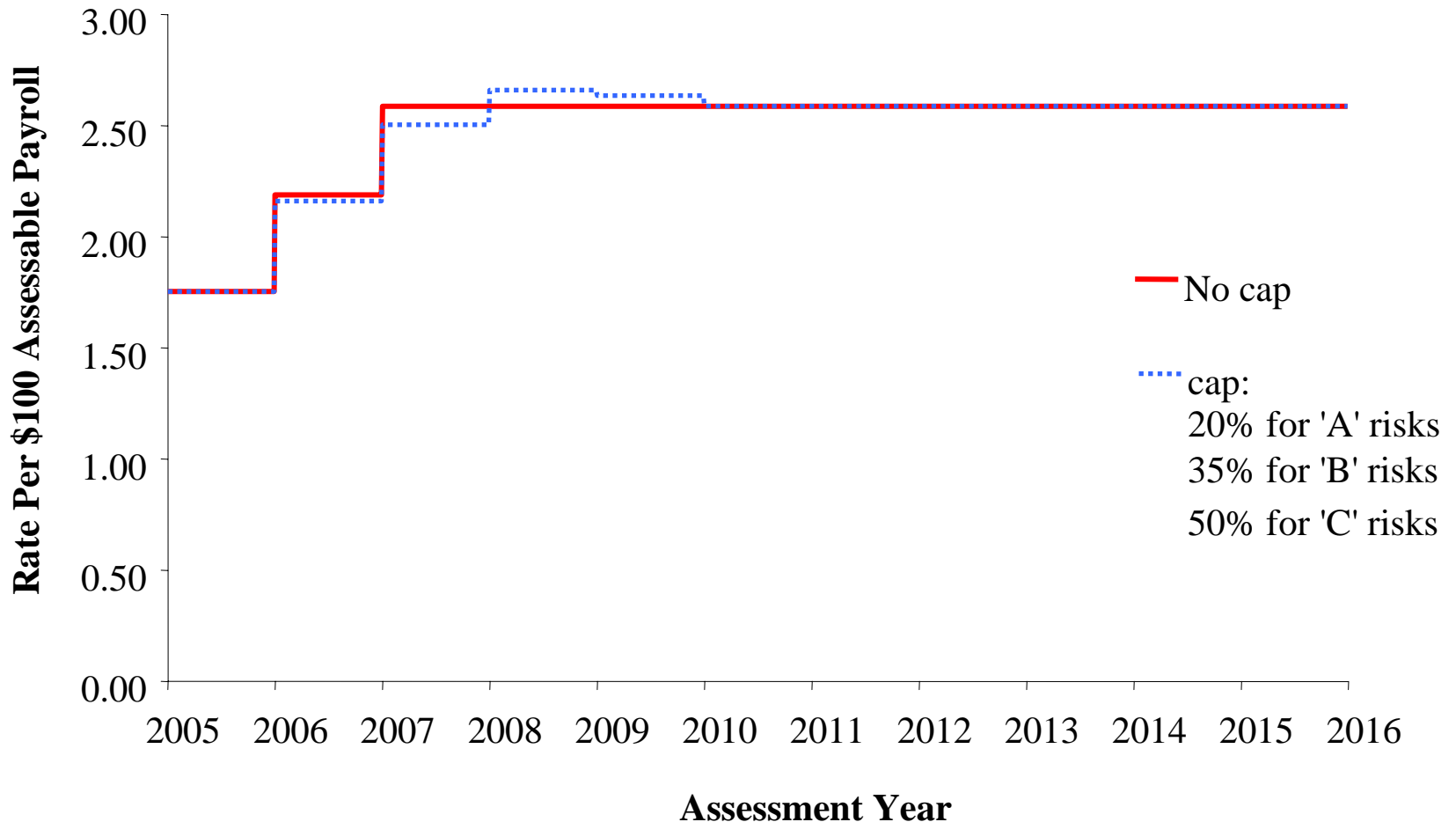
- Ideally ½ of subsidy removed in 2006, remainder in 2007
- 2006 rate changes limited to:
 - 20% for risk group A industries
 - 35% for risk group B industries
 - 50% for risk group C industries
- Provides some rate stability while preserving projected funded position of the Board

Subsidy Removal

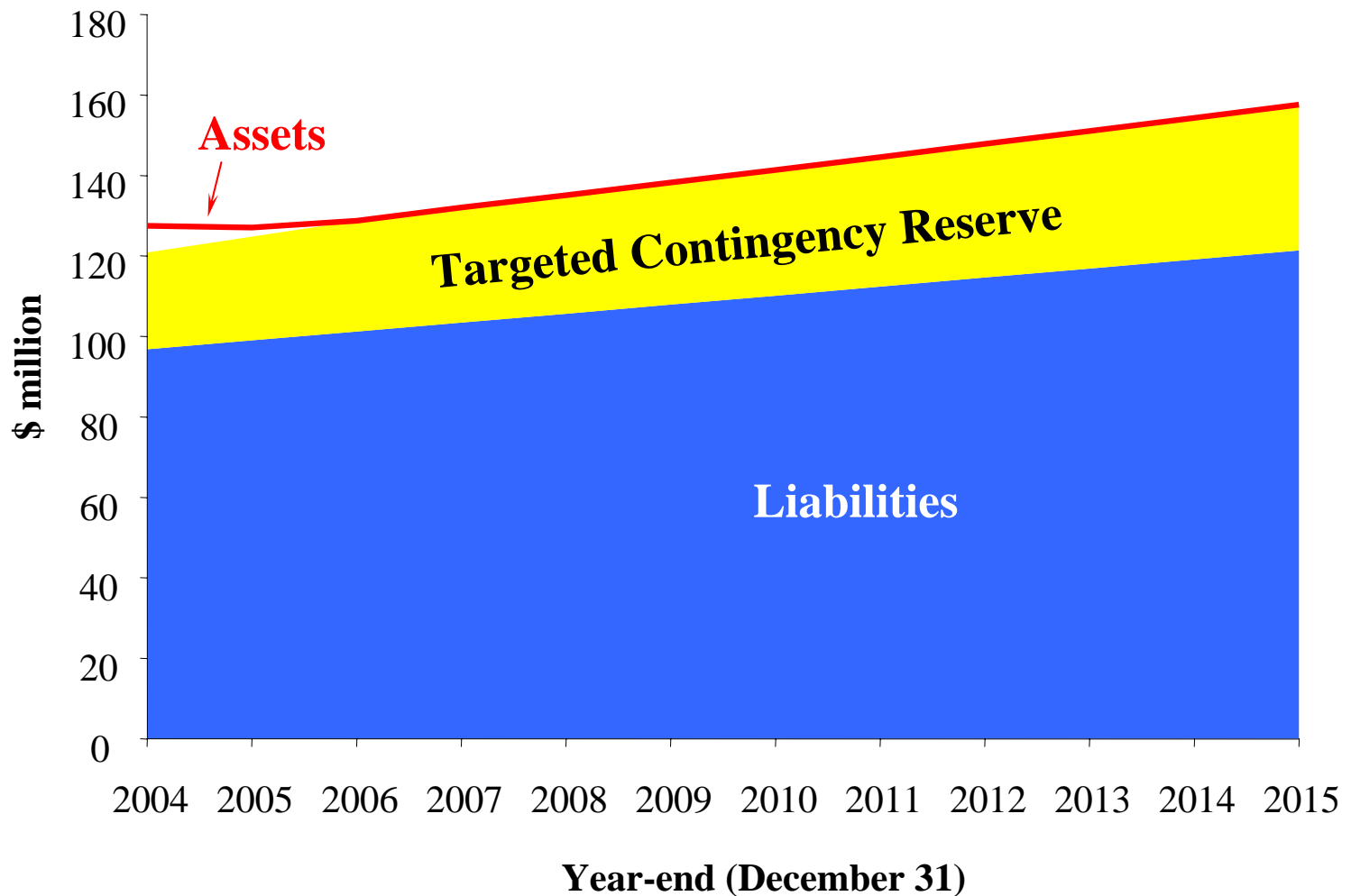
Average Assessment Rate (non-government)

○ 2005	1.75	
○ 2006	2.16	+23%
○ 2007	2.50	+16%
○ 2008	2.66	+6%
○ 2009	2.64 (base rate)	-1%

Projected Assessment Rates



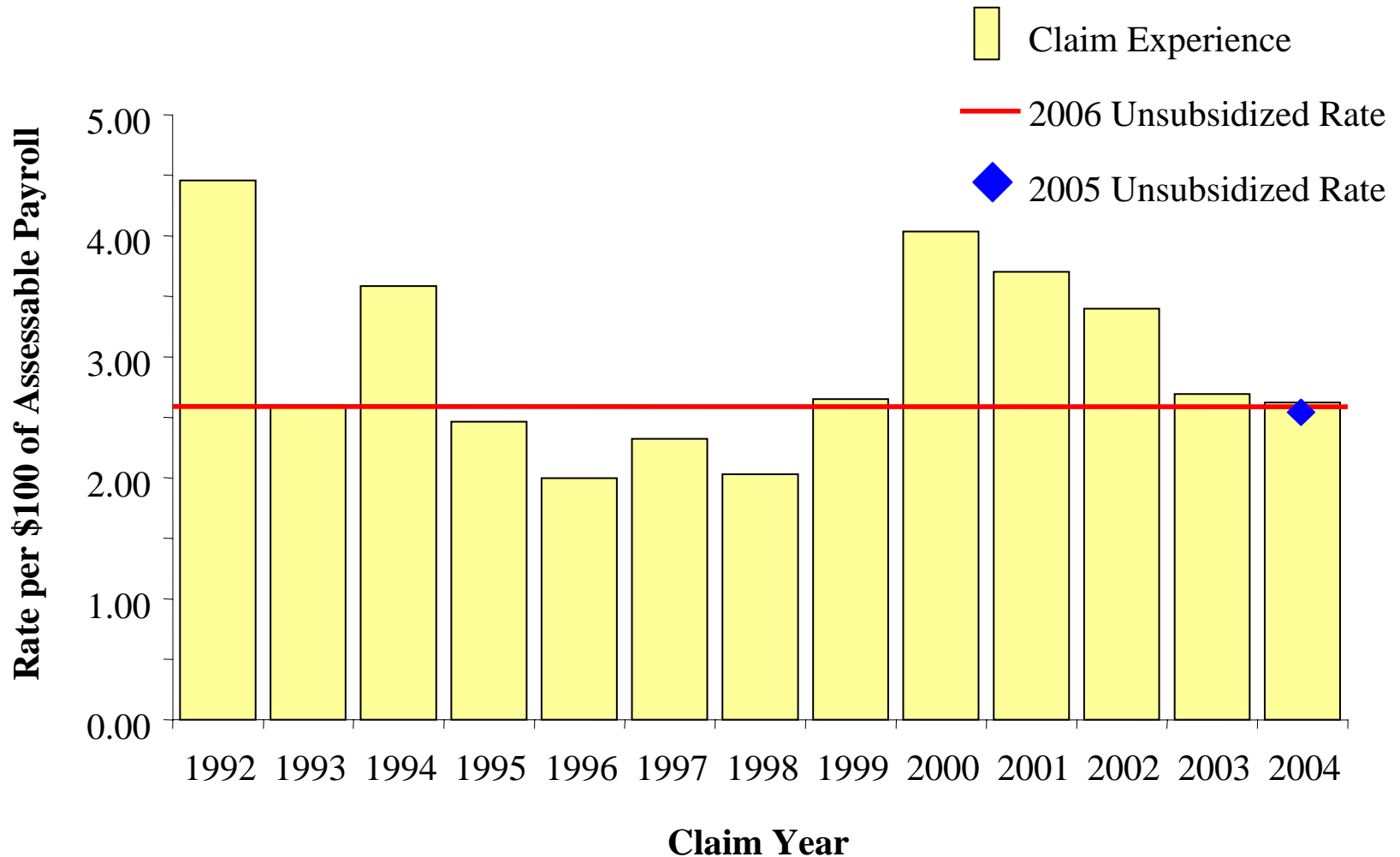
Projected Financial Position



Rate Setting

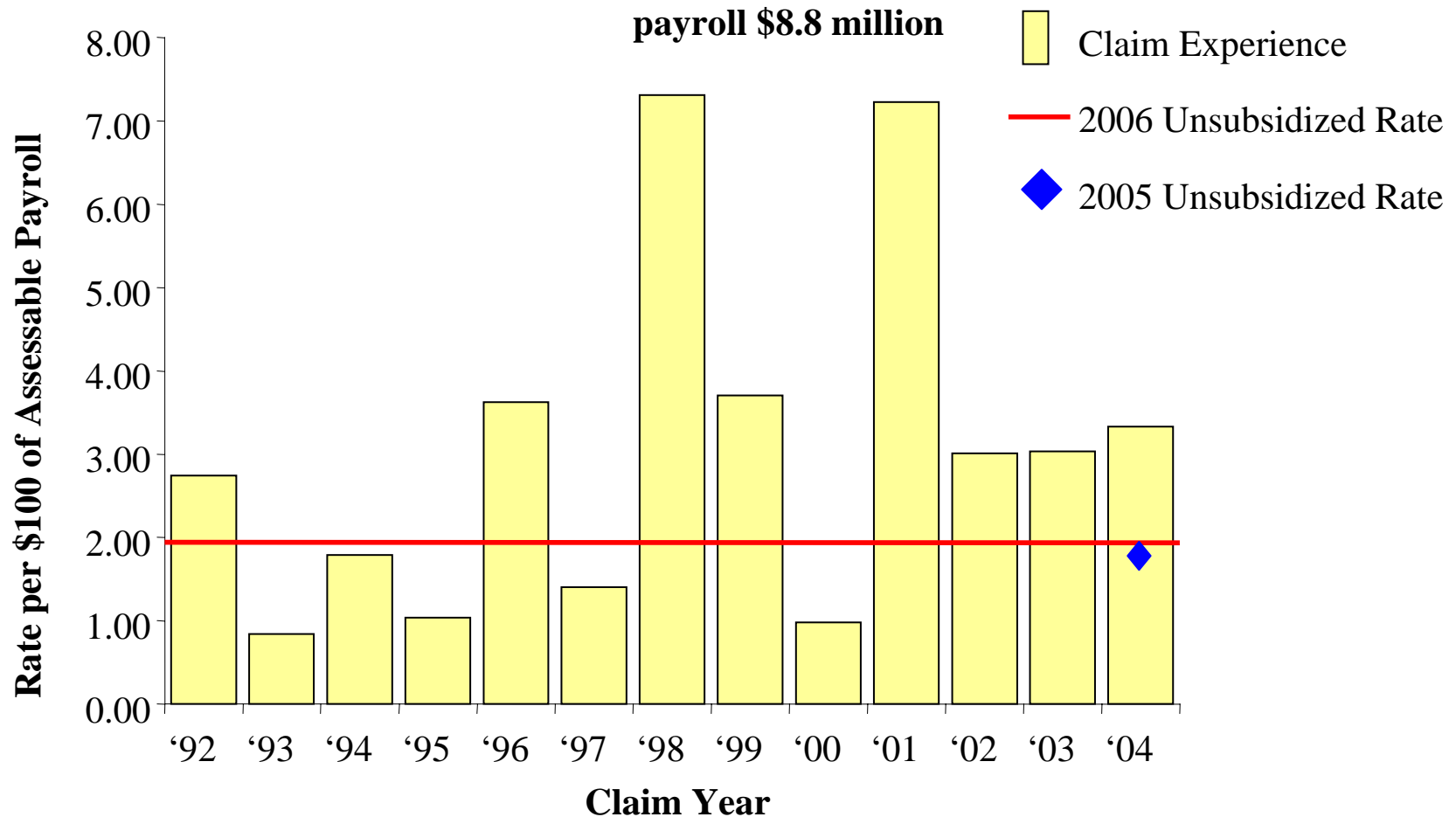
- Base rate is average claim experience for last 10 years
 - have experience since 1992
- Impact of very high claim years is moderated
 - Share costs over 150% of base rate with all industries

Claim Experience – All Industries



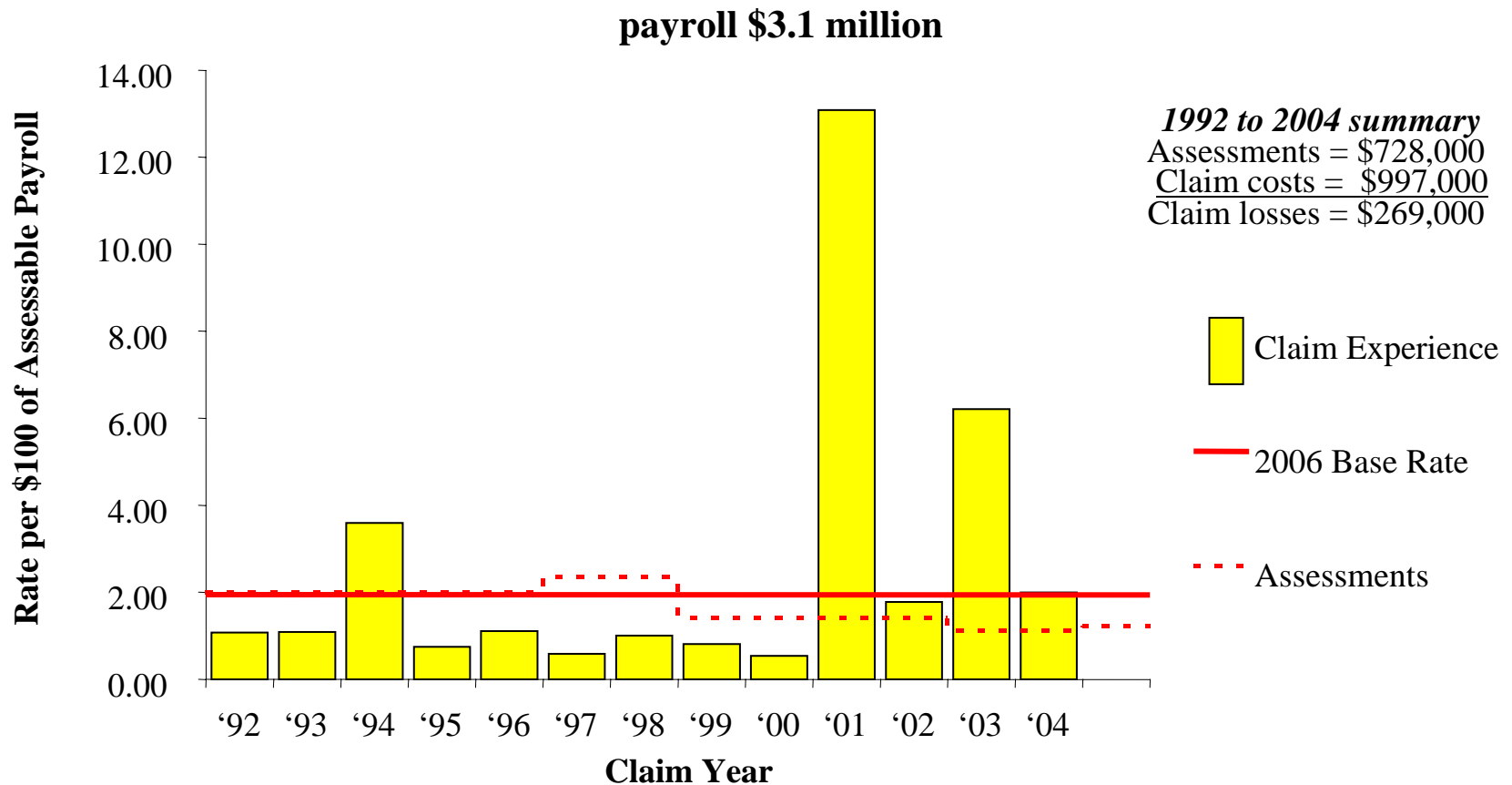
Claim Experience

– Construction: Risk group A



Claim Experience

– Lumber Yards (210)



Results

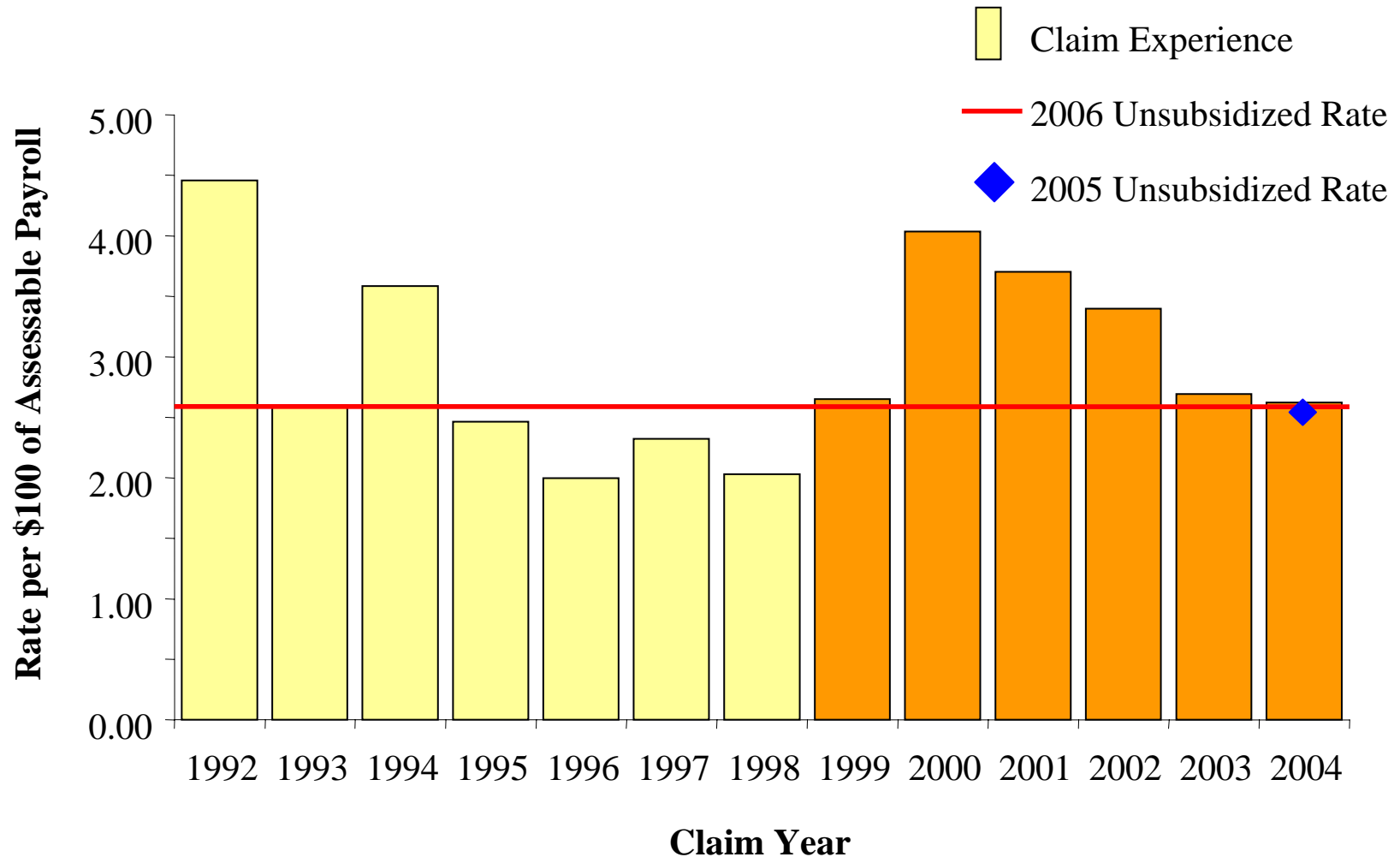
Base rates (unsubsidized rates)

	2005	2006
○ Resources and Transportation		
● risk group A	4.18	4.18
● risk group B	6.45	6.31
● risk group C	11.93	12.24
○ Construction		
● risk group A	1.78	1.94
● risk group B	5.58	4.67
● risk group C	7.39	8.89
○ Services		
● risk group A	1.23	1.09
● risk group B	2.01	2.03
● risk group C	2.96	3.01
○ Government	1.65	2.02



Questions -- Feedback

Claim Experience – All Industries



Projected Funded Position

	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<i>Assets</i>	<i>127,404</i>	<i>127,006</i>	<i>128,504</i>	<i>131,212</i>	<i>134,750</i>	<i>138,191</i>
<i>Liabilities</i>	<i>96,793</i>	<i>98,979</i>	<i>101,184</i>	<i>103,407</i>	<i>105,645</i>	<i>107,893</i>
<i>Transition</i>	<i>6,500</i>	<i>2,178</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Reserves</i>	<i>24,111</i>	<i>25,850</i>	<i>27,320</i>	<i>27,805</i>	<i>29,105</i>	<i>30,298</i>
<i>Target</i>	<i>26,135</i>	<i>26,919</i>	<i>27,727</i>	<i>28,559</i>	<i>29,416</i>	<i>30,298</i>
<i>Excess/ (Shortfall)</i>	<i>(2,024)</i>	<i>(1,070)</i>	<i>(407)</i>	<i>(754)</i>	<i>(311)</i>	<i>0</i>