Board of Directors' Meeting of October 24, 2006
Website Summary

Eckler Partners Reappointment

Decision

The reappointment of Eckler Partners was approved to conduct the annual peer review of the claims benefit liability valuation.

Rationale

Eckler Partners was selected to conduct the third party review of the processes involved in the valuation of the annual claims benefit liability starting in 2003. Under the terms of the engagement, Eckler was given a one-year contract, with the option of four one-year extensions. As the external actuary represents the assurance to the Board of Directors, the Board of Directors is responsible for the appointment of the external actuary.

Management is satisfied with the quality of work performed by Eckler Partners in finalizing the 2003, 2004 and 2005 valuations, as well as the working relationship that Eckler Partners has established with the WCB's actuarial staff. Accordingly, management supports the reappointment of Eckler Partners for a fourth one-year term.

2007 Budget and 2007-2011 Financial Plan

Decision

The Board of Directors approved the following:

- 2007 budget and 2007-2011 financial plan (learn more, in 2007 when the plan is published, at: http://www.wcb.ab.ca/about/busplan_guide.asp)
- average 2007 industry premium rate of $1.43 (learn more now at: http://www.wcb.ab.ca/employers/premiums.asp)

Rationale

The 2007 budget and 2007-2011 financial plan build on the key business drivers and assumptions approved by the Board of Directors in May 2006. The expected outcomes for the 2007 budget year and five year plan, based on the updated key drivers and assumptions, are:

- 2007 insurable earnings expectations are forecasted to increase to $65.5 billion, a 9.9% increase from the current 2006 expectations of $59.6 billion.

- New lost time claims volume for 2007 is expected to be 41,300 (5% increase from 2006 forecast of 39,300) and effective injury management is expected to keep lost time duration at the same level as 2006 of 34.8 days.
- Fully funded claim costs (current year injuries) expectations for 2007 are $744.8 million, an increase of 10.4% from the 2006 forecast of $674.8 million. Transaction year claim costs (cost of current and prior year injuries) for 2007 are expected to increase by 10.3% to $643.8 million from the 2006 forecast of $583.6 million.
- The average industry premium rate for 2007 is set at $1.43. This is a decrease of 8.9% from the 2006 budget average rate of $1.57.
- Rate of return on the overall investment portfolio is forecast to be 6% for 2007 and the investment revenue forecast has been set at $353.6 million.
- After an expected dividend of $455.2 million for 2006, the funded position is projected to be 128.5%. For 2007, after an expected dividend of $285.7 million, the funded position is projected to be 124.6%, which is within the yellow zone (122% to 126%) of the funding policy.

Phased-in Approach to Implementation of Changes to the Poor Performance Surcharge

Decision

The Board of Directors agrees to the phased-in approach to the implementation of the poor performance surcharge.

Rationale

- In 2008, the maximum surcharge for the poor performance surcharge will be increased in policy to 200%.
- This approach should motivate change without implementing the full 200% immediately, relying on the lesser, but still very significant, financial motivator.
- This allows employers an opportunity to change their behaviours.
- Additionally, it will support a positive, long-term relationship that benefits workers, employers and the workers' compensation system.