



MORNEAU SOBECO



Review of Yukon Assessment Rates

May, 2010

Agenda

- Approved average rate for 2011
- Components of average assessment rate
- How is the 2011 average rate reduction possible?
 - > Claims performance indicators
 - > Claims cost history 2000 to 2009
 - > Comparison with 2002-2004
 - > Comparison with other Boards
 - > 2009 results
- How are lower assessment rates achieved?
- Summary of key issues

Approved Average Rate for 2011

- Board completed financial projections for 2011
- Board approved a decrease of \$0.46 or about 15.6% in the average rate for 2011
 - > Projected 2010 average rate: \$2.95 per \$100 of payroll
 - > Projected 2011 average rate: \$2.49 per \$100 of payroll
 - > Total reduction in assessments collected from all employers of \$4.25 million based on projected 2011 payrolls
- Detailed rates per rate group will be calculated in early fall and communicated to employers
 - > Not all employers will see rate decreases

Components of Projected 2010 and 2011 Average Rates

Component	2010	2011	Comment
New Injury Costs	\$ 1.66	\$ 1.39	Current and future costs of new injuries
Administration Costs	1.15	1.10	Includes internal administration, OH&S, prevention, appeals and worker advocate
Total Insurance Costs	\$ 2.81	\$ 2.49	Shows annual cost of the insurance protection
Funding Policy	0.14	0.00	Board expects adverse events and stabilization reserves to be fully funded by end of 2010
Provisional Average Assessment Rate	\$ 2.95	\$ 2.49	

How is the 2011 average rate reduction possible?

Percentage of Wage Loss Claims Off Compensation *			
Days after Injury	Yukon 2005	Yukon 2008	2008 Average Canada
30 days	65.8%	74.6%	62.4%
60 days	77.1%	85.2%	73.0%
90 days	81.4%	88.6%	79.1%
120 days	83.4%	91.2%	82.9%
180 days	86.7%	93.6%	87.2%
360 days	92.8%	98.8%	92.5%

* Source: 2008 Key Statistical Measures – Association of Workers Compensation Boards of Canada

How is the 2011 average rate reduction possible?

- 2009 return to work outcomes for Yukon are consistent with 2008 results
 - > AWCBC statistics not yet available for 2009
 - > Early 2010 results are in line with previous years

- New Injury Costs have been tracking at current levels since the beginning of 2008
 - > Workers compensation costs fluctuate from year to year and one good year would not normally lead to a decision to lower rates immediately
 - > Evidence now sufficient to support lower cost expectations
 - > In addition, substantial savings realized on prior year claims due to improved RTW outcomes and increased vigilance

How is the 2011 average rate reduction possible?

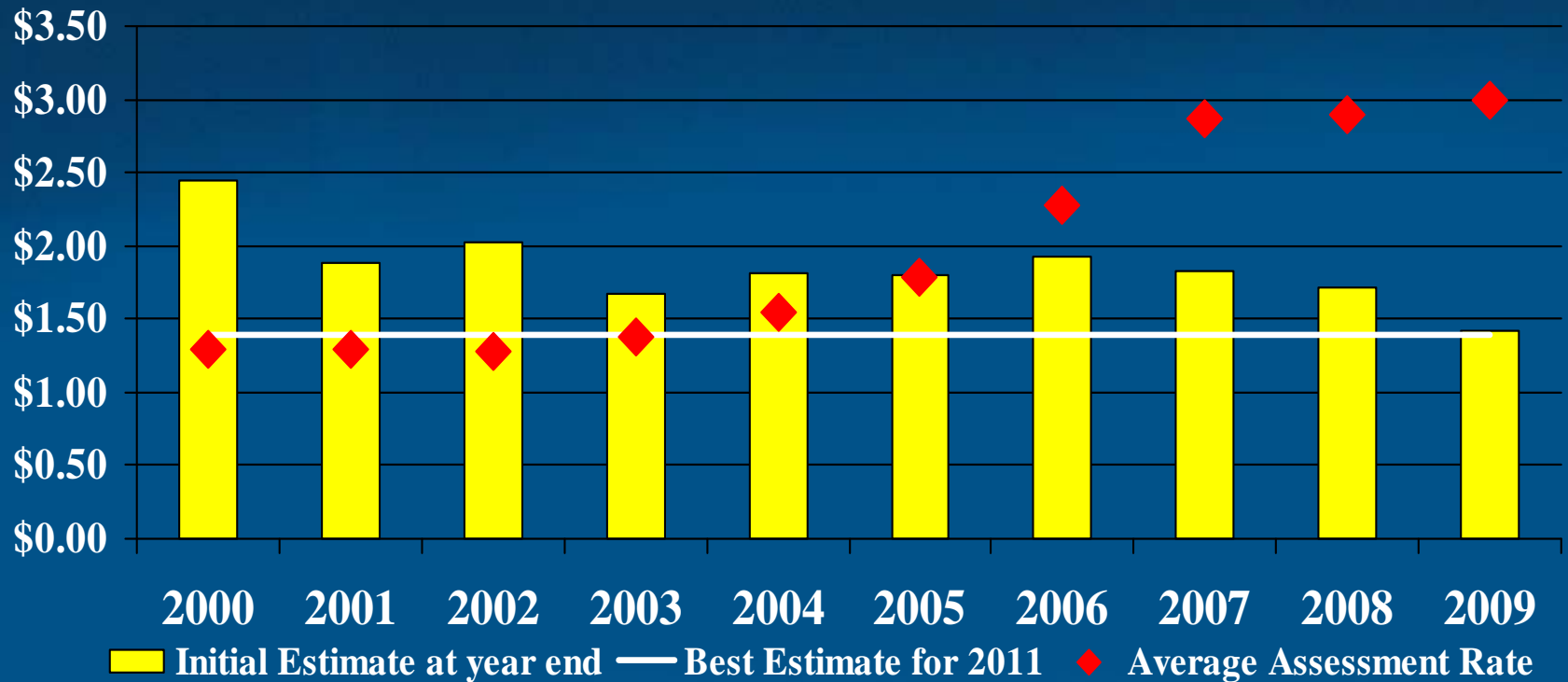
Component	Average 2002-04*	Provisional 2011	Change
New Injury Costs	\$1.84	\$1.39	(\$0.45)
General Administration	0.97	0.81	(0.16)
Other Programs	0.10	0.29	0.19
Total Insurance Costs	\$2.91	\$2.49	(\$0.42)
Funding Policy	(1.51)	0.00	1.51
Average Assessment Rate	\$1.40	\$2.49	\$1.09

* Arithmetical average from Annual Reports

** Other programs include OH&S, Prevention strategies, Workers advocate, Appeals Tribunal, Safety programs

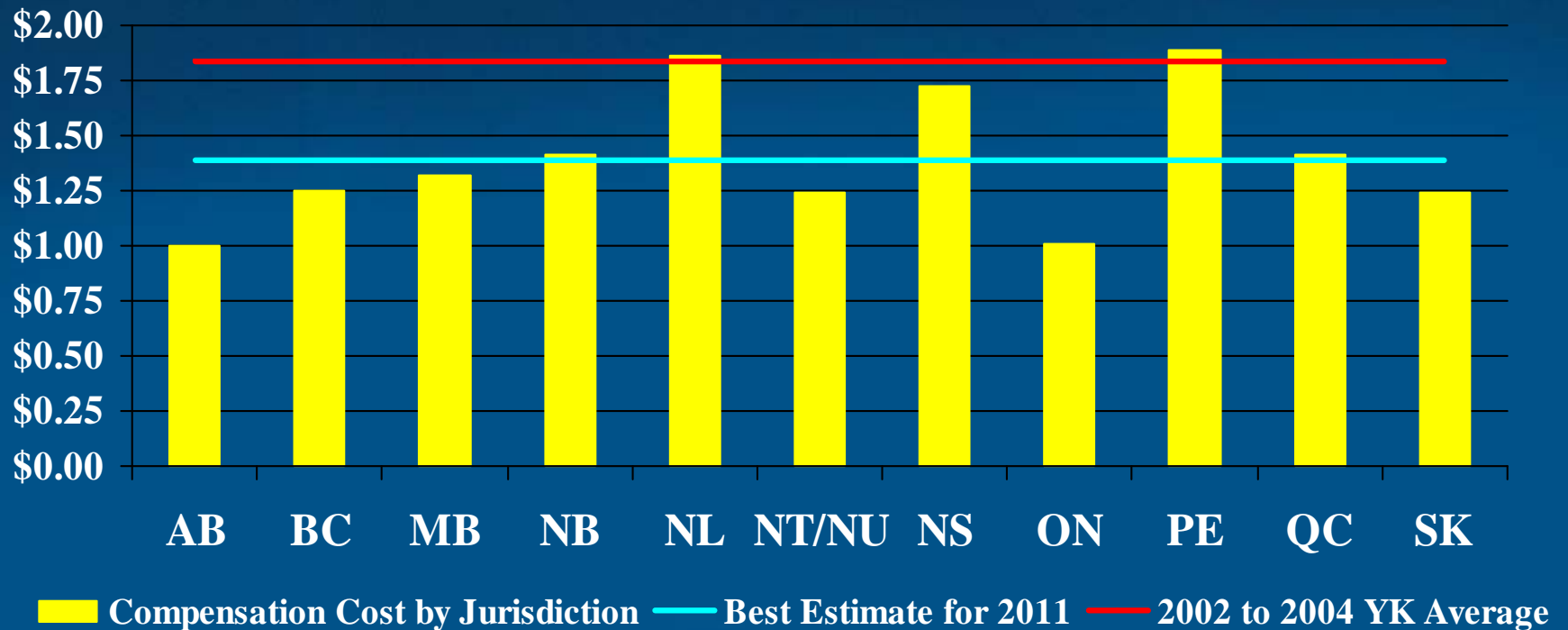
How is the 2011 average rate reduction possible?

Cost of New Injuries 2000 to 2009



How is the 2011 average rate reduction possible?

Comparison of New Injury Costs*



* 2009 Compensation Costs from AWCBC

How is the 2011 average rate reduction possible?

- Board embarked on five year plan in 2005
 - > Improve prevention and return to work performance
 - > Changes to the Act
 - > Increased investigations
- Employers were told that:
 - > If successful in achieving a reduction in injury costs, rates would be lower

How is the 2011 average rate reduction possible?

- Results after 5 years
 - > All claims outcome indicators have improved
 - > Changes to the Act in 2008 reduced new injury costs by \$0.13 per \$100 of payroll which were already reflected in 2009 and 2010 rates
 - > Investigations have led to a one-time estimated total savings to the system of \$6 million
 - \$2 million in 2008
 - \$4 million in 2009

How is the 2011 average rate reduction possible?

- Prudent fiscal management allowed Board to weather the 2008 recession very well
 - > Reserves over and above benefit liabilities maintained to protect against market fluctuations and unusual or catastrophic events
 - > Reserves were close to fully funded prior to the 2008 market crash
 - About 75% of reserves required to absorb 2008 market crash
 - > Rebound in markets in 2009 and lower claims costs resulted in the reserves being 90% funded at the end of 2009
 - Expect reserves to be fully funded by end of 2010

How is the 2011 average rate reduction possible?

- Board could not reduce rates significantly in 2010
 - > Just gone through worst market correction in 70 years
 - > Very little left in reserves to absorb further financial shock
 - > When 2010 rate decision made in spring 2009, still too many uncertainties regarding:
 - funding status of the reserves, and
 - economy in general
 - > Also Board was in 4th year of 5 year plan

How is the 2011 average rate reduction possible?

- A combination of:
 1. Much improved balance sheet at end of 2009
 2. Consistently lower cost of new injuries
 3. Strong commitment to helping injured workers to return to work as early and as safely as possible
 4. Prevention focus, and
 5. Anticipated growth in assessable payroll

- Allowed Board to reduce rates for 2011 by \$0.46 per \$100 of payroll

How are lower assessment rates achieved?

- Sustainable net savings for all employers occur only when the number and cost of injuries are reduced
- Savings can be achieved through:
 1. Prevention
 2. Effective return to work strategies
- Road to injury cost savings requires collaboration between all employers and workers

How are lower assessment rates achieved?

- Other sources of potential reductions
 - > Lower benefits under the Act
 - Can only be achieved through a change in the Act
 - Impacts employers and injured workers in opposite direction
 - > Increased administration efficiencies
 - Need a certain minimum to operate entire system effectively
 - Potentially more expensive to spend too little on administration than too much
 - ⇒ Can result in inadequate claims management and increased claim duration and benefit costs
 - ⇒ Injured workers, employers may not get the support they need

Summary of Key Issues

- A lot of work done by employers, workers and Board staff to improve outcomes
 - > 24% reduction on cost of new injuries since 2002-04
 - > In 2009, internal Board indicators show that:
 - 88% of injured workers return to work within 90 days
 - 96% of injured workers return to work within 365 days

SIGNIFICANT IMPROVEMENTS ACHIEVED

- Focus should be on sustainability of recent success and seek new improvements wherever possible

Summary of Key Issues

- General administration costs relative to covered payroll have reduced since 2002-04
 - > A certain minimum level is required to provide good services to injured workers and employers
 - > Key challenge is economies of scale
 - > Focusing too much on administration costs savings could lead to increased total costs if not enough attention paid to the assistance provided to injured workers
- Funding for other programs (e.g. OH&S, Prevention strategies, Workers Advocate, external safety courses) has increased since 2002-04
- Funding Policy
 - > Return of excess investment returns from the 1990s and early 2000s by way of reduction of average assessment rate created illusion that workers compensation costs in Yukon were lower than reality



- END OF PRESENTATION