

# ASSESSMENT PREMIUM REVIEW

# discussionpaper

YUKON  
WORKERS'  
COMPENSATION  
HEALTH AND  
SAFETY BOARD

## Yukon assessment premiums are under review

The Yukon Workers' Compensation Health and Safety Board (YWCHSB) is reviewing assessment premiums. We invite all Yukoners to participate in the review and provide us with their thoughts. In particular, Yukon employers are affected because they pay the full costs of assessment premiums. Workers are affected because the security of their benefits rests with the YWCHSB.

This discussion paper provides an introduction to the changes we are proposing. We would like your input on three issues:

- 1** how to adjust the assessment premium subsidies;
- 2** what our approach should be for mega-projects; and
- 3** what kind of incentives could we provide for safe workplaces and return to work programs.

We are also moving five industry classifications to a different rate group—one which more accurately reflects the claim risk these industries represent.

We look forward to receiving your comments. Please use the quick-feedback mailer and the contact numbers on the back of this discussion paper to get involved and provide us with your feedback.

## ASSESSMENT PREMIUM SUBSIDIES

The financial position of the YWCHSB and assessment premiums were reviewed in 1998. Because the YWCHSB had a substantial surplus (referred to as a rate transition fund) it was decided to give all private sector industries a minimum subsidy of 45%, and not to increase any private sector premiums. This resulted in subsidies of between 45% and 79%.

The subsidy private sector employers receive was not intended to be permanent. While the YWCHSB continues to be well-funded with a sizable rate transition fund, we must now begin to remove the subsidies. We want to do so in a reasoned manner with input from our stakeholders and the public.

The Government of Yukon was excluded from receiving a subsidy, primarily because it had not been an assessable employer during the early years of the YWCHSB when the surplus was generated. However because this sector is the Yukon's largest employer, they are assessed a lower expense formula than other industries. This is a recognition of the economies of scale they offer. The Government of Yukon and First Nations governments are also the only industry groups which can opt out of workers' compensation coverage, and self insure.

## WHAT PROMISES DID THE YWCHSB MAKE IN 1998?

The last time the YWCHSB reviewed assessment premiums we committed to phasing-in subsidy reductions, starting with those industries being subsidized in excess of 45%. We expected this phase-in to begin in 2002. We promised employers that subsidies would not be reduced by more than 20% a year.

In reality: we froze assessment premiums for one additional year—2002. As we anticipated in 1998, we will be able to maintain some level of assessment premium subsidy beyond 2001.

## MEGA-PROJECTS

Mega-projects, such as a gas pipeline, introduce a number of issues that the YWCHSB would like your thoughts on.

Mega-project work will involve many new and different activities. Since we do not have claim statistics on these activities it is very difficult to set appropriate assessment premiums. To compound this, the consequence of setting assessments too low could have significant negative implications for regular Yukon employers. Should the YWCHSB take on the risks of mega-project employers? If so, how could we protect the financial stability of the YWCHSB? We have compiled some ideas on ways we could cover workers employed in these mega-projects. We are looking for your input.

## INCENTIVES

Once subsidies are equalized, the YWCHSB will consider offering employers incentives. Within industry groups, there are employers who have lower risks than others. This is because they have safety programs and return to work programs that lower the risk of incurring a claim and lower the cost of claims that have occurred. Other employers in the industry group may not make this commitment. Should incentives be given to employers who have established such programs? What are the principles that should guide the YWCHSB in establishing incentives? Tell us what you think.





# Here's what's changing

## 1 UNSUBSIDIZED RATES HAVE BEEN RECALCULATED.

Unsubsidized rates represent the actuary's projection of the cost of future claims. These rates reflect two updated projections: claims data and increased investment expectation.

- Claims data: As we collect more claims data our projection of future claim costs changes. We now have 10 years (1992 to 2001) of detailed claims history that can be used to project future claim costs.
- Increased investment expectation: Our new investment policy allows us to anticipate increased investment returns. Our long-term anticipated return is now 3.5% above inflation. Previously, we anticipated a return of 3.0% above inflation.

## 2 FIVE INDUSTRY GROUPS ARE BEING MOVED.

These groups are being moved to include them with industry groups that we feel are of similar risk. They are:

- 102 Drilling gas or oil wells
- 214 Plumbing, steam fitting or gas fitting
- 301 Air services
- 304 Bus lines or school buses
- 316 Outfitting

Refer to the table opposite this page to see where these groups have been moved.

## 3 SUBSIDIES ARE BEING GRADUALLY REDUCED.

We are proposing two options for gradually reducing the subsidies:

Option 1: Equalizes the subsidies the quickest.

Option 2: Gradually removes the subsidy from all industries.

As we promised in the 1998 assessment premium review, neither option will reduce the subsidies by more than 20% per year.

### OPTION 1:

#### Equalization of assessment premium rates

This option equalizes the subsidies the quickest and then gradually removes them. All groups receive a minimum 45% subsidy in 2003. Groups with a subsidy of more than 45% are subject to a maximum decrease in subsidy of 20% per year until 2007, when most subsidies are equalized at 45%. After 2007, subsidies are decreased by 20% a year for all groups.

#### Option 1 projected effect on the rate transition fund:

In this option, subsidies will slightly exceed the rate transition fund. This means that unless there are some favourable events—such as higher than anticipated investment returns—the YWCHSB will need to raise assessment premium rates over the unsubsidized rates for a period of time.

### OPTION 2:

#### Stability of assessment premium rates

This option provides the most stability in premium rates over a long time period. Starting in 2003, assessment subsidies neither increase nor decrease by more than 20%. By 2007, most employers are receiving a 10-20% subsidy on their premiums.

#### Option 2 projected effect on the rate transition fund:

In this option, subsidies will not be in excess of the rate transition fund so assessment premium rates would not need to exceed the unsubsidized rates.

## INDUSTRY CLASSIFICATIONS

Every employer registered with us is assigned to a category of similar businesses.

Each of these business categories is part of a rate group (either A, B or C) that has comparable hazard or injury experience records. Our three general industry groups—Resources and Transportation, Construction, and Services—are divided into these three rate groups.

To find out which group your business belongs to, check your employer payroll return or call your employer services officer and they will be able to tell you.

- 101 Diamond drilling
- 102 Drilling gas or oil wells
- 103 Drilling or digging water wells
- 104 Exploration
- 105 Farming, trapping or fishing
- 106 Gravel crushing or stockpiling
- 107 Logging, log hauling, skidding or sawmills
- 108 Long haul trucking
- 109 Mapping, surveying or prospecting
- 110 Metal mining
- 111 Placer mining
- 112 Short haul trucking
- 113 Slashing, staking or line cutting
- 201 Bridge construction or road making
- 202 Building construction
- 203 Concrete construction
- 204 Concrete mixing plants
- 205 Construction of transmission lines
- 206 Electrical contractors
- 207 Excavation
- 208 Heating and air conditioning
- 209 Landscaping
- 210 Lumber yards
- 211 Machine, carpentry or glazing shops
- 212 Other services trades
- 213 Painting, drywalling or plastering
- 214 Plumbing, steam fitting or gas fitting
- 215 Trailer courts
- 216 Welding shops or portable welding
- 301 Air services
- 302 Vehicle sales or service
- 303 Bulk oil dealers
- 304 Bus lines or school buses
- 305 Churches, libraries, museums or schools
- 306 Cities, towns, villages or municipalities
- 307 Clubs or recreation centres
- 308 Communication services
- 309 Daycare
- 310 Heavy equipment sales or service
- 311 Homes for children or seniors
- 312 Hotels, motels, lodges, cabarets or lounges
- 313 Light and power companies
- 314 Other business
- 315 Other service industries
- 316 Outfitting
- 317 Printing, publishing or engraving
- 318 Professional offices
- 319 Restaurants and caterers
- 320 Retail sales
- 321 Wholesale establishments

To see how Option 1 or 2 affects your premiums, check the table below.

	1999-2002 unsubsidized rate	1999-2002 % subsidy	1999-2002 premium	2003 unsubsidized rate	2003 premium	2004 premium	Projected 2005 premium	Projected 2006 premium	Projected 2007 premium	Projected 2013 premium (10 years)
<b>Resources and Transportation</b>										
<b>Rate group A</b>										
104, 106, 109, 110, 111, 112	4.35	45%	2.40	4.03	Option 1: 2.22 Option 2: 2.44	Option 1: 2.22 Option 2: 2.68	A Option 1: 2.22 Option 2: 2.95	A Option 1: 2.22 Option 2: 3.25	A Option 1: 2.40 Option 2: 3.57	A Option 1: 4.23 Option 2: 3.59
105	4.35	46%	2.35	4.03	Option 1: 2.22 Option 2: 2.44	Option 1: 2.22 Option 2: 2.68	C Option 1: 2.22 Option 2: 2.95	C Option 1: 2.22 Option 2: 3.25	C Option 1: 2.40 Option 2: 3.57	C Option 1: 4.23 Option 2: 3.59
304 (moved from Services C)	2.80	45%	1.55	4.03	Option 1: 1.86 Option 2: 1.86	Option 1: 2.22 Option 2: 2.23	T Option 1: 2.22 Option 2: 2.95	T Option 1: 2.22 Option 2: 3.25	T Option 1: 2.40 Option 2: 3.57	T Option 1: 4.23 Option 2: 3.59
<b>Rate group B</b>										
101, 103	10.61	69%	3.25	6.23	Option 1: 3.43 Option 2: 3.77	Option 1: 3.43 Option 2: 4.15	U Option 1: 3.43 Option 2: 4.56	U Option 1: 3.44 Option 2: 5.02	U Option 1: 3.71 Option 2: 5.52	U Option 1: 6.54 Option 2: 5.55
301 (moved from Services C)	2.80	45%	1.55	6.23	Option 1: 1.86 Option 2: 1.86	Option 1: 2.23 Option 2: 2.23	R Option 1: 2.68 Option 2: 2.68	R Option 1: 3.21 Option 2: 3.21	R Option 1: 3.71 Option 2: 3.86	R Option 1: 6.54 Option 2: 5.55
<b>Rate group C</b>										
102 (moved from A to C)	4.35	45%	2.40	11.67	Option 1: 2.88 Option 2: 2.88	Option 1: 3.46 Option 2: 3.46	A Option 1: 4.15 Option 2: 4.15	A Option 1: 4.98 Option 2: 4.98	A Option 1: 5.97 Option 2: 5.97	A Option 1: 12.25 Option 2: 10.39
107, 108, 113	15.21	79%	3.25	11.76	Option 1: 3.90 Option 2: 3.90	Option 1: 4.68 Option 2: 4.68	L Option 1: 5.62 Option 2: 5.62	L Option 1: 6.44 Option 2: 6.74	L Option 1: 6.96 Option 2: 8.09	L Option 1: 12.25 Option 2: 10.39
316 (moved from Services C)	2.80	45%	1.55	11.67	Option 1: 1.86 Option 2: 1.86	Option 1: 2.23 Option 2: 2.23	R Option 1: 2.68 Option 2: 2.68	R Option 1: 3.21 Option 2: 3.21	R Option 1: 3.86 Option 2: 3.86	R Option 1: 11.52 Option 2: 10.39
<b>Construction</b>										
<b>Rate group A</b>										
209, 210, 211, 215	2.53	45%	1.40	1.67	Option 1: 0.92 Option 2: 1.12	Option 1: 0.92 Option 2: 1.11	I Option 1: 0.92 Option 2: 1.22	I Option 1: 0.92 Option 2: 1.34	I Option 1: 1.00 Option 2: 1.48	I Option 1: 1.75 Option 2: 1.49
<b>Rate group B</b>										
202, 203, 205, 207, 213	6.28	48%	3.25	4.36	Option 1: 2.40 Option 2: 2.64	Option 1: 2.40 Option 2: 2.90	W Option 1: 2.40 Option 2: 3.19	W Option 1: 2.41 Option 2: 3.51	W Option 1: 2.60 Option 2: 3.86	W Option 1: 4.58 Option 2: 3.88
206, 212, 216	6.28	63%	2.35	4.36	Option 1: 2.40 Option 2: 2.64	Option 1: 2.40 Option 2: 2.90	O Option 1: 2.40 Option 2: 3.19	O Option 1: 2.41 Option 2: 3.51	O Option 1: 2.60 Option 2: 3.86	O Option 1: 4.58 Option 2: 3.88
214 (moved from A to B)	2.53	45%	1.40	4.36	Option 1: 1.68 Option 2: 1.68	Option 1: 2.02 Option 2: 2.02	F Option 1: 2.40 Option 2: 2.42	F Option 1: 2.41 Option 2: 2.90	F Option 1: 2.60 Option 2: 3.48	F Option 1: 4.58 Option 2: 3.88
<b>Rate group C</b>										
201	11.13	71%	3.25	6.60	Option 1: 3.63 Option 2: 3.90	Option 1: 3.63 Option 2: 4.39	P Option 1: 3.63 Option 2: 4.83	P Option 1: 3.63 Option 2: 5.31	P Option 1: 3.93 Option 2: 5.85	P Option 1: 6.93 Option 2: 5.88
208	11.13	79%	2.35	6.60	Option 1: 2.82 Option 2: 2.82	Option 1: 3.38 Option 2: 3.38	R Option 1: 3.63 Option 2: 4.06	R Option 1: 3.64 Option 2: 4.87	R Option 1: 3.93 Option 2: 5.85	R Option 1: 6.93 Option 2: 5.88
<b>Services</b>										
<b>Rate group A</b>										
305, 307, 309, 317, 318	0.83	46%	0.45	0.98	Option 1: 0.54 Option 2: 0.54	Option 1: 0.54 Option 2: 0.65	I Option 1: 0.54 Option 2: 0.72	I Option 1: 0.54 Option 2: 0.79	I Option 1: 0.58 Option 2: 0.87	I Option 1: 1.03 Option 2: 0.87
<b>Rate group B</b>										
303, 306, 313, 321	1.66	46%	0.90	2.01	Option 1: 1.08 Option 2: 1.08	Option 1: 1.10 Option 2: 1.30	M Option 1: 1.10 Option 2: 1.47	M Option 1: 1.11 Option 2: 1.62	M Option 1: 1.20 Option 2: 1.78	M Option 1: 2.11 Option 2: 1.79
308, 314	1.66	55%	0.75	2.01	Option 1: 0.90 Option 2: 0.90	Option 1: 1.08 Option 2: 1.08	S Option 1: 1.10 Option 2: 1.30	S Option 1: 1.11 Option 2: 1.56	S Option 1: 1.20 Option 2: 1.78	S Option 1: 2.11 Option 2: 1.79
<b>Rate group C</b>										
311, 312, 315	2.80	45%	1.55	2.91	Option 1: 1.60 Option 2: 1.76	Option 1: 1.60 Option 2: 1.94	M Option 1: 1.60 Option 2: 2.13	M Option 1: 1.61 Option 2: 2.35	M Option 1: 1.74 Option 2: 2.58	M Option 1: 3.06 Option 2: 2.59

## RATES FOR 2005 AND ONWARDS

Option 1 and 2 premiums from 2005 and onwards are **projected rates**. Our actuary will review assessment premium rates in 2004 to ensure they still accurately reflect claims experience, investment experience and operating expenses.

YOUR IDEAS

---



---



---



---



---



---



---



---



# Government of Yukon & First Nations Governments

Both the Government of Yukon and Yukon First Nation governments do not receive a subsidy on their assessment premiums. However, they do receive a discount on their claims administration costs of approximately 50% due to the fact that the Government of Yukon is a large employer and offers economies of scale.

Assessment premiums for these two groups are calculated by our actuary in the same manner as other employers assessment premiums. Three key factors are used to determine assessments:

## 1 Claims experience

The rate and severity of workplace injuries is monitored for the industry group.

## 2 Investment experience

The YWCHSB has made a significant, long-term commitment to providing secure benefits for workers with an injury. We have set aside and invested assets to pay for these long-term commitments. When setting the assessment premiums, the actuary assumes these invested assets will earn investment income at 3.5% above inflation.

## 3 Operating expenses

These are the costs of administering claims and providing other services such as safety programs. This includes the cost of operating the YWCHSB, the Workers' Compensation Appeal Tribunal and the Office of the Workers' Advocate.

## HOW IS THE YWCHSB PROPOSING TO CHANGE ASSESSMENT PREMIUMS FOR GOVERNMENT OF YUKON AND FIRST NATIONS?

The YWCHSB is proposing to continue offering the Government of Yukon and First Nations governments an unsubsidized assessment premium rate. A rate increase of 12 cents or 9.6% in 2003 is being proposed.

	1999-2002 unsubsidized rate	2003 unsubsidized rate	2004 unsubsidized rate
Government of Yukon and First Nations governments	1.25	1.37	1.37



# Incentives

Some jurisdictions in Canada offer employers incentive programs. At present, the Yukon does not have such a program in place. However, *once subsidies are equalized*, the YWCHSB may implement an incentive program if employers support the idea and if the program will achieve an appropriate outcome.

Incentive programs are a method of rewarding employers for creating and maintaining a safe and healthy workplace. These employers have lower claims costs than other members of their industry group who do not have such programs in place.

In order to help us determine our future direction on incentives, we are asking employers to consider and provide us with their ideas around the following questions.

## INCENTIVE PROGRAM QUESTIONS

- 1 The central question in considering any incentive is what should be rewarded in order to achieve the goal of safe and healthy workplaces? Should we reward the **outcome** (e.g. low claims costs) or the **behaviour** that will give us the outcome (e.g. certified safety program)?
- 2 Should an incentive program be completely **voluntary** or should it **target** certain employers to improve their safety programs?
- 3 Should an incentive be available to **all employers** or just **larger employers**, given the fact that the costs of administration for very small employers will likely exceed the incentive?
- 4 Should the incentive involve the ability to bid on contracts with municipal and territorial governments?

# Mega-Projects

We are asking Yukoners how mega-projects should be handled by the YWCHSB. A mega-project may be of such a scope and the payroll of such a magnitude that the rate transition fund would be depleted. Mega-projects may also involve high-risk work and be of a shorter duration than other Yukon industries.

The YWCHSB may be vulnerable if the assessment premium rates charged for mega-projects is not enough to cover the liabilities.

## ON WHAT BASIS SHOULD THE YWCHSB ACCEPT THE RISK?

The YWCHSB is proposing two options for handling mega-projects:

- 1 Mega-projects could be identified as a separate category that does not receive a subsidy. In this case, mega-projects pay their full, unsubsidized rates based on a national comparison of rates for similar projects.
- 2 Mega-projects could be self-insured, with stop-loss insurance for large claims. This option was used in PEI during the construction of the Confederation Bridge.



NOTES

# Definitions

## *What is the benefits liability?*

The benefits liability is the actuary's estimate of what funds the YWCHSB needs to have set aside to pay all future benefits to existing claimants. If the YWCHSB was forced to close its doors tomorrow—never collecting another cent on premiums—we have enough money set aside in the benefits liability to cover all the costs of our accumulated claims.

## *What is the target reserve for?*

The target reserve is the amount set aside to protect the YWCHSB against catastrophes and other adverse claims experience. Should a tragedy occur with multiple fatalities, the YWCHSB would use this reserve in order to ensure that the benefits liability remains fully funded.

## *What is the rate transition fund?*

The rate transition fund is the balance of assets that is left in excess of the benefit liability and the target reserve. It has been used to subsidize employers' assessment premiums since 1999.

## *What is an actuary?*

Simply put, actuaries put a price tag on future risks. Actuaries improve financial decision-making by developing models to evaluate the current financial implications of uncertain future events. Their unique combination of analytical and business skills are essential in the world of insurance and finance. The YWCHSB's actuary is the firm Hewitt Associates.

## **WHAT IS THE BOARD'S FINANCIAL STATUS?**

The YWCHSB is one of the most fiscally-sound boards in Canada. The 2002 assessment premium review will build on a foundation of strong financial management, for the benefit of Yukon workers and employers.

At the end of 2001, the YWCHSB had assets of \$140 million.

## **YWCHSB'S FUNDED POSITION**

<u>Balance sheet</u>	<u>2001</u>
<b>Assets</b>	140,374,000
<b>Liabilities</b>	
• Benefits liability	78,174,000
• Other liabilities	2,650,000
<b>Reserves</b>	59,550,000



## **HOW DO I GET INVOLVED?**

- 1 Take a minute to fill out and mail the assessment premium review quick-feedback mailer included in this discussion paper. We want to hear from you!
- 2 Participate in a focus group. The YWCHSB is organizing industry-specific focus groups in July and August. If you would like to be a part of one, please call, fax or email Dorothy Jack or Fran Mason at the contact numbers below.  
  
First Nations governments and the Government of Yukon will be individually contacted for a convenient time to meet. Please call us if you would like to be involved!
- 3 Write or email us with your comments.
- 4 You can call (867) 667-8123 and record a phone message with your comments.
- 5 Contact your YWCHSB Board of Directors representative.
  - Employers: Barry Enders Tel: (867) 667-8872 or 1-800-661-0443 and ask for the Board Secretary. Email: board@gov.yk.ca
  - Workers: Michelle Kolla Tel: (867) 667-8872 or 1-800-661-0443 and ask for the Board Secretary. Email: board@gov.yk.ca

## **MORE INFORMATION**

A fact sheet for your industry group—including source and type of injury statistics, and a comparison of assessment premiums from across Canada—is available for pick up or downloading. Just go to our website at [www.wcb.yk.ca](http://www.wcb.yk.ca) or ask for a copy at our front desk.

## **ASSESSMENT PREMIUM REVIEW CONTACT INFORMATION**

Telephone: 1-800-661-0443 or  
867-667-5659 Dorothy Jack  
867-667-5660 Fran Mason

Fax: 867-393-6279

Attention: Assessment Review Team

Email: [assessmentcomments@gov.yk.ca](mailto:assessmentcomments@gov.yk.ca)

Mailing address:

401 Strickland Street, Whitehorse, Yukon Y1A 5N8

## **DEADLINE FOR COMMENTS**

Deadline for comments is **September 3, 2002**, after the Labour Day long weekend.



**YUKON WORKERS' COMPENSATION HEALTH AND SAFETY BOARD**    **COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ AU TRAVAIL DU YUKON**