



## No Change in WorkSafeBC Average Premiums for 2016

WorkSafeBC recently announced that the average “base premium rate” in 2016 will be unchanged from 2015, continuing the pattern from last year. The average rate charged to employers is being set at \$1.70 per \$100 of assessed payroll, exactly the same as in 2015.

This should come as welcome news for the employer community, particularly in light of a seeming onslaught of government-mandated and/or policy-driven cost increases in so many other areas (Medical Services Plan premiums, fuel taxes, electricity rates, water rental charges, environmental assessment fees, etc.).

After a period of generally stable rates, the average WorkSafeBC premium rose by ~5% in both 2013 and 2014. The cost curve now appears to have flattened, in part due to declining injury rates and the successful management of claims costs. Injury rates per 100 employees edged down in 2014, as did total claim and operating costs.

The strong performance of WorkSafeBC’s ~\$15 billion investment portfolio<sup>1</sup> is another important factor. Solid investment returns are benefitting the agency’s financial position and helping to keep a lid on the rates charged to employers. Absent decent investment returns, premiums would be significantly higher.

<sup>1</sup> The portfolio is capably managed by the BC Investment Management Corporation.

	2013	2014
Investment returns (before fees)	\$1,550M 12.6%	\$1,460M 10.8%
Total claim and operating costs	\$2,169M	\$2,004M
Injury rate (injuries per 100 workers)	2.30	2.28
Return-to-work within 26 weeks	81.0%	81.5%
Number of claims	49,493	48,034

Source: WorkSafeBC

For 2014, WorkSafeBC’s portfolio posted a 10.8% total return, on the heels of a 12.6% gain the year before and a 9.7% advance in 2012. Through the first six months of 2015 the portfolio is up by 5.5%. Performance has generally matched or exceeded the main benchmarks used to measure the returns of large institutional portfolios.

It is interesting to note that given the asset mix in WorkSafeBC’s portfolio, a weaker Canadian dollar tends to boost returns. So the recent turbulence in currency markets and the poor performance of the broad Canadian equity indexes may not do much damage to returns in 2015.

Looking ahead, it would seem wise to assume that investment returns will be modest in an environment of relatively sluggish world

growth and exceptionally low bond yields. This suggests that future portfolio returns will be somewhat lower than they were over the period 2012 to 2014. In an environment of less stellar returns, it will become even more important for employers to reduce injury claims and for WorkSafeBC to aggressively manage the various cost drivers in the system.

### Rate Changes by Industry

While the average base rate is stable for the coming year, there are appreciable differences among industry sectors and individual employers, based on claims experience and injury costs. According to WorkSafe, there are some 220,000 registered employers in British Columbia. In 2016, 9% of them will see no changes in their premium rates, 58% will face increases, and one-third will enjoy rate declines.

Under the BC system, employers in each specified classification group<sup>2</sup> pay the costs of injuries and diseases that occur to workers within the group. The premiums charged are also affected by the “experience rating” of individual employers. So a particular employer’s premium costs are influenced by its own claims experience as well as by the incidence (and cost) of workplace injuries of all employers in the classification unit to which it is assigned.

Premiums vary markedly across the 46 “rate groups” in WorkSafeBC’s classification and rate making system. At the low end of the range are classification units in the financial services, accounting, and computer and business consulting sectors. The highest

premium rates per \$100 of assessable payroll are charged to shake/shingle mills, framing and residential forming companies, and firms involved in activities like steam cleaning and pressure washing and window/gutter cleaning.

### Conclusion

WorkSafeBC’s total annual claims and operating costs exceed \$2 billion. All of the premiums collected come from employers. Employers thus have an ongoing interest in WorkSafeBC’s financial health and the prudent and efficient management of the system in order to control costs while providing appropriate compensation and treatment for injured workers. To this end, the Business Council maintains an active interest in WorkSafeBC policy and regulatory matters, through our own work but also collectively with other employer organizations through the Employers’ Forum. The Forum is a voluntary association that exists to share information and coordinate the efforts of the employer community to influence WorkSafeBC’s activities, policies and regulations.<sup>3</sup>

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<sup>2</sup> There are 549 individual classification units that group together similar employers. These in turn are allocated across 46 defined rate groups.

<sup>3</sup> The official name of the Employers’ Forum is the Employers’ Health and Safety Organization of British Columbia; see [www.employersforum.org](http://www.employersforum.org).