

July 18, 2019

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**Submission on Worker's Compensation System Review**

**ATTN: Janet Patterson**

Dear Ms. Patterson,

The BC Chamber of Commerce would like to thank you and your government for allowing the BC Chamber and its network the opportunity to share what's on our members' minds when it comes to the sustainability of the long-term funding model for Worksafe BC.

As you know, we are BC's largest and most broadly-based business organization in the province. Our 120 local chambers of commerce and boards of trade and 36,000 businesses hail from every corner of BC. From single-shingles to multinationals – representing every sector of the economy – our network has been that valued voice of business on Canada's west coast for over 60 years.

Through our grassroots, bottom-up policy process, the BC Chamber values our work with the provincial government to grow the people who power our strong and vibrant provincial economy. There is no better organization to engage with when one wants to know *what's on the mind of BC businesses* in both urban and rural jurisdictions.

Thanks to the direct input of our local chambers and boards of trade, the BC Chamber is driving insights to government and our partners. Our policy recommendations offer real solutions to real challenges facing businesses and workers across the province.

With that in mind, we are pleased to share our network's position on the financial sustainability of the compensation model for Worksafe BC, as well as express our support for the Joint Employer Community Submission for the Worker's Compensation System Review prepared by the Employer's Forum, and of which the BC Chamber was an original signatory. That submission is a more comprehensive explanation of the issues under review and we would like to take this opportunity to further endorse it.

While we understand that "costs" were not specifically included in the Terms of Reference for this review, we would like to direct the Reviewer's attention to our official BC Chamber policy (see attached) passed at our recent AGM in Burnaby this past May regarding concerns as to the overfunded status of the Worksafe fund, and how this fund could be more sustainably managed to address funding concerns of employers, while maintaining stable and fair benefits for workers.

The social contract between workers and employers is one of the most important facets to our democracy and economy. Particularly, the Workers' Compensation Board exists to facilitate trust and fairness – both



to workers and employers – by guaranteeing fair and stable benefits to workers in the event of accident or injury.

We know that our membership is dedicated to maintaining a funding position with their mandatory employer premiums to ensure that this relationship is maintained.

Currently, the fund is overfunded by about 153% assets of liability, which equates to about \$6.4 billion. The 'Petrie Report', released in 2018, makes recommendations on worker benefits and the need for a worker-centred approach, but does not address this overfunded position and its impact on business.

We understand that the fiscal position of the fund is necessary to ensure that there are adequate funds to take care of long-run claims, such as those for asbestos, as well as new claims for workers suffering from Post-Traumatic Stress Disorder and other mental health disorders. We strongly believe that having proper compensation for these issues is necessary and important.

However, we do want to emphasize that the issue of "costs" is important to our membership, which increasingly must deal with an increase in financial burden exacerbated by government due to increased property taxes, increased minimum wage, and the employers' health tax.

Our membership is asking for predictability in how their premiums to Worksafe BC will be used, and if the current funding model is adequate or otherwise. To that end, we request that you include an investigation into a stable metric to direct a sustainable and responsible level of funding to create a Funded Ratio or Ratio Zone for the fund on a medium level basis.

Thank you again to your government for this opportunity to engage. Should you or your officials have any questions on our submission, we would happy to connect further.

Sincerely,  
The BC Chamber of Commerce

Val Litwin  
President and CEO



Attachment:

## **WORKSAFE BC – REFUND OVERFUNDED SURPLUS TO EMPLOYERS (2019)**

### **ISSUE**

WorkSafe BC is a provincial agency entirely funded through mandatory employer premiums and investment earnings.

Currently WorkSafe BC appears to be in a massive overfunded position; according to the Association of Workers' Compensation Boards of Canada, the 2017 WorkSafe BC funding ratio is approximately 153% assets over liabilities, which equates to being overfunded by \$6.4 Billion.<sup>1</sup>

This overfunding should be reduced by returning a portion of the fees charged to the employers who paid into the fund.

The 'Petrie Report', released in 2018, makes recommendations on worker benefits and the need for a worker-centred approach, but does not address this overfunded position and its impact on business.

### **BACKGROUND**

The fund was established to financially support worker's recovery from injury and restore them to safe & productive employment and/or access to equitable compensation. The employers provide the funding, based on a fee levied on their payroll. Funds in excess of what is immediately required are invested for interest earning purposes.

This surplus has grown over the past number of years, from \$571M in 2002, and based on their 2017 financial reports, it is now at 153% (or \$6.4 billion) overfunded. BC, after Manitoba, is the second most over-funded workers' compensation boards in the country.

7 out of the 12 other provincial/territorial boards in Canada have rebate policies in place triggering refunds to employers when a certain threshold in funding is reached. For Example, WCB-Alberta's funding policy establishes a funding range between 114% and 128%. If WCB-Alberta surpasses the required funding level, a surplus distribution rebate is paid to employers.

Several provinces have recently refunded excess money to employers.

- In 2017: PEI's workers' compensation board refunded employers **\$21 million dollars**
- Alberta's workers' compensation board refunded employers **\$355 million dollars**
- Manitoba's workers compensation board set out a 5-year surplus distribution program commencing in 2019 to reduce their funding ratio to their target of **130%**
- In 2016: Alberta's workers' compensation board provided a refund of **\$467 million and** Saskatchewan's workers' compensation board refunded **\$281 million**

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<sup>1</sup> 2017, Financial Measures [http://awcbc.org/?page\\_id=9759](http://awcbc.org/?page_id=9759)

A funding ratio should be determined that properly insulates the system from premium fluctuations and changes in the economic climate while continuing to ensure sound management of finances. Once a funding ratio is set, then a rebate policy should be created that allows for refunds to employers when that ratio is exceeded. This is no different than other tax overpayments; if a business overpays, they receive a refund.

In the Report from the Small Business Task Force as a special initiative of BC's Small Business Roundtable written to the Minister of Jobs, Trade and Technology, there was mention of this matter.<sup>2</sup>

Under Priority 1: Reduce costs of doing business to maintain and strengthen economic growth and competitiveness: item 1.6 recommended BC employers should receive rebates for the 2017 WorkSafeBC surplus and ensure future rates are fairly priced.

The recommendation included the call for WorkSafeBC to set the rates in order to maintain a maximum funding ratio of 110% of assets to liabilities on a medium-term basis.

WorkSafeBC is in the best position to determine what a reasoned medium-term Target Funding Ratio should be.

Employers are being overcharged and this is unnecessarily adding to the growing burden they face from increased taxes, EHT, increase in minimum wage etc. If these funds were returned, then employers could put these funds to productive use, including growing their business, creating jobs, and investing in new and safer equipment.

#### THE CHAMBER RECOMMENDS

That the Provincial Government working with WorkSafe BC:

1. Find a stable metric to direct a sustainable and responsible level of funding to create a Funded Ratio or Ratio Zone, and,
2. Create a process that allows for the refund of over-collected premiums to employers, based on the Funded Ratio or Ratio Zone.

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<sup>2</sup> 2018, Small Business Task Force Final Report, [https://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/business-management/small-business/small\\_business\\_task\\_force\\_final\\_report.pdf](https://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/business-management/small-business/small_business_task_force_final_report.pdf)