WorkSafeBC's 2019 Premium Rates:
Steps You Can Take to Reduce Your Insurance Rates

By Tom Pawlowski

In October, WorkSafeBC announced that the 2019 average base insurance premium rate would remain unchanged at 1.55 per cent of employers' assessable payroll; this is good news. We can keep the average rate flat because of lower overall claims costs, along with strong investment returns that have allowed the average base premium rate to be discounted below the average cost of claims.

While this notification is probably welcomed by most employers, the story is not uniform across all industries. For example, if you are an employer registered in the log-hauling classification unit (CU), you received a letter in August advising that, due to your industry's higher claims costs, it would need to be moved to a higher risk-rate group, with a corresponding increase in the base premium rate. In order to better understand what is happening here, it is helpful to know how the rates are set.

Setting insurance rates

In order to provide an equitable workplace insurance system that limits cross-subsidization between industries, employers operating in similar industries and with similar levels of risk are grouped together. At the most basic level, an employer is assigned to one of approximately 550 CUs based on the products or services it provides. As such, firms that make wooden furniture are grouped with other manufacturers of wooden furniture, and firms that spend most of their time hauling logs are placed together in the Log Hauling CU. The premise here is that, if you are running a similar business, you are likely facing similar risks and should have similar claims costs. As you would expect, employers within one classification unit would pay the same base premium rate for their insurance, although their final insurance rate is adjusted by the individual cost profile (as later explained).

Due to most classification units not being big enough to generate the large numbers of claims statistics necessary for actuarial science to reliably predict their future claims costs, or enable WorkSafeBC to deliver relatively stable insurance rates year over year, individual CUs are pooled into one of approximately 200 industry groups. Those are then further placed into one of approximately 50 rate groups, allowing WorkSafeBC to calculate an appropriate base premium rate that reflects the cost of claims for that particular rate group, divided by its assessable payroll.

If the compensation costs in a given rate group go up or down, the change will be reflected in that industry's base rate. Accordingly, in 2019, 46 per cent of BC employers will be subject to a base rate increase, 51 per cent will see a decrease, and 3 per cent will see no change at all. In fact, the base rates will remain

2019 Insurance Rates in Forestry

Courtesy of WorkSafeBC

CU	Industry	2018 Rate	2019 Rate	Firms
703002	Brushing, Weeding, Tree Thinning, Spacing	8.10	6.53	154
703003	Cable or Hi-Lead Logging	7.71	7.40	50
703004	Dry Land Sort	7.36	7.58	43
703005	Forest Firefighting	7.81	6.19	49
703006	Ground Skidding, Horse Logging, Log Load	7.53	7.53	220
703008	Integrated Forest Management	7.56	7.70	968
703009	Log Booming or Marine Log Salvage	7.27	7.21	49
703011	Log Processing	7.26	7.38	227
703012	Logging Road Construction or Maintenance	7.76	7.61	255
703013	Manual Tree Falling and Bucking	7.03	7.07	907
703014	Mechanized Tree Falling	7.68	7.41	175
703015	Shake Block Cutting	7.20	7.18	30
703016	Tree Planting or Cone Picking	3.61	3.78	113
703019	Helicopter Logging	7.53	7.76	16
714019	Pressed Board Manufacture (Pellet)	1.95	2.16	15
714022	Sawmill	3.78	3.79	167
732024	Log Towing	10.04	8.37	35
732044	Log Hauling	6.17	6.79*	1,283

* Rate increase limited to 10% for 2019. Target rate is 8.60%.

unchanged or be lowered for the majority of forestry classification units.

Log hauling has had higher costs than the rest of its 2018 rate group; consequently, in 2019 it is being moved to a higher risk-rate group (Rate Group 18) with which it shares similar costs. This is attributable to the number of injuries in the sector and the cost of its claims. In 2017 alone, there were 136 time-loss claims associated with the Log Hauling CU, at a total cost of $6,131,525. In fact, claims costs exceeded $7 million per year in three of the last five years.

The 2018 rate for the Log Hauling CU was 6.17 per cent (or $6.17 per $100 of payroll), but the 2019 rate needed to cover the costs associated with this CU is actually 8.60 per cent. So, why is the rate going up to just $6.79 when $8.60 is needed to cover the costs? The reason is that WorkSafeBC's board of directors is limiting the 2019 rate increases to 10 per cent in order to prevent large, sudden impacts on employers. This also means that, unless log hauling as a sector shows a very significant improvement in 2019, another rate increase is highly likely in 2020.

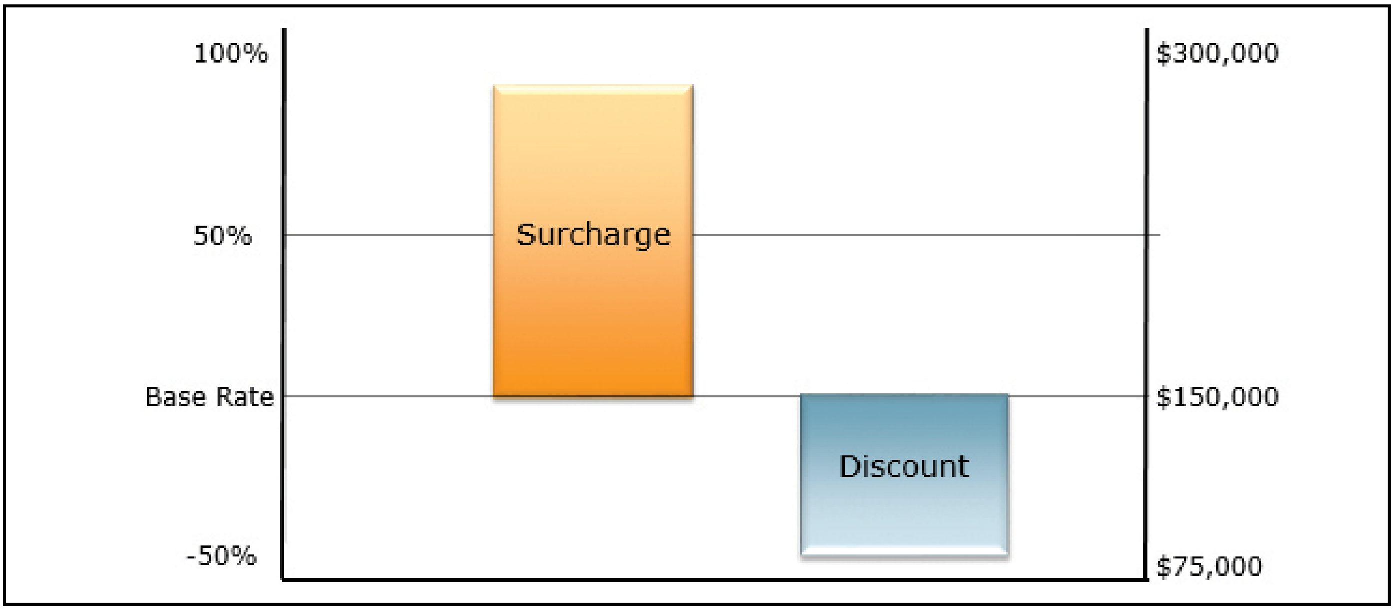
Reducing insurance costs

What can the sector do to reduce its insurance costs? The answer, obviously, involves reducing injury rates and lowering claims costs. You may be tempted to say that employers have no control over cost, but that is not necessarily the case. One of the key factors that translates into higher costs is the duration of a claim or how long it takes the employee to return to work (RTW). In 2017, only 34 per cent of the Log Hauling CU's injured workers returned to work within a month, and even after six months only 69 per cent were back on the job. That is a significantly longer claim duration than the provincial average return-to-work metrics of 53 per cent within four weeks and 82 per cent in six months for all other industries.

This translates into higher costs given that the cost burden rises exponentially with the length of a claim. For example, a soft tissue injury claim that may cost $2,000 if resolved in less than 30 days may end up costing $6,000 if it takes two months for the worker to get back to work. However, if this claim is not resolved within four months, it could end up costing anywhere from $30,000 to $300,000 and involve extensive rehabilitation. Beyond 120 days, long-term disability takes over, with extensive occupational rehabilitation and costs that may exceed $300,000—not to mention all of the additional hardships and social consequences for the worker and his or her family. However, employers can offer opportunities for early return-to-work options with modified duties.

Experience Rating: Rewarding Safety

Courtesy of WorkSafeBC



A $10 million employer with average performance in an industry with a base rate of 1.50 per cent would pay $150,000, but could pay as little as $75,000 or as much as $300,000 depending on the firm's safety record over time.

Information on implementing safe stay-at-work programs and return-to-work programs for injured workers is available on WorkSafeBC's website. All employers are encouraged to explore this topic for the benefit of their workers and to reduce their insurance costs.

Preventing injuries in the first place should be the first priority of every employer. Concrete steps an individual employer and the log-hauling sector as a whole can take include targeting the highest-risk/-cost drivers in this industry. This information can be helpful in reducing the risk in the workplace, as motor vehicle incidents account for approximately 30 per cent of injuries in log hauling and 30 per cent of claims costs. This is followed by various overexertion-related injuries, such as soft tissue strains; cumulatively, these account for another 30 per cent of injuries and total costs, e.g., shoulder injuries constitute 13 per cent of all injuries in log hauling and approximately 11 per cent of all claims costs.

If reducing the cost of insurance is the objective, then employers should direct their efforts toward conducting purposeful risk assessments in their operations and implementing measures to control those risks. If throwing wrappers is endangering the health of your drivers, as it often is, then implementing measures such as using loader-assist may be an option, among others.

Knowing where the greatest risks and costs occur is the key to finding solutions—and the first step in reducing injuries and keeping down the cost of your insurance.

WorkSafeBC resources

Industry statistics and information on prevention activities, injury rates, and claims costs for all industries, including log hauling, are available on WorkSafeBC's website (worksafebc.com) under Industry Safety Information Centre (ISIC).

Also available on the website is the Employer Health and Safety Planning Tool Kit, an interactive tool that enables an employer to learn about the injuries and claims that impact that specific employer's safety performance. This is your own data and information specific to your firm's claims and costs, and you can access it using your secure login. One of the utilities in the tool kit is a forecasting calculator that an employer can use to predict the firm's future insurance costs, and assess how the insurance rate could be positively impacted through a mitigation of claims costs.

Knowing that the base premium rate for the Log Hauling CU is increasing, does this mean that all employers in the CU will end up paying more? Not necessarily; another factor is the individual firm's experience rating adjustment (an adjusting percentage applied to the base rate). Some employers pay a surcharge of up to a 100 per cent of the base rate if their claims costs are higher than those of other employers of the same size in their rate group, while others are in a discount position and may be paying up to 50 per cent less than the base rate (this depends on their safety record over time).

Even if the industry as a whole will see higher base rates next year, you as an individual employer may pay less if you have fewer injuries and lower claims costs. Overall, being safe is good for business.