

DATE OF MEETING    OCTOBER 21, 2020

AUTHORED BY        LAURA MERCER, DIRECTOR, FINANCE

**SUBJECT              2021 PREMIUM COST INCREASES**

## **OVERVIEW**

### **Purpose of Report:**

To provide Council with 2021 cost estimates for WorkSafe BC and liability insurance premiums.

## **DISCUSSION**

The drafting of the 2021–2025 Financial Plan is currently underway and will be presented to Council in late November. Part of the draft preparation process is to incorporate updated premium rates as they are received. Staff has received premium estimates from both WorkSafe BC and liability insurance. As the premium increases for both are expected to be quite substantial, Staff felt that it was appropriate to bring it to your attention in advance of the Financial Plan presentations.

### **WorkSafe BC Premium**

The City has been advised by WorkSafe BC that premiums for 2021 will be going up substantially. Preliminary calculations indicate an increase of approximately \$495,000 for the City as a whole. The bulk of the premium will be funded by general property taxation with remaining funding through sewer, water and garbage user fees.

Our WorkSafe BC premiums consist of a base rate which applies to all members of a classification unit (in our case, the classification unit is Local Government and Related Operations) as well as an employer-specific rate that is added to the base rate. The employer-specific rate reflects our performance relative to the group, and can result in either a surcharge or a discount to the base rate. The premium rate results from a complex calculation that actually reflects the City's claims costs from two, three and four years ago. So, while we have reduced claims costs overall in the past couple of years compared to the few years previous, it will take time for these improvements to be reflected in our premium rate.

The WorkSafe BC premium increase from 2020 to 2021 is based primarily on the following factors listed below.

1. Our employer-specific rating increased slightly, reflecting our proportion of the claims within the classification unit over the years 2017, 2018 and 2019.
2. The base rate for our classification unit rose almost 19%, compared with an increase of just over 5% in the previous year.

3. The maximum wage per worker, upon which WorkSafe bases its payments for things such as disability pensions, increased almost 15%. In comparison, the maximum wage rose by under 3% in the previous year.

The City continues to work on reducing both the number of time loss injuries, as well as the duration of those injuries. A key to this has been early intervention and disability management, along with the support of managers, union representatives, employees and their physicians. The final premium rate will be received before the end of November.

#### 5 Year Cost Summary – WorkSafe BC:

Year	Amount	Rate %	Max Wage
<b>2016</b>	\$ 1,129,428	2.48%	\$ 80,600
<b>2017</b>	\$ 1,110,224	2.39%	\$ 81,900
<b>2018</b>	\$ 1,027,164	2.13%	\$ 82,700
<b>2019</b>	\$ 1,290,710	2.63%	\$ 84,800
<b>2020*</b>	\$ 1,287,526	3.29%	\$ 87,100
<b>2021 Est</b>	\$ 2,084,605	4.12%	\$ 100,000

\* **NOTE:** Fourth quarter payment will not be paid until January 2021 – estimated total for 2020 is \$1,570,303

### **Liability Insurance Premium**

The Municipal Insurance Association of BC (MIABC) provides the City's liability insurance coverage. The MIABC Board of Directors has set the preliminary liability insurance assessment rates for the 2021 policy.

The premium for 2021 is estimated at \$608,261, representing a \$121,124 increase over 2020. This estimate is intended for budgetary purposes and rates will be finalized after Board of Directors December meeting. The final invoice amount for the liability insurance assessment quoted on this estimate will not exceed this total estimate for the deductible level indicated.

According to MIABC, the economic disruption brought on by the pandemic has intensified the hardening insurance market as a whole, resulting in dramatic premium increases. Out of a necessity to fund claims adjusted to a higher risk environment, caps to limit year over year increases are not presented in the estimate as has been done previously. As such, the City is seeing a rate increase that is larger than in previous years as the caps limiting is no longer being used to soften any increase arising from experience rating, population growth and other factors.

- The assessment reflects year over year changes in our population and experience rating. Experience rating is based on our claims development in the 2015 to 2019 policy years.
- Experience premiums and discounts are calculated using the MIABC's member approved experience rating formula.

In advance of their December meeting, the Board will be examining a number of options to help mitigate the increase. MIABC staff will present recommendations to the Board following a review of possible alternatives with the Finance Member Advisory Group before rates are finalized in December.

#### 5 Year Cost Summary – Liability Insurance:

Year	Amount
<b>2016</b>	\$ 468,215
<b>2017</b>	\$ 482,256
<b>2018</b>	\$ 497,430
<b>2019</b>	\$ 459,039
<b>2020</b>	\$ 487,137
<b>2021 Est</b>	\$ 608,261

### **CONCLUSION**

The estimated premium for liability insurance has been included in the Draft 2021-2025 Financial Plan that will be presented to Council near the end of November. The WorkSafe BC rate change will be incorporated into the Provisional 2021-2025 Financial Plan once final rates are received.

Any changes to these rates after adoption of the Provisional Plan will be incorporate into the Final 2021-2025 Financial Plan as appropriate. |

### **SUMMARY POINTS**

- Drafting of the 2021-2025 Financial Plan is currently underway and is updated to include premium costs as they are received.
- Preliminary 2021 rates for WorkSafe BC have been received and it is anticipated to cost an estimated \$495,000 more than 2020.
- A preliminary 2021 liability insurance premium has been received from MIABC and it is anticipated that the increase will be \$121,124 more than 2020.

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