

Government Run Insurance Programs

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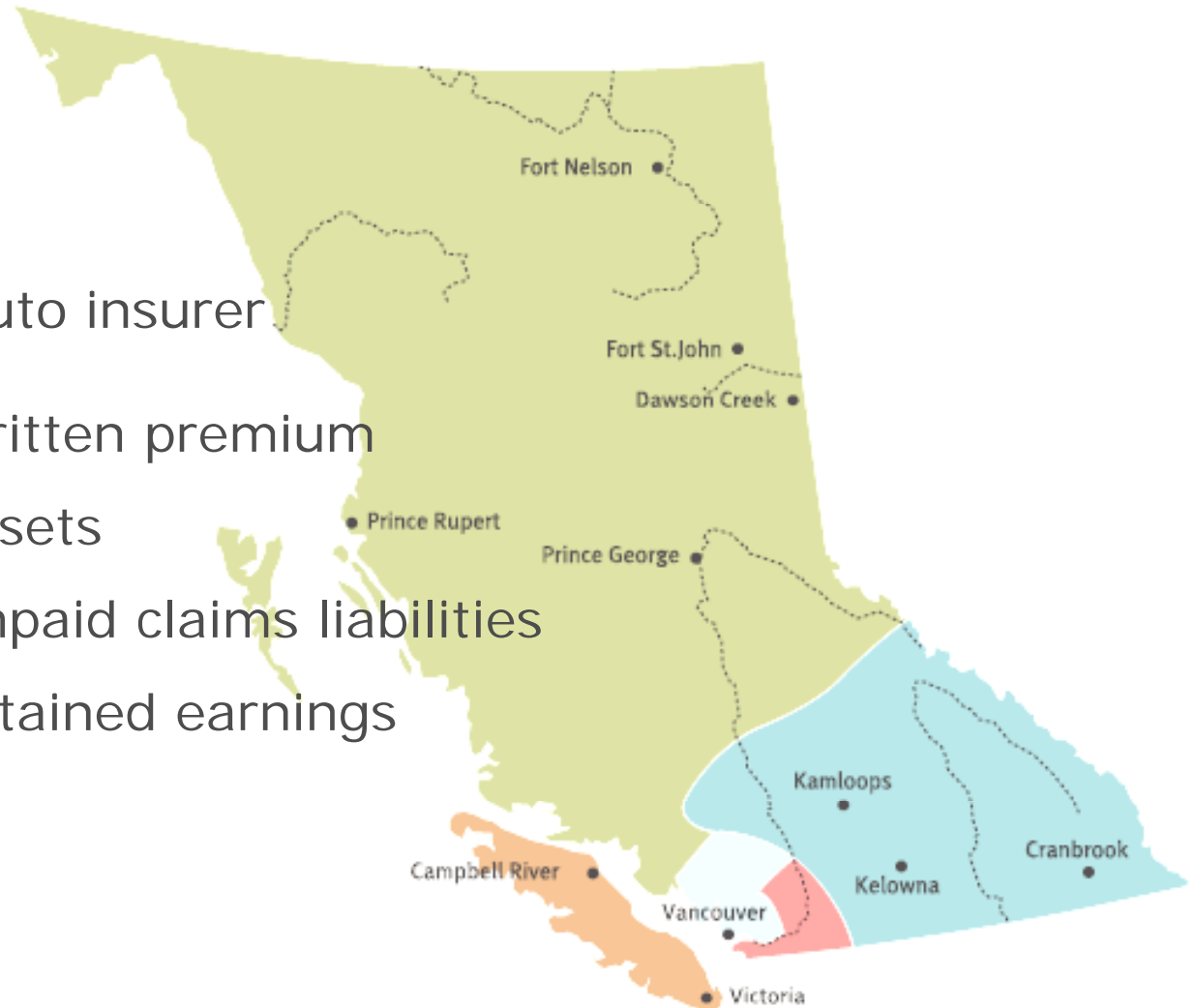
ICBC Overview

CANW Meeting
March 2011

ICBC Today

Canada's largest Auto insurer

- \$ 3.7 billion in written premium
- \$12.6 billion in assets
- \$ 6.0 billion in unpaid claims liabilities
- \$ 3.2 billion in retained earnings



ICBC Service Delivery Network 2009 Highlights



3.2 M (annualized) policies
\$3.7 B written premium



900 Independent Brokers
\$300 M commission payments



944,000 claims



**Road Safety & Loss
Management Programs**
\$ 56 M



Material damage payments
\$ 1.1 B



**1.1 M DLs & BC IDs
issued & 210,000
road tests**

ICBC

5,000 Employees
40 Claim Centres
21 Driver Service Centres
4 Call Centres

Injury Payments
\$ 1.4 B



**Driver & Vehicle Licence
Fees & Fines**
collected on behalf of
Government
\$ 513 M



ICBC Products

Integrated Operations

Regulated

Basic coverage

Compulsory insurance coverage

- Third Party Legal Liability
- Accident Benefits
- Underinsured Motorist Protection (UMP)
- Hit & Run & Uninsured Motorists

Loss Management & Road Safety

- Reduce crashes and auto crime

Non-Insurance Services

- Vehicle and Driver Licensing
- Vehicle Registration
- Government Debt Collection

Competitive

Optional coverage

Vehicle

- Collision
- Comprehensive
- Other

Equipment

- Motor Vehicle Equipment
- Excess Special Equipment
- Motor Home Contracts

Individual

- Extended Third Party Legal Liability
- Excess UMP
- Loss of Use
- Vehicle Travel Protection

WorkSafeBC

Casualty Actuaries of the Northwest (CANW)
Spring Meeting – Seattle, WA
March 18, 2011

Presentation by:
Terry Bogyo, Director Corporate Planning & Business Development

What is WorkSafeBC?

Who we are...

- WorkSafeBC is a 'statutory agency': Created by statute to administer the Workers Compensation Act at arms length from government
 - The sole insurer of workers' compensation in British Columbia
 - All employers are required to purchase their WC insurance from us
 - We cover 93.5% of the employed labour force
 - We manage all WC claims (including those for Deposit Class [Self-insured] entities)
 - The Occupational Safety and Health regulator, inspectorate and promoter

The 'Businesses' we are in

- Occupational Safety and Health
 - Regulation Making
 - Education, Consultation and Enforcement
 - Safety and Health Promotion
- Disability and Casualty Insurance
 - Underwriting (assessing and insuring risks of work-related injury and fatality)
 - Claims and Disability Management/Vocational Rehabilitation
 - Permanent Disability and Fatality Compensation
- 'Pension' Fund Management
- Health Care authorization, supervision and payment

What's the role of Actuaries?

We must have one on our Board of Directors
Internal actuaries are involved in rate setting, reserves,
incurred cost calculation...

Board of Directors Structure

(as per the [Workers Compensation Act](#))

- 81 (1)** The board of directors of the Workers' Compensation Board consists of
- (a) 7 voting directors appointed by the Lieutenant Governor in Council as follows:
 - (i) one director, representative of workers;
 - (ii) one director, representative of employers;
 - (iii) 2 directors, representative of the public interest;
 - (iv) one additional director, representative of the public interest, who is chair;
 - (v) one director who at the time of appointment is a professional providing health care or rehabilitation services to persons with disabilities;
 - (vi) one director who at the time of appointment is an **actuary**, and
 - (b) the president who is a non-voting director.
 - (c) [Repealed 2002-66-9.]

Powers and duties of board of directors

Section 82 -

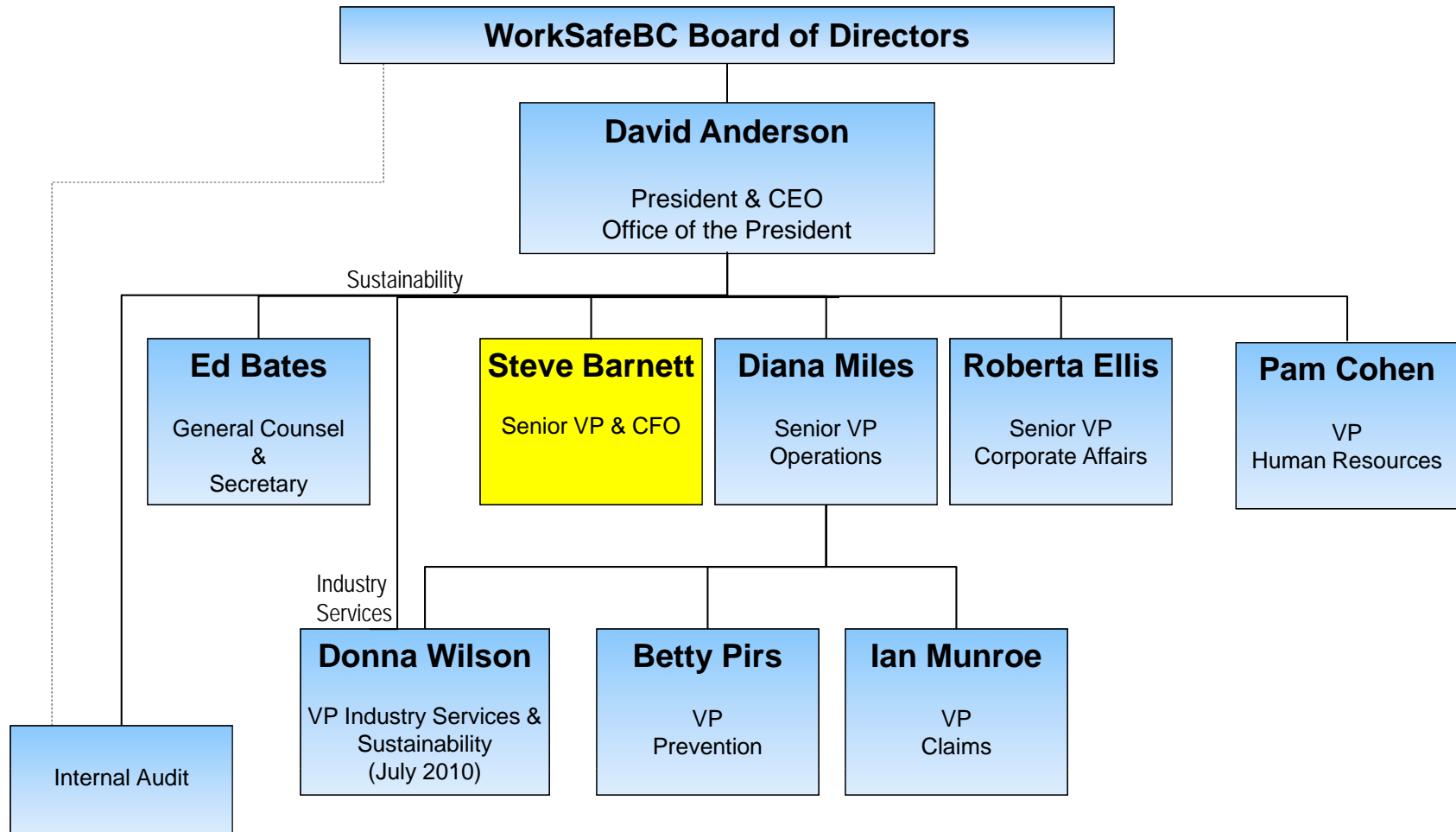
82(1) The board of directors must

- (a) set and revise as necessary the policies of the board of directors, including policies respecting compensation, assessment, rehabilitation and occupational health and safety, and
- (b) set and supervise the direction of the Board.

(2) Without restricting subsection (1), the board of directors is responsible for the following:

- (a) subject to the Act, selecting the president and determining the president's functions;
- (b) approving the operating and capital budgets of the Board;
- (c) establishing policies and accounting systems to ensure adequate funding of the accident fund;
- (d) approving major programs and expenditures of the Board;
- (e) approving the investment of funds of the Board in accordance with the requirements imposed under this Act;
- (f) planning for the future of the Board;

Senior Staff & Structure



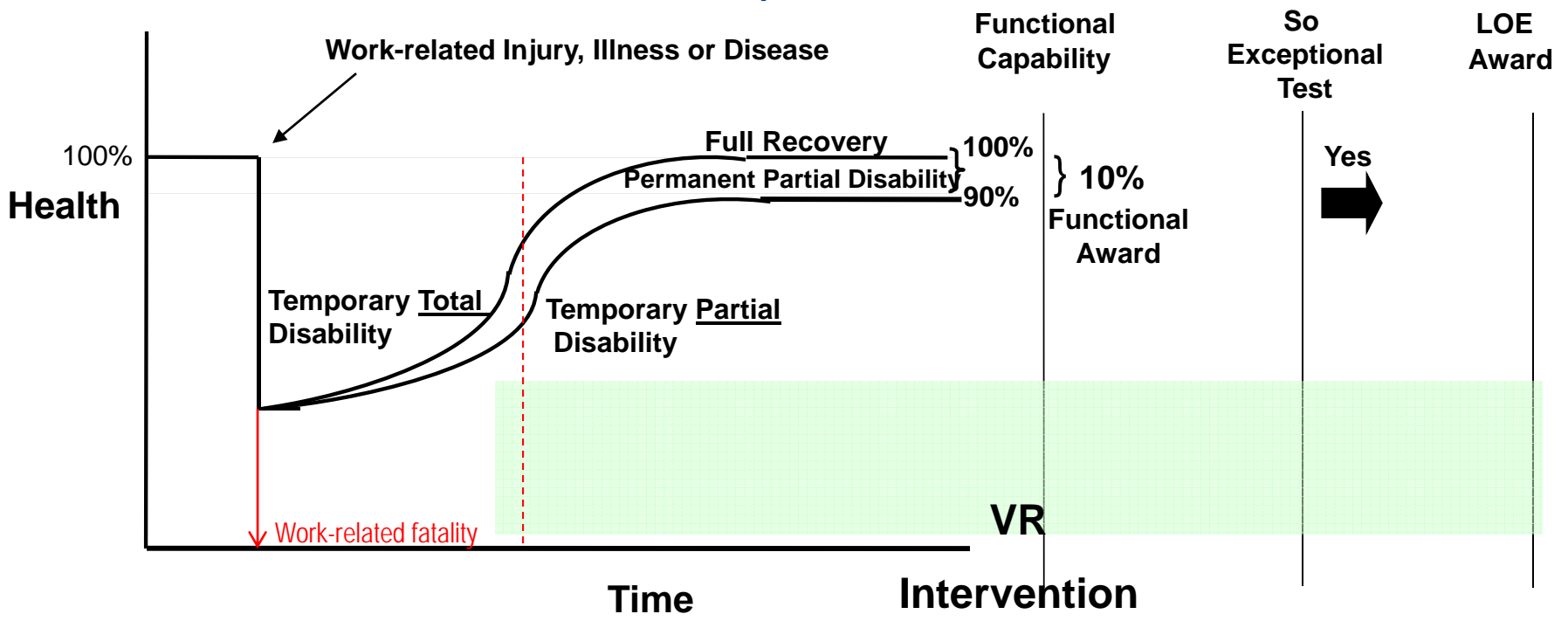
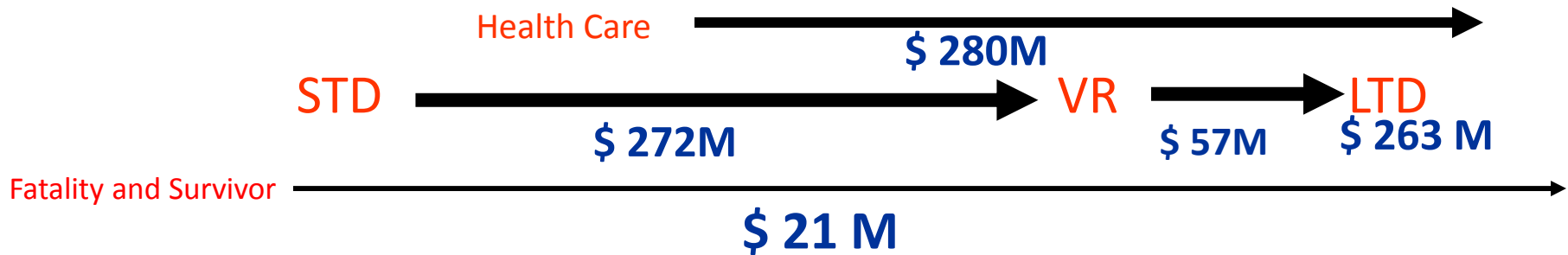
Key Statistics (all figures 2009 unless otherwise stated)

• Registered Employers	200,000
• Workers covered	2.3 million
• Injuries first reported	141,968
• Phone calls received (per day)	23,000
• Documentation rec'd (pages per day)	15,500
• Health and Safety Inspections	20,267
• Orders written	69,934
• Premium income	\$1.02 billion
• Assets under management	\$11.9 billion
• Accident Fund liabilities	\$9.7 billion
• Reserves	\$1.41 billion
• Workplaces in BC	500,000+
• Short Term Disability days paid	2.84 million
• Annual claims cost	\$1.1 billion
• Average premium (Published for 2010) (aggregate base rate per \$100 assessable payroll)	\$1.56/\$100
2006 \$1.89	2007 \$1.67
2008 \$1.50	2009 \$1.40
	2010 \$1.41

Compensation System Features

- Nearly 90% of claims are established on the basis of a first report from a physician received electronically.
- Average Time from injury to first payment: 18.4 days
- Benefits are payable from the day following the day of injury
 - No worker deductible (No waiting period)
 - No 'employer excess' (employer deductible)
- Payments are made directly to the worker (or to the employer if the employer is continuing to pay wages) and payments are tax free

How Does the Compensation System Work?



Incurring cost, 2009 data, for injuries occurring in 2009

Our Business in an Annual Context (2009)

Funds the cost of Current Injuries

Premiums (Assessments)



\$1,024 million

Benefit costs



\$1,322 million

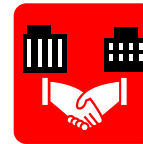
Includes claim administration \$263M

Prevention costs



\$69.8 million

Operating



\$336 million

Less \$238M claims administration cost

\$1,489 million



Unappropriated Surplus \$145 million

Investments



\$ 610million

\$1,634 million

Contributes to the financing of past injuries and Pensions

Fair value as at Dec 31, 2009

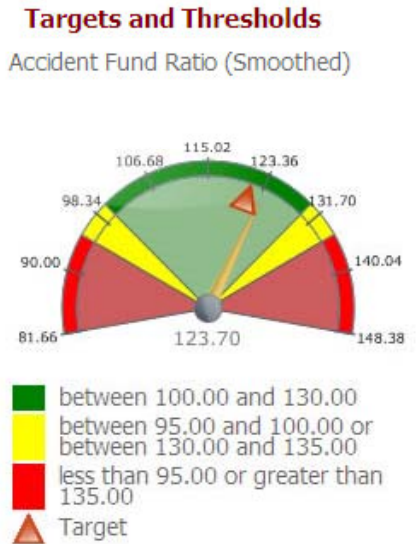
Unappropriated Balance **\$764 million**
 123.5% funded Fair Value or 122% funded Smoothed basis

Accident Fund Ratio



KPI Definition

The funded ratio is the value of the accident fund assets divided by the total future liabilities. The accident fund (valued on a smoothed basis) represents the aggregate of its invested premiums and the net gains or losses on funds collected to cover the costs related to past injuries and disabilities. The combined total of future costs for all claims incurred in the current and prior years is a liability against the value of the accident fund. The calculation of the fund ratio is consistent with WorkSafeBC's funding policy of smoothing all realized and unrealized capital gains and losses over a five-year period.



The smooth funding ratio was 123.7%, up 1.3 percentage points from the funding ratio at the end of 2009 (122.4%).

% of Target Asset Level Achieved

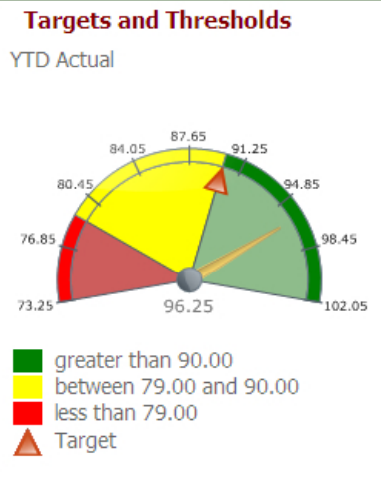
Objective
Achieve a funding level of 100% of the target asset level

KPI Definition

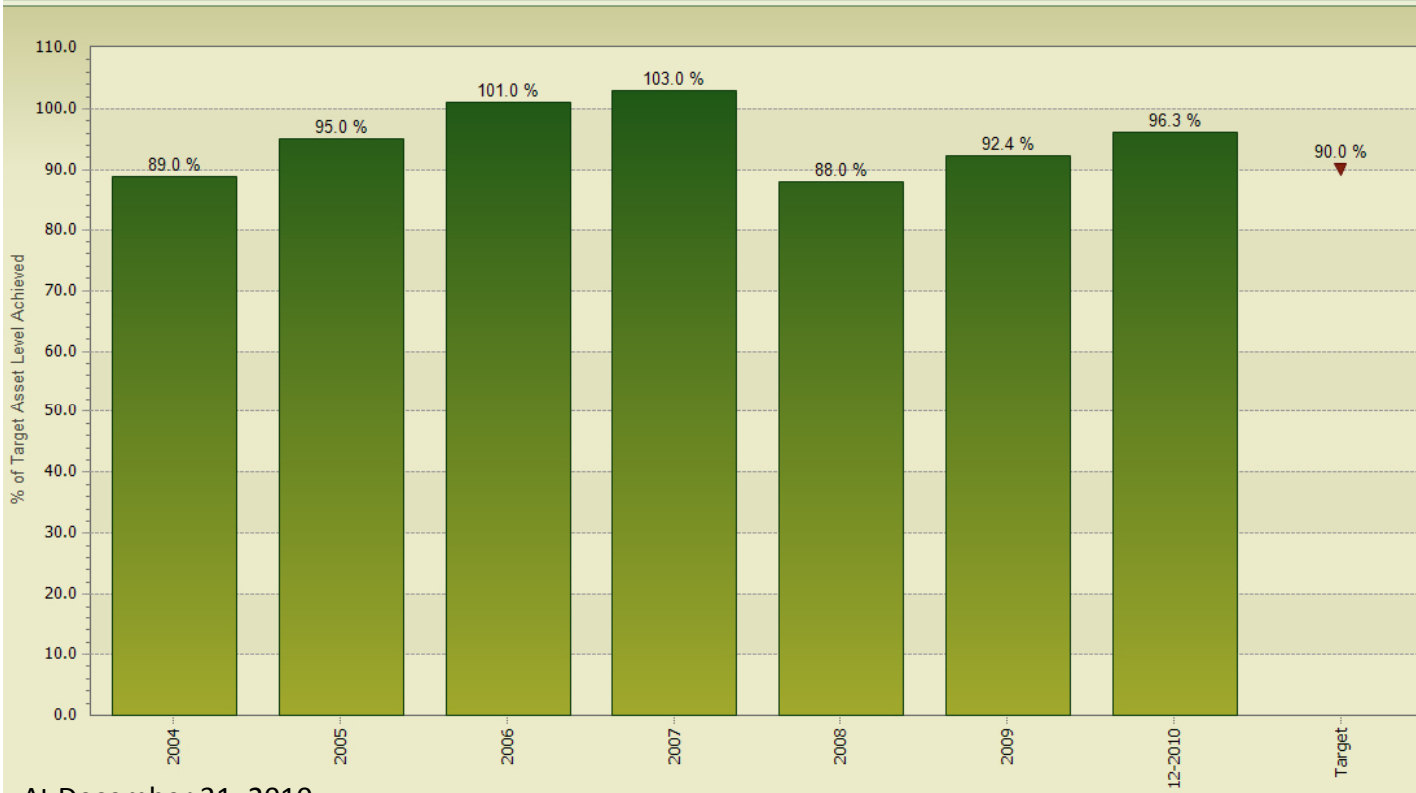
The KPI is the ratio of Actual Assets (measured on a fair value basis) divided by Required (or Target) Assets, expressed as a percentage, with a long term target of 100%. Target Assets consists of funding or capital required to cover:

- the current level of liabilities;
- the various categories of reserves appropriated, as described in Note 10 of the financial statements, excluding the actual Capital Adequacy Reserve; plus
- the target level of the Capital Adequacy Reserve

The target level of the Capital Adequacy Reserve is determined using formulae prescribed by federal Office of the Superintendent of Financial Institutions (OSFI) for private life and casualty insurers. This reserve will better secure worker benefits by targeting capital levels comparable to those required by private insurers regulated under OSFI.



YTD Actual %	YTD Budget %	YTD Variance %	2010 Year-End Target
96.3%	91.5%	5.2%	90.0%



At December 31, 2010:
Actual Assets (Fair Value) - \$12,647m Target Assets - \$13,140m % of target achieved to date - 96.25%

Target asset level achieved is up 3.9 percentage points from the target asset level achieved at the end of 2009(92.36%).

What's unique about us?

Our focus on “Making a Difference one human being at a time”

Washington State Fund Overview

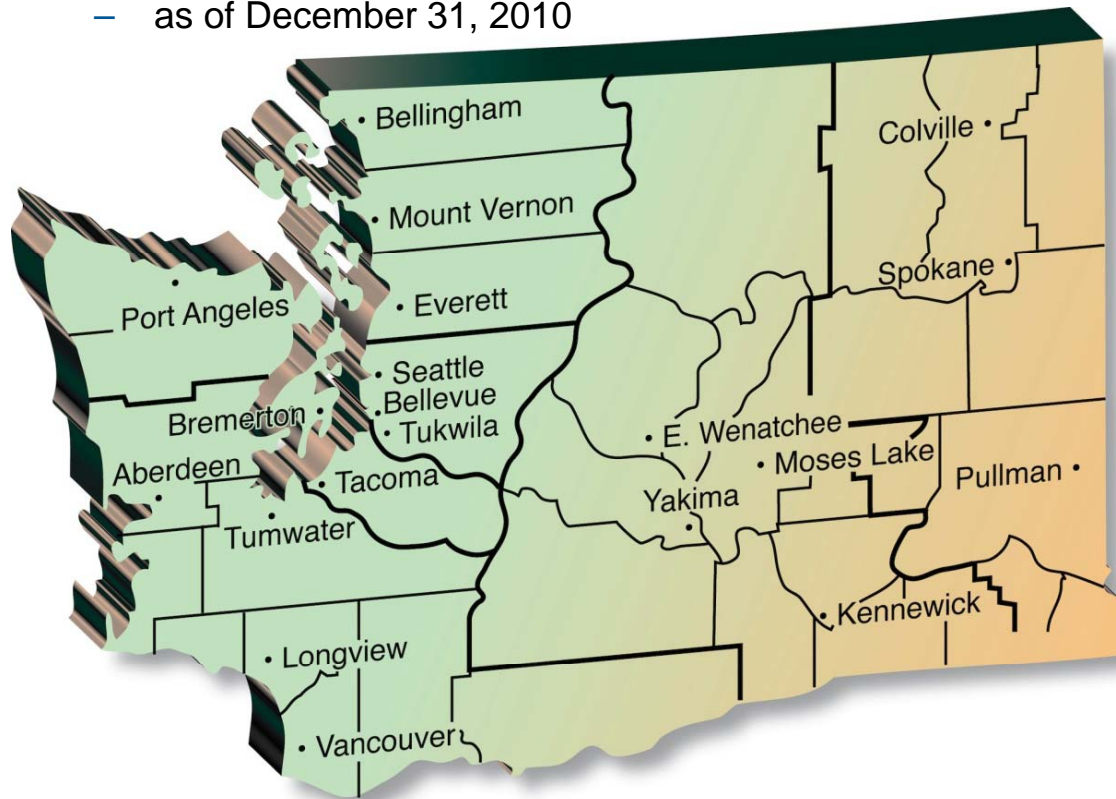
*Spring CANW Meeting
March 2011*





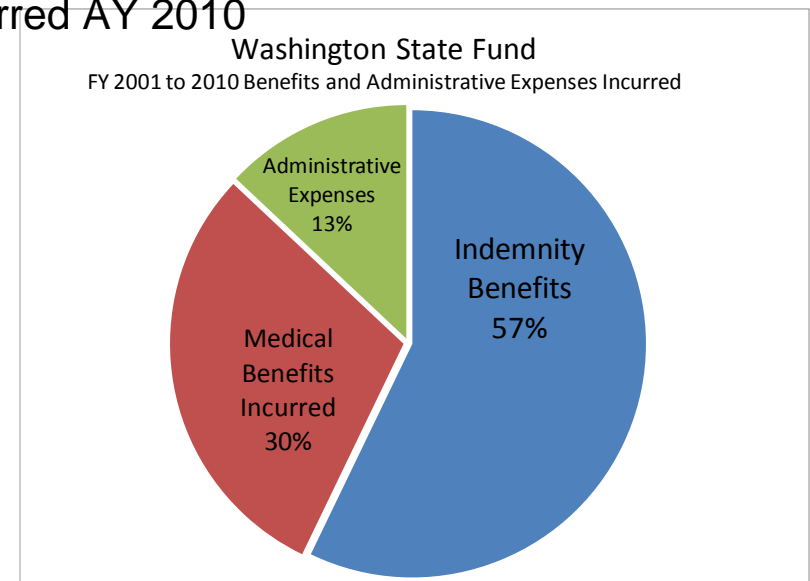
Washington State Fund

- 100 years old this month
- United States' seventh largest Workers' Compensation insurer
- \$ 1.3 Billion - Net Earned Premiums
- \$12.0 Billion - Assets
- \$11.4 Billion - Discounted Loss and LAE Liabilities
 - as of December 31, 2010



Washington State Fund

- 163,000 employers insured
 - 2.3 Million workers insured
 - 3.1 Billion hours reported
- 361 employers self-insured
 - 0.8 Million workers
 - 1.2 Billion hours reported
- 44% of premiums participate in Retrospective Rating
 - 92% through insurance groups
 - More than \$2 Billion has been refunded to date (since 1980)
 - \$1.4 Billion in discounted losses incurred AY 2010
 - 86,000 accepted claims AY 2010
 - 24,000 lost-time claims AY 2010
 - Administrative expenses
 - 13.0% of total expenditures
 - 6.2% LAE
 - 6.8% Other administrative expenses



Department of Labor & Industries



Department of Labor & Industries

- Additionally regulates and provides services for:
 - Supplemental Pension Fund (workers' compensation insurance) - \$410 M
 - Self-insured employers (workers' compensation insurance) – 27% of hours insured
 - Medical fee schedule (workers' compensation insurance)
 - Perform 7,000 Safety and Health compliance inspections
 - Conduct 2,500 Safety and Health employer consultations
 - Enforce labor laws, including minimum wage, family leave, child labor, prevailing wage, farm labor contractor
 - Collect \$1.5 million in unpaid wages
 - Administer \$18 M Crime Victim Compensation Program
 - Perform 250,000 electrical inspections
 - Oversee/inspect 112,000 boilers and pressure vessels
 - Inspect 15,000 elevators and conveyances
 - Certify 3,000 construction and maritime cranes
 - Register 16,000 apprentices
 - Register 60,000 construction contractors
 - Certify 6,000 plumbers
 - Other...
- 2,750 employees
- 20 regional offices
- Work with other state agencies
 - State investment Board
 - Industrial Insurance Appeals Board
 - Office of the Attorney General
 - University of Washington
 - Health Care Authority
 - Dept. of Health



Role of actuaries at the State Fund

- Reserving: Corporate actuaries
- Rating: Rating Bureau actuaries
- Regulatory: Regulatory actuaries
- Support: Support other department functions
 - » Underwriting
 - » Claims
 - » Medical
 - » Pensions
 - » WA USL&H assigned risk plan (WARP)



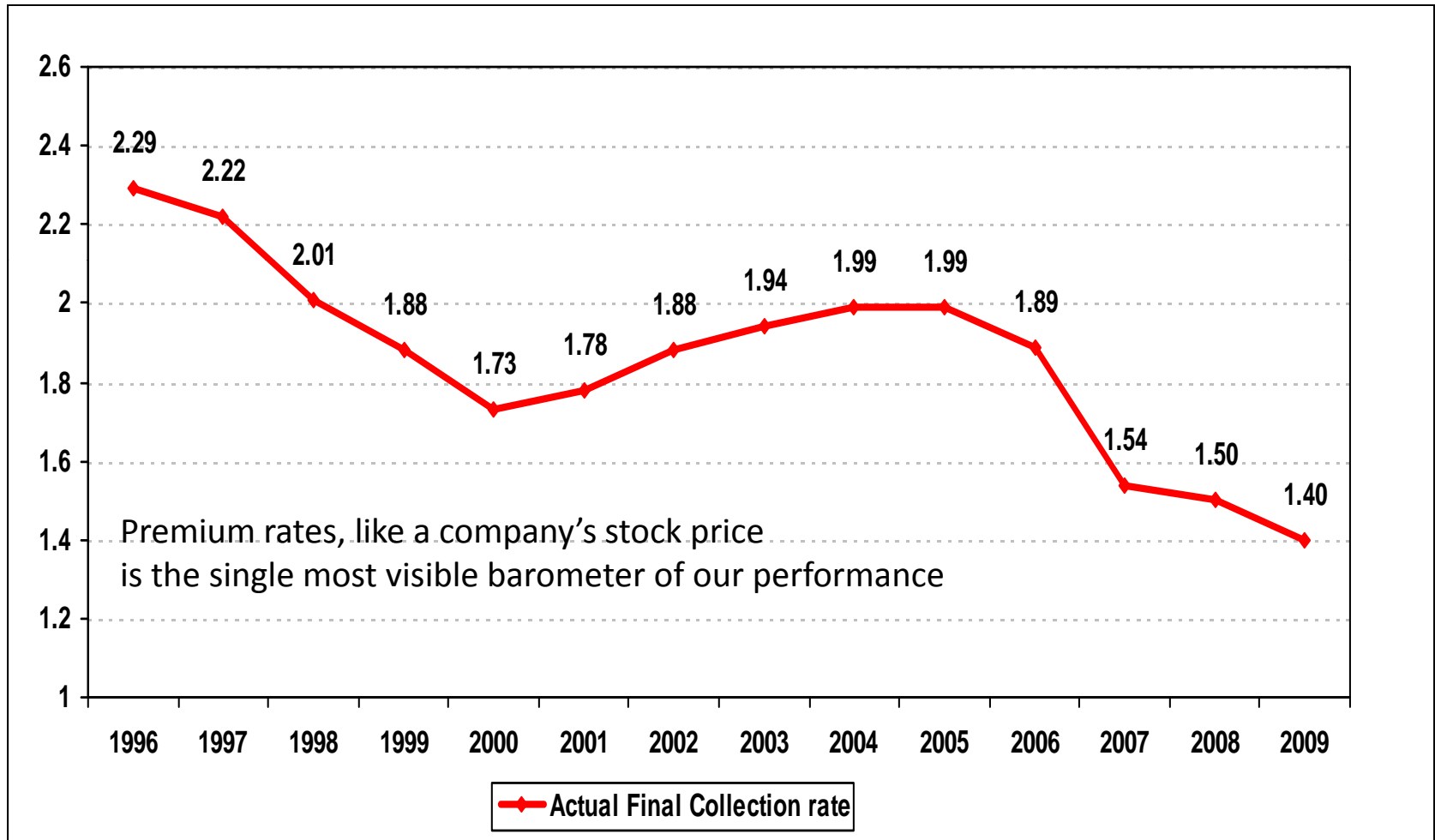
Discussion Topics

- What is the process for setting rates at your company?
- How is your company perceived by the public? How well is your organization respected in its jurisdiction?

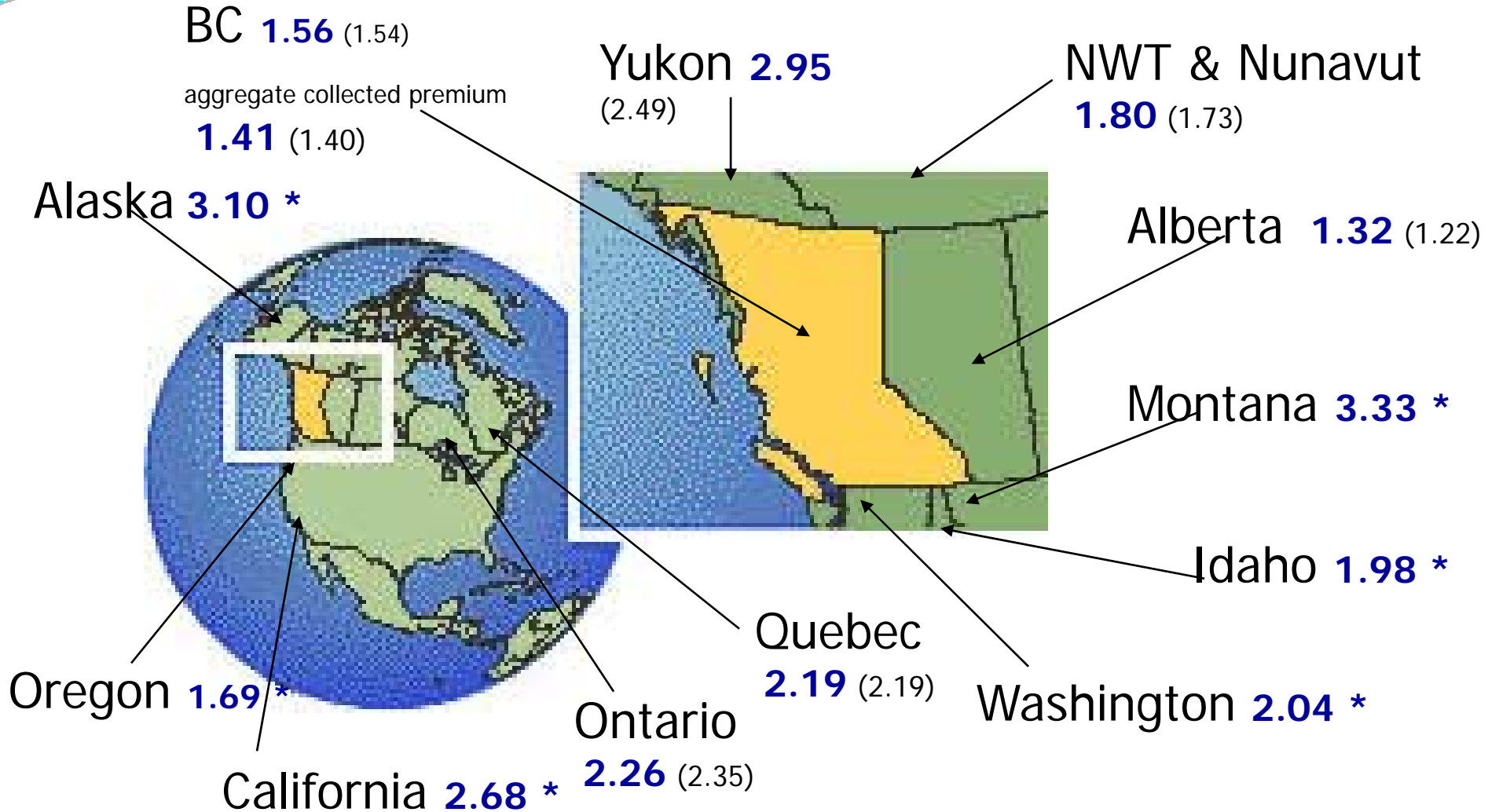
How are we perceived?

That depends on who is doing the perceiving

Premium rates



Current Average Assessment Rates 2010 (proposed 2011)



Note:

Canadian rates all found to be published on the jurisdiction's official website.

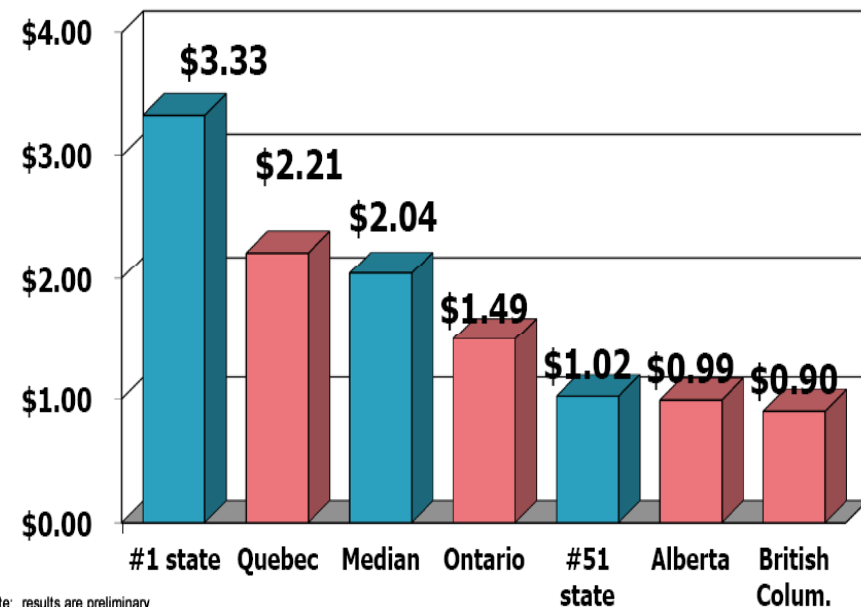
* US rates: *2010 Oregon Workers' Compensation Premium Rate Ranking Summary* published by the Department of Consumer & Business Services and found on the Oregon.gov website, viewed December, 2010

Premium Rate Environment

BC continues to show a relatively low rate when compared to other provinces & states

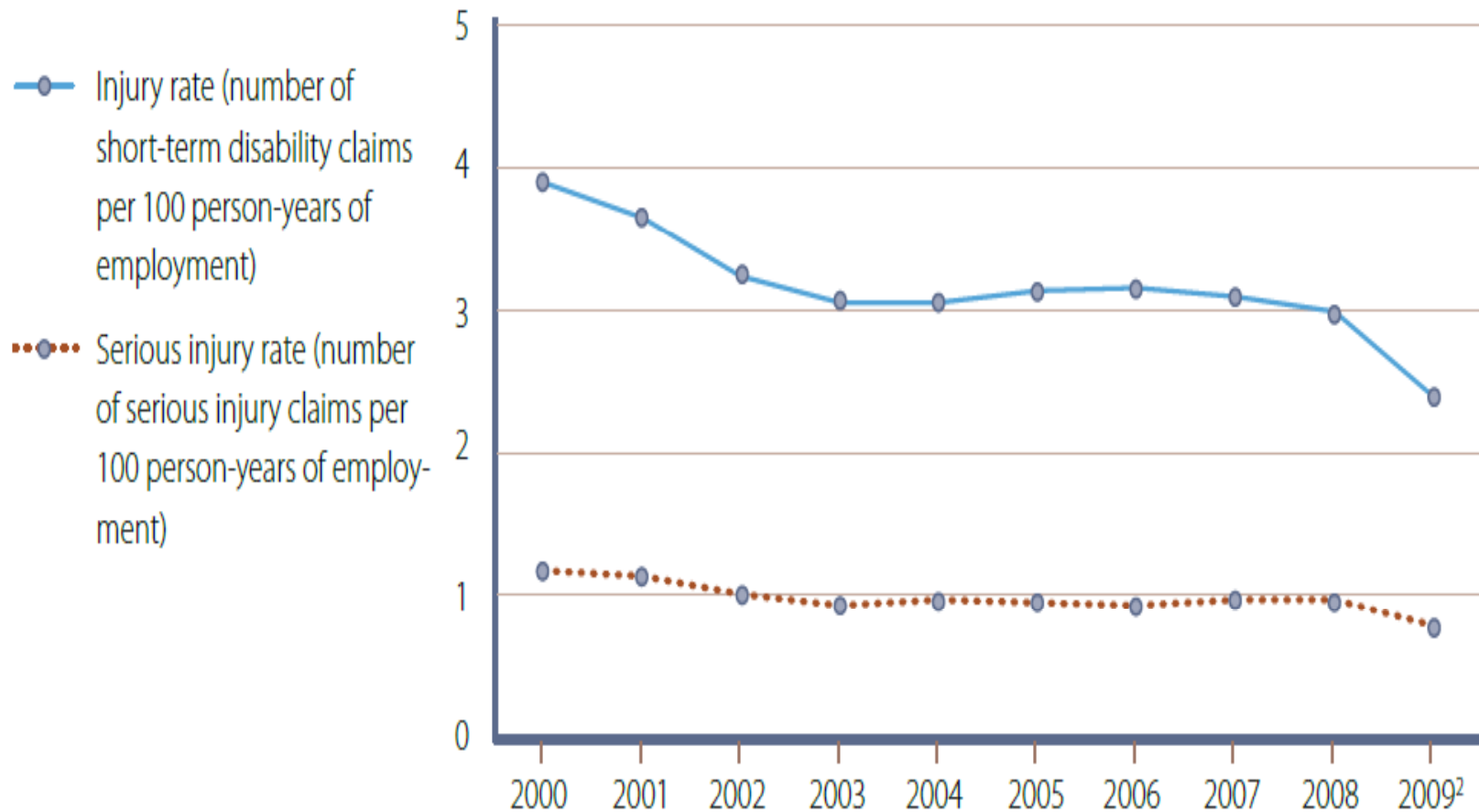
- ▶ The only comprehensive listing of rates in the US is the Oregon Workers' Compensation Premium Survey. Conducted every 2 years.
- ▶ Washington is the median state.
- ▶ Corporate Planning and Development asked the Oregon researchers to repeat the exercise by applying BC, Alberta, Quebec and Ontario premiums to Oregon payroll weights and plot these four Canadian jurisdictions relative to the distribution obtained for the US states

2010 study the Range of Index Values

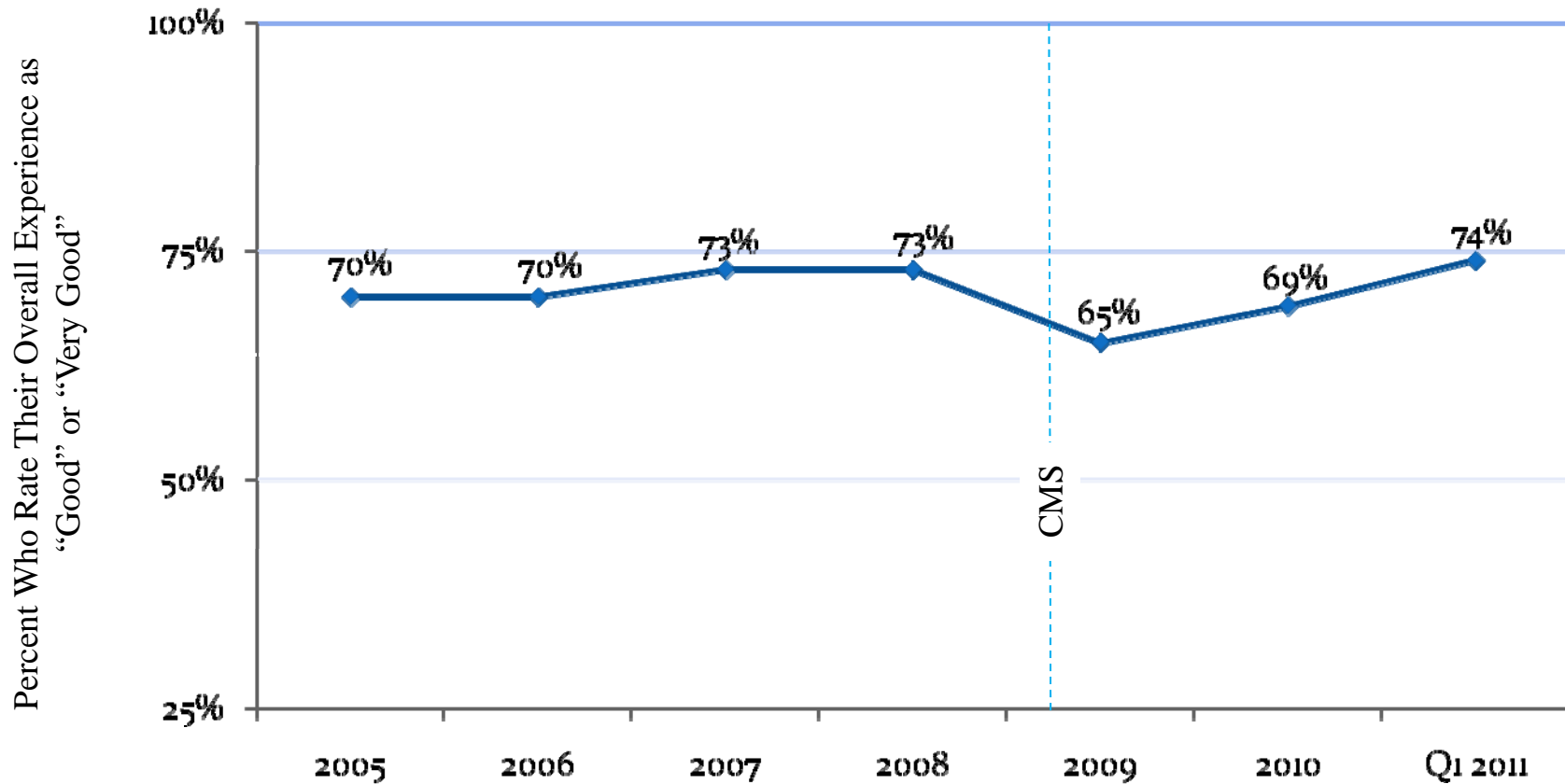


Injury Rate and Serious Injury Rate

Injury rate and serious injury rate, 2000–2009



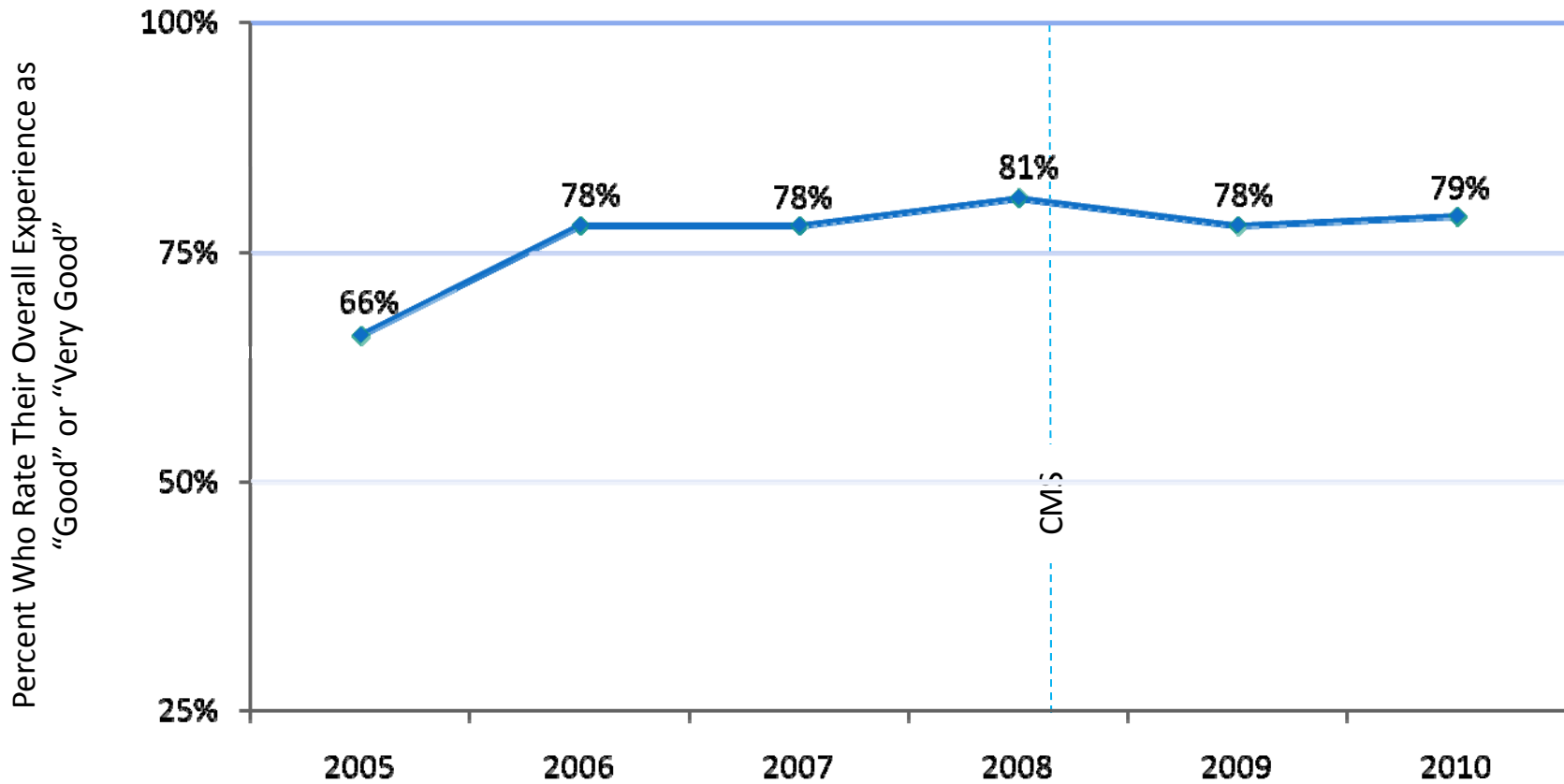
Injured Workers' Overall Experience



% Very Good/Good	70	70	73	73	65	69	74
% Average	15	16	12	16	18	18	15
% Poor/Very Poor	14	14	15	11	17	13	11

Scores based on a random survey of approximately 400 injured workers (200 injured workers in Q1, 2011). Quotas are set by claim duration, matched to the actual distribution of all claims in short-term disability, including a disallow rate of seven percent. Prior to 2010, quotas were set to match the actual population of claims based on level of adjudication. The change in methodology had no material impact on the ratings.

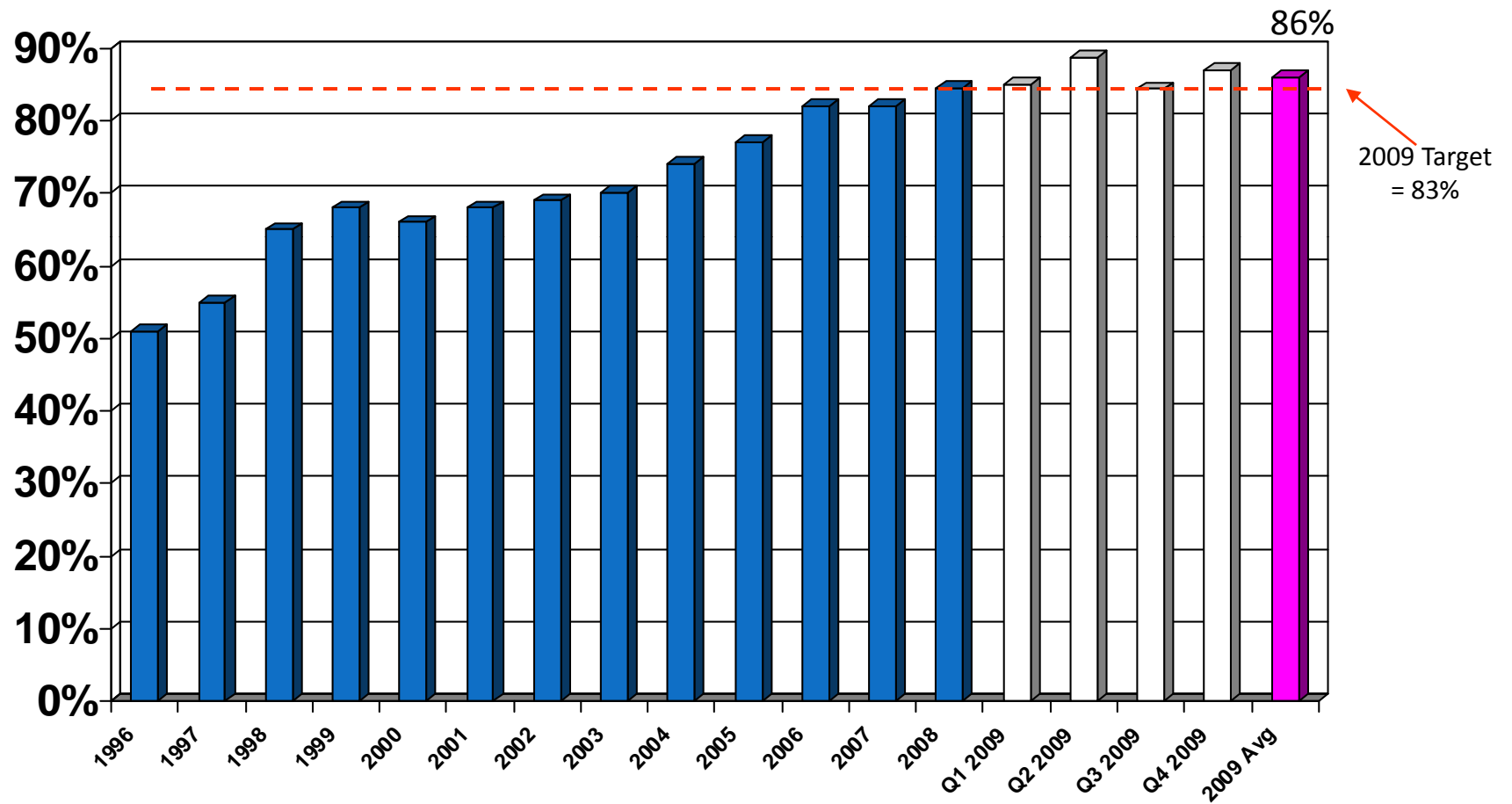
Employers' Overall Experience



% Very Good/Good	70	70	73	73	65	69	74
% Average	15	16	12	16	18	18	15
% Poor/Very Poor	14	14	15	11	17	13	11

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Public Contribution Index Yearly Average*



* From 1993 – 1997 the survey was taken once/year

Discussion Topics

- What is the process for setting rates at your company?
- How is your company perceived by the public? How well is your organization respected in its jurisdiction?
- What kinds of benefits or synergies of being associated with the Government does your company bring to the public?
- What kinds of disadvantages or challenges does your company face as a result of being associated with the Government?
- From your perspective, is a Government run insurance program a benefit to the public as compared to the traditional competitive market approach? Why?