

WCB Nova Scotia Report to the Community

Q2 2020

EMBRACING A NEW REALITY TOWARD A NEW FUTURE

COVID-19's impact on the economy defines financial, human story of workplace injury's impact

As the coronavirus pandemic continues to sweep the globe, its impacts on the Nova Scotia economy are the backdrop to WCB Nova Scotia's operational results in the second quarter of 2020.

April, May and June saw a significant downturn in economic activity, with many workplaces working in a reduced capacity, or closed.

This downturn meant a drop in the number of time-loss workplace injuries in Q2 2020 – 958 compared to 1,225 in the same period in 2019.

While fewer people getting hurt on the job is inherently positive, the drop in the workforce is also the mathematical reason behind the other side of the WCB's operational story – the significant increase in the average composite duration.

As the population ages, as our teams support workers and employers in a growing number of complex claims, and as we adapt to new systems, claims in Nova Scotia were already taking longer to resolve than in the rest of Canada. The average composite duration was 147 days at year end 2019. As of Q2, the average composite duration is recorded as 167 days.

While the number of time-loss claims is decreasing due to the pandemic, the opposite is true about the composite duration index. As an average number of days per claim, the number is driven up by the lower number of claims being filed. There have been other impacts including the fact many workplaces had limited or no capacity to support return-to-work or transitional duties, delays in access to health care, and delays in the ability to provide in-person medical exams for permanent medical impairments (PMI), meaning those workers stayed on earnings-loss benefits longer.

WCB Nova Scotia already planned to address our contribution to return-to-work outcomes in the province, with a focus in the 2021 Operational Plan. With our modernized systems in place, there's much opportunity ahead, and, over time, we will become more efficient, leveraging technology to remove time from the system and help reduce the length of an average claim.

While we expect the impact of the pandemic to decline in the future, the results from Q2 underline the importance of this focus, and on responding to the clear issue facing Nova Scotia workplaces. Injuries are happening less than they once did, but it's taking too long for the right outcomes when it comes to return to work – a challenge that is creating real, human impact for workers and their families. The WCB must be a leader, as workplaces and stakeholders across the province support workers and employers in helping those who are hurt at work get back on the job.

The impacts of the pandemic are also financial. As noted in the 2019 Annual Report, world markets were impacted by the COVID-19 pandemic. The value of WCB Nova Scotia's investments, which declined significantly in Q1, has rebounded strongly in Q2 as markets reacted. The impact of the global pandemic, while perhaps unprecedented, has been insulated by a diverse investment approach, and our outsourced Chief Investment Officer (CIO) model.

After ending 2019 at 96.5 per cent funded and declining to 88 per cent by the end of Q1, our funded ratio has recovered slightly, to 93 per cent at the end of Q2. Our five-year annualized return of 5.8 per cent was slightly below the benchmark return.

Still, we remain on a long-term path toward sustainability. The second quarter results take a step toward recovering from the significant setback in terms of the elimination of the unfunded liability, but it remains possible that this may occur further in the future than expected. Accounting reporting changes coming in 2023 will also cause this ratio to decline in those years.

Our stabilization with our new systems continued throughout Q2. Significant elements of our service are now being delivered digitally, such as clearance letters. We continued to support workers and employers during the pandemic, including new ways of working with service providers, workplace safety support materials and campaigns, and for the first time ever, the digital announcement of rates for 2021. We also continued to defer employer premium payments until September 30, including waiving of late fees and interest.

Both employer and worker satisfaction remained above target as of June, at 80 per cent and 74 per cent respectively.

In the fall and winter of 2020, like many organizations, we will find ourselves adapting to a new normal and looking forward to a different kind of future.

During the pandemic, WCB Nova Scotia has adapted to remote service, leveraging technology to ensure we would be there for workers and employers during an incredibly difficult time for our province.

While we do not know exactly what the future holds, we know it will continue to demand resilience and flexibility, as we look toward the opportunities before us to ensure we continue the progress we've made as a province in reducing the human and financial toll of workplace injury. **Q2**

Please see our online Community Report for interactive links and content to our operational highlights from the second quarter of 2020.

OPERATIONAL HIGHLIGHTS

Deferral of premium payments ended September 30

In March, we partnered with the Government of Nova Scotia to defer employer premium payments to help reduce the impact of the pandemic on Nova Scotia employers. Deferral of premium payments ended September 30, and payments for months deferred will be due by the [end of October](#). Interest and late payment fees will continue to be waived until further notice.

Continuing to help employers operate safely

Since April 2020, workplaces across the province have been accessing [prevention resources](#) to help prevent the spread of COVID-19, as we change the way we work during the pandemic. More than 2,000 posters, digital screens and social graphics have been downloaded, and more than 1,000 posters have been delivered to more than 100 workplaces across the province. Developed in partnership with the Department of Labour and Advanced Education, these resources are available through worksafeforlife.ca/COVID19.

Young worker safety events

In August, WCB Nova Scotia and the Department of Labour and Advanced Education partnered to educate young workers on occupational health and safety through events at two retail locations in Halifax – Atlantic Superstore and Walmart. The interactive events focused on the proper use of personal protective equipment (PPE) and identifying common workplace hazards. See the event in action on our Safety Matters blog at worksafeforlife.ca.

2021 assessment rates go digital

As of September 1, employers could access their 2021 assessment rates on [MyAccount](#). The [digital approach](#) is more sustainable and helps protect the privacy of those we serve.

Overall, WCB Nova Scotia employer assessment rates will [remain stable in 2021](#), with 67 per cent of employers seeing their rates remain the same or decrease. The other 33 per cent of employers will see their rates increase.

Leo McKenna retires

At the end of June, Leo McKenna, Chief Financial Officer, retired after more than 25 years of service with WCB Nova Scotia. Under Leo's leadership, our funding position moved to 96.5 per cent, from only about 41 per cent funded when he first joined the organization. His wisdom, guidance, and leadership had a direct impact on not only our financial position, but our overall progress and the growing workplace safety culture we see today.

Marking one year with our new systems

June 2020 marked one year since the biggest milestone in our business transformation – the [implementation of our new core systems](#). The transition from largely paper-based operations to a state-of-the-art, cloud-based insurance suite has not been without its implementation challenges, but over the past 12 months our teams have worked hard to stabilize the systems, and our people have adapted well to their use. The business transformation makes our systems and processes more adaptable for the future, and creates new service and efficiency opportunities. Our move to remote work was also enabled, in large part, by up-to-date technology.

Update: Response to Auditor General report

In [December 2018](#), the Office of the Auditor General of Nova Scotia (OAG) released the first phase of its audit focused on WCB's governance and sustainability. Phase 2 focused on claims management and was released in [May 2019](#). WCB Nova Scotia accepted all recommendations and teams from across the organization have been working to implement them. While COVID-19 impacted the timelines for some of the Phase 2 recommendations, we remain on track. Our progress has been updated on wcb.ns.ca/oag. To date, we have completed Phase 2 recommendations regarding worker files and our performance planning and assessment process.

WSIS AGM goes virtual for 2020

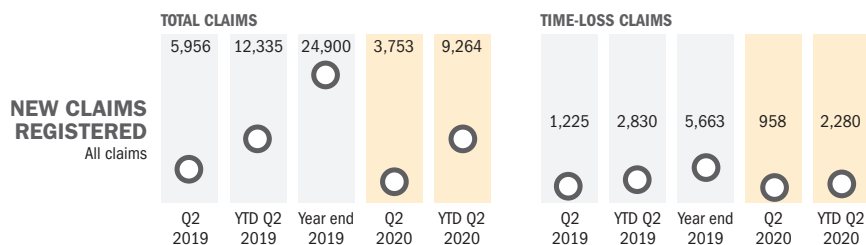
The [Annual Meeting](#) for Nova Scotia's [Workplace Safety and Insurance System](#) (WSIS) was held virtually for the first time on September 10, via webinar. The meeting was co-hosted by [Rodney Burgar](#), Chair of WCB Nova Scotia Board of Directors, and [Duff Montgomerie](#), Deputy Minister of the Nova Scotia Department of Labour and Advanced Education, and shared updates on the system's performance and achievements in 2019. It also featured guest speaker, John Garth MacDonald, an Advanced Care Paramedic from Antigonish, who shared his powerful story about being diagnosed with PTSD.

FROM JANUARY 1 TO JUNE 30, 2020, THERE WERE **6** FATALITIES
FROM OCCUPATIONAL DISEASES OR FROM EXISTING HEALTH CONDITIONS.
IN ALL OF 2019, THERE WERE 17 CHRONIC WORKPLACE FATALITIES.

STATEMENT OF FINANCIAL POSITION

as at

	June 30 2020 (Unaudited) (\$000s)	June 30 2019 (Unaudited) (\$000s)	December 31 2019 (Audited) (\$000s)
ASSETS			
Cash & cash equivalents	\$ 5,282	\$ 997	\$ 11,082
Receivables	41,222	33,410	39,816
Investments	1,951,286	1,896,210	1,957,305
Property and equipment	5,988	6,482	6,493
Intangible assets	30,537	31,809	32,126
	\$ 2,034,315	\$ 1,968,908	\$ 2,046,822
LIABILITIES AND UNFUNDED LIABILITY			
Payables, accruals & lease liabilities	\$ 55,685	\$ 36,188	\$ 51,019
Post employment benefits	30,607	24,196	29,552
Benefits liabilities	2,078,765	2,068,561	2,040,415
	2,165,057	2,128,945	2,120,986
Deferred revenue	11,000	13,000	-
Unfunded liability	(141,742)	(173,037)	(74,164)
	\$ 2,034,315	\$ 1,968,908	\$ 2,046,822



STATEMENT OF OPERATIONS

For the six months ended June 30 (unaudited)

	Second Quarter 2020 (\$000s)	Second Quarter 2019 (\$000s)	YTD June 30 2020 (\$000s)	YTD June 30 2019 (\$000s)
REVENUE				
Assessments	\$ 67,610	\$ 79,489	\$ 142,328	\$ 155,765
Investment income (loss)	162,119	47,261	(5,532)	164,000
	229,729	126,750	136,796	319,765
EXPENSES				
Claims costs incurred				
Short-term disability	11,394	11,041	23,578	22,052
Long-term disability	24,661	23,282	48,209	49,803
Survivor benefits	8	549	693	1,207
Health care	12,854	15,666	27,890	29,244
Rehabilitation	207	336	416	529
	49,124	50,874	100,786	102,835
Growth in present value of benefits liabilities and actuarial adjustments and adjustment for latent occupational disease	45,429	22,229	65,467	46,036
Administration costs	14,543	16,855	29,021	30,725
System support	249	245	499	490
Legislated obligations	4,017	4,514	8,601	8,925
	113,362	94,717	204,374	189,011
Excess of revenues over expenses (expenses over revenues) applied to reduce (increase) the unfunded liability	\$ 116,367	\$ 32,033	\$ (67,578)	\$ 130,754

FROM JANUARY 1 TO JUNE 30, 2020, THERE WERE **6** ACUTE FATALITIES
CAUSED BY TRAUMATIC INJURIES AT A WORKPLACE.
IN ALL OF 2019, THERE WERE 5 ACUTE WORKPLACE FATALITIES.

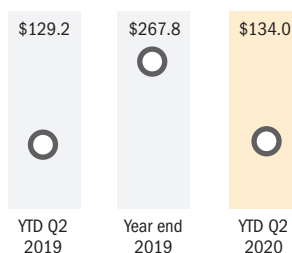
STATEMENT OF CHANGES IN UNFUNDED LIABILITY

For the six months months ended June 30 (unaudited)

	Second Quarter 2020 (\$000s)	Second Quarter 2019 (\$000s)	YTD June 30 2020 (\$000s)	YTD June 30 2019 (\$000s)
Unfunded liability excluding accumulated other comprehensive income				
Balance, beginning of period	\$ (258,109)	\$ (205,070)	\$ (66,962)	\$ (301,084)
Excess of revenues over expenses (expenses over revenues), applied to reduce (increase) the unfunded liability	116,367	32,033	(67,578)	130,754
	(141,742)	(173,037)	(134,540)	(170,330)
Accumulated other comprehensive income				
Balance, beginning of year	-	-	(7,202)	(2,707)
No change in balance during period	-	-	(7,202)	(2,707)
Unfunded liability end of period	\$ (141,742)	\$ (173,037)	\$ (141,742)	\$ (173,037)

CLAIMS PAYMENTS MADE In millions

Payments for self-insured employers are no longer included as the costs of these claims are fully reimbursed.



STATEMENT OF CASH FLOWS

For the six months ended June 30 (unaudited)

	June 30 2020 (\$000's)	June 30 2019 (\$000's)
OPERATING ACTIVITIES		
Cash received from:		
Employers, for assessments	\$ 151,877	\$ 166,546
Investment loss	(3,444)	(3,473)
	148,433	163,073
Cash paid to:		
Claimants or third parties on their behalf	(126,428)	(121,617)
Suppliers, for administrative and other goods and services	(30,794)	(32,203)
	(157,222)	(153,820)
Net cash (used in) provided by operating activities	(8,789)	9,253
INVESTING ACTIVITIES		
Decrease in investments	3,929	3,770
Cash paid for:		
Purchase of equipment and intangible assets	(940)	(3,334)
Net cash provided by investing activities	2,989	436
Net (decrease) increase in cash and cash equivalents	(5,800)	9,689
Cash and cash equivalents, (bank indebtedness) beginning of year	11,082	(8,692)
Cash and cash equivalents end of period	\$ 5,282	\$ 997

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Workplace Safety Tools and Resources

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