Request for Information – Financing of Latent OD

As you know, for the December 2014 valuation, actuarial standards require the calculation of an actuarial liability for latent occupational diseases that will be reported after the valuation date. Currently, our actuarial liability includes occupational diseases that have been reported as of the valuation date, but not those where only exposure has occurred.

1) As of December 31, 2014, will you include (or do you plan on including) unreported latent OD in your benefit liabilities?	
NL	WHSCC – NL included a provision for unreported latent occupational disease in its 2012 financial statements.
PE	We have include in our December 31, 2013 year
NS	Yes, we did include an amount for latent OD in our benefit liabilities – $80.77 Million. Below is the note that we included in our financial statements – benefits liabilities disclosure. a) Adjustment to the benefits liabilities relate to the Actuarial Standards Board's new standard of practice for workers' compensation organizations, which requires the estimation of liabilities for occupational disease during the latency period rather than when the occupational disease is confirmed through diagnosis. An analysis of past experience was conducted in 2013 and concluded that the liability for occupational disease in the latency period is approximately 4.5 per cent of the total benefits liability. The cumulative impact of this change as of December 31, 2013 is $80.77 million and is included in the adjustments to the benefits liability
NB	YES. Our year-end liabilities already include a provision with respect to workplace exposures prior to valuation date that could potentially become long latency occupational disease claims
QC	
ON	Yes, we do hold such a liability. We early adopted, so have held a liability for this purpose since year-end 2010.
MB	YES.
SK	
AB	WCB Alberta included a provision in our benefit liabilities in 2012 for OD exposures in the latency period. The provision is updated annually.
BC	WorkSafeBC is reporting the Latent Occupational Disease Liability (LODL) for the first time in the reported financial statements as of December 31, 2013 (but "retroactive to January 1, 2012").
YT	Early adopted Dec 31 2013
NT/NU	

2) Do you intend to finance this liability through rate setting and if so, how? a) For instance, will they be charged uniformly across all employers, or only to specific industries/employers? b) Is the financing approach any different depending on the type of disease, if so, which diseases are treated differently, and why? c) How is this integrated with experience rating?	
NL	Generally across all industries/employers at present. a) b) N/A c) N/A
PE	Currently we are not, but recognized we need to investigate further.
NS	Our rate setting process targets an average rate of $2.65 per $100. Our funding strategy calls for keeping the average rate level until the unfunded liability is eliminated. We have elected not to increase rates in response to the accounting change with occupational disease. Instead, we are keeping rates level and extending the time that we expect to take to eliminate the unfunded liability. So by doing this, we are funding the change over an extended period of time, and doing it globally rather than against specific industries or employers. This is consistent with our treatment of occupational disease within our industry rate-setting and Experience Rating models. By policy, any occupational disease with a two-year or more latency period is excluded from the costs allocated to an employer or an industry in rate-setting. These types of occupational diseases are funded globally.
NB	YES. We are financing this liability through rate setting. a) Charged uniformly across all employers. b) NA. See a).
QC	
ON	At present we finance the existing liability as part of the unfunded liability retirement charge, intended to retire the unfunded liability over at most 15 years. We have not yet made any changes to prospective rate setting to take this liability into account; nor is it currently clear whether such changes will be made. a) We have yet to decide. b) Our current rating system varies by industry rather than by disease, so we do not expect our financing to take disease into account. Hovever, since there appears to be a strong positive correlation between industry and occupational disease, it is likely that the rate setting implicitly takes the risk into account. c) We exclude it from retrospective experience rating. In our prospective rate setting, we take no explicit account of exposure to occupational disease at present, but since our analysis takes account of past experience, we do reflect past incidence of such diseases. By doing so, we implicitly assume that past incidence is a reasonable proxy for accumulating exposure.

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MB	YES. a) uniformly across all employers. b) no difference depending on the type of disease. c) There will be no change to experience rating. Currently OD for hearing loss are excluding from rate setting costs.
SK	
AB	The Board was sufficiently funded in 2012 to be able to absorb this additional liability without requiring any additional financing through rate setting or otherwise. Furthermore, the rate setting process has not been modified. A high level analysis revealed that replacing the OD claims experience with OD exposures did not result in a material difference for overall rates and therefore the decision was made to leave the existing experience rating process unchanged.
BC	No, this LODL liability will NOT be financed through rate setting. WorkSafeBC will continue to have 2 sets of financial statements -- the “reporting financial statements” (which includes the LODL) and an alternate set of “rate setting financial statements” (which EXCLUDES ENTIRELY any LODL). a) No LODL charge in the rates at all. b) No LODL charge in the rates at all for any diseases. c) Will NOT be part of experience rating at all.
YT	Options are being reviewed with actuary in April
NT/NU	

3) If it's not already the case, do you intend to modify the basis of your rate setting in order to work on an exposure basis rather than a reporting basis?	
NL	Generally across all industries/employers at present.
PE	Currently we are continuing to work on the reporting basis, but recognized we need to look at further to determine if we need to change this approach.
NS	No
NB	We intend to review this provision for exposures and used as reference the recent CIA sponsored Occupational Disease research paper.
QC	
ON	To be determined. No such intention at present.

3) If it's not already the case, do you intend to modify the basis of your rate setting in order to work on an exposure basis rather than a reporting basis?	
MB	We do not intend to modify the basis of our rate setting.
SK	
AB	Not applicable.
BC	No, the booking of the LODL in the published financial statements will NOT result in any change in the rate setting methods.
YT	Under discussion
NT/NU	

4) Is there anyone we could contact if we need more details on the financing of latent OD?	
NL	N/A
PE	Tammy Turner 902-368-4102
NS	Feel free to Brian Field with any follow-up questions.
NB	Crispina O. Caballero 506-632-2248
QC	
ON	Don Blue, Vice-President & Chief Actuary Don_blue@wsib.on.ca; 416 344 5300
MB	Mike Williams and Lorena Trann would be pleased to provide additional information.
SK	
AB	Carol Doyle
BC	Stan Warawa, WorkSafeBC Actuary
YT	Jim Stephens
NT/NU	

Additional Comments	
BC	As a general philosophy, the Board of Directors of WorkSafeBC has decided that the calculation of the LODL is necessarily very imprecise (particularly if done at the industry level). WorkSafeBC also has a rate setting philosophy that costs are NOT subsidized across different industries. (So for example, a cost attributed to the construction industry should not be charged to the manufacturing industry). Thus it is deemed that it is not reasonable to charge an imprecise LODL in advance to employers. The latent diseases will continue to be charged at the time that they are diagnosed.