

Financial Management

The workers' compensation system is solely funded by employer premiums and returns from the investment of those premiums. WorkSafeBC does not receive any funding from the provincial government.

WorkSafeBC is committed to sound financial management to ensure the long-term financial sustainability of the system for workers and employers.

Below are some key financial highlights from 2022:

- **Financial Results:** WorkSafeBC had a total comprehensive loss of \$2.7 billion in 2022, which was \$4.0 billion lower than in 2021, causing the first decrease to the Accident Fund since 2011. The loss was due to a downturn in financial markets and a one-time charge as a result of a legislative amendment to improve benefits for injured workers.
- **Investments:** As mandated by legislation, WorkSafeBC maintains an Accident Fund to provide for all present costs and future payments (liabilities) for injuries arising in the current year, as well as those from prior years. The Accident Fund's investments are managed by the B.C. Investment Management Corporation. In 2022, WorkSafeBC's investment return was -2.6 per cent, compared to a 12.7 per cent gain in 2021.
- **Target Funding Level:** To increase financial stability — and avoid rate volatility during economic and investment downturns — WorkSafeBC retains a reasonable level of assets over liabilities. WorkSafeBC's Board of Directors has set a smoothed funded target level of no less than 130 per cent.

WorkSafeBC ended 2022 with a funded ratio of 146 per cent, down from 155 per cent at the end of 2021, but above the 130 per cent target. This represents an accumulated funded position of \$7.5 billion, consisting of \$4.8 billion of required reserves and \$2.7 billion surplus to those requirements.

- **Claim Costs:** Claims make up WorkSafeBC's largest cost. In 2022, claim costs totalled \$4.2 billion, a \$1.0 billion increase over 2021. The increase in claim costs was driven by a one-time liability adjustment related to the indexing of benefits to full CPI.
- **Premium Rates:** Premiums are intended to cover current-year claim and operating costs. In 2022, premium income was \$2.1 billion, an increase of \$253 million over 2021. This increase is attributed to growth in provincial assessable payroll as the economy improved and the unemployment rate decreased.

WorkSafeBC's strong financial position in recent years has allowed the average base premium rate to be kept below the average cost of claims. The average base rate of 1.55 per cent for 2023 is less than the expected average cost rate of 1.80 per cent.¹

- **Administrative Efficiency:** WorkSafeBC's measure of administrative efficiency is total administration costs as a percentage of assessable payroll. In 2022, the administration cost was 0.40 per cent of assessable payroll, below the 2022 target range of 0.46 to 0.50 per cent. In 2021, the administration cost was 0.43 per cent.

For more information:
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¹ The 2023 rates were set in mid-2022. Subsequent amendments to the *Workers Compensation Act* — primarily related to indexing benefits to full CPI — are projected to result in an approx. 0.08 percentage point increase in the average cost rate.