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**An Analysis and Commentary on the rate of  
change of the WSIB Average Premium Rate  
2010 to 2011**

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January 19, 2011

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### A. The trigger for this review

1. In October, 2010, the Workplace Safety & Insurance Board ["WSIB" or the "Board"] announced 2011 premium increases noting that ". . . *the WSIB Board of Directors has decided to increase the average premium rate by two percent.*"<sup>1</sup> The **Average Premium Rate** ["APR"] increased from \$2.30 for 2010 to \$2.35 for 2011, a 2.17% increase (close enough to the purported 2% rate hike).
2. However, an intuitive analysis of the actual rate of increases for individual industries caused me to question whether or not the rate of increase in the APR 2010 to 2011 was actually 2%. I was of the view that it was much higher.
3. To start the discussion, it is necessary to first look at the 2009 to 2010 change in premium rates. From 2009 to 2010, the APR increased just *under* 2%, from \$2.26 to \$2.30.<sup>2</sup> Only two (2) Rate Groups<sup>3</sup> ["RG"] experienced double digit increases, and even then they were just 10.0% and 10.1%.<sup>4</sup> Only seven (7) RGs experienced increases between 5-10%; and, 41 had increases less than 5%, with many of those between 1-2%.
4. Yet, for the 2010 to 2011 premium rate adjustments, which purported to drive an increase in the APR of just *over* 2%, 43 industries saw increases greater than 10% and of those, 16 more than 15%. For 2011 63% of industries (by RG) received premium increases.<sup>5</sup>

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<sup>1</sup> See WSIB announcement at:

<http://www.wsib.on.ca/en/community/WSIB/ArticleDetail?vnextoid=0bad811f0e9eb210VgnVCM100000469c710aRCRD> (last accessed January 18, 2011)

<sup>2</sup> There are some issues with respect to the 2009 to 2010 change in the APR, but they need not be addressed for the purposes of this explanation.

<sup>3</sup> A Rate Group is an industry grouping to which a unique premium rate is applied. There are 154 RGs.

<sup>4</sup> 10.1% - RG 338 – cardboard cartons; 10% - RG 983 – communication industries

<sup>5</sup> Of those receiving increases in 2011: 58 industries received no increase at all in 2010; 31 received an increase of less than 5% in 2010; and only 6 received increases greater 5% in 2010 (of which all were less than 10% but two, and none no more than 10.1%). And, in previous years? In previous years, for 2010, 2009, 2008, 2007, 2005 and 2004 no industry received a rate increase greater than 15%. For 2006 only two industries received increases greater than 15% (RG 428 – Motor Vehicle Fabrics – 17.2%; RG 553 Air Transport – 16.2%)

5. It was generally presumed that as the increase in the APR was *just under 2%* 2009 to 2010 and *just over 2%* 2010 to 2011, that the effect in the premium rate change was about the same 2010 to 2011 as it was 2009 to 2010. But, this was not the case.
6. *The starting question was therefore this:* How could the APR increase by 2% for 2010 and 2% for 2011 when so many more industries saw increases in 2011 and the increases themselves were much higher? With that puzzle the analysis commenced.

**B. The significance of the APR as a year-to-year comparator**

1. There are two regularly reported primary indicators of the financial state of the workplace safety and insurance [“WSI”] system – the unfunded liability [“UFL”] and the year-to-year fluctuation in the APR.
2. Generally, if the APR *decreases* from **Year 1** to **Year 2**, it is interpreted that on average, premium rates have decreased. And the reverse. If the APR *increases* **Year 2** to **Year 3**, it is interpreted that on average, premium rates have risen. This is usually, but not always, the case. I will explain.
3. It must first be understood that the APR is a derived number. On its own, it means little. The APR is not the average of the RG premium *rates*.<sup>6</sup> It is derived by calculating the actual *projected* premiums for each RG, totalling the payroll and the premiums for all of the RGs and then calculating the (projected) aggregate average premium rate. The steps are as follows:
  - Step 1:* For each RG, apply the premium rate against the projected payroll to calculate the projected premium for the RG.
  - Step 2:* Total the premiums for each RG and total the payroll for each RG.
  - Step 3:* Calculate the APR.<sup>7</sup>
4. As such, the APR is influenced by factors other than changes in RG premium rates themselves. In fact, even if premium rates do not move at all and stay the same for each RG **Year 1** to **Year 2** (and therefore there is *no* increase or decrease in premium rates for *any* employers), *the APR may still fluctuate if the payroll itself fluctuates in some RGs*. For example, if premium rates stay constant, but several higher risk RGs experience job loss, the APR will actually decline **Year 1** to **Year 2**, even though premium rates remain the same for every employer **Year 1** to **Year 2**.

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<sup>6</sup> The APR is *not* calculated by averaging the actual premium rates. For example, the APR of three (3) RGs with rates of \$1.00, \$2.00 and \$3.00 respectively is *not* calculated by averaging the three rates (in this example \$2.00). The APR is calculated as described at para. B-3.

<sup>7</sup> The formula for the APR is: “APR = (100X)/Y” where “X” is the total aggregate premium; and “Y” is the total aggregate payroll.

5. *What does this mean?* This means that when the economy is in recession and jobs are lost in higher risk industries (for example, manufacturing), the loss of jobs will mask the actual effect of changes in premium rates. ***This is exactly what happened 2010 to 2011.***
6. I initially concluded that as an effect of the recession and massive job loss, the 2010 APR was understated at \$2.30 and the actual rate of increase in the APR 2010 to 2011 was between 4% and 6%, not the 2% increase held out by the Board.
7. Once I formed this conclusion, the Board was advised of my preliminary findings in mid-November, 2010. I requested and obtained the payroll data used for the calculation of the WSIB's 2011 premium rates (which the Board kindly provided before its normal publication date) and have been able to continue my analysis.
8. Based on this information, I have confirmed that the increase in the APR 2010 to 2011 was actually 4.9%.

**C. The Purpose of this Report**

1. The point of this analysis and exercise is not to suggest that 2011 premiums rates were too high or that they should be rolled back. That is an entirely different conversation. Most certainly, the results of this analysis should influence Board communications on a "go forward basis." I also believe it would be appropriate for the Board to post a detailed explanation on its website with respect to 2011 as well.
2. *The point of this exercise is a simple one – it is about clarity, transparency, and accountability.* If payroll taxes are to be increased for certain public policy reasons, the Board must firmly stand out in front of such policy determinations. Complex technicalities ought not to shield the real full effect of WSIB premium rate increases beyond the capacity of the normally informed employer to comprehend.
3. For the 2011 premium increases, the well-informed employer believed that the APR rate increased by 2%. It actually increased more than two (2) times that amount. A 5% payroll tax increase should not be packaged as a 2% increase.

**D. Summary of Findings:**

1. ***Conclusion:*** In a rapidly changing economic environment driving significant payroll fluctuations, upwards or downwards, the APR is a risky and unreliable comparator, potentially promoting miscommunication.
2. ***Recommendations:***
  - a. **Recommendation No. 1:** When communicating the rate of change in the APR Year 1 to Year 2, the WSIB should restate the Year 1 APR based on the Year 1 revised payroll, and then compare the Year 2 APR with the restated Year 1 APR.

**Finding:** With this method, for the 2010 to 2011 premium rate exercise, the rate of change was 4.9%.

- b. **Recommendation No. 2:** In the WSIB Annual Report for Year 1 (usually published mid-year Year 2), the WSIB should again restate the Year 1 APR based on actual payroll and collected premiums (both known by that point). Thereafter, the APR for the respective year should be reported as the “collected” (actual) APR.
- c. **Recommendation No. 3:** When communicating the effect of premium rate adjustments Year 1 to Year 2, the Year 1 *and* the Year 2 premium rates should be run against the Year 2 projected payroll. This ensures an “apples to apples” comparison and more reasonably explains the actual effect of premium rate adjustments. **Finding:** With this method, for the 2010 to 2011 premium rate exercise, the rate of change was 5.8%.

**E. The limits of the “average premium rate” as a meaningful comparator**

1. The APR serves two general purposes. *First*, it purports to be a reliable comparator to explain and communicate the effect of year-to-year variances in employer premium rates. *Second*, under certain circumstances, the APR can be an effective tool to set annual premium rates when fluctuations are sought to be limited or set within a certain range.
2. However, there remain two common requirements for each purpose – a year-to-year stable aggregate payroll and a year-to-year stable rate group payroll mix. If there is significant year-to-year payroll fluctuation, the reliance on the APR as both a communication and rate setting tool is compromised.
3. More to the point, actual year-to-year variances may be stated in a manner that may (inadvertently) mislead. This (unintended) misinformation may suggest that increases are lower or higher than actually experienced.
4. To fully understand the information content of the APR requires a reasonably high understanding of how the APR is calculated, what it means, what it does not mean, and how it may be influenced by factors unrelated to increases or decreases in RG premium rates.
5. Within the context of the contemporary Ontario workplace safety and insurance [“WSI”] system, the general knowledge of the “premium rate information consuming public” is somewhat sophisticated. For example, by now, the “*normal experienced observer*” is aware that an increase in the APR of say 3% does not mean that all RGs will experience a 3% rate hike. The “*normal experienced observer*” is aware that some RGs may see a rate

decline (or at least they did before 2010), an increase less than 3% or an increase greater than 3%.<sup>8</sup>

6. But, with that said, the adjustment and the magnitude of change in the APR is normally interpreted by the “*normal experienced observer*” as whether employer premium rates are on average, increasing or decreasing, and the degree to which they are adjusting upwards or downwards as the case may be.
7. For example, should the APR increase by 10% **Year 1** to **Year 2**, most “*normal experienced observers*” would conclude that many RGs would experience a significant rate hike, even if some RGs saw no increases.
8. In other words, to the “*normal experienced observer*” an increase in the APR would be interpreted as showing that, on average, rates are increasing. ***But, this is not necessarily so.***
9. It is also likely the case that the “*normal experienced observer*” would be unaware as to the raw influence payroll fluctuations may have on the APR even in instances where RG premiums are stable. It is also likely that the “*normal experienced observer*” would not be aware that the Board compares *projected* APRs year-to-year, not *actual* APRs, and that in no case and at no time does the Board report actual APRs. I will address each of these elements. I begin with the influence of year-to-year payroll fluctuations.

#### **F. The effect of payroll fluctuations on the Average Premium Rate**

1. I will explain the effect of the first element, the effect of payroll fluctuations on the APR, using a simple illustration.
2. I have constructed a representative “**WSI Example System**” with the following characteristics:
  - 25 separate industries, each representing a distinct RG with a distinct premium rate;
  - Each industry (RG) has an insurable payroll of \$100,000,000;

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<sup>8</sup> **Note:** I define the “*normal experienced observer*” as an individual with a long-term involvement with WSIB premium rate policy, having participated in past WSIB premium setting exercises over a period of several years. The “*normal experienced observer*” has no special actuarial training, and while understanding of the Board’s premium rate policies and possessing a rudimentary understanding of the effect of claims costs, claims rates and related factors, on premium rates, has participated in WSIB premium rate meetings as an interested and informed observer, and is competent to understand and report on the Board’s analysis to an employer constituency. The “*normal experienced observer*” rarely challenges the Board’s facts, figures or analysis but is able to direct well formed questions to heighten understanding. In short, the “*normal experienced observer*” understands the Board’s analysis, usually is accepting of that analysis, and is usually unable to challenge that analysis. I contrast the “*normal experienced observer*” with the “*average observer*.” The “*average observer’s*” understanding is driven almost entirely by the content of the Board’s announcements.

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**WSIB Average Premium Rate Analysis**

- Premium rates vary from a low of \$0.58 per \$100 of payroll to a high of \$5.71.

3. **Figure 1:** Based on the above attributes, the “**WSI Example System**” produces an APR of \$2.28 (very close to the actual WSI system projected APR for 2010 of \$2.30):

RG	Industry	Premium Rate	Insurable Earnings	Premium
1	Industry 1	0.58	100,000,000	580,000
2	Industry 2	0.64	100,000,000	638,000
3	Industry 3	0.70	100,000,000	701,800
4	Industry 4	0.77	100,000,000	771,980
5	Industry 5	0.85	100,000,000	849,178
6	Industry 6	0.93	100,000,000	934,096
7	Industry 7	1.03	100,000,000	1,027,505
8	Industry 8	1.13	100,000,000	1,130,256
9	Industry 9	1.24	100,000,000	1,243,282
10	Industry 10	1.37	100,000,000	1,367,610
11	Industry 11	1.50	100,000,000	1,504,371
12	Industry 12	1.65	100,000,000	1,654,808
13	Industry 13	1.82	100,000,000	1,820,288
14	Industry 14	2.00	100,000,000	2,002,317
15	Industry 15	2.20	100,000,000	2,202,549
16	Industry 16	2.42	100,000,000	2,422,804
17	Industry 17	2.67	100,000,000	2,665,084
18	Industry 18	2.93	100,000,000	2,931,593
19	Industry 19	3.22	100,000,000	3,224,752
20	Industry 20	3.55	100,000,000	3,547,227
21	Industry 21	3.90	100,000,000	3,901,950
22	Industry 22	4.29	100,000,000	4,292,145
23	Industry 23	4.72	100,000,000	4,721,359
24	Industry 24	5.19	100,000,000	5,193,495
25	Industry 25	5.71	100,000,000	5,712,845
	<b>Totals:</b>	<b>2.28</b>	<b>2,500,000,000</b>	<b>57,041,294</b>

**Figure 1**

4. **Figure 2:** No RG premium rates change (either upwards or downwards) between **Figure 1** and **Figure 2**. In the context of premium rates the “**WSI Example System**” is absolutely stable. However, in **Figure 2** five (5) of the higher risk industries have significantly *less* payroll (50% less payroll in each of the five industries). Even though there has been no change in any premium rate paid for *any* employer in *any* RG, the APR *drops* 12% from **Figure 1** to **Figure 2**, from **\$2.28** to **\$2.01**. ***The point being illustrated:*** Significant *declines* in payroll for higher than average risk RGs will significantly lower the APR even if there have been no changes in *any* premium rates in *any* RG.

RG	Industry	Premium Rate	Insurable Earnings	Premium
1	Industry 1	0.58	100,000,000	580,000
2	Industry 2	0.64	100,000,000	638,000
3	Industry 3	0.70	100,000,000	701,800
4	Industry 4	0.77	100,000,000	771,980
5	Industry 5	0.85	100,000,000	849,178
6	Industry 6	0.93	100,000,000	934,096
7	Industry 7	1.03	100,000,000	1,027,505
8	Industry 8	1.13	100,000,000	1,130,256
9	Industry 9	1.24	100,000,000	1,243,282
10	Industry 10	1.37	100,000,000	1,367,610
11	Industry 11	1.50	100,000,000	1,504,371
12	Industry 12	1.65	100,000,000	1,654,808
13	Industry 13	1.82	100,000,000	1,820,288
14	Industry 14	2.00	100,000,000	2,002,317
15	Industry 15	2.20	100,000,000	2,202,549
16	Industry 16	2.42	100,000,000	2,422,804
17	Industry 17	2.67	100,000,000	2,665,084
18	Industry 18	2.93	100,000,000	2,931,593
19	Industry 19	3.22	100,000,000	3,224,752
20	Industry 20	3.55	100,000,000	3,547,227
21	Industry 21	3.90	<b>50,000,000</b>	1,950,975
22	Industry 22	4.29	<b>50,000,000</b>	2,146,072
23	Industry 23	4.72	<b>50,000,000</b>	2,360,680
24	Industry 24	5.19	<b>50,000,000</b>	2,596,748
25	Industry 25	5.71	<b>50,000,000</b>	2,856,422
	<b>Totals:</b>	2.01	2,250,000,000	45,130,397

Figure 2



5. **Figure 3:** No premium rates change (either upwards or downwards) between **Figure 1** and **Figure 3**. In the context of premium rates, the “**WSI Example System**” remains absolutely stable. However, in **Figure 3**, five (5) of the lower risk industries have significantly *more* payroll. Even though there has been no change in any premium rate paid by *any* employer in *any* of the RGs, the APR drops 11.4% from **Figure 1** to **Figure 3**, from **\$2.28 to \$2.02**. ***The point being illustrated:*** Significant *increases* in payroll for lower than average risk RGs will significantly lower the APR even if there have been no changes in *any* premium rates in *any* RG.

RG	Industry	Premium Rate	Insurable Earnings	Premium
1	Industry 1	0.58	200,000,000	1,160,000
2	Industry 2	0.64	200,000,000	1,276,000
3	Industry 3	0.70	200,000,000	1,403,600
4	Industry 4	0.77	200,000,000	1,543,960
5	Industry 5	0.85	200,000,000	1,698,356
6	Industry 6	0.93	100,000,000	934,096
7	Industry 7	1.03	100,000,000	1,027,505
8	Industry 8	1.13	100,000,000	1,130,256
9	Industry 9	1.24	100,000,000	1,243,282
10	Industry 10	1.37	100,000,000	1,367,610
11	Industry 11	1.50	100,000,000	1,504,371
12	Industry 12	1.65	100,000,000	1,654,808
13	Industry 13	1.82	100,000,000	1,820,288
14	Industry 14	2.00	100,000,000	2,002,317
15	Industry 15	2.20	100,000,000	2,202,549
16	Industry 16	2.42	100,000,000	2,422,804
17	Industry 17	2.67	100,000,000	2,665,084
18	Industry 18	2.93	100,000,000	2,931,593
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21	Industry 21	3.90	100,000,000	3,901,950
22	Industry 22	4.29	100,000,000	4,292,145
23	Industry 23	4.72	100,000,000	4,721,359
24	Industry 24	5.19	100,000,000	5,193,495
25	Industry 25	5.71	100,000,000	5,712,845
	<b>Totals:</b>	2.02	3,000,000,000	60,582,252

Figure 3

6. ***What this means:***

- a. If **Figure 1** represented the “**WSI Example System**” at **Year 1** and **Figure 2** and **Figure 3** represented the “**WSI Example System**” at **Year 2** (under different circumstances), at first blush, based on the approximate 11-12% decline in the APR, the “*normal experienced observer*” would conclude that premium rates, on average, have declined **Year 1 to Year 2**. As clearly illustrated, this is not the case. *Premium rates have been absolutely stable*. Any decline in the APR is driven exclusively by fluctuations in payroll.
- b. If one were to *only* announce that from **Year 1 to Year 2** the APR declined between 11-12%, while this would be *technically true*, without explaining that *all* of the change resulted from changes in payroll and not from *any* changes in premium rates, such an announcement would (inadvertently perhaps) send a misleading message to the “*normal experienced observer*” let alone the “*average observer*.”
- c. As a general rule, the APR loses its effectiveness as a year-to-year comparator in the face of significant fluctuations in industry payroll. Under such circumstances, in the spirit of full disclosure, to promote full stakeholder understanding, appropriate caveats must be divulged, along with full and complete explanations for year-to-year variances (or lack thereof).

**G. How fluctuations in payroll combined with fluctuations in premium rates will influence the Average Premium Rate**

1. **Figure 4:** This represents the effect of *increases in RG premium rates* (comparative to actual 2010-2011 WSIB premium rate increases) on the “**WSI Example System**” but with payroll constant.
  - a. I start this element of the analysis with a restatement of the “**WSI Example System**” as it sits in **Figure 1**. **Figure 1** represents the system as at **Year 1**. To repeat, the “**WSI Example System**” is comprised of 25 industries, each represented by a RG, each with a \$100,000,000 payroll, with premium rates ranging from \$0.58 to \$5.71, culminating in an APR of \$2.28.
  - b. **Figure 4** represents a change in premiums resulting from changing premium rates **Year 1 to Year 2**, *but with payroll remaining constant Year 1 to Year 2*.
  - c. The change in premium rates is comparable to the actual mix and the distribution of WSIB changing premium rates 2010 to 2011. The changing rates were distributed evenly through the grid of the “**WSI Example System**” to avoid clusters. In the “**WSI Example System**”, for **Year 2**, premium rates change as follows:

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**WSIB Average Premium Rate Analysis**

Nine (9) RGs (36%) see no premium rate hike Year 1 to Year 2 (1, 4, 7, 10, 13, 16, 19, 22, & 25).  
 Three (3) RGs (12%) see premium rate hikes Year 1 to Year 2 of 2.5% (2, 15 & 24).  
 Five (5) RGs (20%) see premium rate hikes Year 1 to Year 2 of 7.5%. (3, 8, 14, 18, & 23).  
 Four (4) RGs (16%) see premium rate hikes Year 1 to Year 2 of 12.5%. (5, 12, 17, & 20).  
 Four (4) RGs (16%) see premium rate hikes Year 1 to Year 2 of 17.5%. (6, 9, 11 and 21).

RG	Industry	% Increase for Year 2	Year 2 Rate	Year 1 Rate	Insurable Earnings Year 2	Insurable Earnings Year 1	Year 2 Premium	Year 1 Premium
1	Industry 1	0%	0.58	0.58	100,000,000	100,000,000	580,000	580,000
2	Industry 2	2.50%	0.65	0.64	100,000,000	100,000,000	653,950	638,000
3	Industry 3	7.50%	0.75	0.70	100,000,000	100,000,000	754,435	701,800
4	Industry 4	0%	0.77	0.77	100,000,000	100,000,000	771,980	771,980
5	Industry 5	12.50%	0.96	0.85	100,000,000	100,000,000	955,325	849,178
6	Industry 6	17.50%	1.10	0.93	100,000,000	100,000,000	1,097,563	934,096
7	Industry 7	0%	1.03	1.03	100,000,000	100,000,000	1,027,505	1,027,505
8	Industry 8	7.50%	1.22	1.13	100,000,000	100,000,000	1,215,025	1,130,256
9	Industry 9	17.50%	1.46	1.24	100,000,000	100,000,000	1,460,856	1,243,282
10	Industry 10	0%	1.37	1.37	100,000,000	100,000,000	1,367,610	1,367,610
11	Industry 11	17.50%	1.77	1.50	100,000,000	100,000,000	1,767,635	1,504,371
12	Industry 12	12.50%	1.86	1.65	100,000,000	100,000,000	1,861,659	1,654,808
13	Industry 13	0%	1.82	1.82	100,000,000	100,000,000	1,820,288	1,820,288
14	Industry 14	7.50%	2.15	2.00	100,000,000	100,000,000	2,152,491	2,002,317
15	Industry 15	2.50%	2.26	2.20	100,000,000	100,000,000	2,257,613	2,202,549
16	Industry 16	0%	2.42	2.42	100,000,000	100,000,000	2,422,804	2,422,804
17	Industry 17	12.50%	3.00	2.67	100,000,000	100,000,000	2,998,220	2,665,084
18	Industry 18	7.50%	3.15	2.93	100,000,000	100,000,000	3,151,462	2,931,593
19	Industry 19	0%	3.22	3.22	100,000,000	100,000,000	3,224,752	3,224,752
20	Industry 20	12.50%	3.99	3.55	100,000,000	100,000,000	3,990,631	3,547,227
21	Industry 21	17.50%	4.58	3.90	100,000,000	100,000,000	4,584,791	3,901,950
22	Industry 22	0%	4.29	4.29	100,000,000	100,000,000	4,292,145	4,292,145
23	Industry 23	7.50%	5.08	4.72	100,000,000	100,000,000	5,075,461	4,721,359
24	Industry 24	2.50%	5.32	5.19	100,000,000	100,000,000	5,323,333	5,193,495
25	Industry 25	0%	5.71	5.71	100,000,000	100,000,000	5,712,845	5,712,845
	<b>Totals:</b>		2.42	2.28	2,500,000,000	2,500,000,000	60,520,379	57,041,294
	<b>% increase in Year 2 APR</b>		<b>6.10%</b>					

Figure 4

- d. **Observations:** With a constant payroll **Year 1** to **Year 2**, and premium rate increases (comparable for illustrative purposes to the Board’s actual 2011 premium rate increases), the APR for the “**WSI Example System**” increases from \$2.28 to \$2.42, an increase of 6.1%.

- e. ***What this means:*** In an environment of *constant* year-to-year payroll, the APR is a reasonable comparator to illustrate and communicate the effect of year-to-year premium rate fluctuations. In short, under such conditions, the year-to-year variance of the APR reflects a meaningful narrative.
2. **Figure 5:** This depicts the effect of payroll shifts as well as changes in premium rates on the APR:
- a. **Figure 4** is an unrealistic depiction of even a “**WSI Example System**”. Year-to-year, industry payroll will fluctuate. However, for the most part, when the Ontario economy is stable year-to-year, or is experiencing sustained incremental growth (“situation normal”), as the actual WSI system is such a large pool such normal fluctuations would not be expected to drive aberrant observations.
- b. For the purposes of comparing the effect of year-to-year changes in premium rates, under normal Ontario economic conditions, the APR is a credible and communicative comparator. To further explain, in “situation normal” if the APR increases, this likely reflects a real increase in the RG premium rates. In “situation normal” if the APR decreases, this likely reflects a real decrease in the RG premium rates. In short, in “situation normal” the APR is an effective and reliable comparator, presenting meaningful information to the “*normal experienced observer*”.
- c. However, when we move into “situation abnormal” and the Ontario economy becomes unstable, such as was experienced 2008 – 2010, jobs are lost, payrolls drop, and the effect of the circumstances set out in **Figures 2 and 3** become significantly more influential.
- d. Under these conditions, the APR is no longer a reliable comparator and no longer is capable of communicating the actual financial effect of premium rate changes. The introduction of the powerful variable of year-to-year payroll fluctuations will skew and possibly mask the effect of premium rate adjustments year-to-year. This is exactly what occurred 2010 to 2011.
- e. The powerful effect of this variable is demonstrated in **Figure 5**.

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RG	Industry	% Increase for Year 2	Year 2 Rate	Year 1 Rate	Insurable Earnings Year 2	Insurable Earnings Year 1	Year 2 Premium	Year 1 Premium
1	Industry 1	0%	0.58	0.58	110,000,000	100,000,000	638,000	580,000
2	Industry 2	2.50%	0.65	0.64	110,000,000	100,000,000	719,345	638,000
3	Industry 3	7.50%	0.75	0.70	110,000,000	100,000,000	829,879	701,800
4	Industry 4	0%	0.77	0.77	100,000,000	100,000,000	771,980	771,980
5	Industry 5	12.50%	0.96	0.85	100,000,000	100,000,000	955,325	849,178
6	Industry 6	17.50%	1.10	0.93	100,000,000	100,000,000	1,097,563	934,096
7	Industry 7	0%	1.03	1.03	100,000,000	100,000,000	1,027,505	1,027,505
8	Industry 8	7.50%	1.22	1.13	100,000,000	100,000,000	1,215,025	1,130,256
9	Industry 9	17.50%	1.46	1.24	100,000,000	100,000,000	1,460,856	1,243,282
10	Industry 10	0%	1.37	1.37	100,000,000	100,000,000	1,367,610	1,367,610
11	Industry 11	17.50%	1.77	1.50	100,000,000	100,000,000	1,767,635	1,504,371
12	Industry 12	12.50%	1.86	1.65	100,000,000	100,000,000	1,861,659	1,654,808
13	Industry 13	0%	1.82	1.82	100,000,000	100,000,000	1,820,288	1,820,288
14	Industry 14	7.50%	2.15	2.00	100,000,000	100,000,000	2,152,491	2,002,317
15	Industry 15	2.50%	2.26	2.20	100,000,000	100,000,000	2,257,613	2,202,549
16	Industry 16	0%	2.42	2.42	100,000,000	100,000,000	2,422,804	2,422,804
17	Industry 17	12.50%	3.00	2.67	100,000,000	100,000,000	2,998,220	2,665,084
18	Industry 18	7.50%	3.15	2.93	100,000,000	100,000,000	3,151,462	2,931,593
19	Industry 19	0%	3.22	3.22	100,000,000	100,000,000	3,224,752	3,224,752
20	Industry 20	12.50%	3.99	3.55	100,000,000	100,000,000	3,990,631	3,547,227
21	Industry 21	17.50%	4.58	3.90	100,000,000	100,000,000	4,584,791	3,901,950
22	Industry 22	0%	4.29	4.29	100,000,000	100,000,000	4,292,145	4,292,145
23	Industry 23	7.50%	5.08	4.72	80,000,000	100,000,000	4,060,369	4,721,359
24	Industry 24	2.50%	5.32	5.19	80,000,000	100,000,000	4,258,666	5,193,495
25	Industry 25	0%	5.71	5.71	80,000,000	100,000,000	4,570,276	5,712,845
	<b>Totals:</b>		2.33	2.28	2,470,000,000	2,500,000,000	57,496,890	57,041,294
	<b>% increase in Year 2 APR</b>		<b>2.02%</b>					

Figure 5

- f. **Observations:** Recall, in **Figure 4**, the **Year 1 to Year 2** payroll was constant and the APR increased 6.1% **Year 1 to Year 2** as a result of increases in RG premium rates. **Figure 5** depicts the same scenario except payroll for six (6) industries also changes **Figure 4 to Figure 5** (in a manner that is perhaps consistent with the actual WSIB projections 2010 to 2011). Three industries with a lower than average risk (Industries 1, 2 and 3) will see payroll increase by 10% **Year 1 to Year 2**; whereas three industries with a higher than average risk (Industries 23, 24 and 25) will see payroll decrease 20% **Year 1 to Year 2**. Even though the **Figure 4** and **Figure 5** RG premium rates are identical, the **Figure 5** APR increases **Year 1 to Year 2** from \$2.28 to \$2.33, an increase of only 2.02%.

- g. ***What this means:*** In volatile economic times with significant fluctuations in both the payroll and the mix of payroll (the very two variable conditions which were “in play” in the 2011 premium rate exercise), the APR is no longer a reliable comparator and is no longer representative of the actual effect of premium rate adjustments. In an environment of significant variances in year-to-year payroll, the APR loses its capacity to legitimately illustrate and communicate the effect of year-to-year premium rate fluctuations. In short, under such conditions, the year-to-year variance of the APR no longer reflects a reliable narrative.

**H. The effect of moving targets - the effect of projected rates based on projected payroll**

1. Ontario WSI premium rates are based on forward-looking presumptions gleaned from economic projections and modelling. To be clear, I present no quarrel, disagreement or argument with respect to the Board’s method, capacity or predictive expertise. I presume with deference that the Board, at a minimum, is equally skilled to any other analogous function, and is likely no more or no less accurate in its predictive skill than others similarly engaged.
2. I do strongly advocate however that (especially in volatile times) it is prudent to restate critical indicators such as the APR when data becomes available and as that data matures and becomes more reliable. The reasoning for this suggestion follows.
3. Currently, the WSIB sets premium rates based on projected payroll (based on certain assumptions, the integrity of which are not questioned), with the APR being derived from the aggregate effect of those presumptions.
4. The projected APR for 2009 for example, was based on presumptions considered in the Summer of 2008. It was not until the late Spring of 2010 (after individual employer payroll reconciliations have been submitted, digested and analyzed) that the first data to show the actual APR for 2009 materialized, close to two (2) full years after the initial predictions. The actual APR is modified further as time moves forward through experience rating [“ER”] adjustments, accumulated bad debts and other performance elements of the Board’s revenue functions.
5. Some variance between “predicted” and “actual” therefore would not be abnormal, would likely be the norm, but would be all the more volatile in unstable economic times (i.e., contemporary Ontario).
6. Even though the Board states and restates its payroll figures at least seven (7) times, the Board *never* restates its APR based on actual experience and actual payroll.
7. For example, for 2003, the 1<sup>st</sup> payroll projections are set out in the **2003 Premium Rate Manual** [“PRM”], the data for which is set (likely) by the end of Summer, 2002. The 2<sup>nd</sup> payroll projection, a refinement and restatement of the 1<sup>st</sup>, is set out in the **2004 PRM**

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(Summer 2003). The 1<sup>st</sup> statement of the actual 2003 payroll appears in the **2005 PRM** and the **2003 WSIB Annual Report**, of which the data for both would usually be set by the Summer of 2004. (Note: Normally, the Annual Report is published in the Summer of the following year whereas PRMs are normally published at the end of the year.) The 2003 payroll is then refined and restated again in the 2006, 2007, 2008 and 2009 PRMs.

8. However, at no time does the Board restate the actual APR even after it has acquired the data to do so.
9. As a result, year-to-year-to-year APRs are always comparing “*first projections against first projections*”, never “*revised projections against first projections*”, “*projections against actual*”, or “*actual against actual*”. In “situation normal” this is not likely a serious or significant deficiency. While year-to-year variances would be expected, they likely would be within reasonable tolerances of a few pennies on the dollar (as reflected in the APR). However, in unstable times (now), over time the APRs may become unreliable and less useful as a historical or even contemporary indicator of the WSI system.
10. To illustrate this point, in **Figure 6** I have restated the APR for each year from 2003 to 2009 based on the data contained in the respective **WSIB Annual Report** and contrast this with the projected APR as projected at the time the premium rates were set.

(**Note:** All of the data is extracted from the **WSIB Annual Reports**. I will provide the Annual Report page number reference for the Revenue figures followed by the Payroll figures for each respective Annual Report: **2003:** 26, 27; **2004:** 26, 27; **2005:** 21, 22; **2006:** 23, 23; **2007:** 22, 21; **2008:** 28; 29; **2009:** 21, 20).

A restatement of the APR based on WSIB Annual Report Data							
Year	Payroll as per WSIB Annual Report	Premiums Assessed for the Year (\$ million)	Premiums Assessed for the UFL (\$ million)	Total Schedule 1 Premiums Assessed (\$ million)	Published Projected APR	Actual APR (calculated)	Variance of Actual vs. Projected
2003	125,638	1,941	861	2,802	2.19	2.23	1.84%
2004	130,398	1,914	1,017	2,931	2.19	2.25	2.64%
2005	135,865	2,061	934	2,995	2.19	2.20	0.66%
2006	140,912	2,158	1,000	3,158	2.26	2.24	-0.84%
2007	146,393	2,242	1,024	3,266	2.26	2.23	-1.28%
2008	150,535	2,399	962	3,361	2.26	2.23	-1.21%
2009	144,910	2,224	1,007	3,231	2.26	2.23	-1.34%

Figure 6

11. **Observations:** See **Figure 7**. For the most part, where the actual payroll exceeded the projected payroll (2003, 2004), the actual APR is higher than projected. Where the actual payroll is less than the projected payroll, the actual APR is less than projected.

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Year	Payroll as per WSIB Annual Report (\$ million)	Projected Payroll as Per PRM (\$ million)
2003	125,638	122,269
2004	130,398	127,357
2005	135,865	137,706
2006	140,912	142,894
2007	146,393	146,598
2008	150,535	152,673
2009	144,910	156,748

Figure 7

12. **What this means:** This supports the theory that as actual payroll fluctuates from projected, the APR becomes a less reliable comparator. The 2009 payroll trend continued into 2010 and as a result the projected 2010 APR of \$2.30 is overstated. Further analysis and calculation based on the revised projected 2010 payroll data, establishes a revised 2010 APR of \$2.24. The actual APR increase 2010 to 2011 is therefore 4.9%.

**I. Continuing the analysis based on WSIB payroll data**

1. I have now completed a review on the actual adjustment in the APR 2010 to 2011 using the Board's projected 2011 data and restated projected 2010 payroll data.<sup>9</sup> My overall findings follow.
2. Based on the Board's data, the *revised projected* APR for 2010 is \$2.24, \$0.06 less than the \$2.30 *projected* APR relied on by the Board to explain the 2010 to 2011 APR change.
3. Therefore, the rate of increase of the APR 2010 to 2011 comparing the *projected* 2011 APR with the *restated projected* 2010 APR is 4.9% (\$2.24 to \$2.35).
4. But, there is a preferable method to assess the actual rate of change in premium rates year-to-year.
  - a. It makes much more sense to apply the 2010 and 2011 premium rates against the 2011 projected payroll and use those results to calculate the actual rate of change.

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<sup>9</sup> When the WSIB projects payroll for the following year's premium rates, the Board also revises the payroll projections for the current and past years.



- b. Using this method, which is an “*apples to apples*” approach, a more informative rate of increase is observed.
  - c. If the 2010 premium rates were applied against the 2011 payroll (a constant), the 2010 APR would be \$2.22.
  - d. The 2011 rates deliver an APR of \$2.35 (as reported by the Board).
  - e. Therefore, the actual effect of the 2011 premium rates is to increase premiums by 5.8%, not 2%. Explained another way, the 2011 premium rates increase employer premiums by \$194.8 million.
5. The data upon which these projections are based is attached at **Appendix A** (at p. 19).

**J. My recommendations to the WSIB:**

- 1. In a rapidly changing economic environment driving significant payroll fluctuations, upwards or downwards, the APR is a risky and unreliable comparator, potentially promoting miscommunication.
- 2. For the 2011 premium rates the Board adopted its “normal practice” of reporting the APR. When declaring that the APR rose 2% 2010 to 2011, the Board is actually saying this:

The *projected* APR for 2010 based on the *projected* payroll as at Fall 2009 was \$2.30. As the *projected* APR for 2011 as based on the *projected* payroll as at Fall 2010 is \$2.35, the increase is \$0.05 or 2.17%.
- 3. While this is technically true, this is (inadvertently) misleading with the unintended consequence of understating the actual premium rate increases 2010 to 2011. What is not taken into consideration is that based on observed economic activity the 2010 projections were revised by the Fall 2010.
- 4. While the “normal” protocols are appropriate for “normal” times, they are not at times of significant economic change (now). Applying normal protocols during abnormal times creates confusion and masks the true rate of change in the APR.
- 5. **“Go forward” recommendations:**
  - a. **Recommendation No. 1:** When communicating the rate of change in the APR Year 1 to Year 2, the WSIB should restate the Year 1 APR based on the Year 1 revised payroll, and then compare the Year 2 APR with the restated Year 1 APR. ***Finding:*** With this method, for the 2010 to 2011 premium rate exercise, the rate of change was 4.9% (\$2.24 to \$2.35).

- b. **Recommendation No. 2:** In the WSIB Annual Report for Year 1 (usually published mid-year Year 2), the WSIB should again restate the Year 1 APR based on actual payroll and collected premiums (both known by that point). Thereafter, the APR for the respective year should be reported as the collected (actual) APR.
  - c. **Recommendation No. 3:** When communicating the effect of premium rate adjustments Year 1 to Year 2, the Year 1 *and* the Year 2 premium rates should be run against the Year 2 projected payroll. This ensures an “apples to apples” comparison and more reasonably explains the actual effect of premium rate adjustments. ***Finding:*** With this method, for the 2010 to 2011 premium rate exercise, the rate of change was 5.8% (\$2.22 to \$2.35).
6. To ensure the continued reliability and integrity of the APR as a year-to-year comparator, I urge the Board to restate the APR as data becomes available and as data matures. The integrity of the APR is boosted with a restated APR based on revised payroll projections. This adds to system credibility, stakeholder understanding and stakeholder confidence.
7. ***Recommendations with respect to the 2011 premium rate announcements:***
- a. There is no evidence at all that the Ontario WSIB attempted to mislead or deliberately sought to publicly understate the rate of change in the APR 2010 to 2011. For the 2011 premium rates the Board simply engaged “normal” protocols. I say this to immediately mute any allegations of impropriety on the Board’s part, should any emerge.
  - b. The 2011 premium increases were communicated as “modest” increases. At 2% such a characterization would likely be accurate. However, an actual increase in the APR of more than double that announced (4.9%) would unlikely be categorized as “modest.” It is interesting that subsequent public announcements of the Board applied some complexion to the magnitude of the 2011 premium rate increases (see for example the WSIB announcement “*WSIB Clarification regarding premium rate increase for 2011 and 2012*”, which is excerpted in its entirety at **Appendix B** at p. 25).
  - c. It is an arguable but moot point whether or not the Board ought to have pre-emptively assessed the effect of changing payroll when communicating the change in the APR 2010 to 2011 and adjusted its approach accordingly.
  - d. This may also have implications beyond the Board’s communication strategy. If the WSIB Board of Directors [“BOD”] directed the Board’s administration to increase premiums “on average” 2% over the 2010 premium rates, those instructions may warrant review. The rate of increase 2010 to 2011 was 4.9% not 2%. If the instructions were to increase the APR to \$2.35 for 2011 then the response was appropriate presuming that the BOD understood this was more than a 2% increase. At any rate, if there is any question as to what the WSIB BOD actually approved with respect to the 2011 premium rates or what was the state of the Board’s understanding at the time approvals were made, all of this is remedied

with the matter of the 2011 premium rates again being placed before the BOD to affirm the instructions. I would recommend this course of action.

- e. I would also urge the Board to issue a clarification to Ontario employers. It is important that employers fully understand the actual rate of change in the APR 2010 to 2011, especially since this may be a material consideration when the 2012 premium rate discussions commence.

**K. What is the effect of all of this?**

1. As declared at the outset the point of this analysis and exercise is not to suggest that 2011 premiums rates were too high or that they should be rolled back. As noted, that is a very different conversation.
2. The point of this exercise is about clarity, transparency, and accountability.
3. For the 2011 premium increases, the well-informed employer believed that the APR rate increased by 2%. In fact, it increased more than two (2) times that amount. A 4.9% increase should not be packaged as a 2% increase.



**L.A. Liversidge**  
**January 19, 2011**

**L. A. Liversidge, LL.B.**  
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**WSIB Average Premium Rate Analysis**

**Appendix A: Data Spreadsheet**

Rate Group	Rate Group Industry	2011 Rate	2010 Rate	Insurable Earnings 2011 (as per 2011 PRM)	Insurable Earnings 2010 (as per 2010 PRM)	Insurable Earnings 2010 (1st Restatement as per 2011 PRM)	2011 Premium (Projected Premium as per 2011 PRM)	2011 Insurable Earnings applied against 2010 Premium Rates (a constant)	2010 Premium (Projected Premium as per 2010 PRM)
<b><u>Class A Forest Products</u></b>									
30	Logging	12.47	11.43	110,745,328	142,330,519	111,718,472	13,809,942	12,658,191	16,268,378
33	Mill Products and Forestry Services	8.42	7.77	132,780,699	166,339,865	133,947,473	11,180,135	10,317,060	12,924,608
36	Veneers, Plywood & Wood Preservation	5.14	4.48	97,367,684	110,383,833	98,223,276	5,004,699	4,362,072	4,945,196
39	Pulp, Newsprint and Specialty Papers	2.80	2.47	522,984,982	605,288,905	528,771,231	14,643,579	12,917,729	14,950,636
41	Corrugated Boxes	3.10	2.89	245,525,499	273,622,756	248,241,966	7,611,290	7,095,687	7,907,698
<b><u>Class B Mining &amp; Related Industries</u></b>									
110	Gold Mines	7.79	7.79	395,094,029	378,532,139	388,307,599	30,777,825	30,777,825	29,487,654
113	Nickel Mines	4.98	4.98	465,612,447	696,584,055	457,614,740	23,187,500	23,187,500	34,689,886
119	Other Mines	6.40	6.40	321,429,024	367,015,928	315,907,919	20,571,458	20,571,458	23,489,019
134	Aggregates	6.24	5.98	283,616,867	297,574,626	278,745,252	17,697,693	16,960,289	17,794,963
<b><u>Class C Other Primary Industries</u></b>									
159	Livestock Farms	6.78	6.78	155,047,278	143,656,205	151,854,709	10,512,205	10,512,205	9,739,891
167	Field Crop, Fruit & Vegetable Farms	2.72	2.72	407,662,668	360,925,291	399,268,511	11,088,425	11,088,425	9,817,168
174	Tobacco and Mushroom Farms	4.93	4.36	97,000,592	100,086,856	95,003,259	4,782,129	4,229,226	4,363,787
181	Fishing & Miscellaneous Farming	3.51	3.14	253,671,781	252,198,223	248,448,441	8,903,880	7,965,294	7,919,024
184	Poultry Farms & Agricultural Services	3.13	2.62	277,177,444	260,387,149	271,470,100	8,675,654	7,262,049	6,822,143
190	Landscaping & Related Services	4.72	4.31	532,405,371	476,913,192	521,442,645	25,129,534	22,946,671	20,554,959

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**WSIB Average Premium Rate Analysis**

Rate Group	Rate Group Industry	2011 Rate	2010 Rate	Insurable Earnings 2011 (as per 2011 PRM)	Insurable Earnings 2010 (as per 2010 PRM)	Insurable Earnings 2010 (1st Restatement as per 2011 PRM)	2011 Premium (Projected Premium as per 2011 PRM)	2011 Insurable Earnings applied against 2010 Premium Rates (a constant)	2010 Premium (Projected Premium as per 2010 PRM)
<b>Class D Manufacturing</b>									
207	Meat & Fish Products	4.46	4.27	511,515,783	534,009,544	511,729,548	22,813,604	21,841,724	22,802,208
210	Poultry Products	3.35	3.35	429,139,067	424,297,316	429,318,406	14,376,159	14,376,159	14,213,960
214	Fruit & Vegetable Products	2.57	2.16	353,766,268	384,417,223	353,914,108	9,091,793	7,641,351	8,303,412
216	Dairy Products	2.17	1.95	429,151,633	403,180,000	429,330,977	9,312,590	8,368,457	7,862,010
220	Other Bakery Products	3.83	3.83	456,759,511	458,050,409	456,950,393	17,493,889	17,493,889	17,543,331
222	Confectionery	1.73	1.73	278,592,377	301,712,743	278,708,802	4,819,648	4,819,648	5,219,630
223	Biscuits, Snack Foods and other Food Products	2.68	2.44	841,931,735	894,104,674	842,283,582	22,563,770	20,543,134	21,816,154
226	Crushed and Ground Foods	1.62	1.50	562,499,865	584,847,820	562,734,936	9,112,498	8,437,498	8,772,717
230	Alcoholic Beverages	1.49	1.49	346,738,228	344,753,377	346,883,131	5,166,400	5,166,400	5,136,825
231	Soft Drinks	3.43	3.11	303,110,349	325,562,178	303,237,020	10,396,685	9,426,732	10,124,984
238	Other Rubber Products	3.95	3.50	282,969,729	375,707,381	280,601,472	11,177,304	9,903,941	13,149,758
258	Foamed & Expanded Plastic Products	2.79	2.48	193,011,022	219,618,359	191,334,031	5,385,008	4,786,673	5,446,535
261	Plastic Film & Sheeting	2.35	2.21	187,806,392	200,706,142	186,174,622	4,413,450	4,150,521	4,435,606
263	Other Plastic Products	3.09	2.89	915,071,652	977,790,191	907,120,982	28,275,714	26,445,571	28,258,137
289	Cloth, Carpets & Textile Products	3.55	3.55	296,200,103	248,009,011	293,721,118	10,515,104	10,515,104	8,804,320
301	Clothing, Fibre & Yarn	2.32	2.01	336,084,676	462,789,985	325,101,733	7,797,164	6,755,302	9,302,079
308	Millwork & Other Wood Industries	5.33	5.33	259,017,355	308,089,551	256,849,563	13,805,625	13,805,625	16,421,173
311	Wooden Cabinets	3.98	3.98	308,898,575	344,329,944	306,313,312	12,294,163	12,294,163	13,704,332
312	Wooden Boxes & Pallets	6.83	6.83	64,232,265	70,625,219	62,476,835	4,387,064	4,387,064	4,823,702
322	Upholstered Furniture	3.20	2.98	89,869,167	90,926,391	87,413,096	2,875,813	2,678,101	2,709,606
323	Metal Furniture	2.24	2.24	357,088,394	400,780,543	354,099,817	7,998,780	7,998,780	8,977,484
325	Wooden & Other Non Metal Furniture	4.12	4.12	385,746,056	446,485,956	382,517,634	15,892,738	15,892,738	18,395,221
328	Furniture Parts & Fixtures	3.99	3.99	116,781,289	138,902,555	115,803,913	4,659,573	4,659,573	5,542,212
333	Printing, Platemaking & Binding	1.68	1.59	1,317,154,753	1,363,903,474	1,274,111,327	22,128,200	20,942,761	21,686,065
335	Publishing	0.54	0.54	1,388,834,256	1,379,926,957	1,343,448,408	7,499,705	7,499,705	7,451,606
338	Folding Cartons	2.54	2.19	192,638,460	200,667,343	187,373,765	4,893,017	4,218,782	4,394,615
341	Paper Products	3.05	2.88	219,364,242	232,435,199	217,528,318	6,690,609	6,317,690	6,694,134
352	steel & Other Smelting & Refining Industries	2.51	2.40	1,096,095,402	1,314,063,197	1,119,934,048	27,511,995	26,306,290	31,537,517
358	Foundries	4.11	4.11	81,162,648	104,970,653	82,927,830	3,335,785	3,335,785	4,314,294
<b>361</b>	<b>Non-Ferrous Metal Industries</b>	<b>3.44</b>	<b>3.03</b>	<b>5,294,086,922</b>	<b>6,677,847,301</b>	<b>5,193,741,631</b>	<b>182,116,590</b>	<b>160,410,834</b>	<b>202,338,773</b>
374	Doors & Windows	3.41	3.41	477,080,282	488,298,998	473,087,457	16,268,438	16,268,438	16,650,996
375	Structural & Architectural Products	4.51	4.51	540,925,357	589,454,890	536,398,194	24,395,734	24,395,734	26,584,416
377	Coating of Metal Products	4.01	4.01	252,840,386	321,121,749	250,724,291	10,138,899	10,138,899	12,876,982
379	Hardware, Tools & Cutlery	2.63	2.63	177,968,114	204,335,981	176,478,647	4,680,561	4,680,561	5,374,036
382	Metal Dies, Moulds & Patterns	2.13	1.93	544,531,288	629,303,429	526,736,497	11,598,516	10,509,454	12,145,556
383	Heating, Refrigeration & Air Conditioning Equipment	2.67	2.67	222,693,152	239,890,969	220,829,368	5,945,907	5,945,907	6,405,089
385	Machine Shops	2.50	2.50	781,635,417	982,760,166	775,093,681	19,540,885	19,540,885	24,569,004
387	Other Metal Fabricating Industries	3.52	3.52	815,698,670	968,930,109	808,871,848	28,712,593	28,712,593	34,106,340
389	Metal Closures & Containers	2.48	2.48	101,959,658	115,829,343	99,173,161	2,528,600	2,528,600	2,872,568
<b>390</b>	<b>Other Stamped &amp; Pressed Metal Products</b>	<b>3.44</b>	<b>3.03</b>						
393	Wire Products	3.23	3.00	167,640,656	211,718,070	166,237,622	5,414,793	5,029,220	6,351,542
402	Major Appliances & Transmission Equipment	2.23	2.05	303,301,937	329,299,254	293,390,304	6,763,633	6,217,690	6,750,635
403	Other Machinery & Equipment	1.67	1.58	1,020,375,735	1,178,488,616	987,030,778	17,040,275	16,121,937	18,620,120
406	Elevators & Escalators	2.59	2.59	252,652,968	259,304,328	250,538,441	6,543,712	6,543,712	6,715,982
408	Boilers, Pumps & Fans	2.35	2.35	199,701,581	191,839,779	198,030,220	4,692,987	4,692,987	4,508,235
411	Agricultural, Construction & Mining Machinery	2.76	2.63	647,578,760	824,263,473	642,158,983	17,873,174	17,031,321	21,678,129
417	Aircraft Manufacturing	1.50	1.41	809,693,142	800,131,508	783,233,102	12,145,397	11,416,673	11,281,854
<b>419</b>	<b>Motor Vehicle Assembly</b>	<b>3.44</b>	<b>3.03</b>						
420	Motor Vehicle Engine Manufacturing	1.81	1.61	547,282,157	622,560,218	536,908,850	9,905,807	8,811,243	10,023,220
421	Other Motor Vehicle Parts & Equipment	3.44	3.03						
424	Motor Vehicle Stampings	3.44	3.03						
425	Motor Vehicle Wheels & Brakes	3.44	3.03						
428	Motor Vehicle Fabric Accessories	4.38	3.65	243,426,816	336,653,612	238,812,850	10,662,095	8,885,079	12,287,857
432	Trucks, Buses & Trailers	4.21	4.21	156,038,571	162,061,594	153,080,982	6,569,224	6,569,224	6,822,793

**L. A. Liversidge, LL.B.**  
**Barrister & Solicitor, Professional Corporation**

**WSIB Average Premium Rate Analysis**

Rate Group	Rate Group Industry	2011 Rate	2010 Rate	Insurable Earnings 2011 (as per 2011 PRM)	Insurable Earnings 2010 (as per 2010 PRM)	Insurable Earnings 2010 (1st Restatement as per 2011 PRM)	2011 Premium (Projected Premium as per 2011 PRM)	2011 Insurable Earnings applied against 2010 Premium Rates (a constant)	2010 Premium (Projected Premium as per 2010 PRM)
<b><u>Class D Manufacturing</u></b>									
442	Railroad Rolling Stock	2.63	2.63	327,332,264	378,171,144	324,592,724	8,608,839	8,608,839	9,945,901
460	Lighting & Small Electrical Appliances	2.54	2.54	145,111,790	157,608,462	143,897,307	3,685,839	3,685,839	4,003,255
466	Communication & Energy Wire Products	2.34	2.17	167,192,754	185,461,408	161,729,046	3,912,310	3,628,083	4,024,513
468	Electronic Equipment & Other Communication Devices	0.39	0.39	3,225,244,003	3,138,731,191	3,119,845,944	12,578,452	12,578,452	12,241,052
477	Industrial Electrical Equipment	1.49	1.49	620,778,042	663,621,874	600,491,577	9,249,593	9,249,593	9,887,966
485	Bricks, Ceramics & Abrasives	4.34	4.34	88,217,761	101,951,175	85,806,822	3,828,651	3,828,651	4,424,681
496	Concrete Products	5.19	5.19	212,270,661	226,458,740	210,494,106	11,016,847	11,016,847	11,753,209
497	Ready-Mix Concrete	3.76	3.52	219,394,764	248,774,304	215,419,434	8,249,243	7,722,696	8,756,856
501	Non-Metallic Mineral Products	2.87	2.73	309,012,541	328,350,097	306,426,324	8,868,660	8,436,042	8,963,958
502	Glass Products	2.92	2.56	152,599,004	192,742,309	151,321,859	4,455,891	3,906,535	4,934,203
507	Petroleum & Coal Products	1.13	0.99	531,080,733	501,360,288	526,466,397	6,001,212	5,257,699	4,963,467
512	Resins, Paint, Ink & Adhesives	1.68	1.56	465,558,103	526,151,326	461,513,066	7,821,376	7,262,706	8,207,961
514	Pharmaceuticals & Medicines	0.92	0.80	1,051,957,708	994,890,295	1,042,817,693	9,678,011	8,415,662	7,959,122
517	Soap & Toiletries	1.61	1.54	348,758,523	361,182,993	345,728,308	5,615,012	5,370,881	5,562,218
524	Chemical Industries	1.88	1.79	564,666,547	596,477,982	559,760,399	10,615,731	10,107,531	10,676,956
529	Jewelry & Instruments	0.98	0.98	864,218,138	832,540,174	835,976,270	8,469,338	8,469,338	8,158,894
533	Signs & Displays	3.06	3.06	243,650,499	254,008,744	241,611,316	7,455,705	7,455,705	7,772,668
538	Sporting Goods & Toys	4.10	4.10	60,115,506	69,882,143	58,472,585	2,464,736	2,464,736	2,865,168
542	Other Manufactured Products	2.04	2.04	116,397,283	128,154,105	112,593,525	2,374,505	2,374,505	2,614,344

**L. A. Liversidge, LL.B.**  
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**WSIB Average Premium Rate Analysis**

Rate Group	Rate Group Industry	2011 Rate	2010 Rate	Insurable Earnings 2011 (as per 2011 PRM)	Insurable Earnings 2010 (as per 2010 PRM)	Insurable Earnings 2010 (1st Restatement as per 2011 PRM)	2011 Premium (Projected Premium as per 2011 PRM)	2011 Insurable Earnings applied against 2010 Premium Rates (a constant)	2010 Premium (Projected Premium as per 2010 PRM)
<b><u>Class E Transportation &amp; Storage</u></b>									
551	Air Transport Industries	2.00	1.90	441,310,793	460,421,183	433,314,449	8,826,216	8,384,905	8,748,002
553	Air Transport Services	1.85	1.57	378,460,885	377,016,411	371,603,351	7,001,526	5,941,836	5,919,158
560	Warehousing	3.28	2.77	815,042,956	805,018,258	800,274,760	26,733,409	22,576,690	22,299,006
570	General Trucking	6.43	5.79	3,466,753,402	3,931,181,737	3,403,937,458	222,912,244	200,725,022	227,615,423
577	Courier Services	2.89	2.46	756,775,377	797,352,006	743,062,963	21,870,808	18,616,674	19,614,859
580	Miscellaneous Transport Industries	4.89	4.43	405,505,599	414,055,925	398,158,028	19,829,224	17,963,898	18,342,677
584	School Buses	2.91	2.71	332,663,175	341,347,919	326,635,474	9,680,498	9,015,172	9,250,529
590	Ambulance Services	6.18	5.85	142,501,463	145,472,738	139,919,403	8,806,590	8,336,336	8,510,155
<b><u>Class F Retail &amp; Wholesale Trades</u></b>									
604	Food, Sales	2.43	2.43	4,362,696,632	4,075,935,531	4,220,538,183	106,013,528	106,013,528	99,045,233
606	Grocery & Convenience Stores	2.11	1.81	434,837,267	384,898,981	420,668,097	9,175,066	7,870,555	6,966,672
607	Specialty Food Stores	3.57	3.57	152,868,850	128,261,099	147,887,619	5,457,418	5,457,418	4,578,921
608	Beer Stores	3.99	3.99	179,285,676	168,073,475	173,443,653	7,153,498	7,153,498	6,706,132
612	Agricultural Products, Sales	2.37	2.37	292,615,657	275,917,364	290,166,670	6,934,991	6,934,991	6,539,242
630	Vehicle Services & Repairs	3.39	3.39	2,642,342,639	2,575,728,314	2,556,241,917	89,575,415	89,575,415	87,317,190
633	Petroleum Products, Sales	2.49	2.49	444,399,246	400,163,950	429,918,499	11,065,541	11,065,541	9,964,082
636	Other Sales	1.40	1.40	9,780,373,205	9,699,217,413	9,409,640,552	136,925,225	136,925,225	135,789,044
638	Pharmacies	0.68	0.61	2,306,720,059	2,104,364,201	2,231,555,597	15,685,696	14,070,992	12,836,622
641	Clothing Stores	1.53	1.32	1,534,787,495	1,440,345,697	1,484,776,452	23,482,249	20,259,195	19,012,563
657	Automobile & Truck Dealers	0.78	0.71	1,507,823,798	1,529,127,106	1,458,691,367	11,761,026	10,705,549	10,856,802
668	Computer, Electronic & Electrical Equipment Sales	0.48	0.46	3,103,827,846	3,073,018,699	3,002,689,631	14,898,374	14,277,608	14,135,886
670	Machinery & Other Vehicle Sales	1.76	1.76	1,830,489,655	1,864,126,734	1,770,670,908	32,216,618	32,216,618	32,808,631
681	Lumber & Builders Supply	2.88	2.72	1,251,187,779	1,248,468,782	1,228,516,844	36,034,208	34,032,308	33,958,351
685	Metal Products, Wholesale	3.11	3.11	136,203,086	147,712,844	135,063,162	4,235,916	4,235,916	4,593,869
689	Waste Materials Recycling	5.90	5.90	255,550,977	274,701,262	250,920,513	15,077,508	15,077,508	16,207,374
<b><u>Class G Construction</u></b>									
704	Electrical & Incidental Construction Services	3.53	3.25	1,987,272,761	1,997,880,508	1,917,457,381	70,150,728	64,586,365	64,931,117
707	Mechanical & Sheet Metal Work	3.98	3.98	2,794,575,141	2,961,179,385	2,696,398,218	111,224,091	111,224,091	117,854,940
711	Roadbuilding & Excavating	5.06	4.68	1,678,452,009	1,707,578,650	1,619,485,889	84,929,672	78,551,554	79,914,681
719	Inside Finishing	7.19	6.75	1,283,225,506	1,287,558,650	1,238,144,187	92,263,914	86,617,722	86,910,209
723	Industrial, Commercial & Institutional Construction	4.35	4.35	1,681,825,231	1,654,033,118	1,622,740,605	73,159,398	73,159,398	71,950,441
728	Roofing	14.16	13.30	444,939,310	402,423,910	429,308,035	63,003,406	59,176,928	53,522,380
732	Heavy Civil Construction	6.73	6.34	559,161,797	542,946,968	539,517,743	37,631,589	35,450,858	34,422,838
737	Millwrighting & Welding	6.60	6.25	557,405,682	683,361,003	537,823,323	36,788,775	34,837,855	42,710,063
741	Masonry	12.15	11.15	361,975,364	391,232,559	349,258,716	43,980,007	40,360,253	43,622,430
748	Form Work & Demolition	17.51	16.50	368,241,354	392,226,823	355,304,574	64,479,061	60,759,823	64,717,426
751	Siding & Outside Finishing	9.80	9.25	780,961,379	759,041,190	753,525,228	76,534,215	72,238,928	70,211,310
764	Homebuilding	8.71	8.71	1,742,690,393	1,810,925,179	1,681,467,498	151,788,333	151,788,333	157,731,583

**L. A. Liversidge, LL.B.**  
**Barrister & Solicitor, Professional Corporation**

**WSIB Average Premium Rate Analysis**

Rate Group	Rate Group Industry	2011 Rate	2010 Rate	Insurable Earnings 2011 (as per 2011 PRM)	Insurable Earnings 2010 (as per 2010 PRM)	Insurable Earnings 2010 (1st Restatement as per 2011 PRM)	2011 Premium (Projected Premium as per 2011 PRM)	2011 Insurable Earnings applied against 2010 Premium Rates (a constant)	2010 Premium (Projected Premium as per 2010 PRM)
<b><u>Class H Government &amp; Related Services</u></b>									
810	School Boards	0.78	0.78	733,528,635	677,144,528	703,428,939	5,721,523	5,721,523	5,281,727
817	Educational Facilities	0.36	0.34	5,774,118,752	5,154,307,200	5,537,182,917	20,786,828	19,632,004	17,524,644
830	Power & Telecommunication Lines	4.25	4.25	414,523,725	387,919,828	408,729,504	17,617,258	17,617,258	16,486,593
833	Electric Power Generation	0.76	0.76	1,529,711,069	1,399,545,167	1,508,328,737	11,625,804	11,625,804	10,636,543
835	Oil, Power & Water Distribution	1.03	1.01	1,174,855,874	1,058,735,432	1,158,433,715	12,101,016	11,866,044	10,693,228
838	Natural Gas Distribution	0.67	0.57	314,401,850	314,565,127	304,127,482	2,106,492	1,792,091	1,793,021
845	Local Government Services	2.15	1.86	1,701,959,251	1,739,532,819	1,655,506,131	36,592,124	31,656,442	32,355,310
851	Homes for Nursing Care	3.15	2.69	2,630,710,180	2,416,229,685	2,557,805,761	82,867,371	70,766,104	64,996,579
852	Homes for Residential Care	3.16	3.10	370,852,317	332,029,919	360,574,950	11,718,933	11,496,422	10,292,927
853	Hospitals	1.06	0.98	14,463,861,779	13,695,787,212	13,718,272,491 *	153,316,935	141,745,845	134,218,715
857	Nursing Services	3.17	2.93	1,312,479,167	1,218,113,145	1,276,106,657	41,605,590	38,455,640	35,690,715
858	Group Homes	3.01	2.96	783,764,577	737,739,686	747,473,854	23,591,314	23,199,431	21,837,095
861	Treatment Clinics & Specialized Services	1.06	0.98						
875	Professional Offices & Agencies	0.71	0.70	2,158,671,383	1,984,872,660	2,058,718,224	15,326,567	15,110,700	13,894,109
<b><u>Class I Other Services</u></b>									
905	Apartment & Condominium Services	2.91	2.60	686,205,964	637,335,857	680,462,905	19,968,594	17,841,355	16,570,732
908	Other Real Estate Services	1.25	1.25	1,038,224,634	940,937,787	1,004,296,392	12,977,808	12,977,808	11,761,722
911	Security & Investigation Services	1.67	1.54	987,244,625	938,651,806	954,982,363	16,486,985	15,203,567	14,455,238
919	Restaurants & Catering	1.65	1.65	6,030,924,969	5,562,191,072	5,834,407,308	99,510,262	99,510,262	91,776,153
921	Hotels, Motels & Camping	2.97	2.68	930,352,531	898,417,131	900,036,998	27,631,470	24,933,448	24,077,579
923	Janitorial Services	3.57	3.41	1,023,433,169	921,796,106	1,014,867,757	36,536,564	34,899,071	31,433,247
929	Supply of Non-Clerical Labour	4.83	4.62	844,079,232	948,733,218	816,574,914	40,769,027	38,996,461	43,831,475
933	Equipment Rental & Repair Services	2.95	2.95	395,064,856	398,917,217	382,191,670	11,654,413	11,654,413	11,768,058
937	Recreational Services & Facilities	2.10	1.83	974,378,020	935,424,072	942,627,917	20,461,938	17,831,118	17,118,261
944	Personal Services	3.12	2.98	402,448,285	362,434,726	389,334,510	12,556,386	11,992,959	10,800,555
956	Legal & Financial Services	0.21	0.18	4,131,516,978	4,433,169,457	3,974,908,614	8,676,186	7,436,731	7,979,705
958	Technical & business Services	0.38	0.38	8,561,348,425	8,226,102,150	8,281,571,298	32,533,124	32,533,124	31,259,188
962	Advertising & Entertainment	1.05	0.94	1,070,743,246	951,284,612	1,035,853,082	11,242,804	10,064,987	8,942,075
975	Linen & Laundry Services	3.94	3.29	278,136,308	269,924,149	270,535,007	10,958,571	9,150,685	8,880,505
981	Membership Organizations	0.77	0.67	1,110,286,952	1,013,471,074	1,074,108,257	8,549,210	7,438,923	6,790,256
983	Communications Industries	0.37	0.33	1,820,779,665	1,686,734,733	1,795,328,770	6,736,885	6,008,573	5,566,225
*combined data									
<b>Totals:</b>				155,014,377,000	155,682,478,165	150,469,934,000	3,648,261,529	3,453,495,466	3,575,027,169



**L. A. Liversidge, LL.B.**  
**Barrister & Solicitor, Professional Corporation**

**WSIB Average Premium Rate Analysis**

Rate Group	Rate Group Industry	2011 Rate	2010 Rate	Insurable Earnings 2011 (as per 2011 PRM)	Insurable Earnings 2010 (as per 2010 PRM)	Insurable Earnings 2010 (1st Restatement as per 2011 PRM)	2011 Premium (Projected Premium as per 2011 PRM)	2011 Insurable Earnings applied against 2010 Premium Rates (a constant)	2010 Premium (Projected Premium as per 2010 PRM)
<b>Industry Summaries</b>									
	Class A Forest Products	4.71	4.39	1,109,404,192	1,297,965,878	1,120,902,418	52,249,646	47,350,740	56,996,515
	Class B Mining & Related Industries	6.29	6.06	1,465,752,367	1,739,706,748	1,440,575,510	92,234,475	91,497,071	105,461,522
	Class C Other Primary Industries	4.01	3.71	1,722,965,134	1,594,166,916	1,687,487,665	69,091,826	64,003,870	59,216,972
	Class D Manufacturing	2.41	2.34	35,871,899,445	39,556,275,476	35,305,464,336	865,171,619	815,300,489	924,524,142
	Class E Transportation & Storage	4.83	4.40	6,739,013,650	7,271,866,177	6,616,905,886	325,660,516	291,560,533	320,299,809
	Class F Retail & Wholesale Trades	1.74	1.71	30,216,009,867	29,390,061,452	29,211,389,664	525,692,277	515,871,865	501,316,614
	Class G Construction	6.36	6.09	14,240,725,927	14,590,387,943	13,740,431,397	905,933,189	868,752,107	888,499,416
	Class H Government & Related Services	1.30	1.21	33,363,438,559	31,116,522,408	31,994,689,362	434,977,754	400,685,308	375,701,206
	Class I Other Services	1.25	1.18	30,285,167,859	29,125,525,167	29,352,087,762	377,250,227	358,473,483	343,010,973
	<b>Totals:</b>	<b>2.35</b>	<b>2.30</b>	<b>155,014,377,000</b>	<b>155,682,478,165</b>	<b>150,469,934,000</b>	<b>3,648,261,529</b>	<b>3,453,495,466</b>	<b>3,575,027,169</b>
<b>Average Premium Rates</b>									
	<b>2011 Rate</b>	<b>2.35</b>							
	<b>2010 Rate (Applied against 2011 earnings to compare)</b>	<b>2.22</b>							
	<b>2010 Rate</b>	<b>2.30</b>							
	<b>2010 Rate (Avr. Rate Restated - 1st Restated Payroll as per 2011 PRM)</b>	<b>2.24</b>							

**Appendix B: “WSIB Clarification regarding premium rate increase for 2011 and 2012”**

**Clarification regarding premium rate increase for 2011 and 2012**

We wish to clarify some information that has been in the media about our recent premium rate increase announcement.

**Inaccuracy:**

Large percentage increases in premium rates will result in job losses and businesses closing

**Clarification:**

It is true that we’ve made the difficult decision to raise the average premium rate for the next two years. This is necessary since the Insurance Fund at the WSIB has experienced a deficit averaging \$1 billion over the past five years and will again experience a substantial deficit this fiscal year. ***In light of this situation, the WSIB enacted an average two percent increase in premiums*** which is the absolute minimum which could have been responsibly considered in the circumstances and needed to be implemented immediately.

While premium increases to some groups do appear high in percentage terms, it is important to keep in mind that the increases are only applied to every \$100 in payroll. For example, for rate group 214 (Fruit and Vegetable Products), while the percentage increase in the premium rate is 19 per cent, the increase in premium is 41 cents, or less half of one percent on total payroll.

Another example is clothing stores which are classified under rate group 641. They will see a 15.9% increase in premium rates per \$100 of payroll. Translated into actual cost this represents an increase of 21 cents for every \$100 of payroll – less than one quarter of one percent of insurance payroll costs.

***So, while it may seem that some industry rate groups are receiving fairly large percentage increases in their premium rates, the actual impact on an individual employer’s costs will be modest.***

We invite stakeholders to actively participate in the Funding Review so that we can put the Insurance Fund on a sound financial footing going forward. Our goal, of course, is to protect injured workers while reducing premiums as quickly as can be done.

From: <http://www.wsib.on.ca/wsib/wsibsite.nsf/Public/FortheRecordPremiumRates>