

# The Liversidge e-Letter

An Executive Briefing on Emerging Workplace Safety and Insurance Issues

June 16, 2004

An *Electronic Letter* for the Clients of L.A. Liversidge, LL.B.

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## Special Issue: Minister of Labour Releases Independent Audit of WSIB

### Minister Advises Audit Provides Solid Foundation For Renewed Workplace Safety And Insurance Board

#### Government Moving To Implement Recommendations

An independent audit of the Workplace Safety and Insurance Board (WSIB) released today provides a solid foundation for revitalizing the agency so it better meets the needs of injured workers and employers, said Labour Minister Chris Bentley.

"The audit raised worrisome issues about governance, controllership and accountability practices at the WSIB and identified areas for improvement. We will be acting on the audit's recommendations," said Bentley. "That said, the audit noted that WSIB staff are committed to service excellence."

The audit addresses a number of concerns raised by both injured workers and employer groups. The audit's recommendations provide a solid foundation to renew the WSIB and to ensure employer premiums are used efficiently on programs that benefit workers.

"We have a plan to revamp the WSIB's governance structure to achieve results, provide solid representation, and deliver effective administration," said Bentley. "The government will soon name a president, chair and additional members to the board of directors once it identifies candidates who can best implement the audit recommendations and fill specific governance roles."

The government will ensure the issues raised in the audit are addressed immediately. Based on the advice of the government's chief internal auditor, a follow-up audit will be conducted next year to make sure recommendations contained in the current audit have been implemented, said Bentley.

In an upcoming issue of **The Liversidge e-Letter**, I will be providing a more detailed review of the audit report. Stay tuned. If there was any doubt, the workplace safety and insurance file is active again.

### WSIB Release 2003 Annual Report

The WSIB has just released the long-anticipated 2003 Annual Report. Here are some of the highlights. The Annual Report notes the volatility of the equity market which resulted in negative investment returns for 2001 and 2002. The unfunded liability ["UL"] (the shortfall between the value of the Board's assets and the price of future liabilities) increased by \$544 million, and at the end of 2003 was \$7.135 billion. This effectively returns the UL to 1998 levels. The UL was a whopping \$11.4 billion at the end of 1994, and then gradually fell to \$5.7 billion for 2000 and 2001, at which point, it started an incrementally upward trend. The commitment to reduce the UL to zero by 2014 remains intact.

While average premium rates rose modestly in 2003 to \$2.19 from their recent low point of \$2.12 for 2001 and 2002, premiums are still much lower than they were 10 years ago, when the average rate was \$3.01. However, the recent audit, released today, suggests that "*eliminating the UL by 2014 will require a combination of increased revenues (from investment income and/or premiums) and a reduction of costs over the long term*"

At the end of 2003, the WSIB Board of Directors ["BOD"] approved a revision to the Board's investment asset mix to reduce the equity investment component to 65% from 75%, with a corresponding increase in the bond component. Loss of earnings ["LOE"] benefit costs increased by 24.4%, to \$123 million. Health care benefit costs increased by \$39 million (11.2%). Total administration costs were \$501 million in 2003, down from \$524 million in 2002.

### L.A. Liversidge Presentation on Occupational Disease Advisory Panel Report – June 16, 2004

Today I delivered my preliminary overview on the WSIB Occupational Disease Advisory Panel's Report ["ODAP"]. The ODAP will clearly mark a new milestone in workplace safety and insurance occupational disease adjudication. I will be providing clients with the text of my presentation in an upcoming issue of **The Liversidge e-Letter**.