

The Liversidge e-Letter

An Executive Briefing on Emerging Workplace Safety and Insurance Issues

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

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WSIB 2009 1st Quarter Report *Unfunded Liability at Historic High*

WSIB unfunded liability hits all time high of \$12.4 billion at March 31st

WSIB sets pattern of release of quarterly financials

I have been calling for the release of WSIB quarterly financials since last year. In the October 16, 2008 issue of **The Liversidge e-Letter** [*“Stay the Course or Change Direction? Tough Times. Tough Choices”*], I said this:

The Board must more regularly publicly report the “*state of the union*”. By the time the official WSIB Annual Report is released every year (late in the summer of the following year), it is ancient history. Especially in these volatile days. The Board must immediately return to its past practice of issuing un-audited quarterly financial records, something I have been suggesting for years.

WSIB released 2008 Financial Statement May 7, 2009 and 1st Quarter 2009 June 19th

In a May 7, 2009 open letter, WSIB Chair Steve Mahoney advised, “*In keeping with my commitment to open and regular communications, I am pleased to advise you that our unaudited financial report for the fourth quarter of 2008 is available on the WSIB website.*” Chair Mahoney declares that the WSIB “*plans to release quarterly financial reports . . . on an ongoing basis*”. True to his commitment, WSIB Chair Mahoney has followed through.

WSIB Unfunded Liability grew at rate of \$10 million per day 1st Quarter 2009

By the end of 2008, the unfunded liability [“UFL”] sat at \$11.5 billion, up a remarkable \$3.4 billion (+42%) in a single year (from \$8.1 billion the end of 2007). By March 31st 2009, it increased to an all time high of \$12.38 billion, an increase of \$911 million over the first 90 days of the year. **The WSIB has faced a “perfect storm”**

The WSIB has been severely hammered by recent world wide economic conditions and has been hit “*every which way but loose*”. The quadruple whammy of declining investment values, declining investment returns, declining revenue base and an increased claims demand, is frankly, an unprecedented perfect storm.

Two years ago I suggested the 2014 UFL target was toast and the Board needed to “pull a rabbit out of the hat”

It was just two years ago, in the Spring of 2007, that the Board was sticking to the myth that benefits could increase (remember the *Budget Reforms?*), premiums stay flat and the UFL would be zero by 2014. But, as early as April 4, 2007 I reminded readers that this was improbable at best, especially since two years earlier WSIB officials made the case for higher premiums, well before the government increased expenditures in the *Budget Reforms*. I said then in these pages, that the UFL 2014 target was toast unless the Board was able to “*pull a rabbit out of the hat*”. It didn't. **On December 31, 2006 the UFL was less than \$6 billion**

Yet, in the Summer of 2007 the Board went so far to suggest it was “*starting to turn the financial corner*” [WSIB 2006 Annual Report, p. 5]. I responded on September 19, 2007 arguing that this optimism was premature, noting that other than remarkable 2006 investment returns there weren't many other real good news stories. On September 24, 2007 I suggested the Board was “*playing a long-shot*” and on October 9, 2007 made the case that even then the long-term funding strategy required re-tooling. 2014 was a myth. **2014 target now officially dead**

This Spring, the Board declared the obvious – 2014 is officially dead. While there is no question the market melt-down and severe world-wide recession has profoundly impacted the Board's finances, there is a risk the melt-down will mask deep-seated systemic ills, long-present before recent events. The melt-down undeniably made things worse, but root problems existed long before.

The Mahoney Consultation is all the more important

In the February 2 and 11, 2009 issues of **The Liversidge e-Letter**, I suggested that Chair Mahoney's consultation is pivotal. As we near the end of the 1st consultative phase, I have high expectations. A new, bold reform blueprint, a ***Back to the Future - Part II***, and the leadership to follow through are *urgently* needed. **Next Issue:** *On November 21, 2008 I suggested the Board must arrange a funding summit no later than January, 2009. There is no longer time to lose.*