

# The Liversidge e-Letter

An Executive Briefing on Emerging Workplace Safety and Insurance Issues

November 5, 2009

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

2 pages

## The Case for a Large Scale Review of the Ontario WSIB (Part II of III)

### Ontario's experience out of step with other major Canadian jurisdictions

#### Ontario lost time injury rates down and benefits up

In the first instalment of "*The Case for a Large Scale Review of the Ontario WSIB*" (November 2, 2009), I argued that while the "global financial crisis" was impacting the Board's finances, the system was in trouble long before. I suggested that the real problem was pretty basic – *benefits are up and injury rates are down*. As I was able to show, none of this (so far) was attributable to the "global financial crisis", although the "global financial crisis" may worsen an already bad situation. It seems that 2003 was a key year – a year when the average cost per lost time injury ["LTI"] started to skyrocket. From 1998 to 2002, the average cost per LTI was hovering around \$14,000 but by 2008 soared 72% to \$24,133. *A key question – Is Ontario in step with other major Canadian workers' compensation jurisdictions? How does Ontario stack up against other jurisdictions?*

There is really no single province with which to compare Ontario, but, B.C. and Alberta *combined* are comparative.

#### Lost Time Injuries: B.C., Alta., and Ontario

Source: Association of Workers' Compensation Boards of Canada - 2007

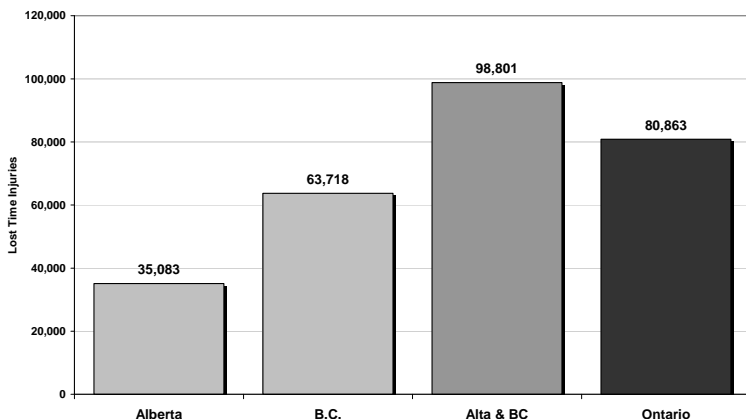


Figure 1

#### Ontario has fewer LTIs than Alberta and B.C. combined

Based on data provided by the Association of Workers' Compensation Boards of Canada ["AWCBC"] for 2007 Ontario experienced 18% fewer lost-time injuries (80,863 for Ontario; 98,801 for Alberta and B.C. combined). See **Figure 1**.

#### And, a much lower injury rate

More significantly, Ontario has an injury frequency rate per 100 workers a full 50% less than B.C. and 23% lower than Alberta's. See **Figure 2**.

#### Injury Frequency : B.C., Alta., and Ontario

Source: Association of Workers' Compensation Boards of Canada - 2007

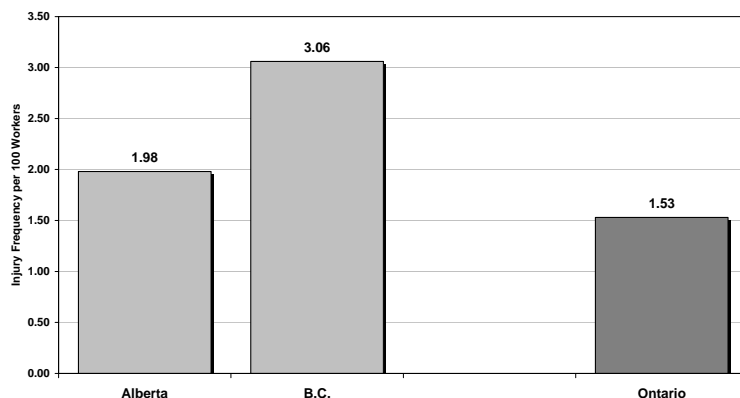


Figure 2

#### Fewer injuries should present Ontario with a jurisdictional advantage

So far, so good. Ontario has fewer LTIs and a very significant inter-jurisdictional advantage when it comes to the rate of LTI. Ontario is leading this pack, in fact.

#### Ontario has long-held the lead in LTIs

While not shown graphically, Ontario has long held the lead in the LTI rate. In 2002 for example, Ontario's LTI rate was 19% lower than Alberta's and 30% lower than B.C.'s, suggesting that not only is this trend entrenched, Ontario's LTI performance is comparatively getting better. *So, is Ontario performing better financially?*

**Ontario has a much higher employer premium rate**

Based on that, one could conclude that Ontario measures up similarly when it comes to employer premium rates. After all, the Ontario WSIB has been heralding injury reduction as *the* strategic solution to Ontario’s long-term funding issues. So, since Alberta and B.C. have much higher LTI rates, certainly their respective employers pay more. *Well, actually, no.*

**Actual Premium Rates: B.C., Alta., Ontario**

Source: AWCBC for up to 2007; WSIB and WCB Annual Reports for 2008

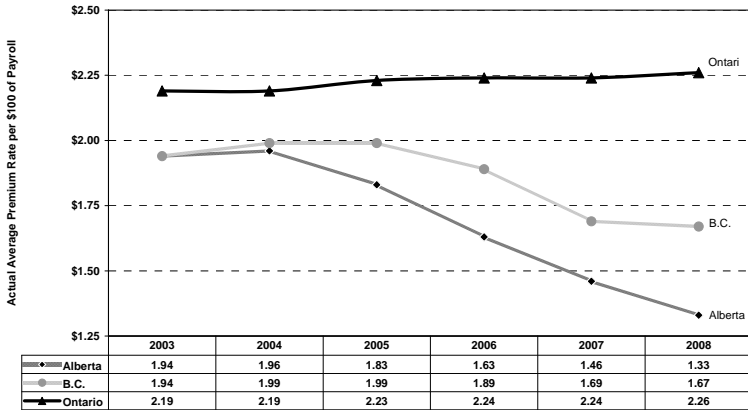


Figure 3

As shown in **Figure 3** Ontario’s average employer premium rate is well-established at far *higher* levels than the other two jurisdictions. In 2008 Ontario’s average premium was 70% *more* than Alberta’s and 60% *more* than B.C.’s (2008: Ontario - \$2.26; Alberta - \$1.33; B.C. - \$1.67). ***More telling is this:*** From 2004 to 2008, Alberta’s average premium *declined* 32% (from \$1.96 to \$1.33); B.C.’s *declined* 16% (from \$1.99 to \$1.67) and Ontario’s *went up* 3.2% (from \$2.19 to \$2.26).

**Even so, Ontario’s funding levels are much lower**

With fewer LTIs and higher premiums, doesn’t it stand to reason that Ontario is at least on a more solid financial footing? *Well, again, no.* Alberta and B.C. have been 100%+ funded since 2003. *Ontario in 2008?* Just over 50%.

**Funding Levels: B.C., Alta., Ontario**

Source: AWCBC for up to 2007; WSIB and WCB Annual Reports for 2008

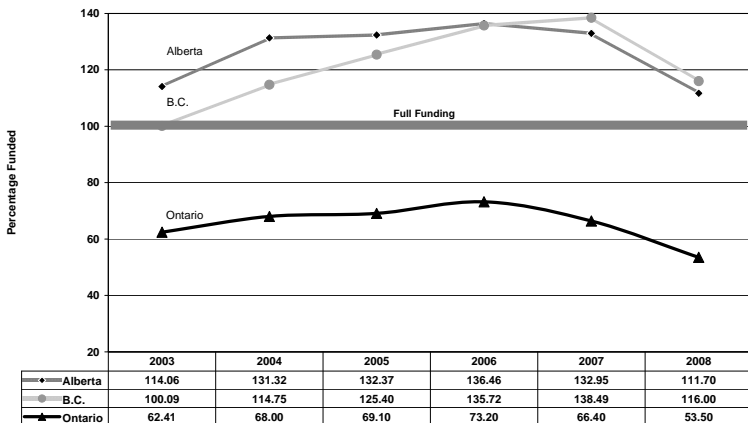


Figure 4

**So what gives? Why are B.C. and Alberta doing so much better than Ontario?**

So why are Alberta and B.C. able to essentially do better with less? How is it that both of those systems are better funded, have more injuries and yet, have lower employer premiums?

**The short answer is simple – Ontario pays out a lot more in benefits.**

**Benefit Costs vs Revenue: B.C., Alta., Ontario**

Source: Association of Workers’ Compensation Boards of Canada - 2007

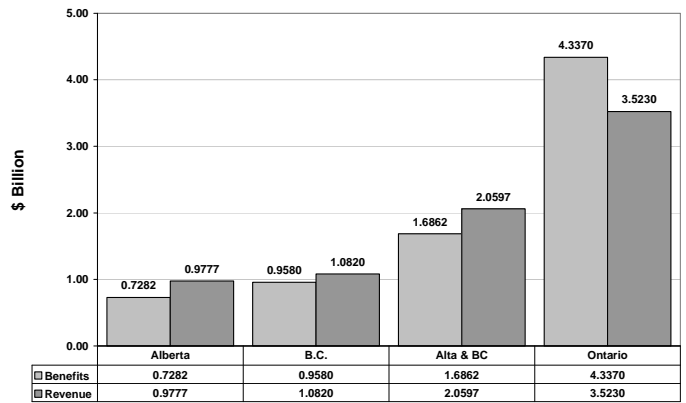


Figure 5

**Ontario has fewer injuries but much higher benefit payouts**

Even though Ontario has fewer injuries, Ontario pays out a lot more than B.C. and Alberta combined. Alberta collects \$978 million in revenue and pays out only 75% of that (\$728 million) in benefits. The surplus of course, adds to Alberta’s long-term funding strength.

Similarly, B.C. collects just over a billion dollars (\$1.08 billion) in revenues and pays out \$958 million in benefits. Together, both jurisdictions take in more in revenues than they pay out in benefits. In other words, revenues are sufficient to pay year-to-year operating costs, which over time, contributes to a much stronger funding base (see **Figure 4**).

In Ontario, on the other hand, expenditures lead revenues by a considerable margin, thus contributing to a worsening of Ontario’s Unfunded Liability [“UFL”] (see **Figure 3** in the November 2, 2009 issue of **The Liversidge e-Letter**). Yet, recall that Ontario employer premiums are considerably higher than Alberta’s and B.C.’s (**Figure 3**) and the number of LTIs and the rate of LTI per 100 workers, is considerably less (see **Figures 1 & 2**).

**Do B.C. and Alberta pay lower benefits than Ontario?**

So, it must be that B.C. and Alberta pay lower benefits. *Well, actually, no. Ontario pays on lower benefit rates than both B.C. and Alberta.* Alberta and B.C. both base benefits on 90% of net earnings, whereas Ontario pays out on 85% of net average earnings (AWCBC “*Weekly Benefits for Temporary Disability, Summary, 2009*”).

**Next Issue:** *The reason Ontario is falling behind.*