The Liversidge *e*-Letter

An *Executive Briefing* on Emerging Workplace Safety and Insurance Issues

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2013 WSIB Premium Rates:

Some strong medicine. A long-lasting cure? We'll see.

Premium rates to increase across the board by 2.5% for 2013. *Beyond that?* Perhaps no more.

***WSIB's challenge:* Meet funding targets (60%, 80% & 100% in 5, 10 & 15 years) with rates as low as possible**

In the October 12, 2012 issue of **The Liversidge *e*-Letter**, ***WSIB Update, The Reform Agenda is in Full Motion***, I commented on the delay announcing 2013 rates:

> **2013 Premium Rates**
>
> The Board has yet to announce the 2013 premium rates. Usually of course, the next year's rates are announced in the early summer of the preceding year. Not this time. But, this is not bad news. The delay is a result of the Board working with a vigilance on rates I have not before seen. The Board is exercising extreme care, as if balancing a "fairness fulcrum" tempering competing forces of funding targets against a needless fast pace of premium hikes. There is a lot going on behind the curtain at the moment. System and business interests are being responsibly assessed. While I have no idea as to the final result, I have confidence in the process. Expect an announcement soon.

Today the Board made the announcement:

> **TORONTO, October 24, 2012** – In order to create stable and competitive premium rates for the future and ensure a sustainable workplace safety and insurance system for workers and employers, Ontario's Workplace Safety and Insurance Board (WSIB) today announced that premium rates will increase by 2.5% for all employer rate groups in 2013. This increased rate is a necessary step to reducing the WSIB's unfunded liability (UFL), which has grown to $14.2 billion.
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> "*This decision by our Board of Directors was made based on sound and detailed actuarial and financial analysis and will enable the WSIB to meet the government's requirement that the WSIB be 60% funded by 2017*," said WSIB Chair Elizabeth Witmer.

Is this good news or bad news?

Of course, rate hikes are never welcomed, good times or bad. And, with a still fragile economy, they are all the more unwanted. After a period of several years of average hikes in the 2% range, an increase greater than 2% may automatically attract discord from the system's funders.

Of course, these are not normal times. The 2009 Auditor General report (see the December 18, 2009 issue of **The Liversidge *e*-Letter**) still casts a long dark shadow over the Board's funding frailties. More to the point, an immediate consequence of the AG's report was Harry Arthur's **Funding Review**. His report, ***Funding Fairness***, triggered (but did not set) the government's 60%, 80% and 100% funding targets (readers will recall that while I agree with the 60%, the 80% was premature and the 100% potentially reckless). Based on all of this, rate hikes higher than 2.5% for 2013, I am certain, could have been justified.

The first version of this movie came out 30 years ago

Let's warp back in time for a moment to an analogous time and similar circumstances almost 30 years ago, to the period 1983 to 1986, the 1st four years of the 30 year funding plan (*You remember that one don't you? Zero unfunded liability by 2014?*). From 1983 to 1986, just as the 30 year funding strategy was getting off the ground, the **Average Premium Rate** ["APR"] increased a full 41% over four years (from $1.88 to $2.65). That pattern could have been repeated now. It wasn't. Assessed in that context and noting today's pressures, a 2.5% rate hike is not much. **But ......**

.... the real question is this – *What about tomorrow?*

I have been involved in the annual premium rate discussions since the beginning of the last 30 year plan, starting in about 1984. Two weeks ago I suggested that "*system and business interests are being responsibly assessed*." In my view, they were. It is likely no overstatement to suggest that the level of diligence and care exercised on the part of the Board at this critical juncture sets a new high watermark in this annual exercise. ***Well done to the Board's Chair, Elizabeth Witmer, the Board's President, David Marshall and their executive team.***

Hold off a few years for the celebration, however

When dealing with WSIB premium rates, it is always prudent however to hold off on the confetti until a few years have passed, to ensure the tea leaves were read correctly, that no unanticipated zingers spring up, and that this stands the test of time. So, this will be a very successful announcement if there is no need to increase the APR for 2014, 15 and 16 *and* the AG signs off on this *and* the funding targets remain attainable. So, let's not have the parade today but take another look, say, near the end of 2014. **Meanwhile, there's lots to do with the *Stanley Rate Framework Consultation*.**

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