

# The Liversidge e-Letter

An Executive Briefing on Emerging Workplace Safety and Insurance Issues

February 27, 2009

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

1 page

## Chair Mahoney's Consultation

### *The benefit of quarterly financial statements*

#### The Board first issued Quarterly Financial Statements in 1991

##### *Why? To make the Board more accessible*

#### WSIB financials are essential to frame the debate

In the last issue of *The Liversidge e-Letter*, "*Chair Mahoney's Consultation; The first step: Immediate Disclosure*" I repeated my call for the immediate release of WSIB financials. I have of course been calling for the "*immediate release*" of this information now for almost five (5) months now. (I guess the "immediate" part of my plea is a little oxymoronic by now). Eventually, of course, this information will be known. My point though is this – full disclosure right now is an essential component to the *Mahoney Consultation* to focus the debate.

#### 17 years ago the Board came to the same conclusion

In late 1991, at somewhat analogous (but better) times, with the Board facing somewhat analogous (but less extreme) pressures, the then Chair of the **Workers' Compensation Board** embarked on an eerily similar consultation exercise as has been recently triggered. One of the very first steps from **WCB Chair Di Santo** was to release the Board's financials. Instead of my comments, I will just set out the Chair's text from that first quarterly statement. *It speaks for itself.* (The emphasis is mine.)

#### Workers' Compensation Board 1991 Third Quarter Report

##### Dear Stakeholder:

In an effort to continue the openness of the Workers' Compensation Board, we are releasing our third quarter financial report – *a first for the Board*. This is one of many steps the Board is taking in making the system of compensation more open and accessible to the public.

You will note in this report that the Board's unfunded liability is up. It stands at \$9.9 billion. *Forecasts indicate that retiring the unfunded liability by the year 2014 will not occur as planned without significant rate increases. As a result, I will be holding a series of meetings – round table discussions – with you and your colleagues* to address this very serious issue and explore alternatives to significant rate increases.

A significant decline in assessment revenue is the primary reason for the rise in the unfunded liability and our need to re-think

the funding strategy. *Poor economic conditions in this country – and globally for that matter – have precipitated the decline in assessment revenue.* Either we dramatically increase our assessment rates starting in 1993, or we change the current assumptions of our funding strategy. I prefer to look at changing the funding strategy in open consultation.

This third quarter report is in addition to the Board's Annual Report, which is tabled in the Ontario Legislature each June. You can look forward to future quarterly reports as part of the WCB's continuing public consultation process.

Sincerely,

Odoardo DiSanto

Chair, Workers' Compensation Board

#### The financial position of the Ontario Workers' Compensation Board (WCB) for the first nine months of 1991 (excerpts):

##### Assessment Revenue

In the third quarter of 1991, assessment revenue was \$623 million, compared with \$706 million in the same period last year. For the nine months ending September 30, 1991 assessment revenue was \$1,855 million, five per cent less than the same period last year. This situation is a reflection of the recession which began in 1990 and has continued into 1991. Payroll levels continue to be less than 1990 levels. However, assessment rates are approximately the same as last year's.

##### Investment Revenue

Investment income increased by 24 per cent . . .

##### Benefits Paid

Benefits paid during the nine months ending September 30, 1991 totalled \$1,716 million, an increase of 14 per cent over the same period in 1990.

##### Net Results

For the first nine months of this year, the Board's unfunded liability increased by \$823 million, compared with an increase of \$426 million in 1990.

##### Financial Position

Investments of \$200 million were liquidated to fund the operations for the first nine months of 1991. This was due to the lower receipts from assessments and the higher levels of benefit payments. Current trends show that the operations for the remainder of 1991 can be funded without further liquidation of short-term investments or the use of investment income.

I could say that "*It's déjà vu all over again*" but I used that line a few months ago. Let's just say that the case for common sense disclosure makes itself. *Openness is key.* This time around, it seems clear that Chair Mahoney's expectations are far broader than those of his predecessor. **The need for disclosure is all the more pronounced.**