



# ARE WE THERE YET?

AN EMPLOYER PERSPECTIVE ON WSIB REFORM

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*Are We There Yet? An Employer Perspective on WSIB Reform* by Eva Majernikova, Josh Hjartarson, Jason Mandlowitz, and members of the OCC's WSIB Task Force

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## LETTER FROM THE OCC

Creating a leading-edge workforce requires an effective, solvent, and efficiently managed workers' compensation system. The Ontario Chamber of Commerce (OCC) has long argued that Ontario's Workplace Safety and Insurance Board (WSIB) framework is in need of repair.

This report chronicles recent progress in the reform of the WSIB. It is based on extensive consultations with many of the OCC's 60,000 members under the umbrella of our WSIB Task Force. While we acknowledge that significant progress has been achieved throughout the last year, our bottom line is that there is still considerable work to do.

Despite its importance to Ontario's economy, business confidence in the WSIB remains low. According to an OCC survey of over 2,059 Ontario businesses, only 36 percent believe that the WSIB provides value for Ontarians. Restoring the trust and independence of the organization will require a firm commitment and change in behaviour of the WSIB and the government.

The most prominent issue facing the WSIB is the massive unfunded liability (UFL). The UFL is a key reason why employer premium rates in Ontario are among the highest in Canada, despite a steep decline in the frequency of workplace accidents in the province. We have heard loud and clear that the WSIB should follow through its plan to tackle the UFL.

We have also heard that enhancements to the technical capacity and expertise of the WSIB are important. Ultimately, however, the success of WSIB efforts will depend on its ability to provide better value to workers and employers, and minimize unproductive government intervention.

The OCC will continue to work with the government and the WSIB as a constructive partner, helping to reconcile the performance of the WSIB with the needs and expectations of employers. The enclosed report aims to be a balanced contribution and basis for future dialogue.

Sincerely,



Allan O'Dette  
President & CEO  
Ontario Chamber of Commerce

# 1. INTRODUCTION

Worker compensation schemes are a prerequisite to a fair and just society. When a worker is injured on the job, they deserve compensation and assistance so they can support themselves while off the job and re-enter the workforce as quickly as possible. An effective workers' compensation system distributes liability and risk across all employers.

Despite its importance to Ontario's economy, the province's Workplace Safety and Insurance Board (WSIB) faces a number of problems; the most prominent being its massive unfunded liability (UFL) that threatens to undermine its capacity to fulfill its mandate.

Numerous experts have weighed in on how to fix the WSIB. The most comprehensive assessment is Harry Arthurs' *Funding Fairness: A Report on Ontario's Workplace and Safety and Insurance System* (i.e. 'Arthurs Report'), which laid out a framework for reforming the WSIB and plugging its funding gap.

Our report provides employers' perspectives on the progress achieved by the WSIB since the release of the Arthurs Report in 2012. Our bottom line is that the WSIB still has considerable work to do.

Since the report's release in 2012, the WSIB has made progress, including:

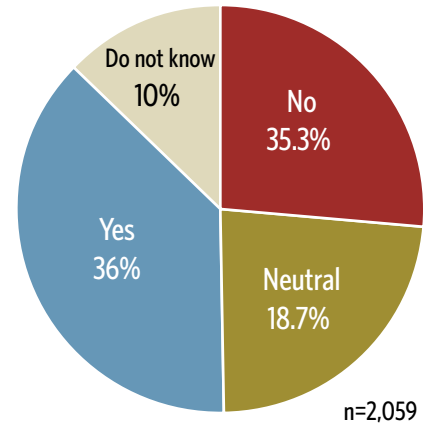
- decreasing the UFL by 6 percent, from \$14.1 billion in 2012 to \$13.2 billion in Q2 2013;
- undertaking a number of organizational reforms, including in-sourcing and integrating Labour Market Re-entry and Return to Work programs<sup>1</sup>;
- implementing a medical strategy to provide better, more timely care; and
- expanding eServices in an attempt to improve the way employers interact with the WSIB.

Despite this progress, business confidence in the WSIB remains low. According to an OCC survey of over 2,000 Ontario businesses, only 36 percent believe that the WSIB provides value for Ontarians.

We have identified a number of reasons for lagging levels of confidence:

- **The UFL remains a key concern.** Fixing the classification, rate setting, and experience rating systems alone will not reduce the UFL. Employers are prepared to pay their share of these costs, but only if the system is more transparent and efficient.

OCC Survey: Do you think the WSIB provides value for Ontarians?



- **Ontario's average employer premium rate is still one of the highest in Canada.** The legacy costs associated with the UFL are driving up employer premium rates. The persistence of high WSIB premiums is perplexing, given the declining frequency of workplace accidents in Ontario.
- **Structural flaws in the internal governance of the WSIB persist.** Arthurs' consultations identified a number of issues, including a lack of appropriate oversight, financial regulation, and autonomy.

Addressing these issues is an important step in meeting the needs of workers, employers, and the general public.

There has been considerable progress in improving Ontario's workers' compensation scheme. But, as this paper demonstrates, there is still work to be done.

In summary, our key recommendations are:

1. Continue reforming the WSIB, based on the principles of fiscal responsibility, transparency, client focus, efficiency, competitiveness, and independence and accountability.
2. Follow through on the three-stage plan to reach a 100 percent funding ratio by 2027.
3. Continue to monitor and publicly report progress on implementing recommendations in the Arthurs Report.
4. Introduce a systematic, ongoing process for reviewing group classification and making changes. A transparent mechanism should allow for movement between classification units based on the improvement and/or deterioration of cost experience.
5. Build upon the improved actuarial capacity and engage in regular dialogue with the expert community.
6. Restore confidence in the WSIB's independence and autonomy. Amend Regulation 175/98 to codify WSIB decisions and ensure that circumstances for government intervention in the rate-setting process are clearly specified.
7. Ensure that the WSIB is subjected to the regular oversight of the Auditor General of Ontario.

## 2. GUIDING PRINCIPLES

Our recommendations are built upon a series of principles that must be reflected in the design of a modern WSIB.

- **Fiscal Responsibility:** The system must maintain a balanced budget—expenditures must balance revenues.
- **Transparency:** Employers must understand how their premiums are set. Employers should be able to audit and easily understand the premium levels they are asked to pay.
- **Client Focus:** The system should be focused on the needs of employers and affected workers, providing them with efficient and impartial services.
- **Efficiency:** The system must be efficient and cost-effective.
- **Independence and Accountability:** The system should operate independently of government or any interest group.
- **Competitiveness:** The system must not impose financial burdens that undermine the competitiveness of employers relative to peer jurisdictions.

Based on these principles, this report aggregates views of businesses on the progress achieved a year after the release of the Arthurs Report and provides a framework for moving forward. Our report is structured around two main themes:

1. Addressing the Unfunded Liability (UFL)
2. Institutional Reform: Enhancing Effectiveness and Transparency of the System

### RECOMMENDATION 1

Continue reforming the WSIB, based on the principles of fiscal responsibility, transparency, client focus, efficiency, competitiveness, and independence and accountability.

## 3. ADDRESSING THE UNFUNDED LIABILITY

### WHAT CAUSED THE UFL?

In his report, Arthurs reveals that the key cost drivers of the UFL are rooted in Ontario's generous range of benefits and a high persistency rate<sup>2</sup>, which is perpetuated by a mandatory six-year lock-in and skyrocketing drug and health costs.<sup>3</sup>

In addition, he notes that "the WSIB failed over the past ten years to adequately price new claims cost" (WSIB Funding Review, 2012). Mispricing has produced a staggering operating deficit and contributed to a pattern of annual losses — and a mounting UFL.

Government policies have exacerbated the UFL. Arthurs also concludes that successive governments of all political stripes have significantly contributed to the UFL by enforcing a standard of "sufficient" versus "full" funding. The same governments have also expanded the scope of benefits and return-to-work programs to reflect social welfare objectives. WSIB was thus put in a position whereby it was unable to cover the costs of new benefits in its rate-setting process.

The most significant challenge facing the WSIB is its staggering \$13.2 billion unfunded liability (UFL). In 1984, the WSIB formally resolved to eliminate the UFL within 30 years. As we inch toward the original 2014 deadline, it is apparent that little progress has been made and this deadline will be missed.

With respect to the funding of the WSIB, Arthurs outlined the following broad recommendations:

1. The WSIB should adopt a new funding strategy that incorporates realistic assumptions and moves the Board into full funding within 20 years.
2. The WSIB should take the "corridor approach"<sup>4</sup> to achieving full funding as quickly as possible.
3. Any new government-mandated benefits should be either covered by government funding or be directed to the UFL.

The unfunded liability decreased from \$14.1 billion in Q4 2012 to \$13.2 billion in Q2 2013.

### 3.1 PROGRESS ON ADDRESSING THE UFL

The financial picture for the WSIB has improved. The Ontario government has legislated a three-stage plan for eliminating the UFL, under which the WSIB must reach at least a 60 percent funding level (i.e. the tipping point)<sup>5</sup> by 2017, 80 per cent funding level by 2022, and 100 per cent funding by 2027 (Regulation 141/12).

In August 2013, Ontario's Minister of Labour formally accepted the WSIB's Sufficiency Plan and Funding Policy. The WSIB has committed to reporting quarterly on its progress towards meeting the plan's objectives and developed a funding policy in order to fulfill this plan.

The UFL decreased from \$14.1 billion in Q4 2012 to \$13.2 billion in Q2 2013 and the funding ratio (i.e. assets compared to liabilities) increased to 58.1 percent as of June 30, 2013. Declining work-related injuries and benefit costs have reduced expenditures by \$102 million within the last six months.

The following progress has been made with respect to operational effectiveness:

1. **Continued improvements in operating performance:** The WSIB has lowered its administrative overhead and achieved operational costs surpluses. Focused case management in health care has contributed to faster worker return to work and improved financial performance.
2. **Modernization of appeals:** The WSIB has modernized its appeals processes. The changes aim to ensure that workers and employers are able to proceed with appeals in a timely manner.
3. **Improved claims administration:** In 2013, 92 percent of scheduled eligibility decisions were made within two weeks, compared to 87.9 percent in 2012.

### 3.2 THE UFL AND PREMIUMS: AN EMPLOYER PERSPECTIVE

The OCC acknowledges significant progress achieved throughout the last year. The decision to freeze premium rates for 2014 reflects the WSIB's improved financial performance and is an important step in the right direction. High premium rates have been a long-standing concern for employers in Ontario, who are doubtful to tolerate further hikes. Additionally, rate increases impede job growth and could drive employers underground or encourage them to relocate elsewhere.

Despite a steady decline in the frequency of work-related injuries in the province, Ontario's average employer premium rate is currently still one of the highest in Canada. This is due largely to the surcharge associated with paying off the UFL, which employers have been forced to absorb as a legacy cost.

High premium rates have been a long-standing concern for employers in Ontario, who are doubtful to tolerate further hikes.



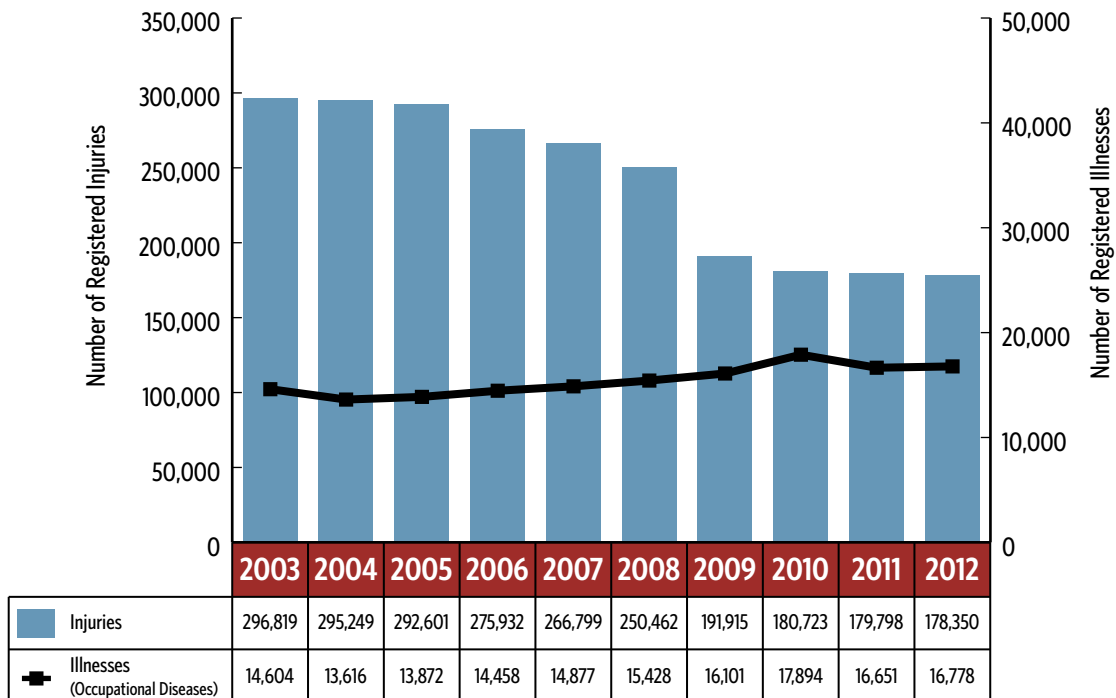
## PROVINCIAL COMPARISON OF AVERAGE PREMIUM RATES (2012)

Ontario premiums remain among the highest in Canada...

Province / Territory	Average Premium Rate
Newfoundland & Labrador	\$2.75
Nova Scotia	\$2.65
<b>Ontario</b>	<b>\$2.40</b>
Yukon	\$2.39
Quebec	\$2.13
Prince Edward Island	\$1.99
Northwest Territories & Nunavut	\$1.77
New Brunswick	\$1.70
Saskatchewan	\$1.60
British Columbia	\$1.54
Manitoba	\$1.50
Alberta	\$1.22
Canada (National Average)	\$1.97

## DECLINING RATE OF INJURIES AND ILLNESSES IN ONTARIO (2012)

...despite a steady decline in the rate of injury and illness.



Arthurs made several suggestions on how the WSIB should address the challenge of eliminating the UFL, including:

1. Ensuring that the WSIB can meet its obligation to honour the entitlements of injured workers and ensure that premiums levied on employers are spent prudently;
2. Eliminating any actual or perceived risk that the WSIB becomes insolvent;
3. Diminishing the WSIB's reliance on premium rates and increase access to investment revenue; and
4. Reinstating the WSIB's reputation for sound financial management.

The OCC fully supports Arthurs' approach to addressing the UFL and achieving the 100 percent funding target.

Ontario's employers understand that there are ways to address the UFL, including raising premiums, reducing benefits, improving operational effectiveness, and increasing investment income.

Achieving the 100 percent funding ratio should be implemented gradually to ensure that premium increases are controlled. The deadlines of the three-stage plan to eliminate the UFL must be met this time around.

Strengthening the WSIB's financial situation over the long-term should be pursued as part of comprehensive reform to the design and administration of the WSIB.

## **RECOMMENDATION 2**

Follow through on the three-stage plan to reach a 100 percent funding ratio by 2027.

## **RECOMMENDATION 3**

Continue to monitor and publicly report progress on implementing recommendations in the Arthurs Report.

"If the WSIB cannot give a good account of itself, if it cannot show that it is serving the needs of stakeholders, performing a valuable public service and keeping up to date, the criticism will only intensify."

- *Arthurs Report, 2012*

## 4. INSTITUTIONAL REFORM AT THE WSIB

A sound workers' compensation system enables employers to meet their financial obligations through a transparent, efficient, and equitable process.

The WSIB must look to reducing administrative costs before raising premiums. It must also work toward autonomy and shield its governance from political authorities. All of this must be part of a comprehensive set of institutional reforms.

### 4.1 ENHANCING TRANSPARENCY AND INTELLIGIBILITY OF THE ADMINISTRATION SYSTEM

Transparency is a key principle in any equitable and effective workplace safety insurance system. Employers must have access to information about how their premiums have been set. The rationale behind premium adjustments must be clear.

As the Arthurs Report notes, "transparency of its processes allows the WSIB to set rates on the basis of full, high-quality information from stakeholders" (2012). Arthurs also finds that employers would be more confident in the WSIB if the rate-setting process was subject to critical reviews by experts representing employers' interests. Finally, Arthurs notes that "if government knows that the rate-setting exercise has been conducted expertly and transparently, it may hesitate before intervening on an ad-hoc basis" (ibid.).

However, as Arthurs makes clear, there are serious concerns regarding the opaqueness of the WSIB's governance and administration.

1. WSIB does not have a systemic, transparent process for reviewing its classification scheme and making changes.
2. It is unclear how and why the WSIB has chosen the average premium rate at a particular level.
3. There is no systemic approach to measuring the economic impact of its policies. There is insufficient information about whether WSIB decisions are producing the intended results.

### PROGRESS MADE

Based on the recommendations in the Arthurs Report, the WSIB has taken steps to improve the transparency of its key processes, including employer classification, rate setting, and experience rating. It also appointed a Special Advisor, Douglas Stanley, to lead the consultation process for a more sustainable and predictable rate framework.<sup>6</sup>

"More than anything else, employers and injured workers judge compensation systems on the quality of their claims administration."

- *Rate Framework Consultation, Interim Discussion, 25 June 2013*

The WSIB has also enhanced its capacity to make principled, data-driven decisions and conduct evaluations by appointing a Chief Statistician, a Chief Actuary, and an Actuarial Advisory Committee. These appointments aim to provide the WSIB with technical advice on its methodologies, allow it to disclose more information in a timely fashion, and become more engaged with the expert community.

## **ENHANCING TRANSPARENCY AND INTELLIGIBILITY OF THE ADMINISTRATION SYSTEM: AN EMPLOYER PERSPECTIVE**

Practices such as “rate shopping” are symptoms of the broader problem: employers have little confidence in the rate setting process. To restore confidence, the WSIB must improve transparency and engagement with stakeholders.

Further, ad hoc changes to the employer classification system should be replaced by a systematic process for reviewing group classification and making adjustments.

There must be a better process for screening and classifying companies at the time of initial registration. Classification units should then be assessed on an ongoing basis to ensure that classification units—which the WSIB uses to classify the business activities of employers in Ontario—are appropriate and consistent. Business practices do evolve over time (e.g. a construction company that started out doing residential renovations starts to do commercial work). Employers should understand the rationale behind their group assignments and be able to move to a lower rated group, if their experience improves.

The predictability of rate setting should be also addressed. Government intervention in premium rate setting should be limited to exceptional situations. We agree with the Arthurs Report recommendation that the average premium rate should be issued as the final rate at the earliest time possible. Further decisions would allow employers to make appropriate business arrangements.

The WSIB must also enhance its analytical research capacity. It must make its decisions based on evidence and analysis of long-term trends.

It is equally important that the WSIB evaluates whether its policies are producing the intended results. Sharing results with stakeholders would facilitate employer understanding and acceptance of WSIB decisions.

## **RECOMMENDATION 4**

**Introduce a systematic, ongoing process for reviewing group classification and making changes. A transparent mechanism will allow for movement between classification units based on the improvement and/or deterioration of cost experience.**

## **THE LACK OF TRANSPARENCY LEADS TO “RATE SHOPPING”**

Rate shopping refers to situations when employers lobby to be reclassified to a lower paying rate group.

These situations can be reduced if the rate calculations are formula-based, clear, and more understandable.

The WSIB has not done any systemic review of rate groups to ensure that classification units are appropriate. “The only legitimate process for relief for that employer who is paying more than its fair share is through a classification appeal.”

- Doug Stanley, *WSIB Rate Framework Consultation Discussion Paper, 2013*

## RECOMMENDATION 5

Build upon the improved actuarial capacity and engage in regular dialogue with the expert community.

### 4.2 INDEPENDENCE & ACCOUNTABILITY OF THE GOVERNANCE MODEL

The original *Workmen's Compensation Act* (1914) envisaged a compensation system that would be administered by an independent, impartial, and expert public agency.

Today, the independence of the WSIB is questionable. Despite the WSIB's clear statutory authority to set premium rates and manage the compensation system, it is frequently affected by government intrusions.

Arthurs' consultations revealed concerns about oversight and financial regulation, political influence, and the integrity of the WSIB's rate setting process. These concerns negatively impact the WSIB's interaction with Ontario's employers and workers.

In addition to this political meddling, Arthurs' consultations revealed legitimate concerns about inadequate accountability, a lack of appropriate oversight, and the absence of prudent financial management. There is no doubt that these concerns negatively affect the WSIB's interaction with Ontario's employers and workers.

Government micro-management of rate-setting risks its politicization and jeopardizes the WSIB's status as an independent, arm's-length trust agency. It is likely to be ineffective: based on past performance, it is improbable that greater government oversight will produce a more disciplined funding strategy...and also likely to be distracting (Funding Fairness, 2012).

And so, Arthurs recommends transformational reform of the WSIB's governance model. Restoring the trust and independence of the organization will require a firm commitment to change from both the WSIB and government (Funding Fairness, 2012).

### PROGRESS MADE

The appointment of a Chief Actuary and a Chief Statistician, who independently report to the Board, signals a new focus on improving the technical capacity and reliability of the rate-setting process. Furthermore, the Actuarial Advisory Committee now provides independent reviews of the Chief Actuary's decisions.

Restoring the trust and independence of the organization will require a firm commitment and change in behaviour of both the WSIB and government.

## **INDEPENDENCE & ACCOUNTABILITY OF THE GOVERNANCE MODEL: AN EMPLOYER PERSPECTIVE**

The reform of the WSIB is, above all, about stakeholder confidence in the system. Both employers and workers will benefit from the enhancements to the technical capacity and expertise of the WSIB. However, the OCC believes that the success of the WSIB's efforts will also depend on its ability to reduce government interventions. To this end, we make several recommendations.

We agree with the Arthurs Report recommendation that government should not intervene in the WSIB's policies, barring exceptional circumstances. The terms for government intervention must be clearly defined. If the government rejects a premium rate proposed by the Chief Actuary, it needs to publicly provide a rationale for its decision—and take responsibility for the consequences.

The primary responsibility for WSIB's funding strategy lies with its Board of Directors. We believe that the WSIB's Board of Directors should be composed of individuals with experience in insurance or financial services—people with the capacity to formulate appropriate funding policies and ensure that management carries through with these policies.

Unless there is a legislative change that would strengthen the position of the WSIB as an independent, non-fault insurer, there will always be a risk of government interference.

The *Workplace Safety and Insurance Act* should be amended to provide necessary guarantees for the WSIB to operate autonomously as an independent public service agency.

Furthermore, the government should ensure that the WSIB is subjected to regular oversight from the Auditor General of Ontario.<sup>7</sup>

### **RECOMMENDATION 6**

**Restore confidence in the WSIB's independence and autonomy.  
Amend Regulation 175/98 to codify WSIB decisions and ensure  
that circumstances for government intervention in the rate-setting  
process are clearly specified.**

### **RECOMMENDATION 7**

**Ensure that the WSIB is subjected to the regular oversight of the  
Auditor General of Ontario.**

## **5. ISSUES FOR FUTURE DIALOGUE**

The recommendations so far reflect the OCC's position that achieving a self-sustaining workplace safety and insurance system requires continuation of broad structural reforms. The following recommendations reflect members' input on the fine print and technical matters.

We would be happy to work with the government and the WSIB to identify specific the technical requirements of each recommendation.

### **5.1 RETURN TO WORK**

The OCC acknowledges the WSIB's progress in bolstering the effectiveness of its Return to Work program.

The challenges facing WSIB claimants in preparing to re-enter the workforce are comparable to those facing other disadvantaged and unemployed individuals. Therefore, the Return to Work program should be coordinated with the broader provincial jobs strategy as well as other employment based programs, such as Ontario Works and the Social Assistance Program.

### **5.2 ACCIDENT PREVENTION AND SAFETY PROMOTION**

Accident prevention and safety promotion are conducted for the benefit of all workers in Ontario. Therefore, its administration costs should be covered by general labour contributions. The current rules put the entire burden on Schedule 1 employers (those who pay WSIB premiums). These employers are effectively subsidizing other employers. This is unacceptable.

### **5.3 IMPACT OF MANDATORY WSIB COVERAGE ON SOLE PROPRIETORS AND SMALL BUSINESS OWNERS**

Many small business owners cannot afford to provide both mandatory WSIB and private individual or group coverage. Private individual or group coverage is often a superior product, covering employers for both accident and sickness—whereas WSIB provides compensation related solely to workplace injuries.

The current system forces many small business owners to use inferior coverage. The result is often an additional burden on the health care system and small business closures (if the owners are injured or develop an illness not covered by the WSIB).

Therefore, we encourage the government to re-open the door to exemptions for those with private coverage.

## **5.4 FULL RANGE OF POLICY ALTERNATIVES INCLUDING PRIVATIZATION AND MARKET COMPETITION**

It is important to promote safe workplaces and broad insurance coverage for workplace-related injuries and illnesses. However, the WSIB's legislated monopoly on workplace insurance is not the best answer for enhancing workplace safety and protecting workers' incomes.

The OCC supports competition in the marketplace and the ability for employers to choose from a range of workplace insurance options to achieve the best results. If the WSIB model truly represents the best coverage at the lowest price, employers will choose WSIB coverage over others. Competition, flexibility, and choice are the hallmarks of a good system.

## **5.5 LEGACY COSTS: OUTSTANDING PENSION AWARDS**

Benefit payments for prior year claims account for the largest portion of the WSIB's operational revenue. The WSIB must find ways to minimize and contain outstanding claims. All past vested award benefits should be revisited to justify their existence, and adjusted or eliminated to the extent possible.

The WSIB is still paying out pensions to individuals injured in the 1970s. The WSIB should either pay out those pensions as lump sum, or sell off the old pensions as an annuity to insurance companies, retaining only the non-economic loss benefits as part of the current scheme.

## **5.6 IMPLEMENTATION OF AN INSURANCE DEDUCTIBLE MODEL TO ACCOMPANY SCHEDULE 2 PAYMENT BY ADVANCE REQUIREMENTS**

In line with basic insurance principles, the WSIB should implement a "deductible model" whereby employers have the option to sustain 100 percent of gross earnings for a specific time period following the reporting of an injury with no impact to their experience rating. If implemented, this policy would decrease the total amount of claims, safeguarding against future increases to the UFL.

## **5.7 ISSUANCE OF INVESTMENT GRADE BONDS ON CAPITAL MARKETS**

As a longer-term strategy for bringing down the UFL, the WSIB should consider issuing investment grade bonds on capital markets, structured the same way as federal and provincial government bonds.



## **5.8 EMPLOYER INCENTIVES**

Employer experience and merit rating programs are essential components of a sound insurance system. Cost-based experience rating is founded on the principle of “revenue neutrality.”

Prospective experience rating is a proven method for ensuring system equity and efficiency. Prospective rating should be pursued to harmonize Ontario’s program with other provinces.

The Second Injury and Enhancement Fund (SIEF), or an equivalent mechanism, should continue and employer access should not be restricted. The current design of SIEF provides incentive for employers to hire individuals with past illnesses or disabilities. SIEF is purely redistributive and would not add to the costs of the system. Eliminating SIEF could lead employers to hire fewer previously injured workers, affecting employment and productivity levels in Ontario.

Employers do not support extending the Experience Rating evaluation window.

The costs of long latency claims should continue to be excluded from experience ratings since employers have no control over these claims / costs.

## **5.9 INDEXATION FOR PARTIALLY DISABLED WORKERS**

Employers do not support a change to benefit indexation as long as the UFL remains. Any adjustments should reflect the comparable metrics from the private sector and not be arbitrary.

As the rationale for indexation is linked to the preservation of purchasing power, indexation should be limited to instances of wage loss. Inflation protection for pensioners not experiencing a wage loss should be removed.

## **5.10 INTRODUCTION OF PRE-EXISTING CONDITIONS INTO ADJUDICATION**

The OCC supports the need for dialogue on the efficacy of no-fault insurance and consideration of introducing pre-existing conditions into adjudication. The WSIB should only be responsible for personal injury as a result of accidents that are determined to be arising out of and in the course of employment. It should not provide benefits for disablement that result from workers’ lifestyle or pre-existing conditions.

## 6. CONCLUSION

An effective workplace insurance system is an important structural component of the social and economic development of our province. Creating a leading-edge workforce requires that the system rests on sound principles and is carefully administered.

This report has summarized the progress achieved since the release of the Arthurs Report. It has also made recommendations from an employer perspective on the WSIB's path forward.

We believe that the seven key recommendations in this paper will put the WSIB on a sustainable path financially, while enabling it to follow through on its core mandate of protecting Ontario's workers.

The OCC will continue to work with government and the WSIB to identify and support the large-scale reforms needed to reconcile the performance of the WSIB with the needs and expectations of its stakeholders.

## ENDNOTES

1. The *Labour Market Re-entry* program provides direct WSIB oversight of all retraining services for injured workers. *Return to Work* programs manage the re-entry of the injured worker back to the workforce. The employer can identify possible job accommodations as part of a phased return to work while the worker continues to recover from the workplace injury/illness.
2. Persistency—the renewal rate of insurance policies. A high persistency rate means that a high percentage of policies stay in force until the end of the policy term.
3. Historically, stakeholders have disagreed about both the causes and significance of the growth of the UFL. One of the key contributions of Arthurs' report was analyzing the underlying causes of the UFL growth.
4. Corridor approach—using a target funding-level corridor that has an initial range of 60% and increases to 100% funding by 2027. Premium surcharges are required whenever the funding level is below the bottom of the corridor. Reduction of the surcharges can be considered if the funding level rises above the top of the corridor.
5. The risk of a potential crisis, e.g. when the WSIB could not generate “sufficient funds” to pay workers’ benefits, becomes increasingly improbable beyond this point.
6. The OCC was pleased to contribute to these consultations.
7. The WSIB was included in the Auditor General’s 2009 and 2011 reports.

## UPCOMING OCC POLICY RELEASES

Fall 2013	Report on immigration reform
Winter 2014	Emerging Stronger 2014
Winter 2014	Report on the Ring of Fire
Spring 2014	Report on the future of public service delivery



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