

2015 Economic Statement



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Introduction

The purpose of this Workplace Safety and Insurance Board (WSIB) Economic Statement is to update our stakeholders on the progress the WSIB has made since 2009 in becoming more financially sustainable, and to provide some guidance as to our future economic trajectory.

The WSIB plays a key role in Ontario's economy and society. Under the *Workplace Safety and Insurance Act*, we provide workplace injury support and compensation for over five million workers and insurance stability for 300,000 businesses in the province.

The WSIB of 2015 is a dramatically different organization compared to even five years ago. Despite the accelerating pace of change in the world of work, global uncertainties and the recent performance of the Canadian economy, injured workers and employers in Ontario are backed by a workplace compensation system that is in a stronger financial position than it has been for decades. This position has been achieved while improving outcomes for both injured workers and employers, ensuring that Ontario maintains the strongest return-to-work results of any jurisdiction in Canada.

For many years, the WSIB's Insurance Fund was in a precarious position, raising concern among employers, workers and policymakers alike. Nowhere were the WSIB's problems more evident than in the size of its Unfunded Liability (UFL), which is the gap between its future obligations to injured workers and the money on hand to pay for them.

In 2009, the Auditor General warned that the WSIB's costs had begun to so badly outstrip its revenues that the system faced collapse. Subsequently, the province passed legislation in 2012 enforcing a strict timetable for returning to 100 per cent funding – the elimination of the UFL by the end of 2027.

This document details the progress we have made toward that goal. Considering that Ontario's workplaces have one of the lowest rates of injury in Canada but among the highest premium rates, this statement also addresses the possibility of near and medium-term premium relief for employers.

Executive Summary

Ontario has one of the best compensation and support systems in North America. Managed well, it is an asset to workers and employers. Managed badly, it can quickly become an unbearable economic burden.

For many years the finances of the WSIB were in a precarious position, running major deficits over a ten-year period and carrying a growing UFL in the billions of dollars. This liability, in addition to high claim costs, has given rise to an average insurance premium rate that is 30 per cent higher in Ontario than the Canadian average. The current rate puts Ontario's employers at a competitive disadvantage, particularly considering that Ontario's injury rate per 100 workers is the lowest in Canada. This situation, if not relieved, will continue to restrict employment for workers, or growth opportunities for businesses, or both.

Over the past five years, transformational changes in operations and improvements in workplace safety have resulted in a remarkable turnaround in the WSIB's financial position. Despite some concerns about a slowing economy, there is a possibility for the WSIB to reach the legislated target of 100 per cent funding five to six years ahead of schedule. This gives rise to the opportunity to reduce employer premiums and provide much needed assistance to Ontario's employers beginning as early as 2017. Once 100 per cent funding is reached and a prudent margin of safety is maintained, employer premiums can be reduced to a level that is well below the Canadian average and more than \$2 billion can be returned annually to Ontario's economy.

The first section of this document provides an updated economic forecast and projections for a path to achieve lower, stable premium rates. The second section provides more detail on WSIB's recent financial history and the progress made to date.

Part 1: 2015 Economic Statement

WSIB Background: Our Role in Ontario's Economy and Workplace Safety

Ontario provides one of the most comprehensive workplace injury support systems in North America and makes one of the largest investments in promoting health and safety in workplaces.

Each year some 200,000 workers file a claim for injury or disease. Injured workers receive full medical care for their injury and a replacement of 85 per cent of their wages for as long as necessary until they are able to return to work. In the event of a worker suffering a fatality, the surviving spouse receives financial support, support to re-enter the workforce if necessary and to provide for the post-secondary education of dependent children.

Today, Ontario has the best record of all Canadian jurisdictions in preventing workplace injuries and in helping workers recover from injuries and return to work. The legislation and the level of support provided by the WSIB have a significant impact on hundreds of thousands of Ontario workers and their families and on the overall productivity of the province.

In addition to worker benefits, the WSIB invests close to \$300 million per year in the prevention of injuries and the health and safety of workplaces, one of the largest such investments in Canada both in terms of total dollars as well as the rate per \$100 of payroll. The money goes to fund the office of the Chief Prevention Officer, Ontario's Health and Safety Associations and the Ministry of Labour's enforcement of the *Occupational Health and Safety Act*.

Current Context

The WSIB is an estimated five to six years ahead of schedule towards eliminating the UFL.

In monitoring our financial and operational progress since 2009, it has become evident that the WSIB has been on an accelerated trajectory towards eliminating the UFL. The legislated requirement to reach 60 per cent funding by 2017 was achieved in 2013, four years ahead of schedule. By the end of 2015, we expect to be at 76 per cent sufficiency and then at 80 per cent sufficiency by 2016, six years ahead of schedule. We are projected to reach 100 per cent sufficiency by 2021-2022, five to six years ahead of schedule and despite some concern about a slowing economy. We are better funded today than we have been for 35 years and have a well thought-out and prudent plan to reach full funding.

The remarkable turnaround in financial health that has taken place is the result of four main factors:

- Ontario's workplaces have become safer and as a result there has been a 19 per cent drop in injury claims since 2009 even with increased employment.
- The WSIB introduced innovative approaches to providing medical care and return-to-work services for injured workers. As a result, the percentage of workers who are not able to return to work within one year of their injury has been cut in half and fewer workers go on to develop permanent impairments as a result of their injuries.
- Surpluses from operations and careful management has seen our Investment Fund grow substantially, from \$14 billion in 2009 to \$25 billion in 2015, an increase of \$11 billion.
- The revenue of the Insurance Fund has improved as a result of premium rate increases averaging 2.1 per cent per year from 2010 to 2013 and the growth in insurable payrolls over the past five years.

Plan for the Future and Impact for Ontarians

A fully funded compensation system will mean greater assurance and sustainability of benefits, lower premiums and money returned to the Ontario economy.

“Full funding”: As the WSIB approaches the goal of 100 per cent funding, the question arises as to what steps must be taken to ensure that the Insurance Fund stays at that level and that future economic shocks or circumstances do not destabilize it once again.

We have examined the guidelines provided by the Office of the Superintendent of Financial Institutions (OSFI), funding levels maintained by workplace compensation boards in other provinces and the advice of the WSIB’s Actuarial Advisory Committee, a group of leading actuaries. We have also drawn on the results of a recent asset/liability study we conducted. As a result, our new Funding Policy requires the Chief Actuary to advise the WSIB as to the margin of prudence that should be maintained over and above the legal requirement to be 100 per cent funded. This prudent level of funding is referred to as “full funding.”

Employer premiums in the longer-term: The WSIB has frozen premium rates for the past three years, providing a measure of stability and cost relief for employers. Nonetheless, at an average of \$2.46 per \$100 of payroll, Ontario’s employers are paying workplace insurance premiums that are about 30 per cent higher than the Canadian average. The current rate puts them at a competitive disadvantage, particularly considering that Ontario’s injury rate per 100 workers is the lowest in Canada. This situation, if not relieved, will continue to restrict employment for workers, or growth opportunities for businesses, or both.

Once full funding is achieved, the employer premium rate will consist of new claims costs plus administrative costs. The additional premium to help pay off the UFL can be eliminated. Based on current costs, this premium rate would be, on average, \$1.40 to \$1.50 instead of the current \$2.46 per \$100 of payroll in 2015 dollars. As a result of achieving full funding and moving to these lower, steady-state premium rates, the WSIB estimates that it will be able to return over \$2 billion annually to the Ontario economy. It would also make Ontario one of the most competitive provinces in Canada in terms of workplace insurance costs.

Short-term premium rate relief and future outlook: We have already announced that there will be no premium rate increase for 2016. Premium rates will continue to be set one year at a time, at the sole discretion of the WSIB’s Board of Directors. Based on our current economic outlook, and allowing for a margin of prudence, our projections show that premium rate relief may be possible starting as early as 2017.

Provided that current assumptions hold, starting in 2017, employers may see a 10 to 15 per cent reduction to an average rate of \$2.12 over the period of 2017 to 2022. They could see a further reduction of 15 to 20 per cent over the period 2023 to 2027 to an average rate of \$1.75, which would finally bring Ontario’s premium rate in line with the average of other provinces in Canada. Beyond 2027, there is an opportunity to take advantage of Ontario’s superior performance in safety and return to work by reducing premiums a further 15 to 20 per cent, to between \$1.40 to \$1.50 in today’s dollars. This timeframe for proposed rate

reductions is included below (Figure 1), along with the corresponding amounts that would be returned to the Ontario economy. All premium reductions would be applied in accordance with claims experience.

FIGURE 1: Opportunity for rate reductions

Time period	Average premium rate*	Resulting annual savings**	Sufficiency Ratio
2015 - 2016	\$2.46	0	80.1%
2017 - 2022	\$2.12 by 2022	\$742 million	100.0%
2023 - 2027	\$1.75 by 2027	\$1.6 billion	110.7%
2028 - 2032	\$1.40 to \$1.50	\$2.4 billion	117.4%

* In 2015 dollars

** By the final year in the time period, in 2015 dollars (dollar value of savings will grow with the economy)

Impact for Ontarians: By eliminating the UFL and moving to full funding, the WSIB estimates that it will be able to return over \$2 billion annually, in today's dollars, to the Ontario economy.

Employers in the province will see their premiums come down considerably, as they will only be paying the cost of new claims and administrative costs instead of also bearing the burden of past claims costs. With a better sense of what to expect with regard to WSIB premiums, employers will be better able to plan for the future and contribute to economic growth.

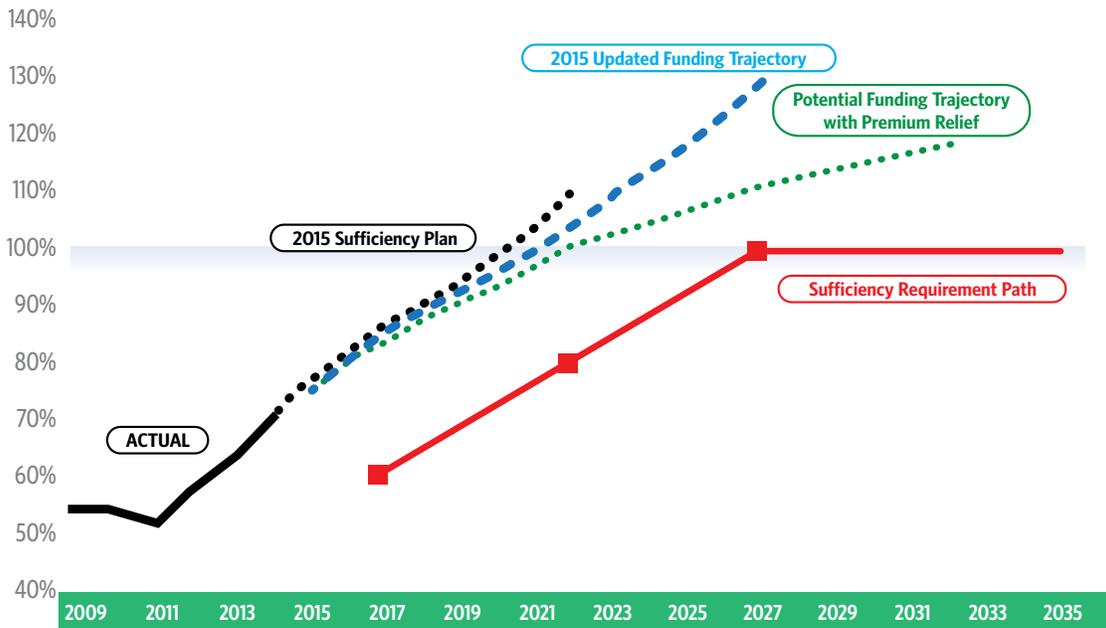
Assumptions underlying our long-term targets: Our projections for arriving at and maintaining full funding are based on the assumptions listed below (Figure 2). These assumptions have been revised since the June 2015 update to our sufficiency plan (which was prepared using year-end 2014 figures) to reflect the latest economic conditions. Forecasts take into account expected slow economic growth in the short to mid-term. We have included a provision for increased costs should the government extend full CPI indexation to all injured workers, and a margin for prudence to ensure rate stability for employers and security for workers.

FIGURE 2: Assumptions behind targets

Measure	Assumption	Change from June 2015
Insurable earnings	2.5 per cent growth in 2016, 2017 2.0 per cent thereafter	Reduced from 3.0 per cent and 2.5 per cent, respectively, to reflect recent revisions to Ontario's economic growth projections by government and major financial institutions; intended to be somewhat conservative
Investment returns	5.25 per cent	Long-term outlook revised down from 6.0 per cent due to economic conditions
Discount rate	4.75 per cent	Reduced from 5.15 per cent because of our revised long-term investment outlook, persistent low interest rates and revised economic growth assumptions
New claims cost	\$0.95 per \$100 of payroll	Reduced from \$1.01 to reflect improvements in return-to-work and recovery outcomes plus lower than expected health care costs
Inflation	2.0 per cent	No change - already consistent with the Bank of Canada's long-term target
Benefit coverage	No change with exception of presumptive legislation	No change
Indexation of benefits	Provision for full indexation	Based on the stated intentions of the government, we have made a \$900 million provision for a potential increase in costs due to extending full indexation to all injured workers

Each of the above assumptions has an impact on the WSIB's funding trajectory and projected time to eliminate the UFL (see Figure 3). Any additional expansion of benefits would have to be evaluated and may have the impact of delaying the achievement of fiscal goals or requiring a premium rate increase, or both.

FIGURE 3: Estimated trajectories to full funding



- Incorporating the WSIB’s revised economic assumptions shows a trajectory that would eliminate the UFL by 2021-2022.
- Early premium rate relief can be provided to employers while still offering sustainable benefits to injured workers and high confidence that funding requirements will be met.

Rate Framework Review – a fairer way to assess premiums: The WSIB has designed a proposed rate framework for assessing premiums. It is more transparent and seeks to align employer premiums more closely with employer costs. It also provides employers with incentives to improve safety and avoid injuries. The new rate framework is currently under consultation with the stakeholder community.

Once operational, the new rate framework will give employers clear guidance as to their current and future premium rates so that they can plan their businesses better. It will also allow the WSIB to more closely align premiums with costs.

Consideration of risks: While we have taken great care in preparing our economic forecasts, actual results, including assumptions regarding funding and premium rate reductions, could vary as economic conditions and other factors such as changes to legislation or changes in the workplace occur. We continually test our assumptions and take the following steps to ensure we stay on the path to full funding:

- Continued focus on improved claims management through better recovery and return-to-work outcomes for injured workers.
- Coordinated asset-liability management processes including consideration of the impacts of economic and other risk factors on the funding position and desired level of funding.
- Annual scenario planning and stress testing conducted as part of budget updates, sufficiency planning, rate setting and other financial modelling.
- Execution of the Strategic Investment Plan.
- Participation in the province's Pooled Asset Management Initiative, which offers scale and sustainability benefits to the WSIB's investment program.

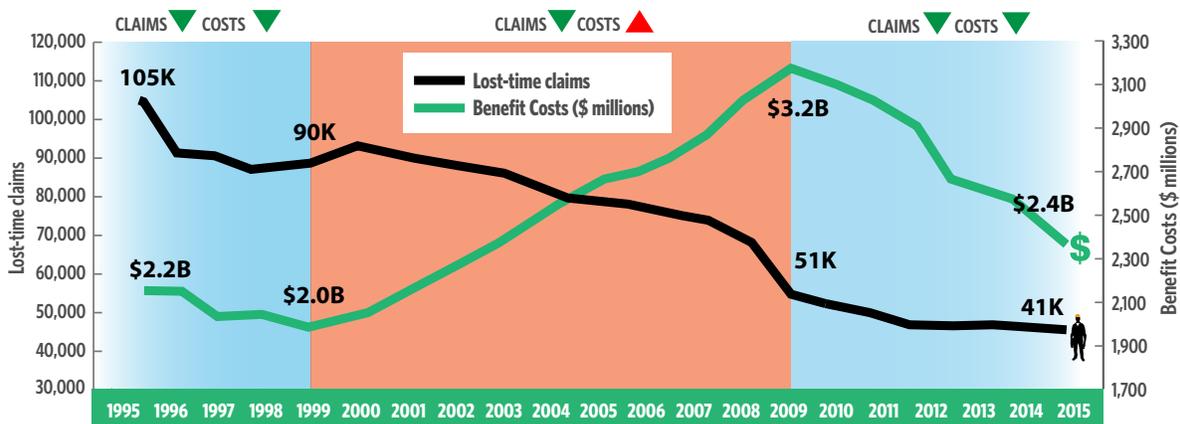
Part 2: Where We've Come From

After reaching a financial “tipping point,” there has been a remarkable turnaround in the financial health of the WSIB’s Insurance Fund in fewer than five years.

Ontario has one of the best compensation and support systems in North America. Managed well, it is a boon to workers and employers and is eminently affordable. Managed badly, it can quickly become an unbearable economic burden.

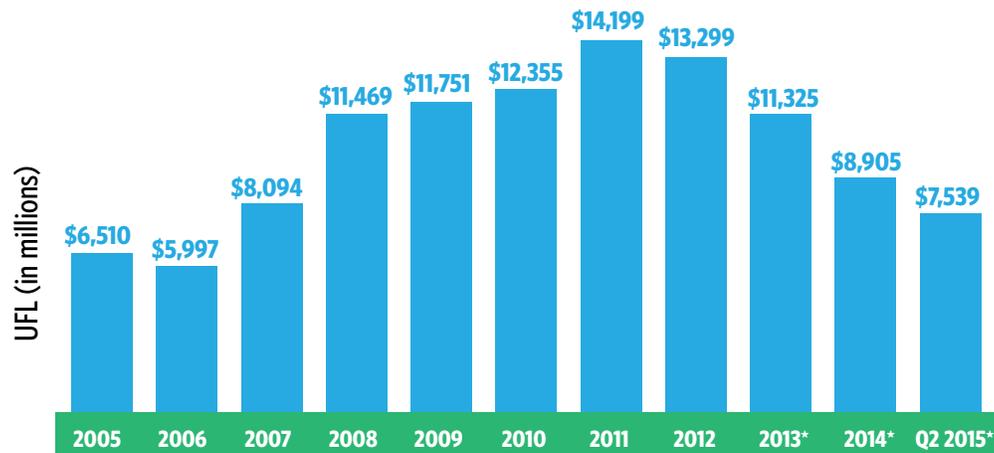
In 2009, the Auditor General of Ontario reported that the cost of the workplace compensation system in Ontario had vastly outstripped the revenue coming in to the WSIB. His report described losses averaging \$900 million per year over the previous 10 years. From 1999 to 2009, annual benefit costs had risen 60 per cent from \$2 billion to \$3.2 billion while claims for time lost at work actually came down by 40 per cent.

FIGURE 4: Trends in lost-time claim volume and benefit costs



By 2011, the WSIB’s “Unfunded Liability” (UFL) – money that the WSIB owes to injured workers for future benefits that it does not have – had grown to over \$14 billion (see Figure 5), a shortfall which threatened to collapse the entire system. From 2012 to 2014, a further \$3.5 billion was added to the liability as a result of a decline in interest rates, a need to provide for long latency occupational diseases as well as increased longevity of Ontario’s workers and other factors that had previously been underestimated. The growing liability raised the bar to be fully funded even higher at a time when Ontario’s economy was still in recovery after the financial crisis of 2008.

FIGURE 5: Size of the WSIB's Unfunded Liability over time



* UFL on a sufficiency basis

At the request of the WSIB, the Government of Ontario commissioned a Funding Review by Dr. Harry Arthurs in 2010. In his 2012 report, *Funding Fairness*, Dr. Arthurs concluded that the WSIB was at a “tipping point” and at real risk of being unable to meet its obligations to injured workers. This prompted the Government of Ontario to pass legislation requiring the WSIB to eliminate its debt by 2027 with interim milestones in 2017 (60 per cent funded) and 2022 (80 per cent funded).

There were no precedents or clear signposts as to how the WSIB could respond to the legislation and bring the Insurance Fund to 100 per cent funding. The WSIB developed and shared a new funding policy and sufficiency plan in 2013. The plan has been updated twice since then to keep pace with developments in the economy and in our financial position. The plan and its updates have taken a balanced approach to increasing premium revenue, right-sizing claim costs and reducing the volatility of investment returns. Our **sufficiency reports** are available at www.wsib.on.ca.

The plan to transform the WSIB has led to fundamental changes to its business and has resulted in the UFL being brought down by nearly half, to \$7.5 billion from its \$14.2 billion high in 2011. The reduction to the UFL to date can be explained by:

1. Safer workplaces
2. Increased focus on recovery and return to work
3. Careful investment management
4. Employer premiums

Safer workplaces: Since 2009, the number of lost-time injuries has fallen by 19 per cent. The lost-time injury rate of 0.92 per 100 workers at the end of 2014 represents an historic low and is the lowest of any jurisdiction in Canada. For every \$100 of insurable earnings in Ontario, \$0.13 is put towards injury and illness prevention. This compares to \$0.09 per dollar on average across other Canadian jurisdictions. Avoiding workplace injuries in the first place is the best outcome for both workers and employers, and one which also has immediate and longer-term positive impacts on the health of the compensation system.

Increased focus on recovery and return to work: In the past five years, the proportion of workers who are not able to return to work within one year of their injury has been cut in half as a result of major investments in program delivery and health care by the WSIB.

Investment in return to work

Research has shown that in most cases, early and safe return to work is in the best interest of injured and ill workers. This is contrary to an earlier belief in clinical circles that lengthy, passive rehabilitation was necessary. Since 2009, the WSIB has made it a priority to help workers safely return to work as soon as possible, employing a range of accommodations to do so. Previously, the WSIB's role in return-to-work activities was limited to passive oversight of external providers, and the results were consistently poor. Recognizing the need for change, in 2009 the WSIB built and invested in an internal team to provide return-to-work services. To date, the outcomes have been impressive. The prior outsourced service resulted in only a 36 per cent success rate in helping workers get back to work in 2009, at a cost of \$168 million a year. In-sourcing this function by hiring 300 return-to-work specialists has resulted in a success rate of 80.5 per cent in getting workers back to work at a cost of \$72 million a year.

In appropriate cases, the WSIB now begins planning for a worker's return to employment very early on in the claim. The WSIB's case manager, together with the worker, health care providers and the employer, develop plans that combine medical care with activity and safe return to work. WSIB staff reach out to employers, often visiting the work site in person to verify that appropriate and safe modified work is made available to the worker whenever possible. Last year, our team made 25,000 *in-person* visits to employer premises to discuss and create case-specific return-to-work plans together with workers and employers, helping to pave the way for a safe, smooth and rewarding return to work.

With these changes, Ontario has gone from lagging behind to leading all other jurisdictions in Canada when it comes to helping workers recover and return to work (see Figure 6). As of Q2 2015, a smaller proportion of injured workers than ever before has needed benefits three and six months after their injury.

FIGURE 6: Comparing Canadian jurisdictions: percentage of wage-loss claims off compensation at 30, 90 and 360 days (2013 results)

	Ontario	Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland	Nova Scotia	Quebec	Saskatchewan
30 days	71.4%	60.7%	55.0%	64.0%	44.7%	53.5%	51.9%	57.3%	64.2%
90 days	85.0%	79.3%	76.0%	81.6%	64.2%	71.0%	76.6%	74.3%	77.6%
360 days	96.2%	95.6%	90.0%	95.1%	91.8%	90.6%	92.2%	90.4%	95.0%

Source: www.AWCBC.org

Improved recovery and return to work combined with fewer claims have, in turn, contributed to the annual cost of benefits coming down by over \$800 million since 2009, from \$3.2 billion that year to \$2.4 billion in 2014. And the Ontario economy has benefited from losing fewer productive days each year to injury or illness. Compared to 2009, there were over two million fewer productive days lost in 2014.

Investment in health care

From 2000 to 2009, the WSIB's spending on health care increased steadily and steeply, at an average rate of over eight per cent per year. Provincial spending on health care was experiencing a similar upward trend at a slightly lower seven per cent annual growth¹. During this period, outcomes for injured workers were also deteriorating, with a higher percentage of workers experiencing permanent impairments and workers requiring longer periods before returning to work.

Starting in 2009, the trend in health care costs started to change for both the WSIB and the province as a whole. Growth in health care costs for the province slowed to just under three per cent between 2010 and 2012. The improvement at the WSIB was even more dramatic. Between 2009 and 2014 the WSIB's total health care spending *decreased* by an average of 2.5 per cent annually. The improvement was the result of fewer claims and a new medical strategy. This new strategy revolved around the following principles:

- Health care is an investment – early expert intervention is key to preventing disability.
- Return to work is part of the recovery process.
- Specialized Clinics and Programs of Care accelerate recovery for the most frequent types of serious workplace injuries.

¹ National Health Expenditure Trends, 1975 to 2014, Canadian Institute for Health Information, 2014, p. 156

The new health care strategy has led to better outcomes for injured workers and employers while decreasing overall health care spending. As a result of early, specialized health care, injured workers have been able to return to pre-injury activities sooner, on average, and have had less need for benefits including wage replacement, non-economic loss (NEL) awards and long-term medical treatment. The WSIB's investment in health care is one of the key reasons behind improved return-to-work outcomes, which have reached historic levels.

One of the most positive outcomes of the WSIB's new health care strategy has been a marked decrease in permanent impairments among injured workers. The reduction in the number of injured workers who experience permanent impairment is particularly striking for certain types of injuries. For example, since 2010, the number of workers developing permanent impairments from lower back injuries has dropped by over 80 per cent. The chart below (Figure 7) shows the changes in health care investment and outcomes for back injuries from 2008 compared to 2012, the latest year that allows sufficient time for the data to mature.

FIGURE 7: Changes in health care investment and outcomes for lower back injuries in 2008 compared to 2012

	Lower Back Injury Then...*	Lower Back Injury Now...*
Our Investment		
Average health care spend during the first year of the claim	\$3,757	\$4,844
- Average spend on specialized clinical services	\$842	\$2,194
- Average spend on long-acting narcotics	\$31	\$4
The Results		
Average days lost	165	87
Average loss-of-earnings (LOE) benefits	\$18,400	\$9,400
Percentage of workers on benefits at 12 months	37%	12%
Percentage of claims with a permanent impairment	24%	8%

* "Then" refers to injury year 2008 while "Now" refers to injury year 2012, as two-year maturity was used for all data points..

Careful investment management: Surpluses from operations, prudent management and the effects of compound growth have allowed the WSIB's investment portfolio to grow from \$14 billion at the end of 2009 to over \$25 billion today. After a decade of needing to withdraw approximately \$500 million annually from the Investment Fund simply to cover costs, the WSIB has been able to pay for all expenses from premium revenue without touching

its Investment Fund. In fact, since 2012 we have added \$3.2 billion (as of Q3 2015) to the Investment Fund from operating surpluses alone. These actions have allowed it to compound and grow at a rapid rate.

While we have enjoyed double-digit returns during 2013 and 2014, we have adopted a policy of only recognizing as part of income a steady six per cent on our investments. The excess returns stay in a “savings bank” to be amortized over a five-year period in order to provide a cushion when returns are low, as we are now experiencing in 2015.

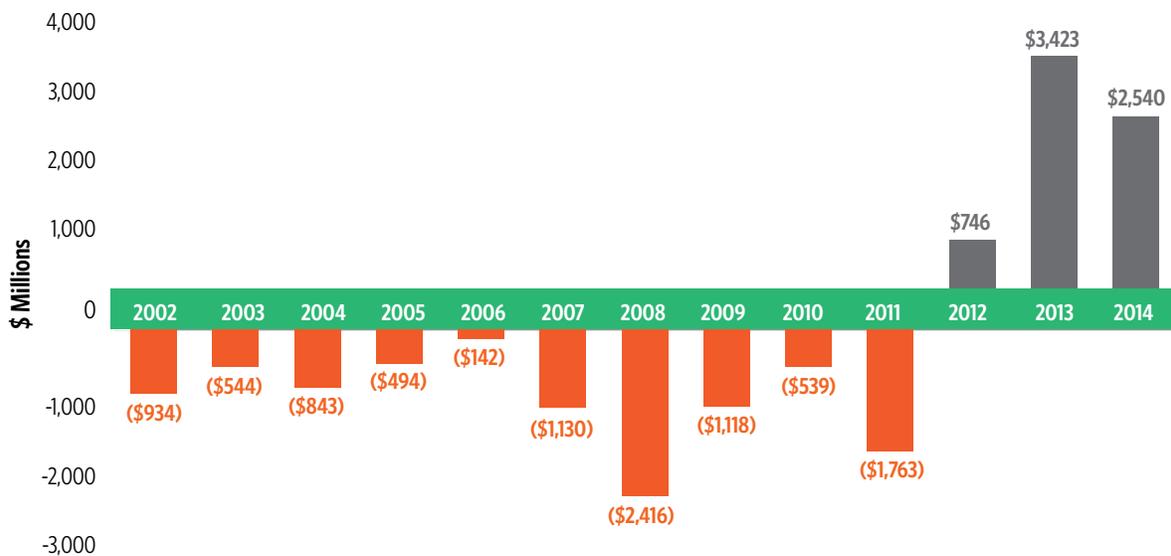
In addition to these prudence steps, we have significantly reduced risk in the portfolio by following a diversified investment plan. For example, our portfolio had a 65 per cent exposure to equities in 2008. By mid-2015, our exposure to equities had dropped to 38 per cent and the portfolio is now invested in such diverse assets as real estate, infrastructure and other diversified investments.

Employer premiums: The average premium rate charged to employers has only increased marginally since 2009 (an average of 2.1 per cent per year between 2010 and 2013 and there has been no increase since then). However, due to the declining number of claims and improving recovery and return-to-work outcomes over this same period, employers are in effect paying far more than what is needed to cover the costs of new claims. In 2014, employers paid \$4.5 billion in premiums compared to \$3.2 billion in 2009. This surplus has helped greatly in reducing the UFL.

In recent years, the WSIB has been steadfast in setting premium rates for employers which allow us to fully cover costs and that reflect current economic realities and projections. Rates have been set each year according to the advice of the WSIB’s Chief Actuary and the Actuarial Advisory Committee.

Despite understandable pressure to reduce premium rates, disciplined rate setting has ensured that premiums have more than covered costs since 2012 (see Figure 8) with the excess going directly to pay down the UFL. For example, when presumptive legislation for firefighters was passed in Ontario, the WSIB went so far as to raise rates for the affected rate group (Rate Group 845, “Government and Related Services”) in 2015 to cover the increased benefit costs that would result from the legislation. As such, firefighters have received the benefits to which they are entitled with no set-back in the WSIB’s trajectory to eliminate its UFL.

FIGURE 8: Trend in comprehensive income



Enhancements to customer service

The efforts described above to pay down the UFL did not result in a compromise to the quality of service that the WSIB offers workers and employers. In fact, the transformation of the WSIB's business presented new opportunities to streamline and improve our service levels.

For instance, through targeted investments in customer service and technology, including our eAdjudication service, over 90 per cent of injury compensation claims are now decided within two weeks - and many of those within 24 hours. This time savings has allowed our staff to focus on more complex claims requiring greater attention to recovery and return to work.

The WSIB is implementing new case management technology over the next year in a controlled and staged roll-out to ensure business and staff readiness and continued levels and standards of customer service. This new solution - which is replacing 30-year-old legacy systems and manual, paper-based processes - is based on an industry-leading product and will help modernize the WSIB's current systems to improve service and reliability.

Employers can now register with the WSIB, calculate their premiums, report injuries and make payments online, 24 hours a day. Employers who need to speak with a WSIB representative can get through quickly; 98 per cent of calls to the WSIB's account services

contact centre are now answered live, in person, within one minute.

Improvements to service have been well received by our stakeholders. Employers' overall satisfaction with account management has improved to 90 per cent in the latest quarterly survey. Injured workers' overall satisfaction with how their claims are managed, 80 per cent in Q2 2015, is the highest it has been since this quarterly survey began in 2011. An even higher proportion of employers (85 per cent) are satisfied with the WSIB's claim management.

FIGURE 9: Then and now: performance improvements in 2015 compared to 2009

	2009	2015 (Q2)
Lost-time injury rate per 100 workers	1.27	0.92 (as of year-end 2014)
Still on benefits 12 months after injury	8.9%	3.8%
Percentage of workers with a permanent impairment	12.7%	5.8%
Percentage of claims in integrated health care programs	18%	41%
Eligibility decisions made within two weeks	65% (in 2008)	92%
Unfunded Liability (sufficiency basis)	\$14,199M (in 2011)	\$7,539M
Investment portfolio	\$14B	\$25B

Economic Projections and Forecast

The WSIB's financial position is impacted by the health of global, national and provincial conditions, and the WSIB closely tracks economic developments at all levels.

The global and national economies define export possibilities for Ontario businesses and affect WSIB investment returns, among other impacts. Employment and wage levels in Ontario are the sole determinants of insurable earnings.

Globally: Global GDP growth has moderated and disappointed in certain countries in the first half of 2015. World economic growth is expected to remain under three per cent this year² despite improvements in the U.S. and European Union. The U.S. Federal Reserve is still expected to raise rates in the near future as the U.S. economy continues to improve, and bond yields have consequently crept up in recent months. Europe has adopted a more aggressive monetary policy which is helping their recovery, even as it grapples with the Greek crisis. Meanwhile, Chinese authorities are focused on ensuring that economic growth remains healthy and that financial markets do not pose a threat to growth.

Canada: Closer to home, as of the end of Q2, the Canadian economy was officially considered to be in a recession after two straight quarters of declining GDP. The recession has been attributed to the collapse in oil prices and reduced spending in the energy sector. The Bank of Canada continues to expect economic activity to recover during the second half of 2015. Experts such as the chief economists at Canada's largest banks also express optimism that the recession will not last due to second quarter gains in consumer spending, the housing market and government spending.

Ontario: Based on Q1 2015 year-over-year results, the Ministry of Finance reported Ontario's annualized real GDP growth to be 2.3 per cent. Optimism regarding economic growth in Ontario has generally weakened since the start of the year, in part because expected increases to exports due to the lower Canadian dollar have not materialized. According to the Conference Board of Canada, Ontario's GDP will grow by 2.0 per cent in 2015, exceeding the national average.

Insurable Earnings Forecast

Besides investment income, employer premiums are the WSIB's only source of revenue. There are no tax dollars involved in funding the system. Given that approximately 74 per cent of Ontario's workforce is covered by the WSIB – a total of over five million workers and 300,000 employers – the state of the Ontario economy greatly impacts WSIB revenues and our ability to pay down the UFL.

² The Conference Board of Canada is engaged by the WSIB to provide quarterly economic forecast reports, including estimates of insurable earnings. Estimates are drawn from the August 2015 report.

Year-to-date, insurable earnings have increased by 2.3 per cent compared to 2014. Insurable earnings are up in each of the WSIB's large sectors, most notably in construction (up 5.8 per cent) and services (up 3.3 per cent).

For the remainder of 2015, the WSIB expects insurable earnings (IE) growth to slow and by year-end IE are estimated to be 1.7 per cent higher than 2014. This level of growth is more conservative than the Conference Board of Canada estimate of 3.5 per cent for 2015. Behind the Conference Board's estimate is particularly strong growth in services sector IE due to increases in both wages and employment. The Conference Board also expects growth in manufacturing and construction to drive IE growth this year.

Just 10 per cent of the WSIB's employer accounts are responsible for nearly 80 per cent of premium revenue. By sector, construction alone is responsible for approximately one-quarter of WSIB premium revenue, meaning that the health of this sector can impact WSIB revenues substantially. The Conference Board is optimistic about continued growth in construction in Ontario in the near term.

Insurance Cost Projections

Claim volumes: After a substantial improvement (decrease) in the number of registered claims in recent years due to greater safety awareness and safer workplaces, the WSIB expects claim volumes to stabilize or even increase marginally as the result of slow but continued employment growth. We will continue to work with our partners in safety and injury prevention as a high priority; efforts we expect to help protect against any substantial increases in claims even though continued growth in employment is expected. We will work to ensure that Ontario's lost-time injury rate remains the lowest of any jurisdiction in Canada.

Duration and loss-of-earnings (LOE) trends: Both short and long-term durations have come down significantly in the past five years. For instance, the proportion of claims on benefits at 12 months is less than half of what it was (8.9 per cent in 2009 compared to 3.8 per cent in 2015 YTD). We recognize that this trend cannot continue indefinitely and now expect durations to stabilize. It is anticipated that any deterioration in durations should be mitigated by our continued emphasis on recovery and return to work.

Wage replacement benefits are indexed to inflation and increase accordingly.

Health care cost trends: Despite flattening claim volumes and durations, health care costs are conservatively forecast to grow at approximately two per cent beyond inflation each year to reflect additional investments in specialized care and new treatments plus rising industry costs. Investments in health care to date have been a strong contributor to improved recovery and return-to-work results and the WSIB wishes to continue to invest to maintain these positive results. (See p.17 for further detail on our investment in health care).

This projected increase in health care spending is well below the average annual increase in spending by the province on health care over the past decade.

Conclusion

Over the past five years, transformational changes in operations and improvements in workplace safety have resulted in a remarkable turnaround in the WSIB's financial position. The WSIB of 2015 is a dramatically different organization compared to even five years ago. Injured workers and employers in Ontario are backed by a workplace compensation system that is on a stronger financial footing than it has been for decades.

These strong financial results have been achieved while improving outcomes for both injured workers and employers, ensuring that Ontario maintains the strongest return-to-work results of any jurisdiction in Canada.

Ontario provides one of the most comprehensive workplace injury support systems in North America and makes one of the largest investments in promoting health and safety in workplaces.

A fully funded compensation system will mean greater confidence in the sustainability of benefits, lower premiums and money returned to the Ontario economy.

The task of turning around Ontario's WSIB is not done. Much work remains before reaching our goal of building the finest workers' compensation system in North America.

But we are making good progress.

About the WSIB

The Workplace Safety and Insurance Board (WSIB) is an independent trust agency that administers compensation and no-fault insurance for Ontario workplaces. We are committed to delivering what matters to the workers and employers of Ontario: fast, accessible service and fair benefits at a fair price.

The level of support provided by the WSIB has a significant impact on hundreds of thousands of Ontario workers and their families and on the overall productivity of the province. The WSIB:

- Is the sole provider of workers' compensation insurance in Ontario and covers 5.1 million workers in 300,000 businesses across 16 industries.
- Collects \$4.5 billion of premium revenue annually.
- Paid \$2.4 billion in benefits to injured or ill workers in 2014.
- Pays nearly \$300 million each year to cover the cost of programs outside the WSIB such as funding for the office of the Chief Prevention Officer and Health and Safety Associations and the Safety Group program.