

From Tipping Point to Turning Point
**How the WSIB eliminated
the Unfunded Liability**



In 2009, the Auditor General of Ontario reported that the WSIB's unfunded liability (UFL) was threatening to collapse the compensation system and that unless we acted immediately the government may have to add our financial deficit to the general liability of the Province. **This was a turning point for our organization** - we recognized we needed to make dramatic changes to our business model to create a financially sustainable path forward that would see an end to the UFL.

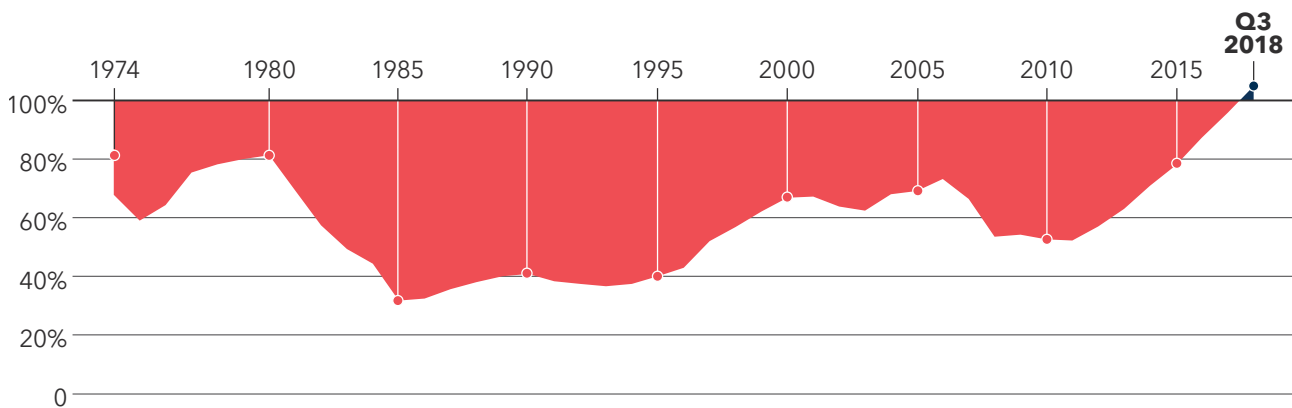
At its peak, the UFL reached \$14.2 billion. **Less than a decade later, on September 26, 2018, it was announced that we had eliminated the UFL almost ten years ahead of the legislated schedule.** This was accompanied by the news that we would be decreasing the average premium rate by almost 30 per cent for 2019. We achieved these historic milestones through disciplined premium rate pricing, an increased focus on our return-to-work services and a new approach to investing.

The tipping point

Simply put, the Unfunded Liability (UFL) was the shortfall between the money needed to pay future benefits and the money in our insurance fund. If the WSIB collects and sets aside enough funds to meet future benefit needs, it is considered to be fully funded. If it does not, the shortfall is referred to as the UFL.

In the early 1980s and again beginning in 2006, the UFL grew rapidly. By 2011, the UFL reached its highest level in the 100-year history of the WSIB, \$14.2 billion. To put this figure into perspective - it was 3.7 times the total premium revenue collected by the WSIB that year, or over \$56,000 per WSIB-covered business.

Funding / Sufficiency Ratio



There are serious, negative impacts from carrying a large UFL. It puts benefits for anyone injured at work at risk since the WSIB may not be in a position to cover the cost of benefit payments. This creates uncertainty around future benefits and a lack of confidence in a system that should be there for all Ontarians in the event of a workplace injury or illness.

The presence of a UFL made Ontario a less competitive province in which to start and run a business because of higher premium rates. For many years, the UFL resulted in premium rates that were approximately 30 per cent higher than they would have been if no UFL existed. Our premium rates were also much higher than in other provinces. This was the case even though Ontario has had the lowest injury rate of any jurisdiction in Canada. Higher premiums meant that businesses may not have been able to hire as many new employees or pay their employees as much.

The turning point

In 2010, we conducted a comprehensive analysis of the growing UFL challenge. Finding a solution required fresh thinking that would fundamentally change the way we managed our finances and business operations.

In the years that followed, by undertaking the measures below, we were able to turn the system around. We set out a comprehensive roadmap to create financial security and true public value for people across the province.

We adopted more disciplined premium rate pricing



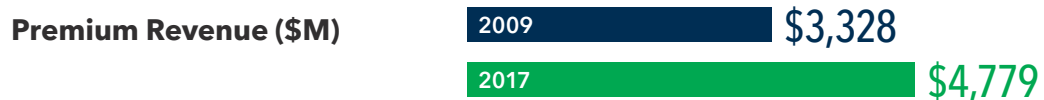
Modestly increased premiums | Premiums were the single most important factor in eliminating the UFL. We increased premiums by a relatively modest 2 per cent for 2011 and 2012, and 2.5 per cent in 2013. The modest increases and all subsequent rate actions were aimed to properly price for new claims while providing an explicit margin to recover the UFL.



Introduced Past Claims Cost | Even though the number of claims coming in to the WSIB was decreasing, and with better management of incoming claims, the WSIB maintained discipline in premium rate setting without offering reductions. We introduced the Past Claims Cost - a component of the premium used to help pay down the UFL. Ultimately, it was this source that was the single greatest contributor to eliminating the UFL.



Actuarial Advisory Committee | To strengthen our actuarial capabilities, we established an Actuarial Advisory Committee made up of well-respected external actuarial advisors.

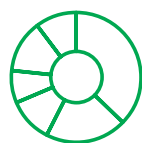
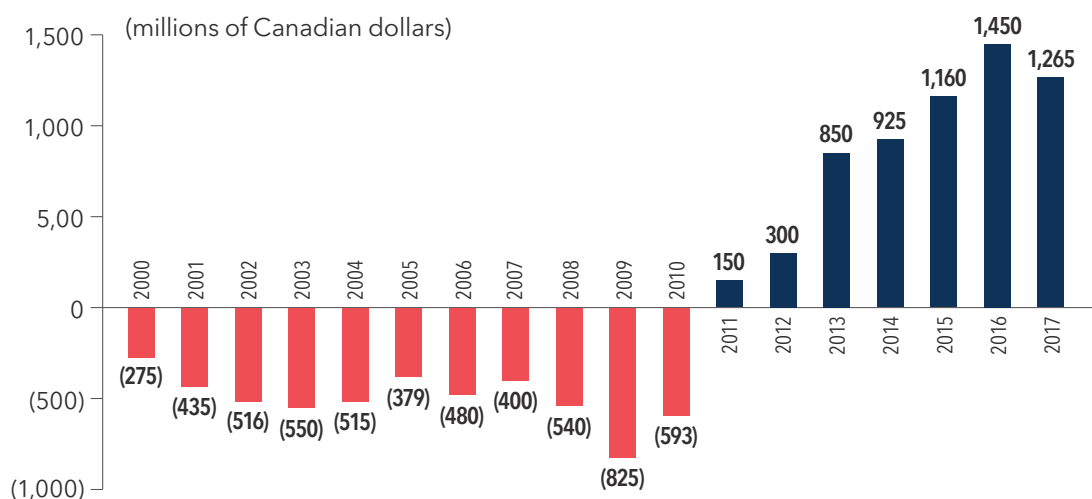


We grew and diversified our investments



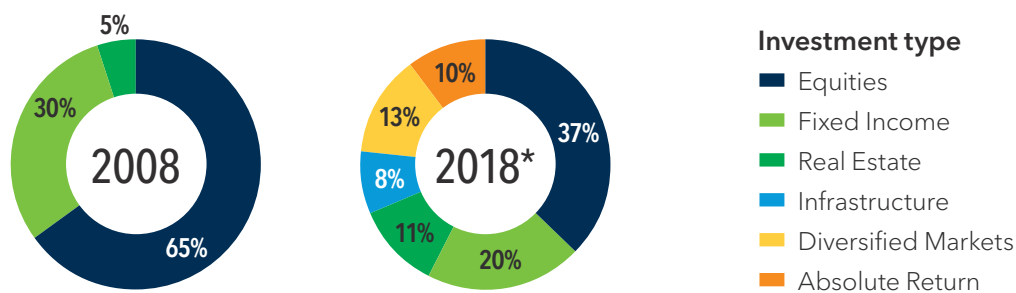
Growing the investment fund | 2011 was the first year in a decade that our revenues more than covered expenses – the beginning of a new trend. We finished the year with a small surplus and we no longer cashed in investments to pay for day-to-day operating expenses. In fact, we began transferring money back into the investment fund. Not touching a penny of our investment fund to pay expenses allowed the fund to grow at a compound rate.

Net Contributions to the Investment Fund



Reduced risk by diversifying | What's more, we 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 came to include diversified investments such as real estate and infrastructure.

Asset Allocation



Investment type

- Equities
- Fixed Income
- Real Estate
- Infrastructure
- Diversified Markets
- Absolute Return

*YTD - June 2018

We increased our focus on return to work



Inourced our delivery model | In 2010, we made the decision to transform our approach to recovery and return-to-work by shifting our focus from process to facilitating return to work. As a first step, we hired a team of 300 Return-to-Work Specialists who quickly achieved far greater success rates in supporting return to work than the previous, out-sourced service.



Applied new, best practice research | Rather than continuing to encourage lengthy, passive rehabilitation for those injured at work, we applied new, best practice research advocating earlier, safe return to work with accommodations when needed. This change led to better recovery outcomes such as fewer permanent impairments from workplace injuries.








Specialty Clinics and Programs of Care | We enhanced our use of Specialty Programs and Programs of Care and developed other early assessment services and educational materials to support the recovery of people with workplace injuries. For these programs, we focused on the most frequent types of workplace injuries: low back, shoulder and fractures injuries. With the success of these services, we also enhanced services for people with noise-induced hearing loss and mild traumatic brain injuries.



Introduced eAdjudication | The introduction of automated eligibility decision-making of our most straightforward claims allow us to devote more resources to return-to-work support and services. Approximately two-thirds of the claims coming in to the WSIB are now decided through eAdjudication.

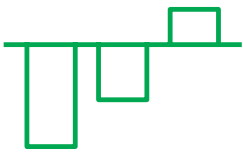
Then and now | A look at the numbers...

	2009	2017
 <p>People are returning to work with no wage loss Percentage of people returning to work at 100% pre-injury earnings at 12 months</p>	85%	91%
 <p>People are getting their claims approved faster Decisions made within two weeks</p>	65%*	93%
 <p>We're getting people injured at work to more specialized and timely medical care Percentage of people injured at work in integrated health care programs</p>	18%	41%
 <p>We're getting more people back into the workforce Percentage of people employed after completing a Work Transition plan</p>	36%	88%
 <p>We're providing more hands-on return to work services Number of visits by WSIB return to work staff</p>	0	22,900

*2008 data

The results

What is the latest on the UFL?



On September 26, 2018, the WSIB announced the elimination of the UFL. Funding of over 100 per cent has been achieved nearly a decade ahead of the legislated timeline of 2027. Eliminating the UFL means that we will be able to maintain our programs and services for people who need us and continue to make improvements to our customer experience.

We achieved this historic milestone while continuing to support legislated increases in benefits for workplace injuries and illnesses in recent years. In 2016, new legislation took effect in Ontario which granted presumptive entitlement for First Responders diagnosed with post-traumatic stress disorder (PTSD). In May 2018, the government expanded the list of occupations covered by the PTSD presumption to include six additional roles. And starting in 2018, we began providing support and compensation for those who experience work-related Chronic Mental Stress. Also since the start of 2018, all wage-loss and survivor benefits have been indexed to inflation in the same way, using the Consumer Price Index. This was not the case previously and was done in response to legislation passed in 2015. Prudent pricing of premium rates has ensured that revenues have continued to more than cover expenses even as benefits have increased.

The WSIB continues to be steadfast in setting premium rates for businesses that reflect current economic realities and projections and which allow us to fully cover costs. It was only with 2017 premium rates that we felt confident enough in our improving financial position that we were able to offer our first premium rate reduction to businesses. With our significantly improved financial position, we have been able to reduce the average premium rate for businesses three years in a row.

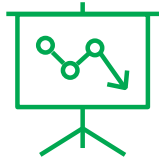
What's next?

For 2019, we have been able to reduce the Past Claims Cost component in premium rates, substantially lowering the average premium rate, by 29.8 per cent. The reduction to the average 2019 premium rate will result in \$1.45 billion each year returned to the economy, to be invested in jobs, business growth, new technology or in improvements to workplace health and safety.

With the UFL consigned to history, the WSIB is focusing on new ways of adding value for people in the province. We are proud of, and motivated by, the recent launch of our 2019-2021 Strategic Plan. Our Plan shares the kind of targeted improvements we have in mind, all while continuing to excel at our core mandate of ensuring the best possible outcomes for those with workplace injuries or illnesses and supporting the businesses insured with us.

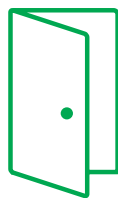
The UFL | A timeline

Between 2006 and 2009 the WSIB's UFL increased from \$6 billion to \$12 billion, doubling in just three years.



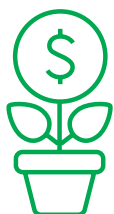
The WSIB's investment portfolio posted a substantial loss (-15.5 per cent) in 2008 as global markets tumbled.

The Auditor General reported that the WSIB's costs had exceeded our revenues to such an extent that the UFL was threatening to collapse the system. Unless urgent steps were taken, the government would have had to add our financial deficit to the general liability of the province.

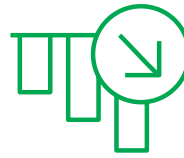


Return-to-work services were brought back in house to achieve better recovery and return-to-work outcomes while also reducing costs.

The first year in a decade that revenues more than covered expenses. We finished the year with a small surplus finally allowing us to grow the investment fund and reduce the UFL.



2006



2008-09

The recession caused a significant decline in employment in Ontario, impacting the WSIB's premium revenue and limited return-to-work options for anyone injured at work and people re-entering the workforce.

2009



2010

The Government of Ontario, at the WSIB's request, commissioned a Funding Review by Dr. Harry Arthurs. The review concluded that the WSIB was, in the words of Dr. Arthurs, at a "tipping point." He determined there was a real risk that we would be unable to meet our obligations to injured workers and stressed the need for the WSIB to become fully funded.

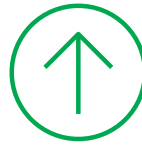
2011

Our Programs of Care and Specialty Clinics were expanded to ensure quicker access to specialized medical care for more claims.

Average premium rate was raised 2 per cent each year in 2011, 2012 and 2.5 per cent in 2013 as part of our balanced approach to addressing the UFL.



2011-13



The WSIB launched, and began openly reporting against, its 2012-2016 Strategic Plan. The Plan included “pillars” for right-sizing costs, ensuring sufficient funding and ensuring revenue covers costs.

The Province passed legislation enforcing a strict timetable for returning to 100 per cent funding - the elimination of the UFL by the end of 2027.

We maintained the average premium rate each year, with the exception of a small number of rate groups who saw increases due to presumptive PTSD legislation.

2014-16



The WSIB’s financial position had improved and we were able to reduce the average premium rate for 2017 by 6.2 per cent, the first reduction in more than 15 years.



2016

For the second year in a row, the WSIB announced a reduction in the average premium rate, this time by 3.3 per cent for 2018.

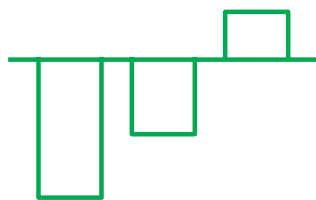
2017



Legislation requiring benefits for work-related Chronic Mental Stress (to come into effect on January 1, 2018) was passed.

The UFL was eliminated and the WSIB reported a surplus, nearly a decade ahead of the legislated requirement to do so. Businesses saw an average decrease of 29.8 per cent in their 2019 premium rates.

2018



The WSIB released its 2019-2021 Strategic Plan describing how it will deliver and increase the public value that it offers in a post-UFL world.

