

## 2009 Preliminary WSIB Premium Rates Q&A

This document has been prepared to provide additional information about the 2009 preliminary WSIB premium rates.

### 1.1 How is Ontario's workplace safety and insurance system funded?

All the costs of providing workplace safety and insurance benefits and services to Ontario workplaces are paid for by Ontario employers. Ontario's workplace safety and insurance system is based on the principle of collective liability, which means that employers who work in similar kinds of industries (with similar kinds of hazards) should be "collectively liable" for the costs of injuries in their industry.

Collective liability means that employers in, for example, the mining industry all pay their fair share of the costs of injuries in mining industry workplaces, while employers in the construction industry share the collective cost of injuries in their workplaces, and so on. (Employers covered under Schedule 2 of the *Workplace Safety and Insurance Act*, such as airlines, shipping companies and railways, are the exceptions – they pay individually for the full costs of benefits for their injured workers.)

### 1.2 How does the WSIB determine workplace insurance costs in various industries, and how does it determine the premium rates that individual employers in those industries are asked to pay?

The first step is to classify employers based on the nature of their business. This is done by assigning employers to "rate groups."

There are 155 rate groups, covering everything from Meat and Fish Products to Aircraft Manufacturing. Employers in a rate group are given a premium rate, which is the amount they are asked to pay for every \$100 of their workers' insurable earnings. This rate is calculated every year based primarily on two things:

- The cost of claims for benefits due to workplace injuries and illnesses; and
- The frequency of injuries and illnesses.

Other factors also come into play, but claims costs and injury/illness frequency are the two key drivers. These factors determine the amount the WSIB collects in premiums. In theory, this amount should be enough to cover all costs associated with claims allowed during that year for the full life of those claims, as well as the costs of administering the workplace safety and insurance system.

For more information, see 1.5 below.

### **1.3 What is the unfunded liability?**

The unfunded liability is the difference between the total cost of all allowed claims (past and present) currently in the system, and the funds in the system to pay for them (full life of the claims). In the past, for various reasons, the premiums collected from employers were less than the total cost of the claims that were allowed. The unfunded liability peaked at \$11.5 billion in 1993, but since then it has been reduced to \$8.1 billion (at the end of 2007).

Eliminating the unfunded liability, so that Ontario's workplace safety and insurance system is fully-funded, is a cornerstone of the WSIB's Funding Framework. All registered employers share in the responsibility for eliminating the unfunded liability – by paying their fair share, and by maintaining a strong commitment to achieving the targets and goals set in the *Road to Zero* and Prevention strategies.

### **1.4 What is the preliminary average WSIB premium rate for 2009?**

The WSIB Board of Directors has set the preliminary 2009 average premium rate for Schedule 1 employers at \$2.26 for every \$100 of insurable earnings – the same as the average premium rate for 2007 and 2008.

### **1.5 Why have premium rates increased for some rate groups?**

Premium rate increases and decreases are linked to injury frequency and average costs per claim for each rate group. Increases in either or both of these factors will generally push premium rates up.

The term “injury frequency rate” refers to the number of lost-time injury claims per 100 employees of employers in a rate group. “Lost time injury claim” means the injury resulted in time off work for the worker. The term “average cost per claim” refers to the average cost of each lost-time injury claim in a rate group.

In cases where the average cost per claim has increased, this is principally the result of increased claims persistency (i.e., longer duration of benefits), as well as an upward trend in the costs of income replacement benefits, health care, and other services for injured workers. By implementing programs for safe, sustainable return to work, employers can help to lower average costs per claim.

Increases in the average costs per claim can also be offset (wholly or partly) by reductions in injury frequency rates. In recent years, many Ontario employers have helped to reduce their

premium rates by making their workplaces healthier and safer. However, there are some rate groups where injury frequency rates and/or costs have increased.

There are actions you can take to prevent injuries and reduce claims costs in your workplace, and for all employers in your rate group (see 1.16 and 1.17).

Ontario's workplace safety and insurance system has an "unfunded liability" (see 1.3). Until the unfunded liability is eliminated, a component of the premium rate is allotted to pay down the unfunded liability. This ensures that there are adequate funds to pay for both current and future benefits, while at the same time retiring the unfunded liability.

### **1.6 The WSIB is facing significant financial pressures. Why wasn't the average premium rate increased to address these pressures?**

The Board's decision to keep the 2009 average premium rate at \$2.26 – unchanged from 2007 and 2008 – is based on careful financial analysis, and an expectation that improvements will occur in health-and-safety and return-to-work outcomes consistent with the WSIB's Road to Zero and Prevention Strategies.

The decision comes after the WSIB sought input from stakeholders on the WSIB Funding Framework in February and March 2008. Discussions with employer stakeholders concerning premium rates were reflected in a revised Funding Framework, which was approved by the WSIB Board of Directors in April 2008.

The Funding Framework confirms the WSIB's commitment to ensuring the long-term viability of the workplace safety and insurance system; and to ensuring its financial resources are dedicated to improving the well-being of workers and employers throughout Ontario.

The WSIB's goal of eliminating of the UFL by 2014 is still achievable without an increase in the 2009 average premium rate, provided all system partners maintain a commitment to actively pursue better health care and return to work outcomes, and to continue to focus on the prevention of workplace injuries, illnesses and fatalities.

### **1.7 Does this mean that future premium rates will be larger to make up for no increase in 2009? Will there be an increase in the average premium rate in 2010?**

The Board of Directors determines premium rates on an annual basis according to the principles contained in the Funding Framework. The 2010 premium rate setting process will begin in the Spring of 2009.

The WSIB sought input from stakeholders on the WSIB Funding Framework in February and March 2008. Discussions with employer stakeholders concerning premium rates were reflected in a revised Funding Framework, which was approved by the WSIB Board of Directors in April 2008.

The Funding Framework confirms the WSIB's commitment to ensuring the long-term viability of the workplace safety and insurance system; and to ensuring its financial resources are dedicated to improving the well-being of workers and employers throughout Ontario.

The WSIB's goal of eliminating the unfunded liability (UFL) by 2014 is still achievable without an increase in the 2009 average premium rate, provided targets set in the WSIB's Five Year Plan 2008-2012, *The Road to Zero*, and in the WSIB's Prevention Strategy, are met. To eliminate the UFL, all partners in Ontario's workplace safety and insurance system must maintain a strong commitment to the prevention of workplace injuries, illnesses and fatalities.

### **1.8 What will the WSIB be doing to communicate with employers about their 2009 premium rates?**

Information sessions for employer associations are being scheduled for June and early July, at which time technical financial information will be provided. As well, employers receiving large increases will be contacted directly by WSIB account representatives.

### **1.9 Why have some rate group premium rates increased while others have decreased or stayed the same?**

Some rate groups have been able to stabilize, or even reduce their premium rates by reducing their average cost per claim or achieving improvements in their injury frequency rates. Each rate group's premium rate is influenced by its own performance with respect to claims cost and injury frequency rates.

### **1.10 What is the WSIB doing to address the financial pressures that are facing the workplace health and safety system?**

The WSIB is committed to maintaining a disciplined approach to managing the risks and uncertainties that may result from financial pressures on the workplace safety and insurance system.

The WSIB's Funding Framework is fully-aligned with the WSIB's Five Year Strategic Plan 2008-2012, *The Road to Zero*. *The Road to Zero* sets the WSIB's targets and measurable outcomes, and confirms the WSIB's ongoing commitment to the elimination of all workplace

injuries, illnesses, and fatalities; quality and timely health care; fair and equitable compensation; and early, safe and sustainable return to work. It also promotes business excellence through improvements in effectiveness and efficiency and strengthened financial stewardship for the future.

Until the system reaches full funding, the WSIB will focus on maintaining benefits for injured workers at appropriate levels; keeping rates paid by employers stable at the Schedule 1 level; and making progress toward paying down the UFL. Once the system reaches full funding, premium costs could start to come down, and reserves could be built into the system to allow for more flexibility.

WSIB is aligning and directing its efforts to key priorities and will continuously integrate its work across programs and business areas to remain focused on the journey ahead.

All partners in Ontario's workplace safety and insurance system must maintain a commitment to working collaboratively with a focus on prevention of workplace injuries, illnesses and deaths; and a commitment to actively pursuing better health-care and return-to-work outcomes. In this way we can have the greatest positive impact on Ontario workplaces and the financial sustainability of the system.

### **1.11 When were preliminary premium rates made available to employers?**

The WSIB released the preliminary average premium rate for 2009 to the public in June 2008. Preliminary premium rates for individual rate groups were posted on the WSIB's website at [www.wsib.on.ca](http://www.wsib.on.ca) on the same day.

Ontario employers with current WSIB accounts will receive a note with their Statements of Account and Premium Remittance Forms in July and August informing them that preliminary premium rates for 2009 are available.

### **1.12 What are premium rates made up of?**

WSIB premium rates are made up of four components:

1. Costs of new injuries and illnesses
2. Administrative costs, including legislated obligations (health and safety associations, etc.)
3. Unfunded liability amortization charge
4. A "gains and losses" adjustment

### **1.13 What can I do to help lower the premium rate of my rate group?**

Work to make your workplace safer and develop an early and safe return-to-work program (see 1.16 below). Also, share your workplace health and safety knowledge and experience with other members of your rate group.

Collaborative, aligned, and effective partnerships are vital to promoting prevention and better health care and return to work outcomes. Reaching and surpassing targets set out in the WSIB's Five Year Strategic Plan 2008-2012, *The Road to Zero*, will ultimately result in the reduction of the unfunded liability (UFL) and more stable and predictable premium rates for employers.

Joint Occupational Health and Safety Committees (required in all workplaces that have more than 20 employees) can help you to identify areas where health and safety improvements are required. Ontario has a health and safety association (HSA) dedicated to serving employers in your industry. If you aren't already working with your HSA to improve health and safety in your workplace, you should visit the WSIB website or contact your WSIB account representative for more information about your HSA.

Compliance is another important factor. If you suspect that a business in your rate group is getting an unfair financial advantage by not registering with the WSIB, not reporting injuries or illnesses, or not paying premiums, contact our anonymous Action Line at 1-888-745-3237 or e-mail [sileads@wsib.on.ca](mailto:sileads@wsib.on.ca).

### **1.14 Special information for small business employers**

If you are in the WSIB's Merit Adjusted Premium plan (MAP), your 2009 rate group premium rate may be adjusted based on your individual accident record.

### **1.15 What is the Maximum Insurable Earnings Ceiling, and why does it change every year?**

The preliminary WSIB maximum insurable earnings ceiling for 2009 is \$75,100. This is an increase of approximately 2.5 per cent from \$73,300 in 2008. The final maximum insurable earnings ceiling will be set based on the April preliminary average weekly earnings aggregate, which will be published by Statistics Canada in June or July.

Changes to the Maximum Insurable Earnings Ceiling are **directly linked** to changes in average earnings in Ontario as measured by Statistics Canada, and provisions under the *Workplace Safety and Insurance Act*.

Changes to the Maximum Insurable Earnings Ceiling can result in an increase to the premiums employers pay (to the extent that they have employees who earn more than the preliminary maximum of \$75,100).

Under the *Workplace Safety and Insurance Act*, a worker's average earnings for workplace insurance purposes can not exceed 175 per cent of the Ontario average industrial wage for the year. The legislation requires the WSIB to calculate this yearly "Maximum Insurable Earnings Ceiling" based on the most recent published Ontario average industrial wage on July 1 of the preceding year.

The WSIB has calculated the preliminary 2009 Maximum Insurable Earnings Ceiling based on the February preliminary average weekly earnings aggregate, which was published by Statistics Canada in April 2008.

The WSIB uses a standard formula to calculate the Maximum Insurable Earnings Ceiling:

$$\text{\$}([\text{preliminary average weekly earnings aggregate}] \times 365) / 7 \times 1.75$$

(The result is rounded to the nearest hundred dollars.)

### **1.16 What are some of the things an employer can do to improve workplace health and safety and reduce workplace injuries and costs?**

There are a number of things that an employer can do to reduce workplace injuries and costs. For example, you can:

- Conduct regular inspections and assess hazards to determine if they may cause injuries or illnesses. Hazards should be removed, or controls should be put in place to protect workers from them. You should inform your workers about hazards and tell them how they can work safely.
- Train your employees about their health and safety responsibilities so they know how to contribute to hazard controls.
- Provide health and safety orientation training for every new employee. Training should include job training and hazard control training.
- Create a joint health and safety committee (if you have 20 or more employees). This committee must have at least one worker and one management certified member. You

must also provide the committee with the resources it needs to fulfill its role in the workplace.

- Develop a return-to-work program to help workers get back to work safely after an injury or illness. Preventing workplace injuries and illness is the responsibility of everyone in the workplace. If an injury and illness does occur, it is important for you and your employee to minimize the human and financial impacts by working to achieve a return to safe and productive work as soon as medically possible.
- Musculoskeletal disorders (MSDs) and falls are two prevention priorities for Ontario workplaces. Between them, they account for about 60 per cent of all lost time claims. Resources to help you address these and other hazards can be downloaded from the WSIB website, and from the new prevent-it.ca website. If you are not sure where to begin, you can download a booklet, *Getting Started on Prevention*, from prevent-it.ca.
- The WSIB is here to work with you to improve your workplace safety and return-to-work programs. A wide range of information, incentives and initiatives is available to Ontario employers who want to increase efficiency and save money by improving their workplace programs. You can also contact your health and safety association for assistance.

#### **1.17 How can I work with the WSIB and the other partners in Ontario's workplace health and safety system to lower injuries and costs in my rate group?**

- If your injuries and costs are better than average, be a leader by helping others in your rate group. Play an active part in recruiting other firms in your rate group into the WSIB's Safety Groups program and the Safe Communities Incentive Program (SCIP). These programs are voluntary, and help members create safer and healthier workplaces. They are there to help you help yourself.
- If your injuries and claims costs are higher than average, you can work with the better-performing firms in your rate group to improve your performance.
- Find out about programs that help make your workplace safer by going to the WSIB website at [www.wsib.on.ca](http://www.wsib.on.ca) and clicking on Prevention to see the range of prevention programs available.
- You can also get help by contacting your health and safety association and by contacting the WSIB hotline at 1-800-663-6639.