

The Liversidge e-Letter

An Executive Briefing on Emerging Workplace Safety and Insurance Issues

October 8, 2008

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

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It's Official: WSIB unfunded liability jumps over \$2 billion in one year!

To the end of 2007 WSIB unfunded liability skyrocketed 35% to \$8.1 billion – the highest since 1997 (and that is before recent market meltdown)

WSIB leadership vocal last year when lauding strong WSIB financial performance. This year? Not so much.

“We are starting to turn the financial corner”. Those are the words of the WSIB Chair in the **2006 WSIB Annual Report** [released just over a year ago in the summer, 2007]. **Even a year ago, the Board was experiencing challenges**

Yet, even then, as I reported in the September 19, 2007 issue of **The Liversidge e-Letter**, while the Board was being quite bullish on the state of its finances, I suggested that other than a good investment return in 2006 (the good ol’ days?), there really wasn’t much in the way of good news at all. In fact, a year ago I suggested that the Board was experiencing real pressing challenges, made all the more difficult by the ill-timed and then recently passed **Budget Reforms**. As I said then, I hoped I was wrong. I wasn’t. **The market melt down will be targeted as the culprit – but the warning signs were present long before**

No doubt, in light of recent horrific worldwide financial events, the Board will be inclined to point to the market melt-down as the prime suspect for what are sure to be deep-seated and long-lasting woes. But, the Board and government were skating on thin ice a year ago.

A year ago I said the Board was playing a long shot

In the September 24, 2007 issue of **The Liversidge e-Letter**, I said straight out that it was my view the Board was “playing a long shot”. I began ringing the alarm bells in the summer of 2007. I noted that the **Budget Reforms** will increase time on claim, just at the very time the Board was getting alarmed at increasing claims duration. Yet, all the while the Board was sticking to its story that not only could the WSIB absorb the costs of the **Budget Reforms**, it could do so while not increasing employer premiums and still wrestle the Unfunded Liability [“UFL”] to zero by 2014.

Yet, long before the Budget Reforms, before market turmoil, senior WSIB officials were calling for rate hikes

Recall that just two years earlier senior Board officials were calling for rate hikes so that the UFL would be paid down by 2014. That was *before* the **Budget Reforms** added \$2.3 billion to the system’s costs. That was *before* the melt-down. On September 24, 2007 I wrote that “*the Budget Reforms add to an already stressed WSI system*”. I noted then that the Board’s goals are possible but unlikely. I suggested the Board might be able to pull it off if:

- if there are mainly financially “fair weather days” for the next seven years (certainly *possible* but likely?);
- if the equity markets don’t falter and continue to deliver phenomenal returns (*possible* but likely?);
- if there are not continued major job losses Ontario’s manufacturing and particularly the automotive sector (*unlikely*);
- if injuries continue to decline (*likely*);
- and, if time on claim is substantially reduced (*unlikely*).

So how are things going?

Financially fair weather days? The world has not seen worse weather in near 80 years. We are in a turbulent storm.

Equity markets? It sickens me and I am sure all readers to even think about the present state of affairs.

No major job losses? Are you kidding?

Reducing time on claim? Not happening and in a worsening economy it simply won’t.

Lower injury rates? As I predicted, this is apparently happening. But, it will not be near enough.

Last year’s long-shot is today’s lost cause

A year ago I suggested that the Board was playing a long-shot. **Today, it is no longer a long-shot – it is a lost cause.** It is pure fantasy to think that the Board will be able to just “stay the course” - keep premium rates at bay, increase benefit levels and pay off the UFL by 2014.

This is the time for bold leadership and a new way

Staying the present course is no longer an option. Oh, and that \$8.1 billion UFL? That was as of nine months ago. *Now?* My guess its pushing \$11-\$12 billion. Maybe more. Likely an all time high. This story continues in upcoming issues. I have several suggestions. **Bold steps are needed.**