

Fink & Bornstein Professional Corporation Workers' Compensation Newsletter

Ontario's Most Profitable Corporation THE WSIB

The 2018 Fourth Quarter Financial Statement of the WSIB

Benefits paid to injured workers in the last 10 years have fallen off a cliff

Injured worker benefit claim costs paid by the WSIB in 2009 were \$4.7 Billion dollars. Administrative costs were an additional \$600 Million dollars.

By 2018, ten years later, claim costs were \$1.8 Billion dollars, and administrative claim costs were \$800 Million dollars.

Within those 10 years the number of accidents decreased by approximately 15%, and wages increased by approximately 22.4%.

It can therefore be concluded that benefits paid to injured workers have declined by 70%.

Why have benefits decreased?

While the WSIB prides itself on better return to work outcomes between injured workers and their accident employers, the reduction is equally attributable to:

1. WSIB Policy Changes, such as a reduction in NEL Awards due to pre-existing conditions. This Policy initially saved the WSIB over \$20 Million dollars, until it was eventually forced to retroactively pay, due to a Court proceeding.

2. Declining entitlement, due to the presence of pre-existing conditions.
3. Deeming injured workers employable, at new employment, when in fact injured workers who have English as a second language find long term employment at a rate of less than 50%.
4. Inadequate staffing to adjudicate claims. For instance it is now taking up to a year to implement WSIAT and ARO Decisions. Injured workers give up, and obligated benefit costs are postponed.
5. Cutting back medical services, such as the Functional Rehabilitation Program (FRP), which costs \$10,000.00 per claim/patient. FRP was scientifically proven to benefit injured workers with chronic pain. When the WSIB cut FRP, they substituted it with 6 psychological sessions, a program without any scientifically proven benefit, but with a cost of \$700.00 per claim/patient.

WSIB profits have been climbing

In 2017, the WSIB annual surplus of revenue over expenditures, Profit, was \$3.524 Billion dollars. In 2018, the WSIB annual surplus of revenue over expenditures, Profit, was \$2.165 Billion dollars. This is an astounding profit of \$5.7 Billion dollars over two years. Even more

astounding, was that the WSIB made the profit in 2018 after losing nearly \$900 Million dollars on the stock market, because the WSIB actuaries determined that their prediction for future claim costs for already injured workers, would be \$2 Billion dollars less.

The stock market is up so far in 2019, and it alone will drive the WSIB to another large profit in 2019, even though employer assessments were reduced by 30% in January of this year.

The WSIB has money in the bank

By the end of 2018, the WSIB had \$34.8 Billion dollars in stocks, securities, and other investments. This amount is \$2 Billion dollars more than the WSIB needs to fund the future cost of claims already accepted. This is a funding ratio of 108%. In 2009, the funding ratio was less than 70%, and the WSIB was in financial crisis, or so it thought. In retrospect in 2009, the WSIB was not in a financial crisis, but subject to a bad year in the stock market, which they pulled out of in spades over the next 10 years.

If the WSIB continues to receive an average rate of return of 5% on their stock and other investments, the WSIB would net \$1.7 Billion dollars per year in revenue. Employer assessments would be able to drop by another 70% in 2020, and the WSIB would still make a profit.

Look out Bell Canada

The WSIB of Ontario is one of the most profitable corporations in Canada, regarding any business activity, while its injured workers are the most destitute.

In 2016-2017 combined, Bell Canada, Canada's second largest telecommunications company, had a profit of \$5.7 Billion dollars. The WSIB is only a few tenths of a percentage point behind Bell Canada.

Privatization of the WSIB is on the horizon

Now the Ontario Government is considering privatizing the WSIB, with the creation of the Speer Advisory Committee composed of a private enterprise promoter, and an employee of the private insurance industry. What better time for the Ontario Government to sell the WSIB in whole or in part, to say Manulife, which could increase its profit by 50% by acquiring the WSIB of Ontario. The sale price could probably fund the Government subway project from the Science Centre to Ontario Place.

In my experience, injured workers who do not have catastrophic injuries are routinely "short changed" by Disability Insurance companies, which have put forward very limited resources to re-integrate injured workers back to productive lives. The bottom line for Disability Insurance is to terminate benefits and then settle with the injured workers' lawyer for 60 cents on the dollar, leaving the injured worker destitute, two or three years later.

A Shout Out

The financial statements of the WSIB over the past five years are a clarion call for the WSIB to stop its current theme of lackadaisical claims processing, and move to securing injured workers functional enhancement, using the financial resources it has at hand.