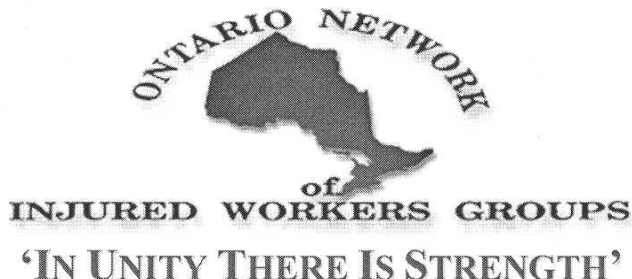


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RESTORING FULL COST OF LIVING ADJUSTMENTS – WHO SAYS WE CAN'T AFFORD IT?

Myth

The Workplace Safety and Insurance Board (WSIB) has to reduce its unfunded liability before it is financially possible to consider returning to full cost of living adjustments to injured workers' compensation.

Fact

The WSIB is far better off financially today than it was in 1985 when the Liberal government introduced annual full cost of living adjustments to workers' compensation. While it is wise for the WSIB to have some financial reserves in case of a worsening in the injury rate or the economy, it is more than prepared with over \$14 Billion in assets.

Figures

In 1985, the government legislated annual adjustments for injured workers equal to the increase in the cost of living. According to the Annual Report for 1984, at that time the WCB was 44% funded, meaning it had a reserve fund of 44% of the amount needed to cover all future payments.

The Workers Compensation Board now WSIB continued to collect more in premiums than it paid out each year. Now the WSIB is 69.1% funded, according to its most recent (2005) Annual Report.

Figures in \$ millions:

1984 WCB Annual Report

Assets \$2,164

Liabilities \$4,874

Funding Ratio – assets divided by liabilities = 44%

(Unfunded Liability \$2,710)

2005 WSIB Annual Report

Assets \$14,547

Liabilities \$21,057

Funding Ratio – assets divided by liabilities = 69% funded

(Unfunded Liability \$6,510)

The WSIB is well enough funded to begin paying full cost of living adjustments to injured workers immediately.

As noted in the reviews done for the government by Paul Weiler, cost of living adjustments do not cost employers anything because employers pay a percentage of their payroll for workers' compensation coverage. As the payroll increases due to the effect of inflation, so does the dollar amount collected by the WSIB, allowing the WSIB to adjust benefits without increasing the assessment rates.

How would you pay for the retroactive adjustment?

First of all, the WSIB must stop the revenue "leakage" that occurs in its experience rating program which continues to pay far more out to employers than it brings in - \$2 billion has been lost from the funds collected for injured workers since 1994. This would make more than \$100 million a year available to injured workers without any additional charge to employers.

Second, employers assessment rates have been artificially reduced. They are now way below what they were ten years ago. The average employer premium is now \$2.26 per \$100 of payroll, compared to \$3.00 per \$100 of payroll in 1996. Simply putting employer premium rates back to 1996 levels would go a long way towards covering the what injured workers have lost since 1996. Total employer premiums were \$3,190,000,000 in 2005. If employers had paid 1996 rates in 2005, there would be about \$1 billion a year more to address injured workers losses from inflation.

Third, the WSIB has built up substantial assets of more than \$14 billion by collecting more than it pays out to injured workers. These assets are invested and producing substantial income, \$819 million in 2005. This income should be directed to the benefit of injured workers until the losses due to inflation have been restored.

By simply stopping revenue "leakage" through excessive rebates in experience rating, moving employer premium rates back up to 1996 levels and directing the income from WSIB investments to injured worker, there would be approximately \$2 billion a year available for injured workers. The cost to replace the compensation lost by de-indexation for the past ten years is approximately \$4 billion. This wrong should be righted, and could be in two years.