

Workplace Safety and Insurance Board (WSIB) Insurance Fund Surplus Distribution Model Consultation

WSIB OPERATIONAL REVIEW

In 2019, the Government commissioned two Special Advisors to conduct an operational review of the Workplace Safety and Insurance Board (WSIB) to examine its financial oversight, administration and the cost-efficiency and effectiveness of its operations.

The [Operational Review Report](#), with its 25 recommendations, was released in November 2020. It included the following two related recommendations:

Recommendation 1: The government should adopt a regulation that prescribes a sufficiency ratio corridor between 115 and 125 per cent for the Workplace Safety and Insurance Board from 2020 to 2025.

Recommendation 2: The government should prescribe the parameters for surplus distribution — namely, instructing the Workplace Safety and Insurance Board to consider surplus distribution when the insurance fund exceeds 115 per cent and to require it distributes surpluses if the sufficiency ratio hits or exceeds 125 per cent.

The sufficiency ratio is the WSIB's total net assets less its total net liabilities expressed as a percentage.

Based on the expert advice with the WSIB Operational Review, MLTSD will be implementing Recommendation 1 by enabling the creation of a sufficiency ratio corridor of 115 to 125 per cent.

This will ensure the WSIB is not at risk of underfunding and as per Recommendation 2, will ensure there is a mechanism to distribute surpluses to employers. The Special Advisors asserted that it was prudent to create this corridor during the full transition of the new premium rates under the Rate Framework.

Establishing a sufficiency ratio corridor under law does not require the WSIB to be at a minimum 115 per cent sufficiency, nor does it pre-judge the WSIB's annual premium rate setting process. The WSIB would retain authority on all funding decisions when the sufficiency ratio is between 100 per cent and 125 percent.

As per Recommendation 2, at 125 per cent sufficiency, WSIB funding decisions would be subject to subject to the requirement to distribute surpluses. Recommendation 2 therefore provides a threshold and mechanism to distribute funds back to employers. This concept is known as a surplus distribution model.

When the report was [released](#), the Government committed to consulting specifically on the implementation of Recommendation 2 – the surplus distribution model.

PURPOSE OF CONSULTATION

The Government would like to hear from you on the mechanics of a surplus distribution model. We would like to hear what you think should happen should the WSIB attain a sufficiency ratio of 125 per cent and how the surplus funds could be distributed at this point.

Currently, there is no legislative authority under the Workplace Safety and Insurance Act (WSIA) for the WSIB to distribute surpluses to employers. Implementing this recommendation would require a legislative change. The Government’s goal is to develop a process around the distribution of WSIB financial surpluses that is transparent and predictable to WSIB stakeholders.

PROPOSAL

At 115 per cent sufficiency, the WSIB would have discretion to distribute any surpluses, but would not be required to do so. At 125 per cent sufficiency, the WSIB would be required to distribute surpluses to employers.

BACKGROUND AND CONTEXT

The WSIA requires the WSIB to maintain an Insurance Fund to pay for current and future costs of claims and to pay for the expenses of the WSIB and other legislative obligations and funding commitments. The Insurance Fund is comprised of premiums paid by Schedule 1 employers and investments made by the WSIB to pay the expected claims costs in future years.

As of March 31, 2021, the WSIB’s Insurance Fund is at 118.1 per cent sufficiency ratio. The WSIB has recently reported that it is on track to maintain full funding (at least 100 percent funding) over the next decade.

A sufficiency ratio/sufficiency ratio corridor is used in most Canadian jurisdictions. In recent years, Alberta, Manitoba, Saskatchewan, and Prince Edward Island have each distributed surpluses to employers.

JURISDICTIONAL SCAN

Jurisdiction	Sufficiency Ratio/Sufficiency Ratio Corridor	Distribution target	Surplus Distribution Method
Alberta	114%-128%	128%	Premium reduction or credit to employer’s account
British Columbia	130%	130%	Premium reduction
Saskatchewan	105%-120%	122%	Credit to employer’s account
Manitoba	130%	130%	Premium reduction or

			credit to employer's account
Quebec	110%	110%	Premium reduction
New Brunswick	115-125%	125%	Premium reduction
Prince Edward Island	100%-125%	125%	Premium reduction or credit to employer's account
Newfoundland and Labrador	100%-120%	120%	Premium reduction or credit to employer's account

Key Questions for a Surplus Distribution Model

MLTSD would like your views on this proposal. In particular, we are interested in your answers to the following questions:

1. Should all Schedule 1 employers be eligible to receive a surplus, or should some exclusions be established (e.g., employers with accounts in bad standing)?
2. What method should be used to allocate surpluses (e.g., distribute surplus based on the proportion of premiums paid by individual employers compared to the total premium base)?
3. How should the surpluses be distributed (e.g., credit to employer's account, premium reductions)?

HOW TO RESPOND TO THIS CONSULTATION PAPER

If you are interested in responding to this paper with your comments, ideas and suggestions, please contact the Ontario Ministry of Labour, Training and Skills Development by:

Email: webwipolicy@ontario.ca

Mail: Surplus Distribution Model Consultations, Health, Safety and Insurance Policy Branch, 400 University Avenue, 14th Floor, Toronto, Ontario, M7A 1T7

Please provide your responses by August 10, 2021

Your input will help us address the critical issues that have been raised in this paper. Thank you for taking the time to participate.

NOTICE TO CONSULTATION PARTICIPANTS

Submissions and comments provided to the Ministry of Labour, Training and Skills Development (the Ministry) are part of a public consultation process to solicit views on possible surplus distribution. This process may involve the Ministry publishing or posting to the internet your submissions, comments, or summaries of them. In addition, the Ministry may also disclose your submissions, comments, or summaries of them, to other parties during and after the consultation period.

Therefore, you should not include the names of other parties (such as the names of employers or other employees) or any other information by which other parties could be identified in your submission.

Further, if you, as an individual, do not want your identity to be made public, you should not include your name or any other information by which you could be identified in the main body of the submission. If you do provide any information which could disclose your identity in the body of the submission, this information may be released with published material or made available to the public. However, your name and contact information provided outside of the body of the submission (such as that which may be found in a cover letter, on the outside of an envelope, or in the header or signature of an email) will not be disclosed by the Ministry unless required by law. An individual who provides a submission or comments and indicates a professional affiliation with an organization will be considered a representative of that organization and his or her identity in their professional capacity as the organization's representative may be disclosed.

Personal information collected during this consultation is under the authority of the Workplace Safety and Insurance Act is collected and used in accordance with subsection 38(2) and clause 41(1)(b) of the Freedom of Information and Protection of Privacy Act.

If you have any questions regarding the collection of personal information as a result of this consultation, you may contact the Ministry's Freedom of Information Office, 400 University Avenue, 10th Floor, Toronto, Ontario, M7A 1T7, or by calling 416-326-7786.