

**ONTARIO BUSINESS COALITION**  
**SUBMISSION TO**  
**THE WSIB'S FUNDING SUFFICIENCY LEVEL**  
**JUNE 1, 2021**

In November 2019 the Ontario Business Coalition provided input to the WSIB Operational Review on the issue of Funding Policy going forward now that 100% funding has been achieved on the Sufficiency Ratio Basis. Since then the Operational Review report has been issued with some recommendations related to funding included in the report. The OBC feels it is now necessary to provide comment and more input with respect to the funding recommendations.

**1.**The OBC supports the use of legislation to require the ratio of assets to liabilities on the Sufficiency Ratio Basis to be at least 100%. This is known as the Sufficiency Ratio. This is the basis implicit in the setting of premium rates for the system. It is sensible to require premium rate action to be taken over not more than 5 years to return the Sufficiency Ratio to at least 100% if it falls below 100%.

**2.**The establishment and operation of a Target Funding Range above 100% to provide premium rate stability and limit the need for extreme corrective action, should be set out in a Funding Policy created by the WSIB and should not be set in legislation. There will be a need to review such a policy from time to time using the knowledge and expertise of the WSIB independent from the government where there is less expertise in the operation of the insurance system.

**3.**The OBC supports a Target Funding Range for the Sufficiency Ratio of 105% to 115%. It does not support the very high range of 115% to 125% recommended in the Operational Review. The Sufficiency Basis by its definition using smoothed results and longer term assumptions with a degree of conservatism does provide a better level of stability than using the IFRS financial accounting basis as is done in some provinces. Using the market value basis does create the desire for higher funding targets. The Ontario system just exceeded 100% in 2018 and by 2020 its Sufficiency Ratio is already at 117%. The premium rate setting basis always has some sensible small elements of margin or conservatism which tend to add to the surplus each year once 100% has been achieved.

**4.**The OBC supports a 10% corridor in the Target Funding Range of 105% to 115%. This also will help stability and reduce the need for premium rate action. However, having large surpluses with Sufficiency Ratios well over 115% is an unacceptable use of employer funds and encourages socio-political interference for the wrong purposes. In addition, holding excessive amounts of surplus will encourage the employer community to demand refunds of surplus regularly. These funds are better employed in capital, equipment and jobs rather than sitting passively in the WSIB investment account.

**5.**Using a Target Funding Range of 105% to 115% could include flexibility on premium rate action between 100 to 105% but require premium action to be taken as soon as the Sufficiency Ratio exceeds 115% or falls below 100% to return the Sufficiency Ratio to inside the target range. The OBC would support a 3 year rather than 5 year period for this action. The OBC also supports the use of premium rate action rather than cash distributions of surplus. The adjustment for all classes and employers should be the same percentage of premium rate for the upcoming year.

6. The refunds of excess surplus or surcharges to bring the Sufficiency Ratio back inside its Target Funding Range all should be done by premium rate adjustments. It is too complex and administratively expensive and awkward to do this with cash or credit transactions. Such cash or credit transactions would attract contention and attempts at political manipulation. There should be no employer exclusions when excess surplus is being returned. This is an adjustment to the overall funding of an insurance system. It is not a contentious selective reward program. Exclusions would prompt a request for exclusions when surcharges are required to increase the Sufficiency Ratio.

The premium rate adjustments can be handled within the new Rate Framework system so that class rates and premium rate brackets reflect the impact along with any other changes for the cost of new injuries and administrative expenses. The premium rate adjustment to reflect Sufficiency Ratio adjustments should be uniform across the whole system.

Finally, the creation and operation of the Funding Policy must involve the employer community since employers paid such excessive surcharges in their premium rates in Ontario for so many years.