

To:	Warden Hicks and Members of Grey County Council
Committee Date:	January 24, 2019
Subject / Report No:	HRR-CW-01-19
Title:	2019 Workplace Safety Insurance Board Insurance Coverage Renewal
Prepared by:	Sandra Shipley, Human Resources Manager
Reviewed by:	Kevin Wepler, Director of Corporate Services
Lower Tier(s) Affected:	
Status:	Recommendation adopted by Committee of the Whole as presented as per Resolution CW34-19;

Recommendation

1. That Report HRR-CW-01-19 regarding Workplace Safety Insurance Board (WSIB) Insurance be received; and
2. That the Chubb Insurance Company insurance policy for excess indemnity insurance through Jardine Lloyd Thompson of Canada at a premium of \$182,981.16 be approved for 2019; and
3. That the Chubb Insurance Company insurance policy for occupational accident insurance not be renewed for 2019.

Executive Summary

Grey County is a Schedule 2 employer under the Workplace Safety and Insurance Board (WSIB). As a Schedule 2 employer, the County is self-insured, paying the actual claim costs plus administration fees to the WSIB. In order to protect itself from catastrophic loss, the County purchases insurance. The insurance policies renew each January 1st.

Background and Discussion

The County of Grey transferred from being a Schedule 1 WSIB employer to a Schedule 2 WSIB employer on January 1, 1998. The benefits paid to employees are identical under the two schedules. They include lost wages, health care (medication, hospital stays, chiropractor, physiotherapists and other health professionals), rehabilitation (costs for upgrading of education for workers who have suffered a permanent injury that prevents them from returning to their pre accident occupation), non economic loss (NEL – money paid to a worker who has suffered a

permanent impairment to compensate them for the “loss of use”). The difference is in the amount the employer pays for coverage.

Following is a description of the two types of WSIB employers:

Schedule 1:

Schedule 1 is pooled insurance for workplace injuries where the WSIB is liable to pay benefit compensation for worker’s claims. Employers are required by legislation to pay premiums to the WSIB and are protected by a system of collective liability. Schedule 1 employers are relieved of individual responsibility for actual claim costs, since the WSIB pays for claim costs out of money pooled in the insurance fund. Employers are grouped into rate groups, with premium rates varying by group. Premiums are calculated on insurable earnings (taxable wages and benefits) up to the annual maximum limit set by WSIB. The 2019 maximum insurable earning limit is \$92,600.

Schedule 1 employers can receive a partial refund of paid premiums if their claims experience in the previous four year period is better than the average claims experience in their industry. If their claims experience is worse than the average in the industry, then the employer is charged a surcharge by WSIB.

The majority of employers in Ontario are Schedule 1 employers.

Schedule 2:

Schedule 2 employers self-insure workplace accident costs. Employers are liable to pay all benefit compensation and administration costs for worker’s claims. The WSIB administers the payment of benefits for workers of Schedule 2 employers and recovers the cost of these benefits plus administration fees from the employer.

Under Schedule 2, the employer is responsible for 100% of the claim cost for the life of claim.

Schedule 2 in Grey County

As previously noted, Grey County has been a Schedule 2 employer since January 1, 1998. At that time, a consultant was contracted to review the County’s WSIB Schedule 1 claims history to determine if the County would have saved money had it been a Schedule 2 employer. The consultant’s analysis showed that the savings would have been significant and recommended the move to Schedule 2. County Council concurred with his recommendation.

In order to fund the cost of workplace accidents under Schedule 2, the County has set up a WSIB Fund. Departments are charged WSIB premiums through payroll just as they would be under Schedule 1. Instead of remitting the premiums collected to WSIB, the premiums are put in the WSIB fund. The fund is used to pay Schedule 2 invoices received from WSIB, as well as the cost of insurance the County has purchased to protect it from catastrophic loss.

The following chart shows the rate history of Schedule 1 rates compared to the rates that County departments are charged to fund Schedule 2:

WSIB Schedule 1 Premium Rates vs. Actual Cost per Department

Year	Gen. Mun. (845)		Homes (851)		EMS (590)	
	WSIB	Grey	WSIB	Grey	WSIB	Grey
2019	3.15	1.35	2.58	2.58	7.09	3.05
2018	3.20	1.33	3.23	1.69	7.09	3.04
2017	3.05	1.24	3.08	1.41	6.76	2.78
2016	2.88	1.24	3.29	1.41	6.46	2.78
2015	2.88	1.32	3.29	1.94	6.46	3.80
2014	2.24	1.65	3.29	2.425	6.46	4.75
2013	2.24	1.83	3.29	2.695	6.46	5.28
2012	2.19	1.83	3.21	2.695	6.30	5.28
2011	2.15	2.15	3.15	3.15	6.18	6.18
2010	1.86	1.86	2.69	2.69	5.85	5.85
2009	1.84	1.47	2.69	2.69	5.85	4.68
2008	1.74	1.39	2.69	2.42	5.75	4.60
2007	1.70	1.36	2.69	2.15	5.91	4.73
2006	1.73	0.46	2.74	1.38	5.91	4.00
2005	1.62	0.46	2.67	1.38	6.08	4.00
2004	1.62	0.45	2.76	1.34	6.29	6.29
2003	1.62	0.45	2.77	1.34	6.53	
2002	1.51		2.54		6.73	
2001	1.45		2.45		6.37	
2000	1.59		3.21		4.45	

Rates are per \$100 of gross income

The 2019 budgeted WSIB premiums to be collected from departments at the “Grey” rate is approximately \$960,000. The cost for premiums under Schedule 1 would be \$1,609,000, a difference of \$649,000. The 2019 “Grey” rates reflect a 57% reduction over the Schedule 1 rate for all departments except for Long Term Care. A few years ago, a breakdown of the three WSIB groups was done comparing premiums collected with associated costs. It was determined at that time that the Long Term Care department’s WSIB costs were being subsidized by the other two groups. As a result, the WSIB premium rate charged to Long Term Care was gradually increased so that the department is being charged the full Schedule 1 rate starting in 2019. The chart showing the breakdown by group is at the

end of this report.

Additional Insurance

In the event of a catastrophic accident such as permanent disability or death, WSIB will pay benefits for the life of the claim. The cost of a claim varies by a number of factors (level of compensation worker was earning, amount of lost time, health care, etc.)

The following chart shows the claim costs as of December 2018 for a part time PSW who suffered a workplace accident in late December 2008:

Year	Health Care	Earnings	NEL	Rehab	Admin	Total
2009	12,206.95	14,680.59			5,850.73	32,738.27
2010	11,337.47	14,274.02	17,579.01	3,982.25	10,194.03	57,366.78
2011	10,975.06	13,517.14			6,201.43	30,693.63
2012	11,965.01	13,666.37			8,143.09	33,774.47
2013	8,637.31	16,007.72	2,965.49		9,702.34	37,312.86
2014	10,618.79	9,046.09			6,709.66	26,374.54
2015	8,777.06	12,213.63			7,147.63	28,238.32
2016	8,148.70	12,392.74			6,554.77	27,096.21
2017	3,084.19	12,683.03			4,687.59	20,454.81
2018	0.00	12,876.54			3,850.09	16,726.63

Total claim costs as of December 31, 2018 \$310,776.52

At the time of the injury, the worker was 44 years of age. She suffered a permanent impairment that prevented her from returning to her pre-accident job and we were unable to find suitable alternate work. In this case, compensation will continue to be paid to the worker until she is 65. Health care costs related to her workplace accident will continue to be covered until death. As a Schedule 2 employer, Grey County is responsible for these costs.

County of Grey currently uses two types of insurance to reduce its financial exposure due to catastrophic accidents under Schedule 2 of the Workplace Safety and Insurance Board. The following is a description of the County's current type and level of insurance:

Occupational Accident Insurance:

The Chubb Insurance Company of Canada currently provides up to \$500,000 due to work related death and permanent disability as a result of a workplace accident. The definition of a permanent disability includes an impairment level of 25%, as adjudicated by WSIB.

Premium costs are charged by the number of full time equivalents (FTE's) and are broken down by management and administrative staff and by department.

The insurer has provided the County with two options for the 2019 Occupational Accident insurance renewal:

Option 1

- Increase the permanent impairment rating (NEL) from 25% to 30%
- The NEL rating must be solely as a result of the covered accident
- Only the first NEL rating will be considered. This means that if an employee is assessed with a NEL rating of 28% and they either appeal the rating, or their condition later worsens and the rating is changed to 30%, the claim is still not eligible under the policy.
- Cost of Option 1 insurance is \$71,949.60 including provincial sales tax

Option 2

- Includes all changes as stated in Option 1
- Add 20% co-pay. This means if claim costs for an eligible claim reaches the maximum \$500,000 limit, the actual reimbursement would be \$400,000.
- Cost of Option 2 insurance is \$61,158.24 including provincial sales tax.

The changes to the occupational accident insurance will make it difficult to make a claim. To date, the County has had a couple of claims approved under the occupational accident policy, including the 2008 claim noted previously. If the 2008 claim had occurred in 2019, it would not have been eligible for reimbursement as the original NEL in that claim was 29%.

For the period of 2008 to 2018, occupational accident insurance premium costs total \$538,660.80. During that same period, insurance reimbursement has only been for the 2008 claim (claim costs as at December 2018 are \$310,776.52).

The occupational accident insurance policy only covers workplace accidents. It does not cover workplace illnesses. This means that WSIB claims for medical conditions such as PTSD are not eligible for reimbursement. With the presumptive legislation around PTSD, the County is starting to see a number of claims since the fall of 2016.

For these reasons, staff is recommending that the occupational accident insurance be cancelled and claim costs be funded from the premium collected from departments. The County has established a WSIB reserve which could be drawn from, if necessary. The WSIB reserve balance is estimated to be \$3,059,844 at December 31, 2018. Should Council choose not to renew the occupational accident insurance, any surplus in the WSIB operating budget should be moved to the WSIB reserve so that in years where claim costs are higher than budgeted, the deficit can be covered from the reserve.

Excess Indemnity:

The Chubb Insurance Company of Canada currently provides excess indemnity insurance for all expenses exceeding \$500,000 to a maximum of \$15,000,000 due to work related death or dismemberment. The cap on reimbursement of the Workplace Safety and Insurance Board (WSIB) administrative fee remains

at 28%. The provisional administration rate set by WSIB for 2018 is 29.9%. WSIB will calculate the actual 2018 administration rate in August 2019 and will make retroactive adjustments to 2018 invoices. The provisional rate for 2019 has not yet been announced.

The history of WSIB administration rates is outlined in the table below:

Year	Rate
2001	30.60
2002	26.38
2003	26.63
2004	27.78
2005	28.61
2006	23.49
2007	23.74
2008	22.99
2009	21.76
2010	21.61
2011	25.32
2012	31.77
2013	35.14
2014	34.12
2015	33.89
2016	31.91
2017	29.73
2018	29.90*

*provisional rate

Rates are per \$100 of claim cost.

Premiums for excess indemnity insurance are calculated on projected assessable earnings (taxable wages and benefits up to WSIB annual limit). The premium rate will increase by 2.85% in 2019. With the increase in projected assessable earnings of 3.1%, it results in a compounded increase of 4.5% over the 2018 premium.

Staff are recommending the renewal of the excess indemnity insurance to protect the County against high claim costs.

Legal and Legislated Requirements

Financial and Resource Implications

The 2019 cost for excess indemnity insurance is \$182,981.16 including provincial sales tax. The 2019 budgeted amount for this insurance is \$183,300.

The 2019 budgeted amount for occupational accident insurance is \$59,900. The cost of Option 1 is \$71,949.60 and the cost for Option 2 is \$61,158.24. These amounts include provincial sales tax.

Relevant Consultation

- Internal (list) CAO, Human Resources, Finance, Long Term Care and Paramedic Services Staff
- External (list) Jardine Lloyd Thompson of Canada

Appendices and Attachments

PREMIUM COLLECTED VS COSTS

Year	Premium	Claims	Gen Mun			Ins \$ rec'd	Diff
			Dr. Fees	Insurance			
2013	243,514.15	83,343.18	2,509.01	67,842.36		89,819.60	
2014	227,882.07	86,452.29	2,816.78	74,401.68		64,211.32	
2015	180,306.97	104,029.65	2,020.21	69,760.44		4,496.67	
2016	174,230.26	145,654.89	1,589.49	69,923.52		-42,937.64	
2017	184,528.21	91,665.64	2,088.27	71,808.54		18,965.76	
2018	204,672.41	90,090.63	494.75	61,706.88		52,380.15	
						186,935.86	

Year	Premium	Claims	Homes			Ins \$ rec'd	Diff
			Dr. Fees	Insurance			
2013	435,450.94	263,421.09	12,123.55	108,183.60	68,057.26	119,779.96	
2014	405,697.50	292,929.28	10,290.92	109,778.92		-7,301.62	
2015	326,937.36	284,256.99	8,670.86	104,457.60	56,766.54	-13,681.55	
2016	240,120.96	258,185.69	6,896.15	106,823.88		-131,784.76	
2017	249,982.84	373,070.26	6,149.58	106,135.70	42,542.48	-192,830.22	
2018	301,915.90	354,317.86	648.41	108,854.28	19,480.48	-142,424.17	
						-368,242.36	

Year	Premium	Claims	EMS			Ins \$ rec'd	Diff
			Dr. Fees	Insurance			
2013	400,647.53	42,485.53	2,509.01	41,570.28		314,082.71	
2014	378,386.99	40,867.84	2,816.77	43,690.76		291,011.62	
2015	315,590.32	26,595.05	2,020.21	42,548.76		244,426.30	
2016	237,449.19	80,860.20	1,589.49	45,595.44		109,404.06	
2017	243,746.14	165,106.66	2,088.27	47,069.44		29,481.77	
2018	273,796.81	229,247.23	494.76	48,579.48		-4,524.66	

983,881.80

Year	Premium	Claims	TOTAL			Ins \$ rec'd	Diff
			Dr. Fees	Insurance			
2013	1,079,612.62	389,249.80	17,141.57	217,596.24	68,057.26	523,682.27	
2014	1,011,966.56	420,249.41	15,924.47	227,871.36	0.00	347,921.32	
2015	822,834.65	414,881.69	12,711.28	216,766.80	56,766.54	235,241.42	
2016	651,800.41	484,700.78	10,075.13	222,342.84	0.00	-65,318.34	
2017	678,257.19	629,842.56	10,326.12	225,013.68	42,542.48	-144,382.69	
2018	780,385.12	673,655.72	1,637.92	219,140.64	19,480.48	-94,568.68	
						802,575.30	

red means that the WSIB admin fee is not finalized and WILL change