

Report HRR-CS-01-16

To: Chair Eccles and Members of the Corporate Services Committee
From: Sandra Shipley, Human Resources Manager
Meeting Date: February 9, 2016
Subject: **2016 Workplace Safety Insurance Board Insurance Coverage Renewal**
Status: Recommendation adopted by Committee as presented per Resolution CS27-16; Endorsed by County Council March 1, 2016 per Resolution CC33-16;

Recommendation(s)

THAT Report HRR-CS-01-16 regarding Workplace Safety Insurance Board (WSIB) Insurance be received;

AND THAT the following insurance policies through Jardine Lloyd Thompson of Canada be approved for 2016:

- **Chubb Insurance Company for occupational accident insurance at a premium of \$58,099.68 including provincial sales tax, and**
- **Chubb Insurance Company for excess indemnity insurance at a premium of \$164,243.16 including provincial sales tax.**

Background

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 the 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 accessible earnings (taxable wages and benefits) up to the annual maximum limit set by WSIB. The 2016 maximum accessible earning limit is \$88,000.

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.

In 2014 there were approximately 228,510 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.

In 2014 there were approximately 600 employers covered under Schedule 2.

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
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 2016 budgeted WSIB premiums to be collected from departments at the reduced “Grey” rate is approximately \$653,066. The cost for premiums under Schedule 1 would be \$1,168,729, a difference of \$515,663.

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 October 2015 for a part time PSW who suffered a workplace accident in late December 2008:

Benefit Type	2009	2010	2011	2012	2013	2014	2015
Health Care	12,206.95	11,337.47	10,975.06	11,965.01	8,637.31	10,618.79	7,572.80
Comp	14,680.59	14,274.02	13,517.14	13,666.37	16,007.72	9,046.09	10,420.67
NEL		17,579.01			2,965.49		
Rehab		3,982.25					
Admin Fee	5,850.73	10,212.90	6,201.43	8,143.09	9,702.34	6,709.66	6,171.76
Total	32,738.27	57,385.65	30,693.63	33,774.47	37,312.86	26,374.54	24,165.23

Total claim costs as of October 30, 2015 \$242,444.65

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. Prior to 2015, permanent disability was defined as the level of impairment, as adjudicated by WSIB, as not less than 30% and reimbursement was based on 80% of costs. Effective January 1, 2015, the reimbursement rate increased to 100% and the disability impairment level was lowered to 25%. The insurer has confirmed that the coverage changes implemented in 2015 will remain the same for 2016.

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 premium rate for this insurance will remain at the 2013 level.

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 2015 is 34.3%. WSIB will calculate the actual 2015 administration rate in August 2016 and will make retroactive adjustments to 2015 invoices.

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	34.30*

*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 0.59% in 2016. With the increase in projected assessable earnings of 2.97%, it results in a compounded increase of 3.58% over the 2015 premium.

Financial / Staffing / Legal / Information Technology Considerations

The 2016 cost for catastrophic insurance is \$222,342.84 including provincial sales tax, an increase of \$5,575.84 over 2015. In 2016, an actuarial analysis will be undertaken to evaluate the value for money position in maintaining insurance for the first \$500,000 in claims.

Link to Strategic Goals / Priorities

None

Attachments

None

Respectfully submitted by,

Sandra Shipley
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Director Sign Off: Grant McLevy, Director, Human Resources