



REPORT TO: Mayor Bonnette and Members of Council

REPORT FROM: Laura Lancaster, Acting Commissioner of Corporate Services & Director of Human Resources

DATE: April 8, 2021

REPORT NO.: CORPSERV-2021-0007

RE: Additional Annual Contributions to the WSIB Reserve

RECOMMENDATION:

THAT Report No. CORPSERV-2021-0007 dated April 8, 2021 regarding Additional Annual Contributions to the WSIB Reserve be received;

AND FURTHER THAT Council authorize the Town Treasurer to contribute to the WSIB Reserve \$200,000 in 2022, \$300,000 in 2023, \$350,000 in 2024, \$350,000 in 2025 and \$400,000 in 2026 over and above the monies currently contributed through the budget process for the next 5 years;

AND FURTHER THAT the additional contributions be built into the 2022 budget and onward.

BACKGROUND:

The Town is classified as a Schedule 2 employer with the Workplace Safety and Insurance Board (WSIB). Schedule 2 employers do not pay premiums to the WSIB but instead pay a monthly administrative fee as well as reimburse any medical expenses that arise from the adjudication of staff claims. Because Schedule 2 employers do not pay premiums, they are responsible for paying any lost time wages for injured workers as well as any other additional monies awarded by the WSIB in the case of permanent or severe illness or injury. Depending on the illness or injury, these additional awarded costs can run very high, such as when a workplace incident is accepted under presumptive legislation. To mitigate the financial risk of a large award, the Town held Excess Indemnity insurance contracted with Chubb Canada (Chubb) as per Report CORPSERV-2016-0005. This insurance limited the Town's liability to \$500,000 per claim to a maximum payout by Chubb capped at \$10M.

In December 2020, the Town was notified that due to the financial impact from claims awarded by WSIB (primarily under the presumptive legislation), Chubb was analyzing whether it was fiscally prudent to continue to cover Fire personnel under the excess indemnity insurance.

On February 26, 2021, the Town was notified of Chubb's decision to no longer extend excess indemnity insurance coverage to Fire personnel as of March 1, 2021. The Town's broker has confirmed that no other insurance company was willing to offer this insurance to Fire personnel. Any WSIB approved claims that had an incident date that fell prior to March 1, 2021 remain covered under the previous insurance contract with Chubb.

COMMENTS:

The loss of excess indemnity insurance for Fire personnel left the Town to decide whether to continue to remain as a Schedule 2 employer and assume all risk of any future life-altering claim costs from workplace accidents. The alternative is to convert to a Schedule 1 employer, pay monthly premiums to WSIB and let WSIB assume the cost of lost wages and any future large claim amounts. As a Schedule 1 employer, the premiums would amount to just over \$1,000,000 annually.

After carefully weighing both options the decision to remain a Schedule 2 employer is felt to be the prudent course of action at this time. The Town has contracted with Chubb to retain the excess indemnity insurance for all non-Fire personnel in an attempt to spread the risk for the Town. Factors considered in this decision were the annual cost of the premiums, the Town's prior experience with catastrophic claims that would trigger the excess indemnity insurance, the experience of other municipalities that are also Schedule 2, and the probability of the Town paying out an amount in excess of the WSIB premium amount in any one year to satisfy a claim or claims.

This decision will be reviewed annually to ensure it is still fiscally responsible.

In order to prepare the Town for possible future large claims being awarded to injured or ill staff, staff have identified that the operating reserve currently set aside for WSIB purposes will require additional funds. After analyzing the current claim trends and consulting with other municipalities, it is anticipated that an increase of \$2.0M in the WSIB reserve would be an acceptable amount at this time. The following table outlines the recommended additional annual contributions that would be required over a 5-year period in order to achieve the additional funded target. Should this reserve be required to be utilized for WSIB purposes in the intervening 5 years, staff will provide Council with an additional plan for the replenishment of this reserve.

	Annual Budget Contribution	Additional Planned Contributions	Balance
December 31, 2020			\$795,820
2021	\$50,000	\$0	\$845,820
2022	\$50,000	\$250,000	\$1,145,820
2023	\$50,000	\$300,000	\$1,495,820
2024	\$50,000	\$350,000	\$1,895,820
2025	\$50,000	\$350,000	\$2,295,820
2026	\$50,000	\$400,000	\$2,745,820

RELATIONSHIP TO STRATEGIC PLAN:

This report supports Council's priority regarding fiscal and corporate management.

FINANCIAL IMPACT:

Staff is recommending that contributions to the WSIB reserve gradually increase over a 5-year period starting with the 2022 budget to provide \$2.0M in additional funds, over the current reserve levels for potential claims. In the first year, an additional \$250,000 will be contributed to the reserve, and this amount will increase to \$300,000 in 2023 and \$350,000 in 2024. In 2025, the additional annual contribution will remain at the 2024 level of \$350,000, increasing to \$400,000 in 2026. Staff will review the WSIB reserve balance annually to ensure reasonability and will update Council with a revised plan as and when necessary.

INTERNAL CONSULTATION:

The Town Treasurer and Director of Finance was consulted in making the decision to remain a Schedule 2 employer and the recommendation to increase the amount carried in the WSIB reserve.

PUBLIC ENGAGEMENT:

Public engagement is not applicable.

SUSTAINABILITY IMPLICATIONS:

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life.

The report's recommendations is not applicable to the Strategy's implementation.

COMMUNICATIONS:

This is not applicable.

CONCLUSION:

It is in the Town's best fiscal interest to remain a Schedule 2 employer at this time. In order to do so, additional contributions to the WSIB reserve is recommended to mitigate the financial risk of future large workplace accident claims.

Reviewed and Approved by,

A handwritten signature in black ink, appearing to read "C. Mills", with a long horizontal stroke extending to the right.

Chris Mills, Acting Chief Administrative Officer