

## Rate Reform & CAD-7: What it means for your trade & your company!

The WSIB continues the march towards January 1, 2019 and the launch of the new experience rating program. This is the most significant change to the way employers will pay their premiums into the Board since CAD-7 was launched more than 30 years ago. Every company will have an individualized premium rate set by their prior six years experience, instead of having their net premiums adjusted through the annual rebate/surcharge calculation.

At the present time there are 12 rate groups for construction trades and these rate groups are very specific to the individual trades. In the new model there will be five rate groups and trades will be grouped together as they best fit into the new program.

G1 – Building Construction – Home Building & General Construction

**Lowest Premium Rate:** \$2.40/\$100 of payroll

**Base Rate:** \$4.92

**Highest Rate:** \$15.13

The base rate does not really matter. What matters is your pricing relative to the base rate (below or above that rate)!

G2 – Infrastructure Construction – Road Building & Heavy Civil Construction:

**Lowest Premium Rate:** \$3.82/\$100 of payroll

**Base Rate:** \$5.44

**Highest Rate:** \$16.71

G31 – Foundation, Structures & Building Exterior Contractors – Roofing, (most) Millwrights, Masonry, Form Work, Demolition & (most) Outside Finishing:

**Lowest Premium Rate:** \$7.05/\$100 of payroll

**Base Rate:** \$9.11

**Highest Rate:** \$27.97

G32 – Building Equipment Contractors – Electrical, Mechanical, & (some) Millwrights

**Lowest Premium Rate:** \$2.39/\$100 of payroll

**Base Rate:** \$3.42

**Highest Rate:** \$10.49

G33 – Specialty Trade Contractors – (some) Road Builders, Drywall, Painting, & (some) Outside Finishing

**Lowest Premium Rate:** \$3.28/\$100 of payroll

**Base Rate:** \$5.20

**Highest Rate:** \$15.97

**Ask SE-GA to demonstrate what your new rate group will likely be and how these changes will affect your company.**

NOTE: These are the rates projected by the WSIB for 2019 premium rates and are published on the WSIB's website. These rates are subject to change and will not be confirmed until 2018.

Under the current CAD-7 system the program works as follows:

- All employers within a rate group pay the same premium rate
- Companies contribute premiums to each rate group in which they have business activity
- Both the cost of claims and the number of CAD-7 Frequencies (claims with a minimum of 8 days of lost time) are charged against their CAD-7
- The system is adjusted through annual rebates for companies who perform better than the industry averages and surcharges for companies who exceed the industry averages on an annual basis.
- Claim Costs are charged to the year of the PAY-OUT for up to 5 calendar years of the accident date
- Frequencies are charged against your company for two consecutive years

The new Rate Reform experience rating program will work as follows:

- Each rate group will have a range of premiums with wide disparity between the lowest possible and the high possible price point
- Companies will only contribute premiums to one rate group – **for companies with multiple rate groups all premiums will be contributed to their primary business activity**
- Each employer's premium contribution rate will be determined by their prior 6 years claim costs
- Competitors will not necessarily pay the same premium rate

- The Frequency component is removed from the calculations
- Claim Costs will be charged to the year of the accident but that year can impact the calculation of your premium rate for up to 6 years
- Once the program is launched a company can only move up or down 3 price points a year
- This model will allow a company to better budget their WSIB expenses

As with any change of this magnitude there are advantages and disadvantages and changes will impact companies differently.

## Operating Costs vs. The Cost of Doing business:

Most Companies viewed their CAD-7 results as the cost of doing business. While preventing accidents and providing modified work would impact the CAD-7 results most companies viewed the CAD-7 as an unpredictable outcome.

With the new model, companies will know their WSIB expense at the start of the year as it is only driven by your payroll and premium rate. There will be no year-end adjustment.

Until now, many Ontario employers viewed CAD-7 as the cost of doing business.

With Rate Reform WSIB premiums will be directly tied to Labour cost/Dollar cost per hour!

This presents a different problem for construction companies. The majority of construction work is awarded by tender, and most tendered work starts a year or two after the tender is awarded.

Companies will need to know their WSIB premium rate in 2021 for example, for when they are actually doing the bidding on this work, 2 years earlier in 2019. This is especially true for multi-year projects where your WSIB premium rate will very likely change over the life of the project.

## It's all about where you start

All companies will enter the new program at the “right price” based upon their prior 6 years of accident costs. Every year the oldest year will leave the calculation and the most recent year will be added (starting with 2012 – 2017, then 2013 – 2018, and so on).

Companies can only move up or down, 3 price points a year.

Even for companies that will enter the system with a price point below the premiums' base rate, entering the system with the lowest possible premium rate is always the best

strategy.

It is recommended that all Ontario companies review all claim costs from 2012 – 2016 (and all new 2017 claims) to see what costs can be eliminated from those years.

Claim costs will be charged to the year of the accident and will affect your company for six years, with the greatest weight on the most recent years

2012	2013	2014	2015	2016	2017
	2013	2014	2015	2016	2017
		2014	2015	2016	2017
			2015	2016	2017
				2016	2017
					2017
1/21	2/21	3/21	4/21	5/21	6/21

## Pre-Qualifications

It is not unusual for the buyers of construction to request a copy of potential bidders CAD-7 reports in order to pre-qualify to bid on an upcoming project. A CAD-7 that does not meet an arbitrary standard (like a .400 Performance Index) may disallow a company from bidding on a project.

This has always been an unfair practice as the Performance Index can falsely represent a company's recent safety record. A 5 year old claim, and being accident free since that accident, could push the Performance Index below that arbitrary number.

Unfortunately the new program does not remove this inequity. While recent years carry much greater weight in the calculation a poor performance from 5 or 6 years ago can skew your price point upward. It is recommended companies gain as great as possible understanding of this new model so they can add an addendum to their WSIB related submissions to the WSIB premium rate documents.

## Changing the Competitive Landscape

The new program, as it directly impacts operating costs, will provide Competitive Advantages to companies with lower premium costs. We recently met with a contractor that has traditionally been a very low WSIB claim cost employer. They estimate their cost of labour will fall by \$2.00/hour in 2019 compared to their 2017 rate. This allows them to have a very sharp pencil for upcoming tenders and will increase their profitability on time & labour contracts.

The argument for safety/prevention as a profit centre has always been a part of the construction industry. With the new rate reform model this argument moves from anecdotal evidence to hard, measurable numbers.



## Your Company will get a CAD-7 statement in 2017, 18 & 19

While most companies will be celebrating the end of the CAD-7 program, remember that the program will continue until December 31, 2018 and your performance in 2017 and 2018 will result in rebates or surcharges for your year-end adjustment.

It is very important that companies continue their current best practices for prevention and return to work as the cost of a claim continues to rise.

Readers of our past CAD-7 newsletters may remember “The 6 Keys to CAD-7” where we calculated the cost a CAD-7 frequency (8 or more days of lost time) as \$16,000/year. With each year counting twice the cost of a Frequency is \$32,000.

However that calculation has changed with the 2016 CAD-7 reports. **The cost of a frequency is now more than \$25,000/year with a two year total cost in excess of \$50,000!**

The key to avoiding costly CAD-7 frequencies has not changed:

- Prevention – Safety Program
- Preparation – Return to Work Program. Inventory of Modified Work
- Communication – Obligation to Report, Obligation to Participate
- Managing your workforce – Your Supervisors need to understand the importance of managing workers involved in modified work

## Educate your Management Team

This company wanted to better understand their financial risks and to ensure all managers had the same level of understanding of the challenges and opportunities of WSIB as they see WSIB exposure as a direct link to profitability not just to the corporation but also on a per job basis.

## What can my company do to prepare for the new program?

It is our recommendation that every Ontario employer do two things:

- Review your Best Practices for Prevention and Return to Work Initiatives
  - Study your prior claims
  - Look for gaps in reporting or administering claims that led to costly delays
  - Be prepared to accommodate every restriction
- Seek Cost Relief on every costly claim from 2012 – 2017
  - The removal of costs from your prior claims may be your best avenue to lowering your entry point into the new model
  - Cost Relief will not only save your company money it will move it years forward as well
  - This may also include opportunities to Transfer Costs from a prior claim to a client. While this would have been unheard of in the CAD-7 program, it may be a crucial tool in the new model as the cost of “keeping” a claim, while keeping that client happy, could prevent you from gaining/keeping other clients

**We strongly recommend every Ontario review their claim cost history for 2012 – 2017 and seek COST RELIEF wherever possible.**

**The benefits will be twofold, not only will it improve your CAD-7 performance, it will place your company into the best position possible for Rate Reform.**

**If SE-GA could reduce your claim cost enough to reduce your premium entrance point by 6 basis points not only will this reduce your premium contributions it will move your company forward 2 years!**

Ask SE-GA how an in-house CAD-7 session will benefit your company.  
[info@segaconsulting.com](mailto:info@segaconsulting.com)



**SE-GA**  
Workplace Consulting P.C.  
[www.segaconsulting.com](http://www.segaconsulting.com)

3-1750 The Queensway  
Suite # 1287  
Toronto, ON M9C 5H5

T: 416-463-SEGA (7342)  
F: 647-349-8927  
[info@segaconsulting.com](mailto:info@segaconsulting.com)