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Mr. Tom Teahen
President and CEO
Workplace Safety Insurance Board
200 Front St W
Toronto, ON M5V 3J1

Subject: Updated WSIB Rate Framework – CVMA Comments

Dear Mr. Teahen:

The Canadian Vehicle Manufacturers' Association (CVMA) representing FCA Canada Inc., Ford Motor Company of Canada, Limited, and General Motors of Canada Company, appreciates the opportunity to comment on the updates and revisions to the Rate Framework, December 2015. CVMA has been actively engaged with the WSIB on funding and rate setting issues and has participated in the Funding Review conducted by Professor Harry Arthurs (2013); the Rate Framework Consultation led by Doug Stanley (2014); and more recently the Rate Framework Modernization (2015). We appreciate the WSIB's ongoing commitment to consulting with employers and other stakeholders as it moves towards modernizing its rate framework.

By way of background, CVMA members operate a number of workplaces of different sizes with a wide variety of activities, including administrative offices, research and test facilities, parts distribution centres, component manufacturing and vehicle assembly facilities. Under the proposed updated framework, our members would fall under Class F1 with regard to employer classification and given the size of our member companies, they would be highly predictable relying almost entirely on their own experience and costs. The comments we provide are intended to support the overall objective of designing and implementing a rate framework that is clear, consistent, transparent, understandable, robust and ensures that there is a viable, cost competitive and sustainable workers' compensation system in Ontario.

CVMA appreciates the WSIB's approach of consulting openly with stakeholders on the updates and revisions to the proposed rate framework and we support the WSIB's transparent and iterative approach. We are of the view that the framework should provide transparency which is needed to allow organizations to understand their costs and premium rates. Our specific comments on the eight areas outlined in the December 2015 presentation as well as other related matters are as follows:

<u>Proposed Classification Structure</u>
We continue to support the North American Industry Classification System (NAICS) as the basis for employer classification. We recognize that the WSIB is proposing to revise the actuarial predictability threshold and have no concerns with the proposed approach at this time.

With regard to the new predictability risk threshold and expansion to 34 classes, it is important when identifying further division of classes that consideration is given to ensure that the overall class remains predictable through economic shifts that may affect sectors that are sensitive to significant cyclical downturn (e.g. the auto sector) or businesses who have supplier and customer relationships. For example, Transportation is a customer of the Metal industry (both are in proposed Class F1). When one industry (Transportation) experiences a downturn, the supplier (Metal) will also be impacted. During a downturn, the total employment in the industry falls and many jobs are lost throughout the supply chain and may never return. To ensure that unexpected economic situations that may occur do not unfairly and adversely impact the sufficiency and sustainability of particular Class, we suggest that the WSIB's funding and rate setting policies include consideration of how associated and unexpected costs, such as legacy costs where several facilities within the same Class close, could be addressed.

CVMA supports the recommendation to include risk disparity analysis as part of the regular, ongoing monitoring of the Rate Framework. It is appropriate to undertake regular reviews of the Classes and to make adjustments as necessary. This information should be shared with stakeholders.

Employers with Multiple Business Activities

We recognize that the WSIB is continuing to explore exceptions, to be defined in policy to the general rule of classifying all employers in a single class according to their predominant class. There are legitimate situations in which it may be appropriate for an employer to be classified in more than one Class and support a notification process to employers to implement a classification change effective the next calendar year.

With regard to the WSIB's assessment of the policy framework related to Associated Employers that undertake dependent business activities, we remain of the strong view that Temporary Employment Agencies must retain the responsibility for assessment and payment of their own payroll and premiums.

Graduated Claim Limit

It is positive that the WSIB has considered the feedback on the graduated claim limit and we are supportive of expanding the graduated claim limit to seven levels. CVMA members would remain 100% predictable.

Second Injury Enhancement Fund

We recognize that the WSIB has heard many perspectives on Second Injury Enhancement Fund (SIEF) and that the recommendation at this time is that SIEF be maintained as an interim measure pending a review of the details of the program and policy parameters as well as potential cost relief program alternatives. CVMA remains of the view that SIEF should be discontinued and the focus should be on proper allocation of Pre-exiting Condition and Aggravation Basis policies. In the transition, we also suggest including the SIEF policy in the WSIB's policy review schedule, similar to the approach for the Aggravation Basis Policy and the Pre-existing Conditions Policy.

These policies should be reviewed to ensure that the possibility of a pre-existing condition is evaluated prior to allowing a claim. Adjudication must be such that a claim is not accepted until the employer is asked for knowledge of any pre-existing conditions and able to provide supporting evidence. Adjudicators must actively seek information about the medical history of the worker from the employer, the worker and health practitioners at the start of a claim to establish if a pre-existing condition exists. Once a claim is allowed, even if a pre-existing condition is established later in the claim and employers can recover some costs through SIEF, the costs have already been allocated and will impact either the Class or Schedule 1 costs which are borne by all employers and the WSIB.

With regard to examining the appropriate cost allocation of relief, the costs should be allocated at the Schedule 1 level instead of at the Industry Class level.

Fatal Claims
The suggested approach for determining a cost for fatal claims appears reasonable. Clarification is needed on whether the fatal claims policy includes all fatal claims, such as occupational disease and those that occur after retirement, or if the policy would cover only traumatic claims.

Experience Rating Window
We are encouraged that the WSIB has reviewed the input received on the experience rating window and that the proposed approach is to weigh claims costs from more recent years more heavily which is appropriate. This allows rates to be more reflective of the company's current performance which will lead to a more responsive system where organizations can quickly ascertain the results of their health and safety and return to work efforts.

Surcharging Mechanism
While further discussion is needed on the development of a surcharging mechanism within the Rate Framework, CVMA continues to support the concept of applying a surcharge if an employer's experience is poor, except in the case of catastrophic claims. The threshold for determining when a surcharge should be applied requires discussion. One approach could be to consider if the employer's risk profile in Step G of the rate setting framework is consistently higher than the class risk profile, for example, 200 to 300% over three years. CVMA wishes to participate with the WSIB in the development of any specific surcharge mechanism.

Additional Stakeholder Feedback
With regard to the other feedback received, CVMA supports the WSIB's position that the Rate Framework will not be updated in response to the suggestion to explore linking the current three risk band limitation that limits year over year rate changes to provide greater rate stability to the steps in the predictability scale.

We also support the suggestion of setting up an internal mechanism to study and assess issues or required updates. Ongoing monitoring and reporting, including continuous risk disparity analysis, is important. Furthermore, we suggest that stakeholder input and discussions should be part of each review and should include a mechanism for stakeholders to raise any concerns. The model used for the Rate Framework Modernization is a good approach to utilize in this regard.

In addition, we support the WSIB developing tools for improved support as well as data and information sharing such as that of Worksafe BC as it would be beneficial to employers in identifying opportunities to further improve their performance. We suggest that the tool should be able to identify specific locations or accounts within an organization so that organizations could identify particular target areas, activities, and Health and Safety activities that are most relevant for each facility or location. CVMA wishes to be engaged with the WSIB on the development of these materials. It is important, however, that efforts should be focused primarily on moving forward with the implementation of the framework and then secondly on the tools.

Other CVMA Related Matters
We are unclear how long latency occupational disease (LLOD) will be addressed under the updated rate framework. CVMA supports LLOD being a collective cost at the Schedule 1 level as it may be difficult to identify the workplace where the exposure took place. WSIB should outline its current thinking on LLOD.

Further clarity on how catastrophic new claim costs will be addressed under the updated rate framework is also needed. CVMA is of the view that catastrophic claim costs should be spread over time as costs, such as survivor benefits, may continue. We support the approach of reducing the premium rate increase and adding the remainder as an amount for future premium rate consideration. With regard to defining catastrophic situations, the merits and justice of each case must be considered, and pooling of costs should be considered if the catastrophe involved more than one employer. Furthermore, costs for historic cases should be shared at the Schedule 1 level, but going forward, costs should be assigned to the specific Class, except for LLOD where appropriate.

We understand that the WSIB is planning to have the modernized rate framework in place in 2019. We strongly encourage the WSIB to run parallel systems (proposed vs actual) one year prior to implementation for the major rate groups. This "test run" would assist employers in understanding and plan for the updated rate framework. Furthermore, appropriate lead times need to be provided so that employers can update their internal processes, systems and supporting software programs to be ready to report under the new framework. Also, it would be beneficial for the WSIB to have materials and documents distributed to employers to assist with the transition to the new rate setting system.

We trust that the comments provided will be considered and CVMA wishes to continue working with the WSIB as it moves forward with the implementation of the rate framework. Should you have any questions regarding the comments provided, please do not hesitate to call me at 416-364-9333.

Yours sincerely,

Yasmin Tarmohamed.

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WSIB Rate Framework