

Workplace Safety and Insurance Board
200 Front Street West
Toronto, Ontario
M5V 3J1

Reference: Rate Framework
Attention: J.S. Bidal

Dear Mr. Bidal:

Thank you for the opportunity to respond again to the WSIB's proposal for Rate Framework. Thank you for providing an extension to our response period.

We appreciate and are supportive of the improvements you have made to the model that include maintaining the SIEF application, and front end load costs so they better reflect benefit payouts. We are concerned that the model has not responded to other opportunities to make it more responsive to the needs of employers and support the WSIB's strategic goals.

Responsiveness of the System

As you know, OGCA and our members have been focused for many years on improving safety performance in our industry for the benefit of our workers, and to influence lower WSIB costs. We were original members of the Safety Group Program and are now actively working to establish the COR™ program with Ontario contractors. In the last month, we have announced the launch the League of Champions to promote the growth of a safety culture in the construction industry. This is a response to the ICI industry's direction to continuously improve industry safety performance. It sets us apart from other segments of the industry that view WSIB simply as a business cost.

We have also been supporters of the WSIB's experience rating programs that have been in place for the last thirty years. We feel that they have had a significant influence on the long term reduction in the injury rate that Ontario has enjoyed. This incentive must continue while striking a balance between providing insurance protection and recognizing effective prevention and return to work performance.

The Rate Restructuring proposal as presented is flawed, in that it provides a reduced incentive for performance, particularly for medium and small employers. As a result, long term performance gains will be lost at the cost of further injuries and higher WSIB costs. Construction is dominated by smaller firms which have largely responded well, but the reduction of financial incentives sends a message that safety performance has been devalued.

The WSIB has an opportunity to take a leadership role in health and safety. As the workplace insurer, you have a unique opportunity to create incentives for employers to invest in effective health and safety. The new proposed structure could recognize excellence in health and safety by rewarding companies which have achieved accreditation through COR™ or other standards of accreditation, which is done in other provinces, but this proposal has been rejected during the consultations.

...2/

Separate Residential and Building Rates

The performance data provided by the WSIB supports our concern that the ICI and Residential sectors are too dissimilar in business activity and performance to be placed in the same rate group.

The WSIB's "Discussion on the Published Rates vs Target Rates" document has determined that there is a 59% variance between residential and ICI contractors., up significantly from 41% in 2014. It set the 2016 Target Rates for 723 at \$4.42, and 764 at \$6.99. The 2014 target rates had a \$1.91 difference . The 2016 targets show that the gap has grown to \$2.57. OGCA believes that the growing safety culture in the ICI sector will result in substantial reductions in injury and illness to our workforce, and result in lower target rates if a ICI rate group continues to exist.

The Rate Framework must be able to respond to performance and allocate costs such as the unfunded liability based on experience. The proposed G1 group contains two very different segments of the industry with different performance and a growing differential. Clearly G1 should be split to allow appropriate pricing.

ICI general contractors focus on managing projects and contracting out most of the risk to subcontractors. This, and a growing safety culture in ICI construction, provides a significant performance advantage over residential low-rise building. We are now leveraging the COR™ certification program with major buyers of ICI construction to again improve the industry's safety performance.

The Rate Framework Modernization reports have projected allocation of employers risk bands in G1 Building Construction. It projects that 97.43% of 764's members (residential) will be banded at a higher than the average rate, and 85.69% of 723's members (ICI) will be banded at a lower than the average rate. Rate Framework has proposed to create a new rate of two groups with very different performance profiles.

The WSIB's data reports that both residential and ICI sectors each have more than two billion reported man-hours, meaning they are actuarially significant enough to stand on their own. There is no actuarial reason not to maintain separate rates.

OGCA is very concerned that the apparent flaws in this proposal will have negative implications for many general contractors. The model is very restrictive in recognizing and adjusting health and safety performance of medium and smaller employers. As members of the proposed G1 rate, they will be in a higher cost group and will have restrictive ability to move to a band that reflects their performance. As a result of the Rate Framework Model, they will endure higher WSIB assessments.

Conclusion

We have initiated a study of general contractor-specific impact of the proposal. At this time, we do not have conclusive information to make an impact projection. We encourage the WSIB to make that information available as soon as possible so that comprehensive impact information can be made that includes the net premium rate. Only by generating this information will we understand the real impacts and be able to address them.

We are concerned that the Executive Officer Rate Group, currently 755, will be eliminated under the Rate framework proposal. The establishment of a rate that reflects the risk was an important component of establishing coverage for all in the construction industry and this principle must be carried forward. Many who resisted mandatory coverage were convinced to register, in part by the opportunity to pay a rate reflective of the low risk. The elimination of this commitment will break the revenue neutrality promise made in Rate Framework.

Thank you for considering our comments. We look forward to discussing this matter with you.

Sincerely,

ONTARIO GENERAL CONTRACTORS ASSOCIATION

A handwritten signature in black ink, appearing to read "David Frame", written in a cursive style.

David Frame
Director Government Relations

CC: OH&S Committee
CEC