OTA Submission

Ontario Trucking Association

Submission to the Workplace Safety & Insurance Board (WSIB)

Rate Framework Modernization Consultation
March 31, 2016

Ontario Trucking Association
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The Ontario Trucking Association (OTA)

The Ontario Trucking Association (OTA) was founded in 1926 and is the responsible voice of trucking in Ontario. Reflecting the size and importance of the Ontario marketplace, OTA is one of the largest trucking associations in North America and is considered by government and the media to be one of the most effective and dedicated trade associations in the province. Our members include everyone from the smallest family-owned company to the largest publically traded conglomerates, who together are responsible for moving the lion's share of the goods Ontario businesses and consumers rely upon. OTA is the only trucking association in the province to represent all segments of the industry including for-hire, private and intermodal carriers along with couriers and suppliers.

OTA has also been at the forefront of innovative WSI policy reform for more than 30 years. In 1985, OTA was one of the first trade associations to recognize the important prevention and reemployment potential of experience rating. OTA worked with the Board to voluntarily bring the trucking industry under the NEER plan commencing in 1986, and thereafter led the way towards significant NEER design enhancements.

Today, the majority of OTA's members report to the WSIB under the General Trucking Rate Group (RG) 570, which has a current premium rate of $6.72. In addition, many members also report under other RGs, including Warehousing (RG 560 – 2015 premium rate $4.43) and Ground Freight Forwarding (RG 958 – 2015 premium rate $0.38). With annual insurable earnings in excess of $4.3 billion, RG 570 makes up more than 50% of the entire Class E - Transportation payroll and contributes $294 million annually in premiums. This makes RG 570 one of the largest rate groups in the entire workplace safety and insurance (WSI) system. Furthermore, while contributing premiums at one of the highest rates, General Trucking's (RG 570) lost-time injury rate has declined by 30% since 2008, reflecting our industry's commitment to continuous safety improvement.

Proposed Rate-Framework

In OTA's submission to the WSIB in 2013, following the release of Douglas Stanley's discussion paper, one of the central themes communicated was that the current employer classification system and rate setting process were not in need of drastic overhaul. Instead, OTA suggested a number of measures that could be undertaken by the WSIB, which do not require or warrant major overhaul, yet nonetheless address weaknesses within the current rate-setting framework. By implementing these procedural changes and improving WSIB administration of current policies, OTA maintained that significant improvements could still be made to employer classification, rate setting, and experience rating without fundamental change to the system. OTA still believes that all of the points made in its 2013 submission remain relevant today. And while OTA does recognize that some of the underlying concepts enshrined in the proposed rate framework (RF) share consistencies with past OTA positions, overall OTA and its members still have significant concerns with the proposed rate framework.

In OTA's October 2, 2015 submission as part of the RFR consultations, OTA concluded that at that time it could neither fully support nor fully opposed the WSIB's plan. One of the chief reasons for this was OTA believed that there remained substantial gaps in the understanding of the full effect the proposed changes might have on industry, rates and the system more generally. We believe this gap still exists. OTA would like to see additional analysis take place, especially at the company level, to help OTA and the Ontario trucking industry better understand the impact of the proposed rate framework. We suggest that at the earliest opportunity that the Board begin to routinely provide company specific RFR "shadow rates" so that our members can not only trace the impacts of their performance, but also see with precise clarity the variance between net premium rates under the current classification regime and RFR classification.

The trucking industry's classification within the proposed RFR has also changed as the process has unfolded leading to confusion in the industry. In 2014, RG 570, based on a $10 billion unfunded liability (UFL) had a target rate set at $6.00. At that time the actual rate for 2014 was $6.72. The net of experience rating adjustments (NEER) was $6.58. With zero UFL the target was set at $3.66. From this data, presented in mid-2015 during this RFR consultation process, OTA reasonably conclude that premium rates were overstated, or in other words, trucking performance was better than was reflected in the rate. During the initial stages of the RFR consultation, RG 570 (Trucking) was to be linked to a new single transportation class under RFR, known as Class K. Class K had a projected average rate (based on 2014 data) of $4.64. OTA then secured data from the Board showing the breakout for risk bands 4 to 20. This showed the vast majority of RG 570 participants would see rates between $5.64 and $6.53, only slightly preferable over the 2014 net rate of $6.58 under the current rating grid.

However, WSIB then altered trucking's classification in the RFR and proposed the splitting of the newly formed class K in two distinct classes – K1 and K2 – publishing an updated RFR presentation in January 2016. In class K1, (the newly proposed class for trucking) the projected average premium rate is set at $8.44, with 78.4% of current RG 570 members seeing a premium rate of around $8.02. This change represents a radical shift from what was originally proposed by the WSIB and what had been communicated to the industry by the WSIB and OTA under 'Phase 1' of the consultation.

Along these lines, we are reminded of the consultation facilitated by the Board that dealt with the introduction of the NEER plan to the trucking sector. At the time, OTA helped lead the way on the introduction of NEER and at OTA's Annual Convention in 1985, to engage with our members, the Board replicated at the firm level the effect of the NEER plan on individual companies. Every company present was able to see the impacts of the proposed plan. Until this level of transparency and understanding is achieved, OTA and its member companies will continue to find it difficult to embrace what the WSIB is proposing.

Conclusion

OTA recognizes that there is merit to the idea of a more performance-based system. However, at this point OTA urges the WSIB to focus on job number 1 – eliminating the unfunded liability. It is required by legislation that the WSIB meet prescribed sufficiency ratios by certain dates. The first target is 60 per cent on or before December 31, 2017, followed by 80 per cent on or before December 31, 2022, and finally 100 per cent on or before December 31, 2027. Towards these ends, the WSIB has made considerable progress in addressing its UFL, so much so, when reviewing WSIB Sufficiency Plan updates, it is evident that the Board is well ahead of schedule. At this point, it is reasonable to conservatively project that the retirement of the UFL could be achieved by 2020 if not earlier. Furthermore, should the implementation of proposed RF produce unanticipated or unexpected costs – especially before the UFL has been eliminated – this could cost the WSIB the unprecedented level of support and good faith it has received from Ontario businesses over recent years. With the retirement of the UFL, the WSIB is in a much better position to address the kind of deep structural changes proposed under the RFR. OTA respectfully appeals to the Board to continue focusing on Job number 1 – the financial integrity of the system and the retirement of the UFL. Once the system has reached and maintained 100% funding, attention and resources can more easily be focused towards other objectives.

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