

**Operational  
Policy**

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Section  
Experience Rating

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Subject  
**Construction Industry Plan (CAD 7)**

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## Law

### s.83(1)

The Board may establish experience and merit rating programs to encourage employers to reduce injuries and occupational diseases and to encourage workers' return to work.

### s.83(2)

The Board may establish the method for determining the frequency of work injuries and accident costs of an employer.

### s.83(3)

The Board shall increase or decrease the amount of an employer's premiums based upon the frequency of work injuries or the accident costs or both.

## Policy

The WSIB administers an experience rating plan, identified as "CAD-7", for the construction industry. CAD-7 is an acronym for Council Amendment to Draft #7. The plan, prepared in consultation with the construction industry, is designed to encourage and improve safety in the workplace and also to more closely relate employer premiums to accident experience.

## Guidelines

### General

CAD-7 is one of the WSIB's three experience rating plans. The others are

- NEER, which applies to employers with operations in non construction rate groups paying more than \$25,000 in average annual premium (see 13-02-02) and
- The Merit-Adjusted Premium Program (MAP) which applies to firms that pay from \$1,000 to \$25,000 in average annual premiums (see 13-02-04).

Employers paying less than \$1000 in average annual premium are not experience rated.

### Rate groups covered

The CAD-7 experience rating plan covers all of the rate groups in Class G: Construction.

To qualify for CAD-7, employers registered in Class G must have average annual premiums that exceed \$25,000.

Beginning January 1, 2000, employers in Class G: Construction, with average annual premiums between \$1,000 and \$25,000, are enrolled in the Merit-Adjusted Premium Program (MAP). See 13-02-04, Merit-Adjusted Premium Program.

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**Single account organizations**

For an employer classified under more than one construction rate group CAD-7 calculates the rating factor, the expected costs and the expected frequency (see below) on an aggregate basis. In so doing, CAD-7 combines relevant data from all construction rate groups in which the employer is currently registered, as well as all relevant data from any other construction rate groups in which the employer was registered in the past. The same rating factor, expected costs and expected frequency are applied to each rate group.

A single CAD-7 refund or surcharge is issued on the account.

**Multi account organization**

Prior to 1996, for an employer with multiple accounts, CAD-7 aggregates the relevant data as above on an account by account basis. This yields a different rating factor, expected costs and expected frequency for each account.

Effective with the 1996 accident year, CAD-7 uses the identical rating factor for each account. The rating factor is calculated based on the combined total insurable payroll from all accounts.

A separate CAD-7 refund or surcharge is issued on each account.

**Eligibility criteria**

Employers in Class G must meet all of the following conditions to qualify for a CAD-7 adjustment

- one or more of the rate groups in Class G was open in the employer's account prior to February 1 of the preceding year
- one or more of the rate groups in Class G was still open in the employer's account as of December 30 of the preceding year, and
- there was insurable payroll in at least one of the rate groups in Class G during the preceding year.

**Features of the plan**

In calculating an experience rating premium adjustment (rebate or surcharge), the WSIB excludes costs from claims more than five years old. In certain circumstances this five year period may be extended. See 13-02-05, Adjustments to CAD-7 refunds and surcharges.

The plan uses a rating factor to determine the extent to which an individual employer is held responsible for its own costs. The rating factor is based on person-hours derived from the employer's total insurable earnings in the last two years. The factor ranges from .15, for employers with up to 21,000 derived person-hours in the last two years, to 1.0 for employers with at least 100,000 derived person-hours in the last two years. If the calculated factor is

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above the maximum it is reduced to its maximum and if it is below the minimum it is increased to the minimum.

**NOTE**

The calculated rating factor for the 2005 Issue of refunds and surcharges was increased to 125%. The calculated rating factor for the 2006 Issue of refunds and surcharges will be increased to 150%. For the 2007 and subsequent Issues it will be increased to 200% and the rating factor will therefore range from .30 to 2.0.

The plan limits the amounts for costs and frequency which can be used on both the two-year total cost and two-year total frequency indexes.

Two years are used in combining costs and frequency.

**How rebates and surcharges are calculated**

Since the calculation is complex and detailed, the WSIB issues experience rating premium adjustments with the assistance of a computer program which also produces a calculation statement. A detailed calculation guide is available from the Prevention Division upon request.

The formula for determining the amount of a rebate or a surcharge under CAD-7 involves calculating a

- rating factor
- average expected accident costs
- employer cost index
- employer frequency index, and
- employer performance index.

**Average expected accident costs**

This is a percentage of the average premiums paid (in all rate groups in Class G) by the employer over the rating period.

**Employer cost index**

This is a measure of the actual accident costs for an employer over the two years under consideration, relative to what the WSIB expects those costs to be, based on the employer's premiums.

The Cost Index takes into account any approved cost relief made on a claim. See 14-05-03, Second Injury and Enhancement Fund (SIEF); 14-05-01, Transfer of Costs; 14-05-02, Removal of Costs; 15-01-06, Third Party Motor Vehicle Accident Claim Costs.

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Effective with the 2007 Issue of refunds and surcharges, the Cost Index may range from 1.00 (the best) to -4.00 (the worst).

**Excluded claims**

CAD-7 automatically excludes from its calculations claims arising from the following long-latency conditions and diseases

- Acquired Immune Deficiency Syndrome (AIDS)
- carcinoma
- chest diseases due to aluminum and cadmium exposure
- chronic noise exposure
- chronic obstructive lung disease
- pneumoconiosis due to asbestos, silica, talc, hard metal (cobalt), and other mineral dust
- scleroderma.

**Employer frequency index**

This compares the employer's actual injury frequency versus the forecasted average rate frequency over a two-year period. The frequency index is determined by comparing the actual number of lost-time injuries and the expected injuries within a two-year period. As with the Employer Cost Index, a limit is placed on the Employer Frequency Index. Effective with the 2007 Issue of refunds and surcharges, the Frequency Index may range from 1.00 (the best) to -4.00 (the worst).

**NOTE**

Beginning with the 2005 Issue of refunds and surcharges, claims with an accident date of 2004 or later that have accumulated less than eight continuous or non-continuous days of Loss of Earnings (LOE) benefits paid, or Non Economic Loss (NEL) only claims, are not included in the calculation of the Frequency Index.

**Performance index**

This is a weighted average of the employer's cost index and frequency index. Effective with the 2007 Issue of refunds and surcharges the cost index and frequency index are weighted at two thirds and one third respectively. If it is on the positive side the employer will receive a rebate. A negative performance index indicates that the employer will receive a surcharge.

**Issuance of CAD-7 statements**

The Prevention Division usually issues CAD-7 premium adjustments in October. Regardless of when an experience rating adjustment is issued, employers are required to pay surcharges not later than the last day of the month following the month the surcharge was issued. Rebate cheques are issued separately from the CAD-7 adjustment statements, provided the employer has met its reporting and payment obligations to the WSIB.

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**Moving from CAD-7 to MAP**

CAD-7 employers that become eligible for their first MAP adjustment receive their final issue of CAD-7 refunds and surcharges in the year preceding their first MAP adjustment. See 13-02-04, MAP. As a result, some of the CAD-7 costs will be closed out prematurely.

If the final CAD-7 issue is a refund and the first MAP premium rate adjustment calculation yields an increase, the increase is not applied. Similarly, if the final CAD-7 issue is a surcharge and the first MAP premium rate adjustment yields a decrease, the decrease is not applied. Instead, in both examples, the first MAP adjustment will be “no adjustment”.

**Application date**

This policy applies to all decisions made on or after January 1, 2007.

**Document History**

This document replaces 13-02-06 dated July 20, 2004 (updated for document number cross-references only).

**References****Legislative Authority**

*Workplace Safety and Insurance Act, 1997*, as amended  
Section 83(1), 83(2), 83(3)

**Minute**

Administrative  
#5, December 6, 2005, Page 417