

**Operational
Policy**

Section
Experience Rating

Subject
Construction Industry Plan (CAD 7)

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.

Effective January 1, 2020, the WSIB adopted a prospective method of setting employer premium rates called the rate framework. As a result, the experience rating plans are being phased out (see ‘CAD 7 wind-down’ and ‘Refund and surcharge adjustments during the transition to rate framework’ sections for more information).

Guidelines

General

CAD-7 is one of the WSIB’s two experience rating plans. The other is 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, NEER (New Experimental Experience Plan)).

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.

NOTE

As a result of the experience rating programs being phased out due to the implementation of the rate framework on January 1, 2020, new employers will no longer be enrolled in the experience rating programs as of December 31, 2019,

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.

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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.

NOTE

For the purposes of this section, and as a result of the experience rating programs being phased out as of January 1, 2020, "the preceding year" refers to the calendar years up to and ending on December 31, 2019.

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.

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 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.

CAD 7 wind-down

As a result of the phasing out of the experience rating programs, the final issue of rebates or surcharges for the CAD 7 program will occur in 2020.

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 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.

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

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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 rebated. A negative performance index indicates that the employer will receive a surcharge.

Refund and surcharge adjustments during the transition to rate framework

Any adjustments to refunds or surcharges requested by employers or identified by the WSIB on or after January 1, 2020 will be processed as outlined in policy 14-02-06, Employer Premium Adjustments.

If the potential adjustment impacts a period considered by the 2019 and/or 2020 CAD 7 bulk issues, the WSIB may adjust the relevant 2019 and/or 2020 CAD 7 bulk issue rebates or surcharges. If the potential adjustment impacts a period considered prior to the 2019 CAD 7 bulk issues, the WSIB will **not** adjust earlier CAD 7 bulk issue rebates or surcharges.

If the adjustment is first requested by the employer or identified by the WSIB after December 31, 2021 and the adjustment impacts a period considered by the CAD 7 program, the relevant CAD 7 rebates or surcharges will **not** be adjusted.

Exception

The WSIB adjusts CAD 7 bulk issues as far back as required under the following circumstances. This is an exception to the adjustment limitations described above.

- a decision affecting claim frequency (including 100% SIEF relief, a change in accident date, a claim amalgamation or a decision on the eligibility of a claim for experience rating),
- an increase or decrease in benefits already paid (including reversal of entitlement and miscalculated benefit amounts),
- court judgements, or data revisions generated by a judgement,

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- retroactive adjustments recommended by the WSIB's Regulatory Services, or the Legal Branch, for an offence or a fraudulent act, or
- retroactive adjustments to provisionally calculated premiums levied when the WSIB does not receive the year-end reconciliation.

Application Date

This policy applies to all decisions made on or after January 1, 2020.

Document history

This document replaces 13-02-06, dated January 3, 2007.

This document was previously published as 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

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