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COCA Update on WorkSafeBC Activities #506 April 6, 2011

COCA Journal of Commerce Column on Experience Rating

The following column appeared in today's Journal of Commerce. It is also available online at: <http://www.joconl.com/article/id43767>

April 6, 2011

## **WorkSafeBC considers risky change for experience ratings**

WorkSafeBC's Experience Rating (ER) System varies the base assessment or insurance rate that the employer pays. The rate increases or decreases according to the employer's claims costs.

It is not the number of claims that is counted, but only the cost of all claims.

Currently, the construction industry has a maximum merit rate of 33.3 per cent and a maximum demerit rate of 33.3 per cent.

As of 2000, other B.C. industries had a maximum merit rate of 50 per cent and a maximum demerit rate of 100 per cent.

WorkSafeBC proposes to go to a 50/100 system for construction as well. The maximum discount would increase to 50 per cent, while the maximum surcharge would jump to 100 per cent.

This means that if you have costly claims – which may be beyond your control – your \$4 per \$100 assessment rate could double to \$8 per \$100!

WorkSafeBC is accepting submissions on this proposal until April 30.

The construction industry has prospered – and reduced the number of people being injured at work, under the 33/33 system.

The average assessment rate for the industry as a whole is at one of its lowest rates ever. The rate was at its lowest for 2008-2009.

The Council of Construction Associations (COCA) supports the continuation of the 33/33 Experience Rating System.

WorkSafeBC has proposed a similar change to 50/100 in the past – and each time, COCA has been successful in persuading WorkSafeBC to retain the less divergent 33/33 system.

We believe that the injury rate data and related information support our case.

In the construction industry, the injury rate from 1999 to 2009 has decreased by 31 per cent, even while the number of people working increased from 86,829 to 151,788.

These positive numbers are a measure of a significant achievement and commitment to occupational health and safety.

It is important to note that historically, when jobs increase, so does the injury rate. The construction industry, through hard work, has reversed this long-term trend.

The construction industry, however, is vulnerable to a large swing in surcharges and discounts.

Construction is unique because there are no fixed worksites, projects start and finish in various locations and workers are highly mobile and move from employer to employer.

Construction workers typically work for several employers during a year and it is difficult to track the worker and the injury.

In downturns, workers are more likely to work at short term jobs.

Soft tissue injuries may be carried from one employer to the next.

There is little that the employer can do to prevent hiring someone who was injured elsewhere and it is illegal to ask if a worker has a WorkSafeBC claim.

There are disadvantages of changing to 50/100 system and it can have a major impact on planning and bidding process.

Any large variation in ER will impact labour costs.

This could put some reputable contractors out of business.

The underground construction economy either doesn't report claims or shunts the injured worker off to a WorkSafeBC registered contractor.

It discourages reputable contractors and the large swing in ER will drive people to the underground economy where worker health and safety is not nearly as well protected.

ER does not measure safety, as a contractor with an excellent safety program can have lengthy claims with high costs.

Stability is important at this time.

The major downturn in the world and B.C. economy is having a growing impact on the industry.

Now is not the time to be making fundamental changes to the merit and demerit levels of an Experience Rating.

The only way to ensure that every employer pays exactly what they should is to have every employer pay the full costs for their claims.

Workers' compensation is group insurance, like any other form of insurance.

WorkSafeBC already uses this principle when it charges the costs of hearing tests and hearing loss claims to the industry, as a whole.

The nature of group insurance and of any limit, on the surcharge and the discount, is that some employers pay slightly higher or lower premiums than they would if self-insured.

The construction industry in B.C. is in the early stages of a fragile recovery from a global and Canadian recession. We strongly believe that now is not the time for change.

Grant McMillan is the president of the Council of Construction Associations (COCA), which represents the interests of 16 construction associations in B.C. on WorkSafeBC matters. Grant is also a member of the Journal of Commerce Editorial Advisory Board.