

## Prorating insurable earnings

In some circumstances, employers must allocate worker earnings across industries or across provinces to ensure the right premiums are being charged. If you have Alberta-based workers whose duties include:

- Working in more than one of your assigned industry classifications,
- administrative & management work that supports more than one industry or account, and/or
- temporarily traveling outside of Alberta.

You must prorate those workers' earnings between the applicable accounts, industries and/or provinces<sup>1</sup>. When such a worker's total gross earnings exceed WCB-Alberta's maximum insurable earnings, the excess earnings (the difference between the worker's gross earnings and the maximum insurable earnings) must also be prorated.

### Alberta maximum insurable earnings (MIE)

Year	Maximum insurable earnings
2010	\$77,000 (examples below use the 2010 maximum where required)
2011	\$82,800

### Prorating earnings between industries

If you have workers' compensation in two or more industries, you must keep separate insurable earnings records for workers in each industry and prorate earnings for workers that perform work in both industries. If a worker only works in one industry, then report the earnings in that industry only.

*Example: administrative wages of \$5,000*

	industry 1	industry 2
insurable earnings excluding admin.	\$10,000	\$15,000
prorated administration: ins.earn.excl.admin. X admin. wages /total ins.earn. (industry 1 + industry 2)	$\frac{\$10,000 \times \$5,000}{\$25,000} = \$2,000$	$\frac{\$15,000 \times \$5,000}{\$25,000} = \$3,000$
total earnings for industry	\$12,000	\$18,000

### Prorating earnings for truckers and airline staff

The insurable earnings of truckers and airline staff who only work in Alberta part of the time are reported on a percentage basis. This can be done by using a ratio of Alberta kilometers to total kilometers (block hours for airlines) to determine a reasonable estimate of the percentage of gross earnings related to work in Alberta.

<sup>1</sup> The exception to this is temporary travel into the province of Nova Scotia. In such a case, the Nova Scotia earnings are reported, in total, to WCB-Alberta (subject to Alberta's maximum insurable earnings, where applicable)

In trucking, you also have the option to report your workers' total insurable earnings to WCB-Alberta in the workers' "home province." This eliminates the need to prorate earnings between each province your workers travel in. For more information on this special arrangement, contact WCB-Alberta.

To calculate the insurable amount in Alberta:

1. If the driver supplies their own vehicle, calculate the labour portion of the contract by multiplying the total gross earnings by 25%. to obtain the Earnings. If the amount is greater than the Alberta maximum insurable earnings (see first table), proceed through steps 2 - 6. If not complete steps 2 and 3 only.
2. Divide the kilometers driven in Alberta by the total kilometers driven.
3. Multiply the Earnings amount from step 1 by the amount from step 2. This is the Alberta earnings.
4. Determine Excess earnings by subtracting the Earnings amount from step 1 from the Alberta Maximum insurable earnings.
5. To obtain the Alberta Prorated excess, divide the Alberta earnings from step 3 by the Earnings from step 1 and multiply the Excess earnings from step 4.
6. Subtract the Alberta earnings from step 3 from the Alberta Prorated excess from step 5. This is the Alberta insurable earnings.

*Example: 2010 gross earnings of \$350,000; operator provides own vehicle and drives 68,000 km in Alberta and 200,000 km total.*

Step 1	$\$350,000 \times 25\% = \$87,500$ (Earnings) if the amount is greater than the maximum proceed through steps 2 - 6.
Step 2	$\frac{68,000 \text{ km}}{200,000 \text{ km}} = .34$
Step 3	$\$87,500 \times .34 = \$29,750$ (Alberta earnings)
Step 4	$\$87,500 - \$77,000$ (maximum insurable earnings for 2010) = \$10,500 (Excess earnings)
Step 5	$\frac{\$29,750}{\$87,500} \times \$10,500 = \$3,570$ (Alberta prorated excess)
Step 6	$\$29,750 - \$3,570 = \$26,180$ (Alberta insurable earnings)

### Prorating excess earnings between provinces

If you have workers whose total annual earnings exceed WCB-Alberta's maximum (see first table) and part of those earnings are being reported to a WCB in another province (except Nova Scotia), the excess earnings must be prorated.

To calculate the prorated earnings of your worker:

1. Add your worker's total gross earnings from all jurisdictions to determine the combined earnings.
2. Subtract maximum insurable earnings from the combined earnings. This is the Alberta excess.
3. Divide the Alberta earnings by the combined earnings (the Alberta earnings also include earnings for Alberta based workers in Nova Scotia, United States, etc. - those that are not part of an Interjurisdictional Agreement which coordinates premiums among provinces).
4. Multiply the amount from step 3 by the Alberta excess. This is the prorated excess.
5. Subtract the prorated excess from the Alberta earnings to determine the Alberta insurable earnings.

Example: 2010 a worker earns \$70,000 for work in Alberta and \$12,000 for work in BC.

Step 1	Alberta earnings British Columbia Earnings Combined Earnings	\$70,000 \$12,000 + \$82,000
Step 2	Combined earnings less: Alberta maximum insurable earnings Alberta excess	\$82,000 \$77,000 - (maximum for 2010) \$ 5,000
Steps 3 and 4	$\frac{\$70,000 \text{ (Alberta earnings)}}{\$82,000 \text{ (combined earnings)}} \times \$5,000 \text{ (Alberta excess)} = \$4,268 \text{ (prorated excess)}$	
Step 5	Alberta earnings less: prorated excess Insurable earnings in Alberta	\$70,000 \$ 4,268 - \$ 65,732

The earnings of workers employed by more than one legal entity must be reported separately. The earnings under each legal entity are insurable to the WCB-Alberta maximum.