

**Alberta WCB
Policies &
Information**

Chapter:

PRICING

Subject:

CLASSIFICATION

Authorization:

BoD Resolution 98/03/13

Date:

March 24, 1998

APPLICATION 2: EMPLOYERS OPERATING IN MORE THAN ONE INDUSTRY

1. *Can more than one industry classification be assigned to an employer's business?*

Most employers' businesses are assigned only one industry classification. However, when a single classification does not adequately cover all the business activities being conducted, and the activities are not common or incidental to the employer's existing industry classification, the WCB may assign more than one industry classification provided all of the following conditions are met:

- the separate business activity does not support, and is not an extension of the employer's other business
- each business activity is capable of operating independently of the other(s) with separate and distinct sources of revenue
- each business activity has separate equipment, inventory and work locations
- the services of one business are not provided primarily for the benefit of the other business(es)
- with the exception of administrative staff, no workers are assigned to work in more than one business simultaneously, and
- the employer uses an accounting system that easily distinguishes earnings paid to each worker in each business. Percentages derived from revenues or sales are not acceptable.

If all of these conditions are not met, the WCB normally assigns the industry classification that provides the "best fit" (see Application 1, Q4). However, when all conditions are met but the employer refuses to separate insurable earnings for each business, the WCB may assign a single industry classification based on the business which would have the highest rate.

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2. *When more than one industry classification has been assigned, how are insurable earnings allocated for administration staff who perform work in more than one business?*

When the earnings for administrative, clerical and management support staff (administrative earnings) are not directly attributed in the accounts and records to a specific business, those earnings must be prorated between businesses. The proration is based on the earnings that can be directly attributed to all assigned industries (see Policy 06-03, Premiums).

For example, ABC Ltd. has a road building business and a welding business. The insurable earnings directly attributed to each are \$200,000 per year. ABC Ltd. has administration staff earning a total of \$50,000 per year. One half, or \$25,000 of administrative earnings is prorated to each industry classification.

3. *What happens when an employer operates in both a compulsory industry and an exempt industry?*

If the conditions set out in Q1 are met, the employer may apply for optional coverage in the exempt industry. The appropriate industry classification will be assigned according to the business being conducted. If the employer chooses not to purchase optional coverage, the workers dedicated to the exempt business will not be covered (see Policy 06-02, Optional Coverage). However, administrative staff who are interchangeable between businesses will be covered as workers of the compulsory business.

If the conditions set out in Q1 are not met for separate businesses, then the entire business will be considered compulsory and assigned a single industry classification (see Policies 06-01, Employers & Workers and 06-03, Premiums).

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4. *Is a separate classification assigned when employers use their own workers for capital construction?*

Capital construction that is not normally associated with the main business being conducted will be assigned a separate classification when an employer uses its own workers. This ensures that the employer pays a premium which reflects the construction activities undertaken and claim costs are assigned to the appropriate industries.

For example, a trucking business uses its own workers to build a storage and maintenance facility for its own trucks. The construction is not a common activity of the trucking industry and is classified separately from the trucking business. Once it is constructed, the operation or use of the facility becomes part of the trucking business.

5. *When is this policy application effective?*

This policy application (Application 2 – Employers Operating in more than one Industry) is effective June 1, 1998, except when noted otherwise in specific policy sections.

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**Workers'
Compensation
Board**

Alberta

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