

**Alberta WCB
Policies &
Information**

Chapter:

**INSURANCE COVERAGE FOR WORKERS &
EMPLOYERS**

Subject:

PREMIUMS

Authorization:

BoD Resolution 98/03/13

Date:

March 24, 1998

APPLICATION 3: PREMIUMS IN ARREARS

1. *What happens if an employer's payment is made after the due date?*

This policy question is effective January 1, 2003

Under s.121(2) of the *WCA* and s.13 of the *WC Regulation*, WCB will charge monthly interest on premiums in default. The interest rate is established by WCB.

Interest is not charged to an account when:

- the interest calculated is less than \$1.00,
- an employer's goods or assets are seized and prepared for sale by public auction under s.135 when WCB is unable to recover payment from other means, or
- the employer becomes bankrupt (see Question 8).

2. *How can other persons become liable to pay premiums owing by an employer?*

If premiums are not paid by the due date, WCB may initiate legal action against the employer. If WCB is unable to collect from the employer it may collect amounts owing from:

- a principal or contractor for whom the employer has performed work under s.126,
- the purchaser of the employer's business or the bulk of the employer's assets under s.132, or
- the purchaser of primary timber products sold by the employer under s.133.

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3. *How can these persons protect themselves from liability for another employer's past-due premiums?*

A principal, a purchaser of a business, and the purchaser of primary timber products may protect themselves from liability for another employer's past-due balances by obtaining a certificate of clearance from WCB. The certificate of clearance is written confirmation that the account of the contractor/subcontractor, the vendor of a business, or the vendor of primary timber products is in good standing to the date the certificate is issued.

Payment may be withheld until the certificate of clearance is received and must be released after WCB issues a certificate of clearance.

Principal or contractor

A principal may hold back an amount based on the labour portion of the contract with the contractor or subcontractor. Clearances for labour services provided are only valid for work performed in Alberta and do not relieve the principal or contractor for work performed in other jurisdictions.

This policy section is effective May 21, 2002

Purchaser of a business or of the bulk assets

The purchaser of a business or of the bulk assets of a business should obtain a certificate of clearance from WCB under s.132 before paying any money to the vendor. Failure to obtain a clearance will result in the purchaser becoming liable for any amounts owing to WCB by the vendor of the business, up to its fair market value.

Under s.134 of the *WCA*, if the assets are sold or transferred in a non-arm's length transaction, the recipient becomes liable for the premiums for the defaulting employer up to the fair market value of whatever is sold or transferred.

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*Purchaser of primary
timber products*

The purchaser of primary timber products should obtain a certificate of clearance from WCB before paying any money to the vendor. WCB may hold the purchaser of primary timber products liable for any amounts owed to WCB by the seller, up to the fair market value of the primary timber products (see s.133 of the *WCA*). There is no liability for the retail purchase of primary timber products from a retail dealer in the ordinary course of business.

For example, a home improvement centre purchases construction grade studs and plywood from a wood products supplier. The home improvement centre may be held liable for amounts that the wood products supplier may owe to WCB and should obtain a certificate of clearance. A homeowner purchases studs and plywood from the home improvement centre to do home renovations. The homeowner will not be held liable for any amounts that the home improvement centre may owe to WCB and is not required to obtain a certificate of clearance.

4. *What determines the amount of liability for a principal or contractor?*

The liability for a principal or contractor is restricted to the actual labour provided on the contract and is calculated by multiplying the labour portion of the contract by the defaulting employer’s premium rate. This also applies to principals or contractors who operate in exempt industries, and is not limited to principals or contractors in industries to which the *WCA* applies.

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5. Does WCB cancel coverage for non-payment?

WCB may cancel coverage for employers in exempt industries. It may also cancel personal coverage. Effective the date coverage is terminated, those persons with optional coverage are no longer covered under the *WCA*.

WCB will not cancel coverage for workers in compulsory industries for non-payment. However, WCB may require an employer in a compulsory industry to provide security for amounts owing. If the employer does not provide this security, WCB may issue an Order to that employer to cease employing workers.

6. What other action may WCB take for non-payment?

When WCB is unable to collect amounts owing, it may take legal action against the employer, a principal or contractor, the purchaser of the business or assets of a business, or the purchaser of primary timber products. All legal costs associated with legal action will be charged to the account of the employer responsible for payment.

7. What is WCB's priority in collection matters?

If premiums are unpaid, s.129 of the *WCA* gives WCB priority over other creditors. This applies to all property owned by the employer, property used by the employer to operate the business, any property produced by the employer in the business, and the proceeds from the sale of any of these. Exceptions arise:

- from the non-payment of wages owed to workers when WCB's claim would mean the workers will not be paid, and
- in bankruptcy, WCB's secured status is determined by the *Bankruptcy Act*.

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8. *What does WCB do when an employer becomes insolvent, bankrupt, or is placed into receivership or liquidation?*

WCB takes action to secure payment of amounts owing to it. WCB may be a secured creditor and:

- will close the employer’s account and establish a new account for any person who continues to employ workers, and to operate the business beyond the date of bankruptcy, receivership or liquidation
- may waive any future interest charges (see Question 1)

9. *When is this policy application effective?*

This policy application (Application 3 – Premiums in Arrears) is effective June 1, 1998, except when noted otherwise in a specific policy section(s).

Previous versions

- [Policy 0603 Part II - April 2018](#)
- [Policy 0603 Part II - August 2015](#)
- [Policy 0603 Part II - January 2014](#)
- [Policy 0603 Part II - June 2006](#)
- [Policy 0603 Part II - January 2004](#)
- [Policy 0603 Part II - January 2003](#)
- [Policy 0603 Part II - June 2002](#)
- [Policy 0603 Part II - January 2002](#)
- [Policy 0603 Part II - February 1999](#)
- [Policy 0603 Part II \(consolidated manual 1st Issue\) - June 1998](#)