

**Alberta WCB
Policies &
Information**

Chapter:

PRICING

Subject:

CLASSIFICATION

Authorization:

BoD Resolution 98/03/13

Date:

March 24, 1998

APPLICATION 1: GENERAL

1. *What responsibilities do employers have to ensure their business is correctly classified?*

Employers must provide WCB with a detailed description of their business at registration. If there is a gradual or abrupt change in the nature of the business, a change in the classification may be required. An employer must notify WCB of any such changes. This will ensure employers are included in the correct classification for their business and are paying the appropriate premium rate (see Application 3, Changes to an Employer's Classification).

To ensure the correct classification has been assigned, WCB may examine a business at the employer's request, or WCB may initiate the review at its own discretion (see Application 3, Question 4 and Policy 06-03, *Premiums*).

2. *What information does WCB consider when assigning an industry classification to an employer's business?*

WCB considers the following information when assigning an industry classification to an employer's business:

- products/services sold
- raw materials, equipment, and processes used
- occupational mix of the workers
- work contracted out
- work locations
- customers and competitors
- ownership
- work performed by other companies at non-arms-length
- any other information WCB requires to gain a complete understanding of the employer's business

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3. *What is an arm’s-length relationship?*

An arm’s-length relationship is one between unrelated persons each acting in their own self interest. A related person includes, but is not limited to, those:

- defined in s.134 of the *WCA*, and
- legal entities under the de facto control of the same person or persons.

It is a question of fact in each case whether persons are dealing with each other at arm’s length at a particular time.

4. *Why does WCB classify businesses by industry rather than the workers' occupations?*

Classification by industry provides collective liability among employers with the same kind of business. The rates established represent the composite experience of all occupations employed by businesses within the industry classification. This method of classification reduces administrative complexity for the employer and WCB, as well as promoting consistency in the classification of similar businesses. Ultimately, this allows businesses to control and pass on the costs of workers' compensation which are principally related to their own industry.

5. *What happens when an employer's business activities do not match an existing industry classification?*

WCB prepares and regularly updates industry descriptions to provide general guidelines for classifying businesses. These descriptions include activities that are common to most businesses in the industry and are not intended to fully describe every detail or unique process in each employer’s business. An employer's business is assigned an industry classification which provides the most appropriate description, or “best fit” based on information provided by the employer.

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6. *What if the business activities are split between separate legal entities?*

When related entities contribute to the production of common goods and services, WCB considers the activities as a whole. When separate legal entities in a non-arms-length relationship contribute to one business, WCB assigns the same industry classification to each entity. This allows for consistency in classification regardless of the business structure.

For example, ABC Sales Ltd, in a non-arms-length relationship, was established for the sole purpose of selling the products manufactured by ABC Manufacturing Ltd. Sales is an integral activity related to the manufacturing process. ABC Sales Ltd. is therefore classified in the same industry as ABC Manufacturing Ltd.

When an employer restructures a business, either establishing or consolidating separate legal entities operating at non-arms-length to carry on the existing business, the industry classification will be determined in accordance with Application 2, Question 1.

7. *Will an employer's business activities outside of Alberta affect the industry classification?*

WCB determines the employer's industry classification based on the employer's business being conducted within Alberta. When workers are covered under s.28 of the WCA and these activities comprise an integral activity for the employer, WCB will consider business activities performed outside of Alberta when determining the industry classification to be assigned (see Policy 06-01, *Employers and Workers*, Application 5, Coverage Outside of Alberta).

8. *When is this policy application effective?*

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

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Previous versions

- [Policy 0701 Part II - August 2015](#)
- [Policy 0701 Part II - January 2004](#)
- [Policy 0701 Part II - January 2002](#)
- [Policy 0701 Part II \(consolidated manual 1st Issue\) - June 1998](#)