



WORKING TO MAKE A DIFFERENCE

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Update 2007 – 3

TO: HOLDERS OF THE ASSESSMENT MANUAL

This update to the *Assessment Manual* contains amendments to the *Manual* implemented since Update 2007– 2.

Amendments to the following **effective October 1, 2007:**

- AP-1-37-1 *The Classification System*
- AP-1-39-1 *Assessment Rates*

A summary of the amendments is attached and the amended pages are included as part of this package.

If you have any questions regarding subscription information for updates to the *Assessment Manual*, please contact WorkSafeBC Customer Service at the following:

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Roberta Ellis
Vice President
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Attachments

ASSESSMENT MANUAL

SUMMARY OF AMENDMENTS – Update 2007 – 3

AP1-37-1 <i>The Classification System</i>	Pages 1 – 3	Policy amended to clarify the purpose and function of clearance letters.
AP1-39-1 <i>Assessment Rates</i>	Pages 1 – 4	Policy amended to clarify the purpose and function of clearance letters.

RE: The Classification System**ITEM: AP1-37-1**

BACKGROUND

1. Explanatory Notes

Every year the Board publishes the *Classification and Rate List*, which forms part of Board policy. This publication lists every classification unit and the assessment rate assigned to it for the year.

2. The Act

Section 37(1):

- (1) The following classes are established for the purpose of assessment in order to maintain the accident fund:

- | | | |
|-------|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Class | 1: | Primary resource |
| Class | 2: | Manufacturing |
| Class | 3: | Construction |
| Class | 4: | Transportation and warehousing |
| Class | 5: | Trade |
| Class | 6: | Public services |
| Class | 7: | General services |
| Class | 8: | Canadian Airlines International Ltd., Canadian Pacific Hotels Corporation, Canadian Pacific Railway Company, Cominco Ltd. |
| Class | 9: | The Burlington Northern and Santa Fe Railway Company |
| Class | 10: | Air Canada, Canadian National Railway Company, Via Rail Canada Inc. |
| Class | 11: | British Columbia Assessment Authority, British Columbia Buildings Corporation, British Columbia Ferry Corporation, British Columbia Railway Company, Emergency Health Services Commission, Government of British Columbia, Workers' Compensation Board of British Columbia. |

POLICY

(a) General

The classification system is based on the principle that the cost of producing a product or providing a service includes the cost of injuries or diseases incurred by the workers doing the work. The system is based on industrial undertaking rather than on occupation or hazard. If a specific product is being manufactured, the classification is the same, regardless of whether the manufacturing is done by the employer's workers or subcontracted out to another firm. A classification includes all occupations within the industry, including office or clerical staff.

The terms classes, subclasses and further subclasses are used in section 37 of the *Act*. For the purposes of describing the Board's industrial classification system, a sector is equivalent to a class, subsectors are equivalent to subclasses, and classification units are equivalent to further subclasses.

(b) Classification units

The Board classifies all employers and independent operators into classification units.

Employers and independent operators are assigned to classification units on the basis of the industry in which the firm is operating. In assigning the classification, some of the factors considered are the type of product or service being provided, the processes and equipment that are used, and the type of industry with which the firm is in competition. Occupations of individual workers may be reviewed when assigning the classification, but only as an indicator of the type of industry being carried on. The fact that an employer contracts out parts of an industry to other employers does not mean that the employer cannot be classified in that industry. The classification system should not unfairly discriminate between firms competing for the same business.

Where a firm's operations are an inescapable part of another firm's operations, the firm's classification will be the same as that of the other firm regardless of ownership.

If the firm's operations do not fall within this category, but are ancillary, or an extension or add-on phase, to another firm's operations, the classification will be the same as the other firm's if there is a degree of common ownership. Even if the firm is separately registered, the two firms will be regarded as one firm for the purpose of classification. The multiple classification criteria will then be applied.

Where a firm's operations are divided so that part is within BC and part is outside of BC, the firm will be classified according to the business of the operations conducted within BC.

(c) Subsectors

The purpose of subsectors is to provide boundaries within which classification units are grouped with other similar classification units based on industrial undertakings.

(d) Sectors

Sectors are large categories of subsectors that are involved in a similar area of the economy at the broadest level.

PRACTICE

For more information on the classification system, readers should consult the WCB website at http://www.worksafebc.com/for_employers/premiums/classification/default.asp.

For any other relevant PRACTICE information, readers should consult the Assessment Department's Practice Directives available on the WorkSafeBC website.

EFFECTIVE DATE:	October 1, 2007
AUTHORITY:	ss. 37(1) and 37(2), <i>Workers Compensation Act</i> .
CROSS REFERENCES:	See also Classifications – Multiple (AP1-37-2) and Classification – Changes (AP1-37-3) and Assessment Rates (AP1-39-1) in the <i>Assessment Manual</i> .
HISTORY:	Updated effective October 1, 2007 to reflect the Board's authority to classify firms. This Item results from the 2002 "editorial" consolidation of all assessment policies into the <i>Assessment Manual</i> . The POLICY in this Item continues the substantive requirements of the policies and items referred to in the HISTORY as they existed prior to the Effective Date, with any wording changes necessary to reflect legislative and other changes since the policies and items referred to in the history were issued. Replaces in part Policies No. 30:10:00 and 30:20:10 of the <i>Assessment Policy Manual</i> and Decision No. 58 in volumes 1 - 6 of the <i>Workers' Compensation Reporter</i> . Consequential changes were subsequently made in accordance with the <i>Workers Compensation Amendment Act (No. 2), 2002</i> .
APPLICATION:	Applies on or after October 1, 2007.

RE: Assessment Rates**ITEM: AP1-39-1**

BACKGROUND

1. Explanatory Notes

Assessment rates are set for each rate group. The intent is for each rate group to be self-sufficient with regard to costs. The cost of injuries and diseases that occur to the workers of employers in each group is paid by all the employers in that group.

2. The Act

Section 39 (in part):

- (1) For the purpose of creating and maintaining an adequate accident fund, the Board must every year assess and levy on and collect from independent operators and employers in each class, by assessment rated on the payroll, or by assessment rated on a unit of production, or in a manner the Board considers proper, sufficient funds, according to an estimate to be made by the Board to
 - (a) meet all amounts payable from the accident fund during the year;
 - (b) provide a reserve in aid of industries or classes which may become depleted or extinguished;
 - (c) provide in each year capitalized reserves sufficient to meet the periodical payments of compensation accruing in future years in respect of all injuries which occur during the year;
 - (d) provide a reserve to be used to meet the loss arising from a disaster or other circumstance which the Board considers would unfairly burden the employers in a class;
 - (e) provide and maintain a reserve for payment of that portion of the disability enhanced by reason of a pre-existing disease, condition or disability; and
 - (f) provide and maintain a reserve for payment of retirement benefits.

POLICY

(a) General

The Board has adopted a modified collective liability system, under which self-sufficient groups of employers are created on the basis of similar cost rates. These groups must be large enough to provide for an adequate spread of the risk and stability in the assessment rate.

The costs of compensable injuries and diseases, along with the costs of administering claims and carrying out other statutory requirements, are collected from employers in the form of assessments. For this purpose, employers are classified into classification units, industry groups and rate groups. The costs incurred in relation to these groups determine the assessment rate paid by their members. The Board creates groups that are large enough to provide for an adequate spread of the risk and stability in the assessment rate.

The terms “classes”, “subclasses” and “industries” are used in section 39 of the *Act*. For the purpose of describing the Board’s rate setting structure a rate group is equivalent to a subclass, industry groups are equivalent to industries, and classification units are equivalent to parts of industries. For the purposes of section 10(8) of the *Act*, classes and subclasses are equivalent to rate groups.

(b) Classification units

Employers and independent operators are assigned to classification units on the basis of the industry in which the firm is operating.

(c) Industry groups

Industry groups must be of sufficient size to be fairly regarded as having some predictability for future claims experience. The Board may place classification units that are large enough into their own industry group. Otherwise, the Board will combine classification units into industry groups on the basis of similarity of industrial activity and a reasonable expectation of similar cost rates. The Board determines the minimum size for industry groups.

(d) Rate groups

Assessment rates are calculated at the rate group level. The Board may place industry groups that are large enough into their own rate group. Otherwise, the Board will combine industry groups into rate groups on the basis of similarity of historical injury cost rates. Rate groups must meet a minimum size requirement

as determined by the Board in order to be viable for statistical and insurance purposes.

Where the injury cost rate of the industry group differs from the average injury cost rate of its rate group by more than 20% for three consecutive years, the Board may move the industry group to a rate group that better reflects its actual injury cost rate.

(e) Assessment Rates

Each year, the total cost for a particular rate group is estimated. The total is divided by the estimated total assessable payroll for the group to produce the base assessment rate for the group for that year. Rate group data is used to create a classification unit's base assessment rate, which is then modified by the employer's own experience rating adjustment if applicable. The rate is expressed as a dollar amount per one hundred dollars of payroll.

As a result of section 39(1), the estimated total annual cost for each rate group is made up of different costs. This cost includes:

- the estimated current costs of all injuries which occur during the year;
- capitalized reserves sufficient to meet the future payments of compensation on those injuries;
- the rate group's contribution to other reserves described in section 39(1);
- the rate group's share of the Board's administrative costs; and
- an amount to amortize the rate group's account balance if appropriate.

The Board reviews the assessment rate for each rate group annually. The assessment rates may be adjusted more frequently, but this will be avoided where possible.

PRACTICE

For detailed information on how assessment rates are set and the rates payable by each classification, readers should consult the WorkSafeBC website at http://www.worksafebc.com/for_employers/premiums/default.asp.

For any other relevant PRACTICE information, readers should consult the Assessment Department's Practice Directives available on the WorkSafeBC website.

EFFECTIVE DATE:	October 1, 2007
AUTHORITY:	s. 39(1), <i>Workers Compensation Act</i> .
CROSS REFERENCES:	See also section 96.2(2)(f) of the <i>Workers Compensation Act</i> and The Classification System (AP1-37-1) with regard to classification units and Experience Rating (AP1-42-1) in the <i>Assessment Manual</i> and Introduction – Charging of Claim Costs (policy item #113.00), Occupational Diseases (policy item #113.20), Silicosis and Pneumoconiosis (policy item #113.21) and Hearing-Loss Claims (policy item #113.22) of the <i>Rehabilitation Services & Claims Manual</i> , Volume II.
HISTORY:	Updated October 1, 2007 to reflect the Board's authority to set assessment rates. This Item results from the 2002 "editorial" consolidation of all assessment policies into the <i>Assessment Manual</i> . The POLICY in this Item continues the substantive requirements of the policies and items referred to in the HISTORY as they existed prior to the Effective Date, with any wording changes necessary to reflect legislative and other changes since the policies and items referred to in the history were issued. Replaces Policy No. 30:30:00 of the <i>Assessment Policy Manual</i> . Consequential changes were subsequently made to the cross references in accordance with the <i>Workers Compensation Amendment Act (No. 2)</i> , 2002, on March 3, 2003.
APPLICATION:	Applies on or after October 1, 2007.