



# Information for Employers

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WCB Information Series publication

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# What is Workers Compensation?

The Workers Compensation Board (WCB) of Prince Edward Island is an independent, non-profit mutual insurance organization operating under the provincial Workers Compensation and Occupational Health and Safety Acts.

WCB's mission is to promote safe workplaces and protect employers and injured workers through a sustainable accident insurance program. The workers compensation system offers workplace disability insurance, liability protection and occupational health and safety services to island workers and employers.

Employers collectively pay for the cost of workers compensation by contributing to an "accident fund." The amount paid by employers depends on their industry group and the size of their payroll.

Compensation for workers is paid by WCB out of the accident fund. Workers do not contribute to the fund, nor does government. The workers compensation system is funded entirely by employers.

A major benefit to employers is that the compensation to workers takes the place of the workers' right to sue the employer for damages. Employers are also protected from legal action by any other worker or employer covered by the Act.

The Board of Directors of WCB is made up of a Chairperson and an equal number of employer and worker representatives appointed by the Lieutenant Governor in Council.

## **Six Features of Workers Compensation:**

- **workers are entitled to compensation benefits**
- **employers are protected from law suits**
- **collective liability and no-fault protection**
- **administered by the Workers Compensation Board of PEI**
- **governed by legislation**
- **funded only by employers**

## **Are all industries covered by Workers Compensation?**

No. Employers in certain industries, such as fishing and farming, are not covered by the Act. This means that they are not required by law to register with WCB and pay assessments. However, such employers can *choose to be*

covered. This is called elective coverage. If you are an employer in the fishing or farming industry, you may apply for elective coverage. Just complete an Employers Registration Form and send it to the Workers Compensation Board.

Your coverage will be effective on the date that WCB receives your completed Employers Registration Form. You can get the form, and more information, by calling **368-5680**, toll-free in Atlantic Canada at **1-800-237-5049** or on our web site at **www.wcb.pe.ca**

## **How Do I Register?**

You must register with Workers Compensation Board (WCB) if you employ 1 or more workers on a regular, part-time or contractual basis. You can register by calling WCB Employer Services at **368-5680** or toll free in Atlantic Canada at **1-800-237-5049**. We will send you the forms required to open an employer account. Please note: all WCB forms and booklets are available on our web site at **www.wcb.pe.ca**

## **Deadline for registration February 28**

Each year you must renew your registration with WCB. By February 28, you must report your actual payroll for the previous year and an estimated payroll for the current year. (Always use the calendar year, January 1 to December 31). You report this information on Employer Registration forms, which WCB sends to you by mail.

If you have any problem in completing the forms, please contact our Employer Services Department. One of our employees will assist you.

## **What happens if I don't register?**

An employer who doesn't register with WCB may receive an arbitrary assessment plus penalties for filing late.

An Arbitrary assessment is a payroll assessment amount calculated by WCB based on the employer's previous year's estimate.

Please note: If any workers compensation claims were filed before registration, the employer may have to reimburse WCB for the full cost of compensation to the worker(s).

### **To avoid arbitrary assessment and penalties for late filing:**

- New employers must register with WCB before the start of operations
- Be sure each year to renew your registration with WCB by February 28

- If you do not have your employer registration form please visit the WCB website at [www.wcb.pe.ca](http://www.wcb.pe.ca) or contact us at 902-368-5680 or toll free at 1-800-237-5049
- You can fax (902-368-5705) or mail your registration form to us (14 Weymouth Street, PO Box 757, Charlottetown, PE, C1A 7L7)

## **Annual Payroll Estimates**

Each year when you send in your Employer's Registration Form, WCB Bills you based on your estimated payroll costs for the current year, and makes adjustments based on your actual payroll costs for the previous year.

If your actual payroll is more than 25% higher than your estimated payroll you may receive an underestimating penalty. **To avoid and underestimating penalty:**

- WCB sends you a written reminder each year to review your annual payroll estimate
- You may submit a revised annual payroll estimate to WCB during the calendar year prior to November 1st so that WCB can adjust your assessment
- You can fax (902-368-5705) or mail your adjusted payroll estimate to WCB (14 Weymouth Street, PO Box 757, Charlottetown, PE C1A 7L7)
- Consider joining our Monthly Assessment Payment Option (M.A.P.O.) program where you pay premiums each month based on actual payroll only and are not subject to underestimating penalties. Visit the WCB web site at [www.wcb.pe.ca](http://www.wcb.pe.ca) or contact us at 902-368-5680 or toll free in Atlantic Canada at 1-800-237-5049 for more information on M.A.P.O.

## **Monthly Assessment Payment Option**

The Board offers a monthly remittance option for the filing and payment of workers compensation assessments. All employers volunteer to be part of this program and are identified at the start of the year.

Employers participating in this program are not required to file an estimate of their payrolls. Each month, employers are required to file the amount of their previous month's payroll, together with the required assessment payment. Special Remittance forms are mailed to employers each month for this purpose.

## **Assessable Earnings**

The amount of your payroll is the basis of what we call *assessable earnings*. That is the amount of your workers' earnings that are subject to assessment.

Assessable earnings are the total earnings (gross), before deductions, paid to all workers. This includes regular salaries and wages, commissions, bonuses, piece work fees, and any other form of payment.

Each year, WCB sets a *Maximum Assessable Earnings Level*. Earnings for any one worker over this level will not be assessed. So, if a worker earns more than the maximum, you will only be assessed at the maximum, not the actual (higher) earnings.

The Maximum Assessable Earnings Level is based on the calendar year and is not adjusted for shorter periods of employment.

## **Classification of Industries**

Employers are classified by the industry in which they operate. The classification is based on the employer's overall operations, not on the occupation of its workers. Employers within each class, who have similar operations and share similar risks, are further grouped together for rate setting purposes. WCB uses a detailed description of business operations to classify employers.

## **Rates**

Assessment group rates are set annually by the Board of Directors of the Workers Compensation Board. Rates are based on the relative cost of injuries, payroll for all employers in each rate group and cost of administering the compensation system. The rates are per \$100 of assessable payroll.

In 2005, WCB introduced a new program called *Experience Counts*. The program ties the practice of rate setting largely to employer workplace health and safety performance. This gives employers more control in regard to the process of setting assessment rates and in doing so ensures that overall system costs are shared fairly by all employers.

Employers who participate in WCB's *Experience Rating Program* (compulsary program for qualified employers) will pay an adjusted group rate based on program criteria. For more information about the Experience Counts or Experience Rating programs, please contact WCB or visit the website at [www.wcb.pe.ca](http://www.wcb.pe.ca).

## **Split Billing**

If you file an annual payroll estimate prior to the deadline of February 28, and your assessment is \$1000 or more, you qualify to have your assessment divided into two (2) equal billings. The first half of the billing is processed upon filing of the payroll estimate. The second half is deferred until August of the current year.

## **What are the payment terms?**

You will receive a Statement of Account, which will outline all of your assessment activity for the month. Assessments are due in full thirty days from the date of statement.

You may pay your bill in installments throughout the year, however, outstanding balances are subject to service charges at a rate of 1.5% per month on any overdue balance.

Penalties for non-payment may include: service charges on the unpaid balance, collection fees and the cost of any claims while your account is in default. **To avoid penalties for non payment:**

- Provide full payment to WCB within 30 days of the date of notice
- Pay by cheque, credit card, cash, or Interac
- Make a telephone payment by using your credit card (call 902-368-5680 or toll free in Atlantic Canada at 1-800-237-5049.)
- Payments accepted at all chartered banks & credit unions
- Consider joining our Monthly Assessment Payment Option (M.A.P.O.) program where you make monthly payments based on actual payroll. The monthly payment system means smaller payments and no more paying in advance or estimating payroll. For more information on M.A.P.O. visit the WCB website at [www.wcb.pe.ca](http://www.wcb.pe.ca) or contact us at 902-368-5680 or toll free in Atlantic Canada at 1-800-237-5049.

## **How am I assessed if I operate in more than one industry?**

All registered employers who have one registered business activity will be assigned a 'Master' Firm Number, Operation 1.

If an employer is engaged in a variety of business activities where each activity is seen as independent and self-sustaining a new assessment rate would apply for each business activity. Operation numbers will replace the need for multiple employer accounts (firm numbers).

In cases where workers divide their time between different activities, the employer must keep separate payroll records for each type of Operation. The records must show the names of the workers, their earnings, and the time devoted to each Operation as well, support staff earnings must be divided among the Operations. The allocation must be in proportion to the payrolls of each Operation.

Employers who have a Master Firm Number and one or more Operation Numbers should refer to the Operation Number when reporting payroll.

If WCB determines that a new Operation is not feasible, only a Master Firm number, will be permitted.

## **Personal coverage for employers**

Personal coverage is available to all employers and to independent operators (self-employed persons with no employees). Executive officers and directors of a company may also apply.

Personal coverage is *optional*. If you wish to apply for personal coverage, you must fill out a separate application

form and send full payment. Your application will be considered only when full payment is received. The maximum period for coverage is 12 months (January 1 to December 31), but you may be covered for a shorter period. (For example, June 1 to August 31.) Personal coverage begins on the date that your application is received or the date requested on the application form, whichever is latest. It expires automatically on December 31 *or* the date requested on the application form, whichever is earliest. For those with year-round coverage, applications should be sent to WCB before December 31, to avoid a lapse in coverage. The amount of personal coverage you request must be a realistic estimate of your earnings for the coming year.

Applications for Personal Coverage will be approved only where there is:

- a) a minimum coverage period of three months; and
- b) a minimum annual coverage amount of \$10,000.

Applications for Personal Coverage that do not meet the minimum requirements will not be accepted. Applications for personal coverage will not be accepted after October 1st, as the above-noted criteria would not be met.

## **Personal coverage is optional**

Assessments for personal coverage are adjusted only if you cancel your coverage before the expiry date. WCB does not adjust assessments for personal coverage if your actual earnings are less than you anticipated. If you file a claim for compensation benefits, you must provide proof of your earnings. For these reasons, you should avoid overestimating your earnings.

If you have multiple accounts with WCB, and you apply for personal coverage, your earnings must be divided among the accounts, in proportion to the payrolls for each account.

You may renew or reopen your personal coverage for the upcoming year on or before October 1st each year by sending a new application to the Workers Compensation Board.

## **Are family members covered?**

Any family member who is employed by a business, receives wages, and who is not a co-owner of the business is considered a worker under the Act. This includes spouses, children, brothers, sisters, parents, etc. The wages that you pay to these family members must be included in the total payroll reported to WCB.

If you are employing children under the age of 16, please contact WCB for information about their status.

## Are incorporated companies treated differently?

For the most part, an employer who is incorporated (operating a limited company) is not treated any differently than one who is not.

The key difference is that executive officers of the company are not automatically covered through their employment. They may, however, choose to be covered through Personal Coverage (please see *Personal coverage for employers* on page 6.)

As defined in the Act, executive officers include the president, vice-president, secretary-treasurer, and directors of a company.

## What if I close my business?

If you *close or sell* your business, **you must provide in writing** your total payroll in order to properly adjust and close your account.

If your business is sold, we require the name and address of the new owner(s).

## Buying an existing business

Before buying a business, you should ask for a clearance certificate from WCB, showing that the current owner does not owe any outstanding assessments. Otherwise, you may be liable for any such assessments. If your firm is experience rated, the experience **will be** transferred to the new owner.

## Payroll Records

As an employer, you must keep proper payroll records as outlined by the Act\*. Your payroll records and any other relevant records may be audited by WCB at any time.

Penalties may be rendered for three reasons:

- 1) failing to keep proper and adequate records
- 2) providing untrue or inaccurate statements
- 3) refusing to permit examination of books and records

\* More information is available upon request.

## **Working out of the province**

If you are based in P.E.I. and working out of the province, WCB will normally extend coverage to your workers if you send us a written request. We do suggest, however, that you first report to the WCB of the jurisdiction in which you will be working. You may be required to register with them.

If you must pay an assessment for work in another jurisdiction, you will not be assessed twice on the same payroll. You will be allowed to deduct those wages from the payroll reported to the P.E.I. Workers Compensation Board.

## **Clearances for contractors and subcontractors**

You should ask for a letter of clearance from WCB whenever you hire contractors or subcontractors. The clearance confirms that the contractor's account with WCB is in good standing. Until you have a clearance from WCB, you may withhold funds from the contractor or subcontractor. This is because if you do not get a clearance, and the contractor's account is in default, you may be liable to pay assessments owed by the contractor and subcontractors.

### **Benefits of clearance procedures:**

- **provide protection to the principal**
- **help WCB identify new employers**
- **enable collection of unpaid contractor's assessments**
- **ensure that all employers carry their fair share of the assessment levy**

The reason for this procedure lies in the nature of the Workers Compensation Act, which is unlike other forms of insurance. A worker who suffers injury at work is entitled to the benefits of the Act, even if the employer has not paid his or her assessment. WCB cannot pick and choose its clientele regardless of their credit rating or past record, and yet it must pay for claims. Therefore, the principal in any undertaking is liable for assessments owed by contractors and subcontractors.

- \* A principal is the person for whom work is undertaken by a contractor or contractors, where the work is for the purpose of an industry (such as forestry, construction, trucking, etc).

## **Important information about contract work**

As outlined on page 9 in *Clearances for contractors and sub-contractors*, a principal may be liable to pay assessments owed by contractors and subcontractors. If your contractor or subcontractor is not registered with WCB, the earnings of the contractor and any subcontractor's workers must then be added to your payroll. Basically, you are liable for any default. You can, however, be reimbursed by the contractor or subcontractor.

To protect against this situation, you may withhold money from the contractor's pay to cover their assessment. Another option is to require the contractor to produce a letter of clearance from WCB, showing that their account is in good standing. A written agreement between the principal and contractor about workers compensation assessments will also save trouble and perhaps financial loss. This can be included in the work contract. If you make such an agreement, please notify WCB.

### **Protection options for principals:**

- **withhold the assessment from the contractors pay**
- **obtain a letter of clearance**
- **make a written agreement with the contractor and notify WCB**

*Principals must notify WCB* - To help ensure that all employers contribute equally to the accident fund, the Workers Compensation Act includes some regulations about contract work. Within seven days of contracting work to a contractor or subcontractor, a principal must notify WCB in writing.

The notice should include the following information:

- a) name and address of the contractor(s)
- b) nature of work to be performed

- c) amount payable under the contract, whether a lump sum or in proportion to the work done, and in the latter case give the full details.
- d) the probable length of time for the work to be completed by the contractor(s)

## **How do I report an accident?**

A worker is required to notify the employer immediately of an injury which happened in the course of employment. All accidents require the Employer's Report, Form 7 to be completed and sent by mail or fax to WCB within three days of being notified. Failure to report may result in fines.

All types of injuries / accidents need to be reported including those that cause time away from work, and those which require medical attention or therapy.

- The worker is required to complete and return a Worker's Report, Form 6.
- The employer is required to complete and return a Employer's Report, Form 7.
- Forms are available at WCB or on the WCB website at [www.wcb.pe.ca](http://www.wcb.pe.ca).
- Please do not ask the worker to leave the original copy of the Worker's Report, Form 6 with the employer. It is the worker's responsibility to ensure this form is received by WCB.

## **What is required when a worker is on claim?**

- Stay in regular contact with the worker
- Be an active and co-operative participant in the worker's treatment and return to work plan
- Identify suitable work so the worker can continue to earn the same wages they did before their injury.

WCB offers several return to work programs which focus on an early recovery and safe return to work. Employers who support and encourage injured workers to return to work in a timely manner, reduce claim costs.

## **If we object to a decision made by WCB, what can we do?**

The appeal process is designed to resolve issues of concern about decisions made by WCB. If you disagree with a decision, you can appeal it. Please contact WCB to obtain additional information on the appeal process.

An Employer's Advisor is available to assist employers and can be reached at 902-368-6132 or at the Department of Community and Cultural Affairs, P.O. Box 2000, Prince Edward Island, C1A 7N8.

# Occupational Health & Safety Act requirements

Occupational Health and Safety is a division of the Workers Compensation Board. The division administers the Occupational Health and Safety Act. The purpose of this Act is to prevent accidents by setting safety standards for Island Workplaces.

The Act and regulations outline rights and responsibilities of employers, workers, suppliers and owners with respect to maintaining health and safety standards in workplaces.

For more information see WCB's pamphlet called *Information on Workplace Health and Safety* at [www.wcb.pe.ca](http://www.wcb.pe.ca) or call toll free in Atlantic Canada 1-800-237-5049 or direct at 902-368-5697. WCB has Occupational Health and Safety officers on call 24 hours / day. To report a serious accident call 902-628-7513.

The Occupational Health and Safety Act requires employers to immediately report all serious workplace accidents. A critical workplace injury is defined as an accident at work that:

- a) places life in jeopardy;
- b) produces unconsciousness;
- c) results in substantial loss of blood;
- d) involves the fractures of a leg, arm, hand or foot;
- e) involves the amputation of a leg, arm, hand or foot;
- f) consists of burns to a major portion of the body;
- g) causes the loss of sight in an eye.





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