

**THE WORKERS' COMPENSATION BOARD
MEETING OF THE BOARD OF DIRECTORS
MINUTES**

DATE: January 28, 2020

PLACE: The Workers' Compensation Board
12 Floor Board Room
Jarvis Building
9925 – 107 Street
Edmonton, Alberta

TIME: 8:00 a.m.

BOARD MEMBERS

Erna Ference, Chair
William Hnydyk, Member
Philip Hughes, Member
Ivana Niblett, Member
Mary Phillips-Rickey, Member
Jane Sustrik, Member

EXECUTIVE

Trevor Alexander, President & Chief Executive Officer **
Ron Helmhold, Chief Financial Officer *
Wendy King, Senior Vice President, Operations & Innovation *
Marcela Matthew, Vice President, Millard Health & Special Care Services *
William P. Ostapek, Secretary and General Counsel *
Roxy Shulha-McKay, Vice President, Employee & Corporate Services ♦

ALSO PRESENT

Leslie Henkel, Board of Directors Secretariat *

♦ excused for item 12

* excused for items 9.3 and 12

** excused for item 12 (part 2)

Board of Directors

6.1 **Phase Two – Review of Employer Accounts and Premium Policies**

A comprehensive review of all employer account related policies began in 2019. Phase I of the review suggested areas for modernizing the policy and asked for stakeholder feedback on changes they felt would make the system more efficient and effective. Based on that stakeholder feedback and our best practice review, four substantive changes were proposed to stakeholders in September 2019:

1. Adding a *business test* to policy to determine an individual's status as either a worker or business owner
2. Including *dividends as earnings for personal coverage holders* when they are a reflection of remuneration paid for work performed in the company
3. Easing the administrative burden when *splitting and extending personal coverage*
4. Including a provision in policy around classifying *businesses providing support services to an industry*.

Splitting and extending personal coverage and considering dividends as earnings are the two policy changes that have the most direct impact on services for employers. They result in enhanced coverage options and simplify processes for employers. Feedback from stakeholders almost universally supported the proposals.

Dividends as earnings for personal coverage holders

WCB currently does not include dividends as earnings for personal coverage holders. The policy change in draft Policy 06-02, Part II, Application 2 includes dividends as earnings when they are a reflection of remuneration paid for work performed in the company (in lieu of salary). Dividends will not be considered earnings when they are a general allocation of the company's undistributed profits to shareholders. A cross-reference to the change has been added to draft Policy 04-01, Part II, Application 2.

Employers make choices on how to draw income out of their business for tax purposes, especially those who are shareholders/directors, which covers many of our small personal coverage accounts. Personal coverage holders will be able to purchase coverage that is more reflective of their actual earnings that will also be relatively straightforward to substantiate. They can be more confident of the benefits they will be eligible for when they purchase coverage and may not require any further supplemental insurance for the purposes of covering their dividend income.

The proposed change is cost neutral.

Splitting and extending personal coverage

When personal coverage is in effect, it only covers the individual while working in the industry or industries for which it was approved. Currently, individuals who are active in more than one industry can split their personal coverage between industries. This can lead to one individual holding multiple separate personal coverage accounts. Under our current policy, this can be a cumbersome exercise to ensure coverage is split properly. Under draft Policy 06-02, Part II, Application 2, Question 6, personal coverage holders with multiple accounts or industries will now have two options:

Board of Directors

1. Status quo – The individual can split their personal coverage between industries, based on the percentage of working time spent in each.
2. Simplified coverage – The individual can easily elect to extend their personal coverage to any or all of their operations through one application on one account. If this option is chosen, the personal coverage premium will be assessed using the industry where the majority of their operation's work is undertaken. If that industry cannot be determined, premiums will be assessed at the highest rated industry in which the individual operates.

The change in draft Policy 06-02, Part II, Application 2, Question 6 should ease the administrative burden for individuals who would like to extend personal coverage across multiple operations under one account. It simplifies coverage for personal coverage holders and reduces red tape. Personal coverage holders who wish to extend their coverage will not be required to establish arbitrary splits between all their operations and will still be able to maintain full coverage and protection from liability. For individuals who prefer to split their coverage, this option is still available.

The proposed change is cost neutral.

MOTION
2020/01/02

It was moved that,

"The Board of Directors approve the draft policy applications:

- Policy 06-02, Part II, Application 2
- Policy 06-03, Part II, Application 4
- Policy 04-01, Part II, Application 2

Effective Date: April 1, 2020."

CARRIED

6.2 **2019 Policy Project Plan Final Update**

The final update on the 2019 Policy Project Plan was received for information.

6.3 **2020 Policy Project Plan**

The Policy Committee approved the 2020 Policy Project Plan for publishing on WCB's website, as well as the verbatim responses received during the consultation.

The 2020 Policy Project Plan is focused on meeting the needs of the upcoming Government of Alberta legislative review and on completing work that was started in 2019 or, in the case of the Experience Rating and other Pricing Adjustments Policy Review, was committed to in 2019.

7. **Audit Committee**

The committee had nothing to report.