

# Administrative Practice Document

## Related to Policy 14-02-18 Insurable Earnings – Construction

**Note:** *This is not a policy; it is a supplementary document with examples of how the WSIB will administer the Workplace Safety and Insurance Act, 1997, (WSIA) and [Policy 14-02-18 Insurable Earnings – Construction](#) in practice. If there is a conflict between this Administrative Practice Document and the WSIA and/or WSIB policy, the decision maker will rely on the WSIA and/or WSIB policy, as the case may be.*

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**Note:** All of the examples in this document use \$8 per \$100 of insurable earnings as the premium rate. You can learn more about premium rates and view a complete premium rates table on the [WSIB website](#).

## Contractors Who are Workers of the Principal

The examples in this section relate to [Policy 14-02-18 Insurable Earnings – Construction](#), particularly **Section B – Contractors who are workers of the principal**, **Appendix I – Major Materials**, and **Appendix II – Heavy Construction Equipment**. For definitions of ‘principal’ and ‘contractor,’ see [Policy 14-02-19 Clearance Certificate in Construction](#).

Employers are required to report the actual insurable earnings of contractors who are considered their workers, based on the labour portion of their contracts/invoices if they report to the WSIB on a quarterly or monthly basis. Employers who report on an annual basis must ensure their reported annual estimated insurable earnings reflect the actual insurable earnings of their contractors. Employers must revise their reported estimated insurable earnings if their actual insurable earnings are more than their estimated, within 10 days after the change has occurred. Changes to estimated insurable earnings can be made as many times as necessary throughout the year. Employers may revise their estimated insurable earnings if their actual insurable earnings are less than their estimated.

### **Example 1:** Labour portion indicated in records

Fabio is a contractor in the construction industry who works alone (without workers), and exclusively for ABC Plumbing. As Fabio does not meet the definition of an independent operator in the construction industry, the principal (ABC Plumbing) is considered Fabio’s employer.

ABC Plumbing has been keeping detailed records, and they use the labour portion shown on Fabio’s invoices to calculate and report his insurable earnings to the WSIB up to the annual maximum amount.

### **Example 2:** Labour portion – 100% of contract value

Mario is a contractor in the construction industry who works alone (without workers), and exclusively for DEF Siding. As Mario does not meet the definition of an independent operator in the construction industry, the principal (DEF Siding) is considered Mario’s employer.

DEF Siding’s records do not identify the labour portion of the contracts with Mario and there is no evidence that Mario has provided any major materials or heavy construction equipment during his work. DEF Siding will report 100% of the contract value as Mario’s insurable earnings to the WSIB, up to the annual maximum amount.

**Example 3:** Labour portion (major materials) – 60% of contract value

Pierre is a contractor in the construction industry who works alone (without workers), and exclusively for Superior Finishing for the past year. As Pierre does not meet the definition of an independent operator in the construction industry, the principal (Superior Finishing) is considered Pierre's employer.

Pierre's invoices show that he supplies the paint for each contract but they do not show what he is charging for labour. As paint is considered a major material, Superior Finishing will use 60% of the contract value to calculate the labour portion of the contract and report it as Pierre's insurable earnings to the WSIB up to the annual maximum amount.

**Example 4:** Labour portion (heavy construction equipment) – 33 1/3% of contract value

Stefano is a contractor in the construction industry who works alone (without workers), and exclusively for Brown Excavating. As Stefano does not meet the definition of an independent operator in the construction industry, the principal (Brown Excavating) is considered Stefano's employer.

Stefano's invoices to Brown Excavating only indicate the total contract value, and that he provided a backhoe. As heavy construction equipment is provided in the direct performance of the work, Brown Excavating will use 33 1/3% (or 33.33%) of the contract value to calculate the labour portion of the contract and report it as Stefano's insurable earnings to the WSIB up to the annual maximum amount.

## Independent Operators

The examples in this section relate to [Policy 14-02-18 Insurable Earnings – Construction](#), particularly **Section C – Independent operators in construction**, **Appendix I – Major Materials**, and **Appendix II – Heavy Construction Equipment**.

Independent operators in construction are required to report their insurable earnings for all of their business activities to the WSIB based on their actual insurable earnings. If an independent operator engages in construction business activities as well as non-construction business activities, whether or not the coverage of the non-construction business activities is compulsory coverage or by-application, the independent operator must report their insurable earnings from all of their business activities, up to the annual maximum insurable earnings amount.

**Example:** Independent Operator – Compulsory construction business activity and By-application non-construction business activity

Enia is a contractor in the construction industry who meets the definition of an independent operator.

Enia takes contracts to install electric lighting systems ( construction - compulsory coverage) under her company name but she also takes contracts under the same company name just for interior designing services, no construction work performed or subcontracted (non-construction - by-application coverage).

Enia must report her insurable earnings from her electric lighting systems installation contracts and her interior design service contracts, up to the WSIB’s annual maximum earnings amount.

Insurable earnings are based on the labour portion shown in an independent operator’s records, such as invoices and contracts.

Independent operators who report and pay on an annual basis must revise their reported estimated insurable earnings if their actual insurable earnings are more than the estimated, within 10 days after the change has occurred. Changes can be made as many times as necessary throughout the year. Independent operators may revise their estimated insurable earnings if their actual insurable earnings are less than their estimated.

**Example 1:** Labour portion indicated in records – Reports to the WSIB Annually

It's November 2014. Amir self-declared as an independent operator in construction in April of 2014. He chose the annual premium frequency and reported \$10,000 as his estimated annual insurable earnings for 2014.

In October of 2014 Amir reviewed his 2014 contracts which confirm that he did not provide any materials, only his labour, but that they totalled \$18,900. Amir wrote to the WSIB to revise his 2014 annual insurable earnings to reflect his actual 2014 insurable earnings, the labour portion of his contracts.

His 2014 estimated insurable earnings were increased from \$10,000 to \$18,900 and Amir paid the premiums on the difference immediately, using Interac Online payment.

**Example 2:** Labour portion identified in records – Reports to the WSIB Quarterly

Justin has self-declared as an independent operator in construction and reports to the WSIB on a quarterly basis. His invoices detail separate amounts for labour and for materials. For each reporting period, Justin calculates his actual insurable earnings by totalling the labour portion of his contracts and multiplying the total by his rate per \$100.

Justin follows these steps to calculate his premium:

1) Take the labour portion of all contracts for the quarter to get the insurable earnings amount:	\$12,480(X)
2) Multiply the insurable earnings amount (X) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for the quarter:  (12,480 X 8 ÷ 100 = 998.40)	\$ 998.40

Justin's premium is \$998.40 this quarter. He reports and pays the \$998.40 online with [ePremium](#).

**Example 3:** Labour portion – 100% of contract value – Reports to the WSIB Quarterly

Jorge has self-declared as an independent operator in construction. Jorge’s invoices do not show that he has provided any major materials or heavy construction equipment in the performance of his contracts. For each quarterly reporting period, Jorge reports 100% of the value of all contracts as his actual insurable earnings and multiplies his earnings by his rate per \$100.

Jorge follows these steps to calculate his premium:

1) Take 100% of the total amount of all contracts for the quarter to get the insurable earnings amount (X):	\$14,260(X)
2) Multiply the insurable earnings amount (X) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for the quarter:  (14,260 X 8 ÷ 100 = 1,140.80)	\$1,140.80

Jorge’s premium is \$1,140.80 this quarter. He reports and pays the \$ 1,140.80 online with [ePremium](#).

**Example 4:** Labour portion (major materials) – 60% of contract value – Reports to the WSIB Quarterly

Robert has self-declared as an independent operator in construction and reports to the WSIB on a quarterly basis. Robert’s invoices do not identify the labour portion of each contract. His invoices, however, indicate that he provided ceramic tiles, which the WSIB considers a major material. It’s July, and it’s time to report and pay, so Robert totals all his invoices for the quarter. He uses 60% of the total value of all contracts for this period to calculate his insurable earnings amount.

Robert follows these steps to calculate his premium:

Take the total amount of all contracts for the quarter:	\$28,365(X)
Multiply X by 60% to get the insurable earnings amount for the quarter:  (28,365 X 60 ÷ 100 = 17,019)	\$17,019 (Y)
Multiply the insurable earnings amount (Y) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for the quarter:  (17,019 X 8 ÷ 100 = 1,361.52)	\$1,361.52

Robert’s premium is \$1,361.52 this quarter. He reports and pays the \$1,361.52 online with [ePremium](#).

**Example 5:** Labour portion (heavy construction equipment) – 33 1/3% of contract value – Reports to the WSIB Quarterly

Kathy has self-declared as an independent operator in construction. Kathy’s invoices do not identify the labour portion of each contract. Her invoices, however, show that she provides a Bobcat in the performance of her contracts. As the provision of the heavy equipment is shown on her invoices, Kathy uses 33 1/3 % (or 33.33%) of the value of all contracts to calculate the labour portion. She reports this as her actual insurable earnings for the quarter.

Kathy follows these steps to calculate her premium:

Take the total amount of all contracts for the quarter:	\$42,360(X)
Multiply X by 33.33 % to get the insurable earnings amount for the quarter:  (42,360 X 33.33 ÷ 100 = 14,118.59)	\$14,118.59(Y)
Multiply the insurable earnings amount (Y) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for the quarter:  (14,118.59 X 8 ÷ 100 = 1,129.49)	\$1,129.49

Kathy’s premium is \$1,129.49 this quarter. She reports and pays the \$1129.49 online with [ePremium](#).



## Sole Proprietors with Workers

The examples in this section relate to [Policy 14-02-18 Insurable Earnings – Construction](#), particularly **Section D – Sole proprietors with workers, partners and executive officers in construction.**

Sole proprietors report their earnings throughout the year based on an estimated annual amount of insurable earnings. Sole proprietors are to report a portion of their estimated insurable earnings, in addition to the estimated earnings of their workers if they report and pay annually, or actual earnings of their workers if they report quarterly or monthly, up to the annual maximum amount. If the sole proprietorship has just started and has no previous information on which to base an estimate, they can use the minimum amount (1/3 of maximum insurable earnings) as an estimate.

However, the sole proprietorship must report the difference between the actual and the estimated amount in the last reporting period of the current year if they report quarterly or monthly. If the sole proprietorship reports annually and their reported estimated annual insurable earnings do not accurately reflect their actual insurable earnings, they must contact the WSIB within 10 days after the change has occurred to revise their estimated insurable earnings. Changes can be made as many times as necessary throughout the year. The sole proprietorship may revise their estimated insurable earnings if the actual insurable earnings are less than their estimated.

### **Example 1:** Estimate using T1 General – Reports to the WSIB Annually

It's 2015. Arturo is a sole proprietor in construction with a worker and has chosen to report and pay the WSIB on an annual basis. In April Arturo reported and paid the WSIB for his 2015 estimated annual insurable earnings for himself and his worker. Arturo had to estimate his own 2015 insurable earnings. Line 135 of Arturo's 2014 T1 General showed his 2014 net business income was \$47,823 so he used this as his 2015 estimated insurable earnings and added this amount to the estimated insurable earnings of his worker, \$11,000, for a total of \$58,823 for 2015.

It's November, Arturo just completed a large construction project and realizes his 2015 actual insurable earnings are higher than he estimated. Arturo visits a WSIB office to revise his 2015 estimated annual insurable earnings of \$58,823 to reflect his actual insurable earnings. Arturo increases his 2015 estimated insurable earnings to \$105,000. Arturo pays the WSIB immediately by MASTERCARD for the difference between the original estimated and revised estimated 2015 insurable earnings.

**Example 2:** Estimate using T1 General – Reports to the WSIB Annually

Raj is a sole proprietor in construction with 2 workers and has chosen the annual premium frequency. In April of 2015 Raj reported \$62,500 estimated annual insurable earnings for himself and his workers and paid the applicable premiums.

Raj did not have any contracts for work in June, July, August and September. In November of 2015 he realized his previously reported estimated insurable earnings were too high therefore he phoned the WSIB to decrease his 2015 estimated insurable earnings to reflect his actual insurable earnings of \$39,700. A credit for the difference in premiums was applied to his WSIB account.

**Example 3:** Estimate using T1 General – Reports to the WSIB Quarterly

Jane is a sole proprietor in the construction industry with workers, who reports to the WSIB on a quarterly basis. It’s April, and it’s time to report and make a payment to the WSIB. Jane must estimate her own 2015 insurable earnings. Line 135 of Jane’s 2014 T1 General shows her 2014 net business income as \$31,068 so she uses this as her 2015 estimated insurable earnings.

Jane follows these steps to calculate her premium:

1) Take the estimated annual insurable earnings for 2013 for the sole proprietor:	\$31,068(X)
2) Divide X by the reporting frequency (quarterly, i.e., divide by 4): (31,068 ÷ 4 = 7,767)	\$7,767(Y)
3) Add Y to the actual insurable earnings of all workers (\$24,126.34) to get the total insurable earnings amount to be reported for the quarter. (7,767 + 24,126.34 = 31,893.34)	\$31,893.34(Z)
4) Multiply the insurable earnings amount (Z) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for the quarter: (31,893.34 X 8 ÷ 100 = 2,551.47)	\$2,551.47

Jane’s premium is \$2551.47 this quarter. She reports and pays the \$2551.47 online with [ePremium](#). In the last reporting period of 2015, she reports and pays the premiums on the insurable earnings of her workers—as well as the difference between the actual and the estimated amount of her own insurable earnings—also by using [ePremium](#).

**Example 4:** Estimate not using T1 General – Reports to the WSIB Quarterly

Raymond is a sole proprietor in the construction industry with workers, who reports to the WSIB on a quarterly basis. It’s April, and it is time to make a report and payment to the WSIB. Raymond must estimate his own 2016 insurable earnings. Line 135 of Raymond’s 2015 T1 General shows his 2015 net business income as \$2,000. Raymond knows that his 2016 net business income will be larger than this amount and estimates it to be \$40,000 for 2016.

Raymond follows these steps to calculate his premium:

1) Take the estimated annual insurable earnings for 2013 of the sole proprietor:	\$40,000(X)
2) Divide X by the reporting frequency (quarterly, i.e., divide by 4): (40,000 ÷ 4 = 10,000)	\$10,000(Y)
3) Add Y to the actual insurable earnings of the workers for the quarter (\$28,887) to get the insurable earnings amount for the quarter: (10,000 + 28,887 = 38,887)	\$38,887(Z)
4) Multiply the insurable earnings amount (Z) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for the quarter: (38,887 X 8 ÷ 100 = 3,110.96)	\$3,110.96

Raymond’s premium is \$3,110.96 this quarter. He reports and pays the \$3,110.96 online with [ePremium](#). In the last reporting period of 2016, he reports and pays the premiums on the insurable earnings of his workers—as well as the difference between the actual and the estimated amount of his own insurable earnings—also by using [ePremium](#).

**Example 5:** Use of minimum insurable earnings (1/3 of annual maximum amount) – Reports to the WSIB Quarterly

**Note:** In this example, the maximum insurable earnings amount will be \$90,000 and the minimum insurable earnings will be \$30,000 (1/3 the maximum amount).

It's 2016 and Joanne has just opened a construction business as a sole proprietor with two workers. Because this is her first year in business, she does not have anything on which to base an estimate of insurable earnings for 2016. Joanne uses the minimum insurable earnings amount (1/3 of the annual maximum amount, or \$30,000 in this example) as her annual estimated insurable earnings.

Joanne follows these steps to calculate her premium:

1) Take the estimated annual insurable earnings for 2013 for the sole proprietor (1/3 of the maximum amount): (90,000 ÷ 3 = 30,000)	\$30,000(X)
2) Divide X by the reporting frequency (quarterly, i.e., divide by 4): (30,000 ÷ 4 = 7,500)	\$7,500(Y)
3) Add Y to the actual insurable earnings of workers (\$20,800) to get the insurable earnings amount for this quarter: (7,500 + 20,800 = 28,300)	\$28,300(Z)
4) Multiply the insurable earnings amount (Z) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for this quarter: (28,300 X 8 ÷ 100 = 2,264)	\$2,264

Joanne's premium is \$2,264 this quarter. She reports and pays the \$2,264 online with [ePremium](#). In the last reporting period of 2016, she reports and pays the premiums on the insurable earnings of her workers—as well as the difference between the actual and the estimated amount of her own insurable earnings—also by using [ePremium](#).

## Partnerships With or Without Workers

The examples in this section relate to [Policy 14-02-18 Insurable Earnings – Construction](#), particularly **Section D – Sole proprietors with workers, partners and executive officers in construction.**

A partnership reports its earnings throughout the year based on an estimated annual amount of insurable earnings for each partner. The partnership is to report a portion of each non-exempt partner's estimated insurable earnings for each reporting period, corresponding to the reporting frequency of its WSIB account (annual, quarterly or monthly). If the partnership has workers, it is to report a portion of each partner's estimated insurable earnings in addition to the estimated earnings of its workers if it reports and pays annually, or the actual insurable earnings of its workers if it reports and pays quarterly or monthly, up to the annual maximum amount. The partnership can use a T2125 Statement of Business for Professional Activities from the previous year as a guideline for the estimate. If the partnership has just started and has no previous information on which to base an estimate, they can use the minimum amount (1/3 of maximum insurable earnings) as an estimate for each partner.

The partnership must report the difference between the actual and the estimated amount in the last reporting period of the current year if it reports quarterly or monthly. If the partnership reports annually and its reported estimated annual insurable earnings do not accurately reflect its actual insurable earnings, the partnership must contact the WSIB within 10 days after the change has occurred to revise the estimated insurable earnings. Changes can be made as many times as necessary throughout the year. A partnership may revise its estimated insurable earnings if the actual insurable earnings are less than the estimated.

### **Example 1:** Estimate using T2125 – Reports to the WSIB Annually

**1A)** It's 2014. Evan and Sophia are non-exempt partners without workers in the construction industry, and have chosen to report annually to the WSIB. To estimate the 2014 annual insurable earnings amount for the partners, the partnership uses the net business income from a 2013 T2125 Statement of Business for Professional Activities as a guideline. The tables below illustrate the processes that the partnership followed.

(Continued on next page)

(Example continued)

**Note:** In these examples, we are assuming an annual maximum insurable earnings amount of \$92,000 in 2014, and the partnership’s net business income from a 2013 T2125 is \$130,000.

**(1A continued)**

Partner name	Percentage of partnership (A)	Partner’s share (partnership’s net business income x A) (B)	Annual maximum amount	Partner’s estimated insurable earnings (C)
Evan	40%	$\$130,000 \times 40\% = \$52,000$	\$92,000	\$52,000
Sophia	60%	$\$130,000 \times 60\% = \$78,000$	\$92,000	\$78,000
Total estimated annual insurable earnings (total of column C)				\$130,000

Neither partner’s earnings were subject to the annual maximum insurable earnings amount therefore in April 2014; the partnership estimated their 2014 annual insurable earnings to be \$130,000.

**1B)** In July 2014, the partnership determined that their actual insurable earnings to date were higher than they estimated. Evan calls the WSIB to revise their 2014 estimated insurable earnings to \$140,000 for the calendar year and pays the premium difference online with ePremium. Neither partner’s earnings were subject to the annual maximum insurable earnings amount therefore their 2014 estimated insurable earnings were revised to \$140,000 (\$56,000 +\$84,000).

Partner name	Percentage of partnership (A)	Partner’s share (partnership’s net business income x A) (B)	Annual maximum amount	Partner’s estimated insurable earnings (C)
Evan	40%	$\$140,000 \times 40\% = \$56,000$	\$92,000	\$56,000
Sophia	60%	$\$140,000 \times 60\% = \$84,000$	\$92,000	\$84,000
Total estimated annual insurable earnings (total of column C)				\$140,000

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**1C)** In November 2014, the partnership determines that their actual insurable earnings to date are higher than their revised estimate insurable earnings. Evan has earned \$135,000 and Sophia has earned \$140,000 for a total of \$275,000 to date. Sophia advises the WSIB in writing to revise their 2014 estimated insurable earnings to \$184,000 for the calendar year and pays the premium difference online with ePremium. Both partner’s earnings were subject to the annual maximum insurable earnings amount therefore their 2014 estimated insurable earnings were revised to \$184,000 (\$92,000 + \$92,000).

Partner name	Percentage of partnership  (A)	Partner’s share (partnership’s net business income x A)  (B)	Annual maximum amount	Partner’s estimated insurable earnings (subject to annual maximum or minimum, if applicable)  (C)
Evan	40%	$\$275,000 \times 40\% = \$110,000$	\$92,000	\$92,000(annual maximum amount)
Sophia	60%	$\$275,000 \times 60\% = \$165,000$	\$92,000	\$92,000(annual maximum amount)
Total estimated annual insurable earnings (total of column C)				\$184,000

**Example 2:** Maximum amount of insurable earnings – Reports to the WSIB Quarterly

It’s 2015. Mary, Thomas and Viktor are non-exempt partners without workers in the construction industry, who report quarterly to the WSIB. To estimate the 2015 annual insurable earnings amount for the partners, the partnership uses the net business income from a 2014 T2125 Statement of Business for Professional Activities as a guideline. The table below illustrates the process that the partnership followed.

**Note:** In this example, we are assuming an annual maximum insurable earnings amount of \$90,000 in 2015, and the partnership’s net business income from a 2014 T2125 is \$200,000. Viktor’s earnings are subject to the annual maximum amount.

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(Example continued)

Partner name	Percentage of partnership  (A)	Partner's share (partnership's net business income x A) =  (B)	Annual maximum amount	Partner's estimated insurable earnings (subject to annual maximum or minimum, if applicable) (C)
Mary	30%	$\$200,000 \times 30\% = \$60,000$	\$90,000	\$60,000
Thomas	20%	$\$200,000 \times 20\% = \$40,000$	\$90,000	\$40,000
Viktor	50%	$\$200,000 \times 50\% = \$100,000$	\$90,000	\$90,000 (annual maximum amount)
Total estimated annual insurable earnings (total of column C)				\$190,000

The partnership takes these steps to calculate its premium:

1) Take the total annual insurable earnings estimate for the partnership for 2013:	\$190,000 (X)
2) Divide X by the reporting frequency (quarterly, i.e., divide by 4): ( $190,000 \div 4 = 47,500$ )	\$47,500 (Y)
3) Add Y to the actual insurable earnings of workers (in this example, there are no workers so the amount is \$0) to get the insurable earnings amount for this quarter: ( $47,500 + 0 = 47,500$ )	\$47,500 (Z)
4) Multiply the insurable earnings amount (Z) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for this quarter: ( $47,500 \times 8 \div 100 = 3,800$ )	\$3,800

The partnership's premium is \$3,800 this quarter. It reports and pays the \$3,800 online with [ePremium](#).



## Executive Officers in a Corporation

The examples in this section relate to [Policy 14-02-18 Insurable Earnings – Construction](#), particularly **Section D – Sole proprietors with workers, partners and executive officers in construction**.

This section does not apply to an executive officer of a corporation with only one executive officer and no workers. See the [Independent Operators](#) section for details.

If a corporation pays its executive officers regular employment income throughout the year, the corporation reports the estimated insurable earnings if it reports and pays annually or the actual insurable earnings if it reports and pays quarterly or monthly, of those executive officers for each reporting period up to the annual maximum amount. If the corporation has workers, the corporation reports the executive officers' insurable earnings in addition to the estimated earnings of its workers if it reports and pays annually, or the actual earnings of its workers if it reports and pays quarterly or monthly, for each reporting period up to the annual maximum amount.

If the executive officers do not get regular employment income throughout the year, the corporation estimates its annual insurable earnings and reports a portion of this estimate, corresponding to the reporting frequency of its WSIB account (annual, quarterly, monthly) for each reporting period.

The corporation must report the difference between the actual and the estimated amount in the last reporting period of the current year if it reports quarterly or monthly. If the corporation reports annually and its reported estimated annual insurable earnings do not accurately reflect their actual insurable earnings, the corporation must contact the WSIB within 10 days after the change has occurred to revise the estimated insurable earnings. Changes can be made as many times as necessary throughout the year. A corporation may revise its estimated insurable earnings if the actual insurable earnings are less than the estimated.

### **Example 1:** Executive officers with regular employment income – Reports to the WSIB Monthly

ABC Roofing Ltd. has four non-exempt executive officers without workers and reports to the WSIB on a monthly basis. All executive officers get a regular salary and all of them earn more than the annual maximum amount.

When reporting to the WSIB, the corporation reports the actual earnings for all four executive officers each month until the amount reported for each officer reaches the annual maximum amount.

**Example 2:** Executive officers receiving dividends (T5) – Reports to the WSIB Annually

Note: In these examples, we are assuming an annual maximum insurable earnings amount of \$92,000 in 2014.

Jazmin Electrical Inc. has three non-exempt executive officers with no workers and has chosen to report to the WSIB annually. None of the executive officers are getting a regular salary throughout the year.

At the end of each year the executive officers receive a dividend reported by the corporation on a T5. In 2013 two executive officers received a dividend of \$65,000 each and 1 received a dividend of \$105,000. To estimate the 2014 annual insurable earnings in April of 2014, the corporation used the 2013 T5 amounts and reported \$222,000.

Executive officer	Dividend paid to each executive officer (in 2013) (A)	Annual maximum amount (2014) (B)	Executive officers' 2014 estimated insurable earnings (C)
Nathan	\$65,000	\$92,000	\$65,000
Noelle	\$65,000	\$92,000	\$65,000
Cailyn	\$105,000	\$92,000	\$92,000 (annual maximum amount)
Total estimated annual insurable earnings (total of column C)			\$222,000

In November 2014, the corporation pays dividends to their executive officers and realizes their 2014 actual insurable earnings are higher than the estimated insurable earnings they reported in April. An executive officer of the corporation visits a WSIB office to increase their 2014 estimated insurable earnings for the 2014 calendar year and pays the premium difference by VISA at the WSIB office.

Executive officer	Dividend paid to each executive officer (in 2014) (A)	Annual maximum amount (2014) (B)	Executive officers' 2014 revised estimated insurable earnings (C)
Nathan	\$78,000	\$92,000	\$78,000
Noelle	\$95,000	\$92,000	\$92,000 (annual maximum amount)
Cailyn	\$115,000	\$92,000	\$92,000 (annual maximum amount)
Revised Total estimated annual insurable earnings (total of column C)			\$262,000

**Example 3:** Executive officers receiving dividends (T5) – Reports to the WSIB Quarterly

Tom’s Aluminum Siding Inc. has two executive officers with workers and reports quarterly to the WSIB. Neither executive officer is getting a regular salary throughout the year. At the end of each year, the executive officers receive a dividend reported by the corporation on a T5. In 2012, each officer received a dividend of \$50,000. The corporation uses the T5 amounts from 2012 to estimate its annual insurable earnings for 2013.

The corporation follows these steps to calculate its first quarterly premium:

1) Take the estimated annual insurable earnings for the two executive officers: (50,000 + 50,000 = 100,000)	\$100,000 (X)
2) Divide X by the reporting frequency (quarterly, i.e., divide by 4): (100,000 ÷ 4 = 25,000)	\$25,000 (Y)
3) Add Y to the actual insurable earnings of workers (\$14,812) to get the insurable earnings amount for the quarter: (25,000 + 14,812 = 39,812)	\$39,812 (Z)
4) Multiply the insurable earnings amount (Z) by the premium rate (\$8 per \$100 of insurable earnings) to get the premium amount for the quarter: (39,812 X 8 ÷ 100 = 3,184.96)	\$3,184.96

The premium for the corporation is \$3,184.96 this quarter. It reports and pays the \$3,184.96 online with [ePremium](#). In the last reporting period of 2013, the corporation reports and pays the premiums on the insurable earnings of the workers—as well as the difference between the actual and the estimated amount of the executive officers’ insurable earnings—also by using [ePremium](#).

## More Than One Classification Unit Assigned

If an account has more than one classification unit (CU), the insurable earnings may be considered either ‘common’ or ‘direct.’ The insurable earnings of sole proprietors, partners and executive officers are considered common earnings if segregated payroll records cannot be maintained for them. The payroll is considered segregated if, payroll records directly applicable to each business activity, are maintained and can be verified and supported by acceptable documentation as outlined in policy. To learn more, see [Policy 14-02-08 Determining Insurable Earnings](#).

The earnings reported under rate group 755 for non-exempt partners and executive officers are an exception to the rules for pro-rating common earnings. Insurable earnings for the eligible partners or executive officers are assigned to rate group 755 and are not considered common earnings. They are not to be used for the purpose of pro-rating common earnings.

**Example:** Corporation with multiple classification units including rate group 755

Riel Construction Inc. has two executive officers. The corporation takes roofing contracts and siding contracts, and has dedicated workers for each business activity.

One executive officer attends job sites with the workers. The other executive officer does not perform any construction work, but has chosen not to be exempt from WSIB coverage. Instead, the employer has requested rate group 755 for reporting the insurable earnings of the non-exempt executive officer who does not perform any construction work. The executive officers receive regular salary throughout the year, so the corporation reports its actual insurable earnings along with those of its workers each quarter.

It’s April and it is time for the corporation to make its first quarter report and payment to the WSIB.

**Note:** In this example, the premium rate for roofing (CU 1) is \$8 per \$100 of insurable earnings, the premium rate for siding (CU 2) is \$10 per \$100 of insurable earnings, and the premium rate for rate group 755 (CU 3) is \$0.25 per \$100 of insurable earnings.

The direct insurable earnings for the roofing workers this quarter is \$45,000 and \$15,000 for the siding workers. The insurable earnings for the executive officer in rate group 755 are \$16,000 (Box 2A – Separate Earnings) this quarter and \$18,000 (Box 2 - Common Earnings) for the executive officer performing construction work.

(Continued on next page)

Step	Example
<p>1) Determine the direct earnings for each CU, excluding rate group 755 for the reporting period. Write the amounts in column 1 beside the CU description.</p>	<p><b>CU 1</b> = \$45,000  <b>CU 2</b> = \$15,000  <a href="#">(See column 1)</a></p>
<p>2) Total the direct earnings from all CUs for the reporting period. Write the total in box 1.</p>	<p>The corporation’s total direct earnings are \$60,000.  <a href="#">(See box 1)</a></p>
<p>3) Determine the total common earnings (insurable earnings of the executive officer working in construction as segregated payroll records cannot be maintained for him). Write the total in box 2.</p>	<p>Total common earnings are \$18,000 for this quarter.  <a href="#">(See box 2)</a></p>
<p>4) Determine the total insurable earnings for the executive officer eligible for rate group 755. Write the total in box 2A and in column 4, opposite the CU description for this rate.</p>	<p>The total insurable earnings for the executive officer are \$16,000 for rate group 755.  <b>CU 3</b> = \$16,000  <a href="#">(See box 2A)</a></p>
<p>5) Excluding the earnings in the CU for rate group 755, divide the direct earnings for each of the other CUs, by the total direct earnings of these other CUs. This results in the proportion of common earnings to use for each CU. Then multiply each amount by 100 to get the percentage. Write the percentages in column 2 beside the applicable CU description. (Do this calculation for each CU.)</p>	<p><b>For CU 1</b>, the direct earnings (\$45,000) in column 1 is divided by the total direct earnings (\$60,000) in box 1 and multiplied by 100. This gives the percentage (75%) in column 2, which is used to determine the amount of common earnings to assign to CU 1.</p> <p><b>For CU 2</b>, the direct earnings (\$15,000) in column 1 is divided by the total direct earnings (\$60,000) in box 1 and multiplied by 100. This gives the percentage (25%) in column 2, which is used to determine the amount of common earnings to assign to CU 2.</p>
<p>6) Multiply the percentage for each CU by the total common earnings box 2. This gives the amount of common earnings to assign to each CU. Write the amounts in column 3 beside the applicable CU description. (Do this calculation for each CU.)</p>	<p><b>For CU 1:</b>  <math>(75 \times 18,000 \div 100 = 13,500)</math></p> <p><b>For CU 2:</b>  <math>(25 \times 18,000 \div 100 = 4,500)</math></p>
<p>7) Total the common earnings entered in column 3. Write the total in box 3.</p>	<p>The total prorated common earnings for the corporation are \$18,000 (<a href="#">see box 3</a>).</p>

Step	Example
<p>8) Add the common earnings amount in column 3 plus the direct earnings in column 1 for each CU, excluding rate group 755. Write the totals in column 4 beside the applicable CU. (Do this calculation for each CU.)</p>	<p><b>For CU 1</b>, the common earnings (\$13,500) in column 3 plus direct earnings (\$45,000) in column 1 equals insurable earnings of \$58,500 in column 4.</p> $(13,500 + 45,000 = 58,500)$ <p><b>For CU 2</b>, the common earnings (\$4,500) in column 3 plus direct earnings (\$15,000) in column 1 equals insurable earnings of \$19,500 in column 4.</p> $(4,500 + 15,000 = 19,500)$
<p>9) Total the insurable earnings in column 4 for all CUs. Write the total in box 4. This total equals the total direct box 1, plus common earnings box 2, plus the insurable earnings for rate group 755 box 2A.</p>	<p>Total insurable earnings are \$94,000 (<a href="#">see box 4</a>). This total equals the direct earnings (\$60,000) in box 1, plus the common earnings (\$18,000) in box 3, plus the earnings in rate group 755 (\$16,000) in box 2A.</p>
<p>10) Calculate the total premium due.</p>	<p><b>For CU 1:</b></p> $(58,500 \times 8 \div 100 = 4,680)$ <p><b>For CU 2:</b></p> $(19,500 \times 10 \div 100 = 1,950)$ <p><b>For CU 3:</b></p> $(16,000 \times .25 \div 100 = 40)$ <p><b>For the total premium due:</b></p> $(4,680 + 1,950 + 40 = 6,670)$

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(Example continued)

		Column 1	Column 2	Column 3	Column 4
Classification		Direct Earnings	% of Total Direct Earnings	Prorated Common Earnings	Insurable Earnings
CU Code	CU Description		Column 1 + Box 1 x 100	Box 2 x Column 2 + 100	Column 1 + Column 3
CU 1	Roofing	\$45,000	75	\$13,500	\$58,500
CU 2	Siding	\$15,000	25	\$ 4,500	\$19,500
CU 3	755				\$16,000
<b>Total</b>		<b>BOX 1</b> \$60,000	100	<b>BOX 3</b> \$18,000	<b>BOX 4</b> \$94,000
<b>Total Common Earnings</b>		<b>BOX 2</b> \$18,000			
<b>Total Separate Earnings</b>		<b>BOX 2(A)</b> \$16,000			

Riel Construction Inc.'s premium \$6,670.00 this quarter. The corporation reports and pays the \$6,670 online with [ePremium](#).

## Payment of Premiums for Executive Officers and Partners Who Work for More than One Construction Employer

When an independent operator, sole proprietor, partner of a partnership or an executive officer of a corporation is the same for more than one employer, and one is engaged in construction, if they earn more than the annual maximum insurable earnings, the employers may contact the WSIB to request that total premiums across all the accounts for that individual be based on the annual maximum insurable earnings amount.

The maximum insurable earnings of the individual would be reported and paid under the account which reports the individual's insurable earnings at the highest construction premium rate. If the employers are engaged in construction but do not have a construction rate on their accounts, the highest non-construction premium rate will be applied.

## Material Change in Circumstances

Employers are responsible for reporting any material change in circumstances related to their obligations under the WSIA and [Policy 22-01-01, Material Change in Circumstances - Employer](#). They must contact the WSIB within 10 days after the material change. Failure to do so can result in penalties and/or prosecution.

### Examples of Material Change:

- If an independent operator no longer qualified for independent operator status, with regard to [Policy 14-02-18 Insurable Earnings – Construction](#)
- If an independent operator, sole proprietor, partnership, or corporation does not revise the estimated annual insurable earnings reported to the WSIB when the actual insurable earnings are more than the estimated insurable earnings, with regard to [Policy 14-03-09 Premium Remittance](#).



## Verification

To verify reported annual amounts, the WSIB may review any documentation as necessary, and such documentation may include, but is not limited to:

- Ownership documentation (e.g., Corporate Minute Book, Business or Partnership Registration)
- Payroll records, such as T4's, T4A's, and payroll journal(s)
- T5 Information Returns
- T5018, Statement of Contract Payments
- Clearances obtained for all retained contractors
- Prepared financial statements, including Statement of Business Activities or Profit and Loss Statement
- Contractors' invoices/contracts
- Sales invoices/contracts
- Purchase receipts
- Cheque registers or cash disbursement journals

If the reported insurable earnings differ from the verified amount of actual earnings, the WSIB will adjust the reported amount of insurable earnings accordingly (increase or decrease) for premium accuracy, under the guidelines stated in [Policy 14-02-06, Employer Premium Adjustments](#). Additionally, submitting incomplete or inaccurate information, or failure to keep and/or produce accurate records, can result in penalties and/or prosecution.

### **Example 1:** Annual Reporting Employer Audited and Has Underestimated Their Insurable Earnings

Darren is an independent operator in construction and has been reporting to the WSIB since January 1, 2013. In November 2013 Darren contacted the WSIB and elected the annual reporting and payment frequency for 2014. In April 2014, Darren reported his estimated insurable earnings would be \$54,000 for the 2014 calendar year.

When Darren was audited in 2015 and his contracts are reviewed for 2014, the auditor determined that the labour portions of the contracts were \$67,233. Darren was required to pay the premiums for the difference between the estimated insurable earnings he reported and the audited actual insurable earnings for 2014. Darren also had to pay debit interest applicable to the total difference. Debit interest is charged at the Bank of Canada rate plus 6%.

**Note:** If annual employers find, during the year, that their estimate of insurable earnings submitted to the WSIB is not accurate, they must revise the amount immediately. Employers may change their estimated insurable earnings as many times a year as necessary throughout the year.

**Example 2:** Labour portion included in principal’s insurable earnings

It’s 2015. When TBS Inc. is audited, the auditor determines that insurable earnings for Bruno have not been reported to the WSIB. Bruno is a carpenter without workers and has contracted with TBS Inc. exclusively since January 1<sup>st</sup>, 2013.

The auditor confirms Bruno is not registered as an independent operator with the WSIB and finds no evidence that Bruno is an independent operator in construction. Therefore, the auditor confirms that TBS Inc. should have been reporting Bruno’s insurable earnings under their WSIB account. The WSIB considers Bruno to be a worker of the principal (**see the Section – Contractors who are workers of the principal**).

The WSIB holds TBS Inc. liable for the premiums on the unreported labour portion of Bruno's contracts with TBS Inc. and includes the labour portion in the firm’s audited insurable earnings for 2013 and 2014. TBS Inc. must continue to report and pay the premiums on Bruno’s insurable earnings for the time Bruno is working for them.

**Note:** The WSIB and the Canada Revenue Agency (CRA) exchange information to maintain the integrity of their systems and ensure a level playing field for Ontario employers.

## Questions

- Visit the WSIB website, [www.wsib.on.ca](http://www.wsib.on.ca) for information about Online Services.
- Call the WSIB from Monday to Friday, 7:30 am to 5pm EST at 416-344-1000 or toll-free at 1-800-387-0750
- For all Online Services questions, including support issues, call 416-344-4122 or too-free at 1-888-243-1569 (TTY: 1-800-387-0050) Monday to Friday from 7:30 am to 5pm EST