



**YUKON WORKERS'
COMPENSATION
HEALTH AND
SAFETY BOARD**

SUBJECT: ASSET REPLACEMENT COMPONENT POLICY NO.: FN - 14

BOARD APPROVAL: [Signature]

APPROVAL DATE: 8 Oct 97

BOARD ORDER NO.: _____ **REVOKED**

EFFECTIVE DATE: OCTOBER 8, 1997 **FEB 22 2005** [Signature]

POLICY STATEMENT

SECTION REFERENCE: **44(5)** **1992 WORKERS' COMPENSATION ACT**

POLICY: **ASSET REPLACEMENT COMPONENT**

GENERAL INFORMATION

The Compensation Fund operates on the principle of collective liability. This means Yukon employers pool the risk and share the costs of work-related disabilities.

In accordance with the Funding Policy, the Asset Replacement Component is a component of the "Potential Liability and Asset Replacement Reserve." The Asset Replacement Component provides funding and minimizes borrowing to purchase new assets or to replace existing assets when their life is over. The Board approves the appropriate minimum and maximum levels of the Asset Replacement Component.

The board maintains the "Potential Liability and Asset Replacement Reserve" to provide funding to cover the costs of: claims disasters; unknown disabilities such as occupational diseases or enhanced disabilities; asset replacement; and rate stabilization. The Reserve is used to provide protection to employers against any adverse financial experience that could unduly burden employers.

Any operating surplus or deficit is first charged to the rate stabilization component. Any positive balance in the rate stabilization component is allocated in the following order of priority:

- Provision for Claims Disasters Component 20 % of benefits liability
- Provision for Unknown Disabilities Component:
occupational disease or enhanced disability 20 % of claims disasters
- Provision for the capital Asset Replacement Component equals the accumulated asset amortization.

If the provision for the Rate Stabilization Component falls to a level where there is insufficient funds to make all of the above allocations, then allocation is made until the Rate Stabilization Component equals zero. If an operating deficit causes the Rate Stabilization Component to be negative before any allocations are made, then funds are reallocated back to the Rate Stabilization Component until it equals zero. This is done by reducing the other components, listed above, in reverse order of priority.

POLICY

A. **ASSET REPLACEMENT COMPONENT**

The Asset Replacement Component shall be based on the life expectancy of an asset and is equal to the cumulative asset depreciation amount and shall include capital purchases such as new computer software.

B. **MINIMUM LEVEL**

The minimum level for the Asset Replacement Component shall be \$0.

C. **MAXIMUM LEVEL**

The maximum level for the Asset Replacement Component shall be the total book value at cost, as shown in the annual financial report, of the Yukon Workers' Compensation Health and Safety Board's assets.

D. **SURPLUS OR DEFICIT**

The Asset Replacement Component shall not fall below the minimum level.

If at any time the Asset Replacement Component is projected to, or actually rises above the maximum level, the Board shall determine the degree and timing of measures that shall return the component to the maximum level.

E. **ANNUAL CONTRIBUTION**

If there is sufficient annual operating surplus, the annual contribution to the Asset Replacement Component shall not exceed the amortization amount each year, subject to the maximum identified in Section C., MAXIMUM LEVEL.

In any given year, the Board may choose not to make a contribution to the Asset Replacement Component. However, the contribution to the Asset Replacement Component may be made up in subsequent years.

F. **CHARGES TO THE ASSET REPLACEMENT COMPONENT**

This component of the "Potential Liability and Asset Replacement Reserve" is used to purchase or to replace expensive assets costing over \$100,000. The Board approves the purchase. The purchase may be financed by the "Potential Liability and Asset Replacement Reserve" and repaid over a five year period.

G. **REVIEW**

The minimum and maximum levels for the Asset Replacement Component shall be reviewed by the Board at least every five years from the date that this policy is first approved.

REFERENCES

Yukon Workers' Compensation Health and Safety Board:

Claims Disasters Component Policy Statement

Funding Policy Statement

Rate Stabilization Component Policy Statement

Unknown Disabilities Component Policy Statement

HISTORY

1. *Workers' Compensation Act*, Chapter 16, in force January 1, 1993.
2. Policy, Funding Policy Statement, effective May 14, 1996.
3. Policy, Asset Replacement Component Policy Statement, effective October 8, 1997.