

ANNUAL REPORT 2015



Careful

WORKSAFE
TRAVAIL SÉCURITAIRE NB

WorkSafeNB ANNUAL REPORT 2015

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Pictured left to right on the cover are:
Nancy Graham, cook 1, Grand Bay-Westfield;
Mario Lagacé, health and safety officer, Bathurst;
John Brown, physiotherapist, Grand Bay-Westfield;
and Dr. Ankona Banerjee, medical services analyst,
Grand Bay-Westfield.

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WHO WE ARE

WorkSafeNB is committed to promoting healthy and safe workplaces for New Brunswick's workers and employers. While our priority is preventing workplace injuries and occupational disease, we provide comprehensive rehabilitation services and fair compensation benefits when these do occur.

We are a Crown corporation charged with overseeing the implementation and application of New Brunswick's *Occupational Health and Safety Act*; *Workers' Compensation Act*; *Workplace Health, Safety and Compensation Commission and Workers' Compensation Appeals Tribunal Act*; and, the *Firefighters' Compensation Act*.

OUR VISION

Healthy and safe workplaces in New Brunswick.

OUR MISSION

WorkSafeNB will be a partner in promoting a safe and healthy work environment to the workers and employers of New Brunswick and efficiently provide quality services and fair administration of the legislation.

OUR VALUES

Integrity

We do the right thing by:

- Being professional and honest in our decision-making and in our treatment of all WorkSafeNB stakeholders.
- Listening carefully and responding to the needs and expectations of our clients, treating them the same way we want to be treated – with dignity and respect.

Caring Service

We make a difference by:

- Fostering caring relationships and treating people as if they were members of our own family.
- Ensuring our employees are competent and have the knowledge and training to do their jobs effectively to provide our clients with the quality programs and service they've come to expect.
- Ensuring fairness in all our decision-making, knowing the profound impact it has on the life of each client.

Accountability

We demonstrate openness and transparency by:

- Disclosing our results – both good and bad – without hesitation.
- Ensuring our communications are based on transparency, trust, mutual respect, openness, and reliable information.

BOARD OF DIRECTORS



Dorine Pirie¹,
Chairperson



François M. Angers¹,
Vice-chairperson



Gerard M. Adams,
President and Chief
Executive Officer

Members representing workers:



Michèle Caron
Cocagne



Hector Losier
Fredericton



James E. A. Stanley²
Saint John



Maureen Wallace
Riverview

Members representing employers:



David Ellis
Fredericton



Judith Lane
Kingston



Lucien Sonier²
Caraquet



Jean Stewart³
Fredericton



Mel Vincent⁴
Rothsay

¹ Appointed March 23, 2015

² Appointed July 29, 2015

³ Term ended June 16, 2015

⁴ Term ended November 8, 2015

QUICK FACTS 2015

	2015
Number of assessed employers	14,350
Provisional average assessment rate	\$1.11
Total claims created (can include claims with no application for benefits)	22,144
Claims accepted	9,749
Lost-time claims (at least one day)	5,152
No lost-time claims	4,597
Claims disallowed	697
No claim or awaiting further information	11,963
Maximum assessable/insurable earnings	\$60,900
Average days lost per lost-time claim	58.4
Average payment per claim	\$4,982
Average work days from injury reported to first payment issued	23.8
Number of workplace health and safety inspections	6,531
Number of orders written (violations of the OHS Act)	6,231
Number of serious accident investigations ¹	85
All other accident investigations ²	474
Work-related fatalities ³	14
Administration costs – excludes self-insured and OHS (000s)	\$26,602
Administration costs – Occupational Health and Safety (000s)	\$10,073
Assessment revenue (000s)	\$93,548
Total premium revenue (000s)	\$159,695
Current year claims cost incurred (000s)	\$123,610
Claims payments made for current and prior years' injuries (000s)	\$165,723
Claims costs incurred for current and prior years' injuries (000s)	\$291,721
Total benefits liabilities – assessed employers (000s)	\$1,042,477
Total benefits liabilities – self-insured employers (000s)	\$170,627
Assessable payroll (000s)	\$8,674,167
Market rate of return on portfolio	4.30%

¹ Includes fatalities, fractures and any injury requiring hospital admission as an in-patient (amputations, burns, etc.)

² All other accident investigations conducted by a health and safety officer

³ 5 workplace fatalities occurring in 2015; 6 deaths resulting from previous year injuries/occupational diseases; 3 deaths from previous year injuries/occupational diseases under the *Firefighters' Compensation Act*

Note: Certain figures have been restated to reflect up-to-date information. Reflects most current data as of December 31, 2015.

Bill Nichol,
Health and safety officer,
Dieppe

Careful



MESSAGE FROM THE PRESIDENT AND CEO

WorkSafeNB envisions a province free from workplace injury, disease and death. It is what we aim for every day when we work with you, our stakeholders, to create and promote healthy and safe workplaces in New Brunswick. Reflecting on 2015, we made great progress on many fronts.

New Brunswick's workplace injury frequency rate was 2.72 per 100 FTE in 2015. Through the dedicated efforts of employers, workers, industry associations and WorkSafeNB, we continue to see an injury rate that is among the lowest in Canada.

But one injury is one too many. We want New Brunswickers to come to work believing they will return home safe at the end of the day. We want them to arrive to work with a safety mindset. To that end, we launched several initiatives in 2015, including our *Careful* platform.

Careful is that little voice inside your head that gives you the heads-up on safety – a soft whisper that tells you to be mindful, take extra precaution and don't rush. It cautions you when things have the potential to go wrong. It lets you know when risk is in the room.

But it's more than that. Careful also means we are concerned. We are vigilant. And whether it's cautioning or comforting, it means we, at WorkSafeNB, care. We care about New Brunswickers and their safety – at work and at home.

In 2015, we worked to bring the *Careful* message to our stakeholders through several initiatives.

In May, we were proud to launch the Guide to OHS Legislation in collaboration with the Canadian Centre for Occupational Health and Safety. While it was originally designed to fill a need expressed by the construction industry, the guide features topics relevant to most workplaces. This online portal, available in French and English, contains 39 topics, with links to resources, photos and illustrations, legislation, hazard alerts and safety talks, all in an easy-to-read format. The guide is also available as a mobile app, making it easier for those on jobsites to access safety information.

To have the greatest impact on reducing injuries and build a careful culture in New Brunswick, we targeted several high-risk industries in 2015.

We launched a strategy aimed at making New Brunswick's waste collection industry safer. The two-year initiative is designed to improve safety culture and reduce the frequency and severity of injuries for waste collection workers, who are three times more likely to be hurt on the job than the average New Brunswick worker.

WorkSafeNB also continued to partner with the nursing home industry, which has a higher than average injury rate. Its 8,000 workers face physical risks from repetitively lifting and moving nursing home residents. Through a number of initiatives over the last four years, it saw its lost-time claims fall 21%, and the average days lost to injury decrease to 41.8 in 2015 from 62.4 in 2011.

This year, we partnered with the nursing homes to develop a toolkit to reinforce the message that "Violence is NOT part of the job" and encourage its workers to report all violent incidents. Nursing home workers are at a higher risk of workplace violence because of the medical conditions of some of their clients. But it is a risk no worker, regardless of their workplace, should face.

We also hired seven additional health and safety officers as part of our investment in occupational health and safety (OHS). This means increased prevention activities, expanded educational resources and presence, and more support for New Brunswick employers. This year, our officers began visiting high-risk workplaces that haven't had an inspection in the last five years. And they soon will begin visiting residential construction sites and workplaces that operate beyond the nine-to-five workday.

We also began work on a safety leadership pilot, which will see WorkSafeNB be among a group of New Brunswick companies measuring their existing safety culture and working on ways to improve it. We chose to take part in the pilot because we want to signal to other New Brunswick workplaces that there is always room for improvement. We want to "walk the talk." We want to be New Brunswick's foremost safety leader. This initiative, which is part of our OHS investment, will continue throughout 2016.

Through these activities and more, WorkSafeNB endeavoured in 2015 to maintain a balanced and sustainable workers' compensation system during challenging economic times. Thanks to many years of prudent management, strong governance and a focus on prevention, WorkSafeNB remains in a fully funded position.

Payments to injured workers or third parties on their behalf totalled \$165.7 million in 2015, 6.1% increase from 2014 payments.

Our strong financial position, coupled with a continued decline in accident frequency and stable claim costs, allowed us to reduce the average employers' assessment rate by 10 cents to \$1.11 per \$100 of payroll in 2015. That rate, one of the lowest in Canada, will be maintained in 2016.

This is one of the reasons the Canadian Federation of Independent Business, in its 2015 review of workers' compensation systems, rated New Brunswick's as the best overall in Canada.

Despite these positive trends and recognition from one of our stakeholders, we know we have more work to do.

We will continue our vigorous pursuit of a safe work culture, which will lead to a decline in workplace injuries. We will target New Brunswick's future workers with a strategy focusing on youth safety behaviours since positive health and safety attitudes are best developed at a young age. And we will focus on service excellence to better serve both the workers and employers of New Brunswick.

In 2013, the province's Department of Post-Secondary Education, Training and Labour, along with WorkSafeNB, began a comprehensive review of workers' compensation legislation – something that hasn't been done in more than 20 years. Phase I of the review was completed in 2014, and in September, our board of directors submitted its recommendations on the issues addressed in Phase II. We expect the review will lead to changes this year that will help us better serve all our stakeholders.

We had many accomplishments in 2015 thanks to our dedicated team of 430 employees. However, we cannot achieve zero workplace accidents on our own. Every worker and employer has a role – a legal obligation, moreover – to protect themselves and the people around them. But improving workplace safety is going to require more than just compliance with the law. We need to create a culture of safety in the workplace – a culture of careful.

A safety culture is an investment, not a cost. It is integrated into work routines at all levels and it requires a commitment at all levels. A culture instills a sense of shared responsibility. We all need to work together to protect workplace health and safety.

We all need to be careful.



Gerard M. Adams,
President and Chief
Executive Officer

SAFETY GOAL

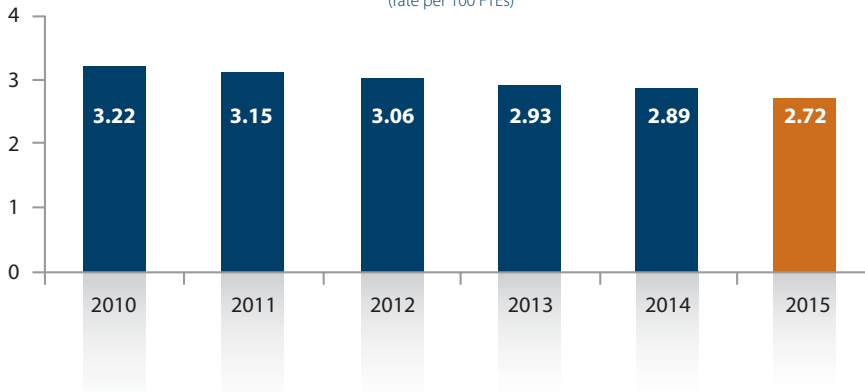
Our vigorous pursuit of a safe work culture will lead to a decline in workplace injuries.

TARGET: The workplace injury frequency rate per 100 full-time employees (FTE) will be lower than the previous five-year average.

► The estimated workplace injury frequency rate for New Brunswick workplaces in 2015 was 2.72 per 100 FTEs, lower than the 2015 target of 3.05.

Provincial Accident Frequency Rate

(rate per 100 FTEs)



Previous years have been restated to reflect current information.

TARGET: The lost-time* workplace injury frequency rate per 100 FTE in New Brunswick will be lower than the Canadian average.

► At 1.13 lost-time accidents, New Brunswick's injury frequency rate remains below the national average (1.6) as reported by the Association of Workers' Compensation Boards of Canada. (2013 data)

*Lost-time = one or more workdays lost

TARGET: The percentage of workers and employers who believe their workplace has a safe work culture will meet or exceed the previous years' average.

To help WorkSafeNB achieve this goal, the board of directors has allocated resources to the following safety strategies:

- Focusing on high-risk industries
- Engaging in intensive firm-level interventions
- Using nature of injury to focus prevention activities
- Building a WorkSafe culture through youth, education and social marketing
- Advancing safety standards in New Brunswick

OHS Culture Index



WorkSafeNB was unable to collect results for the 2015 OHS Culture Index due to limitations on client surveys communicated to WorkSafeNB by the Privacy Commissioner of New Brunswick.





Mario Lagacé,
Health and safety officer,
Bathurst

Waste Collection

WorkSafeNB announced a two-year strategy last September aimed at making New Brunswick's waste collection industry safer. Waste collection workers are three times more likely to be hurt on the job than the average New Brunswick worker.

Admirably, several employers took the initiative, and launched their own projects in 2015 to protect their waste collection workers.

In Moncton, the city launched a campaign to alert homeowners it would no longer pick up large flip-top garbage containers. City officials were concerned about workers getting injured because the city's trucks were not equipped with robotic arms, and the bins were too high and heavy for the workers to lift.

In Fredericton, the city conducted a two-week pilot in a north side neighbourhood to test the potential efficiencies and benefits of automated garbage collection using a truck with a robotic arm.

And Trius4Safety, a new division of the Trius Group of companies, teamed up with the University of New Brunswick's kinesiology department to study workplace injuries related to trash collection. Ten waste collection workers wore body electrodes to monitor their body postures and muscle exertion throughout their day. The researchers are looking to provide the industry with safer trash handling procedures and consumers with safety tips on leaving their garbage at the curb.

We look forward to working with employers in this industry, learning the results of the UNB study, and incorporating them into our safe waste collection initiative.

The initiative, kicked off last September, has several components: increased education; focused compliance activities; recommendations to require safety policies and procedures in the tendering process; and public awareness and engagement. Last fall, WorkSafeNB consultants began meeting with waste collection employers one-on-one throughout the province to help them improve their health and safety practices.

The initiative continues this year as health and safety officers focus their efforts on new employee orientation and training, and begin inspections of mobile equipment and employer facilities. A campaign this spring will remind homeowners to make their garbage safe.

New Accident Investigation Model

Following a two-year pilot, WorkSafeNB implemented a new approach to investigate serious accidents in 2015.

The new model uses a team of specialized health and safety officers trained to collect evidence at the site of a serious workplace accident. This model ensures WorkSafeNB has

what it needs to recommend charges to the Crown under the *Occupational Health and Safety Act*. By laying charges, employers are held accountable and could be required by a court of law to make changes to prevent similar accidents.

Serious accidents include incidents that result in fatalities, catastrophic failures, life altering injuries, and other significant incidents.

The team includes four investigation officers, located throughout the province, who hold a broad skill set of knowledge and work. They investigate potential breaches of *OHS* legislation with the goal of collecting evidence to support prosecution.

While prosecutions are an important tool, an investigation's primary function is to determine an accident's cause, and provide compliance orders and recommendations to prevent future accidents. Our health and safety officers will continue to investigate any accident to determine its underlying causes.

Increase in Incident Notifications

When changes to the *OHS Act* in June 2014 expanded the injuries and events required to be reported, it had three effects.

It resulted in a significant increase in accident notifications. Employers were now required to report accidents involving:

- A loss of consciousness
- A fracture other than a fracture to fingers or toes
- A burn that requires medical attention
- A loss of vision in one or both eyes
- A deep laceration
- A catastrophic event or equipment failure that results, or could have resulted, in an injury

This, in turn, led to an increase in the number of accident investigations and followups by WorkSafeNB's health and safety officers.

Consequently, it created greater engagement with employers, allowing our health and safety officers to work with them to identify an accident's root causes, determine corrective actions and help them to be safer in the future.

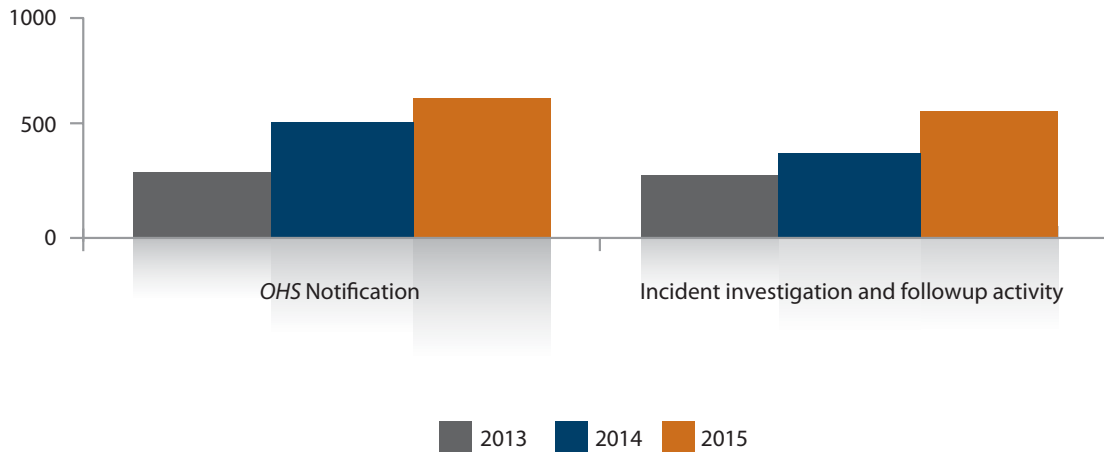
OHS Guide – Providing Complex Information in a User-Friendly Format

The language of legislation and regulations is often difficult to understand. So WorkSafeNB developed the Guide to OHS Legislation, which explains the legislation clearly, in plain language, to help workers and employers be compliant in their workplace.

WorkSafeNB collaborated with the Canadian Centre for Occupational Health and Safety (CCOHS) to launch the guide in May. The guide is an online portal that features more than 30 topics with links to resources, including interpretations, summaries, legislation, hazard alerts and safety talks – all in an easy-to-read format, in both French and English.

The guide was a first for both CCOHS and WorkSafeNB. Together, we developed the portal after hearing from stakeholders about the need for a one-stop resource for workers and employers to important safety topics. Each year, more topics will be added to the guide. An app, which will further simplify access to the guide, is scheduled to launch in February 2016.

Incident Notifications



New Brunswick student captures silver at Skills Canada for workplace safety

When Chanel Brideau competed in the 2015 Skills Canada National Competition in Saskatoon, Saskatchewan last May, she took home not only the silver medal, but something infinitely greater: a safety culture awareness.

Before graduating from Polyvalente W.A. Losier in Tracadie-Sheila last year, Brideau was among 500 students and apprentices from across Canada to compete at the Skills Canada National Competition, held annually to promote skilled trades and technology as career options to Canadian youth.

Assigned a deli scenario as her presentation topic, Brideau already knew some of its workplace hazards. For the past year, she worked part time in a grocery store deli. Her 10-minute occupational health and safety (OHS) presentation described potentially dangerous situations – cutting meat, shelving boxes, climbing a ladder in the storeroom and cleaning the work area. As part of the competition, she also completed a hazard assessment of a mock workplace and researched workplace violence before correctly answering OHS questions.



“Chanel did an excellent job of representing New Brunswick at the national competition, and I am very proud of her accomplishment,” said Jessica MacDonald, WorkSafeNB’s youth programs co-ordinator.

“To me, Chanel winning silver is not only an honour for New Brunswick, but it

also shows how, armed with occupational health and safety knowledge, youth can be ambassadors for creating a safety culture among our future generations of workers.”

Brideau said the competition not only increased her self-confidence and self-esteem, it also reinforced her on-the-job training on how to stay safe at work.

Graymont Inc. wins safety award twice – 15 years apart

Every day, around the clock, Graymont (NB) Inc.’s employees extract limestone from its quarries, crush and process it at its five plants, and then transport it to market.

It’s hard work, often involving explosives and heavy equipment. Yet the Havelock-based company is a safety leader in the province, recognized twice by WorkSafeNB – in 2000 and again in 2015. Graymont hasn’t had a lost-time workplace accident in more than a decade – a testament to their commitment to sustainable health and safety systems and practices.

Dave Holmes, Graymont’s production supervisor, attributes this to its culture. Workers are involved in all workplace decisions, from human resources to safety,

and every employee starts the day with warm-up stretches and a ‘Take Five for Safety,’ a daily reminder to be aware of risks and hazards during their daily work.

“It’s about ownership,” said Holmes. “Everyone here is considered a safety professional. They are the

leaders and drivers of safety. Management is just here to back them up.”

Because Graymont is committed to integrating safety planning and behaviours in every part of its business and encouraging a safety culture, WorkSafeNB awarded the company with

a safety achievement award at our 2015 Health and Safety Conference.

“WorkSafeNB recognized Graymont at our health and safety conference in 2015 because, year after year, they demonstrate their sustained commitment as an employer that integrates safety planning and behaviours in every part of their business,” said Shelly Dauphinee, vice-president of WorkSafe Services at WorkSafeNB.



Partnerships

WorkSafeNB continues to partner with industry-specific safety associations that provide training, prevention services and resources to their members. Together, we work on initiatives to help build a stronger workplace safety culture.

In 2015, WorkSafeNB continued to partner with the New Brunswick Construction Safety Association (NBCSA), the New Brunswick Forest Safety Association (NBFSA) and the New Brunswick Continuing Care Safety Association (NBCCSA). WorkSafeNB provides annual funding to these associations by charging an additional levy on the individual assessment for all employers in the industry supported by the safety association. In total, WorkSafeNB

collected and distributed \$300,000 to NBCSA, \$190,000 to NBFSA and \$200,000 to NBCCSA to provide safety services to their members.

Additionally, we continued to partner with Threads of Life, CNIB Eye Safety Program and Safety Services New Brunswick, through the promotion and support of their respective initiatives. WorkSafeNB also maintained partnerships with the Progressive Agriculture Safety Day Foundation and the Department of Education and Early Childhood Development (EECD) to promote safe work behaviours and conditions for New Brunswick youth in their workplaces and schools. In northwest New Brunswick, 876 youth were given hands-on safety education through Agriculture Safety Days, while 7,309 New Brunswick high school students completed online safety courses made available by our partners at the NBCSA.

Forest Safety Association develops toolkit

When the OHS Act was amended in 2013, the New Brunswick Forest Safety Association wanted to ensure its members were compliant.

It embarked on a project, in partnership with the Department of Post-Secondary Education, Training and Labour (PETL), to develop a toolkit to help its 40 sawmill owners meet the new requirements under the

legislation for new employee orientation.

The amendments, which came into effect in June 2014, require new employees to receive an orientation and training specific to their position or place of employment before beginning work. It also requires employers to keep records of new employee orientation and training for at least three years.

The association's bilingual toolkit contains two checklists – one for employers and one for employees – and a USB storing a 25-minute video focusing on sawmill safety.

"To make sure the sawmills and everyone in the forestry industry were compliant to the legislation, we created this package," said Landon Lee, the association's executive director. "It contains quick checklists – something that was simple and easy for companies to use for new employees."

As an employer uses the checklist, reviewing topics ranging from procedures and codes of practice to first aid and personal protective equipment, the new employee follows along using a similar checklist. It contains space for the employee to jot down notes or questions. Each must sign the other's when all topics are reviewed.

The 25-minute video, covering many common safety issues at sawmills, was shot at sawmills in Belledune, Bathurst, St. Quentin and Grand Falls.

"Something we wanted to do throughout this project was make the entire

thing relatable to sawmill employees," Lee said.

The association's new employee orientation kit was well received by its 40 members, particularly its smaller sawmill owners.

"Some of the smaller mills didn't really have anything in place at all for new employee orientation," Lee said. "So this was something they could instantly put in place and they knew they were compliant."

Lee believes other provincial safety associations should consider similar toolkits.

"We found this very beneficial for our members," he said. "We continue to look for new opportunities and other projects that are going to be helpful to our membership group when it comes to safety."

The NBFSA is a training association funded through a levy on employers in the sawmill industry. It is accountable to WorkSafeNB and reports regularly to the Crown corporation.



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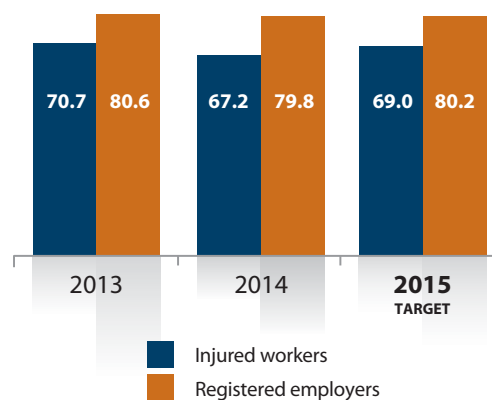
SERVICE GOAL

TARGET:

Satisfaction with service delivery will meet or exceed the previous years' average.

We will provide effective programs and services, implemented with care, compassion, efficiency, promptness and fairness, to benefit both workers and employers.

Service Delivery Index (%)



WorkSafeNB was unable to collect results for the 2015 Service Delivery Index due to limitations on client surveys communicated to WorkSafeNB by the Privacy Commissioner of New Brunswick.

To help WorkSafeNB achieve this goal, the board of directors allocated resources to the following service strategies:

- Improving decision-making processes to maximize efficiencies and reduce time to first cheque
- Helping clients navigate the system through advice, assistance, and support
- Investing in innovative and cost-effective service delivery approaches, when it meets the needs of clients and stakeholders
- Measuring and evaluating client and stakeholder satisfaction with service delivery
- Aligning resources to support effective service delivery
- Developing service delivery standards and evaluating performance
- Continuing to focus on service delivery for long-term clients

Claims Adjudication	2014*	2015
Claims adjudicated	11,009	10,446
Claim Accepted: Lost-time	48.6%	49.3%
Claims Accepted: No Lost-Time	44.8%	44.0%
Claims Disallowed	6.6%	6.7%

*Previous years have been restated to reflect current information.

Becoming a Service Excellence Leader

Our service goal is about people. As such, we want to improve our service to our clients, whether they are workers or employers. Dealing with a work injury is difficult enough; we want to make it easy for our clients to navigate the compensation system during this difficult time.

Pauline Mitchell,
Reception,
Dieppe

That's why we are moving WorkSafeNB from being a service provider to a service leader, one in which our clients are at the centre of all we do and are treated as if they were members of our own family. To do this, we are continually identifying new opportunities to create successful client experiences, and ensuring our employees have the knowledge and training to provide our clients with the quality programs and service they've come to expect, both easily and efficiently.

In 2015, we launched several service-related initiatives:

- We trained our leaders in change management and service transformational leadership.
- We assessed our readiness and opportunities for change.
- We invested additional resources in business process management.
- We launched WorkSafeNB on social media as a new way to engage in a two-way communication with our stakeholders, foster a safety culture in New Brunswick and promote an understanding of the legislation.
- We created a new position of vice-president of communications and human resources.
- We allocated new resources to allow injured workers to access details about their claim online. This new service will be phased in over the next several years, beginning with secure access to basic claim information, such as correspondence, claim decisions, payment information, benefit calculations, return-to-work dates and more.
- We began work on our new Issues Resolution Office (IRO), which will work with our clients in a timely, responsive and open manner to bring resolution to their issues. Injured workers, employers or their representatives will be able to contact the IRO to request an internal review, either with a claim-related decision or a client service issue. Guided by the principles of fairness and service excellence, the IRO will assign either an internal review specialist or a client service specialist. This will give WorkSafeNB an opportunity to resolve differences, improve our customer service and maintain a fair compensation system, one where injured workers receive the benefits they are entitled to through legislation and policy, and employers pay for those benefits when injuries and illnesses are work-related.

Implementing WCAT Decisions

Legislative changes effective April 2015 made the Workers' Compensation Appeal Tribunal (WCAT) an external entity. They also included a requirement for WorkSafeNB to implement WCAT decisions within 30 days of receiving the decision. To meet this responsibility and to foster better communication with our clients, we developed the following service standards:

- Contacting the client by telephone within five business days from the date on their decision letter to inform them that the decision is being processed and to ensure WorkSafeNB has all information needed to implement the decision.
- Implementing WCAT decision within 30 calendar days.

In the majority of cases, we are meeting or exceeding these standards.

Plain Language Writing

The workers' compensation system can be technical, so it is important WorkSafeNB communicates complex information in a way that is clear, concise and easy to understand.

In 2015, WorkSafeNB adopted a plain language writing approach for claim decisions. We struck a steering committee, consisting of members from our service delivery team, to review and revise our existing client letters. The project's goal is to improve our clients' experience by making it easier to find the information they need in our written materials and to understand it.

To date, the committee categorized and prioritized close to 200 letter templates. It also developed a communications plan, began training staff, and established a work plan and procedures to revise our letters.

Enhancements to Online Accident Reporting

Continually looking for ways to improve client services, WorkSafeNB introduced a new way for employers to report a workplace injury.

For several years, WorkSafeNB has offered an online claim reporting method for employers through the Service New Brunswick (SNB) website and will continue to do so. While the SNB option offers certain advantages over the new service, especially for employers with more than 12 workplace injuries each year, it does require regular password updates.

The new method, available through WorkSafeNB's website, will be convenient for employers with lower injury frequencies. Employers will not be required to maintain password changes and their accounts will not be deactivated based on inactivity, as with the SNB reporting service.

The new online option – called Electronic *Form 67* – can be found under the e-Services tab at WorkSafeNB's website. Offering the convenience of online submission, the new method ensures all necessary information is captured, making the process faster and with fewer follow-up phone calls. Once a *Form 67* is submitted electronically, it is instantly received by WorkSafeNB, helping employers avoid delays sometimes associated with mailing or faxing paper forms. Faster reporting means faster management to help an injured worker recover and safely return to work.

Providing Better Diagnoses

Working toward our strategy of “advancing and implementing leading practices in medical rehabilitation,” WorkSafeNB partnered with a small group of diagnostic radiologists in November 2014 to provide timely and enhanced MRI services to injured workers.

Before conducting an MRI, a radiologist views the injured worker’s clinical information to determine the most appropriate imaging option and sequencing parameters to best capture the extent of the injury.

This partnership has provided an opportunity to explore more enhanced imaging services we could not have done through regular hospital-based imaging services, like MR Spectroscopy and neuroimaging for concussions.

MR Spectroscopy can identify neurophysiological changes associated with concussions and other pathology that standard imaging cannot. A radiology specialist at Harvard Medical School and Brigham and Women’s Hospital in Boston interprets the MR Spectroscopy results.

This provides the injured worker with a better diagnosis of their brain injury and ensures they receive the proper treatment.

Now that this new neuroimaging technology is available in New Brunswick, IRM Moncton MRI is making it available to Atlantic Canadian concussion clinics and researchers.

Official Languages Act

WorkSafeNB is committed to providing quality services in the public’s official language of choice. In 2015, we translated and co-ordinated the translation of 382,551 words and produced 36 new and 25 revised bilingual publications. There were no complaints under the *Official Languages Act* in 2015.

Public Interest Disclosure Act

The *Public Interest Disclosure Act* encourages New Brunswick’s public service employees to report any wrongdoings in the workplace that are potentially unlawful, dangerous to the public or harmful to the public interest. The Act protects employees against reprisal for disclosures and provides a fair and objective process for those accused of wrongdoing. There were no disclosures or claims made against a WorkSafeNB employee under the *Public Interest Disclosure Act* in 2015.

Website Visits

WorkSafeNB websites received 231,844 visits in 2015 at:

- worksafenb.ca (224,374)
- youthsafenb.ca (7,470)

Injured Worker Thanks WorkSafeNB

Arie Monster of Grafton, N.B., is thankful WorkSafeNB was there when he was injured on the job.

Last summer, the 67-year-old injured truck driver visited the Grand Falls office to thank its staff for all their support. Since his accident more than three years ago, WorkSafeNB has provided him with medical aids, like leg braces and wheelchairs, home renovations for accessibility, including wheelchair ramps and an elevator, and an adapted van.

“I can’t thank them too much,” he said. “I am a grown man, but half the time I’m crying. They did so much for me, it’s unreal. Even now, they are still thinking about my well-being.”

On January 19, 2013, Monster was about to hit the road like he’d done countless times over his 47-year career hauling refrigerated food. But his parked transport truck somehow rolled over him. An investigation couldn’t determine the cause of the accident. The accident crushed the right side of his body and severed the main artery in his right arm, leaving him fighting for his life.

“I really shouldn’t be here because the injuries I had were bad,” he said.

Monster underwent 10 operations to repair his mangled body. More than two months later, he was transferred to the Stan Cassidy Centre for Rehabilitation in Fredericton.

Nearly four months after the accident – Monster took his first seven steps.

“That’s all I could do.”

Two years later, the former truck driver is still only able to walk short distances. He also has no use of his right arm.

Despite his injuries, Monster is thankful he lived and for the services and support WorkSafeNB provided to this day.

“I can’t thank WorkSafeNB enough, especially the team in Grand Falls. They did so much for me and they are still doing stuff.”



Injured worker Arie Monster and Chantal Corbin, occupational therapist, WorkSafeNB.

BALANCE GOAL

TARGET: We will maintain a 110% funded liability.

▶ **Funded liability and investment portfolio:** Investments held to meet future benefit obligations for past injuries were \$1.3 billion at the end of 2015, representing a 123.2% funded liability.

We will provide the best possible benefits to injured workers while maintaining the lowest possible assessment rates for employers.

Funding history

YEAR	2011	2012	2013	2014	2015
Percentage funded	116.9	126.7	138.2	137.3%	123.2%

Performance Objective 1

The investment portfolio's rate of return is to exceed the increase in the Consumer Price Index (CPI) by 3.75%¹ on a four-year moving average basis.

Four years ended	2012	2013	2014	2015
WorkSafeNB	10.4%	9.9%	9.3%	9.8%
Real Return Objective ¹	5.7%	5.7%	5.5%	5.3%

¹ As of December 31, 2015, the Real Return Objective is CPI + 3.75%. Prior to this, the objective was CPI + 4.0%.

Performance Objective 2

The investment portfolio's rate of return is to exceed the return generated by the investment policy defined benchmark portfolio by 0.65%, on a four-year moving average basis.

Four years ended	2012	2013	2014	2015
WorkSafeNB	10.4%	9.9%	9.3%	9.8%
Benchmark +0.65%	10.6%	9.4%	9.4%	10.5%

Benefits to Clients

Payments to injured workers or third parties on their behalf totalled \$165.7 million, a 6.1% increase from 2014 payments of \$156.1 million.

Investigation Initiatives

WorkSafeNB's investigation's unit conducted 375 investigations, of which 127 were comprehensive. These investigations not only serve to protect our system, but to gather information for the Adjudication and Benefit Services Department to help make case decisions. The number of referrals increases annually.

Third-party Actions

Third-party action recoveries provided cost relief to employers of approximately \$1,012,175 in 2015. Injured workers received \$89,064, representing the amount received by third-party settlements, or judgments in excess of claim costs booked by WorkSafeNB.

Assessment Rate

The 2015 provisional average assessment rate of \$1.11 represents a \$0.10 decrease from the 2014 provisional rate. New Brunswick's rate remains the lowest in Atlantic Canada as we continue to focus on providing a balanced and sustainable system in a challenging economic environment.



Average Assessment Rates by Jurisdiction

Note: The average assessment rate is influenced by industry mix, varying benefit levels and earning ceilings, the extent of industry coverage, the degree of funding liabilities, and the methodology used to calculate the average. Therefore, caution should be used when drawing comparisons across jurisdictions.

Province/Territory	2014 actual	2015 provisional	2016 provisional
AB	\$1.03	\$0.97	\$1.01
BC	\$1.63	\$1.70	\$1.70
MB	\$1.50	\$1.30	\$1.25
SK	\$1.50	\$1.46	\$1.34
NT/NU	\$1.99	\$2.00	\$2.00
NB	\$1.21	\$1.11	\$1.11
PE	\$1.90	\$1.79	\$1.77
QC	\$2.00	\$1.94	\$1.84
ON	\$2.46	\$2.46	\$2.46
NS	\$2.67	\$2.65	\$2.65
NF	\$2.40	\$2.45	\$2.20
YT	\$2.18	\$1.90	\$1.88

Other Balance-Related Efforts

Funded Position

WorkSafeNB's funded position is affected by various factors, including uncertain investment markets. Over the years, the funded position has been both above and below the target of 110% (for example, 87.7% in 2008 and 137.3% in 2014). The board of director's long-term fiscal strategy assures stakeholders that, over the long-term, the funded position will be near the target, protecting benefits for injured workers and sustaining employers' investment in the system. In 2015, the funded ratio remained within the range of expected results as determined by a 2011 asset liability study. Consistent with its strategy to ensure a disciplined approach to investment management, financial management and fiscal and economic planning, the board plans to complete a new asset liability study in 2016.

Balancing Decisions

Our board has also taken a disciplined approach to how it makes decisions, especially related to benefit improvements. Through its policy, the board weighs options that: will improve benefits for those workers who were most seriously injured; take into account the entire range of benefits already available; consider how to pay for the benefit improvements; and, adhere to the founding principles of the workers' compensation system.

STAFF SATISFACTION AND ENGAGEMENT GOAL

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In 2015, the new annual employee engagement survey showed a score of 47.4%, slightly exceeding the external benchmark of 46.7%. Since it was a new survey, a target will be established for 2016.

Our employees will feel their work is valuable and makes a difference, motivated by the understanding of how their role and individual contribution is critical to achieving our vision, mission, mandate, values and goals.

Leading Drivers of Employee Engagement

WorkSafeNB's new employee engagement survey, developed and administered by a third party, was launched in the fall. The new survey model will allow us to measure ourselves both against a diverse group of organizations, and against our own year-to-year results. The post-survey action plans will focus on a few priority engagement drivers that will most significantly impact our overall score.

Work Environment Driver

The new survey's work environment driver tells us whether our employees believe they work in a safe, harassment-free and non-discriminatory workplace. Our score of 83% exceeded the external benchmark of 80%.

As of December 31, 2015, WorkSafeNB accepted 12 employee claims. Five of these were lost-time claims. This represents 2.73 accepted claims per 100 full-time equivalent (FTE) workers, slightly higher than the five-year average of 2.40.

Our joint health and safety committees (JHSCs) at each of our five locations are very active. In 2015, in collaboration with Human Resources and the Canadian Centre for Occupational Health and Safety, the JHSCs launched a pilot to create a reliable online hazardous materials inventory for staff.

Wellness committees are also active in the five locations, organizing activities throughout the year to promote healthy living. Some of the wellness events in 2015 included: outdoor walks, a summer ladder toss competition, healthy snacks, a snowshoe hike, a bingo challenge to encourage participation in wellness activities, and a province-wide challenge that asked employees to track their wellness activities for points and prizes.

In 2015, the Heart and Stroke Foundation of New Brunswick presented WorkSafeNB with a gold 'Wellness at Heart' award, its highest distinction. The award recognizes organizations that have made wellness an integral part of their workplace through initiatives in four pillar areas: physical activity, tobacco-free living, healthy eating and psychological wellness.



The Heart and Stroke Foundation of New Brunswick presented WorkSafeNB with its Wellness at Heart award.



Corporate Social Responsibility

While our chief focus is to ensure safe and healthy workplaces for New Brunswickers, our employees engage with their communities through various charity and volunteer efforts. In 2015, staff participated in a number of activities, from the Steps for Life walk in Saint John to raise money for the families of workplace tragedy events to weekly 50-50 draws to raise money at Christmas for the Salvation Army, Outflow Ministries and Harbour Lights.



Six Bathurst employees and family members participated in the 2015 Canadian Breast Cancer Foundation's CIBC Run for the Cure.



Eight employees and family members helped out with the May 23 Marsh Creek Cleanup in Saint John.



Thirty-five employees and family members from all regions participated in the Steps for Life walk in Saint John, helping to raise more than \$7,000 for families of workplace tragedies.

Just a few of the charity and volunteer efforts of WorkSafeNB staff:

Donations to Salvation Army, Outflow and Harbour Lights

Donation of toiletries to Bare Necessities

\$1,525 raised for Bathurst Run for the Cure

WorkSafeNB team in Grand Bay Relay for Life

Dieppe office's K-cup recycling initiative

Steps for Life

Syrian refugees

Marsh Creek cleanup

Romero House Mobile Unit

QUALITY GOVERNANCE GOAL

TARGET: The board of directors' index score will meet or exceed the previous years' average. (Target for 2015 is 57.3%)

▶ In 2015, the board of directors achieved 76.6%.

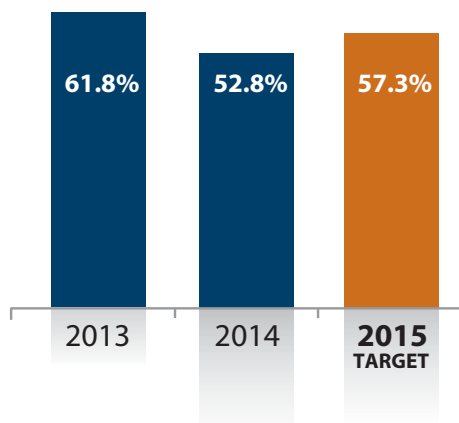
We will demonstrate transparency, accountability, and commitment to our stakeholders through our disciplined governance practices, as we serve the best interests of WorkSafeNB.

Strategies to Achieve the Goal

- Adhering to a disciplined legislative and policy decision-making process to balance benefits and assessment rates
- Remaining accountable through effective oversight, auditing, and evaluation
- Engaging stakeholders to promote balanced decisions and confidence in WorkSafeNB
- Enhancing performance through Board self-evaluation and continuity

The board of directors adopted the Quality Governance Goal and target in 2013 to further formalize its commitment to governance best practices and continuous improvement. The index reports the board's results for decision making, engagement (including meeting attendance), and board self-evaluation.

Governance Index Score



Strategic Plan and Risk Assessment

One of the board's primary responsibilities is to determine WorkSafeNB's strategic direction and oversee enterprise risks. The 2015-2020 Strategic Plan & Risk Assessment, available at worksafenb.ca, summarizes the board's annual planning decisions, with an emphasis on discipline, transparency, accountability and continuous improvement.

In 2015, the board reviewed the organization's vision, mission, mandate, values and goals. It revised its mission to include the word "partner" and focused its values on three components: integrity, caring service and accountability. The board set a policy and legislative agenda that included 35 priorities. It also provided strategies to address 22 risks.

Significant Board Initiatives

In 2015, WorkSafeNB and the Department of Post-secondary Education, Training and Labour continued with a comprehensive review of workers' compensation legislation. The board submitted a report in September to the review committee containing 24 recommendations for changes to WorkSafeNB's governance structure, the province's Advocates' Services and Section 38 of the *Workers' Compensation (WC) Act*.

WorkSafeNB's Board of Directors Values Your Opinions

As stewards of the provincial occupational health, safety and compensation system, WorkSafeNB's board of directors regularly seeks worker and employer views on issues that can have a significant impact on New Brunswick workplaces. To improve its decision-making and to learn from our stakeholders' experiences and perspectives, the board once again consulted delegates at WorkSafeNB's 2015 health and safety conference for input on its annual strategic planning and risk assessment process. And as part of the board's commitment to accountability and transparency,



last year WorkSafeNB began seeking stakeholder feedback on policies scheduled for review by creating a dedicated consultation portal on WorkSafeNB's website. Along with thoroughly researched policy options, the board considers consultation feedback when updating, rescinding or approving new policies.

The board also engages stakeholder-driven technical committees to provide expertise and advice on specific policy, regulatory and legislative changes under consideration. In 2015, these initiatives included amendments to the Workplace Hazardous Materials Information System regulations, a multi-phase review of construction industry regulations, and a review of occupational hygiene.

Injured Workers' Advisory Committee

The Injured Workers' Advisory Committee (IWAC) is a WorkSafeNB-sponsored committee providing a forum for discussing issues relevant to New Brunswick's injured workers. The committee provides suggestions with an aim to improve the quality and type of services and programs offered by WorkSafeNB. In 2015, the IWAC prepared recommendations to government for Phase II of the Legislative Review of Workers' Compensation and presented those recommendations to the consultation panelists. IWAC also provided input on WorkSafeNB's strategic plan and risk assessment, and reviewed its own committee and mandate with a view to strengthen the existing committee to better serve the needs of New Brunswick's injured workers.

Our Board's Oversight

The board's committees play an essential role in good governance. These committees oversee management's implementation of the board's strategic direction and risk management strategies. The following three committees examined and made recommendations on a variety of issues affecting the success of our six strategic goals:

- WorkSafe Services Evaluation Committee
- Financial Services Evaluation Committee
- Fatality Review Committee

Mike Bewsher,
Social worker,
Grand Bay-Westfield



RETURN TO WORK

TARGET: The average paid compensation days for injured workers with a return-to-work goal will be lower than the previous five-year average.

► Our average claim duration (average paid days) for 2015 was 58.4 days, four days above our target. It was an ambitious target, based on several years of declines, making it difficult to achieve continued gains. We will be reviewing our results to determine next steps.

We will decrease the time by which injured workers safely return or are ready to safely return to employment.

Average Paid Compensation Days*



* Previous years have been restated to reflect current information.

Understanding that work is a major source of physical and psychological well-being, WorkSafeNB is committed to helping injured workers maintain a workplace connection and safely return to wellness and work as soon as possible. To achieve this goal, the board of directors has developed the following return-to-work strategies:

- Advancing and implementing leading practices in medical rehabilitation
- Promoting a culture for occupational medicine in New Brunswick
- Building and delivering proven programs and processes for medical case management
- Developing and executing best practices for alternate return-to-work case management
- Leveraging technology to facilitate research and evaluation

Claimants with a Return-to-Work Goal, or Full LTD

	2015	2014
Returned to work or return to pre-accident employment status	95.5%	96.0%
Not returned to work	1.4%	1.3%
Full LTD	3.2%	2.8%

*Totals may not equal 100% due to rounding.



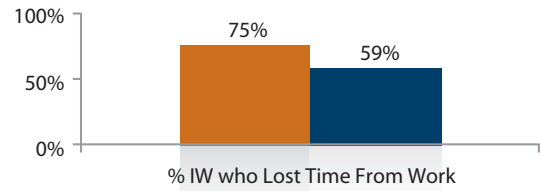
Gayle Brown,
Physiotherapist,
Grand Bay-Westfield

In 2015, 95.5% of our 3,546 clients returned to work, or were capable of returning to work, following their rehabilitation; 3.2% (118) were not capable of any employment following their workplace injury and are now receiving full long-term disability benefits; and 1.4% (50) were not re-employed when their claim was closed.

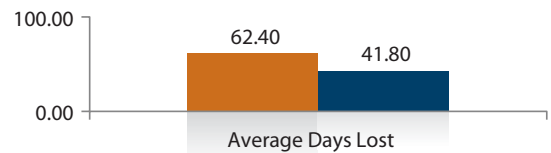
WorkSafeNB provides long-term disability, wage loss and survivor benefits to injured workers or their dependants. At the end of the year, 824 workers injured before 1982 continued to receive disability benefits, 2,387 workers injured after 1982 continued to receive loss of earning benefits, and 420 surviving spouses or dependants continued to receive survivor benefits.

Case managers refer about 14% of all claims to the WRC when injured workers do not recover with local treatments and need a multidisciplinary team approach to deal with their complex issues. In 2015, our satisfaction rate from a client exit survey indicated 86.7% of them were mostly or completely satisfied with the services they received at the WRC.

Lost 1 or more days from work



Days lost from work (average)



Number of Claims Processed by Type (in thousands)



Difficult Return-to-Work Discussions

Many physicians write sick notes for their injured patients without exploring return-to-work (RTW) strategies.

Sponsored by WorkSafeNB and WCB Nova Scotia, the J.D. Irving Research Chair in Occupational Medicine at Dalhousie University recently completed research around sick notes and difficult discussions family physicians were having with their patients about RTW. The research indicated these patients were often off work because of system factors.

In September, the research chair developed theatre workshops intended for small audiences to foster participation from stakeholders, including physicians, employers and third-party insurance providers. They begin with either a video or script for a short play,

acting out scenarios physicians may encounter with injured workers. The workshop facilitator keeps track of audience discussion and provides the information to the research chair for a larger initiative looking at improving the disability management process.

Direct Referral to Physiotherapy

Launched in 2012, the direct referral pilot enables employers to directly refer workers with a soft tissue injury to selected physiotherapists immediately following an injury. The aim is to help injured workers stay at work or have a timely return to work by providing early treatment and guidance on safe abilities. The pilot was evaluated in 2015. The evaluation showed a decrease in the percentage of workers with a lost time claim and a reduction in time away from work for those who did lose time. Following the evaluation,

WorkSafeNB implemented direct referral. At the end of 2015, 87 employers were registered for direct referral with 27 physiotherapists approved to deliver the program. WorkSafeNB will continue to add and provide orientation to interested employers.

Vocational Rehabilitation

WorkSafeNB periodically reviews return-to-work practices to identify opportunities for improvement.

As a result of such a review, WorkSafeNB introduced a pilot to expand the retraining eligibility to clients who demonstrate self-determination and an interest in pursuing a new career. The pilot modifies the rehabilitation practices of rehabilitation specialists and case managers, with the aim to better influence the client's motivation and return-to-work success. The pilot's goal is to increase the number of clients who have secured alternative employment by the end of the vocational rehabilitation phase. To date, 51 clients have benefited from this pilot, 13 of them have completed their retraining, and, to date, 77% are working.

Nursing homes see fewer lost-time injuries and quicker return to work

When WorkSafeNB reviewed the number of injuries among nursing home workers in 2011, it knew something more had to be done.

Musculoskeletal injuries, involving the back and shoulder, were common among the province's 8,000 nursing home workers due to the physical risks from repetitively transferring and repositioning nursing home residents. As a result, injured nursing home workers were losing long periods of time from work.

WorkSafeNB presented the results of its review to both the New Brunswick Association of Nursing Homes (NBANH) and Nursing Home Services, a branch of the province's Department of Social Development. The three agreed to work together to address the problem and, in 2013, started many initiatives aimed at managing and reducing injuries among their workers and the claim costs for lost time.

To support the nursing home industry's disability management initiative, WorkSafeNB involved the NBANH in its direct referral program, which enables employers to immediately and directly refer injured workers with a soft tissue injury to selected physiotherapists. The program provides injured workers with early treatment and guidance on what work tasks they can safely do so they can return to work.

For its part, WorkSafeNB helped all nursing homes be equipped with a trainer in Back in Form (BIF), a WorkSafeNB program on how to safely, effectively and efficiently use body mechanics to handle nursing home residents. It also developed customized inspections for nursing homes based on the type of incidents occurring in them, and designated WorkSafeNB officers to both carry them out and educate staff. It supported the creation of the New Brunswick Continuing Care Safety Association in 2014 and developed a new workshop aimed at health care supervisors.

"It makes us ecstatic," said NBANH's executive director Michael Keating, "because it puts all that money back into a system where it is needed for our residents as opposed to being paid out for injuries."

Keating said it took a cultural change within the industry, and it began with safety leadership. In addition to safety, the NBANH encouraged its members to focus on

With improved disability management practices, New Brunswick nursing homes saw the percentage of lost-time claims fall to 59% at the end of 2015 from 75% in 2011. They also saw the average number of days an injured worker lost time from work decreased from 62.4 in 2011 to 41.8 in 2015.

"This is great news for the nursing home industry," said Barb Keir, director of WorkSafeNB's program development and evaluation. "It should be congratulated for taking efforts to reduce workplace injuries and to help workers safely get back to work as soon as they can. Its many initiatives have benefited the industry as a whole."

"It makes us ecstatic," said NBANH's executive director Michael Keating, "because it puts all that money back into a system where it is needed for our residents as opposed to being paid out for injuries."

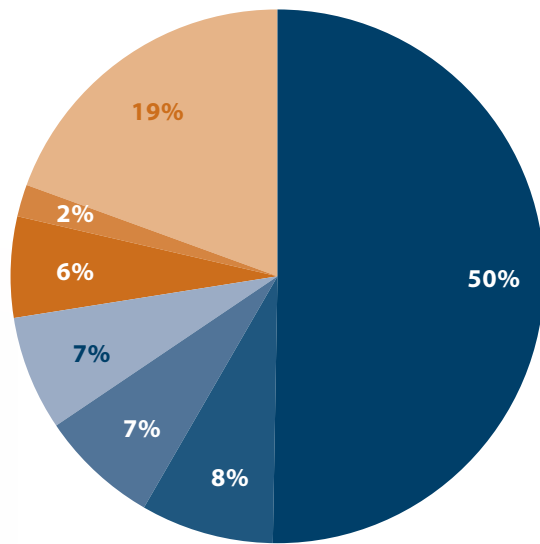
One initiative is already underway. To advance the safety culture in nursing homes, WorkSafeNB partnered with Dr. Kevin Kelloway, the Canada Research Chair in Occupational Health Psychology at Saint Mary's University in Halifax, to conduct a transformational safety leadership training and coaching research project. Results will be available in the summer of 2016.

health and wellness too. "People aren't going to follow somebody that's not going in the right direction," he said. "I think education is the key to effective leadership. Education for our members is the driving force behind change."

More change is needed. At the end of 2015, the injury frequency rate for nursing homes was 5.84 – higher than New Brunswick's overall rate of 2.72.

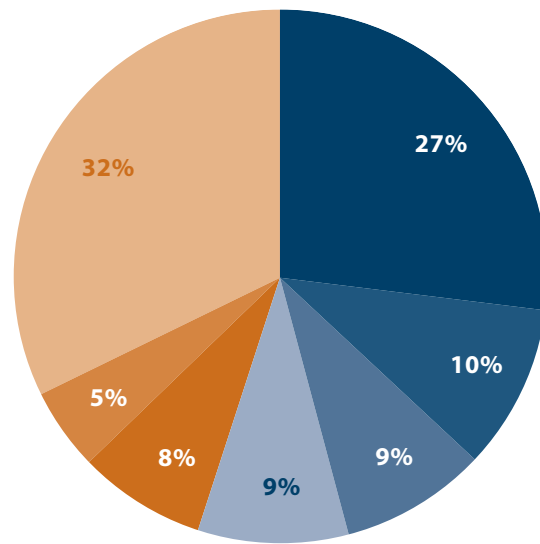
"That's what we are going to continue to focus on," Keir said. "We want to see if there are other initiatives we can implement to make a further impact on that industry."

Percent of Lost-time Claims by Nature of Injury in 2015*



- Sprains, strains, tears, unspecified
- Fractures
- Bruises, contusions
- Soft tissue injury (Traumatic)
- Cuts, lacerations
- Sprains, strains and tears (Repetitive)
- Other

Percent of Lost-Time Claims by Part of Body in 2015*



- Back, including spine, spinal cord
- Legs
- Shoulder, including clavicle, scapula and trapezius muscle if shoulder is mentioned
- Multiple body parts
- Finger(s), fingernail(s)
- Arm(s)
- Other

*Totals may not equal 100% because of rounding.

Short-term Disability and Rehabilitation, and Health-care Payments (in millions)

	2011	2012	2013	2014	2015
Short-term Disability and Rehabilitation	\$36.1	\$35.7	\$36.1	\$39.2	\$41.1
Health Care	\$46.2	\$48.0	\$50.0	\$54.8	\$61.9

Benefit Payments (in millions)

	2011	2012	2013	2014	2015
Injuries in 2015	\$25.7	\$27.3	\$26.4	\$28.7	\$28.2
Prior Years' Injuries	\$111.0	\$112.1	\$117.2	\$127.4	\$137.4



MANAGEMENT DISCUSSION AND ANALYSIS OF 2015 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS

The Management Discussion and Analysis (MD&A) provides management's perspective on key issues that affect the current and future performance of WorkSafeNB. The MD&A, prepared as at May 11, 2016, should be read in conjunction with the audited consolidated financial statements and supporting notes for the year ended December 31, 2015.

Forward-Looking Statements

This report contains forward-looking statements about certain matters that are, by their nature, subject to many risks and uncertainties, which may cause actual results to differ materially from these statements. Forward-looking statements include, but are not limited to, WorkSafeNB's objectives, strategies, targeted and expected financial results, and the outlook for its business and for the New Brunswick and global economies. Risks and uncertainties include, but are not limited to, changing market, industry and general economic factors or conditions; changes in legislation affecting WorkSafeNB policies and practices; changes in accounting standards; the ability to retain and recruit qualified personnel; and other risks, known or unknown. The reader is cautioned not to place undue reliance on these forward-looking statements.

The 2015 Annual Report, 2015-2020 Strategic Plan and Risk Assessment, and 2016 Assessment Rates Report are available at worksafenb.ca.

Overview of financial results

Financial highlights (\$000s)

	2015	2014
Portfolio investments	1,303,416	1,301,676
Benefits liabilities	1,213,104	1,087,106
WorkSafeNB fund balance	286,605	412,946
WorkSafeNB funded ratio	123.2%	137.3%
Assessment rate	\$1.11	\$1.21
Premium income	159,695	147,028
Investment income	55,362	104,198
Claims costs incurred	291,721	199,771
Administration costs	43,730	41,356
Excess of (expenses) over income attributable to WorkSafeNB	(126,341)	6,638
Market rate of return on portfolio	4.30%	8.46%

WorkSafeNB recorded a deficit of \$126.3 million in 2015. This compares with a surplus of \$6.6 million in 2014. The deficit is primarily the result of higher than expected claims costs and lower than expected investment returns. Costs reflect the latest trends, valuation assumption changes and increased benefit entitlements resulting from policy changes. Actual investment returns were 4.30% versus budgeted returns of 6.60%. Budgeted assessment revenue was \$37.5 million below expected costs associated with 2015 accidents. When in a surplus position greater than 110%, policy directs WorkSafeNB to fund a portion of new accident costs from the surplus rather than through assessment revenue, resulting in a budgeted deficit. This resulted in a funded position of \$286.6 million, or 123.2%.

Careful



Consolidated Financial Statements

The consolidated financial statements include the accounts of WorkSafeNB and WorkSafeNB Investments Limited (WSNBIL). WSNBIL is a subsidiary over which WorkSafeNB exercises control, which is defined as having the power to direct the relevant activities of an entity, having exposure or rights to variable returns of the entity, and having the ability to affect the returns through the power it holds. WSNBIL holds infrastructure assets in trust for WorkSafeNB, the Workers Compensation Board of Prince Edward Island (WCB of PEI) and the *FC Act* Disability Fund, pursuant to agreements for the combined administration of their respective investments. Although WorkSafeNB does not have legal rights to the proportionate shares that the WCB of PEI and the *FC Act* Disability Fund hold in WSNBIL, International Financial Reporting Standard 10 (IFRS 10) requires WorkSafeNB to present consolidated financial statements as they have control over WSNBIL as defined in IFRS 10. As a result, WSNBIL has been fully consolidated in these financial statements.

The proportionate ownership of the net assets of WSNBIL as at December 31, 2015 was: WorkSafeNB - 84.83%, WCB of PEI - 14.43%, *FC Act* Disability Fund - 0.74%. All transactions and balances between WorkSafeNB and WSNBIL are eliminated on consolidation.

Non-controlling interests, presented as part of equity, represent the portion of WSNBIL's net assets that are held by the WCB of PEI and the *FC Act* Disability Fund.

Consolidated Balance Sheet

The key components of WorkSafeNB's consolidated balance sheet are its investments, benefits liabilities and fund balance.

Investments

The board of directors believes that WorkSafeNB's investment portfolio must be customized to reflect its purpose, time horizon, liquidity requirements, legal constraints and the risk tolerance of the stakeholders. The primary investment risk is that the assets of the investment fund, together with the future income thereon, will be insufficient to pay the liabilities. The board relies on periodic asset liability studies to ensure that the investment strategy is suitable in light of the related liabilities.

Most of the investment portfolio is held to meet payment obligations that extend for many years into the future. As a consequence, the board takes a long-term approach to finding an acceptable risk/return trade-off via the investment strategy. WorkSafeNB's investment policies and practices are designed to maximize the probability of meeting its performance objectives over the long-term at an acceptable level of risk; from year-to-year, short-term fluctuations in financial markets could cause the investment portfolio to significantly over- or under-perform its long-term performance objectives.

The board believes that the most important factor in determining investment risk and return is the asset mix. In 2011, the board completed an asset liability study, which was designed to help the board determine an appropriate asset mix given their risk tolerance, the nature of the liabilities and WorkSafeNB's financial position. As a result of the study, the board amended the policy asset mix to its current allocation: 18% Canadian bonds, 5% Canadian real return bonds, 16% Canadian equities, 15% U.S. equities, 15% international (EAFE) equities, 4% emerging markets equities, 15% real estate, 5% infrastructure, 5% in a global opportunistic strategy and 2% cash.

This asset mix the board selected is designed to reduce the volatility in WorkSafeNB's annually reported operating income, funded ratio and assessment rates. WorkSafeNB plans to conduct another asset liability study in 2016.

The table below shows the asset values by investment type.

Investments (\$000s)	2015	2014
Forward foreign exchange contracts	(12,577)	(1,900)
Fixed income	243,440	279,580
Equities	649,901	675,273
Real return bonds	64,987	63,211
Real estate	199,253	198,698
Infrastructure	87,409	18,431
Global Opportunistic ¹	71,003	68,383
Total investments	1,303,416	1,301,676

¹The Global opportunistic allocation is invested in a pooled fund that has the ability to invest in a wide variety of asset classes and strategies depending on the manager's assessment of the attractiveness of the opportunity. As of December 31, 2015, the fund had the following allocations: U.S. equities 13.5% (2014 – 16.8%); Non-North American equities 29.8% (2014 – 22.0%); Fixed income 27.2% (2014 – 30.0%); Absolute return strategies 19.0% (2014 – 24.1%); Cash 10.6% (2014 – 7.1%).

WorkSafeNB's investment strategy is documented in the Statement of Investment Philosophy and Beliefs Policy and the Investment Goals and Objectives Policy. The Statement of Investment Philosophy and Beliefs Policy documents the governance structure for investments, the board's commitment to a disciplined approach to investing, the board's view on diversification and the importance of the asset allocation decision, along with the board's view on ethics and investment education. The Investment Goals and Objectives Policy identifies the policy asset mix, the performance objectives, and defines eligible investments and limits on risk concentrations. All of WorkSafeNB's investments are managed by independent external investment managers. The compliance of these portfolio managers with policy is monitored regularly. To minimize the volatility of returns, WorkSafeNB's portfolio is diversified among asset classes, industry sectors, geographic locations and individual securities. WorkSafeNB further diversifies by selecting investment managers with varying investment mandates and styles.

Benefits Liabilities

At the end of each fiscal year, WorkSafeNB determines its benefits liabilities for all accidents that have occurred to that date. These liabilities represent the actuarial present value of all future benefit and related administration costs. As at December 31, 2015, claim benefit liabilities were broken down as follows:

Benefits liabilities (\$000s)	2015	2014
Short-term disability and rehabilitation	91,696	80,471
Long-term disability	605,588	536,663
Survivor benefits	94,018	90,766
Health care	421,802	379,206
Total benefits liability	1,213,104	1,087,106

In 2015, the benefits liability increased by \$126.0 million, or about 11.6%. Changes to economic assumptions, valuation methodologies and policy changes resulting from appeals tribunal decisions combined to increase liabilities by \$73.1 million. In addition, prior years' claims costs increased by \$25.6 million, primarily due to hearing loss claims. As well, the provision for future costs resulting from new injuries increased by \$12 million.

Fund Balance

WorkSafeNB's funding policy specifies a funding goal (ratio of assets to liabilities) of 110%. This permitted excess of assets over liabilities reduces the impact of year-to-year fluctuations, therefore, providing assessment rate stabilization and enhanced security that awarded benefits will be met. The assessment revenue raised in any year from assessed employers may include or be reduced by an amount designed to allow WorkSafeNB to attain its funding goal. WorkSafeNB's funded ratio at December 31, 2015 is 123.2% (2014 – 137.3%). Under the *Workers' Compensation Act*, a minimum funding level of 100% is required, with any shortfall to be recovered over a period of five years.

Revenues

WorkSafeNB's revenue is derived from two sources: assessment income and investment income. In 2015, revenues totaled \$215.1 million, a 14.4% decrease from 2014 revenues of \$251.2 million.

Assessment Income

Assessment income consists of premiums from assessed employers and revenue from self-insured employers. Assessed employers pay premiums based on their assessment rate and assessable payroll. The assessment rate is applied to each \$100 of assessable payroll to arrive at the total premium. Revenue from self-insured employers reflects recoveries of claim payments made on behalf of these employers, an allocation of administration costs to manage the claims, and the change in the actuarial valuation of self-insured employers' benefit liabilities.

Overall, assessment income increased 8.6% from \$147.0 million in 2014 to \$159.7 million in 2015. Premiums from assessed employers decreased 5.0% due to a decrease in the provisional average assessment rate from \$1.21 in 2014 to \$1.11 in 2015. This decrease was offset by a 36.3% increase in revenue from self-insured employers, resulting from increased cost of claims. Employer payrolls increased from \$8.42 billion to \$8.67 billion, partly because of provincial economic growth and partly because of the annual increase to the maximum insurable earnings. In 2015, the maximum insurable earnings increased from \$60,100 to \$60,900.

Assessment income (\$000s)	2015	2014
Assessed employers	93,548	98,500
Self-insured employers	66,147	48,528
Total assessment income	159,695	147,028
Average assessment rate	\$1.11	\$1.21
Assessable payroll	\$8.67 billion	\$8.42 billion

Investment Income

Investment income decreased from \$104.2 million in 2014 to \$55.4 million in 2015. Most of this decrease is attributable to smaller unrealized gains on WorkSafeNB's investments and larger realized and unrealized losses on forward foreign exchange contracts for the year ended December 31, 2015.

Investment income is an important revenue stream for WorkSafeNB. It is relied on to supplement assessments to cover total expenses for the year. Built into the valuation of the benefits liabilities and into the assessment rate-setting model is the long-term assumption that WorkSafeNB's investments will generate an annual real rate of return of 3.75%. In 2015, the real rate of return on the portfolio was 2.85%. For the 20-year period ended December 31, 2015, the annualized real rate of return on the portfolio was 5.22%.

Investment income (\$000s)	2015	2014
Interest and dividends	31,964	32,311
Net realized gains on investments	52,004	63,865
Change in net unrealized gains on investments	(23,613)	13,381
Portfolio management expenses	(4,993)	(5,359)
Total investment income	55,362	104,198

Expenses

WorkSafeNB's expenses consist of claims costs, administration costs, and legislative obligations. In 2015, expenses increased by 39.0% from \$244.2 million to \$339.6 million.

Claims Costs

Claims costs represent costs incurred in the current year for current and prior year injuries. These costs include benefit payments made and changes in the actuarial valuation of the benefits liability. In 2015, these costs totaled \$291.7 million, a 46.0% increase from the \$199.8 million incurred in 2014. This increase is attributable to actual costs being higher than expected, a change in the valuation of hearing loss claims to reflect increased volume, an increase in the occupational disease provision, increases in benefit entitlements resulting from policy changes in response to appeals tribunal decisions, and a number of economic assumption changes.

Fundamental to the actuarial valuation are the discount rates used to value the liabilities. The assumed discount rate for 2015 is 6.08%, compared to 6.60% in 2014. The change is due a reduction in the real rate of return assumption from 4.00% to 3.75%, and a reduction in the long-term inflation assumption from 2.50% to 2.25%.

Claims costs (\$000s)	2015	2014
Short-term disability and rehabilitation	52,343	42,975
Long-term disability	122,252	50,301
Survivor benefits	12,626	10,961
Health care	104,500	95,534
Total claims costs	291,721	199,771

Operating Costs

In 2015, WorkSafeNB's administration costs increased from \$41.4 million to \$43.7 million, but remained well below budgeted costs of \$54.9 million.

WorkSafeNB is required by legislation to reimburse the provincial government for operating costs of the workers' and employers' advocates and, as of April 1, 2015, the appeals tribunal which became independent from WorkSafeNB. In 2015, WorkSafeNB incurred \$1.5 million for workers' and employers' advocates (2014 – \$0.9 million), and \$1.5 million for the appeals tribunal. Operating costs for the workers' advocates increased by 120.2%, from \$0.5 million in 2014 to \$1.1 million in 2015.

In 2015, WorkSafeNB provided \$690 thousand (2014 - \$674 thousand) of financial assistance to three safety associations in accordance with the *Workers' Compensation (WC) Act* – the New Brunswick Construction Safety Association, the New Brunswick Continuing Care Safety Association, and the New Brunswick Forest Safety Association. The money paid is levied against all employers in the industries represented by the safety associations and is included as part of assessment income.

Operating costs (\$000s)	2015	2014
Administration costs	43,730	41,356
Legislative obligations	3,677	1,553
Appeals tribunal	438	1,564
Total operating costs	47,845	44,473

Key Financial Drivers

Employment, Accident Frequency and Claim Duration

Work-related injuries arise from employment. Changes in New Brunswick's employment base and trends in accident frequency and claim duration are the primary drivers of WorkSafeNB's operations and the key determinants of the assessment rates that employers pay.

After a number of years of declining accident frequency, recent indicators suggest small increases in both number of claims and costs relative to a few years ago. In particular, claim severity reflects higher benefit entitlements as a result of recent policy changes. Some of the forces that can mitigate increases in accident frequency are:

- An increased awareness of and acceptance of the need for good safety practices on the part of both workers and employers.
- The aging of the workforce (older workers tend to exhibit a lower accident frequency rate).
- WorkSafeNB's focus on high-risk industries.
- A shift in the nature of industry in the province from high accident risk industries to lower risk industries.
- Changes in the way work is done in the higher risk industries.

Some of the forces that can positively influence claim duration are:

- WorkSafeNB's focus on early intervention and safe return to work;
- A shift in the nature of industry in the province from high accident risk industries to lower risk industries;
- Economic factors encouraging early return to work.

Claim duration/severity is particularly important, as a relatively small number of claims accounts for a very sizable portion of benefit costs.

Inflation Rate

The inflation rate, or Canadian consumer price index (CPI), is a key driver because WorkSafeNB's future short-term disability, long-term disability and survivor benefits are indexed annually based on the CPI.

The Bank of Canada's target for the core inflation rate is 2.0%. Over the past 10 years, the rate used for the indexation of lost-time benefits has ranged from a low of 0.73% to a high of 2.52%, with the average rate being 1.76%.

Investment Returns

WorkSafeNB collects assessments to cover the entire present and future expected costs of injuries incurred in a given year. The assessments collected are invested to produce an expected long-term average real return of 3.75%. This real return is the expected return in excess of inflation, as measured by the increase in the CPI. This return expectation is based on achieving investment returns similar to the historical long-term average returns for the asset classes in which the portfolio is invested, with the exception of fixed income investments, which are expected to deliver lower returns than their recent historical average.

It was a difficult year for financial markets in 2015, as slowing growth in China led to a steep decline in energy prices, along with many other commodities, which hurt commodity exporting countries like Canada, Russia and Brazil. In Europe, Japan and China, economic growth has been so slow that central banks are pursuing aggressive monetary easing, lowering interest rates and allowing

currencies to weaken. In contrast, the U.S. Federal Reserve increased interest rates in December for the first time since 2006, putting it on a path of higher interest rates and a stronger dollar. The U.S. dollar remained one of the world's strongest currencies, but with the decline in energy and materials prices, the Canadian dollar weakened substantially over the year. For Canadian-based investors, returns from holding foreign equities were very good due to the weakness in the Canadian dollar. U.S. equities, represented by the S&P 500 index, returned 21.59% in Canadian dollar terms for 2015. For the same period, Canadian equities lost 8.32%, and international (EAFE) equities gained 18.95%.

Canadian bonds, as represented by the FTSE TMX Universe Bond Index, gained 3.52% for the year. Long bonds, represented by the FTSE TMX Long Overall Bond Index, gained 3.80%, and real return bonds, represented by the FTSE TMX Real Return Bond Index, gained 2.76%. Canadian real estate had another good year, with the REALpac/IPD Canada All Property Index returning 7.70%.

WorkSafeNB's total investment portfolio earned a return of 4.46% in 2015. Inflation for the same period has averaged 1.61%, resulting in a real return of 2.85% for the period. This trails the expected real return objective by 0.90%. WorkSafeNB's investment return for the 20 years ended December 31, 2015 has averaged 7.06%. Inflation for the same period has averaged 1.84%, resulting in an average real return of 5.22% for the period. This exceeds the expected real return objective by 1.47%.

While the expected average real return is 3.75% over long periods, over shorter periods the actual real rate of return can vary significantly due to short-term volatility in the financial markets where WorkSafeNB's portfolio is invested. The long-term fiscal strategy and investment policies document WorkSafeNB's strategy for maintaining investment and funding discipline in volatile markets. Based on the market value of the investment portfolio at December 31, 2015, each one percent of annual investment return over or under the expected return of CPI plus 3.75% translates to an excess or shortfall of approximately \$13.5 million.

Risks

The context in which WorkSafeNB makes its strategic decisions is continuously changing. Trends and events within New Brunswick and across Canada are intricately linked to the achievement of our vision, with environmental, economic and societal factors posing risks as well as opportunities for WorkSafeNB. To maximize opportunities and manage risks, the board of directors annually reviews its strategic direction and the risks facing the organization, and decides whether to reaffirm or adjust treatment of its risk portfolio and its strategies.

Available online at worksafenb.ca, the 2015-2020 Strategic Plan & Risk Assessment summarizes the results of the annual planning process, with an emphasis on transparency and accountability. Based on its analysis in

2015, the board of directors revised the organization's mission to include the word "partner," and focused its values on three components (integrity, caring service and accountability), and identified 22 risks to achieving the direction. The risks include:

- *Unique mandate risks* – specific risks that exist only as a result of WorkSafeNB's legislated mandate. This included such risks as influences in the funding level, inconsistent board succession planning, varying expectations in WorkSafeNB's role in health and safety and return to work, challenges in amending the governing statutes, a variance between appeals tribunal decisions and board policy, responsibility for personal injuries and illnesses, the impacts of cumulative mental stress and having the appropriate balance between sustainable employer insurance and workers' compensation benefits.

Key funding level risks include benefits costs and investment performance.

Benefit costs are susceptible to many variables, including the state of the provincial economy, major projects, shifts in the nature of work in the province, workers' and employers' attitudes to health and safety, the aging of the workforce, employers' return-to-work practices, WorkSafeNB's effectiveness in processing and managing claims, and appeal decision results. Non-controllable risks include the potential for legislated new benefits or expanded coverage of diseases, especially if applied retroactively. The occurrence of these types of events could carry substantial financial liability if introduced in New Brunswick.

Investment policy is established by the board, which has determined its asset mix policy using the results of an asset liability study which considered the nature of the liabilities, the board's risk tolerance and WorkSafeNB's financial position. The board and management have also established policies and directives to ensure that there are adequate internal control and risk-mitigation procedures in place for WorkSafeNB's investments. However, some investment risks are not directly controllable, such as significant market swings, geopolitical risks, and interest rate changes driven by the fiscal and trade policies of other countries. Significant year-to-year volatility in WorkSafeNB's reported results due to fluctuations in the market value of investments is likely to continue.

- *External risks* – societal, economic, political or demographic trends and behaviours that influence and impact WorkSafeNB's goals, and include changes in the types of industries operating in the province, limited availability and rising cost of health care, and changes to legislation, regulation, and policy in other jurisdictions.

- *Risks to reputation* – those factors that may impact perceptions and attitudes held by stakeholders, clients, and the public toward WorkSafeNB, including public confidence, government confidence, government decisions, external agencies' recommendations that do not align with the board of directors' strategic direction, and declining satisfaction with service delivery.
- *Operational risks* – a breakdown of people/systems, including threats to business continuity, and changes in staffing levels or technology/equipment, which may impact WorkSafeNB's ability to fulfill its responsibilities.

Once the board of directors identifies the risks, it prioritizes each in terms of its impact and likelihood of occurrence, as well as assigns a suitable response (reduce, accept, avoid, share). Management is given the mandate and the resources to then manage the risks according to the board's direction. This may include establishing controls, policies, directives, and/or disciplined frameworks or approaches to manage these risks. The Internal Audit Department, which reports to the president and CEO and the board's Financial Services Evaluation Committee, regularly carries out operational and financial audits to test for compliance.

Looking Ahead

Business Outlook

WorkSafeNB's disciplined approach to managing its business continues to be critical given current economic uncertainties. WorkSafeNB's business priorities are to explore new, and build on existing, operational and financial strategies. Management will be closely monitoring economic and operating trends to proactively develop effective responses to emerging business issues.

WorkSafeNB will continue to look for opportunities to improve outcomes and will be investing in additional occupational health and safety strategies to improve accident frequency and claim duration results. WorkSafeNB is challenged with a tight market for qualified staff and will be developing strategies to attract top-tier talent. The proven effectiveness of WorkSafeNB's service delivery model is a solid foundation for continuing success, relying on the dedication and professionalism of its staff to deliver services with care, compassion, efficiency, promptness and fairness.

The 2016 assessment rate remains unchanged at \$1.11 per \$100 of assessable payroll. This decision was guided by the board's funding policy, which requires that the assessment rate be adjusted to allow WorkSafeNB to achieve its 110% funding target. Although New Brunswick's assessment rate continues to be among the lowest in the country, future trends in accident experience and investment returns will have a material impact on the rate, either positively or negatively.

Financial Management

Capital markets remain uncertain and it is critical for WorkSafeNB to maintain a disciplined planning and decision-making process to protect the integrity and stability of the Accident Fund. WorkSafeNB is a long-term investor with a strong financial position. This allows for patience and the ability to stay committed to proven investment principles and beliefs.

Labour Market

Canada's labour market is dramatically changing and, as in other industrialized countries, this means that the labour force is not only aging, but also shrinking. In New Brunswick, a variety of factors – declining birth rates and baby boomers retiring – are aligning to create a perfect storm of factors resulting in a significant socioeconomic crisis in the province's near future. Sometime toward the middle of the next decade, and for the first time in at least a century, the number of people willing and available to work in Canada will be smaller than the number of jobs potentially available for them. After that point in time, a general labour shortage will become a normal fact of New Brunswick economic life.

The board recognizes this challenge and is committed to developing strategies to ensure that WorkSafeNB continues to recruit and retain top-tier employees.

New Brunswick Economy¹

New Brunswick's economy has been battling the negative impacts of an aging population and weak demographics, which has severely constrained the performance in its housing and job markets. In addition, the winding down of potash mining in the province during 2016 will temporarily constrain economic growth.

Still, New Brunswick appears set to enjoy a cyclical pickup in 2016. Exports have improved and job creation has recently shifted into positive territory on a year-over-year basis. The province remains reliant on its export-led goods sector, and improved export demand from Europe and the U.S. is projected to drive increased output in 2016. Exports of food products are likely to lead the way. Steady gains are also anticipated in retail trade and home sales.

Overall, the provincial economy is expected to experience modest real GDP growth of between 1.0% and 1.5%.

Summary

WorkSafeNB is prepared to face these challenges through ongoing stakeholder consultation on key issues, ongoing innovation of its business, development of online systems enabling its clients to transact their WorkSafeNB business simply and efficiently, employee retention and development strategies aimed at ensuring that the organization continues to be a top employer, and closely monitoring economic and operating trends to proactively develop effective responses to emerging business issues.

Together with its partners, WorkSafeNB will continue to look for ways to minimize the impact of workplace illness and injury for New Brunswickers and their employers. Through clear focus on the core business and commitment to its core values, WorkSafeNB remains poised to face the future.

¹ Provincial Economic Forecast, TD Economics, January 26, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

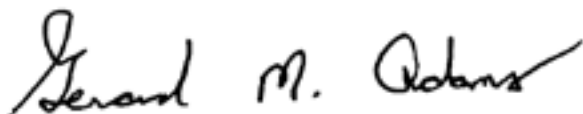
WorkSafeNB's consolidated financial statements were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting and applying appropriate accounting principles and actuarial assumptions consistent with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced, and that assets are properly safeguarded. The Internal Audit Department conducts reviews to ensure that WorkSafeNB's internal controls and procedures are adequate, consistent, and applied uniformly.

The board of directors is responsible for evaluating management in the performance of financial reporting responsibilities, and has approved the consolidated financial statements included in this annual report. The board of directors is assisted by the Financial Services Evaluation Committee, which reviews and recommends approval of the consolidated financial statements and meets periodically with management, the independent actuaries, the independent auditors and the internal auditor, concerning internal controls and all other matters relating to financial reporting.

Morneau Shepell, WorkSafeNB's independent consulting actuary, has completed an actuarial valuation of the benefits liabilities included in WorkSafeNB's consolidated financial statements and reported thereon in accordance with accepted actuarial principles.

Grant Thornton, WorkSafeNB's independent auditors, has performed an audit of WorkSafeNB's consolidated financial statements in accordance with International Financial Reporting Standards. The Independent Auditors' Report outlines the scope of this independent audit and includes the opinion expressed on the consolidated financial statements.



Gerard M. Adams, CPA, CA
PRESIDENT AND CHIEF EXECUTIVE OFFICER
WorkSafeNB



Tim Petersen, CPA, CA
VICE-PRESIDENT, CORPORATE SERVICES
WorkSafeNB

ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of WorkSafeNB as at December 31, 2015 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part.

1. The data on which the valuation is based were provided by WorkSafeNB. We applied such checks of reasonableness of the data as we considered appropriate. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.
2. The economic assumptions are consistent with WorkSafeNB's long-term fiscal strategy and investment policies. The discount rates used are disclosed in note 3 to the financial statements. In my opinion, the assumptions are appropriate for the purpose of the valuation.
3. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.
4. The estimate of the actuarial liabilities as at the valuation date is \$1,042,477,000 for assessed employers and \$170,627,000 for self-insured employers for a total of \$1,213,104,000. This includes provisions for benefits and future administrative expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. It also includes a provision for potential long latency occupational disease claims associated with exposure that occurred on or before the valuation date.
5. The liability as at the valuation date for pension contributions and accumulated interest already set aside by WorkSafeNB up to the valuation date for purposes of providing pension benefits at age 65 to injured workers and dependent spouses of deceased workers is included in the above figures and was obtained from WorkSafeNB's Corporate Services Division staff.
6. In my opinion, the amount of the benefits liabilities makes appropriate provision for all personal injury compensation obligations, and the financial statements fairly present the results of the valuation.
7. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
8. The valuation is based on the provisions of the Workers' Compensation Act of New Brunswick and on WorkSafeNB's policies and practices in effect on the valuation date. Only benefits covered by the Workers' Compensation Act are included in this valuation.



Conrad Ferguson, F.C.I.A.
MORNEAU SHEPELL
May 2016

INDEPENDENT AUDITORS' REPORT

To the board of directors:

WorkSafeNB

We have audited the accompanying consolidated financial statements of Workplace Health, Safety and Compensation Commission of New Brunswick (operating as WorkSafeNB), which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statement of operations, consolidated statement of changes in fund balances and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of WorkSafeNB as at December 31, 2015 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Saint John, Canada
May 11, 2016



Grant Thornton LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As at December 31

	2015 (000s)	2014 (000s)
ASSETS		
Cash and cash equivalents	\$ 49,491	\$ 64,950
Receivables and other (Note 5)	11,044	10,005
Recoverable benefits liabilities (Note 2)	160,085	138,246
Investments (Notes 6 and 7)	1,303,416	1,301,676
Capital assets (Note 8)	9,517	9,023
	<u>\$ 1,533,553</u>	<u>\$ 1,523,900</u>
LIABILITIES AND FUND BALANCE		
Payables and accruals (Note 9)	\$ 20,464	\$ 20,843
Benefits liabilities (Notes 3, 4 and 10)	1,213,104	1,087,106
Total liabilities	1,233,568	1,107,949
WorkSafeNB fund balance	286,605	412,946
Non-controlling interests (Note 2)	13,380	3,005
	<u>299,985</u>	<u>415,951</u>
	<u>\$ 1,533,553</u>	<u>\$ 1,523,900</u>

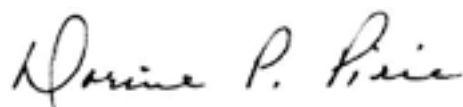
On behalf of the board of directors:



Hector Losier
Financial Services Evaluation Committee, Board of Directors



Lucien Sonier
Financial Services Evaluation Committee, Board of Directors



Dorine Pirie
Chairperson, Board of Directors

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31

	2015 (000s)		2014 (000s)
	Budget	Actual	Actual
INCOME			
Assessments (Note 11)	\$ 95,255	\$ 93,548	\$ 98,500
Investments (Note 6)	87,314	55,362	104,198
Self-insured employers (Note 12)	48,450	66,147	48,528
	231,019	215,057	251,226
EXPENSES			
Claims costs incurred (Note 10)			
Short-term disability and rehabilitation	45,350	52,343	42,975
Long-term disability	61,700	122,252	50,301
Survivor benefits	7,000	12,626	10,961
Health care	71,100	104,500	95,534
	185,150	291,721	199,771
Administration (Note 13)	54,897	43,730	41,356
Legislative obligations (Note 14)	3,099	3,677	1,553
Appeals Tribunal	494	438	1,564
	58,490	47,845	44,473
Total expenses	243,640	339,566	244,244
Excess of (expenses) over income for the year	\$ (12,621)	\$ (124,509)	\$ 6,982
Excess of (expenses) over income for the year attributable to:			
WorkSafeNB		(126,341)	6,638
Non-controlling interests (Note 2)		1,832	344
		\$ (124,509)	\$ 6,982

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
 CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCE
 For the year ended December 31

	WorkSafeNB (000s)	Non- controlling interests (000s)	2015 Total (000s)
Fund balance, January 1, 2015	\$ 412,946	\$ 3,005	\$ 415,951
Capital contributions by non-controlling interests	-	8,543	8,543
Distributions to non-controlling interests	-	-	-
Excess of (expenses) over income for the year	(126,341)	1,832	(124,509)
Fund balance, December 31, 2015	\$ 286,605	\$ 13,380	\$ 299,985

	WorkSafeNB (000s)	Non- controlling interests (000s)	2014 Total (000s)
Fund balance, January 1, 2014	\$ 406,308	\$ 405	\$ 406,713
Capital contributions by non-controlling interests	-	2,930	2,930
Distributions to non-controlling interests	-	(674)	(674)
Excess of income over expenses for the year	6,638	344	6,982
Fund balance, December 31, 2014	\$ 412,946	\$ 3,005	\$ 415,951

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

	2015 (000s)	2014 (000s)
Cash flow from operating activities		
Cash received from:		
Assessed employers	\$ 92,996	\$ 99,630
Self-insured employers	42,835	43,146
Interest and dividends	34,600	34,343
	170,431	177,119
Cash paid to:		
Injured workers or third parties on their behalf (Note 10)	165,723	156,128
Suppliers and employees, for administration and other services	51,030	48,857
	216,753	204,985
Net cash used in operating activities	(46,322)	(27,866)
Cash flow from investing activities		
Cash received from:		
Sale of investments	335,734	349,626
Contributions by non-controlling interests	8,549	2,943
	344,283	352,569
Cash paid for:		
Purchase of investments	310,988	319,170
Purchase of capital assets	2,432	1,814
Distributions to non-controlling interests	-	675
	313,420	321,659
Net cash provided by investing activities	30,863	30,910
(Decrease) increase in cash during the year	(15,459)	3,044
Cash and cash equivalents, beginning of year	64,950	61,906
Cash and cash equivalents, end of year	\$ 49,491	\$ 64,950

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

1. Authority and Nature of Operations

The Workplace Health, Safety and Compensation Commission (operating as WorkSafeNB) was established by the New Brunswick Legislature effective January 1, 1995, under the *Workplace Health, Safety and Compensation Commission Act (WHSCC Act)*. WorkSafeNB, having its head office at 1 Portland Street, Saint John, New Brunswick, is responsible for the administration of the *Workplace Health, Safety and Compensation Commission and Workers' Compensation Appeals Tribunal Act (WHSCC & WCAT Act)*, the *Workers' Compensation Act (WC Act)*, the *Occupational Health and Safety Act (OHS Act)*; and in accordance with the provisions of these acts, for promoting accident prevention; administering the payment of benefits to injured workers and surviving spouses; and levying and collecting assessments from employers sufficient to fund the current and future costs of existing claims.

WorkSafeNB is also responsible for the administration of the *Firefighters' Compensation Act (FC Act)* and, in accordance with the provisions of the act, for administering the payment of benefits to firefighters or former firefighters and dependants, and levying and collecting assessments from municipalities, rural communities and local service districts. The results of operations under the *FC Act* are not included in WorkSafeNB's consolidated financial statements as WorkSafeNB does not control the *FC Act* Disability Fund. A separate set of financial statements is prepared for the *FC Act*.

WorkSafeNB's consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on May 11, 2016.

2. Significant Accounting Policies and Practices

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended December 31, 2015 and the comparative information for the year ended December 31, 2014.

Accounting policies are selected and applied to ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in effect at December 31, 2015 and are presented in thousands (000s) of Canadian dollars, unless otherwise stated.

WorkSafeNB's consolidated financial statements have been prepared on a historical cost basis except for investments, which are measured at fair value and benefits liabilities, which are discounted to present value based on the assumptions detailed in Note 3.

(b) Basis of consolidation

The consolidated financial statements include the accounts of WorkSafeNB and WorkSafeNB Investments Limited (WSNBIL). WSNBIL is a subsidiary over which WorkSafeNB exercises control, which is defined as having the power to direct the relevant activities of an entity, having exposure or rights to variable returns of the entity, and having the ability to affect the returns through the power it holds. WSNBIL holds infrastructure and real estate assets in trust for WorkSafeNB, the Workers Compensation Board of Prince Edward Island (WCB of PEI) and the *FC Act* Disability Fund. The proportionate ownership of the net assets as at December 31, 2015 was: WorkSafeNB – 84.83%, WCB of PEI – 14.43%, *FC Act* Disability Fund – 0.74%. All transactions and balances between WorkSafeNB and WSNBIL are eliminated on consolidation.

Non-controlling interests, presented as part of equity, represent the portion of WSNBIL's net assets that are held by the WCB of PEI and the *FC Act* Disability Fund.

(c) New accounting standards

Future accounting and reporting changes

The International Accounting Standards Board (the IASB) is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect over the next several years. WorkSafeNB continually monitors the IASB work plans and publications to assess any potential impact on the organization.

The IASB has issued revisions to IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). IFRS 9 and IFRS 15 are effective for accounting periods beginning on or after January 1, 2018.

In addition, the IASB is working on revisions to IFRS 4 (Insurance Contracts). The impact of the revisions is not currently determinable.

2. Significant Accounting Policies and Practices (continued)

(d) Use of accounting estimates and measurement uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying WorkSafeNB's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, have been disclosed in Notes 2 and 3. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could be higher or lower than these estimates.

(e) Cash and cash equivalents

Cash and cash equivalents are recorded at fair value and consist of cash and fixed income instruments with maturities of less than one year.

(f) Assessment income

Assessment income is calculated on actual or estimated payrolls as reported by the employer, or on arbitrary assessments as determined by WorkSafeNB. Separate assessment rates are established for each industry classification. An allowance for doubtful accounts is provided for assessments receivable based on management's best estimate.

A portion of assessment income for the year is not billed or received until after year-end. The receivable is determined based on amounts billed and received subsequent to year-end. Any difference between unbilled assessments and the actual assessments received is credited or charged to income in the following year.

(g) Investments

All portfolio investments, except forward foreign exchange contracts, are designated by WorkSafeNB as financial assets at fair value through profit or loss on initial recognition, and are recorded at fair value. Forward foreign exchange contracts are classified as held-for-trading and are recorded at fair value. Interest and dividend income and realized gains and losses on all portfolio investments are included in investment income. Interest and dividend income is recognized in the period earned and realized gains and losses are recognized in the period in which they arise. Unrealized gains and losses are included in investment income and recognized in the period in which they arise. All purchases and sales of securities classified as portfolio investments are recognized using trade-date accounting.

All portfolio investments, except forward foreign exchange contracts, are designated by WorkSafeNB as financial assets at fair value through profit or loss on initial recognition because the portfolio is managed and its performance is evaluated on a fair value basis, in accordance with the policies and directives that document WorkSafeNB's investment strategy and risk controls. The portfolio investments are held to provide for the benefits liabilities. The most relevant measure to assess whether the investments are sufficient to pay for the liabilities is fair value. As the portfolio investments are a key part of WorkSafeNB's ongoing insurance operations, the interest and dividend income and the realized and unrealized gains and losses on the portfolio investments are recognized in income from operations.

Fair values of investments are determined as follows:

- Publicly traded equity securities are valued at their year-end quoted market prices as reported on recognized public securities exchanges.
- Fixed-term investments are valued at their year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities.
- Commercial paper, short-term notes and treasury bills and term deposits maturing within a year are valued at either their year-end closing or bid price based on available quotations from recognized dealers in such securities, or at cost plus accrued interest, which approximates fair value.
- Pooled fund units are valued at their year-end net asset value, as determined by the fund manager or administrator. For pooled funds holding equity and fixed-income assets, these values represent WorkSafeNB's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities. For pooled funds holding derivatives, cleared derivatives are valued at the closing price quoted by the relevant clearing house, and over-the-counter derivatives are valued using an industry standard model. Exchange-traded options are valued at the last sale price or the closing bid price for long positions and the closing ask price for short positions. For real estate pooled funds classified as level 1 in the fair value hierarchy, these values represent WorkSafeNB's proportionate share of the underlying net assets at fair values determined using independent appraisals,

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2. Significant Accounting Policies and Practices (continued)

net of any liabilities against the fund assets. For infrastructure pooled funds and real estate pooled funds classified as level 3 in the fair value hierarchy, these values represent WorkSafeNB's proportionate share of the underlying net assets at fair values estimated using one or more methodologies, including discounted cash flows, multiples of earnings measures, and recent comparable transactions. In the first year of ownership, cost is considered to be an appropriate estimate of fair value.

- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date.

(h) Fair value of other financial assets and liabilities

The carrying value of receivables and payables approximates their fair value because of the short-term nature of these instruments.

(i) Foreign currencies

Assets denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Income from these assets is translated at the rate in effect at the time the income is received. Realized exchange gains or losses are included in investment income and recognized in the period earned. Unrealized exchange gains or losses resulting from the translation of foreign currency denominated asset balances are recorded in investment income in the period in which they arise.

(j) Benefits liabilities

Benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation, policies and administrative practices of existing claims. Benefits liabilities also include the estimated liability for latent occupational disease and a provision for future administration costs of existing claims. Due to the nature of the estimated liability for latent occupational disease and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefits liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision. The benefit liability calculations are completed by WorkSafeNB's internal actuarial staff in accordance with accepted actuarial practice established by the Canadian Institute of Actuaries. It is WorkSafeNB's practice to have an independent consulting actuary complete a valuation of the benefits liabilities of WorkSafeNB every year. Actual future costs could be higher or lower than those amounts presented in the consolidated financial statements.

A variety of estimation techniques are used in performing the valuation. They are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. To the extent possible, and when deemed more appropriate, seriatim valuation by award is used. More general techniques are used to estimate outstanding awards. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of claims to increase or reduce when compared with the cost of previously settled claims including, but not limited to:

- Changes in WorkSafeNB processes that might accelerate or slow down the development and/or recording of claims.
- Changes in WorkSafeNB policies that might affect benefits.
- Changes in the legal environment.
- Medical and technological developments.

Multiple techniques are adopted to estimate the required level of provisions. This helps to better align the trends inherent in the data being projected to the benefit type being valued. The most appropriate estimation technique is selected taking into account the characteristics of the benefit type and the extent of the development of each accident year. Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in Note 3.

(k) Recoverable benefits liabilities and self-insured employers

These consolidated financial statements include the effects of transactions carried out for self-insured employers (predominately federal and certain provincial government institutions) who bear the direct cost of their incurred claims and an appropriate share of administration costs.

2. Significant Accounting Policies and Practices (continued)

The benefits liabilities recorded in these consolidated financial statements include obligations to injured workers of self-insured employers, excluding those injured workers and dependants receiving benefits under the federal *Government Employees Compensation Act* or the *Silicosis Compensation Act*. These obligations represent the actuarial present value of all expected future benefits payments on behalf of self-insured employers, for claims that occurred in the current fiscal year, or in any prior year. As these liabilities will be borne by the self-insured employers when paid, an offsetting recovery equal to the benefits liabilities is reported on the balance sheet as recoverable benefits liabilities. Self-insured employers who are Crown corporations are required to provide WorkSafeNB with an irrevocable letter of credit or a guarantee from the Province of New Brunswick as security.

(l) Operating leases

WorkSafeNB has continuing obligations under operating lease agreements for certain office space. Operating lease payments are charged as an expense in the statement of operations on a straight-line basis over the lease term.

(m) Capital assets

Capital assets are reported at cost and are depreciated on a straight-line basis over their estimated useful lives. The rates used are as follows:

Buildings	25 years
Furniture and equipment	5 years
Leasehold improvements	Remaining term of relevant lease
Computer software and hardware	3 years
Motor vehicles	3 years, 35% residual value

The assets residual values are reviewed each balance sheet date and adjusted, if appropriate. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount, and are included in investment income.

As at December 31, 2015, items of property, plant and equipment were assessed for specific indicators of potential impairment. Such indicators include technological obsolescence and physical deterioration or loss. Management determined that there was no material impairment of individual operating assets.

(n) Post-employment benefits

Payables and accruals include an amount for post-employment benefits based on a January 1, 2015 actuarial valuation conducted by WorkSafeNB's independent consulting actuary. Post-employment benefits include retirement allowances and early retirement programs.

(o) WorkSafeNB's Rehabilitation Centre

Included in health-care payments is \$6.6 million (2014 – \$7.6 million) for services provided by WorkSafeNB's Rehabilitation Centre.

(p) Impairment review

Entity Level

IAS 36 (Impairment of Assets) requires an entity to test assets for impairment if indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Based on an analysis of cash flows, WorkSafeNB has established that the appropriate cash-generating unit for impairment review is the entity. As WorkSafeNB has statutory power under the *WC Act* to increase assessments and/or impose levies to ensure full funding into the foreseeable future, impairment at the entity level is remote. WorkSafeNB conducts an annual review to ensure that no events or change in circumstances have occurred that would provide evidence of impairment.

As at December 31, 2015, management concluded that there were no known significant changes in the legislative, economic or business environment that would have a material impact on WorkSafeNB's ability to generate future economic benefits from its operating assets.

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2. Significant Accounting Policies and Practices (continued)

(q) Funding policy

WorkSafeNB's funding policy specifies a funding goal (ratio of assets to liabilities) of 110%. This permitted excess of assets over liabilities reduces the impact of year-to-year fluctuations, therefore, providing assessment rate stabilization and enhanced security that awarded benefits will be met. The assessment revenue raised in any year from assessed employers may include or be reduced by an amount designed to allow WorkSafeNB to attain its funding goal. WorkSafeNB's funded ratio at December 31, 2015 is 123.2% (2014 – 137.3%). Under the *WC Act*, a minimum funding level of 100% is required, with any shortfall to be recovered over a period of five years.

3. Actuarial Assumptions and Methods

Significant estimates and judgments are made on outstanding benefits liabilities disclosed in the consolidated financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques. The following explicit assumptions have been made in determining the outstanding benefits liabilities:

	2015			2014		
	CPI-indexed awards	Medical payments (duration 16 and over)	Other payments (duration 16 and over)	CPI-indexed awards	Medical payments (duration 16 and over)	Other payments (duration 16 and over)
Gross rate of return	6.08%	6.08%	6.08%	6.60%	6.60%	6.60%
Inflation - Year 1	1.49%	5.25%	3.25%	1.43%	7.00%	3.50%
- subsequent years	2.25%	5.25%	3.25%	2.50%	7.00%	3.50%
Net rate of return - Year 1	4.53%	0.79%	2.75%	5.10%	(0.37%)	3.00%
- subsequent years	3.75%	0.79%	2.75%	4.00%	(0.37%)	3.00%
Future administration	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Occupational disease	6.00%	6.00%	6.00%	4.50%	4.50%	4.50%

A description of the processes used to determine these assumptions is provided below:

General statement

Assumptions are formulated to be consistent with the funding and investment policies adopted by the board. Benefits liabilities are valued based on the primary assumption that the system will be in operation for the long term. Hence, the focus is on long-term trends as opposed to short-term fluctuations around those trends.

Gross rate of return

The gross rate of return reflects the best estimate of the long-term average rate of return that can be expected using the benchmark asset allocation adopted by the board in its statement of investment goals and objectives. An estimate of a real rate of return, based on the analysis of multiple possible scenarios, is then compounded with the long-term average future inflation estimate to obtain the gross rate of return.

CPI-indexed awards inflation rate

The indexation rate in year one for short-term disability, long-term disability, pensions and survivor awards is known when the valuation is made. This calculation of the indexation rate is specified under the *WC Act* and the calculation for the following calendar year is made before year-end. For the first 15 years of the projection for short-term disability and seven years of the projection for long-term disability awards, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For subsequent durations, the inflation rate was determined from an analysis of past experience over periods of 20 and 30 years. This analysis is periodically updated to ensure the inflation assumption remains current. The latest analysis, conducted in 2015, produced an annual inflation rate of 2.25%.

3. Actuarial Assumptions and Methods (continued)

Medical payments inflation rate

For the first 15 years of the projection, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For duration 16 and over, the inflation rate was determined from a study of past payment experience. The study is periodically updated to ensure the inflation assumption remains current. An analysis, conducted in 2015, resulted in an annual inflation rate that was 3.0% above the long-term inflation assumption used for CPI.

Other payments inflation rate

For the first 15 years of the projection, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For duration 16 and over, the inflation rate was determined from a study of past payment experience. The study is periodically updated to ensure the inflation assumption remains current. An analysis, conducted in 2015, resulted in an annual inflation rate that was 1.0% above the long-term inflation assumption used for CPI.

CPI-indexed awards net rate of return

A net rate of return is not calculated for the first 15 years following injury for short-term disability and the first seven years following injury for long-term disability awards, as there is no explicit inflation assumption. The net rate of return for other CPI-indexed benefit types and other durations is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

Medical payments net rate of return

A net rate of return is not calculated for the first 15 years following injury as there is no explicit inflation assumption. The net rate of return is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

Other payments net rate of return

A net rate of return is not calculated for the first 15 years following injury as there is no explicit inflation assumption. The net rate of return is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

Future administration

When a claim occurs, it triggers an obligation to provide claims management, maintenance and support in terms of paying the various providers of health-care services and compensating workers for lost wages for as long as the claim is open. The future administration expense liability is intended to provide a reasonable allowance for this obligation.

A detailed review of future administration expenses is conducted periodically. In this review, an estimate is made of the portion of operating expenses that can be attributed to claims maintenance, including a proportionate share of overhead expenses. The latest review, conducted in 2008, concluded that a 6.5% allocation was reasonable. Hence, a liability for future administration expenses of 6.5% of the total benefits liability is included in the liability estimate.

Occupational disease

Occupational diseases differ from occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a workers' compensation claim. Furthermore, while the circumstances of an injury usually make it clear whether it is work related or not, the link between an occupational disease and the workplace may be difficult to establish.

A detailed review of long-latency occupational disease incidence and costs is conducted periodically. The review provides a range of potential incidence and cost based on past experience. The study includes allowance for changes in industry make-up since the experience has developed and improvements have been made in the prevention of diseases known to be work related. The latest review, conducted in 2015, concluded that a 6.0% allocation was reasonable. This provision is deemed to include an allowance for administration expenses on these claims. Hence, a liability for occupational disease of 6.0% of the total benefits liability is included in the liability estimate.

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December 31, 2015

3. Actuarial Assumptions and Methods (continued)**Sensitivity analysis****i) Summary**

Sensitivity analyses are conducted to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed on the previous pages. The movement in any key variable will impact WorkSafeNB's financial performance and funding ratio.

Impact of movement in variable:

Gross rate of return

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on claims costs.

Long-term general inflation rate

The CPI-indexed awards inflation rate, medical payments inflation rate, and other payments inflation rate are all directly affected by movements in the long-term general inflation rate. Consequently, the benefits indexed to these rates are also affected. An increase or decrease in the long-term general inflation rate would have a corresponding impact on claims costs.

Medical inflation rate

Medical expenses more than 15 years after the injury account for a major part of expected benefit payments at long durations. An increase or decrease in medical payment inflation relative to the assumption underlying the liability estimates would have a corresponding impact on claims costs.

The table below presents the sensitivity of the benefits liabilities to an immediate 1% increase or decrease in the assumed rates.

ii) Impact of changes in key variables:

+/-% change in assumed rates	2015 (000s)		2014 (000s)	
	+1.00%	-1.00%	+1.00%	-1.00%
Gross rate of return	\$ (80,175)	\$ 96,217	\$ (73,863)	\$ 89,913
Long-term general inflation rate	82,841	(68,498)	76,206	(62,701)
Medical inflation rate	48,017	(37,321)	40,855	(31,189)

4. Claims – Risk Management Policies and Procedures

WorkSafeNB's financial condition and operation is affected by a number of key risks, including claims, operational and financial risks. WorkSafeNB has established policies and procedures to manage these risks as set out below.

(a) Claims risk

WorkSafeNB has an objective to manage claims risk, thus reducing the volatility of assessment premiums and performance from operations. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations are significantly affected by market factors external to WorkSafeNB.

WorkSafeNB has developed, implemented and maintained a sound and prudent claims risk management strategy that encompasses all aspects of WorkSafeNB's operations.

The strategy sets out WorkSafeNB's policies and procedures, processes and controls in relation to the management of likely financial and non-financial claims risks.

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December 31, 2015

4. Claims – Risk Management Policies and Procedures (continued)

Key aspects of the processes in place to mitigate claims risks include:

- Established processes for managing claims in accordance with the *WHSCC & WCAT Act* and the *WC Act*.
- A disciplined strategic planning and risk assessment process.
- A tracking system that requires the costing of any benefit changes from changes in policy, legislation, and appeals decisions.
- Targeted programs for high-risk industries.
- The use of sophisticated management information systems, which provide reliable and up-to-date data on the claims risks to which the business is exposed at any point in time.
- The use of detailed internal monitoring tools that link actuarial valuation projections with the management information systems to monitor claims patterns.
- Annual review of the benefits liability by an independent external actuary.

(b) Terms and conditions of the workers' compensation system

The terms and conditions of the workers' compensation system administered by WorkSafeNB are established under the *WHSCC & WCAT Act*. Coverage is for annual periods ending December 31 each year. The system's terms and conditions are similar for all assessed employers.

(c) Operational risk

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to claims or financial risks. These risks are managed through a framework that includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

(d) Financial risk

WorkSafeNB has exposure to the following financial risks:

- Funding risk
- Market risk
- Foreign currency risk
- Credit risk
- Inflation risk
- Interest rate risk
- Liquidity risk

WorkSafeNB's exposure to these risks arises primarily in relation to its investment portfolio. Note 7 presents information about WorkSafeNB's exposure to each of the above risks, including objectives, policies and processes for measuring and managing the risk.

5. Receivables

	2015 (000s)	2014 (000s)
Assessments billed	\$ 1,145	\$ 1,427
Unbilled assessments	4,159	4,053
Self-insured employers – receivable	5,485	4,013
Self-insured employers – deposits	(1,534)	(1,534)
Other	1,789	2,046
	<u>\$ 11,044</u>	<u>\$ 10,005</u>

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December 31, 2015

6. Investments

The table below presents the fair value of WorkSafeNB's investments.

	2015	2014
	(000s)	(000s)
	Fair Value	Fair Value
<i>i) Portfolio investments</i>		
Forward foreign exchange contracts	\$ (12,577)	\$ (1,900)
Fixed income		
Conventional bonds	243,440	279,580
Equities		
Canadian	183,401	204,911
U.S.	193,930	207,055
Non-North American	272,570	263,307
Total equities	649,901	675,273
Inflation-sensitive		
Real return bonds	64,987	63,211
Real estate	199,253	198,698
Infrastructure	87,409	18,431
Total inflation-sensitive	351,649	280,340
Absolute return		
Global opportunistic ¹	71,003	68,383
	\$ 1,303,416	\$ 1,301,676

¹The Global opportunistic allocation is invested in a pooled fund that has the ability to invest in a wide variety of asset classes and strategies depending on the manager's assessment of the attractiveness of the opportunity. As of December 31, 2015, the fund had the following allocations: U.S. equities 13.5% (2014 – 16.8%); Non-North American equities 29.8% (2014 – 22.0%); Fixed income 27.2% (2014 – 30.0%); Absolute return strategies 19.0% (2014 – 24.1%); Cash 10.6% (2014 – 7.1%).

ii) Fair value hierarchy

WorkSafeNB's investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 (Financial Instruments: Disclosures). The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 1 inputs are the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1 quoted prices. Level 2 inputs consist of: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (markets which have few transactions and prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (interest rates, yield curves, volatilities, credit risks, and default rates); and (iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. These inputs reflect assumptions about market pricing using the best internal and external information available. The valuation approaches applied are the most suitable and appropriate for the type of investments.

In certain situations, inputs used to measure the fair value of asset positions fall into different levels of the fair value hierarchy. In these situations, the level in which the fair value falls is based upon the lowest level input that is significant to the determination of the fair value. As of December 31, 2015, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

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6. Investments (continued)

Portfolio investments	2015 (000s)			Fair Value
	Level 1	Level 2	Level 3	
Forward foreign exchange contracts	\$ -	\$ (12,577)	\$ -	\$ (12,577)
Fixed income				
Conventional bonds	243,440	-	-	243,440
Equities				
Canadian	183,401	-	-	183,401
U.S.	193,930	-	-	193,930
Non-North American	272,570	-	-	272,570
Total equities	649,901	-	-	649,901
Inflation-sensitive				
Real return bonds	64,987	-	-	64,987
Real estate	198,760	-	493	199,253
Infrastructure	-	-	87,409	87,409
Total inflation-sensitive	263,747	-	87,902	351,649
Absolute return				
Global opportunistic	71,003	-	-	71,003
	\$ 1,228,091	\$ (12,577)	\$ 87,902	\$ 1,303,416

Portfolio investments	2014 (000s)			Fair Value
	Level 1	Level 2	Level 3	
Forward foreign exchange contracts	\$ -	\$ (1,900)	\$ -	\$ (1,900)
Fixed income				
Conventional bonds	279,580	-	-	279,580
Equities				
Canadian	204,911	-	-	204,911
U.S.	207,055	-	-	207,055
Non-North American	263,307	-	-	263,307
Total equities	675,273	-	-	675,273
Inflation-sensitive				
Real return bonds	63,211	-	-	63,211
Real estate	198,698	-	-	198,698
Infrastructure	-	-	18,431	18,431
Total inflation-sensitive	261,909	-	18,431	280,340
Absolute return				
Global opportunistic	68,383	-	-	68,383
	\$ 1,285,145	\$ (1,900)	\$ 18,431	\$ 1,301,676

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

6. Investments (continued)

	2015		2014
	(000s)		(000s)
<i>iii) Summary of changes in level 3 fair value measurements:</i>			
Balance, beginning of year	\$ 18,431	\$	2,803
Purchases of level 3 investments	57,138		18,689
Distributions	-		(4,550)
Investment income	1,964		1,064
Expenses	(10)		(18)
Realized gains	144		139
Change in unrealized gains recognized in investment income	10,235		304
Balance, end of year	\$ 87,902	\$	18,431

There are three investments classified as level 3: (1) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$40.5 million (2014 - \$18.4 million). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2015, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 12-year life that commenced on October 30, 2013. The general partner has the option to extend the fund's life by two years. (2) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$46.9 million (2014 - \$0). This is an open-ended fund that allows quarterly redemptions at net asset value, but with some restrictions. It is classified as a level 3 investment in the fair value hierarchy. (3) A limited partnership interest in a fund investing in European real estate with a market value of \$493 thousand (2014 - \$0). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2015, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a nine-year life that commenced on August 22, 2014.

	2015		2014
	(000s)		(000s)
<i>iv) Investment income</i>			
Interest and dividends	\$ 31,964	\$	32,311
Realized investment gains (losses) on forward foreign exchange contracts	(26,161)		(9,104)
Realized investment gains on other portfolio investments	78,165		72,969
Change in unrealized investment gains on forward foreign exchange contracts	(10,677)		2,319
Change in unrealized investment gains on other portfolio investments	(12,936)		11,062
	60,355		109,557
Less: portfolio management expenses	(4,993)		(5,359)
	\$ 55,362	\$	104,198

The market rate of return on the investment portfolio for the year ended December 31, 2015 was 4.30% (8.46% in 2014).

v) Pooled funds

Certain of WorkSafeNB's portfolio investments are held through pooled funds. The fair value of the investments held through pooled funds is as follows:

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6. Investments (continued)

	2015 (000s)	2014 (000s)
Conventional bonds	\$ 243,440	\$ 279,580
Real return bonds	64,987	63,211
Non-North American equities	62,630	58,184
Real estate	199,253	198,698
Infrastructure	87,409	18,431
Global opportunistic	71,003	68,383

vi) Investment agreement

WorkSafeNB has entered into an investment agreement for the combined administration and pooling of its investments and those of the Workers Compensation Board of Prince Edward Island and the *FC Act* Disability Fund. These consolidated financial statements report WorkSafeNB's proportional share of the investments held in the fund, except for the investment in WorkSafeNB Investments Limited, which is consolidated (see Note 2). WorkSafeNB's proportional share of the pooled fund was 84.83% at December 31, 2015 (2014 – 84.78%). In 2015, WorkSafeNB received a fee of \$237,337 (2014 – \$224,974) for the administration of the Workers Compensation Board of Prince Edward Island's share of the fund, and a fee of \$10,057 (2014 – \$8,908) for the administration of the *FC Act* Disability Fund's share of the fund.

vii) Commitments

Through its investment in WorkSafeNB Investments Limited, WorkSafeNB has entered into limited partnership agreements with externally managed infrastructure and real estate pooled funds that commit to contribute investments in these funds, which may be drawn down over the next several years. Unfunded commitments as of December 31, 2015 are \$102.3 million (2014 – \$73.1 million).

7. Financial Risk Management

WorkSafeNB has established policies to manage its investments. All of WorkSafeNB's investments are managed by independent external investment managers. The compliance of these managers with the investment policies is monitored regularly.

WorkSafeNB manages investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, WorkSafeNB retains independent consultants to advise on the appropriateness and effectiveness of its investment policies and practices. This includes periodic asset liability studies to ensure that the investment strategy is suitable in light of the related liabilities and WorkSafeNB's risk tolerance. The last such study was completed in 2011.

The following sections describe WorkSafeNB's financial risk exposures and related mitigation strategies.

i) Funding risk

WorkSafeNB's funding policy specifies a funding goal (ratio of assets to liabilities) of 110%. This permitted excess of assets over liabilities reduces the impact of year-to-year fluctuations, therefore providing assessment rate stabilization and enhanced security that awarded benefits will be met.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

7. Financial Risk Management (continued)

ii) Market risk

WorkSafeNB invests in publicly traded equities listed on domestic and foreign exchanges, bonds traded over-the-counter through broker-dealers, Canadian and foreign commercial real estate and global infrastructure assets held via pooled funds. These securities are affected by fluctuations in market prices. Such fluctuations are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks specific to issuers, which may affect the market value of individual securities. Policy guidelines have been established to ensure that WorkSafeNB's investments are diversified by issuer, industry and geographic location.

The table below presents the estimated effect of a reasonably possible¹ adverse change in the key risk variable – the market benchmark – for each of the equity mandates in WorkSafeNB's investment portfolio.

	2015 (000s)		2014 (000s)	
	1 std dev	2 std dev	1 std dev	2 std dev
Canadian Equities				
% change in market benchmark ²	(13.6%)	(27.3%)	(13.8%)	(27.7%)
Canadian portfolio – impact on surplus/deficit	\$ (26,016)	\$ (52,071)	\$ (24,647)	\$ (48,975)
U.S. Equities				
% change in market benchmark ³	(11.4%)	(22.8%)	(11.0%)	(21.9%)
U.S. portfolio – impact on surplus/deficit	\$ (23,425)	\$ (46,783)	\$ (25,542)	\$ (51,088)
International (EAFE) Equities				
% change in market benchmark ⁴	(13.5%)	(26.9%)	(12.8%)	(25.6%)
International portfolio – impact on surplus/deficit	\$ (27,165)	\$ (54,231)	\$ (24,679)	\$ (49,180)
Emerging Markets Equities				
% change in market benchmark ⁵	(17.3%)	(34.5%)	(17.6%)	(35.2%)
Emerging markets portfolio – impact on surplus/deficit	\$ (11,962)	\$ (23,898)	\$ (9,801)	\$ (19,523)

¹ Reasonably possible changes are estimated using the historical (10-year) variability of each of the market benchmarks about their respective means. The standard deviation measures the normal variance in a probability distribution. One standard deviation covers 68% of all probable outcomes and two standard deviations covers 95%.

² S&P TSX (Standard & Poor's Toronto Stock Exchange) Capped Composite Index

³ S&P (Standard & Poor's) 500 Index

⁴ MSCI (Morgan Stanley Capital International) EAFE (Europe, Australasia and Far East) Total Return Index

⁵ MSCI EM (Emerging Markets) Total Return Index

iii) Foreign currency risk

WorkSafeNB has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. WorkSafeNB's most significant currency exposure is to the U.S. dollar, the euro, the Japanese yen and the British pound. At December 31, 2015, WorkSafeNB had U.S. dollar-denominated holdings of \$289.8 million (2014 – \$277.3 million), euro-denominated holdings of \$70.3 million (2014 – \$59.4 million), Japanese yen-denominated holdings of \$50.2 million (2014 – \$45.7 million) and British pound-denominated holdings of \$53.8 million (2014 – \$33.9 million).

For its U.S. and non-North American equities, WorkSafeNB has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward foreign exchange contracts. Forward foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception.

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7. Financial Risk Management (continued)

The fair value of these financial instruments will change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2015 mature in the first 30 days of 2016.

At December 31, 2015, the notional value of outstanding forward foreign exchange contracts was \$246.2 million (2014 – \$229.8 million). The fair value of these contracts was a liability of \$12.6 million (2014 – \$1.9 million liability). Unrealized losses on forward foreign exchange contracts of \$12.6 million (2014 – \$1.9 million) were included in investment income.

The table below presents how the surplus/deficit would be affected by a reasonably possible annual change in the Canadian/US dollar, Canadian/euro, Canadian/Japanese yen and Canadian/British pound exchange rates. The impact on the surplus/deficit is shown net of the currency hedges in place at year-end:

	2015 (000s)	2014 (000s)
	Impact on surplus/deficit	Impact on surplus/deficit
15% appreciation in the Canadian dollar		
CAD/USD	\$ (18,704)	\$ (18,858)
CAD/EURO	(4,588)	(3,876)
CAD/YEN	(3,271)	(2,979)
CAD/POUND	(3,589)	(2,095)

iv) Credit risk

Credit risk on fixed-term or money market investments or forward foreign exchange contracts arises from the possibility that the counter party to an instrument fails to meet its obligation to WorkSafeNB. The maximum exposure to credit risk is determined by the fair value of these financial instruments. Policy guidelines have been established to ensure WorkSafeNB holds fixed-term investments with a credit rating of BBB or higher. WorkSafeNB may only invest in money market instruments that are provincially or federally guaranteed or are guaranteed by one of the five largest Canadian chartered banks. Counter parties to forward foreign exchange contracts must have a credit rating of at least AA-.

The table below summarizes the fixed term investments by credit rating.

	2015		2014	
	Fair Value (000s)	% of Total Fixed-Term Investments	Fair Value (000s)	% of Total Fixed-Term Investments
Credit Rating*				
AAA	\$ 157,831	51.17	\$ 174,140	50.80
AA	66,484	21.56	72,631	21.19
A	82,489	26.75	96,020	28.01
BBB	1,623	0.52	-	-
Total	\$ 308,427	100.00	\$ 342,791	100.00

* Credit ratings are obtained from Standard & Poor's, Moody's or DBRS ratings

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

7. Financial Risk Management (continued)**v) Inflation risk**

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets.

To mitigate the effect of inflation on WorkSafeNB's future liabilities, the portfolio holds inflation-sensitive investments, such as real-return bonds, real estate and infrastructure. Canadian real-return bonds are indexed to the annual change in the Canadian consumer price index. The table included in the interest rate section below presents the remaining terms to maturity of the conventional and real-return bond portfolios.

vi) Interest rate risk

Future changes in the prevailing level of interest rates will affect the fair value of the fixed-term investments.

The table below presents the remaining term to maturity of WorkSafeNB's portion of the outstanding fixed-term investments, all of which are held in pooled funds.

	Remaining Term To Maturity (000s)				Total 2015	Total 2014
	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years			
Canadian real return bonds (fair value)	\$ (727)	\$ 184	\$ 65,530	\$	64,987	\$ 63,211
Canadian conventional bonds (fair value)	74	65,008	178,358		243,440	279,580
	\$ (653)	\$ 65,192	\$ 243,888	\$	308,427	\$ 342,791

The average effective real yield of the real return bonds is 0.44% (2014 – 0.57%) per annum based on market value. The average effective yield of the conventional bonds is 2.20% (2014 – 2.36%) per annum based on market value.

As of December 31, 2015, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the Canadian conventional bonds would have increased or decreased by \$21.9 million (2014 – \$24.2 million), approximately 8.98% (2014 – 8.65%) of their fair value.

As of December 31, 2015, had the prevailing real interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the Canadian real return bonds would have increased or decreased by \$10.1 million (2014 – \$10.0 million), approximately 15.53% (2014 – 15.83%) of their fair value.

The sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolios.

vii) Liquidity risk

Liquidity risk is the risk that WorkSafeNB will have difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash.

Through a proactive cash management process that entails continuous forecasting of expected cash flows, WorkSafeNB mitigates liquidity risk by minimizing the need for forced liquidations of portfolio assets. WorkSafeNB investment policy maintains a 2% allocation to cash to help ensure adequate liquidity. To cover unanticipated cash requirements when market conditions are unfavourable, WorkSafeNB has negotiated a standby line of credit of up to \$10 million, which has not been drawn down as at December 31, 2015.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

8. Capital Assets

	Land and buildings (000s)	Computer software and hardware (000s)	Furniture and equipment including leasehold improvements (000s)	Motor vehicles (000s)	2015 Total (000s)	2014 Total (000s)
Cost						
Balance at January 1	\$ 7,656	\$ 15,484	\$ 5,409	\$ 382	\$ 28,931	\$ 28,369
Additions	328	1,814	220	116	2,478	1,816
Disposals	-	(808)	-	(88)	(896)	(1,254)
Balance at December 31	<u>\$ 7,984</u>	<u>\$ 16,490</u>	<u>\$ 5,629</u>	<u>\$ 410</u>	<u>\$ 30,513</u>	<u>\$ 28,931</u>
Accumulated Depreciation						
Balance at January 1	\$ (1,425)	\$ (13,514)	\$ (4,782)	\$ (187)	\$ (19,908)	\$ (19,254)
Depreciation	(313)	(1,349)	(256)	(35)	(1,953)	(1,900)
Disposals	-	808	-	57	865	1,246
Balance at December 31	<u>\$ (1,738)</u>	<u>\$ (14,055)</u>	<u>\$ (5,038)</u>	<u>\$ (165)</u>	<u>\$ (20,996)</u>	<u>\$ (19,908)</u>
Carrying amounts						
At January 1	<u>\$ 6,231</u>	<u>\$ 1,970</u>	<u>\$ 627</u>	<u>\$ 195</u>	<u>\$ 9,023</u>	<u>\$ 9,115</u>
At December 31	<u>\$ 6,246</u>	<u>\$ 2,435</u>	<u>\$ 591</u>	<u>\$ 245</u>	<u>\$ 9,517</u>	<u>\$ 9,023</u>

9. Payables and Accruals

	2015 (000s)	2014 (000s)
Accounts payable and accruals	\$ 17,773	\$ 17,945
Post-employment benefits	2,691	2,898
	<u>\$ 20,464</u>	<u>\$ 20,843</u>

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

10. Benefits Liabilities

<i>i) Continuity schedule</i>	2015					2014
	(000s)					(000s)
	Short-term disability and rehabilitation	Long-term benefits	Survivor benefits	Health care	Total	Total
Balance, beginning of year	\$ 80,471	\$ 536,663	\$ 90,766	\$ 379,206	\$ 1,087,106	\$ 1,043,463
Add claims costs incurred:						
Current year injuries	37,042	26,486	1,483	58,599	123,610	111,819
Prior years' injuries	15,301	95,766	11,143	45,901	168,111	87,952
	<u>52,343</u>	<u>122,252</u>	<u>12,626</u>	<u>104,500</u>	<u>291,721</u>	<u>199,771</u>
Less claims payments made:						
Current year injuries	13,549	331	199	14,212	28,291	28,722
Prior years' injuries	27,569	52,996	9,175	47,692	137,432	127,406
	<u>41,118</u>	<u>53,327</u>	<u>9,374</u>	<u>61,904</u>	<u>165,723</u>	<u>156,128</u>
Balance, end of year	<u>\$ 91,696</u>	<u>\$ 605,588</u>	<u>\$ 94,018</u>	<u>\$ 421,802</u>	<u>\$ 1,213,104</u>	<u>\$ 1,087,106</u>

ii) Current year injuries

	2015			2014		
	(000s)			(000s)		
	Claims payments	Present value of expected future costs	Claims costs incurred	Claims payments	Present value of expected future costs	Claims costs incurred
Short-term disability and rehabilitation	\$ 13,549	\$ 23,493	\$ 37,042	\$ 14,365	\$ 20,163	\$ 34,528
Long-term disability	331	26,155	26,486	154	23,346	23,500
Survivor benefits	199	1,284	1,483	116	727	843
Health care	14,212	44,387	58,599	14,087	38,861	52,948
	<u>\$ 28,291</u>	<u>\$ 95,319</u>	<u>\$ 123,610</u>	<u>\$ 28,722</u>	<u>\$ 83,097</u>	<u>\$ 111,819</u>

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

10. Benefits Liabilities (continued)

iii) Reconciliation of movement in benefits liabilities

	2015	2014
	(000s)	(000s)
Balance, beginning of year	\$ 1,087,106	\$ 1,043,463
Add (deduct) changes in liabilities		
Interest on liability	66,091	65,858
Payments and other transactions	(137,548)	(123,947)
	(71,457)	(58,089)
Balance, before adjustments	1,015,649	985,374
Claims experience (gains) losses		
Actual costs more (less) than expected	22,824	9,742
Actual payments more (less) than expected	9,114	(5,815)
Difference between actual and expected inflation	(2,428)	(2,494)
Other experience (gains) losses	(508)	(329)
	29,002	1,104
Unusual items		
Change in economic assumptions	19,754	-
Change in valuation assumptions	(36,591)	17,533
Change in valuation methods	21,828	-
Change in policy benefits	53,239	-
Change in occupational disease provision	14,904	-
	73,134	17,533
Provision for future costs of new injuries	95,319	83,095
Balance, end of year	\$ 1,213,104	\$ 1,087,106

iv) Prior years' injuries

Significant changes in prior years' claims costs arising from the estimate of the benefits liabilities included the following:

	Increase (decrease) in benefits liabilities and claims costs incurred	
	2015	2014
	(000s)	(000s)
Reduction in assumed indexing rate for CPI-indexed benefits	\$ (2,428)	\$ (2,494)
(Favourable) Unfavourable experience on health care costs	22,927	14,116
(Favourable) Unfavourable experience on survivor costs	(692)	(82)
(Favourable) Unfavourable experience on short-term disability costs	6,534	3,224
(Favourable) Unfavourable experience on long-term disability costs	(786)	(13,974)
(Favourable) Unfavourable experience on other costs	3,447	315
Changes due to unusual items	73,134	17,533

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

10. Benefits Liabilities (continued)

v) Claims development table

The following table presents the development of outstanding claims relative to the ultimate expected claims for the nine most recent accident years. The table illustrates how the estimate of ultimate claims costs for each accident year has changed with more experience over succeeding year-ends, and compares the current estimate of cumulative claims cost to the actual cumulative payments over the development period. Due to the long duration of many benefit types, significant amounts will be paid beyond the valuation date. The lower section of the table reconciles the total outstanding claims amounts to the discounted amount reported in the balance sheet.

Accident year	2007 (000s)	2008 (000s)	2009 (000s)	2010 (000s)	2011 (000s)	2012 (000s)	2013 (000s)	2014 (000s)	2015 (000s)	Total (000s)
Estimate of ultimate claims cost:										
At end of accident year	\$ 203,829	\$ 207,975	\$ 200,462	\$ 203,428	\$ 184,192	\$ 168,843	\$ 202,327	\$ 226,047	\$ 202,133	
One year later	187,921	195,033	188,926	176,741	159,701	201,446	213,020	208,992		
Two years later	170,276	183,685	172,132	154,210	187,458	213,282	193,988			
Three years later	166,587	173,110	158,550	184,840	194,027	194,748				
Four years later	158,105	159,873	187,436	192,609	175,487					
Five years later	148,603	186,231	194,955	174,130						
Six years later	174,236	192,705	177,861							
Seven years later	177,463	172,500								
Eight years later	160,000									
Current estimate of cumulative claims cost	160,000	172,500	177,861	174,130	175,487	194,748	193,988	208,992	202,133	1,659,839
Cumulative payments	(80,834)	(82,726)	(78,704)	(72,351)	(67,709)	(72,000)	(63,075)	(58,528)	(28,617)	(604,544)
Outstanding claims, undiscounted	79,166	89,774	99,157	101,779	107,778	122,748	130,913	150,464	173,516	1,055,295
2006 and prior years										1,043,658
Total outstanding claims, undiscounted										2,098,953
Discount										(1,114,638)
Annuity - accrual										114,084
Occupational diseases										64,699
Other contingent liabilities*										50,006
Total outstanding claims										\$ 1,213,104

* Consists primarily of liabilities for future annuity awards.

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11. Assessments

	2015 (000s)		2014 (000s)
	Budget	Actual	Actual
Assessment income	\$ 95,155	\$ 93,588	\$ 98,545
Interest and penalties	600	402	421
Uncollectibles	(500)	(442)	(466)
	<u>\$ 95,255</u>	<u>\$ 93,548</u>	<u>\$ 98,500</u>

12. Self-Insured Employers

	2015 (000s)		2014 (000s)
	Budget	Actual	Actual
Income from self-insured employers	\$ 48,450	\$ 66,147	\$ 48,528
Claims costs incurred:			
Short-term disability and rehabilitation	15,050	17,334	14,700
Long-term disability	12,100	21,030	10,252
Survivor benefits	600	1,276	1,608
Health care	13,200	19,452	16,417
	<u>40,950</u>	<u>59,092</u>	<u>42,977</u>
Administration	7,500	7,055	5,551
	<u>\$ 48,450</u>	<u>\$ 66,147</u>	<u>\$ 48,528</u>

13. Administration

	2015 (000s)		2014 (000s)
	Budget	Actual	Actual
Salaries and employee benefits	\$ 35,601	\$ 32,822	\$ 31,399
Depreciation	2,000	1,924	1,874
Professional fees	3,329	2,804	2,121
Office and communications	2,483	1,801	1,707
Building operations	3,511	2,766	2,668
Travel and vehicle operations	1,799	1,141	1,078
Education and training	1,216	629	720
OHS investment	5,000	255	-
Other	1,458	1,060	1,208
	<u>56,397</u>	<u>45,202</u>	<u>42,775</u>
Allocated to health care claims costs	(1,500)	(1,472)	(1,419)
	<u>\$ 54,897</u>	<u>\$ 43,730</u>	<u>\$ 41,356</u>

A portion of WorkSafeNB's administration costs represents charges incurred by WorkSafeNB for its rehabilitation centre. This portion, which relates to claims, has been allocated to health care.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

14. Legislative Obligations

Although WorkSafeNB does not have input into the budgeting process for the workers' and employers' advocates, it is required by legislation to reimburse the provincial government for their operating costs.

In addition, WorkSafeNB provided financial assistance to certain New Brunswick safety associations in accordance with the *WC Act*. The money paid was levied against all employers in the industries represented by the safety associations and is included as part of assessment income.

	2015 (000s)		2014 (000s)
	Budget	Actual	Actual
Workers' advocates	\$ 540	\$ 1,147	\$ 521
Employers' advocates	355	340	358
	895	1,487	879
New Brunswick Construction Safety Association	300	300	300
New Brunswick Forest Safety Association	190	190	190
Other	200	200	184
	690	690	674
Appeals tribunal	1,514	1,500	-
	\$ 3,099	\$ 3,677	\$ 1,553

15. Commitments

Future minimum payments under operating lease arrangements:

	2015 (000s)	2014 (000s)
Due within one year	\$ 596	\$ 265
Due later than one year and less than five years	1,928	412
Due later than five years	49	-
	\$ 2,573	\$ 677

16. Related Party Transactions

Government entities

These consolidated financial statements include the results of normal operating transactions with various provincial government controlled departments, agencies and Crown corporations, with which WorkSafeNB may be considered related. Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Key management compensation

Key management personnel of WorkSafeNB are deemed related parties. They include members of the board of directors and the executive committee. Total compensation for key management is detailed in the following table:

	2015 (000s)	2014 (000s)
Salaries and other short-term employee benefits	\$ 1,114	\$ 1,537
Post-employment benefits	122	129
	\$ 1,236	\$ 1,666

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

17. Employee Pension Plan

WorkSafeNB and its employees participate in a multi-employer shared-risk pension plan, administered by the Province of New Brunswick under the *Public Service Superannuation Act*. The plan provides pensions to employees of the provincial government and certain Crown corporations and agencies based on:

- For service to December 31, 2013 – length of service and highest successive five-year average salary;
- For service from January 1, 2014 – length of service and career average salary.

Since sufficient information is not readily available to account for WorkSafeNB's participation in the plan using defined benefit pension plan accounting, these consolidated financial statements have been prepared using accounting rules for defined contribution pension plans.

The current year expense for this pension plan is \$3.55 million (2014 – \$3.22 million).

18. Contingent Liabilities

At any given time, WorkSafeNB is party to various claims and lawsuits related to the normal course of business. In the opinion of management, the outcome of such claims and lawsuits and the resulting effects on operations and financial position are not determinable.

19. Budget

The 2015 budget figures that are presented for comparison with the actual figures were approved by WorkSafeNB's board of directors and have not been audited.

20. Events After the Reporting Date

On November 20, 2015, the Workers' Compensation Appeals Tribunal (WCAT) issued a decision related to the calculation of interest on pension amounts set aside for injured workers. The decision, which is binding, prohibits WorkSafeNB from including negative interest quarters in the valuation of pension amounts set aside for injured workers.

Subsequent to the balance sheet date, management requested a legal opinion on the implementation of the WCAT decision. The opinion concluded that any pension payouts on or after November 20, 2015 must calculate interest at a rate of zero percent for any quarter, including those before the decision date, where the actual return on the investment portfolio was negative.

The impact of the WCAT decision on WorkSafeNB's benefits liability as at December 31, 2015 was as follows:

	2015 (000s)
Assessed employers	\$ 30,654
Self-insured employers	4,533
Total	\$ 35,187

The portion attributable to self-insured employers had no net impact on WorkSafeNB's excess of (expenses) over income for 2015 or on the fund balance.

21. Comparative Figures

Certain of the 2014 figures that are presented for comparative purposes have been reclassified to conform to the presentation adopted in the current year.

FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED BALANCE SHEET

As at December 31

	2015 (000s)	2014 (000s)	2013 (000s)	2012 (000s)	2011 (000s)
ASSETS					
Cash and cash equivalents	\$ 49,491	\$ 64,950	\$ 61,906	\$ 16,611	\$ 21,774
Receivables and other	11,044	10,005	10,491	10,821	13,134
Recoverable benefits liabilities	160,085	138,246	132,883	128,377	136,495
Investments	1,303,416	1,301,676	1,256,021	1,156,485	1,046,658
Capital assets	9,517	9,023	9,115	9,485	9,641
	\$ 1,533,553	\$ 1,523,900	\$ 1,470,416	\$ 1,321,779	\$ 1,227,702
LIABILITIES AND FUND BALANCE					
Payables and accruals	\$ 20,464	\$ 20,843	\$ 20,240	\$ 19,456	\$ 19,575
Benefits liabilities	1,213,104	1,087,106	1,043,463	1,023,620	1,030,463
Total liabilities	1,233,568	1,107,949	1,063,703	1,043,076	1,050,038
WorkSafeNB fund balance	286,605	412,946	406,308	278,703	177,664
Non-controlling interests	13,380	3,005	405	-	-
	299,985	415,951	406,713	278,703	177,664
	\$ 1,533,553	\$ 1,523,900	\$ 1,470,416	\$ 1,321,779	\$ 1,227,702

Certain of the above figures have been reclassified to conform with the presentation adopted in 2015.

FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31

	2015 (000s)	2014 (000s)	2013 (000s)	2012 (000s)	2011 (000s)
INCOME					
Assessments	\$ 93,548	\$ 98,500	\$ 115,860	\$ 139,303	\$ 162,428
Investments	55,362	104,198	175,944	111,152	24,614
Self-insured employers	66,147	48,528	42,121	25,292	27,486
Province of New Brunswick	-	-	-	-	100
	215,057	251,226	333,925	275,747	214,628
EXPENSES					
Claims costs incurred					
Short-term disability and rehabilitation	52,343	42,975	33,030	29,046	31,438
Long-term disability	122,252	50,301	53,507	29,342	24,883
Survivor benefits	12,626	10,961	5,693	7,670	8,094
Health care	104,500	95,534	71,149	66,530	54,848
	291,721	199,771	163,379	132,588	119,263
Administration	43,730	41,356	40,031	39,215	37,505
Legislative obligations	3,677	1,553	1,301	1,357	1,316
Appeals Tribunal	438	1,564	1,660	1,548	1,592
	47,845	44,473	42,992	42,120	40,413
Total expenses	339,566	244,244	206,371	174,708	159,676
Excess of (expenses) over income for the year	\$ (124,509)	\$ 6,982	\$ 127,554	\$ 101,039	\$ 54,952
Excess of (expenses) over income for the year attributable to:					
WorkSafeNB	(126,341)	6,638	127,605	101,039	54,952
Non-controlling interests	1,832	344	(51)	-	-
	\$ (124,509)	\$ 6,982	\$ 127,554	\$ 101,039	\$ 54,952

Certain of the above figures have been reclassified to conform with the presentation adopted in 2015.

FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCE

For the Year Ended December 31

	2015 (000s)	2014 (000s)	2013 (000s)	2012 (000s)	2011 (000s)
WorkSafeNB					
WorkSafeNB fund balance, beginning of year	\$ 412,946	\$ 406,308	\$ 278,703	\$ 177,664	\$ 122,712
Excess of (expenses) over income for the year	(126,341)	6,638	127,605	101,039	54,952
WorkSafeNB fund balance, end of year	\$ 286,605	\$ 412,946	\$ 406,308	\$ 278,703	\$ 177,664
Non-controlling interests					
Non-controlling interests fund balance, beginning of year	\$ 3,005	\$ 405	\$ -	\$ -	\$ -
Capital contributions by non-controlling interests	8,543	2,930	456	-	-
Distributions to non-controlling interests	-	(674)	-	-	-
Excess of income over expenses for the year	1,832	344	(51)	-	-
Non-controlling interests fund balance, end of year	\$ 13,380	\$ 3,005	\$ 405	\$ -	\$ -
Total fund balance					
Total fund balance, beginning of year	\$ 415,951	\$ 406,713	\$ 278,703	\$ 177,664	\$ 122,712
Capital contributions by non-controlling interests	8,543	2,930	456	-	-
Distributions to non-controlling interests	-	(674)	-	-	-
Excess of (expenses) over income for the year	(124,509)	6,982	127,554	101,039	54,952
Total fund balance, end of year	\$ 299,985	\$ 415,951	\$ 406,713	\$ 278,703	\$ 177,664

Certain of the above figures have been reclassified to conform with the presentation adopted in 2015.