

# ANNUAL REPORT 2014

→ There's a  
safety leader  
in each of us.



*There's a safety leader in each of us.*



WorkSafeNB  
Annual Report 2014

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**WorkSafeNB**

1 Portland Street  
P.O. Box 160  
Saint John, N.B. E2L 3X9 Canada

[www.worksafenb.ca](http://www.worksafenb.ca)

1 800 222-9775

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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 Act*; and, the *Firefighters' Compensation Act*.

## VISION

Healthy and safe workplaces in New Brunswick.

## MISSION

WorkSafeNB will promote a safe and healthy work environment to the workers and employers of New Brunswick and efficiently provide quality services, just adjudication, and fair administration of the legislation.

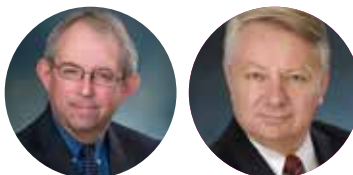
## MANDATE

- Promote the creation of a workplace safety culture in which all employees and employers view all occupational diseases and accidents as being preventable.
- Promote an understanding, acceptance and compliance with all legislation for which WorkSafeNB is responsible, including the enforcement of the OHS Act and regulations.
- Provide timely compensation benefits, medical aid, rehabilitation, and safe return-to-work services to injured workers.
- Provide sustainable insurance and insurance-related services to the employer community.
- Represent stakeholders and provide recommendations and advice to government with respect to legislation and publish such reports, studies, and recommendations WorkSafeNB considers advisable.

## BOARD OF DIRECTORS

Left to right:

*Gerard M. Adams* President and CEO  
*John Logan* Chairperson, Appeals Tribunal



*Michael Allen* Lakeside  
*Michèle Caron* Cocagne  
*Hector Losier* Fredericton  
*Maureen Wallace* Riverview



*David Ellis* New Maryland  
*Judith Anne Lane* Kingston  
*Jean Stewart* Fredericton  
*Mel Vincent* Rothesay



## SENIOR EXECUTIVE



**Gerard M. Adams**  
President and CEO



**Shelly Dauphinee**  
Vice-President, WorkSafe Services



**Mike McGovern**  
Corporate Secretary & General Counsel



**Tim Petersen**  
Vice-President, Corporate Services

## QUICK FACTS 2014

Number of assessed employers	14,218
Provisional average assessment rate	\$1.21
Appeals received:	591
Initiated by workers (or their representative)	531
Initiated by employers (or their representative)	60
Appeals resolved	556
Total claims created (can include claims with no application for benefits)	22,758
Claims recorded, no benefits paid	11,012*
Total claims adjudicated	12,140
Lost-time claims (at least one day)	5,349
No lost-time claims	4,930
Maximum assessable/insurable earnings	\$60,100
Average days lost per lost-time claim	56.2
Average payment per claim	\$4,815
Average working days from injury to first benefit payment	21.9
Number of workplace health and safety inspections	7,749
Number of orders written (violations of the OHS Act)	7,194
Number of serious accident investigations <sup>1</sup>	88
All other accident investigations <sup>2</sup>	305
Work-related fatalities <sup>3</sup>	13
Administration costs – excludes self-insured and OHS (000s)	\$26,578
Administration costs – Occupational Health and Safety (000s)	\$9,227
Assessment revenue (000s)	\$98,500
Total premium revenue (000s)	\$147,028
Current year claims cost incurred (000s)	\$111,819
Claims payments made for current and prior years' injuries (000s)	\$156,128
Claims costs incurred for current and prior years' injuries (000s)	\$199,771
Total benefits liabilities – assessed employers (000s)	\$938,399
Total benefits liabilities – self-insured employers (000s)	\$148,707
Assessable payroll (000s)	\$8,460,143
Market rate of return on portfolio	8.46%

<sup>1</sup>Includes fatalities, fractures (excluding fingers and toes) and any injury requiring hospital admission as an in-patient (amputations, burns, etc.)

<sup>2</sup>All other accident investigations (including fingers and toes) conducted by a health and safety officer

<sup>3</sup>3 workplace fatalities occurring in 2014; 9 deaths resulting from previous year injuries/occupational diseases; 1 death from previous year injuries/occupational disease under the Firefighters' Compensation Act.

Note: Certain figures have been restated to reflect up-to-date information. Reflects most current data as of Dec.31, 2014.

\* As of December 31, 2014 there were an additional 1,128 claims pending a decision



## MESSAGE FROM THE PRESIDENT

I am pleased to present the 2014 WorkSafeNB Annual Report. I would like to begin with a key message that you will see echoed throughout this report: *There's a safety leader in each of us.*

As New Brunswickers have continued to powerfully demonstrate throughout the past year, a workplace is much more than the place where people come to punch a clock and do their jobs. It is a place where individual effort and group collaboration are essential to all aspects of an organization's success, including the creation of a health and safety culture.

Thanks to the commitment of countless New Brunswickers (some of whom you will read about in these pages), we can proudly say our province remains among the safest places to work in Canada. We are equally committed to New Brunswickers and to our vision, mission and mandate to continue to provide the leadership, tools and support that will help safety leaders throughout the province keep up that good work.

In 2014, WorkSafeNB was proud to launch the Safety Excellence NB portal, providing workplace parties with easy access to a summary of the new changes to occupational health and safety legislation. The portal includes helpful resources to help workplaces meet those requirements. Since its launch in August 2014, more than 2,800 documents have been downloaded and over 250 visitors have signed up for email updates.

The underlying philosophy of the new legislation is the internal responsibility system. Its foundation is that everyone in the workplace – both employees and employers – has a responsibility for their own health and safety, and that of their co-workers. We can all be safety leaders, and through the implementation of best practices, all workplaces can enjoy a health and safety culture that goes far beyond checked boxes on a list – one that becomes a collaborative mainstay of a vibrant and healthy working environment.

On the subject of collaboration, WorkSafeNB continues to forge and solidify valuable partnerships with industry-specific safety associations. In 2014, we continued our proud partnerships with the New Brunswick Construction Safety Association (NBCSA) and the New Brunswick Forest Safety Association (NBFSA). We also enhanced our partnership with the nursing home industry, working with them in creating the New Brunswick Continuing Care Safety Association (NBCCSA).

Nursing homes are an example of a workplace with higher than average injury trends. Initial NBCCSA efforts have focused on reversing this trend through measures that include training, consultation, and an innovative peer group pilot.

Waste management was also identified as a high-risk industry, with waste collection workers three times more likely to be injured than the average worker. In response to this unsettling trend, WorkSafeNB began consultation with select industry managers to develop an initiative aimed at improving safety for workers in the industry. Measures will include safety promotion, education and training, and enforcement.

Both of these initiatives exemplify the importance we place on working collaboratively with our stakeholders and allocating our resources where they will have the greatest impact on reducing injuries and building a safety culture. In both the nursing home and waste management industries, these initiatives will help to identify and grow safety leaders in their workplaces.

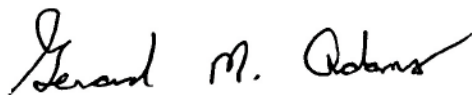
Through these activities and many more, WorkSafeNB continues to strive to provide a balanced and sustainable OHS and workers' compensation system in a challenging economic environment. New Brunswick's workplace injury frequency in 2014 was 2.89, a rate that continues on a downward trend.

Payments to injured workers or third parties on their behalf totalled \$156.1 million in 2014, an 8.8% increase from 2013 payments. Death benefits were also improved in the last year. And New Brunswick's 2014 provisional average assessment rate was \$1.21, representing a \$0.23 decrease from 2013, meaning that New Brunswick's rate remains the lowest in Atlantic Canada.

These are just a few of the many achievements and activities we have seen from New Brunswick's health and safety leaders in 2014. I hope you read on to learn more and to hear some of their stories.

WorkSafeNB is committed to providing the resources, tools and support to help discover the *safety leader in each of us*.

Sincerely,

A handwritten signature in black ink that reads "Gerard M. Adams". The signature is written in a cursive, flowing style.

Gerard M. Adams  
PRESIDENT AND CEO

# SAFETY GOAL

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

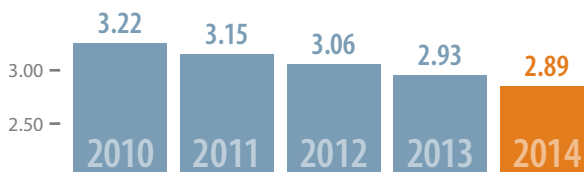


The workplace injury frequency rate per 100 full-time employees (FTE) will be lower than the previous five-year average.



The estimated workplace injury frequency rate for New Brunswick workplaces in 2014 was 2.89 per 100 FTEs, lower than the five-year average target of 3.08.

**Provincial Accident Frequency Rate**  
(rate per 100 FTEs)  
Previous years have been restated to reflect current information.





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



At 1.18 lost-time accidents, New Brunswick's injury frequency rate remains below the national average (1.65) as reported by the Association of Workers' Compensation Boards of Canada. (2012 data)

The percentage of workers and employers who believe their workplace has a safe work culture will be higher than the previous five-year average. (Target to be established.)

OHS Culture Index	%
Injured Workers	74.8
General Workers	78.2
Registered Employers	90.1
Non-registered Employers	88.0

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



## IMPROVING SAFETY IN NEW BRUNSWICK

In an effort to allocate our resources where they will have the greatest impact on reducing injuries and building a safety culture in New Brunswick, WorkSafeNB continues to develop a multifaceted approach to working with industry groups and firms that historically have had higher than average injury trends.

### Nursing Homes

We continued to focus resources on improving occupational health and safety for the estimated 65 New Brunswick nursing homes and 7,733 industry workers in 2014.

Highlights include:

- Training new master trainers in Back in Form (BIF) – a transfer training and musculoskeletal injury prevention system to increase teaching capacity within the industry
- Providing BIF implementation consultation services to nursing homes with the highest number of resident handling incidents
- Promoting positive health and safety culture with offerings such as health and safety for supervisors in health care training, and an innovative peer group pilot
- Responding to requests from the nursing home industry by providing education sessions on advanced disability management, and violence in health care as part of a concentrated health care stream at our annual health and safety conference. The sessions were favourably scored by participants, with 97.6% and 98.4% satisfaction ratings, respectively.

While 2014 saw a slight increase in nursing home injury frequency (5.82 per 100 FTEs for all injuries; 3.84 for lost-time injuries) over the 2013 rates (5.80 and 3.77, respectively), progress is being made as the frequency of New Brunswick nursing home injuries remains well below the previous five-year average (6.19 and 4.52).

### Waste Collection

Concerned with the fact that waste collection workers are three times more likely to be injured than the average worker, WorkSafeNB began consultation with select industry managers to develop a partnership and strategy to improve safety for workers in this industry. Currently a plan is being developed that will include consultation with industry experts to understand root causes of workplace injuries, identifying risks, hazards, and building a strategy that includes promotion, education and training, and enforcement.

### Engaging in Intensive Firm-level Interventions

The WorkSafeNB Firm-level Intervention Program is designed to help companies, through consultation, develop or improve their occupational health and safety management systems while focusing on the primary causes of accidents. In 2014, 23 firms successfully completed their program, demonstrating that they now have the infrastructure and management system in place for health and safety, and have shown a continued decline in the firm's injury frequency rate.

Following revisions last year, WorkSafeNB's intervention model now includes tools to help employers meet their legislative requirement for a health and safety plan, and a focus on disability management to improve return to work outcomes. WorkSafeNB signed 12 firms in 2014 to begin using this refined three-year model.

## Arnold Anderson Amcor Rigid Plastics Inc.

### 2014 Health and Safety Award Winner makes safety part of the package

*It's no accident that Moncton-based Amcor Rigid Plastics Inc. has gone well over 900 days without a safety incident. This manufacturer of plastic bottles and preforms has spent 33 years making workplace safety its top priority. Its plant has numerous safety controls like gates and guards that serve to reduce human error, but beyond this, plant manager Arnold Anderson and his colleagues have cultivated a culture of safety through a commitment to behavioural training. Weekly safety audits, and a system whereby staff can anonymously report potential issues, place the focus on safety enhancement rather than repercussions. Amcor's safety record in a facility that sees 24-hour production with risks such as forklift traffic, noisy machinery and high-speed conveyors, is exemplary, and we were very pleased to recognize Amcor's efforts with a safety achievement award at WorkSafeNB's 2014 Health and Safety Conference.*

## ENFORCING OHS COMPLIANCE

Our enforcement efforts in 2014 included more than 7,700 inspections at approximately 1,900 workplaces. These resulted in 7,194 written orders under the *OHS Act* and regulations. WorkSafeNB focused its resources in 2014 to include inspections of:

- All nursing homes in New Brunswick as part of its industry strategy
- All employer operations in industries with the potential for a catastrophic event
- All employer operations with a fatality or two or more lost-time claims within the last 12 months

Overall, WorkSafeNB met its target of completing 7,275 inspections in 2014. However, inspections are down 12% from 2013, due in part to the increased time needed to complete inspections related to new occupational health and safety legislation. With the new legislation, health and safety officers must ensure that employers are meeting the new requirements on orientation and training of new employees, workplace incident reporting and safety policy.

### **Safety Excellence NB – New OHS Legislation and Regulation (June 2014)**

In a continued effort to engage New Brunswick employers in promoting workplace safety, and to remain transparent to all stakeholders on our current focus of compliance strategy, WorkSafeNB launched the Safety Excellence NB portal in 2014.

This site provides workplace parties with a summary of the new changes to legislation, including checklists that officers will use during their inspections and resources to help workplaces meet these requirements. Since its launch in August, more than 2,870 resource materials have been downloaded and 253 visitors have signed up for email updates. The campaign's first feature topic focused on the 2014 amendments to the *OHS Act*. Workplace inspections began in September 2014 with a focus on new employee orientation, reporting of incidents and safety policies.



## PARTNERSHIPS

WorkSafeNB continues to partner with industry-specific safety associations that provide training, prevention services and resources to their members, and we collaborate with them on initiatives to help build workplace safety culture. In 2014, WorkSafeNB continued our partnerships with the New Brunswick Construction Safety Association (NBCSA) and New Brunswick Forest Safety Association (NBFSA), and enhanced our partnership with the nursing home industry by helping establish the New Brunswick Continuing Care Safety Association (NBCCSA), which hired executive director Denise Paradis this year. 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 \$184,180 to NBCCSA, for them to provide safety services to their members.

Additionally, we continued partnerships with Threads of Life, CNIB Eye Safety Program and Safety Services New Brunswick, through the promotion and support of their respective initiatives. WorkSafeNB also continued its 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. 1,002 youth were provided the opportunity to participate in hands-on safety education through Agriculture Safety Days in northwest New Brunswick, while 6,273 New Brunswick high school students completed online safety courses made available by our partners at New Brunswick Construction Safety Association.

### *Shelley O'Dell Health, Safety & Compliance Co-ordinator and Shirley Mitchell Manager of HR & Quality Systems; Coast Tire*

#### *Tire company treads path to a safer workplace*

*Today, Coast Tire is a driving safety force, but Shelley O'Dell, health, safety and compliance co-ordinator, and Shirley Mitchell, manager of HR & Quality Systems, are quick to point out that the automotive service company's road to workplace safety has been a long one. In business for 30 years, Coast Tire employs almost 300 employees throughout Atlantic Canada. That's a lot of people to keep safe, especially when working underneath vehicles, in noisy environments, and using heavy and powerful equipment. However, the company has been able to demonstrate a lasting reduction in workplace injury frequency through a commitment to positive safety attitudes and behaviours. It is also a leader in disability management – its disability management program has been recognized for best practices in reducing the impact of injury on the worker and business alike. With leaders like Shirley and Shelley at the wheel, Coast Tire is well on the road to workplace safety excellence and was a deserving safety achievement award winner at the 2014 WorkSafeNB Health and Safety Conference.*

# SERVICE GOAL

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



## 2014 Service Delivery Index Results

In 2014, injured workers indicated a satisfaction level of 67.2% with service delivery.

In 2014, registered employers indicated a satisfaction level of 79.8% with service delivery.

### Key drivers of service delivery satisfaction

#### Injured workers

- Timeliness
- Staff character
- Amount of benefits
- Communication
- Outcome

#### Registered employers

- Expertise
- Timeliness
- Assessment rates
- Accessibility

To help WorkSafeNB achieve this goal, the board of directors has 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

Benefits and services to New Brunswick's workers and employers are delivered by a dedicated group of professionals who consistently provide our clients with exceptional service across all our business areas. Through our annual Service Delivery Index, clients indicated their highest levels of satisfaction were with our staff's character, their trustworthiness and the respect they demonstrate.

In 2014:

- 88% of inbound calls to WorkSafeNB were answered within 20 seconds
- 62% of injured workers and 82% of employers said their phone calls were returned within two days
- 74% of injured workers and 82% of employers said they were directed to the right person and the majority of injured workers met with their case manager within one week of being transferred to their service region
- On average, injured workers received their first benefit payment within 21.9 working days.

Service Goal	2013	2014
Claims Adjudicated	10,931	11,012
Claim Accepted: Lost-time	49.4%	48.6%
Claim Accepted: No Lost-Time	43.7%	44.8%
Claims Disallowed	6.8%	6.6%

\* As of Dec 31, 2014 there were an additional 1,128 claims pending a decision

## Other service-related initiatives

### Training and Professional Development

WorkSafeNB invests in training and professional development to cultivate the diverse set of skills required by staff to achieve the Service Goal, to drive performance improvement and support our mission and goals.

By the end of 2014, more than 98% of operational staff in the WorkSafe Services Division had participated in service excellence training, focused on client satisfaction and effective communication. In addition, 22 managers and directors received leadership training focused on management's role in leading service excellence, best practices and tools, and key areas for service delivery improvement.

Furthermore, 50 WorkSafe Services Division staff completed the Foundation for Administrative Justice course on decision-writing. This training focuses on honing our staff's ability to deliver our clients with logical decisions that are clear and concise.

### Services to Longer-term Clients

In its commitment to focusing on service delivery to long-term clients and understanding that some clients are unaware of all the benefits available to them, WorkSafeNB conducted a comprehensive benefit review of clients with serious injuries ( $\geq 60\%$  permanent physical impairment ratings). Of the 244 client files reviewed, 27 were eligible for and received additional benefits such as care allowance, medical aid, or quality of life grant. The board of directors also resourced an additional long term disability co-ordinator position in 2014 to enhance service delivery to long-term clients.

### Diagnostic Imaging

Working toward our strategy of "advancing and implementing leading practices in medical rehabilitation", WorkSafeNB established a partnership with diagnostic imaging radiology specialists in New Brunswick and IRM Moncton to improve access to and the timeliness of enhanced MRI services. By facilitating timely access to quality imaging for the injured worker, this partnership provides the specialist with better information to determine work-relatedness and identify the best course of treatment. This, in turn, helps injured workers safely return to work as early as possible.

### Official Languages Act

WorkSafeNB is committed to providing quality services in the public's official language of choice, and to promoting a balanced use of both official languages within the public service. In 2014, we translated or co-ordinated the translation of 478,980 words and produced 49 new or revised bilingual publications. There were no complaints under the *Official Languages Act* in 2014.

### Public Interest Disclosure Act

The *Public Interest Disclosure Act* encourages employees in the New Brunswick public service to report any occurrences of wrongdoing 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 2014.

### Website Visits

In total, WorkSafeNB websites received 106,126 unique visits in 2014 at:

[www.worksafenb.ca](http://www.worksafenb.ca) (100,882)

[www.youthsafenb.ca](http://www.youthsafenb.ca) (5,244)

## Lynn Pinfold Health & Safety Consultant; WorkSafeNB

### How a WorkSafeNB consultant helped drive Coast Tire's safety success

A 35-year WorkSafeNB employee, Lynn Pinfold has spearheaded her share of health and safety consultations, but few with such dramatic effects as the one she led with Coast Tire. How did she help the automotive service company attain a 64% decrease in claims, a 100% reduction in days lost, and annual cost savings of 84%? Lynn says it's about engaging senior management to lead and own the process, fostering a culture of shared responsibility and accountability throughout the workplace, and keeping faith that the effort will brandish results. The Coast Tire program ran for seven years, from 2007 to 2014, using a step-by-step approach involving all aspects of workplace health and safety, from protective equipment to processes and procedures. But for Lynn, this is only the beginning. The seasoned safety professional says that long-term success comes from developing the company's staff to be workplace health and safety leaders, each and every day.

# BALANCE GOAL

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

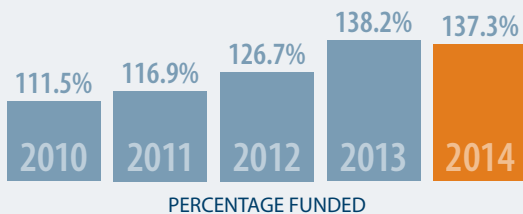


At a minimum, we will maintain a 100% funded liability



**Funded liability and investment portfolio**  
Investments held to meet future benefit obligations for past injuries reached \$1.3 billion at the end of 2014, representing a 137.3% funded liability.

## Funding history



## Performance Objective 1

The investment portfolio's rate of return is to exceed the increase in the CPI +4.0% on a four-year moving average basis.



## 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.



## Benefits to clients

Payments to injured workers or third parties on their behalf totalled \$156.1 million, an 8.8% increase from 2013 payments of \$143.5 million.

## Investigation Initiatives

We conducted 362 investigations in 2014. 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 \$1.6 million in 2014. Injured workers received \$347,431, representing the amount received by third party settlements, or judgments in excess of claim costs booked by WorkSafeNB.

## Assessment rate

The 2014 provisional average assessment rate of \$1.21 represents a \$0.23 decrease from the 2013 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	2013 actual	2014 provisional	2015 provisional
AB	\$1.13	\$1.03	\$0.97
BC	\$1.54	\$1.70	\$1.70
MB	\$1.50	\$1.50	\$1.30
SK	\$1.57	\$1.51	\$1.46
NT/NU	\$1.90	\$2.05	\$2.00
NB	\$1.44	\$1.21	\$1.11
PE	\$1.97	\$1.90	\$1.79
QC	\$2.08	\$2.02	\$1.94
ON	\$2.46	\$2.46	\$2.46
NS	\$2.66	\$2.65	\$2.65
NF	\$2.71	\$2.75	\$2.45
YT	\$2.07	\$2.18	\$1.90

## Other balance-related efforts

### Internal Review of Claim-related Decisions

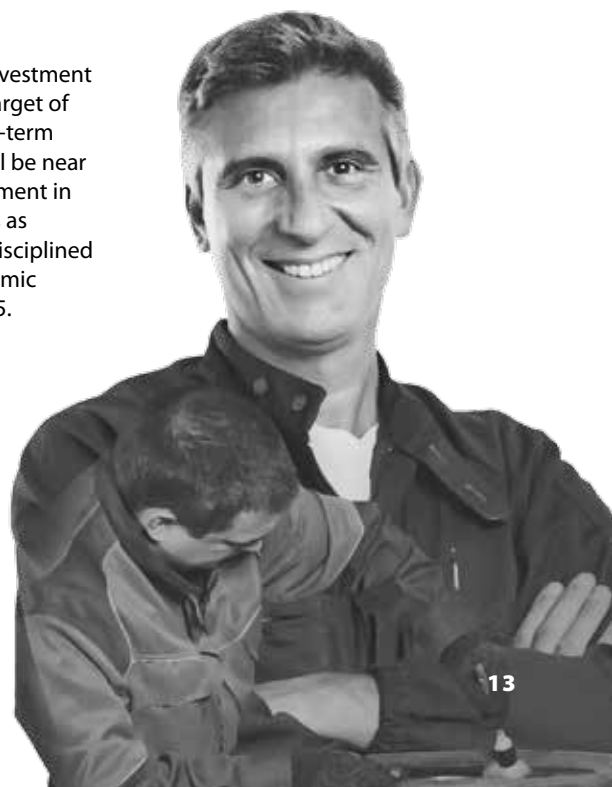
Following best practice, WorkSafeNB will provide a process for claim-related decisions to be reviewed when clients disagree with the original decision. This is separate from a formal Appeals Tribunal hearing and gives WorkSafeNB an opportunity to resolve differences, while maintaining a fair compensation 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.

### Funded Position

WorkSafeNB's funded position is impacted 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 2014, 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, in 2014, the board resourced the next asset liability study to begin in 2015.

### 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

→ 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.

 Employee satisfaction and engagement levels will meet or exceed the previous five-year averages

 In 2014, the annual staff satisfaction survey showed a score of 91%, exceeding the target of 89.4%.  
The survey scored 94% for staff engagement, exceeding the target of 93%.

## Staff satisfaction and engagement

Target for 2014:  
Satisfaction 89.4% Engagement 93%



## Other indicators measured in support of these goals include:

### Absenteeism

Employees missed an average of 8.62 days, a decrease from the previous five-year average of nine days.

### Health and Safety

As of December 31, 2014, WorkSafeNB accepted 11 claims made by employees, with only one of these a lost-time claim. This represents 2.22 accepted claims per 100 full-time equivalent (FTE) workers, and is lower than the five-year average of 2.27.

Our working environment is measured through the survey's health and safety index. The index looks at whether employees feel they work in a supportive, comfortable, safe and harassment and barrier-free workplace. The index was 86%. Managers will continue to work within their individual departments to improve the index.

### Staff Turnover

In 2014, 28 employees left the organization, including 16 retirements. This indicates a staff turnover rate of 6.2%, which is higher than the five-year average of 5.87%. Retirements accounted for 3.5% of the turnover rate. We predict retirements will account for 50% of the turnover rate in the next five years, consistent with the current trend.

### Other Activities

We recognized 73 employees with five to 35 years of service, totalling 1,070 years of service, at our Annual Service and Retirement Awards Banquet in April. Our retirees represented an additional 313 years of service.



# QUALITY GOVERNANCE GOAL

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

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. In the first year using this index, the board achieved 61.8%. With a board chairperson and vice-chairperson vacancy in 2014, legislated provisions required that official board meetings and resulting decision-making be postponed in the fourth quarter, impacting the index results, which were 52.8% in 2014.

## Strategic Plan and Risk Assessment

One of the board's primary responsibilities is to determine WorkSafeNB's strategic direction and oversee enterprise risks. The *2014-2019 Strategic Plan & Risk Assessment*, available at [www.worksafenb.ca](http://www.worksafenb.ca), summarizes the board's annual planning decisions, with an emphasis on discipline, transparency, accountability, and continuous improvement. In 2014, the board reaffirmed our vision, mission, mandate, values, and goals. It resourced an ambitious 53 legislative, policy, and stakeholder engagement priorities; and provided strategies for the mitigation of 23 risks.

## Significant Board Initiatives

In 2014, WorkSafeNB and the Department of Post-secondary Education, Training and Labour continued with a comprehensive review of workers' compensation legislation. Receiving Royal Assent on May 21, 2014, Bill 73 – *An Act to Amend the Workplace Health, Safety and Compensation Commission Act*, created a separate and independent Workers' Compensation Appeals Tribunal, to be effective April 1, 2015. These changes were also the impetus for a new claim-related internal review process that the board resourced to be operational in 2015.

## Stakeholder Engagement

WorkSafeNB's board of directors represents the interests of workers and employers as it provides stewardship and oversight of the province's occupational health, safety and compensation system. The board communicates its decisions to stakeholders through this annual report, quarterly accountability reports and news releases posted on our website. The board also engages stakeholders on specific policy issues and relies on stakeholder-driven committees to provide their expertise and advice on regulatory and legislative changes under consideration. In 2014, the board asked for the public's input on WorkSafeNB's strategic direction, risks, priorities, accountability reporting, and its stakeholder engagement policy.

WorkSafeNB also focused on its relationships and partnerships with safety associations, technical committees to advance safety standards, and employers and workers to further promote a culture of health and safety in New Brunswick and advance the return to work and service goals.

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 2014, the IWAC shared its insights on our rehabilitation policies, strategic direction, potential enterprise risks, and client satisfaction.

## 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 four standing committees examined and made recommendations on a variety of issues impacting the success of our six strategic goals:

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



# RETURN TO WORK GOAL

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



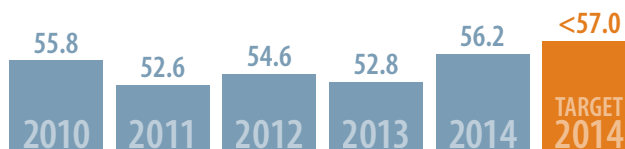
The average paid compensation days for claimants with a return to work goal will be lower than the previous five-year average.



Our average claim duration (average paid days) for 2014 was 56.2 days. It was lower than our target, set at <57.0 days.

## Days of Paid Compensation

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 connection to the workplace and safely return to work as soon as possible. To achieve this goal, the board of directors has resourced 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

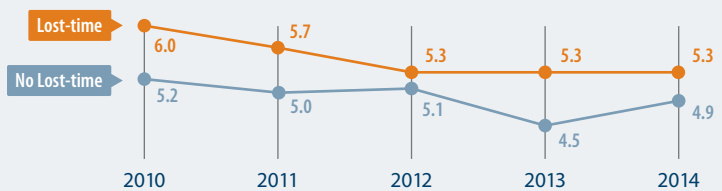
	2013	2014
Returned to work or return to pre-accident employment status	96.4%	96.0%
Not returned to work	1.5%	1.3%
Full LTD	2.1%	2.8%

In 2014, 96% of our 3,834 clients returned to work, or were capable of returning to work, following their rehabilitation; 2.8% (106) were not capable of any employment following their workplace injury and are now receiving full long-term disability benefits; and 1.3% (49) 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, 867 workers injured before 1982 continued to receive disability benefits, 2,411 workers injured after 1982 continued to receive loss of earning benefits, and 441 surviving spouses or dependants continued to receive survivor benefits.

In 2014, our satisfaction rate from a client exit survey indicated 86.4% of them were mostly or completely satisfied with the services they received at the WorkSafeNB Rehabilitation Centre (WRC).

## Number of Claims Processed by Type (In thousands)



To help achieve the return to work strategy of “Advancing and implementing leading practices in medical management,” WorkSafeNB regularly and comprehensively reviews services for injured workers to identify opportunities for improvement, in line with best practices.

### Direct Referral to Physiotherapy

The direct referral pilot was expanded in 2014 to include 78 employers. Direct referral enables employers to directly refer injured workers with a soft tissue injury to selected physiotherapists immediately following an injury. The aim is to facilitate stay at work and timely return to work by providing early treatment and information, and guidance on safe work abilities. The expanded pilot will be evaluated to determine its effectiveness in achieving return-to-work outcomes.

### Injured Workers with No Lost-Time Claims on Modified Return to Work

In response to employer requests, WorkSafeNB launched a pilot last year for the re-allocation of case managers to provide rehabilitation and case management services to facilitate timely return to regular duties for clients on prolonged modified job duties. The process includes earlier identification by WorkSafeNB of workers on modified duties and earlier assignment of a case management team. Completed in 2014, the pilot involved 147 clients. As a result, time to return to pre-accident duties decreased by 24% and

the percentage losing time from work decreased by 19%. Following the successful pilot, this approach has been made standard operational practice.

### Traumatic Psychological Injuries

WorkSafeNB has implemented a continuum of care model for the management and treatment of injured workers diagnosed with traumatic psychological injuries. The model is designed to help injured workers receive effective and timely psychology services, aimed at satisfactory recovery and return to productive life and work activities. In 2014, we continued to develop the Traumatic Psychological Condition Continuum Program by hosting training for psychologists, occupational therapists and case managers.

### Return to Work Programs

Although evaluations of return to work programs have demonstrated good return to work success, there is a subset of clients who are not as successful. Following a literature review and interviews with occupational therapists, a working group developed a best practice return to work program. The program includes a standardized process of file review and communication with key parties for early identification of challenges, workplace observation and meetings, strategies to address challenges, clear expectations-setting and reporting templates. Program rollout began in 2014, and will be evaluated in 2015.

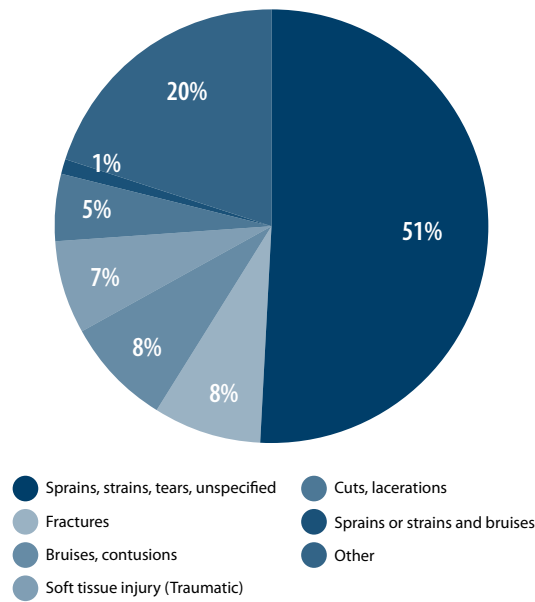
## Ryan Berry, Video contest winner; Caledonia Regional High School

### Ryan Berry's winning video shows workplace safety is no game

Aliens bursting out of the wall; huge metal balls falling from the sky; dragons, snow monsters and giant sinkholes. Hopefully, most people will never face such obstacles in the workplace. However, Ryan Berry used these computer generated threats in his winning entry for the 2014 WorkSafeNB It's Your Job – Play it Safe student video contest to illustrate an important point: Workplace safety is not a game and, unlike videogames, there are no extra lives, second chances or reset buttons in the real world. Berry's creative video won him and Caledonia Regional High School first prize in the contest, proving there is very much a safety leader in the now first-year Dalhousie University student.

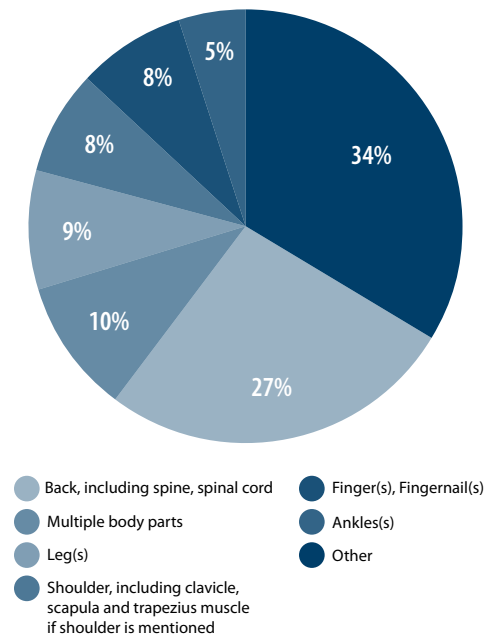
See the winning videos – including Ryan's – on the WorkSafeNB YouTube channel!

Percent of Lost Time Claims by Nature of Injury in 2014



\*Totals may not equal 100% because of rounding

Percent of Lost Time Claims by Part of Body in 2014



\*Totals may not equal 100% because of rounding

Note: Other NOI include, for example, burns, post-traumatic stress, amputations, concussions, etc.

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

	2010	2011	2012	2013	2014
Short-term Disability and Rehabilitation	\$37.7	\$36.1	\$35.7	\$36.1	\$39.2
Health Care	\$46.7	\$46.2	\$48.0	\$50.0	\$54.8

Benefit Payments (in millions)

	2010	2011	2012	2013	2014
Injuries in 2014	\$26.0	\$25.7	\$27.3	\$26.4	\$28.7
Prior Years' Injuries	\$111.0	\$111.0	\$112.1	\$117.2	\$127.4

# APPEALS TRIBUNAL

During 2014, the Appeals Tribunal members and staff continued their efforts to reduce the appeals inventory created by the large number of appeals received in previous years, and a higher number of postponements in 2014. Processing efforts were affected as a result of staff changes within the Appeals Tribunal and staff instability within the Workers' Advocates Branch. This resulted in an increased inventory. By year-end, we successfully eliminated the backlog of decisions to be processed; however, the improved processing time will only be reflected in 2015. We are working diligently to reduce the inventory and to process the appeals heard in a timely manner, keeping in mind our goal of rendering fair, impartial and consistent decisions.

In May 2014, the Legislative Assembly passed Bill 73 — *An Act to Amend the Workplace Health, Safety and Compensation Commission Act*, to be proclaimed and come into force on April 1, 2015. The Act will create an externalized Workers' Compensation Appeals Tribunal along the lines of the recommendations contained in last year's Annual Report and to have the new Tribunal report to the Minister of Post-Secondary Education Training and Labour rather than WorkSafeNB's board of directors. The latter part of 2014 was spent planning for the transition, developing new procedural guidelines and working towards an orderly wind-up of the existing Appeals Tribunal and the launch of the new Workers' Compensation Appeals Tribunal.

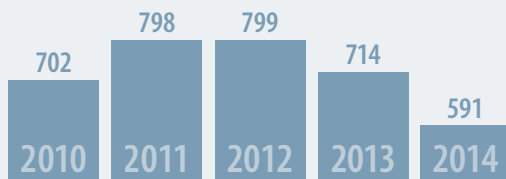


John B.D. Logan, Q.C.  
CHAIRPERSON

## Appeals Received: 591

This is a 17.2% decrease from 2013. We believe the decrease is in part attributable to the resolution of retirement pension appeals further to the Court of Appeal of NB decision in *Douthwright* and to the lack of availability of representatives for injured workers.

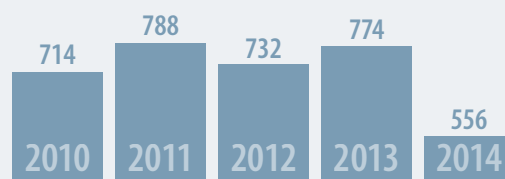
### Appeals Received



## Appeals Resolved: 556

This is a 28.2% decrease from 2013. This reduction in appeals resolved was created by the increase in postponed appeals due to the lack of availability of injured workers' representatives.

### Appeals Resolved



**Time to schedule appeals:** decrease of 10% from 2013.

**Overall processing time (from application accepted to decision mailed):** increase of 13% from 2013

**Processing time from hearing to decision mailed:** increase of 36% from 2013.

### Vice-chairpersons terms ended in 2014

- Jean Raymond Wade

## Appeals Tribunal Members at December 31, 2014

### **Chairperson** John B.D. Logan, Q.C.

Appointed by the Lieutenant-Governor in Council and responsible to the board of directors for the operations of the Appeals Tribunal.

### **Vice-Chairpersons** Grant Brenan, Heather Cossaboom, Guilda Fournier, Nargis Kheraj, Louis-Marie Melanson, Réal Noël, Maurice Picard.

Appointed by the Lieutenant-Governor in Council as deemed necessary by the chairperson in consultation with WorkSafeNB.

### **Appeals Panel Members – Workers' Representatives** Warren Desrochers, Paula Garant, Earl Garland, Linwood Lawrence, Gaston Malenfant, Wendy McGee, Claudia McKeil, Julie Pelletier, Line Savoie, Alfred Vautour, Denny Vautour.

Appointed by the board of directors.

### **Appeals Panel Members – Employers' Representatives** Aldrice Comeau, Sherri Deveau, William Dixon, Donald Drury, George Greenlaw, Marc Long, Fraser MacLeod, Arnold Mallais, Gordon Roy, Lucien Sonier, Joe Veriker.

Appointed by the board of directors.

## **Bonnie Fournier**

### **Licensed Practical Nurse; Victoria Glen Manor, Perth-Andover**

#### **Local nursing homes are taking care of safety in the workplace**

There is without question a safety leader in Bonnie Fournier, LPN at Victoria Glen Manor nursing home in Perth-Andover. A very involved and respected member of the home's staff, Bonnie is a joint health and safety committee co-chair who was involved in a 2014 peer group program to help develop health and safety tools in a health care setting. Nursing homes are a focus industry for WorkSafeNB, due to high injury frequency, and the peer group model provides a platform for homes to exchange ideas, issues and tools to improve practices in the workplace. It is a collaborative, sustainable approach that has already demonstrated measurable achievements in health and safety improvements and injury reduction at Victoria Glen Manor and the other homes involved.

# MANAGEMENT DISCUSSION AND ANALYSIS OF 2014 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 March 26, 2015, should be read in conjunction with the audited consolidated financial statements and supporting notes for the year ended December 31, 2014.

## 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 the statements made herein. 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 hereby cautioned not to place undue reliance on these forward-looking statements.

The 2014 Annual Report, 2014-2019 Strategic Plan and Risk Assessment, and 2015 Assessment Rates Report are available at [www.worksafenb.ca](http://www.worksafenb.ca).

Overview of financial results Financial highlights (\$000s)	2014	2013
Portfolio investments	1,301,676	1,256,021
Benefits liabilities	1,087,106	1,043,463
WorkSafeNB fund balance	412,946	406,308
WorkSafeNB funded ratio	137.3%	138.2%
Assessment rate	\$1.21	\$1.44
Premium income	147,028	157,981
Investment income	104,198	175,944
Claims costs incurred	199,771	163,379
Administration costs	41,356	40,031
Excess of income over expenses attributable to WorkSafeNB	6,638	127,605
Market rate of return on portfolio	8.46%	15.73%

WorkSafeNB recorded a surplus of \$6.6 million in 2014. This compares with a surplus of \$127.6 million in 2013. The surplus is primarily the result of higher than expected investment returns. Actual investment returns were 8.46% versus budgeted returns of 6.60%. This resulted in a funded position of \$413.0 million or 137.3%.

## 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 *Firefighters' Compensation (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. Accordingly, certain of the 2013 figures that are presented for comparative purposes have been restated to conform with the accounting treatment adopted in the current year.

The proportionate ownership of the net assets of WSNBIL as at December 31, 2014 was: WorkSafeNB - 84.78%, WCB of PEI - 14.61%, *FC Act Disability Fund* - 0.61%. 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. The migration to the new target policy asset mix is scheduled to be completed over the next few years.

WorkSafeNB's current policy asset mix consists of 21% Canadian bonds, 5% Canadian real return bonds, 16% Canadian equities, 16% U.S. equities, 15% international (EAFE) equities, 4% emerging markets equities, 15% real estate, 1% infrastructure, 5% in a global opportunistic strategy and 2% cash.

The migration to the new target policy asset mix will involve reducing the Canadian bonds allocation to 18%, reducing the U.S. equities allocation to 15%, and increasing the infrastructure allocation to 5%. This new asset mix 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 2015.





The table below shows the asset values by investment type.

Investments (\$000s)	2014	2013
Forward foreign exchange contracts	(1,900)	(4,218)
Fixed income	279,580	277,056
Equities	675,273	743,252
Real return bonds	63,211	48,469
Real estate	198,698	188,659
Infrastructure	18,431	2,803
Global opportunistic <sup>1</sup>	68,383	-
Total investments	1,301,676	1,256,021

<sup>1</sup>The 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, 2014, the fund had the following allocations: U.S. equities 16.8%; Non-North American equities 22.0%; Fixed income 30.0%; Absolute return strategies 24.1%; Cash 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, 2014, claim benefit liabilities were broken down as follows:

Benefits liabilities (\$000s)	2014	2013
Short-term disability and rehabilitation	80,471	76,666
Long-term disability	536,663	539,258
Survivor benefits	90,766	89,046
Health care	379,206	338,493
Total benefits liability	1,087,106	1,043,463

In 2014, the benefits liability increased by \$43.6 million or about 4.2%. This is primarily the result of increased health care costs for prior year claims and the use of updated mortality tables. These increases were partially offset by fewer long-term claims than expected.

The increase in health care costs is partly attributable to higher than expected inflation and will be monitored closely.

The updated mortality tables reflect increased survivorship and have resulted in an overall liability increase of almost \$18.0 million. Wage loss benefits are also increasing, in part, as a result of recent changes to supplements to compensation policy. These changes may also have a material impact on the liability moving forward.

## 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, 2014 is 137.3% (2013 – 138.2%). 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 2014, revenues totalled \$251.2 million, a 24.8% decrease from 2013 revenues of \$333.9 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 reflect 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 decreased 6.9% from \$158.0 million in 2013 to \$147.0 million in 2014. Premiums from assessed employers decreased 15.0% due to a decrease in the provisional average assessment rate from \$1.44 in 2013 to \$1.21 in 2014. This decrease was offset by a 15.2% increase in revenue from self-insured employers. The increase reflects higher than anticipated short-term disability costs, mainly the result of changes to the policy on supplements to compensation, and increased health care costs. Employer payrolls increased from \$8.27 billion to \$8.46 billion partly because of provincial economic growth and partly because of the annual increase to the maximum insurable earnings. In 2014, the maximum insurable earnings increased from \$59,500 to \$60,100.

Assessment income (\$000s)	2014	2013
Assessed employers	98,500	115,860
Self-insured employers	48,528	42,121
Total assessment income	147,028	157,981
Average assessment rate	\$1.21	\$1.44
Assessable payroll	\$8.46 billion	\$8.27 billion

### Investment Income

Investment income decreased from \$175.9 million in 2013 to \$104.2 million in 2014. Most of this decrease is attributable to smaller unrealized gains on WorkSafeNB's equity investments for the year ended December 31, 2014.

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 4.0%. In 2014, the real rate of return on the portfolio was 6.99%. For the 20-year period ended December 31, 2014, the annualized real rate of return on the portfolio was 5.83%.

Investment income (\$000s)	2014	2013
Interest and dividends	32,311	28,796
Net realized gains on investments	63,865	73,672
Change in net unrealized gains on investments	13,381	78,386
Portfolio management expenses	(5,359)	(4,910)
Total investment income	104,198	175,944

## Expenses

WorkSafeNB's expenses consist of claims costs, administration costs, legislative obligations and the costs of administering the Appeals Tribunal. In 2014, expenses increased by 18.4% from \$206.4 million to \$244.2 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 2014, these costs totalled \$199.8 million, a 22.3% increase from the \$163.4 million incurred in 2013. This increase is primarily attributable to unfavourable experience in short-term disability and health care costs, and the use of updated mortality tables.

Fundamental to the actuarial valuation are the discount rates used to value the liabilities. The assumed discount rate remained unchanged at 6.60%.

Claims costs (\$000s)	2014	2013
Short-term disability and rehabilitation	42,975	33,030
Long-term disability	50,301	53,507
Survivor benefits	10,961	5,693
Health care	95,534	71,149
Total claims costs	199,771	163,379

### Operating Costs

In 2014, WorkSafeNB's administration costs increased from \$40.0 million to \$41.4 million, but remained well below budgeted costs of \$43.9 million.

WorkSafeNB is required by legislation to reimburse the provincial government for operating costs of the workers' and employers' advocates. In 2014, WorkSafeNB incurred \$879 thousand for these costs (2013 – \$861 thousand).

In 2014, WorkSafeNB provided \$674 thousand (2013 – \$440 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)	2014	2013
Administration costs	41,356	40,031
Legislative obligations	1,553	1,301
Appeals tribunal	1,564	1,660
Total operating costs	44,473	42,992

## 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.

Recent indicators suggest the trends in declining accident frequency and duration are slowing.

Some of the forces that have driven previous reductions 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 positively influencing 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 that encourages 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 1.82%.

### 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 4.0%. 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.

U.S. equities outperformed other asset classes substantially for the year. The U.S. economy appears to have diverged from other global economies. While the U.S. economy grew at a 5% annual rate in the third quarter, Europe remains in recession, Japan is struggling to fight deflation, China's growth is slowing and some other emerging market countries like Brazil and Russia are struggling due to their exposure to falling oil prices and U.S. dollar denominated debt. Oil prices fell more than 50% for the year as demand prospects abated and supply expanded. Interest rates continued to decline, which led to solid returns from world bond markets. U.S. equities, represented by the S&P 500 index, returned 23.93% in Canadian dollar terms for 2014. For the same period, Canadian equities gained 10.55%, and international (EAFE) equities gained 3.67%.

Canadian bonds, as represented by the FTSE TMX Universe Bond Index, gained 8.79% for the year. Long bonds, represented by the FTSE TMX Long Overall Bond Index, gained 17.48%, and real return bonds, represented by the FTSE TMX Real Return Bond Index, gained 13.13%. Canadian real estate had another good year, with the REALpac/IPD Canada All Property Index returning 7.05%.

WorkSafeNB's total investment portfolio earned a return of 8.46% in 2014. Inflation for the same period has averaged 1.47%, resulting in a real return of 6.99% for the period. This exceeds the expected real return objective by 2.99%. WorkSafeNB's investment return for the 20 years ended December 31, 2014 has averaged 7.68%. Inflation for the same period has averaged 1.85%, resulting in an average real return of 5.83% for the period. This exceeds the expected real return objective by 1.83%.

While the expected average real return is 4.0% 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, 2014, each 1 percent of annual investment return over or under the expected return of CPI plus 4.0% translates to an excess or shortfall of approximately \$13.4 million.

### Income Taxes

Income taxes are a key driver because loss of earnings benefits are based on a percentage of an injured worker's pre-accident earnings after tax. Significant changes to income tax rates or income tax exemptions may have a material impact on WorkSafeNB's benefits liability.

## 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 [www.worksafenb.ca](http://www.worksafenb.ca), the *2014-2019 Strategic Plan & Risk Assessment* summarizes the results of the annual planning process, with an emphasis on transparency and accountability. Based on its analysis in 2014, the board of directors reaffirmed its strategic direction and identified 23 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 includes such risks as changes in the funding level, 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, the impact of personal non-compensable intervening conditions, 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 that 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, the availability and cost of health care, the aging population's influence on workplaces, and increased accidents associated with skills and labour shortages.
- *Risks to reputation* - those factors that may impact perceptions and attitudes held by stakeholders, clients, and the public towards WorkSafeNB, including public image, government decisions, and external agencies' recommendations that do not align with the board of directors' strategic direction.
- *Operational risks* - a breakdown of people/systems, including threats to business continuity, and changes in staffing levels or technology/equipment that 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. Slowing positive trends in accident frequency and claim duration pose a significant challenge moving forward. WorkSafeNB will be investing in additional occupational health and safety strategies to improve results for these key drivers. 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.

Strong investment performance and declining accident frequency have resulted in assessment rate reductions over the past several years. This trend continues in 2015, with an assessment rate reduction from \$1.21 to \$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. A variety of factors – declining birth rates, the beginning of retirement for the baby boomers, and continued out-migration to other provinces for employment opportunities – 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 Economy<sup>1</sup>

A positive outlook in the mining and manufacturing sectors bodes well for New Brunswick. Potash production has already started at the recently-expanded Picadilly mine. The Trevali's Caribou mine is set to begin operations in the spring of 2015 and reach full capacity by the end of the year, which will provide an added lift to the sector.

The forestry sector will also be a solid contributor to growth. A higher outlook for lumber prices, coupled with rising U.S. demand, bodes well for export sales. We expect real GDP growth in New Brunswick to average just under 2% over the 2015-16 period, a marked improvement over the sub-1% growth recorded since 2010.

<sup>1</sup>Provincial Economic Forecast, TD Economics, December 17, 2014

### 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.

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

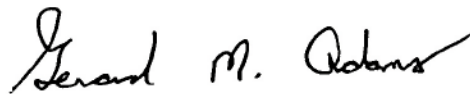
WorkSafeNB's consolidated financial statements were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting and applying appropriate accounting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



Tim Petersen, CPA, CA  
VICE-PRESIDENT, CORPORATE SERVICES  
WORKSAFE NB

# ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of WorkSafeNB as at December 31, 2014 (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 \$938,399,000 for assessed employers and \$148,707,000 for self-insured employers for a total of \$1,087,106,000. 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  
MARCH 2015



# 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, 2014, 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, 2014 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Saint John, New Brunswick  
March 26, 2015



Grant Thornton LLP  
CHARTERED ACCOUNTANTS

## CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATED BALANCE SHEET As at December 31

	2014 (000s)	2013 (000s)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 64,950	\$ 61,906
Receivables and other (Note 5)	10,005	10,491
Recoverable benefits liabilities (Note 2)	138,246	132,883
Investments (Notes 6 and 7)	1,301,676	1,256,021
Capital assets (Note 8)	9,023	9,115
	\$ 1,523,900	\$ 1,470,416
<b>LIABILITIES AND FUND BALANCE</b>		
Payables and accruals (Note 9)	\$ 20,843	\$ 20,240
Benefits liabilities (Notes 3, 4 and 10)	1,087,106	1,043,463
Total liabilities	1,107,949	1,063,703
WorkSafeNB fund balance	412,946	406,308
Non-controlling interests (Note 2)	3,005	405
	415,951	406,713
	\$ 1,523,900	\$ 1,470,416

On behalf of the board of directors:



Hector Losier  
Financial Services Evaluation Committee, Board of Directors



Jean Stewart  
Financial Services Evaluation Committee, Board of Directors



Dorine Pirie\*  
Chairperson, Board of Directors

\*Appointed March 23, 2015

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

	2014 (000s)		2013 (000s)
	Budget	Actual	Actual
<b>INCOME</b>			
Assessments (Note 11)	\$ 102,882	\$ 98,500	\$ 115,860
Investments (Note 6)	81,016	104,198	175,944
Self-insured employers (Note 12)	54,000	48,528	42,121
	<u>237,898</u>	<u>251,226</u>	<u>333,925</u>
<b>EXPENSES</b>			
Claims costs incurred (Note 10)			
Short-term disability and rehabilitation	51,850	42,975	33,030
Long-term disability	62,600	50,301	53,507
Survivor benefits	7,100	10,961	5,693
Health care	76,450	95,534	71,149
	<u>198,000</u>	<u>199,771</u>	<u>163,379</u>
Administration (Note 13)	43,865	41,356	40,031
Legislative obligations (Note 14)	1,549	1,553	1,301
Appeals Tribunal	1,935	1,564	1,660
	<u>47,349</u>	<u>44,473</u>	<u>42,992</u>
Total expenses	<u>245,349</u>	<u>244,244</u>	<u>206,371</u>
<b>Excess of income over (expenses) for the year</b>	<u>\$ (7,451)</u>	<u>\$ 6,982</u>	<u>\$ 127,554</u>
<b>Excess of income over (expenses) for the year attributable to:</b>			
WorkSafeNB		6,638	127,605
Non-controlling interests (Note 2)		<u>344</u>	<u>(51)</u>
		<u>\$ 6,982</u>	<u>\$ 127,554</u>

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)	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	<u>\$ 412,946</u>	<u>\$ 3,005</u>	<u>\$ 415,951</u>
	WorkSafeNB (000s)	Non- controlling interests (000s)	2013 Total (000s)
Fund balance, January 1, 2013	\$ 278,703	\$ -	\$ 278,703
Capital contributions by non-controlling interests	-	456	456
Excess of income over expenses for the year	127,605	(51)	127,554
Fund balance, December 31, 2013	<u>\$ 406,308</u>	<u>\$ 405</u>	<u>\$ 406,713</u>

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

	2014 (000s)	2013 (000s)
<b>Cash flow from operating activities</b>		
Cash received from:		
Assessed employers	\$ 99,630	\$ 118,928
Self-insured employers	43,146	36,915
Interest and dividends	34,130	30,346
	<b>176,906</b>	186,189
Cash paid to:		
Injured workers or third parties on their behalf (Note 10)	156,128	143,536
Suppliers and employees, for administration and other services	49,084	48,406
	<b>205,212</b>	191,942
Net cash used in operating activities	<b>(28,306)</b>	(5,753)
<b>Cash flow from investing activities</b>		
Cash received from:		
Sale of investments	349,349	341,893
Cash paid for:		
Purchase of investments	316,185	289,542
Purchase of capital assets	1,814	1,303
	<b>317,999</b>	290,845
Net cash provided by investing activities	<b>31,350</b>	51,048
<b>Increase in cash during the year</b>	<b>3,044</b>	45,295
Cash and cash equivalents, beginning of year	<b>61,906</b>	16,611
<b>Cash and cash equivalents, end of year</b>	<b>\$ 64,950</b>	\$ 61,906

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

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

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#### 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* (the "WHSCC Act"). WorkSafeNB, with its head office at 1 Portland Street, Saint John, New Brunswick, is responsible for the administration of the *Workers' Compensation Act* (the "WC Act") and the *Occupational Health and Safety Act* (the "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 *Firefighter's Compensation Act* (the "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 March 26, 2015.

#### 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, 2014 and the comparative information for the year ended December 31, 2013.

Accounting policies are selected and applied in a manner that ensures 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, 2014 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 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, 2014 was: WorkSafeNB – 84.78%, WCB of PEI – 14.61%, FC Act Disability Fund – 0.61%. 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.

During 2014, following an amendment to the agreement between WorkSafeNB and the WCB of PEI, WSNBIL has been fully consolidated in these financial statements. As a result, certain of the 2013 figures that are presented for comparative purposes have been restated to conform with the accounting treatment adopted in the current year.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

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#### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

##### *(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 is also working on revisions to IFRS 4 (Insurance Contracts), IFRS 9 (Financial Instruments), IAS 17 (Leases), and IAS 18 (Revenue). At the current time, the impact of proposed revisions is not determinable.

##### *(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:

- Equities 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.

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

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#### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

- Pooled fund units other than infrastructure 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, these values represent WorkSafeNB's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets.
- Infrastructure pooled funds are valued at their most recent net asset value prior to year-end, adjusted for any capital contributions or withdrawals between the net asset value date and year-end, as determined by the fund manager or administrator. The net asset value represents 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 in respect 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. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or that 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.



# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

#### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

Multiple techniques are adopted to estimate the required level of provisions. This assists in better aligning 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.

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, 2014, 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 \$7.6 million (2013 – \$6.4 million) for services provided by WorkSafeNB's Rehabilitation Centre, a department of WorkSafeNB.

##### *(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.

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

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, 2014, 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.

#### *(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, 2014 is 137.3% (2013 – 138.2%). 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 in respect of 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 modelling techniques. The following explicit assumptions have been made in determining the outstanding benefits liabilities:

	2014			2013		
	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	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%
Inflation – Year 1	1.43%	7.00%	3.50%	0.96%	7.00%	3.50%
– subsequent years	2.50%	7.00%	3.50%	2.50%	7.00%	3.50%
Net rate of return – Year 1	5.10%	(0.37%)	3.00%	5.59%	(0.37%)	3.00%
– subsequent years	4.00%	(0.37%)	3.00%	4.00%	(0.37%)	3.00%
Future administration	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Occupational disease	4.50%	4.50%	4.50%	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 very 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. The process is based on the estimate of a real rate of return that is then compounded with the long-term average future inflation estimate to obtain the gross rate of return.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

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### 3. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

#### *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 a study of past experience over periods of 20, 30 and 50 years. The study is periodically updated to ensure the inflation assumption remains current. The latest study, conducted in 2013, produced an annual inflation rate of 2.5%.

#### *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 for the period from 1992 to 2006. The study is periodically updated to ensure the inflation assumption remains current. The latest study, conducted in 2008, revealed an annual inflation rate that was 4.5% 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 for the period from 1992 to 2006. The study is periodically updated to ensure the inflation assumption remains current. The latest study, conducted in 2008, revealed 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.

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

### 3. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

#### *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 2005, concluded that a 4.5% allocation was reasonable. Hence, a liability for occupational disease of 4.5% of the total benefits liability is included in the liability estimate.

#### *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 above. The movement in any key variable will impact WorkSafeNB's financial performance and funded 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 impacted. 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:**

	2014 (000s)		2013 (000s)	
	+1.00%	-1.00%	+1.00%	-1.00%
+/-% change in assumed rates				
Gross rate of return	\$ (73,863)	\$ 89,913	\$ (67,571)	\$ 81,582
Long-term general inflation rate	76,206	(62,701)	68,997	(57,256)
Medical inflation rate	40,855	(31,189)	36,046	(27,629)

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

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#### 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 in respect of managing 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.

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

- Established processes for managing claims in accordance with the *WHSCC Act* and the *WC Act*.
- A disciplined strategic planning and risk assessment process.
- Targeted programs for high-risk industries.
- The use of sophisticated management information systems, that 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 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.

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

#### 5. RECEIVABLES

	2014 (000s)	2013 (000s)
Assessments billed	\$ 1,427	\$ 1,563
Unbilled assessments	4,053	4,588
Self-insured employers – receivable	4,013	4,000
Self-insured employers – deposits	(1,534)	(1,534)
Other	2,046	1,874
	<u>\$ 10,005</u>	<u>\$ 10,491</u>

#### 6. INVESTMENTS

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

	2014 (000s) <u>Fair Value</u>	2013 (000s) <u>Fair Value</u>
<b>i) Portfolio investments</b>		
Forward foreign exchange contracts	\$ (1,900)	\$ (4,218)
Fixed income		
Conventional bonds	279,580	277,056
Equities		
Canadian	204,911	222,023
U.S.	207,055	228,729
Non-North American	263,307	292,500
Total equities	<u>675,273</u>	<u>743,252</u>
Inflation-sensitive		
Real return bonds	63,211	48,469
Real estate	198,698	188,659
Infrastructure	18,431	2,803
Total inflation-sensitive	<u>280,340</u>	<u>239,931</u>
Absolute return		
Global opportunistic <sup>1</sup>	<u>68,383</u>	-
	<u>\$ 1,301,676</u>	<u>\$ 1,256,021</u>

<sup>1</sup>The 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, 2014, the fund had the following allocations: U.S. equities 16.8%; Non-North American equities 22.0%; Fixed income 30.0%; Absolute return strategies 24.1%; Cash 7.1%.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

#### 6. INVESTMENTS (CONTINUED)

##### 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, 2014, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

	2014 (000s)			Fair Value
	Level 1	Level 2	Level 3	
Portfolio investments				
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

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

#### 6. INVESTMENTS (CONTINUED)

	2013 (000s)			Fair Value
	Level 1	Level 2	Level 3	
Portfolio investments				
Forward foreign exchange contracts	\$ -	\$ (4,218)	\$ -	\$ (4,218)
Fixed income				
Conventional Bonds	277,056	-	-	277,056
Equities				
Canadian	222,023	-	-	222,023
U.S.	228,729	-	-	228,729
Non-North American	292,500	-	-	292,500
Total equities	743,252	-	-	743,252
Inflation-sensitive				
Real return bonds	48,469	-	-	48,469
Real estate	188,659	-	-	188,659
Infrastructure	-	-	2,803	2,803
Total inflation-sensitive	237,128	-	2,803	239,931
	\$ 1,257,436	\$ (4,218)	\$ 2,803	\$ 1,256,021

#### **iii) Summary of changes in level 3 fair value measurements:**

	2014 (000s)	2013 (000s)
Balance, beginning of year	\$ 2,803	\$ 3,176
Purchases of level 3 investments	18,689	-
Distributions	(4,550)	-
Investment income	1,064	24
Expenses	(18)	-
Realized gains	139	-
Change in unrealized losses recognized in investment income	304	(397)
Balance, end of year	\$ 18,431	\$ 2,803

The investment classified as level 3 above consists of a limited partnership interest in a fund investing in global infrastructure assets. This is a closed-end fund with no active market for its units and no published net asset value as at December 31, 2014, 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.



## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

#### 6. INVESTMENTS (CONTINUED)

<b>iv) Investment income</b>	<b>2014</b>	2013
	<b>(000s)</b>	(000s)
Interest and dividends	\$ 32,311	\$ 28,796
Realized investment gains (losses) on forward foreign exchange contracts	(9,104)	(5,321)
Realized investment gains on other portfolio investments	72,969	78,993
Change in unrealized investment gains on forward foreign exchange contracts	2,319	(3,496)
Change in unrealized investment gains on other portfolio investments	11,062	81,882
	<b>109,557</b>	180,854
Less: portfolio management expenses	(5,359)	(4,910)
	<b>\$ 104,198</b>	<b>\$ 175,944</b>

The market rate of return on the investment portfolio for the year ended December 31, 2014 was 8.46% (15.73% in 2013).

#### 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:

	<b>2014</b>	2013
	<b>(000s)</b>	(000s)
Conventional bonds	\$ 279,580	\$ 277,056
Real return bonds	63,211	48,469
Non-North American equities	58,184	52,050
Real estate	198,698	188,659
Infrastructure	18,431	2,803
Global opportunistic	<b>68,383</b>	-

#### 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 84.78% at December 31, 2014 (2013 – 85.54%). In 2014, WorkSafeNB received a fee of \$224,974 (2013 – \$204,981) for the administration of the Workers' Compensation Board of Prince Edward Island's share of the fund, and a fee of \$8,908 (2013 – \$6,344) 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 pooled funds, which commit to contribute investments in these funds, which may be drawn down over the next several years. Unfunded commitments as of December 31, 2014 are \$73.1 million (2013 – \$81.6 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.

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

#### 7. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

##### **ii) Market risk**

WorkSafeNB invests in publicly traded equities listed on domestic and foreign exchanges, bonds traded over-the-counter through broker-dealers, and Canadian 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, that 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 possible<sup>1</sup> adverse change in the key risk variable – the market benchmark – for each of the equity mandates in WorkSafeNB's investment portfolio.

	2014 (000s)		2013 (000s)	
	1 std dev	2 std dev	1 std dev	2 std dev
<b>Canadian Equities</b>				
% change in market benchmark <sup>2</sup>	(13.8%)	(27.7%)	(13.9%)	(27.7%)
Canadian portfolio – impact on surplus/deficit	\$ (24,647)	\$ (48,975)	\$ (26,580)	\$ (52,727)
<b>U.S. Equities</b>				
% change in market benchmark <sup>3</sup>	(11.0%)	(21.9%)	(11.2%)	(22.5%)
U.S. portfolio – impact on surplus/deficit	\$ (25,542)	\$ (51,088)	\$ (29,320)	\$ (58,820)
<b>International (EAFE) Equities</b>				
% change in market benchmark <sup>4</sup>	(12.8%)	(25.6%)	(13.0%)	(26.0%)
International portfolio – impact on surplus/deficit	\$ (24,679)	\$ (49,180)	\$ (28,990)	\$ (57,828)
<b>Emerging Markets Equities</b>				
% change in market benchmark <sup>5</sup>	(17.6%)	(35.2%)	(17.9%)	(35.7%)
Emerging markets portfolio – impact on surplus/deficit	\$ (9,801)	\$ (19,523)	\$ (7,269)	\$ (14,430)

<sup>1</sup> 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%.

<sup>2</sup> S&P TSX (Standard & Poor's Toronto Stock Exchange) Capped Composite Index.

<sup>3</sup> S&P (Standard & Poor's) 500 Index.

<sup>4</sup> MSCI (Morgan Stanley Capital International) EAFE (Europe, Australasia and Far East) Total Return Index.

<sup>5</sup> MSCI EM (Emerging Markets) Total Return Index.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

#### 7. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### *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, 2014, WorkSafeNB had U.S. dollar-denominated holdings of \$277.3 million (2013 – \$231.1 million), euro-denominated holdings of \$59.4 million (2013 – \$62.4 million), Japanese yen-denominated holdings of \$45.7 million (2013 – \$48.9 million) and British pound-denominated holdings of \$33.9 million (2013 – \$47.7 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.

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 2014 mature in the first 30 days of 2015.

At December 31, 2014, the notional value of outstanding forward foreign exchange contracts was \$229.8 million (2013 – \$217.2 million). The fair value of these contracts was a liability of \$1.9 million (2013 – \$4.2 million liability). Unrealized losses on forward foreign exchange contracts of \$1.9 million (2013 – \$4.2 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.

	2014 (000s)	2013 (000s)
15% appreciation in the Canadian dollar	<u>Impact on surplus/deficit</u>	<u>Impact on surplus/deficit</u>
CAD/USD	\$ (18,858)	\$ (15,594)
CAD/EURO	(3,876)	(4,071)
CAD/YEN	(2,979)	(3,190)
CAD/POUND	(2,095)	(2,991)

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

#### 7. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 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.

	2014		2013	
	Fair Value (000s)	% of Total Fixed-Term Investments	Fair Value (000s)	% of Total Fixed-Term Investments
<b>Credit Rating*</b>				
AAA	\$ 174,140	50.80	\$ 161,079	49.48
AA	72,631	21.19	70,181	21.56
A	96,020	28.01	94,265	28.96
Total	\$ 342,791	100.00	\$ 325,525	100.00

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

##### 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, some of which are held in pooled funds.

	Remaining Term to Maturity (000s)				Total 2014	Total 2013
	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total		
Canadian real return bonds (fair value)	\$ (1,176)	\$ 194	\$ 64,193	\$ 63,211	\$ 48,469	
Canadian conventional bonds (fair value)	(455)	70,438	209,597	279,580	277,056	
	\$ (1,631)	\$ 70,632	\$ 273,790	\$ 342,791	\$ 325,525	

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

#### 7. FINANCIAL RISK MANAGEMENT (CONTINUED)

The average effective real yield of the real return bonds is 0.57% (2013 – 1.14%) per annum based on market value. The average effective yield of the conventional bonds is 2.36% (2013 – 2.90%) per annum based on market value.

As of December 31, 2014, 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 \$24.2 million (2013 – \$21.4 million), approximately 8.65% (2013 – 7.72%) of their fair value.

As of December 31, 2014, 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 \$10.0 million (2013 – \$7.5 million), approximately 15.83% (2013 – 15.39%) 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, 2014.

#### 8. CAPITAL ASSETS

	Land and buildings (000s)	Computer software & hardware (000s)	Furniture & equipment including leasehold improvements (000s)	Motor vehicles (000s)	<b>2014 Total (000s)</b>	2013 Total (000s)
<b>Cost</b>						
Balance at January 1	\$ 7,549	\$ 15,242	\$ 5,258	\$ 320	<b>\$ 28,369</b>	\$ 27,451
Additions	107	1,473	151	85	<b>1,816</b>	1,520
Disposals	-	(1,231)	-	(23)	<b>(1,254)</b>	(602)
Balance at December 31	<b>\$ 7,656</b>	<b>\$ 15,484</b>	<b>\$ 5,409</b>	<b>\$ 382</b>	<b>\$ 28,931</b>	<b>\$ 28,369</b>
<b>Accumulated Depreciation</b>						
Balance at January 1	\$ (1,125)	\$ (13,429)	\$ (4,523)	\$ (177)	<b>\$ (19,254)</b>	\$ (17,966)
Depreciation	(300)	(1,316)	(259)	(25)	<b>(1,900)</b>	(1,862)
Disposals	-	1,231	-	15	<b>1,246</b>	574
Balance at December 31	<b>\$ (1,425)</b>	<b>\$ (13,514)</b>	<b>\$ (4,782)</b>	<b>\$ (187)</b>	<b>\$ (19,908)</b>	<b>\$ (19,254)</b>
<b>Carrying amounts</b>						
At January 1	<b>\$ 6,424</b>	<b>\$ 1,813</b>	<b>\$ 735</b>	<b>\$ 143</b>	<b>\$ 9,115</b>	<b>\$ 9,485</b>
At December 31	<b>\$ 6,231</b>	<b>\$ 1,970</b>	<b>\$ 627</b>	<b>\$ 195</b>	<b>\$ 9,023</b>	<b>\$ 9,115</b>

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

#### 9. PAYABLES AND ACCRUALS

	2014 (000s)	2013 (000s)
Accounts payable and accruals	\$ 17,945	\$ 16,607
Post-employment benefits	2,898	3,633
	\$ 20,843	\$ 20,240

At its meeting on April 25, 2013, the board of directors resolved to terminate the retirement allowance program for non-bargaining staff. This resulted in payouts of \$0.7 million to non-retirees in 2014 (2013 – \$3.2 million).

#### 10. BENEFITS LIABILITIES

##### i) Continuity schedule

	2014 (000s)				2013 (000s)	
	Short-term disability & rehabilitation	Long-term benefits	Survivor benefits	Health care	Total	Total
Balance, beginning of year	\$ 76,666	\$ 539,258	\$ 89,046	\$ 338,493	\$ 1,043,463	\$ 1,023,620
Add claims costs incurred:						
Current year injuries	34,528	23,500	843	52,948	111,819	102,315
Prior years' injuries	8,447	26,801	10,118	42,586	87,952	61,064
	42,975	50,301	10,961	95,534	199,771	163,379
Less claims payments made:						
Current year injuries	14,365	154	116	14,087	28,722	26,366
Prior years' injuries	24,805	52,742	9,125	40,734	127,406	117,170
	39,170	52,896	9,241	54,821	156,128	143,536
Balance, end of year	\$ 80,471	\$ 536,663	\$ 90,766	\$ 379,206	\$ 1,087,106	\$ 1,043,463

##### ii) Current year injuries

	2014 (000s)			2013 (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	\$ 14,365	\$ 20,163	\$ 34,528	\$ 13,247	\$ 19,115	\$ 32,362
Long-term disability	154	23,346	23,500	157	22,309	22,466
Survivor benefits	116	727	843	36	168	204
Health care	14,087	38,861	52,948	12,926	34,357	47,283
	\$ 28,722	\$ 83,097	\$ 111,819	\$ 26,366	\$ 75,949	\$ 102,315

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

#### 10. BENEFITS LIABILITIES (CONTINUED)

##### iii) Reconciliation of movement in benefits liabilities

	2014 (000s)	2013 (000s)
Balance, beginning of year	\$ 1,043,463	\$ 1,023,620
<b>Add (deduct) changes in liabilities</b>		
Interest on liability	65,858	69,339
Payments and other transactions	(123,947)	(118,123)
	(58,089)	(48,784)
<b>Balance, before adjustments</b>	<b>985,374</b>	974,836
<b>Claims experience (gains) losses</b>		
Actual costs more (less) than expected	9,742	(848)
Actual payments more (less) than expected	(5,815)	(8,035)
Difference between actual and expected inflation	(2,494)	(3,660)
Other experience (gains) losses	(329)	(372)
	1,104	(12,915)
<b>Unusual items</b>		
Change in mortality assumption	17,834	-
Change in other valuation assumptions	(301)	-
Change in supplements to compensation policy	-	5,593
	17,533	5,593
Provision for future costs of new injuries	83,095	75,949
Balance, end of year	<b>\$ 1,087,106</b>	<b>\$ 1,043,463</b>

##### 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	
	2014 (000s)	2013 (000s)
Reduction in assumed indexing rate for CPI-indexed benefits	\$ (2,494)	\$ (3,660)
(Favourable) Unfavourable experience on health care costs	14,116	3,920
(Favourable) Unfavourable experience on survivor costs	(82)	(67)
(Favourable) Unfavourable experience on short-term disability costs	3,224	(4,415)
(Favourable) Unfavourable experience on long-term disability costs	(13,974)	(7,640)
(Favourable) Unfavourable experience on other costs	315	(1,053)
Changes due to unusual items	17,533	5,593

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

#### 10. BENEFITS LIABILITIES (CONTINUED)

##### v) Claims development table

The table that follows presents the development of outstanding claims relative to the ultimate expected claims for the eight 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)	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	
One year later	187,921	195,033	188,926	176,741	159,701	201,446	213,020		
Two years later	170,276	183,685	172,132	154,210	187,458	213,282			
Three years later	166,587	173,110	158,550	184,840	194,027				
Four years later	158,105	159,873	187,436	192,609					
Five years later	148,603	186,231	194,955						
Six years later	174,236	192,705							
Seven years later	177,463								
Current estimate of Cumulative claims cost	177,463	192,705	194,955	192,609	194,027	213,282	213,020	226,047	<b>1,604,108</b>
Cumulative payments	(77,675)	(79,232)	(73,976)	(67,993)	(63,022)	(63,555)	(51,361)	(28,997)	<b>(505,811)</b>
Outstanding claims, undiscounted	99,788	113,473	120,979	124,616	131,005	149,727	161,659	197,050	<b>1,098,297</b>
2006 and prior years									<b>1,266,775</b>
Total outstanding claims, undiscounted									<b>2,365,072</b>
Discount									<b>(1,447,928)</b>
Annuity - accrual									<b>81,057</b>
Occupational diseases									<b>43,408</b>
Other contingent liabilities*									<b>45,497</b>
Total outstanding claims									<b>\$ 1,087,106</b>

\* Consists primarily of liabilities for future annuity awards.



## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### December 31, 2014

#### 11. ASSESSMENTS

	2014 (000s)		2013 (000s)
	Budget	Actual	Actual
Assessment income	\$ 102,582	\$ 98,545	\$ 115,855
Interest and penalties	800	421	509
Uncollectibles	(500)	(466)	(504)
	<u>\$ 102,882</u>	<u>\$ 98,500</u>	<u>\$ 115,860</u>

#### 12. SELF-INSURED EMPLOYERS

	2014 (000s)		2013 (000s)
	Budget	Actual	Actual
Assessments	\$ 54,000	\$ 48,528	\$ 42,121
Claims costs incurred:			
Short-term disability and rehabilitation	19,450	14,700	12,334
Long-term disability	13,500	10,252	10,372
Survivor benefits	600	1,608	425
Health care	13,450	16,417	14,125
	<u>47,000</u>	<u>42,977</u>	<u>37,256</u>
Administration	7,000	5,551	4,865
	<u>\$ 54,000</u>	<u>\$ 48,528</u>	<u>\$ 42,121</u>

#### 13. ADMINISTRATION

	2014 (000s)		2013 (000s)
	Budget	Actual	Actual
Salaries and employee benefits	\$ 31,821	\$ 31,399	\$ 30,762
Depreciation	2,100	1,874	1,828
Professional fees	2,024	2,121	1,659
Office and communications	2,422	1,707	1,786
Building operations	3,148	2,668	2,615
Travel and vehicle operations	1,615	1,078	1,001
Education and training	933	720	786
Other	1,302	1,208	1,044
	<u>45,365</u>	<u>42,775</u>	<u>41,481</u>
Allocated to health care claims costs	(1,500)	(1,419)	(1,450)
	<u>\$ 43,865</u>	<u>\$ 41,356</u>	<u>\$ 40,031</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, 2014

#### 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.

	2014 (000s)		2013 (000s)
	Budget	Actual	Actual
Workers' advocates	\$ 530	\$ 521	\$ 513
Employers' advocates	345	358	348
	<u>875</u>	<u>879</u>	<u>861</u>
New Brunswick Construction Safety Association	300	300	250
New Brunswick Forest Safety Association	190	190	190
New Brunswick Continuing Care Safety Association	184	184	-
	<u>674</u>	<u>674</u>	<u>440</u>
	<u>\$ 1,549</u>	<u>\$ 1,553</u>	<u>\$ 1,301</u>

#### 15. COMMITMENTS

Future minimum payments under operating lease arrangements:

	2014 (000s)	2013 (000s)
Due within one year	\$ 265	\$ 331
Due later than one year and less than five years	412	677
Due later than five years	-	-
	<u>\$ 677</u>	<u>\$ 1,008</u>

#### 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:

	2014 (000s)	2013 (000s)
Salaries and other short-term employee benefits	\$ 1,537	\$ 1,278
Post-employment benefits	129	105
	<u>\$ 1,666</u>	<u>\$ 1,383</u>

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### December 31, 2014

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#### 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 \$3.22 million (2013 – \$2.44 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 2014 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

There have been no events after the reporting date that would have a material effect on WorkSafeNB's consolidated financial statements at December 31, 2014.

#### 21. COMPARATIVE FIGURES

Certain of the 2013 figures that are presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

## FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) CONSOLIDATED BALANCE SHEET As at December 31

	2014 (000s)	2013 (000s)	2012 (000s)	2011 (000s)	2010 (000s)
<b>ASSETS</b>					
Cash and cash equivalents	\$ 64,950	\$ 61,906	\$ 16,611	\$ 21,774	\$ 28,374
Receivables and other	10,005	10,491	10,821	13,134	13,918
Recoverable benefits liabilities	138,246	132,883	128,377	136,495	140,989
Investments	1,301,676	1,256,021	1,156,485	1,046,658	995,271
Capital assets	9,023	9,115	9,485	9,641	9,633
	<b>\$ 1,523,900</b>	<b>\$ 1,470,416</b>	<b>\$ 1,321,779</b>	<b>\$ 1,227,702</b>	<b>\$ 1,188,185</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Payables and accruals	\$ 20,843	\$ 20,240	\$ 19,456	\$ 19,575	\$ 17,649
Benefits liabilities	1,087,106	1,043,463	1,023,620	1,030,463	1,047,824
Total liabilities	1,107,949	1,063,703	1,043,076	1,050,038	1,065,473
WorkSafeNB fund balance	412,946	406,308	278,703	177,664	122,712
Non-controlling interests	3,005	405	-	-	-
	<b>415,951</b>	<b>406,713</b>	<b>278,703</b>	<b>177,664</b>	<b>122,712</b>
	<b>\$ 1,523,900</b>	<b>\$ 1,470,416</b>	<b>\$ 1,321,779</b>	<b>\$ 1,227,702</b>	<b>\$ 1,188,185</b>

Certain of the above figures have been reclassified to conform with the presentation adopted in 2014.

**FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**As at December 31**

	2014 (000s)	2013 (000s)	2012 (000s)	2011 (000s)	2010 (000s)
<b>INCOME</b>					
Assessments	\$ 98,500	\$ 115,860	\$ 139,303	\$ 162,428	\$ 168,427
Investments	104,198	175,944	111,152	24,614	93,214
Self-insured employers	48,528	42,121	25,292	27,486	32,409
Province of New Brunswick	-	-	-	100	25
	<b>251,226</b>	<b>333,925</b>	<b>275,747</b>	<b>214,628</b>	<b>294,075</b>
<b>EXPENSES</b>					
Claims costs incurred					
Short-term disability and rehabilitation	42,975	33,030	29,046	31,438	25,251
Long-term disability	50,301	53,507	29,342	24,883	42,368
Survivor benefits	10,961	5,693	7,670	8,094	6,169
Health care	95,534	71,149	66,530	54,848	75,044
	<b>199,771</b>	<b>163,379</b>	<b>132,588</b>	<b>119,263</b>	<b>148,832</b>
Administration	41,356	40,031	39,215	37,505	37,468
Legislative obligations	1,553	1,301	1,357	1,316	1,337
Appeals Tribunal	1,564	1,660	1,548	1,592	1,506
	<b>44,473</b>	<b>42,992</b>	<b>42,120</b>	<b>40,413</b>	<b>40,311</b>
Total expenses	<b>244,244</b>	<b>206,371</b>	<b>174,708</b>	<b>159,676</b>	<b>189,143</b>
<b>Excess of income over expenses for the year</b>	<b>\$ 6,982</b>	<b>\$ 127,554</b>	<b>\$ 101,039</b>	<b>\$ 54,952</b>	<b>\$ 104,932</b>
<b>Excess of income over expenses for the year attributable to:</b>					
WorkSafeNB	6,638	127,605	101,039	54,952	104,932
Non-controlling interests	344	(51)	-	-	-
	<b>\$ 6,982</b>	<b>\$ 127,554</b>	<b>\$ 101,039</b>	<b>\$ 54,952</b>	<b>\$ 104,932</b>

Certain of the above figures have been reclassified to conform with the presentation adopted in 2014.

**FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCE**  
**As at December 31**

	<b>2014</b> <b>(000s)</b>	2013 (000s)	2012 (000s)	2011 (000s)	2010 (000s)
<b>WorkSafeNB</b>					
WorkSafeNB fund balance, beginning of year	<b>\$ 406,308</b>	\$ 278,703	\$ 177,664	\$ 122,712	\$ 17,780
Excess of income over expenses for the year	<b>6,638</b>	127,605	101,039	54,952	104,932
WorkSafeNB fund balance, end of year	<b>\$ 412,946</b>	\$ 406,308	\$ 278,703	\$ 177,664	\$ 122,712
<b>Non-controlling interests</b>					
Non-controlling interests fund balance, beginning of year	<b>\$ 405</b>	\$ -	\$ -	\$ -	-
Capital contributions by non-controlling interests	<b>2,256</b>	456	-	-	-
Excess of income over expenses for the year	<b>344</b>	(51)	-	-	-
Non-controlling interests fund balance, end of year	<b>\$ 3,005</b>	\$ 405	\$ -	\$ -	-
<b>Total fund balance</b>					
Total fund balance, beginning of year	<b>\$ 406,713</b>	\$ 278,703	\$ 177,664	\$ 122,712	\$ 17,780
Capital contributions by non-controlling interests	<b>2,256</b>	456	-	-	-
Excess of income over expenses for the year	<b>6,982</b>	127,554	101,039	54,952	104,932
Total fund balance, end of year	<b>\$ 415,951</b>	\$ 406,713	\$ 278,703	\$ 177,664	\$ 122,712

Certain of the above figures have been reclassified to conform with the presentation adopted in 2014.