

# Financial Commentary

**For the 6 Months Ending June 30, 2016**

These Consolidated Financial Statements include the accounts of WorkSafeNB and WorkSafeNB Investments Limited (WSNBIL). WSNBIL holds infrastructure assets in trust for WorkSafeNB, the Workers Compensation Board of PEI (WCB of PEI), and the Firefighters' Compensation Act Disability Fund (FC Act Disability Fund). The proportionate ownership of the net assets as at June 30, 2016 was: WorkSafeNB - 84.57%, WCB of PEI - 14.58%, FC ACT Disability Fund - 0.85%.

The Consolidated Statement of Operations details WorkSafeNB's income and expenses for the second quarter of 2016 compared to the budgeted amounts, and to the corresponding period for the previous year. The Consolidated Statement of Cash Flows details the cash received and paid for the second quarter of 2016 compared to the corresponding period for the previous year.

Assessment income for 2016 Q2 was higher than budget and the previous year by \$8.1 million (10.8%) and \$8.0 million (10.7%) respectively. Income from assessed employers was slightly above budget by \$0.5 million (1.0%) and \$1.8 million (3.9%) higher than the previous year. The average assessment rate for 2016 of \$1.11 remained unchanged from 2015 while assessable payrolls were 3.5% higher than the previous year. Income from self-insured employers was \$7.6 million (30.0%) higher than budget. The increase is primarily the result of a policy changes with respect to the deduction of CPP Disability Benefits described below. Short-term disability and health care costs were also higher than anticipated. The rate of return as of the end of the second quarter was 1.05%, resulting in investment income of \$13.4 million compared to budgeted income of \$42.8 million. Investment income for 2015 Q2 was \$68.1 million.

Total expenses for 2016 Q2 were higher than budget and the previous year by \$21.3 million (17.0%). Claims costs were higher than budget by \$25.9 million (27.5%). The increase is primarily due to policy changes with respect to the deduction of CPP Disability Benefits (CPPD) following two Workers Compensation Appeals Tribunal decisions. The first decision requires WorkSafeNB to determine the portion of CPPD reasonably attributed to the work related injury and then determine the portion of CPPD that will offset loss of earnings benefits. The second decision requires the amount set aside for annuity pension benefits to be based on entitlement before CPPD reduces the benefit payable. In addition, short-term disability and health care costs were higher than anticipated. Administration costs were lower than budgeted by \$4.7 million (15.2%) primarily due to timing with respect to the start-up of new occupational health & safety initiatives planned for 2016, and \$3.7 million (16.5%) higher than the previous year. Legislative obligations were on target with budget and \$0.8 million higher than the previous year due to an increase in the funding for the workers' advocates. The above results yielded a net deficit for WorkSafeNB of \$50.4 million at the end of the second quarter compared to a budgeted net deficit of \$8.3 million.

The results decreased WorkSafeNB's funding ratio at the end of 2016 Q2 to 118.4%, compared to 137.6% at the end 2015 Q2. The consolidated statements have been prepared in accordance with the accounting policies and practices outlined in the notes to the consolidated financial statements contained in WorkSafeNB's 2015 Annual Report.

# Statement of Operations

Unaudited for the 6 Months Ending June 30, 2016

	Budget	Actual	Previous
	YTD	YTD	YTD
	(000's)	(000's)	(000's)
<b>Income</b>			
Assessments including self-insured employers	\$ 74,330	\$ 82,368	\$ 74,414
Investments	42,754	13,434	68,086
	<b>117,084</b>	<b>95,802</b>	<b>142,500</b>
<b>Expenses</b>			
Claims costs incurred	94,325	120,160	102,674
Administration	28,460	23,739	20,445
Legislative obligations	2,208	2,255	1,416
Appeals Tribunal	-	-	443
	<b>124,993</b>	<b>146,154</b>	<b>124,978</b>
<b>Net (deficit) surplus</b>	<b>\$ (7,909)</b>	<b>\$ (50,352)</b>	<b>\$ 17,522</b>
<b>Net (deficit) surplus attributable to:</b>			
WorkSafeNB	(8,280)	(50,312)	16,925
Non-controlling interests	371	(40)	597
	<b>\$ (7,909)</b>	<b>\$ (50,352)</b>	<b>\$ 17,522</b>

# Statement of Cash Flows

## Unaudited for the 6 Months Ending June 30, 2016

	Actual	Previous
	YTD	YTD
	(000's)	(000's)
<b>Cash flow from operating activities:</b>		
Cash received from:		
Assessed employers	\$ 63,083	\$ 57,981
Self-insured employers	22,179	19,684
Interest and dividends	15,424	15,888
	<u>100,686</u>	<u>93,553</u>
Cash paid to:		
Injured workers or third parties on their behalf	83,775	81,309
Suppliers & employees, for administration & other services	27,456	22,522
	<u>111,231</u>	<u>103,831</u>
<b>Net cash provided by operating activities</b>	<b>(10,545)</b>	<b>(10,278)</b>
<b>Cash flow from investing activities:</b>		
Cash received from:		
Sale of investments	267,155	185,374
Capital contributions by non-controlling interests	1,711	7,493
	<u>268,866</u>	<u>192,867</u>
Cash paid for:		
Purchase of investments	172,244	198,743
Purchase of capital assets	1,672	668
	<u>173,916</u>	<u>199,411</u>
<b>Net cash used in investing activities</b>	<b>94,950</b>	<b>(6,544)</b>
<b>(Decrease) increase in cash during the year:</b>	<b>84,405</b>	<b>(16,822)</b>
Cash and cash equivalents, beginning of period	49,491	64,950
<b>Cash and cash equivalents, end of period</b>	<b>\$ 133,896</b>	<b>\$ 48,128</b>