

# ANNUAL REPORT 2016



# WorkSafeNB ANNUAL REPORT 2016

WorkSafeNB | ANNUAL REPORT 2016



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Pictured left to right on the cover are:  
adjudicator Judy Duplisea;  
occupational hygienist Roberto Sgrosso;  
Yvon Collette, human resources business partner;  
and Jolene Maguire, human resources generalist.

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Jolene Maguire  
Human resources generalist  
Saint John

# WHO WE ARE

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

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

## OUR VISION

Healthy and safe workplaces in New Brunswick.

## OUR MISSION

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

## OUR VALUES

### Respect

Treat everyone with respect – workers, their families, employers, stakeholders, and our colleagues.

### Safety

Passionately protect the safety of our clients and colleagues.

### Caring Service

Create an exceptional service experience by treating clients with kindness and concern.

### Teamwork

Optimize the service experience through collaboration and by leveraging the unique talents of each team member.

### Accountability

Adhere to evidence-based disciplines, share all results, and communicate honestly and transparently.

### Excellence

Aspire to flawless execution and never take shortcuts on quality.

### Integrity

Demonstrate the highest standards of professionalism, ethics and personal responsibility.

### Innovation

Transform the way we work, inspiring each other to continuously improve and empowering colleagues to offer creative ideas.

## BOARD OF DIRECTORS



**Tim Petersen<sup>1</sup>**  
Acting President & Chief Executive Officer



**Gerard M. Adams<sup>2</sup>**  
President & Chief Executive Officer



**Dorine Pirie**  
Chairperson



**François M. Angers<sup>3</sup>**  
Vice-Chairperson

## Members representing workers:



**Michèle Caron**  
Cocagne



**Hector Losier**  
Fredericton



**James E. A. Stanley**  
Saint John



**Maureen Wallace**  
Riverview

## Members representing employers:



**David Ellis**  
New Maryland



**Judith Lane**  
Kingston



**Lucien Sonier**  
Caraquet



**Julie Marr<sup>4</sup>**  
Quispamsis

<sup>1</sup> Appointed October 31, 2016  
<sup>2</sup> Term ended February 28, 2017  
<sup>3</sup> Term ended September 23, 2016  
<sup>4</sup> Appointed January 27, 2016

# QUICK FACTS 2016

	2016
Number of assessed employers	14,587
Provisional average assessment rate	\$1.11
Total claims created (can include claims with no application for benefits)	22,939
Claims accepted	10,467
Lost-time claims (at least one day)	5,698
No lost-time claims	4,769
Claims disallowed	524
No claim or awaiting further information	11,413
Maximum assessable/insurable earnings	\$61,800
Average days lost per lost-time claim	57.4
Average payment per claim	\$5,352
Average work days from injury reported to first payment issued	25.4
Number of workplace health and safety inspections	9,180
Number of orders written (violations of the <i>OHS Act</i> )	8,746
Number of serious accident investigations <sup>1</sup>	94
All other accident investigations <sup>2</sup>	504
Work-related fatalities <sup>3</sup>	18
Administration costs – excludes self-insured and OHS (000s)	\$29,114
Administration costs – Occupational Health and Safety (000s)	\$11,271
Assessment revenue (000s)	\$97,273
Total premium revenue (000s)	\$212,677
Current year claims cost incurred (000s)	\$186,775
Claims payments made for current and prior years' injuries (000s)	\$189,042
Claims costs incurred for current and prior years' injuries (000s)	\$376,767
Total benefits liabilities – assessed employers (000s)	\$1,169,405
Total benefits liabilities – self-insured employers (000s)	\$231,424
Assessable payroll (000s)	\$8,843,000
Market rate of return on portfolio	9.16%

<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> Of these 18 fatalities, 16 were accepted under the *Workers' Compensation Act* and two under the *Firefighters' Compensation Act*. Ten of these were a result of accidents occurring in 2016, while eight more deaths resulted from injuries or occupational diseases incurred before 2016.

Note: Reflects most current data as of December 31, 2016.

Megan Meier  
Helpdesk operator  
Saint John



## MESSAGE FROM THE ACTING PRESIDENT AND CEO

Since it was adopted in 1918, New Brunswick's workers' compensation system has faced many challenges and opportunities; 2016 was no exception.

It was a year of transition, some changes requiring difficult decisions and others creating opportunities to breathe new life into a century-old system.

After successive years of relative stability, we began to see a shift in 2016 of some long-standing trends. Claim volumes increased quickly – about 2% each month – placing extreme pressure on our employees to maintain excellent client service, something we are passionate about. Our injury frequency rate, which had been one of the lowest in Canada, increased slightly; and claim costs, in response to a variety of factors, increased by almost 30%.

Against this backdrop, key decisions had to be made.

In 2016, the average employers' assessment rate remained at \$1.11 per \$100 of assessed payroll – the second lowest in Canada. New Brunswick employers enjoyed these historically low rates partly because of significant discounts over the last few years. When WorkSafeNB's funding percentage is above its target, policy directs us to lower assessment rates. The 2016 rate, for example, contained a \$0.43 discount. Given our new landscape, however, we will need to transition to rates that reflect more the true cost of today's accidents and injuries.

In 2016, our board of directors changed key aspects of its strategic direction to send a clear signal to all stakeholders that clients are our priority. Our inspiration to excel comes from one source – our clients. Whether they are workers or employers, we must provide the best service to them, every time.

We do a good job of this now. We only have to look at our rehabilitation centre, which received its three-year accreditation from CARF International for its exceptional client service in helping workers safely return to work after an injury. But we want to be a leader in service excellence. To that end, we have adopted a new support goal and service goal that puts the client at the centre of all that we do. We also adopted a new core value – the client is the priority – and five additional values essential to growing a culture of service excellence (see pages 12-13), and engaged a leading firm to help us create a service excellence roadmap.

One way to improve our service experience is to better understand our stakeholders' priorities and opinions. We believe we can do that by strengthening partnerships with them, something we continued to do in 2016.

Several of our partnerships focused on making New Brunswick's workplaces safer. For example, we launched our award-winning mobile app last February after hearing from our partners in the construction industry who wanted quick and easy access to information to help them do their job safely. We launched a safety leadership pilot with eight New Brunswick employers to help them strengthen their safety culture and reduce workplace injuries. We followed up our 2015 safe waste collection initiative aimed at improving safety for workers in this industry with a public campaign to educate homeowners on how to safely prepare their garbage for curbside. We joined the Nursing Home Workplace Violence Prevention Working Group, which developed a toolkit to reinforce the message that violence is a risk no worker should face, and partnered with CCOHS to begin building online educational tools for our stakeholders. And we worked with various partners to expand our Safety Day events, which we've been hosting for 10 years, to educate New Brunswick's schoolchildren on safety. You can read more about these initiatives and others in the pages of this report.

We also consulted our stakeholders on ways to improve our programs and policies, and guide us on decisions. When costs due to noise-induced hearing loss reached \$13 million in 2015, we reached out to New Brunswick's hearing aid providers for input on proposed changes to our hearing aid program. We continued to seek feedback on policy reviews through our website and our 2016 health and safety conference. We regularly consulted with our injured workers' advisory committee, and engaged our employer and worker communities in meetings across the province on our rate-setting process.

We also worked with the newly created and independent Workers' Compensation Appeals Tribunal (WCAT) to create a continuum of service that is responsive to both workers and employers. From our inception in 1918, there has always been an appeals process for workers, their dependants and employers dissatisfied with a claim decision, and we continue to see the WCAT as an important part of our system. To provide another avenue for our clients, we also introduced our Issues Resolution Office in 2016. It helps clients who disagree with a claim decision or are not satisfied with our service.

We continued to partner with the provincial government to improve clarity in legislation. Work on Phase II of the legislative review of workers' compensation legislation focused on our governance structure, workers' and employers' advocates services and Section 38 (benefits) of the *Workers' Compensation Act*. In December, the government passed Bill 15 (*An Act to Amend the Workplace Health, Safety and Compensation Commission and Worker's Compensation Appeals Tribunal Act*), which dealt with governance issues, clarified issues on annuities that were subject of WCAT decisions, and addressed investment agreements.

These are changing times, but our commitment is unchanging. Our devotion to our system's founding Meredith Principles and our vision and mission remains steadfast. That is why we must continue to transition and evolve, and see these changes not as challenges, but as opportunities. Progress comes through change, and the accomplishments recorded on the pages of this report reflect that.

I look forward to the future as we move through the changes to improve our service, work with our stakeholders to ensure system sustainability, and make New Brunswick workplaces safer.

**Tim Petersen**  
Acting President and  
Chief Executive Officer

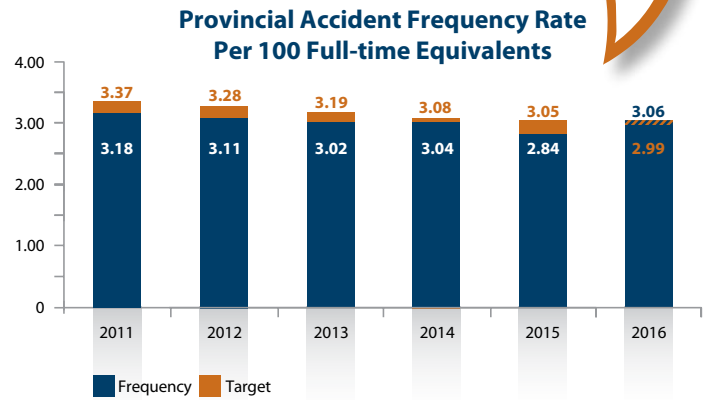
# SAFETY GOAL

We will vigorously pursue a safe work culture that will lead to a decline in workplace injuries.

**TARGET 1:** 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 2016 was 3.06 per 100 FTEs, higher than the 2016 target of 2.99. While we missed our 2016 target, it was the first time in eight years we saw an increase in our injury rate over the year before. One determining factor was our low 2015 rate – one of the lowest in Canada – which pulled down the 2016 target.

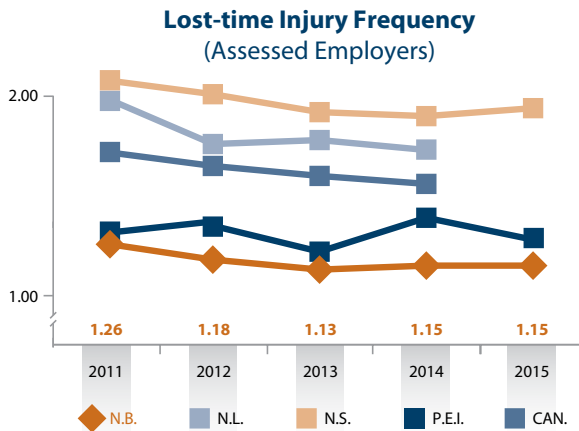
Previous years have been restated to reflect current information.



**TARGET 2:** The lost-time\* workplace injury frequency rate per 100 FTE in New Brunswick will be lower than the Canadian average and the Atlantic Canadian average.

At 1.15 lost-time accidents, New Brunswick's injury frequency rate remains below the national average (1.51) as reported by the Association of Workers' Compensation Boards of Canada (2015 data) and the Atlantic Canadian average (1.52).

\*Lost-time = one or more workdays lost

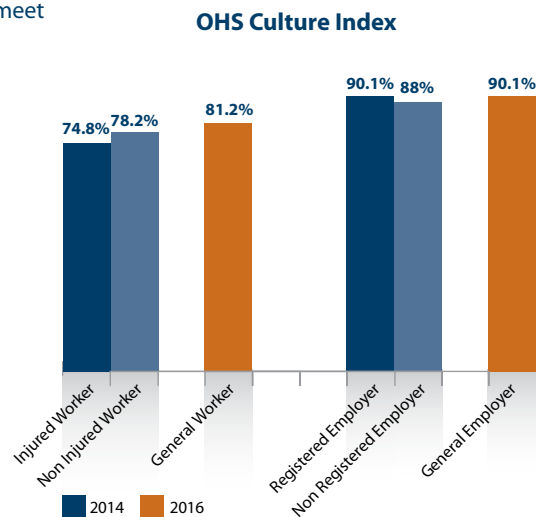


**TARGET 3:** The percentage of workers and employers who believe their workplace has a safe work culture will meet or exceed the previous year's average.

In 2016, we were able to survey a random sample of general workers and employers to measure the percentage who believe their workplace has a safe work culture.

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

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



Shauna Brennan  
Occupational therapist  
Grand Bay-Westfield

## Award-winning App Launched

WorkSafeNB introduced its first app in 2016, giving workers and employers easy and quick access to safety information.

With the touch of a fingertip on a mobile device, the app provides access to our Guide to OHS Legislation. The guide is an online portal with links to resources, including photos and illustrations, legislation, hazard alerts and safety talks on more than 40 topics.

In July, both the guide and the app took first place in the website category at the American Association of State Compensation Insurance Funds Communications Awards.

WorkSafeNB, in partnership with Canadian Centre for Occupational Health and Safety (CCOHS), developed the portal and app in response to members of the construction industry who told us they needed to easily and quickly access information to help them do their job safely. For them, it isn't realistic to carry around large volumes of safety information

While we originally developed the portal to respond to a construction industry need, it quickly evolved to be relevant and valuable to all New Brunswick employers and employees. With topics such as heat and cold stress, workplace inspections, working alone, ladders and noise, the portal and app offer value to most workplaces.

We first launched the portal in 2015, but we didn't stop there. To make it as accessible as possible, we introduced in February 2016 the NB OHS Guide app for iOS and Android devices.

"(The app) allows you to get an overview of a topic, dive deeper into the actual legislation if you need to, as well as provide additional resources that can be implemented right away," said Darrell Nickerson, director of safety for J.D. Irving, Limited. "It is a simple and easy to use solution that saves time and effort in researching the various topic areas. I use the guide frequently and have been encouraging other safety professionals to do the same."

### Usage

#### NB OHS Guide app

Feb-Dec 2016  
Android: 9,992  
Apple: 3,079

#### Guide to OHS Legislation portal

Jan-Dec 2016  
English: 15,129  
French: 5,230

## A Vision for Safe Workplaces: WorkSafeNB and CNIB

A proud partner of the Canadian Institute for the Blind (CNIB)'s prevention initiatives for the past few years, WorkSafeNB helped to launch an inaugural New Brunswick Eye Safety Tour in September 2016, as part of the CNIB Atlantic Canada Eye Safety Program. This program aims to prevent devastating eye injuries, and targets companies, OHS professionals and frontline workers in industries with a high risk of eye injuries.

Consistent with WorkSafeNB's strategic focus on building a workplace safety culture among young workers, the 2016 tour targeted workers aged 15-24 in New Brunswick's English and French

post-secondary institutions to “create and instill a culture of eye safety among our future workforce.” With support from WorkSafeNB, CNIB delivered a series of interactive 60-minute Eye Safety Program workshops that motivated attendees to practise eye safety and wear properly fitted eye safety protection at work, at school, at home and at play.

The New Brunswick tour was CNIB’s largest in the Maritimes, with 22 workshops attended by 1,579 university and community college students in fields of study with a high risk of eye injury. Students in 12 different fields participated, with the majority in construction, health care, service, and mining, oil and gas. Fall sessions were held at the New Brunswick Community College, Collège communautaire du Nouveau-Brunswick and University of New Brunswick locations in Moncton, Miramichi, Woodstock, St. Andrews, Saint John, Fredericton, Bathurst, Caraquet, Campbellton and Grand Falls. Feedback was positive, with students committed to preventing eye injuries, and appreciative of the practical information they can use to prevent injury.

### Inspection Investment

As part of its ongoing commitment to help employers create healthy and safe work environments for New Brunswick workers, WorkSafeNB hired additional health and safety officers and reallocated resources to increase our workplace presence and support for New Brunswick employers and workers. The investment targeted three key areas:

#### Residential Construction



#### Residential construction:

In April 2016, WorkSafeNB allocated resources to increase visits to residential project sites, to educate employers and employees on the regulations that apply to project sites, and conduct

health and safety inspections. These officers focused on new builds and exterior renovations, such as roofing and siding projects.

The inspections targeted six critical areas of construction safety: fall protection, personal protective equipment (PPE), work platforms, ladders, openings and equipment safety. In 2016, the officers conducted 624 inspections at 285 residential construction worksites, and issued 719 orders. Our officers found 96% of the worksites with written orders complied either on the original inspection or a followup visit.

The officers also provided employees with safety talks, and met with some New Brunswick chapters of the Canadian Home Builders Association to foster a stronger relationship with the industry, something they will continue in 2017. And, they created the 2017 Residential Construction Safety Focus, a safety guide that will be

distributed to home builders and roofing contractors throughout New Brunswick.

“In our first year, we are already seeing a shift in safety culture on residential construction sites,” said Dino Scichilone, assistant director of WorkSafeNB’s southwest region. “Our health and safety officers in residential construction have observed improved compliance of workers wearing fall protection and proper protective headwear and footwear.”

#### Expanded Reach



#### Expanded reach:

We increased our presence and available support for employers in industries with a potentially higher risk for injuries that haven’t undergone a recent inspection. In 2016, we carried out 478 inspections

at 201 workplaces, addressing requirements such as new employee orientation and training, incident reporting, joint health and safety committees, workplace inspections, and safety policies. Our officers wrote 504 orders at 133 workplaces. Of those, 83% complied with the order(s) on the original inspection or a followup visit.

#### After-hours Inspection



#### After-hours:

We also inspected workplaces that operate outside the typical nine-to-five workday. In 2016, we carried out 224 after-hours inspections at 100 workplaces, including machine shops, manufacturing plants, food

and beverage processing plants, mines, and woodland and sawmill operations. Our officers wrote 144 orders at 39 workplaces. Of those, 92% complied with the order(s) on the original inspection or a followup visit.

#### Investing in Safety Leadership

Improving workplace safety takes more than just complying with our laws and regulations. We need to foster a safety culture in New Brunswick, one that appears in work and daily activities and continues to grow and be nurtured.

“Every New Brunswick worker deserves to safely return home at the end of every shift,” said Barb Keir, director of WorkSafeNB’s program development and evaluation. Fostering a strong safety culture is a means to this end, and it begins with strong leadership.

“Safety leadership not only results in improved safety outcomes. It also has other benefits for New Brunswick companies. Evidence indicates that strong safety leadership also impacts quality, productivity, absenteeism, staff satisfaction and turnover.”

As part of WorkSafeNB’s investment in occupational

health and safety, WorkSafeNB invested in two safety leadership initiatives in 2016:

- WorkSafeNB launched a safety leadership pilot program, involving eight New Brunswick businesses that completed surveys to benchmark their existing safety culture and identify areas for improvement. Based on the results, work began to provide the businesses with safety leadership training and coaching, as well as observational-based safety programs involving coaching, counselling and encouraging employees to reinforce safety behaviours.
- WorkSafeNB partnered with Dr. Kevin Kelloway, the Canada Research Chair in Occupational Health

Psychology at Saint Mary’s University in Halifax, to conduct a safety leadership training and coaching research project using the S.A.F.E.R. model. This model advocates that great safety leaders speak about, act and focus on safety, engage employees in safety conversations, and recognize employees for positive safety contributions. Four training sessions were held in 2016, attended by 86 representatives from nursing homes, municipalities and the hospitality industry. The research results, which showed employees felt their leaders were engaging in more safety leadership behaviours, supported S.A.F.E.R. as an effective approach for enhancing safety leadership in those workplaces.

## WorkSafeNB honours Moosehead Breweries for health and safety leadership

It’s become a mantra at Moosehead Breweries. Whether discussing product development, strategy or safety, company officials are fostering a culture where doing the right thing is the norm – an approach they call *The Moosehead Way*.

When it comes to safety, the mantra has become more than words, evident in its health and safety performance.

The Saint John-based brewery, which celebrates its 150th anniversary this year, saw:

- Its accident frequency decline 69% between 2009 and 2014
- Its annual claim costs decline 63%
- Its lost-time claims decrease by 75%
- Its days lost drop by 82%

These results and Moosehead’s ongoing commitment to improving its safety culture prompted WorkSafeNB to honour the company with its **2016 Safety Star Award**. The award recognizes companies for demonstrating safety leadership and outstanding achievements in occupational health and safety.

Company president Andrew Oland said the company has a singular safety goal: Ensure all employees go home safely at the end of the day. To achieve the goal, the company established what it calls its Three Golden Rules:

- **Be diligent.** Know, understand and follow safety rules and safe work procedures every day, every shift, without exception.
- **Be responsible.** Take responsibility for your safety and the safety of co-workers and teammates.
- **Be collaborative.** Contribute to evolve Moosehead’s safety culture.



From left: Shelly Dauphinee, WorkSafeNB’s vice-president of WorkSafe Services, presented Jamie Pellegrini, Moosehead Breweries’ director of safety, with the award at our 2016 Health and Safety Conference; also pictured is Gerard Adams, WorkSafeNB’s former president and CEO.

“Through its own golden rules of diligence, responsibility and collaboration, Moosehead shows us that steps like these matter – they lead to positive, healthy and safe environments for everyone in a workplace,” said Shelly Dauphinee, vice-president of WorkSafe Services.

**Transitioning to WHMIS 2015**

It was New Brunswick's first full year of phased implementation to federal and provincial hazardous products legislation, and WorkSafeNB provided employers with tools and resources to help in the transition.

Following Health Canada changes, the New Brunswick regulation for the workplace storage and use of hazardous products was repealed, and Regulation 2016-6 (Workplace Hazardous Materials Information System) was enacted.

We trained our officers and consulting staff on the

new requirements, and continue to advise and support workplaces as they prepare for the transition's end in December 2018.



Employers must train employees about WHMIS 2015 as new labels and Safety Data Sheets appear in workplaces. To help them, we created the Transition to WHMIS 2015 web page, found on our Safety Excellence NB portal. It provides employers and employees with a central spot to find the revised New Brunswick regulation as well as checklists, links and resources, including awareness education opportunities.

**Raising Awareness**

At WorkSafeNB, we believe that workplace injuries don't have to happen. To spread this important message, we hosted several campaigns and events to raise awareness about workplace safety. In April, we launched our

Careful campaign, reminding New Brunswickers they are not the only ones who get hurt when they get injured at work. Family and friends do too. We followed this in May with a campaign asking the public to help keep waste collectors safe by safely preparing their garbage for curbside pickup.

Since the campaign, waste collectors have noticed a reduction in bag weights. To mark our 10th anniversary of hosting Safety Day events, we created and distributed a bilingual calendar featuring drawings from New Brunswick students depicting safety messages. And we added a third Safety Day in 2016, hosting more than 250 Grade 4 and 5 students and their teachers at the Garcelon Civic Center in St. Stephen. In the fall, we held our 36th annual health and safety conference in Moncton. Its 566 registrants could, for the first time, download an app to check on event schedule updates and download presentations.



Visits to Careful website page: **3,497 (English); 1,646 (French)**  
 YouTube views: **23,540 (English); 6,073 (French)**



Careful

**New Serious Incident Investigation Process**

Employers, clients and their families affected by a serious work incident now have the opportunity to meet with the investigation officer, thanks to a new model to investigate serious accidents.

It's just one of the positive outcomes from the model WorkSafeNB implemented in 2015.

The model uses a team of four specialized investigation officers, located throughout the province, trained to collect evidence from serious workplace incidents. These incidents involve fatalities, zero tolerance violations such as fall protection, lockout and trenching, life-altering injuries, multiple casualties, unexpected explosions, unexpected and potentially harmful exposures and catastrophic failure of equipment and systems. All other investigations are carried out by health and safety officers in the regional offices.

This model helps WorkSafeNB determine the causes of an incident, identify preventative measures and, where warranted, recommend charges to the Crown under the *Occupational Health and Safety (OHS) Act*.

An additional improvement is the availability of confidential, third-party grief counselling services provided at no cost to the victim's family to help them through what can be difficult times.

This model is contributing to a stronger relationship with clients, their families and employers. With specialized training, the small core of investigation officers is also becoming more experienced in the investigation process, and building stronger relationships with outside professionals, including Crown prosecutors, consultants, coroners and other enforcement agencies, such as police services.

**Working with Educators to Promote Workplace Safety**

Today's youth are tomorrow's workers. As part of WorkSafeNB's strategy to build a safe work culture in New Brunswick, we continue to partner with New Brunswick educators to instill in our youth a sense of safety.

That's why we established the OHS Education and Advisory Committee in partnership with the Department of Education and Early Childhood Development (EECD). The advisory committee develops initiatives to ensure that New Brunswick's schools are safe workplaces for teachers and administrative staff, and to integrate safety awareness and occupational health and safety content in the classroom.

In 2016, the advisory committee developed the concept of safety champions for schools and districts. Their role will be to promote health and safety, and provide safety

information and resources to schools. They will also act as a liaison between schools and districts to the advisory committee.

The advisory committee also assisted EECD develop a health and safety program template for schools. The template will help schools ensure they comply with the requirement under the *OHS Act* for employers with 20 or more employees regularly employed in the province to have a health and safety program. Rolled out in January 2016, the template ensures schools and districts are consistent in their program development while still allowing them to tailor it to their specific environment.

The advisory committee also collaborated with EECD to improve the effectiveness of school joint health and safety committees (JHSCs). It provided recommendations for JHSC composition, and organized seven in-house sessions for school JHSC members (four English and three French), which were strongly attended by school staff.

But WorkSafeNB's involvement with schools didn't end there.

In another initiative, we worked with EECD to improve health and safety officers' understanding of how students with autism spectrum disorders (ASD) are assessed and supported in classroom environments. At times, children with ASD may exhibit aggressive or violent behaviours, causing some educational assistants to be concerned for their personal safety. In addition to the officers' training, we worked with EECD to develop a guideline to ensure schools have appropriate assessment, training and resources in place for staff working with ASD students.

**Inaugural Award Honouring Educators**

WorkSafeNB launched its inaugural Health and Safety Educator Award in 2016 to honour exceptional teachers who make safety, in and out of the classroom, a priority.

The annual award recognizes two New Brunswick educators – one each from the anglophone and francophone school sectors.



Keith Armstrong from Harbour View High School in Saint John and Charles Allain from École Mathieu-Martin in Dieppe were presented the awards at the Safety Stars awards breakfast at our Health and Safety Conference in Moncton on October 14, 2016.

Careful

# SERVICE GOAL

**TARGET:** While the board established a new target for service – satisfaction with service delivery will meet or exceed 80% – a tool to measure it was not developed in 2016 as it was necessary for WorkSafeNB to understand and comply with a recommendation from the Privacy Commissioner of New Brunswick.

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

- Resourcing, creating, and continuously improving a service culture where clients are the priority.
- Empowering employees to make values-based decisions within the parameters established by legislation and the board.
- Actively offering clients the information they need and the benefits to which they are entitled.
- Using technology to support an exceptional service experience.
- Demonstrating our leadership's commitment to exceptional service throughout WorkSafeNB.

## The Client is the Priority

Service excellence is a journey, not a destination. The quest for excellence means we must constantly push the bar to get even better. At WorkSafeNB, we've made it our priority.

To that end, our board changed key aspects of its strategic direction to send a clear signal to all stakeholders that we will improve service delivery. While our vision focuses on injury prevention, we adopted a new service goal in 2016, created a new core value – “the client is the priority” – and supported it with new values (see page 2) that will drive our interactions with our clients – whether they are workers, employers or care providers.

We also introduced our Issues Resolution Office (IRO) for our clients who disagree with a claim decision or are not satisfied with the service they received. The IRO reviews claim-related decisions and service complaints and tracks trends to recommend improvements.

To direct us on the journey, the board commissioned Ernst & Young – a global leader in assurance, tax, transaction and advisory services – to create a five-year client experience improvement roadmap. As well as meeting with employees across the organization, the roadmap developers conducted 13 focus groups with workers with injuries, employers and employees across New Brunswick to understand their service needs and expectations.

The board also approved the creation of a Service Excellence department. Cathy Bent was hired as its director.

With over two decades as a senior leader in service, strategy, change management, organizational design and finance, Cathy

We will create an exceptional service experience for each client we serve.



Cathy Bent, director of Service Excellence

joined WorkSafeNB to execute our goal of ensuring service excellence. In her new role, she will lead WorkSafeNB's efforts to leverage proven best practices, design innovative systems, modernize processes, and align the values and behaviours that instill a client-centred service culture.

She joins WorkSafeNB from Service New Brunswick (SNB) where she was the regional director of customer care. In that role, she led 17 service centres in providing quality delivery of more than 350 wide-ranging services to New Brunswickers. She has further significant experience as a leader in the Bell Aliant group of companies, having held directorships there in



Johanna McLeod  
Dietitian  
Grand Bay-Westfield

project management and strategic alliances, as well as the roles of chief financial officer and vice-president of finance. Becoming the Service Excellence director at WorkSafeNB offered her the opportunity to leverage all of her skillsets.

“Client experience is something that really speaks to me. I am very passionate about employee engagement and change management and I have experienced first-hand the difference these elements make to client experience,” she said.

Cathy will work with the key stakeholders in overseeing the delivery of the five-year roadmap. The roadmap has a good balance of quick wins (just-do-it projects); foundational initiatives, like creating a project management office; and more complex initiatives, such as investing in IT to ensure we have the right technology to support our future service needs.

In 2017, WorkSafeNB will begin implementing the roadmap's service excellence initiatives.

“Moving to a client-centric culture means everything we do is from the voice of the client.”

## Improving Client Communication

We want to make it easy for our clients to work with us. That's why we worked in 2016 to improve our communication channels for our clients – whether they are workers, employers or care providers.

We began developing the MyServices portal, which offers workers, employers and care providers convenient, easy-to-use and secure online services. It allows annually assessed employers to efficiently file their Form 100 – Employer Payroll Report; view their current balances, statement of accounts and assessment notices anytime; monitor claims and their costs; review their payroll filing history; and, communicate with WorkSafeNB through the portal's secure email. It will allow injured workers to learn about services and benefits available to them; review prescription and physiotherapy treatment history; access travel expense and direct deposit forms; and communicate with WorkSafeNB through secure email. It also hosts services for care providers. MyServices will be available in early 2017.

**MyServices**

We also continued our plain language project to review and revise our existing client letters. The workers' compensation system can be technical so it is important WorkSafeNB communicates complex information in a way that is clear, concise and easy to understand. In 2016, our plain language steering committee provided training to staff, introduced revised letters from among close to 200 letter templates, and continued work on the remaining ones.



Work also began on revising our website (worksafenb.ca) to meet changing client needs. The site will offer improved navigation and tools to help workers and employers get the information they need quickly and efficiently. The website will launch in early 2017.

### Developing Online Workshops

Being away from the workplace to attend a two- or three-day safety workshop can be challenging for some employees and employers. So WorkSafeNB started an initiative, in collaboration with the Canadian Centre for Occupational Health and Safety, to make it easier for them to access some of our learning resources. To ensure we were on the right track, we surveyed delegates of our health and safety conference and subscribers to our electronic monthly newsletter. When asked what type of workshops they preferred, the majority of respondents said they liked an online and classroom combination. Those who previously attended a workshop preferred keeping a classroom component. While 84% answered that face-to-face interaction is important, 91% responded they would participate in online courses. Based on those results, WorkSafeNB decided to develop online modules to complement our classroom workshops. This will shorten the time employees and employers need to be away from their workplace to attend courses, while still providing classroom interaction. We hope to pilot three modules in 2017 – incident investigation, hazard identification and workplace inspection – and believe they will also be helpful to employees and employers interested in portions of our workshops.

### Investing in our Employees

Our clients – whether they are workers, employers or care providers – are served by some of the most dedicated people in public service. Whether working toward ensuring our clients receive workers' compensation benefits or focusing on preventing accidents, our employees strive to make a difference in our clients' lives every day. To help us reach our service goal, we supported 15 employees as they undertook certification through the Foundation of Administrative Justice (FOAJ). Another 40 employees are close to certification. A non-profit organization, the FOAJ offers training that provides a framework for better understanding and weighing evidence and making administrative law decisions. Investing in our employees this way allows them to better interpret legislation and make informed decisions.

Claims Adjudication	2015	2016
Workers applying for compensation benefits	10,446	<b>10,991</b>
Benefit applications accepted: Lost-time	49.2%	<b>51.8%</b>
Benefit applications accepted: No lost-time	44.0%	<b>43.4%</b>
Benefit applications not accepted	6.7%	<b>4.8%</b>

### Official Languages Act

WorkSafeNB is committed to providing quality services in the public's official language of choice. In 2016, we translated and co-ordinated the translation of 599,981 words and produced 31 new and 22 revised bilingual publications. There were no complaints under the *Official Languages Act* in 2016.

### Public Interest Disclosure Act

The *Public Interest Disclosure Act* encourages New Brunswick's public service employees to report any wrongdoings in the workplace that are potentially unlawful, dangerous to the public or harmful to the public interest. The Act protects employees against reprisal for disclosures and provides a fair and objective process for those accused of wrongdoing. There were no disclosures or claims made against a WorkSafeNB employee under the *Public Interest Disclosure Act* in 2016.

### Website Visits

WorkSafeNB websites received 263,838 visits in 2016 at:

- worksafenb.ca: 256,983
- youthsafenb.ca: 6,855

## SUSTAINABILITY GOAL

**TARGET:** At a minimum, we will maintain a 110% funded liability.

We will ensure system sustainability while maintaining competitive assessment rates for employers and full funding, which guarantees security of payment for injured workers.

▶ **Funded liability and investment portfolio:** Investments held to meet future benefit obligations for past injuries were \$1.3 billion at the end of 2016, representing a 112.1% funded liability.

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

- Ensuring a disciplined approach to investment management, financial management, and fiscal and economic planning
- Protecting the integrity of the system
- Maintaining the current funding strategy to achieve the 110% funding goal
- Ensuring effective and efficient administration of the system

### Funding history

YEAR	2012	2013	2014	2015	2016
Percentage funded	126.7%	138.2%	137.3%	123.2%	<b>112.1%</b>

### Performance Objective 1

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

Four years ended	2012	2013	2014	2015	2016
WorkSafeNB	10.4%	9.9%	9.3%	9.8%	<b>9.3%</b>
Real Return Objective <sup>1</sup>	5.7%	5.7%	5.5%	5.3%	<b>5.4%</b>

<sup>1</sup>As of December 31, 2015, the Real Return Objective was changed to CPI + 3.75%. Prior to this, the objective was CPI + 4.0%.

### Performance Objective 2

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

Four years ended	2012	2013	2014	2015	2016
WorkSafeNB	10.4%	9.9%	9.3%	9.8%	<b>9.3%</b>
Benchmark +0.65%	10.6%	9.4%	9.4%	10.5%	<b>9.6%</b>

### Benefits to Clients

Payments to injured workers or third parties on their behalf totalled \$189.0 million, a 14.1% increase from 2015 payments of \$165.7 million.

### Investigation Initiatives

WorkSafeNB's investigation's unit conducted 323 investigations, of which 160 were comprehensive. These investigations not only serve to protect our system, but to gather information for the Adjudication and Benefit Services Department to help make case decisions. The number of referrals increases annually.

Michael MacFarlane  
Treasurer  
Saint John

**Third-party Actions**

Third-party actions saw \$2,218,019 million in claim cost recoveries in 2016. Injured workers received \$135,000, representing the amount received by third-party settlements, or judgments in excess of claim costs booked by WorkSafeNB.

**Assessment Rate**

The provisional average assessment rate of \$1.11 was maintained for 2016. 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	2015 actual	2016 provisional	2017 provisional
AB	\$0.97	\$1.01	\$1.02
BC	\$1.70	\$1.70	\$1.65
MB	\$1.30	\$1.25	\$1.10
SK	\$1.46	\$1.34	\$1.24
NT/NU	\$2.00	\$2.00	\$2.00
NB	\$1.11	\$1.11	\$1.48
PE	\$1.79	\$1.77	\$1.70
QC	\$1.94	\$1.84	\$1.77
ON	\$2.46	\$2.46	\$2.43
NS	\$2.65	\$2.65	\$2.65
NF	\$2.45	\$2.20	\$2.06
YT	\$1.90	\$1.88	\$1.87

**Other Balance-Related Efforts**

**Funded Position**

WorkSafeNB's funding policy plays a key role in achieving the sustainability goal by ensuring sufficient funds are available to pay benefits, however, it incorporates some unavoidable volatility. WorkSafeNB's funding target is 110%. Any funds in excess of the target are amortized over eight years via a subsidy applied to the average assessment rate. Shortfalls between 100% and 110% are also amortized over eight years via a surcharge added to the average assessment rate. Shortfalls below 100% are amortized over four years in accordance with legislation. WorkSafeNB's funded position is affected by various factors, including volatile 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 funding policy is designed to keep the funded position in a reasonable range around the 110% target. Over the next 10 years, the board expects the funded position may vary between 85% and 150%, driven by investment volatility alone. The funded position will also be affected if claims or administration costs are higher or lower than projected. The subsidies and surcharges applied to the assessment rate help keep the funded position in a reasonable range around the 110% target, which helps

the stability goal by ensuring there are sufficient assets to pay benefits and also helps with intergenerational equity. In addition, smoothing surpluses and deficits over eight years helps to provide more stable assessment rates. Despite these measures, the funded position and assessment rates will continue to experience some volatility, driven by the volatility from investing in financial markets. By investing in equities and other volatile assets, WorkSafeNB achieves higher long-term investment returns, which allows lower assessment rates (assuming stable benefit levels). The price to pay for these higher long-term returns is short-term volatility. WorkSafeNB is not alone in making this trade-off, as all other jurisdictions in Canada also invest in equities, to varying degrees. Immunizing the liabilities using fixed income is prohibitively expensive and potentially risky, given that most of the liabilities are indexed to inflation and a significant and rising component is exposed to health care inflation, which is rising much faster than the consumer price index.

**Balancing Decisions**

Our board follows a disciplined legislative and policy decision-making process to balance benefits and assessment rates. When it comes to benefit improvements, 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.

In 2016, ten policies were changed to reflect Workers' Compensation Appeals Tribunal (WCAT) decisions that found parts of those policies to be inconsistent with legislation. These included:

- 21-010 Definition of Worker
- 21-040 Interest on Claim-related Benefits and Employer Account
- 21-112 Occupational Hearing Loss
- 21-206 Funding Annuity Benefits
- 21-211 Three-day Waiting Period
- 21-215 Supplements to Compensation
- 21-230 Deduction of CPP Disability Benefit
- 21-290 Recovery of Claim-related Overpayments
- 21-300 Allocation of Claim Costs
- 25-003 Home Care and Independence

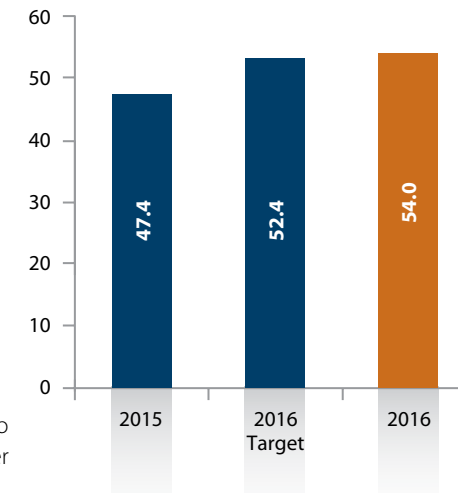
**STAFF ENGAGEMENT GOAL**

We will have high performance teams that are competent, engaged and empowered to achieve WorkSafeNB's strategic goals.

**TARGET:** Our employee engagement will be five percentage points higher than the previous year's score.

The 2016 survey measured an engagement score of 54%, which exceeded our target of 52.4%.

**% Staff Engagement**



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

- Transforming the Human Resources department role and business processes into one of strategic partner
- Fostering a culture of respect, health, safety, and wellness among employees
- Delivering innovative and proven talent management initiatives, including succession planning and a robust performance development system
- Using evidence-informed practice and technology to advance the human resource functions to support the work of the organization

**Improving Engagement**

Our executive leadership team continues to explore new ways to engage our employees. We know engaged employees are emotionally committed to our organization, help us meet our business goals, and make our workplace the best it can be. We took several initiatives in 2016 to improve engagement:

- We added the values of respect, innovation, safety, excellence and teamwork to align with our corporate values and our desired culture.
- We delivered respectful workplace training for all employees.
- We launched a confidential anonymous reporting line for employees (CARE) to report unethical conduct.
- We expanded our alternate work arrangements program to offer compressed work week and purchased time.

Yvon Collette  
HR business partner  
Saint John

- We participated in a safety leadership pilot program.
- We restructured the Human Resources department to include a service centre and human resources business partners, who will provide improved HR service to employees and leaders.
- We launched a new HR management system to streamline HR processes and allow the department to become more strategic.

In response to our new 2015 employee engagement survey, we sought feedback on the results, and spent 2016 developing an action plan to support improvement in three key engagement areas: innovation, career advancement and being inspired by executive leadership team decisions. Initiatives in these key areas will be launched in 2017.

### Health, Wellness and Safety

WorkSafeNB accepted seven employee claims. Two of these were lost-time claims. This represents 1.47 accepted claims per 100 full-time equivalent (FTE) workers, which is lower than the five-year average of 2.18.

Our joint health and safety committees (JHSCs) at each of our five locations are very active. In 2016, we hosted our first annual JHSC meeting for all members across the province.

Wellness committees are also active in the five locations, organizing activities to promote healthy living. Some of the wellness events in 2016 included: group exercise lunch-hour sessions; healthy snacks; a nutrition education session; skating at local rinks; outdoor and indoor yoga classes; a soup day; a fall harvest party; sip and paint sessions; and, a Christmas fundraising drive.

### Corporate Social Responsibility

WorkSafeNB's employees support communities through various charitable and volunteer efforts. In 2016, staff participated in several activities from the Steps for Life walk in Saint John to the Empty Stocking Fund, Salvation Army, Outflow Ministries and Harbour Lights.

In 2016, Threads of Life presented WorkSafeNB with its award for Program Advancement in Partnership. The award recognizes our efforts in promoting Threads of Life programs and services in the province, ensuring access to support for families and individuals coping with a workplace tragedy. We provided funding for family forums, sponsored the Threads of Life's annual Steps for Life fundraising event, and provided the organization with a booth at our annual health and safety conference. Shelly Dauphinee, vice-president of WorkSafe Services, also serves on the Threads of Life board of directors. "Without our partners like WorkSafeNB, Threads of Life couldn't do its work," said Threads of Life executive director Shirley Hickman. "We rely on WorkSafeNB to help build a network of hope and healing for people affected by workplace tragedy, in New Brunswick and across Canada."



Eight employees from the Northwest office participated in the Mud Run for Heart at Mount Farlagne on July 9.



The WRC's physiotherapists organized a bubble soccer match to celebrate Physiotherapy Month and raised nearly \$750 for Saint John P.R.O. Kids.

### Just a few of the charitable and volunteer efforts of WorkSafeNB staff in 2016:

- Dieppe office raised nearly \$600 for a young couple registered with the Food Depot Alimentaire
- Saint John area offices raised \$2,751.50 for the Empty Stocking Fund, the Salvation Army, Outflow Ministries and Harbour Lights
- 43 employees participated in the Santa Shuffle in Saint John to raise more than \$1,452 for the Salvation Army
- WRC staff raised \$2,000 through a year-long Chase the Ace fundraiser to support several charities at Christmas
- Six employees participated in The Color Run™ in Saint John, raising money for the Saint John SPCA Animal Rescue
- Employees raised \$985 for the Heart and Stroke Foundation in the two Mud Run for Heart events in Edmundston and Sussex
- Physiotherapists organized a bubble soccer match at the WRC, raising \$748.10 plus some donated equipment for P.R.O. Kids
- 78 WorkSafeNB employees participated in the Saint John Steps for Life, which raised more than \$9,000 for Threads of Life programs
- The Bare Necessities campaign
- 34 employees donated a total of \$6,143 to the United Way through payroll deductions

## STEWARDSHIP GOAL

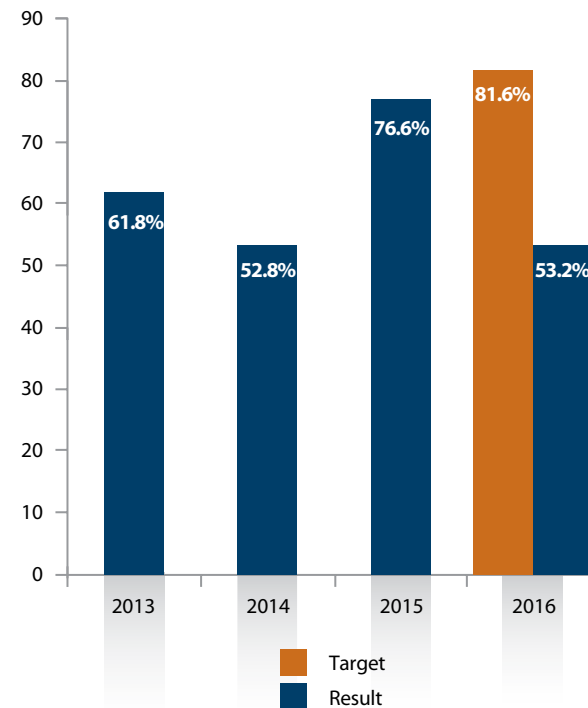
**TARGET:** The board of directors' index score will be 5% higher than the previous years' average. (Target for 2016: 81.6%)

▶ In 2016, the board of directors achieved 53.2%.

### Strategies to Achieve the Goal

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

### Stewardship Index



The Stewardship Index reports the board's results for decision making, engagement (including meeting attendance) and board self-evaluation. In 2016, the board made decisions on its top three priorities, approved 38 policy and legislative priorities, and re-evaluated its recommendations to government on Phase II of the legislative review. The board also began discussions with employers and labour related to legislation. With an emphasis on emerging policy and legislative issues and enhanced stakeholder engagement, the board was unable to complete its self-evaluation, which negatively impacted the index results.

### New Values Drive Service Culture

Determining WorkSafeNB's strategic direction and overseeing enterprise risks are among the board's primary responsibilities. The 2016-2021 Strategic Plan and

Risk Assessment, available at worksafenb.ca, summarizes the board's annual planning decisions, with an emphasis on discipline, transparency, accountability and continuous improvement.

In 2016, the board changed key aspects of its strategic direction to send a clear signal to all stakeholders that clients are our priority. This included a values statement to drive WorkSafeNB's culture, as well as goals focusing on a more client-centric service model.

The board added a core value – the client is the priority – and supported it with eight behaviour-based values to form the foundation of our service culture: respect, caring service, safety, teamwork, accountability, excellence, integrity and innovation. You can read about them on page 2.

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



Dorine Pirie  
Chairperson  
Board of directors

To support these values, the board also changed its service goal and refocused our support goal to communicate how we support clients throughout a claim.

The support goal will better emphasize the comprehensive support system we provide clients following a workplace injury. This support system includes financial benefits, medical aid, and return-to-work assistance and support for both workers and employers.

**Legislative Review Continued in 2016**

In 2016, WorkSafeNB and the Department of Post-secondary Education, Training and Labour continued a comprehensive review of workers' compensation legislation. Phase II of the review focused on:

- WorkSafeNB's governance structure
- Workers' and Employers' Advocates Services
- Section 38 (benefits) of the *Workers' Compensation Act*

In December, the province's legislative assembly passed Bill 15 (*An Act to Amend the Workplace Health, Safety and Compensation Commission and Worker's Compensation Appeals Tribunal Act*), which dealt with some of the governance issues that came out of the review, clarified issues on annuities that were subject of WCAT decisions, and addressed investment agreements.

**WorkSafeNB's Board of Directors Seeks Stakeholder Feedback**

As stewards of the provincial occupational health, safety and compensation system, WorkSafeNB's board of directors regularly seeks worker and employer views on issues that may significantly impact New Brunswick workers and workplaces. In 2016, it sought stakeholder feedback in several ways:

- At WorkSafeNB's 2016 health and safety conference, the board once again asked delegates for input on its annual strategic planning and risk assessment process.
- It continued to seek stakeholder feedback on policies scheduled for review through a dedicated consultation portal on WorkSafeNB's website ([worksafenb.ca/stakeholder-engagement](http://worksafenb.ca/stakeholder-engagement)).
- The board engages with technical committees made up of stakeholders to provide expertise and advice on policy, regulatory and legislative changes. In 2016, the construction technical committee continued its review of sections of General Regulation 91-191, with a focus on the electrical safety provisions.
- In 2016, the board consulted with the road building and heavy construction industry on the causes of fatal accidents in their industry, as well as approved the formation of the Advisory Standing Committee on Construction-Related Issues.
- In addition, the executive leadership team consulted with employer and employee groups on the 2017 assessment rate.

The acting president and chair also met with various worker and employer groups across the province to discuss how rates are set.

**Injured Workers' Advisory Committee**

The Injured Workers' Advisory Committee (IWAC) is a WorkSafeNB-sponsored committee providing a forum for discussing issues relevant to New Brunswick's injured workers. The committee provides suggestions with an aim to improve the quality and type of services and programs offered by WorkSafeNB. Here's how IWAC contributed in 2016:

- It helped WorkSafeNB map the service experience as part of the organization's service excellence initiative (read about it on page 12).
- It provided valuable feedback on the development of the MyServices workers' portal.
- It engaged in important discussions around medical marijuana and Bill 39 – *An Act to Amend the Workers' Compensation Act*, which included post-traumatic stress disorder as a compensable injury.
- It restated its position, submitted in 2015 as part of Phase II of the legislative review of workers' compensation, that workers should be represented on WorkSafeNB's board of directors by an injured worker or family member.

**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 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

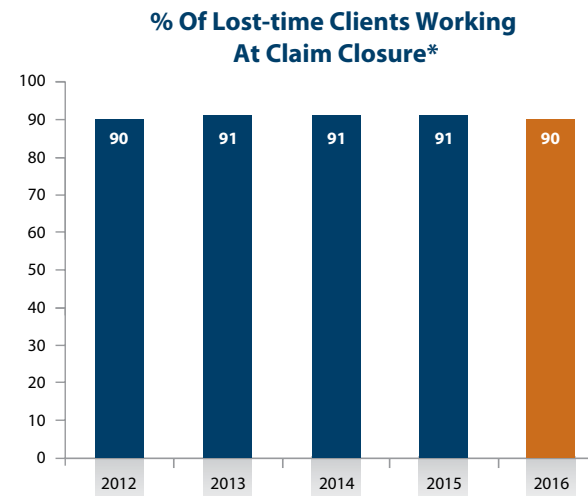
**SUPPORT GOAL**

We will support our clients in recovering from the impacts of workplace injuries.

Support is a new goal adopted by the board in 2016. This new goal focuses on the comprehensive support system WorkSafeNB provides to its clients, whether they are workers or employers, following a workplace injury. This support system includes financial benefits, medical aid and return-to-work help and support. These support elements together provide the right environment and range of benefits to create the best opportunity for injury recovery and return to work, when possible. Targets for reporting will be developed in 2017.

In the interim, we are tracking information on:

- Percentages of lost-time clients who were working at claim closure and who remained at work
- Percentage of lost-time clients returning to their pre-accident job
- Claim duration



\*Previous years have been restated to reflect current information.

The percentage of lost-time clients working at claim closure has remained steady over the last five years. In 2016, 90% (3,538 clients) had returned to work when their claim was closed. Of those, 98.4% remained working three months later.



Judy Duplisa  
Adjudicator  
Grand Bay-Westfield

The percentage of lost-time clients returning to their pre-accident job also remained steady over the last five years. In 2016, 84% went back to the job they held before their accident.

Our average time on benefits for 2016 was 57.4 days. Although the volume of 2016 closed claims and their duration was similar to 2015, the volume of case-managed claims and the duration of those claims still open at year end increased in 2016.

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

- Advancing and implementing leading practices in medical rehabilitation
- Advancing and implementing leading practices for case management to benefit workers and employers
- Offering competitive benefits throughout a claim
- Advancing and implementing leading practices to facilitate staying at work during recovery and safe return-to-work

### WorkSafeNB Hires New Chief Medical Officer

Among the steady stream of patients Dr. Paul Atkinson treats at the Saint John Regional Hospital's emergency room are injured workers.

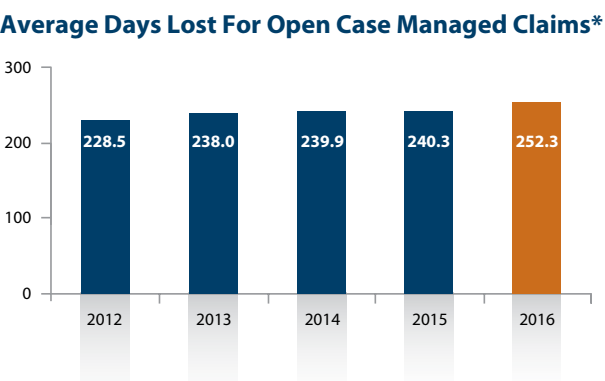
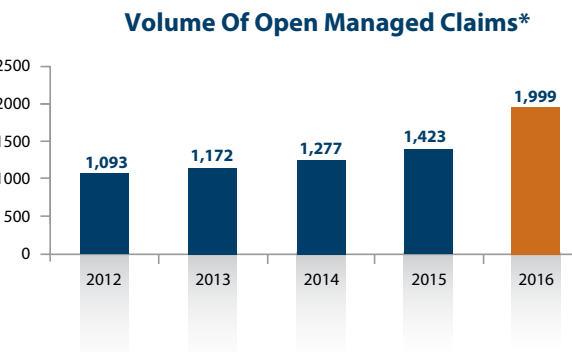
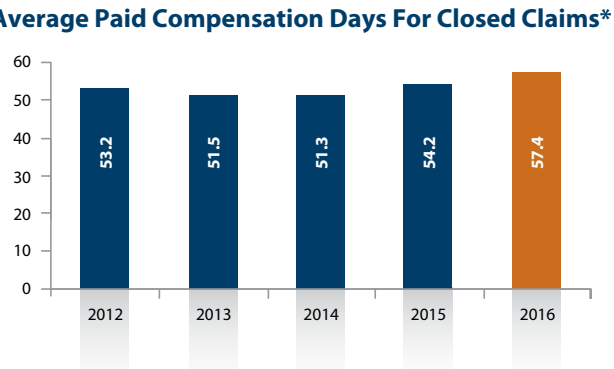
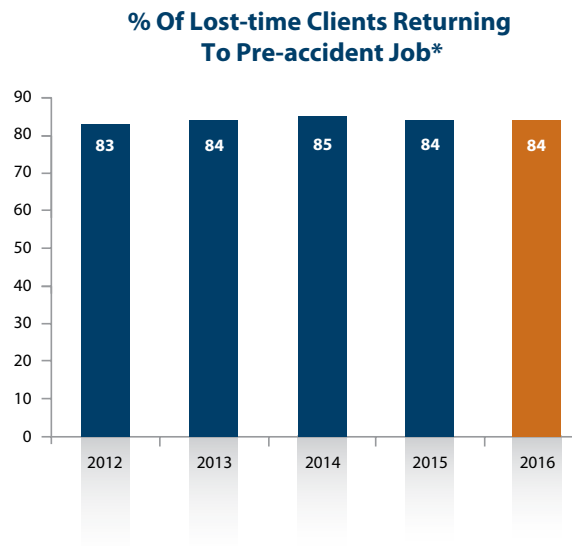
Some come in for acute-type injuries and traumas, others for less severe injuries like strains and sprains.

"The emergency department is often the first place they come to," said WorkSafeNB's new chief medical officer.

With more than 20 years of clinical experience, most of it in emergency medicine, he recently served as research director at the Saint John Regional Hospital's Department of Emergency Medicine.

Over the past decade, he has also held a number of academic appointments, including professorships at Dalhousie University and Memorial University, as well as chairing both Dalhousie University's and the Canadian Association of Emergency Physicians' Emergency Medicine Research Committee.

In his new role with WorkSafeNB, he will oversee clinical standards, treatment protocols and practice guidelines for the rehabilitation of injured workers. In 2016, he began a review of WorkSafeNB's medical aid policy on opioids as well as the development of a medical marijuana policy.



\*Previous years have been restated to reflect current information.



Dr. Paul Atkinson, chief medical officer

Dr. Atkinson believes his ER experience can add to our understanding of treating the whole person after a workplace injury. In addition to the injury itself, a worker may endure psychological shock from the accident. They may fear going back to work and getting hurt again.

"Two to three weeks after the injury, the fear around the event isn't as apparent, but it's still there, whereas when you see people right after that injury you get to see that fear and shock."

One of Dr. Atkinson's first tasks was reviewing WorkSafeNB's policy on opioids, a class of powerful and highly addictive pain relievers available by prescription, such as oxycodone, hydrocodone, codeine, morphine, fentanyl and many others. Evidence indicates some patients can become dependent after three to four days of opioid use.

In 2016, the College of Physicians and Surgeons of New Brunswick developed new guidelines for prescribing opioids, which lowered the recommended maximum dosage and called on doctors to prescribe less opioids for pain, especially chronic pain. In keeping with these guidelines, WorkSafeNB is looking at reducing the approved dosages, and requiring an earlier and more frequent review of injured workers prescribed the painkillers by their family physicians and specialists.

"Despite seeing a decrease in the opioid use among our injured workers over the last four years, a significant number are opioids falling outside these new guidelines. Based on these factors, we thought it was appropriate to review our policy to align our guidelines with best practices."

Dr. Atkinson also began drafting a medical marijuana policy, given a gradual increase in the number of

submitted claims for the drug in the last two years and the public discussion on its legalization. The policy would provide robust evidence-based, case-by-case guidelines for approving such claims as well as strict monitoring procedures, and make WorkSafeNB the first of its Canadian counterparts to have a stand-alone marijuana policy.

As WorkSafeNB's chief medical officer, Dr. Atkinson plans to strengthen research relationships with universities and other agencies as well as relationships with New Brunswick's family physicians; work with the executive leadership to guide WorkSafeNB's strategic decisions; support policy-making decisions; and, ensure best medical service becomes part of our service excellence initiative.

"One of my main goals in 2017 is to improve communication with our health-care providers."

### Improving Benefits and Services

Workers' compensation covers injured workers' lost wages, medical treatment, rehabilitation and other benefits. In 2016, we improved several benefits and services to workers and their families, as well as employers.

- Workers are now reimbursed full mileage for claim-related travel, including to medical appointments and training. The board removed a travel exclusion zone from the policy (Policy 21-220) that prevented workers from claiming mileage under 22 kilometres. Nearly 32% more clients received a travel benefit, and an added \$1.4 million for travel expenses was reimbursed to clients in 2016, compared to 2015.
- For severely injured workers, WorkSafeNB may provide a home modification benefit to help them carry out daily living activities (Policy 21-403). In the past, only modifications of primary living areas inside the worker's home were provided and any structural modifications were excluded. The policy now provides necessary modifications to any area of the home and introduced a new financial cap.
- WorkSafeNB provides a monthly allowance to qualified workers for informal personal care to help with daily living activities (Policy 25-003). To qualify in the past, an occupational therapist had to determine the worker needed a minimum of 30 minutes of care. The WCAT decided that they can qualify if they need even one minute of care.
- Employers with fewer than three workers can request workers' compensation coverage if they have two or more work contracts (Policy 23-100). In the past, they also needed to have one of their workers make a minimum of \$3,000 in assessable earnings. The change makes it easier for independent contractors to qualify for coverage.
- When a workplace experiences an incident that results in a fatality or serious injury to an employee, the employer may provide counselling support to co-workers. However, family members may not have access to this type of support. In 2016, WorkSafeNB started a pilot project to connect family members



with confidential, third-party counselling services at no cost to the family to help them during what can be a very difficult time.

**Among the World's Best**

For the fourth time in a row, WorkSafeNB's Rehabilitation Centre (WRC) received a three-year accreditation from CARF International – its highest level of accreditation.

And Eileen Keating, manager of its Work Recovery Program, credits the success to her incredibly motivated and caring employees who work with injured workers with complex health needs.

"We are challenged to be far more creative in the way we deliver service because we are presenting it to this exceptionally complex group, and I think we do a really good job," she said.

CARF (Commission on Accreditation of Rehabilitation Facilities) International is widely acknowledged as the global gold standard in accreditation of rehabilitation facilities. It accredits more than 50,000 programs and services at 23,000 locations around the world.

In July, three CARF surveyors visited the WRC, located near Grand Bay-Westfield, for two days and came away impressed with the centre's staff, programs and approach to helping injured workers in their journey back to work.

Case managers refer about 18.1% of all lost-time claims to the WRC when injured workers do not recover with local treatments and need a multidisciplinary team approach to deal with their complex issues. In 2016, a client exit survey indicated 86.7% of them were mostly or completely satisfied with the services they received at the WRC.

"The achievement is an indication of your organization's dedication and commitment to improving the quality of the lives of the persons served," stated Brian Boon,



president and CEO of CARF Canada, regarding the accreditation. "Services, personnel and documentation clearly indicate an established pattern of conformance to standards."

With CARF accreditation, WRC clients can be confident in the service they receive because it means the rehabilitation centre has proven its commitment to be among the best.

For Keating, the value of accreditation goes beyond a service distinction. Because it requires an onsite survey by a team of expert practitioners, it also serves as both motivation and affirmation for her and her staff to strive for excellence.

"It's always good to have a fresh set of eyes look at your programs," she said. "It's good for us to undergo peer review, and for the staff to hear affirmation that we are on the right path to improve and enhance our service delivery."

**Supporting Stakeholders Affected by PTSD**

Post-traumatic stress disorder (PTSD) is an emotional and psychological response to directly experiencing a traumatic event (or a series of traumatic events). Resulting symptoms can be debilitating and require treatment to resolve the symptoms. WorkSafeNB supports workers diagnosed with PTSD arising from their work in a number of ways.

We have a continuum of care model designed to help workers diagnosed with traumatic psychological injuries get timely and effective treatment toward their recovery and return to work. These workers receive individual psychological treatment, and occupational therapy, from an approved network of qualified psychologists and occupational therapists. WorkSafeNB communicates with the worker, care providers and employers throughout the treatment, and regularly reviews guidelines to ensure effective and ongoing communication.

In 2016, a change in provincial legislation made it easier for first-responders – like police officers, paramedics and firefighters – diagnosed with PTSD to receive workers' compensation benefits and treatment. The *Workers' Compensation Act* was amended on June 28, 2016, removing the requirement that first-responders prove their PTSD was work-related. Now, it is presumed that their condition, diagnosed by a psychologist or psychiatrist, is a result of events they experienced in their jobs, unless the contrary is proven.

WorkSafeNB is also an active member of the Association of Workers Compensation Board Committee (AWCBC), which provides a forum to share information on best practices and research. PTSD has been a topic of interest and importance for all Canadian boards, and will be among the topics of a stream of workshops on workplace mental health at WorkSafeNB's 2017 health and safety conference, being held Oct. 4-6 in Saint John.

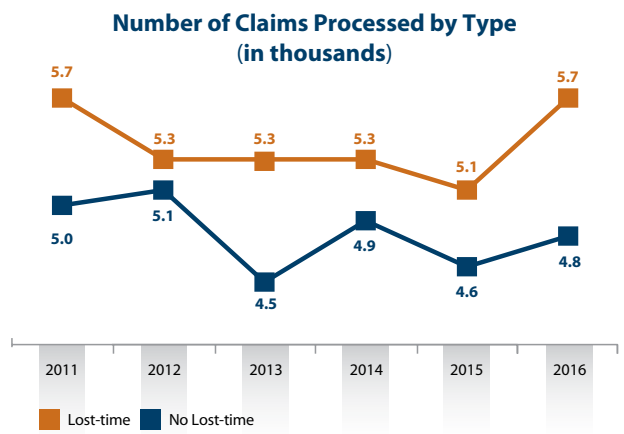
**Direct Referral to Physiotherapy**

Launched in 2012, the direct referral to physiotherapy program was expanded in 2016 to employees of the provincial government, WorkSafeNB and Ambulance New Brunswick. The program enables employers to directly refer employees with a work-related soft-tissue injury to selected physiotherapists immediately following an injury. Early access to physiotherapy can help workers who have sprains or strains recover more quickly. The aim is to help injured workers stay at work or have a timely return to work by providing early treatment and guidance on safe abilities. At the end of 2016, 122 employers were registered for direct referral with 25 physiotherapists approved to deliver the program.

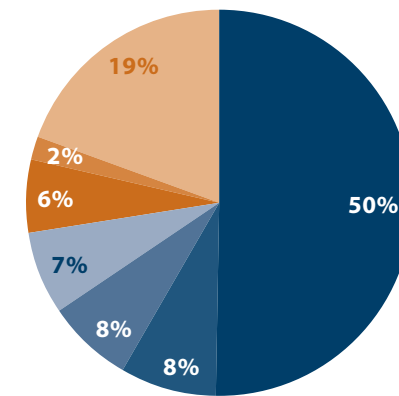
**Clients with Full LTD**

WorkSafeNB provides long-term disability, wage loss and survivor benefits to clients injured at their workplace or their dependants. At the end of the year, 751 clients

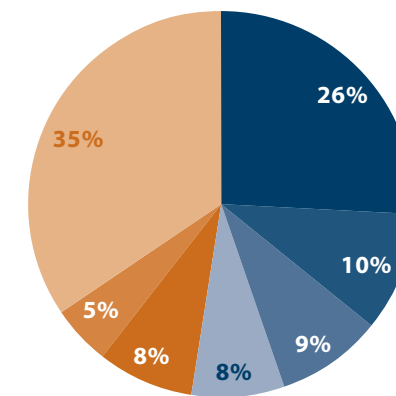
injured before 1982 continued to receive disability benefits, 2,410 clients injured after 1982 continued to receive loss of earning benefits, and 402 surviving spouses or dependants continued to receive survivor benefits.



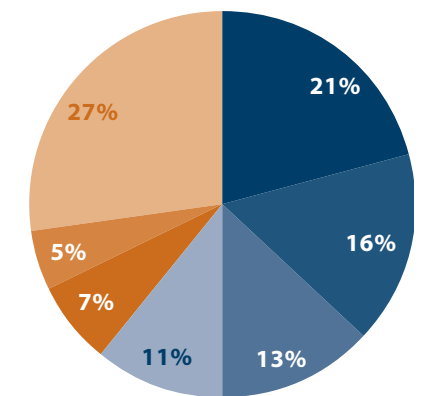
**Percentage Of Lost Time Claims By Nature Of Injury 2016\***



**Percentage Of Lost Time Claims By Part Of Body 2016\***



**Percentage Of Lost Time Claims By Event or Exposure 2016\***



- Sprains, strains, tears, unspecified
- Fractures
- Bruises, contusions
- Soft tissue injury (Traumatic)
- Cuts, lacerations
- Sprains, strains and tears (Repetitive)
- Other
- Back, including spine, spinal cord
- Legs
- Shoulder, including clavicle, scapula and trapezius muscle if shoulder is mentioned
- Multiple body parts
- Finger(s), fingernail(s)
- Ankle(s)
- Other
- Overexertion
- Bodily reaction
- Fall on same level
- Struck by object
- Bodily reaction and exertion, n.e.c.
- Struck against object
- Other

\* Totals may not equal 100% because of rounding

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

	2012	2013	2014	2015	2016
Short-term Disability and Rehabilitation	\$35.7	\$36.1	\$39.2	\$41.1	<b>\$54.0</b>
Health care	\$48.0	\$50.0	\$54.8	\$61.9	<b>\$66.3</b>

**Benefit Payments (in millions)\***

	2012	2013	2014	2015	2016
Current Year Injuries	\$27.3	\$26.4	\$28.7	\$28.3	<b>\$34.4</b>
Prior Years' Injuries	\$112.1	\$117.2	\$127.4	\$137.4	<b>\$154.7</b>

\*Previous years have been restated to reflect current information.



# MANAGEMENT DISCUSSION AND ANALYSIS OF 2016 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS

The Management Discussion and Analysis (MD&A) provides management's perspective on key issues that affect the current and future performance of WorkSafeNB. The MD&A, prepared as at May 17, 2017, should be read in conjunction with the audited consolidated financial statements and supporting notes for the year ended December 31, 2016.

## Forward-Looking Statements

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

The 2016 Annual Report, 2016-2021 Strategic Plan and Risk Assessment, and 2017 Assessment Rates Report are available at [worksafenb.ca](http://worksafenb.ca).

Overview of financial results Financial highlights (\$000s)	2016	2015
Portfolio investments	<b>1,225,384</b>	1,303,416
Benefits liabilities	<b>1,400,829</b>	1,213,104
WorkSafeNB fund balance	<b>171,804</b>	286,605
WorkSafeNB funded ratio	<b>112.1%</b>	123.2%
Provisional Average Assessment rate	<b>\$1.11</b>	\$1.11
Premium income	<b>212,677</b>	159,695
Investment income	<b>105,152</b>	55,362
Claims costs incurred	<b>376,767</b>	291,721
Administration costs	<b>48,747</b>	43,730
Excess of (expenses) over income attributable to WorkSafeNB	<b>(114,801)</b>	(126,341)
Market rate of return on portfolio	<b>9.16 %</b>	4.30%

WorkSafeNB recorded a deficit of \$114.8 million in 2016. This compares with a deficit of \$126.3 million in 2015. The deficit is primarily the result of higher than expected claims costs. Costs reflect the latest trends, valuation assumption changes and changes to benefit entitlements resulting from policy changes in response to WCAT decisions. Cost increases in 2016 were largely the result of the WCAT's standard of evidence to accept claims and subsequently determine continued benefits, especially as it relates to soft tissue injuries. Changes in the valuation for hearing loss claims to reflect increasing volumes and costs also contributed to the increase. Actual investment returns were 9.16% versus budgeted returns of 6.08%. Budgeted assessment revenue was \$37.8 million below expected costs associated with 2016 accidents. When in a surplus position greater than 110%, policy directs WorkSafeNB to fund a portion of new accident costs from the surplus rather than through assessment revenue, resulting in a budgeted deficit. This resulted in a funded position of \$171.8 million, or 112.1%.

## 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 and real estate assets in trust for WorkSafeNB, the Workers Compensation Board of Prince Edward Island (WCB of PEI) and the *Firefighters' Compensation Act (FC Act)* Disability Fund, pursuant to agreements for the combined administration of their respective investments. Although WorkSafeNB does not have legal rights to the proportionate shares that the WCB of PEI and the *FC Act* Disability Fund hold in WSNBIL, International Financial Reporting Standard 10 (IFRS 10) requires WorkSafeNB to present consolidated financial statements as they have control over WSNBIL as defined in IFRS 10. As a result, WSNBIL has been fully consolidated in these financial statements.

The proportionate ownership of the net assets of WSNBIL as at December 31, 2016 was: WorkSafeNB – 82.48%, WCB of PEI – 16.56%, *FC Act* Disability Fund – 0.96%. 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 2016, the board completed an asset liability study that 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 slightly amended the target policy asset mix to: 15% Canadian bonds, 2% Canadian real return bonds, 15% Canadian equities, 14% U.S. equities, 14% international (EAFE) equities, 4% emerging markets equities, 15% real estate, 8% infrastructure, 10% in a global opportunistic strategy and 3% cash.

This asset mix the board selected is designed to reduce the volatility in WorkSafeNB's annually reported operating income, funded ratio and assessment rates. WorkSafeNB plans to conduct another asset liability study in 2021.

The table below shows the fair value of WorkSafeNB investments by investment type as of December 31.

Investments (\$000s)	2016	2015
Forward foreign exchange contracts	3,714	(12,577)
Fixed income	209,627	243,440
Equities	620,657	649,901
Real return bonds	55,295	64,987
Real estate	187,192	199,253
Infrastructure	88,211	87,409
Global Opportunistic <sup>1</sup>	60,688	71,003
Total investments	1,225,384	1,303,416

<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, 2016, the fund had the following allocations: U.S. equities 4.4% (2015 - 13.5%); non-North American equities 34.4% (2015 - 29.8%); fixed income 20.4% (2015 - 27.2%); absolute return strategies 20.5% (2015 - 19.0%); cash 20.3% (2015 - 10.6%).

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 and 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 benefits and related administration costs. As at December 31, 2016, claim benefit liabilities were broken down as follows:

Benefits liabilities (\$000s)	2016	2015
Short-term disability and rehabilitation	136,171	91,696
Long-term disability	671,981	605,588
Survivor benefits	85,144	94,018
Health care	507,533	421,802
Total benefits liability	1,400,829	1,213,104

In 2016, the benefits liability increased by \$187.7 million, or about 15.5%. Actual costs were higher than expected, resulting in an increase in prior years' claim costs of \$55.3 million. Changes to hearing loss valuation assumptions and policy changes resulting from WCAT decisions combined to increase liabilities by \$85.7 million. In addition, the provision for the future costs of new accidents increased by \$57.1 million. These increases were partially offset by a change in legislation through Bill 15, which received royal assent on December 16, 2016. The effect of the legislative change was a \$27.4 million decrease in the benefit liability.

#### 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, 2016 is 112.1% (2015 - 123.2%). 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 2016, revenues totalled \$314.4 million, a 46.2% increase from 2015 revenues of \$215.1 million.

#### Assessment Income

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

Overall, assessment income increased 33.2% from \$159.7 million in 2015 to \$212.7 million in 2016. Premiums from assessed employers increased 4.0% due to higher assessable payrolls. The provisional average assessment rate for 2016 remained unchanged from \$1.11 in 2015. Revenue from self-insured employers increased 74.5% as a result of increased claim costs. Employer payrolls increased from \$8.67 billion to \$8.84 billion partly because of provincial economic growth and partly because of the annual increase to the maximum insurable earnings. In 2016, the maximum insurable earnings increased from \$61,800 to \$62,700.

Assessment income (\$000s)	2016	2015
Assessed employers	97,273	93,548
Self-insured employers	115,404	66,147
Total assessment income	212,677	159,695
Provisional average assessment rate	\$1.11	\$1.11
Assessable payroll	\$8.84 billion	\$8.67 billion

#### Investment Income

Investment income increased from \$55.4 million in 2015 to \$105.1 million in 2016. Most of this increase is attributable to larger unrealized gains on WorkSafeNB's investments, smaller realized losses on forward foreign exchange contracts and larger unrealized gains on forward foreign exchange contracts for the year ended December 31, 2016.

Investment income is an important revenue stream for WorkSafeNB. It is relied on to supplement assessments to cover total expenses for the year. Built into the valuation of the benefits liabilities and into the assessment rate-setting model is the long-term assumption that WorkSafeNB's investments will generate an annual real rate of return of 3.75%. In 2016, the real rate of return on the portfolio was 7.66%. For the 20-year period ended December 31, 2016, the annualized real rate of return on the portfolio was 4.76%.

Investment income (\$000s)	2016	2015
Interest and dividends	28,164	31,964
Net realized gains on investments	48,032	52,004
Change in net unrealized gains on investments	34,348	(23,613)
Portfolio management expenses	(5,392)	(4,993)
Total investment income	105,152	55,632

#### Expenses

WorkSafeNB's expenses consist of claims costs, administration costs, and legislative obligations. In 2016, expenses increased by 26.3% from \$339.6 million to \$428.9 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 2016, these costs totalled \$376.8 million, a 29.2% increase from the \$291.7 million incurred in 2015. This increase is primarily attributable to a change in the valuation of hearing loss claims to reflect increased volumes and costs and increases in benefit entitlements resulting from policy changes in response to WCAT decisions.

Fundamental to the actuarial valuation are the discount rates used to value the liabilities. The assumed discount rate for 2016 remained unchanged at 6.08%.

Claims costs (\$000s)	2016	2015
Short-term disability and rehabilitation	98,453	52,343
Long-term disability	125,963	122,252
Survivor benefits	335	12,626
Health care	152,016	104,500
Total claims costs	376,767	291,721

#### Operating Costs

In 2016, WorkSafeNB's administration costs increased from \$43.7 million to \$48.7 million, but remained well below budgeted costs of \$51.2 million. The increase in actual costs is primarily the result of investments made for service transformation and advancing safety leadership.

WorkSafeNB is required by legislation to reimburse the provincial government for operating costs of the workers' and employers' advocates, which were \$1.4 million in 2016 (2015 - \$1.5 million) and \$1.3 million in 2016 (2015 - \$1.5 million) for WCAT.

In 2016, WorkSafeNB provided \$700 thousand (2015 - \$690 thousand) of financial assistance to three safety associations as per 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)	2016	2015
Administration costs	48,747	43,730
Legislative obligations	3,402	3,677
Appeals tribunal	-	438
Total operating costs	52,149	47,845



## 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, as well as the claims costs paid directly by self-insured employers.

WorkSafeNB currently faces rising claim volumes as well as claims with longer durations because of a change to WCAT's standard of evidence. In addition, benefit levels are increasing, primarily as a result of WCAT decisions. Some of the forces that can mitigate increases in accident frequency are:

- Good safety practices by both workers and employers.
- Employers' disability management programs.
- WorkSafeNB's focus on high-risk industries.
- A shift in the nature of industry in the province from high accident risk industries to lower risk industries.
- Changes in the way work is done in the higher risk industries.

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

- WorkSafeNB's focus on early intervention and safe return to work.
- Economic factors encouraging 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, survivor and other benefits and allowances 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 1.65%.

### Investment Returns

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

Financial markets were resilient in 2016 amid the political surprises of Brexit and the election of American President Donald Trump. Canadian, U.S., and emerging market equities benefitted from strong returns in the previously beaten-down energy and materials sectors. After reaching a 12-year low in February, oil prices increased substantially over the rest of the year as demand increased and OPEC struck an agreement to limit production. Canadian equities had a particularly strong year, in part due to their large exposure to the energy and materials sectors, and also due to strong performance from financials. Canadian equities, represented by the S&P TSX index, returned 21.08% in 2016. For the same period, U.S. equities (S&P 500 index) returned 8.09% and emerging market equities (MSCI EM index) returned 7.74%, both in Canadian dollar terms.

International (EAFE) equities lagged in 2016, impacted by the Brexit vote, concerns over the euro's future, and ongoing high unemployment and slow growth. The MSCI EAFE index lost 2.49% in 2016 in Canadian dollar terms.

North American bonds finished 2016 with modest positive returns. In Canada, corporate bonds outperformed governments. The Bank of Canada kept its key rate steady at 0.5% throughout the year. Canadian bonds, as represented by the FTSE TMX Universe Bond Index, gained 1.66% for the year. Long bonds, represented by the FTSE TMX Long Overall Bond Index, gained 2.47%, and real return bonds, represented by the FTSE TMX Real Return Bond Index, gained 2.74%. Canadian real estate had a reasonable year overall, with the REALpac/IPD Canada All Property Index returning 5.97%.

WorkSafeNB's total investment portfolio earned a return of 9.16% in 2016. Inflation for the same period has averaged 1.50%, resulting in a real return of 7.66% for the period. This exceeds the expected real return objective by 3.91%. WorkSafeNB's investment return for the 20 years ended December 31, 2016 has averaged 6.57%. Inflation for the same period has averaged 1.81%, resulting in an average real return of 4.76% for the period. This exceeds the expected real return objective by 1.01%.

While the expected average real return is 3.75% over long periods, the actual real rate of return can vary significantly over shorter periods 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, 2016, each one percent of annual investment return over or under the expected return of CPI plus 3.75% translates to an excess or shortfall of approximately \$13.7 million.

## Risks

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

Available online at worksafenb.ca, the 2016-2021 Strategic Plan and Risk Assessment summarizes the results of the annual planning process, with an emphasis on putting the needs of the client first. Based on its analysis in 2016, the board of directors revisited organizational values and created a new core value – the client is the priority. While retaining a strong focus on injury prevention, the board adopted a new support goal and new service goal that will shape WorkSafeNB's interactions with clients, ensuring each client's experience with WorkSafeNB is exceptional.

The board identified three critical priorities:

- Manage risk related to the impact of WCAT decisions on the board's policy-making role.
- Create an exceptional service experience for WorkSafeNB clients.
- Create a comprehensive stakeholder engagement strategy.

The board also identified 18 risks that could prevent WorkSafeNB from achieving its strategic direction. These risks are managed throughout the year, and are documented in the *Strategic Plan and Risk Assessment* available online.

## 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 closely monitor economic and operating trends to proactively develop effective responses to emerging business issues.

WorkSafeNB will continue to look for opportunities to improve outcomes. In 2016, WorkSafeNB advanced its safety leadership initiative, which is a multi-year strategy to foster a safety culture in New Brunswick. Improving the client experience will also be a top priority for WorkSafeNB. In 2016, the board approved a five-year plan to address client-centric service delivery and modernization of systems to support this transformation. This will also include refocusing strategies to attract, develop, and maintain a competent workforce.

The 2017 assessment rate rose to \$1.48 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. In addition, legislation requires WorkSafeNB to collect enough assessment revenue in the current year to pay for all current and future costs for accidents that occur in that year. Although New Brunswick's assessment rate continues to be among the lowest in the country, future trends in accident experience and investment returns will have a material impact on the rate, either positively or negatively.

### Financial Management

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

### Labour Market

Canada's labour market is dramatically changing and, as in other industrialized countries, this means that the labour force is not only aging, but also shrinking. In New Brunswick, a variety of factors – declining birth rates and baby boomers retiring – are aligning to create a perfect storm, 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>

After stalling in 2016, New Brunswick's economy is expected to experience positive growth in 2017, primarily driven by labour market gains, which have positive implications for domestically oriented industries.

After several years of poor performance, New Brunswick's labour market has improved modestly since mid-2016. The labour market is expected to grow by 0.4% in 2017, primarily driven by increased employment in the service and other consumer-related industries.

<sup>1</sup> Provincial Outlook, RBC Economics, March 2017

Continued growth in the forestry sector is expected as U.S. residential investment continues to grow. Growth in this sector, however, could be impacted by trade actions resulting from the expiry of the Softwood Lumber Agreement between Canada and the United States.

Capital spending is expected to drop by 1.5%, due to a 36% reduction in manufacturing capital spending intentions. This decrease is expected to be offset in part by increased capital investment by utilities and public administrations.

Overall, New Brunswick's economy is expected to grow by 0.6% in 2017.

#### 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 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. 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

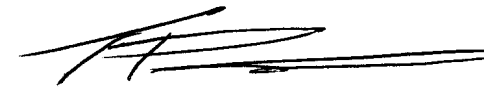
WorkSafeNB's consolidated financial statements were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting and applying appropriate accounting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



**Tim Petersen, CPA, CA**

ACTING PRESIDENT AND CHIEF EXECUTIVE OFFICER  
WorkSafeNB



**Carolyn MacDonald, MPA**

ACTING VICE-PRESIDENT, CORPORATE SERVICES  
WorkSafeNB

## ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of WorkSafeNB as at December 31, 2016 (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. 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. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate for the purpose of the valuation.
3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for workers' compensation organizations in Canada.
4. The estimate of the actuarial liabilities as at the valuation date is \$1,169,405,000 for assessed employers and \$231,424,000 for self-insured employers for a total of \$1,400,829,000. 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. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations, and the financial statements fairly present the results of the valuation.
7. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
8. The valuation is based on the provisions of the *Workers' Compensation Act* of New Brunswick and on WorkSafeNB's policies and practices in effect on the valuation date. Only benefits covered by the *Workers' Compensation Act* are included in this valuation.



**Conrad Ferguson, F.C.I.A.**  
MORNEAU SHEPELL  
May 2017

## 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, 2016, 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, 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Saint John, Canada  
May 17, 2017



**Grant Thornton LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS

## CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET  
As at December 31

	2016 (000s)	2015 (000s)
<b>ASSETS</b>		
Cash and cash equivalents (Note 5)	\$ 144,690	\$ 49,491
Receivables and other (Note 6)	11,319	11,044
Recoverable benefits liabilities (Note 2)	221,773	160,085
Investments (Notes 7 and 8)	1,225,384	1,303,416
Capital assets (Note 9)	10,376	9,517
	<b>\$ 1,613,542</b>	<b>\$ 1,533,553</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Payables and accruals (Note 10)	\$ 21,508	\$ 20,464
Benefits liabilities (Notes 3, 4 and 11)	1,400,829	1,213,104
Total liabilities	1,422,337	1,233,568
WorkSafeNB fund balance	171,804	286,605
Non-controlling interests (Note 2)	19,401	13,380
	<b>191,205</b>	<b>299,985</b>
	<b>\$ 1,613,542</b>	<b>\$ 1,533,553</b>

On behalf of the board of directors:



Hector Losier  
Financial Services Evaluation Committee, Board of Directors



Lucien Sonier  
Financial Services Evaluation Committee, Board of Directors



Dorine Pirie  
Chairperson, Board of Directors

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

## CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OPERATIONS  
For the year ended December 31

	2016 (000s)		2015 (000s)
	Budget*	Actual	Actual
<b>INCOME</b>			
Assessments (Note 12)	\$ 96,665	\$ 97,273	\$ 93,548
Investments (Note 7)	85,510	105,152	55,362
Self-insured employers (Note 13)	50,600	115,404	66,147
	232,775	317,829	215,057
<b>EXPENSES</b>			
Claims costs incurred (Note 11)			
Short-term disability and rehabilitation	40,800	98,453	52,343
Long-term disability	61,650	125,963	122,252
Survivor benefits	6,200	335	12,626
Health care	80,000	152,016	104,500
	188,650	376,767	291,721
Administration (Note 14)	51,196	48,747	43,730
Legislative obligations (Note 15)	4,415	3,402	3,677
Appeals Tribunal	-	-	438
	55,611	52,149	47,845
Total expenses	244,261	428,916	339,566
<b>Excess of (expenses) over income for the year</b>	<b>\$ (11,486)</b>	<b>\$ (111,087)</b>	<b>\$ (124,509)</b>
<b>Excess of (expenses) over income for the year attributable to:</b>			
WorkSafeNB		(114,801)	(126,341)
Non-controlling interests (Note 2)		3,714	1,832
		<b>\$ (111,087)</b>	<b>\$ (124,509)</b>

\*Unaudited

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)	2016 Total (000s)
Fund balance, January 1, 2016	\$ 286,605	\$ 13,380	\$ 299,985
Capital contributions by non-controlling interests	-	4,541	4,541
Distributions to non-controlling interests	-	(2,234)	(2,234)
Excess of (expenses) over income for the year	(114,801)	3,714	(111,087)
Fund balance, December 31, 2016	<u>\$ 171,804</u>	<u>\$ 19,401</u>	<u>\$ 191,205</u>

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

	2016 (000s)	2015 (000s)
<b>Cash flow from operating activities</b>		
Cash received from:		
Assessed employers	\$ 95,431	\$ 92,996
Self-insured employers	53,470	42,835
Interest and dividends	32,297	34,600
	<u>181,198</u>	<u>170,431</u>
Cash paid to:		
Injured workers or third parties on their behalf (Note 11)	189,042	165,723
Suppliers and employees, for administration and other services	53,486	51,030
	<u>242,528</u>	<u>216,753</u>
Net cash used in operating activities	<b>(61,330)</b>	(46,322)
<b>Cash flow from investing activities</b>		
Cash received from:		
Sale of investments	544,399	335,734
Contributions by non-controlling interests	4,567	8,549
	<u>548,966</u>	<u>344,283</u>
Cash paid for:		
Purchase of investments	386,997	310,988
Purchase of capital assets	3,188	2,432
Distributions to non-controlling interests	2,252	-
	<u>392,437</u>	<u>313,420</u>
Net cash provided by investing activities	<b>156,529</b>	30,863
<b>Increase (decrease) in cash during the year</b>	<b>95,199</b>	(15,459)
Cash and cash equivalents, beginning of year	<u>49,491</u>	<u>64,950</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 144,690</u>	<u>\$ 49,491</u>

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016

### 1. Authority and Nature of Operations

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

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

WorkSafeNB's consolidated financial statements will be authorized for issue subject to a resolution of the board of directors on May 17, 2017.

### 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, 2016 and the comparative information for the year ended December 31, 2015.

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

#### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in effect at December 31, 2016 and are presented in thousands (000s) of Canadian dollars, unless otherwise stated.

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

#### (b) Basis of consolidation

The consolidated financial statements include the accounts of WorkSafeNB and WorkSafeNB Investments Limited (WSNBIL). WSNBIL is a subsidiary over which WorkSafeNB exercises control, which is defined as having the power to direct the relevant activities of an entity, having exposure or rights to variable returns of the entity, and having the ability to affect the returns through the power it holds. WSNBIL holds infrastructure and real estate assets in trust for WorkSafeNB, the Workers Compensation Board of Prince Edward Island (WCB of PEI) and the *FC Act* Disability Fund. The proportionate ownership of the net assets as at December 31, 2016 was: WorkSafeNB – 82.48%, WCB of PEI – 16.56%, *FC Act* Disability Fund – 0.96%. All transactions and balances between WorkSafeNB and WSNBIL are eliminated on consolidation.

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

#### (c) New accounting standards

##### *Future accounting and reporting changes*

The International Accounting Standards Board (the IASB) is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to

**CONSOLIDATED FINANCIAL STATEMENTS**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016

### 2. Significant Accounting Policies and Practices (continued)

come into effect over the next several years. WorkSafeNB continually monitors the IASB work plans and publications to assess any potential impact on the organization.

The IASB has issued revisions to IFRS 9 (Financial Instruments), IFRS 15 (Revenue from Contracts with Customers), and IFRS 16 (Leases). IFRS 9 and IFRS 15 are effective for accounting periods beginning on or after January 1, 2018. IFRS 16 is effective for accounting periods beginning on or after January 1, 2019.

In addition, the IASB is also working on revisions to IFRS 4 (Insurance Contracts). Currently, the impact of the 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:

- Publicly traded equity securities are valued at their year-end quoted market prices as reported on recognized public securities exchanges.
- Fixed-term investments are valued at their year-end closing market prices or the average of the latest bid/ask

## 2. Significant Accounting Policies and Practices (continued)

- prices based on available public quotations from recognized dealers in such securities.
- Commercial paper, short-term notes and treasury bills and term deposits maturing within a year are valued at either their year-end closing or bid price based on available quotations from recognized dealers in such securities, or at cost plus accrued interest, which approximates fair value.
  - Pooled fund units are valued at their year-end net asset value, as determined by the fund manager or administrator. For pooled funds holding equity and fixed-income assets, these values represent WorkSafeNB's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities. For pooled funds holding derivatives, cleared derivatives are valued at the closing price quoted by the relevant clearing house, and over-the-counter derivatives are valued using an industry standard model. Exchange-traded options are valued at the last sale price or the closing bid price for long positions and the closing ask price for short positions. For real estate pooled funds classified as level 1 in the fair value hierarchy, these values represent WorkSafeNB's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets. For infrastructure pooled funds and real estate pooled funds classified as level 3 in the fair value hierarchy, these values represent WorkSafeNB's proportionate share of the underlying net assets at fair values estimated using one or more methodologies, including discounted cash flows, multiples of earnings measures, and recent comparable transactions. In the first year of ownership, cost is considered to be an appropriate estimate of fair value.
  - Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date.

### (h) Fair value of other financial assets and liabilities

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

### (i) Foreign currencies

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

### (j) Benefits liabilities

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

A variety of estimation techniques are used in performing the valuation. They are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. To the extent possible, and when deemed more appropriate, seriatim valuation by award is used. More general techniques are used to estimate outstanding awards. Allowance is made, however, for changes or uncertainties 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.

## 2. Significant Accounting Policies and Practices (continued)

- Changes in WorkSafeNB policies that might affect benefits.
- Changes in the legal environment.
- Medical and technological developments.

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

### (k) Recoverable benefits liabilities and self-insured employers

These consolidated financial statements include the effects of transactions carried out for self-insured employers (predominantly 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:

<b>Buildings</b>	25 years
<b>Furniture and equipment</b>	5 years
<b>Leasehold improvements</b>	Remaining term of relevant lease
<b>Computer software and hardware</b>	3 years
<b>Motor vehicles</b>	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, 2016, 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, 2017 actuarial valuation conducted by WorkSafeNB's independent consulting actuary. Post-employment benefits include retirement allowances and early retirement programs.

**CONSOLIDATED FINANCIAL STATEMENTS**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016

## 2. Significant Accounting Policies and Practices (continued)

### (o) WorkSafeNB's Rehabilitation Centre

Included in health-care payments is \$6.9 million (2015 – \$6.6 million) for services provided by WorkSafeNB's Rehabilitation Centre.

### (p) Impairment review

#### Entity Level

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

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

As at December 31, 2016, 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, 2016 is 112.1% (2015 – 123.2%). 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 on outstanding benefits liabilities disclosed in the consolidated financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques. The following explicit assumptions have been made in determining the outstanding benefits liabilities:

	2016			2015		
	CPI-indexed awards	Medical payments (duration 16 and over)	Other payments (duration 16 and over)	CPI-indexed awards	Medical payments (duration 16 and over)	Other payments (duration 16 and over)
Gross rate of return	6.08%	6.08%	6.08%	6.08%	6.08%	6.08%
Inflation - Year 1	1.40%	5.25%	3.25%	1.49%	5.25%	3.25%
- subsequent years	2.25%	5.25%	3.25%	2.25%	5.25%	3.25%
Net rate of return - Year 1	4.61%	0.79%	2.75%	4.53%	0.79%	2.75%
- subsequent years	3.75%	0.79%	2.75%	3.75%	0.79%	2.75%
Future administration	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Occupational disease	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

A description of the processes used to determine these assumptions follows:

**CONSOLIDATED FINANCIAL STATEMENTS**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016

## 3. Actuarial Assumptions and Methods (continued)

### General statement

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

### Gross rate of return

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

### CPI-indexed awards inflation rate

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

### Medical payments inflation rate

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

### Other payments inflation rate

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

### CPI-indexed awards net rate of return

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

### Medical payments net rate of return

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

### Other payments net rate of return

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

### Future administration

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



**3. Actuarial Assumptions and Methods (continued)**

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

**Occupational disease**

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

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

**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 funding ratio.

Impact of movement in variable:

*Gross rate of return*

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

*Long-term general inflation rate*

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

*Medical inflation rate*

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

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

*ii) Impact of changes in key variables:*

	2016 (000s)		2015 (000s)	
	+1.00%	-1.00%	+1.00%	-1.00%
+/-% change in assumed rates				
Gross rate of return	\$ (100,465)	\$ 120,800	\$ (80,175)	\$ 96,217
Long-term general inflation rate	104,586	(86,444)	82,841	(68,498)
Medical inflation rate	58,271	(45,457)	48,017	(37,321)

**4. Claims – Risk Management Policies and Procedures**

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

**(a) Claims risk**

WorkSafeNB has an objective to manage claims risk, thus reducing the volatility of assessment premiums and performance from operations. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations is 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 & WCAT Act and the WC Act.
- A disciplined strategic planning and risk assessment process.
- A tracking system that requires the costing of any benefit changes from changes in policy, legislation and appeals decisions.
- Targeted programs for high-risk industries.
- The use of sophisticated management information systems, which provide reliable and up-to-date data on the claims risks to which the business is exposed at any point in time.
- The use of detailed internal monitoring tools that link actuarial valuation projections with the management information systems to monitor claims patterns.
- Annual review of the benefits liability by an independent external actuary.

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

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

**(c) Operational risk**

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

**(d) Financial risk**

WorkSafeNB has exposure to the following financial risks:

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

WorkSafeNB's exposure to these risks arises primarily in relation to its investment portfolio. Note 8 presents information about WorkSafeNB's exposure to each of the above risks, including objectives, policies and processes for measuring and managing the risk.



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### 5. Cash and Cash Equivalents

Included in cash and cash equivalents is \$89 million (2015 – \$0) that was being migrated from a short-term fixed income portfolio to conventional bonds and the global opportunistic allocation described in Note 7 on December 31, 2016. This migration was completed on January 3, 2017. Included in cash and cash equivalents is \$4.4 million restricted for investment in occupational health and safety initiatives.

### 6. Receivables

	2016 (000s)	2015 (000s)
Assessments billed	\$ 811	\$ 1,145
Unbilled assessments	4,308	4,159
Self-insured employers – receivable	5,734	5,485
Self-insured employers – deposits	(1,534)	(1,534)
Other	2,000	1,789
	<b>\$ 11,319</b>	<b>\$ 11,044</b>

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### 7. Investments

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

	2016 (000s)	2015 (000s)
	Fair Value	Fair Value
<i>i) Portfolio investments</i>		
Forward foreign exchange contracts	\$ 3,714	\$ (12,577)
Fixed income		
Conventional bonds	209,627	243,440
Equities		
Canadian	210,852	183,401
U.S.	182,534	193,930
Non-North American	227,271	272,570
Total equities	620,657	649,901
Inflation-sensitive		
Real return bonds	55,295	64,987
Real estate	187,192	199,253
Infrastructure	88,211	87,409
Total inflation-sensitive	330,698	351,649
Absolute return		
Global opportunistic <sup>1</sup>	60,688	71,003
	<b>\$ 1,225,384</b>	<b>\$ 1,303,416</b>

<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, 2016, the fund had the following allocations: U.S. equities 4.4% (2015 – 13.5%); Non-North American equities 34.4% (2015 – 29.8%); Fixed income 20.4% (2015 – 27.2%); Absolute return strategies 20.5% (2015 – 19.0%); Cash 20.3% (2015 – 10.6%).

#### 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, 2016, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

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**7. Investments (continued)**

	2016 (000s)			Fair Value
	Level 1	Level 2	Level 3	
<b>Portfolio investments</b>				
Forward foreign exchange contracts	\$ -	\$ 3,714	\$ -	\$ 3,714
Fixed income				
Conventional bonds	209,627	-	-	209,627
Equities				
Canadian	210,852	-	-	210,852
U.S.	182,534	-	-	182,534
Non-North American	227,271	-	-	227,271
Total equities	620,657	-	-	620,657
Inflation-sensitive				
Real return bonds	55,295	-	-	55,295
Real estate	165,796	-	21,396	187,192
Infrastructure	-	-	88,211	88,211
Total inflation-sensitive	221,091	-	109,607	330,698
Absolute return				
Global opportunistic	60,688	-	-	60,688
	<u>\$ 1,112,063</u>	<u>\$ 3,714</u>	<u>\$ 109,607</u>	<u>\$ 1,225,384</u>

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

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**7. Investments (continued)**

	2016 (000s)	2015 (000s)
<b>iii) Summary of changes in level 3 fair value measurements:</b>		
Balance, beginning of year	\$ 87,902	\$ 18,431
Purchases of level 3 investments	26,930	57,138
Sale of level 3 investments	(13,000)	-
Partnership distributions of operating income	1,663	1,964
Expenses	(11)	(10)
Realized gains	2	144
Change in unrealized gains recognized in investment income	6,121	10,235
Balance, end of year	<u>\$ 109,607</u>	<u>\$ 87,902</u>

There are three investments classified as level 3: (1) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$52.8 million (2015 – \$40.5 million). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2016, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 12-year life that commenced on October 30, 2013. The general partner has the option to extend the fund's life by two years. (2) A limited partnership interest in a fund investing in global infrastructure assets with a market value of \$35.4 million (2015 – \$46.9 million). This is an open-ended fund that allows quarterly redemptions at net asset value, but with some restrictions. It is classified as a level 3 investment in the fair value hierarchy. (3) A limited partnership interest in a fund investing in European real estate with a market value of \$21.4 million (2015 – \$493 thousand). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2016, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a nine-year life that commenced on August 22, 2014.

	2016 (000s)	2015 (000s)
<b>iv) Investment income</b>		
Interest and dividends	\$ 28,164	\$ 31,964
Realized investment gains (losses) on forward foreign exchange contracts	(3,458)	(26,161)
Realized investment gains on other portfolio investments	51,490	78,165
Change in unrealized investment gains on forward foreign exchange contracts	16,291	(10,677)
Change in unrealized investment gains on other portfolio investments	18,057	(12,936)
	<u>110,544</u>	<u>60,355</u>
Less: portfolio management expenses	(5,392)	(4,993)
	<u>\$ 105,152</u>	<u>\$ 55,362</u>

The market rate of return on the investment portfolio for the year ended December 31, 2016 was 9.16% (4.30% in 2015).

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## 7. Investments (continued)

### 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:

	2016 (000s)	2015 (000s)
Conventional bonds	\$ 209,627	\$ 243,440
Real return bonds	55,295	64,987
Non-North American equities	49,006	62,630
Real estate	187,192	199,253
Infrastructure	88,211	87,409
Global opportunistic	60,688	71,003

### 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 82.48% at December 31, 2016 (2015 – 84.83%). In 2016, WorkSafeNB received a fee of \$20,781 (2015 – \$237,337) for the administration of the Worker's Compensation Board of Prince Edward Island's share of the fund, and a fee of \$18,088 (2015 – \$10,057) for the administration of the *FC Act* Disability Fund's share of the fund.

### vii) Commitments

Through its investment in WorkSafeNB Investments Limited, WorkSafeNB has entered into limited partnership agreements with externally managed infrastructure and real estate pooled funds that commit to contribute investments in these funds, which may be drawn down over the next year. Unfunded commitments as of December 31, 2016 are \$69.2 million (2015 – \$102.3 million).

## 8. Financial Risk Management

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

WorkSafeNB manages investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, WorkSafeNB retains independent consultants to advise on the appropriateness and effectiveness of its investment policies and practices. This includes periodic asset liability studies to ensure that the investment strategy is suitable in light of the related liabilities and WorkSafeNB's risk tolerance. The last such study was completed in 2016.

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

### i) Funding risk

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

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## 8. Financial Risk Management (continued)

### ii) Market risk

WorkSafeNB invests in publicly traded equities listed on domestic and foreign exchanges, bonds traded over-the-counter through broker-dealers, Canadian and foreign commercial real estate and global infrastructure assets held via pooled funds. These securities are affected by fluctuations in market prices. Such fluctuations are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks specific to issuers, 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.

	2016 (000s)		2015 (000s)	
	1 std dev	2 std dev	1 std dev	2 std dev
<b>Canadian Equities</b>				
% change in market benchmark <sup>2</sup>	(13.4%)	(26.8%)	(13.6%)	(27.3%)
Canadian portfolio – impact on surplus/deficit	\$ (29,947)	\$ (59,967)	\$ (26,016)	\$ (52,071)
<b>U.S. Equities</b>				
% change in market benchmark <sup>3</sup>	(11.5%)	(23.1%)	(11.4%)	(22.8%)
U.S. portfolio – impact on surplus/deficit	\$ (21,497)	\$ (42,960)	\$ (23,425)	\$ (46,783)
<b>International (EAFE) Equities</b>				
% change in market benchmark <sup>4</sup>	(13.5%)	(27.0%)	(13.5%)	(26.9%)
International portfolio – impact on surplus/deficit	\$ (23,937)	\$ (47,806)	\$ (27,165)	\$ (54,231)
<b>Emerging Markets Equities</b>				
% change in market benchmark <sup>5</sup>	(16.6%)	(33.3%)	(17.3%)	(34.5%)
Emerging markets portfolio – impact on surplus/deficit	\$ (9,889)	\$ (19,777)	\$ (11,962)	\$ (23,898)

<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

### 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, 2016, WorkSafeNB had U.S. dollar exposure of \$280.9 million (2015 – \$289.8 million), euro exposure of \$69.2 million (2015 – \$70.3 million), Japanese yen exposure of \$58.6 million (2015 – \$50.2 million) and British pound exposure of \$39.6 million (2015 – \$53.8 million).

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

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### 8. Financial Risk Management (continued)

The fair value of these financial instruments will change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2016 mature in the first 30 days of 2017.

At December 31, 2016, the notional value of outstanding forward foreign exchange contracts was \$226.9 million (2015 – \$246.2 million). The fair value of these contracts was an asset of \$3.7 million (2015 – \$12.6 million liability). Unrealized gains on forward foreign exchange contracts of \$3.7 million (2015 – \$12.6 million unrealized loss) 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:

	2016 (000s)	2015 (000s)
15% appreciation in the Canadian dollar	<b>Impact on surplus/deficit</b>	Impact on surplus/deficit
CAD/USD	\$ (18,878)	\$ (18,704)
CAD/EURO	(4,513)	(4,588)
CAD/YEN	(3,823)	(3,271)
CAD/POUND	(3,009)	(3,589)

#### 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.

Credit Rating*	2016		2015	
	Fair Value (000s)	% of Total Fixed-Term Investments	Fair Value (000s)	% of Total Fixed-Term Investments
AAA	\$ 130,378	49.21	\$ 157,831	51.17
AA	64,161	24.22	66,484	21.56
A	70,383	26.57	82,489	26.75
BBB	–	–	1,623	0.52
Total	\$ 264,922	100.00	\$ 308,427	100.00

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

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### 8. Financial Risk Management (continued)

#### v) Inflation risk

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

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

#### vi) Interest rate risk

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

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

	Remaining Term To Maturity (000s)				
	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total 2016	Total 2015
Canadian real return bonds (fair value)	\$ (468)	\$ 7,129	\$ 48,634	\$ 55,295	\$ 64,987
Canadian conventional bonds (fair value)	(995)	60,470	150,152	209,627	243,440
	\$ (1,463)	\$ 67,599	\$ 198,786	\$ 264,922	\$ 308,427

The average effective real yield of the real return bonds is 0.44% (2015 – 0.44%) per annum based on market value. The average effective yield of the conventional bonds is 2.31% (2015 – 2.20%) per annum based on market value.

As of December 31, 2016, 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 \$18.6 million (2015 – \$21.9 million), approximately 8.86% (2015 – 8.98%) of their fair value.

As of December 31, 2016, 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 \$8.5 million (2015 – \$10.1 million), approximately 15.35% (2015 – 15.53%) 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, 2016.

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**9. Capital Assets**

	Land and buildings (000s)	Computer software and hardware (000s)	Furniture and equipment including leasehold improvements (000s)	Motor vehicles (000s)	2016 Total (000s)	2015 Total (000s)
<b>Cost</b>						
Balance at January 1	\$ 7,984	\$ 16,490	\$ 5,629	\$ 410	\$ 30,513	\$ 28,931
Additions	140	2,156	807	95	3,198	2,478
Disposals	–	(2,147)	–	(59)	(2,206)	(896)
Balance at December 31	\$ 8,124	\$ 16,499	\$ 6,436	\$ 446	\$ 31,505	\$ 30,513
<b>Accumulated Depreciation</b>						
Balance at January 1	\$ (1,738)	\$ (14,055)	\$ (5,038)	\$ (165)	\$ (20,996)	\$ (19,908)
Depreciation	(318)	(1,605)	(343)	(51)	(2,317)	(1,953)
Disposals	–	2,146	–	38	2,184	865
Balance at December 31	\$ (2,056)	\$ (13,514)	\$ (5,381)	\$ (178)	\$ (21,129)	\$ (20,996)
<b>Carrying amounts</b>						
At January 1	\$ 6,246	\$ 2,435	\$ 591	\$ 245	\$ 9,517	\$ 9,023
At December 31	\$ 6,068	\$ 2,985	\$ 1,055	\$ 268	\$ 10,376	\$ 9,517

**10. Payables and Accruals**

	2016 (000s)	2015 (000s)
Accounts payable and accruals	\$ 18,820	\$ 17,773
Post-employment benefits	2,688	2,691
	<b>\$ 21,508</b>	<b>\$ 20,464</b>

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**11. Benefits Liabilities**

*i) Continuity schedule*

	2016 (000s)				2015 (000s)
	Short-term disability and rehabilitation	Long-term benefits	Survivor benefits	Health care	Total
Balance, beginning of year	\$ 91,696	\$ 605,588	\$ 94,018	\$ 421,802	\$ 1,213,104
Add claims costs incurred:					
Current year injuries	57,613	51,147	2,006	76,009	186,775
Prior years' injuries	40,840	74,816	(1,671)	76,007	189,992
	98,453	125,963	335	152,016	376,767
Less claims payments made:					
Current year injuries	17,131	595	379	16,251	34,356
Prior years' injuries	36,847	58,975	8,830	50,034	154,686
	53,978	59,570	9,209	66,285	189,042
Balance, end of year	\$ 136,171	\$ 671,981	\$ 85,144	\$ 507,533	\$ 1,400,829

*ii) Current year injuries*

	2016 (000s)			2015 (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	\$ 17,131	\$ 40,482	\$ 57,613	\$ 13,549	\$ 23,493	\$ 37,042
Long-term disability	595	50,552	51,147	331	26,155	26,486
Survivor benefits	379	1,627	2,006	199	1,284	1,483
Health care	16,251	59,758	76,009	14,212	44,387	58,599
	\$ 34,356	\$ 152,419	\$ 186,775	\$ 28,291	\$ 95,319	\$ 123,610

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**11. Benefits Liabilities (continued)**

*iii) Reconciliation of movement in benefits liabilities*

	2016 (000s)	2015 (000s)
Balance, beginning of year	\$ 1,213,104	\$ 1,087,106
<b>Add (deduct) changes in liabilities</b>		
Interest on liability	64,558	66,091
Payments and other transactions	(137,524)	(137,548)
	<b>(72,966)</b>	(71,457)
<b>Balance, before adjustments</b>	<b>1,140,138</b>	1,015,649
<b>Claims experience (gains) losses</b>		
Actual costs more (less) than expected	35,982	22,824
Actual payments more (less) than expected	17,102	9,114
Difference between actual and expected inflation	(1,951)	(2,428)
Other experience (gains) losses	(1,193)	(508)
	<b>49,940</b>	29,002
<b>Unusual items</b>		
Change in economic assumptions	-	19,754
Change in valuation assumptions	23,917	(36,591)
Change in valuation methods	-	21,828
Change in policy benefits	34,415	53,239
Change in occupational disease provision	-	14,904
	<b>58,332</b>	73,134
Provision for future costs of new injuries	<b>152,419</b>	95,319
Balance, end of year	<b>\$ 1,400,829</b>	\$ 1,213,104

*iv) Prior years' injuries*

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

	<b>Increase (decrease) in benefits liabilities and claims costs incurred</b>	
	2016 (000s)	2015 (000s)
Reduction in assumed indexing rate for CPI-indexed benefits	\$ (1,951)	\$ (2,428)
(Favourable) Unfavourable experience on health-care costs	7,137	22,927
(Favourable) Unfavourable experience on survivor costs	(1,041)	(692)
(Favourable) Unfavourable experience on short-term disability costs	23,866	6,534
(Favourable) Unfavourable experience on long-term disability costs	16,973	(786)
(Favourable) Unfavourable experience on other costs	4,957	3,447
Changes due to unusual items	58,332	73,134

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**11. Benefits Liabilities (continued)**

*v) Claims development table*

The following table presents the development of outstanding claims relative to the ultimate expected claims for the 10 most recent accident years. The table illustrates how the estimate of ultimate claims costs for each accident year has changed with more experience over succeeding year-ends, and compares the current estimate of cumulative claims cost to the actual cumulative payments over the development period. Due to the long duration of many benefit types, significant amounts will be paid beyond the valuation date. The lower section of the table reconciles the total outstanding claims amounts to the discounted amount reported in the balance sheet.

Accident year	2007 (000s)	2008 (000s)	2009 (000s)	2010 (000s)	2011 (000s)	2012 (000s)	2013 (000s)	2014 (000s)	2015 (000s)	2016 (000s)	<b>Total (000s)</b>
Estimate of ultimate claims cost:											
At end of accident year	\$203,829	\$207,975	\$200,462	\$203,428	\$184,192	\$168,843	\$202,327	\$226,047	\$202,133	\$313,881	
One year later	187,921	195,033	188,926	176,741	159,701	201,446	213,020	208,992	273,412		
Two years later	170,276	183,685	172,132	154,210	187,458	213,282	193,988	265,006			
Three years later	166,587	173,110	158,550	184,840	194,027	194,748	227,315				
Four years later	158,105	159,873	187,436	192,609	175,487	216,876					
Five years later	148,603	186,231	194,955	174,130	189,059						
Six years later	174,236	192,705	177,861	207,382							
Seven years later	177,463	172,500	186,992								
Eight years later	160,000	180,039									
Nine years later	167,762										
Current estimate of cumulative claims cost	167,762	180,039	186,992	207,382	189,059	216,876	227,315	265,006	273,412	313,881	<b>2,227,724</b>
Cumulative payments	(84,040)	(86,157)	(82,735)	(77,448)	(72,960)	(78,633)	(71,683)	(75,086)	(62,150)	(34,891)	<b>(725,783)</b>
Outstanding claims, undiscounted	83,722	93,882	104,257	129,934	116,099	138,243	155,632	189,920	211,262	278,990	<b>1,501,941</b>
2006 and prior years											<b>1,069,156</b>
Total outstanding claims, undiscounted											<b>2,571,097</b>
Discount											<b>(1,388,227)</b>
Annuity – accrual											<b>82,714</b>
Occupational diseases											<b>74,711</b>
Other contingent liabilities*											<b>60,534</b>
Total outstanding claims											<b>\$1,400,829</b>

\* Consists primarily of liabilities for future annuity awards.

**CONSOLIDATED FINANCIAL STATEMENTS**

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December 31, 2016

**12. Assessments**

	2016 (000s)		2015 (000s)
	Budget*	Actual	Actual
Assessment income	\$ 96,565	\$ <b>97,212</b>	\$ 93,588
Interest and penalties	600	<b>414</b>	402
Uncollectibles	(500)	<b>(353)</b>	(442)
	<u>\$ 96,665</u>	<u>\$ <b>97,273</b></u>	<u>\$ 93,548</u>

**13. Self-Insured Employers**

	2016 (000s)		2015 (000s)
	Budget*	Actual	Actual
Income from self-insured employers	\$ 50,600	\$ <b>115,404</b>	\$ 66,147
Claims costs incurred:			
Short-term disability and rehabilitation	14,600	<b>36,402</b>	17,334
Long-term disability	11,850	<b>40,794</b>	21,030
Survivor benefits	700	<b>(79)</b>	1,276
Health care	15,600	<b>29,925</b>	19,452
	42,750	<b>107,042</b>	59,092
Administration	7,850	<b>8,362</b>	7,055
	<u>\$ 50,600</u>	<u>\$ <b>115,404</b></u>	<u>\$ 66,147</u>

**14. Administration**

	2016 (000s)		2015 (000s)
	Budget*	Actual	Actual
Salaries and employee benefits	\$ 36,096	\$ <b>34,946</b>	\$ 32,822
Depreciation	2,200	<b>2,300</b>	1,924
Professional fees	3,690	<b>4,153</b>	2,804
Office and communications	2,452	<b>2,143</b>	1,801
Building operations	3,758	<b>3,275</b>	2,766
Travel and vehicle operations	1,816	<b>1,254</b>	1,141
Education and training	1,291	<b>665</b>	629
OHS investment	-	<b>302</b>	255
Other	1,493	<b>1,146</b>	1,060
	52,796	<b>50,184</b>	45,202
Allocated to health-care claims costs	(1,600)	<b>(1,437)</b>	(1,472)
	<u>\$ 51,196</u>	<u>\$ <b>48,747</b></u>	<u>\$ 43,730</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.

\*Unaudited

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**15. 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.

	2016 (000s)		2015 (000s)
	Budget*	Actual	Actual
Workers' advocates	\$ 1,349	\$ <b>1,046</b>	\$ 1,147
Employers' advocates	366	<b>385</b>	340
	1,715	<b>1,431</b>	1,487
New Brunswick Construction Safety Association	300	<b>300</b>	300
New Brunswick Forest Safety Association	190	<b>190</b>	190
New Brunswick Continuing Care Safety Association	210	<b>210</b>	200
	700	<b>700</b>	690
Workers' Compensation Appeals Tribunal	2,000	<b>1,271</b>	1,500
	<u>\$ 4,415</u>	<u>\$ <b>3,402</b></u>	<u>\$ 3,677</u>

**16. Commitments**

Future minimum payments under operating lease arrangements:

	2016 (000s)	2015 (000s)
Due within one year	\$ <b>729</b>	\$ 596
Due later than one year and less than five years	<b>2,297</b>	1,928
Due later than five years	-	49
	<u>\$ <b>3,026</b></u>	<u>\$ 2,573</u>

**17. 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:

	2016 (000s)	2015 (000s)
Salaries and other short-term employee benefits	\$ <b>1,191</b>	\$ 1,114
Post-employment benefits	<b>114</b>	122
	<u>\$ <b>1,305</b></u>	<u>\$ 1,236</u>

\*Unaudited



**CONSOLIDATED FINANCIAL STATEMENTS**

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**18. 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 \$3.71 million (2015 – \$3.55 million).

**19. 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.

**20. Budget**

The 2016 budget figures that are presented for comparison with the actual figures were approved by WorkSafeNB's board of directors and have not been audited.

**21. Comparative Figures**

Certain of the 2015 figures that are presented for comparative purposes have been reclassified to conform to the presentation adopted in the current year.

**FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

CONSOLIDATED BALANCE SHEET

For the Year Ended December 31

	<b>2016 (000s)</b>	2015 (000s)	2014 (000s)	2013 (000s)	2012 (000s)
<b>ASSETS</b>					
Cash and cash equivalents	<b>\$ 144,690</b>	\$ 49,491	\$ 64,950	\$ 61,906	\$ 16,611
Receivables and other	<b>11,319</b>	11,044	10,005	10,491	10,821
Recoverable benefits liabilities	<b>221,773</b>	160,085	138,246	132,883	128,377
Investments	<b>1,225,384</b>	1,303,416	1,301,676	1,256,021	1,156,485
Capital assets	<b>10,376</b>	9,517	9,023	9,115	9,485
	<b>\$ 1,613,542</b>	\$ 1,533,553	\$ 1,523,900	\$ 1,470,416	\$ 1,321,779
<b>LIABILITIES AND FUND BALANCE</b>					
Payables and accruals	<b>\$ 21,508</b>	\$ 20,464	\$ 20,843	\$ 20,240	\$ 19,456
Benefits liabilities	<b>1,400,829</b>	1,213,104	1,087,106	1,043,463	1,023,620
Total liabilities	<b>1,422,337</b>	1,233,568	1,107,949	1,063,703	1,043,076
WorkSafeNB fund balance	<b>171,804</b>	286,605	412,946	406,308	278,703
Non-controlling interests	<b>19,401</b>	13,380	3,005	405	-
	<b>191,205</b>	299,985	415,951	406,713	278,703
	<b>\$ 1,613,542</b>	\$ 1,533,553	\$ 1,523,900	\$ 1,470,416	\$ 1,321,779

Certain of the above figures have been reclassified to conform with the presentation adopted in 2016.

**FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

CONSOLIDATED STATEMENT OF OPERATIONS  
For the Year Ended December 31

	2016 (000s)	2015 (000s)	2014 (000s)	2013 (000s)	2012 (000s)
<b>INCOME</b>					
Assessments	\$ 97,273	\$ 93,548	\$ 98,500	\$ 115,860	\$ 139,303
Investments	105,152	55,362	104,198	175,944	111,152
Self-insured employers	115,404	66,147	48,528	42,121	25,292
	<b>317,829</b>	215,057	251,226	333,925	275,747
<b>EXPENSES</b>					
Claims costs incurred					
Short-term disability and rehabilitation	98,453	52,343	42,975	33,030	29,046
Long-term disability	125,963	122,252	50,301	53,507	29,342
Survivor benefits	335	12,626	10,961	5,693	7,670
Health-care	152,016	104,500	95,534	71,149	66,530
	<b>376,767</b>	291,721	199,771	163,379	132,588
Administration	48,747	43,730	41,356	40,031	39,215
Legislative obligations	3,402	3,677	1,553	1,301	1,357
Appeals Tribunal	-	438	1,564	1,660	1,548
	<b>52,149</b>	47,845	44,473	42,992	42,120
Total expenses	<b>428,916</b>	339,566	244,244	206,371	174,708
<b>Excess of (expenses) over income for the year</b>	<b>\$ (111,087)</b>	\$ (124,509)	\$ 6,982	\$ 127,554	\$ 101,039
<b>Excess of (expenses) over income for the year attributable to:</b>					
WorkSafeNB	(114,801)	(126,341)	6,638	127,605	101,039
Non-controlling interests	3,714	1,832	344	(51)	-
	<b>\$ (111,087)</b>	\$ (124,509)	\$ 6,982	\$ 127,554	\$ 101,039

Certain of the above figures have been reclassified to conform with the presentation adopted in 2016.

**FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCE  
For the Year Ended December 31

	2016 (000s)	2015 (000s)	2014 (000s)	2013 (000s)	2012 (000s)
<b>WorkSafeNB</b>					
WorkSafeNB fund balance, beginning of year	\$ 286,605	\$ 412,946	\$ 406,308	\$ 278,703	\$ 177,664
Excess of (expenses) over income for the year	(114,801)	(126,341)	6,638	127,605	101,039
WorkSafeNB fund balance, end of year	<b>\$ 171,804</b>	\$ 286,605	\$ 412,946	\$ 406,308	\$ 278,703
<b>Non-controlling interests</b>					
Non-controlling interests fund balance, beginning of year	\$ 13,380	\$ 3,005	\$ 405	\$ -	\$ -
Capital contributions by non-controlling interests	4,541	8,543	2,930	456	-
Distributions to non-controlling interests	(2,234)	-	(674)	-	-
Excess of income over expenses for the year	3,714	1,832	344	(51)	-
Non-controlling interests fund balance, end of year	<b>\$ 19,401</b>	\$ 13,380	\$ 3,005	\$ 405	\$ -
<b>Total fund balance</b>					
Total fund balance, beginning of year	\$ 299,985	\$ 415,951	\$ 406,713	\$ 278,703	\$ 177,664
Capital contributions by non-controlling interests	4,541	8,543	2,930	456	-
Distributions to non-controlling interests	(2,234)	-	(674)	-	-
Excess of (expenses) over income for the year	(111,087)	(124,509)	6,982	127,554	101,039
Total fund balance, end of year	<b>\$ 191,205</b>	\$ 299,985	\$ 415,951	\$ 406,713	\$ 278,703

Certain of the above figures have been reclassified to conform with the presentation adopted in 2016.