

ANNUAL REPORT 2017



WorkSafeNB

ANNUAL REPORT 2017

PUBLISHED BY:

WorkSafeNB

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

worksafenb.ca

1 800 222-9775

Pictured left to right on the cover are:

Adam Williamson, systems analyst, Saint John;
Serge Sirois, investigations officer, Grand Falls;
Jill Breen, communications assistant, Saint John.

October 2018

ISBN 978-1-927420-14-0
ISSN 170-1212

Printed in New Brunswick

TABLE OF CONTENTS



Adam Williamson,
systems analyst, IT

Who we are	5
Message from the acting president and CEO	7
Message from the chairperson	8
GOALS	
Safety	10
Sustainability	18
Stewardship	22
Service	25
Support	29
Stakeholder engagement	34
Staff engagement	37
STATISTICS and REFERENCES	40
FINANCIALS	
Management discussion and analysis	45
Management's responsibility for financial reporting	52
Actuarial statement of opinion	53
Independent auditor's report	54
Consolidated financial statements	55
Five-year historical consolidated financial statements	83

OUR FOUNDING PRINCIPLES

The workers' compensation system in New Brunswick is founded on the Meredith Principles, developed in 1913 by Sir William Meredith, a Canadian lawyer and politician. These principles anchor workers' compensation in Canada and at their core is a simple idea: compromise. Based on the Meredith Principles, workers were eligible for benefits when injury occurred, but in exchange, employers could not be sued. These principles were adopted to form the basis of workplace injury insurance across the country, and still guide our work today.

In 1918, New Brunswick's first *Workers' Compensation Act* was proclaimed and while the work and progress in supporting injury prevention and return to work has evolved over the last 100 years, the core principles that underline and guide our work have not.

These five Meredith Principles are the foundation for what is known as the 'historic compromise' between workers and employers:

- 1 No-fault compensation benefits**
- 2 Security of benefits**
- 3 Collective liability**
- 4 Independent administration**
- 5 Exclusive jurisdiction**



Sir William Meredith

WHO WE ARE

WorkSafeNB is 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*.

We are 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.

OUR VISION

Healthy and safe workplaces and a sustainable workers' compensation system in New Brunswick.

OUR MISSION

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

OUR VALUES

Core Value

The client is the priority.

Accountability

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

Caring service

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

Excellence

Aspire to flawless execution and never take shortcuts on quality.

Innovation

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

Integrity

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

Respect

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

Safety

Passionately protect the safety of our clients and colleagues.

Teamwork

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

BOARD OF DIRECTORS



Back row left to front row right:
Lucien Sonier, Hector Losier,
Gaëtan Guérette, Tina Soucy,
Julie Marr, Tim Petersen,
Dorine Pirie, Haley Flaro,
James E.A. Stanley

Tim Petersen
 Dorine Pirie
 Haley Flaro

Michèle Caron
 Hector Losier
 James E. A. Stanley
 Maureen Wallace
 Gaëtan Guérette
 Julie Marr
 Lucien Sonier
 Tina Soucy

Acting President & Chief Executive Officer
 Chairperson
 Vice-Chairperson

Cocagne
 Fredericton
 Saint John
 Riverview
 Edmundston
 Quispamsis
 Caraquet
 Dieppe

MESSAGE FROM THE ACTING PRESIDENT AND CEO

The past 12 months have amounted to the start of a new reality for WorkSafeNB and for the workers' compensation system of New Brunswick. I am proud to say that our organization has risen to meet this challenge, while staying true to our values and keeping the client top of mind.

By many statistical measures, 2017 was a challenging year for the organization. Beginning in late 2015, the system started to experience an increase in claim costs that accelerated and continued through 2017. The rise in claim costs, a result of increased claim frequency and claim duration, has been driven primarily by the fact that the system has been undergoing fundamental change, offering a broader range of benefits and a more accessible system.

As a result of these factors, our 2017 assessment rate increased to reflect rising claims costs. Employers around the province were concerned with this news, and shared their feelings with us. We responded by investing in a significant stakeholder relations exercise, hosting hundreds of employers, workers, health care providers and others at four meetings around the province. The meetings focused on a variety of issues including key drivers of the workers' compensation system, trends related to claim duration and costs, our rate setting process, and challenges and opportunities in returning New Brunswickers to work following a workplace injury.

When undertaking the 2018 rate setting process, we temporarily suspended our 110% funding level target to mitigate the increase to the rate. This led to a significant decrease in the Accident Fund. While the Accident Fund remains fully funded at 102.2%, if claims costs continue to rise, further strain may lead to an underfunded system.

The health care landscape in 2017 also reflected a new reality, with emerging issues such as medical cannabis and psychological safety coming to the forefront from a regulatory and a policy perspective. Both of these new realities will have an ongoing impact on how we diagnose and treat injured workers.

This year, reviews of our organization, both external and internal, were initiated and we look forward to receiving all the feedback that will help us improve the way we operate to advance our commitment to maintaining a sustainable workers' compensation system for New Brunswick.

There were some accomplishments in 2017. At 1.33 per 100 full-time employees, New Brunswick currently has the third lowest lost-time injury frequency rate in the country. This means that more New Brunswickers are experiencing what matters most – returning home safely at the end of each work day.

But there is more work to do to change the safety culture in New Brunswick. While we are proud that the frequency of severe injuries remains low and stable, in recent years we have seen an increase in accepted claims related to soft tissue injuries and hearing loss.

In closing, I'd like to thank the members of our board of directors for their ongoing support and guidance throughout 2017. We welcomed several new members to the table last year, and I look forward to your contributions as we move forward together.

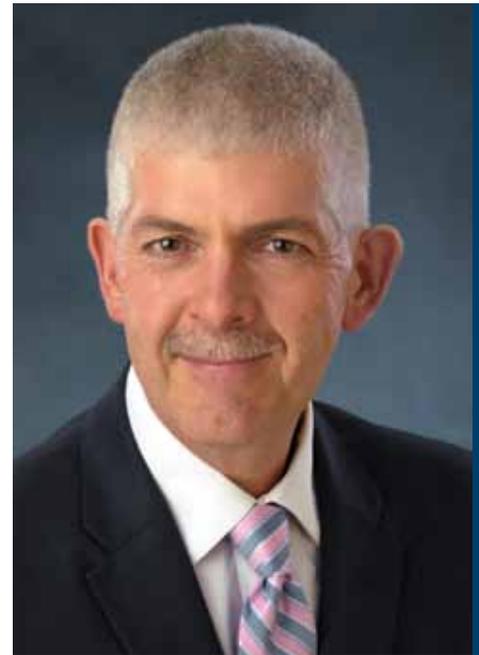
Finally, I'd like to reserve my most heartfelt thanks for our staff. 2017 was a demanding year, and I am grateful to each and every one of our team members. Despite significant headwinds, you continue to deliver exceptional service and results for our clients. The work that you do makes a difference, every day.

Sincerely,



Tim Petersen

Acting President and Chief Executive Officer



MESSAGE FROM THE CHAIRPERSON



This past year marked an important transition for our organization. Against the backdrop of a sluggish economy, changing demographics and increasing benefits costs, we engaged and listened to our stakeholders about their needs, we focused on the benefits of return to work programs, we began the implementation of our client-focused approach to service delivery.

In April, we embarked on a province-wide consultation process to hear from our stakeholders and share information on how our rates are set and the factors driving the increases. It was the first time that our board went out into our communities to seek feedback from our varied stakeholders.

Through these consultations, we created a better understanding and awareness of our rate-setting process, including the impacts of injury frequency and claim duration. Together, we explored the barriers and opportunities that would better support employers, workers and the workers' compensation system in New Brunswick. The feedback gained from these sessions was invaluable and has helped inform our policies.

Informed by our consultations and the actuarial analysis of the trends impacting our assessment rates, we turned our attention to legislative change. We developed recommendations for the Ministerial Task Force based on stakeholder feedback and the trending data for the system. Our recommendations were based on achieving a balanced approach of both the needs of the workers and the capacity of the employers. We look forward to hearing the recommendations from the Task Force and the Auditor General on the improvements that we can make to our organization.

We also learned through our consultation and research process, that a more mindful and enhanced role in the return to work process can significantly reduce the number of days it takes for an injured worker to be rehabilitated and get back on the job. Research shows that returning to the work environment is beneficial for workers and extends beyond the benefits of financial stability. An increased focus on return to work could bring benefits to both workers and the workers' compensation system. We also learned that a disability management program would be the most efficient and client-centred approach for the sustainability of the workers' compensation system.

We have also embarked on our continuous improvement initiative to improve the client experience. The initiative will also evaluate policies and regulations with the goal of removing barriers and improving service levels. Putting the client at the centre of our decision-making process is a culture shift and, as such, will be a gradual change, but it is something to which the entire organization is committed, in both the short- and long-term.

In the last year we said goodbye to our valued board members, David Ellis and Judy Lane, and I would like to thank them for their dedication and service. You will be missed. To fill their vacancies, we are pleased to welcome Gaëtan Guérette and Tina Soucy. We also welcomed Haley Flaro as vice-chairperson to our board. Haley has served as the executive director of Ability New Brunswick since 2006 and our governance model has greatly benefitted from her person-centred focus. These new members bring with them a wealth of experience, from both the employer and worker perspectives, and a passion for injury prevention and workers' compensation.

Overcoming our challenges requires transforming the way we do business and a significant commitment to make it happen. Thankfully, our board members are up to the task. In fact, I'd say they are energized by it.

It is a privilege to work with this group of skilled and dedicated individuals.

Yours truly,

A handwritten signature in black ink that reads "Dorine P. Pirie".

Dorine Pirie

Chairperson of the Board of Directors



WorkSafeNB promotes healthy and safe workplaces in New Brunswick while also providing rehabilitation services and compensation benefits when workplace injuries do happen.

We do this by focusing on seven strategic goals:

SAFETY

SUSTAINABILITY

STEWARDSHIP

SERVICE

SUPPORT

STAKEHOLDER ENGAGEMENT

STAFF ENGAGEMENT

SAFETY

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



Serge Sirois is one of our investigations officers in Grand Falls. He sees first-hand the consequences of unsafe work behaviour. By investigating workplace incidents, we learn about what could have been done differently and how to prevent such events from happening again.

WorkSafeNB's top priority is preventing workplace injuries, illnesses and deaths. For workers, families and communities, prevention means a continued quality of life, ongoing participation in work, leisure and educational activities, and a preservation of income and assets. For businesses, prevention benefits include increased productivity and competitiveness, retention of valued staff, reduced disruption to operations, and lower assessment rates.

WorkSafeNB has the advantage of being responsible for both prevention as well as enforcing the *Occupational Health and Safety (OHS) Act*. This dual responsibility allows us to integrate our education and training into our inspections and investigations. We do this by collaborating with industries and employers to identify their needs, so we can better support them in meeting safety standards with industry-specific training, resources and tools. Together, we are building and strengthening a safety culture throughout New Brunswick.

SAFETY

TARGETS & RESULTS

Target 1 ► **By 2019, the workplace injury frequency rate per 100 full-time employees (FTE) will be less than 2.99.**

The 2.99 target was chosen as it was WorkSafeNB's lowest five year average.

The workplace injury frequency rate for New Brunswick workplaces in 2017 was 3.08 per 100 FTE, falling short of our 2019 target. It is important to note that while injury frequency, as it is currently measured, has been increasing since 2015, there is no indication that New Brunswick workplaces have become less safe. Injury frequency reflects the number of accepted claims, not reported claims, in the year.

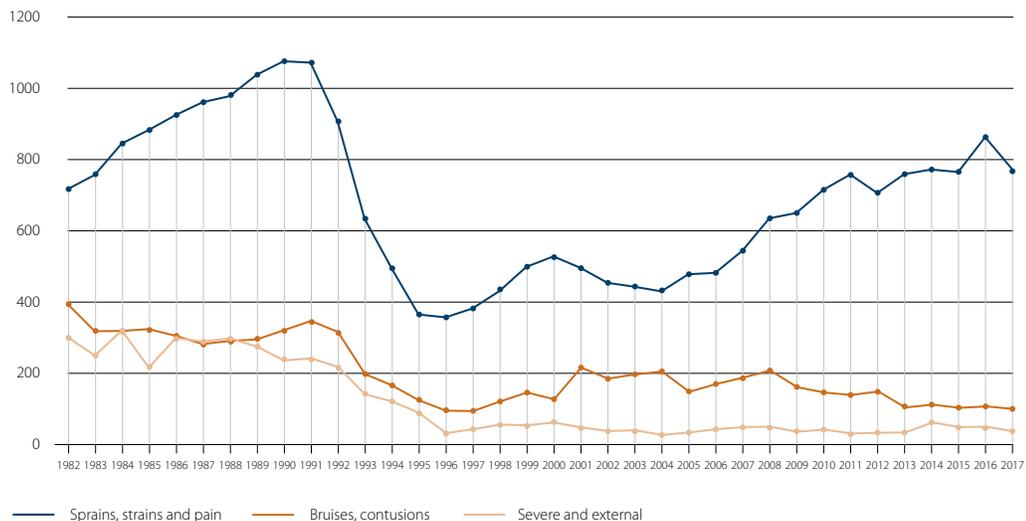
Reports of new accidents over the last five years have remained fairly steady although there has been continued increase of reported accidents related to occupational diseases such as hearing loss.

New accidents reported

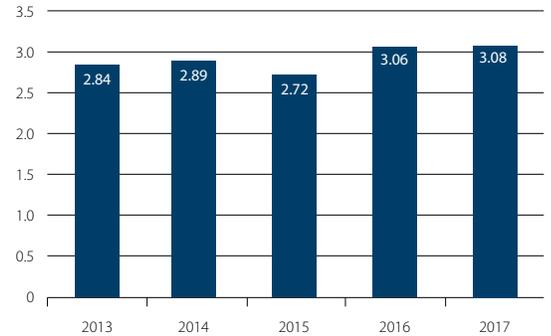
With reported claims remaining steady, injury frequency in 2017 was impacted by the 3% increase in the number of accepted claims – from 92% accepted to 95% accepted. Changes to policy and practice, including those resulting from Workers' Compensation Appeals Tribunal decisions, are driving the increase in accepted claims.

While external factors are driving different injury frequency outcomes than we would like, it is clear that prevention efforts have been successful in reducing the most acute, severe injuries. The frequency for severe and external injuries as well as bruises and contusions, has remained low for many years. The increase is mostly attributable to a spike in accepted claims related to sprains, strains, and pain, that are more subjective in nature.

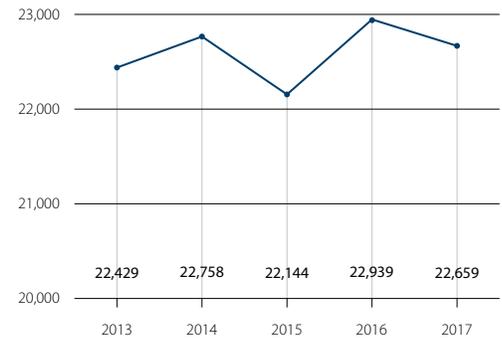
Nature of Injury (Number of claims by accident year)



Injury Frequency



New Accidents Reported



SAFETY

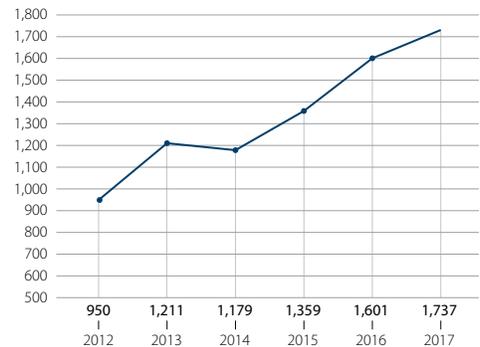
TARGETS & RESULTS

In addition to sprains, strains and pain, we have experienced a surge in accepted hearing loss claims. Since 2012, hearing loss claims have increased by 82%. New Brunswick's aging demographic and poor noise-related safety practices from decades ago are certainly contributing to the rise we are seeing in new hearing loss claims. Other contributors include a lack of clarity in legislation and policy and changes to weighing evidence.

The financial impact of rising hearing loss claims has been partially offset by negotiating a contract for the purchase of hearing aids that has significantly reduced the cost of individual aids, while maintaining appropriate quality standards for injured workers.

As the average age of New Brunswickers increases, we anticipate that the upward trend in hearing loss claims will continue unless mitigated by legislative and policy changes.

New Hearing Loss Claims 2012 to 2017

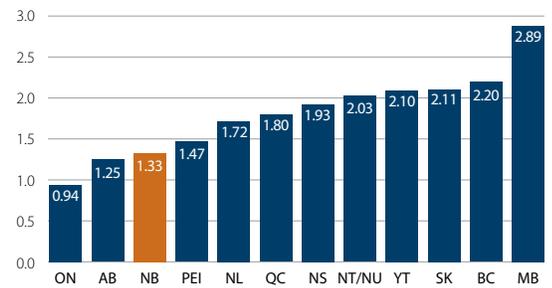


Target 2

In 2019, WorkSafeNB's lost-time workplace injury frequency rate per 100 FTE will remain among the three lowest jurisdictions in Canada.

In 2017, WorkSafeNB's lost-time injury frequency rate of 1.33 per 100 FTE was the third lowest in Canada. Only Ontario and Alberta reported a lower lost-time frequency. We are proud to see that we continue to rank high in this measure and credit this success to the employers and workers of New Brunswick who are steadfast in their commitment and investment to make health and safety a priority in their workplaces.

Lost-Time* Injury Frequency



■ Rate Per 100 FTE

*Lost-time = one or more workdays lost

SAFETY

TARGETS & RESULTS

Target 3

By 2019, the percentage of workers and employers who believe their workplace has a safe work culture will meet or exceed 90%.

We measure workplace safety culture because we know that this has a measurable impact on the safety of workers and workplaces. Culture is “the way we do things around here” and includes shared practices, attitudes, and perceptions that influence behaviour. Workplace culture is influenced by many things, including: leadership, management, and supervision styles and priorities; peer pressure; workplace conditions; and, design and production logistics.

In 2017, we surveyed a random sample of general workers and employers in New Brunswick to measure the percentage who believe their workplace has a safe work culture.

	2013	2014	2015*	2016	2017
General worker (includes injured and non-injured)	79.5%	76.5%	N/A	81.2%	81.2%
General employer (includes registered and non-registered)	90.6%	89.0%	N/A	90.1%	90.2%

*WorkSafeNB was unable to collect results for 2015 due to limitations on client surveys communicated to WorkSafeNB by the Integrity Commissioner of New Brunswick (known as the Privacy Commission at that time).

While the results are very promising, we will continue to meet with both groups to work together to create a safety culture in New Brunswick’s workplaces.

In an organization with a positive health and safety mindset, managers, supervisors, and workers share common values that make health and safety a priority. They anticipate unsafe acts and conditions and correct them before harm is done. They engage in injury and disease prevention. Most of all, they take ownership of health and safety issues.

SAFETY HIGHLIGHTS



2017 Safety Star Award Health and Safety Leader Tom Paisley (right) from Irving Paper Limited pictured here with his team.

Changing safety education

Technology can help us reach more New Brunswickers with more impactful educational programming. In 2017, we looked at how we can modernize our educational offerings and we collaborated with the Canadian Centre for Occupational Health and Safety (CCOHS) to develop three online learning modules focused on inspections, incident reporting and investigation, and hazard identification. The first of these will be available the fall of 2018.

Improving safety legislation

Consistent with our strategy of advancing safety standards through legislative recommendations and occupational health and safety enforcement, we proposed amendments for the government's consideration in

logging and silviculture, occupational hygiene and construction. These amendments were informed by collaborative working groups. In addition, in the fall of 2017, we were asked by government to consult with the public on new legislation related to violence and harassment.

INSPECTIONS INITIATIVES

WorkSafeNB conducted 8,602 workplace inspections in 2017, exceeding our target by more than 10%. We also dedicated more resources for after-hours inspections recognizing that there are additional safety risks in 24-hour operations.

Public awareness and prevention campaigns

In 2017, we worked on a variety of successful safety campaigns that raised awareness among workers, employers and the public alike. Some of the campaigns appeared in billboards, television ads or online ads.

Ears Need Protection Too was designed to encourage New Brunswickers to protect their ears and hearing, both while at work and on their own time.

Slow Down for Road Workers was built in partnership with the New Brunswick Road Builders and Heavy Construction Association, the Department of Transportation and



SAFETY HIGHLIGHTS

Infrastructure, and the New Brunswick Construction Safety Association. The 2017 initiative focused on reminding motorists to slow down and be careful when driving through road construction sites. In addition to promotional material, WorkSafeNB provided education on this topic to workers and employers and increased inspections in the industry.

Build In Safety increased education and compliance efforts in the residential construction sector to help the industry better understand their responsibilities and help homeowners understand their obligations regarding contractor safety and insurance.

Let's Talk Safety is a three-year campaign focused on building safety awareness and support for our young workers. The first year focuses on educating employers on how to make safety a part of everyday safety to keep young workers safe on the job. Subsequent years will focus on families and youth.

Safety Leadership Award recipients

In October 2017, as part of our annual health and safety conference, we announced the winners of our Safety Star awards.

Our Health and Safety Champion award went to Joanne Hardy, recreation director at the Mount Saint Joseph Nursing Home in Miramichi.

Joanne was key to implementing the Back in Form program, to reduce staff injuries due to transferring or repositioning residents. In fact, she not only provided training at Mount Saint Joseph, but extended the opportunity to others in the nursing home industry.

Joanne also brought the U-First and Non-violent Crisis intervention programs to Mount Saint Joseph to help staff deal with unpredictable behaviour shown by residents with dementia.

"Health care workers often think that if they feel "sore" it's just because they've had a hard day. Getting them to understand that "sore" isn't normal can be tough," Joanne explained. "Even before I knew our injury rates were coming down, I knew we were making progress because the equipment we need to use to be safe – equipment that used to take up space – was suddenly in short supply."



Our Health and Safety Leader award went to Tom Paisley, mill manager at Irving Paper Limited.

Tom has displayed a sincere attention to worker safety from the day he became manager. He consistently challenges others through private one-on-one safety conversations, encouraging openness and honesty.

**2017 Safety Star Award
Health and Safety
Champion Joanne Hardy
from Mount Saint Joseph
Nursing Home in
Miramichi.**

Tom challenged the mill's joint health and safety committee to create a safety vision, and took members on a benchmarking trip to see how one of the safest mills in Canada creates a safe environment.

"This award acknowledges the hard work everyone here has put into health and safety. It's part of our values at JDI, and that means it is extremely important to everyone. At Irving Paper we're proud of the fact that we have excellent collaboration between workforce and management – we see health and safety as a journey we're on together," Tom said.

SAFETY HIGHLIGHTS



Students having fun at a Progressive Agriculture Safety Day in Petitcodiac.

Influencing the next generation of workers

2017 was a great year for WorkSafeNB's youth initiatives, with a national video contest winner, the expansion of our successful Safety Days initiative, the launch of our Let's Talk Safety Campaign, and our sponsorship of the AMAZEatorium.

A few of our youth initiatives included:

The AMAZEatorium in Saint John

This event is a fun and interactive fair boasting approximately 3,500 attendees each year. We also provided a hands-on collection of familiar personal protective equipment (PPE) like bike helmets and safety boots, and asked kids to consider things like fit and appropriateness.

Focus on youth video contest

Riverview High School student Zach MacMillan-Kenney's winning entry in the 2017 contest, sponsored by WorkSafeNB and CCOHS, also won top prize in the national edition of the contest.

Progressive Agriculture Safety Days

More than 1,800 Grade 4 and 5 students participated in interactive safety sessions at Progressive Agriculture Safety Days around the province. In 2017, we grew our Safety Days from two host locations within New Brunswick to four. In 2018, we plan to further expand the safety days from four host locations to six communities - Petitcodiac, Grand Falls, Florenceville, Petit-Rocher, Bouctouche and Rothesay.

Youth Health and Safety Leadership Conference

High school students in Greater Moncton participated in two days of presentations led by occupational health and safety and leadership experts. Topics included: Young Worker Rights, Workplace Hazards Identification, Ergonomics, Resiliency, The Benefits of Nature, Safety in Sports & Recreation, and Noise-Induced Hearing Loss.

Safety Leadership Pilot

At WorkSafeNB, prevention activities have historically been tied to legislative requirements. For example, if the legislation says training is required to sit on a JHSC, we would create the course and deliver it to New Brunswickers.

That made our education work largely skills-based.

In 2014 our board asked – what else can we do?

At the time, Nancy Boutcher, WorkSafeNB's assistant director of Safety Leadership, was researching the connection between a productive workplace safety culture and a company's leaders.

"Leaders are responsible for creating an organization's culture," Nancy said. "Research has shown that leaders who do safety well have certain characteristics, and those characteristics can be taught."

Nancy uncovered two schools of thought on how to do just that, and embarked on a pilot program to determine which approach would be the best fit for New Brunswick.



Nancy Boutcher is passionate about leadership and health and safety. Her understanding of building a safe work culture will help support and create healthy and safe workplaces throughout New Brunswick.

SAFETY HIGHLIGHTS

The first approach to be piloted was a program called **SAFER Leadership**, developed by two Atlantic Canadian researchers. It involved a half-day training session, followed by three months of coaching.

Boutcher enlisted a group of nursing homes to participate in round one of the pilot. When complete, the group was surveyed, and their feedback incorporated into a second round, that was launched with another group of nursing homes in 2017. Results from this pilot are expected in Q2 2018.

The second approach to be piloted is the **Safe Align** program, that includes four workshops for company leaders, and coaching for a steering committee tasked with weaving their learnings into the business.

For this pilot, Boutcher enlisted seven organizations representing a wide cross-section of the province's industrial sectors. The group quickly dug into work on governance, establishing their safety vision, developing key performance indicators, and maintaining momentum.

"Targeting leaders is a big shift in our thinking. We're moving from addressing safety on a purely tactical, skills-based playing field, to addressing it on a strategic level, which has the potential to have a powerful impact on New Brunswick workplaces," Boutcher said.

WorkSafeNB has never targeted senior leaders before.

"I was working with a president at one of our pilot businesses to develop the list of people who should come to the first workshop, and he asked: 'What about the front line staff? Should they come to the workshop?'"

The answer was no.

"These programs are not about imparting knowledge or creating another set of procedures. We've done a lot of that, and accidents are still happening. This is leadership training. It's about taking strategic steps to create a culture of safety. This is the work of decision-makers. It's a whole new group for us to be speaking with, which is exciting," she said.

The pilot's second workshop phase will be complete in Q2 2018.



Safety Star Awards

Safety Educator awards are part of our Safety Star program. The first award was given to Lindsay Savoie, a Grade 2 teacher from Champlain Heights School in Saint John, for her work promoting allergy awareness. The second award was given to a team of eight educators from École l'Odyssee in Moncton, for their efforts to improve safety in their school's trade workshops.



Serge Leblanc accepts 2017 Safety Educator Award on behalf of École l'Odyssee in Moncton.



Lindsay Savoie, a Grade 2 teacher from Champlain Heights School in Saint John, accepts her award.

SUSTAINABILITY

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



John Hurley, our senior investment analyst, speaking with Michael MacFarlane, our treasury manager.

In a world focused on short-term gains, maintaining a long-term view can be challenging, especially when we must balance the needs of workers with those of employers—two groups with often competing needs. This balancing act is further challenged by the fundamental changes to the workers' compensation system in the last two years, resulting in significant costs.

Since 2013, claim costs have increased by 185%. This increase is largely the result of policy changes affecting benefit levels, and standards of evidence affecting both claim acceptance and claim closures, especially in relation to soft tissue injuries. An increase in complex claims and in hearing loss claims have also impacted overall claim costs.

SUSTAINABILITY

In 2017, payments to injured workers or third parties on their behalf totalled \$212.1 million, a 12.2% increase from 2016 payments of \$189 million. When comparing the rolling three-month average of benefit payments, the dollar amount has spiked from \$6.2 million per month to just under \$10 million per month between early 2015 and end of year 2017. The accelerated increase began in early 2016,

In 2013, the average total payment per workplace injury was \$8,600. In 2017, that average increased to \$14,200.

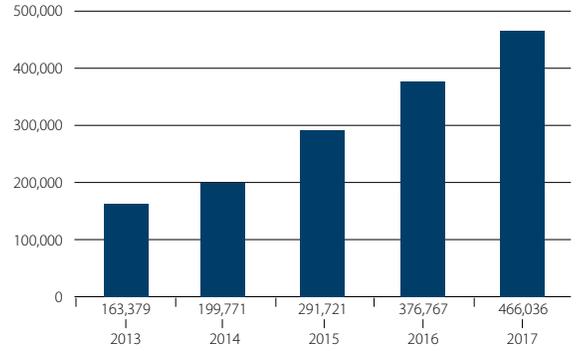
following legislative changes in 2015. The increase is mainly the result of longer-lasting claims and increased frequency related to soft tissue injuries and hearing loss.

When it comes to hearing loss, the increased frequency is driving a significant jump in both payments and liabilities. Hearing claim liabilities

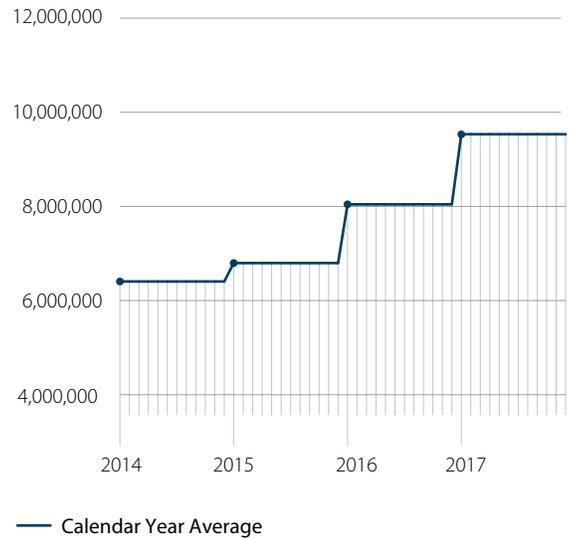
increased by \$161 million between 2015 and 2017. Payments related to hearing aids have steadily increased over the years, due to a sharp increase in the number of accepted claims. In 2013, payments for hearing aids totalled just over \$6 million, and in 2017 these payments had steadily risen to \$11.6 million.

The effect of rapidly increasing claims for hearing loss was offset by securing a purchasing agreement for hearing aids. By partnering with our counterparts in Newfoundland and P.E.I., we were able to significantly reduce the cost per hearing aid; however, the number of claims accepted for hearing loss continues to increase rapidly from 5,821 in 2015 to 6,512 in 2016, and 8,057 in 2017.

Claim costs incurred for existing claims including future costs (\$000s)



Benefit Payments 2014-2017



SUSTAINABILITY TARGETS & RESULTS

Target ► 110% funded liability.

WorkSafeNB's funded position as at December 31, 2017 was 102.2%.

To minimize the increase in the assessment rate for 2018, the board of directors suspended the 110% funding target for one year only, lowering the target set out in policy to 100% for 2018 rate-setting. The revised policy resulted in a \$0.23 reduction in the 2018 average provisional assessment rate, moving it from a projected \$1.93 to \$1.70.

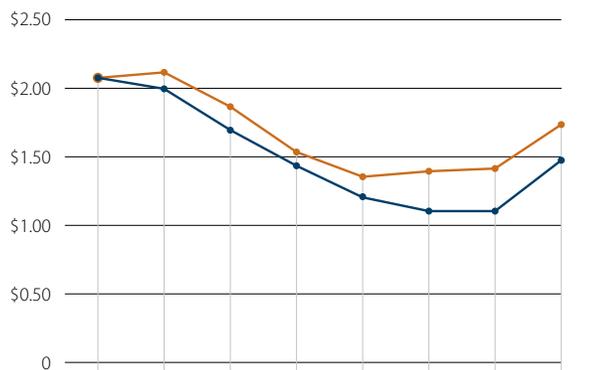
Over the last five years, investment income has exceeded the long-term expected return by over \$159 million. For the nine-year period ending December 31, 2017, our investment portfolio returned an average of 9.88% per year.

Our investment returns play a significant role in supporting the system's sustainability. If over the course of the last seven years, our portfolio had only performed at the assumed return, the average assessment rate for that same time period would have been much higher. We are pleased our portfolio has performed well over time, allowing us to reduce rates accordingly.

Funding History and Assessment Rates



Provisional Average Rates with Actual Investment Returns and with Assumed Investment Returns



	2010	2011	2012	2013	2014	2015	2016	2017
Actual Investment Returns	\$2.08	\$2.00	\$1.70	\$1.44	\$1.21	\$1.11	\$1.11	\$1.48
Assumed Investment Returns	\$2.08	\$2.12	\$1.87	\$1.54	\$1.36	\$1.40	\$1.42	\$1.74
Change		\$0.12	\$0.17	\$0.10	\$0.15	\$0.29	\$0.31	\$0.26

Assumptions

- We recalculated rates from 2011 onward (using year-end 2009 onward) to better illustrate the impact of positive returns after the 2008 year-end.
- Investment income was revised to reflect assumed full year rate of return on recalculated investments at start of year +/- half the assumed return on the contribution/drawdown.
- Additional revenue that would have been generated by the higher recalculated rates under this scenario was considered a contribution to the fund.
- Additional board provisions for rate stability included in the 2010-2013 rates were maintained.
- For 2018, the 100% target over eight years was maintained.

SUSTAINABILITY TARGETS & RESULTS

Investments

At the end of 2017, investments held to meet future benefit obligations for past injuries totalled \$1.4 billion.

Performance Objective

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

Four years ended December 31	2013	2014	2015	2016	2017
WorkSafeNB	9.9%	9.3%	9.8%	9.3%	7.9%
Real Return Objective¹	5.7%	5.5%	5.3%	5.4%	5.5%
Value in millions	\$405.0	\$415.9	\$446.7	\$440.7	\$397.1

¹As of December 31, 2015, the Real Return Objective is CPI + 3.75%. Prior to this, the objective was CPI + 4.00%.

The board is aware of the continued pressure on the system and is committed to supporting its sustainability through our investments. In 2017, the board hired an independent third party to review our current investment management model and look at alternatives. The findings will inform our next steps in ensuring long-term lasting investments.

SUSTAINABILITY HIGHLIGHTS

Workers' Compensation Appeals Tribunal (WCAT) attendance pilot

In 2017, we launched a pilot project to ensure WorkSafeNB has representation at the majority of WCAT hearings. With increased presence, WorkSafeNB is providing more detailed explanations of the decisions rendered in accordance with our policies and the *Workers' Compensation Act*. As a result, decisions being overturned by the WCAT have decreased by 18%.

Recoveries from third parties and risk management

In 2017, we saw \$311,234 in claim cost recoveries from third parties. Our fraud and risk team additionally succeeded in avoiding \$505,372.89 in fraudulent claim payments.

Legislative recommendations to strengthen sustainability

WorkSafeNB's legislative recommendations, contained in our submission to the Ministerial Task Force, focused strongly on restoring system sustainability and striking the right balance for a fair and equitable system. With this focus, the board's 33 recommendations addressed specific topics such as deference given to board policy, retroactivity of WCAT decisions, managing non-compensable conditions, and benefit levels. In addition, to provide certainty throughout the legislation, the board recommended that legislation define the system's overall purpose. We look forward to reviewing the Task Force's report and working together to support a sustainable and fair workers' compensation system.

STEWARDSHIP

We will demonstrate transparency, accountability and commitment to our stakeholders through disciplined governance practices and responsible stewardship of the system.



Mike McGovern is our corporate secretary and general counsel. His expertise and guidance is invaluable to our organization and board of directors.

Good governance is the corner stone of any successful system responsible for meeting the needs of its clients while ensuring sustainability. Sound decision-making and processes are especially critical during significant transitions such as the one we are experiencing. These changes are providing our organization an opportunity to review our processes and systems to ensure an effective system for years to come. Supported by strong and transparent leadership, our board of directors will set the direction of our organization and ensure that we are able to meet the needs of our clients and that of our ever-changing system.

As a Crown corporation we are accountable – both from a financial and a legislative perspective – to the stakeholders who are invested in the system. We are committed to continuing to improve our governance practices and look forward to acting on the recommendations by both the Auditor General and the Ministerial Task Force in 2018 for the benefit of all stakeholders and the system.

STEWARDSHIP TARGETS & RESULTS

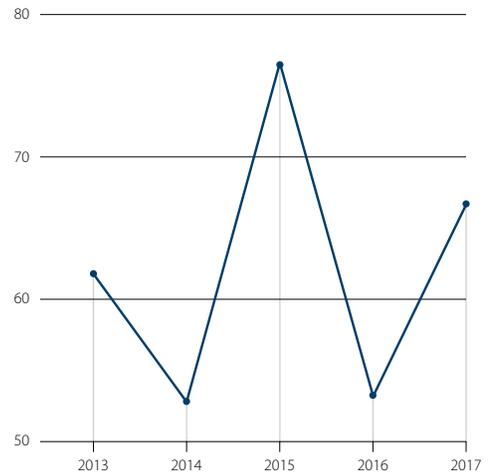
Target ► **By 2019, the board of directors' governance index score will meet or exceed 80%.**

The governance index reports the board's results for decision-making, engagement and board self-evaluation.

Over the past five years, the governance index has improved by 9%.

In addition to the index score, the board advanced its top three priorities to support its stewardship goal. The first two priorities were outwardly focused and included improving engagement by establishing regular meetings with stakeholders to discuss the workers' compensation system, and participating in both reviews by the Office of the Auditor General and the Ministerial Task Force. The board's third priority was inwardly focused – implementing a number of new governance best practices such as a review of their committee structure and improved transparency and accountability initiatives – both of which will support the evolution and enhancement of their governance model.

Governance Index Score



STEWARDSHIP HIGHLIGHTS

Balancing decisions

Our board follows a disciplined legislative and policy decision-making process when considering most recommendations 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; takes into account the entire range of benefits already available; considers how to pay for the benefit improvements; and, adheres to the founding principles of the workers' compensation system. In 2017, WorkSafeNB approved 40 policies related to expenses, benefits and legislation.

Governance Audit

Following an initial scoping phase, the Office of the Auditor General opted to audit two areas of WorkSafeNB – one of these was governance. The objective of the governance audit is to determine if WorkSafeNB's governance framework is structured to enable the organization to meet its mandate, goals and objectives. The results of this review are expected to be tabled in mid-2018 and WorkSafeNB looks forward to the recommendations.

compensation and expenses on our website. In 2018, we will share even more information with our stakeholders, such as board of directors' meeting minutes and staff salaries and expenses.

Continued professional development to support good governance

WorkSafeNB's board of directors is committed to continuous improvement and, as such, professional development for board members is not only encouraged but is an integral part of the governance index calculation.

WorkSafeNB, in partnership with the Association of Workers' Compensation Boards of Canada (AWCBC), hosted the 2017 AWCBC Governance Summit in New Brunswick in June 2017. This yearly summit brings together directors of the workers' compensation boards throughout Canada to discuss the continually evolving challenges and emerging issues workers' compensation boards in Canada face, and ways to address them.

Governance oversight through committees

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 contributing to the success of our seven strategic goals:

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

In addition to these long standing committees, in 2017 the board undertook a comprehensive review of its committee structure. Through this review, the board approved the establishment of an Audit Committee and a Human Resources Evaluation Committee. These committees will begin meeting in 2018.

The board will undertake a complete governance review in 2018 that will further focus on committee structure and effectiveness. The review will also identify where and when the Auditor General's recommendations, when made available, will be implemented.



AWCBC Governance Summit keynote speaker, Kevin Vickers, speaks of his 29 years working with first responders and the mental health challenges faced by those who keep us safe.

Transparency a priority

For WorkSafeNB, stewardship means being transparent about our work and the costs associated with getting it done.

To keep our stakeholders regularly informed, we post online quarterly reports on our financial statements and our progress toward achieving our goals. In addition, in 2017 our board of directors decided to post information on its

SERVICE

We will create a client-centred service experience for each person we serve.



Case managers like Krista Hartery are vital to helping us make the client our priority.

We live in a rapidly changing world, one in which expectations of service excellence continue to increase. We know WorkSafeNB's ability to keep pace with the service changes all around us has not been optimal. This awareness prompted us to take a hard look at our approaches, with an eye to finding areas where we could improve to adjust to this ever-changing environment.

With a desire to become more agile and responsive to today's environment, WorkSafeNB launched the *Client Experience Improvement Roadmap in 2017*.

The roadmap is a five-year plan with the goal of moving WorkSafeNB toward a client-centred culture that consistently delivers an exceptional service experience for our clients: workers, employers and service providers. This approach also closely supports our core value:

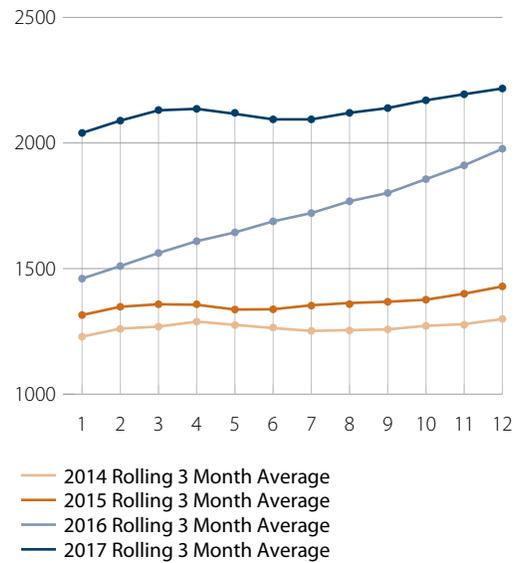
Our client is the priority.

SERVICE TARGETS & RESULTS

In 2017, while we undertook a number of service initiatives to best serve our clients, the increased caseload presented a challenge. Because claims are staying open longer, compounded by an increase in the acceptance rate, caseloads have increased 52% between the beginning of January 2016 and December 2017, resulting in exceptionally demanding workloads for front-line staff.

A comprehensive process is underway to ensure that we continue to meet our clients' needs, by identifying efficiencies and reducing costs, while managing the higher claim volume.

Month-End LT Caseload 2014-2017



Target ► **By 2019, worker and employer satisfaction with service delivery will meet or exceed 80%.**

While we have collected information on how we were meeting our clients' expectations for more than 15 years, in 2015, the Privacy Commissioner (now the Integrity Commissioner), informed us that we needed to collect our information differently – putting in place better controls to guarantee privacy. We are committed to the highest standards in protecting our clients' private information and, as such, followed this direction and began exploring alternatives.

After working with the Integrity Commissioner, we received the green-light to resume our client satisfaction surveys in 2018. We look forward to once again receiving the detailed feedback that informs our work and improvement initiatives.

Despite not being able to complete the service delivery survey for 2015-2017, WorkSafeNB continues to gather client feedback through our quarterly stakeholder engagement sessions, exit surveys from the WRC, the Standing Committee on Construction, the Injured Workers Advisory Committee, as well as through our affiliation with safety associations in the construction, sawmill and nursing home industries.

SERVICE HIGHLIGHTS

MyServices: facilitating timely communications and services for clients

In 2017, we looked to technology to support our client experience and to increase the timeliness of our online services. Our new tool makes it easier for workers, employers

MyServices

and health care providers to do business with us by providing convenient and timely 24/7

online and mobile access to services they need. MyServices offers convenient, easy-to-use and secure online services, and allows clients to communicate with WorkSafeNB through the portal's secure email. Clients can now be notified on mobile devices when new information on their account becomes available.

Issues Resolution Office (IRO) makes good on its name



The Issues Resolution Office team (left to right, back row) Adèle Green, internal review specialist; Florence Flower, client service specialist; Grace Samson, internal review specialist; Robyn Gardner Losier, internal review specialist, (front row) Rebecca Bonnell Conners, internal review specialist; Tim MacFarlane, manager, IRO; Stephanie Allport, administrator.

Our IRO is an extension of our client-focused service model. It is designed to quickly listen to and resolve complaints from injured workers.

The review process is very accessible; the office reaches out to clients and begins a conversation regarding their concerns. Reviews are usually completed within two weeks of assignment. Of the complaints brought forward regarding claim decisions, the IRO made adjustments to 50% of these claim decisions.

The IRO has also developed strong working relationships with workers advocates, WCAT staff, and staff of the NB Ombud's office. The IRO has proven to be an efficient, client-focused addition to the issues resolution process; it provides our clients with a user-friendly option and also

decreases the burden on both the WCAT and the Office of the Ombud. Service complaints made to the Ombud's office by WorkSafeNB clients decreased by 55% in the first year of the IRO's operation.

Effective complaint handling

In 2017, we developed an evidence-based complaint management model that clearly identifies the process for handling complaints at all levels of the organization. We also put in place a feedback loop to ensure that we are following up on the complaint with the client and front-line staff. By sharing the outcomes of the process, staff and management are learning and, where appropriate, incorporating the feedback.

This new model will ensure consistencies in our complaint handling processes and how we resolve these concerns to improve our service.

Improved service delivery in claim adjudication

For many injured workers, our adjudication team is often their first contact with WorkSafeNB. The service delivery here is critical to ensuring our clients are satisfied every step of the way. In 2017, the team realigned its resources to ensure that we continue to meet the turnaround time for claims while the claim frequency continues to increase.

We also improved our technology in adjudication to speed up the process for claims with outstanding documentation and automated benefit calculations that were once done manually – saving nearly 20 days per year of staff time. All these time and cost savings are being redirected to letting us better serve our clients.

We're committed to providing services through a variety of channels. In 2017, over 10,000 of the 14,716 assessed employers in New Brunswick filed their Form 100s online.

SERVICE HIGHLIGHTS



new technology to further enhance business intelligence, giving stakeholders the information they need even faster and easier.

Client Journey Mapping

To deliver quality client-centred service, we first need to understand what our clients need, and then exceed these expectations. In 2017, WorkSafeNB engaged in work to better understand the experiences of our workers, employers and service providers – from their perspectives. We spent time mapping the worker experience as they navigate the workers' compensation system, and developed general personality profiles to better understand our varied clients.

Client journey mapping helps to highlight gaps or shortcomings and where the organization can improve to meet our clients' needs and expectations. It is a process to ensure the focus is on the client.

After reviewing all information, we identified key themes that can enhance our services, such as the importance of the personal touch in interactions and communications, providing more consistency in our service processes, and enhancing the ways that we communicate with all of our clients.

The knowledge gained from this process will help us achieve our goal of providing the highest quality client-centred service. We look forward to implementing some of our findings in 2018.

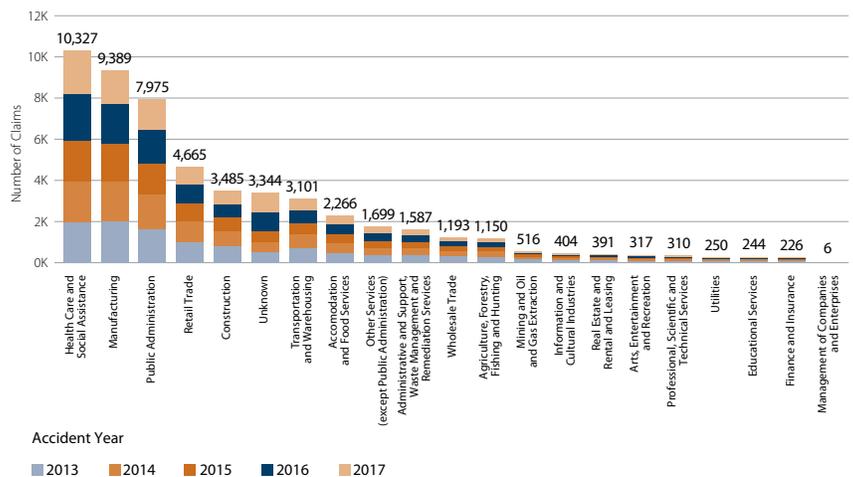
Systems analyst, Jill Hawker, helps support MyService as part of our IT team.

Data sharing and transparency

Transparency is a key component to helping us achieve our service goal, and we prioritize data collection and reporting in all aspects of our work. Early in 2017, our stakeholders requested easier access to workers' compensation system data.

In response to this request, we began building on our business intelligence, allowing stakeholders "one-click access" to statistics related to claims, injuries, assessments and appeals. We are also exploring

Number of claims accepted and eligible for benefits by industrial sector



SUPPORT

We will support workers in recovering from workplace injuries and support employers experiencing the impacts of workplace injuries.



Eileen Keating is the manager of Work Recovery at the WorkSafeNB's Rehabilitation Centre in Grand Bay-Westfield. In the last 40 years, the centre has supported more than 24,000 New Brunswick workers in returning to well.

Work is good for you and your family. This basic fact drives our efforts to support safe and timely return to work of injured workers. Returning to work helps workers stay active and renews a sense of purpose. It also provides financial stability. Working is good for physical and mental health, and, in fact, it often helps speed healing.

Employers also benefit from return-to-work programs as they keep productivity loss to a minimum, keep a skilled and experienced worker, reduce the costs of recruiting new talent, and reduce claim costs that, in turn, can reduce assessment premiums.

SUPPORT TARGETS & RESULTS

WorkSafeNB supports a sustainable, client-centred recovery model for injured workers by providing financial benefits, medical aid, and first-rate rehabilitation services, when required. We also support employers with establishing disability management and prevention programs, modified work duties, and return-to-work programs and accommodation.

Focusing on the client and keeping the worker connected to their workplace is integral to successful case management and rehabilitation. When possible, we aim to treat clients while they remain at work and minimize the time they are away from their workplace and colleagues. We adopted this focus based on medical evidence that recovering while at work is the healthiest option for most people with work-related injuries. However, making safe sustainable work arrangements for recovering workers takes teamwork. Workers, employers, and health care providers all have important contributions to make to shift the focus from what a person can't do to what they can do at the workplace.

Target

In 2017, we identified measures to help us determine our success in supporting both workers and employers impacted by workplace injuries.

The measures below will serve as our benchmark and will inform the 2019 target.

- **Claim duration**
- **Rate of workers working at claim closure for all lost-time claims**
- **Worker support questionnaire**

Claim duration – Lost-time claims closed with a return-to-work goal

Measure	2013	2014	2015	2016	2017
Duration: Average days lost (not approved)	51.3	50.5	58.4	57.4	64.7

The above data represents the average duration of claims with a return to work goal and is calculated once the claim is closed. As the data indicates, claim duration has increased by nearly 13% between 2016 and 2017.

The average duration for open claims is much longer – 238.8 days in 2017. This is partly due to changes in policy and practice, making it more challenging to return injured workers to work when personal conditions are the primary barrier to returning to work. Changes in the decision-making authority within the system have fundamentally broadened the system, creating an environment where claims are lasting much longer, caseloads have increased significantly and WorkSafeNB is managing much more than work-related injuries.

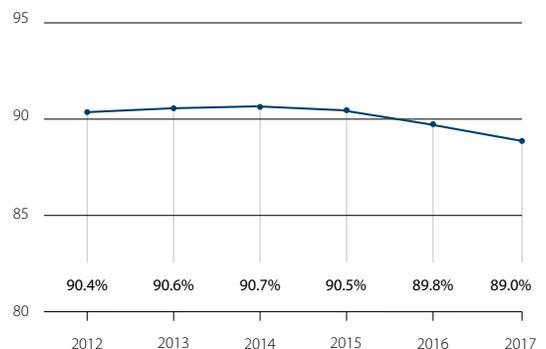
Rate of workers working at claim closure for all lost-time claims

The percentage of lost-time clients working at claim closure has remained steady over the last five years. In 2017, 89% (3,695 clients) had returned to work when their claim was closed.

Percent of lost-time clients working at claim closure

Of those working, 98.8% were still working three months later. With our increased focus on supporting return-to-work and early return-to-work, we look forward to seeing growth in the number of workers who are back on the job at claim closure.

All Lost-time Claims
(percent working at claim closure)



SUPPORT TARGETS & RESULTS

Worker and employer satisfaction with support services, 2017

To better understand the clients' satisfaction with our level of support, we surveyed workers and employers who had recently experienced a claim.

Worker Satisfaction with support services

You were listened to.	You were treated fairly.	You were treated with understanding.	Staff explained things to you well.	You were informed of the benefits that were available to you.	Staff co-ordinated the right treatment you needed to get better.	Staff co-ordinated the right treatment you needed to return to work.
82.6%	85.2%	84.2%	82.3%	79.4%	79.4%	81.3%

Employer Satisfaction with support services

Staff provided you with sufficient information on your employee's progress with respect to returning to work.	Staff assisted in modified return to work for your employee.	Staff facilitated medical and rehabilitation services to help in your employee's recovery.	Staff co-ordinated and supported the return to work process.	Staff answered your questions or concerns.
65.6%	61.0%	65.6%	69.5%	71.4%

This information helped us understand our clients' needs and establish priorities for improvement. When injured workers can quickly return to safe and productive work based on their post-injury abilities, workers, their families and employers all benefit positively.

Employers told us that they need help with creating modified jobs and that they need more assistance from WorkSafeNB to manage recovery and return to work. To help with this, in 2017, we encouraged more employers to join our direct access physiotherapy initiatives, which speed up access to treatment for injured workers with soft tissue injuries. In 2018, we will launch a disability management initiative to support employers in developing their own disability management and we will continue to work with both employers and workers to improve the support services satisfaction results.

SUPPORT HIGHLIGHTS

Supporting early return to work

In 2017, we identified a number of strategies to support early return to work, when possible. These include: expanding our program for direct referral to physiotherapy to more workplaces; developing a disability management program to help employers promote earlier return to work and stay at work; establishing a working group with New Brunswick physicians, key partners in early and safe return to work; and, communicating adjudication decisions earlier to facilitate treatment and return to work.

Developing processes to support decision-making

To support a fair and equal system, we focused on enhancing our decision-making process. Two key initiatives for this project include providing nationally-recognized training for all case managers and adjudicators in administrative justice. Administrative justice is a best practice that focuses on interpreting legislation, writing decisions, and communicating those decisions with clients. In parallel with this training, we developed tools to ensure that the same sets of facts of a claim are treated the same way for consistent decision-making.

Claims management audit

As noted, following an initial scoping phase, the Office of the Auditor General opted to audit two areas of WorkSafeNB, one of which is claims management. The purpose of the claims management audit is to determine if our current framework is effective. We look forward to the recommendations arising from this audit in the fall of 2019.

Working to Well

Atlantic Canadians injured on the job tend to take longer to return to work than those living in other parts of the country. In 2017, to further assist workers as they recover, we teamed

up with other Atlantic Canadian jurisdictions to launch a region-wide campaign called *Working to Well*. The campaign aims to reduce the human and financial cost of workplace injuries by:

- Promoting active participation in return-to-work plans
- Helping injured

- workers stay connected to the workplace following an injury
- Facilitating a team effort in recovery

Making a difference, one injured worker at a time

The WorkSafeNB Rehabilitation Centre (WRC) continues to be a world-class, not-for-profit rehabilitation facility located in Grand Bay-Westfield, focused on helping injured workers who have complex injuries and require a specialized treatment approach. The centre is accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF International), which is recognized as the international gold standard for treatment. 2017 marked the WRC's 40th anniversary. In the last 40 years, the WRC helped more than 24,000 New Brunswick workers recover from workplace injuries.

In 2017, the WRC treated 531 injured workers who were living with their injuries for an average of 592 days before being admitted to the program. In virtually all of these cases, the treatments injured workers underwent in their hometowns or regions were not successful in helping them return to work. In these complex cases, a different approach is needed. The WRC's approach is aimed at addressing both the physical and the mental aspects of their injury through a multi-disciplinary team approach.

Injured workers attending the WRC have access to occupational therapy, physiotherapy, a physician, as well as the support of a social worker and a psychologist, if needed. This team approach allows treatment to focus on the whole person, which is a major difference when compared to other treatments injured workers have experienced.

The WRC remains on the leading edge of treatment for individuals with complex conditions and proof of their success is in the data. Of the 531 injured workers treated in 2017, 405 (76.2%) of them either returned to work or were able to return to work following treatment at the WRC.

Michael Bewsher, program manager of the WRC, believes that the WRC "is a special place both to work and to receive treatment. The multidisciplinary treatment we offer allows both staff and injured workers to develop a real understanding of the complex issues at hand, as they aim to help people address their injury and move forward. The professional and thoughtful care that the WRC staff provide not only helps people in their efforts to return to work but it helps in their getting back to life."

In 2017, the percentage of lost-time clients returning to their pre-accident job was 82.05%, representing 3,406 claims.



SUPPORT HIGHLIGHTS



An aerial shot of our rehabilitation centre in Grand Bay-Westfield.

The majority of people treated at the centre feel they have done exactly that. Satisfaction surveys provided to injured workers in 2017 showed that 88% of respondents reported they were “very satisfied” or “satisfied” with the help they received from the treatment teams. The consistently high satisfaction rates over many years are a source of great pride for the WRC staff. Many success stories show how the WRC changes people’s lives. One of these stories is Laurie Hutchings’s.

Providing the best medical aid

In 2017, WorkSafeNB introduced a policy outlining when WorkSafeNB may pay for medical cannabis to treat a workplace injury. This is an example of WorkSafeNB leading the way in supporting our workers by providing the best treatment as they recover from injury. The science on the benefits of cannabis as medical aid is still emerging, but we do know that medical cannabis is an effective treatment option for conditions such as cancer, central nervous system injuries including muscle spasms, and for chronic neuropathic pain. It can also be used as a harm reduction strategy specifically designed to reduce the need for opioids. Our chief medical officer, Dr. Paul Atkinson, outlines how our policy for medical cannabis will best support our injured workers:

“We will balance effective treatment against safety issues, such as impairment level. We have approved only one type of medical cannabis for use in New Brunswick, and limited it to products containing less than 1% tetrahydrocannabinol (THC), focusing instead on products containing cannabidiol (CBD), a cannabis compound that offers significant medical benefits without the psychoactive side effects.”

Injured worker profile: Laurie Hutchings

I work as a cook at the Kingsway Care Centre in Quispamsis.

In the fall of 2017 I had an MRI that revealed a ligament tear in my shoulder, and my doctor told me I needed to go to the WRC.



Laurie Hutchings successfully returned to work after being referred to the WRC for more comprehensive rehabilitation for a ligament tear in her shoulder.

In 2016, I experienced a repetitive injury and needed surgery on my wrist. After surgery, I got back to my duties in the spring of 2017.

Then I injured my shoulder on the same arm. The pain didn’t get any better over time, and eventually I wasn’t sleeping. I wasn’t able to do my job, and it was really getting me down. My employer was accommodating, putting me on modified duties, but I found it wasn’t helpful because I didn’t have the

kind of guidance I needed to get better. I really felt like I wasn’t accomplishing anything, and I’m the sort of person who likes to put in a good day’s work.

It was depressing.

I was intimidated to go, but I have to tell you my experience there was amazing. The people at the WRC are so great, and you have a whole team around you. Everyone was non-judgmental and very helpful.

It made all the difference to be doing an exercise and be able to talk to a physio about what I was feeling. Getting professional feedback and recommendations right away was wonderful. That kind of support had a huge positive impact on my healing.

My team really made me feel like they were my friends – they were invested in helping me get better. Since I’m a cook, I would get into the cafeteria in the afternoons and bake something. People would come from all over the centre to see what I was making. It was really fun.

I spent seven weeks at the WRC at the end of 2017, and then I did a gradual return to work. Someone was there to support me, and I was able to get back into the swing of things right away.

My burden is lifted, and I’m very grateful to be able to be productive at work again.

STAKEHOLDER ENGAGEMENT

We will engage our stakeholders in meaningful dialogue, relationships, partnerships and decision-making to ensure a sustainable workplace health, safety and compensation system.



Chad Humphries is our stakeholder engagement and business lead. He is our link to a number of partners, such as the construction industry.

Stakeholder engagement is a new goal the board adopted in 2017. This goal aligns with our core value of making the client our priority. We believe the system belongs to New Brunswick's workers and employers and, as such, they must help shape it. We need to hear from these stakeholders to create a system that best suits their needs.

WorkSafeNB applies a whole-organization approach to establishing and maintaining relationships with stakeholders by engaging in activities at every level, from the board of directors to client-facing staff.

In 2017, our focus on stakeholder engagement was visible everywhere, from our enhanced online policy consultations to public meetings discussing challenges and opportunities. Through these activities, we learned of the needs of those who own the system and we sought to gain input to improve our decision-making. Despite the challenges faced in 2017, WorkSafeNB was energized by this process and we continue to focus our energies on how we can include our stakeholders' feedback in the way we do things.

STAKEHOLDER ENGAGEMENT TARGETS & RESULTS

Target ► **This year is a benchmark year for our stakeholder engagement goal. While we have established three measures – stakeholder confidence in WorkSafeNB, stakeholder perceptions of balance, and the quantity of stakeholder feedback in our decisions – by reviewing this year’s results we will establish a target moving forward.**

In 2017, we surveyed random groups of employers and workers to gauge their views on two of three measures – stakeholder confidence and their perception of balance in the system:

Measure	2017 Result
Stakeholder confidence: (focused on WorkSafeNB’s management and services and ability to fulfill its vision of promoting healthy and safe workplaces in New Brunswick)	79% – Workers 80% – Employers
Stakeholder perception of the balance of the interest of workers and employers	73% – Workers 69% – Employers

The third measure relates to tracking the percentage of board decisions, both in policy and legislation, where we sought stakeholder feedback. This measure is key in determining to what extent we are applying what we are hearing from our stakeholders to policies and legislative amendments that will shape the system moving forward. It is our way of holding ourselves accountable to representing our stakeholders’ needs.

Measure	2017 Result
Number of policy and legislative decisions rendered by WorkSafeNB’s board that incorporated stakeholder feedback	88%

WorkSafeNB’s chief medical officer, Dr. Paul Atkinson, speaking at the December 13 stakeholder session on return-to-work programs.



STAKEHOLDER ENGAGEMENT HIGHLIGHTS

We're listening

In 2017, WorkSafeNB renewed its focus on stakeholder relations by hosting face-to-face stakeholder meetings around the province. Not only were these meetings a chance for WorkSafeNB and our clients to better understand each other, but they allowed worker and employer groups to hear from each other as well.

The first meetings, held in April and June, outlined factors that had a significant impact on claim costs, funding levels, and assessment rates. In September, we met with stakeholders to explain the difficult decision to increase the average assessment rate for 2018. Finally in December, we met to discuss claim duration and return to work programs that benefit workers and employers, an area where we believe we can improve and reduce costs.

Enhanced policy consultations

WorkSafeNB regularly consults on proposed new policies and policies under review. In 2017, we looked at how we could do better at seeking feedback from interested stakeholders and topic experts. We enhanced our online access to the consultations and increased our solicitation for feedback through targeted emails and promotion through our social media channels.

In addition to improved online tools, WorkSafeNB has committed to engaging key stakeholders in policy decisions through forums, face-to-face meetings and ad-hoc committees. For example, in 2017, as WorkSafeNB was developing a policy related to cannabis as medical aid to treat workplace injuries, we reached out to licensed producers, workers, employers, government and our counterparts across the country, as well as more than 6,000 medical professionals. This active engagement led to a policy we are confident meets our clients' needs.

Collaborating with our Atlantic counterparts for legislative harmonization

In 2016, in response to employer requests to reduce commercial barriers and improve labour and trade mobility among the Atlantic provinces, the Council of Atlantic Premiers gave all four provinces a mandate to mutually recognize or harmonize safety requirements across jurisdictions, wherever possible.

For occupational health and safety (OHS), the issue facing employers is that both personal protective equipment (PPE) and safety training regulations vary from jurisdiction to jurisdiction.

From a business owner's perspective, the reality is this: in New Brunswick, a worker's boots must comply with Canadian Standards Association (CSA) 1992 or equivalent – but in Nova Scotia, those boots must comply with the most recent CSA standard. If that employer has a worker travelling to job sites in both provinces, does that worker really require two different types of work boots?

In an effort to find common ground, the four provinces have each provided a representative to form an Atlantic working group that is examining each topic's legislative requirements and is making recommendations for harmonization.

OHS legislative harmonization is happening on the national stage as well. WorkSafeNB's chief compliance officer sits on the Occupational Safety and Health Committee of the Canadian Association of Administrators of Labour Legislation (CAALL). This organization has asked CCOHS to facilitate the national harmonization process – providing analysis, finding common ground, and proposing a strategy for harmonization that is evaluated, discussed and voted upon.

When looking at the workers' compensation side of things, the premiers identified that the use of the Canada Revenue Agency (CRA) "One Business, One Number" system would benefit all jurisdictions. Use of this system would mean that the CRA employer number would be used in all workers' compensation boards as an employer identifier, streamlining employer registration for compensation coverage across Atlantic Canada.

Advancing safety in the construction industry

WorkSafeNB works closely with building trades to promote safety excellence which is why, in 2017, our board created a Standing Advisory Committee on Construction-Related Issues. The Standing Advisory Committee is a partnership with New Brunswick's building construction industries, as well as the road building and heavy construction industries. The aim is to improve WorkSafeNB's programs and services and to ensure participants understand and support WorkSafeNB's legislative proposals through two-way dialogue.

When a need is identified, whether it's related to safety, compensation or return to work, our board turns to this committee to relay the latest information and developments concerning approved changes in legislation, policies and programs to our stakeholders.

Meaningful stakeholder engagement is an ongoing focus for our board. We are always seeking new perspectives, particularly from the individuals who live and breathe the work each day.

STAFF ENGAGEMENT

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



Jeanne Richard is an enquiry clerk at our head office in Saint John. Ensuring that our staff are engaged and valued is key to ensuring a happy and kind workforce that provides excellent service.

Our WorkSafeNB team consists of dedicated and passionate professionals who are committed to improving the lives of New Brunswick's workers and employers. While the pace is fast and challenging, it is rewarding.

We continually review and look for ways to enhance the WorkSafeNB employee experience and improve engagement. In 2017, we implemented a number of initiatives to support our staff and build their capacity. We piloted remote work, further enhancing our flexible work offerings. We also focused on building our safety leadership culture through training and governance. With leading by example in mind, our leadership team has prioritized engaging with colleagues one-on-one to support a collaborative work environment and build trust.

STAFF ENGAGEMENT TARGETS & RESULTS



By 2019, the staff engagement survey results will meet or exceed 60%.

2015 – 47.4% | 2016 – 52.4% | 2017 – 48%

A variety of factors faced throughout the year created uncertainty in staff that is reflected in the 4.4% drop in our 2017 engagement results. Since the completion of the survey, we have engaged with staff to better understand the drivers behind the results and to address them.

The 2017 survey results identified key areas that could be enhanced, and we will focus on these elements to improve our engagement results.

STAFF ENGAGEMENT HIGHLIGHTS

Developing our people

We believe that continuous learning maximizes the potential of all employees and, consequently, WorkSafeNB's potential to deliver for our clients. WorkSafeNB embraces a philosophy of learning that balances learning carried out on the job, coaching and mentoring, and formal learning methods. In 2017, WorkSafeNB staff received more than 200 different types of professional development that allowed us to continue to build our internal capacity. Topics of training or education included mental health first aid, Foundations of Administrative Justice, fall protection, safety leadership and cognitive behavioural therapy.

Health, wellness and safety

WorkSafeNB is equally as focused on internal health and safety as we are on helping external workplaces. In 2017, we accepted six employee claims, of which two were lost-time.

Our health and safety officers continuously undergo training for a variety of safety procedures such as blasting and fall protection to keep their inspection skills sharp and stay on top of all developments in safety procedures across a wide-range of industries.

This represents 1.26 accepted claims per 100 full-time equivalent (FTE) workers. While we strive for zero, this continues to be lower than the 5-year average of 1.97.

Our joint health and safety and wellness committees work together to support corporate health, safety

and wellness strategies. Our regional wellness committees continue to bring staff together for a variety of outdoor and indoor activities throughout the year. Some highlights from 2017 include zumba classes, ice skating, and hiking. The wellness committees also emphasize the role of education and awareness and, in 2017, hosted a mental health session presented by the Canadian Mental Health Association.

Expanding flexible work options

We understand that not all staff have the same workplace needs. We continuously look at how we can best support our staff in succeeding. Research confirms the many benefits to offering staff alternatives to the traditional 9-5, Monday to Friday workweek.

In 2016, we introduced a purchased time program that allows staff to take a slight pay cut throughout the year to "buy" an extra week of paid vacation. This year, 44 staff participated in this program. We also complemented this with the option of a compressed work week, allowing staff to work longer than the seven-hour day for an additional full or half-day off every two weeks, or a half-day every week.

In 2017, we piloted a remote work program. Thirty staff participated, many of whom are field staff whose work is often done outside our offices. We will review the data collected on the pilot to determine the next steps.

STAFF ENGAGEMENT HIGHLIGHTS



WorkSafeNB staff participating in the annual Santa Shuffle in support of the Salvation Army and families in need.

Staff participation in the community

At WorkSafeNB, our employees are dedicated to giving back to the community. In 2017 we participated in some great events.

- WorkSafeNB helped New Brunswickers affected by January's severe ice storm in the northeast region. Management and staff stepped up, donating more than \$4,000 worth of food, gas cards and other supplies to emergency shelters. Distribution was co-ordinated through the Shippagan Firefighter Centre by Yanic Chiasson, a WorkSafeNB health and safety officer and volunteer firefighter.
- In March, our Saint John team showed their Irish spirit during the Pete's Pub St. Paddy's Day Dash, raising money for the Canadian Cancer Society. Under a shining sun, 21 staff and their family and friends walked or ran the four-kilometre route along Harbour Passage.
- On December 2, more than 30 WorkSafeNB "fund-racers" ran, walked and shuffled at the Santa Shuffle and Elf Walk, held along Saint John's Harbour Passage, in support of the Salvation Army.

We also contributed funds to various campaigns, events, non-profit organizations and industry associations:

- Romero House
- Harbour Lights
- Children's Wish Foundation
- The Saint John AMAZEatorium
- Threads of Life
- CNIB
- The Canadian Society of Safety Engineering
- The Premier's Council on the Status of Disabled Persons

STATISTICS & REFERENCES

QUICK FACTS

Employers

	2013	2014	2015	2016	2017
Total number of assessed employers	14,226	14,218	14,350	14,587	14,716
Under \$0.5M in payroll	11,634 (81.8%)	11,559 (81.3%)	11,620 (81.0%)	11,744 (80.5%)	11,765 (79.9%)
\$0.5 to \$2.5M in payroll	2,088 (14.7%)	2,142 (15.1%)	2,186 (15.2%)	2,286 (15.7%)	2,363 (16.15%)
Over \$2.5M in payroll	504 (3.5%)	517 (3.6%)	544 (3.8%)	557 (3.8%)	588 (4.0%)

Assessment rate

	2013	2014	2015	2016	2017
Funding ratio	138.2%	137.3%	123.2%	112.1%	102.2%
Average assessment rate	\$1.44	\$1.21	\$1.11	\$1.11	\$1.48

Claims

	2013	2014	2015	2016	2017
Total claims created (can include claims with no application for benefits)	22,429	22,758	22,144	22,939	22,659
Claims accepted	12,211	11,012	9,749	10,467	11,168
Lost-time claims (at least one day)	5,276	5,349	5,152	5,698	5,550
No lost-time claims	4,534	4,930	4,597	4,769	5,618
Claims disallowed	N/A	N/A	697	524	461
No claim or awaiting further information	N/A	N/A	11,963	11,413	11,237
Maximum assessable/insurable earnings	\$59,500	\$60,100	\$60,900	\$61,800	\$62,700
Average days lost per lost-time claim	56.4	56.2	58.4	57	64.7
Average payment per claim	\$4,525	\$4,815	\$4,982	\$5,352	\$5,536
Average work days from injury reported to first payment issued	20.6	21.9	23.8	25	27.8
Claim decisions brought to the IRO	N/A	N/A	N/A	342	389

Compliance

	2013	2014	2015	2016	2017
Number of workplace health and safety inspections	8,835	7,749	6,531	9,180	8,602
Number of orders written (violations of the OHS Act)	8,355	7,194	6,231	8,746	7,755
Number of serious accident investigations ¹	67	88	85	94	38
All other accident investigations ²	219	305	474	504	725

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

² All other accident investigations, including fingers and toes, conducted by a health and safety officer.

STATISTICS & REFERENCES

QUICK FACTS

Fatalities

	2013	2014	2015	2016	2017
Work-related fatalities ¹	7	13	14	18	15

¹ Of these 15 fatalities, 14 were accepted under the *Workers' Compensation Act* and one under the *Firefighters' Compensation Act*. Seven of these were a result of accidents occurring in 2017, while eight more deaths resulted from injuries or occupational diseases incurred before 2017.

Note: Reflects most current data as of December 31, 2017.

Financial

Revenue and Costs	2013	2014	2015	2016	2017
Assessable payroll (000s)	\$8,272,419	\$8,460,143	\$8,674,167	\$8,843,000	\$9,183,000
Assessment revenue (000s)	\$115,860	\$98,500	\$93,548	\$97,273	\$135,188
Total premium revenue (000s)	\$157,981	\$147,028	\$159,695	\$212,677	\$257,741
Claim payments made for current and prior years' injuries (000s)	\$143,536	\$156,128	\$165,723	\$189,042	\$212,140
Current year claims cost incurred (000s)	\$102,315	\$111,819	\$123,610	\$186,775	\$190,118
Claims costs incurred for current and prior years' injuries (000s)	\$163,379	\$199,771	\$291,721	\$376,767	\$466,036
Administration costs – excludes self-insured employers and OHS (000s)	\$25,834	\$26,578	\$26,602	\$29,114	\$33,392
Administration costs – OHS (000s)	\$9,332	\$9,227	\$10,073	\$11,271	\$11,066
Investments and Benefits Liabilities					
Total benefit liabilities – assessed employers (000s)	\$900,687	\$938,399	\$1,042,477	\$1,169,405	\$1,360,828
Total benefits liabilities – self-insured employers (000s)	\$142,776	\$148,707	\$170,627	\$231,424	\$293,897
Market rate of return on portfolio	15.73%	8.46%	4.30%	9.16%	10.29%

Official Languages Act

WorkSafeNB is committed to providing quality services in the public's official language of choice. In 2017, we translated and co-ordinated the translation of 501,552 words and produced 43 new and 15 revised bilingual publications. There was one complaint under the *Official Languages Act* in 2017.

Public Interest Disclosure Act

The *Public Interest Disclosure Act* encourages New Brunswick's public service employees to report any activities 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 2017.

STATISTICS & REFERENCES

QUICK FACTS

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, use caution when drawing comparisons across jurisdictions.

	2016 actual	2017 actual
NS	\$2.65	\$2.65
ON	\$2.46	\$2.43
NF	\$2.20	\$2.06
NT/NU	\$2.00	\$2.00
YT	\$1.88	\$1.87
QC	\$1.84	\$1.77
PE	\$1.77	\$1.70
BC	\$1.70	\$1.65
NB	\$1.11	\$1.48
SK	\$1.34	\$1.24
MB	\$1.25	\$1.10
AB	\$1.01	\$1.02

Average Paid compensation Days for Closed Claims*

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Days Lost	61.7	65.0	57.7	57.0	58.7	51.3	50.5	53.4	55.7	64.7

Volume of Open Managed Claims*

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Claims Count CM* (Open Claims)						1172	1277	1423	1999	2193

Average Days lost for Open Case Managed Claims*

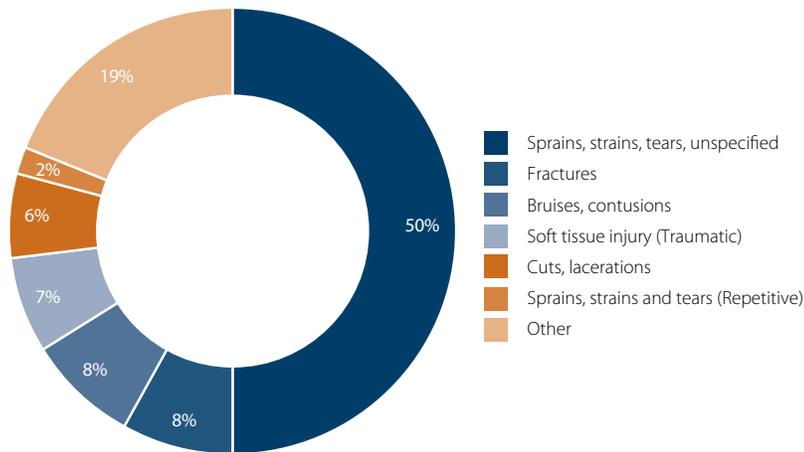
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Duration CM* (Open Claims)						238.0	239.9	240.3	252.3	287.6

*Case-managed

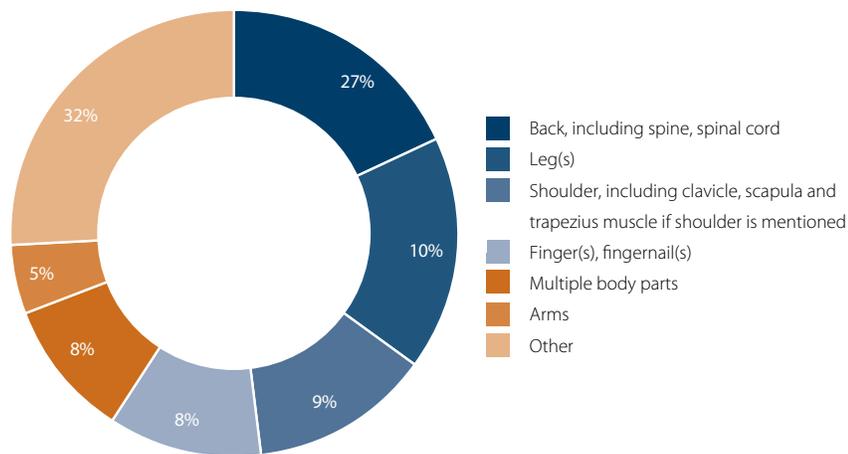
STATISTICS & REFERENCES

QUICK FACTS

Percentage of Lost-Time Claims by Nature of Injury 2017



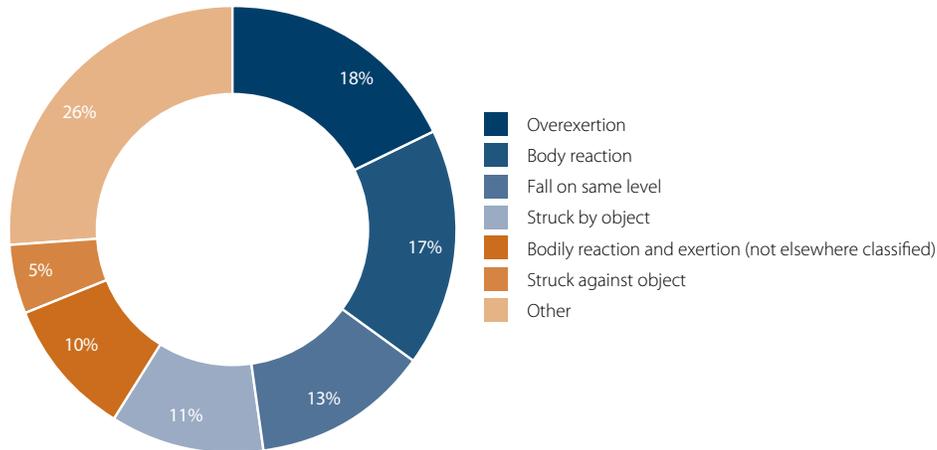
Percentage of Lost-Time Claims by Part of Body 2017



STATISTICS & REFERENCES

QUICK FACTS

Percentage of Lost-Time Claims by Event or Exposure 2017



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

	2013	2014	2015	2016	2017
Short-term Disability and Rehabilitation	\$36.1	\$39.2	\$41.1	\$54.0	\$64.5
Health Care	\$50.0	\$54.8	\$61.9	\$66.3	\$75.2

Claim Payments (in millions)*

	2013	2014	2015	2016	2017
Injuries accepted within year specified	\$26.4	\$28.7	\$28.3	\$34.4	\$35.9
Injuries accepted in previous years	\$117.2	\$127.4	\$137.4	\$154.7	\$176.30

*Previous years have been restated to reflect current information

MANAGEMENT DISCUSSION AND ANALYSIS OF 2017 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 16, 2018, should be read in conjunction with the audited consolidated financial statements and supporting notes for the year ended December 31, 2017.

Forward-Looking Statements

This report contains forward-looking statements about certain matters that are, by their nature, subject to many risks and uncertainties that 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 staff; and other risks, known or unknown. The reader is cautioned not to place undue reliance on these forward-looking statements.

The *2017 Annual Report*, *2017-2019 Strategic Plan and Risk Assessment*, and *2018 Assessment Rates Report* are available at worksafenb.ca.

New Operating Environment

The workers' compensation system in New Brunswick has fundamentally changed over the past several years. This new operating environment has been shaped by policy decisions and interpretations of legislation by the Court of Appeal of New Brunswick, the WorkSafeNB board of directors, and the Workers Compensation Appeals Tribunal (WCAT). The most significant policy changes have been driven by differing interpretations of legislation by the WCAT, which then changes policy that must be applied to all other claims that follow. These have included: standards of evidence for accepting claims and continuing benefits, personal illnesses and injuries that become part of a claim, and how Canada Pension Plan Disability is used to offset benefits. The increase in benefit costs also reflects a higher level of benefits paid resulting from fewer offsets of other employment income.

Within the current legislative framework, this new environment has resulted in a more expensive system. These costs are paid by employers through an assessment rate to secure benefit payments for workers today and in the future, and to safeguard the financial integrity of the system for the next generation of New Brunswickers.

Overview of financial results

Financial highlights (\$000s)	2017	2016
Portfolio investments	1,356,440	1,225,384
Benefits liabilities	1,654,725	1,400,829
WorkSafeNB fund balance	37,465	171,804
WorkSafeNB funded ratio	102.2%	112.1%
Provisional Average Assessment rate	\$1.48	\$1.11
Premium income	257,741	212,677
Investment income	132,368	105,152
Claims costs incurred	466,036	376,767
Administration costs	52,454	48,747
Excess of (expenses) over income attributable to WorkSafeNB	(134,339)	(114,801)
Market rate of return on portfolio	10.29%	9.16%

MANAGEMENT DISCUSSION AND ANALYSIS OF 2017 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

WorkSafeNB recorded a deficit of \$134.3 million in 2017. This compares with a deficit of \$114.8 million in 2016. The deficit is primarily the result of higher than expected claims costs. Costs reflect the latest trends, valuation assumption and method changes, and benefit entitlements from continuing implementation of policy changes in response to WCAT decisions. Cost increases in 2017 were largely the result of changes to how the standards of evidence are interpreted for claims acceptance and for subsequent decisions on continuing benefits, especially as they relate to soft tissue injuries. A significant increase in the number of hearing loss claims required changes in the valuation, resulting in an increase in the liability despite lower hearing aid costs. Actual investment returns were 10.29% versus budgeted returns of 6.08%, reducing the impact of increased claims costs on WorkSafeNB's overall funded position. Budgeted assessment revenue was \$23.4 million below expected costs for 2017 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 \$37.5 million, or 102.2%.

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, and 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 (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, 2017 was: WorkSafeNB - 83.55%, WCB of PEI - 15.26%, *FC Act* Disability Fund - 1.19%. 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 its stakeholders' risk tolerance. The primary investment risk is that the investment fund's assets, together with the future income thereon, will be insufficient to pay the liabilities. The board relies on periodic asset liability studies performed by independent actuarial consultants 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 risk level; 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, which was designed to help 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF 2017 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

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

Investments (\$000s)	2017	2016
Forward foreign exchange contracts	6,063	3,714
Fixed income	205,055	209,627
Equities	639,815	620,657
Real return bonds	54,353	55,295
Real estate	222,440	187,192
Infrastructure	92,968	88,211
Global Opportunistic ¹	135,746	60,688
Total investments	1,356,440	1,225,384

¹The Global Opportunistic allocation is invested in a pooled fund that has the ability to invest in a wide variety of asset classes and strategies depending on the manager's assessment of the attractiveness of the opportunity. As of December 31, 2017, the fund had the following allocations: U.S. equities 3.0% (2016 – 4.4%); non-North American equities 37.1% (2016 – 34.4%); fixed income 21.1% (2016 – 20.4%); absolute return strategies 20.2% (2016 – 20.5%); cash 18.6% (2016 – 20.3%).

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 as a method to reduce risk, 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, 2017, claim benefit liabilities were broken down as follows:

Benefits liabilities (\$000s)	2017	2016
Short-term disability and rehabilitation	178,108	136,171
Long-term disability	781,077	671,981
Survivor benefits	83,887	85,144
Health care	611,653	507,533
Total benefits liability	1,654,725	1,400,829

In 2017, the benefits liability increased by \$253.9 million, or about 18.1%. Prior years' liability was expected to decrease by \$ 53.1 million but was offset by higher actual costs than expected (\$64.5 million), resulting in a net increase in prior years' liability of \$ 11.4 million before before assumption and methodology changes. Valuation assumption and methodology changes totalling \$88.0 million were primarily driven by an increase in hearing loss claim volumes and related permanent physical impairment awards. In addition, the liability includes a \$154.2 million provision for the future costs of new injuries.

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, 2017 is 102.2% (2016 – 112.1%). 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 2017, revenues totalled \$390.1 million, a 22.7% increase from 2016 revenues of \$317.8 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

MANAGEMENT DISCUSSION AND ANALYSIS OF 2017 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

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 21.2% from \$212.7 million in 2016 to \$257.7 million in 2017. Revenue from assessed employers increased 39.0% primarily due to an increase in the provisional average assessment rate from \$1.11 in 2016 to \$1.48 in 2017. Assessable payrolls were slightly higher than budgeted by 1.4%. Revenue from self-insured employers increased 6.2% as a result of increased claim costs. Employer payrolls increased from \$8.84 billion to \$9.18 billion, partly because of provincial economic growth and partly because of the annual increase to the maximum insurable earnings. In 2017, the maximum insurable earnings increased from \$61,800 to \$62,700.

Assessment income (\$000s)	2017	2016
Assessed employers	135,188	97,273
Self-insured employers	122,553	115,404
Total assessment income	257,741	212,677
Provisional average assessment rate	\$1.48	\$1.11
Assessable payroll	\$9.18 billion	\$8.84 billion

Investment Income

Investment income increased from \$105.1 million in 2016 to \$132.4 million in 2017. Most of this increase is attributable to larger realized and unrealized gains on WorkSafeNB's investments due to positive returns in most capital markets in 2017.

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 2017, the real rate of return on the portfolio was 8.42%. For the 25-year period ended December 31, 2017, the annualized real rate of return on the portfolio was 6.22%.

Investment income (\$000s)	2017	2016
Interest and dividends	29,624	28,164
Net realized gains on investments	72,445	48,032
Change in net unrealized gains on investments	36,706	34,348
Portfolio management expenses	(6,407)	(5,392)
Total investment income	132,368	105,152

Expenses

WorkSafeNB's expenses consist of claims costs, administration costs, and legislative obligations. In 2017, expenses increased by 21.8%, from \$428.9 million to \$522.4 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 2017, these costs totalled \$466.0 million, a 23.7% increase from the \$376.8 million incurred in 2016. 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 2017 remained unchanged at 6.08%.

Claims costs (\$000s)	2017	2016
Short-term disability and rehabilitation	106,461	98,453
Long-term disability	172,926	125,963
Survivor benefits	7,349	335
Health care	179,300	152,016
Total claims costs	466,036	376,767

Operating Costs

In 2017, WorkSafeNB's administration costs increased from \$48.7 million to \$52.5 million, but remained well below budgeted costs of \$56.8 million. The increase in actual costs is primarily the result of the requirement for additional human resources to manage increased claims volume.

WorkSafeNB is required by legislation to reimburse the provincial government for operating costs of the workers' and employers' advocates, which were \$1.5 million in 2017 (2016 – \$1.4 million) and \$1.7 million in 2017 (2016 – \$1.3 million) for WCAT.

MANAGEMENT DISCUSSION AND ANALYSIS OF 2017 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

In 2017, WorkSafeNB provided \$698 thousand (2016 – \$700 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)	2017	2016
Administration costs	52,454	48,747
Legislative obligations	3,865	3,402
Total operating costs	56,319	52,149

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 injury 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 claims with longer durations and increased benefit levels because of WCAT's differing interpretation of legislation. Some of the forces that can mitigate increases in injury 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:

- A focus on early intervention, stay at work, 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 1.62%.

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.

In 2017, we experienced synchronized global economic growth, which led to strong equity market performance in most regions, with emerging markets equities leading the way. U.S. equities were aided by tax reform late in the year. Bonds also managed to achieve positive results in 2017, as inflation remained low. The improved economic conditions have allowed some central banks to begin to move toward a more normalized monetary policy, as the U.S. Federal Reserve, the Bank of Canada, and the Bank of England all took modest steps to increase their key rates and remove some stimulus.

All the equity asset classes in WorkSafeNB's portfolio were strong performers in 2017. The strongest returns were delivered by emerging markets equities (MSCI EM index), which gained 28.70% in Canadian dollar terms. International equities (MSCI EAFE index) and U.S. equities (S&P 500 index) followed, returning 16.82% and 13.83% respectively, both in Canadian dollar terms. Canadian equities trailed these other markets, but the S&P TSX index still returned an attractive 9.10% for the year.

Canadian bonds, as represented by the FTSE TMX Universe Bond Index, gained 2.52% for the year. Long bonds, represented by the FTSE TMX Long Overall Bond Index,

MANAGEMENT DISCUSSION AND ANALYSIS OF 2017 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

gained 7.03%, and real return bonds, represented by the FTSE TMX Real Return Bond Index, gained 0.77%. Canadian real estate had a reasonable year overall, with the REALpac/IPD Canada All Property Index returning 7.17%.

WorkSafeNB's total investment portfolio earned a return of 10.3% in 2017. Inflation for the same period has averaged 1.9%, resulting in a real return of 8.4% for the period. This exceeds the expected real return objective by 4.6%. WorkSafeNB's investment return for the 25 years ended December 31, 2017 has averaged 8.0%. Inflation for the same period has averaged 1.8%, resulting in an average real return of 6.2% for the period. This exceeds the expected real return objective by 2.4%.

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, 2017, each 1% of annual investment return over or under the expected return of CPI, plus 3.75%, translates to an excess or shortfall of approximately \$14.2 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 achieving 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 2017-2019 *Strategic Plan and Risk Assessment* summarizes the results of the annual planning process. Based on its analysis in 2017, the board of directors reaffirmed its core value – the client is the priority – and its commitment towards continuous improvement and fostering a culture of service excellence.

While retaining a strong focus on preventing workplace injuries and illnesses, improving service delivery to workers and employers, and ensuring the system's financial

sustainability, the board adopted a new corporate goal focused solely on stakeholder engagement to demonstrate its ongoing commitment to working closely with stakeholders.

To realize WorkSafeNB's ultimate vision of "Healthy and safe workplaces and a sustainable workers' compensation system in New Brunswick," the board established seven strategic goals:

- Stewardship
- Sustainability
- Stakeholder Engagement
- Safety
- Service
- Support
- Staff Engagement

These seven goals, the associated targets, and strategies WorkSafeNB will adhere to achieve its vision 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 2018, WorkSafeNB will continue to advance its safety leadership initiative, which is a multi-year strategy to foster a safety culture in New Brunswick. Improving the client experience will also remain top priority for WorkSafeNB. In addition, WorkSafeNB is currently in the early stages of transforming the way we operate through performance excellence management. In the near-term, we will focus on strategic choices and the related prioritized short-term actions required to meet our improvement goals.

The 2018 assessment rate rose to \$1.70 per \$100 of assessable payroll. This decision was guided by the board's funding policy, which required that the assessment rate be adjusted to allow WorkSafeNB to achieve its 100% funding target for 2018. The funding target for 2018 was reduced to 100%, from 110% on a one-time basis, to reduce the impact of rising claims costs on the assessment rate.

MANAGEMENT DISCUSSION AND ANALYSIS OF 2017 CONSOLIDATED FINANCIAL STATEMENTS AND OPERATING RESULTS CONTINUED

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 remains competitive across Canada, 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 Accident Fund's integrity and stability. 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 socio-economic crisis in the province's 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, a general labour shortage will become a normal fact of New Brunswick economic life.

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

New Brunswick Economy¹

During 2017, New Brunswick's economy grew by 1.7%, primarily as a result of increased employment levels, infrastructure and residential investments and strong retail sales. However, the overall future outlook for the New Brunswick economy anticipates future economic growth to slow, primarily resulting from a shrinking labour pool. The labour impact will be partially offset by an increase in infrastructure spending and strong demand for New Brunswick's products on the export market.

On the labour front, it is anticipated that the province will experience a decline in both employment and the unemployment rate resulting from a sharp decline in the labour force. This decline is attributable to a reduction in the working age population.

Infrastructure spending is expected to increase in 2018 primarily due to a 9% increase to the province's 2018-19 capital budget, continued good performance for housing starts, and capital projects at the port of Saint John and New Brunswick Power.

The overall outlook for exports is mixed. While demand for products remains strong, the province remains vulnerable to protectionist policies resulting from high exposure to U.S. trade.

Overall, New Brunswick's economy is expected to grow by 0.7% in 2018.

¹ Provincial Outlook, RBC Economics, March 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 and their employers. Through clear focus on the core business and commitment to its core values, WorkSafeNB remains poised to face the future.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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



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, 2017 (the “valuation date”). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part.

1. The data on which the valuation is based were provided by WorkSafeNB. We applied such checks of reasonableness of the data as we considered appropriate. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.
2. The economic assumptions are consistent with WorkSafeNB’s long-term fiscal strategy and investment policies. The discount rates used are disclosed in Note 3 to the financial statements. In my opinion, the assumptions are appropriate for the purpose of the valuation.
3. 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 \$1,360,828,000 for assessed employers and \$293,897,000 for self-insured employers, for a total of \$1,654,725,000. 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 2018

INDEPENDENT AUDITOR'S REPORT

To the board of directors:

WorkSafeNB

We have audited the accompanying consolidated financial statements of the Workplace Health, Safety and Compensation Commission of New Brunswick (operating as WorkSafeNB), which comprise the consolidated balance sheet as at December 31, 2017, 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.

Auditor's 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, 2017, 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 16, 2018



Grant Thornton LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

	2017 (000s)	2016 (000s)
ASSETS		
Cash and cash equivalents (Note 5)	\$ 72,634	\$ 144,690
Receivables and other (Note 6)	11,129	11,319
Recoverable benefits liabilities (Note 2)	282,760	221,773
Investments (Notes 7 and 8)	1,356,440	1,225,384
Capital assets (Note 9)	11,046	10,376
	<u>\$ 1,734,009</u>	<u>\$ 1,613,542</u>
LIABILITIES AND FUND BALANCE		
Payables and accruals (Note 10)	\$ 16,372	\$ 21,508
Benefits liabilities (Notes 3, 4 and 11)	1,654,725	1,400,829
Total liabilities	1,671,097	1,422,337
WorkSafeNB fund balance	37,465	171,804
Non-controlling interests (Note 2)	25,447	19,401
	<u>62,912</u>	<u>191,205</u>
	<u>\$ 1,734,009</u>	<u>\$ 1,613,542</u>

On behalf of the board of directors:



Hector Losier
Audit Committee, Board of Directors



Lucien Sonier
Audit 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, 2017

	2017	2016
	(000s)	(000s)
	Actual	Actual
INCOME		
Assessments (Note 12)	\$ 135,188	\$ 97,273
Investments (Note 7)	132,368	105,152
Self-insured employers (Note 13)	122,553	115,404
	390,109	317,829
EXPENSES		
Claims costs incurred (Note 11)		
Short-term disability and rehabilitation	106,461	98,453
Long-term disability	172,926	125,963
Survivor benefits	7,349	335
Health care	179,300	152,016
	466,036	376,767
Administration (Note 14)	52,454	48,747
Legislative obligations (Note 15)	3,865	3,402
	56,319	52,149
Total expenses	522,355	428,916
Excess of income over (expenses) for the year	\$ (132,246)	\$ (111,087)
Excess of income over (expenses) for the year attributable to:		
WorkSafeNB	(134,339)	(114,801)
Non-controlling interests (Note 2)	2,093	3,714
	\$ (132,246)	\$ (111,087)

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, 2017

	WorkSafeNB (000s)	Non- controlling interests (000s)	2017 Total (000s)
Fund balance, January 1, 2017	\$ 171,804	\$ 19,401	\$ 191,205
Capital contributions by non-controlling interests	-	6,395	6,395
Distributions to non-controlling interests	-	(2,442)	(2,442)
Excess of (expenses) over income for the year	(134,339)	2,093	(132,246)
Fund balance, December 31, 2017	\$ 37,465	\$ 25,447	\$ 62,912

	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	\$ 171,804	\$ 19,401	\$ 191,205

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, 2017

	2017 (000s)	2016 (000s)
Cash flow from operating activities		
Cash received from:		
Assessed employers	\$ 129,821	\$ 95,431
Self-insured employers	63,224	53,470
Interest and dividends	29,535	32,297
	222,580	181,198
Cash paid to:		
Injured workers or third parties on their behalf (Note 11)	212,140	189,042
Suppliers and employees, for administration and other services	61,799	53,486
	273,939	242,528
Net cash used in operating activities	(51,359)	(61,330)
Cash flow from investing activities		
Cash received from:		
Sale of investments	315,693	544,399
Contributions by non-controlling interests	6,262	4,567
	321,955	548,966
Cash paid for:		
Purchase of investments	336,674	386,997
Purchase of capital assets	3,520	3,188
Distributions to non-controlling interests	2,458	2,252
	342,652	392,437
Net cash (used in) provided by investing activities	(20,697)	156,529
(Decrease) increase in cash during the year	(72,056)	95,199
Cash and cash equivalents, beginning of year	144,690	49,491
Cash and cash equivalents, end of year	\$ 72,634	\$ 144,690

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 administering 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 benefits payments to injured workers and surviving spouses; and, levying and collecting employer assessments sufficient to fund the current and future costs of existing claims.

WorkSafeNB is also responsible for administering 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 16, 2018.

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, 2017, and the comparative information for the year ended December 31, 2016.

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, 2017, 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, 2017 was: WorkSafeNB – 83.55%, WCB of PEI – 15.26%, FC Act Disability Fund – 1.19%. All transactions and balances between WorkSafeNB and WSNBIL are eliminated on consolidation.

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

(c) New accounting standards

Future accounting and reporting changes

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant Accounting Policies and Practices (continued)

effect over the next several years. WorkSafeNB continually monitors the IASB work plans and publications to assess any potential impact on the organization. Notable accounting standard developments that may impact WorkSafeNB in the future are as follows:

IFRS 9 – Financial Instruments – The standard introduces new requirements to classify and measure financial assets, as well as a new expected credit loss model to recognize and measure impairment on all financial instruments. WorkSafeNB has invoked the temporary exemption option for the implementation of IFRS and will implement the standard in conjunction with IFRS 17 – Insurance Contracts.

IFRS 15 – Revenue from Contracts With Customers – The standard establishes a principles-based framework to recognize and measure revenue resulting from contracts with customers. The standard does not apply to insurance contracts resulting in any impact to the financial statements, being limited to disclosure only. The mandatory effective adoption date is for periods beginning on or after January 1, 2018.

IFRS 16 – Leases – The standard requires that all leases, with the exception of low dollar value and short-term leases be recognized as assets and liabilities on the balance sheet. Under the standard, a lessee must recognize a right-of-use asset, which represents its right to use the underlying asset and a lease liability representing its obligation to make lease payments. WorkSafeNB's lease contracts for office space will be reported in accordance with IFRS 16 effective January 1, 2019.

IFRS 17 – Insurance Contracts – This standard represents a major change to the accounting for insurance contracts and will significantly impact WorkSafeNB's financial reporting. WorkSafeNB is considering the impact of this standard, which is effective for reporting periods on or after January 1, 2021.

(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.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant Accounting Policies and Practices (continued)

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

Fair values of investments are determined as follows:

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant Accounting Policies and Practices (continued)

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 to perform the valuation. They are generally based on statistical analyses of historical experience that 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.
- 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:

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Significant Accounting Policies and Practices (continued)

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, 2017, 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, 2018 actuarial valuation conducted by WorkSafeNB's independent consulting actuary. Post-employment benefits include retirement allowances and early retirement programs.

(o) WorkSafeNB's Rehabilitation Centre

Included in health care payments is \$8.6 million (2016 – \$6.9 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, 2017, 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. For 2018, the funding goal per WorkSafeNB's funding policy has been reduced to 100%. 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, 2017 is 102.2% (2016 – 112.1%). Under the *WC Act*, a minimum funding level of 100% is required, with any shortfall to be recovered over a five-year period.

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 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:

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

3. Actuarial Assumptions and Methods continued

	2017			2016		
	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	1.46%	5.25%	3.25%	1.40%	5.25%	3.25%
- subsequent years	2.25%	5.25%	3.25%	2.25%	5.25%	3.25%
Net rate of return - Year 1	4.55%	0.79%	2.75%	4.61%	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 is provided below:

General statement

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

Gross rate of return

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

CPI-indexed awards inflation rate

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

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.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

3. Actuarial Assumptions and Methods continued

CPI-indexed awards net rate of return

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

Medical payments net rate of return

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

Other payments net rate of return

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

Future administration

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

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

Occupational disease

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

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

3. Actuarial Assumptions and Methods continued

Impact of movement in variable:

Gross rate of return

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

Long-term general inflation rate

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

Medical inflation rate

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

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

ii) Impact of changes in key variables:

+/-% change in assumed rates	2017 (000s)		2016 (000s)	
	+1.00%	-1.00%	+1.00%	-1.00%
Gross rate of return	\$ (110,325)	\$ 131,937	\$ (100,465)	\$ 120,800
Long-term general inflation rate	111,938	(92,800)	104,586	(86,444)
Medical inflation rate	61,038	(47,573)	58,271	(45,457)

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 follows:

(a) Claims risk

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

4. Claims – Risk Management Policies and Procedures

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 that provide reliable and up-to-date data on the claims risks to which the business is exposed at any 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 is exposed 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.

5. Cash and Cash Equivalents

Included in cash and cash equivalents is \$3.8 million (2016 – \$4.4 million) restricted for investment in occupational health and safety initiatives.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

6. Receivables

	2017 (000s)	2016 (000s)
Assessments billed	\$ 1,096	\$ 811
Unbilled assessments	5,850	4,308
Self-insured employers – receivable	4,077	5,734
Self-insured employers – deposits	(1,534)	(1,534)
Other	1,640	2,000
	\$ 11,129	\$ 11,319

7. Investments

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

	2017 (000s)	2016 (000s)
	Fair Value	Fair Value
<i>i) Portfolio investments</i>		
Forward foreign exchange contracts	\$ 6,063	\$ 3,714
Fixed income		
Conventional bonds	205,055	209,627
Equities		
Canadian	210,130	210,852
U.S.	177,082	182,534
Non-North American	252,603	227,271
Total equities	639,815	620,657
Inflation-sensitive		
Real return bonds	54,353	55,295
Real estate	222,440	187,192
Infrastructure	92,968	88,211
Total inflation-sensitive	369,761	330,698
Absolute return		
Global opportunistic ¹	135,746	60,688
	\$ 1,356,440	\$ 1,225,384

¹The Global opportunistic allocation is invested in a pooled fund that has the ability to invest in a wide variety of asset classes and strategies depending on the manager's assessment of the attractiveness of the opportunity. As of December 31, 2017, the fund had the following allocations: U.S. equities 3.0% (2016 – 4.4%); Non-North American equities 37.1% (2016 – 34.4%); Fixed income 21.1% (2016 – 20.4%); Absolute return strategies 20.2% (2016 – 20.5%); Cash 18.6% (2016 – 20.3%).

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

7. Investments continued

ii) Fair value hierarchy

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

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

In certain situations, inputs used to measure the fair value of asset positions fall into different levels of the fair value hierarchy. In these situations, the level in which the fair value falls is based upon the lowest level input that is significant to the determination of the fair value. As of December 31, 2017, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

	2017 (000s)			Fair Value
	Level 1	Level 2	Level 3	
Portfolio investments				
Forward foreign exchange contracts	\$ –	\$ 6,063	\$ –	\$ 6,063
Fixed income				
Conventional bonds	205,055	–	–	205,055
Equities				
Canadian	210,130	–	–	210,130
U.S.	177,082	–	–	177,082
Non-North American	252,603	–	–	252,603
Total equities	639,815	–	–	639,815
Inflation-sensitive				
Real return bonds	54,353	–	–	54,353
Real estate	161,301	–	61,139	222,440
Infrastructure	–	–	92,968	92,968
Total inflation-sensitive	215,654	–	154,107	369,761
Absolute return				
Global opportunistic	135,746	–	–	135,746
	\$ 1,196,270	\$ 6,063	\$ 154,107	\$ 1,356,440

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

7. Investments continued

	2016 (000s)			
	Level 1	Level 2	Level 3	Fair Value
Portfolio investments				
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
	\$ 1,112,063	\$ 3,714	\$ 109,607	\$ 1,225,384

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

	2017 (000s)	2016 (000s)
Balance, beginning of year	\$ 109,607	\$ 87,902
Purchases of level 3 investments	38,472	26,930
Sale of level 3 investments	(14,800)	(13,000)
Partnership distributions of operating income	330	1,663
Expenses	(62)	(11)
Realized gains	2,668	2
Change in unrealized gains recognized in investment income	17,892	6,121
Balance, end of year	\$ 154,107	\$ 109,607

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 \$53.0 million (2016 – \$52.8 million). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2017, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 12-year life that began 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 \$40.0 million (2016 – \$35.4 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 \$61.1 million (2016 – \$21.4 million). This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2017, and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a nine-year life that began on August 22, 2014.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

7. Investments continued

	2017 (000s)	2016 (000s)
<i>iv) Investment income</i>		
Interest and dividends	\$ 29,624	\$ 28,164
Realized investment gains (losses) on forward foreign exchange contracts	12,322	(3,458)
Realized investment gains on other portfolio investments	60,123	51,490
Change in unrealized investment gains on forward foreign exchange contracts	2,349	16,291
Change in unrealized investment gains on other portfolio investments	34,357	18,057
	138,775	110,544
Less: portfolio management expenses	(6,407)	(5,392)
	\$ 132,368	\$ 105,152

The market rate of return on the investment portfolio for the year ended December 31, 2017 was 10.29% (9.16% in 2016).

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:

	2017 (000s)	2016 (000s)
Conventional bonds	\$ 205,055	\$ 209,627
Real return bonds	54,353	55,295
Non-North American equities	59,327	49,006
Real estate	222,440	187,192
Infrastructure	92,968	88,211
Global opportunistic	135,746	60,688

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 83.55% at December 31, 2017 (2016 – 82.48%). In 2017, WorkSafeNB received a fee of \$20,884 (2016 – \$20,781) for the administration of the Workers Compensation Board of Prince Edward Island's share of the fund, and a fee of \$21,335 (2016 – \$18,088) 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, 2017 are \$101.8 million (2016 – \$69.2 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.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. Financial Risk Management continued

WorkSafeNB manages investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, WorkSafeNB retains independent consultants to advise on the appropriateness and effectiveness of its investment policies and practices. This includes periodic asset liability studies to ensure that the investment strategy is suitable in light of the related liabilities and WorkSafeNB's risk tolerance. The last such study was completed in 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. The funding goal for 2018 was reduced from 110% to 100%.

ii) Market risk

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

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

	2017 (000s)		2016 (000s)	
	1 std dev	2 std dev	1 std dev	2 std dev
Canadian Equities				
% change in market benchmark ²	(13.1%)	(26.2%)	(13.4%)	(26.8%)
Canadian portfolio – impact on surplus/deficit	\$ (30,702)	\$ (61,687)	\$ (29,947)	\$ (59,967)
U.S. Equities				
% change in market benchmark ³	(11.6%)	(23.2%)	(11.5%)	(23.1%)
U.S. portfolio – impact on surplus/deficit	\$ (21,727)	\$ (43,308)	\$ (21,497)	\$ (42,960)
International (EAFE) Equities				
% change in market benchmark ⁴	(13.7%)	(27.4%)	(13.5%)	(27.0%)
International portfolio – impact on surplus/deficit	\$ (24,449)	\$ (48,550)	\$ (23,937)	\$ (47,806)
Emerging Markets Equities				
% change in market benchmark ⁵	(16.6%)	(33.2%)	(16.6%)	(33.3%)
Emerging markets portfolio – impact on surplus/deficit	\$ (15,814)	\$ (31,646)	\$ (9,889)	\$ (19,777)

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

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

³ S&P (Standard & Poor's) 500 Index

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

⁵ MSCI EM (Emerging Markets) Total Return Index

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. Financial Risk Management continued

iii) Foreign currency risk

WorkSafeNB has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. WorkSafeNB's most significant currency exposure is to the U.S. dollar, the euro, the Japanese yen and the British pound. At December 31, 2017, WorkSafeNB had U.S. dollar exposure of \$313.5 million (2016 – \$280.9 million), euro exposure of \$109.7 million (2016 – \$69.2 million), Japanese yen exposure of \$63.7 million (2016 – \$58.6 million) and British pound exposure of \$52.3 million (2016 – \$39.6 million).

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

The fair value of these financial instruments will change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2017 mature in the first 40 days of 2018.

At December 31, 2017, the notional value of outstanding forward foreign exchange contracts was \$354.1 million (2016 – \$226.9 million). The fair value of these contracts was an asset of \$6.1 million (2016 – \$3.7 million). Unrealized gains on forward foreign exchange contracts of \$6.1 million (2016 – \$3.7 million) were included in investment income.

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

	2017 (000s)	2016 (000s)
	Impact on surplus/deficit	Impact on surplus/deficit
15% appreciation in the Canadian dollar		
CAD/USD	\$ (6,744)	\$ (18,878)
CAD/EURO	(6,637)	(4,513)
CAD/YEN	(7,592)	(3,823)
CAD/POUND	(5,466)	(3,009)

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. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA-

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. Financial Risk Management continued

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

Credit Rating*	2017		2016	
	Fair Value (000s)	% of Total Fixed-Term Investments	Fair Value (000s)	% of Total Fixed-Term Investments
AAA	\$ 126,952	49.03	\$ 130,378	49.21
AA	76,298	29.47	64,161	24.22
A	55,675	21.50	70,383	26.57
BBB	-	-	-	-
Total	\$ 258,925	100.00	\$ 264,922	100.00

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

v) Inflation risk

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

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

vi) Interest rate risk

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

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

	Remaining Term To Maturity (000s)				Total 2017	Total 2016
	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years			
Canadian real return bonds (fair value)	\$ (300)	\$ 6,418	\$ 48,235	\$ 54,353	\$ 55,295	
Canadian conventional bonds (fair value)	(578)	62,574	143,059	205,055	209,627	
	\$ (878)	\$ 68,992	\$ 191,294	\$ 259,408	\$ 264,922	

The average effective real yield of the real return bonds is 0.56% (2016 – 0.44%) per annum based on market value. The average effective yield of the conventional bonds is 2.53% (2016 – 2.31%) per annum based on market value.

As of December 31, 2017, 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 \$17.5 million (2016 – \$18.6 million), approximately 8.54% (2016 – 8.86%) of their fair value.

As of December 31, 2017, 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 \$8.2 million (2016 – \$8.5 million), approximately 15.04% (2016 – 15.35%) of their fair value.

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. Financial Risk Management continued

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 3% 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, 2017.

9. Capital Assets

	Land and buildings (000s)	Computer software and hardware (000s)	Furniture and equipment including leasehold improvements (000s)	Motor vehicles (000s)	2017 Total (000s)	2016 Total (000s)
Cost						
Balance at January 1	\$ 8,124	\$ 16,499	\$ 6,436	\$ 446	\$ 31,505	\$ 30,513
Additions	384	2,190	799	181	3,554	3,198
Disposals	–	(1,373)	–	(104)	(1,477)	(2,206)
Balance at December 31	\$ 8,508	\$ 17,316	\$ 7,235	\$ 523	\$ 33,582	\$ 31,505
Accumulated Depreciation						
Balance at January 1	\$ (2,056)	\$ (13,514)	\$ (5,381)	\$ (178)	\$ (21,129)	\$ (20,996)
Depreciation	(334)	(2,003)	(425)	(82)	(2,844)	(2,317)
Disposals	–	1,373	–	64	1,437	2,184
Balance at December 31	\$ (2,390)	\$ (14,144)	\$ (5,806)	\$ (196)	\$ (22,536)	\$ (21,129)
Carrying amounts						
At January 1	\$ 6,068	\$ 2,985	\$ 1,055	\$ 268	\$ 10,376	\$ 9,517
At December 31	\$ 6,118	\$ 3,172	\$ 1,429	\$ 327	\$ 11,046	\$ 10,376

10. Payables and Accruals

	2017 (000s)	2016 (000s)
Accounts payable and accruals	\$ 13,686	\$ 18,820
Post-employment benefits	2,686	2,688
	\$ 16,372	\$ 21,508

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

11. Benefits Liabilities

i) Continuity schedule

	2017 (000s)				2016 (000s)	
	Short-term disability and rehabilitation	Long-term benefits	Survivor benefits	Health care	Total	Total
Balance, beginning of year	\$ 136,171	\$ 671,981	\$ 85,144	\$ 507,533	\$ 1,400,829	\$ 1,213,104
Add claims costs incurred:						
Current year injuries	65,029	63,967	1,706	59,416	190,118	186,775
Prior years' injuries	41,432	108,959	5,643	119,884	275,918	189,992
	106,461	172,926	7,349	179,300	466,036	376,767
Less claims payments made:						
Current year injuries	17,396	1,670	221	16,593	35,880	34,356
Prior years' injuries	47,128	62,160	8,385	58,587	176,260	154,686
	64,524	63,830	8,606	75,180	212,140	189,042
Balance, end of year	\$ 178,108	\$ 781,077	\$ 83,887	\$ 611,653	\$ 1,654,725	\$ 1,400,829

ii) Current year injuries

	2017 (000s)			2016 (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	\$ 17,396	\$ 47,633	\$ 65,029	\$ 17,131	\$ 40,482	\$ 57,613
Long-term disability	1,670	62,297	63,967	595	50,552	51,147
Survivor benefits	221	1,485	1,706	379	1,627	2,006
Health care	16,593	42,823	59,416	16,251	59,758	76,009
	\$ 35,880	\$ 154,238	\$ 190,118	\$ 34,356	\$ 152,419	\$ 186,775

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

11. Benefits Liabilities (continued)

iii) Reconciliation of movement in benefits liabilities

	2017 (000s)	2016 (000s)
Balance, beginning of year	\$ 1,400,829	\$ 1,213,104
Add (deduct) changes in liabilities		
Interest on liability	87,722	64,558
Payments and other transactions	(140,839)	(137,524)
	(53,117)	(72,966)
Balance, before adjustments	1,347,712	1,140,138
Claims experience (gains) losses		
Actual costs more (less) than expected	50,841	35,982
Actual payments more (less) than expected	18,090	17,102
Difference between actual and expected inflation	(1,879)	(1,951)
Other experience (gains) losses	(2,516)	(1,193)
	64,536	49,940
Unusual items		
Change in economic assumptions	-	-
Change in valuation assumptions	4,627	23,917
Change in valuation methods	4,080	-
Change in policy benefits	-	34,415
Change in occupational disease provision	79,531	-
	88,238	58,332
Provision for future costs of new injuries	154,239	152,419
Balance, end of year	\$ 1,654,725	\$ 1,400,829

iv) Prior years' injuries

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

	Increase (decrease) in benefits liabilities and claims costs incurred	
	2017 (000s)	2016 (000s)
Reduction in assumed indexing rate for CPI-indexed benefits	\$ (1,879)	\$ (1,951)
(Favourable) Unfavourable experience on health-care costs	(12,574)	7,137
(Favourable) Unfavourable experience on survivor costs	786	(1,041)
(Favourable) Unfavourable experience on short-term disability costs	33,019	23,866
(Favourable) Unfavourable experience on long-term disability costs	41,631	16,973
(Favourable) Unfavourable experience on other costs	3,552	4,957
Changes due to unusual items	88,238	58,332

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	(000s)										
Estimate of ultimate claims cost:											
At end of accident year	\$207,975	\$200,462	\$203,428	\$184,192	\$168,843	\$202,327	\$226,047	\$202,133	\$313,881	\$337,736	
One year later	195,033	188,926	176,741	159,701	201,446	213,020	208,992	273,412	362,837		
Two years later	183,685	172,132	154,210	187,458	213,282	193,988	265,006	293,092			
Three years later	173,110	158,550	184,840	194,027	194,748	227,315	275,066				
Four years later	159,873	187,436	192,609	175,487	216,876	227,537					
Five years later	186,231	194,955	174,130	189,059	217,257						
Six years later	192,705	177,861	207,382	189,782							
Seven years later	172,500	186,992	196,975								
Eight years later	180,039	187,236									
Nine years later	179,449										
Current estimate of cumulative claims cost	179,449	187,236	196,975	189,782	217,257	227,537	275,066	293,092	362,837	337,736	2,466,967
Cumulative payments	(89,769)	(86,791)	(81,676)	(78,757)	(85,425)	(79,339)	(86,946)	(80,307)	(79,399)	(36,504)	(784,913)
Outstanding claims, undiscounted	89,680	100,445	115,299	111,025	131,832	148,198	188,120	212,785	283,438	301,232	1,682,054
2007 and prior years											1,133,669
Total outstanding claims, undiscounted											2,815,723
Discount											(1,489,487)
Annuity – accrual											98,085
Occupational diseases											163,541
Other contingent liabilities*											66,863
Total outstanding claims											\$1,654,725

* Consists primarily of liabilities for future annuity awards.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

12. Assessments

	2017 (000s)	2016 (000s)
	Actual	Actual
Assessment income	\$ 135,117	\$ 97,212
Interest and penalties	465	414
Uncollectibles	(394)	(353)
	\$ 135,188	\$ 97,273

13. Self-Insured Employers

	2017 (000s)	2016 (000s)
	Actual	Actual
Income from self-insured employers	\$ 122,553	\$ 115,404
Claims costs incurred:		
Short-term disability and rehabilitation	37,043	36,402
Long-term disability	40,201	40,794
Survivor benefits	1,263	(79)
Health care	36,050	29,925
	114,557	107,042
Administration	7,996	8,362
	\$ 122,553	\$ 115,404

14. Administration

	2017 (000s)	2016 (000s)
	Actual	Actual
Salaries and employee benefits	\$ 38,209	\$ 34,946
Depreciation	2,816	2,300
Professional fees	3,588	4,153
Office and communications	2,035	2,143
Building operations	3,782	3,275
Travel and vehicle operations	1,214	1,254
Education and training	622	665
OHS investment	599	302
Other	1,166	1,146
	54,031	50,184
Allocated to health-care claims costs	(1,577)	(1,437)
	\$ 52,454	\$ 48,747

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

	2017 (000s)	2016 (000s)
	Actual	Actual
Workers' advocates	\$ 1,116	\$ 1,046
Employers' advocates	372	385
	1,488	1,431
New Brunswick Construction Safety Association	300	300
New Brunswick Forest Safety Association	190	190
Other	207	210
	697	700
Workers' Compensation Appeals Tribunal	1,680	1,271
	\$ 3,865	\$ 3,402

16. Commitments

Future minimum payments under operating lease arrangements:

	2017 (000s)	2016 (000s)
Due within one year	\$ 732	\$ 729
Due later than one year and less than five years	1,565	2,297
Due later than five years	-	-
	\$ 2,297	\$ 3,026

Investment commitments

Commitments related to investments are described in Note 7 vii.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 tables:

	2017	2016
	(000s)	(000s)
Executive Committee		
Salaries and other short-term employee benefits	\$ 932	\$ 993
Post-employment benefits	116	114
	\$ 1,048	\$ 1,107
Board of Directors		
Salary and per diems	\$ 287	\$ 198

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 \$4.03 million (2016 – \$3.71 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. Comparative Figures

Certain of the 2016 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, 2017

	2017 (000s)	2016 (000s)	2015 (000s)	2014 (000s)	2013 (000s)
ASSETS					
Cash and cash equivalents	\$ 72,634	\$ 144,690	\$ 49,491	\$ 64,950	\$ 61,906
Receivables and other	11,129	11,319	11,044	10,005	10,491
Recoverable benefits liabilities	282,760	221,773	160,085	138,246	132,883
Investments	1,356,440	1,225,384	1,303,416	1,301,676	1,256,021
Capital assets	11,046	10,376	9,517	9,023	9,115
	\$ 1,734,009	\$ 1,613,542	\$ 1,533,553	\$ 1,523,900	\$ 1,470,416
LIABILITIES AND FUND BALANCE					
Payables and accruals	\$ 16,372	\$ 21,508	\$ 20,464	\$ 20,843	\$ 20,240
Benefits liabilities	1,654,725	1,400,829	1,213,104	1,087,106	1,043,463
Total liabilities	1,671,097	1,422,337	1,233,568	1,107,949	1,063,703
WorkSafeNB fund balance	37,465	171,804	286,605	412,946	406,308
Non-controlling interests	25,447	19,401	13,380	3,005	405
	62,912	191,205	299,985	415,951	406,713
	\$ 1,734,009	\$ 1,613,542	\$ 1,533,553	\$ 1,523,900	\$ 1,470,416

Certain of the above figures have been reclassified to conform with the presentation adopted in 2017.

FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 (000s)	2016 (000s)	2015 (000s)	2014 (000s)	2013 (000s)
INCOME					
Assessments	\$ 135,188	\$ 97,273	\$ 93,548	\$ 98,500	\$ 115,860
Investments	132,368	105,152	55,362	104,198	175,944
Self-insured employers	122,553	115,404	66,147	48,528	42,121
	390,109	317,829	215,057	251,226	333,925
EXPENSES					
Claims costs incurred					
Short-term disability and rehabilitation	106,461	98,453	52,343	42,975	33,030
Long-term disability	172,926	125,963	122,252	50,301	53,507
Survivor benefits	7,349	335	12,626	10,961	5,693
Health-care	179,300	152,016	104,500	95,534	71,149
	466,036	376,767	291,721	199,771	163,379
Administration	52,454	48,747	43,730	41,356	40,031
Legislative obligations	3,865	3,402	3,677	1,553	1,301
Appeals Tribunal	-	-	438	1,564	1,660
	56,319	52,149	47,845	44,473	42,992
Total expenses	522,355	428,916	339,566	244,244	206,371
Excess of (expenses) over income for the year	\$ (132,246)	\$ (111,087)	\$ (124,509)	\$ 6,982	\$ 127,554
Excess of (expenses) over income for the year attributable to:					
WorkSafeNB	(134,339)	(114,801)	(126,341)	6,638	127,605
Non-controlling interests	2,093	3,714	1,832	344	(51)
	\$ (132,246)	\$ (111,087)	\$ (124,509)	\$ 6,982	\$ 127,554

Certain of the above figures have been reclassified to conform with the presentation adopted in 2017.

FIVE-YEAR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 (000s)	2016 (000s)	2015 (000s)	2014 (000s)	2013 (000s)
WorkSafeNB					
WorkSafeNB fund balance, beginning of year	\$ 171,804	\$ 286,605	\$ 412,946	\$ 406,308	\$ 278,703
Excess of (expenses) over income for the year	(134,339)	(114,801)	(126,341)	6,638	127,605
WorkSafeNB fund balance, end of year	\$ 37,465	\$ 171,804	\$ 286,605	\$ 412,946	\$ 406,308
Non-controlling interests					
Non-controlling interests fund balance, beginning of year	\$ 19,401	\$ 13,380	\$ 3,005	\$ 405	\$ –
Capital contributions by non-controlling interests	6,395	4,541	8,543	2,930	456
Distributions to non-controlling interests	(2,442)	(2,234)	–	(674)	–
Excess of income over expenses for the year	2,093	3,714	1,832	344	(51)
Non-controlling interests fund balance, end of year	\$ 25,447	\$ 19,401	\$ 13,380	\$ 3,005	\$ 405
Total fund balance					
Total fund balance, beginning of year	\$ 191,205	\$ 299,985	\$ 415,951	\$ 406,713	\$ 278,703
Capital contributions by non-controlling interests	6,395	4,541	8,543	2,930	456
Distributions to non-controlling interests	(2,442)	(2,234)	–	(674)	–
Excess of (expenses) over income for the year	(132,246)	(111,087)	(124,509)	6,982	127,554
Total fund balance, end of year	\$ 62,912	\$ 191,205	\$ 299,985	\$ 415,951	\$ 406,713

Certain of the above figures have been reclassified to conform with the presentation adopted in 2017.