Workers' Compensation Board of Nova Scotia Annual Report 2005

> **New Directions**

Front cover: Pamela Evans emerges from the shallow hold of a ship in dry dock at the Halifax Shipyards. Injuries at her workplace are going down. In fact, the ratio of time-loss claims to assessable payroll has decreased almost 75% since 2002 – a proud accomplishment.

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Year at-a-glance

(Dollar amounts in millions)

	2005	2004	2003
Number of Claims Registered	**34,017**	34,166	33,674
Number of Compensable Time-loss Claims Registered	**9,046**	9,298	8,996
Duration Index (excluding chronic pain claims in Transition Services, in days)	**114**	104	101
Duration Index (all claims, in days)	**119**	108	101
Targeted Average Assessment Rate (per $100 of assessable payroll)	**$2.65**	$2.57	$2.54
Actual Average Assessment Rate	**$2.63**	$2.59	$2.58
Total Assessable Payroll (billions)	**$7.6**	$7.4	$7.1
Total Assessment Revenue	**$239.8**	$223.7	$216.1
Total Investment Income	**$95.3**	$25.2	$38.4
Total Assets	**$1,002.5**	$939.5	$844.7
Total Administration Costs	**$38.1**	$31.7	$28.2
Legislated Obligations	**$9.2**	$9.5	$8.1
Total Claims Costs Incurred	**$152.4**	$136.7	$126.7
Excess of Revenues over Expenses (Expenses over Revenues)	**$25.6**	$2.4	($61.7)
Total Liabilities	**$1,338.1**	$1,297.4	$1,256.6
Unfunded Liability	**$379.9**	$405.5	$412.0
Percentage Funded Ratio	**74.9%**	72.4%	67.2%
Timeliness of First Payment to Injured Workers (percentage of payments made within 15 days of the injury)	**81.3%**	80.9%	83.0%
Injury Frequency (time-loss claims per 100 covered workers)	**2.9**	3.0	3.0

New Governance for a New Direction

Louis R. Comeau, Chair

THE WCB IS WORKING ON A VARIETY of initiatives aimed at reducing the number of workers injured on the job and helping injured workers return to work sooner. But, in spite of our best efforts, Nova Scotia's workers' compensation system remains off track.

A few key indicators lead me to this conclusion.

Our province has one of the highest rates of workplace injury in Canada. Coupled with that, injured workers in Nova Scotia stay off the job longer than in most other provinces and more of our workers go on to receive permanent benefits. This combination of factors means employers in our province pay more for their workplace injury insurance than just about anyone else in Canada. The WCB's funded position has improved over the past 10 years, but we continue to be one of the most poorly funded boards in Canada. As a result, the financial stability and sustainability of the system remain a concern.

The bottom line is this – we have high rates and a huge debt all because of unnecessary injuries and deaths and long claim durations. Nobody wins in this scenario. We need a new direction for workers' compensation in Nova Scotia.

Throughout 2005, the Deputy Minister of Environment and Labour and I discussed with stakeholders how to make improvements to our situation. One area of focus was the governance of the WCB and our partner agencies – the Workers' Advisers Program, Workers' Compensation Appeals Tribunal and Occupational Health and Safety (OH&S) Division of Nova Scotia Environment and Labour.

Governance is important because it is through this structure that the strategic direction of the system is set and the performance of the system is monitored.

Through our discussions, stakeholders suggested a new process for nominating members to our Board of Directors. The Minister of Environment and Labour adopted this process when appointing six new members to the Board in July. The new Board now has a balance of four worker and four employer representatives, along with the Deputy Chair and Chair. More than ever before, stakeholders have a direct voice at the boardroom table, where they can share diverse legitimate points of view and influence the WCB's priorities.

Robert Messervey is a tanker driver with Coastal Transport in Dartmouth. The bulk fuel carrier has five years without a single time-loss claim – proof Coastal is building a strong safety culture in its workplace.

These new members will build on the work of former members such as Gary Dean and Jim Neville whose terms expired in June. Gary devoted much energy to ensuring the successful results of the WCB and the financial sustainability of the system. Jim's knowledge of the issues of concern to injured workers was an important asset to the Board.

Beyond the WCB, workers and employers also wanted a greater voice in setting the strategic direction of the entire system. A new System Goals Advisory Committee, which includes worker and employer representatives, provides this opportunity. Nova Scotians will be able to determine whether the system is heading in the right direction and achieving the results stakeholders expect by monitoring publicly-reported measures that this committee will help to define.

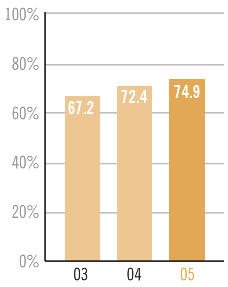
At a more practical level, stakeholders suggested that the Deputy Minister of Environment and Labour and the Chair of the WCB form a Coordinating Committee to oversee the system and ensure the partner agencies continue to work together to reach common goals. The Coordinating Committee also ensures that any legislative initiatives reflect the strategic direction agreed upon by stakeholders.

In this new structure, the heads of the agencies jointly report to the Coordinating Committee. The agency heads ensure day-to-day operations are in sync and that they continue to cooperate, where appropriate, to advance the goals and objectives of the system.

While this new governance structure may seem complex, its unique design reflects the views of stakeholders representing workers and employers across Nova Scotia. It gives stakeholders greater opportunity for input as we move in a new direction and look for ways to address the significant issues that face the workplace safety and insurance system.

Louis R. Comeau
Chair

Percentage funded ratio



Katherine Dunbrack is just one of the WCB employees working to uphold our vision of a Nova Scotia safe and secure from workplace injury. As a receptionist at our Halifax offices, Katherine is the friendly face of the WCB for many visitors and staff.

dedicated

Board of Directors

The Board of Directors is open and accountable to the workers and employers of Nova Scotia. During 2005, the Minister of Environment and Labour appointed six new members. Board members appointed in 2005 are indicated with an *.

Left to right:

Chair
Member of all Board committees
Louis R. Comeau

Executive Corporate Secretary
Charlotte Hatfield

Employer Representative
Chair, Audit and Finance Committee
James Melvin

Worker Representative
System Goals Advisory Committee member
Mary Lloyd*

Employer Representative
Audit and Finance Committee member
Archie MacKeigan*

Worker Representative
Chair, Investment Committee
Deborah Ryan*

Employer Representative
Investment Committee member
David Thomson*

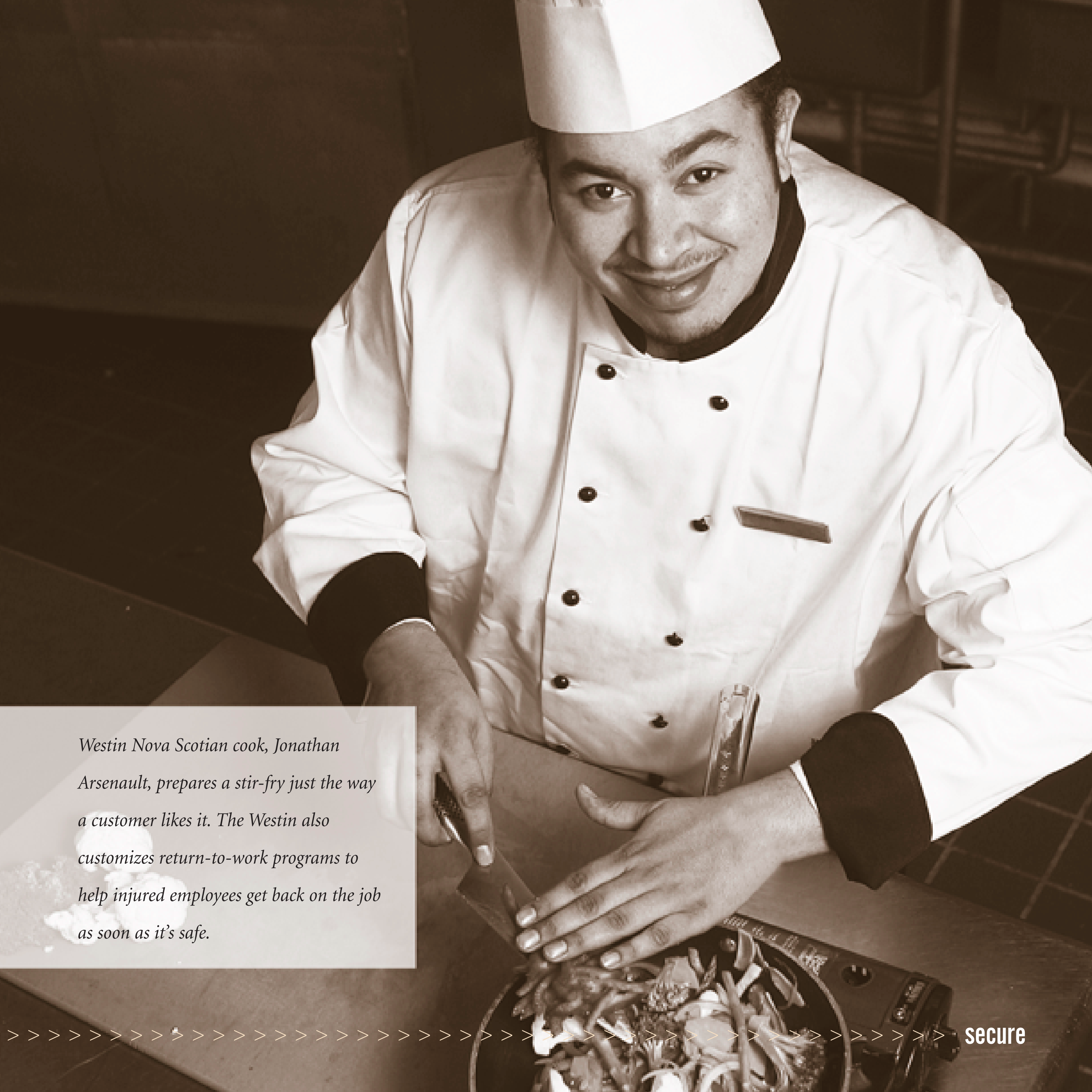
Chief Executive Officer
Nancy MacCready-Williams

Worker Representative
Governance and Human Resources Committee member
Janet Hazelton*

Deputy Chair
Chair, Governance and Human Resources Committee
H. Ramsay Duff

Worker Representative
Audit and Finance Committee member
Investment Committee member
Betty Jean Sutherland

Employer Representative
Governance and Human Resources Committee member
System Goals Advisory Committee member
Carol MacCulloch* (missing from photo)



Westin Nova Scotian cook, Jonathan Arsenault, prepares a stir-fry just the way a customer likes it. The Westin also customizes return-to-work programs to help injured employees get back on the job as soon as it's safe.

Partnerships are Paramount

Nancy MacCready-Williams, Chief Executive Officer

OVER THE PAST YEAR, we've talked a lot about how the WCB is working to build a safety culture in Nova Scotia.

But what exactly does that mean?

A culture is "a set of shared attitudes, values, goals and practices that characterizes a society." By definition, it's something that cannot happen individually. Culture is based in strong relationships, in a shared vision, in a group of unique and diverse interests striving toward a common future.

As I look at where our challenges lie, it seems more clear than ever just what an exciting, fundamental change a safety culture will be for Nova Scotia – and what it will take to make our vision a reality.

Continued outreach and partnership building will be paramount. We met with many stakeholders throughout the province in the past year – employers and their associations, injured workers' groups, labour representatives, the health care community and safety associations. Building relationships with stakeholders is at the heart of social change – and make no mistake, social change is what we are talking about.

This relationship building will become increasingly important as we strive forward, breaking down barriers and putting safety on the agenda from the board room table to the dinner table across the province. These relationships are critical, because one thing is clear: the WCB cannot give Nova Scotia's workplace injury story a happy ending all on our own.

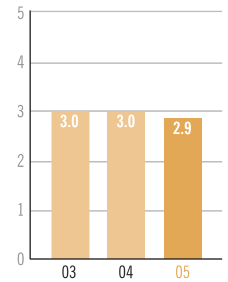
Throughout this annual report, you will see photographs of Nova Scotians who understand how important it is to prevent injury, and to support injured workers in returning to work as early as it is safe to do so.

This year, we've fostered a very real connection between improved safety and return-to-work performance, and improved business performance. With the introduction of our Safety Incentive Program, employers who have safe workplaces and get workers back to work more quickly following an injury will see their rates go down more quickly than those with more room for improvement – just as good drivers pay less for car insurance than those with many claims or serious claims. Another important development is the new Priority Employer Program, which aims to lend a helping hand to those employers most in need of improved safety performance.

Shelley Fleckenstein, owner of King's Physiotherapy Clinic in New Minas, knows the vital role health-care providers play in our system. In 2005, the WCB signed a new agreement with physiotherapists across the province to set ground rules for a new standard of practice.

We've also begun work in earnest to review requests for chronic pain benefits and had many discussions with our stakeholders – workers and employers – on the impact chronic pain is having on the WCB now and into the future. In the spring, we hired 70 new employees to review claims for the more than 6,000 workers who had come forward to request benefits under the new Chronic Pain Regulations and policies. Providing long-term benefits to workers with chronic pain is new to the WCB and, as with any new process, we will continue to meet with stakeholders and refine our processes to ensure we meet the needs of workers and employers.

Injury frequency rate
Time-loss claims per 100 covered workers



In Nova Scotia, injured workers stay off the job longer than in just about any other province. The Duration Index reached 114 days last year, excluding chronic pain claims currently under review by our Transition Services Team. That's one reason we launched a new physiotherapy project designed to improve injured workers' quality of care, reduce claim durations and increase the number of workers who return to work. We also investigated expedited diagnostic services to help workers recover from their injuries on a more timely basis, so they can return to work sooner.

Our challenge is considerable; our goals are ambitious. Meeting our goal of retiring the unfunded liability by 2017 will mean significant changes. It will mean nothing short of a new working Nova Scotia, where employers have worked with their employees to create a culture of safety in their workplaces so fewer workers are injured, and where those who are injured, return to work much more quickly.

There are many encouraging signs. Our award-winning social marketing campaign and our other ongoing prevention efforts are starting to raise awareness that workplace safety is an issue in Nova Scotia. Concern for safety among employed Nova Scotians is up by eight per cent over last year. Injuries are down, albeit slightly, from 2004. There were 4 fewer fatalities.

Little by little, one employer at a time, one worker at a time, the tide will shift in this province.

Does this mean we have succeeded? Not yet. What it means, in fact, is that our challenge is greater than ever. We must continue the positive change we have begun.

And we need to do this together.

Sincerely,

Nancy MacCready-Williams

Nancy MacCready-Williams
Chief Executive Officer

Bands on lobster claws may seem like a minor detail – but details matter in hazard assessment and control. Cyril Lainey keeps safety top-of-mind as he packs lobster for Clearwater Seafoods Limited Partnership.

details

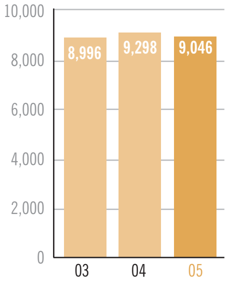
Year In Review

THE WCB IS ON A JOURNEY that is moving us in a new direction. Two key factors define this new direction – our focus on preventing workplace injuries and helping injured workers return to work in a safe and timely manner.

Preventing Workplace Injury

Nova Scotia's rate of workplace injury remains unacceptably high. In 2005, 93 people were injured on the job every day and someone died every two weeks.

Compensable time-loss claims



Three workers out of every 100 were injured seriously enough to lose time from work. Our goal is to reduce that rate by five percent by the end of 2009. That means 500 fewer Nova Scotians would be seriously injured on the job every year. We can't do this alone. We need to continue to work collaboratively with all Nova Scotians to create a safety culture – one where getting injured at work is no longer accepted as an inevitability.

In 2003, the WCB began to consult with stakeholders on the development of prevention programs and services aimed at making Nova Scotia a safer place to work. In 2005, those programs and services were translated into action.

Safety Incentive Program

Rates are one lever the WCB can push to foster a safety culture. That is why we introduced the Safety Incentive Program last fall. The principle of the program is simple: companies that improve their safety records and return-to-work programs will see their rates go down more quickly, while those with the poorest records will face surcharges unless they take action to improve their safety performance.

The Safety Incentive Program makes WCB rates more responsive to the safety performance of employers. In this way, WCB premiums are like other insurance premiums – where those with higher costs pay their fair share.

Priority Employer Program

The vast majority of employers in Nova Scotia take workplace safety very seriously; unfortunately a small number of employers are responsible for the majority of claims costs.

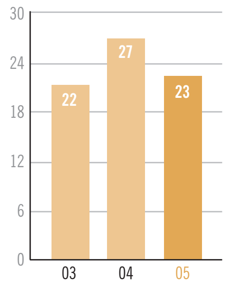
Through the Priority Employer Program, the WCB provides a small number of targeted employers who have higher-than-average injury rates and costs with the resources they need to develop effective health and safety systems in their workplaces. The Priority Employer Program takes a leadership approach – engaging CEOs and company leaders from the start. It is an important part of the WCB's prevention and return-to-work efforts.

MyAccount

In 2005, the WCB partnered with Nova Scotia Environment and Labour to build a new online

Employers, health-care providers, injured workers and the WCB work together to achieve return-to-work success. As Site Manager for Harbourstone Enhanced Care in Sydney, Nadine Oliver knows this – and Harbourstone's new return-to-work program is being rolled out across all other Shannex Health Care facilities.

Fatalities



business tool for employers. The WCB is the first board in Atlantic Canada to offer this type of service. Set to launch early in 2006, MyAccount will provide up-to-the-minute firm and industry information that employers can use to make improvements to safety and return-to-work programs in their operations.

Social Marketing

The WCB tracks awareness and attitudes about workplace safety through market research. In general, Nova Scotians are concerned about workplace safety, but interestingly, the level of concern still lags behind other issues, such as the cost of fuel or car insurance. Meanwhile, the equivalent of a mid-size Nova Scotia town is seriously injured every year on the job. Further, national surveys have shown that more than half of Atlantic Canadians still consider workplace injury inevitable. It's this type of broad awareness we hope to change through social marketing – creating awareness of the problem is the first step to changing behaviour on the job.

In 2005, our campaign was recognized with numerous awards from professional communications organizations and by our peers at the American Association of State Compensation and Insurance Funds.

While awards are encouraging and exciting, the true measure of our success comes from results. There is encouraging news here, too. Market research indicates that, among employed Nova Scotians, the importance placed upon safety on the job is increasing among both young workers and the general public.

Certificate of Recognition (COR) Program

In partnership with our Certificate of Recognition Program providers, the WCB awards a Certificate of Recognition to employers that pass a health and safety audit. The certificate is useful in that it allows employers to show that they meet a best practice standard for health and safety in their operations.

Traditionally, the WCB has required program providers to meet the International Standards Organization (ISO) 9001 quality assurance standard. Through consultation with safety associations and audit providers, the WCB has raised the bar for organizations that provide the COR. In addition to meeting the ISO 9001 standard, COR providers now must also meet a supplementary quality standard specific to the COR. The new and improved process is effective January 1, 2006.

In addition to creating safer workplaces, these prevention programs are expected to save about $25 million annually by 2017.

Helping Injured Workers Return to Work

Injuries are happening. In fact, in Nova Scotia, they happen much more often than they should. Preventing injuries is our best option, but if an injury occurs, the best result is a safe and timely return to work. Still, in 2005, it took injured workers in Nova Scotia longer to return to work than in almost every other province or territory in Canada. Too many workers are off work for too long in our province – and some never return to work.

Abbie Boudreau says "cheese" at Scotsburn Dairy Limited in Sydney. With consumer and employee health and safety to consider, workers must be diligent at every step of the production process.

The WCB takes a collaborative approach to return to work. By working with employers, workers, physicians, physiotherapists and other health-care providers, we can help injured workers return to work sooner. Staying connected to the workplace and continuing to work are the most important factors in injury recovery.

In 2005, the WCB signed a new agreement with Nova Scotia physiotherapy clinics as part of a program to improve opportunities for safe and timely return to work for workers with soft tissue injuries – which accounted for more than 60 percent of our time-loss claims in 2005.

The new program brings clinics, workers, employers and the WCB together to establish a gold standard of practice. One of the key components of this new partnership is direct access to physiotherapists. Direct access reduces wait times, allows for earlier identification of abilities and issues, and assists with early and safe return to work.

Chronic Pain

Work was well underway to review claims for workers requesting benefits for chronic pain under new regulations and policies. With more than 6,000 requests from workers, the WCB expanded its team by hiring 70 new employees to ensure that these claims are reviewed in as timely a manner as possible. The new employees also will ensure that workers currently under active case management and those injured in the future benefit from what we learn about preventing and managing chronic pain.

Workers and employers continue to express concern over this issue and how it may impact the WCB's ability to move in a new direction. We have had many discussions with stakeholders on this issue, and we will continue these discussions as we move forward. Our new return-to-work program also will improve outcomes for workers with chronic pain and their employers.

Building Strong Relationships

We continue to foster stronger relationships with our stakeholders. Together, through collaboration, consultation and greater understanding, we will be better equipped to address the challenges that face us.

In 2005, we consulted stakeholders on a number of policy issues. A governance review attracted six new members to our Board of Directors and a new governance structure increases transparency and accountability to stakeholders.

The WCB's executive team met with employers, workers, associations and other stakeholders throughout the province as part of our ongoing outreach program. In addition, in the fall, more than 1,600 employers and workers enthusiastically attended workshops held across Nova Scotia to learn more about the WCB's programs and services. The WCB also hosted two leadership breakfasts to engage key opinion leaders in the province in discussions about the importance of workplace safety.

Hazards are a fact of life for automobile parts manufacturer Precision Finished Components (a division of Magna Powertrain Inc.) in North Sydney. But hazard recognition and control, employee awareness and management commitment have helped this OHSAS 18001 company achieve zero time-loss claims in 2005. Congratulations to Alex Pendergast – PFC's "Safety Employee of the Year."

Measuring Success

The WCB is developing programs to positively impact the injury rate and an injured worker's ability to return to work. If we are successful, we can improve Nova Scotia's safety culture and reduce the cost of workers' compensation. However, the WCB's efforts will have minimal impact if we work alone. Employers and workers have a key role to play and by working together we can move workers' compensation in a new direction.

We will know we have been successful when workers say their employers are taking important steps to ensure a safe work environment. And when we, as a society, wholeheartedly believe work is healthy and celebrate the meaningful work an injured worker can do.

Report of the Client Relations Officer

WE KNOW THAT A HIGH PROPORTION of workers and employers have a positive experience with the WCB. They have reported this through their responses to our client satisfaction surveys. However, for those who are not satisfied, the office of the Client Relations Officer gives injured workers and employers a place to have their concerns heard.

My role is to receive and investigate complaints about all areas of the WCB's service. I impartially review, investigate and resolve complaints where possible. I don't have authority to change or modify claims or assessments decisions, but I can make recommendations for resolving matters, if a complaint is substantiated. The complaints and other issues brought forward by workers and employers allow us to evaluate the WCB by seeing our services through the eyes of those we serve. Using the feedback from the complaints process, we make efforts to increase the quality of our services.

During 2005, chronic pain was a primary issue of concern for workers and employers. In total, 10 complaints were filed with the Clients Relations Officer of which three were substantiated. The majority of complaints were filed by workers and their representatives. The most common complaint was that WCB staff did not communicate in a manner that was easy to understand. We also heard concerns that the WCB does not always respond in a timely manner.

Tim McInnis
Client Relations Officer

Leanne Hachey, Nova Scotia's Director of Provincial Affairs for the Canadian Federation of Independent Business, helps enhance the WCB's relationship with small business – to create efficiencies, prevent injury and, ultimately, reduce employer premiums.

Plans and Progress

Vision

Nova Scotians – safe and secure from workplace injury.

Goals

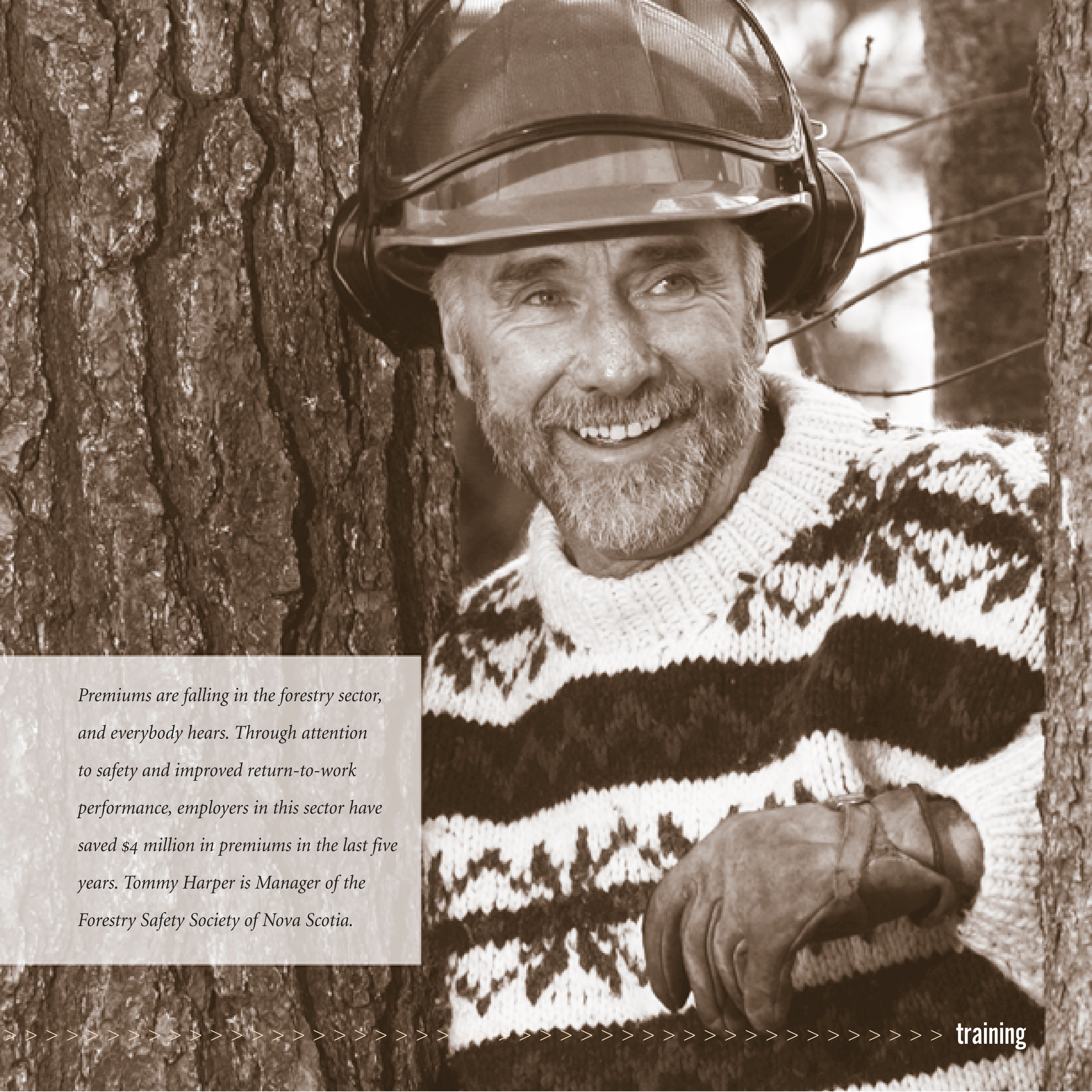
The strategic goals of the WCB include:

- With our partners, we have built a workplace safety culture in Nova Scotia.
- With our partners, we have improved outcomes for early and safe return to work.
- We are an organization that our employees are proud of and proud to work for.
- Our customers tell us that we provide excellent service.
- We are an organization that is financially stable and sustainable.

We have developed a balanced scorecard to measure our performance against each goal. The performance measures will allow us to track and benchmark our performance over time. The performance measures will act as a tool by which the WCB can identify areas of strength and weakness so that we can better meet the needs of our customers. We are focused on a wide range of business areas, which is why our balanced scorecard contains a mix of financial and non-financial performance measures.

BALANCED SCORECARD

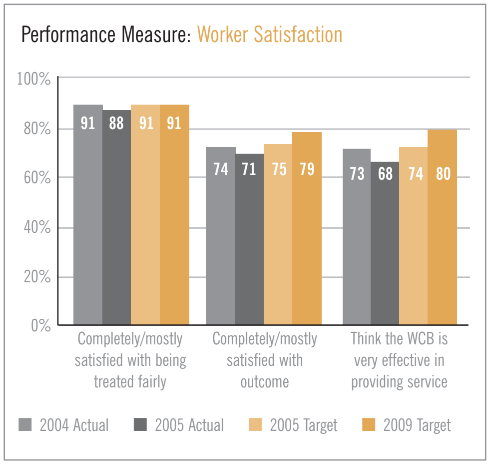
	Actual '04	Actual '05	Target '05	Target '09
Customer				
Worker Satisfaction				
… Treated fairly	91%	88%	91%	91%
… With outcome	74%	71%	75%	79%
… With WCB employee effectiveness	73%	68%	74%	80%
Employer Satisfaction				
…Treated fairly	70%	73%	71%	75%
… With WCB employee ability to answer questions	69%	74%	69%	73%
… With WCB employee effectiveness	35%	37%	34%	50%
Operations				
Time-loss injuries per 100 covered employees	2.92	2.87	2.92	2.84
Duration composite in days (excluding chronic pain claims in Transition Services)	104	114	106	76
Percent return to work at 100% pre-injury earnings	92%	93%	92%	92%
Employee				
Percent employees with a sense of pride in WCB accomplishments	63%	78%	65%	70–75%
Percent employees that would recommend WCB as a good place to work	75%	87%	76%	80–85%
Financial				
Indexing of benefits	50%	50%	50%	65%
Average annual assessment rate	$2.59	$2.63	$2.65	$2.65
Unfunded liability retirement date	2024	2017	2017	2017



Premiums are falling in the forestry sector, and everybody hears. Through attention to safety and improved return-to-work performance, employers in this sector have saved $4 million in premiums in the last five years. Tommy Harper is Manager of the Forestry Safety Society of Nova Scotia.

Performance Measure: Customer – Worker Satisfaction

Significance



The WCB uses worker satisfaction performance indicators to help determine whether the needs of injured workers are being met. The WCB uses the professional services of an external firm to conduct monthly surveys of approximately 1600 injured workers each year.

Performance

Worker satisfaction has shown some decline since April 2005 and year end results have fallen short of the 2005 targets. The trend can be attributed to a number of factors. The learning curve associated with adjudicating chronic pain related benefits has increased caseloads and impacted service on all claims. Client services staff have been heavily engaged in return-to-work redesign of the case management process and this has had an impact on general service. The large scale recruiting effort undertaken in the second and third quarters to staff the unit adjudicating chronic pain claims led to significant staff turnover and further negatively affected general service.

Our programs and strategies

We are addressing worker satisfaction through the continued implementation of return to work redesign, first launched in September 2005, and securing new services to assist in managing chronic pain claims case loads.

Outlook

Although our year-end targets have fallen short, in the fourth quarter we saw an increase in all three worker satisfaction measures, as compared to the third quarter. The indication is that the actions taken by the WCB have already begun to address the trend in worker satisfaction.

Performance Measure: Customer – Employer Satisfaction

Significance

The WCB uses these measures to understand whether employers are satisfied with the service they receive. We have contracted an external professional services firm to survey our covered employers on a quarterly basis. On an annual basis we survey approximately 1000 employers. While there is always room for improvement, the results for 2005 showed us that we are on track with employer satisfaction exceeding targets.

Performance

During the year, we held discussions with employers to build relationships and continue our ongoing commitment to be open and accessible. We met with more than 1600 employers and labour leaders who attended workshops focused on prevention, assessment rates and return to work. The events were co-hosted with the Occupational Health and Safety Division of Nova Scotia Environment and Labour.

Our programs and strategies

The MyAccount online tool will launch in spring 2006. MyAccount will provide employers with useful information to improve the health and safety culture in Nova Scotia and is being developed in conjunction with Nova Scotia Environment and Labour's Occupational Health and Safety Division. Becoming available in a number of releases throughout 2006, information contained in the tool will include claims data, rate breakdowns, assessment payment and payroll history, business tools, and links to prevention information. When fully implemented, employers will be provided with industry comparisons and be able to submit some forms electronically to the WCB.

Outlook

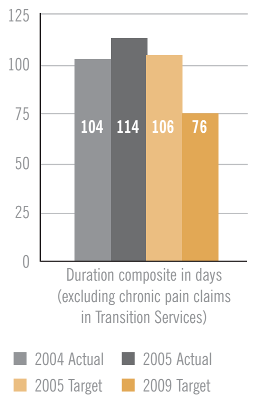
We are currently reviewing our Service Delivery Model and we will ensure any enhancement we make will align with our employer satisfaction objectives. Our focus on prevention and return-to-work coupled with the launch of MyAccount are also expected to support employer satisfaction.

Performance Measure: Operations

Significance

We endeavor to proactively build a health and safety culture in Nova Scotia by engaging employers to establish best practice health and safety systems and focus on safe and timely return to work. Our operational performance measures provide us with the information to determine whether we have been able to: help reduce the number of people who were injured; reduce claim durations; and increase the number of those who return to work in a safe and timely manner.

Performance Measure: Duration



Duration composite in days (excluding chronic pain claims in Transition Services)

Performance Measure: Operations

	Actual '04	Actual '05	Target '05	Target '09
Time-loss injuries per 100 covered employees	2.92	2.87	2.92	2.84
Percent return to work at 100% pre-injury earnings	92%	93%	92%	92%

Performance

We are currently in a transition period where we have laid the ground work to improve our operational performance. Our composite duration index provides a measure of the number of days short-term disability benefits are paid per claim. The index includes claims over the last five years that received payment in the current year. Chronic pain claims paid by the Transition Services Team are excluded from this calculation. For 2005, we have not met our target for claim duration. Our performance can partially be attributed to the Supreme Court of Canada decision on chronic pain and processes to implement new regulations and policies. It has resulted in lengthening claims that are in the chronic stage and made return to work more complex and longer to manage. However, we have started to see the effects of our work, as the percentage of workers who return to work at 100% pre-injury earnings in 2005 has exceeded the year-end target of 92%, and the time-loss injuries per 100 covered workers has declined as well.

Our programs and strategies

To achieve improved operational performance we will work with our partners to prevent injuries and promote safe and timely return-to-work. We will focus on two key areas:

Injury prevention and education – the WCB is helping to create a safety culture in Nova Scotia by working directly with employers and workers to reduce the number of people who are injured in the workplace. Our approach includes prevention education programming aimed at providing employers with information about how to make their workplaces safer. We also are raising awareness of workplace safety among Nova Scotians and promoting safe behaviour on the job. Two social marketing campaigns were completed in 2005 – one targeted to young workers and the other targeted to the general public.

Return to Work – the WCB assists injured workers and their employers to achieve early and safe return to work after a workplace injury. The re-design of our return to work processes in 2005 aims to ensure that injured workers return to work in a safe and timely manner. A safe and timely return to work helps reduce the overall human and financial costs of workplace injuries for both workers and employers. The redesign will be critical in our efforts to impact claim durations. As part of the return-to-work redesign, we have signed a contract with physiotherapy service providers that will focus on attaining better outcomes for injured workers, specifically those with soft tissue injuries.

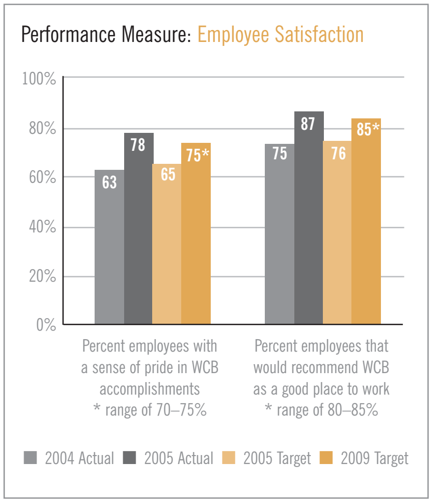
Outlook

To improve our operational performance, we will generate greater awareness to prevent workplace injury and illness and engage employers to ensure effective health and safety and return to work programs are in place.

Performance Measure: Employee Satisfaction

Significance

We use an external professional services firm to conduct an internal survey of our employees on an annual basis. The cornerstone of worker satisfaction and employee satisfaction is our own employees' satisfaction. We must ensure that our employees take pride in what is accomplished so that we can meet our strategic goals.



Performance

The 2005 results show that employee satisfaction continues to improve.

Earlier this year, employees met to share ideas on how customer service could be improved and provide a foundation on which to build service delivery.

Our programs and strategies

Several initiatives are either being planned or implemented to improve employee satisfaction including development of a corporate reward and recognition program to recognize employee achievements and the development of a leadership performance management and development program which will contribute to a healthy work environment.

Outlook

As part of improving service delivery, we are looking at long-term human resources and facility strategies and requirements to determine how to best deliver service through our employees to our stakeholders. In addition, we will be working with employees to improve health, safety and wellness in our workplace and exploring issues such as job staffing and classification processes.

Performance Measure: Financial

Performance Measure: Financial

	Actual '04	Actual '05	Target '05	Target '09
Indexing of benefits	50%	50%	50%	65%
Average annual assessment rate	$2.59	$2.63	$2.65	$2.65
Unfunded liability retirement date	2024	2017	2017	2017

Significance

Currently, the WCB anticipates eliminating the unfunded liability by approximately 2017.

Performance

The WCB's financial situation has improved over the past 10 years. This has allowed the Funding Strategy to be adjusted so as to reduce the period during which the unfunded liability was to be eliminated.

Our programs and strategies

We recognize that there are pressures to reduce rates and increase benefits. The Funding Strategy presents the base case on which future annual revisions will be made. The base case contemplates an average assessment rate of $2.65 through 2017 and indexing of benefits for changes in the Consumer Price Index increasing from 50% to 65% in 2007. Our operational programs for injury prevention and early and safe return to work described earlier are critical to ensure achievement of our financial objectives.

Outlook

While the financial position has improved significantly, there are still many years remaining before the WCB achieves the overall goal of financial stability and full funding.

Management's Responsibility for Financial Reporting

THE FINANCIAL STATEMENTS of the Workers' Compensation Board of Nova Scotia were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and assets are properly safeguarded. Internal Auditor service providers perform periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors has approved the financial statements included in this Annual Report. The Board of Directors is assisted in its responsibilities by the Audit & Finance Committee. This Committee reviews and recommends approval of the financial statements and meets periodically with management, the independent actuaries and the internal and external auditors concerning internal controls and all other matters relating to financial reporting.

The firm of Eckler Partners Ltd. has been appointed as independent consulting actuaries to the WCB. Their role is to complete an independent annual actuarial valuation of the benefits liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial principles.

Ernst & Young LLP, the external auditors of the WCB, have performed an independent audit of the financial statements of the WCB in accordance with auditing standards generally accepted in Canada. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Nancy MacCready-Williams
Chief Executive Officer

Leo D. McKenna, CA
Chief Financial Officer
Vice-President, Corporate Services

Management Discussion and Analysis

AS AN INTEGRAL PART OF THE ANNUAL REPORT, the Management Discussion and Analysis provides further insight into the operations and financial position of the Workers' Compensation Board. The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes.

The WCB operates under the authority of the *Workers' Compensation Act*. Pursuant to the *Act*, the WCB strives to prevent workplace injury, but when it occurs, supports injured workers, their employers, and health care providers to achieve a safe and timely return to work; administers benefits and services to injured workers; and levies and collects assessment revenues in an amount sufficient to cover the current and future costs of compensation claims. The WCB obtains its revenues from premiums paid by employers registered with the WCB, reimbursements of claims costs and administrative fees from self-insured employers, and investment income. The WCB provides coverage to approximately 71% of workers employed in Nova Scotia.

Statement of Financial Position

Investments

Benefits for injuries occurring in a year are paid in the year of injury and, for some workers, for many years after the injury. The WCB maintains an investment portfolio to secure the payment of benefits in the future.

During 2005, the Investment Committee reviewed the manager structure and asset class allocation of the portfolio. The asset allocation was changed to include real estate holdings at 10 percent by decreasing bond holdings by 10 percent. The benchmark portfolio effective October 1, 2005 includes equity at 60 percent, bonds at 30 percent and real estate at 10 percent. Given this composition, we expect a passive real rate of return of 3.5% which, combined with our long-term expectation for inflation of 4% and our objective for exceeding the market returns of 0.85%, should yield about 8.5% annualized over the long term. The benchmark portfolio reflects the fund's long-term risk tolerance. At any given time, the fund's asset allocation may differ from the benchmark, but the benchmark is useful for assessing performance of the fund.

A new specialty manager structure resulted in a transition of approximately $750 million or approximately three quarters of the portfolio holdings. A transition manager was appointed to implement the approved changes. The transition commenced in September 2005 and was completed in early December 2005. This transition resulted in the significant realization of gains on the disposal of investments in accordance with the accounting policy for investment income adopted in 2004.

Based on the changes in the portfolio structure, the target for returns has been increased slightly. The investment target overall is to exceed the rate of return generated by the benchmark portfolio and market index yields for the various asset classes by 0.85% before management fees based on a five-year average.

The WCB uses both active investment strategies where the investment manager is charged with exceeding the market index returns and passive investment strategies where the investment manager is charged with achieving market index returns. The WCB uses an active management strategy for Canadian, international and some U.S. equities and real estate investments. The WCB uses a passive investment strategy for Canadian bonds and some U.S. equities.

The active managers' objective is to exceed the return generated by the benchmark portfolio by 1.5% for Canadian equities, 2.0% for international equities and 1.0% for U.S. equities before investment management fees based on a five-year average. For the indexed manager, the objective is to match the return generated by the fund benchmark portfolio with a tracking error of +0.15% for U.S. equity; and +0.10% for nominal bonds before investment management fees based on a five-year average.

Investment returns on the externally managed portfolio on a market basis were 10.5% in 2005, which was 2.35% less than the target for the year. The target for the five years ended December 31, 2005 was 5.5% and the WCB's actual return was 4.6%. The WCB's target was not achieved for the five-year period.

Investments are recorded at fair market value. A statement of other comprehensive income accounts for gains and losses that result from changes in fair market value. Cumulative changes in fair market value for investments still owned are tracked as accumulated other comprehensive income. As the majority of investments are held to meet payment obligations that extend many years into the future, the valuation of investments at a point in time provides a comprehensive view of the financial position of the WCB at only a point in time.

Benefits Liabilities

The WCB's benefits liabilities represent the actuarial present value at December 31, 2005 of all expected health-care payments, short-term disability benefits, long-term disability benefits, survivor benefits and rehabilitation payments that will be made in future years, and which relate to claims arising from events that occurred on or before December 31, 2005.

The benefits liabilities grew by 3.0% as set out in detail in Note 8 to the financial statements. The change is attributable to the change in the present value of benefits payable in future years, as calculated through the annual actuarial valuation process.

Chronic Pain Related Benefits

On October 3, 2003 the Supreme Court of Canada found that certain sections of the *Workers' Compensation Act* relating to compensation for chronic pain were unconstitutional. The Supreme Court further ruled that the unconstitutional sections of the *Act* and policies relating to chronic pain benefits were to be of no force and effect by April 3, 2004. Regulations were passed in July 2004 and policies were passed in September 2004 reflecting the Supreme Court decision. These changes resulted in benefit costs that increased the benefits liability.

In 2003, estimates of the increase in liabilities for benefits related to chronic pain for all employers ranged from $198.5 million to $316.4 million. As described in Note 12, the benefit liabilities related to self-insured employers are not included in the WCB's benefits liabilities account. In 2003, estimates of the increase in liabilities for benefits related to chronic pain excluding the self-insured employer portion ranged from $158.8 million to $253.0 million. At that time, no amount within the range was indicated as a better estimate than any other. The lower end of this range was included in the benefits liability of the 2003 financial statements with an additional $9.5 million for future claims administration for a total of $168.3 million.

The WCB began adjudicating claims based on the new regulations and policies late in 2004, and by the end of 2005 had the opportunity to look at the data associated with these claims and the costs we have seen to date. Based on our experience, we now have enough information available to adjust the costs in both the 10E group (workers injured March 23, 1990 to January 31, 1996) and Pre-Hayden group (workers injured before March 23, 1990) and to make a limited adjustment to the New Act group (workers injured on or after February 1, 1996). Accordingly, the 2005 valuation increased the estimate for chronic pain related benefits by $25 million.

No further adjustment is anticipated for the 10E and Pre-Hayden groups, however, the New Act group and Pre-Charter group (workers injured before April 17, 1985) may require further adjustment as discussed below.

Pre-Charter Group

When the original costing estimates were prepared, providing chronic pain related benefits on claims in the Pre-Charter group was not anticipated and therefore not included in the original costing estimates. This issue is currently under appeal so there is uncertainty around the application of the law for these claims. Should it be determined the Pre-Charter group is entitled to benefits, we estimate the total system cost at approximately $10 million, 65% or $6.5 million of which relates to insured claims.

New Act Group

The New Act group includes the claims with the highest level of uncertainty with respect to costs and acceptance rate. While there have been a number of decisions in this group, most involved claims that were at some level of appeal. We believe that once we move from this group with outstanding appeals, there will be more stability in the acceptance rate. We continue to receive new requests for assessment so the claims volume is not yet stable. We are also considering process changes as we gain experience with these claims, which could significantly impact the acceptance rate of claims in this group as we improve the effectiveness of our evidence gathering process.

It would be inappropriate to finalize our estimate for this group until the volume stabilizes and we have adjudicated enough claims as a random sample to have a statistically valid acceptance rate. The claims adjudicated to date in this group have not been a random sample as the first decisions rendered were for claims in the appeal system. Until we process 10% of the estimated inquiries across the group as a random sample and have more experience with our process changes, there is still significant uncertainty regarding the costing for this group.

We have seen enough data to suggest that total cost estimates booked to date at the low end of the range will not be sufficient. We are now reflecting the top of the original range for this group in our financial statements and will be able to predict with greater certainty whether any further adjustments are required once a larger number of claims in this group has been adjudicated.

While the adjustment to the benefit liabilities for this group for 2005 is relatively small in comparison to the overall benefits liabilities, it is possible that a larger adjustment may be required in the 2006 financial statements. If the acceptance rate goes back to the 75% range that we have seen at some points in this first year of adjudicating these claims, costs for chronic pain related benefits could rise to as high as $400 million for the total system or $320 million for insured employers. This would be a further increase to the benefits liabilities of $138 million. While this is not considered likely at the present time, it remains a possible outcome.

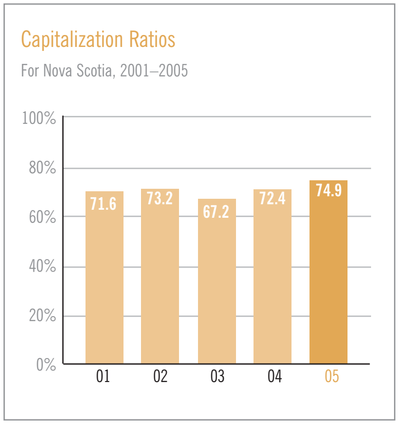
Other Cautions and Considerations – Benefits Liabilities

We have not assessed the additional impact that chronic pain claims may have on health care liabilities. While we have included an overall estimate of $6.7 million, we currently do not have the data available to assess the reasonableness of this assumption. The process changes we refer to above may increase this amount.

In addition to the Pre-Charter issue, other issues under review in the appeal system may also lead to further adjustment of costs of chronic pain related benefits, however, there is currently not enough information to assess the probability and cost associated with the outcome of these appeals. In our financial statements we are disclosing the potential for additional costs associated with appeals but noting we are not able to quantify the impact.

Unfunded Liability

The WCB's liabilities total $1.3 billion and assets total $1.0 billion, with an unfunded liability of $380 million and accumulated other comprehensive income of $44 million at the end of 2005. The WCB's funding percentage has increased from 72.4% to 74.9% as at December 31, 2005.



As noted above, in 2004 the WCB began recognizing the entire investment gains and losses in the year of occurrence as opposed to smoothing them into income over five years. Recognizing gains and losses in the year in which they occur introduces a significant amount of volatility to the WCB's financial reporting.

Statement of Operations and Unfunded Liability

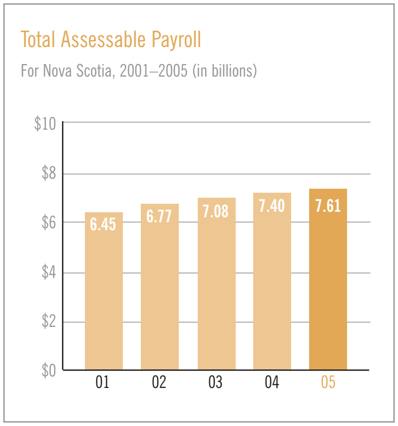
The operating results for 2005 and 2004 may be attributed to the following factors:

($000's)	**2005**	2004
Assessment Revenue in Excess of Current Year Costs	**$ 44,157**	$47,534
Investment Income above (below) Liability Requirements	**2,179**	(54,066)
Actuarial Liabilities less (greater) than Previously Anticipated	**(20,695)**	8,978
Excess of Revenue over Expenses	**$ 25,641**	$ 2,446

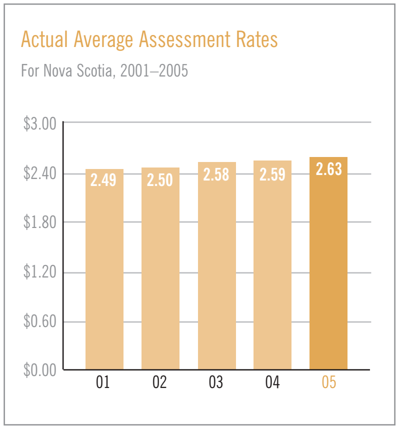
Revenues

Assessment Revenue

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. The federal and provincial government agencies and departments are self-insured. Rather than paying an insurance premium, they reimburse the WCB for claims costs incurred on their behalf plus an administration fee. Total assessment revenue increased $16.2 million (7.2%) from 2004 levels.



Revenues from registered firms increased $10.4 million (5.5%). This increase is primarily attributed to a rise in the actual average rate from $2.59 to $2.63 and by an increase in assessable payroll of 2.7%. Increases to the payroll base are attributable to compliance initiatives, growth in the economy and an increase in the maximum assessable earnings.



The targeted average assessment rate remained consistent at $2.65. The actual average assessment rate of $2.63 in 2005 was slightly lower than target. This simply indicates the mix of payroll amounts submitted by employers in high rate industries and payrolls submitted by employers in low rate industries is slightly different than anticipated. While this means our revenues from higher risk sectors was slightly less than expected, it also means that the risk we have insured for the employers in these sectors is slightly less than expected with no overall impact on our operating results.

At $2.63 the average assessment rate in Nova Scotia was the second highest rate in the country and was significantly higher than the national average for 2004 of $2.11. This is due in part to our benefit cost structure and high injury rate and in part due to the surcharge being applied to eliminate the unfunded liability. As discussed below, we are working with stakeholders to reduce our benefit cost structure and we have a funding strategy to eliminate the unfunded liability.

The self-insurers experienced higher claims payments in 2005 primarily relating to chronic pain related benefits, which resulted in higher charges for incurred claims and administration charges billed of $5.8 million.

Investment Income

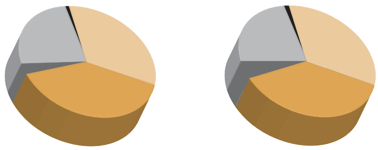
Investment income is derived from interest on short-term investments managed internally and income on the long-term investments managed by external investment managers. The recorded income in 2005 reflects the WCB's accounting policy to record realized gains and losses in investment income included in the excess of revenue over expenses when an investment is sold and to record gains and losses arising from changes in fair market value in other comprehensive income.

Total investment income increased $70.1 million over 2004 levels. The increase is primarily attributed to the significant transition of the investment portfolio in 2005. This transition, coupled with regular portfolio transactions, resulted in the disposal and reinvestment of approximately $750 million of investments and resulted in $83.4 million in gains of which $61.7 million were recognized into investment income during the year. These results reflect a year in the capital markets which saw the S & P/TSX Composite increase 24.1%, the S & P 500 increase 1.6% in Canadian dollars, and the MSCI EAFE increase 10.0%. The bond markets showed positive returns at 6.5%.

Expenses

Total Claims Costs Incurred

(in thousands)



	2005		2004	
Short-term Disability	**$48,590**	**31.9%**	$44,049	32.2%
Long-term Disability	**$60,235**	**39.5%**	$51,738	37.9%
Survivor Benefits	**$4,912**	**3.2%**	$6,849	5.0%
Health Care	**$37,216**	**24.4%**	$32,456	23.7%
Rehabilitation	**$1,453**	**1.0%**	$1,572	1.2%

Claims Costs Incurred

Claims costs incurred are an estimate of the costs related to compensable injuries, which occurred in 2005. These estimates take into account both unreported claims and claims reported but as yet unpaid. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease. The benefits liability does include a provision for future expenses of administration of existing claims.

Claims costs incurred were $16.5 million (11.5%) higher than 2004. Claims categories with significant fluctuations included short-term disability costs increasing $4.5 million (10.3%); long-term disability costs increasing $8.5 million (16.4%); survivor benefits decreasing $1.9 million (28.3%); and health care costs increasing $4.8 million (14.7%). Several factors influenced this aggregate result:

- Total injuries reported decreased about 0.4% and reported time-loss claims decreased 2.7% from 2004.

- Claims costs incurred for short-term disability have increased 10.3% in the current year. The significant increase in payments in 2005 is the result of longer claim durations impacted by the application of chronic pain legislation.

- The 16.4% increase in long-term disability costs is primarily related to the implementation of long-term chronic pain awards.

- Survivor costs have decreased by 28.3% in 2005. This decrease is primarily related to a decrease in the volume of new survivor awards. Claims volume in this area is relatively small resulting in a significant level of volatility year to year.

- Health care costs continued to increase in 2005. The 14.7% increase can be attributed to increasing cost and utilization of services and the introduction of targeted services designed to reduce durations. Increasing health care costs are not unique to Nova Scotia. Health care costs across all jurisdictions are increasing at a rate much greater than the general inflation rate. In 2004, national health care costs across all Canadian workers' compensation boards and commissions increased by 11.1%, approximately 9.0% higher than the general inflation rate of 2.1%.

- Non-income rehabilitation costs are the costs other than wage replacement benefits paid to workers in rehabilitation programs, that is, the cost of the programs themselves. These costs have been decreasing over the past few years with continued decreases in payments in this category reflecting a shift in emphasis to more short term, return to work focused programs.

Growth in Present Value of Liabilities, Change in Assumptions and Actuarial Experience Adjustments

The growth in present value of benefits liabilities is the increase in the present value of prior years' claims obligations due to an interest amount reflecting the time value of money. In 2005 this amount was $93.2 million or approximately 7.1% of the benefits liabilities. This amount varies slightly by benefit category as the expected inflation component varies somewhat, but based on the overall expectation for inflation and long term investment returns is usually about 7.5%. The benefits liability is calculated based on historical claims data and experience coupled with assumptions about experience.

Our external actuary made a change in assumption in 2005 increasing the benefits liabilities by $11.6 million reflecting a decrease in the expected average age of an injured worker at the injury date. Minor changes in assumptions year to year are a normal part of the valuation process.

Actuarial experience adjustments represent the adjustments to the present value of prior years' claims, which were not anticipated in the prior year's valuation. Actuarial experience adjustments are $9.1 million in 2005 as indicated in Note 8 of the financial statements, including an increase for chronic pain related benefits of $25.1 million. As noted above, the benefits liability for chronic pain related benefits are a significant area of uncertainty. Other experience adjustments year to year are a normal and expected part of the valuation process. Actuarial adjustments increasing the benefits liability are the net effect of changes in experience regarding average payments and additional chronic pain costs, offset by decreases related to the expected volume of future long-term awards.

Administrative Cost

Administrative expenditures in 2005 totaled $34.0 million, an increase of $4.0 million (13.5%) from 2004. The increase is attributable to the following:

- Salaries and staff expense increased $4.3 million reflecting adjustments required under the collective agreement, and the increase in staff complement mainly relating to the adjudication of chronic pain claims. We hired approximately 70 staff to handle this work.

- Professional fees increased $0.8 million reflecting consulting fees utilized for operating and project management requirements in 2005.

- Other costs increased $1.2 million reflecting the increases to establish a unit to adjudicate chronic pain claims including building rental facilities and office supplies, communication initiatives relating to advertising, and increases in travel and training.

- These increases were offset by a net change of $2.3 million in the liability for future administration costs.

Legislated Obligations

The *Workers' Compensation Act* requires the WCB to pay the Province of Nova Scotia a portion of the costs of the Occupational Health and Safety (OH&S) Division of Nova Scotia Environment and Labour, the costs of operating the Workers' Compensation Appeals Tribunal, the costs of operating the Workers' Advisers Program, and the costs of funding injured workers' associations selected by Nova Scotia Environment and Labour.

The WCB's expenditure for the OH&S Division is set by Order-in-Council and reflects the pro-rata share of Nova Scotia Environment and Labour's expenditure in occupational health and safety. The pro-rata share is based on the ratio of the WCB's covered workforce to the OH&S Division's covered workforce.

Overall, legislated obligations decreased by 2.7% to $9.2 million in 2005.

Excess of Revenue Over Expenses

In 2005, total revenues of $335.1 million, less total expenditures of $309.5 million, yielded excess revenue over expenses of $25.6 million. This excess decreases the unfunded liability. This decrease was more than was expected when the most recent funding strategy was approved in June 2005. The impact of this on future years will be evaluated as discussed in the funding strategy section below.

Statement of Cash Flows

Cash decreased $19.5 million in 2005 primarily due to retroactive chronic pain related benefits payments. The cash disbursed in 2005 for benefit payments increased by $57 million over 2004 levels. This increase more than offset the additional cash generated through investments and assessments premiums over the 2004 levels but this was anticipated in our cash management strategy.

The Funding Strategy

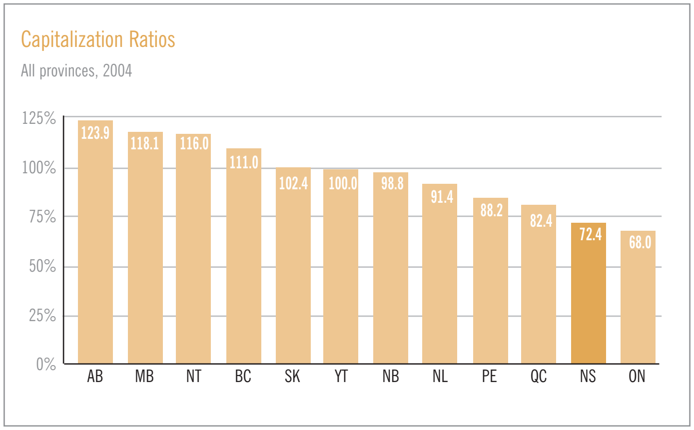
Looking ahead, it is worth noting our experience with adjustments to the Funding Strategy to date. Our financial results in the first eleven years of our Funding Strategy (1995 – 2005) were somewhat better than expected primarily due to increasing assessable payroll coupled with lower than anticipated claims costs incurred during this period, better than expected investment returns, and lower than anticipated inflation.

The WCB's annual revision to the Funding Strategy in June 2005 established the year in which the unfunded liability was expected to be eliminated at 2017. This was based on an expected excess of expenses over revenue for 2005 of $12.2 million. The actual excess of revenues over expenses for 2005 was $25.6 million. This is a $37.8 million greater reduction in the unfunded liability than expected in the Funding Strategy. Given the number of variables affecting the funding position, swings can be expected.

The 2005 results include:

- assessment revenue $5.0 million more than expected,
- investment revenue $56.3 million more than expected,
- claims costs incurred $12.9 million more than expected,
- growth in present value $2.8 million less than expected,
- actuarial assumption changes and experience adjustments $20.7 million more than expected, and
- administration and legislated obligations $7.3 million less than expected.

The WCB's funded position has improved but continues to be one of the more poorly funded in Canada.



In 2004, there was a change in accounting policy for investments. In 2005, the change in the fair market value of investments was recognized as accumulated other comprehensive income, with a net accumulation of $44.2 million. This accumulation is expected to fluctuate annually depending on market returns earned on the WCB investment portfolio.

Assessment rates for employers, benefit levels for injured workers and changes in the WCB's funding position should not be based on short-term, annual investment gains or losses, which by their nature, are unpredictable and not guaranteed to be sustained over the long term. The WCB's Funding Strategy, including decisions about assessment rates and benefits, should continue to be based on long-term expectations for investment returns.

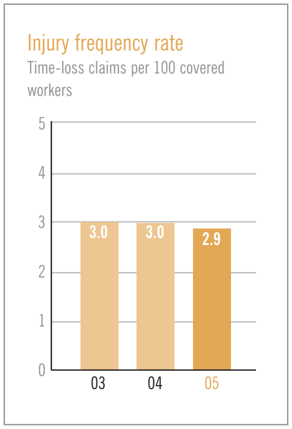
Notes 8 and 17 of the financial statements detail areas of uncertainty, including actuarial experience and chronic pain-related benefits, which might have a significant impact on the WCB's benefits, liabilities and Funding Strategy.

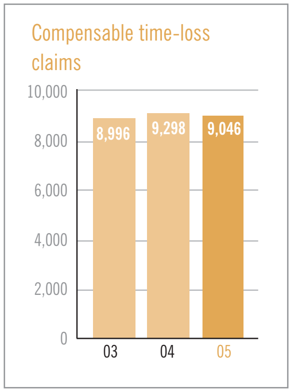
Risk Areas

Given the nature of our operations, the WCB is inherently susceptible to risks that could lead to significant financial consequences if unmitigated. Four key variables that affect the WCB's performance and financial position include: injury rate, benefit costs, investment returns and inflation.

Injury rate

The benefits liability continues to grow, in large part due to Nova Scotia's high injury rate. Compared to other provinces, Nova Scotia has the third highest injury frequency rate at 2.87 time loss injuries per 100 workers. The Canadian average is 2.61. Some of this disparity can be attributed to the fact that we do not cover many lower risk industries in Nova Scotia unlike some other provinces, however, our frequency is even higher than 2.87 when the impact of the 2/5ths waiting period is considered. The high levels of work-related disability are also reflected in data on disability and health regarding the Nova Scotia adult population in general. The most common types of disability are problems with mobility, agility and pain.





The injury rate is the most significant driver of benefit costs and the focus of the WCB's attention for risk mitigation. It is estimated that a 0.5% decrease in the overall injury rate from 2.87% to 2.37%, all else being equal, would translate into an $18 million saving in benefits costs.

In Nova Scotia, reducing work related disability by reducing workplace injury rates and improving the rate of safe and timely return to work requires addressing socio-economic factors related to workplace safety and return to work. These factors include attitudes and behaviours – on the part of employers, workers, health-care providers and the public at large – regarding the prevention of workplace injury and the importance of safe and timely return to work following a workplace injury.

The WCB in Nova Scotia has several initiatives underway to address these issues:

- A new Priority Employer Program to help large employers that have a relatively poor safety record develop or improve their occupational health and safety programs.

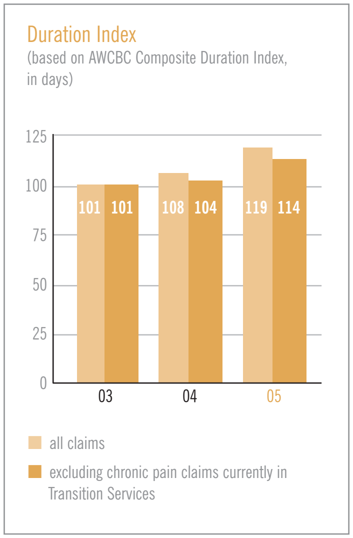
- A new incentive program including modifications to our experience rating and rate setting to encourage employers to take more proactive steps toward improving their safety performance.

- New ways of supporting businesses as they make their workplaces safer by making WCB information more accessible. In spring, 2006 the WCB will launch an online information service called MyAccount that can help businesses manage their accounts more efficiently and use WCB data to make their operations safer.

- New social marketing programs to make Nova Scotians more aware of the importance of working safely.

Benefit costs

Benefits costs are impacted by many variables including changes to the *Workers' Compensation Act*, appeal decisions and court decisions which can expand coverage, the number and severity of injuries, and the effectiveness of claims management.



In Nova Scotia, workers stay on short-term benefits longer than in many other provinces and more workers go on to receive permanent impairment benefits. In 2004, Nova Scotia had the highest composite duration in the country. The WCB's early intervention and return-to-work philosophy is anticipated to reduce claims costs incurred over time by shortening durations by assisting injured workers to return to work in a safe and timely manner and reducing the number of workers going on to long-term disability. During 2005, the WCB focused efforts on:

- Launching a new physiotherapy treatment protocol specifically for soft tissue injuries – the #1 injury type in Nova Scotia. This new treatment protocol will improve the quality of care of injured workers and engage the injured worker, the employer, and the physiotherapist in developing a timely return-to-work plan in the days following a workplace injury. This will reduce claims durations, prevent the onset of chronic pain and increase the number of workers who return to work.

- Other initiatives involving the health care sector include a joint educational session for physicians, psychologists and physiotherapists on the treatment of low back pain and collecting better data on medical aid payments to understand the costs and effectiveness of health care interventions.

- Investigating the possibility of accessing expedited diagnostic and surgical services to enable injured workers to recover on a more timely basis and return to the workforce safely and more quickly after an injury.

- Reviewing and modifying internal claims management procedures to focus on assisting injured workers with a safe and early return to work.

A significant reduction in annual claims costs could generate financial improvements in the system that could be used to reduce assessment rates, increase benefits or a combination of both. The goal is to improve health outcomes for injured workers and to actually reduce the cost structure by reducing the number of claims, not just to slow the rate of cost increases. The current Funding Strategy assumes improvements in this area as a result of these initiatives.

Investment returns

The WCB's assets are diversified among a variety of asset classes in order to optimize returns and manage risk. Investment management for long-term investments is delegated to several external investment managers. The external investment managers are required to comply with the WCB's Statement of Investment Policies and Objectives that outlines permissible investments. The policy is designed so the portfolio will match and meet the long-term liabilities of the WCB.

Some risks cannot be directly controlled by the WCB. These risks include market volatility and interest rate changes. Investment returns that are different than the long-term expectation for returns in the Funding Strategy can have a significant impact on our funding position.

Inflation

The benefits liabilities of the WCB are partially indexed to the Consumer Price Index (CPI) on an annual basis. Payments to benefit recipients are increased by one-half of the Nova Scotia CPI at the beginning of each calendar year. An increase in indexing from 50% of CPI to 60% of CPI would increase liabilities an estimated 2.5% or $33.0 million. Incurred costs would also increase by 1.4% or $2.2 million annually.

Significant fluctuations in CPI represent a risk to the WCB. While CPI has been fairly low in recent years, the risk exists that CPI may rise due to unforeseen economic developments.

Critical Accounting Policies and Estimates

The WCB has adopted accounting policies in accordance with Canadian generally accepted accounting principles (GAAP). GAAP requires that management make significant assumptions and estimates. The following discussion outlines the WCB's significant accounting policies and estimates, which have a material impact on the financial statements.

Assessment Rates

On an annual basis, funding requirements are projected for the many years covered by the Funding Strategy. The WCB determines the amount of premiums, the average premium rate necessary to cover estimated claims costs, administrative expenditures, legislated obligations and a charge to cover the amortization of the unfunded liability. As these rates are set well in advance of the start of the year, there is the potential that the revenues will not be sufficient to cover costs in that year.

Investments

Assets are accounted for at fair value as at the reporting date. Fixed income, equities and real estate pooled funds are valued based on publicly traded market prices. The WCB has designated its portfolio as "available for sale".

Actuarial Valuation of the Benefits Liabilities

Measurement uncertainty associated with the actuarial valuation is high because of the amount, timing, and duration of the benefits. Selection of the appropriate discount rate is subjective and is affected by external factors, factors which management cannot control. Actual results may vary from the actuarial valuation and the variations could be material.

The benefits liabilities determined in the report are estimated by using many actuarial assumptions. The two most significant assumptions are the long-term discount rate and the long-term inflation rate. The liability estimates are highly sensitive to small changes in these assumptions. The following table provides examples of their sensitivity.

Sensitivity of Valuation Assumptions

Assumption Change	Impact	Liabilities	Incurred Claims
Decrease Discount Rate 0.5%	Increase	$44.7 million (3.4%)	$3.2 million (2.2%)
Decrease Inflation Rate 0.5%	Decrease	$26.3 million (2.0%)	$2.0 million (1.4%)
Decrease Discount Rate & Increase Inflation Rate 0.5%	Increase	$74.7 million (5.7%)	$5.5 million (3.8%)
Increase Health Care Inflation Rate 0.5%	Increase	$9.1 million (0.7%)	$0.8 million (0.5%)

Outlook

As this Annual Report containing the 2005 financial statements goes to print, the Workers' Compensation Review Committee Report (Dorsey Report, 2002) and the Supreme Court of Canada decision on chronic pain (October, 2003) continue to be considered by stakeholders, government and the Board of Directors of the WCB. The WCB is not able to assess the impact, if any, of any changes that might flow from legislative changes in response to the Dorsey Report on the WCB's Funding Strategy. Regulations were passed in July 2004 and policies were passed in September 2004 reflecting the Supreme Court of Canada decision. The estimated liability for chronic pain related benefits was increased $25 million in the 2005 financial statements, bringing the total recognized to date to $193 million.

Funding of the workers' compensation system reflects the balance struck between the level of benefits, rates charged to employers and the WCB's funding position. When financial results are different than the target, whether better or worse, the choice becomes: adjust benefits, adjust rates, or adjust the WCB's funding position by lengthening or shortening the period over which the unfunded liability is eliminated. As the level of benefits is set by the legislature, subject to interpretation by the courts, the funding equation is not entirely within the control of the WCB as the neutral administrator.

As previously described, revenues exceeded expenses by more than anticipated in 2005. The WCB Board of Directors will revisit the Funding Strategy as part of the annual budget process in June 2006. On an on-going basis, the WCB consults stakeholders with respect to the appropriate balance between the level of benefits, rates charged to employers and the WCB's funding position. We anticipate stakeholder input will be reflected in the Funding Strategy to be adopted in June 2006.

It is important to realize that while our financial position has improved over the last ten years, there are many years remaining to achieve our overall goal of financial stability and full funding. As we have noted there is a combination of key variables that have an impact on funding: injury rates, benefit costs, investment returns and inflation.

WCB recognizes that there will be variances from the Funding Strategy each year. Sometimes these changes will be temporary, sometimes longer term. Sometimes variances will be negative and then swing back in a positive direction.

The WCB's Funding Strategy contains numerous assumptions about future financial performance and spans many years. The length of the period coupled with the number of assumptions makes the Funding Strategy fairly sensitive or leveraged to changes in the early years with relatively small changes in the early years potentially having a significant impact in the later years.

Although the Funding Strategy clearly labels assumptions as such, many users may credit the strategy with more certainty and precision than warranted given the number and nature of assumptions it contains. Users should remember that the Funding Strategy is our best estimate of what will happen given the assumptions. As noted in previous annual reports and the Funding Strategy, actual results will differ from the projections and these differences may be material.

Auditor's Report

To the Members of the Board of Directors
Workers' Compensation Board of Nova Scotia

We have audited the statement of financial position as at December 31, 2005 and the statements of operations, unfunded liability, comprehensive income, changes in accumulated other comprehensive income and cash flows of the Workers' Compensation Board of Nova Scotia (the "WCB") for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Halifax, Nova Scotia
February 24, 2006

Ernst & Young, LLP
Chartered Accountants

Statement of Financial Position

As at December 31 (thousands of dollars)

	2005	2004
Assets		
Cash and cash equivalents (Note 13)	$ 14,482	$ 34,003
Receivables (Note 4)	21,641	19,159
Investments (Note 5)	956,307	876,280
Property, equipment and other assets (Note 6)	10,064	10,025
	$ 1,002,494	$ 939,467
Liabilities and Unfunded Liabilities		
Payables and accruals	$ 14,083	$ 12,815
Employee future benefits (Notes 7 and 16)	5,784	4,939
Benefits liabilities (Note 8)	1,318,255	1,279,639
	1,338,122	1,297,393
Accumulated other comprehensive income	44,232	47,575
Unfunded liability	(379,860)	(405,501)
	(335,628)	(357,926)
	$ 1,002,494	$ 939,467

Commitments (Note 15)

Contingencies (Note 17)

Approved on behalf of the Board of Directors:

Louis R. Comeau
Chair

H. Ramsay Duff
Deputy Chair

Statement of Operations

Year ended December 31 (thousands of dollars)

	2005	2004
Revenue		
Assessments (Notes 9 and 13)	$ 239,823	$ 223,667
Net investment income (Notes 5 and 13)	95,332	25,199
	335,155	248,866
Expenses		
Claims costs incurred (Notes 8 and 13)	152,406	136,664
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 8)	113,847	70,287
Administration costs (Notes 10 and 13)	34,028	29,978
Legislated obligations (Note 11)	9,233	9,491
	309,514	246,420
Excess of revenues over expenses applied to reduce the unfunded liability	$ 25,641	$ 2,446

Statement of Unfunded Liability

Year ended December 31 (thousands of dollars)

	2005	2004
Unfunded liability, beginning of year	$ (405,501)	$ (411,951)
Change in accounting policy (Note 3)	-	4,004
	(405,501)	(407,947)
Excess of revenues over expenses applied to reduce the unfunded liability	25,641	2,446
Unfunded liability, end of year	$ (379,860)	$ (405,501)

Statement of Comprehensive Income

Year ended December 31 (thousands of dollars)

	2005	2004
Excess of revenues over expenses	**$ 25,641**	$ 2,446
Other comprehensive income		
Unrealized gains on available-for-sale financial assets arising during the year	**58,348**	37,430
Reclassification of realized gains to the statement of operations	**(61,691)**	(2,327)
Net change in other comprehensive income for the year	**(3,343)**	35,103
Total comprehensive income	**$ 22,298**	$ 37,549

Statement of Changes in Accumulated Other Comprehensive Income

Year ended December 31 (thousands of dollars)

	2005	2004
Accumulated other comprehensive income, beginning of year	**$ 47,575**	$ -
Change in accounting policy (Note 3)	**-**	12,472
	47,575	12,472
Net change in other comprehensive income for the year	**(3,343)**	35,103
Accumulated other comprehensive income, end of year	**$ 44,232**	$ 47,575

Statement of Cash Flows

Year ended December 31 (thousands of dollars)

	2005	2004
Operating Activities		
Cash received from:		
Employers, for assessments	**$ 235,789**	$ 222,753
Net investment income	**95,358**	25,219
	331,147	247,972
Cash paid to:		
Claimants or third parties on their behalf	**(221,407)**	(164,342)
Suppliers, for administrative and other goods and services	**(43,380)**	(36,642)
	(264,787)	(200,984)
Net cash provided by operating activities	**66,360**	46,988
Investing Activities		
Increase in investments, net	**(83,370)**	(41,969)
Cash paid for:		
Purchases of equipment	**(2,511)**	(586)
Net cash used in investing activities	**(85,881)**	(42,555)
Net (decrease) increase in cash and cash equivalents	**(19,521)**	4,433
Cash and cash equivalents, beginning of year	**34,003**	29,570
Cash and cash equivalents, end of year	**$ 14,482**	$ 34,003

Notes to the Financial Statements *Year ended December 31, 2005 and 2004 (thousands of dollars)*

1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia (the "WCB") was established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act* (the "*Act*"), and as such is exempt from income tax. Pursuant to the *Act*, the WCB strives to prevent workplace injury, but when it occurs, supports injured workers and their employers to achieve an early and safe return to work; administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new *Act* received Royal Assent on February 6, 1995. Amendments to the *Act* received Royal Assent on April 16, 1999. Further amendments to the *Act* received Royal Assent on May 30, 2002 and November 28, 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, within the framework of the following accounting policies:

a) **Cash and Cash Equivalents.** Money market instruments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates current market value.

b) **Assessments Receivable.** Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

c) **Investments.** Securities held in the investment portfolio are designated as available-for-sale financial assets, and are carried at fair market value. Unrealized gains and losses arising from the change in fair value of an investment are recorded in other comprehensive income until the investment is sold. At this time, the cumulative unrealized gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income and included in the excess of revenues over expenses for the period. Income from interest and dividends is recognized in the period earned, and is presented net of investment expenses.

Where it is determined that there is objective evidence of a permanent decline in the fair value of a financial asset, the cumulative loss that had been recognized directly in other comprehensive income is removed from accumulated other comprehensive income and included in income even though the asset has not been sold.

d) **Property and Equipment.** Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, and 5 to 10 years for furniture and facilities, equipment and computer hardware. Amortization is charged on a straight-line basis over a period from 5 to 10 years for software and process development costs and on a declining balance basis at an annual rate of 50 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

e) **Other Assets.** Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

f) **Employee Future Benefits.** Costs for employee future benefits, other than pensions are accrued over the periods during which the employees render services in return for these benefits. The corridor approach is used to record actuarial gains and losses. Under this approach, if the gains or losses exceed 10% of the greater of the plan assets or liabilities, the excess amount is amortized on a straight-line basis over the employees average remaining service life.

g) **Benefits Liabilities.** An independent actuary completes a valuation of the benefits liabilities of the WCB at each year-end. The benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for accidents which 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/or administrative practices in respect of existing claims and for future costs of administering existing claims. Changes to the benefits liability arising from growth in present value, changes in actuarial assumptions and actuarial experience adjustments are recognized in expense annually based on the year end actuarial valuation. No provision has been made for future claims related to occupational disease.

h) **Foreign Currency Translation.** Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for Investments.

i) **Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular, benefits liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ materially from those estimates. Decisions of the WCB may be appealed to the Workers' Compensation Appeals Tribunal, subsequently to the Nova Scotia Court of Appeal and finally to the Supreme Court of Canada. Rulings by these bodies may have the potential to impact benefits liabilities.

j) **Financial Instruments.** The carrying values of the WCB's financial instruments, approximate fair values because of their short-term maturity and, or underlying terms and conditions.

The WCB's accounts receivable are not subject to significant concentration of credit risk because the accounts are owed by a large number of employers, the Province of Nova Scotia and the Government of Canada on normal credit terms. At December 31, 2005 and 2004 the WCB did not have any exposure relating to derivative instruments.

k) **Comparative Figures.** Certain 2004 comparative figures have been reclassified to conform with the 2005 presentation.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004, the WCB changed its accounting policy for investments, based on the new CICA Handbook Section 3855 "Financial Instruments - Recognition and Measurement". The adoption of Section 3855 necessitated the adoption of Section 1530 – "Comprehensive Income". Section 1530 represented a new requirement to present certain gains and losses outside of the statement of operations in a separate statement of comprehensive income.

Previous to 2004, financial instruments were recorded at cost adjusted toward market value using the moving average market method. Under the previous policy, unrealized and realized gains and losses were deferred and amortized on a straight line basis over five years, while interest and dividend income were recognized in the period earned. Under the new policy, all investments were designated as available-for-sale, and were carried at fair value. Realized gains and losses were recognized as investment income in the year in which they occur. Unrealized gains and losses are recognized in other comprehensive income until the investment is sold. This change was applied prospectively, as required by Section 3855. Investments at January 1, 2004 were adjusted from a carrying value of $782,731 to a fair value of $799,207. The $4,004 of deferred realized gains were adjusted to the opening balance of the unfunded liability while the $12,472 of deferred unrealized gains were adjusted to the opening balance of the statement of changes in accumulated other comprehensive income.

4. RECEIVABLES

	2005	2004
Assessments	$ 17,565	$ 17,037
Self-insured employers	6,163	4,847
Assessments receivable	23,728	21,884
Self-insured employers – deposits	(3,987)	(3,987)
Harmonized Sales Tax rebate	329	268
Other	1,571	994
	$ 21,641	$ 19,159

Assessments receivable are net of an allowance for doubtful accounts of $1,441 in 2005 (2004 - $1,954). Other receivables are net of an allowance for doubtful accounts of $325 in 2005 (2004 - $190).

5. INVESTMENTS

	2005 Fair Market Value	2004 Fair Market Value
Money market	$ 4,291	$ 19,674
Fixed-term investments	283,726	312,214
Equities	570,306	543,473
Real estate	97,354	-
Accrued interest	630	919
Total	$956,307	$876,280

Investment Income	2005	2004
Interest and dividends	$ 34,811	$ 23,837
Realized gains from the statement of comprehensive income	61,691	2,327
	96,502	26,164
Less: Portfolio management expenses	(1,170)	(965)
Total Investment Income	$ 95,332	$ 25,199

6. PROPERTY, EQUIPMENT AND OTHER ASSETS

2005	Cost	Accumulated Amortization	Net Book Value
Land	$ 155	$ -	$ 155
Building	3,461	1,790	1,671
Furniture and facilities	3,367	1,299	2,068
Equipment and computer hardware	2,259	1,030	1,229
Software and process development costs	14,745	11,154	3,591
Other assets (a)	3,750	2,400	1,350
	$ 27,737	$ 17,673	$ 10,064

2004	Cost	Accumulated Amortization	Net Book Value
Land	$ 155	$ -	$ 155
Building	3,443	1,654	1,789
Furniture and facilities	2,548	1,057	1,491
Equipment and computer hardware	2,174	1,536	638
Software and process development costs	14,169	9,717	4,452
Other assets (a)	3,750	2,250	1,500
	$ 26,239	$ 16,214	$ 10,025

(a) During 1990, the WCB paid $3,750 to the Province of Nova Scotia for the exclusive right to utilize a 16 bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

7. EMPLOYEE FUTURE BENEFITS

The WCB provides for employee future benefits other than pensions (Note 16) consisting of retirement allowances, and post employment life insurance, dental and medical programs. An actuarial valuation was performed as at December 31, 2003, with the next planned valuation to be performed at December 31, 2006.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations as at December 31 are as follows:

	2005	2004
Discount Rate	6.25%	6.25%
Expected health care costs trend rate; decreasing annually by 1% increments to an ultimate rate of 5%	9%	10%
Drug claim increases trend rate; decreasing annually by 1% increments to an ultimate rate of 6%	11%	12%
Dental cost escalation	3.5%	3.5%
Retirement age assumption	59 years	59 years

	2005	2004
Accrued Benefit Obligation		
Beginning of Year	$ 6,201	$ 4,234
Current service costs	494	494
Interest costs	373	373
Benefits paid	(76)	(216)
Actuarial loss	-	1,316
End of year	$ 6,992	$ 6,201
Funded Status		
Plan deficit	$ 6,992	$ 6,201
Unamortized net actuarial loss	(1,208)	(1,262)
Accrued employee future benefits liability	$ 5,784	$ 4,939
Net benefit expense		
Current service costs	$ 494	$ 494
Interest costs	373	373
Amortization of net actuarial loss	54	54
Net employee future benefits expense	$ 921	$ 921

8. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2005
Balance, beginning of year	$ 66,421	$ 845,523	$ 127,401	$ 158,621	$ 8,802	$ 1,206,768	$ 72,871	$ 1,279,639
Growth in present value of benefits liabilities	4,754	61,496	9,213	11,721	656	87,840	5,313	93,153
Change in actuarial assumptions (a)	-	10,721	91	-	-	10,812	789	11,601
Actuarial experience adjustments (b)	13,740	(6,664)	(249)	3,611	(1,852)	8,586	507	9,093
Total Growth	18,494	65,553	9,055	15,332	(1,196)	107,238	6,609	113,847
Claims costs incurred	48,590	60,235	4,912	37,216	1,453	152,406	7,338	159,744
Less: Claims payments made	(54,661)	(111,395)	(14,030)	(41,905)	(1,572)	(223,563)	(11,412)	(234,975)
Balance, end of year	$ 78,844	$ 859,916	$ 127,338	$ 169,264	$ 7,487	$ 1,242,849	$ 75,406	$ 1,318,255

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2004
Balance, beginning of year	$ 63,729	$ 831,643	$ 124,266	$ 141,576	$ 8,757	$ 1,169,971	$ 71,101	$ 1,241,072
Growth in present value of benefits liabilities	4,640	49,853	9,050	10,508	662	74,713	4,552	79,265
Change in actuarial assumptions (a)	-	18,065	175	4,023	196	22,459	1,338	23,797
Actuarial experience adjustments (b)	1,765	(37,773)	1,108	5,442	(949)	(30,407)	(2,368)	(32,775)
	6,405	30,145	10,333	19,973	(91)	66,765	3,522	70,287
Claims costs incurred	44,049	51,738	6,849	32,456	1,572	136,664	6,576	143,240
Claims payments made	(47,762)	(68,003)	(14,047)	(35,384)	(1,436)	(166,632)	(8,328)	(174,960)
Balance, end of year	$ 66,421	$ 845,523	$ 127,401	$ 158,621	$ 8,802	$ 1,206,768	$ 72,871	$ 1,279,639

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer price index equal to 4% per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.5% per annum. The inflation assumptions and the resulting net interest rates are as follows:

2005 and 2004 Category	Inflation Formula	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits	0.5% + CPI	4.5%	3.0%
LTD, Survivor Pensions	50 % * CPI	2.0%	5.5%
Medical Aid, Rehabilitation non-income	1.75% + CPI	5.75%	1.75%
All others	CPI	4.0%	3.5%

The WCB's independent actuaries, in their report of February 20, 2006, have noted that limited claims experience is available in respect of earnings-loss benefits to be granted in the future upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities for benefits to be granted in the future is $270,000.

Recorded benefits liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings-loss procedures that will become available over time. The probability and the magnitude of such a variance, which could be material, is presently undeterminable.

a) In 2005, a change was made in the actuarial assumptions increasing the benefits liabilities by $11,601, reflecting changes to the expected average age at accident date.

   In 2004, changes were made in the actuarial assumptions increasing the overall benefits liabilities by $23,797. The changes included;
   - Provisions for payments relating to medical claims increased the liability by $4,200, as a result of increasing the cost increase assumption from 1.5% to 1.75% greater than the consumer price index.
   - Based on experience, the liability for permanent impairment benefit and extended earnings replacement benefit awards was increased by $19,600 reflecting changes to the expected average age at accident date.

b) Actuarial experience adjustments represent the difference between what was predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year. In 2005, actuarial experience adjustments increasing benefits liabilities totalled $9,093. The adjustments included:
   - An increase of $9,071 reflecting changes in average payments.
   - A decrease of $41,082 reflecting a change in the expected volume of future permanent awards.
   - An increased of $25,122 reflecting revised estimates for chronic pain related benefits.
   - Other non-specific experience adjustments increasing benefits liabilities by $15,982.

   In 2004, actuarial experience adjustments decreasing benefits liabilities totalled $32,775. The adjustments included:
   - An increase of $6,546 reflecting changes in average payments.
   - A decrease of $57,920 reflecting a change in the expected volume of future permanent awards.
   - Other non-specific experience adjustments increasing benefits liabilities by $18,599.

9. ASSESSMENTS

	2005	2004
Assessed employers	$ 199,967	$ 189,444
Self-insured employers (Note 12)	38,355	32,520
Assessment reporting penalties and interest	1,501	1,703
	$ 239,823	$ 223,667

Assessment revenue is shown net of bad debt expense of $425 in 2005 (2004 - $1,056).

10. ADMINISTRATION COSTS

	2005	2004
Salaries and staff expense	$ 26,782	$ 22,455
Amortization	2,470	2,444
Communications	1,788	1,520
Services contracted	1,732	1,594
Building operations	1,729	1,435
Supplies	1,072	974
Professional fees	1,055	281
Travel and accommodations	733	527
Training and development	688	458
Equipment rental	36	29
Miscellaneous	17	13
	38,102	31,730
Decrease in liability for future administration costs	(4,074)	(1,752)
	$ 34,028	$ 29,978

11. LEGISLATED OBLIGATIONS

	2005	2004
Occupational Health and Safety	$ 5,711	$ 5,851
Workers' Compensation Appeals Tribunal	1,361	1,301
Workers' Advisers Program	2,027	2,264
Injured Workers' Associations	134	75
	$ 9,233	$ 9,491

The WCB is required by the *Act* to reimburse the Province of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Department of Environment and Labour.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the *Act* to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the *Act* to absorb the operating costs of the WAP.

Injured Workers' Associations provide advice and assistance to workers on workers' compensation issues. The WCB is required by the *Act* to provide funding to Injured Workers" Associations on such terms and conditions as the Minister of the Department of Environment and Labour deems appropriate or the Governor in Council prescribes.

12. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers -federal and provincial government bodies and former bodies- who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

	2005	2004
Revenue	$ 38,355	$ 32,520
Claims costs incurred		
Short-term disability	$ 4,264	$ 4,296
Long-term disability	21,066	15,931
Survivor benefits	3,054	3,045
Health care	4,850	4,433
Rehabilitation	120	122
	33,354	27,827
Administration costs	5,001	4,693
	$ 38,355	$ 32,520

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

As of January 1, 2003, four former federal government bodies ceased to be self-insured and paid assessment premiums. One employer reached an agreement with the WCB and the WCB continues to negotiate the transitional arrangements related to benefits liabilities for accidents occurring on or before the date they ceased to be self-insured with the three remaining employers. As a number of years have passed since the transition, all parties have a better understanding of the value of the liabilities and resolution is anticipated through agreement with respective actuaries.

13. RELATED PARTY TRANSACTIONS

The WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for its own incurred claims and a share of administration costs. The amounts included in Note 12 for the Province of Nova Scotia are as follows:

	2005	2004
Revenue	$ 5,498	$ 3,909
Claims costs incurred	$ 4,669	$ 3,139
Administration costs	829	770
	$ 5,498	$ 3,909

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2005, the amount receivable from the Province of Nova Scotia was $1,292 (2004 - $596).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled $684 in 2005 (2004 - $748). Total funds invested in notes due from the Province as at December 31, 2005 were $10,000 (2004 - $25,000) bearing an average interest rate of 3.22% (2004 – 2.48%).

14. INDUSTRY LEVIES

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the statements of Operations and Unfunded Liability.

Industry	Payee	2005	2004
Construction	Nova Scotia Construction Safety Association	$ 871	$ 819
Forestry	Forestry Safety Society of Nova Scotia	$ 283	$ 276
Trucking	Nova Scotia Trucking Safety Association	$ 231	$ 208
Retail Gasoline	Retail Gasoline Dealers' Association	$ 21	$ 20

15. COMMITMENTS

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

2006	$ 1,325
2007	1,300
2008	1,250
2009	1,041
2010	227
	$ 5,143

16. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2005 were $1,502 (2004 - $1,115) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have any entitlement to any surplus that may arise in this Plan.

17. CONTINGENCIES

On October 3, 2003 the Supreme Court of Canada found that certain sections of the *Workers' Compensation Act*, relating to compensation for chronic pain, were unconstitutional. The Supreme Court further ruled that the unconstitutional sections of the *Act* and policies relating to chronic pain benefits were to be of no force and effect by April 3, 2004. It was expected that the changes associated with the regulations and policies would result in costs that will increase the benefits liability. In 2004 and 2005, the WCB began adjudicating claims under the new regulations and policies. Throughout 2005, the WCB has received appeals relating to the new regulations and policies. Unresolved issues surrounding these appeals have the potential to increase benefits liabilities relating to chronic pain benefits. The probability and magnitude of such an increase are currently undeterminable.

WCB Salaries and Benefits *December 31, 2005*

	2005					2004	
	Number of Individuals	Salary	Benefits	Other	Total	Number of Individuals	Total
Chair, Board of Directors	1	$ 45,650	$ -	$ -	$ 45,650	1	$ 34,800
Board of Directors	12	85,833	-	-	85,833	9	66,150
	13	131,483	-	-	131,483 [1]	10	100,950
Chief Executive Officer	1	156,344	17,507	13,621	187,468	1	109,174
VP Operations & Service Delivery (Vacant June 1 to May 17, 2005)	1	75,692	9,413	1,952	87,057		53,624
VP Strategic Services (Vacant November 8, 2004)		-	-	-	- [2]	1	99,146
VP Corporate Services & Chief Financial Officer	1	110,405	14,018	3,171	127,595	1	112,860
VP Prevention & Corporate Development	1	110,745	14,045	12,886	137,676	1	124,751
VP Marketing, Communications & Human Resources	1	111,331	14,068	8,959	134,358 [2]	1	22,503
	5	564,518	69,051	40,590	674,154	5	522,058
Staff Salaries & Benefits (Average 2005 - $54,389 2004 - $56,554)	461	21,039,675	3,849,744	184,130	25,073,548	370	20,925,035
Employee future benefits				921,100	921,100		921,100
Administration - Salaries & Benefits	479	$ 21,735,676	$ 3,918,795	$ 1,145,820	$ 26,800,285 [3&4]	385	$ 22,469,143

[1] In 2005, the Chair's remuneration was based on a daily per diem allowance of $300 in addition to an honorium of $20,000 annually to a maximum of $50,000 per year. In 2004, the Chair's remuneration was based on a daily per diem allowance of $300 to a maximum of $40,000 per year. Effective July 29, 2005 all other Board members received a daily per diem allowance of $300 (previously $150) for Board meetings and related work. In addition to the per diem, effective January 1, 2005, the Deputy Chair received an honorium of $3,000 per annum and effective July 29, 2005, Committee Chairs receive an honorium of $2,000 per annum.

During 2005 there were 13 individuals who received remuneration as a Board of Director. The Board of Director complement did not exceed 10 positions at any point in time.

[2] The VP Marketing, Communications & Human Resources position replaced the former VP Strategic Service, effective October 18, 2004.

[3] Salary includes regular base pay. Benefits include the Employer's share of employee benefits-CPP, EI, Pension Plan, Health/Dental Plan, Life Insurance & LTD. Other includes Vacation Payout and Travel Allowance. Total Salaries and Benefits in 2005 of $26,800,285 (2004 - $22,469,143) varies by $18,661 (2004 - $14,278) from Note 10 in the Financial Statements due to Travel Allowances disclosed in "Other", which is posted to Travel and Accommodations in Note 10.

[4] This figure represents the average number of staff members on payroll during the year.

Actuarial Certificate

We have completed an actuarial valuation of the benefits liabilities for insured employers under the *Workers' Compensation Act* of Nova Scotia as at December 31, 2005, for the purpose of providing input to the financial statements of the Board.

Our estimate of the benefits liabilities of $1,318,255,000 represents the actuarial present value at December 31, 2005, of all expected health-care payments, short-term disability benefits, long-term disability benefits, survivor benefits, rehabilitation and other payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2005. The liabilities include a provision for chronic pain claims arising from injuries that occurred prior to the valuation date. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease.

No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

The liabilities have been allocated into six categories, namely: short-term disability; long-term disability; survivor benefits; health care; rehabilitation and administration.

All liabilities have been calculated using underlying assumptions of 3.50% real rate of return on invested assets and rates of increase in the Consumer Price Index equal to 4.00% per annum. These assumptions are unchanged from those used in the actuarial valuation as at December 31, 2004.

The CPI assumption equates to inflation rates for indexing of benefits of 2.00% per annum in respect of long-term disabilities and permanent survivor benefits, as indexing is at 50% of the rate of increase in the Consumer Price Index for these categories.

Liabilities in respect of future permanent long-term disability and survivor benefits awards have been determined based on factors developed from historical patterns of permanent awards, and using mortality and valuation interest rate assumptions identical to those used in determining the existing pension and long-term disability liabilities.

The liabilities in respect of short-term disability, health care, rehabilitation and the non-permanent portion of survivor benefits have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 4.0% per annum has been used to project future cash flows for short-term disability claims and the non-permanent portion of survivor benefits. For health care and non-income rehabilitation benefits, we used an inflation rate of 5.75% per annum reflecting the greater expected inflation and utilization rate on these items.

We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years. The liability established for permanent awards to be granted in the future is about $270 million (about 22% of all liabilities). It is our opinion that the data are sufficient and reliable for the purpose of this valuation.

In our opinion, the actuarial assumptions are appropriate for the purpose of the valuation and the methods employed are consistent with sound actuarial principles. Our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial principles.

Paul Conrad

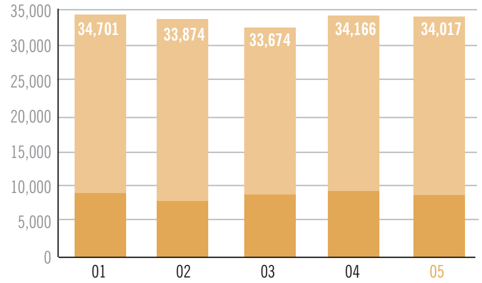
Paul G. Conrad, FCIA, FSA, MAAA
Eckler Partners Ltd.

2005 Statistical Summary

In 2005:

- The total number of claims registered decreased by 0.4% from 34,166 in 2004 to 34,017 in 2005.
- The total number of time-loss claims in 2005 is 9,046. This represents a decrease of 2.7% from the 2004 total of 9,298.
- 'Sprains and strains' were by far the most common type of time-loss injury, with the back being the most common part of body injured.
- The duration index for time-loss claims increased 9.2%, from 104.4 days to 114.0 days in 2005, excluding chronic pain claims currently under review by our Transition Services Team.
- Total assessable payroll has increased steadily since 2001. The current figure is $7.61 billion, an 18.0% increase from the 2001 figure of $6.45 billion.
- Nova Scotia's targeted average assessment rate of $2.65 per $100 of payroll was second highest among the 12 Canadian WCBs. The actual rate was $2.63 per $100 of payroll as of February 28, 2006.
- The capitalization ratio increased from 72.4% in 2004 to 74.9% in 2005. The capitalization ratio is the WCB's total assets divided by its total liabilities.

Status of New Claims



	01	02	03	04	05
Compensable Time-loss Claims	9,200	8,769	8,996	9,298	9,046
Other:					
No Compensable Time Loss	21,743	20,846	19,684	18,339	17,966
Not Pursued or Disallowed	3,758	4,259	4,994	6,529	7,005
Other Subtotal	25,501	25,105	24,678	24,868	24,971
Total	34,701	33,874	33,674	34,166	34,017
Fatalities	27	28	22	27	23
Clients with Registered Claims	29,942	29,449	29,395	29,776	29,686

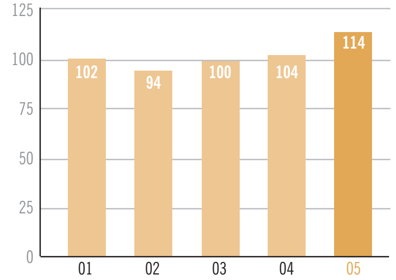
Claims represented are those registered during the report year. Time-loss claims are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.

Some WCB clients may have more than one injury/claim in a year. Therefore, the number of clients with claims registered does not equal the number of claims registered.

Fatalities include all workplace injuries that resulted in the death of a worker as reported by the OH&S Division of Nova Scotia Environment and Labour. Not all of these deaths resulted in a WCB claim, as not all workers are covered.

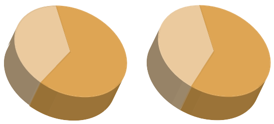
Duration Index for Short-Term Disability Claims

Using AWCBC Composite Duration Index (in days)
Excluding chronic pain claims in Transition Services



Gender of Client

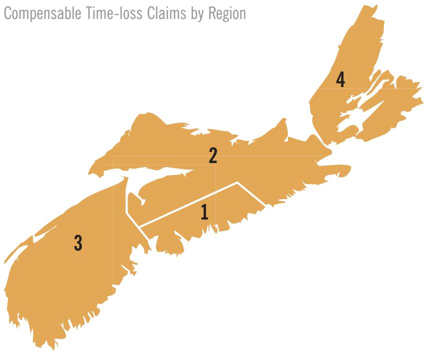
Compensable Time-loss Claims



	2004	%	**2005**	**%**
Male	5,867	63.1%	**5,511**	**60.9%**
Female	3,431	36.9%	**3,535**	**39.1%**
	9,298	100.0%	**9,046**	**100.0%**

Service Region

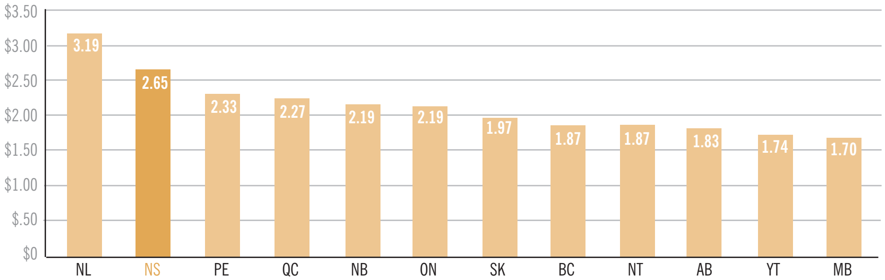
Compensable Time-loss Claims by Region



	2004	%	**2005**	**%**
1 Halifax Regional Municipality	3,595	38.7%	**3,651**	**40.3%**
2 Central & North Shore	2,096	22.5%	**1,989**	**22.0%**
3 South Shore & Valley	2,135	23.0%	**1,936**	**21.4%**
4 Cape Breton	1,432	15.4%	**1,409**	**15.6%**
Other	40	0.4%	**61**	**0.7%**
	9,298	100.0%	**9,046**	**100.0%**

Targeted Average Assessment Rate

All Provinces, per $100 of assessable payroll, 2005



Assessable Payroll by Industry

For Nova Scotia, 2005

	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered	% of Claims Registered (Non Self Insured)
Manufacturing	$1,280.2	16.8%	6,751	21.3%
Health/Social Services	1,256.8	16.5%	5,898	18.6%
Retail Trade	981.7	12.9%	3,564	11.3%
Construction	716.3	9.4%	2,916	9.1%
Wholesale Trade	638.2	8.4%	1,898	5.9%
Transportation/ Storage	431.8	5.7%	1,479	4.6%
Government Services	423.4	5.5%	1,313	4.1%
Accommodation/Food/ Beverages	392.5	5.2%	2,373	7.4%
Business Services	386.1	5.1%	779	2.4%
Communication/ Utilities	297.4	3.9%	685	2.1%
Other Services	271.2	3.6%	1,038	3.3%
Fishing/Trapping	185.0	2.4%	615	1.9%
Mining/Quarries/ Oil Wells	84.8	1.1%	175	0.5%
Real Estate/ Insurance Agents	79.2	1.0%	204	0.6%
Educational Services	57.1	0.8%	75	0.2%
Logging/Forestry	57.1	0.8%	236	0.7%
Agriculture/Related Services	46.2	0.6%	218	0.7%
Finance/Insurance	26.4	0.3%	14	0.0%
Unknown	0.0	0.0%	1,680	5.3%
Total	**$7,611.4**	**100.0%**	**31,911**	**100.0%**

Compensable Time-loss Claims and Injury Frequency by Industry

Injury Frequency Rate: Time-loss Claims per 100 Covered Workers

	2004 # Claims	2004 Injury Frequency	**2005 # Claims**	**2005 Injury Frequency**
Health/Social Services	1,735	4.1%	**1,910**	**4.5%**
Manufacturing	1,937	4.4%	**1,642**	**3.8%**
Retail Trade	992	2.0%	**990**	**2.0%**
Construction	776	3.6%	**793**	**3.5%**
Government Services	800	1.4%	**780**	**2.5%**
Accommodation/Food/ Beverages	637	3.5%	**615**	**2.5%**
Transportation/Storage	536	4.0%	**497**	**3.8%**
Wholesale Trade	531	2.4%	**474**	**2.0%**
Communication/ Utilities	360	2.1%	**362**	**2.1%**
Other Services	277	2.3%	**291**	**2.3%**
Fishing/Trapping	296	5.9%	**243**	**5.1%**
Business Services	170	1.0%	**190**	**1.1%**
Logging/Forestry	86	4.5%	**79**	**4.4%**
Agriculture/Related Services	63	3.5%	**70**	**3.6%**
Real Estate/Insurance Agents	58	1.9%	**58**	**1.9%**
Mining/Quarries/ Oil Wells	29	1.1%	**35**	**1.5%**
Educational Services	9	0.3%	**15**	**0.6%**
Finance/Insurance	6	0.7%	**2**	**0.3%**
	9,298		**9,046**	

*Injury frequency does not include self-insured firms
*Total compensable time-loss claims does include self-insured firms

Appeals Filed

Based on appeals filed within the year for claims registered within the year

	2004	%	**2005**	**%**
Claims Registered	34,166	100.0%	**34,017**	**100.0%**
Appeals Filed	314	0.9%	**218**	**0.6%**

Nature of Injury

Compensable Time-loss Claims

	2004	%	**2005**	**%**
Sprains, Strains	5,528	59.5%	**5,500**	**60.8%**
Other traumatic injuries and disorders	1,364	14.7%	**983**	**10.9%**
Cut, Laceration, Puncture	529	5.7%	**520**	**5.7%**
Contusion, Crushing, Bruise	693	7.4%	**485**	**5.4%**
Fractures, Dislocations	443	4.8%	**445**	**4.9%**
Inflamed Joint, Tendon, Muscle	264	2.8%	**231**	**2.5%**
Burns	132	1.4%	**136**	**1.5%**
Nervous system and sense organs diseases	119	1.3%	**109**	**1.2%**
Digestive system diseases and disorders	76	0.8%	**69**	**0.8%**
All Other	150	1.6%	**568**	**6.3%**
Total	9,298	100.0%	**9,046**	**100.0%**

Age at Injury Date

Compensable Time-loss Claims

	2004	%	**2005**	**%**
Not Stated	1	0.0%	**0**	**0.0%**
Less than 20	242	2.6%	**229**	**2.5%**
20 to 24	794	8.6%	**766**	**8.5%**
25 to 29	845	9.1%	**799**	**8.8%**
30 to 34	1,025	11.0%	**1,002**	**11.1%**
35 to 39	1,204	12.9%	**1,200**	**13.3%**
40 to 44	1,600	17.2%	**1,506**	**16.6%**
45 to 49	1,456	15.7%	**1,365**	**15.1%**
50 to 54	1,128	12.1%	**1,095**	**12.1%**
55 to 59	709	7.7%	**760**	**8.4%**
60 to 64	264	2.8%	**276**	**3.1%**
65 or older	30	0.3%	**48**	**0.5%**
	9,298	100.0%	**9,046**	**100.0%**

Part of Body

Compensable Time-loss Claims

	2004	%	**2005**	**%**
Back	2,950	31.7%	**2,807**	**31.0%**
Multiple Parts	1,065	11.5%	**1,008**	**11.1%**
Shoulder(s)	762	8.2%	**729**	**8.1%**
Leg(s)	758	8.2%	**772**	**8.5%**
Fingers	624	6.7%	**594**	**6.6%**
Arms(s) (above wrist)	446	4.8%	**462**	**5.1%**
Wrist	441	4.7%	**397**	**4.4%**
Ankle	419	4.5%	**349**	**3.8%**
Hand (does not include fingers)	405	4.4%	**308**	**3.4%**
Foot (does not include toes)	262	2.8%	**237**	**2.6%**
Neck	213	2.3%	**190**	**2.1%**
Chest	189	2.0%	**186**	**2.1%**
Pelvic Region	114	1.2%	**161**	**1.8%**
Face	47	0.5%	**132**	**1.5%**
All other	603	6.5%	**714**	**7.9%**
Total	9,298	100.0%	**9,046**	**100.0%**

Claims Registered by Firm

Number of Firms	Number of Claims Registered 2005	% of all Firms	Number of New Claims Registered	% of New Claims Registered
16	200 or more	0.09%	7,268	21.37%
47	100 or more	0.26%	11,206	32.94%
94	50 or more	0.51%	14,452	42.48%
198	25 or more	1.08%	18,023	52.98%
528	10 or more	2.88%	22,967	67.52%
1,031	5 or more	5.62%	26,190	76.99%

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Meredith Principles

IN 1910, IN RESPONSE TO CONCERNS ABOUT A LACK OF ADEQUATE FUNDING for injured workers and a slow, inequitable court system, the Ontario government commissioned Sir William Meredith to produce a report about workers' compensation. Meredith reviewed systems in the United States, France, England, Belgium and Germany, and recommended a system based on collective liability and a wage-loss approach to calculating benefits.

The workers' compensation system in Nova Scotia is based on a foundation of standardized principles – the Meredith Principles. They are:

- Collective liability – all employers share responsibility for benefits to injured workers;
- No fault – the worker gains the right to benefits, regardless of fault, in return for giving up the right to sue their employer;
- Universal coverage – all workers are eligible to receive benefits;
- Industry funding – the entire costs of benefits are covered through levies (premiums) on employers;
- State administration – the state (province) assumes responsibility for the collection of employer contributions and the awarding and distribution of benefits to injured workers;
- Exclusive jurisdiction – the administrative Board (the WCB) has the power to inquire into, re-hear and re-adjust all issues as necessary;
- Security of payment – the worker's claim is separated from the employer's ability to pay and guaranteed by an accident fund under the WCB's administration; and
- Benefits based on wage loss – an injured worker receives benefits based on a calculation of wages lost as a result of the injury.

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WORKERS' COMPENSATION BOARD OF NOVA SCOTIA