One in ten. This is a staggering statistic that has very real consequences for the people of this province and the Nova Scotia economy. Commitment to changing Nova Scotia's safety culture starts at the top. Ensuring their safety at work is not only a moral imperative – it's a business imperative. A primary ingredient in helping injured workers return to work in a safe and timely manner is the health care they receive as they recover from their injuries. In these times of economic uncertainty, it is increasingly clear that our community's biggest assets are our people and the skills they bring to the table. Ensuring their safety at work is not only a moral imperative – it's a business imperative, too. Safety isn't just about fewer injuries – it's about employee recruitment and retention, and it's about staying competitive in a tough market. This drop in the number of serious injuries and speedier return to work signals progress. The Workers' Compensation Board of Nova Scotia met or exceeded the majority of its targets. These targets were met, as explained in the **Annual Report 2008**, while maintaining worker and employer satisfaction levels. But the frequency of workplace injuries in Nova Scotia, and the heartache they bring, remains intolerable. While the province and country faced economic challenges toward the end of the year, our assessable payroll grew by 5%. The further good news is that the absolute number of people who were injured on the job went down (from 32,030 to 31,753) as did the rate of injury (from 2.57 in 2007 to 2.48 in 2008). The length of time injured workers were off work due to their injuries also was reduced. As with many businesses, volatility in the global financial markets is impacting the WCB's investment portfolio. We are continuing to work with our investment consultant, monitoring investment performance and the investment strategies to confirm that our investments help to support our liabilities. For companies with high costs of workplace injuries, it leads to higher rates for workplace injury insurance, as it would for any type of insurance. Employers must bear that cost and, in turn, it is filtered throughout our economy. The significant human and economic toll resulting from workplace injuries is undeniable. The WCB had a challenging year financially and our target five-year rate-of-return on investment was not met. The fact that we're in this together is what will make Nova Scotia successful. It is only when we work together with workers, employers, the health care community, partners in safety and others that we will create a ripple effect large enough to truly change our workplace safety culture. As we strive towards a world where no workplace is unsafe, it is our hope that all Nova Scotians will consider the role they can play in bringing this goal to life. Our primary focus is reducing workplace injuries and the human suffering associated with them. Reducing injuries and helping injured workers return to work in a safe and timely manner reduces the cost of the workers' compensation system. We are maintaining our business focus and monitoring our investment performance very carefully. We recognize, though, that these financial challenges are putting pressure on the current funding strategy and the timely elimination of the unfunded liability. For injury prevention to turn the corner in terms of social adoption, the concept must become part of Nova Scotia's mainstream consciousness. Employees at the WCB have long held that theirs is a remarkable workplace – primarily for the tight community that exists within our organization. The care and respect WCB employees show each other also extends to how they treat workers and employers. From an organizational standpoint, it holds true that investing in your employees' well-being and workplace satisfaction is an investment in your business. Many people in our province are enthusiastic advocates of workplace safety. We will partner with industry associations and targeted workplaces to better understand their needs and develop tools that specifically address the prevention and return to work issues they are facing. We will build on our relationships with established safety associations and work with industry partners towards the creation of more industry specific safety associations. As in previous years, we will continue to strive to embed the prevention mindset in social norms, values and beliefs through general awareness efforts. 2008 was a challenging year given the global economic downturn and the WCB had a total comprehensive loss of $249 million. Until we live in a world where no worker is injured and all workplaces are safe, the WCB will continue to focus aggressively on injury prevention strategies and helping injured workers return to work in a safe and timely manner.

Our Vision

Nova Scotians – safe and secure from workplace injury.

Our Mission

We set the standard for workplace injury insurance. We inform and inspire Nova Scotians in the prevention of workplace injury, but if it occurs, we support those whose lives it touches by championing a timely return to safe and healthy work.

Our Goals

The strategic goals of the WCB are as follows:

- With our partners, we are building a workplace safety culture.
- With our partners, we improve outcomes for safe and timely return-to-work.
- We are an organization with a skilled and committed team of employees with the knowledge and tools to provide excellent service, and who are proud of what they do.
- We are an organization providing excellent and efficient service that is open and accountable to the people we serve and the public.
- We are an organization that is financially stable and sustainable.

Our Values

Employees of the WCB model three corporate values:

- **Can-do Attitude**
  We will deliver on our promises and provide top-notch service.

- **Safety Champion**
  We will be a champion for workplace safety through our relationships and innovative solutions, and by keeping prevention and return-to-work at the heart of our business.

- **Caring and Compassionate**
  We will strive to walk a mile in workers' and employers' shoes. We will serve as we like to be served and provide those we serve with the respect and support they need to be successful.

Year at a Glance

(dollar amounts in millions)

	2008	2007	2006
Number of Covered Employers (assessed and self insured)	18,000	18,600	17,800
Percentage of Labour Force Covered (assessed and self insured)	71	72	72
Number of Claims Registered	31,753	32,038	31,810
Number of Compensable Time-Loss Claims Registered	8,050	8,230	8,274
Duration Index (excluding chronic pain claims in transition services, in days)	95	102	105
Duration Index (all claims, in days)	95	103	107
Targeted Average Assessment Rate (per $100 of assessable payroll) (in real dollars)	$2.65	$2.65	$2.65
Actual Average Assessment Rate (in real dollars)	$2.68	$2.64	$2.63
Total Assessable Payroll (billions)	$ 8.6	$8.2	$7.8
Total Assessment Revenue	$273.1	$254.4	$242.7
Total Investment (Loss) Income	$(174.8)	$23.2	$135.3
Total Administration Costs	$43.2	$44.1	$43.0
Legislated Obligations	$11.4	$9.2	$8.8
Total Claims Costs Incurred	$187.1	$175.6	$162.9
Excess of Expenses over Revenues	$(251.2)	$(11.8)	$(10.2)
Total Comprehensive Loss	$(248.6)	$(103.5)	$75.6
Total Assets (billions)	$0.9	$1.1	$1.1
Total Liabilities (billions)	$1.5	$1.5	$1.4
Percentage Funded Ratio	59.9%	75.3%	81.2%
Timeliness of First Payment to Injured Workers (percentage of payments made within 15 days of injury – 12 month average)	71.8%	78.0%	78.3%
Injury Rate: Time-Loss Claims per 100 Covered Workers	2.48	2.57	2.61

We want to live in
a world where no worker
is injured and no
workplace is unsafe.

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The WCB was named a Top Employer in Nova Scotia for offering an exceptional place to work.

2009
Nova Scotia's
Top Employers
as featured in The ChronicleHerald

The combined efforts
of all Nova Scotians
are needed to ensure
all workers return safely
to their families at the
end of the workday.

A World Where All Workplaces Are Safe

Until we live in a world where no worker is injured and all workplaces are safe, the WCB will continue to focus aggressively on injury prevention strategies and helping injured workers return to work in a safe and timely manner.

The Board of Directors ensures good governance through its focus on the strategic direction of the organization, monitoring of corporate performance and the development of program policy that appropriately balances the needs of workers and employers.

2008 saw solid operating performance from the WCB, but there were significant financial challenges as you will read about in our financial statements.

As with many businesses, volatility in the global financial markets is impacting the WCB's investment portfolio. However, investment returns are just one component of our long-term strategy. Our primary focus is reducing workplace injuries and the human suffering associated with them. Reducing injuries and helping injured workers return to work in a safe and timely manner reduces the cost of the workers' compensation system. We are maintaining our business focus and monitoring our investment performance very carefully. We recognize, though, that these financial challenges are putting pressure on the current funding strategy and the timely elimination of the unfunded liability.

While the province and country faced economic challenges toward the end of the year, our assessable payroll grew by 5%. The further good news is that the absolute number of people who were injured on the job went down (from 32,030 to 31,753) as did the rate of injury (from 2.57 in 2007 to 2.48 in 2008). The length of time injured workers were off work due to their injuries also was reduced. By the end of the year, plant closures, layoffs and other indicators of a worsening economy were being regularly reported in the news. This economic situation will mean additional challenges for workers' compensation in the coming year. Tragically, 29 Nova Scotians died at work in 2008. Nine of these workplace fatalities occurred in the fishing sector which is one of the reasons the WCB is so strongly encouraging the creation of a safety association in the fishing industry.

In consultation with Nova Scotians, the WCB is taking steps to ensure our very positive trends continue. This consultation involved the Board of Directors travelling across the province talking with stakeholders about our five-year strategic plan. With the WCB's solid operating performance as a foundation, what comes next?

…from one end of the province to the other, there is no shortage of creative ideas about how to change Nova Scotia's workplace safety culture.

Left to right (back row, standing): Ray Ivany, Former Chair; David Thomson, Employer Representative; Mary Lloyd, Worker Representative; James Melvin, Employer Representative; Nancy MacCready-Williams, Chief Executive Officer; Janet Hazelton, Worker Representative

Left to right (front row): Betty Jean Sutherland, Worker Representative; Deborah Ryan, Worker Representative; Chris Power, Acting Chair; Carol MacCulloch, Employer Representative

These conversations revealed that, from one end of the province to the other, there is no shortage of creative ideas about how to change Nova Scotia's workplace safety culture. Suggestions came from people unfortunate enough to have experienced a workplace injury themselves and from others who are dedicated to ensuring their family members, friends and co-workers do not have that experience.

The Board of Directors will consider all of this input when approving the WCB's strategic plan in early 2009. When complete, the plan will describe the strategies the WCB will implement to bring us closer to the reality of injury-free workplaces that we all desire and the steps we will take to reduce the human and financial cost of injuries when they occur.

This year the WCB also made a significant shift in its Program Policy Agenda setting process in response to feedback from Nova Scotians. We prioritize policy issues raised by stakeholders according to clearly stated criteria.

As we strive towards a world where no workplace is unsafe, it is our hope that all Nova Scotians will consider the role they can play in bringing this goal to life. The WCB can play a part but it will take the combined efforts of all Nova Scotians to make the kind of change that is needed so that all workers return safely to their families at the end of the workday.

WCB Board of Directors

Farewell to Ray Ivany

Ray Ivany brought passion and vision to his role as Chair of the Board of Directors since his appointment in 2007, and we will miss working with him. In February 2009, he resigned as Chair to take on a new challenge as President and Vice Chancellor of Acadia University. We wish him well, and every success at Acadia.

As we strive toward a world where no workplace is unsafe, it is our hope that all Nova Scotians will consider the role they can play in bringing this goal to life.

Nancy MacCready-Williams,
Chief Executive Officer

The Ripple Effect

A single pebble dropped in a pool of water creates a ripple that extends beyond its source. That concept has profound implications in the world of workplace safety. It speaks about action and response, cause and effect. A single action affects not just one person, but many.

Something as simple as wearing a safety harness when climbing can prevent a serious injury. That, in turn, means the effective flow of work continues without loss, the wearer of the harness goes home safely at the end of the day, and then returns to productive work the next day and contributes to the economy.

We are seeing the start of a ripple of change across Nova Scotia. Over 8,000 people were injured seriously enough that they lost time from work in 2008. That is a staggering amount but the number is down by more than 10% since 2005. And over that period there was a similar decrease in the amount of time injured workers were off the job due to their injuries.

It's a start.

So – do we need to do more? I think the families of the 29 people who died at work this year in Nova Scotia would tell us we are not done. There are encouraging signs but there still remains an incredible potential to reduce the human suffering workplace injury causes.

2008 was a challenging year given the global economic downturn and the WCB had a total comprehensive loss of $249 million. If we had reached the investment return targets in our 2008 funding strategy, it would have meant we were continuing on track towards elimination of the unfunded liability in approximately 2016. Our financial loss this year has implications for the funding strategy. Like pension and other large funds, we are optimistic the investment markets will rebound as they have in the past and we will be able to recover these losses over time.

A single action affects not just one person, but many.

While 2008 was a challenging year in terms of market returns, operationally, the WCB met or exceeded most of its targets. The injury rate fell to 2.48 time-loss injuries per 100 covered workers and for the first time in many years, the composite duration index (a measure of the time injured workers are off work due to their injury) fell to 95 days. This means there were 84,000 fewer time-loss days paid in 2008, the equivalent of 230 people back in the workforce fulltime. The vast majority of injured workers returned to work earning their pre-injury wages. All of this was achieved while maintaining worker and employer satisfaction levels.

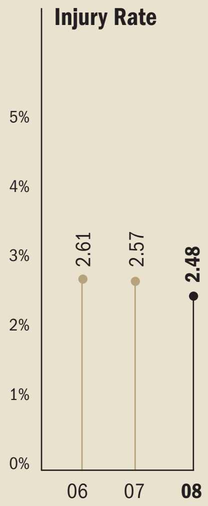
Our financial results underscore our need to maintain a focus on the things that we can influence – injury prevention and return to work – and to continue to maintain a prudently structured investment portfolio. Each and every Nova Scotian should celebrate the reduction in injuries and time off work due to injury achieved in 2008. But, at the same time, we all share the responsibility of making more positive change.

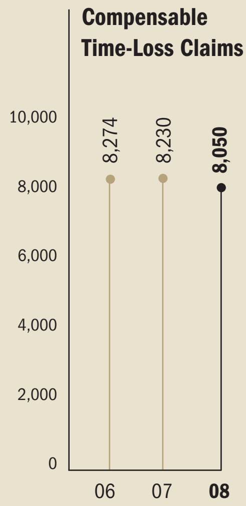
The fact that we're in this together is what will make Nova Scotia successful. It is only when we work together with workers, employers, the health care community, partners in safety and others that we will create a ripple effect large enough to truly change our workplace safety culture.

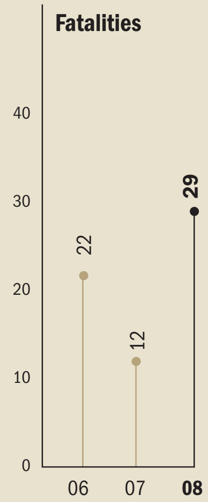
Nancy MacCready-Williams

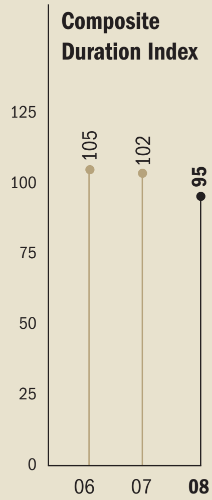
Nancy MacCready-Williams
Chief Executive Officer

It is only when we work together that we will create a ripple effect large enough to truly change our workplace safety culture.









Fatalities include all workplace injuries that resulted in the death of a worker as reported by the Nova Scotia Department of Labour and Workforce Development. Not all of these deaths resulted in a WCB claim.

In these times of economic uncertainty, it is increasingly clear that our community's biggest assets are our people and the skills they bring to the table.

Jennifer Beckwith
Client Relations Officer

Building Relationships

This October, I took over as Client Relations Officer from Tim McInnis who is on special assignment at the Workers' Compensation Appeals Tribunal for a year. As Client Relations Officer, I receive and impartially review complaints about the WCB's service. Formal complaints may be received from workers, employers, service providers or members of the public. I report the results of my reviews to the Board of Directors quarterly and to the public annually in the annual report.

In 2008 there were 35 formal complaints of which 17 were partially or fully substantiated. In the majority of cases, an injured worker or Injured Worker Association brought the complaint to my attention. Most complaints involved communications issues between a worker and their Caseworker, or the time it took the WCB to render a decision or process an appeal.

While the overall number of complaints continues to be low, I dealt with a high volume of general inquiries. Workers questioned the length of time it took to have their appeal reviewed and a significant volume of inquiries about chronic pain were received in the first half of the year. By year end, the timeliness of decisions flowing from our internal appeals division had increased. Also the bulk of work to review chronic pain claims was complete in mid-year and the number of inquiries about chronic pain dropped significantly in the second half of the year.

Service excellence is a priority for the WCB. The learning we can glean from a thorough review of a complaint and the monitoring of inquiries helps us improve our operations. On behalf of Tim and me, it has been our pleasure to work with workers, employers and other stakeholders to resolve their service issues or answer questions in the past year.

Jennifer Beckwith
Client Relations Officer

Year in Review

More than 300,000 workers are covered by workers' compensation in Nova Scotia. Last year, more than 31,000 of these workers were injured on the job. About ten percent of the people for whom we provide insurance were hurt at work in a single year.

One in ten. This is a staggering statistic that has very real consequences for the people of this province and the Nova Scotia economy. Put everyone injured last year in one spot and they would fill Halifax's Metro Centre three times over.

Of that number, approximately 8,000 people were injured seriously enough that they could not return to their next scheduled shift. These aren't abstract numbers, the concern of only accountants or actuaries. These are your family, friends, co-workers and neighbours. These are real people.

There were 29 workplace fatalities in 2008. These families are left with a tremendous loss. It represents an immense sadness, and an incalculable, all-too-human impact of workplace injury.

For companies with high costs of workplace injuries, it leads to higher rates for workplace injury insurance, as it would for any type of insurance. Employers must bear that cost and, in turn, it is filtered throughout our economy. The significant human and economic toll resulting from workplace injuries is undeniable.

The WCB posted a total comprehensive loss of $249 million in 2008. Ongoing volatility in investment markets brought on by the global financial crisis led to very low returns. The WCB's funding percentage decreased from 75% at the end of 2007 to 60% at year end 2008.

Since 2005, 1,000 fewer people have lost time from work due to injury and those who did returned to the workplace safely and more quickly following their injuries. All of this was achieved while maintaining worker and employer satisfaction with the WCB.

This drop in the number of serious injuries and a speedier return to work signals progress. But the frequency of workplace injuries in Nova Scotia, and the heartache they bring, remains intolerable.

The drop in the number of serious injuries and a speedier return to work signals progress.

Balanced Scorecard Measures

	Actual '07	Actual '08	Target '08	Target '09	Target '13
Service/Governance					
Worker Satisfaction Index[1]	75%	73%	70%	70%	70%
Employer Satisfaction Index	81%	79%	70%	70%	70%
Stakeholder Engagement Index[2]	N/A	64%	70%	70%	70%
Operations					
Time-loss injuries per 100 covered employees	2.57	2.48	2.55	2.48	2.31
Duration – composite in days (excluding Transitional Services Team claims)	102	95	101	93	78
Percent return to work at 100% pre-injury earnings[3]	93%	93%	93%	93%	93%
Average short-term disability payment per claim (excluding Transitional Services Team claims)	$4,083	$3,992	$4,163	$3,870	$3,880
Employee					
Employee Satisfaction Index	74%	75%	70%	70%	70%
Financial					
Claims payments for the last 3 years per $100 of assessable payroll	$0.961	$0.872	$0.961	$0.872	$0.864
Administrative costs per $100 of assessable payroll (excluding Transitional Services Team claims and prevention costs)	$0.32	$0.34	$0.40	$0.39	$0.45
Return on investment					
Five-year Actual Rate of Return	9.4%	3.1%	Benchmark Portfolio Return + 0.85%		
Five-year Target: Benchmark Portfolio Return +0.85%	10.8%	3.9%			

[1] The Worker Satisfaction Index does not include workers on long-term benefits or those with claims for little or no time-loss.

[2] This is a new performance indicator that was adopted in 2008. No historical data is available.

[3] Where return to work is not the goal, some claims exceeding 12 months in duration are excluded.

In these times of economic uncertainty, it is increasingly clear that our community's biggest assets are our people and the skills they bring to the table. Ensuring their safety at work is not only a moral imperative – it's a business imperative, too. Safety isn't just about fewer injuries – it's about employee recruitment and retention, and it's about staying competitive in a tough labour market.

We still need to do a lot of work to change the safety culture in Nova Scotia, and a lot of cooperation from others who want to see this kind of improvement in our province is required. With the lives of so many Nova Scotians at stake, we can't be content with tiny incremental steps or tinkering at the edges.

Our Plans and Progress

The WCB is pushing hard for real systemic change. We track our performance using a balanced scorecard that contains a series of performance indicators. As is typical, the WCB's scorecard has four quadrants – Service and Governance, Operations, Employee and Financial.

As you can see from the summary on the previous page, operationally the WCB met or exceeded the majority of its targets. The injury rate (time-loss injuries per 100 covered workers) fell to 2.48, and for the first time in many years, the composite duration index fell to 95 days. The vast majority of injured workers returned to work earning their pre-injury wages. All of this was achieved while maintaining worker and employer satisfaction levels.

Our operational results are solid and the target for claims payments for the last 3 years per $100 of payroll was exceeded as was the administrative costs per $100 of payroll target. But, as you will read more about in our financial statements, the WCB had a challenging year financially and our target five-year rate of return on investment was not met.

...move from a one-size-fits-all approach, to one with customized services tailored to meet the needs of workplaces across the province.

Here are more details on the steps we took in 2008:

Service and Governance

Tailoring Our Service

We are changing the way we deliver service to workplaces across the province. The WCB piloted a new service approach for a group of workplaces in the health care and manufacturing sectors in 2008. Through a defined point of contact with a Relationship Manager, we worked with workplaces in these industries to better understand their needs and ensure they received appropriate services to assist them in preventing injuries and helping their injured workers achieve a safe and timely return to work. In 2009, we will build on the lessons we learned from the pilot and take further steps to move from a one-size-fits-all approach, to one where we will provide customized services tailored to meet the needs of workplaces across the province.

Consumer Price Indexing

The WCB automated the calculation of the Consumer Price Index which means injured workers now receive CPI adjustments to permanent monthly benefits on a more regular and timely basis and the risk of inaccurate payments is reduced.

Good Governance

The Auditor General conducted a government-wide study of the internal audit functions for numerous government departments and provincial agencies, including the WCB. The objective was to determine whether the organizations' internal audit function complies with the standards of the Institute of Internal Auditors and international best practices in internal auditing.

Performance Measure: Service/Governance – Worker and Employer Satisfaction and Stakeholder Engagement Indices

The Auditor General found ". . . the internal audit function is considering risk management, internal controls and governance in its audit plans. The internal audit function at the Workers' Compensation Board is in compliance with the policies established by the Audit Committee."

Good governance is a cornerstone of good business performance and we take our responsibility for safeguarding the WCB's assets seriously to ensure the sustainability of the WCB over the long term. We are committed to transparency in our operations and are extremely proud and pleased with the Auditor General's positive comments about our internal audit process.

Strategic Plan
In the second half of the year, the WCB Board of Directors met with stakeholders across the province to gain their input into a five-year strategic plan. When the plan is complete in early 2009, it will outline the WCB's priorities over the period 2010-2014. The Board of Directors will consider the points of view raised during this consultation process as they finalize the strategic plan. Continuing to engage stakeholders will be a key element of the planning process.

Policy Consultation
The WCB also made a significant shift in its Program Policy Agenda setting process in response to feedback from Nova Scotians. The Board of Directors prioritizes policy issues raised by stakeholders according to clearly stated criteria. Stakeholders will continue to be engaged in consultation on Program Policy issues throughout the year.

Measures of Success
The WCB is committed to providing excellent service to injured workers and employers. We contract with an external firm to conduct quarterly surveys of approximately 1,600 injured workers and 1000 employers each year to determine their level of satisfaction with the service they receive from WCB employees. These results are used to calculate a Worker Satisfaction Index and an Employer Satisfaction Index.

This year we added a new indicator – *Stakeholder Engagement Index* – to measure whether stakeholders are satisfied with their level of engagement with the WCB. The Stakeholder Engagement Index is a combination of results from a survey of key stakeholders – employers and industry association representatives, labour representatives, workers and injured worker association representatives. *(This measure was previously referred to as the Stakeholder Satisfaction Index).*

Service/Governance

	Actual '07	Actual '08	Target '08	Target '09	Target '13
Worker Satisfaction Index	75%	73%	70%	70%	70%
Employer Satisfaction Index	81%	79%	70%	70%	70%
Stakeholder Engagement Index*	N/A	64%	70%	70%	70%

** This performance indicator was adopted in 2007 and renamed in 2008, to better reflect its intended purpose.*

In 2008, worker and employer satisfaction exceeded our targets and are in line with 2007 results.

For injured workers, the most important service areas were client – courtesy, clarity of information and understanding the worker; operations – communication, reliability of service and fairness; and service – credibility, professionalism and accuracy.

Employers were most satisfied with: client – administrative ease and understanding the customer; operations – reliability of service delivery and fairness; and service – professionalism and credibility.

The WCB's *Stakeholder Engagement Index* for 2008 is 64%. While this is below the annual target, it lays the foundation upon which we will build future success.

Outlook

Given the magnitude of change that will accompany the phased implementation of the WCB's new way of delivering service, we are aiming to maintain the targets for the three service and governance measures at 70% through to 2013.

We also will continue to engage stakeholders, respond to their concerns and ensure they have input into shaping the WCB's priorities.

The number of serious injuries in Priority Employer workplaces went down more than in other workplaces.

Operations

Social Marketing
The WCB is spreading the word about the need for enhanced workplace safety in Nova Scotia. Our efforts are evolving from building awareness to encouraging sustained action in the workplace around working safely. Our latest ad campaign, which focused on taking action to prevent workplace injury, points out the risks and consequences of unsafe behaviors, and unsafe workplace environments.

For the first time, the WCB, the Nova Scotia Department of Labour and Workforce Development. and the Nova Scotia Federation of Labour partnered to produce television ads to mark the International Day of Mourning. The ads featured the friends and family of Jamie Lapierre, a 21-year-old who was killed in a workplace tragedy in February 2000. The campaign's message about the serious consequences of workplace injuries resonated with Nova Scotians across the province.

The WCB's advertising has been internationally recognized with awards including a coveted Bronze Lion at the Cannes International Advertising Festival in France. Encouragingly, it has also contributed to significant declines in the number of Nova Scotians who believe workplace injury is inevitable.

Priority Employer Program
While creating awareness is important, it is not nearly enough to foster the kind of change needed in Nova Scotia. That's why the WCB has programs aimed at directly influencing behavior in workplaces across the province.

For the past two years, through the Priority Employer Program, we have offered coaching services to workplaces in need of improvement in their safety and return-to-work performance. This hands-on approach has worked. The number of serious injuries in Priority Employer workplaces was down more than in other workplaces.

Also, following an injury, employees in Priority Employer workplaces went back to work more quickly compared to other workplaces. We are making a difference with direct, hands-on support.

Poor Safety Performer Surcharge
Employers in Nova Scotia pay higher rates for their workplace injury insurance than almost anywhere else in Canada.

The Safety Incentive Program was designed to incent employers with the most potential for improvement to turn around their safety and return-to-work records by imposing a surcharge on their rates. The Program was meant to get the attention of these employers and to more fairly allocate the costs of injury.

For the second year, the WCB levied surcharges to employers whose records for safety and returning injured workers to the workplace are consistently and significantly worse than their industry peers.

In 2009, 71 employers have been surcharged – down from 77 in 2008. Of those 71, 38 are being surcharged for a second consecutive year, and 33 are being surcharged for the first time. Surcharges are cumulative – up to an additional 20% of the industry rate each year.

Encouragingly, more than half of the employers who were surcharged in 2008 have improved their safety and return-to-work experience sufficiently to avoid a surcharge in 2009. Overall, about one half of one per cent (0.5%) of the 18,000 employers covered by the WCB were surcharged in 2009.

The Safety Incentive Program gained a lot of attention in the fall of 2008 when the Supreme Court of Nova Scotia put in place the legal framework for employer claim cost information to be made public. The Chronicle Herald newspaper had appealed the WCB's decision not to follow the Freedom of Information and Protection of Privacy (FOIPOP) Review Officer's recommendation to release the names of the 25 firms in Nova Scotia with the highest number of injuries. The WCB wanted to be absolutely sure about its legal obligations before releasing sensitive information like this. We are very careful to follow the law when releasing information about workers and we must be equally diligent when releasing information about employers.

Whether or not the WCB believed it was appropriate from a public policy perspective to release the information was irrelevant. The question was whether it was lawful for us to do so. When there are differences of opinion on the law, the FOIPOP legislation provides an appeal process where issues can be clarified by the courts.

The Supreme Court's decision resulted in front page newspaper coverage of the names of surcharged employers.

The names of surcharged employers now will be available on the WCB's website annually. We also are in the process of clarifying what other employer information can be released to the public.

Encouraging Safety Associations

Commitment to changing Nova Scotia's safety culture starts at the top. The WCB supported and encouraged the establishment of safety associations in three sectors – health care, fishing and retail automotive dealers. We were so pleased when leaders in the health care community came together and launched their new association "AWARE-NS" supported by a multi-year funding commitment from the Nova Scotia Department of Health. Steady progress is being made to establish associations in the fishing and retail automotive dealers sectors as well.

Recognizing Excellence in Workplace Safety

Individuals and organizations who strive to ensure a safe and healthy workplace will see their determination and hard work recognized through a new awards program that celebrates excellence in occupational health and safety. The awards present an opportunity to demonstrate that many workplaces in Nova Scotia have deep commitments to workplace safety that serve as examples for others to follow. The WCB and the Nova Scotia Department of Labour and Workforce Development are the drivers behind the first annual Mainstay Awards, launched in 2008. More than 30 entries were received, and the winners will be announced during North American Occupational Safety and Health Week in May 2009.

Safety Training in Schools

The WCB is delighted to partner with the Nova Scotia Departments of Education and Labour and Workforce Development to develop eight hours of in-class instruction for Grade 9 students. Students will learn about the importance of workplace safety through a pilot program beginning in 2009. This initiative aims to address the high number of injuries to Nova Scotia workers younger than 20. The instruction will be offered as part of the compulsory Healthy Living program.

Return to Work and Managing Health Care

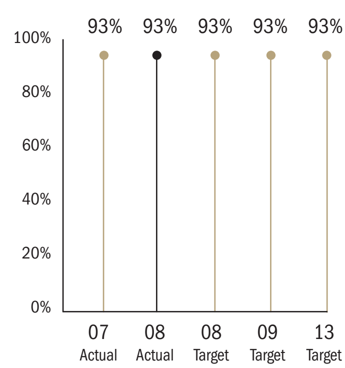
Research shows that the longer an injured worker is away from work the less likely they are to return to employment. As part of our maturing return-to-work strategy, we continued to work with workers and employers to successfully implement return-to-work programs.

A primary ingredient in helping injured workers return to work in a safe and timely manner is the health care they receive as they recover from their injuries. One of the biggest challenges faced by the WCB is the rising cost of health care.

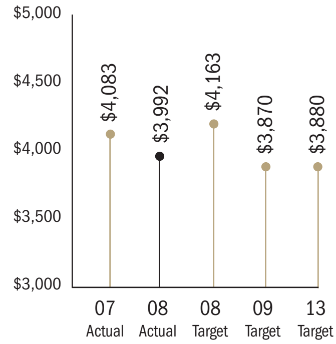
Performance Measure:

Operations

Percent return to work at 100% pre-injury earnings



Performance Measure:
Operations
Average short-term disability payment per claim (excluding Transitional Services Team claims)



The WCB's physiotherapist agreement is having a very positive impact on the length of time workers with strains and sprains are off the job. However, throughout 2008 we heard feedback from stakeholders that the process for direct referral of injured workers with soft tissue injuries to physiotherapy requires attention. We will consult with stakeholders to better understand their concerns and make necessary adjustments to address those issues.

As well, specialist consultations and surgeries continued under the WCB's expedited services agreement with the Pictou County District Health Authority. The scope of procedures was expanded from simple arthroscopic surgeries to more complex shoulder surgeries.

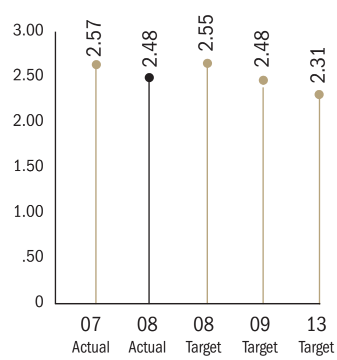
Chronic Pain

In October 2003, the Supreme Court of Canada found that injured workers are entitled to be assessed for long-term benefits for chronic pain. In response to this decision, almost 7,000 workers came forward to ask to have their claims reviewed. Reviewing the individual circumstances for each worker, many with multiple claims, was very complex. This high profile undertaking is essentially complete with 95% of workers having had their claims reviewed with about one-third of them receiving benefits for chronic pain. The few remaining cases include those still participating in rehabilitative programs or where the WCB is awaiting information that is necessary to make a decision.

Measures of Success

Operational performance measures track whether the WCB is successful at reducing the injury rate (time-loss injuries per 100 covered workers), reducing the time workers are off the job due to their injuries (the composite duration index), helping injured workers return to safe and healthy work without a long-term earnings loss (% return to work at 100% pre-injury earnings) and reducing the average short-term disability claims payment.

Performance Measure:
Operations
Time-loss injuries per 100 covered employees



Operations

	Actual '07	Actual '08	Target '08	Target '09	Target '13
Time-loss injuries per 100 covered employees	2.57	2.48	2.55	2.48	2.31
Percent return to work at 100% pre-injury earnings	93%	93%	93%	93%	93%
Composite Duration Index (in days, excluding Transitional Services Team claims)	102	95	101	93	78
Average short-term disability payment per claim (excluding Transitional Services Team claims)	$4,083	$3,992	$4,163	$3,870	$3,880

The WCB's operational performance in 2008 was very solid. We exceeded the time-loss injury rate target of 2.55 which means that, three years into our prevention strategy, the injury rate has fallen by an average of almost 5% annually.

We also maintained a 93% return-to-work success rate for injured workers four years in a row. The composite duration index decreased from 102 days in 2007 to 95 days. The average short-term disability payment per claim target was also exceeded.

Outlook

In 2009, the WCB will continue its unwavering focus on preventing workplace injuries and helping injured workers return to work in a safe and timely manner. For injury prevention to turn the corner in terms of social adoption, the concept must become part of Nova Scotia's mainstream consciousness. As in previous years, we will continue to strive to embed the prevention mindset in social norms, values and beliefs through general awareness efforts.

While the WCB will take a leadership role in developing Nova Scotia's safety culture, making workplaces safer requires effort from all Nova Scotians. Many people in our province are enthusiastic advocates of workplace safety. We will partner with industry associations and targeted workplaces to better understand their needs and develop tools that specifically address the prevention and return-to-work issues they are facing. We will build on our relationships with established safety associations and work with industry partners towards the creation of more industry-specific safety associations.

The WCB was named a Top Employer in Nova Scotia for offering an exceptional place to work.

2009 will be a turning point for our service delivery. We will implement new integrated service teams for large workplaces and lay the foundation for a new way of delivering service for small workplaces.

We also will introduce a new pharmacy benefits management system, which includes an electronic drug formulary. The system will allow for point-of-sale payment of pre-approved prescriptions, using the injured worker's claim number. Among other benefits, this service improvement means that most injured workers will no longer have to pay out-of-pocket and then seek reimbursement for covered prescription drugs.

Overall, our performance in 2008 speaks to encouraging operational progress in reducing the terrible human and financial costs of workplace injury in Nova Scotia.

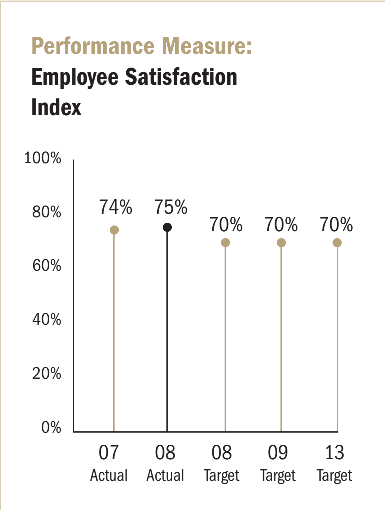
Employee

WCB – A Top Employer in Nova Scotia
The WCB was named a Top Employer in Nova Scotia by Mediacorp Inc. for its leadership in offering an exceptional place to work.

Employees at the WCB have long held that theirs is a remarkable workplace – primarily for the tight community that exists within our organization. The care and respect WCB employees show each other also extends to how they treat workers and employers. From an organizational standpoint, it holds true that investing in your employees' well-being and workplace satisfaction is an investment in your business.

Being named a top employer is what can happen when passionate professionals with big ideas and strong convictions resolve to create effective change both in their own workplace and in the workplaces they serve.

We are extremely proud of being named a Top Employer in Nova Scotia for 2009.



Safety Champions

The WCB achieved a Certificate of Recognition for our internal safety program living up to our own corporate values and the standards we set for workplaces across the province.

We also were recognized for our leadership in health and wellness when we were named a Health Innovator by the Halifax Chamber of Commerce.

Measure of Success

Every year the WCB hires an external firm to conduct an employee satisfaction survey to determine our employees' level of satisfaction. The results are used to create an Employee Satisfaction Index. We know that to achieve our strategic goals, we must start with our own employees and create an environment where they are able to provide excellent service. It is important that employees feel they are making a difference in the lives of Nova Scotians through the service they provide.

Employee

	Actual '07	Actual '08	Target '08	Target '09	Target '13
Employee Satisfaction Index	74%	75%	70%	70%	70%

The WCB's 2008 *Employee Satisfaction Index* exceeded the 70% target and is at the highest level ever recorded.

Outlook

We will continue to actively engage our employees in every step as we transition to a new way of delivering service. We will also continue to enhance our internal safety program to ensure the safety of our employees.

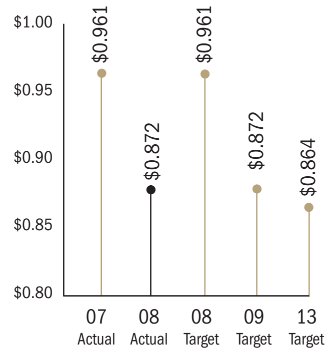
Due to the significant amount of change we will undertake in customizing our service delivery to better meet the needs of workplaces in Nova Scotia, we will maintain the employee satisfaction index target at the current level through 2013.

Financial

The achievement of our financial targets is tied to reducing the injury rate, ensuring injured workers return to work in a safe and timely manner, and investment returns. As described in the Operations section earlier, we exceeded our targets for reducing the injury rate and the length of time workers are off work due to their injuries in 2008. We did not meet all of our financial targets due to the volatility in the global investment market. More details about our investment returns and the unfunded liability are included in the Management Discussion and Analysis section of this report.

The WCB maintains a diversified investment portfolio designed to balance returns and risk. During 2008, we implemented a currency hedge strategy with the objective of limiting currency fluctuation risk. We also engaged in a comprehensive asset liability study and we will analyze the results of this study in 2009.

Performance Measure:
Claims payments
for the last three years per $100 of assessable payroll

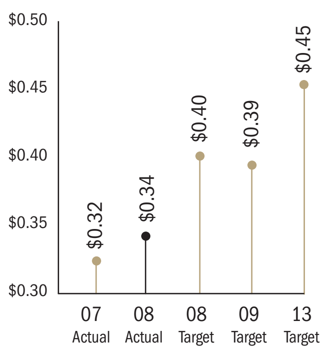


Measures of Success

Our financial performance measures are designed to track our effectiveness in three key areas: reducing overall claim costs for both short and long-term claims (claims payments for the last 3 years per $100 of assessable payroll); financial stewardship and spending prudence (administrative costs per $100 of assessable payroll); and generating a value-added rate of return on invested assets (actual return relative to the benchmark).

While our administrative costs have been increasing in recent years we are committed to optimizing the cost-effectiveness of the service we deliver and recognize that this does not always mean minimizing administration costs.

Performance Measure:
Administrative costs
per $100 of assessable payroll (excluding Transitional Services Team claims and prevention costs)

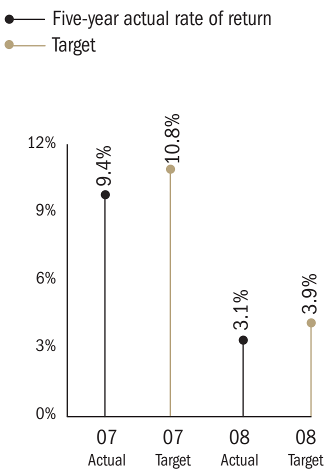


Financial

	Actual '07	Actual '08	Target '08	Target '09	Target '13
Claims payments for the last three years per $100 of assessable payroll	$0.961	$0.872	$0.961	$0.872	$0.864
Administration costs per $100 of assessable payroll (excluding Transitional Services Team claims)	$0.32	$0.34	$0.40	$0.39	$0.45
Return on Investments					
Five-Year Actual Rate of Return	9.4%	3.1%	Benchmark Portfolio Return + 0.85%		
Five-Year Target: Benchmark Portfolio Return +0.85%	10.8%	3.9%			

Performance Measure:

Return on Investment



For the financial measures over which the WCB has the most influence, our performance was very positive. Both the targets for claims payments for the last three years per $100 of assessable payroll and administrative costs per $100 of assessable payroll were met.

During the year we experienced very positive payroll growth and improved return to work due to growth in the Nova Scotia economy. Short-term disability payments were also positively affected by a reduction in time-loss claims and the success of our return-to-work programs. In addition, after two years of escalation, health care costs were lower than planned. While we continue to have challenges with long-term disability costs, the combined impact of an increase in payroll, and lower short-term disability and health care payments had an overall favourable effect on the payment ratio.

We recognize that we may face challenges meeting performance targets given economic uncertainty.

We exceeded our target for administration costs. Several factors combined resulted in a positive $0.06 variance from the target. Positive variances resulted from the assessable payroll base which was higher than budget, and offsetting deductions from the administrative budget were higher than expected.

Like other Canadian workers' compensation organizations, we experienced investment losses in 2008. Our five-year rate of return for the period ending December 31, 2008 was 3.1%. The five-year target of 3.9% was not achieved.

Outlook

The WCB's investment portfolio is well diversified among a variety of assets in order to optimize returns and manage risk. We are continuing to work with our investment consultant, monitoring investment performance and the investment strategies to confirm that our investments help to support our liabilities.

With continued focus on long-term disability costs and an increased understanding of opportunities to manage health care costs, we will work to achieve the targets for 'claims payments for the last three years per $100 of assessable payroll' - $0.872 in 2009 and $0.864 in 2013.

With respect to administration costs, the 2009 budget includes provisions for bargained salary increases, inflationary operating increases and expenditures to implement components of the service delivery model. As always, the WCB will monitor and evaluate the balance between administration costs and service quality, and adjust that balance to best meet the needs of stakeholders.

In addition we recognize that we may face challenges in meeting our overall performance targets given the current economic uncertainty that we are facing.

With the lives of so many Nova Scotians at stake, we can't be content with tiny incremental steps or tinkering at the edges.

Management's Responsibility for Financial Reporting

The financial statements of the Workers' Compensation Board (WCB) of Nova Scotia are 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 (GAAP) 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 audit service providers, Grant Thornton LLP, perform periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The WCB's 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 & Risk Oversight 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

Management Discussion and Analysis

As an integral part of the annual report, the Management Discussion and Analysis (MD&A) provides further insight into the operations and financial position of the WCB. The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes. Management is responsible for the reliability and timeliness of the information disclosed in the MD&A.

Forward-looking Information

This report contains forward-looking information and actual results may differ materially. Forward-looking information is subject to many risks and uncertainties as this information may contain significant assumptions about the future. Forward-looking information includes, but is not limited to, WCB goals, strategies, targets, outlook and funding strategy.

Risk and uncertainties about future assumptions include, but are not limited to, the changing market, industry, general economy, legislation, accounting standards, appeals and court decisions, and other risks which are known or unknown. We caution the reader about placing reliance on forward-looking information contained herein.

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.

Portfolio Structure

The portfolio's overall asset mix remains unchanged compared to 2007. The benchmark portfolio included equity at 60%, bonds at 30% and real estate at 10%. Target allocations for Canadian, U.S. and international equity are 20%. 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. The benchmark is useful for assessing performance of the fund. The current investment target is to exceed the rate of return generated by the benchmark portfolio and market index yields for the various asset classes by 0.85%. Prior to October 1, 2005 the objective was benchmark plus 0.65%. The blended objective for the five years ended 2008 was 0.70%. The target is based on a five-year average before management fees.

The WCB uses two different investment strategies for different asset classes. The first is an active investment strategy where the investment manager is charged with exceeding the market index returns. The second is a passive investment strategy where the investment manager is charged with achieving market index returns. The WCB continues to use an active management strategy for Canadian, U.S. and international equities and real estate investments.

During 2008, the WCB began investing in Real Return Bonds, with a target allocation of 2.5% with the remaining 27.5% allocated to a passive investment strategy for Canadian bonds. The total bond allocation of 30% remains unchanged from 2007.

A passive currency hedging overlay strategy with a hedge ratio of 25% of the total foreign currency exposure was implemented in the first quarter of 2008 with the hedging ratio increasing to 35% in the second quarter and to 50% by July 2008. This strategy is being used to reduce currency risk.

Capital Markets Review

2008 will be remembered as one of the most challenging years in history for investment markets world wide. Global equity markets were extremely volatile in 2008. What started as a concern about a credit crunch brought about by U.S. subprime mortgage defaults, and how these defaults might affect the overall economy, grew into a global credit economic crisis. All major equity market indices posted negative annual returns in Canadian dollar terms. Bond returns were positive for the year as bond markets were the beneficiary of economic uncertainty and increasing concern about global growth. During the fourth quarter Canadian real estate markets experienced some write downs in asset values due to the state of the economy. Canadian real estate markets posted positive returns for the year.

An early signal of the trouble in the lending markets occurred in 2007 with a collapse of assets backed commercial paper in Canada. The only exposure in the WCB's investment portfolio to asset backed commercial paper was through participation in a small pooled fund.

During 2008, the WCB received notices from our real estate and bond fund managers indicating a reduction in the frequency and dollar amount of liquidation requests that they would be able to process. The WCB expects liquidity to return closer to normal during 2009. Market liquidity did not create any significant cash flow problems for the WCB in 2008 and is not expected to do so in 2009 as our operating current year cash payments are expected to be met almost completely from current year receipts.

Portfolio Performance

The active manager's 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. These objectives are before investment management fees and are based on a five-year average. For the indexed manager, the objective is to match the return generated by the fund benchmark portfolio for nominal bonds +0.10% and for Real Return Bonds by +0.20%. Again this objective is based on a five-year average before investment management fees. The real estate manager's objective is to exceed the return generated by 85% of the IPD All Property Index plus 15% of the DEX 91 Day Treasury Bills on a five-year average.

Market investment returns on the externally managed portfolio were negative 16.3% in 2008, which was 2.4% valued-added over the benchmark for the year. Although this is a disappointing absolute return, it is better than the market return. In 2008 the capital markets (in Canadian dollar terms) saw the Canadian equity market (S&P/TSX Composite) return negative 33.0%, the US equity market (S&P 500) return negative 21.2%, and the international equity markets (MSCI EAFE) return a negative 29.2%. The bond markets returned 6.4%.

As required by generally accepted accounting principles (GAAP), investments are recorded at fair market value. Gains and losses that result from changes in fair market value are recorded in other comprehensive income. Cumulative changes in fair market value for investments still owned are tracked as accumulated other comprehensive income until they are subsequently sold. The exception to this accounting treatment is that these investments must be monitored for "Other Than Temporary Impairments" (OTTI). An OTTI exists if the market value of an investment falls below its cost for an extended period of time or the amount of the deficiency below cost is significant and the decline is not expected to reverse in the short term. An OTTI requires that the loss be recorded to investment income in the year it occurs.

Our portfolio holdings as at December 31, 2008 were assessed for OTTI and as a result of this assessment we have recognized OTTI of $174.6 million for 92 holdings and one pooled fund. Subsequent changes in fair market value will accumulate in other comprehensive income until the investment is actually sold.

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 view of the financial position of the WCB at only that point in time.

Benefits Liabilities

The WCB's benefits liabilities represent the actuarial present value at December 31, 2008 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, 2008. The benefits liabilities figure represents the best estimate of the payments that would be required if these liabilities were settled in cash on December 31, 2008.

The benefits liabilities grew by 3.3% as set out in detail in Note 7 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. The $49 million increase is approximately $24 million more than our expectation based on the 2007 valuation results. Much of this excess cost is attributable to a higher than expected volume of extended earnings replacement benefits.

Chronic Pain Benefits

On October 3, 2003 the Supreme Court of Canada rendered a decision related to chronic pain and it resulted in benefit costs that increased the benefits liability. In December 2007, the Nova Scotia Court of Appeal rendered a decision extending benefits to injured workers who developed chronic pain before April 17, 1985.

As of December 31, 2008, approximately 95% of the chronic pain claims were processed. Some workers seeking consideration for chronic pain benefits have provided insufficient information to establish eligibility for chronic pain benefits and the claims are still pending. As of December 31, 2008, the benefits liability includes a provision of $14.5 million for claims yet to be processed and the pending claims requiring additional information.

Based on the estimate of remaining costs and those incurred to date, we expect that total chronic pain costs will be consistent with the $201.2 million estimate included in the benefits liabilities to date.

Other Cautions and Considerations – Benefits Liabilities

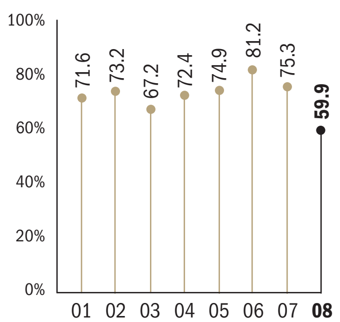
In 2006 and prior years, health care costs were estimated using a weighted average of payments from a three-year period ending in the year measured. Instability in this cost area led to a change in actuarial methodology in 2007 such that future payments were estimated based entirely on 2007 actual results. This approach added conservatism to the estimates in a climate of instability and rapidly increasing costs as payment increases in the year flowed directly to costs in the year. In 2008, health care costs appear to have stabilized. In response to this stability a two-year weighting of payments was used in the 2008 valuation. Again, this change is guided by conservatism because while the upward spike was reflected in the year it occurred, the current downward trend will be incorporated more gradually. If decreases in health care payments continue into 2009, we anticipate a return to the three-year weighting approach in 2009.

Other risk areas associated with the benefits liability involve the reserve for long-term disability benefits. Experience indicates that extended earnings loss awards are being implemented sooner, and in higher volumes for more recent injury years than those implemented for injury years further in the past. This experience led to upward adjustments in both costs and liabilities in 2007 and 2008. Factors such as changes in the workforce (aging and increasing volume) and the incidence of chronic pain in the covered workforce population have contributed to the increased volume of extended earnings loss awards. If this experience continues, we can expect further upward actuarial adjustments in the coming years, increasing the benefits liability until the number of long-term awards begins to stabilize.

Accumulated Other Comprehensive Income

Cumulative changes in fair market value for investments still owned are tracked as accumulated other comprehensive income. The net change in other comprehensive income for the year was an increase of $2.6 million. This accumulation is expected to fluctuate annually depending on market returns earned on the WCB investment portfolio, the recognition of other than temporary impairments in our investment portfolio, and the realization of past gains or losses into investment income as securities are sold.

Funded Percentage
for Nova Scotia, 2001–2008



Unfunded Liability

The WCB's liabilities total $1.527 billion and assets total $915 million, with an unfunded liability of $653 million and an accumulated other comprehensive income of $41 million, for a net unfunded liability of $612 million at the end of 2008. The WCB's funding percentage decreased from 75% to 60% as at December 31, 2008.

Statement of Operations and Comprehensive Income

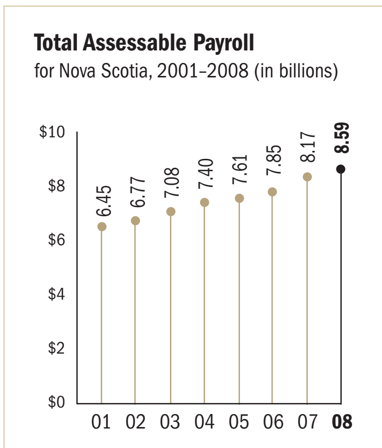
The operating results for 2008 and 2007 may be attributed to the following factors:

($000's)	2008	2007
Assessment Revenue in Excess of Current Year Costs	$ 34,582	$ 29,018
Investment (below) Liability Requirements	(281,269)	(76,164)
Actuarial Liabilities greater than Previously Anticipated	(1,880)	(56,343)
Total Comprehensive Loss	$ (248,567)	$ (103,489)

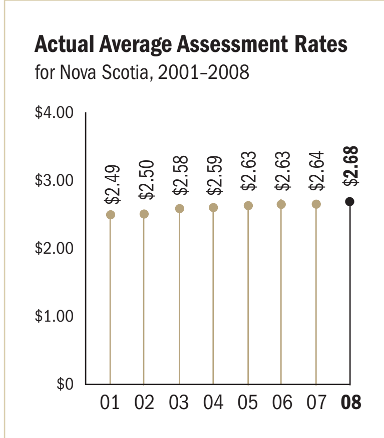
Revenues

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 $18.7 million (7.4%) from 2007 levels.



Revenues from registered firms increased $15.9 million (7.4%) from 2007 revenue. This increase is primarily attributed to an increase in assessable payroll of 5.1%. Increases to the payroll base are attributable to compliance initiatives, growth in the economy and an increase in the maximum assessable earnings. The actual average rate of $2.68 is an increase from the 2007 rate of $2.64. The self-insurers experienced higher claims payments in 2008 driven mainly by continuing negative experience related to long-term disability. Administration costs have however, decreased as the administration fee in the current year is based on the claims experience and administration costs of the prior year. The administration fee for 2009 will reflect the increased claims payments in 2008.



The targeted average assessment rate remained consistent at $2.65 from 2007 to 2008. The actual average assessment rate of $2.68 in 2008 was slightly higher than target. This simply indicates that the mix of payroll amounts submitted by employers in high-rate industries and those submitted by employers in low-rate industries is slightly different than anticipated.

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 loss in 2008 reflects the WCB's accounting policy to record realized gains and losses in investment income included in the Statement of Operations when an investment is sold and when the value of an investment is other than temporarily impaired and to record gains and losses arising from changes in fair market value in other comprehensive income.

Net investment loss was $177.5 million for 2008 (a change of 254%) from the 2007 net investment income of $114.9 million, primarily relating to the realization of investment losses from decreases in the fair value of the investment portfolio from 2007. Total investment income, which is net investment income combined with the net change in other comprehensive income, was a loss of $174.8 million compared to the 2007 total investment income of $23.2 million.

In accordance with Canadian GAAP, the WCB recognizes changes in market value of investments in the year of occurrence. Recognizing changes in market value in the year in which they occur produces a significant amount of volatility to the WCB's comprehensive income or loss.

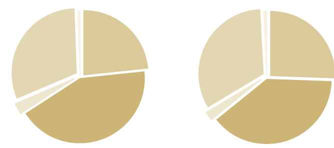
Expenses

Claims Costs Incurred

Claims costs incurred are an estimate of the costs related to compensable injuries which occurred in 2008. 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 awards, except to the extent such claims are represented in the past claim histories. The benefits liability does include a provision for the future cost of administering existing claims.

Total Claims Costs Incurred

(in thousands)



	2008		2007	
Short-Term Disability	$ 43,745	23.4%	$ 44,906	25.6%
Long-Term Disability	$ 79,386	42.4%	$ 67,775	38.6%
Survivor Benefits	$5,601	3%	$ 4,249	2.4%
Health Care	$ 57,295	30.6%	$ 57,459	32.7%
Rehabilitation	$ 1,057	0.5%	$ 1,248	0.7%

Claims costs incurred were $11.9 million (6.5%) higher than 2007. Claims categories with fluctuations include; short-term disability costs decreasing $1.2 million (2.6%); long-term disability costs increasing $11.6 million (17.1%); survivor benefits increasing $1.3 million (31.8%); and rehabilitation non-income costs decreasing $0.2 million (15.3%). Health care costs have stabilized with claims costs decreasing $0.2 million (0.3%) from 2007. Several factors influenced this aggregate result:

Claims costs incurred for short-term disability has decreased 2.6% in the current year. An eight-day reduction in the overall duration index (including TST) contributed to decreases in payments on recent claims. Further reductions in short-term disability costs are the result of significant advances toward reducing the frequency of time-loss injuries in Nova Scotia. The injury rate dropped 3.5% from 2.57 in 2007 to 2.48 in 2008.

The 17.1% increase in long-term disability costs is primarily related to a change in the projected number of long-term awards arising out of injuries that occurred in 2008 and prior years. In prior valuations, an estimate of 1,117 permanent impairment awards and 337 extended earnings loss awards was used to estimate the future permanent awards from each injury year. In 2008, this assumption was revised to 1,224 permanent impairment awards and 410 extended earnings loss awards.

An internal analysis of long-term awards revealed that the primary drivers of increased volumes are an aging workforce, timing of awards and the incidence of chronic pain in the covered workforce. While the number of permanent benefits awarded in 2008 was notably lower than in 2007, volumes are still above those anticipated in the valuation and therefore remain a concern. We anticipate a continued reduction in the volume of long-term awards over a number of years, however, if this decrease does not materialize, further increases in incurred costs and benefits liabilities will occur. We will likely see negative experience with respect to long-term awards continue into 2009. We expect that expected cost decreases will start to materialize in 2010.

Survivor costs have increased by $1.3 million in 2008. This is due to an increase 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.

Non-income rehabilitation costs are 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 (15.3% in 2008) as we have refined our criteria for referral and as we have worked through the chronic pain claims.

In 2007, the cost of assessing and diagnosing chronic pain for individuals with past injuries, and the cost of preventing chronic pain for individuals with more recent injuries, put significant upward pressure on health care costs. Changes in service delivery on strain and sprain injuries also increased health care costs for injuries in recent years. New and enhanced services along with increased utilization of services led to a period of instability in health care costs. In 2008 we saw some stability in health care payments.

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' obligations due to an interest amount reflecting the time value of money. In 2008 this amount was $106.4 million or approximately 7.1% of the benefits liabilities. This amount varies slightly by benefit category as the expected inflation component varies. Based on the overall expectation for inflation and long-term investment returns we expect growth to occur at approximately 7.0% annually (7.5% was assumed in 2007). The benefits liability is calculated based on historical claims payment data coupled with assumptions about future experience.

Changes in the actuarial assumptions decreased the benefits liabilities by $25.7 million in 2008 as shown in Note 7 of the financial statements. Actuarial experience adjustments represent the adjustments to the estimated cost of prior years' claims which were not anticipated in the prior year's valuation. Experience adjustments year-to-year are a normal and expected part of the valuation process. Upward actuarial experience adjustments of $27.6 million are included in Note 7 of the 2008 financial statements.

Variances in long-term disability costs are the result of negative experience with respect to permanent awards mainly from injury years 2002 through 2004. Injuries from these fairly recent years are already tracking above the expected total number of extended earnings replacement benefits for these years. Claims from 2002 to 2005 drove increases in short-term disability costs in the early stages of these claims. These years were high in both volume of injuries and duration of claims. These claims were significantly affected by changes in how we deal with chronic pain benefits. Subsequent to the 2003 Supreme Court decision regarding chronic pain, benefit payments went through a period of change as we worked to define a process for dealing with chronic pain as a long-term compensable injury.

A number of claims from 2002 to 2004 have moved to long-term disability in recent years and this has resulted in a larger volume of extended earnings replacement benefits than is typically expected in any given injury year. For purposes of establishing a liability reserve and in estimating costs from the current year, experience from these recent injury years cannot be ignored. On average, we expect approximately 410 extended earnings replacement benefits will be awarded for any given injury year. Injuries from 2002 to 2004 are tracking ahead of the projected pattern of extended earnings replacement awards.

It is difficult to establish a baseline year for purposes of projecting future permanent awards as the adjudication of chronic pain claims has significantly skewed the data from the last 5 years. We anticipate improvements made in injury prevention and claim duration that are yielding results in short-term disability will ultimately yield savings in long-term disability in future years. The timing and magnitude of the savings is difficult to predict until a series of representative data emerges over time.

Administrative Costs

Administrative expenditures in 2008 totaled $39.8 million, a decrease of $0.7 million or 1.6% from 2007. This is primarily due to decreases in salary and staff expense, building operations, training and development, amortization and supplies and offset by the change in the liability for future administration costs. The majority of the decrease relates to the winding down of the transitional services unit that was adjudicating the majority of the chronic pain claims.

- Salaries and staff expense decreased $0.6 million reflecting increases required under our collective agreement and offset by the wind up of the transitional services unit.
- Training and development decreased $0.2 million relating to less training being completed compared with the prior year.
- Amortization costs decreased $0.2 million as a result of business processes becoming fully amortized in 2008.
- Building operations increased $0.1 million as a result of increased file storage, printing and photocopying costs.
- The change in liability for future administration costs as current year claims payments exceed current year claims costs reduced the current year administrative costs by $3.4 million which is $0.2 million less than in 2007.

System Support and Legislated Obligations

System support was a new line item in 2007 and represents costs associated with providing support to the Workplace Safety Insurance System (WSIS) agencies and the Office of the Employer Advisor and the Office of the Worker Counsellor. Costs of $0.2 million were expended in 2008 versus $0.02 million in 2007.

Legislated obligations represent a requirement to pay the Province of Nova Scotia a portion of the costs to operate the Occupational Health and Safety Division of the Nova Scotia Department of Labour and Workforce Development, and the costs of operating the Workers' Compensation Appeals Tribunal, Workers' Advisers Program and injured workers' associations selected by Nova Scotia Labour and Workforce Development. Legislated obligations increased by $2.1 million or 23.2% in 2008.

Excess of Expenses Over Revenues and Total Comprehensive Income

In 2008, total net revenues of $95.6 million ($273.1 million in assessment revenues less $177.5 million in net investment losses), less total expenditures of $346.8 million, yielded an excess of expenses over revenues of $251.2 million. The net change in other comprehensive income for the year was an increase of $2.6 million, resulting in a total comprehensive loss of $248.6 million.

The funding strategy prepared in June 2008 estimated a total comprehensive loss for 2008 of $91.7 million. The impact of this variance on future years will be evaluated as discussed in the funding strategy section below.

Statement of Cash Flows

Cash increased $21.2 million in 2008 primarily due to cash withdrawn from the investment portfolio for operating needs. The cash disbursed in 2008 for benefit payments and operations was not fully offset by the cash generated through internal investments and assessments premiums during 2008.

Funding Strategy

Looking ahead, it is worth noting our experience with adjustments to the funding strategy to date. Overall, the financial results in the first twelve years of our funding strategy (1995 – 2006) were somewhat better than originally 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. We also experienced changes to the claims costs flowing from chronic pain, survivors, new benefits for firefighters and changes to Supplementary Benefits during this period. In 2007 and 2008 however, results were not as positive largely due to lower investment returns and higher claims costs experience and resulting actuarial adjustments. While claims costs are beginning to decrease in some areas, negative experience with respect to long-term disability claims continued into 2008 and investment returns were impacted by the market downturn and sharply worsened.

The WCB's annual revision to the Funding Strategy in June 2008 continued to forecast the year in which the unfunded liability was expected to be eliminated at approximately 2016. This was based on an estimated total comprehensive loss for 2008 of $91.7 million. The actual total comprehensive loss for 2008 was $248.6 million. This is $156.9 million higher than expected in the funding strategy. The 2008 variances include:

- assessment revenue $10.5 million more than expected,
- total investment results $154.8 million less than expected,
- claims costs incurred $8.7 million more than expected,
- growth in present value $5.0 million more than expected,
- actuarial changes and experience adjustments $1.9 million more than expected, and
- administration and legislated obligations $3.0 million less than expected.

Given the number of variables affecting the funding position, annual variances are expected. However, the variance in 2008 actual results on top of the 2007 results are significant. Accordingly, the WCB's Board of Directors will conduct a review of our funding strategy in connection with the annual business planning and budgeting process. It is likely that current year results could lead to a change in the funding strategy. While investment revenue can fluctuate over short time frames smoothing out over time, the significant losses experienced in the last two years are unlikely to be recovered quickly enough to achieve the current funding plan. We are confident that we remain on track to achieve the aggressive operational goals set for durations and injury rate; however we must recognize that investment returns are also a critical component of the funding plan that is largely outside the control of the WCB.

Increasing long-term disability costs are not expected to continue. Recent positive experience in short-term disability costs is expected to lead to savings and favorable adjustments on long-term disability and health care in subsequent years. If costs savings are not achieved as expected, the funding strategy will be affected.

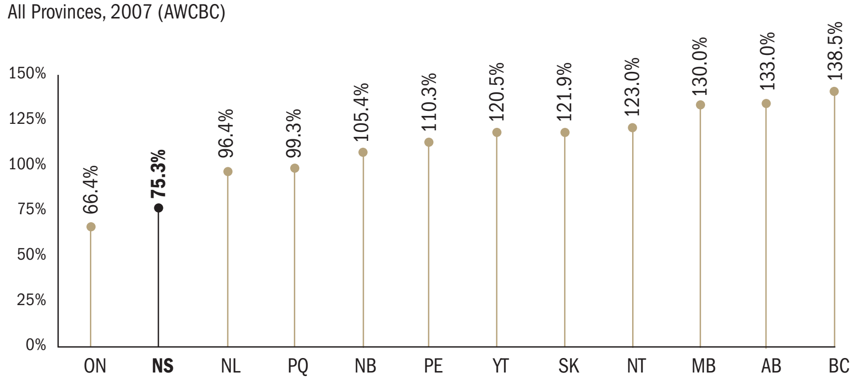
Factors influencing the funding strategy including assessment rates for employers, benefit levels for injured workers and changes in the WCB's funding position are not based on short-term results. Annual investment returns, by their nature, are unpredictable and not guaranteed to be sustained over the 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 7 and 18 of the financial statements detail areas of uncertainty, including actuarial experience and chronic pain benefits, which may have a significant impact on the WCB's benefits, liabilities and funding strategy.

The WCB's funded position has worsened in the past year and Nova Scotia continues to be among the jurisdictions with a benefits liability that is not fully funded.

Funded Percentage

All Provinces, 2007 (AWCBC)



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 economic conditions.

Injury rate

At the end of 2008, the injury rate was 2.48 time-loss injuries per 100 covered workers. This reflects an average reduction of almost five percent per year since 2005. This significant pattern of improvement in this measure is not likely to be sustained and further reductions are expected to occur at a slower pace in the future.

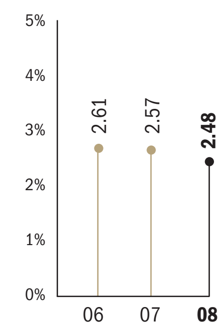
The 2007 Canadian average was 2.26 time-loss claims per 100 covered workers. Comparing 2008 actual results to the 2007 results of other jurisdictions, Nova Scotia now has the sixth highest injury rate in Canada. It is important to note that, unlike some jurisdictions, Nova Scotia does not cover many lower-risk industries and our injury rate would be lower if these industries were covered. Nova Scotia also has a 2/5ths waiting period before an injured worker is eligible for benefits. We estimate that approximately 25% of claims are resolved within the two-day waiting period and are therefore excluded from the injury rate calculation. Including these claims in the calculation would result in an injury rate of approximately 3.1. 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 injuries leading to disability are soft tissue injuries (sprains and strains).

Injury rate – Impact on Funding Strategy

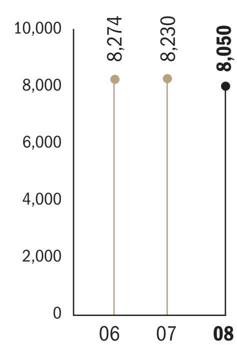
The injury rate is one of the most significant drivers of benefit costs and the focus of the WCB's attention for risk mitigation. In 2005, as one component in a plan to reduce system costs by $36 million, we estimated that a decrease in the overall injury rate from 2.87% to 2.26%, all else being equal, would translate to an estimated $25 million in savings and 1,800 fewer time-loss claims relative to size of the workforce at the time the estimate was made. As of December 31, 2008, the injury rate dropped to 2.48% resulting in a decrease of nearly 1,000 time-loss claims since 2005. The plan now anticipates an overall reduction of

Injury Rate

time-loss claims per 100 covered workers



Compensable Time-Loss Claims

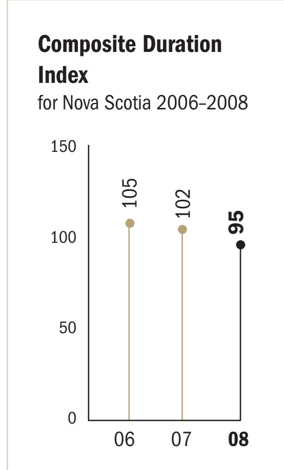


$35 million and currently estimates injury rate reductions to 2.26% will yield $21 million in savings to be realized by 2016. Reductions in time-loss claims achieved in 2006 through 2008 combine to produce realized cash flow savings of $3.6 million. The reduction in injury rate is expected to yield long-term disability savings in future years.

The reduced cash flows from 2006 to 2008 leads to a calculated cost savings of $3.6 million attributable to reductions in time-loss claims. The funding strategy incorporates this $3.6 million from progress to date along with an additional $4.6 million in short-term disability cost savings that are expected to flow from continued reductions in time-loss claim volumes.

Experience with long-term disability claims has led to a change in the projected pattern of long-term awards and a $9.0 million increase in long-term disability costs in 2008. This, combined with increases totaling $10.4 million in 2006 and 2007, does create some challenges for the funding period. We are expecting that the recent negative experience will not continue and that the $19.4 million excess costs will be recovered over the next three to five years. We further expect that an additional $12.8 million in savings will be generated from continued reductions in the injury rate. If the increases in costs are not recovered but remaining savings are achieved as expected, the funding strategy would be impacted.

In Nova Scotia, reducing work related disability by reducing workplace injury and improving the rate of safe and timely return to work requires addressing socio-economic factors related to workplace safety. These factors include attitudes and behaviors – 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 goal is to improve health outcomes for injured workers and to reduce the cost structure by reducing the number of claims.



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. The WCB's early intervention and return-to-work philosophy is anticipated to reduce claims costs incurred over time by shortening durations and reducing the number of workers going on to long-term disability. During 2008, the WCB focused on:

- Continued management and building relationships with the health care sector to enhance safe and timely return to work by endorsing best practices in occupational medicine.
- Consulting with our stakeholders to determine whether our service meets the needs of workers and employers. A new model for service delivery is being developed to allow us to offer more integrated services. This approach will allow us to build stronger relationships with the people we serve.

Claims Duration – Impact on Funding Strategy

A significant reduction in annual claims costs could generate financial gains in the system. In 2005 we estimated that a 30 day decrease in claims duration would result in an estimated $11 million in cost savings as one component of a plan to reduce costs by $36 million. We now anticipate an overall cost reduction of $35 million and currently estimate a claims duration reduction of 37 days yielding total cost savings of $14 million to be realized for the period 2006 to 2016. In 2008, the duration index decreased 8 days (to 95 days). Since 2005, the duration index has decreased 19 days. This resulted in cash flow savings of $7.1 million realized from 2006 to 2008.

The reduced cash flows of 2006 to 2008, leads to calculated cost savings of $4.0 million attributable to reduced claim durations. The funding strategy incorporates this $4.0 million from progress to date along with an additional $9.5 million in short-term disability cost savings that are expected to flow from continued reductions in claim duration in future years. Slight savings in long-term disability costs totaling $0.53 million are also expected over the next 8 years as a result of reduced durations.

If current progress does not continue and no further improvements are achieved, the funding strategy could be impacted.

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 secure payment of 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 funded position.

The funding strategy has a real rate-of-return assumption of 3.5%. Analysis indicates that 3.5% is a realistic real rate-of-return based on five-year running averages, 30-year running averages and 75-year running averages. The real rate of return coupled with our long-term CPI assumption of 3.5%, yields a nominal rate of 7.0%. During 2008 we worked with an external consultant to perform an asset liability study. The purpose of the study was to confirm the reasonableness of the asset allocation strategy used to diversify the investment portfolio. Results support the current investment strategy. Early results from the 2008 asset liability study have given us some confidence that a long-term investment return of 7.0% is a reasonable expectation for returns in the long term.

Economic Conditions

Events in 2008 have led to a challenging economy at the global level. The full impact of the recession could impact businesses in Nova Scotia, the extent of which is not fully known at this time. It is possible we could see a decrease in the covered workforce in Nova Scotia. This will have an impact on assessable payroll and therefore premium revenue. An economic slow down or recession could also impact reported time-loss claims and could create challenges with return-to-work efforts.

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 Consumer Price Index at the beginning of each calendar year. Any change to this formula would impact our liabilities and costs. 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 and continued pressures on the health care system.

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.

International Financial Reporting Standards (IFRS)
Canadian GAAP are expected to be harmonized with International Financial Reporting Standards (IFRS). IFRS is applicable for fiscal periods beginning January 1, 2011 with comparable financial statements required for 2010. IFRS standards will continue to evolve between now and 2011. Given the inherent uncertainty, the specifics for IFRS implementation remain challenging.

During 2008, the WCB prepared a scope paper analyzing IFRS. The paper reviewed the IFRS accounting standards that would have the most significant impact on the WCB's financial statements. The paper was presented to the Audit & Risk Oversight and the Finance & Investment Committees of the WCB Board of Directors. During 2009 we will review the remaining IFRS accounting standards and determine whether the standards are applicable to the WCB's financial statements. By the end of 2009 we will prepare an IFRS accounting standards summary paper identifying the WCB's new accounting standards.

Once the final IFRS are chosen we will analyze and implement necessary system changes and internal control changes to fully implement IFRS.

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 actual revenues will be significantly different than estimated.

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". As a result, reported investment income is affected by the timing of security sales as recognition of unrealized gains and losses occurs as the net change in other comprehensive income until the securities are sold. An exception to this occurs for investments that have been deemed other than temporarily impaired. These losses are recorded directly in investment income.

Actuarial Valuation of the Benefits Liabilities

Measurement uncertainty associated with the actuarial valuation of our benefits liabilities 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, which management cannot control. Actual future results will vary from the actuarial valuation estimate 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	\$56.9 million (3.8%)	\$5.1 million (3.2%)
Decrease Inflation Rate 0.5%	Increase	\$20.7 million (1.4%)	\$1.7 million (1.1%)
Increase Discount Rate and Increase Inflation Rate 0.5%	Decrease	\$71.5 million (4.8%)	\$6.2 million (3.8%)
Increase Health Care Inflation Rate 1.0%	Increase	\$24.7 million (1.6%)	\$2.6 million (1.6%)

Outlook

The WCB operates as a going concern. The funding strategy supports the WCB's ability to remain financially sustainable while maintaining the system and balancing worker and employer needs to achieve full funding.

Funding of the Workplace Safety and Insurance System reflects the balance struck between the level of benefits, rates charged to employers and the WCB's funded position. When financial results are different than the target, whether better or worse, the choice becomes: adjust benefits, rates or the WCB's funded 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.

We have a shortfall from the annual target in 2008, and we will review the impact on the funding plan including the impact on the projected full funding date of approximately 2016. The WCB Board of Directors will revisit the funding strategy as part of the annual budget process in Spring 2009. 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 funded position. Ongoing volatility in investment markets brought on by the global financial crisis led to lower returns than expected. During 2008, the Board of Directors met with stakeholders across the province to develop its 2010 – 2014 strategic plan and will consider the points of view raised from the stakeholders meetings as the strategic plan is completed in 2009.

The WCB recognizes that there will be variances from the funding strategy each year. The 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. Small changes in the early years potentially have 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.

The WCB is pushing hard for real systemic change.

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, 2008 and the statements of operations and comprehensive income, unfunded liability, 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, 2008 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
March 6, 2009

Ernst & Young, LLP
Chartered Accountants

Statement of Financial Position

at at December 31 (thousands of dollars)

	2008	2007
ASSETS		
Cash and cash equivalents (Note 13)	$ 15,940	$ -
Receivables (Note 3)	19,204	19,896
Investments (Note 4)	874,053	1,084,213
Property, equipment and other assets (Note 5)	5,552	6,632
	$ 914,749	$ 1,110,741
LIABILITIES AND UNFUNDED LIABILITY		
Bank indebtedness	$ -	$ 5,298
Payables and accruals	20,128	11,969
Employee future benefits (Notes 6 and 16)	9,128	8,065
Benefits liabilities (Note 7)	1,497,616	1,448,965
	1,526,872	1,474,297
Accumulated other comprehensive income	40,973	38,296
Unfunded liability	(653,096)	(401,852)
Net unfunded liability	(612,123)	(363,556)
	$ 914,749	$ 1,110,741

Commitments (Note 15)
Capital management (Note 17)
Contingencies (Note 18)

Approved on behalf of the Board of Directors:

Chris Power
Acting Chair

James Melvin
Chair, Audit and Risk Oversight Committee

The accompanying notes are an integral part of the financial statements.

Statement of Operations and Comprehensive Income

year ended December 31 (thousands of dollars)

	2008	2007
Revenue		
Assessments (Notes 8 and 13)	$ 273,098	$ 254,384
Net investment (loss) income (Notes 4 and 13)	(177,511)	114,881
	95,587	369,265
Expenses		
Claims costs incurred (Notes 7 and 13)	187,084	175,637
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 7)	108,315	155,721
Administration costs (Notes 9 and 13)	39,816	40,475
System support (Note 10)	246	23
Legislated obligations (Note 11)	11,370	9,231
	346,831	381,087
Excess of expenses over revenues applied to increase the unfunded liability	(251,244)	(11,822)
Unrealized losses on available-for-sale financial assets arising during the year	(177,381)	(6,001)
Reclassification of realized losses (gains) to net investment (loss) income (Note 4)	180,058	(85,666)
Net change in other comprehensive income for the year	2,677	(91,667)
Total comprehensive loss	$ (248,567)	$ (103,489)

The accompanying notes are an integral part of the financial statements.

Statement of Unfunded Liability

year ended December 31 (thousands of dollars)

	2008	2007
Unfunded liability, beginning of year	$ (401,852)	$ (390,030)
Excess of expenses over revenues	(251,244)	(11,822)
Unfunded liability, end of year	$ (653,096)	$ (401,852)

Statement of Changes in Accumulated Other Comprehensive Income

year ended December 31 (thousands of dollars)

	2008	2007
Accumulated other comprehensive income, beginning of year	$ 38,296	$ 129,963
Net change in other comprehensive income for the year	2,677	(91,667)
Accumulated other comprehensive income, end of year	$ 40,973	$ 38,296

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

year ended December 31 (thousands of dollars)

	2008	2007
Operating Activities		
Cash received from:		
Employers, for assessments	$ 271,314	$ 251,138
Net investment loss	(114,587)	(84,826)
	156,727	166,312
Cash paid to:		
Claimants or third parties on their behalf	(240,868)	(233,585)
Suppliers, for administrative and other goods and services	(43,589)	(54,480)
	(284,457)	(288,065)
Net cash used in operating activities	(127,730)	(121,753)
Investing Activities		
Decrease in investments, net	149,871	115,019
Cash paid for:		
Purchases of equipment	(903)	(1,086)
Net cash provided by investing activities	148,968	113,933
Net increase (decrease) in cash and cash equivalents	21,238	(7,820)
(Bank indebtedness) cash and cash equivalents, beginning of year	(5,298)	2,522
Cash and cash equivalents (bank indebtedness), end of year	$ 15,940	$ (5,298)

The accompanying notes are an integral part of the financial statements.

Notes to the Fianacial Statements

year ended December 31 (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 a timely return to safe and healthy work; administers the payment of benefits to injured workers; levies and collects assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and invests 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 (Bank Indebtedness) 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.

Bank indebtedness includes the utilization of a line of credit. Cash advances from the line of credit bear interest at the bank's prime interest rate less 1%.

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. Fair values are determined by reference to published quotations on an active market. 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, reclassified to investment income, and included in the excess of revenues over expenses (expenses over revenues) for the period. Income from interest and dividends is recognized in the period earned, and is presented net of investment expenses.

When it is determined that there is objective evidence of an other than temporary decline in the fair value of a financial asset, the cumulative loss that had been recognized 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 or process completion, a half year's amortization is taken.

e) 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.

f) 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 injuries 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, except to the extent such claims are represented in past claims history.

g) 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.

h) 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.

i) 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.

The investment portfolio does not contain any derivatives intended for speculation or trading purposes. The portfolio does include a currency overlay hedge strategy as described in the currency risk Note 4. Hedge accounting is optional and the WCB has elected not to apply hedge accounting. At the end of 2007, the WCB did not have any exposure relating to derivative instruments.

j) Future Accounting Policy Changes In November 2007, a new CICA Handbook section was approved. Handbook Section 3064 – Goodwill & intangible assets replaces the existing handbook Sections 3062 on Goodwill and 3450 – Research & development costs. This section will apply to interim and annual financial statements beginning in January 2009 for the WCB and introduces more rigorous criteria regarding the capitalization of costs associated with process development projects which may result in some costs expensed in the year of expenditure rather than capitalized and amortized over future years.

k) Comparative Figures Certain 2007 comparative figures have been reclassified to conform with the 2008 presentation.

3. RECEIVABLES

	2008	2007
Assessments	$ 15,312	$ 16,443
Self-insured employers	5,500	5,210
Assessments receivable	20,812	21,653
Self-insured employers – deposits	(3,872)	(3,872)
Harmonized Sales Tax rebate	259	485
Other	2,005	1,630
	$ 19,204	$ 19,896

Assessments receivable are net of an allowance for doubtful accounts of $1,442 in 2008 (2007 - $1,332). Other receivables are net of an allowance for doubtful accounts of $644 in 2008 (2007 - $644).

4. INVESTMENTS

	2008 Fair Market Value	2007 Fair Market Value
Money market	$ 16,349	$ 6,043
Currency overlay	(27,967)	-
Fixed-term investments	300,177	339,381
Equities	487,991	611,481
Real estate	96,781	126,715
Accrued	722	593
Total	$ 874,053	$1,084,213

	2008	2007
Investment Income		
Realized (losses) gains from the statement of comprehensive income	$ (5,437)	$ 85,666
Loss realized due to other than temporary impairment of investments	(174,621)	-
	(180,058)	85,666
Interest and dividends	33,375	32,456
Portfolio management expenses	(2,862)	(3,241)
Currency overlay loss	(27,966)	-
Net investment (loss) income	$ (177,511)	$ 114,881

Financial Instruments

The investments are a significant asset on the WCB's Balance Sheet and are subject to risk. In accordance to CICA Handbook Section 3862 – Financial instruments – Disclosure the following provides qualitative and quantitative information relating to market risk which includes stock exchange valuation, interest rate and currency risks; credit risk and liquidity risk.

Financial risk management

The WCB manages its investments in accordance with a Statement of Investment Policies and Objectives (SIPO) and manages investment risk by using a diversified portfolio both across and within asset classes engaging fund managers with a broad range of investment practices and styles. The WCB utilizes an independent consultant to benchmark performance of its fund managers.

The following sections describe the key financial risk exposures and management strategies.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The WCB mitigates market risk by diversification of its assets with a policy mix matched with the investment return objectives. The allocation of risk is spread across a broad set of return sources to meet the return objectives of the fund.

The following table demonstrates the sensitivity on the WCB's other comprehensive income (OCI) to a possible changes in market indices of +/- 5 percent with all other variables held constant for the Canadian equity market as represented by the S&P TSX, the US equity market as represented by the S&P 500, and other world markets as represented by the MSCI EAFE.

	Increase/ Decrease Market Index	2008 Effect on other comprehensive income	2007 Effect on other comprehensive income
S&P TSX	+/- 5.0%	+/- $ 7,572	+/- $ 11,055
S&P 500	+/- 5.0%	+/- $ 8,881	+/- $ 10,173
MSCI EAFE	+/- 5.0%	+/- $ 8,296	+/- $ 9,676

Interest rate risk

Fluctuations in interest rates can impact the market value of the fixed-term investment portion of the portfolio. Interest rate risk is mitigated through diversification of the term to maturities to partially match the duration of the benefits liabilities.

Currency risk

Currency risk is the risk of gain or loss due to movements in foreign currency rates as compared to the Canadian Dollar. To mitigate these risks the WCB has foreign exchange forward contracts to hedge approximately 50% of the foreign currency denominated assets held in British Pounds, Euros, Japanese Yen, and US dollars. Foreign exchange forward contracts are contracts to exchange an amount of one currency for another at a future date at a set price determined at contract inception.

Credit risk

Credit risk with financial instruments arises from the possibility that the counterparty to an instrument may fail to meet its obligations. The WCB mitigates credit risk through diversification, and a SIPO that addresses asset mix and investment constraints with respect to the credit quality of short-term investments and fixed term investments. Counterparty risk with respect to foreign exchange contracts is managed by dealing with counterparties that have a met an established minimum credit rating.

Liquidity risk

The WCB has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The WCB monitors its current and expected cash flow requirements to ensure it has sufficient cash and cash equivalents to meet its liquidity requirements short and long-term. In addition, the WCB maintains a line of credit with its principal banker to meet potential short-term liquidity requirements.

5. PROPERTY, EQUIPMENT AND OTHER ASSETS

2008	Cost	Accumulated Amortization	Net Book Value
Land	$ 155	$ -	$ 155
Building	3,660	2,226	1,434
Furniture and facilities	4,039	2,491	1,548
Equipment and computer hardware	2,530	1,458	1,072
Software and process development costs	9,770	8,427	1,343
	$20,154	$14,602	$ 5,552

2007	Cost	Accumulated Amortization	Net Book Value
Land	$ 155	$ -	$ 155
Building	3,573	2,075	1,498
Furniture and facilities	3,779	2,047	1,732
Equipment and computer hardware	2,439	1,256	1,183
Software and process development costs	10,438	8,374	2,064
	$20,384	$13,752	$ 6,632

7. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits
Balance, beginning of year	$ 83,742	$ 926,116	$ 125,250
Growth in present value of benefits liabilities	6,191	67,938	9,073
Change in actuarial assumptions (a)	(196)	(21,810)	2,593
Actuarial experience adjustments (b)	(3,436)	24,953	457
Total growth	2,559	71,081	12,123
Claims costs incurred	43,745	79,386	5,601
Less: Claims payments made	(46,140)	(119,935)	(14,159)
Balance, end of year	$ 83,906	$ 956,648	$ 128,815

	Short-Term Disability	Long-Term Disability	Survivor Benefits
Balance, beginning of year	$ 91,663	$ 874,926	$ 125,614
Growth in present value of benefits liabilities	6,645	64,246	9,048
Change in actuarial assumptions (a)	-	(514)	(2,868)
Actuarial experience adjustments (b)	(8,439)	24,088	3,399
Total growth	(1,794)	87,820	9,579
Claims costs incurred	44,906	67,775	4,249
Less: Claims payments made	(51,033)	(104,405)	(14,192)
Balance, end of year	$ 83,742	$ 926,116	$ 125,250

6. EMPLOYEE FUTURE BENEFITS

The WCB provides for employee future benefits other than pensions (Note 16) consisting of retirement allowances, post-employment life insurance, dental and medical programs. An actuarial valuation was performed as at December 31, 2006, with the next planned valuation to be performed at December 31, 2009.

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

	2008	2007
Discount rate, benefits expense for year	5.50%	5.25%
Discount rate, accrued benefit obligation	7.50%	5.50%
Expected health-care costs trend rate; decreasing annually by 1.00% increments to an ultimate rate of 5.00%	6.00%	7.00%
Drug claim increases trend rate; decreasing annually by 1.00% increments to an ultimate rate of 6.00%	8.00%	9.00%
Dental cost escalation	3.50%	3.50%
Retirement age assumption	59 years	59 years

	2008	2007
Accrued Benefit Obligation		
Beginning of year	$ 9,705	$ 9,121
Current service costs	710	751
Interest costs	566	513
Benefits paid	(261)	(219)
Actuarial gain (a)	(2,838)	(461)
End of year	$ 7,882	$ 9,705
Funded Status		
Plan deficit	$ 7,882	$ 9,705
Unamortized net actuarial gain (loss)	1,246	(1,640)
Accrued employee future benefits liability	$ 9,128	$ 8,065
Net Benefit Expense		
Current service costs	$ 710	$ 751
Interest costs	566	513
Amortization of net actuarial loss	48	92
Net employee future benefits expense	$ 1,324	$ 1,356

a) A change was made in the actuarial assumptions in 2008 increasing the discount rate on accrued benefit obligation from 5.5% to 7.5%. In 2007, a change was made in the actuarial assumptions increasing the discount rate from 5.25% to 5.5%. In accordance with the Canadian Institute of Chartered Accountant handbook section 3461, the rates are based on corporate AA bond yields at the end of the year.

Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2008
$ 227,091	$ 4,749	$ 1,366,948	$ 82,017	$ 1,448,965
16,856	352	100,410	6,025	106,435
(4,832)	(10)	(24,255)	(1,455)	(25,710)
4,859	(805)	26,028	1,562	27,590
16,883	(463)	102,183	6,132	108,315
57,295	1,057	187,084	9,132	196,216
(61,971)	(1,165)	(243,370)	(12,510)	(255,880)
$ 239,298	$ 4,178	$ 1,412,845	$ 84,771	$ 1,497,616

Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2007
$ 181,394	$ 6,422	$ 1,280,019	$ 76,801	$ 1,356,820
13,335	479	93,753	5,625	99,378
18,353	(485)	14,486	869	15,355
21,209	(1,589)	38,668	2,320	40,988
52,897	(1,595)	146,907	8,814	155,721
57,459	1,248	175,637	8,624	184,261
(64,659)	(1,326)	(235,615)	(12,222)	(247,837)
$ 227,091	$ 4,749	$ 1,366,948	$ 82,017	$ 1,448,965

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 (CPI) equal to 3.5% in 2008 (2007 - 4.0%) per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.0% in 2008 (2007 - 7.5%) per annum. The inflation assumptions and the resulting net interest rates are as follows:

2008

Category	Inflation Formula	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary benefits, LTD	0.5% + CPI	4.0%	3.0%
Other LTD, survivor pensions	50% * CPI	1.75%	5.25%
Health care	1.75% + CPI	5.25%	1.75%
All others	CPI	3.5%	3.5%

2007

Category	Inflation Formula	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary benefits, LTD	0.5% + CPI	4.5%	3.0%
Other LTD, survivor pensions	50% * CPI	2.0%	5.5%
Health care	1.75% + CPI	5.75%	1.75%
All others	CPI	4.0%	3.5%

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

a) In 2008, changes in actuarial assumptions and methodology decreased the benefits liability by $25,710. These changes included:

- A decrease of $41,034 due to a change in the table used to predict future permanent awards for permanent impairment benefits and extended earnings loss benefits.
- A decrease of $4,574 due to a change in the method used to project future cash flows related to health care. Due to greater stability of health care payments in 2008 the approach was revised to reflect a partial move back to the traditional three year weighting.
- An increase of $19,898 due to a change in the long-term inflation assumption from 4.00% to 3.5%

In 2007, changes in actuarial assumptions and methodology increased the benefits liabilities by $15,355. These changes included;

- An increase of $19,454 due to a change in the method used to project future cash flows related to health care. In prior years, liabilities and costs incurred related to health care were determined using a weighted average of payments made in each of the last three years. Due to instability of health care payments in 2007, the approach was revised to include experience from the current year only.
- A decrease of $3,045 results from a reduction in the estimated percentage of individuals with permanent long-term disability awards whose death will result in a survivor benefit.
- A decrease of $514 results from a change in the inflation assumption related to non-income rehabilitation costs from 5.75% to 4.0%.
- A net decrease of $540 results from changes made to assumptions relating to long-term disability and survivor benefits as follows:
  - A decrease in expected non-inflationary growth in benefits from 20% to 12% results in a downward adjustment of $18,842.
  - An increase in the expected number of future permanent awards from recent injury years results in an increase in liabilities of $8,297.
  - A change in the method of valuing permanent impairment benefits led to an increase of $14,525.
  - A change in the method of calculating experience to reflect all years excluding the last three calendar years results in a decrease of $4,520.

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 2008, actuarial experience adjustments increasing benefits liabilities totalled $27,590. The adjustments included:

- An increase of $18,220 reflecting an increase in the cumulative experience factor for permanent impairment and extended earnings replacement benefits.
- An increase of $12,489 is the result of an increase in the average value of new extended earnings replacement benefits.
- An increase of $9,540 to reflect a higher volume of extended earnings replacement benefits than expected.
- An increase of $2,130 for higher than expected costs for older medical claims.
- A decrease of $8,500 due to a decrease in the average value of new permanent impairment benefits.
- Other non-specified experience adjustments decreased benefits liabilities by $6,289

In 2007, actuarial experience adjustments increasing benefits liabilities totalled $40,988. The adjustments included:

- An increase of $31,182 reflecting higher than anticipated health care payments.
- An increase of $7,844 reflecting chronic pain related benefits for workers injured prior to April 17, 1985.
- An increase of $5,577 for retroactive permanent impairment benefit awards.
- A decrease of $12,156 reflecting changes in duration and lower than expected short-term disability costs.
- Other non-specified experience adjustments increasing benefits liabilities by $8,541.

8. ASSESSMENTS

	2008	2007
Assessed employers	$230,832	$214,870
Self-insured employers (Note 12)	40,907	38,112
Assessment reporting penalties and interest	1,359	1,402
	$273,098	$254,384

Assessment revenue is shown net of bad debt expense of $720 in 2008 (2007 - $314).

Premiums are billed when employers report their insurable earnings for an applicable assessment year. For employers who have not reported, premiums are estimated based on historical experience and any difference between actual and estimated premiums is adjusted in the following year. As a significant portion of premium income for the year is not received until after year-end, the amount shown is a combination of actual and estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to the income in the following year. Historically, the difference has not been material.

9. ADMINISTRATION COSTS

	2008	2007
Salaries and staff expense	$31,459	$32,101
Building operations	2,220	2,092
Amortization	1,982	2,135
Communications	1,763	1,775
Services contracted	1,715	1,654
Professional, consulting and service fees	1,516	1,518
Supplies	972	1,038
Travel and accommodations	911	928
Training and development	620	797
Equipment rental and other	36	35
	$43,194	$44,073
Change in liability for future administration costs	(3,378)	(3,598)
	$39,816	$40,475

10. SYSTEM SUPPORT

System support costs are costs associated with providing support to the Workplace Safety Insurance System (WSIS) agencies and the Office of the Employer Advisor and the Office of the Worker Counsellor . Both offices are focused on improving the ease of stakeholders interacting with the Workplace Safety and Insurance System agencies.

11. LEGISLATED OBLIGATIONS

	2008	2007
Occupational Health and Safety	$ 7,615	$ 5,673
Workers' Advisers Program	2,051	1,800
Workers' Compensation Appeals Tribunal	1,453	1,506
Injured Workers' Associations	251	252
	$11,370	$ 9,231

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 Nova Scotia Labour and Workforce Development.

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.

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.

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 Nova Scotia Labour and Workforce Development 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- who directly bear the costs of their own incurred claims and an appropriate share of WCB administration costs.

	2008	2007
Revenue	$40,907	$38,112
Claims payments made		
Short-term disability	$ 4,070	$ 3,689
Long-term disability	20,798	18,147
Survivor benefits	2,945	3,000
Health care	6,953	6,944
Rehabilitation	109	135
	34,875	31,915
Administration costs	6,032	6,197
	$40,907	$38,112

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.

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 WCB administration costs. The amounts included in Note 12 for the Province of Nova Scotia are as follows:

	2008	2007
Revenue	$5,696	$5,164
Claims payments made	$4,631	$4,109
Administration costs	1,065	1,055
	$5,696	$5,164

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 from the Province of Nova Scotia are non-interest bearing and under normal credit terms. At December 31, 2008, the amount receivable from the Province of Nova Scotia was $1,095 (2007 - $779) for claims payments made and administration costs.

The WCB occasionally invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled $48 in 2008 (2007 - $183). There were no funds invested in notes due from the Province as at December 31, 2008 (2007 - $0).

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 health and safety 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 Statement of Operations and Comprehensive Income.

Industry	Payee	2008	2007
Construction	Nova Scotia Construction Safety Association	$860	$801
Forestry	Forestry Safety Society	$152	$181
Trucking	Nova Scotia Trucking Safety Association	$252	$256
Retail Gasoline	Retail Gasoline Dealers' Association	$ 24	$ 21

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:

2009	1,615
2010	1,479
2011	1,294
2012	1,264
2013	318
	$5,970

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 WCB employer contributions for 2008 were $1,961 (2007 - $1,964) and are recognized as an expense in the period. The WCB is not

WCB Salaries and Benefits *December 31, 2008*

	2008		
	Number of Individuals	Salary	Benefits
Chair, Board of Directors	1	$ 47,600	$ -
Acting Chair	-	-	-
Board of Directors	9	142,884	-
	10	190,483	-
Chief Executive Officer	1	206,324	18,228
VP Service Delivery	1	145,464	16,481
Chief Financial Officer	1	127,678	17,435
VP Service Delivery	1	127,678	17,435
VP Strategy & Employee Engagement	1	127,678	17,435
	5	734,822	87,014
Staff Salaries & Benefits (Average 2008 - $66,558; 2007 - $66,550)	438	24,477,801	4,508,744
Employee future benefits	-	-	1,324,100
Administration - Salaries & Benefits	453	$25,403,106	$ 5,919,858

1 The Chair's remuneration was based on a daily per diem allowance of $300 in addition to an honorarium of $20,000 annually, to a maximum of $50,000 per year. All other Board members received a daily per diem allowance of $300 for attendance of Board meetings and related work. In addition to the per diem, the Deputy Chair received an honorarium of $3,000 per annum and the Committee Chairs received an honorarium of $2,000 per annum. The Chair was appointed effective May 16, 2007. The Acting Chair position was effective September 1, 2006 to April 23, 2007 and received the Chair's rate of remuneration.

obligated for any unfunded liability, nor does the WCB have entitlement to any surplus that may arise in this Plan.

17. CAPITAL MANAGEMENT

The WCB's capital management objectives policies must be responsive to the mandate to pay benefits. Two important goals must be recognized:

1) Inflation Protection – The WCB's income replacement benefits were partially indexed effective January 1, 2000, and thus will continue to grow year after year.
2) Liquidity Requirement – The WCB has significant cash requirements annually as payment of benefits to injured workers begins as soon as the award has been made. It is anticipated that these liquidity requirements are facilitated by the operational cash flows of the WCB.

The investment policies to be followed by the WCB's Investment Managers must reflect the potentially conflicting requirements of these two goals.

The fund's assets are managed on a going-concern basis, with the primary objective of maximizing returns at an acceptable level of risk; which presumes management of the portfolio to an average allocation over time to asset classes in the proportions indicated in the benchmark portfolio. The strategic objective is to ensure the long-term sustainability of the WCB by investing funds annually to pay benefits at a future date.

18. 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. From 2004 through 2008, the WCB adjudicated claims under the new regulations and policies. Through 2005 to 2008, 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 is currently undeterminable.

		2007	
Other	Total	Number of Individuals	Total
$ -	$ 47,600	1	$ 37,550
-	-	-	17,767
-	142,884	9	138,950
-	190,483 [1]	10	194,267
19,801	244,353	1	210,175
3,762	165,707	1	152,991
3,762	148,875	1	144,443
15,214	160,327	1	153,441
10,341	155,454	1	144,443
52,880	874,716	5	805,493
165,759	29,152,304	448	29,814,459
-	1,324,100	-	1,355,875
$ 218,639	$ 31,541,603 [2&3]	463	$ 32,170,094

2 Salary includes regular base pay. Benefits include the employer's share of employee benefits - CPP, EI, pension plan, health/dental, life insurance and long-term disability. Other includes vacation payout and travel allowance. Total salaries and benefits in 2008 of $31,541,603 (2007 - $32,170,094) varies by $83,000 (2007 - $68,938) from Note 9 in the financial statements due to travel allowance disclosed in 'other', which is posted to travel and accommodation in Note 9.

3 This figure represents the average number of employees on payroll during the year.

Actuarial Certificate

We have completed an actuarial valuation of the benefits liabilities for insured employers under the Worker's Compensation Act of Nova Scotia as at December 31, 2008, for the purpose of providing input to the Financial Statements of the Board.

Our estimate of the benefits liabilities of $1,497,616,000 represents the actuarial present value at December 31, 2008, 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, 2008. The liabilities include a provision of $14,522,000 ($13,700,000 excluding administration costs) for chronic pain claims that have not yet been processed and $875,000 ($825,000 excluding administration costs) for retroactive payments to some claimants whose benefits were commuted. The liability amounts for chronic pain and retroactive payments were provided by the Board's staff. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease, except to the extent such claims are represented in the past claim histories.

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; survivors' 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 3.50% per annum. The Consumer Price Index assumption was 4.0% per annum in the actuarial valuation as at December 31, 2007.

The CPI assumption equates to inflation rates for indexing of benefits of 1.75% 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 survivors' 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 3.5% per annum has been used to project future cash flows for short-term disability claims and the non-permanent portion of survivors' benefits. For health care, we used an inflation rate of 5.25% per annum reflecting the greater expected inflation and utilization rate for this benefit category.

We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years. Excluding administrator costs, the liability established for permanent awards to be granted in the future is $265 million (about 19% 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

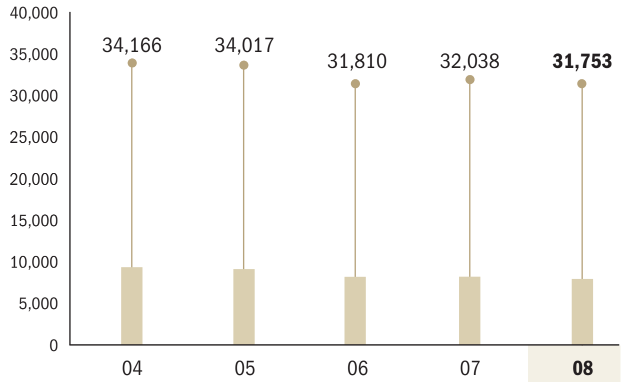
Paul G. Conrad, FCIA, FSA, MAAA
Eckler Ltd.

2008 Statistical Summary

In 2008:

- The total number of claims registered decreased by 0.9% from 32,038 in 2007 to 31,753 in 2008.
- The total number of time-loss claims in 2008 is 8,050, a 2.2% decrease from the 2007 total of 8,230. This represents 180 fewer workers who sustained injuries severe enough to miss three or more days of work.
- 'Sprains and strains' remain the most common type of time-loss injury, although there were 3,390 injuries of this nature during 2008, an 11% decrease from the 4,420 reported in 2007.
- Back injuries comprise nearly one third of all time-loss injuries. Compared to last year, the number of back injuries has declined by 4% (over 100 injuries), from 2,642 in 2007 to 2,541 in 2008.
- The composite duration index (excluding chronic pain claims in transition services) decreased 7.2%, from 102.4 days to 95.0 days in 2008. This decrease reflects the reduction of 84,000 time loss days realized during 2008.
- Total assessable payroll has increased steadily since 2003. The current figure is $8.59 billion, a 21.3% increase from the 2003 figure of $7.08 billion.
- Health/Social Services is the largest industry sector in the province and showed substantial growth over the year, with assessable payroll increasing by 9%. Despite this growth in the sector, the injury rate (time-loss injuries per 100 covered workers) declined from 3.8% in 2007.
- The injury rate also declined notably in Manufacturing, the second largest industry sector in the province, from 3.4% in 2007 to 3.0% in 2008.
- Overall, the provincial injury rate has substantially decreased from 2.57% in 2007 to 2.48% in 2008.

Status of New Claims



	04	05	06	07	**08**
Compensable Time Loss	9,298	9,046	8,274	8,230	8,050
Other:					
No Compensable Time Loss	18,339	17,966	17,491	17,365	16,910
Not Pursued or Disallowed	6,529	7,005	6,045	6,443	6,793
Other Subtotal	24,868	24,971	23,536	23,808	23,703
Total	34,166	34,017	31,810	32,038	31,753
Fatalities	27	23	22	12	29
Clients with Registered Claims	29,776	29,686	27,887	28,156	27,944

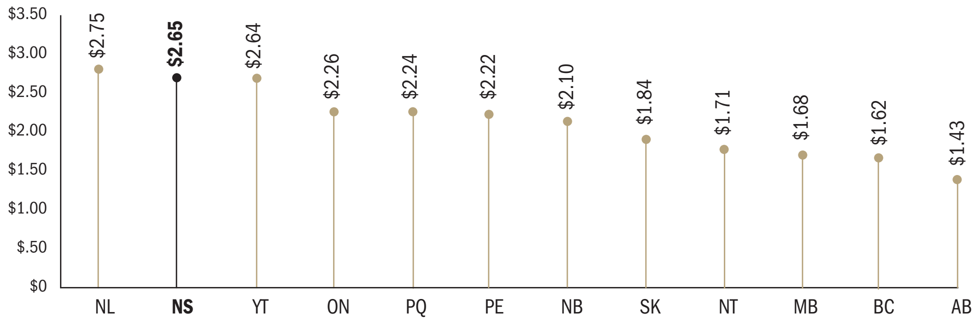
Claims represented are those registered during the report year. Time-loss claims are defined as those claims which received a time-loss benefit during the report year, or within two months of the report year.

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 the Nova Scotia Department of Labour and Workforce Development. Not all of these deaths resulted in a WCB claim.

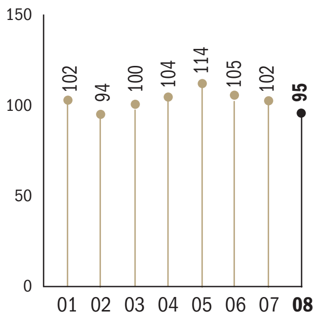
Targeted Average Assessment Rate

All provinces per $100 of assessable payroll, 2007



Composite Duration Index

Using AWCBC Composite Method



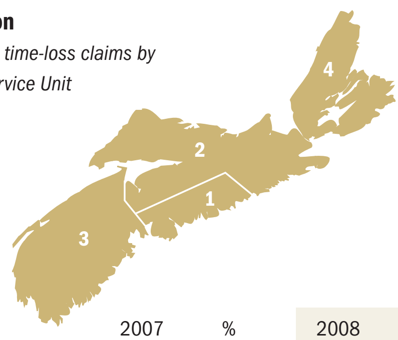
Gender of Client

Compensable time-loss claims

	2007	%	2008	%
Male	4,884	59.3%	4,862	60.4%
Female	3,346	40.7%	3,188	39.6%
Total	8,230	100.0%	8,050	100.0%

Injury Region

Compensable time-loss claims by Integrated Service Unit



	2007	%	2008	%
1 Halifax Regional Municipality	3,328	40.4%	3,280	40.7%
2 Central & North Shore	1,798	21.9%	1,763	21.9%
3 South Shore & Valley	1,798	21.9%	1,728	21.5%
4 Cape Breton	1,255	15.2%	1,240	15.4%
Other	51	0.6%	39	0.5%
Total	8,230	100.0%	8,050	100.0%

Assessable Payroll by Industry

For Nova Scotia, 2008

	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered	% of Claims Registered (Non Self Insured)
Health/ Social services	1,531.9	17.8%	5,416	18.3%
Manufacturing	1,308.3	15.2%	5,376	18.2%
Retail trade	1,133.3	13.2%	3,528	11.9%
Construction	858.9	10.0%	2,897	9.8%
Wholesale trade	698.7	8.1%	2,200	7.5%
Government services	480.5	5.6%	1,350	4.6%
Business services	473.5	5.5%	628	2.1%
Accommodation/ Food/Beverage	458.8	5.3%	2,425	8.2%
Transportation/ Storage	451.0	5.3%	1,425	4.8%
Communication/ Utilities	359.0	4.2%	778	2.6%
Other services	293.1	3.4%	937	3.2%
Fishing/Trapping	167.3	2.0%	426	1.4%
Real estate/ Insurance agents	92.5	1.1%	216	0.7%
Mining/Quarries/ Oil wells	81.4	0.9%	165	0.6%
Educational services	68.6	0.8%	75	0.3%
Agriculture/ Related services	56.7	0.7%	204	0.7%
Logging/Forestry	48.9	0.6%	147	0.5%
Finance/Insurance	29.5	0.3%	16	0.1%
Unknown	0.0	0.0%	1,336	4.5%
TOTAL	$8,591.9	100.0%	29,545	100.0%

Age at Injury Date

Compensable time-loss claims

	2007	%	2008	%
Less than 20	266	3.2%	245	3.0%
20 to 24	633	7.7%	673	8.4%
25 to 29	698	8.5%	621	7.7%
30 to 34	830	10.1%	750	9.3%
35 to 39	933	11.3%	927	11.5%
40 to 44	1206	14.7%	1132	14.1%
45 to 49	1381	16.8%	1302	16.2%
50 to 54	1095	13.3%	1170	14.5%
55 to 59	775	9.4%	767	9.5%
60 to 64	354	4.3%	399	5.0%
65 or older	59	0.7%	64	0.8%
TOTAL	8,230	100.0%	8,050	100.0%

Part of Body

Compensable time-loss claims

	2007	%	2008	%
Back	2,642	32.1%	2,541	31.5%
Multiple Parts	731	8.9%	743	9.2%
Leg(s)	651	7.9%	713	8.9%
Shoulder(s)	670	8.2%	697	8.6%
All other	690	8.4%	603	7.5%
Fingers	537	6.5%	506	6.3%
Arms(s) (above wrist)	374	4.5%	395	4.9%
Ankle	369	4.5%	377	4.7%
Wrist	342	4.2%	314	3.9%
Hand (does not include fingers)	299	3.6%	248	3.1%
Foot (does not include toes)	224	2.7%	209	2.6%
Chest	187	2.3%	202	2.5%
Neck	208	2.5%	184	2.3%
Pelvic Region	168	2.0%	184	2.3%
Face	138	1.7%	134	1.7%
TOTAL	8,230	100.0%	8,050	100.0%

Nature of Injury

Compensable time-loss claims

	2007	%	2008	%
Sprains, Strains	4,420	53.7%	3,930	48.8%
Other traumatic injuries and disorders	1,369	16.6%	1,577	19.6%
Fractures, Dislocations	524	6.4%	669	8.3%
Inflamed Joint, Tendon, Muscle	385	4.7%	463	5.8%
Cut, Laceration, Puncture	464	5.7%	449	5.6%
All Other	480	5.8%	360	4.5%
Contusion, Crushing, Bruise	298	3.6%	309	3.8%
Burns	142	1.7%	132	1.6%
Digestive system diseases and disorders	84	1.0%	97	1.2%
Nervous system and sense organs diseases	64	0.8%	64	0.8%
TOTAL	8,230	100.0%	8,050	100.0%

Claims Registered by Firm

For Nova Scotia, 2008

Number of Firms	Number of Claims Registered 2008	% of all Firms	Number of New Claims Registered	% of New Claims Registered
13	200 or more	0.07%	6,149	19.37%
39	100 or more	0.22%	9,681	30.49%
86	50 or more	0.48%	12,816	40.36%
194	25 or more	1.08%	16,476	51.89%
517	10 or more	2.87%	21,192	66.74%
1,019	5 or more	5.66%	24,413	76.88%

Compensable Time-Loss Claims and Injury Frequency by Industry

per 100 covered workers

	2007		2008	
	Injury	Frequency	Injury	Frequency
Health/ Social services	1,704	3.8%	1,687	3.6%
Manufacturing	1,348	3.4%	1,161	3.0%
Retail trade	911	1.8%	916	1.7%
Government services	817	2.5%	852	2.4%
Construction	762	3.3%	773	3.2%
Accommodation/ Food/Beverage	591	2.3%	571	2.3%
Transportation/ Storage	470	3.8%	472	4.0%
Wholesale trade	494	2.2%	470	2.0%
Communication	305	1.7%	369	1.9%
Other service	260	2.2%	230	1.9%
Fishing/Trapping	144	3.4%	166	4.3%
Business Services	170	0.8%	156	0.8%
Agriculture/ Related services	63	3.0%	68	3.3%
Logging/Forestry	61	4.2%	57	4.0%
Real estate/ Insurance agents	65	1.9%	52	1.6%
Mining/Quarries/ Oil wells	40	2.0%	36	1.8%
Educational services	23	0.9%	11	0.5%
Finance/Insurance	2	0.3%	3	0.4%
TOTAL	8,230	100%	8,050	100%

Appeals Filed

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

	2007	%	2008	%
Claims Registered	32,038	100.0%	31,753	100.0%
Appeals filed	213	0.66%	272	0.86%

Meredith Principles

In 1910, Mr. Justice William Meredith was appointed to a Royal Commission to study workers' compensation. His final report, known as the Meredith Report was produced in 1913.

The Meredith Report outlined a trade-off in which workers relinquish their right to sue in exchange for compensation benefits. Meredith advocated for no-fault insurance, collective liability, independent administration, and exclusive jurisdiction. The system exists at arms-length from the government and is shielded from political influence, allowing only limited powers to the Minister responsible.

There were five basic cornerstones to the original workers' compensation laws; cornerstones which have survived, to a greater or lesser extent, as follows:

1. **No-fault compensation:** Workplace injuries are compensated regardless of fault. The worker and employer waive the right to sue. There is no argument over responsibility or liability for an injury. Fault becomes irrelevant, and providing compensation becomes the focus.

2. **Collective liability:** The total cost of the compensation system is shared by all employers. All employers contribute to a common fund. Financial liability becomes their collective responsibility.

3. **Security of payment:** A fund is established to guarantee that compensation monies will be available. Injured workers are assured of prompt compensation and future benefits.

4. **Exclusive jurisdiction:** All compensation claims are directed solely to the compensation board. The board is the decision-maker and final authority for all claims. The board is not bound by legal precedent; it has the power and authority to judge each case on its individual merits.

5. **Independent board:** The governing board is both autonomous and non-political. The board is financially independent of government or any special interest group. The administration of the system is focused on the needs of its employer and worker clients, providing service with efficiency and impartiality.

WORK SAFE. FOR LIFE.
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