WORK SAFE. FOR LIFE.
WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

MAKING A DIFFERENCE TOGETHER

Workers' Compensation Board of Nova Scotia **Annual Report 2011**

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.

Throughout the 2011 Annual Report we've included the stories of our 2011 Mainstay Award Winners. Their stories highlight the premise that working together with our partners – employers, workers, stakeholders, and WCB employees – we can reduce the human and economic toll of workplace injury.

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Year at a glance

(Dollar amounts in Millions)	2011	2010	2009
Number of Covered Employers (Assessed and Self Insured)	18,300	18,400	18,100
Percentage of Labour Force Covered (Assessed and Self Insured)	72	72	70
Number of Claims Registered	27,786	28,002	28,089
Number of Compensable Time-Loss Claims Registered	6,616	6,921	7,206
Duration Index	98	98	98
Targeted Average Assessment Rate (per $100 of assessable payroll)	$ 2.65	$ 2.65	$ 2.65
Actual Average Assessment Rate	$ 2.67	$ 2.68	$ 2.67
Total Assessable Payroll (billions)	$ 9.4	$ 9.1	$ 8.7
Total Assessment Revenue	$ 290.0	$ 282.6	$ 272.8
Total Investment Income	$ 15.9	$ 83.6	$ 97.1
Total Administration Costs	$ 45.7	$ 47.0	$ 43.5
Legislated Obligations	$ 11.7	$ 10.2	$ 11.5
Total Claims Costs Incurred	$ 194.0	$ 189.6	$ 187.0
Total Comprehensive (Loss) Income	$ (65.5)	$ 1.1	$ 12.4
Total Assets (billions)	$ 1.1	$ 1.1	$ 1.0
Total Liabilities (billions)	$ 1.7	$ 1.7	$ 1.6
Percentage Funded Ratio	61.7%	63.8%	62.4%
Timeliness of First Payment to Injured Workers (percentage of payments made within 15 days of injury – 12 month average)	77.8%	79.0%	79.8%
Injury Rate: Time-Loss Claims per 100 Covered Workers	2.02	2.13	2.26

Some 2010 values were restated due to the adoption of International Financial Reporting Standards (IFRS).

- The number of injured Nova Scotians has declined 27 per cent since 2005.
- 'Sprains and strains' remain the most common type of time-loss injury, comprising 62.6 per cent of all 2011 compensable time-loss claims.
- Back injuries comprise nearly one third of all time-loss injuries in 2011.
- The injury rate dropped considerably in Construction, the fourth largest industry sector in the province.

Striving toward balance

AS WE REFLECT ON 2011 we are struck by how much a need for balance underlines all that we do, and frames our pathway for success.

Balance, in representing and moving forward the interests of workers and employers.

Balance, in the responsibilities of workers and employers for workplace safety.

Balance, in realizing that we are only one part of the equation, and that success is impossible without other like minds around the table with us.

Balance, in realizing that for all of the progress we make, there is always much more to do.

The need for balance is fundamental to the Workplace Safety and Insurance System, and in particular, to our role as leaders within it at the Workers' Compensation Board.

As the Board of Directors, our governance model hinges on finding a balanced perspective between workers and employers. We have a responsibility to bring the perspectives of those viewpoints represented around the Board table to our Board discussions, while also using a lens of the collective interests of the system. This balancing of perspectives informs our thoughts, discussions, and debates. It is the principle that guides us, as we consider a number of elements within the policy agenda in 2012.

In 2011, the second year of our strategic plan, our work contributed, together with our partners, to the reduction of the impact of workplace injury on the fabric of our province. Fewer people were hurt, and less time was lost from work due to injury. There was real and measurable progress in the second year of our strategic plan, but at the same time, there remain challenges that must frame our planning and progress toward the final three years of our plan, and beyond.

From the perspective of the Board of Directors, 2011 was defined by a number of notable steps forward.

In exploring enhancements to the way the rates for workplace injury insurance are set, we were heartened to hear of many

passionate, helpful conversations held over the year with stakeholders across the province. We look forward to implementation of a number of smart changes to make rates more responsive, and to create incentives for the behaviour change we need to see in Nova Scotia workplaces.

We also worked with others who share our passion for a safer working tomorrow to build new, productive relationships toward alignment and mutual interest. In restructuring agreements with the Office of the Employer Advisor and the Office of the Worker Counsellor, we have enabled closer relationships with these representatives of those we serve, toward a mutual goal of reduced human and financial impact of workplace injury.

Operationally, we were pleased to see the accomplishment of most of the goals in the balanced scorecard, thanks to the hard work of the workers and employers across the province, supported, guided and inspired, in part, by the work of the WCB. We also saw progress in a number of stakeholder-driven improvements to helping workers recover from musculoskeletal injury through direct access physiotherapy.

But, at the same time, the path forward will not be without its challenges. While our year-end result for the costs of new extended earnings replacement benefits claims was within the forecast range, it was above the year-end target – a signal, perhaps of what the future holds, and where our future challenges may lie. It is all the more reason for continued discipline and focus on reducing the number of people hurt on the job, and the time lost to those injuries. This fundamental balance of injury prevention and return to work is at the core of system stability, for as you will read in the coming pages, uncertainty in the global financial markets continues to impact us financially. This underscores the

The Board members are Elaine Sibson, Chair; Stuart MacLean, Chief Executive Officer; Chris Power, Deputy Chair; Hugh MacArthur, Worker Representative; Phillip Veinotte, Employer Representative; Deborah Ryan, Worker Representative; John Amirault, Employer Representative; David Thomson, Employer Representative; Betty Jean Sutherland, Worker Representative; James Melvin, Employer Representative; Janet Hazelton, Worker Representative

continued importance of ensuring the WCB has a strong voice in guiding policy and legislative considerations as our province, like so many others, deals with the economic and demographic forces of today.

Our progress must continue, and this will take leadership. We are very pleased, after a national search, to welcome Stuart MacLean as our new CEO. Stuart's passion for a safer tomorrow is infectious, and under his leadership the WCB is well positioned to continue to inspire others toward the change we need to see.

In the coming pages, you will see many success stories, shared from the perspective of the workers and employers themselves who have received accolades in the Mainstay Awards – an example of the real, workplace-driven success which is critical to the long-term change Nova Scotia needs to see. We are incredibly encouraged at the quality of the discussion within the Workplace Safety and Insurance System, and the new level of collaboration we are seeing, such as the collaborative development with our colleagues at Nova Scotia Labour and Advanced Education of the next evolution of the Workplace Safety Strategy.

And you will read specifically about the successes, challenges, plans and progress of an organization striving to make a difference together with its partners, all of it balanced by vignettes of success in the plants, warehouses, stores, offices and other workplaces across the province.

While we are proud of what the WCB accomplished in 2011, perhaps more meaningful is the success we inspired in others. We moved forward on many important fronts in 2011, and yet, at the same time, we are reminded that our journey to a Nova Scotia safe and secure from workplace injury is just beginning.

WCB Board of Directors

We moved forward on many important fronts in 2011, and yet, at the same time, we are reminded that our journey to a Nova Scotia safe and secure from workplace injury is just beginning.

Commitment to safety recognized

Mainstay Safety Award of Excellence: Edmonds Landscape and Construction Services Limited

HALIFAX – Edmonds Landscape and Construction Services Limited has made safety a cornerstone of their operations.

Edmonds has constantly engaged their employees, customers, and many partners to ensure safety is the top priority on the job. Edmonds has set a goal of "zero accidents/injuries – each and every hour, day, month and year." In working towards this goal, they have implemented an Internal Responsibility System parallel to the foundation of the Occupational Health & Safety Act.

With the help of employees, Edmonds designed Safe Work Practices and Safe Job Procedures specifically relating to the company and each of the services and equipment they provide. At any point in time an employee can review, edit or update the documents, which are then reviewed by the Health and Safety Committee.

(L-R) Stuart MacLean, CEO of the Workers' Compensation Board of Nova Scotia; Eric O'Brien, Chair, Safety Committee; Vernon Mingo, Co-Chair Safety Committee and Jeff Conrad, Associate Deputy Minister for the Nova Scotia Department of Labour and Advanced Education

Edmonds maintains a philosophy of continuous improvement to its safety program. Its demonstrated commitment has earned Edmonds a reputation for excellence when it comes to instilling a true safety culture in its business.

This is not the first time Edmonds has been recognized for its excellence in safety. The company is a past winner of the 2010 Safety Mainstay Awards, earning the 2010 Safety Transformation and Employer Safety Champion awards.

"We believe that to maintain a consistently safe work environment is to share and apply our depth of safety experience for the benefit of our employees and the communities we serve," said Roger Edmonds, President. "We will continue to be faithful in evolving our safety expertise to the highest level possible."

(L-R) Chuck Nadasdi, Vice President, CAW/MWF Local 1; Karl Risser, President, CAW/MWF Local 1; Jesse Risser, Health & Safety Manager, Irving Shipbuilding; Tony Calnen, JOHS Committee, Irving Shipbuilding and Steve Durrell, President, Irving Shipbuilding

Safety starts here

Mainstay Safety Transformation Award: Irving Shipbuilding Inc.

HALIFAX – Irving Shipbuilding's Halifax Shipyard recognized it needed a new approach and a tighter focus to reduce injury rates in its operations.

The Safety Department, working with the company's Continuous Improvement Team, investigated the impact of injuries. Recognizing they could reduce injuries and costs by improving safety performance, the company expanded its safety team from four to eight.

A core part of Irving Shipbuilding's safety transformation was to increase the level of training in the yard. The company trained more than 800 employees in 4,900 hours with sessions covering confined space entry, fall protection, man-lift, forklift, crane slinger, and ventilation training, just to name a few.

Communications has been another core component of the company's safety transformation, with flatscreen TVs installed in lunchrooms and a corporate SharePoint site delivering safety messages and reminders as well as audits of weekly communications meetings. Irving Shipbuilding hired communications specialists to help with internal communications regarding safety and other opportunities.

The company has worked closely with its union to develop these initiatives and they have played a key role in the company's safety transformation.

Irving Shipbuilding has seen a significant reduction in the frequency of lost-time incidents and injuries requiring medical aid at its Halifax shipyard. This reduction is expected to continue as the company expands its model of increased safety advisors, preventive education, and integration of disability management.

Connecting the dots

WE'RE MAKING PROGRESS.

Since 2005, the number of workplace injuries in Nova Scotia has dropped by 2,430 – or 27 per cent.

When they do get hurt, more Nova Scotians are going back to work more quickly. I am incredibly proud of all that this organization accomplished in 2011, together with our partners. Every step forward tells us that a safety culture is taking root in Nova Scotia. That's good news.

But let's be clear: there is no acceptable number of workplace injuries and no acceptable impact to Nova Scotia. Our collective steps forward simply underscore the need to keep going. There are still too many Nova Scotians hurt or killed on the job every year, and too many families, too many workplaces affected. We cannot let up.

The progress has a positive impact on the overall cost of the Workplace Safety and Insurance system. But we still face considerable financial challenges with our unfunded liability, which is further compounded by influence from uncertainty in global financial markets.

Our emerging safety culture is the product of many individuals and groups working together with a common purpose – to make Nova Scotia a safer place to live and work. No longer is the impact of workplace injury in Nova Scotia higher than almost any other jurisdiction – although, for both safety and return to work measures, we remain above the national average.

Our progress will continue – together. Safety is a team effort. It takes visible leadership at every level – from the CEO making it a priority at the boardroom table, to the veteran employee showing new young workers the importance of day-to-day safety precautions on the shop floor. It is about the right people having the right conversations at the right time – and we all have a role to play.

There remains incredible opportunity. We have made great progress in raising awareness about the importance of work-place safety, and our challenge now is to inspire the behaviour change that is needed to make it real.

At the WCB, our job is to be a catalyst for safety. We are helping connect the dots. In these pages, you will read about how we are working to make a difference. And you'll also see how we have so much work to do. As we watch the consistent decline in workplace injury, we must also keep a close eye on the costs of health care, and work to help injured workers return to the job before workplace injury has a long-term impact on their lives. Our path to full funding is one paved by operational performance, and positive outcomes in financial markets.

We need to educate, encourage and empower others to carry our message of safety into the workplaces of Nova Scotia – safety associations, industry associations, workers, employers, labour groups, system partners, healthcare providers and many more. We will give them new tools and approaches to change behaviour in workplaces.

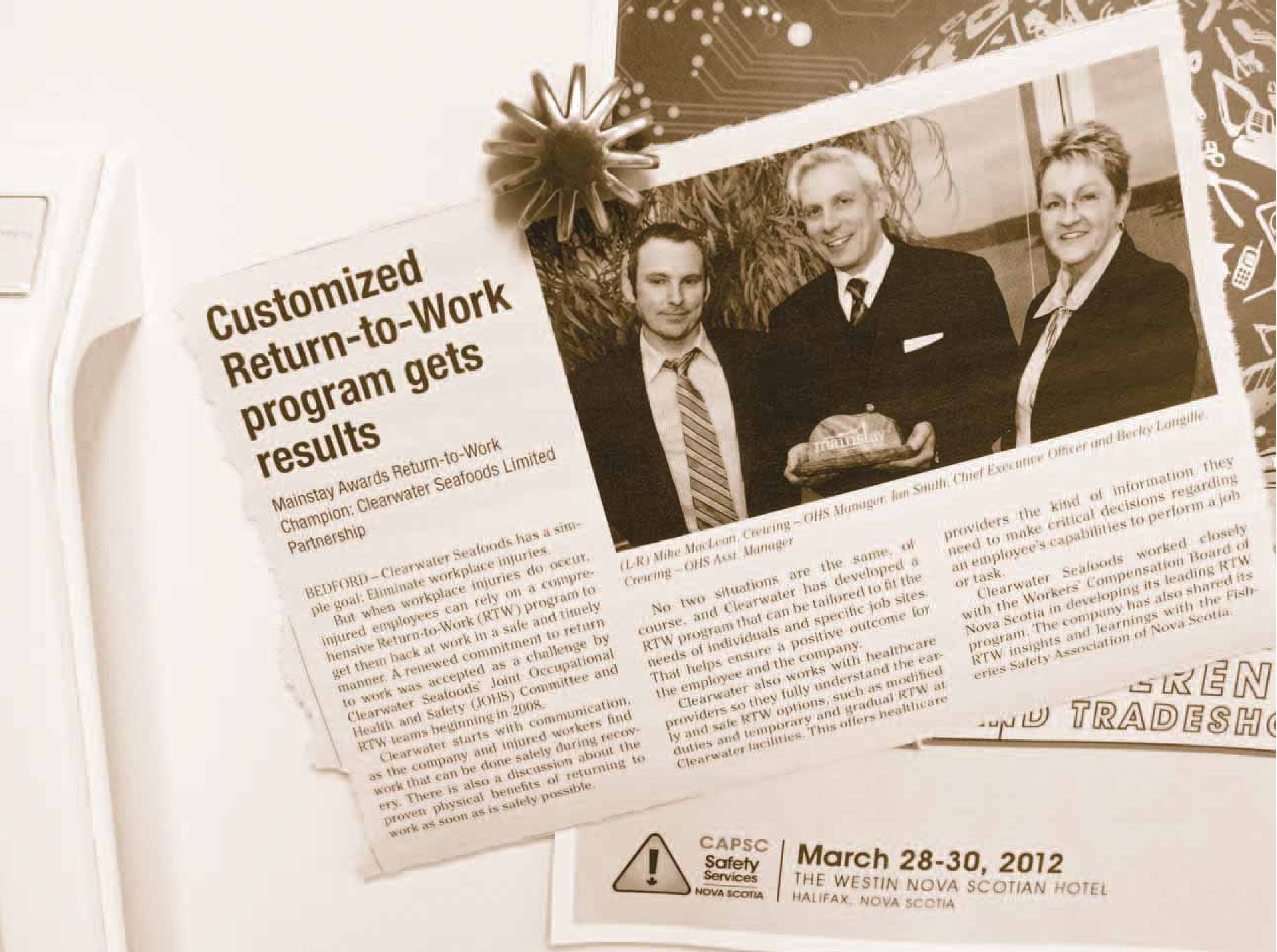
As I begin my tenure as CEO, I am reminded again that what we do at the Workers' Compensation Board is so important. With our partners throughout Nova Scotia, we are reducing the terrible human and economic toll of workplace injuries and deaths. In 2012 we will be renewing our workplace safety strategy to ensure we continue to do all that is needed to improve Nova Scotia's safety track record.

We are fortunate to have an outstanding group of employees at the Workers' Compensation Board. Their commitment to safety and return to work is critical to realizing the change we need to see in others.

We can take a measure of pride in the progress we've achieved together, but these are still early days in a long journey. We must continue our efforts to make Nova Scotia a safe place to live and work.

We will do it together.

Stuart MacLean
Chief Executive Officer



Customized Return-to-Work program gets results

Mainstay Awards Return-to-Work Champion: Clearwater Seafoods Limited Partnership

BEDFORD – Clearwater Seafoods has a simple goal: Eliminate workplace injuries.

But when workplace injuries do occur, injured employees can rely on a comprehensive Return-to-Work (RTW) program to get them back at work in a safe and timely manner. A renewed commitment to return to work was accepted as a challenge by Clearwater Seafoods' Joint Occupational Health and Safety (JOHS) Committee and RTW teams beginning in 2008.

Clearwater starts with communication, as the company and injured workers find work that can be done safely during recovery. There is also a discussion about the proven physical benefits of returning to work as soon as is safely possible.

(L-R) Mike MacLean, Crewing – OHS Manager; Ian Smith, Chief Executive Officer and Becky Langille, Crewing – OHS Asst. Manager

No two situations are the same, of course, and Clearwater has developed a RTW program that can be tailored to fit the needs of individuals and specific job sites. That helps ensure a positive outcome for the employee and the company.

Clearwater also works with healthcare providers so they fully understand the early and safe RTW options, such as modified duties and temporary and gradual RTW at Clearwater facilities. This offers healthcare providers the kind of information they need to make critical decisions regarding an employee's capabilities to perform a job or task.

Clearwater Seafoods worked closely with the Workers' Compensation Board of Nova Scotia in developing its leading RTW program. The company has also shared its RTW insights and learnings with the Fisheries Safety Association of Nova Scotia.

Resolving issues through insight and communication

AS CLIENT RELATIONS OFFICER, I am an independent and neutral resource for workers and employers when they have an issue with the service received from the WCB.

As always, I continue to look for ways to help identify solutions to issues brought forth by workers and employers during 2011 and bring recommendations for changes to our operations that could improve the service experience for all in Nova Scotia.

In 2011, there were 36 complaints submitted to me, of which 28 were found to be substantiated or partially substantiated. This was a slight decrease from 2010 where 40 complaints were made. Similar to 2010, the majority of complaints dealt with communication and timeliness issues and two trends emerged among complaints – decisions were not being implemented in a timely manner, and written requests from workers and their representatives were not responded to in a reasonable time frame. This led to unnecessary calls, several further requests and workers waiting for their WCB benefits.

Also in my role, I continued to meet Members of the Legislative Assembly (MLAs) and their constituents, both workers and employers, to provide information and help them navigate the Workplace Safety and Insurance System.

I also continued my participation on the Issue Resolution Working Group (IRWG), working alongside the Chief Worker Adviser, Chief Appeals Commissioner, and WCB colleagues as we collaborated to identify and implement new ideas aimed at resolving claims-related issues earlier and through means other than a formal appeal.

In 2012, the WCB will be conducting a review of the Internal Appeals process and I will participate in this review by providing feedback from my office as well as drawing on my experience from previous positions in Internal Appeals and my association with the Workers' Advisers Program (WAP) and Workers' Compensation Appeals Tribunal (WCAT).

I look forward to continuing to provide assistance to injured workers and employers in the coming year and to building strong relationships with our partner agencies, government officials and other stakeholders with whom I have the pleasure to interact every day.

Tim McInnis
Client Relations Officer

(L-R) Mitchell MacGregor, EHS Advisor, Jon Mullin, Vice President, Aecon Atlantic Group and Tanya Newell, Workplace Consultant, Workers' Compensation Board of Nova Scotia

Zero tolerance. Zero harm. From front line to CEO

Mainstay Employer Safety Champion Award: Aecon Atlantic Group

DARTMOUTH – Aecon Atlantic Group, one of Canada's largest and most diverse construction and infrastructure development companies, has made ensuring a safe and healthy work environment a core part of its business operations. From the CEO to the newest front line worker, everyone at Aecon is committed to safety. The company's target is zero tolerance, zero harm.

"Safety First" is a core value of the company. "We ensure a safe, healthy work environment and a 'zero injury' culture."

In 2010, the company undertook a number of ambitious health and safety initiatives. This includes a company-wide Safety Day spearheaded by CEO John Beck, with a tool-box talk presented to over 17,000 employees, contractors, suppliers and clients on the same day by a senior manager at over 120 locations in Nova Scotia and beyond. Each participant receives a gift and a group meal to recognize and celebrate the importance of safety to Aecon.

Aecon underwent a corporate audit by the Infrastructure Health and Safety Association (IHSA) which included an extensive documentation review, interviews and site visits at 18 locations across the country. Several of these facilities and projects are located in Nova Scotia. The overall score achieved was 98%.

Another 2010 safety initiative was a poster campaign to help workers identify the proper ways to tag out defective equipment, the need for eye protection and the types of eye protection available.

Aecon also launched a number of Environmental Health and Safety Councils in 2010. These Councils bring together senior managers from various operating regions who meet to discuss challenges, successes and proactive solutions to ensure a safe work environment at Aecon.

These successful 2010 safety initiatives, coupled with a strong and consistent approach to identifying hazards and assessing and controlling risks, make Aecon a true leader in safety.

Plans and Progress

AS WE CONTINUE ALONG THE JOURNEY envisioned in our Strategic Plan 2010-2014, real progress is being made toward a Nova Scotia safe and secure from workplace injury.

The number of workers injured continues to decline – it is 27 per cent below 2005 numbers. Fewer days of productivity are being lost in the workplace, and more workers are returning to the job more quickly.

Overall, our accomplishments in 2011 tell a very positive story, and they show long-term progress toward our corporate goals.

Balanced Scorecard Measures

	Actual '10	Actual '11	Target '11	Target '12	Target '16
Service/Governance					
Worker Satisfaction Index[1]	73%	74%	70%	70%	70%
Employer Satisfaction Index	77%	79%	70%	70%	70%
Stakeholder Engagement Index[2]	67%	N/A	N/A	70%	70%
Operations					
Time-loss injuries per 100 covered employees	2.13	2.02	2.12	2.01	1.91
Duration – composite, in days	98	98	98	97	90
Time-loss days paid per 100 covered employees[3]	N/A	238	249	237	200
Cost of New Extended Earnings Replacement Benefits ($M)	$68.2	$64.5	$63.6	$64.1	$67.8
Return to Employability[3]	N/A	95%	95%	95%	96%
Employee					
Employee Satisfaction Index	69%	73%	70%	70%	70%
Financial					
Claims payments for the last 3 years per $100 of assessable payroll	$0.739	$0.701	$0.732	$0.690	$0.588
Administrative costs per $100 of assessable payroll (excluding prevention costs)[4]	$0.39	$0.39	$0.41	$0.38	$0.41
Return on investment			Benchmark Portfolio Return +1%[5]		
Five-year Rate of Return	3.6%	1.2%			
Five-year Target	4.7%	2.1%			

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

2 *Results for the Stakeholder Engagement Index are reported every two years. The next survey will be conducted in 2012 and every two years thereafter.*

3 *These performance measures were added to the Balanced Scorecard in 2011.*

4 *2010 result restated due to IFRS adjustments to expenses for the actuarial loss on post employment benefits other than pensions due to a decrease in the discount rate utilized.*

5 *During 2011, this target was changed from Benchmark Portfolio Return +0.85% to Benchmark Portfolio Return +1%.*

We are continuing to build and leverage partnerships. And we're doing this for one simple reason: Continued development of Nova Scotia's workplace safety culture is something in which everyone has a role to play. Injury prevention and return to work remain our top priorities, and they are only achievable by working with others, in an environment of cooperation, mutual respect, and where we have the confidence of the public.

Our progress toward our goals is measured with a balanced scorecard, containing a series of performance indicators.

There has once again been a decline in workplace injury in Nova Scotia. The total number of serious injuries resulting in time off the job has dropped 4 per cent to 6,616, and our injury rate has dropped to 2.02. This translates to a 27 per cent drop in the amount of people seriously injured at work since 2005. These are very positive results that show real progress in creating a culture of workplace safety.

Nova Scotians are also increasingly returning to work in a safe and timely manner. We are pleased to report improvements in both overall claims payments for the last three years, and with the number of workers returning to employability after their injury. Still, there are challenges, particularly with regard to the cost of long-term claims. While the number of people moving to long-term earning loss benefits has declined 40 per cent since 2007, the cost of long-term claims continues to rise.

We achieved our overall savings in the insurance budget for 2011, and savings targets unfolded as planned among payments for shorter-term claims. As mentioned, the story for long-term claims is two-fold: the number of claims has been steadily decreasing since 2005, and stands ahead of target this year as well. But, on the whole, the cost of those claims is increasing – within the range but slightly above target, and indicative of challenges the future may hold. Volatility in financial markets continues to impact the WCB's investment portfolio, and has contributed to an overall comprehensive loss.

The WCB's scorecard has four quadrants – Service, Operations, Employee and Financial.

More detail on each of these quadrants is described below.

Service and Governance

Service Delivery Improvements

During 2011, the WCB continued improving service, with an aim to better serve the workers and employers of Nova Scotia.

Building on previous changes that put teams with integrated skill sets in prevention and return to work in direct contact with the largest workplaces in the province, where most injury occurs, we conducted extensive research and analysis into how the workplace consulting element of the model has worked in the first two years of its operation, with an aim to discover how it could be further improved. Areas of strength will be maintained and opportunities for improvement will be incorporated in the coming year, and we will explore enhancements to the way we serve small and medium workplaces.

We also enhanced our telephone system to better manage calls, and we expanded our paperless fax system capabilities to better manage documents, supporting improved claim decision making and effective return-to-work management, while laying the groundwork for a longer-term electronic claims management solution while improving service.

At the same time, we also conducted a thorough review of our information technology architecture, charting a plan for how information technology can support our business improvements into the future. We also added service capacity to our team in Health and Extended Benefits to address increased service demands.

MyAccount Updates

MyAccount (my-account.ns.ca) continues to be a valuable resource for Nova Scotia workplaces, offering 24/7 access to vital information on workplace injury and its impact on workplaces.

We continued to evolve this service in 2011, by expanding one of the most popular functions – self-serve clearance letters. Previously available only to incorporated firms, this function is now available to all employers. Making this automation change has improved access to clearance letters for all covered employers. These enhancements will reduce the manual effort required to generate approximately 10,000 letters annually. It also is an example of our continued evolution to better serve the workplaces of Nova Scotia.

Direct Access to Physiotherapy

In response to concerns raised by some stakeholders in 2010, the WCB asked a group of worker and employer representatives to form a working group and provide their ideas about opportunities to enhance our approach to Direct Access to Physiotherapy.

The report of the working group found our approach to physiotherapy appropriate, but identified areas where we can improve how it is implemented.

One of the primary recommendations in the report is to ensure a consistent understanding and application of Direct Access to Physiotherapy. In 2011, we responded by developing and widely distributing communication materials, training our staff to clearly understand the defined roles and responsibilities, clarifying expectations and educating regarding the Direct Access program, internally and externally. We are committed to improving the implementation of Direct Access to Physiotherapy, in support of safe and timely return to work.

Training Quality Working Group

In September, the Quality Training Working Group (QTWG), a sub-committee of the Occupational Health and Safety Advisory Council provided its final report to the Minister of Labour and Advanced Education including recommendations supporting training quality standards for Nova Scotia. The Minister acknowledged the effort and commitment involved in the preparation of the report.

As part of the next steps, the Minister has requested additional analysis be undertaken to respond to some outstanding questions and to inform the decision making process. This analysis will be led by the Department of Labour and Advanced Education, and we are ready to support the resulting direction.

Musculoskeletal Injury Prevention

Musculoskeletal injuries (MSIs – also called sprains and strains) have a massive impact in Nova Scotia. In particular, they are a major concern in health care organizations – mostly as a result of patient lifts and transfers. The CEOs of all nine District Health Authorities and the IWK Health Centre, in partnership with the WCB and AWARE-NS, the safety association for health care, are embarking on a collaborative strategy to identify and control the risks of MSIs. The project team is using a human-centred, systems approach, involving ergonomics, safety-for-all concepts and organizational risk management. This is more than a project and more than MSI prevention, this is about system change for the benefit of staff, patients and the health care industry.

In 2011, a WCB project team developed a proposal for supporting a comprehensive, industry-driven MSI prevention strategy. This proposal was presented to a Council of the nine District Health Authorities and the IWK in the fall. Senior leaders from all of these organizations unanimously supported the following recommendations:

1. The development of a comprehensive MSI strategy in Acute Care
2. The creation of a stakeholder Working Group for MSI strategy development
3. The implementation of a MSI prevention strategy across Acute Care, and the sharing of lessons learned across all Health Care.

A provincial project team comprising executive and safety specialists from across the provincial hospital network is now working to build the project strategy. This is a very exciting collaboration with a great opportunity for positive outcomes for staff, patients and health care organizations. The WCB will continue to work with industry leaders on this important initiative and continue to expand our focus on the reduction of MSIs – the largest driver of claims costs.

Safety Association Collaboration

The WCB was pleased to join a number of collaborative meetings of the new and growing safety association community in 2011, contributing to a path forward toward a common goal of reduced workplace injury. We look forward to continued collaboration and consultation in 2012. Discussions were held with the Fisheries Safety Association of Nova Scotia, AWARE-NS, Nova Scotia Trucking Safety Association, Nova Scotia Construction Safety Association, Forestry Safety Society, Retail Gasoline Dealers Association of Nova Scotia, and Nova Scotia Automobile Dealers Safety Association. Combined, these associations represent 48 per cent of all covered employers.

Even where formal safety associations do not exist, there has been progress in the way like minds in industry come together to address the fundamentally important issue of workplace safety. For example, we have seen, and supported, increased collaboration among some of Nova Scotia's largest retailers, and among the operations of our municipalities. This is incredibly encouraging, and is indicative of a true change in the culture with regard to workplace safety.

Relationships with Office of the Employer Advisor and Office of the Worker Counsellor
In 2008, a three-year pilot program of the Stakeholder Counsellor Program was implemented, creating two groups to help workers and employers better navigate the Workplace Safety and Insurance System – the Office of the Employer Advisor (OEA) and the Office of the Worker Counsellor (OWC) in 2011. The Board of Directors established a Working Group to make recommendations on whether these programs should become permanent.

The working group found that the programs add considerable value to WSIS – providing information, support, education and navigation to workers and employers. In a stakeholder interview report, it was noted that "both programs were broadly supported by stakeholders and believed to have brought good value to the system and respondents hoped that they would continue."

The programs were made permanent in 2011, and the WCB established five-year contracts with both the OEA and OWC.

Response to Postal Disruption
The WCB implemented a comprehensive plan to minimize the impact of mail disruption on those we serve during the June rotating postal strikes. Sixteen temporary benefit cheque distribution centres were set up across the province supported by an appropriate public awareness campaign. Our priority was to minimize inconvenience to workers to the greatest extent possible during the interruption to mail service. During this time about 10,000 cheques were distributed to injured workers and overall feedback was positive. Lessons learned from this effort will feed into the WCB's ongoing business continuity and planning efforts.

Policy

In 2011, the Board of Directors took action on the following high priority program policy items.

- Approved a new Program Policy 2.3.5: General Principles – Medical Aid.
- Considered opioid research findings and established an action plan that determined that the development of a Program Policy was not an appropriate tool at this time.
- Approved for Stage 1 consultation the Program Policy topic 'Recurrences,' and approved a draft policy and background paper on 'Recurrences' for Stage 2 consultation.
- Approved the revision of the Vocational Rehabilitation Travel policy to reflect a change in the amount paid for use of private accommodations.
- Removed the Program Policy topics 'Estimating Potential Earnings Ability (EPEA)' from the Program Policy agenda.

In 2011, the Board of Directors used the Program Policy Issue Identification Process, which is based in stakeholder input, to develop a prioritized list of future policy topics for population on the policy agenda.

Measures of Success

The WCB is committed to providing excellent service to injured workers and employers.

We contract an external firm to conduct quarterly surveys of approximately 1,500 injured workers and 1,000 employers each year to determine their level of satisfaction with the service they receive from the WCB. These results are used to calculate a Worker Satisfaction Index and an Employer Satisfaction Index. Both of these measures remain above target. More than seven out of every 10 workers or employers say they are pleased with their service. This number is a testament the work of our employees, and our continued, intentioned enhancements to the way we deliver service. We continue to use the information to inform areas for ongoing improvement.

The Stakeholder Engagement index is another important measure with regard to the WCB's relationship with its valued stakeholders. This biennial survey was last conducted in 2010, and will be conducted again in 2012.

Performance

Service/Governance	Actual '10	Actual '11	Target '11	Target '12	Target '16
Worker Satisfaction Index[1]	73%	74%	70%	70%	70%
Employer Satisfaction Index	77%	79%	70%	70%	70%
Stakeholder Engagement Index[2]	67%	N/A	N/A	70%	70%

1 *The Worker Satisfaction Index does not include workers on long term benefits or those with claims for little or no time loss.*
2 *Results for the Stakeholder Engagement Index are reported every two years. The next survey will be conducted in 2012 and every two years thereafter.*

Outlook

We are continually striving to improve our service, from fundamentally reorganizing to ensuring high standards of performance and training, to considering the technological improvements that will ensure we have adequate tools and systems in place to operate efficiently and effectively.

A focus on service excellence will be powered by changes and improvements to legacy-based technological systems. Our front-line service will be informed by an e-business strategy that will help us chart the next evolution of online services, as the needs of those we serve continue to change. In 2012, we will develop a service delivery strategy for small and medium sized workplaces to improve the way we deliver services.

The path to success in creating a culture of workplace safety is one defined by collaboration and partnership. Our business model now puts WCB expertise closer than ever to the workplaces, including workers and employers, with whom we work. We will continue to support industry-specific partnerships in workplace safety, and we will continue our work with our system partners and stakeholders, including in particular our work with such groups as the Occupational Health and Safety Advisory Council and the Joint Committee of the WCB, the Occupational Health and Safety Division of Nova Scotia Labour and Advanced Education, and Human Resources and Skills Development Canada.

Through the consultation and development of a new workplace safety strategy with our partners at Nova Scotia Labour and Advanced Education, and our overall outreach and partnership strategy, we will enhance the ways in which we work together with like-minded partners in the Workplace Safety and Insurance System and beyond.

More than anything, confidence is earned through operational results. We will continue work with our partners in WSIS to increase awareness and knowledge of programs and services. Guided by a partnership strategy, we will review the WCB's place in the appeals system. We will further hone practice leadership, striving to grow our position as catalysts for change, while also appropriately managing our own enterprise risk along the way.

As we work to achieve forward momentum, we will maintain the targets for the three service and governance measures at 70 per cent through to 2016.

Operations

Transition in leadership

In June, the WCB announced the resignation of Nancy MacCready-Williams as CEO after 18 years with the WCB. During her long tenure at the WCB Nancy inspired many, and her leadership changed how our province thinks about occupational health and safety and return to work.

Following a national executive search, the Board of Directors announced the appointment of Stuart MacLean as Chief Executive Officer. Stuart's 25-year career with the WCB spans a number of leadership roles across the organization, including finance, assessments, prevention and claims management, culminating in his most recent position as VP, Service Delivery.

Stuart will guide the continued implementation of the WCB's strategic plan, working together with many valued stakeholders and partners across the province, with a continued focus on making Nova Scotia a safer place to work.

Social marketing

As our social marketing strategy continues to evolve, we have moved closer to the workplace with our messaging, tools and resources, while maintaining our goal of general awareness of injury prevention overall.

Our award-winning advertising ran throughout the year reinforcing the idea that we should all do something, no matter how small, to prevent workplace injuries.

We also supported workplace conversations through the creation of educational material in an animated series of videos covering a range of workplace safety topics. Distributed via DVD and primarily online, as of this writing the "Rod Stickman" series of videos has been viewed online more than 16,000 times, and awareness of the material has grown from 13 per cent to 30 per cent.

Supporting our overall business model toward more focused conversation in workplaces and leveraging awareness increases to inspire the behavior change needed in workplaces, a comprehensive social marketing review was undertaken in 2011, with the renewed focus to directly address musculoskeletal injury. New material was produced under a cost-sharing agreement with Workplace Health, Safety & Compensation Commission of Newfoundland and Labrador and WCB Prince Edward Island, with the campaign launch scheduled for the spring of 2012.

We continued to raise awareness among young workers, shifting slightly to those workers research shows are most vulnerable in their first jobs, aged 15-18. The 2011 Young Worker Campaign continued to focus on normalizing the behaviour of speaking up about safety. Research shows that safety is not talked about by young people in the workplace – and, all too often, their employers don't talk about it either.

The WCB again partnered with the Nova Scotia Federation of Labour, Threads of Life and the Nova Scotia Department of Labour and Advanced Education on a campaign to recognize the 2011 Day of Mourning. Based in real stories of workplace tragedy, the campaign included a number of elements including media relations, print advertisements and posters, social media and speaking engagements.

Mainstay Awards

The Mainstay Awards honour excellence in occupational health and safety, including initiatives around injury prevention and return-to-work programs. These winners are featured throughout the pages of this report.

Congratulations to the 2011 Award Recipients:

- *Safety Award of Excellence:* Edmonds Landscape & Construction Services Ltd.
- *Safety Award of Excellence: Individual:* Peter Hollett, Halifax Harbour Bridges
- *Safety Transformation:* Irving Shipbuilding Ltd.
- *Individual Safety Champion:* Karla Hamilton, Ultra Electronics Maritime Systems
- *Employer Safety Champion:* Aecon Atlantic; Sobeys
- *Employer Return-to-Work Champion:* Cape Breton District Health Authority, Sobeys, Clearwater Seafoods Limited Partnership

Workplace and Safety in Schools

In 2011, we continued our work in the public school system through ongoing workplace health and safety education for grades 9-12 teachers and students. For teachers delivering the new workplace safety component of Healthy Living 9 we provided regional and provincial workshops, teaching and learning resources on worksafeforlife.ca, and a new online tutorial at the Nova Scotia Virtual School's website. In addition we continued our high level of resource supports and classroom visits to grades 10-12 teachers and students in a variety of programs including Co-Operative Education and the Options and Opportunities program – both of which include 10-15 hours of health and safety content. Over 12,000 students took part in workplace safety learning last year.

With stakeholders and our partners at the Department of Education and the OH&S Division of Nova Scotia Labour and Advanced Education, we continue to strive to meet the ever changing health and safety teaching and learning needs of our province's teachers and students.

New Director of Partnerships: External Outreach Strategy

As part of the WCB's strategic theme of "Building Confidence," there is an opportunity to enhance the WCB's reputation not only amongst key stakeholders and partners, but also in the greater Nova Scotia community. Accordingly, the WCB has placed an organizational priority on partnerships and relationships with the many Nova Scotians who share our belief in the fundamental importance of reducing the impact of workplace injury on our province.

Through the External Outreach Strategy, the WCB will share more broadly what it is doing, both on its own and in partnership with others, to support Nova Scotia workplaces in their injury prevention and return-to-work efforts and boost the understanding of why creating a workplace safety culture is so important. This new strategy includes aspects of reputation management, external outreach and enhanced collaboration with the Department of Labour and Advanced Education.

Privacy Review

In May, the Privacy Review Officer (PRO) began an investigation of the WCB in response to a breach that occurred in January. As part of the process, we shared our privacy breach protocol as well as our processes to guide and support the proper handling of personal information, which include mandatory FOIPOP training and privacy breach protocols.

In October, the PRO submitted a final report with 16 findings and 21 recommendations for improving our privacy culture. We will comply with the findings of the review.

The PRO's investigation was a valuable learning process that provides us with an opportunity to further enhance our current processes. The WCB takes privacy very seriously and remains committed to ensuring the proper handling of personal information and will continue to build a strong culture of respect for the privacy of those we serve.

Review of WCB Assessment Rate Setting Model

In 2011, work continued on the review of the WCB assessment rate setting model. A number of changes to the model are planned to make rates more responsive to changes within workplaces, and to better incent positive behaviours.

Helpful, informed discussions were held throughout 2011 with stakeholders and workplaces. Changes to the rate setting model to be implemented in 2012 for the 2013 rate year include changes to make it more responsive, better linkages between fatalities and experience rating, and the reinstatement of surcharges to employers without a warning period if an employer has been surcharged in the past three years. Also, there is opportunity for new programs tied to rate setting which will actually see financial incentives for safety – a pilot program which will provide rebates when a firm achieves certification in workplace safety programs and processes, and a conditional surcharge refund for surcharged employers to assist in the investment in injury prevention programs.

Measures of Success

Overall, the WCB experienced success in 2011 achieving all but one operational performance target.

Working together with our partners, we made progress in reducing the number of time-loss injuries, one of the key drivers of our long-term success, exceeding the injury rate target of 2.12. Since 2005, the Injury Rate has dropped nearly 30 per cent from 2.87 to 2.02 in 2011 which means 2,430 fewer serious injuries.

Injury Frequency is at an all time low of 2.02, while Return to Employability is at target, with 95 per cent of workers returning to the full capacity to work at their pre-injury earnings. Also, there were 40,391 fewer days lost from work due to workplace injury in 2011 – nearly 1.5 times our performance target, and equivalent to more than 110 person-years of work. The Composite Duration Index, a complex mathematical measure of claim duration, was also on target.

Two new operational measures were added in 2011 replacing previous measures – total number of days paid in the past 12 months per 100 covered employees for all claims (time-loss days paid per 100 covered employees) and the number of time-loss claims where long-term disability costs are avoided, because the injured worker is capable of earning at the pre-injury level (return to employability). These measurements replaced Return-to-Work at 100 per cent pre-injury earnings and Average Short-Term Disability Payment Per Claim.

We remain confident that our business strategies related to prevention, return to work and health care will deliver results for those we serve. Together with others, and with the real progress being made in workplaces, this progress can and must continue – for there remains much work to do.

The WCB's operational performance results for 2011 overall were very positive, but one indicator is below target. Overall, savings targets were met for short-term claims, while savings among longer-term claims are slightly lower than expected.

While the number of claims moving on to long-term earnings loss benefits was on target, the cost was slightly higher than forecast primarily due to higher wages and an increased proportion of full (rather than partial) awards in 2011. The cost of new extended earnings replacement benefits is $0.9 million higher than the annual target of $63.6 million. More details on our overall experience with long-term disability claims are provided in the Management Discussion and Analysis.

Outlook

Our efforts in injury prevention and return to work will continue both from an overall awareness point of view, and in hands-on implementation of real change that gets results.

Our social marketing programs will continue to raise awareness, overall and at the workplace level. Building on the first full year of mandatory health and safety curriculum content for all Grade 9 students in the 2010/2011 school year, we will support continued work with the Department of Education and other education outreach.

We also look forward to the collaboration with the Occupational Health and Safety Division of Nova Scotia Labour and Advanced Education and other parties in the WSIS on a refreshed workplace safety strategy for the Workplace Safety and Insurance System. With the maturation of the current strategy, the continued evolution of work at the System level and evolving stakeholder priorities, it is time to review and refresh the WSIS Occupational Health and Safety Strategy to ensure it remains current and consistent with the system's long-term goals. Consultation on this strategy is critical and will occur throughout 2012.

We will also work, in 2012, to review the WCB's place in the appeals system. Through collaboration with our partner agencies and stakeholders, we have identified the need to look for opportunities to proactively support early issue resolution and mitigate appeals. Preliminary work began on this project in 2011, and consultation will occur throughout 2012.

Performance

Operations					
	Actual '10	Actual '11	Target '11	Target '12	Target '16
Time-loss injuries per 100 covered employees	2.13	2.02	2.12	2.01	1.91
Duration – composite in days	98	98	95	97	90
Time-loss days paid per 100 covered employees[1]	N/A	238	249	237	200
Cost of New Extended Earnings Replacement Benefits ($M)	$68.2	$64.5	$63.6	$64.1	$67.8
Return to Employability[1]	N/A	95%	95%	95%	96%

1 *These performance measures were adopted in 2011.*

In 2012, we will find ways to continue to leverage technology, to better use and manage knowledge and information, and to create the plans for further enhancements of our service to small and medium business. We will move forward with implementation of improvements to our rate setting model, effective for 2013 rates.

The best situation for everyone is when injury doesn't happen. But when it does, helping workers, employers and health care providers facilitate an early and safe return to work is critical. In 2012, our return-to-work model will be further enhanced by continued education and outreach within the health care community, and we will look more closely at how we can better serve the small and medium workplaces of Nova Scotia in helping their workers return to the job. Further, the implementation of improvements to the direct access to physiotherapy program will further support best practice treatment for workplace musculoskeletal injuries – our number-one cost driver. We are working to achieve our target of 95 per cent of injured workers returning to employability in 2012 and to increase this number to 96 per cent by 2016. The composite duration index (based on injuries in the past five years) is expected to drop to 97 days in 2012 and to 90 days by 2016.

Our target for the total number of Time-Loss Days Paid per Covered Employees on all claims is 237 days in 2012 with a further reduction to 200 days by 2016. We anticipate the Cost of New Extended Earnings Replacement Benefits will be $64.1 million in 2012 and $67.8 million in 2016.

Employees

Diversity and Respectful Workplace Initiative

The WCB is committed to our role as a safety champion internally and externally. We aim to be a best practice leader in safety, wellness, recovery and return-to-work management and create a workplace that is diverse and respectful for all employees. To support achieving this goal, we created a Diverse and Respectful Workplace Policy Vision Statement and a Respectful Workplace Policy complete with new standards for dealing with offensive behaviour in the workplace. All employees participated in respectful workplace training on how to use the policy and a group of Respectful Workplace Leaders was established.

By leveraging the diverse talents of our people, increasing our cultural competence and demonstrating our commitment to a diverse workplace we can impact our strategic progress. With greater understanding and respect for one another and the people we support and serve, both internally and externally, we can improve service and strengthen relationships within our organization and build support for the transformational work we do in our community.

Leadership capacity development

In 2011, the organization continued its focus on strengthening our leadership capacity and expertise, which are fundamental to our success. Throughout the year, we continued to support senior leaders to grow as individuals and as a community. We also provide leadership support for all managers through continued focus on team building, development, and care for people.

Our continued investment in leadership capacity development will also help us maintain a competent cadre of leaders required to manage ongoing change in the organization, contribute to replacement and succession management, improve employee pride and confidence as well as maintain a high quality of service.

Employee Engagement

After a decline in employee satisfaction in 2010, we implemented an employee engagement strategy to help employees reconnect with the strategic direction. Employee satisfaction rebounded in 2011 and the engagement of our employees has allowed us to maintain forward momentum in terms of our service delivery change agenda.

Safety and security starts inside our own walls

The health and safety of our own employees is a fundamental concern at the WCB, and safety is a part of nearly every conversation. Every employee now has safety as part of their performance planning, and leaders are supported on a monthly basis with fresh, relevant content regarding workplace safety to lead discussions with their own teams. With an active JOHS Committee, we continue to monitor the hazards our own employees face, such as violence and bullying, driving, and ergonomic risks, and to mitigate those hazards. Also in 2011, learning from the experiences of our colleagues in Alberta, the WCB implemented a risk response process to deal with emergencies on or about our premises. We also successfully obtained our COR certification for another year.

WCB Named Top Employer
In recognition of our commitment to our employees, the WCB was named one of Canada's Top 100 Employers. We were also named one of Nova Scotia's Top 15 Employers for the fourth time in row. We are proud of this recognition, provincially and nationally, as it is an indication of our commitment to our people and a positive working environment.

Measures of success

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

Performance

In 2010, our Employee Satisfaction Index slipped below the 70 per cent target. This was directly attributed to change fatigue experienced internally by employees associated with the numerous service enhancements the WCB made to provide workers and employers with a higher level of service tailored to meet their needs.

We made internal stability and caring for our employees a priority in 2011 through an employee engagement strategy executed to inspire the hearts of our employees, build enthusiasm and re-create the passion for future changes. Our Employee Satisfaction Index rebounded to 73 per cent.

Outlook

We made great progress in helping our employees re-connect to our strategic direction in 2011. We need to maintain that momentum in 2012 by maximizing the benefits from the changes made to date and ensuring employees are engaged in the changes the organization undertakes.

One key objective is the continued implementation of our 'Performance through People' Strategy to create a culture of performance premised on employee engagement and service excellence. Led by the WCB's leadership team, the 'Performance through People' Strategy advances the creation of individual and collective competency of the WCB and its people, in essence, giving us capability and capacity to be more effective, satisfied and motivated in our jobs, toward the accomplishment of our corporate objectives.

Employee	Actual '10	Actual '11	Target '11	Target '12	Target '16
Employee Satisfaction Index	69%	73%	70%	70%	70%

Financial

Financial success for the WCB is linked to a number of factors – the number of people who get hurt on the job, how long they are off the job and in receipt of benefits, and investment returns. The WCB has much more direct influence on some of these factors than others.

We met or exceeded our targets for injury frequency and safe and timely return to work, although the cost of long-term benefits continues to be a factor we are monitoring closely.

Global markets impacted the investment return of the WCB, and contributed to a comprehensive loss of $65 million. We did not meet our return on investment targets. More details about our investment returns and the unfunded liability are included in the Management Discussion and Analysis section of this report.

Measures of success

Our financial success is measured by three key metrics: claims costs, administrative costs, and return on investment.

The WCB performed well on the financial measures over which we have the most influence, exceeding target for claims payments for the last three years per $100 of assessable payroll.

Overall, our savings targets were met for short-term disability, and overall, we achieved our insurance budget savings target for 2011. However, projected savings for long-term disability were lower than expected. We have a net negative actuarial adjustment of $6.5 million.

Due to lower than expected administrative costs, we were better than our target for administrative costs per $100 of assessable payroll. We would have been further ahead of the target, however with the adoption of International Financial Reporting Standards, an actuarial loss on post-employment benefits other than pensions offset favourable variances as the loss was recorded directly to expense.

Like many other organizations, global financial market volatility continued to pose a challenge to investors and resulted in lower returns for the WCB than in 2010. Our five-year rate-of-return target for the period ending December 31, 2011 was not achieved.

Outlook

The WCB continues to ensure our investment portfolio is well diversified among a variety of assets in order to optimize returns and manage risk. We are monitoring investment performance and the investment strategies to confirm that our investments support our liabilities. Our recent asset liability study gave comfort that the external portfolio is well positioned for the longer term.

Performance

Financial	Actual '10	Actual '11	Target '11	Target '12	Target '16
Claims payments for the last 3 years per $100 of assessable payroll	$0.739	$0.701	$0.732	$0.690	$0.588
Administrative costs per $100 of assessable payroll (excluding prevention costs)	$0.39	$0.39	$0.41	$0.38	$0.41
Return on investment[1]			Benchmark Portfolio Return +1%		
Five-year Rate of Return	3.9%	1.2%			
Five-year Target	4.7%	2.1%			

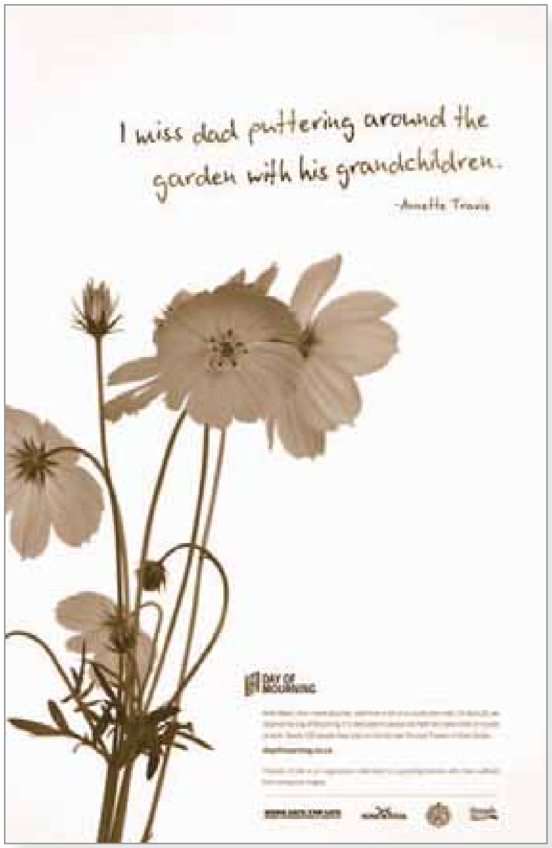
1 During 2011, this target was changed from Benchmark Portfolio Return +0.85% to Benchmark Portfolio Return +1%.

We are continuing to monitor our investment performance and strategies to confirm that our investments support our liabilities. Going forward, we have changed the five year return on investment target from benchmark portfolio return plus 0.85 per cent to benchmark portfolio return plus 1 per cent.

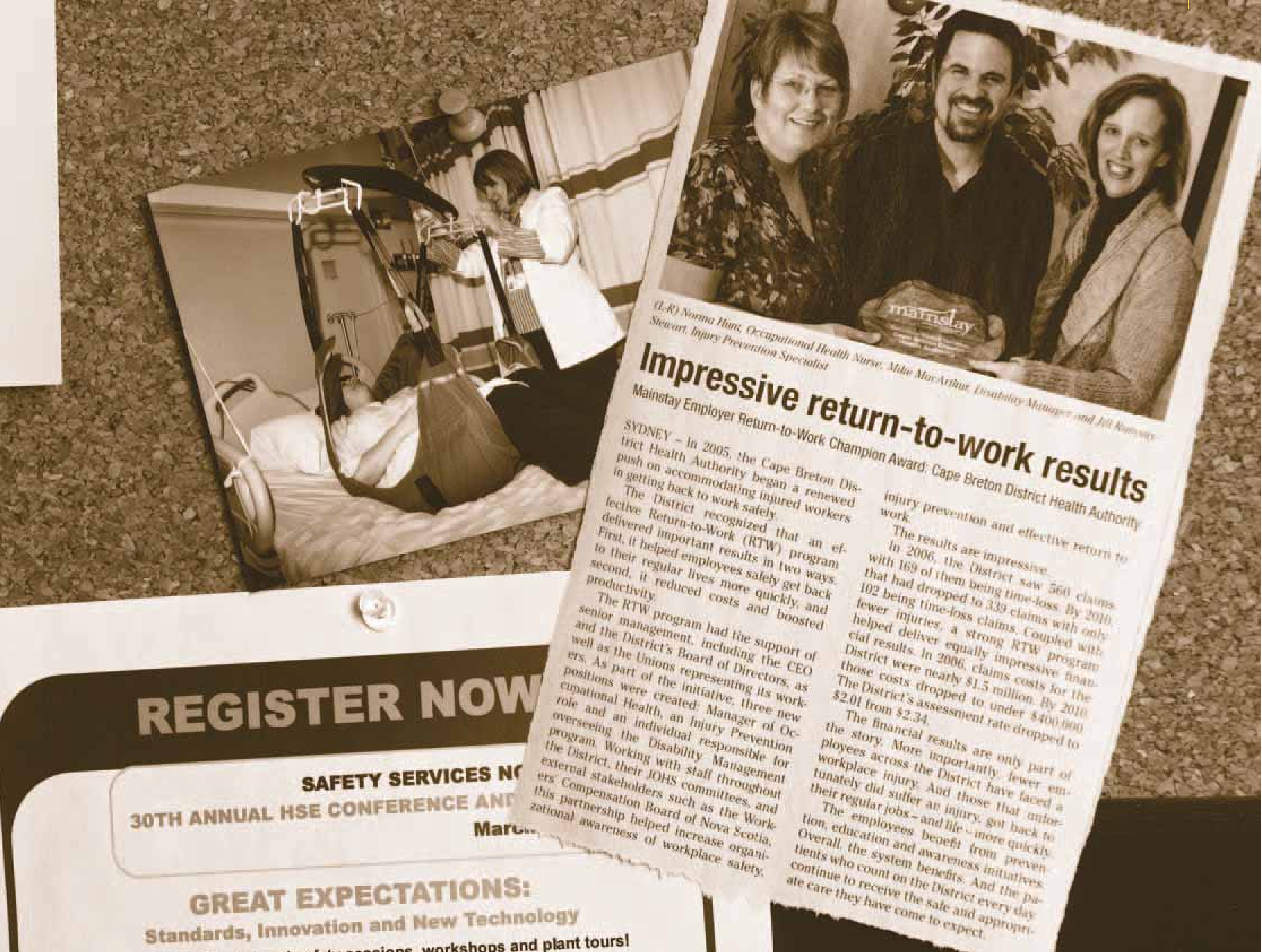
We will work to achieve the targets for Claims Payments for the Last 3 Years per $100 of Assessable Payroll – $0.690 in 2012 and $0.588 in 2016 by focusing on focus on long-term benefits costs, and investigating opportunities to continue to manage health care costs and reduce health care wait times. We also continue to focus on the costs of longer-term benefits and health care costs, monitoring the situation closely as the population ages.

With the adoption of International Financial Reporting Standards, actuarial gains and losses relating to post employment benefits, other than pensions will be recorded directly to income and expense as they arise. Previously such gains and losses were smoothed into income and expense over time. This has the potential to introduce volatility in expenditures and impact the achievability of meeting the administration costs per $100 of assessable payroll target.

Appreciating our current economic environment and the need for ongoing fiscal prudence, there was no increase in the WCB's operating budget for 2012.



On April 28, Nova Scotia joins the rest of Canada and more than 80 countries worldwide to remember those who died, were injured or became ill at work. This year also marks the 20th anniversary of the Westray mining disaster where 26 Nova Scotians lost their lives in an underground explosion on May 9, 1992. As we reflect on this sad day in Nova Scotia's history, our thoughts are with the families of those lost. While we are reminded of the lessons learned from this horrible tragedy and how far workplace safety has come, we also recognize how much more work there still is to do.



(L-R) Norma Hunt, Occupational Health Nurse; Mike MacArthur, Disability Manager and Jill Ramsay Stewart, Injury Prevention Specialist

Impressive return-to-work results

Mainstay Employer Return-to-Work Champion Award: Cape Breton District Health Authority

SYDNEY – In 2005, the Cape Breton District Health Authority began a renewed push on accommodating injured workers in getting back to work safely.

The District recognized that an effective Return-to-Work (RTW) program delivered important results in two ways. First, it helped employees safely get back to their regular lives more quickly, and second, it reduced costs and boosted productivity.

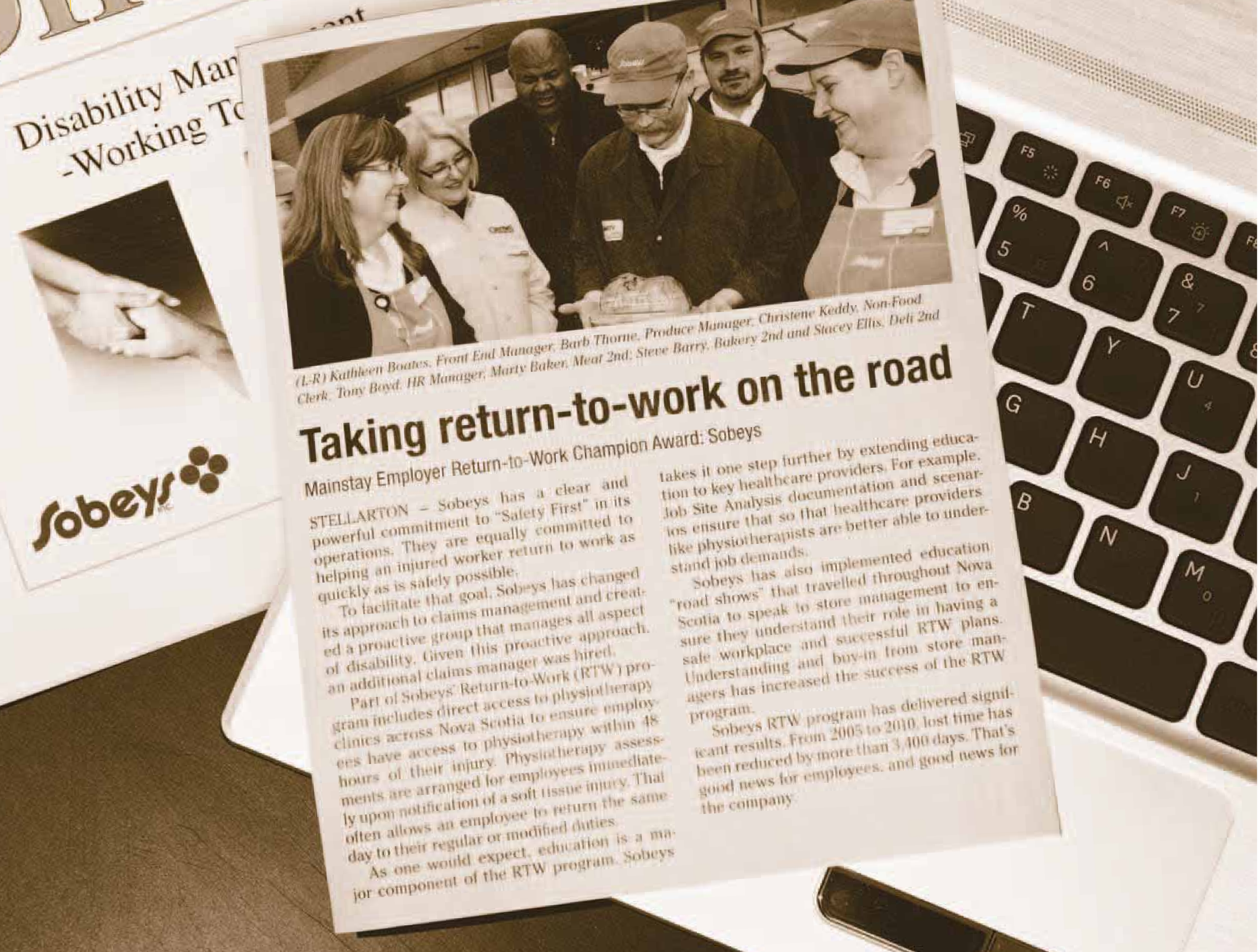
The RTW program had the support of senior management, including the CEO and the District's Board of Directors, as well as the Unions representing its workers. As part of the initiative, three new positions were created: Manager of Occupational Health, an Injury Prevention role and an individual responsible for overseeing the Disability Management program. Working with staff throughout the District, their JOHS committees, and external stakeholders such as the Workers' Compensation Board of Nova Scotia, this partnership helped increase organizational awareness of workplace safety, injury prevention and effective return to work.

The results are impressive.

In 2006, the District saw 560 claims with 169 of them being time-loss. By 2010, that had dropped to 339 claims with only 102 being time-loss claims. Coupled with fewer injuries, a strong RTW program helped deliver equally impressive financial results. In 2006, claims costs for the District were nearly $1.5 million. By 2010 those costs dropped to under $400,000. The District's assessment rate dropped to $2.01 from $2.34.

The financial results are only part of the story. More importantly, fewer employees across the District have faced a workplace injury. And those that unfortunately did suffer an injury, got back to their regular jobs – and life – more quickly.

The employees benefit from prevention, education and awareness initiatives. Overall, the system benefits. And the patients who count on the District every day continue to receive the safe and appropriate care they have come to expect.



(L-R) Kathleen Boates, Front End Manager, Barb Thorne, Produce Manager, Christene Keddy, Non-Food Clerk, Tony Boyd, HR Manager, Marty Baker, Meat 2nd; Steve Barry, Bakery 2nd and Stacey Ellis, Deli 2nd

Taking return-to-work on the road

Mainstay Employer Return-to-Work Champion Award: Sobeys

STELLARTON – Sobeys has a clear and powerful commitment to "Safety First" in its operations. They are equally committed to helping an injured worker return to work as quickly as is safely possible.

To facilitate that goal, Sobeys has changed its approach to claims management and created a proactive group that manages all aspect of disability. Given this proactive approach, an additional claims manager was hired.

Part of Sobeys' Return-to-Work (RTW) program includes direct access to physiotherapy clinics across Nova Scotia to ensure employees have access to physiotherapy within 48 hours of their injury. Physiotherapy assessments are arranged for employees immediately upon notification of a soft tissue injury. That often allows an employee to return the same day to their regular or modified duties.

As one would expect, education is a major component of the RTW program. Sobeys takes it one step further by extending education to key healthcare providers. For example, Job Site Analysis documentation and scenarios ensure that so that healthcare providers like physiotherapists are better able to understand job demands.

Sobeys has also implemented education "road shows" that travelled throughout Nova Scotia to speak to store management to ensure they understand their role in having a safe workplace and successful RTW plans. Understanding and buy-in from store managers has increased the success of the RTW program.

Sobeys RTW program has delivered significant results. From 2005 to 2010, lost time has been reduced by more than 3,400 days. That's good news for employees, and good news for the company.

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 International Financial Reporting Standards, which are the new 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.

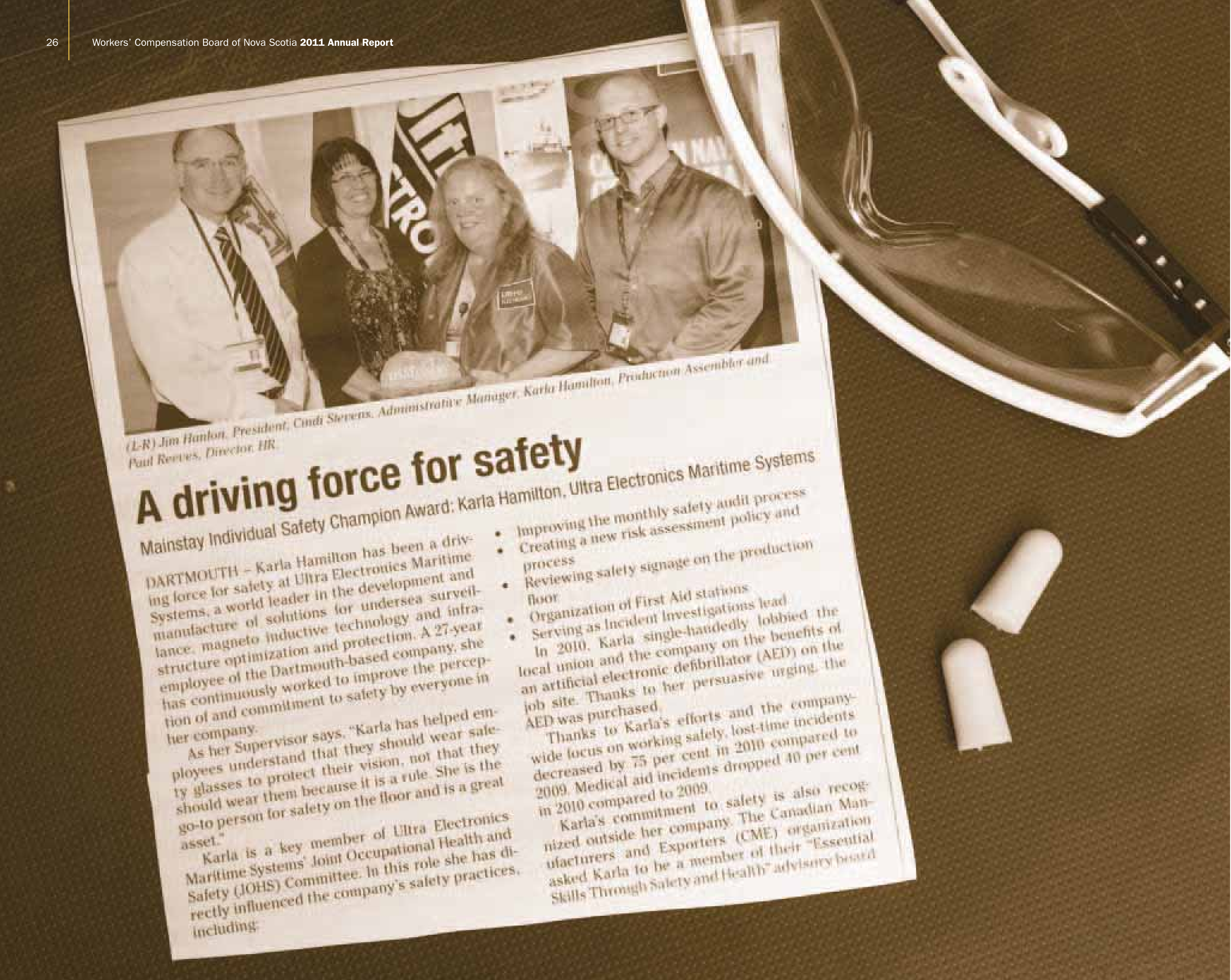
The WCB's Board of Directors has approved the financial statements included in this annual report. The Board of Directors is assisted in its responsibilities by the Audit & Risk Oversight Committee. This committee reviews and recommends approval of the financial statements and meets periodically with 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.

Stuart MacLean
Chief Executive Officer

Leo D. McKenna, CA
Chief Financial Officer



(L-R) Jim Hanlon, President, Cindi Stevens, Administrative Manager, Karla Hamilton, Production Assembler and Paul Reeves, Director, HR.

A driving force for safety

Mainstay Individual Safety Champion Award: Karla Hamilton, Ultra Electronics Maritime Systems

DARTMOUTH – Karla Hamilton has been a driving force for safety at Ultra Electronics Maritime Systems, a world leader in the development and manufacture of solutions for undersea surveillance, magneto inductive technology and infrastructure optimization and protection. A 27-year employee of the Dartmouth-based company, she has continuously worked to improve the perception of and commitment to safety by everyone in her company.

As her Supervisor says, "Karla has helped employees understand that they should wear safety glasses to protect their vision, not that they should wear them because it is a rule. She is the go-to person for safety on the floor and is a great asset."

Karla is a key member of Ultra Electronics Maritime Systems' Joint Occupational Health and Safety (JOHS) Committee. In this role she has directly influenced the company's safety practices, including:

- Improving the monthly safety audit process
- Creating a new risk assessment policy and process
- Reviewing safety signage on the production floor
- Organization of First Aid stations
- Serving as Incident Investigations lead

In 2010, Karla single-handedly lobbied the local union and the company on the benefits of an artificial electronic defibrillator (AED) on the job site. Thanks to her persuasive urging, the AED was purchased.

Thanks to Karla's efforts and the company-wide focus on working safely, lost-time incidents decreased by 75 per cent in 2010 compared to 2009. Medical aid incidents dropped 40 per cent in 2010 compared to 2009.

Karla's commitment to safety is also recognized outside her company. The Canadian Manufacturers and Exporters (CME) organization asked Karla to be a member of their "Essential Skills Through Safety and Health" advisory board

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 Workers' Compensation Board (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 financial markets, industry mix, 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.

International Financial Reporting Standards (IFRS)

In 2011, the WCB adopted International Financial Reporting Standards (IFRS) as the basis of financial statement preparation. Prior to 2011, the financial statements were prepared according to Canadian generally accepted accounting principles (GAAP). Canadian GAAP for publicly accountable entities was replaced with IFRS and is applicable for fiscal periods beginning January 1, 2011 with comparable financial statements required for 2010.

Note 22 "Explanation of Transition to IFRS" in the 2011 financial statements details the impacts on financial position and results of operations as a result of the transition to IFRS. As a result of adjusting the 2010 financial statements from GAAP to IFRS the unfunded liability was increased by $4.8 million and the funded ratio for 2010 decreased from 64.0 per cent to 63.8 per cent.

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 target asset mix remains unchanged compared to 2010. The benchmark portfolio included equity at 60 per cent, bonds at 30 per cent and real estate at 10 per cent. Target allocations for Canadian, US and international equity are 20 per cent. 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 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 US, international and one half of the Canadian equities and real estate investments and a passive strategy for fixed income, the other half of Canadian equities and a passive currency hedging overlay strategy with a hedge ratio of 50 per cent of the total foreign currency exposure.

Connor, Clark & Lunn was hired in August 2011 as the active manager for 50 per cent of the Canadian Equity Mandate; the remaining 50 per cent is being passively managed on an interim basis. In 2011, an asset liability study was completed and confirmed the portfolio structure was reasonably positioned to meet the long-term funding objectives. One recommendation from the study included the possibility of adding a Global equity mandate to the portfolio structure to further diversify risk and to invest in the opportunities available in emerging markets. The Finance and Investment Committee is currently exploring this option.

Capital Markets Review

In early 2011, the markets continued the positive trend from 2010. The markets experienced mixed results in the second quarter as investor confidence in the worldwide economic recovery wavered. The second half of 2011 saw a high level of volatility in the markets due to investor uncertainty as the markets' retreated due to the continued debt crisis in Europe and concerns about the US economic recovery. Only the US markets managed to generate positive returns for the year as signs arose of a US economic recovery. Returns in Canadian dollar terms were higher due to the weakening Canadian dollar compared to the US dollar and foreign currencies. This impact was lessened in the fourth quarter which saw the Canadian dollar recoup some strength. Bond and real estate markets generated stronger returns than equities for the year.

As reported in 2010, the WCB's real estate fund manager was experiencing a redemption limitation in the frequency and dollar amount of liquidation requests that they could process. This limitation was lifted in October 2011. This limitation did not have an impact on cash management at the WCB.

Portfolio Performance

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 1.0 per cent (prior to August 1, 2011, the target was 0.85 per cent). The target is based on a five-year average before management fees.

The active manager's objective is to exceed the return generated by the benchmark portfolio by 2.0 per cent for Canadian and international equities and 1.0 per cent for US equities. For the indexed manager, the objective is to match the return generated by the fund benchmark portfolio nominal bonds and Canadian equities by ±0.10 per cent. The real estate manager's objective is to exceed the return generated by 85 per cent of the IPD All Property Index plus 15 per cent of the DEX 91 Day Treasury Bills on a five-year average. These objectives are before investment management fees and are based on a five-year average. For the most recent five-year period, the WCB's investment managers have not been successful in outperforming their benchmarks with the exception of the international equity manager. The total five-year fund return of 1.2 per cent was on par with the benchmark return of 1.2 per cent, however, behind the target of 2.1 per cent.

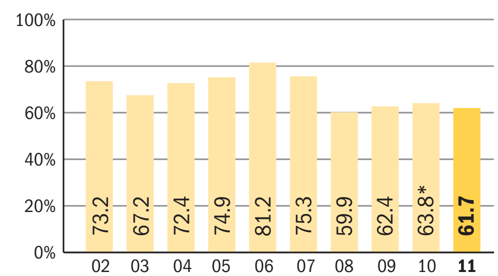
The annual investment return on the externally managed portfolio was 1.8 per cent in 2011, which was ahead of the benchmark return of 0.6 per cent, resulting in value added of 1.2 per cent. In 2011 the capital markets, in Canadian dollar terms, saw the Canadian equity market (S&P/TSX Composite) return negative 8.7 per cent, the US equity market (S&P 500) return 4.6 per cent, and the international equity markets (MSCI EAFE) return negative 10.0 per cent. The bond markets returned 9.7 per cent.

As the 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, 2011 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

Funded Percentage
for Nova Scotia, 2002–2011



**restated*

arising from events that occurred on or before December 31, 2011. 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, 2011.

The benefits liabilities grew by 4.6 per cent as set out in detail in Note 11 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 which takes into account claims costs incurred, claims payments made, growth in present value of the benefits liabilities and actuarial experience adjustments and assumption changes. The $74.5 million increase is approximately $6.5 million more than our expectation based on the 2010 valuation results.

Unfunded Liability

The WCB's liabilities total $1.743 billion and assets total $1.076 billion, with an unfunded liability of $667 million at the end of 2011. From the prior year, the WCB's funding percentage decreased from 63.8 per cent to 61.7 per cent.

Statement of Comprehensive Income (Loss)

The operating results for 2011 and 2010 may be attributed to the following factors:

($000's)	2011	2010
Assessment Revenue in Excess of Current Year Costs	$ 37,767	$ 37,825
Investment Income below Liability Requirements	(96,744)	(23,950)
Actuarial Liabilities Greater than Previously Anticipated	(6,538)	(12,808)
Total Comprehensive Income	$ (65,515)	$ 1,067

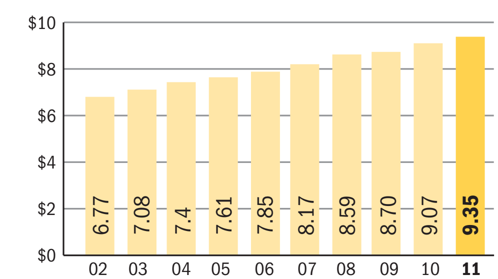
Revenues

Assessment Revenue

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. 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 $7.4 million (2.6 per cent) from 2010 levels.

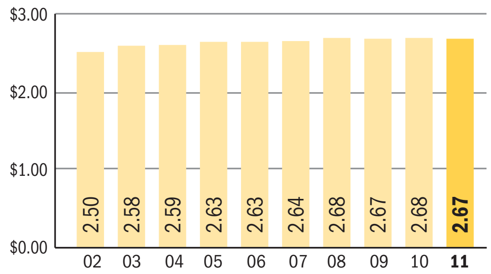
Revenues from registered firms increased $7.3 million (3.0 per cent) from 2010 revenue. This increase is primarily attributed to an increase in assessable payroll of 3.2 per cent. Increases to the payroll base are primarily attributable to an increase in the maximum assessable earnings, a slight increase due to wage inflation and an increase in the covered workforce. The actual average assessment rate decreased slightly from $2.68 in 2010 to $2.67 in 2011.

Total Assessable Payroll
for Nova Scotia, 2002–2011 (in billions)



The targeted average assessment rate remained consistent at $2.65 from 2010 to 2011. The fact that the actual rate exceeds the target indicates that the mix of payroll amounts submitted by employers in high-rate industries and those submitted by employers in low-rate industries was slightly different than anticipated.

Actual Average Assessment Rates
for Nova Scotia, 2002–2011



The self-insurers experienced slightly higher claims payments in 2011. Self-insured administration costs have increased 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 2012 will reflect the 2011 claims payments.

Investment Income

Investment income is derived from the long-term investment portfolio managed by external investment managers. The WCB's accounting policy is to record realized gains and losses on the sale of investments, gains and losses arising from changes in fair market value and gains and losses on foreign currency exchange in investment income in the period incurred.

Total investment income was $15.9 million for 2011, a decrease of $67.7 million (81 per cent) from 2010. The decrease resulted from a decrease in realized gains ($35.6 million), an increase in the loss from changes in fair market value ($26.4 million), a net decrease in foreign currency gains ($14.7 million), an increase in interest and dividend income ($9.2 million) and an increase in investment manager fees ($0.2 million). In accordance with IFRS, the WCB recognizes changes in market value of investments in the year of occurrence as income. 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 2011. These estimates take into account both unreported claims and claims reported but as yet unpaid. The liabilities include a provision for the future cost of administering claims that occurred on or before December 31, 2011. As in previous valuations, the benefits liabilities do not include any explicit provision for future claims related to occupational disease awards, except to the extent such claims are represented in the past claim histories. Additionally, the liability does not include any allowance for any changes to present policies and practices or for the extension of new coverage types.

Claims costs incurred were up by $4.3 million (2.3 per cent) from 2010. Claims categories with fluctuations include short-term disability costs decreasing $1.2 million (2.9 per cent), long-term disability costs increasing $5.0 million (5.7 per cent), survivor benefits increasing $1.0 million (25.0 per cent), health care costs decreasing $0.2 million (0.4 per cent), and rehabilitation non-income costs decreasing $0.3 (23.0 per cent) from 2010. Several factors influenced this aggregate result as discussed below.

Claims costs incurred for short-term disability has decreased 2.9 per cent in the current year. Reductions in short-term disability costs are the result of continued reductions in the frequency of time loss

Total Claims Costs Incurred
(in thousands)

	2011		2010	
Short Term Disability	$ 41,907	22.1%	$ 42,551	22.8%
Long Term Disability	$ 87,612	46.2%	$ 83,196	44.5%
Survivor Benefits	$ 3,929	2.1%	$ 4,599	2.5%
Health Care	$ 55,035	29.0%	$ 55,514	29.7%
Rehabilitation	$ 1,163	0.6%	$ 1,167	0.6%

injuries in Nova Scotia. The injury rate dropped 5.2 per cent from 2.13 in 2010 to 2.02 in 2011.

The 5.7 per cent increase in long-term disability costs is in part related to a change in the timing of long-term awards arising out of injuries that occurred in 2011 and prior years. The valuation assumes that long-term earnings loss awards will arise in a particular pattern totaling 1,224 permanent impairment awards and 410 extended earnings loss awards for insured claims each injury year. For recent injury years, it appears that a larger proportion of these awards are emerging earlier in the life of a claim than in prior years. Awards from recent injury years exceed the number of awards expected as of December 31, 2011. The actuarial run off table assumes that because the new awards exceed expectations to date, long-term awards in future years will continue to exceed expectations. However, we expect that the higher number of awards experienced in early years are the result of timing and will be offset by fewer than expected awards in later years, and that overall and over time, the volume of long-term awards will be less than expected. Data in recent years supports this assumption as, for assessed claims, we have moved from awarding 669 extended earnings loss benefits in 2007, to 595 awards in 2008, 476 awards in 2009, 408 awards in 2010, and 400 in 2011. Based on these results, we expect a change in the actuarial runoff table within the next few years.

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. The number of permanent impairment benefits awarded in 2011 was slightly higher than in 2010, from 1,293 to 1,351. However, volumes remain substantially lower than in prior years. We anticipate a continued reduction in the volume of long-term awards over a number of years through active management of complex claims and return-to-work and prevention initiatives. If this decrease in longer term awards does not materialize, further increases in incurred costs and benefits liabilities will occur. In 2011, the volume of new awards was lower than expected. However, this was offset by a higher than expected increase in the average value of new monthly awards and the continued impact of the high volume of benefits awarded in prior years.

Health care costs decreased 0.4 per cent with overall payments approximately 7 per cent less than expected when the 2010 valuation was prepared. The decrease in payments is largely driven by the decrease in claim volume over the last several years. While we are seeing a positive trend in claims from recent injuries, payments for claims in older duration years are higher than expected. Because these older claims have a larger impact on the liability calculation, there is an unfavorable experience adjustment despite the decrease in claims costs incurred.

Survivor costs have increased by 25 per cent ($1.0 million) in 2011. Due to the small numbers involved, claim volumes and costs in this area can fluctuate year to year, and are not necessarily indicative of a trend.

Non-income rehabilitation costs are costs other than wage replacement benefits paid to workers in rehabilitation programs or workers receiving assistance with home or workplace modifications, that is, the cost of the programs themselves. In 2011, rehabilitation costs decreased from 2010 by 23 per cent ($0.3 million). Fluctuations can occur in rehabilitation costs as significant costs incurred on a small number of claims can have a significant impact.

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 2011 this amount was $112.6 million or approximately 6.6 per cent 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 per cent annually. The benefits liability is calculated based on historical claims payment data coupled with assumptions about future experience.

Variances in long-term disability costs are the result of negative experience with respect to permanent awards mainly from injury years 2002 through 2005. Injuries from these years are 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 of Canada 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 compensable injury.

A number of claims from 2002 to 2005 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 benefit awards (EERB) will be awarded for any given injury year. Injuries from 2002 to 2005 continue to track ahead of the projected pattern of extended earnings replacement awards. To date we have awarded an average of 469 EERBs for injury years 2002 to 2005. Comparatively, recent years appear to be producing fewer EERBs. For example, for injury year 2005, EERBs awarded as of December 31, 2006, the year following injury, totaled 68. For injury year 2010, EERBs awarded as of December 31, 2011, the year following injury, totaled 35.

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 several 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

With the adoption of IFRS, actuarial gains and losses on post employment benefits, other than pensions are now included in administrative costs. Previously these gains and losses were smoothed into income over the estimated average remaining service life of employees. Administrative expenditures in 2011 totaled $45.7 million, an increase of $1.5 million or 3.5 per cent from 2010. This is due to:

- A $1.7 million increase primarily relating to an increase in the actuarial loss on post employment benefits, other than pensions as a result of a decrease in the long-term discount rate, and
- a net $0.2 million decrease due to decreases in salary and staff expenses due to staffing vacancies, a decrease in depreciation expense based on less project work requiring capitalization than the previous year, offset in part by increases supporting the operations at the WCB such as communications and supplies.

Legislated Obligations

The legislated obligations expenses reported by the WCB and the actual amounts reported by the province can vary significantly. The WCB and the Province of Nova Scotia have different fiscal years, the WCB is as at December 31 and the Province is as at March 31. Secondly, the WCB expense is based on a combination of actual billings and an estimate based on the forecasts of expenditures supplied by the Province.

Total Comprehensive Income

In 2011, total net revenues of $305.9 million ($290.0 million in assessment revenues plus $15.9 million investment income), less total expenditures of $371.4 million, yielded a total comprehensive loss of $65.5 million.

The funding strategy prepared in June 2011 estimated a total comprehensive loss for 2011 of $2.1 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 $0.5 million in 2011 primarily as cash utilized for benefit payments and operations was slightly less than the cash generated through assessments premiums.

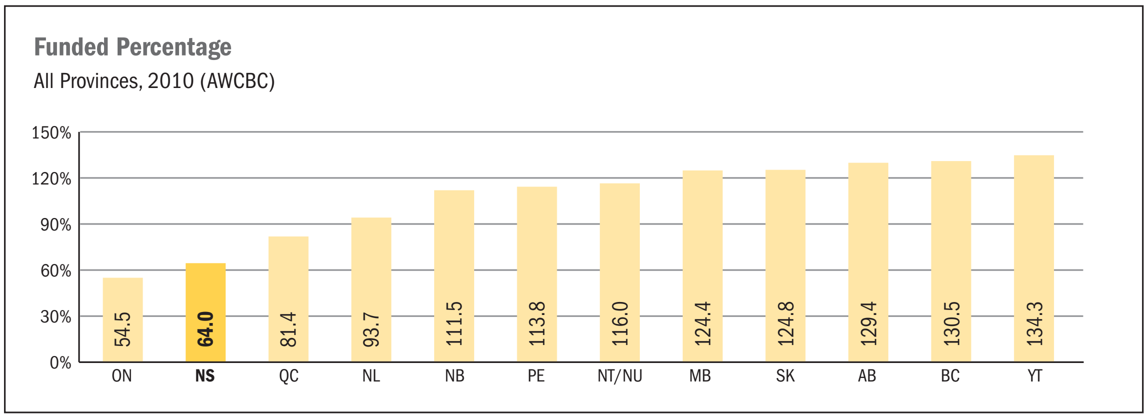
Funding Strategy

Overall, the financial results in the first twelve years of our funding strategy (1995 – 2006) were better than originally expected primarily due to increasing assessable payroll, lower than anticipated claims costs incurred, better than expected investment returns, and lower than anticipated inflation. Additionally, we experienced changes to the claims costs flowing from chronic pain, survivors, occupational cancer in firefighters and enhancements 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 which resulted in actuarial adjustments.

Investment returns in 2009 to 2011 were better than the two prior years and claims costs have begun to decrease or stabilize in some areas; however the long-term disability costs have continued to increase.

The WCB's annual revision to the funding strategy in June 2011 maintained our previously published estimated funding period of sometime between 2019 and 2023.



The funding period was partially based on an estimated total comprehensive loss for 2011 of $2.1 million, and a substantial improvement in investment returns and actuarial experience for 2011. The actual total comprehensive loss for 2011 was $65.5 million. This is $63.4 million more than expected in the funding strategy. The 2011 variances include:

- assessment revenue $4.0 million more than expected,
- investment income $57.8 million less than expected,
- claims costs incurred $6.3 million more than expected,
- growth in present value $1.5 million less than expected,
- unfavorable actuarial experience adjustments $6.5 million more than expected,
- administration costs $0.2 million more than expected, and
- legislated obligations $1.9 million less than expected.

Given the number of variables affecting the funding position, annual variances are expected. The variances in 2011 actual results are not expected to have a material impact on the current funding period, provided shortfalls in investment income are recovered between now and 2021. While investment revenue can fluctuate over short timeframes, it is expected to smooth out over time. The significant losses experienced in 2007 and 2008 need to be recovered in order to achieve the current funding plan. Investment returns for 2010 of 9 per cent were better than the 7 per cent expected for the year and the 7 per cent long-term assumption. However, the fund has only generated annual returns of 1.2 per cent over the last five years and 4.3 per cent over the last ten years.

The funding strategy foundation case assumes annual returns in excess of the long-term assumption in the remaining years to full funding. In order to maintain the current funding plan, investment returns will need to average approximately 8.5 per cent from 2012 to 2021. Such a scenario would yield an overall return of approximately 7.0 per cent from 1995 to 2021. If the noted returns are not achieved, the funding period will be affected.

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. This experience is discussed in detail in the "Risk Areas" section of the MD & A. If cost 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 funded 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.

The WCB Board of Directors will conduct a review of our funding strategy in connection with the 2013 annual business planning and budgeting process. We are confident that we remain on track to achieve the aggressive operational goals set for claim durations and injury rate; however we recognize that investment returns are a critical component of the funding plan that is largely outside the control of the WCB.

Note 11 of the financial statements details areas of uncertainty, including actuarial experience, which may have a significant impact on the WCB's benefits, liabilities and funding strategy. Nova Scotia continues to be among the jurisdictions in Canada with a benefits liability that is not fully funded.

Risk Areas

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

Benefit Costs

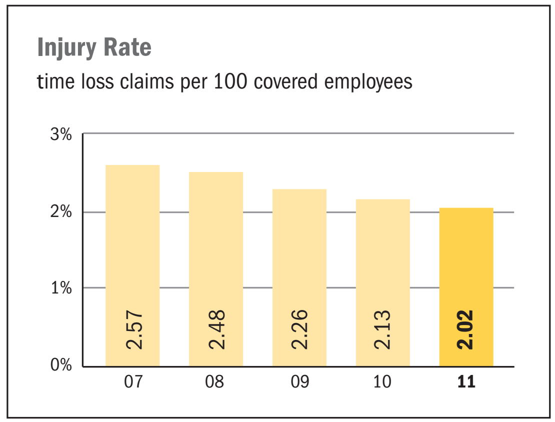
Benefit costs are affected by injury rates and claim durations. The plan anticipates an overall annual reduction in the portion of the rate used to fund claims and administration costs from $2.30 in 2007 to $1.97 in the year full funding is achieved. A permanent and sustainable injury rate of approximately 1.91 time-loss injuries per one hundred covered workers along with a reduction in the composite duration index to 85 days will yield the required savings. Forecasts for reductions in both the injury rate and the composite duration index have been revised from the original estimates. This reflects our expectation that overall volume decreases will be more substantial and will include a larger proportion of lower cost injuries than originally expected.

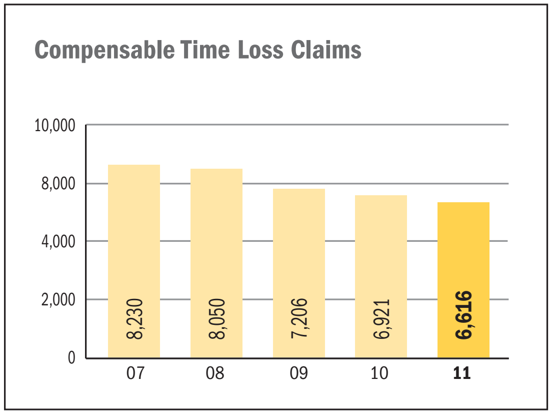
To date recent decreases in time-loss injuries and reductions in the composite duration index have led to a $0.19 reduction in the portion of the rate used to fund short-term disability costs. Progress to date, along with continued prevention efforts are expected to reverse the $0.30 increase in the portion of the average rate allocated to long-term benefits and provide an additional $0.06 reduction is the portion allocated to short-term benefits. These estimates are based on the assumption that higher risk injuries will decrease by approximately 300 to 400 claims over the next five years. If this assumption does not materialize, the savings estimates will vary and the funding strategy will likely be impacted.

Injury Rate

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, we estimated that a decrease in the overall injury rate from 2.87 per cent to 2.26 per cent, would translate to 1,800 fewer time-loss injuries relative to size of the workforce at the time the estimate was made. Additionally, if these savings were achieved by 2016, it was estimated that the portion of the rate used to fund current claims costs incurred would be reduced by $0.23.

As of December 31, 2011, there were 2,430 fewer claims than in 2005. Although we have made significant progress in terms of time loss claim reduction, savings are not yet as significant as originally expected. In part, this is because the majority of the decrease in volume over the last five years was among lower cost claims and in part because savings from long-term disability costs take





longer to materialize. Since 2005, the portion of the rate used to fund short-term disability costs has decreased from $0.58 to $0.39. However, this $0.19 decrease is more than offset by a $0.30 increase in the portion of the rate used to fund current year long-term disability costs. We expect that over time savings achieved in short-term disability costs will translate into savings in long-term disability costs.

At the end of 2011, the injury rate was 2.02 time-loss injuries per 100 covered workers. This reflects an average reduction of over 5 per cent per year since 2005. The pattern of significant improvement in this measure as seen in the past few years is not likely to be sustained and further reductions are expected to occur at a slower pace. We anticipate continued progress, with a slight decline in the injury rate in 2012.

In 2005, claims costs incurred and administration expenses absorbed $2.07 of the $2.65 average rate and the full impact of chronic pain and other benefit enhancements had not been fully absorbed. By the end of 2007, claims costs incurred and administration expenses had grown to $2.30 of the $2.65 average rate. As of December 31, 2011 the portion of the rate used to fund claims costs incurred and administration expenses totals $2.32. While progress has been made on short-term claims costs, long-term claims are slow to respond by virtue of the way costs in this category are estimated.

While we have made notable progress in time-loss claims reduction, we do expect progress will be slowed in the coming years as the Nova Scotia economy is expected to grow. Beginning in 2012, the workforce in Nova Scotia is expected to increase, primarily in manufacturing, a higher risk industry. This will challenge our ability to maintain the reductions in time loss volumes that occurred from 2008 to 2011.

Claim Durations

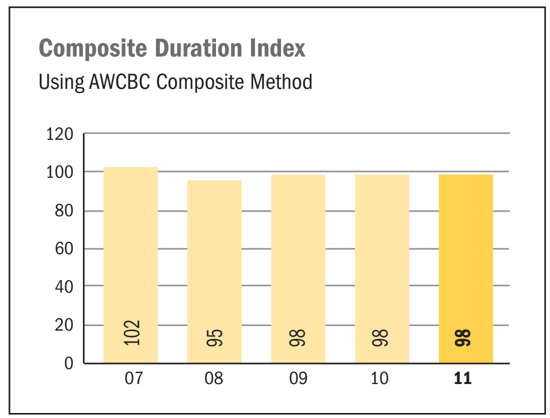
In Nova Scotia, injured workers stay on short-term benefits longer than in many other provinces and a higher proportion go on to receive permanent impairment benefits. The WCB's early intervention and return-to-work philosophy is anticipated to reduce claims costs incurred over time by shortening durations and reducing the number of workers going on to long-term disability. During 2011, progress continued on many fronts. The WCB continued to focus on:

- Managing and building relationships with the health care sector to enhance safe and timely return to work by endorsing best practices in occupational medicine.
- Through our service delivery model, we are working with our stakeholders to build stronger relationships with the people we serve, and bring the message of workplace safety to all Nova Scotians.

A significant reduction in annual claims costs could generate financial gains in the system. In 2005 we estimated a 30 day decrease in claims duration that, if achieved by 2016, would result in a $0.10 reduction in the portion of the average rate used to fund current year claims costs incurred.

As noted, recent reductions in time-loss injuries included mainly lower risk, lower cost injuries. As these avoided claims typically have short durations, their absence puts upward pressure on the average duration. In 2011, the composite duration index remained stable at 98 days. Despite this, the duration index has decreased a net of 16 days since 2005.

Since 2005, a focus of case management has been to resolve claims earlier whether the outcome is return-to-work or extended earnings loss awards. This change in timing is not yet fully reflected in the calculation of long-term claims costs. The increase in the volume of long-term awards in these early years impacts the calculation of long-term costs as higher than expected volumes are assumed to continue into later years. Additionally, we estimate that chronic pain as a compensable injury has increased long-



term disability costs by an additional $9 to $11 million annually. The combination of these factors has led to a $0.30 increase in the portion of the rate used to fund current year long-term disability costs since 2005. We expected that new long-term awards would be fewer than assumed in the cost calculation, and that the $0.30 increase in costs would be eliminated by 2016. Our actual 2011 experience was virtually on target, and with continued progress, we anticipate substantial reductions in long-term benefits to materialize in future years.

Investments in health care such as direct access to physiotherapy, expedited surgeries and the Doctors Nova Scotia contract were made with a goal to assist in return-to-work efforts. These initiatives have led to a $0.19 increase in the portion of rate used to fund current health care costs 2005 to 2007. Our reduction in claim volume and improved outcomes for injured workers has reduced the cost of health care from a high of $0.61 in 2007 to $0.51 in 2011. No significant improvements are expected and health care costs are expected to continue to absorb $0.51 of the average rate in future years.

If the reduction in new long-term awards does not occur as expected, the funding strategy will be impacted. In addition, the WCB experienced fewer than anticipated long-term awards in the early years of our earnings-loss system. As time progresses, these years will be dropped from the actuarial calculations and replaced with more recent years' experience, with a higher than expected number of awards, which has the potential to put upward pressure on long-term benefits liabilities.

Claims durations are significantly influenced by the severity of injuries that occur in the workplace. Claims are profiled as low, medium or high risk when they enter the system and the risk category is updated as warranted throughout the case management process. Estimated future cost savings assume that claim reductions will occur more proportionally across all risk categories such that the mix of claims in 2016 will move closer to the mix of claims that occurred in 2005. In recent years, we have seen a significant reduction in the volume of time loss injuries. However, the decrease has occurred in primarily low risk claims. If the mix of claims does not trend closer to 2005 levels, duration targets will not be met and the funding strategy will 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 SIPO 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 funding position.

The funding strategy has a real rate of return assumption of 3.5 per cent. Analysis indicates that 3.5 per cent 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 per cent, yields a nominal rate of 7 per cent. During 2011 an asset liability study was completed. One benefit of the study was confirmation of the reasonableness of the asset allocation strategy used to diversify the investment portfolio. Results of this study supported the current investment strategy and give us some confidence that a long-term investment return of 7 per cent is a reasonable expectation.

Economic Conditions

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 stable in recent years, the risk exists that CPI may fluctuate due to unforeseen economic developments. We are also susceptible to cost increases in the health care system where in recent years the rate of growth has been greater than general inflation.

Critical Accounting Policies and Estimates

The WCB has adopted accounting policies in accordance with International Financial Reporting Standards (IFRS) as of January 1, 2011. IFRS requires that management make significant assumptions and estimates. Financial statement Note 3 "Significant Accounting Policies" and Note 4 "Accounting Judgments and Estimates" outlines the WCB's significant accounting policies and estimates.

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 "fair value through profit and loss". As a result, reported investment income is affected by the changes in fair market values of the investments held. These changes in fair value are recorded directly in income in the period the changes occur. This adds to the volatility of reported investment income from year to year.

Actuarial Valuation of the Benefits Liabilities

The benefits liabilities determined in the financial statements 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.

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.

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.

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

We had a slight decline in the funding position in 2011, primarily attributable to investment markets returns less than 7 per cent. We will review the impact on the plan including the impact on the anticipated funding period of 2019 to 2023. The Board of Directors will revisit the funding strategy as part of the annual budget process in June 2012. On an on-going basis, the WCB consults stakeholders with respect to the appropriate balance between the level of benefits, rates charged to employers and the WCB's funding position. During 2008, the Board of Directors consulted with stakeholders across the province to develop our *Strategic Plan 2010 – 2014* with which we continue to make progress to implement. The Board will consider the points of view raised by stakeholders during the 2012 update to the funding strategy.

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 to changes in the early years. Small changes in the early years potentially have a considerable 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.

(L-R) Jamie LeBlanc, Director of Occupational Health, Safety and Employee Wellness; Dave Goodwin, General Manager of the Debert RSC; Tammy MacKinnon, NS Claims Manager; John Morse, Payroll Clerk and Joseph Frizzel, Order Selector.

Making 'safety first' a priority

Mainstay Employer Safety Champion Award: Sobeys

STELLARTON – Sobeys has made health and safety a top priority throughout its organization. The company focuses its attention in two main areas: prevention and claims management.

Sobeys views its safety programs as a partnership with many groups. Its staff and management, the Workers' Compensation Board of Nova Scotia, the Nova Scotia Department of Labour and Advanced Education, physiotherapists, occupational therapists and others. They work together to create a "safety first" atmosphere throughout Sobeys' operations.

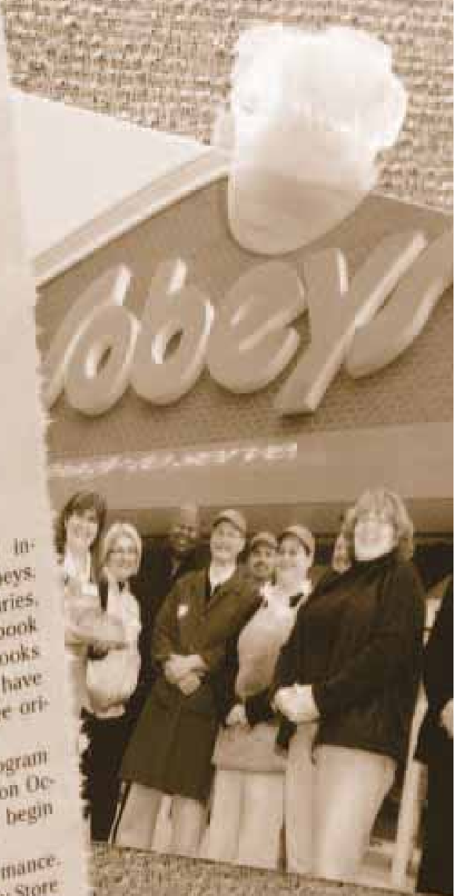
Sobeys has an extensive Occupational Health and Safety (OH&S) Audit Program. This audit includes a 518-point review done in all locations at least once per year. The company has also linked safety performance, as measured in these audits, to its incentive bonuses.

Sobeys also developed a two-day training program for all of its Joint Occupational Health and Safety Committee Members. The company has trained more than 300 employees in Nova Scotia.

Like many businesses, musculoskeletal injury (MSI) is the most common injury at Sobeys. To specifically address these types of injuries, Sobeys developed a comprehensive guidebook to avoiding MSI. The use of these guidebooks is reviewed during the OH&S audits. They have also been integrated into Sobeys' employee orientation program.

The Sobeys' Foundations Orientation Program ensures all new employees are educated on Occupational Health and Safety before they begin work.

Sobeys also celebrates safety performance. Every year the company chooses a "Safety Store of the Year" from each district in Atlantic Canada. Each winner receives a trophy and a cash donation to its Social Committee. As well, stores that receive 100 per cent on their OH&S audit also receive a trophy and the JOHS Committee is treated to a meal at a restaurant of their choice. In the first year of the award, two stores scored 100 per cent. Last year, the fourth year for the award, that increased to 15 stores.



Independent Auditor's Report

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

We have audited the accompanying financial statements of the Workers' Compensation Board of Nova Scotia, which comprise the statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the statements of comprehensive income and unfunded liability, and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of Nova Scotia as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered accountants
Halifax, Canada
16 March, 2012

Statement Of Financial Position

as at (thousands of dollars)

	December 31 2011	December 31 2010	January 1 2010
Assets			
Cash and cash equivalents	$ -	$ -	$ 5,756
Receivables (Note 5)	19,876	20,739	20,925
Investments (Note 6)	1,050,610	1,034,897	961,448
Property and equipment (Note 8)	4,594	4,616	4,379
Intangible assets (Note 9)	881	1,275	1,425
	$ 1,075,961	$ 1,061,527	$ 993,933
Liabilities and Unfunded Liability			
Bank indebtedness	$ 1,366	$ 1,823	$ -
Payables and accruals	13,010	12,967	22,437
Lease liabilities	168	123	198
Post employment benefits (Notes 10 and 20)	22,065	16,255	12,452
Benefits liabilities (Note 11)	1,705,957	1,631,449	1,561,003
	1,742,566	1,662,617	1,596,090
Unfunded liability	(666,605)	(601,090)	(602,157)
	$ 1,075,961	$ 1,061,527	$ 993,933

Commitments (Note 19)

Approved on behalf of the Board of Directors on March 16, 2012:

Elaine Sibson
Chair

Jim Melvin
Chair, Audit and Risk
Oversight Committee

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

Statement of Comprehensive Income and Unfunded Liability

Year ended December 31 (thousands of dollars)

	2011	2010
Revenue		
Assessments (Notes 12 and 17)	$ 289,956	$ 282,587
Investment income (Note 6)	15,894	83,573
	305,850	366,160
Expenses		
Claims costs incurred (Notes 11 and 16)	193,976	189,646
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 11)	119,176	120,331
Administration costs (Notes 13 and 17)	45,702	44,176
System support (Note 14)	831	760
Legislated obligations (Note 15)	11,680	10,180
	371,365	365,093
Comprehensive (loss) income	(65,515)	1,067
Unfunded liability, beginning of year	(601,090)	(602,157)
Unfunded liability, end of year	$ (666,605)	$ (601,090)

Statement of Cash Flows

Year ended December 31 (thousands of dollars)

	2011	2010
Operating Activities		
Cash received from:		
Employers, for assessments	$ 287,874	$ 278,896
Net investment income	46,565	92,978
	334,439	371,874
Cash paid to:		
Claimants or third parties on their behalf	(233,198)	(233,467
Suppliers, for administrative and other goods and services	(53,087)	(60,983)
	(286,285)	(294,450)
Net cash provided by operating activities	48,154	77,424
Investing Activities		
Increase in investments, net	(46,380)	(82,852)
Purchases of equipment	(1,317)	(2,151)
Net cash used in investing activities	(47,697)	(85,003)
Net increase (decrease) in cash and cash equivalents	457	(7,579)
Bank indebtedness, cash and cash equivalents, beginning of year	(1,823)	5,756
Bank Indebtedness, end of year	$ (1,366)	$ (1,823)

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

Notes to the Financial Statements

Year Ended December 31 (thousands of dollars)

1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia (the "WCB") is a board established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act* (the "*Act*"), and is exempt from income tax. The address of the WCB's primary operations is 5668 South Street in Halifax, Nova Scotia. 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.

The current *Act* came into force February 1, 1996. Various amendments have since occurred to the *Act* and have received Royal Assent.

2. BASIS OF PREPARATION

Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in effect as at December 31, 2011. These standards have been adopted by the Accounting Standards Board of Canada as Canadian generally accepted accounting principles. These are the WCB's first financial statements prepared in accordance with IFRS. The principle accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied except where departure from IFRS is explicitly permitted under the transitional provisions for IFRS 1 First-time Adoption of International Financial Reporting Standards.

The transition to IFRS impacted the reported financial position and financial performance of the WCB as described in note 22.

Going concern
The WCB has assessed all relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy in place for the elimination of the unfunded liability.

Basis of measurement
The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the significant accounting polices below. Historical cost is based on the fair value of the consideration given in exchange for assets.

These financial statements are prepared and rounded in thousands of Canadian dollars unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared within the framework of the following accounting policies:

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

b) Assessments Revenue and Receivable

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 recorded is a combination of actual and estimate based on statistical data. The difference between the estimate and the actual income received is adjusted to income in the following year. Historically, the difference has not been material.

c) Investments

The WCB has designated all portfolio investments as fair value through profit and loss. Realized gains and losses on the sale of investments and unrealized gains and losses arising from the change in the fair value of investments are recorded in investment income in the period in which they arise. All purchases and sales of portfolio investments are recognized on the date the trades are executed. Income from interest, dividends and investment foreign currency gains and losses are recognized as investment income in the period earned. Investment income is presented net of investment expenses.

The following determines fair value of investments:

- Equities are valued at quoted market prices at year end as per security exchanges.
- Pooled fund units (securities and fixed income) are valued at their year-end net asset values as determined by the fund managers.
- The fair value of real estate fund units is based on independent property appraisals net of fund liabilities as determined by the fund manager.
- Forward foreign exchange contracts are recorded at the current unrealized gain or loss position at year end based on quoted market prices for the underlying currencies.

d) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Depreciation is charged using the straight-line method over the estimated useful life of the asset. A useful life of 10 to 40 years is used for building components and from 5 to 20 years for furniture and facilities, equipment and computer hardware. With the exception of equipment under finance leases, in the year of acquisition, a half year's amortization is taken. The useful lives of items of property and equipment are reviewed at each balance sheet date and adjusted if required.

Finance leases

Finance leases transfer to the WCB substantially all the risks and benefits of ownership of the leased property. These leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned to interest charges and the reduction of the lease liability until the liability is reduced to zero at the end of the lease term. Leased assets are depreciated over the useful life of the asset or over the lease term, whichever is shorter.

e) Post-Employment 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 projected unit credit method is used to calculate the defined benefit obligations and current service costs. The obligation is measured using actuarial assumptions which represent management's best estimates of the variables that will determine the ultimate cost of post-employment benefits. Actuarial assumptions are comprised of demographic and financial assumptions and are disclosed in detail in note 10. Actuarial gains and losses arise from the actual experience of the plan's liabilities for a period and the assumed outcome for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. Discount rates are based on the market yields of high quality corporate bonds. Current service and interest costs, and actuarial gains and losses are recorded through profit and loss in the period in which they arise.

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. The benefits liabilities are accounted for using IFRS 4 – insurance contracts.

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) Financial Instruments

The WCB has early adopted IFRS 9 – financial instruments, which require financial instruments to be classified as either amortized cost, or fair value through profit and loss. The applicable financial instruments for the WCB are as follows:

- Cash and cash equivalents – recorded at amortized cost
- Accounts receivable and payable – recorded at amortized cost
- Investments – recorded as fair value through profit and loss

The carrying values of cash and cash equivalents, accounts receivables, and payables 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 includes a currency overlay hedge strategy as described in Note 7. The WCB has elected not to apply hedge accounting.

i) Intangible Assets

Intangible assets are stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Intangible assets consist of externally purchased and internally generated software applications, and process development costs. To qualify for capitalization the intangible asset must be separately identifiable, the WCB must have control of the asset and the asset must have future economic benefits.

Amortization is charged on a straight-line basis over a period of 5 to 10 years for internally generated software and process development costs, with one half year's depreciation taken in the year of completion.

Expenditures related to the research phase of an internal project are recognized as an expense in the period incurred. Software purchases are depreciated on a declining-balance basis at an annual rate of 50 per cent. Depreciation expense is included in administration expenses on the statement of operations. The useful lives of intangible assets are reviewed at each balance sheet date and adjusted if required.

j) Asset Impairment Testing

IFRS require a test for impairment at least annually whenever there is objective evidence that the carrying value of an asset may exceed its fair value. Impairment tests must be conducted for an individual asset, an asset group or at the cash-generating unit level which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows of other assets.

Based on the analysis of the cash flows, the WCB has determined that it is a single cash generating unit. Impairment of assets at the entity level is unlikely as the WCB has the power under the *Act* to revise premiums to ensure the continuity of the workers' compensation system. Therefore, individual assets are monitored for impairment using a variety of qualitative considerations including, but not limited to: obsolescence, damage, reduction in asset performance, disposal or the existence of plans to discontinue the use of the asset. If an asset is deemed impaired, the asset is written off completely or subjected to accelerated depreciation, whichever is appropriate.

k) Future Accounting Policy Developments

WCB staff monitors the pronouncements of the International Accounting Standards Board (IASB) and considers the impact that changes in standards may have on the WCB's financial reporting. The IASB has ongoing projects to improve existing standards and issue new standards, some of which will impact the WCB as follows:

IFRS 4, Insurance contracts – An exposure draft has been released on insurance contracts proposing to change the basis of accounting for insurance contracts to fair value by changing the method of determining the discount rate. This standard change may have a significant impact on the financial statements of the WCB. The effective date has not yet been set as it is being considered in coordination with other standard amendments.

IFRS 13, Fair value measurement – Fair value measurement establishes a single source of guidance for fair value measurements. The standard also requires enhanced disclosures when fair value is applied. The standard is effective for annual periods beginning on or after January 1, 2013.

IAS 17, Leases – The IASB has issued an exposure draft proposing a new accounting model for leases where the classification of operating leases would be eliminated and all leases will be recorded with assets and liabilities on the statement of financial position. The total impact on the WCB is not yet determinable and will be assessed when the final standard is issued. An effective date has not yet been determined.

IAS 19, Employee benefits – The IASB has issued a revised section on employee benefits. This revised standard is applicable for years beginning on or after January 1, 2013. The revised standard will require changes in actuarial assumptions from year to year be recorded in other comprehensive income rather than the WCB's current practice of recording through profit and loss.

4. ACCOUNTING JUDGEMENTS & ESTIMATES

The preparation of financial statements in conformity with IFRS 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. Legislated Obligations excluding the Workers' Compensation Appeals Tribunal are based on forecasts supplied by the Province of Nova Scotia with the actual billing through an order in council occurring post release of the annual report.

Information about the judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in detail in the following notes:

- Note 10 – Post-employment benefits
- Note 11 – Benefits Liabilities
- Note 12 – Revenue

5. RECEIVABLES

	December 31 2011	December 31 2010	January 1 2010
Assessments	$ 16,716	$ 18,690	$ 17,809
Self-insured employers	3,730	4,054	4,472
Assessments receivable	20,446	22,744	22,281
Self-insured employers – deposits	(2,467)	(3,867)	(3,872)
Harmonized Sales Tax rebate	453	342	342
Other	1,444	1,520	2,174
	$ 19,876	$ 20,739	$ 20,925

Assessments receivable are net of an allowance for doubtful accounts of $1,422 in 2011 (2010 – $1,424). Other receivables are net of an allowance for doubtful accounts of $947 in 2011 (2010 – $781).

6. INVESTMENTS

	December 31 2011	December 31 2010	January 1 2010
Money market	$ 742	$ 822	$ 3,550
Currency overlay	4,792	6,688	3,735
Fixed-term investments	327,215	282,826	295,860
Equities	600,051	642,948	560,105
Real estate	117,293	101,437	97,582
Accrued interest	517	176	616
Total	$1,050,610	$1,034,897	$ 961,448

Investment Income	2011	2010
Interest and dividends	$ 33,600	$ 24,448
Realized gains from the sale of investments	17,522	53,055
Change in fair market value	(28,772)	(2,354)
Currency overlay (loss)/gain	(3,602)	11,070
Portfolio management expenses	(2,854)	(2,646)
Net investment income	$ 15,894	$ 83,573

7. FINANCIAL RISK MANAGEMENT

In accordance with IFRS 7 – *Financial instruments – Disclosure*, the following provides qualitative and quantitative information relating to market risk, interest rate and currency risks; credit risk and liquidity risk.

The WCB manages its investments in accordance with a Statement of Investment Policies and Objectives 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.

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 following table presents the decrease to comprehensive income ("CI") as a result of a potential adverse change in the key risk variable – the sector benchmark – for each equity mandate in the WCB's investment portfolio. Possible outcomes are estimated using the historical 5-year variability as measured by the standard deviation of each mandate.

	2011		2010	
Equities	% Change	CI Impact	% Change	CI Impact
Canadian				
1 standard deviation	18.7%	$ (35,162)	18.1%	$ (40,921)
2 standard deviation	37.4%	$ (70,324)	36.2%	$ (81,843)
United States				
1 standard deviation	15.6%	$ (34,671)	15.9%	$ (33,407)
2 standard deviation	31.2%	$ (69,342)	31.8%	$(66,815)
International (EAFE)*				
1 standard deviation	16.3%	$ (30,932)	17.2%	$ (35,569)
2 standard deviation	32.6%	$ (61,864)	34.4%	$ (71,138)

** Europe, Australasia and Far East*

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. As at December 31, 2011, the duration of the bond portfolio was 6.8 years (6.3 years in 2010).

The following table presents the effect of an increase in market interest rates for the bond portfolio (which is held in pooled funds) and the resulting decrease to comprehensive income.

	2011	2010
Fixed Income	CI Impact	CI Impact
0.5% change	$(11,015)	$ (7,402)
1.0% change	$(21,288)	$(16,118)

The credit ratings of the WCB's fixed-income securities at December 31st are listed in the table below. Credit ratings are obtained from Standard & Poor's, Moody's or Dominion Bond Rating Service.

	2011		2010		January 1, 2010	
Credit Rating	Total	%	Total	%	Total	%
AAA	$ 160,990	49.2%	$ 145,203	51.3%	$153,433	51.9%
AA	75,914	23.2%	64,711	22.9%	69,350	23.4%
A	68,061	20.8%	55,858	19.8%	56,213	19.0%
BBB	22,250	6.8%	17,054	6.0%	16,864	5.7%
Total	$ 327,215	100%	$ 282,826	100%	$295,860	100%

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 per cent 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.

The following table presents the effect of a 10 per cent appreciation in the Canadian dollar as compared to the US Dollar, Euro, Japanese Yen and British Pound and the decrease to comprehensive income.

	2011	2010
Currency	CI Impact	CI Impact
USD	$(11,118)	$(10,234)
EURO	$ (4,806)	$ (5,099)
YEN	$ (2,524)	$ (2,661)
POUND	$ (2,202)	$ (2,084)

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 statement of investment policies and objectives that addresses asset mix and investment constraints with respect to the credit quality of short-term investments and fixed-term investments.

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.

Fair Value Hierarchy
A fair value hierarchy is used to categorize valuation techniques used in the determination of fair value. Quoted market prices are categorized as Level 1, internal models using observable market information as inputs are Level 2, and internal models without observable market information as inputs are Level 3.

The following fair value hierarchy table presents information about the financial assets measured at fair value on a recurring basis as of December 31st

2011	Level 1	Level 2	Total
Short-term investments	$ 1,259	$ -	$ 1,259
Currency overlay	-	4,792	4,792
Fixed term investments	327,215	-	327,215
Equities	600,051	-	600,051
Real estate	117,293	-	117,293
	$ 1,045,818	$ 4,792	$ 1,050,610

2010	Level 1	Level 2	Total
	$ 1,028,209	$ 6,688	$ 1,034,897

January 1, 2010	Level 1	Level 2	Total
	$ 956,863	$ 4,585	$ 961,448

There were no transfers between Level 1 and Level 2 during either year and no Level 3 financial assets were held.

8. PROPERTY AND EQUIPMENT

	Land and building[1]	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2011	$ 4,599	$ 3,970	$ 3,026	$ 11,595
Additions	347	361	491	1,199
Disposals & retirements	(719)	(1,659)	(1,183)	(3,561)
Balance at Dec. 31, 2011	$ 4,227	$ 2,672	$ 2,334	$ 9,233
Depreciation and impairment				
Balance at Jan. 1, 2011	$ 2,185	$ 2,884	$ 1,910	$ 6,979
Current period depreciation[2]	333	395	469	1,197
Impairment losses	8	7	9	24
Disposals & retirements	(719)	(1,659)	(1,183)	(3,561)
Balance at Dec. 31, 2011	$ 1,807	$ 1,627	$ 1,205	$ 4,639
Carrying amount at Dec. 31, 2011	$ 2,420	$ 1,045	$ 1,129	$ 4,594

	Land and building[1]	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2010	$ 4,033	$ 3,937	$ 2,866	$ 10,836
Additions	939	142	467	1,548
Disposals & retirements	(373)	(109)	(307)	(789)
Balance at Dec. 31, 2010	$ 4,599	$ 3,970	$ 3,026	$ 11,595
Depreciation and impairment				
Balance at Jan. 1, 2010	$ 2,175	$ 2,584	$ 1,698	$ 6,457
Current period depreciation[2]	281	407	501	1,189
Impairment losses	102	2	-	104
Disposals & retirements	(373)	(109)	(289)	(771)
Balance at Dec. 31, 2010	$ 2,185	$ 2,884	$ 1,910	$ 6,979
Carrying amount at Dec. 31, 2010	$ 2,414	$ 1,086	$ 1,116	$ 4,616

[1] Includes $155 for the cost of the land that the building is situated on. Land has an indefinite useful life and is not depreciated.
[2] Depreciation of $1,765 (2010 – $1,189) is included in "administration expenses" on the income statement of which $88 (2010 – $84) represents depreciation on assets under finance lease.

Finance leased assets

Equipment and computer hardware includes the following amounts where the WCB is a lessee under finance leases:

	2011	2010
Cost – capitalized finance leases	$ 307	$ 177
Accumulated depreciation	(145)	(57)
Net book value	$ 162	$ 120

Additions to equipment under finance leases during the year were $131 (2010 – $24).

9. INTANGIBLE ASSETS

	Acquired software	Internally generated software	Internally generated processes	Total
Historical cost				
Balance at Jan. 1, 2011	$ 768	$ 926	$ 5,708	$ 7,402
Additions	112	137	-	249
Disposals & retirements	(60)	-	(5,094)	(5,154)
Balance at Dec. 31, 2011	$ 820	$ 1,063	$ 614	$ 2,497
Depreciation and impairment				
Balance at Jan. 1, 2011	$ 506	$ 273	$ 5,348	$ 6,127
Current period depreciation	237	238	168	643
Impairment losses	-	-	-	-
Disposals & retirements	(60)	-	(5,094)	(5,154)
Balance at Dec. 31, 2011	$ 683	$ 511	$ 422	$ 1,616
Carrying amount at Dec. 31, 2011	$ 137	$ 552	$ 192	$ 881

	Acquired software	Internally generated software	Internally generated processes	Total
Historical cost				
Balance at Jan. 1, 2010	$ 588	$ 484	$ 8,457	$ 9,529
Additions	186	442	-	628
Disposals & retirements	(6)	-	(2,749)	(2,755)
Balance at Dec. 31, 2010	$ 768	$ 926	$ 5,708	$ 7,402
Depreciation and impairment				
Balance at Jan. 1, 2010	$ 302	$ 40	$ 7,762	$ 8,104
Current period depreciation	210	233	335	778
Impairment losses	-	-	-	-
Disposals & retirements	(6)	-	(2,749)	(2,755)
Balance at Dec. 31, 2010	$ 506	$ 273	$ 5,348	$ 6,127
Carrying amount at Dec. 31, 2010	$ 262	$ 653	$ 360	$ 1,275

10. POST-EMPLOYMENT BENEFITS

The WCB provides post-employment benefits other than pensions (Note 20) consisting of retirement allowances, post-employment life insurance, dental and medical programs. An actuarial valuation was performed as at December 31, 2009.

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

	2011	2010
Discount rate, benefits expense for year	5.75%	6.75%
Discount rate, accrued benefit obligation	4.60%	5.75%
Expected health-care costs trend rate; decreasing annually by 0.50% increments to an ultimate rate of 5.00%	7.00%	7.50%
Drug claim increases trend rate; decreasing annually by 0.50% increments to an ultimate rate of 6.00%	8.00%	8.50%
Dental cost escalation	3.50%	3.50%
Retirement age assumption	59 years	59 years

Costs Arising in the Period	2011	2010
Current service costs	$ 927	$ 710
Interest costs	982	879
Actuarial losses on ABO (a)	4,105	2,504
Total employee future benefits expense	$ 6,014	$ 4,093

Accrued Benefit Obligation	2011	2010
Beginning of year	$ 16,255	$ 12,452
Total employee future benefits expense	6,014	4,093
Benefits paid	(204)	(290)
End of year	$ 22,065	$ 16,255

a) A change was made in the actuarial assumptions in 2011 decreasing the discount rate on accrued benefit obligation from 5.75 per cent to 4.60 per cent, resulting in an actuarial loss of $4.105 million.

The following table provides sensitivity for Comprehensive Income (CI) for changes to the discount rate or the assumed health care cost trend rates the result

	2011 CI Impact	2010 CI Impact
1 % decrease in the discount rate	$ (5,054)	$ (3,270)
1% increase in the discount rate	$ 3,818	$ 2,505
1% decrease in the assumed health care cost trend rate	$ 3,443	$ 2,071
1% increase in the assumed health care cost trend rate	$ (4,607)	$ (2,718)

11. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2011
Balance, beginning of year	$ 85,504	$ 1,054,465	$ 125,700	$ 266,794	$ 6,640	$ 1,539,103	$ 92,346	$ 1,631,449
Growth in present value of benefit liabilities	5,956	72,869	8,481	18,491	465	106,262	6,376	112,638
Change in actuarial assumptions (a)	-	-	-	-	-	-	-	-
Actuarial experience adjustments (b)	(7,645)	12,690	(997)	3,785	(1,665)	6,168	370	6,538
Total growth	(1,689)	85,559	7,484	22,276	(1,200)	112,430	6,746	119,176
Claims costs incurred	40,711	92,592	4,970	54,808	895	193,976	9,654	203,630
Less: Claims payments made	(41,542)	(119,562)	(14,049)	(60,085)	(878)	(236,116)	(12,182)	(248,298)
Balance, end of year	$ 82,984	$ 1,113,054	$ 124,105	$ 283,793	$ 5,457	$ 1,609,393	$ 96,564	$ 1,705,957

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2010
Balance, beginning of year	$ 85,802	$ 1,005,917	$ 128,432	$ 246,585	$ 5,908	$ 1,472,644	$ 88,359	$ 1,561,003
Growth in present value of benefits liabilities	5,941	69,398	8,636	17,056	406	101,437	6,086	107,523
Change in actuarial assumptions (a)	-	9,724	1,534	817	-	12,075	724	12,799
Actuarial experience adjustments (b)	(4,380)	(1,547)	(2,774)	8,179	530	8	1	9
Total growth	1,561	77,575	7,396	26,052	936	113,520	6,811	120,331
Claims costs incurred	41,907	87,612	3,929	55,035	1,163	189,646	9,395	199,041
Less: Claims payments made	(43,766)	(116,639)	(14,057)	(60,878)	(1,367)	(236,707)	(12,219)	(248,926)
Balance, end of year	$ 85,504	$ 1,054,465	$ 125,700	$ 266,794	$ 6,640	$ 1,539,103	$ 92,346	$ 1,631,449

a) In 2011 there were no changes in actuarial assumptions. In 2010, changes in actuarial assumptions and methodology increased the benefits liability by $12,799 due to a change in mortality assumptions.

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 2011, actuarial experience adjustments increasing the benefits liabilities totalled $6,538. The adjustments included:

- An increase of $17,700 as a result of an increase in the provision for outstanding EERBs and PIBs for prior years.
- A decrease of $11,500 as a result of fewer than expected new EERBs and PIBs granted in 2011.
- An increase of $10,600 as a result of higher than anticipated inflation for awards in pay.
- A net increase of $2,900 as a result of higher than expected payments at later duration, primarily healthcare related.
- A net decrease of $5,500 as a result of mortality experience.
- A net decrease of $5,900 as a result of actual payments less than expected due to positive experience trends, primarily in short-term disability.
- Other non-specified actuarial adjustments resulted in a decrease to the benefits liabilities of $1,762.

In 2010, actuarial experience adjustments increasing benefits liabilities totalled $9. The adjustments included:

- A net increase of $5,590 as a result of a change in healthcare payment patterns. For accidents prior to 2004, the benefits liability was increased by $10,188 and for accidents after 2003, the benefits liability was decreased by $4,598.
- Other non-specified experience adjustments decreased benefits liabilities by $5,581.

Actuarial assumptions and methods

All liabilities were calculated using an underlying assumption of 3.5 per cent for real rate of return on assets and a rate of increase in the Consumer Price Index (CPI) equal to 3.5 per cent in 2011 (2010 – 3.5 per cent) per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.0 per cent in 2011 (2010 – 7.0 per cent) per annum. The inflation assumptions and the resulting net interest rates for:

2011 and 2010

Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits (LTD)	0.5% + CPI	4.0%	3.0%
All 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%

General Statement – Given the statutory nature of its operations, the Board adopts a long-term view for running its business. A long-term perspective avoids overreaction to what may be a temporary trend and provides for more stable assessment rates. Economic assumptions are chosen to be consistent with the Board's approved investment and funding strategies, which both consider very long-term trends. Demographic assumptions are chosen to reflect the Board's actual underlying experience. Given the significant statistical volatility associated with workers' compensation benefits, demographic assumptions are not updated each year in response to emerging experience. Rather, they are updated over time once enough experience is available to credibly suggest that deviations are due to actual trends rather than statistical fluctuations.

Consumer Price Index – The 3.50 per cent assumption for the rate of increase in CPI is chosen to be consistent with assumptions used in the Board's funding strategy. This rate is consistent with long-term averages.

Real Rate of Return – The 3.50 per cent real rate of return assumption was chosen to be consistent with the Board's funding and investment strategies. It is based on expected long-term real return on the assets backing the benefit liabilities. Analysis of historical returns by Board staff has shown that 3.50 per cent appears to be a reasonable and prudent real return target (after investment expenses) given the Board's strategic asset allocation for the Injury Fund.

Gross Rate of return – The gross rate of return assumption is derived as the sum of the Board's CPI and real rate of return assumptions. Given CPI and real rate of return assumptions of 3.50 per cent each, the gross rate of return assumption is 7.00 per cent (i.e. 3.50 per cent + 3.50 per cent).

Benefit Inflation – The inflation rates assumed for the specific benefit categories are based on their relation to general consumer price inflation, as follows:

LTD & Survivor Benefits – The *Act* specifies indexing for these benefits at a rate equal to 50 per cent of the change in the CPI. The assumption is 50 per cent of CPI or 1.75 per cent (i.e. 50 per cent of 3.50 per cent).

Medical Aid Benefits – The cost of medical care has historically increased at rates exceeding the general rate of inflation. To account for this, the assumption is that increases due to medical inflation and utilization will be 1.75 per cent higher than the general rate of inflation. As a result, medical inflation assumption is 5.25 per cent (i.e. 1.75 per cent + 3.50 per cent). The appropriateness of this rate is monitored on a regular basis.

Supplementary Awards – Supplementary awards provide an income tested benefit to certain claimants injured prior to March 23, 1990. The assumption is that indexing for supplementary awards will be 0.50 per cent higher than the general rate of inflation, or 4.00 per cent (3.50 per cent + 0.50 per cent). Past reviews of supplementary award experience has shown this assumption to be adequate.

All Other Benefits – All other benefits are subject to general inflation; therefore utilizing the same assumption as used for CPI (i.e. 3.50 per cent).

Future administration – Future administrative expenses are assumed to be equal to 6.0 per cent of future benefit payments. This assumption is based on an internal review of past administrative expenses conducted by Board staff and is monitored each year to ensure that it remains appropriate.

Occupational disease – The valuation does not include an explicit provision for occupational disease. Given the methodology used in the valuation for future award liabilities and future permanent awards, some provision for occupational disease is included in the benefits liability to the extent that past occupational disease claims are reflected in the patterns used to predict future costs.

Mortality – Mortality for permanent awards is based on the 1983 Group Annuitant Mortality Table (GAM 1983) with a 10 per cent margin (i.e. mortality rates are reduced by 10 per cent to reflect on-going increases in life expectancy). This table was selected based on the results of a study of the Board's mortality experience conducted during 2010. This assumption has a relatively limited effect on the valuation because it mainly impacts those awards which are payable for life (CRS Pensions) which make up less than 20 per cent of the liability as at December 31, 2011.

Future Permanent Awards – Future EERB and PIB awards are assumed to occur in accordance with claims run-off tables. These run-off tables are based on the past claims patterns for the Board and are updated from time to time as emerging experience dictates. The run-off tables currently in use were developed for the 2008 valuation. Each year, actual claim experience is compared to that expected by the table and minor experience adjustments are implemented when warranted.

Sensitivity analysis of insurance risk
The benefit liabilities determined in the report are estimated using many actuarial assumptions. The two most significant assumptions are the long-term real rate of return (3.50 per cent) and the long-term inflation rate (3.50 per cent). The liability estimates are highly sensitive to small changes in these assumptions. The following table provides examples of sensitivity along with the implied investment rate for the test.

Section 5460 of the actuarial standards of practice for Public Personal Injury Compensation Plans requires, at minimum, sensitivity testing be provided for certain specified scenarios. These mandated scenarios are tested, along with other plausible scenarios as summarized below:

- Scenario 1 tests the impact of a 100 basis point decrease in the assumed rate of investment earnings.
- Scenario 2 tests the impact of a 100 basis point increase in the assumed rate of inflation.
- Scenario 3 shows the impact of using a discount rate that is equal to the expected rate of return earned on a hypothetical fixed income portfolio, consisting of high-quality bonds of pertinent duration. This scenario can also be thought of as a market value based measurement of the benefits liabilities.
- Scenario 4 shows the impact of strengthening economic assumptions by reducing the assumed inflation rate by 50 basis points.
- Scenario 5 shows the impact of strengthening economic assumptions by reducing both the assumed inflation rate and real rate of return by 50 basis points.
- Scenario 6 provides an integrated test of the impact of a high inflation, low real rate of return environment.
- Scenario 7 provides the impact of a 1 per cent increase in the assumed healthcare inflation rate.

Sensitivity of Valuation Assumptions

	Assumptions			Change to Liabilities and Incurred Claims		
	Real Return	Inflation	Investment	Effect	Liabilities	Incurred Claims
1	2.5%	3.5%	6.0%	Increase	$ 135,892	$ 12,426
2	3.5%	4.5%	8.0%	Decrease	(29,730)	(2,731)
3	1.5%	2.0%	3.5%	Increase	363,862	33,522
4	3.5%	3.0%	6.5%	Increase	16,623	1,522
5	3.0%	3.0%	6.0%	Increase	83,095	7,606
6	2.5%	4.5%	7.0%	Increase	102,636	9,318
7	Increase Healthcare Inflation Rate by 1.0%			Increase	32,650	2,786

Claims risk management

a) Managing insurance risk

The WCB has an objective to manage claims risk. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations are significantly affected by factors external to the WCB.

Insurance risk associated with the volume and cost of claims is managed by focussing on performance at the system level, the industry level and the employer level. The balanced scorecard includes corporate performance measures for financial and operational results. Annually, these metrics are linked to the funding strategy and go through a targeting exercise where corporate targets are developed. Metrics are tracked and reported to the Board of Directors quarterly.

At the industry level, Integrated Service Teams are aligned by industry, in order to focus on a single industry, and add value from an injury prevention and return-to-work perspective. Work includes assisting the industry safety associations understand the trends in their industries and target areas where value can be added. At the employer level, employer performance and use identifies those employers that could improve results from a prevention and return-to-work perspective. In addition, the rate-setting model provides incentives through Experience Rating for employers to manage injuries and work to prevent future injuries.

b) Concentration of insurance risk

A large proportion of the covered workers are employed in a relatively small number of workplaces. These workplaces receive more personalized services through Integrated Service Teams, including relationship management, prevention and return-to-work consulting. In addition to focusing on workplaces with a large number of employers, the NS Department of Labour and Advanced Education is provided with data to allow targeted occupational health & safety inspections.

Claims development table
The top section of the table shows the total dollar amount expected to be paid on claims incurred in the accident year as estimated at various times. Claims paid are referred as "cash flows" in the table so as to be clear that these figures do not include discounting.

To put the top section of the table in context, consider the entry in accident year 2008, and year of estimate 2008 (i.e., $268,645). This figure was the estimated total claims (or cash flows) expected to arise out of accidents in 2008, as measured at December 31, 2008. The amount in accident year 2008, and year of estimate 2011 (i.e., $278,871) provides the same figure, just re-estimated at a later date. Estimated cash flows in respect of individual accident years will continue to change over time to the extent there are changes in actuarial assumptions and experience is different than expected.

The lower section of the table shows the development of the liability (or present value of future cash flows associated with each accident year) for accident years 2006 through 2011, as well as the liability in respect of accidents prior to 2006.

Claims development table

	Year of Estimate	Accident Year 2006	2007	2008	2009	2010	2011	Total
Estimated Total Cash Flow	2006	229,438						$ 229,438
(Including Past and Future Cash Flows)	2007	256,543	264,014					520,557
	2008	255,618	258,286	268,645				782,549
	2009	271,732	259,194	268,721	277,094			1,076,741
	2010	272,107	264,685	274,394	272,679	291,200		1,375,065
	2011	275,864	266,190	278,871	262,142	285,756	307,785	1,676,608
Current (2011) Estimate of Total Cash Flow		275,864	266,190	278,871	262,142	285,756	307,785	1,676,608
Total Cash Flows Paid to December 31, 2011		(105,164)	(93,581)	(81,886)	(65,936)	(50,733)	(25,467)	(422,767)
Estimated Future Cash Flows		170,700	172,609	196,985	196,206	235,023	282,318	1,253,841
Impact of Discounting		(82,277)	(84,424)	(98,340)	(99,170)	(120,556)	(142,003)	(626,770)
Liability in Respect of Accident Years 2006 to 2011		88,423	88,185	98,645	97,036	114,467	140,315	627,071
Liability in Respect of Accident Years 2005 and Prior								982,322
Claims Administration								96,564
								$ 1,705,957

12. ASSESSMENT REVENUE

	2011	2010
Assessed employers	$ 249,419	$ 242,128
Self-insured employers (Note 16)	39,495	39,365
Assessment reporting penalties and interest	1,042	1,094
	$ 289,956	$ 282,587

13. ADMINISTRATION COSTS

	2011	2010
Salaries and staff expense	$ 32,772	$ 33,138
Building operations	2,170	2,412
Depreciation	1,765	1,987
Services contracted	1,704	1,666
Professional, consulting and service fees	1,625	1,631
Communications	1,550	1,447
Supplies	920	823
Travel and accommodation	894	906
Training and development	725	485
	$ 44,125	$ 44,586
Change in liability for future administration costs	(2,528)	(2,824)
Actuarial loss on post employment benefits, other than pensions	4,105	2,505
	$ 45,702	$ 44,176

14. 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.

15. LEGISLATED OBLIGATIONS

	2011	2010
Occupational Health and Safety	$ 7,201	$ 6,084
Workers' Advisers Program	2,709	2,392
Workers' Compensation Appeals Tribunal	1,567	1,528
Injured Workers' Associations	203	176
	$ 11,680	$ 10,180

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

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 Department of Labour and Advanced Education deems appropriate, or the Governor in Council prescribes.

16. 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.

	2011	2010
Revenue	$ 39,495	$ 39,365
Claims payments made		
Short-term disability	$ 4,467	$ 4,610
Long-term disability	17,829	18,013
Survivor benefits	3,097	2,982
Health care	7,625	7,225
Rehabilitation	66	225
	33,084	33,055
Administration costs	6,411	6,310
	$ 39,495	$ 39,365

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.

17. RELATED PARTY TRANSACTIONS

The WCB provides self-insured coverage to provincial government agencies and departments. The Province is considered a related party as the Province administers the *Act* which the WCB is governed. 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 16 for the Province of Nova Scotia are as follows:

	2011	2010
Revenue	$ 5,981	$ 5,371
Claims payments made	$ 4,769	$ 4,185
Administration costs	1,212	1,186
	$ 5,981	$ 5,371

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, 2011, the amount receivable from the Province of Nova Scotia was $518 (2010 – $610) for claims payments made and administration costs.

Key management personnel of the WCB (comprised of the WCB CEO, Vice Presidents and Directors and the Board of Directors) are deemed related parties. In addition, close family members of the key management personnel are also related parties of the WCB. There were no transactions or relationships with these related parties that require disclosure.

18. INDUSTRY LEVIES

As a result of Orders-in-Council or agreements with the industry associations, 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 or agreements with the industry associations. 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	2011	2010
Construction	Nova Scotia Construction Safety Association	$ 960	$ 904
Trucking	Nova Scotia Trucking Safety Association	229	231
Fishing	Fisheries Safety Association of Nova Scotia	225	219
Forestry	Forestry Safety Society	152	156
Auto Retailers	NS Automobile Dealers' Safety Association	101	98
Retail Gasoline	Retail Gasoline Dealers' Association	25	27
		$ 1,692	$ 1,635

19. COMMITMENTS

Operating lease commitments

The WCB leases office space under operating leases as follows:

The rental contract for Halifax office space has a non-cancellable term of 5 years which commenced on January 1, 2008. The agreement includes 1 renewal option for a period of 5 years with the rent cost to be negotiated at the fair market rates.

The rental contract for Sydney office space has a non-cancellable term of 10 years which commenced on November 1, 2009. The agreement includes two renewal options for a period of 5 years each with the rent cost to be negotiated at the fair market rates.

Lease payments recognized as an expense and included in administration expenses during the year were as follows:

	2011	2010
Basic rent[1]	$ 669	$ 727
Variable rent[2]	806	928
Total rent expense	$ 1,475	$ 1,655

[1] Basic rent represents the per-square-foot base rent paid (or minimum lease payments).

[2] Variable rent is the rent paid to reimburse the lessor for common area costs, insurance and property taxes.

The future aggregate minimum lease payments are as follows:

	2011	2010
Within 1 year	$ 624	$ 669
More than 1 year and up to 5 years	2,696	1,258
Later than 5 years	1,150	863
Total	$ 4,470	$ 2,791

Finance lease commitments

The WCB has finance leases for various items of equipment. Lease terms range from 3 to 5 years and have no terms of renewal, purchase options or escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2011 Minimum payments	2011 Present value of payments	2010 Minimum payments	2010 Present value of payments
Within one year	$ 83	$ 76	$ 66	$ 63
One to five years	99	92	62	60
More than five years	-	-	-	-
Total minimum lease payments	182	168	128	123
Less finance charges	(14)	-	(5)	-
Present value of minimum lease payments	$ 168	$ 168	$ 123	$ 123

Leased assets are pledged as security for the related finance lease.

20. 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 2011 were $2,289 (2010 – $2,269) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have entitlement to any surplus that may arise in this Plan.

21. CAPITAL MANAGEMENT

The capital management objective reflects the mandate to pay benefits and to ensure the long-term financial sustainability of the workers' compensation system. The funding strategy outlines the WCB's planned approach to funding current operations and the eventual elimination of the unfunded liability. Funding of the Workers' Compensation System requires consideration of a number of complex variables and assumptions (rates, benefits, funding period and investment returns).

The WCB monitors the unfunded status based on the funding percentage. The funding percentage calculated by the ratio of total assets to total liabilities is 61.7 per cent (2010 – 63.8 per cent).

WCB Salaries and Benefits *December 31*

	2011 Number of Individuals	2011 Salary	2011 Benefits	2011 Other	2011 Total	2010 Number of Individuals	2010 Total
Chair, Board of Directors	1	$ 44,450	$ 2,127	$ -	$ 46,577	1	$ 32,979
Acting Chair	-	-	-	-	-	1	20,615
Board of Directors	9	158,950	7,430	-	166,380	8	147,351
	10	203,400	9,557	-	212,957 [1]	10	200,945
Chief Executive Officer	-	148,744	23,315	9,978	182,037	1	274,074
Acting Chief Executive Officer	1	77,169	8,167	11,376	96,712 [2]	-	-
VP Service Delivery	-	-	-	-	- [3]	1	45,772
Chief Financial Officer	1	152,996	22,362	3,817	179,175	1	180,604
VP Service Delivery	-	88,267	14,195	2,444	104,906 [2]	1	181,150
Acting VP Service Delivery	1	53,957	5,984	4,959	64,900 [4]	-	-
VP Strategy & Employee Engagement	1	152,996	22,362	3,817	179,175	1	180,661
	4	674,129	96,385	36,391	806,905	5	862,261
Staff Salaries & Benefits	421	25,197,380	4,412,378	278,993	29,888,751	421	30,568,619
(Average 2011 – $70,061; 2010 – $70,807)							
Employee future benefits	-	-	1,942,344	-	1,942,344 [5]	-	1,588,179 [5]
Administration - Salaries & Benefits	435	$26,074,909	$ 6,460,664	$ 315,384	$ 32,850,957 [6 & 7]	436	$ 33,220,004

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 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.

2 The Chief Executive Officer resigned effective July 31, 2011. The VP Service Delivery was appointed as Acting Chief Executive Officer effective August 1, 2011.

3 The VP Service Delivery position was vacant effective February 26, 2010.

4 Appointed Acting VP Service Delivery effective August 1, 2011.

5 Adjusted per IFRS from $1,678,779 to $1,588,179 to reverse actuarial amortization related to EFB Liability as per GAAP.

6 Salary includes regular base pay. Benefits include the employer's share of the employee benefits – CPP, EI, pension, health/dental, life insurance and long-term disability. 'Other' includes vacation payout and travel allowance. Total salaries and benefits in 2011 of $32,850,957 (2010 – $33,310,604) varies by $78,855 (2010 - $82,072) from Note 13 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations' in Note 13.

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

22. EXPLANATION OF TRANSITION TO IFRS

Previous annual reports were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). IFRS 1 requires the WCB to disclose the impacts that converting to IFRS had on the WCB's statements of financial position, operations and unfunded liability previously reported in accordance with Canadian GAAP. IFRS 1 also provides first time adopters with a number of voluntary exemptions to simplify the process of conversion.

The IFRS accounting policies as set out in Note 3 have been applied in the preparation of the comparative IFRS financial statements for the year ended December 31, 2010 and the opening IFRS statement of financial position as at January 1, 2010 (the WCB's date of transition to IFRS). The adjustments to convert from GAAP to IFRS are set out in the following tables and notes.

Transition date

Statement of Financial Position as at January 1, 2010

	(Notes)	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Cash and cash equivalents		$ 5,756	-	$ 5,756
Receivables		20,925	-	20,925
Investments		961,448	-	961,448
Property and equipment	a,b	5,606	(1,227)	4,379
Intangible assets	a	-	1,425	1,425
		$ 993,735	198	$ 993,933
Liabilities and unfunded liability				
Payables and accruals		$ 22,437	-	$ 22,437
Lease liabilities	b	-	198	198
Employee future benefits	c	10,029	2,423	12,452
Benefits liabilities		1,561,003	-	1,561,003
		1,593,469	2,621	1,596,090
Accumulated other comprehensive income	d	96,379	(96,379)	-
Unfunded liability	e	(696,113)	93,956	(602,157)
Net unfunded liability		(599,734)	(2,423)	(602,157)
		$ 993,735	198	$ 993,933

Explanation of Transitional IFRS Adjustments as at January 1, 2010

a) *Reclassification of property & equipment as intangible assets:*
International Accounting Standard 1 *"Presentation of Financial Statements"* requires intangible assets to be shown separately from other property and equipment on the Statement of Financial Position. Property and equipment was reduced by the net book value of software and development costs which have been classified as intangible assets. As per IAS 16 *"Property and Equipment"*, WCB elected the reconstructed cost method to value property and equipment to reflect IFRS historical cost values. No adjustments to values were required. $ (1,425)

b) *Recording finance leases on January 1, 2010:*
IAS 17 *"Leases"* requires leases to be classified as either operating or finance type. Based on the review of the WCB's outstanding leases at December 31, 2009 using the qualitative factors under IFRS, it has been determined that all of the WCB's equipment leases qualify for finance type lease classification. Under GAAP, these leases were classified as operating leases. The WCB's leases for office space will continue to be treated as operating leases under IFRS. As at January 1, 2010, the adjustment to the assets and liabilities is $198 which is the net present value of the future lease payments. 198

Net effect – decrease property and equipment	$ (1,227)
Net effect – increase intangible assets	$ 1,425
Net effect – increase lease liabilities	$ 198

c) *Employee future benefits actuarial loss at January 1, 2010:*
The WCB exercised the IFRS 1 option to recognize cumulative unrecorded actuarial losses of $2,423 at transition date which increased the employee future benefits liability and the unfunded liability. Future actuarial adjustments will be recorded directly through net income. Under Canadian GAAP, the WCB used the corridor method which amortized actuarial gains and losses over the average remaining service life of the employees. $ 2,423

Net effect – increase employee future benefits $ 2,423

d) *Accumulated Other Comprehensive Income (AOCI):*
With early adoption of IFRS 9 *"Financial Instruments"*, changes in fair values of investments are recorded in profit and loss in the period incurred, eliminating the need for AOCI. Under Canadian GAAP, changes in fair values were recorded through other comprehensive income until the investments are sold. The AOCI balances for the comparative periods have been consolidated into the unfunded liability. $ (96,379)

Net effect – decrease AOCI $ (96,379)

e) *Unfunded liability – net impacts at January 1, 2010:*

Unfunded liability as at December 31, 2009 (GAAP)	$ (696,113)
Investments (note d) – reclassification of AOCI balance	96,379
Net unfunded liability as at December 31, 2009 (GAAP)	(599,734)
Adjustments	
1. Employee Future Benefits (note c)	
Unamortized actuarial gains/losses	(2,423)
Total adjustments	(2,423)
Unfunded liability as at January 1, 2010 (IFRS)	$ (602,157)

Annual IFRS comparatives

Statement of Financial Position as at December 31, 2010

	(Notes)	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Cash and cash equivalents		$ -	-	$ -
Receivables		20,739	-	20,739
Investments		1,034,897	-	1,034,897
Property and equipment	a	5,771	(1,155)	4,616
Intangible assets	b	-	1,275	1,275
		$ 1,061,407	120	$ 1,061,527
Liabilities and Unfunded Liability				
Bank indebtedness		$ 1,823	-	$ 1,823
Payables and accruals		12,967	-	12,967
Lease liabilities	c	-	123	123
Employee future benefits	d	11,418	4,837	16,255
Benefits liabilities		1,631,449	-	1,631,449
		1,657,657	4,960	1,662,617
Accumulated other comprehensive income	e	96,751	(96,751)	-
Unfunded liability	h	(693,001)	91,911	(601,090)
Net unfunded liability		(596,250)	(4,840)	(601,090)
		$ 1,061,407	120	$ 1,061,527

IFRS Statements of Operations and Unfunded Liability for the year ended December 31, 2010

	(Notes)	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Assessments		$ 282,587	-	$ 282,587
Net investment income	f	83,201	372	83,573
		$ 365,788	372	$ 366,160
Expenses				
Claims costs incurred				
Short-term disability		41,907	-	41,907
Long-term disability		87,612	-	87,612
Survivor benefits		3,929	-	3,929
Health care		55,035	-	55,035
Rehabilitation		1,163	-	1,163
		$ 189,646	-	$ 189,646
Growth in present value of benefits liabilities and actuarial adjustments		120,331	-	120,331
Administration costs	g	41,759	2,417	44,176
System support		760	-	760
Legislated obligations		10,180	-	10,180
		362,676	2,417	365,093
Excess revenues over expenses applied to reduce the unfunded liability		3,112	(2,045)	1,067
Unrealized gains on available-for-sale financial assets arising during the period	f	50,700	(50,700)	-
Reclassification of realized losses to the statement of operations	f	(50,328)	50,328	-
Net change in other comprehensive income for the period	f	372	(372)	-
Total comprehensive income		$ 3,484	(2,417)	$ 1,067

	(Notes)	Canadian GAAP	Effect of transition to IFRS	IFRS
Unfunded liability, beginning of period		$ (696,113)		$ (602,157)
Excess of revenues over expenses applied to reduce the unfunded liability		3,112		1,067
Unfunded liability, end of period		$ (693,001)		$ (601,090)

Explanation of IFRS Adjustments – For the year ended December 31, 2010

The nature of adjustments from Canadian GAAP to IFRS at December 31, 2010 is similar to those at January 1, 2010.

a)	*Property and equipment*	
i)	Reclassification of property & equipment to intangible assets	$ (1,275)
ii)	Recording of finance leases at January 1, 2010	198
iii)	Recording new finance lease contract that began in Q3 2010	24
iv)	Expenses have been adjusted for the timing and classification differences between the two accounting methods (operating lease under GAAP and finance lease under IFRS). Expense under IFRS consists of amortization of the leased asset, along with interest expense on the lease liability using the effective interest rate method versus leases operating expense. This resulted in the reduction of assets (accumulated depreciation $85) and the reduction of liabilities (effect of lease payments $82) for a net increase in administration expenses of $3.	(85)
v)	One of the finance leases was terminated early effective December 31, 2010. The $17 net book value of the asset was written off.	(17)
	Net effect – decrease property & equipment	$ (1,155)
b)	*Intangible assets*	
i)	Reclassification of property & equipment to intangible assets	$ 1,275
	Net effect – increase intangible assets	$ 1,275
c)	*Lease liabilities*	
(i)	Record finance leases as per a(ii) above	$ 198
(ii)	Record finance lease as per a(iii) above	24
(iii)	Finance lease income impacts as per a(iv) above	(82)
(iv)	Disposal of finance lease per a(v) above	(17)
	Net effect – increase lease liabilities	$ 123
d)	*Employee future benefits*	
(i)	Recognize cumulative unrecorded actuarial losses at transition	$ 2,423
(ii)	Reverse amortization of unrecorded actuarial losses recorded under previous GAAP	(91)
(iii)	Recognize actuarial loss for the year 2010	2,505
	Net effect – increase employee future benefits	$ 4,837
e)	*Accumulated Other Comprehensive Income (AOCI)*	
(i)	Consolidation of AOCI balance at year end with the unfunded liability	$ (96,751)
	Net effect – decrease AOCI	$ (96,751)

f) Other comprehensive income (OCI)

Under Canadian GAAP, amounts previously recorded in OCI for the year ended December 31, 2010 were reversed and recorded directly to investment income under IFRS resulting in a net adjustment to investment income of $372. There was no impact to total comprehensive income.

g)	*Administration costs*	
(i)	Finance leases impact on reported expenses	$ 3
(ii)	Reversal of amortization of actuarial loss	(91)
(iii)	Actuarial loss for 2010	2,505
	Net effect – increase in administration expenses	$ 2,417

h) Unfunded liability – net impacts at December 31, 2010:

	Unfunded liability as at December 31, 2010 (GAAP)	$ (693,001)
	Investments (note e) – reclassification of AOCI balance	96,751
	Net unfunded liability as at December 31, 2010 (GAAP)	(596,250)
Adjustments		
1.	Employee Future Benefits (note d) Unamortized actuarial gains/losses	(2,423)
2.	Employee Future Benefits (note d) Actuarial loss for 2010	(2,505)
3.	Finance lease assets (note a) Change in lease expenses under IFRS & asset write-off	(3)
4.	Amortization of actuarial loss (note d) Reversal of 2010 amortization of actuarial loss	91
Total adjustments		(4,840)
Unfunded liability as at December 31, 2010 (IFRS)		$ (601,090)

Actuarial Certificate

WE HAVE COMPLETED an actuarial valuation of the benefits liabilities for insured employers under the *Workers' Compensation Act* of Nova Scotia (the "*Act*") as at December 31, 2011, for the purpose of providing input to the Financial Statements of the Workers' Compensation Board of Nova Scotia (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms

Our estimate of the benefits liabilities of $1,705,957,000 represents the actuarial present value at December 31, 2011, 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, 2011. The liabilities include a provision for future administrative expenses. As in previous valuations, the benefits liabilities do not include any provision for outstanding latent occupational disease awards, 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.

Data required for the valuation has been provided by the Board. We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years.

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% per annum for the real rate of return on invested assets and 3.50% per annum for the rate of increase in the Consumer Price Index. These assumptions are consistent with those in the Board's approved funding and investment strategies.

The CPI assumption equates to inflation rates for indexing benefits of 1.75% per annum in respect of long-term disabilities and permanent survivor benefits, because indexing for these benefits is specified under the Act as 50% of the rate of increase in the Consumer Price Index.

Liabilities in respect of permanent long-term disability and survivor benefits in-pay have been determined by projecting cash flows on an individual claimant basis using mortality as the only decrement.

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 3.50% per annum has been used to project future cash flows for short-term disability claims, rehabilitation, 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.

It is our opinion that:

- the data are sufficient and reliable for the purpose of this valuation;
- the actuarial assumptions and the methods employed are appropriate for the purpose of the valuation;
- the amount of benefit liabilities makes appropriate provision for future benefit payments on accidents incurred prior to the valuation date; and
- our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial practice in Canada.

Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.

Mark Simpson
FSA, FCIA, CFA

Jeff Turnbull
FSA, FCIA

Peter Hollett, Safety Manager at Halifax Harbour Bridges

Safety leadership reduces injuries

Mainstay Safety Award of Excellence (Individual) Award: Peter Hollett, Halifax Harbour Bridges

HALIFAX – Halifax Harbour Bridges (HHB) hired Peter Hollett as its first safety manager in 2010. While safety has always been a priority for HHB, they recognized they could achieve greater results with a coordinated safety program.

Peter Hollett, a registered safety professional with 25 years of experience, took on the challenge.

Peter is a recognized safety leader and is frequently quoted in the Canadian Occupational Safety e-newsletter.

Peter's approach to this challenge was to work as a facilitator and a champion of safety. He developed a series of new safety initiatives with the support of employees, union representatives, and members of the JOHS committee.

Under Peter's leadership, and with the full support of HHB management, there were a number of major changes made. New safety policies and procedures were developed, the safety manual was updated, the structure and terms of reference for the JOHS committee were refined, a safety audit was performed, and a safety education program was implemented. A new Return-to-Work (RTW) program was also developed.

During the summer, HHB employees were invited to a barbeque and invited to pick a safety topic of interest to discuss. As well, subject matter experts were brought in to discuss issues such as fall protection, violence in the workplace and fire extinguishers.

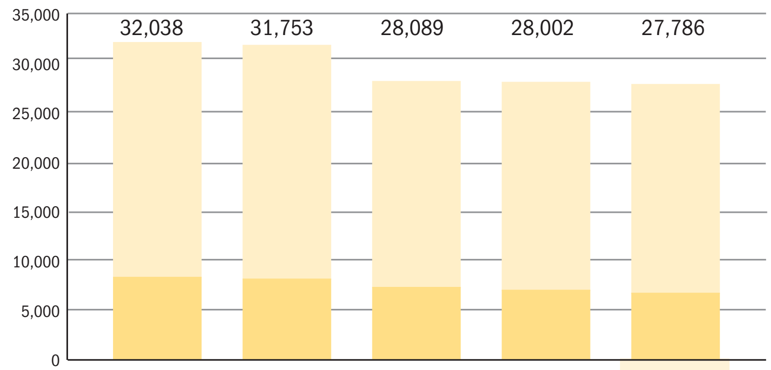
New programs, procedures and the development of a shared safety culture developed by Peter with the support of everyone at the HHB delivered results in the first year. Injury claims dropped from 24 in 2009 to 20 in 2010 and the number of lost earning weeks dropped from 49 weeks in 2009 to 14 weeks in 2010.

In 2011:

- The total number of claims registered decreased by 0.8 per cent from 28,002 in 2010 to 27,786 in 2011.
- The total number of time-loss claims in 2011 is 6,616, a 4.4 per cent decrease from the 2010 total of 6,921. This represents 305 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, comprising 62.6 per cent of all 2011 compensable time-loss claims.
- At 31.6 per cent, back injuries comprise nearly one third of all time-loss injuries in 2011.
- Total assessable payroll has increased steadily since 2005. The current figure is $9.35 billion, a 23 per cent increase from the 2005 figure of $7.61 billion.
- Health/Social Services is the largest industry sector in the province and accounts for the highest volume of time loss injuries at 1,562 in 2011. However, for the sixth consecutive year, the injury rate in Health/Social Services has dropped from a high of 4.5 per cent in 2005 to the 2011 rate of 3.0 per cent.
- The injury rate also dropped considerably in Construction, the fourth largest industry sector in the province from 2.9 per cent in 2010 to 2.4 per cent in 2011.
- Overall, the provincial injury rate has once again decreased from 2.13 per cent in 2010 to 2.02 per cent in 2011.

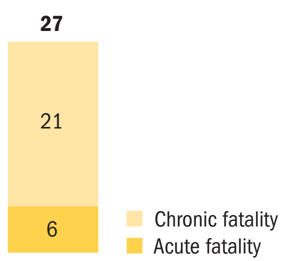
2011 Statistical Summary

Status of New Claims



	2007	2008	2009	2010	2011
Compensable Time Loss	8,230	8,050	7,206	6,921	6,616
Other:					
No Compensable Time Loss	17,365	16,910	14,625	14,717	15,960
Not Pursued or Disallowed	6,443	6,793	6,258	6,364	5,210
Other Subtotal	23,808	23,703	20,883	21,081	21,170
Total	32,038	31,753	28,089	28,002	27,786
Fatalities[2]	12	29	32	23	27
Clients with Registered Claims[1]	28,156	27,944	25,110	24,771	24,519

Type of Fatality[2], 2011



[1] 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.

[2] Fatalities include all workplace injuries that resulted in the acute or chronic death of a worker as reported by the OH&S Division of the NS Department of Labour and Advanced Education. The WCB and the NS Department of Labour and Advanced Education will use the same fatality statistic from 2011 onward.

Acute fatality is one that occurs in a workplace as the result of a traumatic injury. Chronic fatality is one that occurs in a workplace as a result of industrial disease or medical condition.

Beginning 2011, a breakdown of Chronic and Acute fatalities will also be reported.

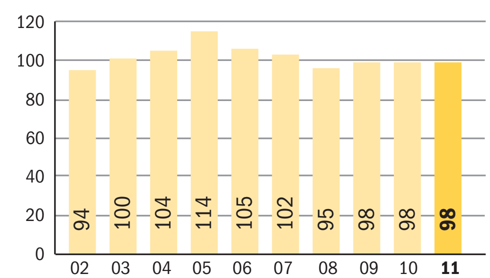
Injury Frequency and Claim Volumes by Industry

For Nova Scotia, 2011

	Excluding Self Insured Claims							Including Self Insured Claims			
	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered (No Self Insured)	% of Claims Registered (No Self Insured)	Number of Time-Loss Claims (No Self Insured)	% of Time-Loss Claims (No Self Insured)	Injury Frequency	Number of Claims Registered (Inc. Self Insured)	% of Claims Registered (Inc. Self Insured)	Number of Time-Loss Claims (Inc. Self Insured)	% of Time-Loss Claims (Inc. Self Insured)
Health/Social Services	1,776.4	19.0%	5,101	19.8%	1,562	26.3%	3.03%	5,101	18.4%	1,562	23.6%
Manufacturing	1,290.2	13.8%	4,525	17.6%	793	13.4%	2.11%	4,525	16.3%	793	12.0%
Retail Trade	1,224.6	13.1%	3,029	11.8%	715	12.0%	1.50%	3,147	11.3%	762	11.5%
Construction	1,017.7	10.9%	2,754	10.7%	652	11.0%	2.44%	2,754	9.9%	652	9.8%
Wholesale Trade	743.8	8.0%	1,826	7.1%	369	6.2%	1.56%	1,826	6.6%	369	5.6%
Government Services	540.8	5.8%	1,229	4.8%	299	5.0%	1.91%	2,753	9.9%	768	11.6%
Accommodation/Food/Beverages	507.2	5.4%	1,860	7.2%	416	7.0%	1.65%	1,860	6.7%	416	6.3%
Business Services	482.3	5.2%	455	1.8%	110	1.9%	0.66%	455	1.6%	110	1.7%
Transportation/Storage	470.6	5.0%	1,215	4.7%	348	5.9%	3.03%	1,231	4.4%	355	5.4%
Communication/Utilities	416.7	4.5%	687	2.7%	162	2.7%	1.46%	1,087	3.9%	317	4.8%
Other Services	312.1	3.3%	788	3.1%	189	3.2%	1.61%	788	2.8%	189	2.9%
Fishing/Trapping	181.7	1.9%	373	1.4%	144	2.4%	3.56%	373	1.3%	144	2.2%
Real Estate/Insurance Agents	104.9	1.1%	188	0.7%	43	0.7%	1.26%	188	0.7%	43	0.6%
Educational Services	78.2	0.8%	82	0.3%	12	0.2%	0.45%	82	0.3%	12	0.2%
Agriculture/Related Services	65.7	0.7%	168	0.7%	58	1.0%	2.68%	168	0.6%	58	0.9%
Mining/Quarries/Oil Wells	65.5	0.7%	122	0.5%	19	0.3%	1.32%	157	0.6%	20	0.3%
Logging/Forestry	45.7	0.5%	102	0.4%	43	0.7%	3.31%	102	0.4%	43	0.6%
Finance/Insurance	30.0	0.3%	19	0.1%	3	0.1%	0.41%	19	0.1%	3	0.0%
Unknown	0.0	0.0%	1,170	4.6%	0	0.0%	0.00%	1,170	4.2%	0	0.0%
Total	$9,354.3	100.0%	25,693	100.0%	5,937	100.0%		27,786	100.0%	6,616	100.0%

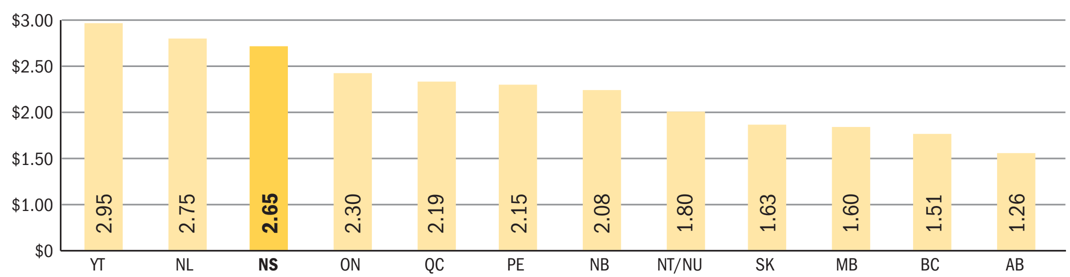
Composite Duration Index

Using AWCBC Composite Method



Targeted Average Assessment Rate

All Provinces per $100 of asessable payroll, 2010



Injury Frequency and Claim Volumes by Industry

For Nova Scotia, 2010

	Excluding Self Insured Claims							Including Self Insured Claims			
	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered (No Self Insured)	% of Claims Registered (No Self Insured)	Number of Time-Loss Claims (No Self Insured)	% of Time-Loss Claims (No Self Insured)	Injury Frequency	Number of Claims Registered (Inc. Self Insured)	% of Claims Registered (Inc. Self Insured)	Number of Time-Loss Claims (Inc. Self Insured)	% of Time-Loss Claims (Inc. Self Insured)
Health/Social Services	1,693.2	18.7%	5,186	20.0%	1,599	25.5%	3.20%	5,186	18.5%	1,599	23.1%
Manufacturing	1,265.5	14.0%	4,176	16.1%	835	13.3%	2.25%	4,176	14.9%	835	12.1%
Retail Trade	1,197.2	13.2%	3,084	11.9%	712	11.4%	1.48%	3,192	11.4%	760	11.0%
Construction	975.0	10.7%	2,759	10.7%	754	12.0%	2.91%	2,759	9.8%	754	10.9%
Wholesale Trade	731.8	8.1%	1,961	7.6%	397	6.3%	1.73%	1,961	7.0%	397	5.7%
Government Services	532.6	5.9%	1,281	4.9%	321	5.1%	2.03%	2,845	10.2%	796	11.6%
Accommodation/Food/Beverages	487.5	5.4%	1,908	7.4%	444	7.1%	1.77%	1,908	6.8%	444	6.4%
Transportation/Storage	461.1	5.1%	1,275	4.9%	415	6.6%	3.55%	1,284	4.6%	418	6.0%
Business Services	454.1	5.0%	521	2.0%	130	2.1%	0.83%	521	1.9%	130	1.9%
Communication/Utilities	399.0	4.4%	665	2.6%	136	2.2%	1.25%	1,024	3.7%	264	3.8%
Other Services	308.5	3.4%	753	2.9%	191	3.1%	1.46%	753	2.7%	191	2.8%
Fishing/Trapping	172.6	1.9%	401	1.5%	150	2.4%	3.77%	401	1.4%	150	2.2%
Real Estate/Insurance Agents	100.9	1.1%	204	0.8%	57	0.9%	1.64%	204	0.7%	57	0.8%
Educational Services	75.9	0.8%	78	0.3%	14	0.2%	0.54%	78	0.3%	14	0.2%
Mining/Quarries/Oil Wells	73.9	0.8%	133	0.5%	24	0.4%	1.47%	183	0.7%	24	0.3%
Agriculture/Related Services	61.1	0.7%	176	0.7%	50	0.8%	2.30%	176	0.6%	50	0.7%
Logging/Forestry	49.4	0.5%	127	0.5%	36	0.6%	2.52%	127	0.5%	36	0.5%
Finance/Insurance	28.5	0.3%	11	0.0%	0	0.0%	0.00%	11	0.0%	0	0.0%
Unknown	0.0	0.0%	1,213	4.7%	2	0.0%	0.00%	1,213	4.3%	2	0.0%
Total	$9,067.8	100.0%	25,912	100.0%	6,267	100.0%		28,002	100.0%	6,921	100.0%

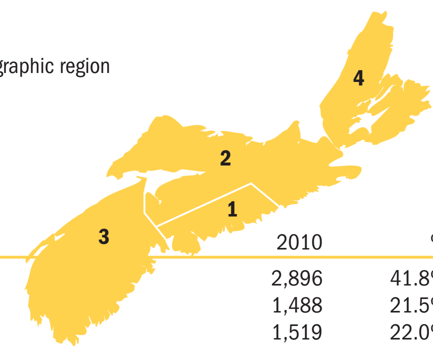
Gender of Client

Compensable time-loss claims

	2010		2011	
Male	4,076	58.9%	3,862	58.4%
Female	2,845	41.1%	2,754	41.6%
	6,921	100.0%	6,616	100.0%

Injury Region

Compensable time-loss claims by geographic region



	2010	%	2011	%
1 Halifax Regional Municipality	2,896	41.8%	2,703	40.9%
2 Central & North Shore	1,488	21.5%	1,535	23.2%
3 South Shore & Valley	1,519	22.0%	1,398	21.1%
4 Cape Breton	989	14.3%	965	14.6%
Other	29	0.4%	15	0.2%
	6,921	100.0%	6,616	100.0%

Nature of Injury

Compensable time-loss claims

	2010	%	2011	%
Sprains, Strains*	3,708	53.6%	4,140	62.6%
Fractures, Dislocations	497	7.2%	540	8.1%
Contusion, Crushing, Bruise	255	3.7%	400	6.0%
Inflamed Joint, Tendon, Muscle	377	5.4%	390	5.9%
Cut, Laceration, Puncture	346	5.0%	353	5.3%
All Other	291	4.2%	315	4.8%
Other traumatic injuries and disorders*	1,213	17.5%	243	3.7%
Burns	108	1.6%	103	1.6%
Digestive system diseases and disorders	75	1.1%	74	1.1%
Nervous system and sense organs diseases	51	0.7%	58	0.9%
Total	6,921	100.0%	6,616	100.0%

** Due to enhanced coding processes, a higher portion of claims are now correctly classified as sprain/strain claims as opposed to previously coded as other traumatic injuries and disorders.*

Part of Body

Compensable time-loss claims

	2010	%	2011	%
Back	2,142	30.9%	2,088	31.6%
Shoulder(s)	656	9.5%	664	10.0%
Leg(s)	624	9.0%	619	9.4%
Multiple Parts	624	9.0%	570	8.6%
All other	617	8.9%	522	7.9%
Fingers	418	6.0%	403	6.1%
Ankle	345	5.0%	298	4.5%
Arms(s) (above wrist)	315	4.6%	281	4.3%
Wrist	262	3.8%	270	4.1%
Hand (does not include fingers)	200	2.9%	186	2.8%
Neck	206	3.0%	161	2.4%
Chest	150	2.2%	145	2.2%
Pelvic Region	155	2.2%	139	2.1%
Foot (does not include toes)	175	2.5%	135	2.0%
Cranial region, including skull	32	0.5%	135	2.0%
Total	6,921	100.0%	6,616	100.0%

Age at Injury Date

Compensable time-loss claims

	2010	%	2011	%
Less than 20	156	2.3%	131	2.0%
20 to 24	539	7.8%	520	7.9%
25 to 29	553	8.0%	561	8.5%
30 to 34	598	8.6%	588	8.9%
35 to 39	838	12.1%	692	10.5%
40 to 44	921	13.3%	856	12.9%
45 to 49	1066	15.4%	975	14.7%
50 to 54	1075	15.5%	1071	16.2%
55 to 59	716	10.4%	731	11.0%
60 to 64	359	5.2%	383	5.8%
65 or older	100	1.4%	108	1.6%
Total	6,921	100.0%	6,616	100.0%

Claims Registered by Firm

Number of Firms	Number of claims Registered 2011	% of all Firms	Number of new claims registered	% of New Claims Registered
11	200 or more	0.06%	5,706	20.54%
31	100 or more	0.17%	8,377	30.15%
58	50 or more	0.32%	10,149	36.53%
158	25 or more	0.86%	13,493	48.56%
442	10 or more	2.41%	17,570	63.23%
917	5 or more	5.00%	20,604	74.15%

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.

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Canada's Top 100 Employers 2012