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

WCB Nova Scotia
Annual Report 2018

Nova Scotians – safe and secure from workplace injury

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While there is long-term progress in Nova Scotia's workplace safety culture, 2018 was a tragic year in our workplaces. Too many people died at work, or because of work – underlining the importance of reducing the impact of workplace injury on our province.

Year at a Glance

Year at a Glance (Dollar amounts in millions unless noted)	2018	2017	2016
Number of Covered Employers (Assessed and Self-Insured)	19,800	19,500	18,800
Percentage of Labour Force Covered (Assessed and Self-Insured)	74	75	75
Number of Claims Registered	24,584	23,952	24,311
Number of Compensable Time-Loss Claims Registered	5,819	5,906	5,847
Composite Duration Index (in days)	127	117	110
Targeted Average Assessment Rate (per $100 of assessable payroll)	$2.65	$2.65	$2.65
Actual Average Assessment Rate	$2.64	$2.66	$2.65
Assessable Payroll (billions)	$11.3	$10.9	$10.5
Assessment Revenue*	$305.5	$295.8	$286.7
Investment (Loss) Income	$(25.3)	$163.2	$100.1
Administration Costs	$56.7	$53.8	$54.2
Legislated Obligations	$16.3	$15.7	$15.4
Claims Costs Incurred*	$202.0	$186.4	$180.2
Comprehensive (Loss) Income	$(86.5)	$100.3	$64.2
Assets (billions)	$1.8	$1.8	$1.7
Liabilities (billions)	$2.1	$2.0	$2.0
Percentage Funded Ratio	85.5%	89.4%	84.1%
One-year Investment Returns	-1.0%	10.3%	6.7%
Timeliness of First Payment to Injured Workers (percentage of payments made within 15 days of injury – 12 month average)	65.8%	65.3%	70.2%
Injury Rate: Time-Loss Claims per 100 Covered Workers	1.72	1.76	1.74

* The 2016 and 2017 numbers have been restated to conform with the reporting method adopted for 2018 in relation to self-insured firms.

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Message from the Chair and Board of Directors

The WCB Nova Scotia Board of Directors is responsible for representing stakeholder viewpoints while considering the interests of the WCB and the system overall. The Board consists of four employer and four worker representatives, along with a Chair and Deputy Chair.

(L-R) front row: Robert Patzelt, Deputy Chair; Stuart MacLean, Chief Executive Officer; Rodney Burgar, Chair; Brad Fraser, Executive Corporate Secretary; Steve Ashton, Employer Representative; L-R back row: Jeff Brett, Worker Representative; Luc Erjavec, Employer Representative; Duncan Williams, Employer Representative; Angus Bonnyman, Employer Representative; Janet Hazelton, Worker Representative; Rick Clarke, Worker Representative. Missing from photo: Betty Jean Sutherland, Worker Representative

It is a privilege to serve as governors of WCB Nova Scotia at this critical juncture of the organization's history.

The 40 workplace fatalities in 2018 are a tragic reminder of the importance of workplace safety.

Despite these very real tragedies, there was continued progress. We began to realize the potential of new realities, in operations and in long-term sustainability.

The organization is on the cusp of a multi-year business transformation, which is reinventing the very way it functions. We are proud of this transformation and the difference it will make, as we face new and more complex service needs into the future.

Although 2018 investment income slowed progress somewhat, we are still on track to eliminate the unfunded liability by 2020-2024. Once achieved, this will enable exciting new conversations about the future of our legislative framework.

The WCB's financial stewardship was noted by the Auditor General, as part of his review in 2018. In its first phase, the review noted the progress as a significant accomplishment, and found us to be a well-governed organization.

In the second phase, completed in 2019, the Auditor General found that overall the WCB is fulfilling its mandate, but that there are improvements required. Our executive team is working to implement the recommendations from both phases, and will be reporting to our Finance, Audit and Risk Committee.

In 2018, we said goodbye to long-time Board member and Deputy Chair Chris Power, whose service over 10 years contributed in a significant way to our overall governance. The Board thanks Chris for his leadership, vision and hard work. We were also pleased to welcome Deputy Chair Robert Patzelt, whose leadership and governance experience has already added valuable perspective to our meetings.

Chris Power

There is an overall feeling of forward momentum in workers' compensation.

The Board of Directors is an engaged group of leaders. With roots in the perspective of those we serve, our long-term view is always one of what is best for the system. Grounded in the present and informed by the past, our decisions are guided by the future.

Rodney Burgar
Chair, WCB Nova Scotia Board of Directors

Message from the Chief Executive Officer

In 2018, the modernization of our claims and assessment systems touched everyone in this organization – incredible work, done by incredible people.

But what's important to remember in all of it is not the technology itself.

What's important to remember is why we're doing it.

We're modernizing for the people who get hurt on the job, and need us to be there to help them as they recover. The average length of a claim is increasing in Nova Scotia, and we need to do all we can to better support workers as they recover. We have an aging population, and injuries are more likely to be complex, often compounded by mental health conditions. We saw more claims last year for psychological injuries, particularly PTSD in first responders, under new presumptive legislation.

We're also modernizing for employers, and for the people who work for them. Not only will improved systems make it easier for them to do business with us, but we also know that, over time, our systems will provide better data to support our many prevention initiatives, from social marketing, to joint workplace targeting, to enabling leaders in sectors facing challenges, like health care.

But most of all, we're modernizing because it's the right thing to do. We know it will help improve some of the things pointed out to us in the second phase of the Auditor General's review of our operations, where we have important improvements to make. Of course, it is only technology – the changes will also take leadership across our organization to make them reality.

We play such an important role in this province - to help keep our workforce safe, but also to be there for them when something goes wrong.

In my role, I see the successes of workplace safety, but I also see its failures. From time to time, I sit with those who have lost someone and hear their poignant stories – stories about the coffee they no longer get to enjoy with their son at the end of a shift or about their daughter who doesn't have her father to walk her down the aisle on her wedding day.

There were 40 new stories like this across our province this year – the most tragic year for our workplaces in some time. Each of them is a story of a life lost, and loved ones impacted forever because something happened at work.

They are the most powerful example of why we need to improve the way we do our work.

And, while the tragic losses of 2018 give us serious pause, there was also progress. Our injury rate continued its long-term downward trend, and our investments performed above industry benchmarks, keeping us on track toward long-term financial sustainability.

Stuart MacLean
CEO, WCB Nova Scotia

Under the guidance and vision of our Board of Directors, I know that this progress will continue, and we will achieve our full potential.

I know this because we have employees and leaders who are working hard, every day, to create a future where workplace injury no longer impacts the lives of Nova Scotians the way it does today.

I am motivated and inspired to lead this organization at this point in our history, as we do our part to bring about that new reality.

Stuart MacLean
CEO, WCB Nova Scotia

Message from the Client Relations Officer

As Client Relations Officer, I respond to questions and concerns about the WCB's service and work together with workers, employers, MLAs and others to resolve their issues. In doing so, I collaborate with the WCB's service delivery teams to highlight gaps in our service that stakeholders have raised and share insights into how these gaps are impacting the people we serve.

In 2018, I responded to 43 formal complaints from injured workers, related primarily to issues of timeliness and communications. Upon review, I found 26 of these complaints to be substantiated. These results are generally consistent with the number of complaints recorded in prior years. In addition, I speak regularly to people who simply want an answer to a question or to further discuss their interaction with us.

The WCB's efforts to improve worker and employer service experiences remain a focus and will be enhanced by our new Guidewire powered claims and assessment systems. Still, as the WCB's processes and technology improve, providing a compassionate and knowledgeable response to all inquiries continues to underpin our work.

Over the past year, the Auditor General conducted a two-phase review of the WCB's governance and operations. The Phase 2 report recommends improvements to the WCB's complaints process. I appreciate having this external perspective, and, currently, we are exploring best practice complaint resolution processes across Canada. In adopting these best practices I look forward to enhancing our complaint process over the coming months.

It has been my pleasure to speak with hundreds of stakeholders over the past year and to hear about your experiences with the WCB. I look forward to continuing to serve you.

Tim McInnis
Client Relations Officer, WCB Nova Scotia

Executive Team

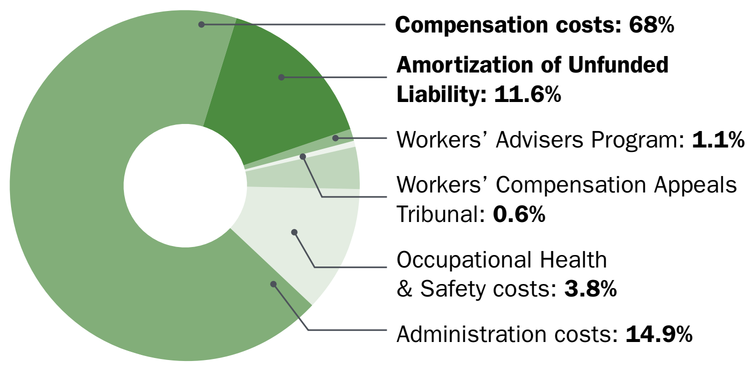
(L-R): Brad Fraser, Executive Corporate Secretary; Wendy Griffin, VP People and Change; Stuart MacLean, Chief Executive Officer; Leo McKenna, VP Corporate Services and Chief Financial Officer; Shelley Rowan, VP Prevention and Service Delivery

Our Financial Results

Our 2018 Financial Results reflect our efforts to build a strong, stable, and sustainable system that will serve workers and employers today and in the years to come. It was a challenging year in the financial markets, but we are still on track toward long-term financial sustainability – thanks to the injury prevention and return-to-work efforts of employers and workers across Nova Scotia.

Where every dollar goes

The assessment revenue collected by WCB Nova Scotia funds the entire workers' compensation system, including the Workers' Advisers Program (WAP), the Workers' Compensation Appeals Tribunal (WCAT), the Occupational Health and Safety Division of the Nova Scotia Department of Labour and Advanced Education, the Office of the Employer Advisor (OEA) and the Office of the Worker Counsellor (OWC). It's important to note that our 2018 administration costs continue to include investments we're making to modernize our business, and replace our old claims and assessment systems.



Breakdown of the 2018 Actual Assessment Dollar

79.6% of every assessment dollar goes to pay for claims-related costs.

Assessable Payroll

Assessable payroll for covered employers in Nova Scotia has grown steadily. As the overall provincial payroll has grown, the rate of workplace injury has continued to decline. At the same time, claim duration was even higher in 2018. Improving our approach to safe and timely return to work will help support the positive economic momentum that Nova Scotians have worked hard to cultivate over the past several years.

$11.3 **BILLION** in Assessable Payroll in 2018

Assessment Revenue

Our assessment revenue for covered employers grew by 3.3 per cent in 2018 from 2017. This modest growth has allowed WCB Nova Scotia to keep pace with rising costs within the system, while still maintaining stability, reducing the unfunded liability, and modernizing WCB operations.

$305.5 **MILLION** in Assessment Revenue in 2018

Our Financial Results

Investment Loss

Careful and strategic management of funds that will pay for compensation benefits into the future has resulted in significant income gains in recent years. However, in 2018 we saw a decrease in our investment income as global markets experienced significant volatility in the fourth quarter. We are still on track toward long-term financial sustainability – thanks to the injury prevention and return-to-work efforts of employers and workers across Nova Scotia.

$25.3 **MILLION** in Investment Loss in 2018

Claim Payments

Claim payments, which include payments made by WCB for income replacement benefits, medical services, travel expenses, and retraining increased in 2018 due to inflation and the amount of time off work due to an injury. Over time, service improvements and a continued focus on prevention and return-to-work initiatives will contribute to the improvement of cost savings.

$237 **MILLION** in Claim Payments in 2018

Assets and Liabilities

In 2018, we had a setback in the gap between liabilities and assets as our funded percentage decreased to 85.5 per cent. We are still on track toward long-term financial sustainability. As financial sustainability gets closer, we look forward to being part of discussions about the possible evolution of Nova Scotia's workers' compensation system.

$1.8 **BILLION** in Assets in 2018

$2.1 **BILLION** in Liabilities in 2018

Balanced Scorecard Measures

WCB Nova Scotia tracks performance using a Balanced Scorecard that contains a mix of financial and non-financial performance measures crucial to the fulfillment of our vision, mission, and goals. These performance measures help us drive change, enhance our business operations, and identify challenges and opportunities so we can better meet the needs of the people we serve. The four quadrants of our scorecard are Service, Operations, Employee, and Financial.

	Actual 2017	Actual 2018	Target 2018	Target 2019	Target 2023
Service					
Worker Satisfaction Index	76%	75%	70%	70%	70%
Employer Satisfaction Index	78%	81%	70%	70%	70%
Operations					
Time-Loss Injuries per 100 Covered Workers	1.76	1.72	1.76	1.72	1.59
Composite Duration Index (in days)	117	127	117	127	126
Time-Loss Days Paid per 100 Covered Employees	241	252	241	252	233
Cost of New EERBs ($M)	$67.8	$80.1	$57.7	$82.4	$83.1
Return to Employability	94.4%	93.8%	95.4%	94.3%	94.6%
Employee					
WCB Employee Satisfaction Index	70%	66%	70%	70%	70%
Financial					
Claims Payments for the past 3 years per $100 of Assessable Payroll	$0.667	$0.705	$0.665	$0.710	$0.703
Administration costs per $100 of assessable payroll (excluding prevention costs)	$0.41	$0.42	$0.48	$0.46	$0.37
Five-Year Rate of Return on Investment (as measured by the Benchmark Portfolio Return)			Exceed Benchmark Portfolio Return	Exceed Benchmark Portfolio Return	Exceed Benchmark Portfolio Return
Five-Year Return	9.6%	6.2%			
Five-Year Target	9.3%	5.9%			

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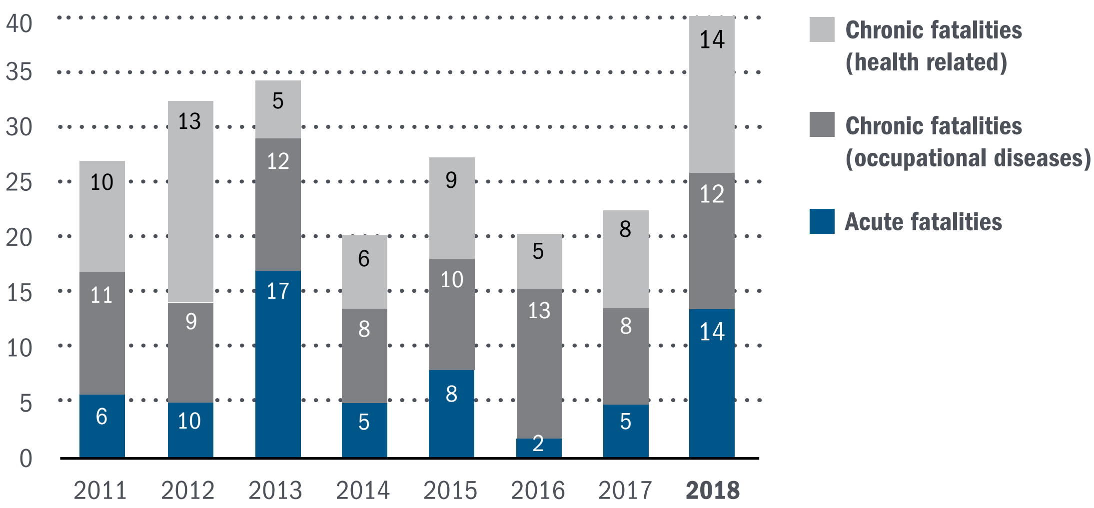
Statistical Summary

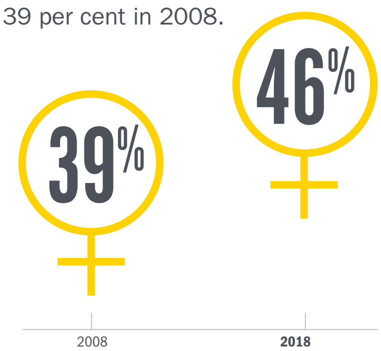
WORKPLACE FATALITIES IN NOVA SCOTIA



INJURIES BY AGE AND GENDER

Gender of worker

In 2018, 46 per cent of workers with time-loss injuries were women, compared to 39 per cent in 2008.



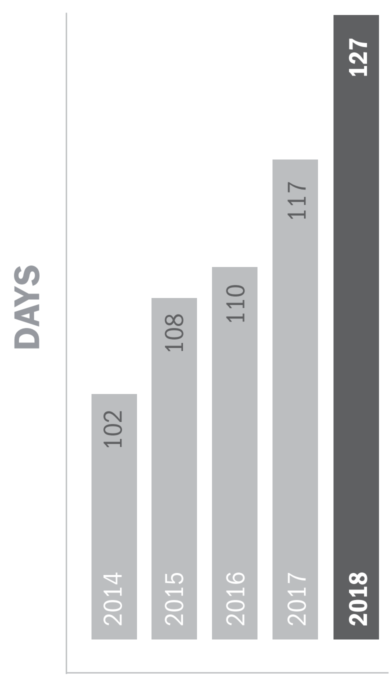
Age at injury date

Of all workers hurt on the job in 2018

WERE 60 OR OLDER – more than double the 2008 figure of 5 per cent.

COMPOSITE DURATION INDEX

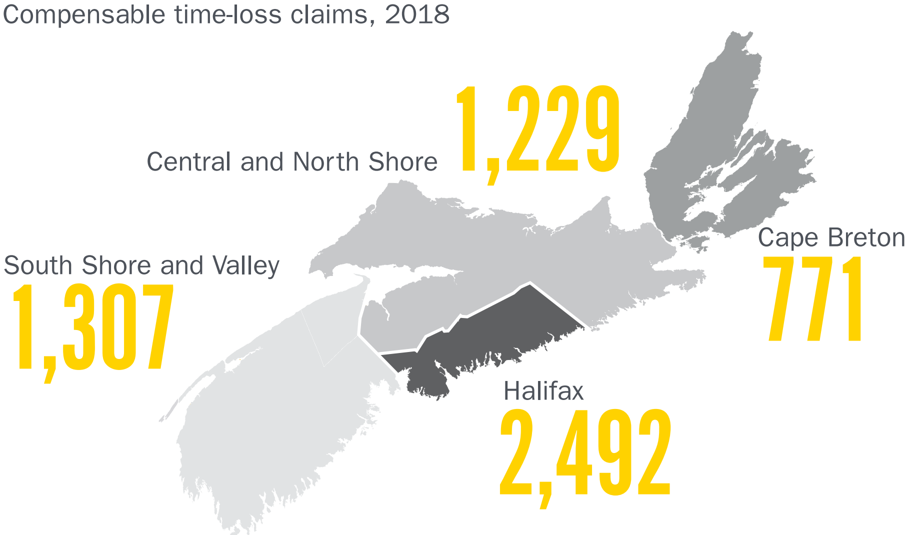
Using AWCBC Composite Method.



Statistical Summary

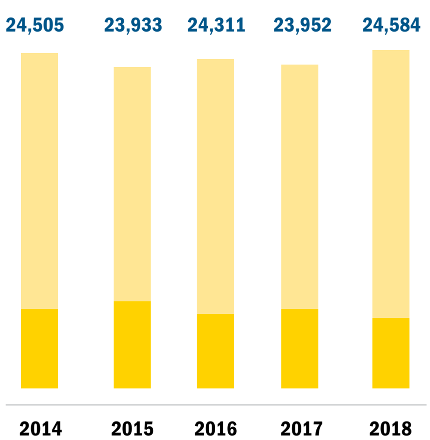
INJURY BY REGION

Compensable time-loss claims, 2018



20 claims were not classified to a particular region of the province.

STATUS OF NEW CLAIMS



	2014	2015	2016	2017	2018
Compensable Time Loss	5,953	6,014	5,847	5,906	5,819
Other:					
No Compensable Time Loss	14,342	13,356	13,545	12,972	13,963
Not Pursued or Disallowed	4,210	4,563	4,919	5,074	4,802
Other Subtotal	18,552	17,919	18,464	18,046	18,765
Total	24,505	23,933	24,311	23,952	24,584
Fatalities[1]	19	27	20	21	40
Clients with Registered Claims[2]	22,410	21,790	22,026	21,841	22,490

[1] Fatalities include all workplace injuries that resulted in the death of a worker as reported by the OH&S Division of the NS Department of Labour and Advanced Education.

[2] Claims represented are those with accident dates during the report year. Time-loss claims are defined as those claims with accident dates in the report year 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.

Injury Statistics

INJURY FREQUENCY AND CLAIM VOLUMES BY INDUSTRY

For Nova Scotia, 2018

	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	Injury Frequency Last Year (2017)	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	2,145.7	19.0%	4,991	21.9%	1,652	31.1%	3.01	3.16	4,991	20.3%	1,652	28.4%
Retail Trade	1,445.3	12.8%	2,434	10.6%	530	9.9%	1.09	1.20	2,515	10.2%	555	9.5%
Manufacturing	1,392.5	12.3%	3,188	14.0%	607	11.4%	1.80	1.84	3,188	13.0%	607	10.5%
Construction	1,232.1	10.9%	2,445	10.7%	560	10.5%	2.02	1.88	2,445	10.0%	560	9.6%
Wholesale Trade	944.8	8.4%	1,620	7.1%	287	5.4%	1.15	1.23	1,620	6.6%	287	4.9%
Accommodation/Food/Beverages	679.3	6.0%	1,791	7.8%	403	7.6%	1.42	1.60	1,791	7.3%	403	6.9%
Transportation/Storage	594.3	5.3%	1,249	5.5%	349	6.6%	2.68	2.62	1,257	5.1%	353	6.1%
Business Services	570.3	5.1%	498	2.2%	106	2.0%	0.59	0.46	498	2.0%	106	1.8%
Communication/Utilities	448.0	4.0%	680	3.0%	131	2.5%	1.37	1.28	894	3.6%	208	3.6%
Government Services	428.1	3.8%	593	2.6%	120	2.3%	1.26	1.55	2,005	8.2%	519	8.9%
Other Services	375.1	3.3%	664	2.9%	147	2.8%	1.15	1.47	664	2.7%	147	2.6%
Educational Services	315.8	2.8%	624	2.7%	187	3.5%	1.92	1.96	625	2.5%	187	3.2%
Fishing/Trapping	288.4	2.6%	303	1.3%	95	1.8%	1.69	1.72	303	1.2%	95	1.6%
Real Estate/Insurance Agents	146.2	1.3%	174	0.8%	41	0.8%	0.98	1.02	174	0.7%	41	0.7%
Mining/Quarries/Oil Wells	109.8	1.0%	117	0.5%	33	0.6%	1.61	1.12	163	0.7%	33	0.6%
Agriculture/Related Services	81.2	0.7%	176	0.8%	46	0.9%	1.71	1.97	176	0.7%	46	0.8%
Logging/Forestry	48.1	0.4%	74	0.3%	17	0.3%	1.40	2.23	74	0.3%	17	0.3%
Finance/Insurance	36.5	0.3%	14	0.1%	2	0.0%	0.28	0.32	14	0.1%	2	0.0%
Unknown	0.0	0.0%	1,187	5.2%	1	0.0%	0.00	0.00	1,187	4.8%	1	0.0%
Total	$11,281.5	100.0%	22,822	100.0%	5,314	100.0%			24,584	100.0%	5,819	100.0%

CLAIMS REGISTERED BY WORKPLACES

Number of Workplaces	Number of Claims Registered 2018	% of all Workplaces	Number of New Claims Registered	% of New Claims Registered	% of Total Assessable Payroll ($millions)
12	200 or more	0.06%	5,810	23.63%	17.7%
24	100 or more	0.12%	7,352	29.91%	23.3%
44	50 or more	0.22%	8,687	35.34%	26.8%
124	25 or more	0.63%	11,375	46.27%	34.2%
361	10 or more	1.83%	14,922	60.70%	46.0%
773	5 or more	3.91%	17,621	71.68%	55.2%

Injury Statistics

Compensable time-loss claims

AGE AT INJURY DATE

	2017	%	2018	%
Less than 20	143	1.8%	141	2.4%
20 to 24	436	7.1%	452	7.8%
25 to 29	602	10.0%	611	10.5%
30 to 34	511	8.8%	542	9.3%
35 to 39	560	9.4%	541	9.3%
40 to 44	663	11.1%	606	10.4%
45 to 49	719	12.3%	746	12.8%
50 to 54	886	14.7%	777	13.4%
55 to 59	810	14.0%	782	13.4%
60 to 64	410	7.4%	464	8.0%
65 or older	166	3.4%	157	2.7%
Total	5,906	100.0%	5,819	100.0%

SOURCE OF INJURY

	2017	%	2018	%
Persons, Plants, Animals, and Minerals	2,538	43.0%	2,312	39.7%
Structures and Surfaces	1,018	17.2%	1,147	19.7%
Containers	621	10.5%	586	10.1%
Parts and Materials	448	7.6%	472	8.1%
Vehicles	370	6.2%	382	6.6%
Tools, Instruments, and Equipment	318	5.4%	306	5.3%
Machinery	223	3.8%	237	4.1%
Furniture and Fixtures	208	3.5%	197	3.4%
Other Sources	134	2.3%	143	2.4%
Chemicals and Chemical Products	28	0.5%	37	0.6%
Total	5,906	100.0%	5,819	100.0%

PART OF BODY

	2017	%	2018	%
Back, including spine, spinal cord	1,617	27.4%	1,498	25.8%
Shoulder, including clavicle, scapula	622	10.5%	618	10.6%
Multiple body parts	546	9.2%	613	10.5%
Leg(s)	569	9.6%	550	9.5%
All Other	472	8.0%	525	9.0%
Finger(s), fingernail(s)	312	5.3%	324	5.6%
Arm(s)	254	4.3%	245	4.2%
Ankle(s)	288	4.9%	239	4.1%
Cranial region, including skull	247	4.2%	211	3.6%
Wrist(s)	213	3.6%	180	3.1%
Hand(s), except finger(s)	163	2.8%	155	2.7%
Foot(feet), except toe(s)	150	2.5%	152	2.6%
Neck, except internal location of diseases or disorders	158	2.7%	148	2.6%
Chest, including ribs, internal organs	127	2.1%	136	2.3%
Multiple trunk locations	104	1.8%	119	2.0%
Body systems	64	1.1%	106	1.8%
Total	5,906	100.0%	5,819	100.0%

NATURE OF INJURY

	2017	%	2018	%
Sprains, Strains	3,824	64.8%	3,747	64.4%
Fractures, Dislocations	443	7.5%	444	7.6%
Contusion, Crushing, Bruise	273	4.6%	327	5.6%
Cut, Laceration, Puncture	276	4.7%	300	5.2%
Concussions, Intracranial Injuries	280	4.7%	250	4.3%
Other traumatic injuries and disorders	236	4.0%	230	4.0%
Inflamed Joint, Tendon, Muscle	282	4.8%	214	3.7%
All Other	154	2.6%	176	3.0%
Burns	89	1.5%	100	1.7%
Digestive system diseases and disorders	49	0.8%	31	0.5%
Total	5,906	100.0%	5,819	100.0%

INJURY EVENT

	2017	%	2018	%
Bodily Reaction and Exertion	3,276	55.5%	3,049	52.4%
Falls	1,008	17.1%	1,079	18.6%
Contact With Objects and Equipment	999	16.9%	1,060	18.2%
Assaults, Violent Acts and Harassment	248	4.2%	232	4.0%
Transportation Accidents	187	3.1%	205	3.5%
Exposure to Harmful Substances or Environments	183	3.1%	188	3.2%
Fires and Explosions	4	0.1%	5	0.1%
Other Events or Exposures	1	0.0%	1	0.0%
Total	5,906	100.0%	5,819	100.0%

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Real-world perspective helps transform WCB core systems

Margaret MacKenzie gives a presentation to colleagues about the new Guidewire system.

For Margaret MacKenzie, Latisha Hubley and Tracey Newman, working life changed in a big way in 2018.

About two years ago, they, and some other colleagues, set aside their day-to-day roles to work full-time on the biggest transformation project in the history of WCB Nova Scotia.

WCB is replacing its antiquated systems with a cloud-based world-class software suite. As subject matter experts (SME), Margaret, Latisha and Tracey provide real-world guidance about what will work – and what won't – from the viewpoint of the people who will use the new core system when it's ready.

"The experience has been challenging, rewarding, and eye opening, says Margaret, a case manager who has worked at WCB Nova Scotia since 1992. "I would have had no idea what goes into a project of this magnitude without experiencing it myself. I admire WCB for asking subject matter experts from the service teams to be part of developing and building our new system. It shows we value the people who actually work with our stakeholders."

Latisha Hubley brings her expertise as a benefits administrator to help make decisions on how the system can be enhanced. "The new core system will equip our caseworkers, return-to-work assistants, and phone representatives with better tools to assist our customers more efficiently and consistently," she says.

> "The new core system will equip our caseworkers, return-to-work assistants, and phone representatives with better tools to assist our customers more efficiently and consistently."
>
> – Latisha Hubley

“I admire WCB for asking subject matter experts from the floor to be part of developing and building our new system. It shows we value the people who actually work with our stakeholders.”

– Margaret MacKenzie

Customized by the people who do the work

Tracey Newman is the WCB Business Lead on the project. “Although it’s an off-the-shelf system, it’s been configured for the work we do by the people who do it,” she says. “It’s important that WCB employees understand the significance and the effort the project team has put in to ensure that they and their colleagues can better serve workers and employers.”

As liaison between the technical teams and WCB, Mahendra Prashad of Ernst and Young, ensures the teams work together in a cohesive way.

“You wouldn’t be able to do a transformation without subject matter experts,” he says. “For us to get from point zero to a successful go-live implementation, these employees are paramount. They understand the nuances of the specific business, how their current system works, what the regulatory requirements are, and how the new system could improve current processes.”

As Vice President People and Change at WCB Nova Scotia, Wendy Griffin is the executive sponsor of the organization’s five-year business transformation. The decision to put some of WCB’s most experienced people on the project was tough, she admits, because these are also people you want on your front line. “The service delivery and prevention team’s flexibility in freeing up talented and experienced people has been an important success factor for the project,” she says.

Subject matter experts are not only the voice of WCB employees, they are advocates for the people WCB serves, Wendy explains. “They act as bridges back to their colleagues, helping them understand the changes but also bringing that experience of the workers and employers we serve.”

More than

10,000 AND GROWING

workers are now accessing their claims through WCB Online.

Our Progress

- Continued to grow usage of WCB Online by workers, employers and service providers through enhancements and engagement.
- Continued preparing our people, our systems, and our service approaches for major change while maintaining strong employee engagement survey results, as well as worker and employer satisfaction.
- Supported by strong risk management and oversight, entered the final stages of implementation of Guidewire, an industry-leading cloud-based program, to power our claims and assessment systems, and support better customer service.

Our Plans

- Launch Guidewire and support our people and those we serve through the implementation and changes to processes. As part of that, improve the MyAccount online employer service portal and complete our modernization plan.
- Explore our overall digital presence as it relates to our new online services and data capabilities.
- Begin implementation process for recommendations from the Auditor General’s report.

Safety champions foster a sea of change in fishing industry

2018 was a tragic year in Nova Scotia, with the deaths of 40 people at work or because of their work. In fishing alone, seven people drowned or were lost at sea – a sombre reminder of the dangers that still exist in this industry. Pictured above is fisherman Timmy Saulnier (middle) of Meteghan Wharf with his family.

When Meteghan Wharf lobster fisherman Timmy Saulnier saw a Facebook post from WCB Nova Scotia promoting the importance of personal flotation devices (PFDs) he was moved to respond.

"Every time I sail out of port, these three girls remind me to be safe, to work smart and to get back home to them and my wife," he says about a picture he posted of his PFD with the names of his three daughters embroidered on its straps. "They're my reason for wearing my PFD."

For too many Nova Scotian families, 2018 was a tragic year. Forty families were affected by a death at work or due to past work. In the fishing industry alone, seven fatalities occurred.

To Timmy, it's a stark reminder of what his family has to lose. It's about being there to ski and snowboard with his daughters every winter, write songs with his wife, and play in a band with his cousins. "We've been playing music all our lives," he says. "If I wasn't around, I think it would be very, very hard on a lot of people."

Tragic reminder

The fatalities in the fishing industry in 2018 are a sombre reminder of the dangers that still exist in this industry.

Over the past few years, government and WCB Nova Scotia have worked with industry to lessen the risks. The Fisheries Safety Association of Nova Scotia, along with the Nova Scotia Fisheries Sector Council (FSANS), and numerous fishermen, family members, and public sector representatives developed *Fishing Safety Now*, the fishing safety plan by and for the industry that was launched in 2015.

As crews in Lobster Fishing Areas 33 and 34 prepared for "dumping day" in the fall, safety advocates focused on reminding them of the importance of wearing PFDs.

Occupational health and safety officers from Nova Scotia's Department of Labour and Advanced Education (LAE) increased their presence at wharves on the South Shore and the Annapolis Valley to promote safety and to ensure operators were compliant to rules and regulations.

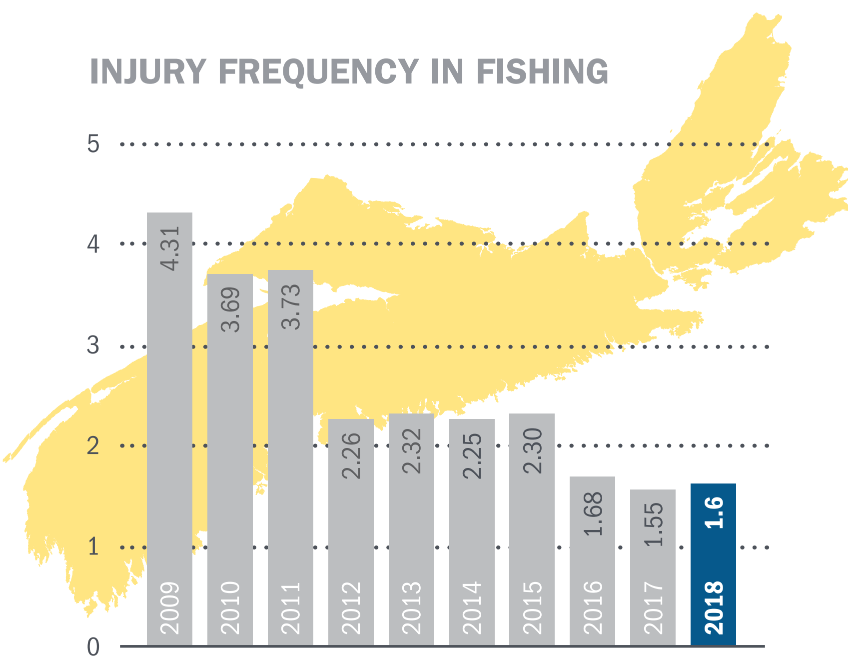
WCB Nova Scotia and LAE launched an awareness campaign about working safely and continued to promote safety requirements for training and personal protective equipment.

The WCB also works closely with the FSANS. Since 2012, the association has conducted 160 of its signature Man Overboard Drills, and 30 more are scheduled for 2019.

"We're the boots on the ground at the wharf side," says Amanda Dedrick, FSANS Executive Director. "We physically bring the equipment, put someone in the water, and walk fishing crews through these drills to get them practicing with their equipment."

She adds, "We used to have to work hard to get people out to the demonstrations. Now we have a long list of requests from captains to come to their area for training. A real shift is happening."

INJURY FREQUENCY IN FISHING



Injury Frequency (time-loss claims per 100 covered workers) at Year End

Our Progress

- Engaged and supported stakeholders in the health care industry, as part of the development of *Charting the Course: Workplace Safety for Nova Scotia's Home Care, Long Term Care & Disability Support Sectors*.
- Developed a new awareness campaign along with other Atlantic Canadian workers' compensation organizations and the Nova Scotia Department of Labour and Advanced Education.
- Launched a fishing safety campaign in response to fishing fatalities, and continued to work with the Fisheries Safety Association of Nova Scotia and Nova Scotia Department of Labour and Advanced Education.
- Continued reduction in time-loss injuries through outreach and education, in partnership with Nova Scotia Department of Labour and Advanced Education.
- Supported our partners at Nova Scotia Departments of Education and Early Childhood Development and Labour and Advanced Education (Private Career Colleges) to ensure secondary and post-secondary students, teachers, faculty have workplace health and safety curriculum resources to meet their needs.

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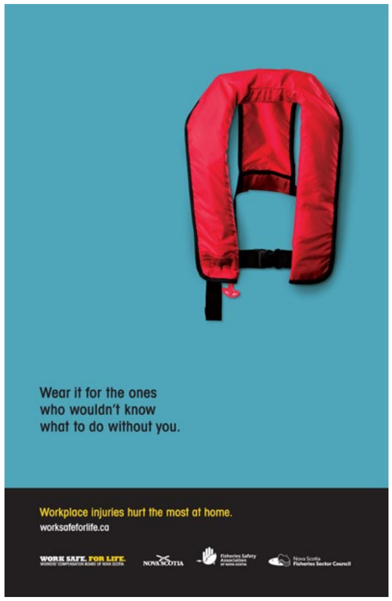
"Our goal is to get people to only do something if they can do it safely, so they can come home to their families at the end of the day," says Stuart MacLean, CEO of WCB Nova Scotia.

"Ultimately the challenge is to get people to want to do it. Timmy Saulnier's lifejacket is a great example of something that helps others understand what's really important. When you see the three girls' names, you instantly understand why he wears his PFD."



Timmy sees a change in the safety culture too.

"I'm very happy to see that all the fishermen are on board with wearing PFDs, even on the wharf," he says. "They take it very seriously."

Our Plans

- Continue work in the health care industry, by supporting the implementation of *Charting the Course: Workplace Safety for Nova Scotia's Home Care, Long Term Care & Disability Support Sectors* in partnership with AWARE-NS.
- Support The Community Against Preventable Injuries (preventable.ca) campaign in Atlantic Canada along with our Atlantic workers' compensation board partners.
- Roll out a musculoskeletal injuries (MSIs) prevention program to employers through workshops.
- Work with Nova Scotian first responder organizations to provide workplace tools and resources for workers in front-line emergency response occupations dealing with PTSD.

"Every time I sail out of port, these three girls remind me to be safe, to work smart and to get back home to them and my wife."

– Timmy Saulnier

WCB well governed and stable, Auditor General finds

Phase 1 of the Nova Scotia's Office of the Auditor General report on WCB Nova Scotia's governance was released in December 2018.

The road to financial sustainability in workers' compensation isn't an easy one.

In the 1990s, the story was simple. There wasn't enough money coming into the system to sustain the benefit payments going out, and that would be going out into the future.

Had nothing changed, it was a recipe for financial ruin for the system as a whole.

But things did change. Over the years, a number of changes led to a much more sustainable system. Today, the WCB is 85.5 per cent of the way toward eliminating the unfunded liability – up from 27 per cent in the early nineties.

In the words of Auditor General Michael Pickup, whose office reviewed the WCB in 2018, it was a "significant turnaround."

The findings that the WCB is well governed and on a path to financial sustainability came as part of the first phase of a two-phase review, and they spoke to the financial stability of the WCB.

"I believe the board can be proud of the approaches they have put in place, recognizing that we did make two recommendations for fine-tuning in the areas of oversight, and the Workers' Compensation Board has agreed with these suggestions," said Pickup, about the first phase of the report.

In essence, the Office of the Auditor General (OAG) found WCB Nova Scotia to be well run and on a stable long-term path.

WCB Chief Executive Officer Stuart MacLean says the validation of the WCB's governance model and funding strategy speaks to the vision of its Board of Directors, and their perspective on governance informed by the worker and employer stakeholders they represent.

1.8 $

The value of WCB Nova Scotia's assets in 2018 is $1.8 billion.

"We have a solid, competent, engaged Board who care deeply about creating the conditions for success for our province," says MacLean. "With this type of a report, we focus on what we can learn. We'll learn from what they've provided us, and we will improve."

Board Chair Rod Burgar echoes that sentiment.

He says that while perspectives may be different around the table at different times, the Board shares a belief in the importance of a well-governed and financially sustainable system. It's a principle that has informed the Board's strategic planning for years.

"In many ways, the first phase of the Auditor General's report in 2018 validated our approaches to governance and sustainability," Burgar says.

The WCB has agreed to all of the recommendations and will be working to implement them.

Auditor General Report: Phase Two

In phase two, which was released in May 2019, the Auditor General looked at claims and benefits administration, appeals, return-to-work processes, and service provider contracts.

While it reaffirms that overall the WCB is effectively managing claims for workplace injury and return to work, the report's second phase has identified important, needed improvements.

The WCB accepted all 12 recommendations and is committed to making changes to ensure they are implemented. The Board of Directors will oversee that implementation.

Supported by new systems and processes, over time, improvements to the way we deliver service across people, process, and technology will begin to address many of the challenges associated with our current operations.

The WCB will report to stakeholders as implementation progresses, primarily through its quarterly and annual reports to Government.

Our Progress

- Received favourable results of Nova Scotia's Office of the Auditor General (OAG) Phase 1 audit into WCB operations focusing on governance and long-term sustainability.
- In volatile investment markets of 2018, achieved an investment return better than the benchmark portfolio.
- Carefully monitored and managed our investment in modernization, including oversight by a dedicated Board of Directors committee.

Our Plans

- Review and implement the Auditor General's Phase 1 and 2 recommendations.
- Continued responsible financial stewardship through our proven investment model.
- Continue to lead conversations with stakeholders on what it will mean to be fully funded, as the funded ratio continues to improve.
- Ensure we start to realize the benefits of our modernization.

Teamwork key to return-to-work programs

Shana Vidito is Kings Regional Rehabilitation Centre's Health and Wellness Nurse.

While earning a Workplace Recognition Award is cause for celebration, what the award represents within an organization is even more important.

Thanks to a dedicated effort in partnership with WCB to establish a more formalized return-to-work process, Kings Regional Rehabilitation Centre (KRRC) has made improvements in both safety and its return-to-work results.

"We really have a culture of safety here now," says Judy Heffern, KRRC CEO. "And that culture of safety not only affects our employees, it ripples down. We have a safer client population because our staff is safer."

KRRC began its partnership with WCB Nova Scotia in October 2016 to strengthen and improve its safety. A multi-disciplinary Action Team – dubbed the "A Team" – was set up to address the trending increase of workplace injuries. The "A Team" included: Team Sponsor – Joe Haverstock, then KRRC CEO, followed by Judy Heffern; Team Champion – Jackie Roop; WCB Workplace Consultant/Facilitator – Tanya Newell; and KRRC employees.

Embracing the safety process

"KRRC has completely embraced the process of looking at injury prevention and their return-to-work program," says Newell. "They've streamlined the reporting. Their claims are being managed by one person – Shana Vidito, Health and Wellness Nurse – and she epitomizes everything we coach employers to do when it comes to return to work. Shana has been a shining example of what great return-to-work injury management can look like."

Increased collaboration between Vidito, the injured employee, WCB case workers, physiotherapists, occupational therapists and physicians has led to a comprehensive and holistic return-to-work process. Vidito checks in regularly with the employee while they heal at home and during the RTW program.

The new program has also strengthened KRRC's culture of safety and employee engagement. "People are now starting off their team meeting talking about safety, to raise awareness and accountability within their teams – that's at least 20 times a month," says Vidito, who took over from Jackie Roop in January 2019 as Team Champion. "Employees are now addressing their peers and interacting with each other to promote safer work habits and practices."

The "A Team" is now moving into sustainability mode, working with Newell and WCB to ensure that all the changes are sustainable. "We want to make sure that when Tanya isn't consulting with us as much as she is now, we'll be able to continue the success of being a safe workplace for everybody," Vidito says.

(L-R): Murray Salsman, Chair of the Board of Directors (KRRC); Judy Heffern, CEO; Tanya Newell, WCB Consultant; Shana Vidito, Health and Wellness Nurse

"People are now starting off their team meeting talking about safety, to raise awareness and accountability within their teams – that's at least 20 times a month."

– Shana Vidito

Our Progress

- Established a dedicated claims management team to adjudicate psychological claims in response to presumptive benefits for post-traumatic stress disorder.
- Evolved our claims management practices to better support complex claims and improve service to injured workers.
- Began case-by-case consideration of cannabis as a treatment for injury based on medical evidence and best practice.

Our Plans

- Continue to leverage improved technology to better support workers as they recover and return to work.
- Continue to make service improvements in the way we support workers and employers.
- Implement and formalize new cannabis guidelines.
- Expand the 'Working to Well' return-to-work support program and online platform.

Cross-sector stakeholders work together to change safety culture in health care

Susan Dempsey, Executive Director of AWARE-NS at the June 2018 launch of *Charting the Course: Workplace Safety for Nova Scotia's Home Care, Long Term Care & Disability Support Sectors*.

Caring for others is one of the most rewarding jobs in Nova Scotia, but care providers are more likely to be injured on the job than any other worker.

The numbers are concerning.

Although long-term care, home care and disability support account for only seven per cent of the province's total assessable payroll, they have one of the highest rates of injury reported to WCB, representing almost 22 per cent of all time-loss claims. The majority of their injuries are from moving and handling clients, slips, trips and falls, and workplace violence.

Behind every time-loss statistic and number is a person who was hurt at work, and a life that was thrown out of balance.

That's why a team of dedicated stakeholders, led by AWARE-NS (the Nova Scotia Health and Community Services Safety Association), came together to build a stronger safety culture in these sectors.

Over two years, AWARE-NS, along with WCB Nova Scotia, three government departments, organized labour, and employers developed a report with recommendations to improve health and safety outcomes in these sectors.

"We started by researching best practices in Nova Scotia, nationally and internationally," says Susan Dempsey, Executive Director of AWARE-NS. "From there we moved into consultation with the stakeholders and then into a working-group process. WCB was certainly foundational. It was their idea to try to bring the sectors together and shed light on this huge issue and do something about it."

For Shelley Rowan, Vice President Prevention and Service Delivery for WCB Nova Scotia, seeing representatives

> "Our work together has created a foundation of strong relationships to move this work forward."
>
> – Susan Dempsey

Nova Scotia Health Care Safety Awareness – AWARE NS Video.

of government, employers and workers all work collaboratively towards solutions was inspiring. "As Nova Scotians, we all rely on our health care system, and we need the people in that sector working and healthy," she says. "I saw great commitment and belief that we could make that happen."

Since the health care sector is large and complex, it was vital to get input and participation from a wide range of people who both lead and work in it, Rowan adds. "That focus on engagement in defining the issue and then looking to what some of those solutions might be was crucial in having a good, solid report and recommendations that can be implemented over time."

The final report, released in June 2018, is *Charting the Course: Workplace Safety for Nova Scotia's Home Care, Long Term Care & Disability Support Sectors*. Its recommendations will help move the sectors towards safer workplaces and workers, better practices, lower premiums, and improved quality of care for all Nova Scotians. But with the right training, equipment, support, leadership, and safety culture, all of these injuries should be preventable.

In partnership with WCB and others, AWARE-NS is responsible for guiding the implementation of the report's 21 recommendations over the next five years, a process that is already underway.

"Our work together has created a foundation of strong relationships to move this work forward," Dempsey says.

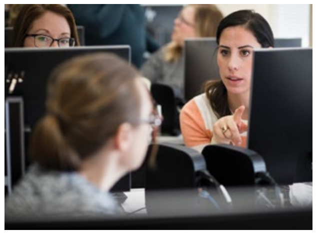
Our Progress

- Worked with others to support the launch of *Charting the Course: Workplace Safety for Nova Scotia's Home Care, Long Term Care & Disability Support Sectors*.
- Worked closely with the Department of Labour and Advanced Education to support the introduction of revisions to the Workers' Compensation Act to provide the benefit of presumption for PTSD in front line and emergency response workers.
- Supported the overall Reducing the Burden to Business Initiative in Nova Scotia by offering secure messaging on claims, elimination of special protection accounts for family members, implementing a new process for annual sub-contractor reporting, and enhanced filing of injury reports for employers.

Our Plans

- Continue to support the implementation of *Charting the Course: Workplace Safety for Nova Scotia's Home Care, Long Term Care & Disability Support Sectors*.
- Continue to support conversations within the system regarding the future of workers' compensation in Nova Scotia.
- Continue to work with and support those who share our goals for a safer working Nova Scotia.
- Continue to reduce red tape and build interjurisdictional efficiencies wherever possible.

Getting ready for Guidewire.



The replacement of our legacy core systems with the industry-leading software suite Guidewire took an organization-wide effort. In 2018, WCB employees began preparing for training in the software, which included e-learning for all employees. Pictured above, members of the project team attend train-the-trainer sessions in December.

Leading transformational change.

Replacing the systems at the core of our business is a vast multi-year undertaking, involving people across the organization and the dedicated work of a project team. Pictured below are the WCB leaders and employees leading and managing this major project.

(L-R): Greg Horsman, James Bourque, Wendy Griffin, Neha Bhandare, Tracey Newman, Dennita Fitzpatrick, Carla Hurley, Gillian Salmond, Marcy Dalton, Erica Lawseth

Marian MacDonald remembered

Marian MacDonald worked at WCB Nova Scotia for over 25 years and had a long history of helping the workers and employers in Nova Scotia. She lived our values of caring and compassion, both inside and outside her work role, for which she received an Inspire Award in 2015. Sadly, Marian passed away in 2016 after a battle with scleroderma. In 2018, a meeting room was dedicated in her memory during a beautiful ceremony with Marian's friends, family and coworkers. By dedicating the room in her honour, employees will be reminded of Marian's spirit in the relationships we build, the work we do and the way we live, both within and beyond our organization.

Volunteer in focus: Kelly McIntyre-Hayes

When workplace consultant Kelly McIntyre-Hayes isn't busy working with employers across Nova Scotia helping them make their workplaces safer, she can often be found in her hometown of Port Hawkesbury, helping to make her local community a better place to live. Kelly serves in several demanding volunteer capacities throughout Port Hawkesbury, including many leadership roles in minor sports, community parks, and ensuring kids have a place to play.

"What I'm happiest about is that our kids have started to give back to the community too," says Kelly. "Our oldest son coached our youngest in hockey this year, and our daughter who swims now teaches swimming lessons. For us, volunteering is just part of who we are as a family."

Kelly's remarkable volunteer efforts were recognized in April 2018 as part of National Volunteer Week at the Town of Port Hawkesbury's Annual Volunteer Banquet. According to organizers, Kelly has been a dedicated, tireless, and much appreciated volunteer in the community for over 20 years.

2018 Long-Term Service Awards

Each year, employees from across the organization gather to receive their Long-Term Service Awards marking 10, 15, 20, 25, 30 and sometimes 35 years of service. In 2018, 59 employees were honoured with a combined service total of 1,120 years. Pictured to the right are Lynn Fergusson and Elfinesh Zewde, two of the recipients from 2018.

Giving back to our community.

In 2018, WCB Nova Scotia employees...

- Held the 20th annual fundraiser for Nova Scotia Hospital, topping $20,000 in giving over that time.
- Held the 20th annual Angel Tree Toy Drive for the Salvation Army, helping hundreds of families in need at Christmas.
- Held the sixth Annual Basket Raffle for FeedNS, raising $2,440 in just 90 minutes.
- Held casual weeks for various causes, giving a total of $23,500 back to the community.

Those are but a few examples of the care and compassion our employees demonstrate every day.

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.

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 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 Finance, Audit and Risk 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.

Grant Thornton LLP, the external auditors of the WCB, has 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, CPA, CA
Chief Financial Officer

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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 of Nova Scotia (WCB). The discussion and analysis should be read in conjunction with the audited financial statements and supporting notes.

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 related to the covered work force in Nova Scotia, the economy, legislation, accounting standards, appeals and court decisions, and other risks which are known or unknown. We caution the reader about placing reliance on forward-looking information contained herein.

STATEMENT OF Financial Position

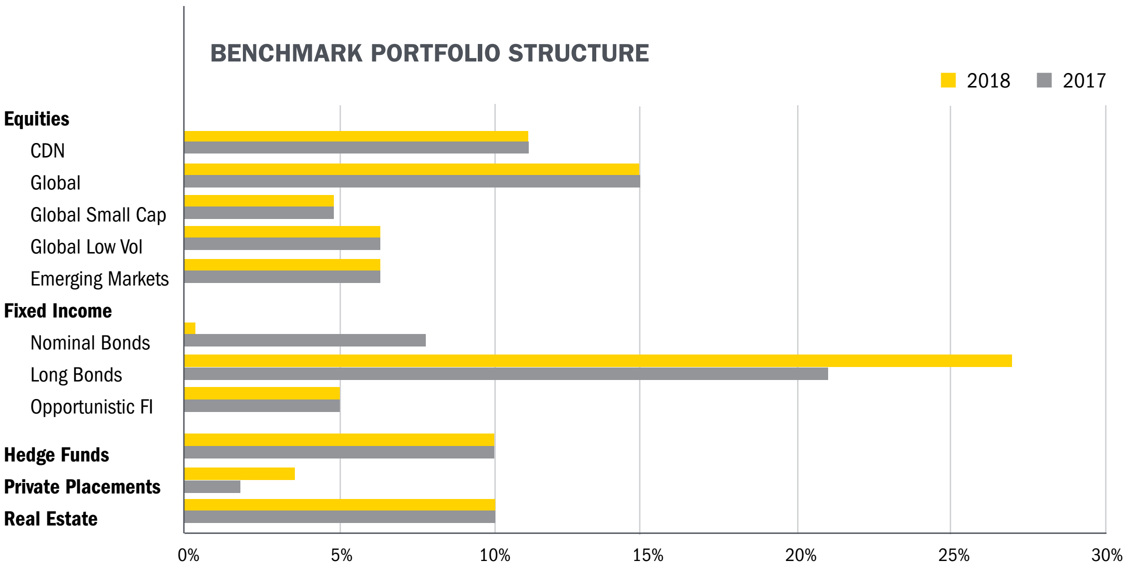
The WCB had a setback in 2018 and posted a comprehensive loss. This was primarily the result of significant investment market volatility in the fourth quarter of the year, eliminating gains from earlier in the year. Like the prior year, most corporate performance measures were met, with challenges on some key operational performance measures.

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 WCB has a fund of fund managers' arrangement with Mercer Global Investments Canada Limited (MGI). In 2018, the planned changes to the portfolio, as set in a multi-year plan from 2016, continued. The WCB completed the transition from nominal bonds to long bonds with remaining nominal bonds being held to satisfy future capital calls from alternative investments. In addition, the diversification of real estate with the introduction of a second manager for 50 per cent of the mandate was completed during the year.



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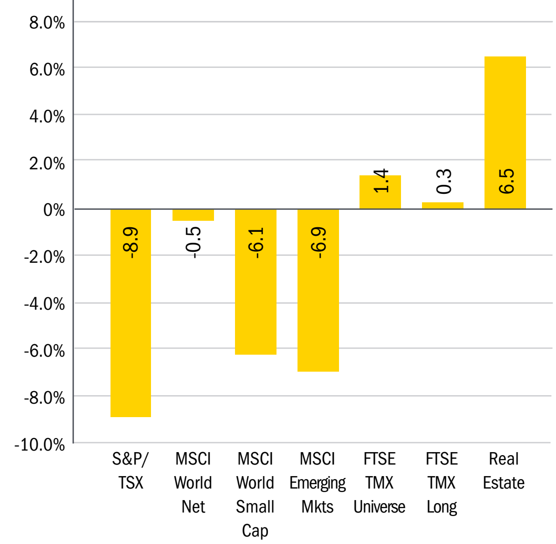
The benchmark portfolio reflects the fund's long-term risk tolerance. At any given time, the fund's asset allocation may differ from the benchmark. The benchmark is useful for assessing performance of the fund. As compared to 2018, target allocations have changed as detailed in the graph.

These changes occurred throughout 2018, including continued funding to the alternative investment classes infrastructure and private equity. Moving to these alternative investment classes is intended to provide attractive risk-adjusted returns while reducing risk through further diversification of the investment portfolio and decreasing the WCB's exposure to equities. The funding of the commitment to invest in private equity and infrastructure mandates through limited partnerships totaling $57.5 million USD for each fund will continue until the funding commitments have been reached, currently planned by mid-2020.

The WCB uses an active investment strategy where the investment manager is charged with exceeding the market index returns for all asset classes. The WCB continues to use a passive currency hedging overlay strategy with a hedge ratio of 15 per cent of the total foreign currency exposure, consistent with 2017. A glide path to reduce the hedging strategy is in place reducing the portion hedged gradually, and currency hedging will end completely when the Canadian dollar reaches $0.85 USD.

2018 FINANCIAL MARKET RETURNS

(returns in Canadian dollar terms)



Capital Markets Review

2018 was a challenging year for investors. The year was marked by significant volatility with investor confidence strengthening and waning all year. At September 30th year to date investment returns for the WCB were at 2.6 per cent, the highest returns for the year. Most major markets posted negative returns for the year caused by a market selloff in the last part of the fourth quarter of 2018.

Capital market volatility was prominent in 2018. Although corporate earnings remained strong, equity markets struggled over worries from multiple sources. Ongoing monetary policy tightening in the US with the US Federal Reserve increasing rates four times during the year, increasing trade tensions and fear of a global growth slowdown all contributed to negative market sentiment.

Canadian equities struggled due to weaker commodity prices, consumer debt concerns, the tentative revised NAFTA agreement and low oil prices. The Bank of Canada raised rates three times during 2018. Tensions overseas weighed on European Markets with concerns over a possible "Hard Brexit" without a trade deal. Emerging markets had a rough year due to a stronger US dollar, slowing Chinese economy and the trade uncertainty. However,

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due to the Canadian dollar weakness versus other major currencies during the year, results for foreign holdings in Canadian dollar terms were better than in local currency terms.

The Fund objective is to exceed the performance of the benchmark portfolio over a five year, moving average period (before investment management fees). The five-year fund return of 6.2 per cent exceeded the 5.9 per cent benchmark return by 0.3 per cent. The absolute return was above the long-term rate of 6.0 per cent that is assumed in the funding strategy. Fund manager objectives are established by individual mandates with each fund manager. Performance is reviewed at the fund and manager level by the Investment Committee, a sub-committee of the Board of Directors.

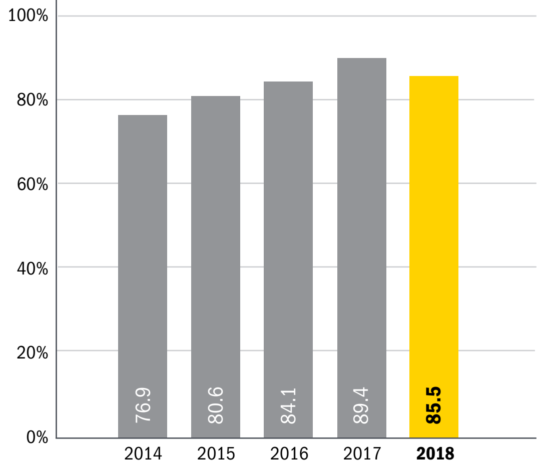
As the investments are held to meet payment obligations that extend many years into the future, the valuation of investments at a point in time provides a view of the financial position of the WCB at only that point in time. Note 7 of the financial statements describes the potential for volatility of the portfolio.

BENEFITS LIABILITIES

The WCB's benefits liabilities represent the actuarial present value at December 31, 2018 of all expected benefit payments that will be made in future years, which relate to claims arising from events that occurred on or before that date, including a provision for latent occupational diseases. 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, 2018.

FUNDED PERCENTAGE

For Nova Scotia, 2014 – 2018



The benefits liabilities increased by $58.6 million or 3.0 per cent. This is the change in the present value of benefits payable in future years, calculated through the annual actuarial valuation process. The valuation takes into account claims costs incurred, claims payments made, growth in the present value of the benefits liabilities and actuarial experience adjustments including an adjustment for the change in liability for latent occupational disease.

UNFUNDED LIABILITY

The WCB's liabilities total $2.10 billion and assets total $1.80 billion, with an unfunded liability of $303.8 million at the end of 2018. The WCB's funded percentage decreased from 89.4 per cent in 2017 to 85.5 per cent. The WCB maintains a focus on long-term financial stability and sustainability.

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STATEMENT OF Comprehensive Income

In 2018, total revenues of $280.3 million ($305.5 million in assessment revenues less $25.2 million in investment losses) less total expenditures of $372.2 million and the re-measurement of post-employment benefit liabilities of $5.4 million yielded a total comprehensive loss of $86.5 million.

The operating results for 2018 and 2017 may be attributed to the following factors:

($000's)	2018	2017
Assessment revenue in excess of current year costs	$ 29,573	$ 39,044
Investment income (below) above liability requirements	(123,925)	53,988
Actuarial liabilities and adjustments less than previously anticipated	2,453	8,692
Other comprehensive income from actuarial gains (losses) on post-employment benefits	5,409	(1,400)
Total comprehensive (loss) income	$ (86,490)	$ 100,324

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 payments made on their behalf plus an administration fee. In 2018 a new revenue accounting policy was implemented that led to a change in the presentation to exclude self-insured revenue and claims costs other than administration fee revenue as they did not meet the requirements under the new standard. There was no impact to comprehensive income, as the removal from revenue and claims costs were the same amount.

Total assessment revenue from insured firms increased $9.6 million (3.3 per cent) from 2017. This increase is primarily attributed to an increase in assessable payroll of 3.6 per cent. Increases to the payroll base reflect the net impact of an increase in the maximum assessable earnings for individuals, an inflationary increase in wages, and an increase in the insured workforce. The actual average assessment rate per $100 of assessable payroll, net of surcharge refunds and practice incentive rebates, was $2.64 – a slight decrease from 2017's average rate of $2.66. The fact that the actual rate is below 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.

The 2018 self-insured administration fees increased slightly by $0.2 million to $7.2 million (2.2 per cent) from 2017's $7.0 million. Administration fees are calculated based on 2017 claims payments and administration costs.

INVESTMENT INCOME

Investment income is derived from the investment portfolio managed by external investment managers. The total investment loss was $25.2 million for 2018, a decrease of $188.5 million (115.5 per cent) from 2017. In 2018, the annual investment return on the externally managed portfolio was a negative 1.0 per cent compared to a return of 10.3 per cent in 2017. The WCB recognizes changes in market value of investments in the year of occurrence. Note 6 to the financial statements provides investment income details.

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CLAIMS COSTS INCURRED

Claims costs incurred are an estimate of the costs related to injuries which occurred in 2018. These estimates take into account claims reported and paid, unreported claims and claims that are reported but as yet unpaid. The liabilities include a provision for the future cost of administering claims that occurred on or before December 31, 2018. The liability also includes a provision for exposures that will result in future occupational disease claims. The liability does not include an allowance for any changes to present policies and practices, or for the extension of new coverage types.

Claims costs incurred increased by $15.7 million (8.4 per cent) from 2017. Several factors influenced this aggregate result as discussed below.

Claims costs incurred for short-term disability increased 6.8 per cent in 2018 due to inflation and an increase in the average time injured workers were off the job. A 9.0 percent increase in claim durations resulted in an increase in short-term disability costs.

The 10.5 per cent increase in long-term disability is the combined result of an increase in both the volume and amount of permanent awards implemented in 2018. The volume of permanent impairment benefits was 12.8 percent higher than expected and extended earnings replacement benefits numbered 7.6 per cent higher than anticipated when the 2017 valuation was prepared. The average increase in the value of permanent impairment and extended earnings award benefits was 8.5 per cent; well above the inflation rate of 2.2 per cent.

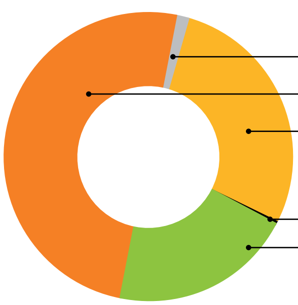
Health care costs increased 5.8 per cent in 2018. This is the combined impact of higher than expected payments on recent injuries tempered by lower than expected payments on injuries from older duration years. Payments on recent injuries have increased new injury costs above the 4.3 per cent inflation assumed in the valuation. The reduced payments on older durations led to a favourable adjustment to the estimated liability for health care.

Survivor costs have increased 3.7 per cent ($0.1 million) in 2018. Claim volumes and costs in this area 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. In 2018, rehabilitation costs increased from 2017 by 37.7 per cent ($0.2 million). Fluctuations occur year to year in rehabilitation costs as significant costs incurred on a small number of claims have a notable impact.

TOTAL CLAIMS COSTS INCURRED

(in thousands)



	2018		2017*	
Survivor benefits	2,792	1.4%	2,693	1.4%
Long-term disability	101,054	50.0%	91,457	49.1%
Health care	56,280	27.9%	53,194	28.5%
Rehabilitation	883	0.4%	641	0.3%
Short-term disability	41,027	20.3%	38,390	20.6%

*The 2017 numbers have been restated to conform with the reporting method adopted for 2018 in relation to self-insured firms.

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GROWTH IN PRESENT VALUE OF LIABILITIES, CHANGE IN ASSUMPTIONS AND ACTUARIAL EXPERIENCE ADJUSTMENTS

The benefits liability is calculated by an independent external actuary based on historical claims payment data coupled with assumptions about future experience. The growth in the 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 2018, this amount was $98.7 million or about 5.00 per cent calculated as a percentage of the opening benefits liabilities. This amount varies slightly by benefit category as the expected inflation component varies. Based on the long-term assumptions for inflation and investment returns, we expect growth to occur at approximately 5.25 per cent annually.

In 2017, the valuation incorporates actuarial assumption changes to the real rate of return, long-term inflation, number of outstanding Permanent Impairment Benefits (PIB) and future age at injury for outstanding PIB and Extended Earnings Replacement Benefits (EERB) awards.

For purposes of calculating the benefits liability, the assumed Consumer Price Index (CPI) rate was 2.00 per cent. CPI at 2.00 per cent combined with the real rate of return on assets assumption of 3.25 per cent results in a gross rate of return assumption of 5.25 per cent. A market scan conducted in 2017 indicates that these economic assumptions are aligned with the national average for these two key assumptions.

In 2018, there were favourable actuarial experience adjustments of $2.5 million. These adjustments represent the difference between what was predicted based on the actuarial assumptions, and methods used in the prior valuation years, and what actually occurred in the year.

In 2018, the volume of new Extended Earnings Replacement Benefits (EERBs) and survivor awards on insured claims were close to that expected in the actuarial assumptions. However, the average monthly award was higher. This and other factors such as mortality experience, future claims administration costs, and other non-specified actuarial adjustments, combined to produce favourable adjustments. We expect this experience to continue in the next few years and to result in favourable experience in long-term disability. The timing and magnitude of the savings is difficult to predict until a series of representative data emerges over the next few years.

Despite the increase in 2018, there have been fewer EERBs in recent years, with 426 awarded in 2018, compared to an annual average of 558 awarded from 2005 to 2010. Early indicators suggest there will be fewer long-term earnings loss awards going forward.

The number of PIBS awarded in 2018 is 2.96 per cent higher than in 2017, increasing from 1,455 to 1,498. PIB awards continue to be lower than in prior years when they peaked at over 1,700 in 2008. However, the number of new awards in 2018 was higher than expected.

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ADMINISTRATIVE COSTS

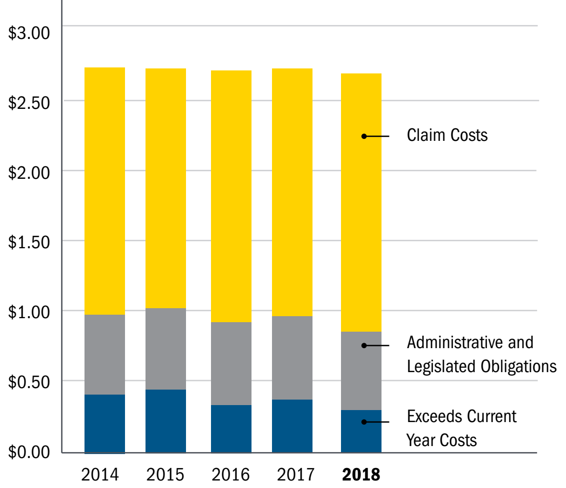
Administrative expenditures in 2018 totaled $56.7 million, an increase of $2.9 million or 5.50 per cent from 2017. This is primarily due to increases in costs related to the modernization of our organization's systems and processes. We anticipate continued costs related to modernization in the next few years as we make important changes to become more efficient, better positioning the WCB for the future.

LEGISLATED OBLIGATIONS

The WCB reimburses the Province of Nova Scotia for the operating costs of the Occupational Health and Safety Division of the Department of Labour and Advanced Education, the Workers' Advisers Program, and the Workers' Compensation Appeals Tribunal. The WCB and the Province of Nova Scotia have different fiscal years. The WCB's year-end is December 31, and the Province's year-end is March 31. The WCB's expenses for legislated obligations are estimates based on the forecasts of expenditures supplied by the Province of Nova Scotia. The legislated obligations expenses reported by the WCB and the amounts reported by the Province can vary significantly.

BREAKDOWN OF AVERAGE RATE

for Nova Scotia, 2014 – 2018



STATEMENT OF Cash Flows

Cash decreased in 2018 as cash utilized for benefit payments and operations was slightly more than the cash generated through assessments premiums.

Funding Strategy

The funding of the WCB involves the funding of current year claims and ensuring that sufficient assets are available to fund benefits awarded in the past. In Nova Scotia, the invested assets are not currently sufficient to fund these past claims and this shortfall is the unfunded liability. The funding strategy maps out our approach to eliminate the unfunded liability between 2020 and 2024. The WCB's funding strategy encompasses assumptions about revenue from the covered workforce payroll base, operational results and investment returns.

The strategy relies on growth in the payroll base in order to collect sufficient funds to eliminate the unfunded liability. Each year premiums are collected from employers based on a targeted average rate of $2.65 per $100 of assessable payroll. In 2018, the portion of the $2.64 actual average rate required to fund the estimated cost of claims that occurred in the year is $1.79 with administration and legislated obligations costs requiring an additional $0.54. The remaining $0.31 is available to be applied to reduce the unfunded liability and any shortfall of investment income to liability growth. The composition of the average rate since 2014 is shown in the graph on the left.

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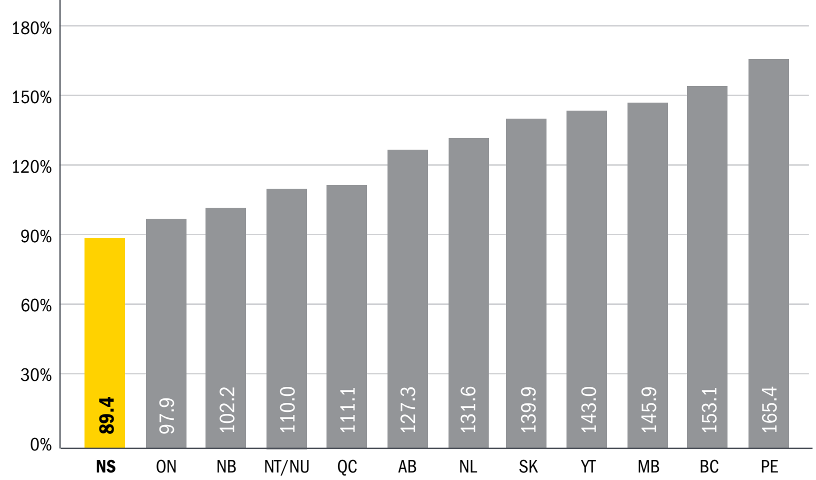
Another key assumption in the funding strategy is a reduction in the cost of workplace injuries through prevention and return-to-work programs and through a five-year program of transformational change in the way we deliver service. The goal is to reduce the combined cost of current year injuries, administrative and legislated obligations from the current $2.33 to $2.29 in 2022; and to eliminate the unfunded liability. In 2018, the reduction target for time-loss claims was achieved while the amount of time people were off work due to injury was not achieved. Increasing claims duration adds costs to the system. Reductions require employers, workers, and health care providers to work together in fostering safe and timely return to work.

Another key component of the funding strategy is the return on invested assets. Despite a negative return in 2018, cumulative returns have been positive in recent years, with an annualized 10-year return as of December 2018 of 8.0 per cent, exceeding the long-term investment assumption of 6.0 per cent before fees.

FUNDED PERCENTAGE

All Provinces, 2017 (AWCBC)



The WCB's annual update of the funding strategy in June 2018 estimated when the unfunded liability would be eliminated was unchanged and remained between 2020 and 2024. The funding period was partially based on an estimated total comprehensive income for 2018 of $39.4 million. There are a number of variables affecting the funding position and annual variances are expected. The actual total comprehensive loss for 2018 is $86.5 million. This is $125.9 million less than expected in the funding strategy. The 2018 variances include:

- Assessment Revenue $3.6 million more than expected.
- Administrative, Legislative Obligations and System Support costs $7.0 million less than expected.
- Re-measurement of post-employment benefits resulted in a gain of $5.4 million.
- Investment income $120.7 million less than expected.
- Growth in benefits liability and actuarial adjustments $8.9 million more than expected.
- Claims costs incurred $12.3 million more than expected.

As concluded in the Auditor General's Report in December 2018, the WCB has a plan for long-term sustainability. Financial progress over the past several years has been encouraging and there are many factors influencing the funding strategy. All of the assumptions are based on long-term expectations. Annual investment returns by their nature are unpredictable, as evidenced in 2018, and short-term results will vary from the long-term expectations. Revenue from the covered workforce is dependent on economic activity and the size of the covered workforce. Claims experience can vary and 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.

The 2018 results will be incorporated when the Board completes its annual planning process in June of 2019.

Risk Areas

Given the nature of our operations, the WCB is inherently susceptible to risks that, if unmitigated, could lead to significant financial consequences. Benefit costs, investment returns, economic conditions, fraudulent activities and technology risk are all considerations that can affect the WCB's performance and financial results.

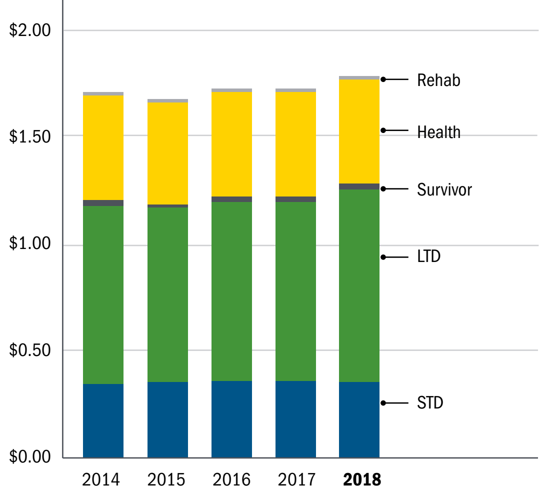
BENEFIT COSTS

Progress toward claim cost reduction continued to be challenged in 2018 as the organization invests in new processes and technologies designed to improve service and claim outcomes well into the future. Normal staff turnover, and staff reassignments to the change initiative have temporarily made our work more challenging. This along with changes in key industries outside of our organization resulted in an increase in both the volume of claims in pay and claim duration. With all of these challenges, benefit costs per $100 of assessable payroll have increased from $1.71 in 2017 to $1.79 in 2018.

An aggressive change agenda will continue to impede operational results and progress towards our longer term goals over the next several months. While we have taken steps to reduce the impact of change, it is not practical to fully mitigate this risk. Improved outcomes are expected to resume in 2020; however the pattern of improvement that will result from our transformation will evolve over time.

BENEFIT COSTS PER $100 OF ASSESSABLE PAYROLL

for Nova Scotia, 2014-2018



INJURY RATE

The injury rate is one of the most significant drivers of benefit costs, and key focus of the WCB's attention for risk mitigation. At the end of 2018, the injury rate was 1.72 time-loss claims per 100 covered workers, down from 1.76 in 2017.

As of December 31, 2018, there were 134 fewer time-loss injuries than in 2014. This reflects a 2.25 per cent decrease over the five-year period compared to a 3.18 per cent increase in the covered workforce. The pace of progress has slowed in recent years as decreases in claim volumes were among lower cost injuries and savings from long term disability take longer to materialize. A change in economic assumptions in 2017 along with challenges associated with the change agenda have halted progress toward long-term disability savings in the last two years. Reductions in long-term disability claims and costs are expected to resume in 2020 and continue through 2022 as new systems and programs start to mature.

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 long-term benefits. The WCB's early intervention and return-to-work approach is expected to help to reduce claims costs incurred over time, by shortening durations and reducing the number of workers going on to long-term disability.

Claim durations reflect the persistence of injuries that occur in the workplace. WCB's goal is to improve outcomes for injured workers, and reduce the human and financial cost of

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workplace injuries in Nova Scotia. Recent increases in claim durations reflect the impact of several factors including our transformation and are expected to be temporary. We expect that improved processes and technology will lead to improvements in claim durations and overall cost reductions. As previously noted, the timing and pattern of improvement will evolve over time.

INVESTMENT RETURNS

The WCB's assets are diversified among a variety of asset classes and fund managers in order to optimize returns and manage risk. External investment managers must comply with the WCB's Statement of Investment Policies and Objectives (SIPO) that outlines permissible investments. The SIPO is designed so the portfolio will provide reasonably 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 adopted in June 2018 was prepared using a return-on-investments assumption of 6.0 per cent. During 2015, the WCB updated the asset allocation strategy and reviewed our long-term expectation for inflation and real returns. Results of this work indicate that a long-term investment return of 6.0 per cent is a reasonable expectation. An updated asset liability study will be contemplated as we move closer to elimination of the unfunded liability, and to the implementation of IFRS 17 (previously referred to as IFRS 4), where the benefits liabilities will be marked to a current market rate versus longer term assumptions. One of the most significant future changes is the move to market-based interest rates used to discount the future cash flows of the benefits liabilities which is expected to lead to an increase in the benefits liabilities on the statement of financial position and increase volatility in reported comprehensive income.

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 for the cost of services has been higher than general inflation.

Nova Scotia's employment is expected to remain stable in 2019 with minimal impact on the WCB covered workforce. Slower than expected future growth or contraction of the economy could impact the funding strategy if growth in payroll falls below the funding strategy expected level.

FRAUD

The WCB provides workplace injury insurance to about 19,500 employers and about 336,000 workers across Nova Scotia and uses the services of thousands of service providers. The significant volume and value of the monetary transactions that occur create a risk to the WCB of fraudulent activity by internal and external stakeholders. To proactively strengthen the management of this risk, the WCB performs data quality and integrity checks; implements internal controls; follows a policy framework; and employs a Special Investigations Unit.

TECHNOLOGY

The reliability of WCB's information technology is crucial to supporting the organization's operations and safeguarding personal records. System failures or security breaches are significant risks to the WCB. The organization has taken steps to mitigate these risks by

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investing in technology, maintaining backup systems and processes, developing staff expertise and having a disaster recovery plan and policies for information technology purposes.

In support of our mission, the WCB has embarked on a comprehensive program of business transformation, which will position the organization to be more efficient and meet the security challenges of the digital environment. This evolution will continue over the next several years.

Critical Accounting Policies and Estimates

The WCB follows International Financial Reporting Standards (IFRS). IFRS requires that management make assumptions and estimates. Financial statement Note 3 “Significant Accounting Policies” and Note 4 “Accounting Judgements and Estimates” outline the WCB’s significant accounting policies and estimates.

Significant policies include measurement of investment income and the valuation of the benefits liabilities. 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.

The benefits liabilities determined in the financial statements are estimated using many actuarial assumptions. The two most significant assumptions are the long-term discount rate and the long-term inflation rate, and estimates are highly sensitive to small changes in these assumptions. Measurement uncertainty is high because of the amount, timing, and duration of the benefits. Actual future results will vary from the actuarial valuation estimate and the variations could be material. IFRS 17, the Insurance Contracts standard is expected to be effective in January 2022. Under this standard, the basis of accounting for the benefits liabilities will change to fair value utilizing a market based discount rate. This change will impact the WCB’s financial results. A sensitivity analysis relating to insurance risk is included in Note 11 of the financial statements.

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.

The funding strategy reflects the balance between the level of benefits, rates charged to employers and the WCB’s funding position. When financial results are different than the target, whether better or worse, the choice becomes: adjust benefits, adjust rates or lengthen or shorten 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.

In 2018, the funding position was weakened, primarily attributable to worse performance of the investment portfolio than expected in the funding strategy. That said, there are many variables and the range of possible results over the short to medium term is significant. The asset liability study performed in 2015 showed the probability of eliminating the unfunded liability by the end of 2022 is greater than 60 per cent, and the probability of being less than 70 per cent funded is less than six per cent.

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 several years. The length of the period, coupled with the number of assumptions, makes the funding strategy fairly sensitive to changes. Small changes in the early years potentially have a considerable impact in the later years. The target funding range between 2020 and 2024 was adopted in June, 2018. As the date when the unfunded

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liability is eliminated approaches, the sensitivity to changes will be more prominent, with any negative impacts representing a challenge as there will be fewer market cycles over which to recover. Positive results are a step in the right direction and the focus will be to maintain current momentum going forward.

The Board of Directors will revisit the funding strategy as part of the annual budget process in June 2019. On an ongoing basis, the WCB weighs the views of stakeholders on a number of topics, which includes the appropriate level of benefits, rates charged to employers and the WCB's funding position.

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 or in the funding strategy, actual results will differ from the projections and these differences may be material.

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

Opinion
We have audited the financial statements of Workers' Compensation Board of Nova Scotia ('WCB'), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in the unfunded liability and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Workers' Compensation Board of Nova Scotia as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

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Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Halifax, Canada
June 27, 2019

Chartered Professional Accountants
Licensed Public Accountants

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STATEMENT OF FINANCIAL POSITION

as at December 31 (thousands of dollars)

	2018	2017
Assets		
Cash & cash equivalents	$ -	$ 6,870
Receivables (Note 5 and 17)	30,328	28,583
Investments (Note 6)	1,732,515	1,773,482
Property and equipment (Note 8)	4,390	4,286
Intangible assets (Note 9)	29,407	13,107
	$ 1,796,640	$ 1,826,328
Liabilities and Unfunded Liability		
Bank indebtedness	$ 8,692	$ -
Payables and accruals	26,035	28,027
Post-employment benefits (Note 10)	23,356	31,882
Benefits liabilities (Note 11)	2,042,348	1,983,720
	2,100,431	2,043,629
Unfunded liability	(303,791)	(217,301)
	$ 1,796,640	$ 1,826,328

Commitments (Note 19)
Capital Management (Note 21)

Approved on behalf of the Board of Directors on June 27, 2019:

Rodney Burgar
Chair, Board of Directors

Angus Bonnyman
Chair, Finance, Audit and Risk Committee

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

STATEMENT OF COMPREHENSIVE INCOME

year ended December 31 (thousands of dollars)

	2018	2017 (Restated)
Revenue		
Assessments (Notes 3, 12, 16 and 17)	$ 305,529	$ 295,751
Investment (loss) income (Note 6)	(25,253)	163,242
	280,276	458,993
Expenses		
Claims costs incurred (Notes 3, 11 and 17)	202,036	186,375
Growth in present value of benefits liabilities, actuarial adjustments and adjustment for latent occupational disease (Note 11)	96,219	100,562
Administration costs (Notes 13, 17 and 20)	56,720	53,764
System support (Note 14)	901	884
Legislated obligations (Note 15)	16,299	15,684
	372,175	357,269
Excess of (expenses over revenues) revenues over expenses	(91,899)	101,724
Other comprehensive income		
Re-measurement of post-employment benefits gain (loss) (Note 10)	5,409	(1,400)
Total comprehensive (loss) income	$ (86,490)	$ 100,324

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STATEMENT OF CHANGES IN THE UNFUNDED LIABILITY

year ended December 31 (thousands of dollars)

	2018	2017
Unfunded liability excluding accumulated other comprehensive income		
Balance, beginning of year	$ (209,185)	$ (310,909)
Excess of (expenses over revenues) revenues over expenses	(91,899)	101,724
	$ (301,084)	$ (209,185)
Accumulated other comprehensive income		
Balance, beginning of year	$ (8,116)	$ (6,716)
Other comprehensive income (loss)	5,409	(1,400)
	$ (2,707)	$ (8,116)
Unfunded liability end of year	$ (303,791)	$ (217,301)

STATEMENT OF CASH FLOWS

year ended December 31 (thousands of dollars)

	2018	2017 (Restated)
Operating Activities		
Cash received from:		
Employers, for assessments (Note 3)	$ 304,412	$ 296,987
Net investment income	59,489	121,326
	363,901	418,313
Cash paid to:		
Claimants or third parties on their behalf (Note 3)	(237,499)	(225,285)
Suppliers, for administrative and other goods and services	(79,635)	(80,944)
	(317,134)	(306,229)
Net cash provided by operating activities	46,767	112,084
Investing Activities		
Increase in investments, net	(43,751)	(85,868)
Purchases of equipment and intangible assets	(18,578)	(10,481)
Net cash used in investing activities	(62,329)	(96,349)
Net (decrease) increase in cash and cash equivalents	(15,562)	15,735
Cash and cash equivalents, (bank indebtedness), beginning of year	6,870	(8,865)
(Bank indebtedness) cash and cash equivalents, end of year	$ (8,692)	$ 6,870

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

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NOTES TO THE FINANCIAL STATEMENTS *year ended December 31st, 2018 (thousands of dollars)*

NATURE OF OPERATIONS

1. The Workers' Compensation Board of Nova Scotia (WCB) is a board established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act (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 safe and timely return to work; administers the payment of benefits to injured workers and dependents; 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). The principal accounting policies applied in preparation of these financial statements are set out below.

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 policies 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 1.00 per cent.

b) Assessments Revenue and Receivable
Premiums are billed when employers report their employees' 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
All portfolio investments are designated 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, distributions from pooled funds and investment foreign currency gains and losses are recognized as investment income in the period incurred. Distributions from pooled funds are automatically reinvested within the pooled funds. Investment income is presented net of investment expenses.

The following determines fair value of investments:

- Pooled fund units (equities and fixed income) are valued at their year-end net asset values (NAV) as determined by the fund managers.
- Structured entities such as limited partnerships in infrastructure and private equity as well as hedge funds are valued at the most recent available NAVs 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.

Unconsolidated structured entities
The investments in limited partnerships for infrastructure and private equity and a pooled hedge fund do not satisfy the elements for control or significant influence and therefore have not been consolidated into these financial statements. Financial instruments accounting has been applied. The WCB's financial exposure is limited to the net carrying amount of the investments. Obligations are imposed on funds committed in structured entities; once committed, an investor is expected to fund the entire subscribed amount over the term of the agreement.

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 2 to 40 years is used for building components and from 3 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 depreciation 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
An independent actuary is appointed to prepare the post-employment benefit estimates. The amounts 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. Due to the curtailment of the retirement allowance program, the projected unit credit method has been adjusted such that the defined benefit obligation for the retirement allowance program is the present value of all future retirement allowance payments. Actuarial gains and losses arise from the actual experience of the plan's liabilities for a period and are recorded through other comprehensive income with no subsequent reclassification to comprehensive income. Current service, past service (including curtailment and settlement) and interest costs are recorded through profit and loss in the period in which they arise. Discount rates are based on the market yields of high quality corporate bonds.

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 including exposure for occupational diseases. The benefits liabilities includes provisions 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 Statement of Financial Position date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for investments.

h) Financial Instruments

The WCB early adopted IFRS 9 – Financial instruments (2009), which requires 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 cost, which approximates fair market value
- Accounts receivable and payable – recorded at amortized cost
- Investments – recorded as fair value through profit and loss

The carrying values of accounts receivables and payables approximate fair values due to the short-term maturity and/or underlying terms and conditions. The WCB's accounts receivable are not subject to significant concentration of credit risk as the accounts are owed by a large number of employers, the Province of Nova Scotia and the Government of Canada on normal credit terms. Accounts receivable include an estimate for the lifetime expected credit losses using the simplified method with a provision matrix in the allowance for doubtful accounts and are regularly reviewed to determine whether the account should be written-off. Accounts are written-off when there is no reasonable expectation of recovery.

The investment portfolio does not contain any derivatives intended for speculation or trading purposes. The portfolio includes a currency hedging strategy by investing in the Hedged Mercer Global Equity Fund. 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.

Depreciation 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. Intangible assets which are under development and not yet ready for its intended use so are not subject to depreciation. Assets under development and not ready for their intended use are tested for impairment annually.

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. The useful lives of intangible assets are reviewed at each reporting date and adjusted if required.

j) Asset Impairment Testing

IFRS requires 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 entity and its 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) Current Year Accounting Policy Implementations

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 in the current year or in future years as follows:

IFRS 9 – Financial instruments – On January 1, 2018, the WCB adopted IFRS 9 (2014) on a retrospective basis. The WCB had already adopted phase one (classification and measurement) in 2011 on adoption of IFRS. The standard introduced an option to recognize unrealized investment gains and losses as fair value through other comprehensive income (OCI) with no subsequent reclassification to profit or loss. The WCB will continue to record fair value changes for portfolio investments through profit and loss. Phase two (Impairments) introduced a new impairment model, with a simplified impairment model applied to trade receivables. The simplified model has an entity recognize a loss allowance at an amount equal to the lifetime expected credit losses at the inception of the receivable instead of the previous incurred loss model. Phase three introduced revised pronouncements on hedge accounting which is optional. The WCB will not apply hedge accounting. Application of IFRS 9 did not have a material impact on results and no adjustments were recorded on transition.

IFRS 15 – Revenues from Contracts with Customers – On January 1, 2018, the WCB adopted IFRS 15 on a retrospective basis. The standard replaced various revenue recognition standards and interpretations. The standard requires an entity to measure and allocate revenue to performance obligations and recognize revenue as the obligations are fulfilled. The new standard does not apply to insurance contracts. IFRS 15 does apply to the WCB's administration revenue earned on services contracts to provide claims management services to self-insured employers (primarily federal and provincial government departments).

Adoption of IFRS 15 led to a change in presentation related to self-insured revenue and claims costs with the removal of both as they did not meet the requirements under the new standard. Comparative figures for 2017 have been restated to reflect this change. Assessment revenue and claims costs incurred both reduced by $33,437 with no impact on total comprehensive income. (Assessment revenue 2017 $329,188 restated to $295,751; Claims costs incurred 2017 $219,812 restated to $186,375). The $33,437 impact on comparative figures have been reflected in other notes: 11, 12 and 16. The presentation change resulted in adjustments to the Statement of Cash Flows (Cash received from employers, for assessments $296,987 restated from $326,759 and Cash paid to claimants or third parties on their behalf $225,285 restated from $255,057). Both were adjusted by $29,772 and offset with no impact on the bank indebtedness balance as of December 31, 2017.

Application of IFRS 15 to these service contracts did not have a material impact on results and no adjustments were recorded on transition.

l) Future Accounting Policy Developments

IFRS 16 – Leases – This new standard requires all leases be treated as finance type leases with assets and liabilities recorded on the statement of financial position, with the exception of short-term and low dollar value leases. The most important change for the WCB will be reporting a right-of-use asset measured at the present value of the future lease payments, amortized over the lease term related to the WCB's leases for office space. The WCB has assessed the office space leases and will record any adjustment on transition. IFRS 16 will not have a significant impact on expenses reported year to year. Additional disclosures will be applicable. The mandatory effective date for adoption is for years beginning on or after January 1, 2019.

IFRS 17 – Insurance Contracts (Replacing IFRS 4) – This new insurance standard will replace IFRS 4. The standard was released in May 2017.The mandatory effective date has been extended by one year to January 1, 2022 to give entities additional time to prepare. This standard will have material impacts for the WCB's financial reporting by introducing new recognition and measurement approaches for insurance revenue and liabilities. One of the most significant changes is the move to market based interest rates used to discount the future cash flows of the benefits liabilities which is expected to lead to an increase in the benefits liabilities on the statement of financial position and increase volatility in reported income. Other changes impact actuarial procedures, data requirements, valuation methods, disclosures and possible system changes. The standard will change the financial statement presentation, with a separation of insurance and financing activities, and expanded disclosures about amounts recognized, significant judgements and assumptions, and the nature and extent of risks arising from insurance contracts. The WCB is continuing to assess the full impact of this new standard with research and collaboration with other WCB's, auditors and external actuaries. No determination can be made of its full effects on WCB's financial position and operating results at this time.

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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 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 6 – Investments
- Note 7 – Financial Risk Management
- Note 10 – Post-employment benefits
- Note 11 – Benefits liabilities
- Note 12 – Assessment revenue

5. RECEIVABLES

	2018	2017
Assessments	$ 20,502	$ 21,051
Self-insured employers	6,407	4,741
Assessments receivable	26,909	25,792
Harmonized sales tax rebate	1,070	1,100
Other	2,349	1,691
	$ 30,328	$ 28,583

Assessments receivable are net of an allowance for expected credit losses of $5,434 in 2018 (2017 – $4,257). Other receivables are net of an allowance of $1,471 in 2018 (2017 – $1,379). Amounts written off to bad debts were $1,700 in 2018 (2017 – $500). Substantially all receivables are collected within one year.

6. INVESTMENTS

	2018	2017
Equities		
Canadian	$ 192,006	$ 214,982
Global	189,604	204,245
Global hedged	67,014	80,587
Global low volatility	114,455	121,830
Global small cap	83,759	96,844
Emerging markets	112,762	127,700
Private equity	29,599	9,729
	789,199	855,917
Long term bonds	465,406	357,986
Fixed income	10,290	117,841
Opportunistic fixed income	88,194	85,736
Real estate	180,971	168,932
Hedge funds	162,932	166,473
Infrastructure	35,444	20,445
Cash and money market	79	152
	$1,732,515	$1,773,482

Investment Income	2018	2017
Distributions from pooled funds	$ 46,568	$ 93,082
Change in fair market value	(84,719)	43,424
Realized gains from the sale of investments	20,567	32,308
Currency overlay gains	-	1,404
Portfolio management expenses & interest	(7,669)	(6,976)
Net investment (loss) income	$ (25,253)	$ 163,242

Funding Commitments

During 2016, commitments were made into limited partnership agreements with externally managed infrastructure, private equity and real estate funds that require contributions into these investments over the next several years. Unfunded commitments as of December 31st are as outlined in the below table.

Mandate	2018 Undrawn Funding Commitments	Total Commitment
Infrastructure	$ 30,300 USD	$ 57,500 USD
Private equity	$ 35,800 USD	$ 57,500 USD
Real estate	$ NIL	$ NIL

Mandate	2017 Undrawn Funding Commitments	Total Commitment
Infrastructure	$ 41,000 USD	$ 57,500 USD
Private equity	$ 49,300 USD	$ 57,500 USD
Real estate	$ 34,400 CDN	$ 80,000 CDN

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.

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 is prepared with information provided by an external investment consultant and 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.

	2018		2017	
Equities	% Change	CI Impact	% Change	CI Impact
	(1 Std Deviation)		(1 Std Deviation)	
Canadian	9.6%	$ (18,433)	7.5%	$(16,124)
Global	9.6%	$ (18,202)	9.4%	$(19,199)
Global Hedged*	9.9%	$ (6,634)	9.2%	$ (7,414)
Global Low Volatility	9.6%	$ (10,988)	9.4%	$(11,452)
Global Small Cap	11.8%	$ (9,884)	10.2%	$ (9,878)
Emerging Markets	11.6%	$ (13,080)	11.7%	$(14,941)

*Based on 5.0 Years in 2018 (2017 – 4.5 Years)

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 of 8.8 years. The duration of the fixed income investments are as outlined in the following table.

Duration of bond portfolios (in years)	2018	2017
Fixed income	7.5	7.6
Long-term bonds	14.8	14.8
Opportunistic fixed income	3.9	4.4

The following table presents the effect of an increase in market interest rates for fixed income investments (which are held in pooled funds) and the resulting decrease in comprehensive income.

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0.5% change	2018 CI Impact	2017 CI Impact
Fixed income	$ (385)	$ (4,472)
Long-term bonds	$ (34,516)	$ (26,455)
Opportunistic fixed income	$ (1,698)	$ (1,873)

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 an allocation of global equities invested in a global equity hedged fund to hedge approximately 15 per cent of the foreign currency denominated assets.

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.

Currency	2018 CI Impact	2017 CI Impact
USD	$ (32,647)	$ (29,997)
EURO	$ (3,459)	$ (3,254)
YEN	$ (2,915)	$ (3,258)
POUND	$ (1,748)	$ (2,243)

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 a well-diversified portfolio with limited exposure to any one entity, industry or country, 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, fixed term investments, and foreign exchange forward contract counterparties.

The credit ratings of the WCB's fixed-income securities at December 31 are listed in the table below.

	2018		2017	
Credit Rating	Total	%	Total	%
AAA	$ 120,278	21.3%	$ 115,399	20.5%
AA	201,114	35.7%	196,288	35.0%
A	119,614	21.2%	113,704	20.2%
BBB	76,927	13.6%	76,164	13.6%
BB	26,026	4.6%	36,345	6.5%
B	6,615	1.2%	16,804	3.0%
Below B	13,316	2.4%	6,859	1.2%
Total	$ 563,890	100.0%	$ 561,563	100.0%

The WCB is also exposed to credit risk through its trade receivables. The risk is mitigated through assigned staff monitoring and collecting overdue accounts. Risk is reduced due to the large number of customers and their different geographic areas and industries. The allowance for doubtful accounts is reviewed and updated on a regular basis.

Liquidity risk
The WCB has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The WCB generally generates sufficient cash to meet obligations from revenue from employers. 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.

The WCB's investment portfolio is well diversified in pooled funds that are primarily highly liquid. There were no restrictions on the redemptions of portfolio investments during the reporting period, except for those listed in the following table. Due to the absence of active markets and the contract terms the investments cannot be sold or converted easily to cash in a timely and cost-effective manner. As of December 31:

Mandate	2018	2017
Infrastructure[1]	$ 35,444	$ 20,445
Private equity[1]	29,599	9,729
Hedge funds[2]	162,932	166,473
Total	$ 227,975	$ 196,647

[1] *This fund is a closed-end fund with a 14 year life expected to end in July 2031. The general partner has the option to extend the fund's life by one year.*

[2] *The liquidity of this fund is subject to change but is estimated to be 85 per cent redeemable within one year of redemption request in 2018 (2017 – 85 per cent), within two years 11 per cent in 2018 (2017 – 11 per cent) and 4 per cent redeemable in 2018 (2017 – 4 per cent).*

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 reflecting assumptions about market pricing using the best internal and external information available.

The following fair value hierarchy table presents information about the financial assets measured at fair value on a recurring basis as of December 31st. There were no transfers between levels during either year.

2018	Level 1	Level 2	Level 3	Total
Short-term investments	$ 79	$ -	$ -	$ 79
Equities	-	759,600	29,599	789,199
Fixed term investments	-	563,890	-	563,890
Real estate	-	-	180,971	180,971
Hedge funds	-	-	162,932	162,932
Infrastructure	-	-	35,444	35,444
	$ 79	$1,323,490	$ 408,946	$1,732,515

2017	Level 1	Level 2	Level 3	Total
Short-term investments	$ 152	$ -	$ -	$ 152
Equities	-	846,188	9,729	855,917
Fixed term investments	-	561,563	-	561,563
Real estate	-	-	168,932	168,932
Hedge funds	-	-	166,473	166,473
Infrastructure	-	-	20,445	20,445
	$ 152	$1,407,751	$ 365,579	$1,773,482

Investments classified as level 2 represent units held in pooled funds operated by a number of fund managers. The pooled funds are comprised of publicly traded securities and fixed income holdings with observable market information with respect to value. Investments classified as level 3 include units of pooled funds in private equity, real estate, hedge funds and infrastructure investments. Valuations are provided by the fund managers for financial reporting purposes. Valuation techniques are selected based on the characteristics of the investments, with the overall objective of maximizing market-based information. Management is responsible for ensuring the technique is appropriate in the circumstances.

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2018 Source of Change in Value of Level 3 Investments	Private Equities	Real Estate	Hedge Funds	Infra-structure	Total
Value December 31, 2017	$ 9,729	$168,932	$166,473	$ 20,445	$365,579
Purchase of units	17,753	34,441	-	13,852	66,046
Unrealized gains (losses)	2,117	12,787	(3,541)	1,147	12,510
Sale of units	-	(34,441)	-	-	(34,441)
Investment management fees	-	(748)	-	-	(748)
Value December 31, 2018	$29,599	$180,971	$162,932	$ 35,444	$408,946

2017 Source of Change in Value of Level 3 Investments	Private Equities	Real Estate	Hedge Funds	Infra-structure	Total
Value December 31, 2016	$ 4,770	$158,683	$156,980	$ 9,025	$329,458
Purchase of units	5,538	32,798	-	12,064	50,400
Unrealized gains (losses)	(579)	11,380	9,493	(644)	19,650
Sale of units	-	(32,798)	-	-	(32,798)
Investment management fees	-	(1,131)	-	-	(1,131)
Value December 31, 2017	$ 9,729	$168,932	$166,473	$ 20,445	$365,579

Concentration risk

The WCB has concentrations in countries other than Canada through investments in the global pooled funds, hedge fund, opportunistic fixed income fund, long bond fund, private equity and infrastructure totaling $940,800 at December 31 (2017 – $918,800). The WCB's most significant foreign country concentrations are summarized in the table below.

Significant exposure	2018		2017
United States	46.6%	United States	43.1%
Japan	4.4%	Japan	6.0%
China	4.4%	United Kingdom	4.3%
United Kingdom	3.5%	China	3.8%
Brazil	1.9%	Brazil	2.3%
All other global	39.2%	All other global	40.5%
	100.0%		100.0%

8. PROPERTY AND EQUIPMENT

	Land and Building[1]	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2018	$ 4,033	$ 3,162	$ 3,193	$ 10,388
Additions	529	222	422	1,173
Disposals & retirements	(104)	(69)	(185)	(358)
Balance at Dec. 31, 2018	$ 4,458	$ 3,315	$ 3,430	$ 11,203
Depreciation and impairment				
Balance at Jan. 1, 2018	$ (2,275)	$(1,951)	$ (1,876)	$(6,102)
Current period depreciation	(262)	(284)	(495)	(1,041)
Impairment losses	(9)	(3)	(16)	(28)
Disposals & retirements	104	69	185	358
Balance at Dec. 31, 2018	$ (2,442)	$(2,169)	$ (2,202)	$(6,813)
Carrying amount at Dec. 31, 2018	$ 2,016	$ 1,146	$ 1,228	$ 4,390

	Land and Building[1]	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2017	$ 3,965	$ 3,031	$ 2,941	$ 9,937
Additions	134	362	724	1,220
Disposals & retirements	(66)	(231)	(472)	(769)
Balance at Dec. 31, 2017	$ 4,033	$ 3,162	$ 3,193	$ 10,388
Depreciation and impairment				
Balance at Jan. 1, 2017	$ (2,089)	$(1,947)	$ (1,829)	$(5,865)
Current period depreciation	(251)	(235)	(513)	(999)
Impairment losses	(1)	-	(6)	(7)
Disposals & retirements	66	231	472	769
Balance at Dec. 31, 2017	$ (2,275)	$(1,951)	$ (1,876)	$ (6,102)
Carrying amount at Dec. 31, 2017	$ 1,758	$ 1,211	$ 1,317	$ 4,286

[1] *Includes $155 cost of the land which has an indefinite useful life and is not depreciated.*

Finance leased assets

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

	2018	2017
Cost – capitalized finance leases	$ 215	$ 200
Accumulated depreciation	(50)	(44)
Net book value	$ 165	$ 156

Total additions to equipment under finance leases during 2018 were $90 (2017 – $200).

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9. INTANGIBLE ASSETS

	Acquired software	Internally generated software	Internally generated processes	Total
Historical cost				
Balance at Jan. 1, 2018	$ 780	$ 14,848	$ -	$15,628
Additions	73	17,423	-	17,496
Disposals & retirements	(25)	-	-	(25)
Balance at Dec. 31, 2018	**$ 828**	**$ 32,271**	**$ -**	**$33,099**
Depreciation and impairment				
Balance at Jan. 1, 2018	$ (691)	$ (1,830)	$ -	$(2,521)
Current period depreciation	(66)	(1,129)	-	(1,195)
Impairment losses	(1)	-	-	(1)
Disposals & retirements	25	-	-	25
Balance at Dec. 31, 2018	$ (733)	$ (2,959)	$ -	$(3,692)
Carrying amount at Dec. 31, 2018	$ 95	$ 29,312	$ -	$29,407

	Acquired software	Internally generated software	Internally generated processes	Total
Historical cost				
Balance at Jan. 1, 2017	$ 757	$ 5,658	$ 191	$ 6,606
Additions	23	9,437	-	9,460
Disposals & retirements	-	(247)	(191)	(438)
Balance at Dec. 31, 2017	$ 780	$ 14,848	$ -	$15,628
Depreciation and impairment				
Balance at Jan. 1, 2017	$ (634)	$ (1,055)	$ (191)	$(1,880)
Current period depreciation	(57)	(1,022)	-	(1,079)
Impairment losses	-	-	-	-
Disposals & retirements	-	247	191	438
Balance at Dec. 31, 2017	$ (691)	$ (1,830)	$ -	$(2,521)
Carrying amount at Dec. 31, 2017	$ 89	$ 13,018	$ -	$13,107

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, 2018.

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

	2018	2017
Discount rate, benefits expense for the year	3.95%	3.95%
Discount rate, accrued benefit obligation	3.95%	3.60%
Expected health care costs trend rate; decreasing linearly to an ultimate rate of 3.6% in 2040	6.00%	6.10%
Drug claim increases trend rate; decreasing linearly to an ultimate rate of 3.6% in 2040	6.00%	6.10%
Dental cost escalation	3.60%	3.00%
Retirement age assumption	59 years	59 years

Costs Arising in the Period	2018	2017
Current service costs	$ 1,135	$ 985
Interest costs	1,176	1,167
Past service costs (b)	485	-
Settlement loss due to early payout of retirement allowances (c)	969	-
Total employee future benefits expense	$ 3,765	$ 2,152

Accrued Benefit Obligation	2018	2017
Beginning of year	$ 31,882	$ 28,792
Total employee future benefits expense	3,765	2,152
Actuarial (gains) losses on ABO through OCI (a)	(5,409)	1,400
Regular benefits paid	(689)	(462)
Retirement allowance settlement payments (c)	(6,193)	-
End of year	$ 23,356	$ 31,882

a) The net actuarial gain of $5,409 as at December 31, 2018 arises from the recognition of updated claims and premium experience net of increased fees and a gain due to an increase in the discount rate and other smaller experience adjustments. The net actuarial loss as at December 31, 2017 arises from re-measurement of the liability at the end of fiscal 2017 using a lower discount rate.

b) Recognition of past service costs in 2018 resulted from changes made to the prescription drug and extended health plan coverage for all current and future retirees.

c) During 2018, eligible employees of WCB were provided a one-time option to elect a payout of their service award (retirement allowance settlement payments). The payout resulted in a partial plan settlement loss on early payout of $969 which is included in current service costs.

A total of 337 employees were eligible for the payout of which 323 (96 per cent) elected to receive the payout. A total of $6,193 in payments were made in 2018 for the service award payouts. Included in this amount was $321 for: Chief Executive Officer $136, Chief Financial Officer $69, Vice President People and Change $60, and Vice President Prevention and Service and Delivery $56 .

Estimates are highly sensitive to changes in discount rates and health care cost trends.

The table below provides sensitivity for changes to the discount rate or the assumed health care cost trend rates with resulting increases (decreases) to Comprehensive Income (CI).

	2018 CI Impact	2017 CI Impact
1% decrease in the discount rate	$ (6,403)	$ (7,965)
1% increase in the discount rate	$ 4,664	$ 5,805
1% decrease in the assumed health care cost trend rate	$ 4,280	$ 5,305
1% increase in the assumed health care cost trend rate	$ (5,746)	$ (7,290)

11. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabil-itation	Subtotal	Claims Administration	Total 2018
Balance, beginning of year	$ 111,243	$ 1,228,629	$ 117,308	$ 408,843	$ 5,411	$ 1,871,434	$ 112,286	$ 1,983,720
Growth in present value of benefit liabilities	4,791	62,651	5,901	19,517	227	93,087	5,585	98,672
Actuarial experience Adjustments (b)	1,597	4,733	(764)	(12,581)	4,700	(2,315)	(138)	(2,453)
Total growth	6,388	67,384	5,137	6,936	4,927	90,772	5,447	96,219
Claims costs incurred	41,027	101,054	2,792	56,280	883	202,036	12,122	214,158
Less: Claims payments made	(45,105)	(119,249)	(10,904)	(60,738)	(1,503)	(237,499)	(14,250)	(251,749)
Balance, end of year	$ 113,553	$ 1,277,818	$ 114,333	$ 411,321	$ 9,718	$ 1,926,743	$ 115,605	$ 2,042,348

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabil-itation	Subtotal	Claims Administration	Total 2017
Balance, beginning of year	$ 109,789	$ 1,203,632	$ 116,612	$ 379,487	$ 5,938	$ 1,815,458	$ 108,928	$ 1,924,386
Growth in present value of benefit liabilities	5,457	69,977	6,688	20,642	306	103,070	6,184	109,254
Change in actuarial Assumptions (a)	410	16,825	4,711	25,845	58	47,849	2,871	50,720
Actuarial experience adjustments (b)	(1,551)	(37,873)	(2,076)	(13,833)	(716)	(56,049)	(3,363)	(59,412)
Total growth	4,316	48,929	9,323	32,654	(352)	94,870	5,692	100,562
Claims costs incurred	38,390	91,457	2,693	53,194	641	186,375	11,182	197,557
Less: Claims payments made	(41,252)	(115,389)	(11,320)	(56,492)	(816)	(225,269)	(13,516)	(238,785)
Balance, end of year	$ 111,243	$ 1,228,629	$ 117,308	$ 408,843	$ 5,411	$ 1,871,434	$ 112,286	$ 1,983,720

a) There were no changes in actuarial assumptions in 2018.
In 2017, changes in actuarial assumptions increased the benefits liability by $50,720. The changes are as follows:
- A reduction of 0.25 per cent in the assumed real rate of return (from 3.50 per cent to 3.25 per cent) and 0.50 per cent in inflation (from 2.50 per cent to 2.00 per cent) increased the benefits liabilities by $73,620.
- An increase of one year in the average age at injury for future permanent awards (from age 46 to 47 for future permanent Impairment benefits and from age 45 to 46 for future extended earnings replacement benefits) decreased the benefits liability by $23,700.
- An increase in the volume of permanent impairment benefits expected to be awarded in the future increased the benefits liability by $800.

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 2018, actuarial experience adjustments decreasing the benefits liabilities totaled $2,453. The adjustment included:
- A net decrease of $15,200 as a result of mortality experience.
- A net increase of $5,600 as a result of higher than expected cost of new Extended Earnings Replacement Benefits (EERBs) and new survivor awards.
- A net increase of $3,200 as a result of changes in current and future expected payments.
- A net increase of $2,525 as a result of a change in provision for occupational disease awards.
- A net increase of $1,700 as a result of higher than anticipated inflation on awards in pay.
- Other accumulated actuarial adjustments resulted in a net decrease of $278.

In 2017, actuarial experience adjustments decreasing the benefits liabilities totaled $59,412. The adjustment included:
- A net decrease of $27,200 as a result of lower than expected cost of new Extended Earnings Replacement Benefits (EERBs) and new survivor awards.
- A decrease of $17,400 as a result of expected changes in current and future expected payments.
- A net decrease of $7,300 as a result of mortality experience.
- A net decrease of $6,100 as a result of lower than anticipated inflation on awards in pay.
- A decrease of $3,507 in the provision for future administrative costs.
- A net increase of $2,555 as a result of a change in provision for occupational disease awards.
- Other accumulated actuarial adjustments resulted in a net decrease of $460.

The Actuarial Standards Board requires workers' compensation organizations to include an estimation of liabilities for occupational disease during the latency period rather than when the occupational disease is confirmed through diagnosis. The liability for latent occupational disease is estimated at $87,948 and is included in the total benefits liability for 2018 (2017 - $85,423).

Actuarial Assumptions and Methods

All liabilities were calculated using an underlying assumption of 3.25 per cent in 2018 and 2017 for real rate of return on assets and a rate of increase in the CPI equal to 2.00 per cent in 2018 and 2017. The gross rate of return that results from the CPI and the real rate of return assumptions is 5.25 per cent. The inflation assumptions and the resulting net interest rates are presented below:

2018 and 2017 Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits (LTD)	0.50% + CPI	2.50%	2.75%
All other LTD, Survivor Pensions	50% * CPI	1.00%	4.25%
Health Care	2.25% + CPI	4.25%	1.00%
All Others	CPI	2.00%	3.25%

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, both of which 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 2.00 per cent assumption for 2018 (2017 – 2.00 per cent) for the rate of increase in CPI is chosen to be consistent with assumptions used by the Bank of Canada inflation controlled target rate of range of 1.00 to 3.00 per cent. This rate is consistent with long-term averages and assumptions on the assets backing the benefits liabilities.

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Real Rate of Return – The 3.25 per cent real rate of return assumption for 2018 (2017 – 3.25 per cent) 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 percentage appears to be a reasonable and prudent real return target (after investment expenses) given the Board's strategic asset allocation within the investment portfolio.

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 the 2018 assumptions for CPI of 2.00 per cent (2017 – 2.00 per cent) and real rate of return of 3.25 per cent (2017 – 3.25 per cent), the gross rate of return assumption is 5.25 per cent (2017 – 5.25 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 1.00 per cent (i.e. 50 per cent of 2.00 per cent); (2017 – 2.00 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 2.25 per cent higher than the general rate of inflation. As a result, medical inflation assumption is 4.25 per cent (i.e. 2.25 per cent + 2.00 per cent); (2017 – 4.25 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 2.50 per cent (2.00 per cent + 0.50 per cent); (2017 – 2.50 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. 2.00 per cent); (2017 – 2.00 per cent).

Future Administration – Future administrative expenses are assumed to be equal to 6.00 per cent of future benefit payments. This assumption is based on an internal review of past administrative expenses conducted by Board staff and is assessed each year to ensure that it remains appropriate.

Occupational Disease – The valuation includes a provision for all recognized occupational diseases that are expected to arise from past workplace exposures. In past valuations, occupational disease claims were recognized upon diagnosis of the covered occupational disease. In 2013, a review of past data was conducted by our independent actuaries to determine a reasonable estimate of the incidence of occupational disease in Nova Scotia workplaces. The review concluded that an additional provision of 4.50 per cent of the total benefits liability was adequate to cover the cost of occupational disease in the latency period.

Mortality – Mortality for permanent awards is based on the 1983 Group Annuitant Mortality Table (GAM 1983) with a 10.00 per cent margin (i.e. mortality rates are reduced by 10.00 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. The study concluded that this table is reasonable based on the number of deaths that occurred among the injured worker population over the past several years.

Future Permanent Awards – Future Extended Earnings Replacement Benefits (EERB) and Permanent Impairment Benefit (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 for EERB awards were developed for the 2008 valuation. In 2017, the run off tables for PIBs were updated to reflect increasing PIB experience. 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 (3.25 per cent) and the long-term inflation rate (2.50 per cent). The liability estimates are highly sensitive to small changes in these assumptions. The following table provides examples of their 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 that plans (at minimum) provide sensitivity testing for certain specified scenarios. These mandated scenarios are tested, along with other plausible scenarios, in the table below. The scenarios tested can be summarized as follows:

1. Scenario 1 tests the impact of a 100 basis point decrease in the assumed rate of investment earnings.
2. Scenario 2 tests the impact of a 100 basis point increase in the assumed rate of inflation.
3. 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.
4. Scenario 4 shows the impact of strengthening economic assumptions by reducing the assumed inflation rate by 50 basis points.
5. 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.
6. Scenario 6 provides an integrated test of the impact of a high inflation, low real rate of return environment.
7. Scenario 7 provides the impact of a 1.00 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	2.25%	2.00%	4.25%	Increase	$ 161,103	$ 16,918
2	3.25%	3.00%	6.25%	Decrease	$ (44,654)	$ (3,851)
3	2.40%	1.60%	3.20%	Increase	$ 175,829	$ 17,456
4	3.25%	1.50%	4.75%	Increase	$ 23,478	$ 2,018
5	2.75%	1.50%	4.25%	Increase	$ 104,472	$ 10,297
6	2.25%	3.00%	5.25%	Increase	$ 114,050	$ 12,418
7	Increase Health Care Inflation Rate by 1.00%			Increase	$ 53,113	$ 4,129

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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 to understand the trends in their industries and target areas where value can be added. At the employer level, employer injury rate and trends are used to identify 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 employees, the Nova Scotia Department of Labour and Advanced Education is provided with data to allow targeted occupational health and safety inspections.

Claims Development Table

The following claims development table is a required disclosure under International Financial Reporting Standards. 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. Note that claims paid are referred to 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 2009, and year of estimate 2009 (i.e. $277,094). This figure was the estimated total cash flows expected to be paid on accidents in 2009, as measured at December 31, 2009. The amount in accident year 2009, and year of estimate 2018 (i.e. $211,130) provides the same figure 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 2009 through 2018, as well as the liability for accident years prior to 2009.

		Accident Year										
	Year of Estimate	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimated Total Cash Flow (including Past and Future Cash Flows)	2009	$ 277,094										$ 277,094
	2010	272,679	$ 291,200									563,879
	2011	262,142	285,756	$ 307,785								855,683
	2012	236,655	257,080	272,468	$ 292,523							1,058,726
	2013	235,326	250,970	257,182	280,830	$ 308,160						1,332,468
	2014	223,735	236,287	232,763	242,790	275,937	$ 293,068					1,504,580
	2015	221,488	228,787	221,940	227,030	258,543	275,718	$ 293,116				1,726,622
	2016	219,694	228,306	220,043	218,202	253,355	259,320	287,475	$ 309,241			1,995,636
	2017	210,680	219,448	210,233	201,626	235,571	241,904	260,226	282,282	$ 299,129		2,161,099
	2018	211,130	219,718	211,316	204,077	241,034	237,833	257,554	274,944	299,625	$ 322,735	2,479,966
Current (2018) Estimate of Total Cash Flow		211,130	219,718	211,316	204,077	241,034	237,833	257,554	274,944	299,625	322,735	2,479,966
Total Cash Flows Paid to December 31, 2018		(119,805)	(115,336)	(101,376)	(92,403)	(96,598)	(85,326)	(80,100)	(71,719)	(59,173)	(29,914)	(851,750)
Estimated Future Cash Flows		91,325	104,382	109,940	111,674	144,436	152,507	177,454	203,225	240,452	292,821	1,628,216
Impact of Discounting		(34,131)	(38,650)	(42,959)	(43,767)	(56,510)	(59,988)	(69,354)	(80,153)	(96,289)	(115,430)	(637,231)
Liability in Respect of Accident Years 2009 to 2018		$ 57,194	$65,732	$ 66,981	$67,907	$87,926	$ 92,519	$ 108,100	$ 123,072	$ 144,163	$ 177,391	990,985
Liability for Accident Years 2008 and prior												852,789
Claims Administration												110,626
Latent Occupational Disease Provision												87,948
Benefits liabilities as at December 31, 2018												$ 2,042,348

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12. ASSESSMENT REVENUE

	2018	2017
Assessed employers	$ 300,073	$ 290,599
Assessment reporting penalties and interest	1,487	1,335
Practice incentive rebates and surcharge refunds	(3,182)	(3,178)
Assessment revenue	298,378	288,756
Administration fee revenue		
Self-insured employers (Note 16)	7,151	6,995
Revenue from employers	$ 305,529	$ 295,751

Practice incentive rebates and surcharge refund programs are voluntary and offer refunds and rebates to those registered workplaces that have met certain eligibility requirements. They are payable in the following year.

13. ADMINISTRATION COSTS

	2018	2017
Salaries and staff expense	$ 38,626	$ 37,163
Professional, consulting and service fees	8,898	7,659
Services contracted	3,759	3,831
Building operations	2,492	2,537
Depreciation	2,184	2,021
Communications	1,038	1,051
Supplies	757	795
Travel and accommodations	701	682
Training and development	393	359
	58,848	56,098
Change in liability for future administration costs (Note 11)	(2,128)	(2,334)
	$ 56,720	$ 53,764

14. SYSTEM SUPPORT

System support costs are costs associated with providing support and funding for 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

	2018	2017
Occupational Health and Safety	$ 11,172	$ 10,859
Workers' Advisers Program	3,317	3,059
Workers' Compensation Appeals Tribunal	1,810	1,766
	$ 16,299	$ 15,684

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.

Combined with the Workers' Advisers Program are the Injured Workers' Associations which 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.

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.

16. SELF-INSURED EMPLOYERS

Self-insured employers – federal and provincial government bodies directly bear the costs of their own incurred claims. The WCB administers these claims and charges self-insured employers an administration fee based on their pro-rata share of WCB administration costs and it is included in revenue on the Statement of Comprehensive Income.

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.

During the year, the following administration fee revenue and claims cost reimbursements were levied:

	2018	2017
Administration fee revenue	$ 7,151	$ 6,995
Claims cost reimbursements		
Short-term disability	$ 5,987	$ 5,245
Long-term disability	17,506	17,576
Survivor benefits	2,369	3,368
Health care	7,248	7,248
	$ 33,110	$ 33,437

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* through 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:

	2018	2017
Administration fee revenue	$ 1,830	$ 1,698
Claims costs recoveries	$ 5,266	$ 5,369

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, 2018, the amount receivable from the Province of Nova Scotia was $3,057 (2017 – $1,437) for claims payments made and administration costs.

Key management personnel of the WCB (CEO, Vice Presidents, 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, with the exception of salaries and benefits shown below, that require disclosure.

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WCB Salaries and Benefits (in actual dollars)

	2018						2017	
	Number of Individuals	Salary	Benefits	Other	Total	Notes	Number of Individuals	Total
Chair, Board of Directors	1	$ 36,500	$ 41	$ -	$ 36,541		1	$ 42,241
Board of Directors	9	122,833	5,415	-	128,248		9	142,749
	10	159,333	5,456	-	164,790	1	10	184,990
Chief Executive Officer	1	277,367	25,245	16,223	318,834		1	311,945
Chief Financial Officer	1	173,155	25,916	4,126	203,197		1	197,581
VP People and Change	1	173,155	23,115	4,126	200,396		1	201,593
VP Prevention and Service Delivery	1	173,155	25,881	14,729	213,765		1	206,595
	4	796,832	100,156	39,204	936,192		4	917,714
Staff Salaries & Benefits	440	28,537,609	4,930,538	374,386	33,842,533	2	443	33,961,906
(Average 2018–$76,915; 2017–$75,864)								
Post-employment Benefits	-		3,775,465		3,775,465		-	2,183,532
Administration-Salaries & Benefits	454	$ 29,493,774	$ 8,811,616	$ 413,590	$ 38,718,980	3	457	$ 37,248,142

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

3 Salary includes regular base pay, and settlement provisions of the collective agreement. 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 2018 of $38,718,980 (2017 – $37,248,142) varies by $93,263 (2017 – $84,963) from Note 13 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations' in Note 13.

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 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 Comprehensive Income.

Industry	Payee	2018	2017
Construction	Nova Scotia Construction Safety Association	$ 2,036	$ 2,031
Trucking	Nova Scotia Trucking Safety Association	323	324
Fishing	Fisheries Safety Association of Nova Scotia	242	232
Forestry	Forestry Safety Society	159	144
Auto Retailers	Nova Scotia Automobile Dealers' Safety Association	129	131
Retail Gasoline	Retail Gasoline Dealers' Association	31	31
		$ 2,920	$ 2,893

19. COMMITMENTS

Operating lease commitments

The WCB leases office space under operating leases. Halifax office space lease has a non-cancellable term of five years which commenced on January 1, 2017, effective through 2021.

Sydney office space lease has a non-cancellable term of 10 years which commenced on November 1, 2009. The agreement includes two renewal options for a period of five years each with the base rent cost to be negotiated at fair market rates. The first renewal option was exercised during 2018.

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

	2018	2017
Basic rent[1]	$ 732	$ 743
Variable rent[2]	934	844
Total rent expense	$ 1,666	$ 1,587

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:

	2018	2017
Within 1 year	$ 777	$ 778
More than 1 year and up to 5 years	1,922	2,485
Later than 5 years	169	372
Total	$ 2,868	$ 3,635

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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:

	2018		2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	$ 72	$ 59	$ 73	$ 58
One to five years	124	113	123	104
More than five years	-	-	-	-
Total minimum lease payments	196	172	196	162
Less finance charges	(24)	-	(34)	-
Present value of minimum lease payments	$ 172	$ 172	$ 162	$ 162

Leased assets are pledged as collateral for the related finance leases.

Investment Commitments

There are undrawn investment commitments for certain limited partnerships and pooled funds. See Note 6 *"Investments"*.

20. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (Plan), a contributory pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated, 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 2018 were $2,820 (2017 - $2,495) 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 85.5 per cent (2017 – 89.4 per cent).

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ACTUARIAL CERTIFICATE

We have completed an actuarial valuation of the benefit liabilities for insured employers under the *Workers' Compensation Act* of Nova Scotia (the *"Act"*) as at December 31, 2018, 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 $2,042,348,000 represents the actuarial present value at December 31, 2018, 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, 2018. The liabilities include a provision for future administrative expenses. The liabilities also include a provision for potential occupational diseases in the latency period. 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 3.25% per annum for the real rate of return on invested assets and 2.00% 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 1.00% 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 2.00% 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, an inflation rate of 4.25% per annum was used, 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; and
- the amount of benefit liabilities makes appropriate provision for future benefit payments on accidents incurred prior to the valuation date.

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.

Jeff Turnbull,
FSA, FCIA

Scott Mossman,
FSA, FCIA

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WORK SAFE. FOR LIFE.
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Corporate Website and WCB Online
wcb.ns.ca

Workplace Safety Tools and Resources
www.worksafeforlife.ca

Twitter
@worksafeforlife

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

Working in collaboration with workers, employers and our partners, the WCB's goals are to:

– Build a **workplace safety culture;**

– Improve outcomes for **safe and timely return to work;**

– Be **financially stable and sustainable;**

– **Expand strategic relationships** to enhance the commitment to workplace health and safety and return to work across the province;

– Provide **excellent and efficient service,** leveraging technology to meet worker and employer expectations.

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.