

WCB Nova Scotia

Summary of Financial Results

Third Quarter 2022

Year-to-date results as of September 30, 2022

Year-to-date, expenses exceeded revenues for a comprehensive loss of \$380.8 million, decreasing the funded position. The funded ratio is currently 90.6 per cent compared to 106.4 per cent as at December 31, 2021.

- The comprehensive loss is primarily due to:
 - Investment losses – market returns in the first nine months returning negative 9.4 per cent resulting in an investment loss of \$258.4 million.
 - Claims cost incurred increased primarily in long term disability and healthcare over the prior year to date and is up 10.0 per cent. The long-term disability increase is driven by volumes, and wages that are higher, and a lower age than expected based on historical patterns.
 - Unfavourable experience adjustments are estimated at \$71.9 million for the year; and year to date are projected at \$53.9 million. Adjustments primarily relate to long term disability.
- The current approved funding strategy of June 2022 forecasted a comprehensive loss of \$137 million for the year.
- These results are not necessarily a prediction of what will take place for the remainder of the year, as investment returns and actuarial adjustments may be subject to significant change over the remaining three months of 2022.

Prepared By: Financial Services

Date: December 1, 2022

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SUMMARY OF FINANCIAL RESULTS THIRD QUARTER 2022

Statement of Financial Position

The WCB Nova Scotia's (WCB) asset base at September 30, 2022 was \$2,268.1 million, a decrease of \$67.6 million as compared to September 30, 2021. This was primarily due to a decrease in investments held as at September 30.

Benefits for injuries occurring during the year are paid in the year of injury and for some workers, for many years in the future. The WCB maintains a diversified investment portfolio to secure the payment of benefits in the future. The WCB benchmark investment portfolio asset mix as at September 30, 2022 includes public equities at 33 per cent, fixed income at 31 per cent, hedge funds at 8 per cent, real estate at 9 per cent and alternative investments at 19 per cent. At any given time, the fund's asset allocation may differ from the benchmark.

Benefits liabilities of \$2,399.1 million at September 30, 2022 increased \$236.5 million from September 30, 2021. The benefits liability increased this quarter by \$68.5 million related to legislation effective July 1, 2022, extending the occupational disease presumption for firefighters for 13 cancers and heart attacks that occur within 24 hours after attendance at an emergency response scene in the worker's capacity as a firefighter. Liabilities have been estimated for the first nine months of the year based on an extrapolation performed on data as of September 30, 2022 and projected forward for the remainder of the year. Benefits liabilities estimates could vary when the annual valuation is prepared by an independent actuarial consultant at year-end.

Financial results show an unfunded position of \$234.3 million as of September 30, 2022. This is a \$302.3 million decrease from the funded position as at September 30, 2021.

Statement of Operations

There was a comprehensive loss of \$380.8 million for the nine months ended September 30, 2022, resulting in a decrease in the funded position from year-end. The current funding strategy, approved in June 2022 forecasted a comprehensive loss of \$137 million based on the information available at that time. The impact on the funding strategy will be measured as the variance of the 2022 comprehensive income to the funding strategy. These results are not necessarily a prediction of what will take place for the remainder of the year. Investment returns and actuarial adjustments may be subject to significant change over the next three months.

There will be on-going volatility related to the funded position. Looking forward, the implementation of IFRS 17 - Insurance Contracts, with an effective date of January 1,

2023, will introduce volatility to the funded ratio on a financial statement-reporting basis. This standard could have material impacts for the WCB's financial reporting, as discussed in the 2021 annual report. 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 could lead to increased volatility in the reported benefits liabilities on the statement of financial position, which may lead to increase volatility in comprehensive income.

Revenue

Assessment revenue year-to-date is \$277.8 million comprised of insured firms' revenue of \$272.0 million and \$5.8 million from administering self-insured claims. Insured revenue increased \$29.2 million (12.1 per cent) versus the same period in 2021. The increase is primarily driven by payroll growth. Insured firms' revenue also includes funds collected for rebate and refund programs.

Revenue includes a contribution from the Province of Nova Scotia of \$68.5 million provided to the WCB to cover the additional liability in relation to a change in regulation for firefighters.

Investment income year-to-date is a loss of \$258.4 million. The fund is diversified and positioned for long-term results.

Claims Costs Incurred, Growth in Present Value of Benefits Liability and Experience Adjustments

Claims costs incurred of \$187.8 million are an increase of \$17.0 million (10.0 per cent) over the same period of 2021 and are estimated for the nine months of the year based on an extrapolation of current and future years' costs. Claims cost incurred increased primarily in long term disability driven by volumes and wages that are higher than expected based on historical patterns.

The year-to-date net growth in the present value of the benefits liability and actuarial experience adjustments was \$220.6 million. The growth component was a total of \$98.2 million combined with estimated net unfavourable experience adjustments of \$53.9 million, and \$68.5 million related to the change in the regulation for firefighters.

This unfavourable adjustment relates to the following items: a larger number of the Extended Earnings Replacement Benefits (EERB) than expected; higher average awards than expected and an adjustment for pensions in pay to reflect increased inflation impact of CPI.

Administrative Expenditures (Operating, Projects Expense, and Capital)

Year-to-date operating expenditures were \$44.8 million with a \$3.5 million favourable variance from the \$48.3 million year-to-date budget, excluding capital and projects. Including projects and capital, the total administrative variance was a favourable \$4.6

million on expenditures of \$49.0 million versus the \$53.6 million budget. Favourable variances primarily relate to salaries, projects, building operations, depreciation, services contracted, and communications, with smaller favourable variances in other programs.

Legislated Obligations

Legislated Obligations expenditures were \$14.7 million with a \$0.7 million favourable variance from budget. Occupational Health and Safety reported an unfavourable variance, the Workers Advisors program and the Workers' Compensation Appeals Tribunal reported favourable variances.

Statement of Cash Flow

The Statement of Cash Flows demonstrates cash and cash equivalents of \$30.4 million at September 30, 2022. This total was an increase of \$26.9 million from September 30, 2021.

**WCB NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT**

	September 30 2022 (Unaudited) (\$000s)	September 30 2021 (Unaudited) (\$000s)	December 31 2021 (Audited) (\$000s)
Assets			
Cash & cash equivalents	\$ 30,422	\$ 11,592	\$ 3,565
Receivables	51,457	44,953	50,143
Investments	2,157,127	2,248,570	2,349,157
Property and equipment	4,046	4,472	4,138
Intangible assets	<u>25,072</u>	<u>26,089</u>	<u>25,315</u>
	<u>\$ 2,268,124</u>	<u>\$ 2,335,676</u>	<u>\$ 2,432,318</u>
Liabilities and (Unfunded) Funded Position			
Payables, accruals & lease liabilities	\$ 64,429	\$ 52,603	\$ 58,947
Post employment benefits	27,704	36,527	26,635
Benefits liabilities	<u>2,399,132</u>	<u>2,162,628</u>	<u>2,200,265</u>
	2,491,265	2,251,758	2,285,847
Deferred Revenue	11,176	15,900	-
(Unfunded) Funded position	<u>(234,317)</u>	<u>68,018</u>	<u>146,471</u>
	<u>\$ 2,268,124</u>	<u>\$ 2,335,676</u>	<u>\$ 2,432,318</u>

**WCB NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED)**

	THIRD QUARTER 2022 (\$000s)	THIRD QUARTER 2021 (\$000s)	YTD SEPTEMBER 30 2022 (\$000s)	YTD SEPTEMBER 30 2021 (\$000s)
Revenue				
Assessments	\$ 95,053	\$ 86,414	\$ 277,776	\$ 248,525
Other Contribution - Province of NS	68,470	-	68,470	-
Investment income (loss)	<u>25,080</u>	<u>16,312</u>	<u>(258,366)</u>	<u>109,248</u>
	<u>188,603</u>	<u>102,726</u>	<u>87,880</u>	<u>357,773</u>
Expenses				
Claims costs incurred				
Short-term disability	12,658	13,509	42,668	42,535
Long-term disability	31,413	28,339	90,532	79,387
Survivor benefits	15	1,074	567	1,574
Health care	17,962	15,517	53,576	46,672
Rehabilitation	<u>122</u>	<u>240</u>	<u>469</u>	<u>622</u>
	62,170	58,679	187,812	170,790
Growth in present value of benefits liabilities and actuarial adjustments and adjustment for latent occupational diseases	128,755	48,664	220,642	121,146
Administration costs	14,949	15,205	44,724	45,230
System support	259	252	774	755
Legislated obligations	<u>5,092</u>	<u>4,506</u>	<u>14,716</u>	<u>13,927</u>
	<u>211,225</u>	<u>127,306</u>	<u>468,668</u>	<u>351,848</u>
Excess of (expenses over revenues) revenues over expenses applied to (decrease) increase the funded position	\$ <u>(22,622)</u>	\$ <u>(24,580)</u>	\$ <u>(380,788)</u>	\$ <u>5,925</u>

WCB NOVA SCOTIA
STATEMENT OF CHANGES IN THE (UNFUNDED) FUNDED POSITION
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED)

	THIRD QUARTER 2022 (\$000s)	THIRD QUARTER 2021 (\$000s)	YTD SEPTEMBER 30 2022 (\$000s)	YTD SEPTEMBER 30 2021 (\$000s)
(Unfunded) funded position excluding accumulated other comprehensive income				
Balance, beginning of period	\$ (211,695)	\$ 92,598	\$ 146,474	\$ 72,516
Excess of (expenses over revenues) revenues over expenses applied to (decrease) increase the funded position	<u>(22,622)</u>	<u>(24,580)</u>	<u>(380,788)</u>	<u>5,925</u>
	<u>(234,317)</u>	<u>68,018</u>	<u>(234,314)</u>	<u>78,441</u>
Accumulated other comprehensive income				
Balance, beginning of Year	-	-	(3)	(10,423)
	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(10,423)</u>
(UNFUNDED) FUNDED POSITION, END OF PERIOD	\$ <u>(234,317)</u>	\$ <u>68,018</u>	\$ <u>(234,317)</u>	\$ <u>68,018</u>

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30
AND THE BUDGET & FUNDING STRATEGY FORECAST FOR THE YEAR ENDING DECEMBER 31, 2022
(UNAUDITED)**

	YTD 2022 (\$000s)	YTD 2021 (\$000s)	FORECAST 2022 (\$000s)	BUDGET 2022 (\$000s)
REVENUE				
Assessments	\$ 277,776	\$ 248,525	\$ 381,000	\$ 343,365
Province of NS contribution for Firefighters' regulations	68,470		69,600	
Investment (loss) income	(258,366)	109,248	(215,000)	120,296
	<u>87,880</u>	<u>357,773</u>	<u>235,600</u>	<u>463,661</u>
EXPENSES				
Claims costs incurred				
Short-term disability	42,668	42,535	56,891	51,993
Long-term disability	90,532	79,387	120,709	103,008
Survivor benefits	567	1,574	756	2,137
Health care	53,576	46,672	71,435	64,711
Rehabilitation	469	622	626	927
	<u>187,812</u>	<u>170,790</u>	<u>250,000</u>	<u>222,776</u>
Growth in present value of benefits liabilities and actuarial adjustments and adjustment for latent occupational diseases	220,642	121,146	260,000	112,783
Administration costs	44,724	45,230	66,800	67,862
System support	774	755	1,100	1,078
Legislated obligations	<u>14,716</u>	<u>13,927</u>	<u>20,000</u>	<u>20,544</u>
	<u>468,668</u>	<u>351,848</u>	<u>597,900</u>	<u>425,043</u>
Excess of (expenses over revenues), revenues over expenses applied to (reduce) increase the funded position	<u>\$ (380,788)</u>	<u>\$ 5,925</u>	<u>\$ (362,300)</u>	<u>\$ 38,619</u>

**WCB NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(UNAUDITED)**

	SEPTEMBER 30 2022 (\$000's)	SEPTEMBER 30 2021 (\$000's)
Operating Activities		
Cash received from:		
Other contribution - Prov of NS Employers, for assessments	\$ 68,470	\$ -
Investment Income	281,472	262,232
	<u>(2,662)</u>	<u>17,481</u>
	347,280	279,713
 Cash paid to:		
Claimants or third parties on their behalf	(208,507)	(195,561)
Suppliers, for administrative and other goods and services	(44,994)	(52,123)
	<u>(253,501)</u>	<u>(247,684)</u>
 Net cash provided by operating activities	 <u>93,779</u>	 <u>32,029</u>
Investing Activities		
Increase in investments, net	(63,765)	(17,059)
Cash paid for:		
Purchase of equipment and intangible assets	(3,157)	(638)
	<u>(3,157)</u>	<u>(638)</u>
 Net cash used in investing activities	 <u>(66,922)</u>	 <u>(17,697)</u>
 Net increase in cash and cash equivalents	 <u>26,857</u>	 <u>14,332</u>
Cash and cash equivalents, (bank indebtedness) beginning of year	<u>3,565</u>	<u>(2,740)</u>
 Cash and cash equivalents, end of period	 <u>\$ 30,422</u>	 <u>\$ 11,592</u>

Workers' Compensation Board of Nova Scotia

Administration and Other Expenses Summary

For the 9 Periods Ending September 30, 2022

Program Area	2022 Actual YTD	2022 Budget YTD	2022 YTD Variance	2022 % Variance	2021 Actual YTD	2022 Revised Budget	2022 Forecast
Salary & Staff Expense	\$31,396,667	\$32,888,082	(\$1,491,414)	(4.53%)	\$30,966,891	\$44,418,000	\$43,418,000
Building Operations	1,046,359	1,640,128	(593,769)	(36.20%)	1,879,378	2,287,132	1,887,000
Services Contracted	4,319,989	4,718,597	(398,607)	(8.45%)	2,734,894	6,280,875	5,916,000
Communications	495,034	841,064	(346,030)	(41.14%)	437,293	1,034,433	1,034,000
Travel & Accommodation	248,130	506,636	(258,505)	(51.02%)	178,897	682,348	442,000
Training & Development	252,848	426,943	(174,095)	(40.78%)	200,672	645,613	346,000
Supplies	461,844	570,737	(108,893)	(19.08%)	458,320	764,032	764,000
Professional Fees	3,259,713	2,941,367	318,346	10.82%	2,306,611	3,924,567	4,475,000
Depreciation	3,364,190	3,773,250	(409,060)	(10.84%)	3,803,316	5,031,000	4,831,000
Operations	\$44,844,774	\$48,306,804	(\$3,462,027)	(7.17%)	\$42,966,273	\$65,068,000	\$63,113,000
Capital - WCB	\$632,401	\$836,250	(\$203,849)	(24.38%)	\$286,833	\$1,015,000	\$765,000
Total Operations	\$45,477,175	\$49,143,054	(\$3,665,876)	(7.46%)	\$43,253,106	\$66,083,000	\$63,878,000
Projects	3,636,341	4,356,502	(720,161)	(16.53%)	4,088,250	8,016,000	6,616,000
Office of the Employer Advisor	\$356,121	\$359,250	(\$3,129)	(0.87%)	\$347,878	\$479,000	\$479,000
Office of the Worker Counsellor	327,901	330,750	(2,849)	(0.86%)	320,311	441,000	441,000
Workplace Safety and Insurance System	89,525	119,089	(29,564)	(24.83%)	86,559	158,000	130,000
System Support	\$773,547	\$809,089	(\$35,542)	(4.39%)	\$754,748	\$1,078,000	\$1,078,000
Occupational Health & Safety	10,593,113	\$10,444,500	\$148,613	1.42%	10,105,313	\$13,926,000	\$14,124,150
Workers Advisers Program	2,672,156	2,949,000	(276,844)	(9.39%)	2,359,348	3,932,000	3,562,874
Workers' Compensation Appeals Tribunal	1,451,075	2,014,500	(563,425)	(27.97%)	1,462,371	2,686,000	2,286,000
Legislated Obligations	\$14,716,344	\$15,408,000	(\$691,656)	(4.49%)	\$13,927,032	\$20,544,000	\$19,973,024
Total Administration	\$64,603,407	\$69,716,645	(\$5,113,236)	(7.33%)	\$62,023,135	\$95,721,000	\$91,545,024

***Notes:**

1. Total Administration cost (as above)	\$44,844,774	Original Budget	\$93,168,000
Total Project expense	1,112,027	Projects Carry Forward	2,553,000
Decrease in liability for future Admin costs	(1,232,441)	Revised Budget	<u>\$95,721,000</u>
Total Admin, Per Financial Statement	<u>\$44,724,361</u>		

Variance Analysis – By Program

Q3 – 2022

Operational:

- A favourable \$3.5 million variance from the \$48.3 million year-to-date budget, excluding projects and capital.
- Salary and Benefits \$1.5 million net under budget primarily due to OPEBs favourable variance (actuarial adjustment) and staffing vacancies; is partially offset by over complement positions.
- Building Operations net \$0.6 million under budget due to Fenwick rent savings; and is partially offset by costs to implement the Flex Workplace model.
- Services Contracted \$0.4 million under spent primarily due to Central Services lower CRA transaction fees and timing in ITS spending for support and licensing fees; and will be partially offset by year-end.
- Communications \$0.3 million under budget due to reduction in planned Advertising budget to partially offset other corporate priorities in 2022.
- Travel and Accommodation \$0.3 million under budget due to reduced travel as we implement the Flex Workplace model.
- Training and Development \$0.2 million under budget due to less physician outreach and reduced training occurring during the first part of the year.
- Supplies \$0.1 million under budget due to reduced postage and courier costs and less printing within the Flex model.
- Professional Fees \$0.3 million over budget primarily related to Flex Workplace, Finance, audit and consulting work for IFRS 17; and Legal Services for unplanned external contract work.
- Depreciation under budget \$0.4 million due to less capital purchases than expected and timing for capitalization.

Non – Operational:

- Legislated Obligations under spent \$0.7M.
- Projects under spent \$0.7M and expected to be under budget at year end, primarily in risk management due to timing of some work that carries into 2023.

Summary of Project Spending

Project Number / Name	Actual	YTD Budget	Variance	2022 Budget
B40375 Core Systems Hypercare Phase 2	46,551	60,553	(14,002)	500,000
Core Systems - Total	\$46,551	\$60,553	(\$14,002)	\$500,000
202201 Heath Care Action Plan - WSAP	256,257	395,000	(138,743)	500,000
212207 DNN Platform Upgrade	43,926	0	43,926	0
212208 SharePoint Upgrade	78,720	214,545	(135,825)	295,000
212209 Network Monitoring / Network Segmentation	116,125	210,000	(93,875)	308,000
B40603 BI Evolution Phase 3 Foundations	79,133	117,000	(37,867)	117,000
B40604 BI Evolution Phase 3A	474,705	612,000	(137,295)	1,136,000
B50001 HR Payroll Implementation	2,282,961	2,321,404	(38,443)	3,271,000
P22103 Risk Management - Salaries	97,665	225,000	(127,335)	493,000
Total Risk Management	\$3,429,492	\$4,094,949	(\$665,457)	\$6,170,000
212301 RTW - Leadership	8,313	10,000	(1,687)	10,000
212306 RTW - Specialized Adjudication	147,450	170,000	(22,550)	176,000
222305 RTW - Work Disability Prevention	4,535	21,000	(16,465)	21,000
222306 RTW - Small Business Construction	0	0	0	80,000
222307 RTW – Evolution Phase 1	0	0	0	525,000
P22201 WSIS Reform/Funding Policy	0	0	0	74,000
P22202 Diversity and Inclusion	0	0	0	160,000
P22205 Heath Care Action Plan	0	0	0	300,000
Total Innovation	\$160,298	\$201,000	(\$40,702)	\$1,346,000
Total Projects	\$3,636,340	\$4,356,502	(\$720,161)	\$8,016,000

Summary of Core Projects

Core Systems	Actual	YTD Budget	Variance
Total	\$46,551	\$60,553	(\$14,002)

The Core Systems Hypercare Phase 2 project concluded in April 2022. Costs include internal salary (overtime) and professional fees for Ernst & Young. On-going environment fees will be allocated to this project from January-December. Hypercare Phase 2 wraps up the Core Systems upgrade, including some final enhancements and fixes. This marks the formal exit of Hypercare. As the work with Core Systems is completed, the remaining budget of \$425,000 will not be utilized.

Summary of Risk Management Projects

Risk Management	Actual	YTD Budget	Variance
Total	\$3,429,492	\$4,094,949	(\$665,457)

Health Care Action Plan, commonly referred to as HCAP, enables WCB to work with Aware NS and Davis Pier to create an action plan for health care and community care workers. This work initially started as a five-year plan to improve workplace safety for the health care sector but will continue into at least 2023 (year 6) due to the success and benefits received by all parties. All non-salary related costs are shared 50% with the Department of Labour, Skills and Immigration. In 2023, the project will be referred to as Workplace Safety Initiative in Health Care.

The DotNetNuke (DNN) platform upgrade extended into 2022 as more work was needed with Aptitude to complete the update and enhance security of the WCB website. The website update modernized external users' accessibility and gave the Communications department more functionality. The project work is now complete and closed.

During Q3, executive committee decided to defer the Network Segmentation project and focus resources on the Security Event Monitoring project. The project is utilizing an external project manager from Mariner for 9 months to identify solutions for implementation and create a timeline/roadmap that extends into spring 2023.

The BI Evolution (BIE) Phase 3 foundations project ran from January to March and incurred costs for environments, external resources (Business Systems Analyst, Data Warehouse Architect, Guidewire Architect) and an internal Statistical Research Officer. The foundations phase completed readiness work required in the BI Master Roadmap to effectively move to the larger BIE Phase 3A project in 2022.

The BIE project moved onto Phase 3A and will run from April 2022 to June 2023. Items related to the project include planning and environment fees, Guidewire Architect, Data Warehouse Architect and an internal Statistical Research Officer. The main deliverable is focused on refreshing the list of Day 2 (Operational) Priority Reports, delivering a subset of priority reports with associated data structures and data for long term use and moving to BIE Phase 3.

The Human Resource and Payroll Implementation project will implement a new WCB payroll system as the current system is at end of life and support expires at the end of 2022. Costs include the backfilling of internal resources, implementation fees, licensing, an external Senior Business Analyst and environment fees. The project schedule was extended into February/March of 2023 to allow for more support/Hypercare, but the system is expected to be operational in November 2022.

Summary of Innovation Projects

Innovation	Actual	YTD Budget	Variance
Total	\$160,298	\$201,000	(\$40,702)

The Return to Work Model (RTW) review is fully allocated across five projects for 2022:

- RTW Leadership, external consulting in January. This component is complete.
- RTW Specialized Adjudication - work with Davis Pier on claims over 52 weeks in length and the Customer Journey. This project is now closed.
- RTW Innovation – consulting fees with Centrix for Return to Work knowledge and insight.
- RTW Small Business Construction – funding of an initiative with the Nova Scotia Safety Construction Association.
- RTW Evolution Phase 2 – to increase the understanding and skills of key WCB stakeholders so they can work towards improving Return to Work (RTW) outcomes for injured workers in Nova Scotia. Rock Disability Management will complete this work from September to December.

Notes to Financial Statements

1. Basis of Presentation of Interim Financial Statements

Interim financial statements should be read in conjunction with the most recent annual audited Financial Statements (December 31, 2021) and present the WCB's financial position and results of operations on a basis consistent with selected IFRS accounting policies as at September 30, 2022, including 2021 comparative figures.

The interim financial statements are prepared on a basis consistent with annual financial statements with the exception of claims costs incurred and the growth in the present value of the benefits liabilities and actuarial experience adjustments. These figures were determined by an extrapolation of current and future years' claims' costs. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year-end. In addition, these interim financial statements do not include all the information required for annual financial statements.

2. Statement of Financial Position

Receivables include insured firms' premiums received up to the remittance due date of the 15th of the month following quarter end and an estimate for amounts due but not yet reported by employers, and self-insured employers' receipts, and are net of the allowance for doubtful accounts and self-insured deposits.

Investments include the investment portfolio held to secure the payment of benefits in the future.

Property and equipment and intangible assets are stated at cost less accumulated depreciation.

Benefits liabilities represent an estimate based on assumptions used in the funding strategy for claims costs incurred and projected inflation. These figures are determined by estimation and the yearend valuation for purposes of interim financial statements.

3. Statement of Operations

Assessments

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. Assessment revenue for insured firms is recognized based on the requirement for employers to report and pay premiums periodically throughout the year based on actual assessable payroll and includes classified employers' premiums received up to the remittance due date of the 15th of the month following quarter end and a provision for amounts due but not yet

reported by employers.

The federal and provincial government agencies and departments are self-insured. Rather than paying an insurance premium, they reimburse the WCB for claims costs incurred on their behalf plus an administrative fee. The administration fee charged for the processing of these claims is included in Revenue.

Investment Income

Investment income consists of income from the long-term investment portfolio (interest, dividends, gains and losses arising from foreign currency, realized and unrealized gains and losses). Unrealized gains and losses result from the change in fair value of an investment. Investment income is presented net of investment expenses.

Claims Costs Incurred

The estimates for short-term disability, health care, rehabilitation, long-term disability and survivor benefits were derived as follows:

- Estimates for insured firms' were determined by an actuarial valuation for purposes of the year-end and through a mid-year valuation and extrapolation of current and future years' claims costs for purposes of this quarter's interim financial statements.

Growth in Present Value of Benefits Liability and Actuarial Experience Adjustments

Quarterly statements provide an estimate for the growth in present value based on the net interest rates of the prior year valuation and expected inflation for the quarter. There is an estimated provision for actuarial experience adjustments based on a mid-year valuation and the extrapolation of year to date claims costs for current and prior years for the purpose of the interim financial results.

4. Cash Flow Statement

This statement summarizes cash receipts and disbursements from all sources.

5. Administration Expenses

Operating expenses are shown by Program Area (type of expenditure).

Glossary of Benefit Categories

Short Term Disability Benefits

All income benefits during the initial period after the injury, before the injury has stabilized, reached a plateau, or consolidated. The time at which an injury stabilizes depends on the type of injury and the workers' condition. Short-term disability benefits include income benefits during a rehabilitation period.

Long Term Disability Benefits

All income benefits after the short-term disability benefits have ceased and after the injury is deemed by the Board to be sufficiently stabilized, to have reached a plateau, or to have consolidated. Long-term disability benefits include lifetime pension awards, lump sum functional impairment awards, interim earnings replacement awards, and extended earnings replacement benefits.

Survivor Benefits

All benefits after the death of the worker provided to the surviving spouse, children, other dependents or the workers' estate, including income benefits, lump sum benefits, education benefits, and funeral costs.

Health Care Benefits

All benefits related to providing medical aid or health care to the injured worker, including items such as hospital charges, physician fees, drugs, and physical therapy.

Rehabilitation Benefits

All amounts related to the rehabilitation of an injured worker, including vocational and psychological rehabilitation costs. Rehabilitation benefits exclude income benefits to the injured worker during the rehabilitation period.

Glossary of Administration Expenses by Program Area

Salaries & Staff Expense:

Salaries, vacation pay, overtime, group insurance, hospital/medical benefits, CPP, employment insurance, superannuation, sitting fees, long term disability, post-employment benefits, standby pay, voluntary retirement, recruitment, recognition, arrangements and relocation costs

Professional Fees:

Audit fees, consultants, and legal fees

Depreciation:

Depreciation of the fixed assets and intangible assets over their useful life

Projects:

General projects

Supplies:

Photocopying, postage and courier, computer supplies, office supplies, records and periodicals

Building Operations:

Repairs and maintenance, rent, supplies, cleaning, utilities, taxes, insurance, rental of equipment, equipment and miscellaneous

Communications:

Advertising, art services, printing, telephone services, cell phones and data line communications

Services Contracted:

Maintenance and services of equipment, services contracted for temporary backfill of vacant staff positions

Travel and Accommodations:

Accommodations, meals, travel, room rentals, workers and witnesses travel expenses

Training and Development:

Supply costs for training aids, course fees, books, training related accommodations, training related travel, training related meals and corporate and staff membership dues