Workers' Compensation Board of Nova Scotia **Annual Report 2009**

emerging

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Year at a Glance

(Dollar amounts in Millions except where noted otherwise)	2009	2008	2007
Number of Covered Employers (Assessed and Self Insured)	18,100	18,000	18,600
Percentage of Labour Force Covered (Assessed and Self Insured)	70	71	72
Number of Claims Registered	28,089	31,753	32,038
Number of Compensable Time-Loss Claims Registered	**7,206**	8,050	8,230
Duration Index (Excluding chronic pain claims in Transition Services, In Days)	98	95	102
Targetted Average Assessment Rate (per $100 of assessable payroll)	$ 2.65	$ 2.65	$ 2.65
Actual Average Assessment Rate	$ 2.67	$ 2.68	$ 2.64
Total Assessable Payroll (billions)	$ 8.7	$ 8.6	$ 8.2
Total Assessment Revenue	$ 272.8	$ 273.1	$ 254.4
Total Investment Income (Loss)	$ 97.1	$(174.8)	$ 23.2
Total Administration Costs	$ 43.5	$ 43.2	$ 44.1
Legislated Obligations	$ 11.5	$ 11.4	$ 9.2
Total Claims Costs Incurred	$ 187.0	$ 187.1	$ 175.6
Excess of Expenses over Revenues	$ (43.0)	$(251.2)	$ (11.8)
Total Comprehensive Income (Loss)	$ 12.4	$(248.6)	$(103.5)
Total Assets (billions)	$ 1.0	$ 0.9	$ 1.1
Total Liabilities (billions)	$ 1.6	$ 1.5	$ 1.5
Percentage Funded Ratio	62.4%	59.9%	75.3%
Timeliness of First Payment to Injured Workers (percentage of payments made within 15 days of injury – 12 month average)	79.8%	71.8%	78.0%
Injury Rate: Time-Loss Claims per 100 Covered Employees	**2.26**	2.48	2.57

The number of serious injuries fell ***below 8,000*** *for the first time in over a decade.*

The injury rate has experienced an average ***5% reduction*** *per year, representing about 1,800 fewer serious injuries since 2005.*

Emerging Relationships

In 2008, the WCB Board of Directors travelled around the province to ask workers and employers to share their thoughts on the WCB's priorities over the next five years. We heard lots of suggestions and a range of opinions about many, many aspects of workplace injury insurance. And one message was clear. Without exception, from Yarmouth to Sydney, we heard agreement that preventing someone from being injured on the job is the best thing that can happen. When injuries are prevented, lives aren't disrupted, no wages are lost and productivity remains stable.

Considering all the suggestions we heard from workers and employers and the challenges facing the WCB, we developed a five-year strategic plan for the years 2010 – 2014. The WCB will continue to maintain an unwavering focus on workplace injury prevention and we will also do everything we can to ensure workers who have been hurt have a safe and timely return to work.

Our strategic plan is premised on the fact that the WCB cannot change the safety culture of Nova Scotia by working alone. We can provide incentives and create awareness of the issue of injury prevention, but for safe workplaces to become the norm in Nova Scotia, many, many others need to take action.

In this annual report, we share a lot of information about the WCB – descriptions of programs and initiatives that are underway, explanations of the outcomes resulting from our efforts and detailed financial information. Appropriately so, the report focuses on us as we have a responsibility to provide a detailed account of our performance to stakeholders.

But the really good news in 2009 is the story of what happened in workplaces across the province. Fewer Nova Scotians were seriously injured on the job and there were fewer days lost to workplace injury overall. We devoted the WCB's energy to reaching these goals but we recognize that credit for these positive results is shared with many workers and employers across Nova Scotia who were inspired to make safety and return-to-work improvements in their workplaces, quite often in spite of budget constraints in a tough economy. These workers and employers understand that even in tumultuous economic times, the cost of workplace injury is ultimately paid in pain, suffering and lost lives. Sadly, 32 people died at work in 2009 – 19 workers in the fishing, transportation and construction industries alone. Out of respect for these people and for the safety of all workers into the future, our injury prevention efforts must continue.

As we do so, we must partner with more workers and employers, our partner agencies, the Occupational Health and Safety Advisory Council, safety associations and all stakeholders.

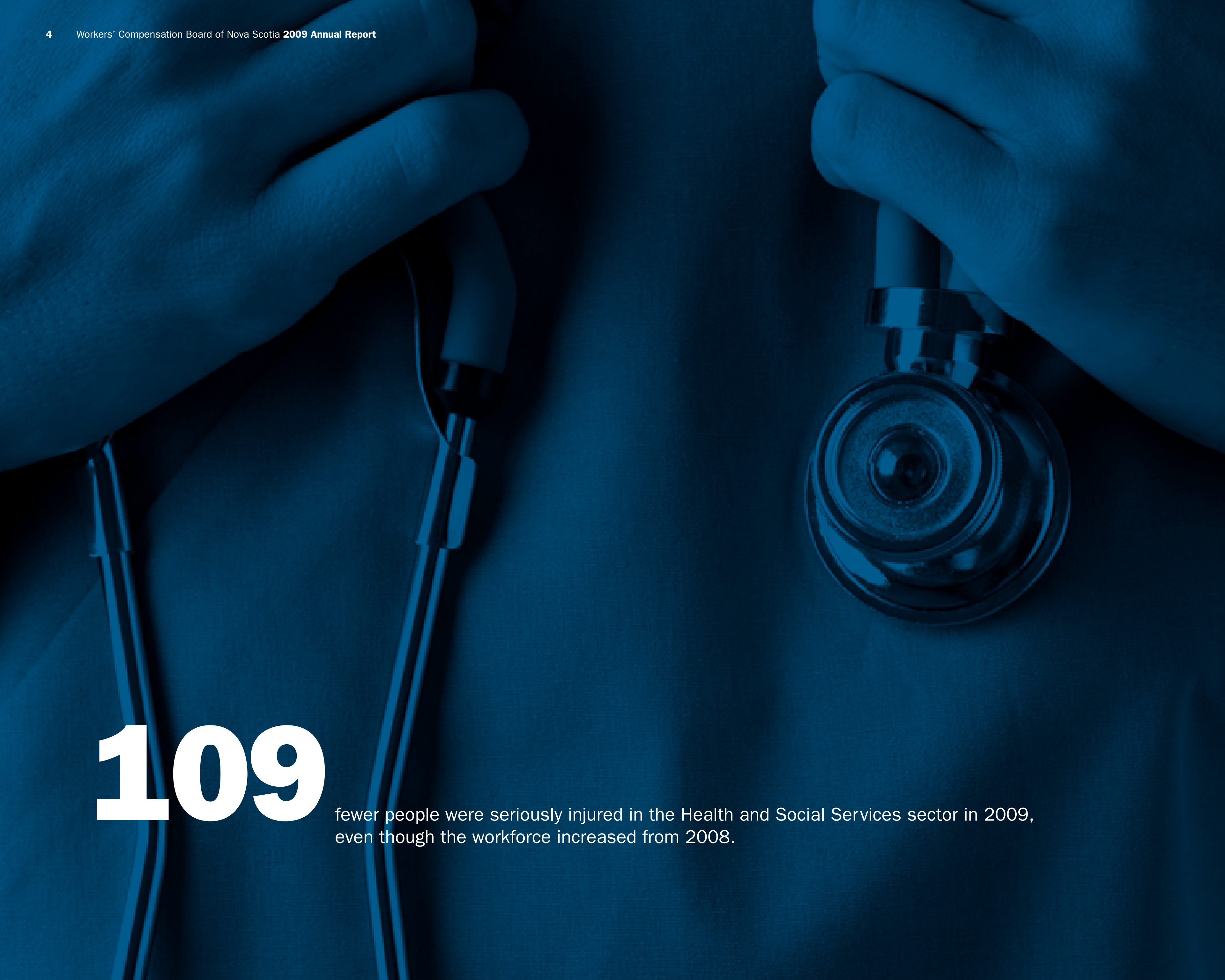
Fewer injuries and more safe and timely return to work are key to bringing financial sustainability to the system. Like many other organizations, with the downturn of the world economy, the WCB reported significant financial losses in 2007 and 2008. 2009 saw the beginning of positive change in the financial markets – which is reflected in our slight surplus at year-end. While we have by no means recovered the losses of recent years, this is a positive sign. We will review our funding strategy in June 2010, determine the impact the recent years' investment returns have had on our strategy and make the necessary adjustments.

WCB Board of Directors

"Fewer Nova Scotians were seriously injured on the job and there were fewer days lost to workplace injury overall."

progress

The Board members, left to right, are: Nancy MacCready-Williams, Chief Executive Officer; Chris Power, Acting Chair; Betty Jean Sutherland, Worker Representative; David Thomson, Employer Representative; James Melvin, Employer Representative; Janet Hazelton, Worker Representative; Phillip Veinotte, Employer Representative; Mary Lloyd, Worker Representative; John Amirault, Employer Representative; Deborah Ryan, Worker Representative.



109 fewer people were seriously injured in the Health and Social Services sector in 2009, even though the workforce increased from 2008.

People Taking Action

Nova Scotians who are enthusiastic about workplace safety continued to take action and make progress in creating a safety culture in 2009.

7,206 people were injured seriously enough that they lost time from work. While this is a staggering number of Nova Scotians hurt on the job, the number of serious injuries fell below 8,000 for the first time in over a decade – a decrease of 20% since 2005. Over the past few years, there has also been a significant decrease in the length of time injured workers are off the job due to their injuries.

Last year alone, there were 22,000 fewer days lost to injury through injury prevention and return-to-work efforts. Imagine – 800 fewer Nova Scotians suffered a workplace injury in 2009.

In our current economic environment, it's more important than ever that we don't lose focus on injury prevention and return-to-work because the greatest cost of injury is not financial at all. History tells us, and we are beginning to see now, that the stock markets will rebound in time, but the people who died as a result of a workplace injury last year are lost to their families forever.

The world economy appears to be emerging from a dark period in history. In these tough times many workplaces questioned what was important to their operations. Often these circumstances forced decisions to streamline and downsize. But many workplaces opted not to let safety pay the price. The workers and employers in these workplaces understand that safety isn't simply the absence of injury. A safe workplace requires commitment and specific action. It requires everyone to take safety seriously and be seen to take action – personally.

Workers and employers play a passionate and pivotal role in creating a workplace safety culture. So whatever challenges you face – financial or otherwise – please don't stop doing things to improve safety. Fly your flags at half mast on April 28 to mark the Day of Mourning, inspire leaders to put safety improvements in place. Give your JOSH Committee real teeth – don't just meet so you can say you did. Clean up spills, post signs and improve ergonomic work design. Do whatever it takes to make sure everyone in your workplace goes home to their family at the end of the workday.

Nancy MacCready-Williams
Chief Executive Officer

At the WCB, 2009 was a turning point as we introduced new integrated service teams to large workplaces throughout the province. Our new Relationship Managers are spending more time in these workplaces helping to remove barriers to injury prevention and return-to-work. We are seeing a keen response to this new way of delivering service. We also began to lay the foundation for service enhancements for smaller workplaces that we will roll out over the next couple of years.

The WCB had a total comprehensive income of $12.4 million this year. While this is a financial gain in 2009, our cumulative financial losses over the past three years, primarily due to investment returns, have implications for the funding strategy. Had we not experienced significant investment losses, we would be much closer to our goal of eliminating the unfunded liability by 2016. As we do each year, in June we will review our situation and determine the changes to the funding strategy that are required.

Each and every Nova Scotian should celebrate the reduction in injuries this year. But, at the same time, we all share the responsibility of making more positive things happen. Because we still have so very much to do.

Nancy MacCready-Williams
Chief Executive Officer

"A safe workplace requires commitment and specific action. It requires everyone to take safety seriously and be seen to take action – personally."

commitment

There were **102** fewer serious injuries in construction this year – Nova Scotia's fourth largest sector.

In 2009, **8** people died at work in the fishing industry.

Reaching Out to the Community

Over the past year, I have had the pleasure of working with workers, employers and many other people across Nova Scotia answering questions and addressing complaints about the WCB's service. The Client Relations Officer is also a single point of contact for government officials to make it easy for them to deal with the WCB.

In 2009, I responded to over a thousand inquiries and 64 formal complaints. Given the WCB received about 28,000 claims, the number of complaints remains relatively low. However, there was almost double the number of complaints this year compared to last.

Of the 64 complaints, I found that 43 were partially or wholly substantiated. Most complaints involved communication issues between a worker and their caseworker, or the time it took for the WCB to render a decision or process an appeal.

I report the results of my reviews to the Board of Directors quarterly and to the public annually in the annual report.

This year we shone a spotlight on the WCB's service as we consulted with workers and employers to develop a new service philosophy for the WCB. The exercise was a good reminder that *how* we do our jobs is as important as *what* we do. I believe that if we consistently approach those we serve with excellent service in mind, we can make a meaningful difference in the lives of Nova Scotians.

My term as Client Relations Officer ended in December 2009 and it has been my pleasure to provide assistance to everyone who contacted me with an issue or simply to ask a question.

Jennifer Beckwith
Client Relations Officer

Jennifer Beckwith
Client Relations Officer

*"...**how** we do our jobs is as important as **what** we do."*

compassion

1,055

fewer young workers were injured in 2009, a decrease of 23% from 2008. This drop was especially evident in the Accommodation, Food and Beverage industry, where the number of registered claims declined by almost 26%.

Plans and Progress

The WCB has aggressive long-term goals and achieving them requires fundamental change in the workplace safety culture in Nova Scotia.

In Nova Scotia, reducing the impact of workplace injury by reducing the number of injuries and improving the rate of safe and timely return-to-work requires addressing socio-economic factors. These factors include attitudes and behaviors – on the part of employers, workers, health care providers and the public-at-large – regarding the prevention of workplace injury and the importance of a safe and timely return to work following a workplace injury. The goal is to improve outcomes for injured workers and to reduce the cost structure by reducing the number of claims.

To support this kind of cultural change, we began to implement a strategy in 2006 to position the WCB to take a leadership role in preventing workplace injuries and ensuring the safe and timely return to work of those who are injured on the job.

Our strategy is premised on prevention and return-to-work best practices and to date, there has been significant progress. Since we began, not only has the total number of workplace injuries gone down, but so has the number of serious injuries. Also, with an increased emphasis on a safe and timely return to work, fewer days are being lost to injury in Nova Scotia.

You can see the results of our strategy in our balanced scorecard that contains a series of performance indicators. The WCB's scorecard has four quadrants – Service and Governance, Operations, Employee and Financial.

As we look ahead, we will devote our energy to changing how we deliver service to Nova Scotia workplaces. As well, we will continue to actively seek out new partnership opportunities so we can leverage all of the good work that is being done in organizations across the province to improve workplace safety and safe and timely return to work.

In 2010, we will add a new indicator to the Operations quadrant – *Cost of New Extended Earnings Replacement Benefits*. This measure will ensure there is sufficient emphasis on long-term disability costs in the scorecard, allowing us to better monitor and manage these costs to strengthen the financial sustainability of the workers' compensation system.

More detail on each of these quadrants is described on the following pages.

While we are very encouraged by the progress made this year, we recognize that so much more remains to be done.

In 2010, we will continue to be innovative as we begin to implement our new five-year strategic plan. Some of the initiatives will vary from year to year, but one thing is clear – we will not waiver in our desire to see fewer families and communities so terribly and unnecessarily impacted by workplace injury.

We want to live in a province where no one is injured at work and it is our hope that more Nova Scotians will come forward to do something, no matter how small, to make this vision a reality.

Balanced Scorecard Measures

	Actual '08	Actual '09	Target '09	Target '10	Target '14
Service/Governance					
Worker Satisfaction Index[1]	73%	72%	70%	70%	70%
Employer Satisfaction Index	79%	78%	70%	70%	70%
Stakeholder Engagement Index[2]	64%	N/A	N/A	70%	70%
Operations					
Time-loss injuries per 100 covered employees	2.48	2.26	2.48	2.41	2.22
Duration – composite in days	95	98	93	95	83
Per cent return-to-work at 100% pre-injury earnings	93%	95%	93%	93%	93%
Average short-term disability payment per claim	$3,992	$4,438	$3,870	$4,140	$4,240
Employee					
Employee Satisfaction Index	75%	72%	70%	70%	70%
Financial					
Claims payments for the last 3 years per $100 of assessable payroll	$0.872	$0.803	$0.872	$0.822	$0.801
Administrative costs per $100 of assessable payroll (excluding prevention costs)	$0.34	$0.35	$0.39	$0.41	$0.46
Return on investment					
Five-year Rate of Return	3.1%	3.9%	Benchmark Portfolio Return + 0.85%		
Five-year Target	3.9%	5.2%			

[1] *The Worker Satisfaction Index does not include workers on long term benefits or those with claims for little or no time-loss.*
[2] *Results for the Stakeholder Engagement Index are reported biannually. No index results are available for 2009.*

Service and Governance

Enhanced Service Delivery
In 2009, the biggest single initiative the WCB undertook was to begin to change the way we provide service to workplaces – to the benefit of both the workers and employers who work in them.

In 2008 we began to integrate our three main lines of business (assessment, prevention and return to work) and piloted a new industry-based approach to service with a group of large workplaces in the health care/social services and manufacturing sectors. Through a defined point of contact with a Relationship Manager, we worked with workplaces in these industries to better understand their needs and ensure they receive appropriate services to assist them in preventing injuries and helping their injured workers achieve a safe and timely return to work. In 2009 we built on the lessons learned from the pilot and expanded this new approach to all large workplaces across Nova Scotia.

We also began to lay the foundation for future service enhancements for workers and employers in smaller workplaces. These service enhancements will be phased in over the next five years.

Defining Service Excellence
As we began to enhance our service delivery, we realized that one of the most prominent changes required internally is for the WCB to develop a new service philosophy.

We consulted with labour, injured worker and employer representatives to define a new approach to service to help our teams work more effectively together so we can better enable workplaces to be successful in their injury prevention and return-to-work outcomes. In 2010 we will focus on engaging WCB employees in bringing this new service philosophy to life to ensure that workers and employers have a consistent and excellent service experience each time they interact with the WCB.

Issues Resolution
Throughout 2009, the WCB worked collaboratively with the Workers' Compensation Appeals Tribunal (WCAT) and the Workers' Advisers Program (WAP) to develop an Issues Resolution Strategy aimed at reducing the litigiousness of the Workplace Safety and Insurance System (WSIS).

The WCB will continue to provide the support needed for the implementation of changes flowing from the strategy and/or the development of new programs to improve decision quality. Also as part of this strategy, a new WSIS Liaison Officer pilot program will be implemented at the WCB in 2010.

PayDirect
Through a partnership with Medavie Blue Cross, the WCB now offers *PayDirect*, a service that allows approved prescription medications, including over-the-counter drugs with a prescription, to be directly billed at the pharmacy. The system also improves the quality of data the WCB collects which is essential to effectively manage costs and the utilization of prescription drugs.

PayDirect was introduced across Nova Scotia in November and it provides one less thing for injured workers to worry about so they can focus on their recovery and return to work.

Program Policy Consultation
In October 2009, the WCB Board of Directors made changes to the WCB Program Policy Agenda setting process to improve the timing and sequencing of stakeholder touch-points and to maximize the use of stakeholder input. In particular, the WCB now uses a revolving Program Policy

Agenda approach rather than the annual process used in the past. A revolving Program Policy Agenda is a process whereby a policy topic is completed and replaced by the next priority topic identified by the Board of Directors.

Stakeholders were engaged in setting the 2009 Program Policy Agenda and the development of several policies that flowed from the agenda.

The Board of Directors considered this input when making a final decision on the *General Entitlement: Arising out of and in the Course of Employment* policy and will consider the input received on the other program policies when making decisions in 2010.

Measures of Success

The WCB is committed to providing excellent service to injured workers and employers. We contract an external firm to conduct quarterly surveys of approximately 1,600 injured workers and 1,000 employers each year to determine their level of satisfaction with the service they receive from the WCB. These results are used to calculate a *Worker Satisfaction Index* and an *Employer Satisfaction Index*.

Performance

As the WCB worked to assist workplaces with injury prevention and return-to-work efforts, 78% of employers and 72% of workers say they are satisfied with the WCB's service. This performance result is above our 2009 target.

We first measured stakeholder satisfaction with their level of engagement with the WCB in 2008 and it is measured biannually. As a consequence, no survey was done in 2009. The next survey will be conducted in 2010.

Outlook

After extensive consultation with stakeholders and having carefully considered the challenges ahead, the Board of Directors developed a *Strategic Plan 2010-2014* that will drive change at the WCB for the next five years. Injury prevention and return to work remain our top priorities, yet the success of these goals will be driven by the WCB building stakeholder and public confidence, achieving financial sustainability, making ongoing service improvements for workers and employers and working with others.

As the WCB undergoes significant change in the transition to a new service delivery model, we will maintain our targets for the three service and governance measures at 70% through to 2014.

We also will continue to work to deliver on the expectations of stakeholders and fostering positive and effective working relationships.

Service/Governance

	Actual '08	Actual '09	Target '09	Target '10	Target '14
Worker Satisfaction Index*	73%	72%	70%	70%	70%
Employer Satisfaction Index	79%	78%	70%	70%	70%
Stakeholder Engagement Index**	64%	N/A	N/A	70%	70%

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

** *Results for the Stakeholder Engagement Index are reported biannually. No index results are available for 2009.*

Operations

Expedited Services

Over the past number of years, the WCB's wait list for surgeries has been growing. Long wait times are a cause for concern as they increase the length of time for medical recovery and the length of time a worker is away from the job.

In 2009, we improved injured workers' access to surgeries and our goal is to eliminate the current waiting list for surgeries and reduce injured workers' wait times from 12–18 months to 60 days following their surgical consultation.

To do this we increased the number of hospitals partnering with the WCB to provide expedited day surgeries utilizing down time in the public health care system. By doing so, we more than doubled the number of expedited surgeries performed each month.

We have also developed a plan to eliminate the current wait list for surgeries and to achieve targeted wait times for surgeries.

Workplace Safety for Youth

In fall 2009, the Nova Scotia Departments of Education and Labour and Workforce Development, and the WCB partnered to create workplace safety learning content for Grade 9 students in Nova Scotia. The program, piloted at six schools, provides eight hours of in-class instruction on the importance of workplace safety. It aims to address the high number of injuries to Nova Scotia workers younger than age 20.

The WCB will participate in the evaluation of the pilot, and the final course will be expanded to all Grade 9 students in Nova Scotia in fall 2010.

We also introduced the *Silence Doesn't Work Here* social marketing campaign to continue to encourage young workers and their employers to talk about safety on the job.

Industry-Based Safety Associations

The WCB enhanced its prevention strategy by supporting and encouraging the establishment of new safety associations in the fishing and retail automotive dealers sectors.

We will continue working with leaders in these and other industry safety associations to better understand their needs and support the development of tools that specifically address the prevention and return-to-work issues they are facing.

Beginning with a discussion that started at the Workplace Safety and Insurance System 2009 fall stakeholder session, we will develop a long-term accountability framework for aligned organizations (including safety associations) who receive funding either directly from the accident fund, or indirectly through levies on assessment premiums.

Social Marketing

The WCB's advertising campaign that is based on the idea that all of us should do something, no matter how small, to prevent workplace injuries continued this year.

The ads issue a call-to-action and a reminder of the shared responsibility employers and workers have for workplace safety. They caught the judges' attention at the annual communications awards presented by the American Association of State Compensation and Insurance Funds (AASCIF). The WCB's ads featuring a bucket, a ladder and a nail were named *Best of Show* in Portland, Maine in August.

We also produced a series of safety videos on topics like safe work design, slips and falls, working from height, communication and returning to work. These informational videos will be distributed to workplaces in 2010.

Mainstay Awards

People who worked to provide a safe and healthy workplace saw their determination and hard work recognized through a new awards program. The first annual Mainstay Awards, praising excellence in occupational health and safety and return-to-work, were presented at a celebratory luncheon in Halifax in June. The highest safety honour in Nova Scotia – the *Safety Award of Excellence* – went to ExxonMobil Canada for its deeply rooted and personal commitment to safety, and for creating a safety culture that extends beyond the organization and into the oil and gas and marine industries.

Driven by the WCB and the Nova Scotia Department of Labour and Workforce Development, the Mainstay Awards provide a public pedestal to celebrate people and organizations that make injury prevention and return-to-work a part of everything they do.

Measures of Success

The overall number of injuries in Nova Scotia declined by nearly 12% and the number of serious (time-loss) injuries over the last 12 months dropped more than 10% to 7,206 from 8,050 in 2008. The number of people seriously injured at work this year fell below 8,000 for the first time in over a decade.

This positive trend resulted in an injury rate of 2.26 injuries per 100 covered employees for the year, well ahead of our year-end target of 2.48.

For workers who were injured, 95% returned to work and continued to earn their full wages. This means we exceeded our target despite concerns that potential job losses during the recession would adversely affect our return-to-work efforts.

The very positive drop in claims had a negative impact on the measures which use averaging in their calculation – composite duration index and average short-term disability payment per claim. The composite duration index is a complex measure of how long workers are off the job due to injury. This performance measure did not perform as expected.

While the total number of injuries is down, a significant portion of the reduction is in short-term claims. At the same time, more complex and longer term claims did not decline at the same pace as short-term claims. This combination led to an increase in average claim durations and the composite duration index increased to 98 days – above the 93 days target.

Short-term disability payments are down 1.8% from 2008, but are 1.4% above the expected amount for 2009. Although we have seen significant reductions in claim volumes, the majority of the decrease appears to be among lower cost, lower complexity claims. As we are now seeing fewer of these claims and this measure is an average, we have seen an increase in the average short-term disability payment per claim in 2009 to $4,438 – above the target of $3,870.

Performance

Operations

	Actual '08	Actual '09	Target '09	Target '10	Target '14
Time-loss injuries per 100 covered employees	2.48	2.26	2.48	2.41	2.22
Duration – composite in days	95	98	93	95	83
Per cent return to work at 100% pre-injury earnings	93%	95%	93%	93%	93%
Average short-term disability payment per claim	$3,992	$4,438	$3,870	$4,140	$4,240
Cost of New Extended Earnings Replacement Benefits ($M)*	N/A	N/A	N/A	$62.0	$63.0

* *This performance measure will be adopted in 2010.*

Outlook

Over the coming year, we will continue with our current prevention strategy, placing greater emphasis on building crucial relationships with our partners and industry associations to support the ongoing development of safety leadership in Nova Scotia.

The WCB will also continue to make service improvements with a focus on supporting large workplaces with our newly established Integrated Service Teams. On these teams, experts in injury prevention work together with specialists in helping injured workers return to work in a safe and timely manner. We will begin the work to establish an Integrated Service Center to make it easier for all workplaces to access our services and leverage advanced technologies to improve our efficiency.

We know injured workers experience profound emotional, physical and economic losses when their recovery and return to work is delayed. That is why we will focus so much effort to enhance the delivery of key health care programs and services and reduce wait times for surgery.

Our goal is an injury rate of 2.41 in 2010 and by 2014 to reach a target of 2.22. Although the 2010 target is above the 2009 injury rate, we expect that economic recovery in 2010 will result in more people working, particularly in high risk industries, and that could potentially lead to more injuries.

We will maintain our target of 93% of injured workers returning to work at their full pre-injury wages through to 2014 and work to further reduce the composite duration index to 95 days in 2010 and to 83 days by 2014. We anticipate the average short-term disability payment per claim will be $4,140 in 2010 and $4,240 in 2014.

Employees

WCB a Top Employer

The WCB is proud to be selected as a Top Nova Scotia Employer for the second year in a row by Mediacorp – the same organization that selects Canada's top 100 employers as published annually in *MacLean's* magazine. For the first time, the WCB was also named a Top Employer in Atlantic Canada for 2010. The awards are presented to organizations to recognize their efforts to provide an exceptional place to work.

If not for the dedication and commitment of WCB employees, NSGEU Local 55, and our leadership team, an award like this would not be possible.

On top of that, the Halifax Chamber of Commerce named the WCB a Health Innovator for the third consecutive year. This is the highest Healthy Business Award presented by the Chamber.

Top 50 CEO

For the fourth year in a row, Nancy MacCready-Williams was named a Top 50 CEO by *Atlantic Business Magazine*.

CEOs in this elite group are chosen for their proven managerial abilities, reactions to challenging situations, leadership philosophies, corporate/organizational growth over a three-year period, commitment to industry and community development, and volunteer activity.

Nancy's fourth year nod is a testament to her well-rounded approach to leadership and the community.

Measure of Success

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

Performance

Our *Employee Satisfaction Index* exceeded the 70% target although there was an anticipated decrease in overall employee satisfaction due to the enormous amount of organizational change we undertook this year.

Employee					
	Actual '08	Actual '09	Target '09	Target '10	Target '14
Employee Satisfaction Index	75%	72%	70%	70%	70%

Outlook

As we move forward, we will continue to actively engage and support our employees through the process of delivering service in a different way. Our top priorities will be leadership development and training to create effective leaders who can inspire and manage change, and implementing innovative change management strategies to support our employees as the WCB continues to transform the way it delivers service. We will also continue to enhance our internal safety program to ensure the safety and wellness of our employees.

Given our significant amount of ongoing change, we will maintain the *Employee Satisfaction Index* target at the current level through 2014.

Financial

The achievement of our financial targets is tied to reducing the injury rate, ensuring injured workers return to work in a safe and timely manner, and investment returns. As described in the Operations section previously, we exceeded our targets for reducing the injury rate and safe and timely return to work. We did not meet our return on investment targets. More details about our investment returns and the unfunded liability are included in the *Management Discussion and Analysis* section of this report.

The WCB maintains a diversified investment portfolio designed to balance returns and risk. During 2009, we worked to improve our financial performance by focusing on investment strategies to reduce volatility, including a review of our hedging strategy which was implemented in 2008. After our review, we concluded we would maintain our strategy to hedge 50% of foreign dominated investments in order to offset investment risk due to currency fluctuations. The 2009 update of the asset/liability study we conducted in 2008 indicated no immediate changes were required to our investment strategy.

Measures of Success

For the financial measures over which the WCB has the most influence, our performance was very solid. We exceeded the target for claims payments for the last three years per $100 of assessable payroll. An increase in the three year average payroll and a decrease in total claim payments flowing mainly from a reduction in health care payments had a favourable effect on the payment ratio and we exceeded the target.

Performance

Financial	Actual '08	Actual '09	Target '09	Target '10	Target '14
Claims payments for the last 3 years per $100 of assessable payroll	$0.872	$0.803	$0.872	$0.822	$0.801
Administrative costs per $100 of assessable payroll (excluding prevention costs)	$0.34	$0.35	$0.39	$0.41	$0.46
Return on investment					
Five-year Rate of Return	3.1%	3.9%	Benchmark Portfolio Return + 0.85%		
Five-year Target	3.9%	5.2%			

We also exceeded our target for administrative costs per $100 of assessable payroll. Two primary factors that resulted in a positive $0.04 variance from the target are: a positive variance of $0.01 as the expenditures from the administrative budget were less than planned, and a $0.03 positive variance as offsetting deductions (which reduce total administrative costs) for the change in future liability for administrative costs was $2.1 million higher than expected, and administrative costs charged to self-insurers was $0.6 million higher than planned.

As the global economic recession showed signs of easing and markets started to generate positive returns, we experienced investment gains in 2009. Our five-year rate of return for the period ending December 31, 2009 was 3.9% and reflects the volatility of the past few years. The five-year target of 5.2% was not achieved.

Outlook

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

With continued focus on long-term disability costs and an increased understanding of opportunities to manage health care costs and reduce health care wait times, we will work to achieve the targets for claims payments for the last three years per $100 of assessable payroll – $0.822 in 2010 and $0.801 in 2014.

In the short term, administration expenses are forecasted to increase slightly as we adopt new technologies, but over time this will be a cost-neutral strategy. As always, the WCB will monitor and evaluate the balance between administration costs and service quality, and adjust that balance to best meet the needs of stakeholders.

As the global economy recovers, we will continue to monitor progress with our strategy closely, including the funding outlook.

"...we recognize that so much more remains to be done."

opportunity

Back injuries represent nearly one-third of all serious injuries.
However, in 2009 there were

282

fewer back injuries reported by Nova Scotian workers – a decrease of 11% over 2008.

The Automotive Retail Dealers and the fishing industry were two sectors in the province that created **safety** associations to prevent workplace injuries and reduce claims costs.

Management's Responsibility for Financial Reporting

The financial statements of the Workers' Compensation Board (WCB) of Nova Scotia are prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles (GAAP) in Canada.

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

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

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

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

Nancy MacCready-Williams
Chief Executive Officer

Leo D. McKenna, CA
Chief Financial Officer

Management Discussion and Analysis

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

Forward-looking Information

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

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

Statement of Financial Position

Investments

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

Portfolio Structure

The portfolio's overall asset mix remains unchanged compared to 2008. The benchmark portfolio included equity at 60%, bonds at 30% and real estate at 10%. Target allocations for Canadian, US and international equity are 20%. The benchmark portfolio reflects the fund's long-term risk tolerance. At any given time, the fund's asset allocation may differ from the benchmark. The benchmark is useful for assessing performance of the fund. The current investment target is to exceed the rate of return generated by the benchmark portfolio and market index yields for the various asset classes by 0.85%. Prior to October 1, 2005 the objective was benchmark plus 0.65%. The blended objective for the five years ended 2009 was 0.82%. The target is based on a five-year average before management fees.

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

On November 1, 2008, the WCB began investing in real return bonds, with a target allocation of 2.5% with the remaining 27.5% allocated to a passive investment strategy for Canadian bonds. On December 21, 2009, there was an opportunity to exit from the 2.5% allocation to real return bonds. The proceeds of $23.6 million from the liquidation of the real return bond fund units were reallocated to the passive investment strategy. The target allocation of nominal bonds has been increased from 27.5% to 30.0% to reflect that change.

A passive currency hedging overlay strategy with a hedge ratio of 50% of the total foreign currency exposure has been in place since July 2008. The strategy began in the first quarter of 2008 with a hedging ratio of 25% increasing to 35% in the second quarter and to 50% by July 2008. The strategy was reviewed by the Finance and Investment Committee in December 2009 and the committee confirmed the continued use of the current strategy as an effective means to reduce currency risk.

Capital Markets Review

In early 2009, market volatility and liquidity concerns continued worldwide while investors tried to assess the full affects of the global credit economic crisis and recession. The markets started to show signs of improvement by the second quarter and continued a positive trend throughout the rest of the year. Most major equity market indices posted positive annual returns. Returns in Canadian dollar terms were lower due to the strengthening Canadian dollar compared to the US dollar and a basket of European, Australian and Far East currencies. Bond markets were positive for the year. Corporate bonds outperformed their government counterparts and therefore many active bond managers posted better returns than indexed funds. Real estate markets managed to generate marginal positive returns for the year.

During 2008, the WCB received notices from the real estate and bond fund managers indicating a reduction in the frequency and dollar amount of liquidation requests that they would be able to process. Liquidity in the bond market improved in 2009, however, the redemption limitation remains in place for our real estate manager. Market liquidity was challenging to manage in the first quarter of 2009 due to the prevailing conditions during the settlement of a foreign currency hedge; however, no further impacts on cash management due to liquidity were noticed in 2009 and are not anticipated to be present in 2010.

Portfolio Performance

The active manager's objective is to exceed the return generated by the benchmark portfolio by 1.5% for Canadian equities, 2.0% for international equities and 1.0% for US equities. These objectives are before investment management fees and are based on a five-year average. For the indexed manager, the objective is to match the return generated by the fund benchmark portfolio for nominal bonds ±0.10%. Again this objective is based on a five-year average before investment management fees. The real estate manager's objective is to exceed the return generated by 85% of the IPD All Property Index plus 15% of the DEX 91 Day Treasury Bills on a five-year average.

Market investment returns on the externally managed portfolio were 11.5% in 2009, however, it was behind the benchmark return of 15.6%. This resulted in negative value added of 4.1%. In 2009 the capital markets, in Canadian dollar terms, saw the Canadian equity market (S&P/TSX Composite) return 35.1%, the US equity market (S&P 500) return 15.7%, and the international equity markets (MSCI EAFE) return 7.7%. The bond markets returned 6.2%.

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

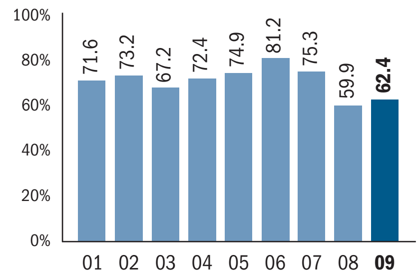
Our portfolio holdings as at December 31, 2009 were assessed for OTTI and as a result of this assessment we have recognized OTTI of $12.0 million for 31 holdings and one pooled fund; (2008: $174.6 million for 92 holdings and one pooled fund). Subsequent changes in fair market value will accumulate in other comprehensive income until the investment is actually sold.

As the investments are held to meet payment obligations that extend many years into the future, the valuation of investments at a point in time provides a view of the financial position of the WCB at only that point in time.

Benefits Liabilities

The WCB's benefits liabilities represent the actuarial present value at December 31, 2009 of all expected health care payments, short-term disability benefits, long-term disability benefits, survivor benefits and rehabilitation payments that will be made in future years, and which relate to claims arising from events that occurred on or before December 31, 2009. 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, 2009.

Funded Percentage
for Nova Scotia, 2001–2009



The benefits liabilities grew by 4.3% as set out in detail in Note 7 to the financial statements. The change is attributable to the change in the present value of benefits payable in future years, as calculated through the annual actuarial valuation process. The $63.4 million increase is approximately $16 million more than our expectation based on the 2008 valuation results. Much of this excess cost is attributable to a higher than expected volume of extended earnings replacement benefits.

Accumulated Other Comprehensive Income

Cumulative changes in fair market value for investments still owned are tracked as accumulated other comprehensive income. The net change in other comprehensive income for the year was an increase of $55.4 million. This accumulation is expected to fluctuate annually depending on market returns earned on the WCB investment portfolio, the recognition of other than temporary impairments in our investment portfolio, and the realization of past gains or losses into investment income as securities are sold.

Unfunded Liability

The WCB's liabilities total $1.593 billion and assets total $994 million, with an unfunded liability of $696 million and an accumulated other comprehensive income of $96 million, for a net unfunded liability of $600 million at the end of 2009. The WCB's funding percentage increased from 60% to 62% as at December 31, 2009.

Statement of Operations and Comprehensive Income

The operating results for 2009 and 2008 may be attributed to the following factors:

($000's)	2009	2008
Assessment Revenue in Excess of Current Year Costs	$ 33,365	$ 34,582
Investment Income (Below) Liability Requirements	(5,797)	(281,269)
Actuarial Liabilities Greater than Previously Anticipated	(15,179)	(1,880)
Total Comprehensive Income (Loss)	$ 12,389	$ (248,567)

Revenues

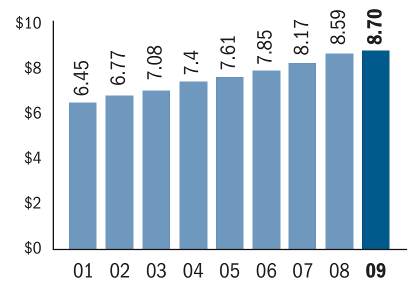
Assessment Revenue

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. Federal and provincial government agencies and departments are self-insured. Rather than paying an insurance premium, they reimburse the WCB for claims costs incurred on their behalf plus an administration fee. Total assessment revenue decreased $0.3 million (-0.1%) from 2008 levels.

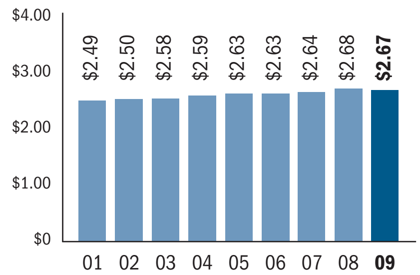
Revenues from registered firms increased $0.9 million (0.4%) from 2008 revenue. This increase is primarily attributed to an increase in assessable payroll of 1.2%. Increases to the payroll base are attributable to a slight increase due to wage inflation and an increase in the maximum assessable earnings. The increase in the payroll base was offset by a decrease from the 2008 actual average assessment rate of $2.68 to $2.67. There was also a decrease in assessment reporting penalties from 2009. The targeted average assessment rate remained consistent at $2.65 from 2008 to 2009. The actual average assessment rate of $2.67 in 2009 was slightly higher than target. This simply indicates that the mix of payroll amounts submitted by employers in high-rate industries and those submitted by employers in low-rate industries was slightly different than anticipated.

The self-insurers experienced lower claims payments in 2009 mainly due to one time adjustments in 2008. Self-insured administration costs have increased as the administration fee in the current year is based on the claims experience and administration costs of the prior year. The administration fee for 2010 will reflect the decreased claims payments in 2009.

Total Assessable Payroll
for Nova Scotia, 2001–2009 (in billions)



Actual Average Assessment Rates
for Nova Scotia, 2001–2009



Investment Income

Investment income is derived from interest on short-term investments managed internally and income on the long-term investments managed by external investment managers. The WCB's accounting policy is to record gains and losses on foreign currency exchange, realized gains and losses on the sale of investments, and the losses from other than temporary impairments in investment income. Gains and losses arising from changes in fair market value are recorded in other comprehensive income.

Net investment income was $41.7 million for 2009, an increase of $219.2 million (124%) from the 2008 net investment loss of $177.5 million. The increase resulted primarily from: a reduction of the amount required to be written off as a loss from other than temporary impairments ($162.6 million); a net increase in the realization of foreign currency gains versus 2008 losses ($50.2 million); an increase in realized gains versus 2008 losses ($10.7 million); and a decrease in investment manager fees ($0.3 million) offset by a decrease in interest and dividend income ($4.6 million).

Total investment income, which is net investment income combined with the net change in other comprehensive income, was a gain of $97.1 million compared to the 2008 total investment loss of $174.8 million. In accordance with Canadian GAAP, the WCB recognizes changes in market value of investments in the year of occurrence. Recognizing changes in market value in the year in which they occur produces a significant amount of volatility to the WCB's comprehensive income or loss.

Total Claims Costs Incurred
(In thousands)

	2009		2008	
Short-Term Disability	$42,551	22.8%	$43,745	23.4%
Long-Term Disability	$83,196	44.5%	$79,386	42.4%
Survivor Benefits	$ 4,599	2.5%	$ 5,601	3.0%
Health Care	$55,514	29.7%	$57,295	30.6%
Rehabilitation	$ 1,167	0.6%	$ 1,057	0.6%

Expenses

Claims Costs Incurred

Claims costs incurred are an estimate of the costs related to compensable injuries which occurred in 2009. These estimates take into account both unreported claims and claims reported but as yet unpaid. As in previous valuations, the benefits liabilities do not include any provision for future claims related to occupational disease awards, except to the extent such claims are represented in the past claim histories. The benefits liability does include a provision for the future cost of administering existing claims.

Claims costs incurred were down slightly by $0.05 million (0.03%) from 2008. Claims categories with fluctuations include short-term disability costs decreasing $1.2 million (2.7%), long-term disability costs increasing $3.8 million (4.8%), survivor benefits decreasing $1.0 million (17.9%), rehabilitation non-income costs increasing $0.1 million (10.4%), and health care costs decreasing $1.8 million (3.1%) from 2008. Several factors influenced this aggregate result.

Claims costs incurred for short-term disability has decreased 2.7% in the current year. Reductions in short-term disability costs are the result of significant reductions in the frequency of time-loss injuries in Nova Scotia. The injury rate dropped 8.9% from 2.48 in 2008 to 2.26 in 2009.

The 4.8% increase in long-term disability costs is in part related to a change in the timing of long-term awards arising out of injuries that occurred in 2009 and prior years. The valuation assumes that long-term earnings loss awards will arise in a particular pattern totaling 1,224 permanent impairment awards and 410 extended earnings loss awards for each injury year. For recent injury years, it appears that a larger proportion of these awards are emerging earlier in the life of a claim than in prior years. Awards from recent injury years exceed the number of awards expected as of December 31, 2009. The actuarial run off table assumes that because the new awards exceed expectations to date, long-term awards in future years will continue to exceed expectations. However, we expect that the higher number of awards experienced in early years are the result of timing and will be offset by fewer than expected awards in later years, and that overall and over time, the volume of long-term awards will be less than expected. Data in recent years supports this assumption and we anticipate a change in the run off table within the next two years.

An internal analysis of long-term awards revealed that the primary drivers of increased volumes are an aging workforce, timing of awards and the incidence of chronic pain in the covered workforce. The number of permanent benefits awarded in 2009 was notably lower than in 2008, from 1,890 to 1,538. We anticipate a continued reduction in the volume of long-term awards over a number of years through active management of complex claims and return-to-work and prevention initiatives. If this decrease in longer term awards does not materialize, further increases in incurred costs and benefits liabilities will occur. We expect that anticipated cost decreases will start to materialize in 2010.

Survivor costs have decreased by $1.0 million in 2009. This is due to a decrease in the volume of new survivor awards. Claims volume and costs in this area can fluctuate year to year.

Non-income rehabilitation costs are costs other than wage replacement benefits paid to workers in rehabilitation programs, that is, the cost of the programs themselves. In 2009, these rehabilitation costs increased $0.1 million. While the dollar amount of the increase is small, it represents a 10.4% increase in the cost category. Fluctuations can occur in rehabilitation costs as significant costs incurred on a small number of claims (e.g. home modifications) can have a significant impact on costs.

Health care costs decreased $1.8 million (3.1%) following several years of instability. Based on the current year health care payments, the actuary has moved back to the actuarial method of a three-year weighting of payments.

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

The growth in present value of benefits liabilities is the increase in the present value of prior years' obligations due to an interest amount reflecting the time value of money. In 2009 this amount was $102.9 million or approximately 6.6% of the benefits liabilities. This amount varies slightly by benefit category as the expected inflation component varies. Based on the overall expectation for inflation and long-term investment returns, we expect growth to occur at approximately 7.0% annually. The benefits liability is calculated based on historical claims payment data coupled with assumptions about future experience.

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

A number of claims from 2002 to 2004 have moved to long-term disability in recent years and this has resulted in a larger volume of extended earnings replacement benefits than is typically expected in any given injury year. For purposes of establishing a liability reserve and in estimating costs from the current year, experience from these recent injury years cannot be ignored. On average, we expect approximately 410 extended earnings replacement benefit (EERB) awards will be awarded for any given injury year. Injuries from 2002 to 2004 continue to track ahead of the projected pattern of extended earnings replacement awards. To date we have awarded an average of 460 EERBs for injury years 2002 to 2004.

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

Administrative Costs

Administrative expenditures in 2009 totaled $40.4 million, an increase of $0.6 million or 1.4% from 2008. This is primarily due to:

- Services contracted increased $0.2 million relating to increased project work for service delivery initiatives.
- Training and development increased $0.1 million relating to additional training over the prior year as the organization realigned to the new service delivery structure.
- The change in liability for future administration costs is $0.3 million less than in 2008 as current year claims payments exceed current year claims costs.

Excess of Expenses Over Revenues and Total Comprehensive Income

In 2009, total net revenues of $314.5 million ($272.8 million in assessment revenues plus $41.7 million in net investment income), less total expenditures of $357.5 million, yielded an excess of expenses over revenues of $43.0 million. The net change in other comprehensive income for the year was an increase of $55.4 million, resulting in a total comprehensive income of $12.4 million.

The funding strategy prepared in June 2009 estimated a total comprehensive loss for 2009 of $12.6 million. The impact of this variance on future years will be evaluated as discussed in the funding strategy section below.

Statement of Cash Flows

Cash decreased $10.2 million in 2009 primarily as cash utilized for benefit payments and operations was not fully offset by the cash generated through internal investments and assessments premiums.

Funding Strategy

Overall, the financial results in the first twelve years of our funding strategy (1995 – 2006) were somewhat better than originally expected primarily due to increasing assessable payroll coupled with lower than anticipated claims costs incurred during this period, better than expected investment returns, and lower than anticipated inflation. We also experienced changes to the claims costs flowing from chronic pain, survivors, new benefits for firefighters and changes to Supplementary Benefits during this period. In 2007 and 2008 however, results were not as positive largely due to lower investment returns and higher claims costs experience and resulting actuarial adjustments.

While investment returns in 2009 were better than the prior years and claims costs are beginning to decrease in some areas, negative experience with respect to long-term disability claims continued.

The WCB's annual revision to the funding strategy in June 2009 continued to forecast the elimination of the unfunded liability by approximately 2016. This was based on an estimated total comprehensive loss for 2009 of $12.6 million, and a substantial improvement in investment returns by 2011. The actual total comprehensive income for 2009 was a gain of $12.4 million. This is $25.0 million better than expected in the funding strategy. The 2009 variances include:

- assessment revenue $4.2 million less than expected,
- total investment results $67.0 million more than expected,
- claims costs incurred $0.2 million less than expected,
- growth in present value $2.0 million less than expected,
- actuarial changes and experience adjustments $45.3 million more than expected, and
- administration and legislated obligations $5.3 million less than expected.

Given the number of variables affecting the funding position, annual variances are expected. However, the variances in 2009 actual results, coupled with prior years' results, could have an impact on the funding period. While investment revenue can fluctuate over short timeframes, it is expected to smooth out over time. The significant losses experienced in recent years are unlikely to be recovered quickly enough to achieve the current funding plan. Investment returns for 2009 of 11.5% were better than the 3.5% expected for the year and the 7% long-term assumption. However, the fund has only generated annual returns of 3.9% over the last five years and 4.2% over the last ten years.

Accordingly, the WCB Board of Directors will conduct a review of our funding strategy in connection with the 2011 annual business planning and budgeting process. As we noted in last year's annual report, it is likely that results from the last three years could lead to a change in the funding strategy. We are confident that we remain on track to achieve the aggressive operational goals set for claim durations and injury rate, however we recognize that investment returns are a critical component of the funding plan that is largely outside the control of the WCB.

As noted in our current funding strategy prepared in June 2009, in order to compensate for the shortfalls in both 2007 and 2008, returns of 33% or more will need to occur by 2011 with an additional $80 million smoothed into income from 2012 to 2014. Such a scenario would yield a return of approximately 7.6% over the funding period. This overall return is above the long-term expectation and returns for individual years from 2011 to 2017 will have to significantly exceed the long-term assumption. The funding strategy base case therefore assumes annual returns of 33% in 2011 and continued returns above 8% from 2012 to 2014. While a 33% return is high in any given year, it is not unusual to see a significant rebound following a market crash as experienced in 2008 and early 2009. Losses experienced in 2008 were unprecedented and it is possible that substantial gains will follow in the near future as markets recover.

Increasing long-term disability costs are not expected to continue. Recent positive experience in short-term disability costs is expected to lead to savings and favorable adjustments on long-term disability and health care in subsequent years. This positive experience is discussed in detail in the "Risk Areas" section of the MD&A. If cost savings are not achieved as expected, the funding strategy will be affected.

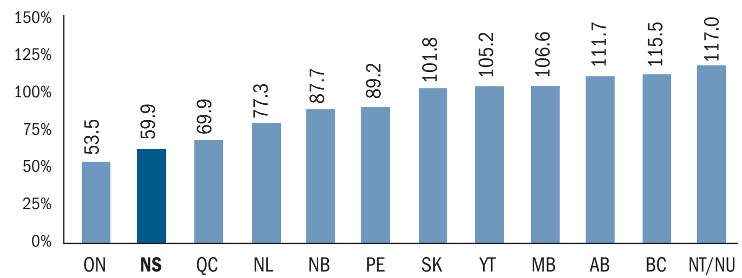
Factors influencing the funding strategy including assessment rates for employers, benefit levels for injured workers and changes in the WCB's funding position, are not based on short-term results. Annual investment returns, by their nature, are unpredictable and not guaranteed to be sustained over the long term. The WCB's funding strategy, including decisions about assessment rates and benefits, should continue to be based on long-term expectations for investment returns.

Note 7 of the financial statements details areas of uncertainty, including actuarial experience and chronic pain benefits, which may have a significant impact on the WCB's benefits, liabilities and funding strategy.

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

Funded Percentage

All Provinces, 2008 (AWCBC)



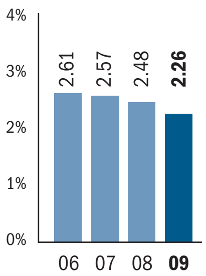
Risk Areas

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

Benefit Costs

Benefit costs are affected by injury rates, claim durations and scope of coverage.

Injury Rate
time-loss claims per 100 covered employees



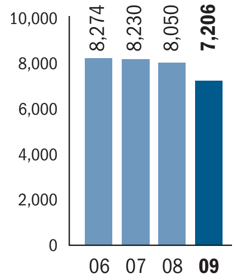
Injury Rate

At the end of 2009, the injury rate was 2.26 time-loss injuries per 100 covered employees. This reflects an average reduction of over 5% per year since 2005. The pattern of significant improvement in this measure is not likely to be sustained and further reductions are expected to occur at a slower pace.

The injury rate is one of the most significant drivers of benefit costs and the focus of the WCB's attention for risk mitigation. In 2005, as one component in a plan to reduce system costs by $36 million, we estimated that a decrease in the overall injury rate from 2.87% to 2.26%, all else being equal, would translate to an estimated $25 million in savings and 1,800 fewer time-loss injuries relative to size of the workforce at the time the estimate was made. As of December 31, 2009, there are approximately 1,800 fewer time-loss injuries than in 2005.

Although we have reached our goal in terms of time-loss claim reduction, savings from progress to date are not yet as significant as originally expected. In part, this is because the majority of the decrease in volume over the last four years was among lower cost claims and in part because savings from long-term disability costs take longer to materialize. Additionally, we expect that some of the volume decrease in 2009 is the result of a slow down in manufacturing and other sectors of the economy due to the global economic recession. As these sectors rebound in 2010 and beyond, reductions in time-loss volumes that occurred in 2009 will not likely be sustained. We anticipate an increase in the injury rate in 2010 followed by a gradual decline back to the 2009 levels.

Compensable Time-Loss Claims



The plan anticipates an overall annual reduction to the insurance budget of approximately $36 million. Of this amount, a permanent and sustainable injury rate of approximately 2.22 time-loss injuries per one hundred covered employees will yield savings of $22 million expected to be realized by 2016 and reductions in claims duration will yield an additional $14 million in savings. The revised forecasted savings for reductions in the injury rate are $3 million less than the original estimates. This reflects our expectation that overall volume decreases will include a larger proportion of lower cost injuries than originally expected.

To date we estimate that recent decreases in time-loss injuries have reduced the insurance budget by approximately $6 million. Progress to date, along with continued prevention efforts are expected to yield an additional $16 million in savings by 2016. This estimate is based on the assumption that medium and high risk injury volumes will decrease by approximately 600 over the next five years. If this assumption does not materialize, the savings estimates will vary and the funding strategy will likely be impacted.

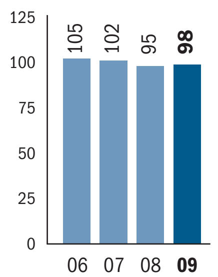
Claim Durations

In Nova Scotia, injured workers stay on short-term benefits longer than in many other provinces and a higher proportion go on to receive permanent impairment benefits. The WCB's early intervention and return-to-work philosophy is anticipated to reduce claims costs incurred over time by shortening durations and reducing the number of workers going on to long-term disability. During 2009, the WCB continued to focus on:

- Managing and building relationships with the health care sector to enhance safe and timely return-to-work by endorsing best practices in occupational medicine.

- Consulting with our stakeholders to determine whether our service meets the needs of workers and employers. A new model for service delivery was implemented to allow us to offer more integrated services. This approach will allow us to build stronger relationships with the people we serve.

Composite Duration Index
Using AWCBC Composite Method



A significant reduction in annual claims costs could generate financial gains in the system. In 2005 we estimated that a 30 day decrease in claims duration would result in an estimated $11 million in cost savings as one component of a plan to reduce costs by $36 million.

As noted, recent reductions in time-loss injuries were comprised of mainly lower risk, lower cost injuries. As these avoided claims typically have short durations, their absence drives the average duration upward. In 2009, this led to a three day increase in the composite duration index. Despite this setback, the duration index has decreased a net of 16 days since 2005. We estimate that progress to date has decreased the insurance budget by almost $4 million from 2005 to 2009. An additional $10 million in savings is expected following a further 23 day reduction in the composite duration index. The $3 million improvement in expected savings reflects the impact of a 39 day reduction in the composite duration index as opposed to the 30 day reduction originally anticipated.

Since 2005, a focus of case management has been to resolve claims earlier whether the outcome be return-to-work or extended earnings loss awards. This change in timing is not yet fully reflected in the calculation of long-term claims costs. The increase in the volume of long-term awards in these early years impacts the calculation of long-term costs as higher than expected volumes are assumed to continue into later years. This has resulted in an increase in long-term disability costs of approximately $4 million from 2005 to 2009. We expect that beginning in 2010, new long-term awards will be fewer than assumed in the cost calculation and that the $4 million cost increase will be eliminated by 2016. If the reduction in new long-term awards does not occur as expected, the funding strategy will be impacted.

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

Scope of Coverage

Benefits costs are impacted by many variables, including changes to the *Workers' Compensation Act*, appeal decisions, court decisions and policy changes which can expand coverage. An example of a change to the *Act* which expanded coverage and increased costs are the changes for chronic pain related benefits flowing from the 2003 Supreme Court of Canada decision. The propensity of chronic pain reflected in past claims history led to an expectation that this change would lead to an increase in claims costs incurred. It is expected that investments made in prevention, return to work and health care will eliminate this increase by 2016. If the decrease in costs does not occur as planned, or if further changes expanding coverage occur, the funding strategy will require adjustment.

Investment Returns

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

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

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

Economic Conditions

The benefits liabilities of the WCB are partially indexed to the Consumer Price Index (CPI) on an annual basis. Payments to benefit recipients are increased by one-half of the Nova Scotia Consumer Price Index at the beginning of each calendar year. Any change to this formula would impact our liabilities and costs. Significant fluctuations in CPI represent a risk to the WCB. While CPI has been fairly stable in recent years, the risk exists that CPI may fluctuate due to unforeseen economic developments. We are also susceptible to cost increases in the health care system where in recent years the rate of growth has been greater than general inflation.

Critical Accounting Policies and Estimates

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

International Financial Reporting Standards (IFRS)
Canadian generally accepted accounting principles for publicly accountable entities will be replaced with International Financial Reporting Standards (IFRS). IFRS is applicable for fiscal periods beginning January 1, 2011 with comparable financial statements required for 2010. IFRS standards continued to evolve until very recently. Given the inherent uncertainty, the specifics for IFRS implementation remain challenging.

During 2009 the WCB prepared a paper analyzing IFRS. The paper builds on the IFRS work completed in 2008 and concludes many IFRS sections are applicable to the WCB of Nova Scotia. Most of the sections will require minimal effort for analysis and application whereas some will require more significant effort. An analysis of the accounting policy alternatives and choices available under IFRS was provided in a paper presented to the Audit & Risk Oversight Committee of the WCB Board of Directors in December 2009. The final IFRS accounting policies will be decided in 2010.

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

Following the adoption of IFRS in 2011, there may be further changes to accounting policies affecting the choice of discount rate applied in calculating our benefits liabilities. This change, if it occurs, could introduce a new area of significant volatility to our financial results. The impact of this potential change is indicated on the following page in the table illustrating the sensitivity of valuation assumptions.

Investments
Assets are accounted for at fair value as at the reporting date. Fixed income, equities and real estate pooled funds are valued based on publicly traded market prices. The WCB has designated its portfolio as "available for sale". As a result, reported investment income is affected by the timing of security sales as recognition of unrealized gains and losses occurs as the net change in other comprehensive income until the securities are sold. An exception to this occurs for investments that have been deemed other than temporarily impaired, which are recorded directly in investment income.

Actuarial Valuation of the Benefits Liabilities
Measurement uncertainty associated with the actuarial valuation of our benefits liabilities is high because of the amount, timing, and duration of the benefits. Selection of the appropriate discount rate is subjective and is affected by external factors, which management cannot control. Actual future results will vary from the actuarial valuation estimate and the variations could be material.

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

Sensitivity of Valuation Assumptions

Assumption Change	Impact	Liabilities	Incurred Claims
Decrease Discount Rate 0.5%	Increase	$59.7 million (3.8%)	$5.4 million (0.3%)
Decrease Inflation Rate 0.5%	Increase	$21.6 million (1.4%)	$1.8 million (0.1%)
Increase Discount Rate 0.5% and Increase Inflation Rate 0.5%	Decrease	$75.0 million (4.8%)	$6.6 million (0.4%)
Increase Health Care Inflation Rate 1.0%	Increase	$26.9 million (1.7%)	$2.8 million (0.2%)

Outlook

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

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

We had a shortfall from the funding plan in 2008, and a slight improvement in 2009 and we will review the impact on the plan including the impact on the funding date of approximately 2016. The WCB Board of Directors will revisit the funding strategy as part of the annual budget process in June 2010. On an on-going basis, the WCB consults stakeholders with respect to the appropriate balance between the level of benefits, rates charged to employers and the WCB's funding position. Volatility in investment markets brought on by the global financial crisis led to lower returns than expected in 2008 and positive returns in 2009. During 2008, the Board of Directors consulted with stakeholders across the province to develop our 2010 – 2014 strategic plan. The Board will consider the points of view raised by stakeholders during the 2010 update to the funding strategy.

The WCB recognizes that there will be variances from the funding strategy each year. The funding strategy contains numerous assumptions about future financial performance and spans many years. The length of the period, coupled with the number of assumptions, makes the funding strategy fairly sensitive to changes in the early years. Small changes in the early years potentially have a considerable impact in the later years.

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

There were **3,664**

fewer Nova Scotians injured at work this year, a decrease of 11.5% over 2008.

Auditor's Report

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

We have audited the statement of financial position as at December 31, 2009 and the statements of operations and comprehensive income, unfunded liability, changes in accumulated other comprehensive income and cash flows of the Workers' Compensation Board of Nova Scotia (the "WCB") for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ernst & Young, LLP
Chartered Accountants
Halifax, Nova Scotia
March 4, 2010

Statement of Financial Position

As at December 31 (thousands of dollars)

	2009	2008
Assets		
Cash and cash equivalents (Note 13)	$ 5,756	$ 15,940
Receivables (Note 3)	20,925	19,204
Investments (Note 4)	961,448	874,053
Property, equipment and other assets (Note 5)	5,606	5,552
	$ 993,735	$ 914,749
Liabilities and Unfunded Liability		
Payables and accruals	$ 22,437	$ 20,128
Employee future benefits (Notes 6 and 16)	10,029	9,128
Benefits liabilities (Note 7)	1,561,003	1,497,616
	1,593,469	1,526,872
Accumulated other comprehensive income	96,379	40,973
Unfunded liability	(696,113)	(653,096)
Net unfunded liability	(599,734)	(612,123)
	$ 993,735	$ 914,749

Commitments (Note 15)
Capital management (Note 17)

Approved on behalf of the Board of Directors:

Chris Power
Acting Chair

James Melvin
Chair, Audit and Risk Oversight Committee

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

Statement of Operations and Comprehensive Income

Year ended December 31 (thousands of dollars)

	2009	2008
Revenue		
Assessments (Notes 8 and 13)	$ 272,762	$ 273,098
Net investment income (loss) (Notes 4 and 13)	41,715	(177,511)
	314,477	95,587
Expenses		
Claims costs incurred (Notes 7 and 13)	187,027	187,084
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 7)	118,097	108,315
Administration costs (Notes 9 and 13)	40,378	39,816
System support (Note 10)	450	246
Legislated obligations (Note 11)	11,542	11,370
	357,494	346,831
Excess of expenses over revenues applied to increase the unfunded liability	(43,017)	(251,244)
Unrealized gains (losses) on available-for-sale financial assets arising during the year	48,651	(177,381)
Reclassification of realized losses to net investment income (Note 4)	6,755	180,058
Net change in other comprehensive income for the year	55,406	2,677
Total comprehensive income (loss)	$ 12,389	$ (248,567)

Statement of Unfunded Liability

Year ended December 31 (thousands of dollars)

	2009	2008
Unfunded liability, beginning of year	$ (653,096)	$ (401,852)
Excess of expenses over revenues	(43,017)	(251,244)
Unfunded liability, end of year	$ (696,113)	$ (653,096)

Statement of Changes in Accumulated Other Comprehensive Income

Year ended December 31 (thousands of dollars)

	2009	2008
Accumulated other comprehensive income, beginning of year	$ 40,973	$ 38,296
Net change in other comprehensive income for the year	55,406	2,677
Accumulated other comprehensive income, end of year	$ 96,379	$ 40,973

Statement of Cash Flows

Year ended December 31 (thousands of dollars)

	2009	2008
Operating Activities		
Cash received from:		
Employers, for assessments	$ 268,493	$ 271,314
Net investment income (loss)	51,448	(114,587)
	319,941	156,727
Cash paid to:		
Claimants or third parties on their behalf	(235,790)	(240,868)
Suppliers, for administrative and other goods and services	(50,597)	(43,589)
	(286,387)	(284,457)
Net cash provided by (used in) operating activities	33,554	(127,730)
Investing Activities		
(Increase) decrease in investments, net	(41,688)	149,871
Purchases of equipment	(2,050)	(903)
Net cash (used in) provided by investing activities	(43,738)	148,968
Net (decrease) increase in cash and cash equivalents	(10,184)	21,238
Cash and cash equivalents (bank indebtedness), beginning of year	15,940	(5,298)
Cash and cash equivalents end of year	$ 5,756	$ 15,940

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

Notes to the Financial Statements

Year ended December 31 (thousands of dollars)

1. NATURE OF OPERATIONS

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

A new *Act* came into force February 1, 1996. Amendments have occurred to the *Act* and have received Royal Assent.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

f) Benefits Liabilities – An independent actuary completes a valuation of the benefits liabilities of the WCB at each year end. The benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and for future costs of administering existing claims. Changes to the benefits liability arising from growth in present value, changes in actuarial assumptions and actuarial experience adjustments are recognized in expense annually based on the year end actuarial valuation. No provision has been made for future claims related to occupational disease, except to the extent such claims are represented in past claims history.

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

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

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

The WCB's accounts receivable are not subject to significant concentration of credit risk because the accounts are owed by a large number of employers, the Province of Nova Scotia and the Government of Canada on normal credit terms.

The investment portfolio does not contain any derivatives intended for speculation or trading purposes. The portfolio does include a currency overlay hedge strategy as described in Note 4. The WCB has elected not to apply hedge accounting. As at December 31, the WCB did not have any exposure relating to derivative instruments other than the currency overlay hedge.

j) Intangible Assets – Intangible assets consist of externally purchased and internally generated software applications, and process development costs. To qualify for capitalization the intangible asset must be separately identifiable, the WCB must have control of the asset and the asset must have future economic benefits. Amortization on a new asset begins when it is ready for the intended use.

k) Comparative Figures – Certain 2008 comparative figures have been reclassified to conform with the 2009 presentation.

l) Change in Accounting Policies

Intangible Assets

As of January 1, 2009, the WCB adopted the new CICA Handbook section 3064 – *"Goodwill & Intangible Assets"* which replaced the existing Handbook Section 3062 on *"Goodwill & Intangible Assets"* and Section 3450 – *"Research & Development Costs"*. Extensive reviews of development costs were performed and adoption of this section did not impact the WCB's financial statements.

Counterparty risk

The Emerging Issues Committee abstract EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" requires consideration of the WCB's and the counterparty credit risk when valuing the financial assets. Counterparty risk with respect to foreign exchange contracts is managed by dealing with counterparties that have met an established minimum credit rating of A-. There was no impact to the WCB's financial statements.

3. RECEIVABLES

	2009	2008
Assessments	$ 17,809	$ 15,312
Self-insured employers	4,472	5,500
Assessments receivable	22,281	20,812
Self-insured employers – deposits	(3,872)	(3,872)
Harmonized Sales Tax rebate	342	259
Other	2,174	2,005
	$ 20,925	$ 19,204

Assessments receivable are net of an allowance for doubtful accounts of $1,128 in 2009 (2008 - $1,442). Other receivables are net of an allowance for doubtful accounts of $748 in 2009 (2008 - $644).

4. INVESTMENTS

	2009 Fair Market Value	2008 Fair Market Value
Money market	$ 3,550	$ 16,349
Currency overlay	3,735	(27,966)
Fixed-term investments	295,860	300,176
Equities	560,105	487,991
Real estate	97,582	96,781
Accrued interest	616	722
Total	$ 961,448	$ 874,053

Investment Income	2009	2008
Realized gains (losses) from the statement of comprehensive income	$ 5,232	$ (5,437)
Loss realized due to other than temporary impairment of investments	(11,987)	(174,621)
	(6,755)	(180,058)
Interest and dividends	28,728	33,375
Portfolio management expenses	(2,553)	(2,862)
Currency overlay gain (loss)	22,295	(27,966)
Net investment income (loss)	$ 41,715	$(177,511)

Financial Instruments

The investments are a significant asset on the WCB's Statement of Financial Position and are subject to risk. In accordance with CICA Handbook Section 3862 – *Financial instruments – Disclosure* the following provides qualitative and quantitative information relating to market risk, interest rate and currency risks; credit risk and liquidity risk.

Financial risk management

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

Market risk

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

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

	2009		2008	
Equities	% Change	CI Impact	% Change	CI Impact
Canadian				
1 standard deviation	17.6%	$(35,405)	15.3%	$(22,057)
2 standard deviation	35.2%	$(70,810)	30.6%	$(44,115)
United States				
1 standard deviation	14.1%	$(25,419)	12.7%	$(22,594)
2 standard deviation	28.2%	$(50,837)	25.4%	$(45,188)
International (EAFE)*				
1 standard deviation	15.7%	$(28,052)	13.7%	$(22,731)
2 standard deviation	31.4%	$(56,105)	27.4%	$(45,462)

* Europe, Australasia and Far East

Interest rate risk

Fluctuations in interest rates can impact the market value of the fixed-term investment portion of the portfolio. Interest rate risk is mitigated through diversification of the term to maturities to partially match the duration of the benefits liabilities. As at December 31, 2009, the duration of the bond portfolio was 5.9 years (6.2 years in 2008).

The table presents the effect of an increase in market interest rates for the bond portfolio and the resulting decrease to comprehensive income.

Fixed Income	2009 CI Impact	2008 CI Impact
0.5% change	$(7,368)	$(8,560)
1.0% change	$(16,001)	$(18,589)

Currency risk

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

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

Currency	2009 CI Impact	2008 CI Impact
USD	$(9,268)	$(8,543)
EURO	$(4,651)	$(3,932)
YEN	$(2,104)	$(2,192)
POUND	$(1,866)	$(1,513)

Credit risk
Credit risk with financial instruments arises from the possibility that the counterparty to an instrument may fail to meet its obligations. The WCB mitigates credit risk through diversification, and a statement of investment policies and objectives that addresses asset mix and investment constraints with respect to the credit quality of short term investments and fixed term investments.

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

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

The following fair value hierarchy table presents information about the financial assets measured at fair value on a recurring basis as of December 31, 2009.

	Level 1	Level 2	Level 3	Total
Short term investments	$ 3,316	$ 850	$ -	$ 4,166
Currency overlay	-	3,735	-	3,735
Fixed term investments	295,860	-	-	295,860
Equities	560,105	-	-	560,105
Real estate	97,582	-	-	97,582
	$956,863	$ 4,585	$ -	$961,448

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

5. PROPERTY, EQUIPMENT AND OTHER ASSETS

2009	Cost	Accumulated Amortization	Net Book Value
Land	$ 155	$ -	$ 155
Building	4,216	2,513	1,703
Furniture and facilities	3,958	2,605	1,353
Equipment and computer hardware	2,699	1,729	970
Software and development costs	9,563	8,138	1,425
	$20,591	$14,985	$ 5,606

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

6. EMPLOYEE FUTURE BENEFITS

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

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

	2009	2008
Discount rate, benefits expense for year	7.50%	5.50%
Discount rate, accrued benefit obligation	6.75%	7.50%
Expected health-care costs trend rate; decreasing annually by 0.50% increments to an ultimate rate of 5.00%	8.00%	6.00%
Drug claim increases trend rate; decreasing annually by 0.50% increments to an ultimate rate of 6.00%	9.00%	8.00%
Dental cost escalation	3.50%	3.50%
Retirement age assumption	59 years	59 years

	2009	2008
Accrued Benefit Obligation		
Beginning of year	$ 7,882	$ 9,705
Current service costs	494	710
Interest costs	621	566
Benefits paid	(181)	(261)
Actuarial loss (gain) (a)	3,636	(2,838)
End of year	$12,452	$ 7,882
Funded Status		
Plan deficit	$12,452	$ 7,882
Unamortized net actuarial (loss) gain	(2,423)	1,246
Accrued employee future benefits liability	$10,029	$ 9,128
Net Benefit Expense		
Current service costs	$ 494	$ 710
Interest costs	621	566
Amortization of net actuarial (gain) loss	(33)	48
Net employee future benefits expense	$ 1,082	$ 1,324

a) A change was made in the actuarial assumptions in 2009 decreasing the discount rate on accrued benefit obligation from 7.5% to 6.75%. In accordance with the Canadian Institute of Chartered Accountant handbook section 3461, the rates are based on corporate AA bond yields at the end of the year.

7. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2009
Balance, beginning of year	$ 83,906	$ 956,648	$ 128,815	$ 239,298	$ 4,178	$1,412,845	$ 84,771	$1,497,616
Growth in present value of benefits liabilities	5,777	65,774	8,676	16,585	280	97,092	5,826	102,918
Change in actuarial assumptions (a)	-	-	-	(3,475)	-	(3,475)	(208)	(3,683)
Actuarial experience adjustments (b)	(1,124)	17,520	690	(1,094)	1,803	17,795	1,067	18,862
Total growth	4,653	83,294	9,366	12,016	2,083	111,412	6,685	118,097
Claims costs incurred	42,551	83,196	4,599	55,514	1,167	187,027	9,212	196,239
Less: Claims payments made	(45,308)	(117,221)	(14,348)	(60,243)	(1,520)	(238,640)	(12,309)	(250,949)
Balance, end of year	$ 85,802	$1,005,917	$ 128,432	$ 246,585	$ 5,908	$1,472,644	$ 88,359	$1,561,003

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2008
Balance, beginning of year	$ 83,742	$ 926,116	$ 125,250	$ 227,091	$ 4,749	$1,366,948	$ 82,017	$1,448,965
Growth in present value of benefits liabilities	6,191	67,938	9,073	16,856	352	100,410	6,025	106,435
Change in actuarial assumptions (a)	(196)	(21,810)	2,593	(4,832)	(10)	(24,255)	(1,455)	(25,710)
Actuarial experience adjustments (b)	(3,436)	24,953	457	4,859	(805)	26,028	1,562	27,590
Total growth	2,559	71,081	12,123	16,883	(463)	102,183	6,132	108,315
Claims costs incurred	43,745	79,386	5,601	57,295	1,057	187,084	9,132	196,216
Less: Claims payments made	(46,140)	(119,935)	(14,159)	(61,971)	(1,165)	(243,370)	(12,510)	(255,880)
Balance, end of year	$ 83,906	$ 956,648	$ 128,815	$ 239,298	$ 4,178	$1,412,845	$ 84,771	$1,497,616

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer Price Index (CPI) equal to 3.5% in 2009 (2008 - 3.5%) per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.0% in 2009 (2008 - 7.0%) per annum. The inflation assumptions and the resulting net interest rates for 2009 and 2008:

Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits, LTD	0.5% + CPI	4.0%	3.0%
Other LTD, Survivor Pensions	50% * CPI	1.75%	5.25%
Health Care	1.75% + CPI	5.25%	1.75%
All Others	CPI	3.5%	3.5%

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

a) In 2009, changes in actuarial assumptions and methodology decreased the benefits liability by $3,683. These changes were the net effect of the move back to the traditional three year weighting of health care payments. In 2007, the liability calculation for health care was revised to be based only on payments issued in the year. In 2008, a revision was made to incorporate payments from 2007 and 2008. Continued stability in health care payments allowed for a move back to the traditional three year weighting of payments. Additionally, the mortality assumption was revised to more accurately reflect the life expectancy of injured workers with large claims.

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

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

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 2009, actuarial experience adjustments increasing benefits liabilities totalled $18,862. The adjustments included:

- An increase of $13,841 is the result of an increase in the average payment amount of new extended earnings replacement benefits.
- An increase of $11,351 because of a higher volume of extended earnings replacement benefits than expected.
- Other non-specified experience adjustments decreased benefits liabilities by $6,330.

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

- An increase of $18,220 reflecting an increase in the cumulative experience factor for permanent impairment and extended earnings replacement benefits.
- An increase of $12,489 is the result of an increase in the average value of new extended earnings replacement benefits.
- An increase of $9,540 to reflect a higher volume of extended earnings replacement benefits than expected.
- An increase of $2,130 for higher than expected costs for older medical claims.

- A decrease of $8,500 due to a decrease in the average value of new permanent impairment benefits.
- Other non-specified experience adjustments decreased benefits liabilities by $6,289.

8. ASSESSMENTS

	2009	2008
Assessed employers	$231,910	$230,832
Self-insured employers (Note 12)	39,698	40,907
Assessment reporting penalties and interest	1,154	1,359
	$272,762	$273,098

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

9. ADMINISTRATION COSTS

	2009	2008
Salaries and staff expense	$ 31,448	$ 31,459
Building operations	2,246	2,220
Amortization	1,995	1,982
Services contracted	1,909	1,715
Communications	1,749	1,763
Professional, consulting and service fees	1,542	1,516
Supplies	967	972
Travel and accommodations	906	911
Training and development	669	620
Equipment rental and other	44	36
	$ 43,475	$ 43,194
Change in liability for future administration costs	(3,097)	(3,378)
	$ 40,378	$ 39,816

10. SYSTEM SUPPORT

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

11. LEGISLATED OBLIGATIONS

	2009	2008
Occupational Health and Safety	$ 7,412	$ 7,615
Workers' Advisers Program	2,333	2,051
Workers' Compensation Appeals Tribunal	1,585	1,453
Injured Workers' Associations	212	251
	$ 11,542	$ 11,370

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

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

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

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

12. SELF-INSURED EMPLOYERS

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

	2009	2008
Revenue	$ 39,698	$ 40,907
Claims payments made		
Short-term disability	$ 4,445	$ 4,070
Long-term disability	18,539	20,798
Survivor benefits	3,271	2,945
Health care	7,015	6,953
Rehabilitation	217	109
	33,487	34,875
Administration costs	6,211	6,032
	$ 39,698	$ 40,907

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

13. RELATED PARTY TRANSACTIONS

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

	2009	2008
Revenue	$ 5,431	$ 5,696
Claims payments made	$ 4,260	$ 4,631
Administration costs	1,171	1,065
	$ 5,431	$ 5,696

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, 2009, the amount receivable from the Province of Nova Scotia was $900 (2008 - $1,095) for claims payments made and administration costs.

14. INDUSTRY LEVIES

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

Industry	Payee	2009	2008
Construction	Nova Scotia Construction Safety Association	$ 831	$ 860
Trucking	Nova Scotia Trucking Safety Association	$ 246	$ 252
Forestry	Forestry Safety Society	$ 134	$ 152
Retail Gasoline	Retail Gasoline Dealers' Association	$ 29	$ 24

15. COMMITMENTS

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

2010	1,504
2011	1,319
2012	1,289
2013	315
2014	315
	$ 4,742

16. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total WCB employer contributions for 2009 were $2,259 (2008 - $1,961) 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.

17. CAPITAL MANAGEMENT

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

1) Inflation Protection – The WCB's income replacement benefits were partially indexed effective January 1, 2000, and thus will continue to grow year after year.

2) Liquidity Requirement – The WCB has significant cash requirements annually as payment of benefits to injured workers begins as soon as the award has been made. It is anticipated that these liquidity requirements are facilitated by the operational cash flows of the WCB.

The investment policies to be followed by the WCB's Investment Managers reflect the potentially conflicting requirements of these two goals. The fund's assets are managed on a going-concern basis, with the primary objective of maximizing returns at an acceptable level of risk; which presumes management of the portfolio to an average allocation over time to asset classes in the proportions indicated in the benchmark portfolio. The strategic objective is to ensure the long term sustainability of the WCB by investing funds to provide for payment of benefits at a future date.

WCB Salaries and Benefits *December 31*

	2009					2008	
	Number of Individuals	Salary	Benefits	Other	Total	Number of Individuals	Total
Chair, Board of Directors	1	$ 12,633	$ -	$ -	$ 12,633	1	$ 47,600
Acting Chair	1	38,467	-	-	38,467	-	-
Board of Directors	8	82,183	-	-	82,183	9	142,883
	10	133,283	-	-	133,283 [1]	10	190,483
Chief Executive Officer	1	211,486	45,117	13,548	270,151	1	244,353
VP Service Delivery	1	150,646	22,597	3,924	177,167	1	165,707
Chief Financial Officer	1	149,228	21,209	3,954	174,391	1	148,875
VP Service Delivery	1	149,228	21,643	13,557	184,428	1	160,327
VP Strategy & Employee Engagement	1	149,228	21,202	3,954	174,384	1	155,454
	5	809,816	131,768	38,937	980,521	5	874,716
Staff Salaries & Benefits	424	24,544,431	4,649,527	153,703	29,347,661	438	29,152,304
(Average 2009 - $69,216; 2008 - $66,558)							
Employee future benefits	-	-	1,082,200	-	1,082,200	-	1,324,100
Administration - Salaries & Benefits	439	$ 25,487,530	$ 5,863,495	$ 192,640	$31,543,665 [2&3]	453	$ 31,541,603

1 The Chair's remuneration was based on a daily per diem allowance of $300 in addition to an honorarium of $20,000 annually, to a maximum of $50,000 per year. All other Board members received a daily per diem allowance of $300 for attendance of Board meetings and related work. In addition to the per diem, the Deputy Chair received an honorarium of $3,000 per annum and the Committee Chairs received an honorarium of $2,000 per annum. The Chair was appointed effective May 16, 2007 and resigned effective February 28, 2009. The Deputy Chair assumed the Acting Chair position effective March 1, 2009 to December 31, 2009 and received the Chair's rate of remuneration for that period of time.

2 Salary includes regular base pay. Benefits include the employer's share of employee benefits – CPP, EI, pension, health/dental, life insurance and long-term disability. In 2006, while the Province of Nova Scotia was considering the development of a Supplementary Employee Retirement Plan (SERP) as part of the Nova Scotia Public Service Superannuation Plan (PSSP), the WCB began to hold the employer's share of any employee pension contributions above the maximum allowed under the *Income Tax Act*. The *Income Tax Act* limits the maximum retirement benefit paid out under the *Public Service Superannuation Act*. In 2009, the WCB decided not to participate in the PSSP's SERP, and pursuant to employment contracts, the amounts held were refunded to the employees. The amount paid to the CEO was $25,265. Other includes vacation payout and travel allowance. Total salaries and benefits in 2009 of $31,543,665 (2008 - $31,541,603) varies by $95,664 (2008 - $83,000) from Note 9 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations' in Note 9.

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

Actuarial Certificate

We have completed an actuarial valuation of the benefits liabilities for insured employers under the *Workers' Compensation Act* of Nova Scotia as at December 31, 2009, for the purpose of providing input to the Financial Statements of the Board.

Our estimate of the benefits liabilities of $1,561,003,000 represents the actuarial present value at December 31, 2009, 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, 2009. As in previous valuations, the benefits liabilities do not include any provision for future claims related to new latent occupational disease awards, except to the extent such claims are represented in the past claim histories.

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

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

All liabilities have been calculated using underlying assumptions of 3.50% real rate of return on invested assets and rates of increase in the Consumer Price Index equal to 3.50% per annum.

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

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

The liabilities in respect of short-term disability, health care, rehabilitation and the non-permanent portion of survivors' benefits have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 3.50% per annum has been used to project future cash flows for short-term disability claims and the non-permanent portion of survivors' benefits. For health care, we used an inflation rate of 5.25% per annum reflecting the greater expected inflation and utilization rate for this benefit category.

We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years. Excluding administration costs, the liability established for permanent awards to be granted in the future is $293 million (about 20% of all benefit liabilities). It is our opinion that the data are sufficient and reliable for the purpose of this valuation.

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

Paul Conrad

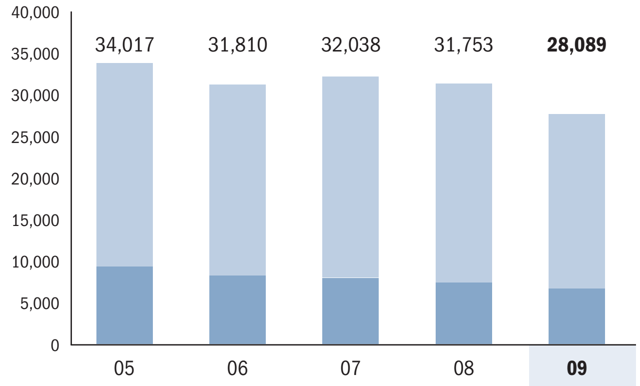
Paul G. Conrad, FCIA, FSA, MAAA
Eckler Ltd.

2009 Statistical Summary

In 2009:

- The total number of injuries went down by 11.5% from 31,753 in 2008 to 28,089 in 2009.
- There were 7,206 serious (time-loss) injuries in 2009, a decrease of 10.5% over 2008 when there were 8,050. 844 fewer workers sustained injuries severe enough to miss three or more days of work.
- Sprains and strains remain the most common type of time-loss injury, representing 53.3% of all 2009 compensable time-loss claims.
- Back injuries make up nearly one third of all time-loss injuries. However, compared to last year, the number of back injuries resulting in a time-loss claim declined by 11% (282 injuries), from 2,541 in 2008 to 2,259 in 2009.
- Total assessable payroll has increased steadily since 2003. The current figure is $8.67 billion, a 22% increase from the 2003 figure of $7.08 billion.
- Health/Social Services is the largest industry sector in the province and accounts for the highest volume of time-loss injuries – 1,578 in 2009. Assessable payroll in this sector increased by nearly 5% since 2008, yet the injury rate (time-loss injuries per 100 covered employees) declined from 3.6% in 2008 to 3.3% in 2009.
- The injury rate also declined notably in Construction, the fourth largest industry sector in the province, from 3.2% in 2008 to 2.7% in 2009.
- Overall, the provincial injury rate has substantially decreased from 2.48% in 2008 to 2.26% in 2009.

Status of New Claims



	05	06	07	08	**09**
Compensable Time-Loss	9,046	8,274	8,230	8,050	7,206
Other:					
No Compensable Time-Loss	17,966	17,491	17,365	16,910	14,625
Not Pursued or Disallowed	7,005	6,045	6,443	6,793	6,258
Other Subtotal	24,971	23,536	23,808	23,703	20,883
Total	34,017	31,810	32,038	31,753	28,089
Fatalities (OHS)	23	22	12	29	32
Fatalities (WCB)	27	13	23	25	15
Clients with Registered Claims	29,686	27,887	28,156	27,944	25,110

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

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

Fatalities (OHS) include all deaths that occurred at a workplace or as a result of a workplace injury reported by the OH&S Division of the NS Department of Labour and Workforce Development. Not all of these deaths resulted in a WCB claim as not all workers have coverage.

Fatalities (WCB) include all fatalities that were accepted for compensation by the WCB of NS within the given year. This is not necessarily the year in which the incident causing the death occurred.

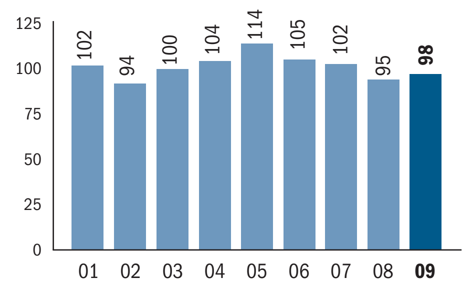
Injury Frequency and Claim Volumes by Industry

For Nova Scotia, 2009

	Excluding Self-Insured Claims							Including Self-Insured Claims			
	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered (No Self-Insured)	% of Claims Registered (No Self-Insured)	Number of Time-Loss Claims (No Self-Insured)	% of Time-Loss Claims (No Self-Insured)	Injury Frequency	Number of Claims Registered (Inc. Self-Insured)	% of Claims Registered (Inc. Self-Insured)	Number of Time-Loss Claims (Inc. Self-Insured)	% of Time-Loss Claims (Inc. Self-Insured)
Health/Social Services	1,604.4	18.4%	5,193	20.0%	1578	24.3%	3.3%	5,193	18.5%	1578	21.9%
Manufacturing	1,227.7	14.1%	4,088	15.8%	882	13.5%	2.4%	4,088	14.5%	882	12.3%
Retail Trade	1,162.6	13.4%	3,154	12.2%	784	12.0%	1.7%	3,257	11.6%	823	11.4%
Construction	892.2	10.3%	2,517	9.7%	671	10.3%	2.7%	2,517	9.0%	671	9.3%
Wholesale Trade	699.0	8.0%	1,975	7.6%	412	6.3%	1.9%	1,975	7.0%	412	5.7%
Government Services	500.9	5.8%	1,259	4.9%	332	5.1%	2.1%	2,817	10.0%	816	11.3%
Accommodations/Food/Beverage	469.2	5.4%	2,029	7.8%	524	8.1%	2.1%	2,029	7.2%	524	7.3%
Business Services	465.2	5.3%	502	1.9%	114	1.8%	0.6%	502	1.8%	114	1.6%
Transportation/Storage	449.1	5.2%	1,337	5.2%	450	6.9%	3.8%	1,349	4.8%	454	6.3%
Communication/Utilities	380.8	4.4%	696	2.7%	192	3.0%	1.8%	1,114	4.0%	367	5.1%
Other Services	294.9	3.4%	812	3.1%	234	3.6%	2.0%	812	2.9%	234	3.3%
Fishing/Trapping	162.3	1.9%	407	1.6%	154	2.4%	4.1%	407	1.4%	154	2.2%
Real Estate/Insurance Agents	98.0	1.1%	190	0.7%	52	0.8%	1.6%	190	0.7%	52	0.7%
Mining/Quarries/Oil Wells	85.6	1.0%	139	0.5%	25	0.4%	1.3%	210	0.7%	25	0.3%
Educational Services	73.3	0.8%	89	0.3%	15	0.2%	0.6%	89	0.3%	15	0.2%
Agriculture/Related Services	57.2	0.7%	159	0.6%	46	0.7%	2.1%	159	0.6%	46	0.6%
Logging/Forestry	46.6	0.5%	127	0.5%	37	0.6%	2.7%	127	0.5%	37	0.5%
Finance/Insurance	28.1	0.3%	19	0.1%	2	0.0%	0.3%	19	0.1%	2	0.0%
Unknown	0.0	0.0%	1,235	4.8%	0	0.0%	0.0%	1,235	4.4%	0	0.0%
Total	$8,697.1	100.0%	25,927	100.0%	6,504	100.0%		28,089	100.0%	7,206	100.0%

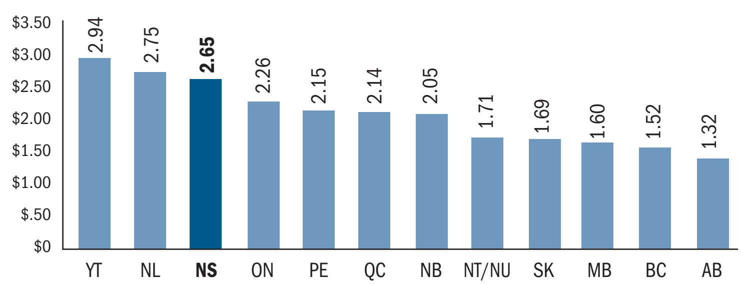
Composite Duration Index

Using AWCBC Composite Method



Targeted Average Assessment Rate

All provinces per $100 of assessable payroll, 2008



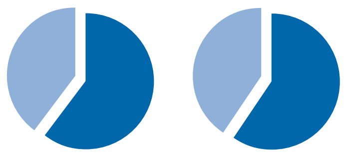
Injury Frequency and Claim Volumes by Industry

For Nova Scotia, 2008

	Excluding Self-Insured Claims							Including Self-Insured Claims			
	Assessable Payroll ($ millions)	% of Total Assessable Payroll	Number of Claims Registered (No Self-Insured)	% of Claims Registered (No Self-Insured)	Number of Time-Loss Claims (No Self-Insured)	% of Time-Loss Claims (No Self-Insured)	Injury Frequency	Number of Claims Registered (Inc. Self-Insured)	% of Claims Registered (Inc. Self-Insured)	Number of Time-Loss Claims (Inc. Self-Insured)	% of Time-Loss Claims (Inc. Self-Insured)
Health/Social Services	1,531.9	17.8%	5,416	18.3%	1687	23.0%	3.6%	5,416	17.0%	1687	21.0%
Manufacturing	1,308.3	15.2%	5,376	18.2%	1161	15.8%	3.0%	5,376	16.9%	1161	14.4%
Retail Trade	1,133.3	13.2%	3,528	11.9%	866	11.8%	1.7%	3,644	11.5%	916	11.4%
Construction	858.9	10.0%	2,897	9.8%	773	10.6%	3.2%	2,897	9.1%	773	9.6%
Wholesale Trade	698.7	8.1%	2,182	7.4%	470	6.4%	2.0%	2,182	6.9%	470	5.9%
Government Services	480.5	5.6%	1,350	4.6%	357	4.9%	2.4%	2,915	9.2%	852	10.6%
Accommodations/Food/Beverage	458.8	5.3%	2,425	8.2%	571	7.8%	2.3%	2,425	7.6%	571	7.1%
Business Services	473.5	5.5%	628	2.1%	156	2.1%	0.8%	628	2.0%	156	1.9%
Transportation/Storage	451.0	5.3%	1,425	4.8%	469	6.4%	4.0%	1,444	4.5%	472	5.9%
Communication/Utilities	359.0	4.2%	796	2.7%	195	2.7%	1.9%	1,229	3.9%	369	4.6%
Other Services	293.1	3.4%	937	3.2%	230	3.1%	1.9%	937	3.0%	230	2.9%
Fishing/Trapping	167.3	2.0%	426	1.4%	166	2.3%	4.3%	426	1.3%	166	2.1%
Real Estate/Insurance Agents	92.5	1.1%	216	0.7%	52	0.7%	1.6%	216	0.7%	52	0.6%
Mining/Quarries/Oil Wells	81.4	0.9%	165	0.6%	36	0.5%	1.8%	240	0.8%	36	0.4%
Educational Services	68.6	0.8%	75	0.3%	11	0.2%	0.5%	75	0.2%	11	0.1%
Agriculture/Related Services	56.7	0.7%	204	0.7%	68	0.9%	3.3%	204	0.6%	68	0.8%
Logging/Forestry	48.9	0.6%	147	0.5%	57	0.8%	4.0%	147	0.5%	57	0.7%
Finance/Insurance	29.5	0.3%	16	0.1%	3	0.0%	0.4%	16	0.1%	3	0.0%
Unknown	0.0	0.0%	1,336	4.5%	0	0.0%	0.0%	1,336	4.2%	0	0.0%
Total	$8,591.9	100.0%	29,545	100.0%	7,328	100.0%		31,753	100.0%	8,050	100.0%

Gender of Client

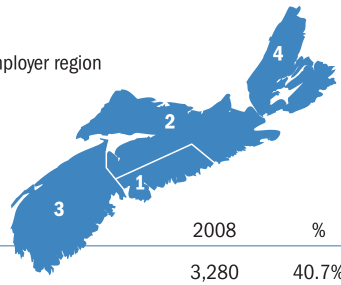
Compensable time-loss claims



	2008	%	2009	%
Male	4,862	60.4%	4,287	59.5%
Female	3,188	39.6%	2,919	40.5%
Total	8,050	100.0%	7,206	100.0%

Injury Region

Compensable time-loss claims by employer region



		2008	%	2009	%
1	Halifax Regional Municipality	3,280	40.7%	3,035	42.1%
2	Central & North Shore	1,763	21.9%	1,612	22.4%
3	South Shore & Valley	1,728	21.5%	1,445	20.1%
4	Cape Breton	1,240	15.4%	1,089	15.1%
	Other	39	0.5%	25	0.3%
Total		8,050	100.0%	7,206	100.0%

Nature of Injury

Compensable time-loss claims

	2008	%	2009	%
Sprains,Strains	3,930	48.8%	3,839	53.3%
Other traumatic injuries and disorders	1,577	19.6%	1,180	16.4%
Fractures, Dislocations	669	8.3%	588	8.1%
Inflamed Joint, Tendon, Muscle	463	5.8%	446	6.2%
Cut, Laceration, Puncture	449	5.6%	401	5.6%
Contusion, Crushing, Bruise	309	3.8%	272	3.8%
All Other	360	4.5%	239	3.3%
Burns	132	1.6%	104	1.4%
Digestive system diseases and disorders	97	1.2%	80	1.1%
Nervous system and sense organs diseases	64	0.8%	57	0.8%
Total	8,050	100.0%	7,206	100.0%

Part of Body

Compensable time-loss claims

	2008	%	2009	%
Back	2,541	31.5%	2,259	31.3%
Leg(s)	713	8.9%	685	9.5%
Shoulder(s)	697	8.6%	667	9.3%
Multiple Parts	743	9.2%	657	9.1%
All other	603	7.5%	501	7.0%
Fingers	506	6.3%	481	6.7%
Ankle	377	4.7%	334	4.6%
Arms(s) (above wrist)	395	4.9%	323	4.5%
Wrist	314	3.9%	269	3.7%
Hand (does not include fingers)	248	3.1%	221	3.1%
Foot (does not include toes)	209	2.6%	203	2.8%
Chest	202	2.5%	169	2.3%
Pelvic Region	184	2.3%	168	2.3%
Neck	184	2.3%	157	2.2%
Face	134	1.7%	112	1.6%
Total	8,050	100.0%	7,206	100.0%

Age at Injury Date

Compensable time-loss claims

	2008	%	2009	%
Less than 20	245	3.0%	165	2.3%
20 to 24	673	8.4%	519	7.2%
25 to 29	621	7.7%	592	8.2%
30 to 34	750	9.3%	666	9.3%
35 to 39	927	11.5%	877	12.2%
40 to 44	1132	14.1%	945	13.1%
45 to 49	1302	16.2%	1204	16.7%
50 to 54	1170	14.5%	1051	14.6%
55 to 59	767	9.5%	716	9.9%
60 to 64	399	5.0%	369	5.1%
65 or older	64	0.8%	102	1.4%
Total	8,050	100.0%	7,206	100.0%

Claims Registered by Firm

Number of Firms	Number of Claims Registered 2009	% of all Firms	Number of New Claims Registered	% of New Claims Registered
11	200 or more	0.06%	5,482	19.52%
34	100 or more	0.19%	8,615	30.67%
67	50 or more	0.37%	10,838	38.58%
166	25 or more	0.92%	14,167	50.44%
444	10 or more	2.45%	18,303	65.16%
916	5 or more	5.05%	21,315	75.88%

Our Vision
Nova Scotians – safe and secure from workplace injury.

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

Our Goals
The strategic goals of the WCB are as follows:

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

Our Values
Employees of the WCB model three corporate values:

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

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

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

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

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