WCB Nova Scotia
Summary of Financial Results
Second Quarter 2018

Year-to-date revenues exceeded expenses for a comprehensive income of $12.6 million, decreasing the unfunded liability. The funded ratio is currently 90.2 per cent compared to 89.4 per cent at December 31, 2017.

- The current approved funding strategy expectation is comprehensive income of $39.4 million for the year.

- Results varying from plan primarily due to:
  - Investment markets year-to-date return of 2.5 per cent with an annual expectation of 6.0 per cent.
  - Mid-year assessment revenue has grown over the prior year as expected. Due to timing, Revenue tends to lag in the first half of the year and is expected to meet funding strategy forecasts through the remainder of the year.
  - Favorable actuarial adjustments for the first half of the yarof $6.6 million, predominantly from Health Care, are currently slightly better than the one- half of the annual estimate of $10 million in the funding strategy.

- These results are not necessarily a prediction of what will take place for the remainder of the year, as investment returns and actuarial adjustments may be subject to significant change over the remaining six months.

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SUMMARY OF FINANCIAL RESULTS
SECOND QUARTER 2018

Statement of Financial Position

WCB Nova Scotia's (WCB) asset base at June 30, 2018 was $1,879.4 million, an increase of $127.8 million as compared to June 30, 2017. This was primarily due to increases in the market value of investments and capital assets added through the business transformation project.

Benefits for injuries occurring during the year are paid in the year of injury and for some workers, for many years in the future. The WCB maintains an investment portfolio to secure the payment of benefits in the future. The WCB benchmark investment portfolio asset mix as at June 30, 2018 includes public equity at 48 per cent, fixed income at 31 per cent, hedge funds at 9 per cent, real estate at 10 per cent and alternative investments at 2 per cent (when investment report details). At any given time, the fund's asset allocation may differ from the benchmark.

Benefits liabilities of $2,006.0 million increased $69.5 million from June 30, 2017 to June 30, 2018. These liabilities have been estimated based on a mid year valuation performed at June 30, 2018. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year end.

The unfunded liability of $204.7 million decreased $50.2 million from the June 30, 2017 amount of $254.9 million.

Statement of Operations

There was Comprehensive Income of $12.6 million for the six months ended June 30, 2018, resulting in an decrease to the unfunded liability. The current funding strategy, approved in June 2018 anticipated Comprehensive Income of $39.4 million. The year-to-date Comprehensive Income is tracking below plan at this point, primarily driven by investment returns which can vary depending on market volatility and the traditional lag in assessment revenue which is forecasted to meet targets by year end. The impact on the funding strategy will be measured as the variance of the 2018 Comprehensive Income to the funding strategy estimate.

These results while positive; are not necessarily a prediction of what will take place for the remainder of the year. It is early in the year and investment returns and actuarial adjustments may be subject to significant change over the next six months. As the date when the unfunded liability will be eliminated approaches, the sensitivity to changes increases with any negative impacts representing a challenge as there will be limited market cycles over which to recover.

Revenue

Assessment revenue year-to-date is $147.9 million composed of insured firms' revenue of $144.4 million and $3.5 million from administering self-insured claims. Assessment revenue increased $6.6 million (4.8 per cent) versus the same period in 2017 reflecting timing of employer activity and remittances. Insured firms' revenue includes funds collected for rebate and refund programs of $1.9 million.

These financial statements reflect IFRS 15 Revenue standard changes effective January 1, 2018. The change to revenue recognition reflects that self-insured claims costs are billed and paid by the self-insured firms and represent a reimbursement to the WCB. This does not constitute insurance revenue to the WCB. Comparative 2017 revenue has been revised to reflect this change in these statements.

Investment income year-to-date is $41.7 million, a decrease of $42.5 million over the same period in 2017. Investment income is the result of gains of $45.4 million, less $3.7 million in management fees. The year-to-date return was 2.5 per cent, as compared to the benchmark return of 2.3 per cent. The benchmark is useful for assessing performance of the fund. Results year-to-date are not necessarily indicative of what will happen during the remainder of the year.

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

Claims costs incurred of $94.9 million are an increase of $3.6 million (3.9 per cent) over year-to-date 2017 and are estimated based on a mid-year valuation performed at June 30, 2018.

These financial statements reflect IFRS 15 Revenue standard changes effective January 1, 2018. The change also impacts claims costs incurred for self-insured claims costs. Previously, the self-insured claims costs were recorded in the liabilities as an offset of the revenue recorded for amounts billed and paid by the self-insured firms as these are not liabilities to the WCB. Comparative 2017 costs have been revised to reflect this change in these statements.

The year-to-date net growth in the present value of the benefits liability and actuarial experience adjustments was $42.8 million. The growth component was 49.4 million, offset by estimated favourable actuarial experience adjustments of $6.6 million. Favourable actuarial experience adjustments are currently projected in Health care, and to a lesser extent in STD, Survivor, and Rehabilitation, offset by an unfavourable adjustment in LTD.

Administrative Expenditures (Operating, Projects, and Capital)

Year-to-date operating expenditures were $24.0 million with a $0.9 million favourable variance from the $24.9 million year-to-date budget, excluding capital and projects. Including projects and capital, the total administrative variance was a favourable $2.1 million on expenditures of $41.0 million. Favourable operating variances primarily relate to projects, salary and benefits, and smaller variances in other areas. Variances are expected to be utilized by year end.

Legislated Obligations

Legislated Obligations expenditures were $8.2 million with a $0.9 million favourable variance from budget. The largest portion of this variance is in Occupational Health and Safety followed by the Workers Compensation Appeals Tribunal.

Statement of Cash Flow

The Statement of Cash Flows demonstrates the use of cash year-to-date, with cash of $7.4 million at June 30, 2018. This was an increase of $0.1 million from June 30, 2017.

WCB NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT

	JUNE 30 2018 (Unaudited) ($000s)	JUNE 30 2017 (Unaudited) ($000s)	DECEMBER 31 2017 (Audited) ($000s)
Assets			
Cash & cash equivalents	$ 7,433	$ 7,326	$ 6,870
Receivables	30,155	26,117	28,583
Investments	1,814,930	1,709,791	1,773,482
Property and equipment	4,299	4,101	4,286
Intangible assets	22,577	4,243	13,107
	$ 1,879,394	$ 1,751,578	$ 1,826,328
Liabilities and Unfunded Liability			
Payables, accruals & Lease Liabilities	$ 34,098	$ 32,210	$ 28,027
Post employment benefits	32,539	29,557	31,882
Benefits liabilities	2,005,957	1,936,433	1,983,720
	2,072,594	1,998,200	2,043,629
Deferred revenue	11,500	8,300	-
Unfunded liability	(204,700)	(254,922)	(217,301)
	$ 1,879,394	$ 1,751,578	$ 1,826,328

WCB NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30
(UNAUDITED)

	SECOND QUARTER 2018 ($000s)	SECOND QUARTER 2017 ($000s)	YTD JUNE 30 2018 ($000s)	YTD JUNE 30 2017 ($000s)
Revenue				
Assessments	$ 77,844	$ 73,969	$ 147,928	$ 141,287
Investment income	23,127	29,175	41,741	84,283
	100,971	103,144	189,669	225,570
Expenses				
Claims costs incurred				
Short-term disability	9,110	9,415	19,642	18,821
Long-term disability	26,113	23,072	49,207	45,038
Survivor benefits	138	644	492	1,347
Health care	11,933	12,810	25,137	25,671
Rehabilitation	(1)	212	384	392
	47,293	46,153	94,862	91,269
Growth in present value of benefits liabilities and actuarial adjustments and adjustment for latent occupational disease	21,401	9,399	43,977	35,111
Administration costs	14,781	15,529	29,624	28,011
System support	213	214	427	453
Legislated obligations	4,110	3,963	8,178	8,023
	87,798	75,258	177,068	162,867
Excess of revenues over expenses applied to reduce the unfunded liability	$ 13,173	$ 27,886	$ 12,601	$ 62,703

WCB NOVA SCOTIA
STATEMENT OF CHANGES IN UNFUNDED LIABILITY
FOR THE SIX MONTHS ENDED JUNE 30
(UNAUDITED)

	SECOND QUARTER 2018 ($000s)	SECOND QUARTER 2017 ($000s)	YTD JUNE 30 2018 ($000s)	YTD JUNE 30 2017 ($000s)
Unfunded liability excluding accumulated other comprehensive income				
Balance, beginning of period	$ (217,873)	$ (282,808)	$ (209,185)	$ (310,909)
Excess of revenues over expenses	13,173	27,886	12,601	62,703
	(204,700)	(254,922)	(196,584)	(248,206)
Accumulated other comprehensive income				
Balance, beginning of Year	-	-	(8,116)	(6,716)
No change in balance during period	-	-	-	-
	-	-	(8,116)	(6,716)
Unfunded liability end of period	$ (204,700)	$ (254,922)	$ (204,700)	$ (254,922)

WCB NOVA SCOTIA

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30

(UNAUDITED)

	June 30 2018 ($000's)	June 30 2017 ($000's)
Operating Activities		
Cash received from:		
Employers, for assessments	$ 158,962	$ 153,427
Investment income	403	9,558
	159,365	162,985
Cash paid to:		
Claimants or third parties on their behalf	(116,227)	(113,036)
Suppliers, for administrative and other goods and services	(31,912)	(43,976)
	(148,139)	(157,012)
Net cash provided by operating activities	11,226	5,973
Investing Activities		
(Decrease) Increase in investments	(100)	10,638
Cash paid for:		
Purchase of equipment	(10,563)	(420)
Net cash (used in) provided by investing activities	(10,663)	10,218
Net increase in cash and cash equivalents	563	16,191
Cash and cash equivalents, (bank indebtedness), beginning of year	6,870	(8,865)
Cash and cash equivalents end of period	$ 7,433	$ 7,326

Notes to Financial Statements

1. Basis of Presentation of Interim Financial Statements

Interim financial statements should be read in conjunction with the most recent annual audited Financial Statements (December 31, 2017) and present the WCB's financial position and results of operations on a basis consistent with selected IFRS accounting policies as at June 30, 2018, including 2017 comparative figures.

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

2. Statement of Financial Position

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

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

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

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

3. Statement of Operations

Assessments

The WCB receives two types of assessment revenue. Most employers pay an insurance premium with rates established based on prior years' experience. Assessment revenue for insured firms is recognized based on the requirement for employers to report and pay premiums periodically throughout the year based on actual assessable payroll and includes classified employers' premiums received up to the remittance due date of

the 15th of the month following quarter end and a provision for amounts due but not yet reported by employers.
The federal and provincial government agencies and departments are self-insured. Rather than paying an insurance premium, they reimburse the WCB for claims costs incurred on their behalf plus an administrative fee. The administration fee charged for the processing of these claims is included in Revenue.

Investment Income

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

Claims Costs Incurred

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

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

Growth in Present Value of Benefits Liability and Actuarial Experience Adjustments

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

4. Cash Flow Statement

This statement summarizes cash receipts and disbursements from all sources.

5. Administration Expenses

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