WCB Nova Scotia
Summary of Financial Results
First Quarter 2018

Year-to-date expenses exceeded revenues for a comprehensive loss of $0.6 million, increasing the unfunded liability, resulting in a funded ratio of 89.5 per cent compared to 89.4 per cent at December 31, 2017.

- Primarily due to:
  - Investment markets year-to-date return of 1.2 per cent exceeded the benchmark return of 0.7 per cent.
  - Favorable actuarial adjustments year-to-date of $2.5 million, positive results from LTD.

- The current approved funding strategy expectation is comprehensive income of $41.8 million for the year.

- These results, while positive, 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 nine months.

Prepared By: Financial Services

Table of Contents

SUMMARY OF FINANCIAL RESULTS
FIRST QUARTER 2018

Statement of Financial Position

WCB Nova Scotia's (WCB) asset base at March 31, 2018 was $1,852.5 million, an increase of $135.8 million as compared to March 31, 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 March 31, 2018 includes public equity at 44 per cent, fixed income at 34 per cent, hedge funds at 10 per cent, real estate at 10 per cent and alternative investments at 2 per cent. At any given time, the fund's asset allocation may differ from the benchmark.

Benefits liabilities of $1,996.7 million increased $56.6 million from March 31, 2017 to March 31, 2018. These liabilities have been estimated based on the prior year end valuation and an extrapolation of current and future years' costs. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year end.

The unfunded liability of $217.9 million decreased $64.9 million from March 31, 2017.

Statement of Operations

There was a Comprehensive Loss of $0.6 million for the three months ended March 31, 2018, resulting in an increase to the unfunded liability. The current funding strategy, approved in December 2017, anticipated Comprehensive Income for 2018 of $41.2 million. The year-to-date Comprehensive Income tracking below plan at this point is primarily driven by investment returns which can vary depending on market volatility. 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 nine 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 $70.1 million composed of insured firms' revenue of $68.3 million and $1.8 million from administering self-insured claims. Assessment revenue this quarter increased $2.8 million (4.1 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 $0.8 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 $18.6 million, a decrease of $36.5 million over the same period in 2017. Investment income is the result of realized gains of $20.5 million, less $1.9 million in management fees. The three month return was 1.2 per cent, exceeding the benchmark return of 0.7 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 $47.6 million are an increase of $2.5 million (5.4 per cent) over year-to-date 2017 and are estimated based on an extrapolation of current and future year's costs.

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 $22.4 million. The growth component was $24.9 million, offset by estimated favourable actuarial experience adjustments of $2.5 million. Favourable actuarial experience adjustments are currently projected in long term disability and are estimated at $10.0 million for the year. We continue to see positive experience with Extended Earnings Replacement Benefits (EERB) volumes being less than the actuarial estimates.

Administrative Expenditures (Operating, Projects, and Capital)

Year-to-date operating expenditures were $11.8 million with a $0.6 million favourable variance from the $12.4 million year-to-date budget, excluding capital and projects. Including projects and capital, the total administrative variance was a favourable $1.3 million. Favourable operating variances primarily relate to projects, salary and benefits, travel, services contracted and smaller variances in other areas. Variances are expected to be utilized by year end.

Legislated Obligations

Legislated Obligations expenditures were $4.1 million with a $0.5 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 $6.1 million at March 31, 2018. This was an increase of $0.6 million from March 31, 2017.

WCB NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT

	MARCH 31 2018 (Unaudited) ($000s)	MARCH 31 2017 (Unaudited) ($000s)	DECEMBER 31 2017 (Unaudited) ($000s)
Assets			
Cash & cash equivalents	$ 6,122	$ 5,552	$ 6,870
Receivables	31,968	21,869	28,583
Investments	1,791,970	1,680,715	1,773,482
Property and equipment	4,124	3,990	4,286
Intangible assets	18,271	4,483	13,107
	$ 1,852,455	$ 1,716,609	$ 1,826,328
Liabilities and Unfunded Liability			
Payables, accruals & lease liabilities	$ 34,780	$ 28,370	$ 28,027
Post employment benefits	32,085	29,096	31,882
Benefits liabilities	1,996,705	1,940,074	1,983,720
	2,063,570	1,997,540	2,043,629
Deferred revenue	6,758	1,877	-
Unfunded liability	(217,873)	(282,808)	(217,301)
	$ 1,852,455	$ 1,716,609	$ 1,826,328

WCB NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	YTD MARCH 31 2018 ($000s)	YTD MARCH 31 2017 ($000s)
Revenue		
Assessments	$ 70,084	$ 67,319
Investment income	18,614	55,107
	88,698	122,426
Expenses		
Claims costs incurred		
Short-term disability	10,532	9,407
Long-term disability	23,094	21,965
Survivor benefits	354	703
Health care	13,204	12,861
Rehabilitation	385	180
	47,569	45,116
Growth in present value of benefits liabilities and actuarial adjustments and adjustment for latent occupational disease	22,576	25,712
Administration costs	14,843	12,483
System support	214	238
Legislated obligations	4,068	4,060
	89,270	87,609
Excess of (expenses over revenues) revenues over expenses applied to (increase) reduce the unfunded liability	$ (572)	$ 34,817

WCB NOVA SCOTIA
STATEMENT OF CHANGES IN UNFUNDED LIABILITY
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

	YTD MARCH 31 2018 ($000s)	YTD MARCH 31 2017 ($000s)
Unfunded liability excluding accumulated other comprehensive income		
Balance, beginning of period	$ (209,185)	$ (310,909)
Excess of (expenses over revenues) revenues over expenses	(572)	34,817
	(209,757)	(276,092)
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	$ (217,873)	$ (282,808)

WCB NOVA SCOTIA

STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31

(UNAUDITED)

	March 31 2018 ($000's)	March 31 2017 ($000's)
Operating Activities		
Cash received from:		
Employers, for assessments	$ 74,991	$ 77,305
Investment income	4,230	9,173
	79,221	86,478
Cash paid to:		
Claimants or third parties on their behalf	(57,028)	(54,576)
Suppliers, for administrative and other goods and services	(13,299)	(28,262)
	(70,327)	(82,838)
Net cash provided by operating activities	8,894	3,640
Investing Activities		
(Decrease) Increase in investments	(4,108)	10,924
Cash paid for:		
Purchase of equipment	(5,534)	(147)
Net cash (used in) provided by investing activities	(9,642)	10,777
Net (decrease) increase in cash and cash equivalents	(748)	14,417
Cash and cash equivalents, (bank indebtedness), beginning of year	6,870	(8,865)
Cash and cash equivalents end of period	$ 6,122	$ 5,552

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 March 31, 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 an extrapolation of current and future years' claims costs. Benefits liabilities estimates could vary significantly when the annual valuation is prepared by an independent actuarial consultant at year end. In addition, these interim financial statements do not include all the information required for annual financial statements.

2. Statement of Financial Position

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

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

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

Benefits liabilities represent an estimate based on assumptions used in the funding strategy for claims costs incurred and projected inflation. These figures are determined by estimation and the 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. Beginning in our 2018 financial statements we are acknowledging that this cost recovery is neither assessment revenue nor claims costs. We are still reporting the administration revenue on the processing of these claims.

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 estimation and extrapolation of current results for purposes of 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 year end actuarial valuation for the purpose of the interim financial results and the extrapolation of year to date claims costs for current and prior years.

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).