

2013

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

A man with a beard, wearing a camouflage baseball cap and a grey long-sleeved shirt, is holding a young child in his arms. They are on a boat deck, with a large black mast and rigging visible in the background. The man is looking at the child with a smile. The child is wearing a dark jacket and brown pants. The overall scene is warm and intimate, suggesting a family moment in a work environment.

What matters most

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

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.



The What Matters Most campaign produced through the Workplace Safety Strategy by the WCB and the Nova Scotia Department of Labour and Advanced Education reminds Nova Scotians of the most important reasons for making their workplace safe. In the television ad, Ellen Rudderham, a six-year-old, first-time actress from Fall River, plays a young girl meeting her fisherman father on the wharf.

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YEAR AT A GLANCE

(Dollar amounts in millions)	2013	2012	2011
Number of Covered Employers (Assessed and Self Insured)	18,700	18,800	18,800
Percentage of Labour Force Covered (Assessed and Self Insured)	72	71	72
Number of Claims Registered	25,050	26,422	27,786
Number of Compensable Time-Loss Claims Registered	6,034	6,341	6,616
Duration Index, In Days	99	99	98
Targeted Average Assessment Rate (per \$100 of assessable payroll)	\$ 2.65	\$ 2.65	\$ 2.65
Actual Average Assessment Rate	\$ 2.66	\$ 2.65	\$ 2.67
Assessable Payroll (billions)	\$ 9.6	\$ 9.5	\$ 9.4
Assessment Revenue	\$ 296.8	\$ 291.8	\$ 290.0
Investment Income	\$ 190.2	\$ 116.5	\$ 15.9
Administration Costs	\$ 47.0	\$ 45.6	\$ 44.1
Legislated Obligations	\$ 12.6	\$ 11.9	\$ 11.7
Claims Costs Incurred	\$ 205.2	\$ 199.6	\$ 194.0
Comprehensive Income (loss)	\$ 52.2	\$ 62.2	\$ (65.5)
Assets (billions)	\$ 1.4	\$ 1.2	\$ 1.1
Liabilities (billions)	\$ 1.9	\$ 1.8	\$ 1.7
Percentage Funded Ratio	71.4%	66.5%*	61.7%
Timeliness of First Payment to Injured Workers (percentage of payments made within 15 days of injury – 12 month average)	75.5%	76.5%	77.8%
Injury Rate: Time-Loss Claims per 100 Covered Workers	1.86	1.96	2.02

- An injury rate of 1.86 time-loss injuries per 100 covered workers marks a reduction of close to 35 per cent since 2005.
- There were 29,000 fewer working days lost to workplace injury in 2013 than the year before. That equates to 79 people working full time for a year.
- The WCB had a total comprehensive income of \$52 million in 2013. We were able to reduce the unfunded liability by 9 per cent, bringing our funded percentage to 71 per cent.
- There were 1,597 time-loss injuries in Health/Social services, more than double the total time-loss injury count of the next closest sector.
- The fishing industry had 8 of the 17 acute fatalities. This is the highest fatality rate of any industry. A fisherman is 46 times more likely to die at work than any other worker, based on WCB statistics.

* The 2012 percentage funded ratio changed from 66.4% to 66.5% reflecting a reclassification of deposits from receivable to payable for comparative purposes to the 2013 financial statement presentation.

TOGETHER FOR WHAT MATTERS MOST

One hundred years ago, at the peak of the industrial revolution, things were different in Nova Scotia workplaces.

When workplace injury or death occurred, as it did far too often, workers and their families had little or no protection from its impact. The only option for a worker seeking compensation was to sue their employer. While few workers had the means to accomplish this, an employer was at risk of being held entirely responsible for workplace tragedies, regardless of the circumstances. Change, unquestionably, was needed.

In October 1913, Sir William Meredith proposed a system of principles for a better way. They are known as the Meredith Principles, and at their core is a simple idea: Compromise. Workers were eligible for benefits when injury occurred, but in exchange, employers could not be sued. These principles were adopted to form the basis of Canadian workplace injury insurance.

In 2013, Canada marked the centennial of this historic step forward. Although it would be 1915 before the proclamation of Nova Scotia's first *Workers' Compensation Act*, the base principle of compromise continues to this day. This compromise is not about giving up something as individuals. It is about realizing that greater good can be accomplished when we work to understand the perspectives of others and move forward in the best interests of all.

Good governance requires us to consider the views of the many stakeholders we represent, so that we may choose the path forward that serves all workers and employers. As governors of workers' compensation in Nova Scotia, this is a task made far easier by the overall philosophy of partnership that defines the workplace safety and insurance system.

In 2013, we achieved new levels of partnership with our colleagues in the Occupational Health and Safety Division of the Department of Labour and Advanced Education, and we were so very proud to launch, together with the Province, Nova Scotia's Workplace Safety Strategy for 2013-2017. Ongoing day-to-day work in partnership and swift action on initiatives like improvements to administrative penalties speak to a deep shared dedication to making Nova Scotia workplaces safer.

A spirit of partnership supported our relationships with stakeholders across the system, as we undertook policy explorations and improvements. This same foundation of working together also bolstered our ongoing work with safety associations, service providers, worker and employer representatives. Our efforts to resolve appeal issues early and reduce litigiousness as part of the internal appeals review have benefitted greatly from this partnership approach.



The improvements we're making are informed by valuable input provided by the Workers' Compensation Appeals Tribunal and the Workers' Advisers Program.

We are incredibly proud of the accomplishments of the Workers' Compensation Board and our partners in 2013. Workplace injuries continued to decline, not only in actual number, but as a percentage of the covered workforce overall. The days lost to workplace injury continued to decline as well, as workers returned to the job, supported by dynamic partnerships with service providers. Our employees are engaged, productive, and supportive, and our corporate culture received national recognition as being among the Top 10 in Canada's public sector. Financially, we achieved a strong return on our investment portfolio, which is a positive contribution toward the eventual retirement of the system's unfunded liability.

It was a year marked by progress, but also a year marked by tragedy. Unfortunately, there were 17 acute fatalities in 2013. Five people died at work due to a health condition, and a further 12 died due to occupational diseases stemming from work of the past. Nearly half of Nova Scotia's acute fatalities occurred in the fishing sector, and no one in Nova Scotia will soon forget the days in February when Woods Harbour was torn apart by the loss of five young men aboard the *Miss Ally*. Our thoughts are with the families and communities that will be forever impacted by that incident and all workplace tragedies. Although we cannot begin to imagine or understand the devastation of their loss, this level of tragedy is a call to action for all of us and we have a duty to respond.

Like compromise, partnership is defined by the interests of the whole. In Nova Scotia, varied as stakeholder perspectives may be, there are common beliefs: Work has value, and work is worth protecting.

Together, we have made incredible progress in 2013, but as always, there is much to do.

Our goal, above all else, must remain the safety and security of Nova Scotia workers, employers, and their families. This truly is what matters most.

The Board members are: Chris Power, Deputy Chair; Elaine Sibson, Chair; Stuart MacLean, Chief Executive Officer; John Amirault, Employer Representative; James Melvin, Employer Representative; Betty Jean Sutherland, Worker Representative; Janet Hazelton, Worker Representative; David Thomson, Employer Representative; Hugh MacArthur, Worker Representative; Phillip Veinotte, Employer Representative; Dean Tupper, Worker Representative; Brad Fraser, Executive Corporate Secretary.





WHO DO YOU
WEAR YOUR
PFD FOR?

 FISHING
SAFETY

Community Matters

At the Yarmouth Shark Scramble community event, Yvon Robichaud and his daughters Alexandra and Jacqueline pledge to wear PFDs and ask fishermen in their lives to do the same. The pledge was part of a joint awareness campaign between the WCB, the Nova Scotia Fisheries Safety Association, the Nova Scotia Fisheries Sector Council and the Nova Scotia Department of Labour and Advanced Education.

PROTECTING WHAT MATTERS MOST

In 2013 Nova Scotians came together like never before to focus on workplace safety, and by collaborating with others the WCB made significant progress toward creating a culture where every worker goes home safe.

The numbers and statistics outlined in this report reflect this progress. The injury rate fell to 1.86 time-loss injuries per 100 covered workers – the lowest since we began measuring this way in 1996. In fact, the nine largest industries in the province all saw drops in their injury rates.

This progress has positively impacted Nova Scotian lives and the WCB's financial results. For the second straight year we are reporting a total comprehensive income which moves us forward in our efforts to retire our unfunded liability.

Numbers and stats are important. They tell us what we're doing well, and identify opportunities to improve. But it's the people behind the numbers who matter most. That's why we continue to focus aggressively on preventing injury and helping injured workers return to work in a safe and timely manner. When that's not possible, we support those whose quality of life has been impacted by injury.

We do this because we believe work has incredible value and is worth protecting. By protecting the value of work, the WCB helps Nova Scotians enjoy their lives outside of their jobs and everything that waits for them at home.

This philosophy is at the heart of one of the year's most important accomplishments – the Workplace Safety Strategy. Developed with our partners at the Nova Scotia Department of Labour and Advanced Education and based on input from stakeholders across the province, this strategy will guide Nova Scotia to becoming the safest place to work in Canada.

For the WCB's part, we're committed to doing everything we can to encourage safer behaviour in workplaces. In 2013 this included hosting outreach events designed to engage leaders and share best practices, evolving our social marketing, introducing rate enhancements, and recognizing excellence in workplace safety.

We are also changing how we work internally, to provide better service. This will result in decisions that are easier to understand, stronger privacy practices and better ways to manage information.

These accomplishments are the product of many individuals and groups working together, including the dedicated employees of the WCB and our highly engaged Board of Directors who are committed to making a difference in the lives of Nova Scotians.



WCB CEO Stuart MacLean (centre) talked with fishers in Lismore, Pictou County on May 8th, as the Maritime Fishermen's Union Local 4 presented Personal Floatation Devices (PFDs) to all of its members.

But for all our operational success, 2013 was a year marked by tragedy, particularly in the fishing industry. Five young fishermen were lost at sea when their vessel, the *Miss Ally*, was caught in a brutal winter storm in February. By the end of the year, the industry's death toll reached eight and as this publication goes to press there has already been one fatality in the fishing sector in 2014.

These deaths are completely unacceptable and that's why WCB teamed up with safety partners to promote PFD use on wharves and at industry events across the province. And we're not stopping there. We are working alongside others to making fishing safer, and we're helping to develop a comprehensive plan to change the culture and reduce fatalities in the fishing sector.

The high number of acute workplace fatalities in 2013 has heightened our resolve to make all industries safer. Regardless of the details or circumstances surrounding these deaths, one thing is for sure. They were all preventable.

We need to do more. Every working Nova Scotian needs to do more. It starts with a commitment to only do something if it can be done safely. For workers, this means refusing unsafe work or speaking up when they see a hazard. For employers, it means ensuring a safe workplace and creating an environment where workers feel empowered to voice their concerns.

They say it takes a village to raise a child. The same can be said about keeping people safe at work. It's everyone's responsibility and we all have a role to play in creating a workplace safety culture where no one is injured, no one dies because of their work, and everyone goes home safe.

In 2014 I urge every Nova Scotian to make this commitment: Only do something if you can do it safely.

And when you return home from work, I hope you'll pause and remember that working safe isn't really about work at all. It's about coming home. That's what matters most.



Stuart MacLean
Chief Executive Officer

We all have a role to play in creating a safety culture where no one is injured, no one dies because of their work, and everyone goes home safe.

A black and white photograph of four women standing in a row. The woman on the far right is holding a large, framed certificate. All four women are smiling. The woman on the far left is wearing a dark blazer over a patterned top. The woman next to her is wearing glasses and a striped top. The woman in the center is wearing a polka-dot dress. The woman on the far right is wearing a light-colored blazer over a light-colored top.

Leadership Matters

CKF Inc., a manufacturing company based in Hantsport, had a high rate of injury just a few years ago. By working with the WCB, demonstrating visible safety leadership and implementing a strong safety program they significantly improved their results. WCB congratulated CKF with a letter and a visit from WCB senior management. (L-R) Deanna Harnish, WCB Relationship Manager, Carol Mabey, CKF Human Resources Manager, Sue Reid, CKF Corporate OHS Manager and Cindy Shupe, WCB Relationship Manager.



Safety Matters

Nova Scotia truckers now have easy access to safety information thanks to the **Key Safe Behaviours Guidebook** produced by the Nova Scotia Trucking Safety Association in partnership with the WCB and transport company Atlantic Tiltload. The booklet's safe behaviour illustrations demonstrate how to practice safety on a daily basis. The Nova Scotia Trucking Safety Association will celebrate its 15th year of operation in 2014. Pictured are Linda Corkum, Executive Director, Nova Scotia Trucking Safety Association and Darrin Butcher, President, Atlantic Tiltload.

WORKING TOGETHER TO RESOLVE ISSUES

As the WCB's Client Relations Officer I talk to hundreds of injured workers, employers and their representatives each year including Members of the Legislative Assembly (MLAs), injured workers' groups, and other worker and employer representatives. While the workers' compensation appeals system handles formal appeals of WCB decisions, my role is to address questions concerns or complaints related to service experiences with the WCB, and I regularly report on this work directly to the Board of Directors.

In 2013, my office received 1,632 inquiries and 33 formal complaints regarding service issues, down from 37 in 2012. Most of these were filed by injured workers and their representatives. Of the 33, I found 15 to be substantiated or partially substantiated. Although as Client Relations Officer, I have no decision-making authority, I make every effort to help resolve service issues to the satisfaction of all parties involved.

Through my conversations with workers, employers and caseworkers I also identify recurring themes with regard to our service. In 2013 the most prominent theme centered around the timeliness of implementation of appeal decisions. Resolving issues in a timely manner has been a focus for the WCB over the past number of years as we work to implement recommendations from

a review of our internal appeals process. We are undertaking this work through extensive consultation with stakeholders and our partners in the appeal system, the Workers' Advisers Program and the Workers' Compensation Appeals Tribunal, and I anticipate that the timeliness of implementation of appeal decisions will be improved going forward.

Injured workers and employers with concerns about the WCB's service will often reach out to their MLA for assistance which means that I often interact with MLAs who are intervening on behalf of a constituent. The 2013 provincial election saw a change in government in Nova Scotia and the introduction of many new MLAs. I look forward to building relationships with these new members in the coming year and assisting them with their workers' compensation questions and issues wherever possible.



Tim McLinnis
Client Relations Officer



Tim McLinnis, Client Relations Officer



Partnership Matters

On Pinkney's Point Wharf in Yarmouth County, WCB Workplace Consultant Tommy Harper (R) discusses fishing safety with Paul Sampson (L), Occupational Health and Safety Officer with the Nova Scotia Department of Labour and Advanced Education. In 2013 a collaborative plan to reduce fatalities in the fishing sector began to take shape. The Fishing Action Plan involves federal and provincial partners working with industry leaders to bring an end to fishing tragedies by enabling an industry and community group – the Safe at Sea Alliance.

PLANS AND PROGRESS

The WCB is proud to report on the progress that we, along with our system partners and stakeholders, have made in 2013. In the fourth year of our 2010-2014 Strategic Plan, the WCB helped build a more urgent conversation around health and safety. It's a conversation that attracted the attention and input not just of safety stakeholders, but of many working Nova Scotians, who want our province to achieve better workplace injury and fatality outcomes. As a result, over this past year, Nova Scotians have become more active in their support for a stronger safety culture. They are talking about safety online and through traditional media and they are reporting unsafe behaviour. They are tired of mourning workplace tragedies, and they are eager for positive change.

Public dialogue and activism about workplace safety has reached a new phase – one that helps to inform our approaches and supports better safety outcomes. Overall, health and safety performance measures are showing improvement. But workplace fatalities are still a major concern. The number of workplace fatalities in our province speaks to the need for the injury prevention programs brought forward by the WCB and our partners in 2013.

Our partnerships with government, safety associations, educators, workers and employers are maturing, allowing us to tackle bigger challenges and achieve better results. We are building on our individual and collective strengths, setting ambitious goals, and gaining momentum. This progress is largely reflected in our improving injury rate and in the continued decline in the number of days lost to injury.

There is progress, but there is still much work to do. This sentiment has been a consistent theme within our report on plans and progress over the past four years because it appropriately captures the state of health and safety prevention in Nova Scotia. But what we mean when we use this phrase has evolved. We have truly made significant progress, and not just according to the numbers. More and more, leaders are emerging and through their vision and commitment to a better future, they are changing the health and safety landscape in this province.

We applaud their efforts, and are proud to stand with them on the front lines in the delivery of prevention and return-to-work programs. Yes, there is more work to do. But that work has been made easier by a growing spirit of collaboration, and a steadfast dedication to achieving better outcomes today, tomorrow and for years to come.

To help monitor outcomes, at the WCB we use a balanced scorecard to measure progress toward corporate goals. The scorecard tracks our results according to performance indicators that are grouped into four quadrants: Service/Governance, Operations, Employees and Financial.

In 2013 the WCB met most of our performance targets in each of the four quadrants. Most notably, Nova Scotia's injury rate – the number of workers who suffer a time-loss injury per 100 workers – dropped to its lowest recorded level at 1.86. This result makes a favourable contribution to momentum that has been building for the past nine years, culminating in a 35 per cent reduction in the time-loss injury rate since 2005. Injured workers were also able to make a safe and timely returns to work in growing numbers, which led to a reduction in the time-loss days paid per 100 workers. While the number of workers who go on to receive long term benefits has declined significantly over the past several years, and continued to decline this year, it did not decline as much as anticipated, and our balanced scorecard goal for the cost of new extended earnings replacement benefits (EERBs) was slightly above where we had projected to be at this time.

Balanced Scorecard Measures

	Actual '12	Actual '13	Target '13	Target '14	Target '18
Service/Governance					
Worker Satisfaction Index ¹	73%	73%	70%	70%	70%
Employer Satisfaction Index	77%	79%	70%	70%	70%
Stakeholder Engagement Index ²	68%	N/A	N/A		
Operations					
Time-loss injuries per 100 covered workers	1.96	1.86	1.90	1.80	1.59
Duration – composite, in days	99	99	99	99	91
Time-loss days paid per 100 covered employees	235	226	226	215	170
Cost of New Extended Earnings Replacement Benefits (\$M)	\$52.9	\$53.1	\$51.3	\$50.7	\$52.1
Return to Employability	96%	96%	96%	96%	96%
Employee					
WCB Employee Satisfaction Index	74%	75%	70%	70%	70%
Financial					
Claims payments for the last 3 years per \$100 of assessable payroll (payment ratio)	\$0.704	\$0.653	\$0.683	\$0.665	\$0.594
Administrative costs per \$100 of assessable payroll (excluding prevention costs)	\$0.35 ³	\$0.37	\$0.38	\$0.39	\$0.41
Return on investment					
Five-year Rate of Return	2.9%	9.8%	Exceed Benchmark Portfolio Return ⁴		
Five-year Target	3.7%	10.1%			

¹ The Worker Satisfaction Index does not include workers on long-term benefits or those with claims for little or no time-loss.

² As of January 2013, the Stakeholder Engagement Index, reported every two years, was removed from the Balanced Scorecard.

³ The 2012 measure was restated for retrospective treatment of actuarial gains and losses related to other than Pensions Post-Employment Benefits brought about due to changes in the related accounting standard. Going forward these changes will be accounted for in Other Comprehensive Income. See note 22 of the financial statements.

⁴ As of January 2013, this target was changed from Benchmark Portfolio Return+1% to Exceed Benchmark Portfolio Return.

SERVICE AND GOVERNANCE

WORKPLACE SAFETY STRATEGY

In March of 2013, Nova Scotia embraced a new, five-year Workplace Safety Strategy. The strategy launch marked the culmination of many months of consultation, where input was provided by workers, employers, safety advocates, leaders, educators as well as employees of both the WCB and the Nova Scotia Department of Labour and Advanced Education. The strategy supports the achievement of four key goals: to improve safety performance, to have visible leadership commitment, to promote continuous improvements to our safety culture, and to improve access to resources. Progress on these goals came swiftly:

- Working groups, comprised of safety association representatives, educators, government and WCB staff, came together to develop action plans to advance the strategy goals.
- New workplace health and safety regulations came into effect, strengthening rules regarding fall arrest training, and making it easier for employers, employees and all safety partners to find information and rules about how to keep workplaces safe.
- A review of the Administrative Penalties system was introduced. Proposed changes offer a stronger focus on worker safety.

- An awareness campaign reminded Nova Scotians how they could report unsafe workplaces, or workplace behaviours.
- Leaders were engaged and challenged to do more to help build a stronger culture of safety, coming together at the *Leadership Matters* summit.
- Development began on a toolkit for small and medium business.
- A new online quiz for students was created and will help us build a stronger health and safety foundation among the workers of tomorrow.
- A new social marketing campaign and television ad called *What Matters Most* was launched, which offers a powerful message about why safety at work is so important.
- We partnered with experts to help develop new tools to measure the effectiveness of health and safety systems at the front end – before injury occurs, to ensure weaknesses are identified and corrected as early as possible.

Most of all, the strategy has made real progress by encouraging more Nova Scotians to make the commitment to only do something at work if they can do it safely.

Aaron Hiscock, Team Support in Internal Appeals, calls workers and employers directly when the WCB receives an appeal, in addition to sending a letter. This process change improves customer service and contributes to a more timely internal appeals process.

INTERNAL APPEALS IMPLEMENTATION

Building on work we did in 2012 through consultation with stakeholders and employees to identify opportunities to resolve issues earlier in the appeal process, we made significant progress toward implementing the recommendations. In 2013 we introduced a new role at the WCB – Professional Practice Coaches who support case workers and help with their continued professional development. We developed collaborative and proactive approaches for resolving appeal issues, making the appeal process more transparent, and expediting the appeal process where possible. We also prepared to introduce training in the preparation of plain language decisions, an approach that will make WCB decisions easier to read and understand. Although currently at an initial stage, as these changes take hold we believe they will improve the overall WCB service experience for all injured workers and employers, and particularly for those engaged in the first-level appeal process.



RATE ENHANCEMENTS

In 2012 the WCB announced five rate enhancements, which became effective in 2013, to make our rate model more responsive to safe and unsafe practices. The enhancements allow the WCB to leverage the rate model in a manner that provides compelling financial incentives for poor performers to make improvements. The enhancements include experience rating model changes that increase the impact a fatality has on an employer's experience rating, removal of surcharge warning periods for employers who return to a surcharge position after improving for less than three years, and changes to the demerit structure to increase the responsiveness of the experience rating system.

New rebate programs were also introduced. Some employers participated in the surcharge refund program in 2013, which provides opportunities for employers to make qualifying investments in health and safety, and have a portion of their surcharge refunded. Still others became WCB Safety Certified or received a Certificate of Recognition (COR) by participating in a detailed audit of their health and safety management system across 22 elements. Third party certification helps ensure that companies have an effective, objectively assessed system in place to prevent workplace injuries. For employers in the construction and trucking sectors, achieving this certification allows them to qualify for rebates offered as part of a pilot program targeting those specific industries.

TECHNOLOGY AND BUSINESS EVOLUTION

In 2013 the WCB continued to evolve the technology infrastructure that supports our business. We engaged expert partners to help assess our needs and examine the range of tools available, to help us deliver service in a manner that meets the requirements of our stakeholders and is consistent with our mission and values. We began building approaches to implementation that consider connectivity between all of our unique digital environments. We began to develop approaches to improve how we can best share and use our accumulated knowledge, and we evaluated our entire technology infrastructure through a lens that will ensure we continue to meet the needs of Nova Scotia's workers, employers and service providers today, tomorrow and for years to come. We continued to build our digital presence through our websites, and through Twitter and Facebook, building a community of more than 1,000 Twitter followers within one year, and garnering an international AASCIF award for our social media efforts. More and more, we are connecting and building relationships with our stakeholders online, and in keeping with our goal to be a catalyst for conversations about health and safety, we are offering new ways for Nova Scotians to share their thoughts, concerns and ideas.

PRIVACY

By the end of 2012 all of the recommendations made by the Privacy Review Officer were addressed and enhancements to the WCB's privacy framework were implemented. Through 2013, we continued to integrate privacy into the fabric of our business activities as we support a strong culture of respect and the protection of personal information. We talk to employees about privacy regularly and examine our practices in a manner that allows us to proactively address any gaps. We continue to adjust and improve our processes and undertake ongoing monitoring, to ensure we protect information in our care.

SERVICE CULTURE

Times and technology have changed, and needs and expectations are continually evolving. During 2013 the WCB advanced our key strategic priority to improve service. We heard through ongoing conversations with those we serve that WCB's goal must be to provide better and more consistent service, grounded in a shared understanding of what good service means. And, we are engaging the organization to define what that means. This continuous improvement in our service will result in a better service experience for injured workers, employers, stakeholders, partners, and one another. Every corporate initiative will be delivered through this service lens to ensure it complements and supports better service experiences.

EXTERNAL OUTREACH

In 2013, efforts to cultivate external relationships expanded significantly, and we moved our safety vision forward in partnership with the Nova Scotia Department of Labour and Advanced Education, safety associations and many other safety partners. Our Executive team led and supported these endeavours by connecting regularly with leaders in many sectors, championing prevention and return to work initiatives, exercising foresight, and leading by example.

The WCB is passionate and committed, and our willingness to step forward, try new approaches and tackle tough issues is enabled by our Executive team. They believe firmly in supporting employees as they set and achieve new and challenging goals, and they take every available opportunity to engage partners in the WCB's mission to create a safety culture in Nova Scotia.

Areas of focus in 2013 included working more closely with safety associations to advance specific safety initiatives, connecting with large employers and employer groups to address persistent safety issues, working more closely with our partners at the Nova Scotia Department of Labour and Advanced Education to better serve our shared customers, building relationships with regional and national organizations to share and leverage best practices, and working with all system partners toward continuous improvement.

FISHING ACTION PLAN

Eight of the 17 acute workplace fatalities in Nova Scotia in 2013 occurred in the fishing sector. As the year unfolded a collaborative plan to create a larger, long-term action plan for the fishing industry, involving industry leaders and additional federal and provincial partners began to take shape. The goal is to engage industry leaders to develop a plan to save lives in the fishing sector, through system and culture change. Work to implement that plan will continue in 2014.

PHYSICIAN EDUCATION AND OUTREACH

Physicians play a critical role in the return to work process and culture in Nova Scotia. Throughout 2013, led by Chief Medical Officer Dr. David King, the WCB developed relationships with the physician community and Doctors Nova Scotia while advancing our understanding of the challenges they face and identifying opportunities to improve linkages between external physicians and the WCB's medical advisors. The WCB also continued to invest in education and training for the Enhanced Physician Services team, an external team of physicians throughout Nova Scotia who assist with complex cases.

Building on the success of the 2012 launch of the Maritime Occupational Medicine Continuing Medical Education (MOM-CME) Alliance, a partnership with Dalhousie Faculty of Medicine Continuing Medical Education and our workers' compensation peer organizations on Prince Edward Island and in New Brunswick, we contributed to an endowment for a new Atlantic Chair in Occupational Medicine. Funded primarily

through JD Irving Limited, it is the first endowed occupational medicine research chair in Canada. The new Chair, Dr. Anil Adishes, plays an important role in advancing formal education for physicians and is an active member of the Education Alliance, which provides courses not only to physicians, but also to stakeholders with a vested interest in best practice occupational medicine, including occupational therapists, physiotherapists, case managers, workers and employers. The Alliance delivered its first new accredited online learning module in 2013.

WORKING TO IMPROVE SURGICAL SERVICES

Research shows that the longer someone is away from work due to an injury, the more their recovery is slowed and, over time, they are less likely to return to work. Some workers spend a great deal of time waiting for the surgeries they need. The WCB is working with our partners to improve the process related to surgeries. This important work will continue in 2014, toward significant improvements in the surgical services process, and an overall reduced time away from work due to workplace injury.

2013 POLICY AGENDA

In 2013, the Board of Directors took action on the following program policy items:

- The Board approved a revision to policies *2.1.1R10 Workers' Travel Expenses for Health Care and Workers' Travel Expenses* and *4.2.4R11 Workers' Travel Expenses for Vocational Rehabilitation* to reflect a change to injured workers' travel rates paid.
- Following discussion and direction by the Board, stakeholder consultation commenced on revisions to contractor policies that would codify the WCB's traditional interpretation of the terms 'contractor' and 'subcontractor' and ensure the application of the contractor provisions in the legislation and program policy remain the same.
- The Board explored the issue of occupational hearing loss and recommended that staff proceed with Stage 1 Policy Consultation on Policy *1.2.5AR Occupational Hearing Loss Injuries on or after January 1, 2000* and established a list of stakeholders to participate in the Stage 1 Working Group.

- The Board discussed the issue of compensation for psychological injuries for workers covered by the *Workers' Compensation Act* and workers covered by the *Federal Government Employees Compensation Act*, and recommended that staff move forward with Stage 2 Consultation on two proposed policies. Consultation on these proposed policies closed on October 31, 2013.

ENHANCED MEDICAL ADVISORY SERVICES PILOT

The WCB is continuing to make significant progress with injury prevention and safe and timely return to work, our two top priorities. However, we recognize that there is still a lot of work to do improve return to work outcomes for longer-term claims where, in addition to the original compensable injury, injured workers may have other factors influencing their recovery.

To improve return to work outcomes for these workers, we completed a small-scale, six-month pilot where early in the case management process a medical advisor provided more timely and effective support to the case worker and family physician. The goal of the pilot was to establish collaborative relationships and trust between the WCB and family physicians, to ensure timely and appropriate health care for injured workers, and to proactively identify cases at risk for extended time-loss.

The results of the pilot indicate that medical advisor involvement early in the claim life cycle is valuable as it assists in achieving more timely return-to-work outcomes and earlier rehabilitation. Medical advisor involvement also engaged service providers in an informed and collaborative manner while building rapport and improving relationships. Based on what we learned from the pilot, the WCB will enhance our medical advisor services in the coming year to further support better return to work outcomes.

SERVICE AND GOVERNANCE: MEASURES OF SUCCESS

Throughout the year we ask injured workers and employers to rate the services they receive from the WCB. We use that information to identify service issues and make improvements. Approximately 1,500 injured workers and 1,000 employers are contacted annually through these surveys. The survey results allow us to calculate a satisfaction index for each group and track our performance against our annual target. In 2013, both our injured worker and employer satisfaction indices were above target. The survey feedback also helps to guide our service improvement efforts and ensures we are continuously improving to meet the needs of the people we serve.

SERVICE AND GOVERNANCE: PERFORMANCE

	Actual '12	Actual '13	Target '13	Target '14	Target '18
Service/Governance					
Worker Satisfaction Index ¹	73%	73%	70%	70%	70%
Employer Satisfaction Index	77%	79%	70%	70%	70%
Stakeholder Engagement Index ²	68%	N/A	N/A		

¹ The Worker Satisfaction Index does not include workers on long-term benefits or those with claims for little or no time-loss.

² As of January 2013, the Stakeholder Engagement Index, reported every two years, was removed from the Balanced Scorecard.

SERVICE AND GOVERNANCE: OUTLOOK

The coming year promises to bring significant opportunities for the WCB and our partners as we continue our work to reduce our province's workplace injury rate, which reached 1.86 in 2013. This work will be guided by our Workplace Safety Strategy and will take more collaboration and leadership. Achieving our strategy goals will present opportunities to try new approaches and break new ground. We'll need to build on our success, and at the same time zero in on specific industries that need culture change, all while engaging Nova Scotians in an ongoing, productive dialogue about workplace health and safety. We'll work together to help convert that higher awareness into action, within the context of a workplace safety culture where everyone believes that every injury is preventable, that we all have an important role, and that one fatality is too many.

We'll take steps to widen the inroads we made this year with employers and industry groups who recognize how our service delivery team can support the development of a strong and sustainable health and safety management system. We will continue to knock on doors, share our resources, and build on our capacity to be a flexible and innovative partner for Nova Scotia businesses. We will also tread new paths, seeking to engage organizations who until now have not been active participants, but whose health and safety results reflect a pressing need for support. We will work to make workplace health and safety a top of mind issue for workers, employers, and for all Nova Scotians. We will build new relationships with communities, industries, employers and individuals, and help others build their capacity to make positive and lasting improvements.

In 2014 we will define, share, and live our service principles, and that will mean doing things differently. We will continue to engage workers and employers, and we will start writing decisions that are easier to read and understand.

We will also continue to focus on reducing the impact of workplace injury by working with others to advance the goals of the Workplace Safety Strategy, and move Nova Scotia closer to becoming the safest place to work in Canada. We will both create and support workplace injury prevention opportunities by sharing our expertise and resources, and by bringing people and organizations together so that we can learn from one another. We will raise awareness, seeking to impact both how people feel about safety at work, and how they act to keep themselves and their co-workers safe. We will support workers and employers after injury occurs, and work with them to develop effective and safe return-to-work programs. We'll also begin a new conversation about how all safety stakeholders can work together to improve our province's record on safe and timely return to productive work.

OPERATIONS

SOCIAL MARKETING

In 2013 the WCB asked Nova Scotians to consider the impact of workplace injury on family and friends, as part of the *What Matters Most* campaign. The centerpiece of the campaign is a new television ad that tells the story of a young boy waiting for his father to arrive home from work. The ad offers a key central message: The most important reason for working safe is not at work at all. Other campaign elements include radio, print and a workplace discussion program, all aimed at encouraging working Nova Scotians to consider workplace safety as essential to a happy, healthy and rewarding lifestyle outside of work. The campaign was developed in partnership with the Department of Labour and Advanced Education, as part of the Workplace Safety Strategy and its goal to develop a stronger safety culture across the province.



*The **What Matter Most** social marketing campaign depicts Nova Scotians coming home to their families and loved ones. The campaign reminds Nova Scotians that the most important reason to make their workplace safe is not at work at all.*

While the *What Matters Most* campaign reinforced the most important reasons for safety at work, the WCB continued to address the issue of strains and sprains, and in particular, back injuries. The Back Protection Agent campaign, first launched in 2012, urges workers and employers to be vigilant about the hazards that contribute to back injuries.

The WCB's partnership with WorkSafe NB, the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador and the WCB of Prince Edward Island began to explore opportunities to collaborate and leverage social marketing to support a dialogue around safe and timely return to productive work.

Helping young Nova Scotians stay safe at work continued to be an important focus for the WCB in 2013. More and more, this campaign evolved to connect with young audiences in their preferred forums: online and at community events. Efforts to connect with and provide effective tools for educators

continued, with new online resources developed and launched throughout the year, including an online safety quiz that offers students a certificate of completion.

In partnership with the Nova Scotia Department of Labour and Advanced Education the WCB helped recognize the annual Day of Mourning through a web-based campaign that encouraged Nova Scotians to share stories of workplace loss and tragedy, and post expressions of remembrance. Thousands visited the dayofmourning.ca website in April of 2013 to share their condolences and their hopes for better safety outcomes in the years to come.

2013 MAINSTAY AWARDS

The Mainstay Awards were created in 2008 – a partnership of the Workers’ Compensation Board and the Nova Scotia Department of Labour and Advanced Education that combines all previous awards programs into one prestigious safety awards program.

The Mainstay Awards recognize Nova Scotians as leaders in promoting a culture of safety. Under the program, effective injury prevention and return-to-work management programs or initiatives are publically recognized, resulting in positive company morale and corporate reputation, and a higher profile for workplace safety as a business imperative.

In keeping with the spirit and intent of the Workplace Safety Strategy which seeks to build on the success of existing programs like the Mainstay Awards, enhancements were made to the program in 2013, and the timeline was adjusted. In particular, the awards will be presented at a gala event during NAOSH week in May 2014, a new category for health and safety education has been added, two Occupational Health and Safety Advisory Council members were recruited to serve as program judges, and the program website was updated to be more accessible.

WORKPLACE SAFETY EDUCATION

In collaboration with stakeholders and partners we continued our work with Nova Scotia students, teachers and instructors in 2013. For instructors and adult learners this meant continuing workplace health and safety resource development, presentations and workshops at colleges, universities, and community-based learning agencies. For public schools this included contributing to two new career exploration textbooks being used in grades 10 to 12, and providing an adapted module for teachers working with students with intellectual disabilities who are learning about WHMIS and workplace safety. In addition we maintained support to external partners so teachers and students continue to have free access to online WHMIS and First Aid programs and certifications. In 2013 we also undertook significant new work for the design and implementation of the Nova Scotia-specific *Safe@MyJob* introductory workplace health and safety quiz for high school students. Hosted by the Nova Scotia Virtual School, *Safe@MyJob* is the result of a true collaborative partnership between the WCB, the Department of Labour and Advanced Education, the Department of Education and local school boards and teachers.

Continuing our support to instructors and students in private career colleges, and to adult learners as a whole in Nova Scotia, the contents of the provincially-approved *Introduction to Workplace Health and Safety* teaching module have also been posted to worksafeforlife.ca. Designed by the WCB and its partners, these resources are now freely available to anyone who would like to learn more about workplace health and safety.

LEGISLATIVE CHANGE

The Government of Nova Scotia introduced legislative change to the *Workers’ Compensation Act* in 2013. In May, following an amendment to Section 60A of the *Act*, the WCB implemented retroactive benefits for a group of surviving spouses who were seeking these benefits for the period 1985 to 1999.

In 2013, the WCB adjusted its practice to comply with an amendment which was passed by government on December 6, 2012. The amendment protects benefits for coal miners who have been assessed under the Automatic Assumption provisions and ensures they will not see a reduction as a result of a 2012 appeal decision to reduce benefits when lung function improves.

WORKPLACE HEALTH AND SAFETY RESEARCH

The WCB continued to support workplace health, safety and injury prevention research in 2013.

With research funded together with WorkSafeBC, Memorial University conducted a study to determine whether young college or university students are learning how to keep themselves and others safe and healthy at work.

Additional research supported by the WCB included a study conducted by the Institute for Work and Health about the impact of an older workforce on work-related injury and illness, and a Simon Fraser University study that explored the range and effectiveness of solutions for post-spill containment of nanoparticles in the workplace.

The WCB has helped fund more than 25 research projects since 2004. Details are available at wcb.ns.ca.

FISHING SAFETY

The WCB is committed to helping build a culture of safety in Nova Scotia's fishing industry. In 2013 we worked with our partners to begin to reverse the legacy of injury and tragedy that has defined this industry for centuries. In the spring we helped form a working group along with the Department of Labour and Advanced Education, the Fisheries Safety Association of Nova Scotia and the Nova Scotia Fisheries Sector Council. Together we developed a plan to raise

awareness about the importance of wearing a Personal Floatation Device (PFD) while working on or around the water. We visited wharves, conducted demonstrations, and encouraged fishermen and their families to make a pledge to always wear a PFD. We developed other outreach tools, including radio ads, calendars and posters, all aimed at reinforcing the PFD message.

HEALTH CARE PARTNERSHIP

Nova Scotia's health and social services sector employs more people than any other sector in the province. It is therefore critical for the WCB to continue to support employers and workers as they strengthen the sector's safety culture and improve injury prevention and return-to-work outcomes.

In 2013, the WCB continued to improve relationships with key sector stakeholders including the Department of Health and Wellness (DHW), the Health Care Human Resources Sector Council (HCHRSC), the Health Association of Nova Scotia (HANS), and Aware-NS. We partnered with the District Health Authorities and the IWK Health Centre, Aware-NS, DHW and the HCHRSC to advance the Soteria Strains Strategy to reduce the risk of musculoskeletal injuries – the number one cause of work-related injuries for caregivers in acute care. In 2014 the Strategy Working Group will look to implement a common safe patient handling program for acute care facilities.

Our health and social services team also worked with Aware-NS and employers to develop and enhance a Community of Safe Practice for the home care/home support sector. This Community brings together workplace health and safety champions to identify common areas of concern and need, and then develop education materials, tools, policies and procedures to help all employers improve the health and safety of their staff as they provide care and support in the homes of Nova Scotians.

2013 also saw a new partnership develop between the WCB, Aware-NS and employers from the nursing home and special care homes sector. Together we are developing guidance and program materials to help workplaces reduce the risk of injuries related to workplace violence and aggression.

WORKPLACE FATALITIES WORKING GROUP

The WCB is participating in a Workplace Fatality Expert Working Group led by Dr. Mark Fleming at the CN Centre for Occupational Health and Safety at St. Mary's University in Halifax. The goal of the working group is to fully explore the causes of workplace fatalities and determine if specific prevention strategies can be developed to reduce and ultimately eliminate these tragedies.

OPERATIONS: PERFORMANCE

	Actual '12	Actual '13	Target '13	Target '14	Target '18
Operations					
Time-loss injuries per 100 covered workers	1.96	1.86	1.90	1.80	1.59
Duration – composite, in days	99	99	99	99	91
Time-loss days paid per 100 covered employees	235	226	226	215	170
Cost of New Extended Earnings Replacement Benefits (\$M)	\$52.9	\$53.1	\$51.3	\$50.7	\$52.1
Return to Employability	96%	96%	96%	96%	96%

OPERATIONS: MEASURES OF SUCCESS

The WCB achieved most of its operations targets in 2013, thanks to the tireless efforts of our employees, the focus and dedication of workers and employers, and the support and collaboration of our many safety partners.

The operational results for 2013 reflect the fact that we can achieve great things when we work together for common goals. Our time-loss injury rate of 1.86 marks the achievement of yet another milestone in our efforts to reduce the impact of workplace injuries, and continues an injury reduction trend that has followed a decline of close to 35 per cent since 2005. While this progress is encouraging we know there is still much work to do. There were 34 fatalities in 2013: 17 were acute workplace fatalities, 12 were due to occupational diseases stemming from exposures of the past, and five were deaths that occurred at work due to health issues which may or may not be related to the work being done.

Nova Scotia still lags behind other jurisdictions on some of our key performance measures. Methodologies and coverage bases vary widely and 2012 injury rates in other provinces range from a high of 3.37 to a low of 1.15. We are doing better, but still remain in the middle of the pack when compared to other jurisdictions.

We are making good progress when it comes to helping injured workers make a safe return to productive work. Ninety-six per cent of injured workers are able to return to their pre-injury employment following a workplace injury. While we did not meet our target for the number of new extended earnings replacement benefit claims opened in 2013 or the costs associated with those claims, we are seeing a continuation of a long-term, positive trend whereby the number of these claims is gradually declining over time: 336 EERBs were opened in 2013, compared to 600 in 2005. This trend means that while workers continue to receive the benefits to which they are entitled, fewer of them are seeing life-long impact of workplace injury.

The days lost to injury in Nova Scotia continued to decline in 2013. This measure of the total amount of working time lost due to injury declined by a further 29,000 days – the equivalent of 79 person years of work.

OPERATIONS: OUTLOOK

In 2014 the WCB will continue to work with our partners to advance the goals of Nova Scotia's Workplace Safety Strategy, moving our province closer to the achievement of the strategy's vision to be the safest place to work in Canada.

We will help develop and implement action plans that promote safety leadership, provide more resources for businesses, and contribute to a continuously improving safety culture.

We will work alongside our industry partners and will support workplaces in their efforts to build effective safety management and return to work programs. We will bring particular focus to the fishing industry, where we will leverage our expertise and resources along with our safety partners, to help bring an end to the legacy of tragedy.

We will continue to raise awareness through mass media about the importance of safety at work through our *What Matters Most* campaign, and in 2014 we will expand the campaign's reach into workplaces and online. We will also continue to address the prevalence of soft tissue injuries by leveraging our Back Protection Agent campaign, primarily as a workplace engagement tool.

Building on return-to-work research conducted in 2013, we will explore and capitalize on opportunities to identify and remove any process impediments to help injured workers achieve a safe and timely return to work.

We will continue to develop our people and improve our processes in a manner that responds to the needs of the people we serve. As the year progresses, we will develop a shared understanding among all WCB employees of what it means to provide great service, and how each and every employee can deliver service according to shared service principles.

Continued development of our working relationships with physicians and health care providers will be a key focus, as these relationships link directly to improved outcomes for workers and employers. We will also continue to expand the availability of educational tools for physicians, through the Continuing Medical Education Alliance.

Over the next year the goal of the WCB and our partners is to lower the injury rate to 1.80 or less, and by 2018 to reach a target of 1.59 or less. We will work to maintain our current return to employability result of 96 per cent through 2018. We will also work toward achieving continued declines in the number of days lost to injury, and a commensurate reduction in the Composite Duration Index, to a target of 91 days by 2018.

Our target for the total number of time loss days paid per 100 covered employees on all claims is 215 in 2014, with a further reduction to 170 days by 2018. We anticipate the cost of new Extended Earnings Replacement Benefits will be \$50.7 million in 2014 and \$52.1 million in 2018.

EMPLOYEES

RESPECTFUL, HEALTHY AND SAFE WORKPLACE

At the WCB, we regularly celebrate cultural diversity within our workforce. We've also developed a healthy workplace approach that is supported by dedicated newsletters, "Lunch and Learns," best practice research, active wellness programs and a joint Labour Management Committee.

This year, the WCB achieved a score of 95 per cent on our 'Safety Certified' audit. As a safety champion, we continue to act as a role model for those we serve and as a credible voice to positively impact the culture of safety in Nova Scotia.

LEADERSHIP DEVELOPMENT

In 2013, the WCB continued to focus efforts on strengthening its leadership at the manager level through a series of training and development programs. By developing our leaders, the WCB ensures continued strong management of our business and assets, while supporting future succession requirements. A strong management team is better positioned to lead according to our values, toward the achievement of our strategic priorities.

EMPLOYEE ENGAGEMENT

An engaged workforce is critical to the WCB's success. WCB employees are passionate safety champions who play an invaluable role in creating a workplace safety culture in Nova Scotia. Our Employee Opinion Survey conducted in the fall of 2013 showed that the employee satisfaction index remains high at 75 per cent.

In 2013 WCB continued to execute an employment engagement strategy that offered a broad range of programs, events and opportunities for employees to connect with colleagues, our business and our brand. The WCB also has a formal recognition program in place to recognize employees who demonstrate our corporate values – caring and compassionate, safety champion and can-do attitude.

TOP EMPLOYER AWARDS

In 2013 the WCB was recognized as a Top Employer at the provincial, regional and national levels. The WCB was also recognized as one of Canada's 10 Most Admired Corporate Cultures – a designation that indicates the WCB is a best-in-class Canadian organization that has a culture which helps to enhance performance.

WCB IN THE COMMUNITY

WCB employees continued to help people in need in our communities in 2013. They donated more than \$15,000 to community charity organizations, and offered volunteer hours, food collections, and donations of hundreds of gifts and necessities throughout the year. Charities helped include Threads of Life, Feed Nova Scotia, Plan Canada, the United Way, Children's Wish Foundation, the Canadian Cancer Society, the Heart and Stroke Foundation and many more.

INSPIRE AWARD

The Inspire Award program recognizes employees who make a difference for other employees and the people we serve by living our values and demonstrating a commitment to achieving our priorities. Nominations for Inspire Awards are submitted by colleagues, and three values-based awards are offered in the categories of Can-do Attitude, Safety Champion, and Caring and Compassionate.

The winners in 2013 are:

- Niko Mitsiopoulos, Case Manager (Caring and Compassionate)
- John Banks, Service Delivery Director (Can-do Attitude)
- Jonathan Tyson, Relationship Manager (Safety Champion)

EMPLOYEES: MEASURES OF SUCCESS

The WCB surveys all employees annually to measure various aspects of their employment experience. In 2013 participation in the survey reached its highest level, with 89 per cent of employees taking the time to respond. For the most part survey results were stable, with some small fluctuation up and down in a few categories. The employee satisfaction index rose slightly from 2012 to reach a score of 75 per cent. Survey scores indicated opportunities in the areas of involving employees more in decision-making around change initiatives and in initiatives that directly impact their work.

Additionally, in May 2013 the WCB and the NSGEU collaboratively negotiated a new three-year Collective Agreement covering 2012 – 2014.

In 2013, the WCB was recognized as one of Canada's 10 Most Admired Corporate Cultures in the public sector.



EMPLOYEES: PERFORMANCE

Employee	Actual '12	Actual '13	Target '13	Target '14	Target '18
WCB Employee Satisfaction Index	74%	75%	70%	70%	70%

EMPLOYEES: OUTLOOK

WCB employees make things happen. They fully understand how workplace injury impacts the lives of injured workers, their families, friends and employers, and they are committed to reducing that impact. They believe in the WCB's mission and have made it their own. Their commitment and dedication is consistently reflected in our progress.

In 2014 the WCB will empower employees as they work to improve safety outcomes in our province, and will give them the support they need to be full contributors to our continuous improvement approach. Our employee survey results and our ongoing employee consultations will form the basis of plans to develop our people and our organization to be best in class. We will continue to offer support for our people, and skill development opportunities that help them as they work to achieve our performance targets.

We will also achieve a shared understanding of our service principles, and how to deliver those principles in the work we do for ourselves and others, each and every day.

FINANCIAL

FINANCIAL: MEASURES OF SUCCESS

We track our financial success using three key metrics: claims costs, administrative costs and return on investment. The achievement of our financial targets is tied to reducing the injury frequency, ensuring injured workers return to work in a safe and timely manner; managing administrative costs and investment returns.

FINANCIAL: PERFORMANCE

As previously discussed in the Operations section, we have met or exceeded our target for reducing the injury rate, and on some measures for safe and timely return to work. For injuries that occurred in the last three years the WCB saw lower payments combined with a higher payroll leading to an overall 7 per cent decrease in the payment ratio. Additionally, we outperformed the target for administrative costs per \$100 of assessable payroll primarily due to lower than expected administrative costs.

The five-year fund return of 9.8 per cent was a strong return in absolute terms; however, it was behind the 10.1 per cent benchmark target by 0.3 per cent. This reflects the volatility of the markets during the five-year period 2009 – 2013, in which 3 years (2011 – 2013) had positive value added. While the defensive nature of the portfolio provided protection in the challenging financial market years such as 2011 where the portfolio had value added, it had the opposite impact in 2009 when the market recovered from the 2008 losses and negative value was added, resulting in the five-year target not being met.

In 2013, changes to the portfolio structure included the addition of a new global mandate implemented with Baillie Gifford and an update to the Statement of Investment Policies and Objectives to limit the maximum allocation to a single active manager at 10 per cent. More details about our investment returns and the unfunded liability are included in the *Management Discussion and Analysis* section of this report.

FINANCIAL: PERFORMANCE

	Actual '12	Actual '13	Target '13	Target '14	Target '18
Financial					
Claims payments for the last 3 years per \$100 of assessable payroll (payment ratio)	\$0.704	\$0.653	\$0.683	\$0.665	\$0.594
Administrative costs per \$100 of assessable payroll (excluding prevention costs)	\$0.35 ¹	\$0.37	\$0.38	\$0.39	\$0.41
Return on investment					
Five-year Rate of Return	2.9%	9.8%	Exceed Benchmark		
Five-year Target	3.7%	10.1%	Portfolio Return ²		

¹ The 2012 measure was restated for retrospective treatment of actuarial gains and losses related to other than Pensions Post-Employment Benefits brought about due to changes in the related accounting standard. Going forward these changes will be accounted for in Other Comprehensive Income. See note 22 of the financial statements.

² As of January 2013, this target was changed from Benchmark Portfolio Return+1% to Exceed Benchmark Portfolio Return.

FINANCIAL: OUTLOOK

The WCB Board of Directors has set long-term targets to reduce injuries and to improve safe and timely return to work. When these targets are reached, we will see fewer people injured in Nova Scotia's workplaces and more people back at work in a safe and timely manner. The WCB is committed to reducing these targets and in so doing, reducing the human and financial impact of workplace injuries and generating significant cost savings in the system.

The WCB continues to ensure our investment portfolio is well diversified among a variety of asset classes managed by a variety of managers in order to optimize returns and manage risk. Investment strategies and performance are monitored to confirm that the investments support the liabilities.

We will also work to achieve the future targets for claims payments for the last three years per \$100 of assessable payroll – \$0.665 in 2014 and \$0.594 in 2018. In 2014, the administration costs per \$100 of assessable payroll are expected to be slightly higher than the 2013 target, primarily reflecting inflationary increases associated with the cost of operating and the changing nature and complexity of the WCB business and the work that must be done in meeting system goals. This rate is anticipated to increase to \$0.41 by 2018.



Collaboration Matters

Developed in partnership with the Nova Scotia Department of Labour and Advanced Education and based on extensive consultation with stakeholders throughout the province, the Workplace Safety Strategy establishes a vision for Nova Scotia to become the safest place to work in Canada. (L-R) Stuart MacLean, CEO of the WCB, Larry MacEachern, moderator and Sandra McKenzie, Deputy Minister of the Nova Scotia Department of Labour and Advanced Education discuss the Strategy at the Safety Services Nova Scotia annual conference.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


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

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and assets are properly safeguarded. External audit service providers, KPMG LLP effective December 19, 2013 and prior to that, 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 Finance, Audit and Risk Committee. This committee reviews and recommends approval of the financial statements and meets periodically with management, the independent actuaries, and the internal and external auditors concerning internal controls and all other matters relating to financial reporting.

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

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.



Stuart MacLean
Chief Executive
Officer



Leo D. McKenna, CA
Chief Financial
Officer



Return to Work Matters

Mark Ward, a former civilian firefighter with the Department of National Defence (DND), injured his back during a training exercise and could not return to his position. Thanks to the collaborative efforts of Mark, his employer, service providers and the WCB, he underwent an on-the-job training program and is now the Base Parking Coordinator at the Stadacona military base in Halifax. Mark recently celebrated his first anniversary in his new position and says he looks forward to coming to work every day.

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

STATEMENT OF FINANCIAL POSITION

The WCB's financial position was strengthened in 2013 based on operational and financial performance during the year. Assessment revenue increased and investment returns were strong (15.7% for the year). Declines in injury frequency, the number of days lost due to time-loss injury and the number of new long term earnings loss awards contributed to the improved financial position. However, the improvement is less than it could have been due to evolving actuarial standards of practice which required recognition of latent occupational disease claims that were not included in the past. The funding percentage improved by 4.9%.

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 target asset mix remains unchanged compared to 2012. The benchmark portfolio included equity at 60 per cent, bonds at 30 per cent and real estate at 10 per cent. New in 2013 is a change in the target allocation between equity classes as compared to 2012. Target allocation for Canadian equity remains at 20 per cent, U.S. and international equity are 10 per cent each (15% each in 2012) and global equity is

at 20 per cent (10% in 2012). 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 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 U.S., international, global, one-half of the Canadian equities and real estate investments and a passive strategy for fixed income and the other half of Canadian equities. The WCB also uses a passive currency hedging overlay strategy with a hedge ratio of 50 per cent of the total foreign currency exposure.

Baillie Gifford Overseas Limited was hired in December 2013 as the second active manager for the global equity mandate. The addition of a second global equity mandate is a result of the 2012 asset liability study which recommended increasing emerging market exposure to the portfolio structure to further diversify risk and to provide increased exposure to emerging markets.

Capital Markets Review

In 2013, all major stock market indices posted positive returns for the year. Strong equity markets and encouraging economic data boosted investor confidence. The U.S. market led the way with the S & P returning in excess of 40 per cent – its best year since 1997. The U.S. equity markets overcame challenges related to: the sequester situation; worries over when and how the U.S. Federal Reserve would cut back on the quantitative easing program; a government shut down and concerns over the debt ceiling. Canadian equities fared well with a double digit gain but lagged behind their developed market peers. Most sectors performed more in line with other developed markets; with a notable exception of the materials sector, which posted close to a 30% decline during the year. European equities saw strong gains as better than expected economic news emerged and boosted investor confidence. It was a difficult year for emerging markets as economic growth slowed and equity markets lagged under the weight of capital outflows as investors exited emerging markets for the perceived safety of developed markets. The Canadian DEX Universe Bond index saw its first annual negative return since 1999 amid an environment of rising longer-term interest rates. Real estate markets generated positive returns for the year.

Portfolio Performance

The active manager's objective is to exceed the return generated by the benchmark portfolio by 2.0 per cent for Canadian and international equities, by 1.0 per cent for U.S. equities, and by 3.0 per cent for global equities. For the indexed manager, the objective is to match the return generated by the fund benchmark portfolio for nominal bonds and Canadian equities by +/- 0.10 per cent. The real estate manager's objective is to exceed the combined total of the return generated by 85 per cent of the IPD All Property Index plus 15 per cent of the DEX 91 Day Treasury Bills. These objectives are before investment management fees and are based on a five-year moving average. The five-year fund return of 9.8 per cent was a strong return in absolute terms; however, it was behind the 10.1 per cent benchmark target by 0.3 percent. This reflects the volatility of the markets during the five-year period 2009 – 2013. The Plans and Progress section of the annual report discusses this in more detail.

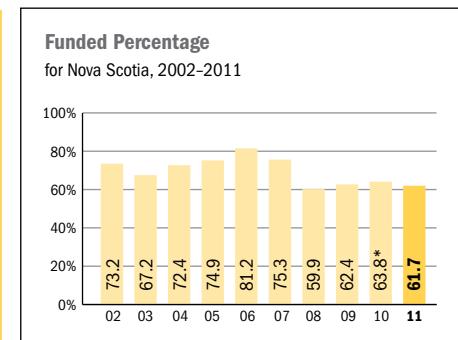
In 2013, the annual investment return on the externally managed portfolio was 15.7 per cent, which was ahead of the benchmark return of 15.1 per cent, resulting in value added of 0.6 per cent. In 2013 the capital markets, in Canadian dollar terms, saw the Canadian equity market (S&P/TSX Composite Capped) return 13.0 per cent, the U.S. equity market (Russell 1000) return 42.0 per cent, the international equity markets (MSCI EAFE) return 31.6 per cent, the global equity market (MSCI ACWI) return 31.7 per cent and the bond markets returned negative 1.2 per cent. Asset classes contributing to the value added during the one year time frame included real estate, Canadian, U.S. and International equities.

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

BENEFITS LIABILITIES

The WCB's benefits liabilities represent the actuarial present value at December 31, 2013 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, which relate to claims arising from events that occurred on or before December 31, 2013 and include a provision for latent occupational diseases. The benefits liabilities figure represents the best estimate of the payments that would be required if these liabilities were settled in cash on December 31, 2013.

The benefits liabilities grew by \$123.4 million or 7.0 per cent as set out in detail in Note 11 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 which takes into account claims costs incurred, claims payments made, growth in present value of the benefits liabilities and actuarial experience adjustments and assumption changes. In 2013, the financial statements include a provision for exposures in the workplace related to future diagnosis of occupational disease which added \$80.8 million to the benefits liabilities. In addition, there was an adjustment to the benefits liabilities for amendments to the Workers' Compensation Act amending the effective date of reinstatement of survivor benefits. The effective date of the reinstatement was revised from January 1, 1999 to April 17, 1985. Retroactive benefits of \$9.048 million were accrued and paid in 2013 with a further \$1.117 million attributable to self-insured claims.

UNFUNDED LIABILITY

The WCB's liabilities total \$1.929 billion and assets total \$1.377 billion, with an unfunded liability of \$552.2 million at the end of 2013. From the prior year, the WCB's funding percentage increased from 66.5 per cent to 71.4 per cent.

STATEMENT OF COMPREHENSIVE INCOME

The operating results for 2013 and 2012 may be attributed to the following factors:

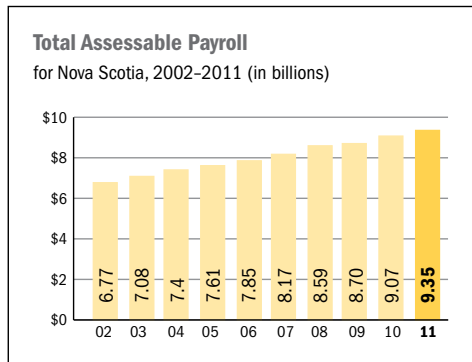
(\$000's)	2013	2012
Assessment revenue in excess of current year costs pursuant to Section 115, <i>Workers' Compensation Act</i>	\$ 33,571	\$ 36,420
Investment income above (below) liability requirements	77,689	(1,323)
Actuarial liabilities less than previously anticipated	18,902	26,234
Actuarial adjustment – occupational disease in latency	(80,773)	0
Other comprehensive income from actuarial gains on employee future benefits	2,769	887
Total comprehensive income	\$ 52,158	\$ 62,218

REVENUES

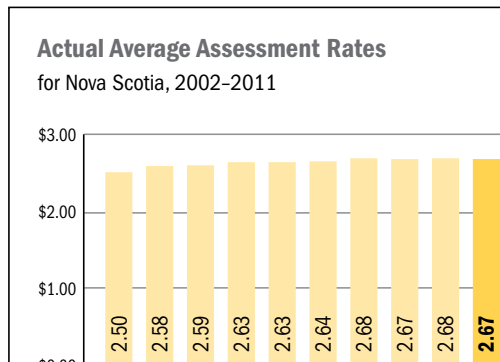
Assessment Revenue

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 increased \$5.0 million (1.7 per cent) from 2012 levels.

Revenues from insured firms increased \$4.9 million (1.9 per cent) from 2012 revenue. This increase is primarily attributed to an increase in assessable payroll of 1.5 per cent. Increases to the payroll base reflect the net impact of an increase in the maximum assessable earnings, an inflationary increase in wages, and a stable covered workforce. The actual average assessment rate, net of surcharge refunds and practice incentive rebates, increased from \$2.65 in 2012 to \$2.66 in 2013. The targeted average assessment rate remained constant at \$2.65 from 2012 to 2013. The fact that the actual rate exceeds the target indicates that the mix of payroll amounts submitted by employers in high-rate industries and those submitted by employers in low-rate industries was slightly different than anticipated.



Self-insured employers experienced higher claims payments in 2013. Self-insured administration fees are calculated based on 2012 payments and have decreased as the result of a change in the calculation of the Labour Canada administration fee related to self-insured claims of the former Cape Breton Development Corporation (Devco) now reported and monitored by Enterprise Cape Breton Corporation (ECBC). Devco discontinued operations several years ago and has reported no new claims for a period of more than five years. The new calculation results in a smaller administration fee to reflect the fact that costs associated with registration and active case management are no longer applicable to this employer. The administration fee for 2014 will reflect the 2013 claims payments and administration costs.



Investment Income

Investment income is primarily derived from the long-term investment portfolio managed by external investment managers. Total investment income was \$190.2 million for 2013, an increase of \$73.7 million (63.3 per cent) from 2012. The increase was the result of an increase in realized gains (\$70.2 million), an increase in the gains from changes in fair market value (\$23.7 million), a net decrease in foreign currency gains (\$19.8 million), an increase in interest and dividend income (\$1.7 million) offset by an increase in investment manager fees (\$2.1 million). In accordance with International Financial Reporting Standards (IFRS), the WCB recognizes changes in market value of investments in the year of occurrence as income. Recognizing changes in market value in the year in which they occur produces a significant amount of volatility in the WCB's comprehensive income or loss.

EXPENSES

Claims Costs Incurred

Claims costs incurred are an estimate of the costs related to compensable injuries which occurred in 2013. These estimates take into account both unreported claims and claims reported but as yet unpaid. The liabilities include a provision for the future cost of administering claims that occurred on or before December 31, 2013. New in 2013 was the addition of an estimated liability of the cost of latent occupational disease accruing in the year. In future years, any incremental change will be accrued. The liability does not include an allowance for any changes to present policies and practices or for the extension of new coverage types.

Claims costs incurred increased by \$5.6 million (2.8 per cent) from 2012. Claims categories with fluctuations include short-term disability costs decreasing \$1.2 million (3.0 per cent), long-term disability costs increasing \$4.4 million (4.5 per cent), survivor benefits increasing \$3.1 million (61.4 per cent), health care costs decreasing \$0.8 million (1.4 per cent), and rehabilitation non-income costs increasing \$0.1 million (11.1 per cent) from 2012. Several factors influenced this aggregate result as discussed below.

Claims costs incurred for short-term disability has decreased 3.0 per cent in the current year. Reductions in short-term disability costs are the result of continued reductions in the frequency of time loss injuries in Nova Scotia. The injury rate dropped to 1.86, a decrease of 5.1 per cent from 1.96 in 2012. The WCB is committed to working with our partners

Total Claims Costs Incurred

(in thousands)

- Short Term Disability
- Long Term Disability
- Survivor Benefits
- Health Care
- Rehabilitation



2013		2012	
\$ 38,312	18.7%	\$ 39,502	19.8%
\$101,511	49.5%	\$ 97,097	48.6%
\$ 8,234	4.0%	\$ 5,100	2.6%
\$ 56,173	27.4%	\$ 56,998	28.6%
\$ 1,022	0.4%	\$ 920	0.4%

in government, safety associations, worker, employer, labour and business groups and health care providers for better return to the work and workplace safety outcomes in connection with the Workplace Safety Strategy and the WCB's partnership with the Nova Scotia Department of Labour and Advanced Education.

The 4.5 per cent increase in long-term disability costs is primarily related to the method used to estimate claims costs in the current year. The valuation assumes that for assessed employers, long-term awards will total 1,224 permanent impairment benefits (PIBs) awards and 410 extended earnings replacement benefit awards (EERBs) for insured claims each injury year. The cumulative expected volumes are compared to the cumulative actual volume and an overall experience ratio is calculated. The experience ratio, which excludes the most recent three years, is then applied to the 410 to arrive at volume expectations for the current year.

From 2011 to 2013, we saw significant reductions in EERB volumes. However this positive experience is not yet reflected in the experience ratio as the ratio excludes results for the most recent three years. In 2014, we expect long term disability costs will start to decrease as the experience ratio will start to include years where experience was favorable compared to the expectation reflected in the run off table.

Health care costs decreased 1.4 per cent in 2013 following payments that were approximately 5 per cent less than expected when the 2012 valuation was prepared. The majority of the payment savings occurred in the early durations (i.e. recent injury years). For individuals whose injuries occurred five or more years in the past, payments were higher than expected. Payments at later durations have greater influence on the overall medical liability because they affect the future cash flow projections for more accident years. These higher than expected payments at the later durations led to a \$1.0 million unfavourable experience adjustment.

Survivor costs have increased by almost 61.4 per cent (\$3.1 million) in 2013. Claim volumes and costs in this area can fluctuate year to year, and are not necessarily indicative of a trend.

Non-income rehabilitation costs are costs other than wage replacement benefits paid to workers in rehabilitation programs or workers receiving assistance with home or workplace modifications, that is, the cost of the programs themselves. In 2013, rehabilitation costs increased from 2012 by 11.1 per cent (\$0.1 million). Fluctuations can occur in rehabilitation costs as significant costs incurred on a small number of claims can have a notable impact.

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

The benefits liability is calculated based on historical claims payment data coupled with assumptions about future experience. The growth in present value of benefits liabilities is the increase in the present value of prior years' obligations due to an amount reflecting the time value of money. In 2013, this amount was \$112.5 million or approximately 6.5 per cent 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 6.5 per cent annually.

Recent years appear to be producing fewer EERBs than the 485 average from 2002 to 2005. For example, for injury year 2005, EERBs awarded as of December 31, 2006, the year following injury, totaled 68. For injury year 2012, EERBs awarded as of December 31, 2013, the year following injury, totaled 21.

The number of PIBs awarded in 2013 was 4.4 per cent lower than in 2012, decreasing from 1,335 to 1,276. Volumes continue to be substantially lower than in prior years when they peaked at close to 1,800 in 2007. We anticipate a continued reduction in the volume of long-term awards over a number of years through active management of complex claims along with return-to-work and prevention initiatives. If this decrease does not materialize as expected, adjustments will be required.

In 2013, the volume of new EERBs awarded on insured claims was below the volume assumed in the runoff table. While this was not sufficient to positively impact annual cost estimates, the claims costs incurred value noted above, it did produce a favorable experience adjustment related to prior years' injuries. We expect the experience to continue in the next few years as improvements made in injury prevention and claim duration that yielded results in short-term disability will begin to yield savings in long-term disability. The timing and magnitude of the savings is difficult to predict until a series of representative data emerges over the next few years.

Administrative Costs

Administrative expenditures in 2013 totaled \$44.7 million, an increase of \$1.6 million or 3.8 per cent from 2012. This is primarily due to a net \$1.9 million increase primarily due to increases in salary and staff expenses due to inflation and negotiated collective agreement adjustments; professional fees increased primarily for project related work offset by a decreased need for externally contracted services in 2013.

Legislated Obligations

The WCB and the Province of Nova Scotia have different fiscal years. The WCB is as at December 31 and the Province is as at March 31. The WCB expenses for legislated obligations are estimates based on the forecasts of expenditures supplied by the Province of Nova Scotia. The legislated obligations expenses reported by the WCB and the amounts reported by the province can vary significantly.

Total Comprehensive Income

In 2013, total revenues of \$487.0 (\$296.8 million in assessment revenues plus \$190.2 million investment income) less total expenditures of \$437.6 million, plus other comprehensive income from the re-measurement of post-employment benefit liabilities of \$2.8 million yielded total comprehensive income of \$52.2 million.

The funding strategy prepared in June 2013 estimated a total comprehensive income for 2013 of \$16.1 million. The impact of this variance on future years will be evaluated as discussed in the funding strategy section below.

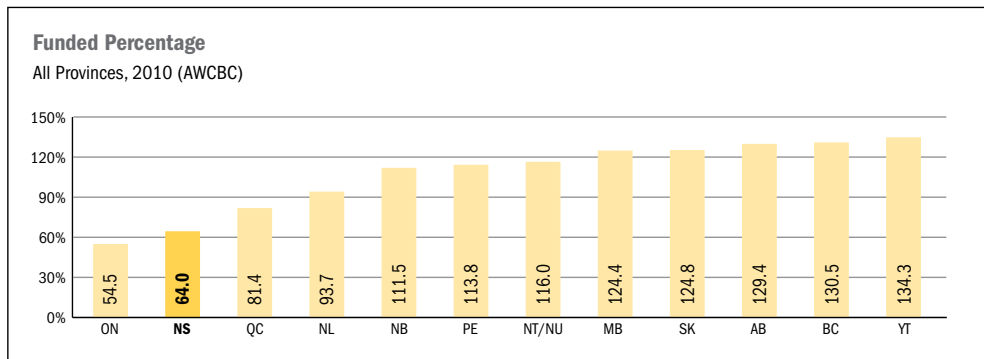
STATEMENT OF CASH FLOWS

Cash increased in 2013 primarily because cash utilized for benefit payments and operations was slightly less than the cash generated through assessments premiums, and \$15.0 million was recalled from the externally managed portfolio to meet operational obligations.

FUNDING STRATEGY

Overall, the financial results in the first twelve years of our funding strategy (1995 – 2006) were better than expected primarily due to increasing assessable payroll, lower than anticipated claims costs incurred, better than expected investment returns and lower than anticipated inflation. This positive experience allowed the WCB to absorb most of the impact of changes to the claims costs flowing from chronic pain related benefits, reinstatement of benefits to remarried survivors, additional benefits for occupational cancer in firefighters and enhancements to Supplementary Benefits during this period.

In 2007 and 2008, however, results were not as positive largely due to lower investment returns, higher claims costs experience and unfavourable actuarial experience adjustments in connection with increasing claims cost experience.



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 continued favorable adjustments on long-term disability and health care costs in subsequent years. This 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, changes in the covered workers’ payroll base and changes in the WCB’s funded 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.

The WCB Board of Directors will conduct an annual review of our funding strategy in connection with the annual business planning and budgeting process. 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.

Overall, investment returns in 2009 to 2013 contributed positively (although the return for 2011 was less than the target of 6.5 per cent) and claims costs have begun to decrease or stabilize in some categories; however the long-term disability costs have continued to increase beyond inflation.

The WCB’s annual revision to the funding strategy in June 2013 maintained our previously published estimate of full funding between 2019 and 2023. The funding period was partially based on an estimated total comprehensive income for 2013 of \$16 million. The actual total comprehensive income for 2013 was \$52 million. This is \$36 million more than expected in the funding strategy. The 2013 variances include:

- investment income \$112 million more than expected,
- unfavorable actuarial adjustment (includes latent occupational disease and adjustments for remarried widows) \$90 million,
- favorable \$14 million from growth in benefits liabilities less than expected and favorable actuarial experience adjustments.

Given the number of variables affecting the funding position, annual variances are expected. The positive 2013 actual results improved the funded position to 71.4 per cent from the expected 69.3 per cent in the current funding strategy.

The investment return for 2013 of 15.7 per cent was much better than the 6.5 per cent expected for the year. However, the significant losses experienced in 2007 and 2008 still need to be recovered to achieve the current funding plan as the most recent ten year average annual return of 6.4 per cent is slightly below the long-term assumption. The funding strategy foundation scenario assumes annual investment returns in excess of the 6.5 per cent long-term assumption in the remaining years to full funding. In order to maintain the current funding plan, investment returns will need to average approximately 7 per cent from 2014 to 2021. Such a scenario would yield an overall return of approximately 6.9 per cent from 1995 to 2021. If these returns are not achieved, the funding period will be affected.

Note 11 of the financial statements details areas of uncertainty, including actuarial experience, which may have a significant impact on the WCB's benefits liabilities and funding strategy. Nova Scotia continues to be among the jurisdictions in Canada with a benefits liability that is not fully funded.

RISK AREAS

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

BENEFIT COSTS

Benefit costs are affected by injury rates, and by claim durations. The average rate paid by employer for workplace injury insurance is, in turn, affected by benefit costs.

The average rate was \$2.66 in 2013. A segment of this average rate – \$0.38 in 2013 – is collected directly to offset the unfunded liability. The remainder of the rate, or \$2.28 per \$100 of assessable payroll, is used to fund both the current year claims costs and the administration costs of the WCB.

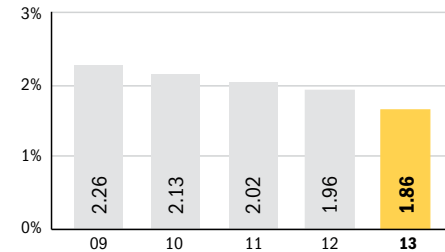
This portion has been reduced over the past several years. In 2005, the portion of the rate used to fund claims costs and administration expenses for the year was \$2.06. The addition of new benefits such as chronic pain related benefits and benefits for firefighters diagnosed with specific cancers put upward pressure on claims costs increasing the portion of the rate used to fund annual costs to \$2.30. As noted above, current year costs absorbed \$2.28 of the \$2.66 average rate. The funding strategy anticipates a further reduction to \$1.97 in the year full funding is achieved. Although forecasts are subject to revision to reflect emerging trends and experience, at present, we expect that reductions in the injury rate and claim durations will yield the required savings if payroll growth occurs as expected.

Within the \$1.77 per \$100 of assessable payroll used to fund the insurance budget, there has been some fluctuation in the amounts that fund the costs for short term disability, and for long term disability costs. The portion used to fund short-term disability has decreased by \$0.15 since 2007, while the portion used to fund long term disability has increased by \$0.26. However, further gains in prevention and return-to-work are expected to reduce short-term disability costs, which is expected to translate to long-term disability cost savings in future years, reversing the \$0.26 increase in the portion of the average rate allocated to long-term benefits.

These estimates are based on the assumption that current initiatives will yield expected duration reductions on complex claims.

Injury Rate

time loss claims per 100 covered employees



Injury Rate

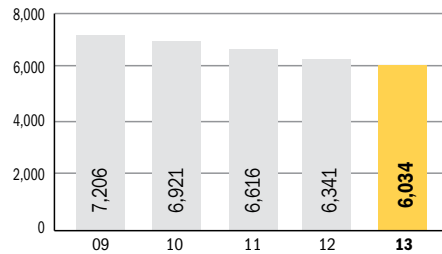
The injury rate is one of the most significant drivers of benefit costs and the focus of the WCB's attention for risk mitigation.

In 2005, as one component in a plan to reduce system costs, we estimated that a decrease in the overall injury rate from 2.87 to 2.26 injuries per 100 covered workers would translate to 1,800 fewer time-loss injuries, relative to size of the workforce at the time the estimate was made.

If these savings were achieved by 2016, it was estimated that the portion of the rate used to fund current claims costs incurred would be reduced by \$0.23.

As of December 31, 2013, there were approximately 3,000 fewer time-loss injuries than in 2005. While this is significant progress, the majority of the decrease in volume over the last five years was among lower-cost claims. Savings from long-term disability costs will take longer to materialize.

Compensable Time Loss Claims



At the end of 2013, the injury rate was 1.86 time-loss injuries per 100 covered workers. This reflects an average reduction of 5 per cent per year since 2005. The pattern of significant improvement in this measure as seen in the past few years is not likely to be sustained at this pace, and further reductions are expected to occur at a slower pace. Progress may be slowed in the coming years as the Nova Scotia economy is expected to grow. Beginning in 2015, the workforce in Nova Scotia is expected to increase slightly. We do anticipate continued progress, with continued declines in the injury rate. However, these changes do hold the potential to challenge our ability to maintain the reductions in time-loss volumes that occurred from 2008 to 2013.

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 2013, progress continued on many fronts. The WCB continued to focus on:

- managing and building collaborative relationships with the health care sector to enhance safe and timely return-to-work by endorsing best practices in occupational medicine.
- working together and strengthening relationships with workplaces and workers to continue the progress toward improving the workplace safety and safe and timely return to work culture for all Nova Scotians.

A significant reduction in annual claims costs could generate financial gains in the system. In 2005, we estimated a 30 day decrease in claims duration that, if achieved by 2016, would result in a \$0.10 reduction in the portion of the average rate used to fund current year claims costs incurred.

As noted, recent reductions in time-loss injuries included mainly lower risk, lower cost injuries. As these avoided claims typically have short durations, their absence puts upward pressure on the average duration. In 2013, the composite duration index remains at 99 days, which reflects no change from 2012. However, the duration index has decreased a net of 15 days since 2005.

Since 2005, a focus of case management has been to resolve claims earlier whether the outcome is 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. As noted above, a combination of factors has led to a \$0.36 increase in the portion of the rate used to fund current year long-term disability costs since 2005. We expected that new long-term awards would be fewer than assumed in the cost calculation, and that the \$0.36 increase in long-term disability costs would be eliminated by 2020. Our actual 2013 experience was slightly behind the 2020 target. However, with continued progress, we anticipate substantial reductions in long-term benefits to materialize in future years.

Over recent years investments in health care such as direct access to physiotherapy, centralized surgeries and the Doctors Nova Scotia contract were made with a goal to assist in return-to-work efforts. These initiatives led to a \$0.19 increase in the portion of rate used to fund current health care costs from 2005 to 2007. Since then the reduction in claim volume and improved outcomes for injured workers has reduced the cost of health care from a high of \$0.62 in 2007 to \$0.50 in 2013. Additional improvements are expected in the medium-term and health care costs are expected to absorb \$0.44 to \$0.50 of the average rate in future years.

The expected reduction in new long-term awards is required to meet the funding strategy objectives. If recent improvements are not sustained or further reductions are not as anticipated, the funding strategy will be impacted. For the next few years, we will continue to feel the impact of replacing fewer than anticipated long-term awards in the early years of our earnings-loss system with more recent years' experience of higher than expected volumes of awards to date. As the most recent injury years mature, and changes in the timing of awards are fully absorbed, we expect the impact will be minimized and that positive experience adjustments will emerge. If this does not occur as expected, the funding strategy may require adjustment.

Claims durations are significantly influenced by the persistence of injuries that occur in the workplace. For purposes of tracking performance and estimating future cost savings, claims are divided into two categories; over and under ten weeks. Future savings assume that injuries will be prevented in proportion to the historical split between claims over and under ten weeks. As noted, in recent years, we have seen a significant reduction in the volume of time loss injuries. However, the decrease has occurred primarily in the shorter, low cost, low complexity claims. If the mix of claims does not trend closer to historical levels, duration targets will not be met and the funding strategy will be impacted.

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 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 per cent. Analysis indicates that 3.5 per cent is a realistic real rate of return based on ten-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 3.0 per cent, yields a nominal rate of 6.5 per cent. During 2011 an asset liability study was completed. One benefit of the study was confirmation of the reasonableness of the asset allocation strategy used to diversify the investment portfolio. Results of this study supported the current investment strategy and give us some confidence that a long-term investment return of 6.5 per cent is a reasonable expectation.

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.

Nova Scotia's employment growth is expected to grow in 2014 with the majority of gains in private-sector industry. This will increase the WCB covered workforce. A slow growth economy could impact the funding strategy where the growth in payroll falls below the funding strategy expected level.

FRAUD

The WCB provides workplace injury insurance to 18,700 employers, about 325,000 workers across Nova Scotia and uses the services of thousands of service providers. The significant volume and value of the monetary transactions that occur creates a risk to the WCB of fraudulent activity by internal and external stakeholders. To proactively strengthen the management of this risk, the WCB performs data quality and integrity checks, implements internal controls, follows a policy framework, and employs a Special Investigations Unit.

TECHNOLOGY

The reliability of WCB's information technology is crucial to supporting the organization's operations and safeguarding personal records. A system failure or security breach would be a significant risk to the WCB. The organization has taken steps to mitigate this risk by investing in technology, maintaining backup systems and processes, developing staff expertise and having a disaster recovery plan for information technology purposes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

INVESTMENTS

Assets are accounted for at fair value as at the reporting date. Fixed income and equities are valued based on publicly traded market prices and real estate is based on fair value of the underlying real estate assets. The WCB has designated its portfolio as "fair value through profit and loss". As a result, reported investment income is affected by the changes in fair market values of the investments held. These changes in fair value are recorded directly in income in the period the changes occur. This adds to the volatility of reported investment income from year to year.

ACTUARIAL VALUATION OF THE BENEFITS LIABILITIES

The benefits liabilities determined in the financial statements 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.

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. For example, a reduction in the real rate of return from 3.5 per cent to 2.5 per cent, holding inflation at 3 per cent, would increase the benefits liabilities by approximately \$149 million and would increase annual incurred costs by an estimated \$14 million. A sensitivity analysis relating to insurance risk is included in note 11 of the financial statements.

OUTLOOK

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

Over time, funding 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, adjust rates or lengthen or shorten the period over which the unfunded liability is eliminated. As the level of benefits is set by the Legislature, subject to interpretation by the Courts, the funding equation is not entirely within the control of the WCB as the neutral administrator.

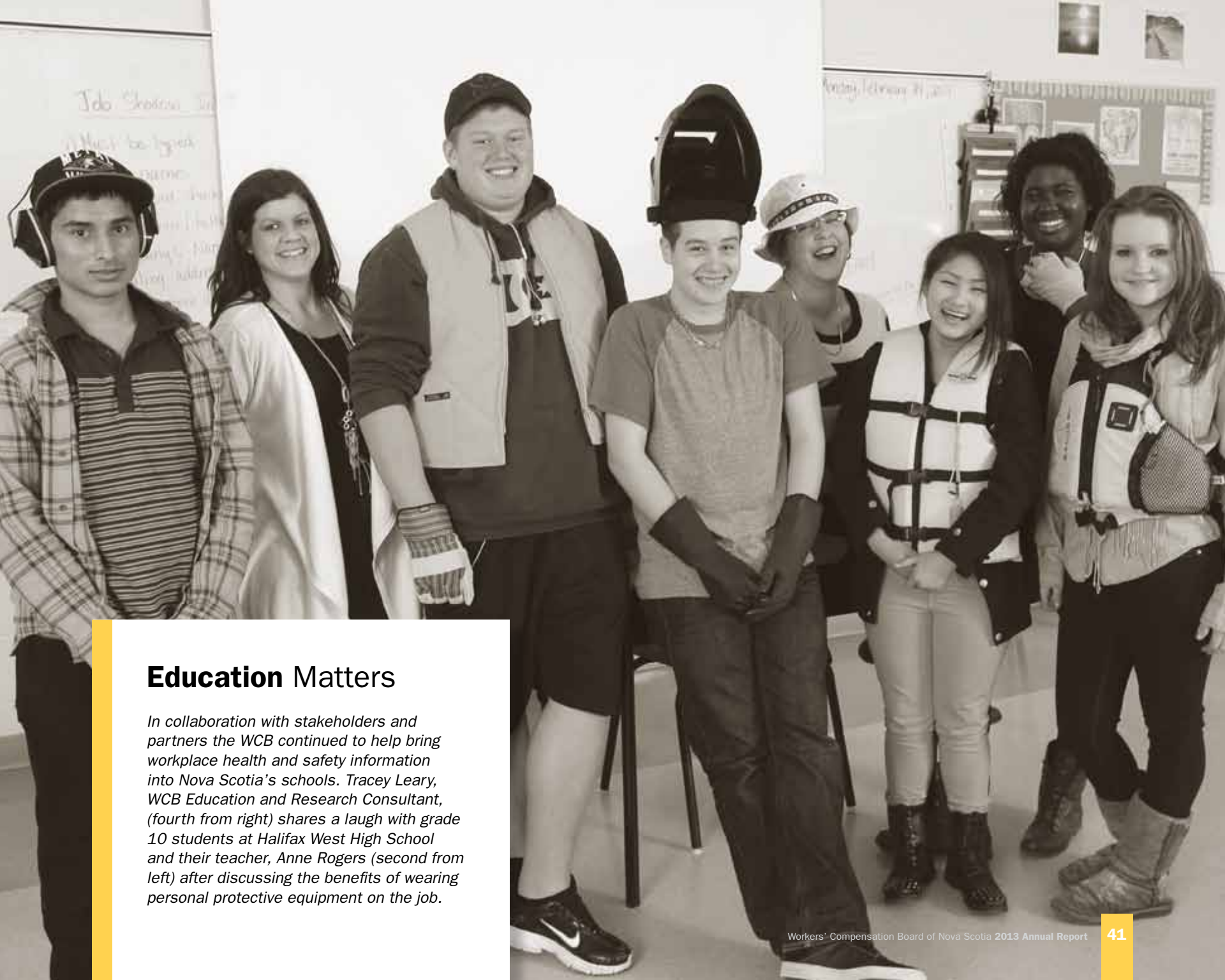
On May 10, 2013 Bill No. 54, amending the effective date of reinstatement of survivor benefits received Royal Assent. The effective date of the reinstatement was revised from January 1, 1999 to April 17, 1985. As a result retroactive benefits of \$9.048 million are included in the adjustments to the benefits liabilities and in the claims payments; a further \$1.117 million was attributable to self-insured claims. Future legislated change may require options to cover the cost of a benefit enhancement which may include increasing the rates employers pay for workers' compensation insurance or extending the period over which the WCB's unfunded liability is eliminated.

In 2013, the funding position was strengthened, primarily attributable to investment market returns and favorable experience adjustments for injuries that occurred in prior years which more than offset the increase in the occupational disease liability. The positive operational and financial performance in 2013 increases the probability that we will be able to stay on plan and eliminate the unfunded liability between 2019 and 2023.

The Board of Directors will revisit the funding strategy as part of the annual budget process in June 2014. During 2008, the Board of Directors consulted with stakeholders across the province to develop our Strategic Plan 2010 – 2014 which we continue to make progress to implement. On an ongoing 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. The Board of Directors will consider the points of view raised by stakeholders during the 2014 update to the funding strategy and the refresh of the strategic plan for 2016 – 2020.

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. 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.



Education Matters

In collaboration with stakeholders and partners the WCB continued to help bring workplace health and safety information into Nova Scotia's schools. Tracey Leary, WCB Education and Research Consultant, (fourth from right) shares a laugh with grade 10 students at Halifax West High School and their teacher, Anne Rogers (second from left) after discussing the benefits of wearing personal protective equipment on the job.



Service Matters

As part of ongoing initiatives to support employees and provide better service to workers and employers in Nova Scotia, the WCB introduced a coaching model for case workers. (L-R) Professional Practice Coaches, Jennifer Muise and Wendy Himmelman, guide and encourage case workers so that the best possible outcome is achieved for those we serve.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Workers' Compensation Board of Nova Scotia, which comprise the statement of financial position as at December 31, 2013 and the statements of comprehensive income, changes in the unfunded liability, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of Nova Scotia as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Halifax, Canada,
March 24, 2014

STATEMENT OF FINANCIAL POSITION

as at (thousands of dollars)

	December 31 2013	December 31 2012
ASSETS		
Cash & cash equivalents	\$ 6,359	\$ -
Receivables (Note 5)	23,911	26,596
Investments (Note 6)	1,341,322	1,166,891
Property and equipment (Note 8)	4,607	4,421
Intangible assets (Note 9)	591	570
	\$ 1,376,790	\$ 1,198,478
LIABILITIES AND UNFUNDED LIABILITY		
Bank indebtedness	\$ -	\$ 1,168
Payables and accruals	30,658	26,069
Lease liabilities	246	92
Post-employment benefits (Notes 10 and 20)	22,381	23,228
Benefits liabilities (Note 11)	1,875,734	1,752,308
	1,929,019	1,802,865
Unfunded liability	(552,229)	(604,387)
	\$ 1,376,790	\$ 1,198,478

Commitments (Note 19)

Approved on behalf of the Board of Directors on March 24, 2014:



Elaine Sibson
Chair, Board of Directors



Jim Melvin
Chair, Finance, Audit,
and Risk Committee

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31 (thousands of dollars)

	2013	2012 (restated - see note 22)
REVENUE		
Assessments (Notes 12 and 17)	\$ 296,819	\$ 291,806
Investment income (Note 6)	190,226	116,510
	487,045	408,316
EXPENSES		
Claims costs incurred (Notes 11 and 16)	205,252	199,617
Growth in present value of benefits liabilities and actuarial adjustments (Note 11)	93,635	91,599
Adjustment to benefits liabilities for occupational disease in latency (Note 11)	80,773	-
Administration costs (Notes 13 and 17)	44,669	43,038
System support (Note 14)	758	793
Legislated obligations (Note 15)	12,569	11,938
	437,656	346,985
Excess of revenues over expenses	49,389	61,331
OTHER COMPREHENSIVE INCOME		
Re-measurement of post-employment benefits (Note 10)	2,769	887
Comprehensive income	\$ 52,158	\$ 62,218

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

STATEMENT OF CHANGES IN THE UNFUNDED LIABILITY

Year ended December 31 (thousands of dollars)

	2013	2012 <i>(restated - see note 22)</i>
Unfunded liability excluding accumulated other comprehensive income		
Balance, beginning of year	\$ (595,877)	\$ (657,208)
Excess of revenues over expenses	49,389	61,331
	\$ (546,488)	\$ (595,877)
Accumulated other comprehensive income		
Balance, beginning of year	\$ (8,510)	\$ (9,397)
Other comprehensive income	2,769	887
	\$ (5,741)	\$ (8,510)
Unfunded liability end of year	\$ (552,229)	\$ (604,387)

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

STATEMENT OF CASH FLOWS

Year ended December 31 (thousands of dollars)

	2013	2012
OPERATING ACTIVITIES		
Cash received from:		
Employers, for assessments	\$ 296,396	\$ 284,418
Net investment income	129,150	64,338
	425,546	348,756
Cash paid to:		
Claimants or third parties on their behalf	(250,909)	(238,748)
Suppliers, for administrative and other goods and services	(52,397)	(44,630)
	(303,306)	(283,378)
Net cash provided by operating activities	122,240	65,378
INVESTING ACTIVITIES		
Increase in investments, net	(113,361)	(64,113)
Purchases of equipment	(1,352)	(1,067)
Net cash used in investing activities	(114,713)	(65,180)
FINANCING ACTIVITIES		
Change in bank indebtedness	(1,168)	(198)
Net cash used in financing activities	(1,168)	(198)
Net increase in cash and cash equivalents	6,359	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	\$ 6,359	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2013 (thousands of dollars)

1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia (WCB) is a board established by the Nova Scotia Legislature in 1917, under the *Workers' Compensation Act (Act)*, and is exempt from income tax. The address of the WCB's primary operations is 5668 South Street in Halifax, Nova Scotia. Pursuant to the *Act*, the WCB strives to prevent workplace injury, but when it occurs, supports injured workers and their employers to achieve a 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.

The current *Act* came into force February 1, 1996. Various amendments have since occurred to the *Act* and have received Royal Assent.

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 24, 2014.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principle accounting policies applied in preparation of these financial statements are set out below.

Going concern

The WCB has assessed all relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy in place for the elimination of the unfunded liability.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

These financial statements are prepared and rounded in thousands of Canadian Dollars unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared within the framework of the following accounting policies:

a) Cash and Cash Equivalents

Money market instruments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

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

b) Assessments Revenue and Receivable

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

c) Investments

The WCB has designated all portfolio investments as fair value through profit and loss. Realized gains and losses on the sale of investments and unrealized gains and losses arising from the change in the fair value of investments are recorded in investment income in the period in which they arise. All purchases and sales of portfolio investments are recognized on the date the trades are executed. Income from interest, dividends and investment foreign currency gains and losses are recognized as investment income in the period earned. Investment income is presented net of investment expenses.

The following determines fair value of investments:

- Equities are valued at quoted market prices at year end as per security exchanges.
- Pooled fund units (securities and fixed income) are valued at their year end net asset values as determined by the fund managers.
- The fair value of real estate fund units is based on independent property appraisals net of fund liabilities as determined by the fund manager.
- Forward foreign exchange contracts are recorded at the current unrealized gain or loss position at year end based on quoted market prices for the underlying currencies.

d) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Depreciation is charged using the straight-line method over the estimated useful life of the asset. A useful life of 10 to 40 years is used for building components and from 5 to 20 years for furniture and facilities, equipment and computer hardware. With the exception of equipment under finance leases, in the year of acquisition, a half year's amortization is taken. The useful lives of items of property and equipment are reviewed at each balance sheet date and adjusted if required.

Finance Leases

Finance leases transfer to the WCB substantially all the risks and benefits of ownership of the leased property. These leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned to interest charges and the reduction of the lease liability until the liability is reduced to zero at the end of the lease term. Leased assets are depreciated over the useful life of the asset or over the lease term, whichever is shorter.

e) Post-Employment Benefits

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 projected unit credit method is used to calculate the defined benefit obligations and current service costs. Actuarial gains and losses arise from the actual experience of the plan's liabilities for a period and are recorded through other comprehensive income with no subsequent reclassification to comprehensive income. Current service and interest costs are recorded through comprehensive income in the period in which they arise. Discount rates are based on the market yields of high quality corporate bonds.

f) Benefits Liabilities

An independent actuary completes a valuation of the benefits liabilities of the WCB at each year end. The benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year including exposure for occupational diseases. The benefits liabilities includes provisions for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and for future costs of administering existing claims. Changes to the benefits liability arising from growth in present value, changes in actuarial assumptions and actuarial experience adjustments are recognized in expense annually based on the year end actuarial valuation. The benefits liabilities are accounted for using IFRS 4 – Insurance contracts.

g) Foreign Currency Translation

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

h) Financial Instruments

The WCB early adopted IFRS 9 – Financial instruments (2009), which require financial instruments to be classified as either amortized cost, or fair value through profit and loss. The applicable financial instruments for the WCB are as follows:

- Cash and cash equivalents – recorded at amortized cost
- Accounts receivable and payable – recorded at amortized cost
- Investments – recorded as fair value through profit and loss

The carrying values of cash and cash equivalents, accounts receivables and payables 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 includes a currency overlay hedge strategy as described in Note 7. The WCB has elected not to apply hedge accounting.

i) Intangible Assets

Intangible assets are stated at cost, less accumulated depreciation and when applicable, write-downs for impairment. Intangible assets consist of externally purchased and internally generated software applications, and process development costs. To qualify for capitalization, the intangible asset must be separately identifiable, the WCB must have control of the asset and the asset must have future economic benefits.

Depreciation is charged on a straight-line basis over a period of 5 to 10 years for internally generated software and process development costs, with one half year's depreciation taken in the year of completion.

Expenditures related to the research phase of an internal project are recognized as an expense in the period incurred. Software purchases are depreciated on a declining-balance basis at an annual rate of 50 per cent. The useful lives of intangible assets are reviewed at each balance sheet date and adjusted if required.

j) Asset Impairment Testing

IFRS requires a test for impairment at least annually whenever there is objective evidence that the carrying value of an asset may exceed its fair value. Impairment tests must be conducted for an individual asset, an asset group or at the cash-generating unit level which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows of other assets.

Based on the analysis of the entity and its' cash flows, the WCB has determined that it is a single cash generating unit. Impairment of assets at the entity level is unlikely as the WCB has the power under the Act to revise premiums to ensure the continuity of the workers' compensation system. Therefore, individual assets are monitored for impairment using a variety of qualitative considerations including, but not limited to: obsolescence, damage, reduction in asset performance, disposal or the existence of plans to discontinue the use of the asset. If an asset is deemed impaired, the asset is written off completely or subjected to accelerated depreciation, whichever is appropriate.

k) Current and Future Accounting Policy Developments

WCB staff monitors the pronouncements of the International Accounting Standards Board (IASB) and considers the impact that changes in standards may have on the WCB's financial reporting. The IASB has ongoing projects to improve existing standards and issue new standards, some of which will impact the WCB as follows:

Current Year Policy Changes

IFRS 13, Fair value measurement – Fair value measurement establishes a single source of guidance for fair value measurements. The standard also requires enhanced disclosures when fair value is applied and circumstances warrant. The standard was effective for annual periods beginning on or after January 1, 2013 and has been applied in these financial statements. Adopting IFRS 13 has not had any material impacts on the WCB's financial reporting or disclosures.

IAS 19 – Employee benefits (Revised) – The IASB has issued a revised section on employee benefits. This revised standard was applicable for years beginning on or after January 1, 2013 and has been applied in these financial statements. The revised standard requires changes in actuarial assumptions from year to year be recorded in other comprehensive income rather than the WCB's previous practice of recording through profit and loss. Detailed disclosures on the financial impacts of these changes are outlined in Note 10.

Future Pronouncements

IFRS 4 – Insurance contracts – A re-exposure draft was released on insurance contracts in 2013 proposing to change the basis of accounting for insurance contracts to fair value by changing the method of determining the discount rate. This standard change may have a significant impact on the financial statements of the WCB. The final standard is expected to be issued in 2015 with the effective date no sooner than three years afterwards. The estimated effective date is for years beginning on or after January 1, 2018.

IFRS 9 – Financial instruments – This standard applies to the classification and measurement of financial assets and liabilities as defined in IAS 39 and may have effect on the measurement and classification of the financial assets of the WCB. The WCB is in the process of assessing the impact of the adoption for the remaining phases of IFRS 9 which may have an impact on future financial statements. An effective date has not yet been determined.

IAS 17 – Leases – The IASB has issued an exposure draft proposing a new accounting model for leases where the classification of operating leases would be eliminated and all leases will be recorded with assets and liabilities on the statement of financial position, with the exception of short-term leases. The total impact on the WCB is not yet determinable and will be assessed when the final standard is issued. An effective date has not yet been determined.

IFRIC 21 – Levies – This provides clarification that an entity recognizes a liability for a levy when an activity that triggers the payment, as identified by the relevant legislation, occurs. The effective date is for years beginning on or after January 1, 2014. The WCB is in the process of assessing the impact IFRIC 21 which may have an impact on future financial statements.

I) Comparative Figures

Certain 2012 comparative figures have been reclassified to conform to the 2013 presentation.

4. ACCOUNTING JUDGEMENTS & ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular, benefits liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ materially from those estimates. Decisions of the WCB may be appealed to the Workers' Compensation Appeals Tribunal, subsequently to the Nova Scotia Court of Appeal, and finally, to the Supreme Court of Canada. Rulings by these bodies have the potential to impact benefits liabilities. Legislated Obligations excluding the Workers' Compensation Appeals Tribunal are based on forecasts supplied by the Province of Nova Scotia with the actual billing through an order in council occurring post release of the annual report.

Information about the judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in detail in the following notes:

- Note 10 – Post-employment benefits
- Note 11 – Benefits liabilities
- Note 12 – Assessment revenue

5. RECEIVABLES

	2013	2012
Assessments	\$ 17,998	\$ 16,925
Self-insured employers	3,835	7,424
Assessments receivable	21,833	24,349
Harmonized sales tax rebate	644	459
Other	1,434	1,788
	<u>\$ 23,911</u>	<u>\$ 26,596</u>

Assessments receivable are net of an allowance for doubtful accounts of \$2,256 in 2013 (2012 – \$1,731). Other receivables are net of an allowance for doubtful accounts of \$1,091 in 2013 (2012 – \$1,027).

6. INVESTMENTS

	2013	2012
Equities		
Canadian	\$ 262,613	\$ 224,221
U.S.	138,489	165,103
Europe, Australasia and Far East	137,963	180,200
Global	273,680	112,614
	812,745	682,139
Fixed income	395,236	345,452
Real estate	137,157	139,202
Money market	1,701	537
Currency overlay	(5,818)	(840)
Accrued interest	301	402
	<u>\$ 1,341,322</u>	<u>\$ 1,166,891</u>

Investment Income	2013	2012
Interest and dividends	\$ 38,353	\$ 36,665
Realized gains from the sale of investments	88,660	18,432
Change in fair market value	81,547	57,801
Currency overlay (loss) gain	(12,736)	7,122
Portfolio management expenses	(5,598)	(3,510)
Net investment income	<u>\$ 190,226</u>	<u>\$ 116,510</u>

7. FINANCIAL RISK MANAGEMENT

In accordance with IFRS 7 – Financial Instruments, Disclosure, the following provides qualitative and quantitative information relating to market risk, interest rate and currency risks; credit risk and liquidity risk.

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

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.

Equities	2013		2012	
	% Change	CI Impact	% Change	CI Impact
Canadian				
1 standard deviation	14.6%	\$ (38,342)	18.9%	\$ (42,378)
2 standard deviation	29.2%	\$ (76,683)	37.8%	\$ (84,756)
United States				
1 standard deviation	14.8%	\$ (20,496)	16.7%	\$ (27,572)
2 standard deviation	29.6%	\$ (40,993)	33.4%	\$ (55,145)
International (EAFE)*				
1 standard deviation	16.0%	\$ (22,074)	17.2%	\$ (30,994)
2 standard deviation	32.0%	\$ (44,148)	34.4%	\$ (61,989)
Global				
1 standard deviation	13.5%	\$ (36,947)	15.3%	\$ (17,230)
2 standard deviation	27.0%	\$ (73,894)	30.6%	\$ (34,460)

*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 of 8.5 years. As at December 31, 2013, the duration of the bond portfolio was 6.7 years (6.9 years in 2012).

The following table presents the effect of an increase in market interest rates for the bond portfolio (which is held in pooled funds) and the resulting decrease to comprehensive income.

Fixed Income	2013		2012	
		CI Impact		CI Impact
0.5% increase	\$	(12,954)	\$	(15,032)
1.0% increase	\$	(25,056)	\$	(24,619)

The credit ratings of the WCB's fixed-income securities at December 31st are listed in the table below. Credit ratings are based on information from Standard & Poor's, Moody's and Dominion Bond Rating Service.

Credit Rating	2013		2012	
	Total	%	Total	%
AAA	\$174,299	44.1%	\$159,944	46.3%
AA	91,695	23.2%	77,727	22.5%
A	94,461	23.9%	81,527	23.6%
BBB	34,781	8.8%	26,254	7.6%
Total	\$395,236	100.0%	\$345,452	100%

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

Currency	2013		2012	
		CI Impact		CI Impact
USD	\$	(13,442)	\$	(10,858)
EURO	\$	(6,994)	\$	(6,194)
YEN	\$	(3,286)	\$	(2,716)
POUND	\$	(2,929)	\$	(2,687)

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 31st.

2013	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 405	\$ 1,597	\$ -	\$ 2,002
Currency overlay	-	(5,818)	-	(5,818)
Equities	812,745	-	-	812,745
Fixed term investments	395,236	-	-	395,236
Real estate	-	-	137,157	137,157
	\$ 1,208,886	\$ (4,221)	\$ 137,157	\$ 1,341,822

2012	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 839	\$ 99	\$ -	\$ 938
Currency overlay	-	(840)	-	(840)
Equities	682,138	1	-	682,139
Fixed term investments	345,452	-	-	345,452
Real estate	-	-	139,202	139,202
	\$ 1,028,429	\$ (740)	\$ 139,202	\$ 1,166,891

There were no transfers between Level 1 and Level 2 during either year.

The fair value of the WCB's real estate investments is based on the fair values of the underlying real estate assets. Real estate investments of the fund are appraised annually by qualified external real estate appraisers. For real property investments, the capitalization rate is a measure of a property's value to its income and is a key assumption in the valuations prepared by real estate appraisers. Capitalization rates are influenced by factors in the overall real estate market in Canada, which is in turn influenced by supply and demand factors as well as the domestic economy.

8. PROPERTY AND EQUIPMENT

	Land and building ¹	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2013	\$ 4,159	\$ 2,687	\$ 2,467	\$ 9,313
Additions	145	401	676	1,222
Disposals & retirements	(30)	(344)	(512)	(886)
Balance at Dec. 31, 2013	\$ 4,274	\$ 2,744	\$ 2,631	\$ 9,649
Depreciation and impairment				
Balance at Jan. 1, 2013	\$ 1,804	\$ 1,756	\$ 1,332	\$ 4,892
Current period depreciation	316	239	467	1,022
Impairment losses	-	12	2	14
Disposals & retirements	(30)	(344)	(512)	(886)
Balance at Dec. 31, 2013	\$ 2,090	\$ 1,663	\$ 1,289	\$ 5,042
Carrying amount at Dec. 31, 2013	\$ 2,184	\$ 1,081	\$ 1,342	\$ 4,607

	Land and building ¹	Furniture and facilities	Equipment and computer hardware	Total
Historical cost				
Balance at Jan. 1, 2012	\$ 4,227	\$ 2,672	\$ 2,334	\$ 9,233
Additions	275	174	484	933
Disposals & retirements	(343)	(159)	(351)	(853)
Balance at Dec. 31, 2012	\$ 4,159	\$ 2,687	\$ 2,467	\$ 9,313
Depreciation and impairment				
Balance at Jan. 1, 2012	\$ 1,807	\$ 1,627	\$ 1,205	\$ 4,639
Current period depreciation	340	288	456	1,084
Impairment losses	-	-	(2)	(2)
Disposals & retirements	(343)	(159)	(327)	(829)
Balance at Dec. 31, 2012	\$ 1,804	\$ 1,756	\$ 1,332	\$ 4,892
Carrying amount at Dec. 31, 2012	\$ 2,355	\$ 931	\$ 1,135	\$ 4,421

¹ Includes \$155 for the cost of the land that the building is situated on. Land has an indefinite useful life and is not depreciated.

Finance leased assets

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

	2013	2012
Cost – capitalized finance leases	\$ 359	\$ 164
Accumulated depreciation	(122)	(77)
Net book value	\$ 237	\$ 87

Total additions of \$219 were added to equipment under finance leases during the year (2012 – \$0).

9. INTANGIBLE ASSETS

	Acquired software	Internally generated software	Internally generated processes	Total
Historical cost				
Balance at Jan. 1, 2013	\$ 917	\$ 1,063	\$ 614	\$ 2,594
Additions	326	22	-	348
Disposals & retirements	-	-	(392)	(392)
Balance at Dec. 31, 2013	\$ 1,243	\$ 1,085	\$ 222	\$ 2,550
Depreciation and impairment				
Balance at Jan. 1, 2013	\$ 762	\$ 729	\$ 533	\$ 2,024
Current period depreciation	122	140	65	327
Disposals & retirements	-	-	(392)	(392)
Balance at Dec. 31, 2013	\$ 884	\$ 869	\$ 206	\$ 1,959
Carrying amount at Dec. 31, 2013	\$ 359	\$ 216	\$ 16	\$ 591

	Acquired software	Internally generated software	Internally generated processes	Total
Historical cost				
Balance at Jan. 1, 2012	\$ 820	\$ 1,063	\$ 614	\$ 2,497
Additions	135	-	-	135
Disposals & retirements	(38)	-	-	(38)
Balance at Dec. 31, 2012	\$ 917	\$ 1,063	\$ 614	\$ 2,594
Depreciation and impairment				
Balance at Jan. 1, 2012	\$ 683	\$ 511	\$ 422	\$ 1,616
Current period depreciation	116	218	111	445
Impairment losses	1	-	-	1
Disposals & retirements	(38)	-	-	(38)
Balance at Dec. 31, 2012	\$ 762	\$ 729	\$ 533	\$ 2,024
Carrying amount at Dec. 31, 2012	\$ 155	\$ 334	\$ 81	\$ 570

10. POST-EMPLOYMENT BENEFITS

The WCB provides post-employment benefits other than pensions (Note 20) consisting of retirement allowances, post-employment life insurance, dental and medical programs. An actuarial valuation was performed as at December 31, 2012.

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

	2013	2012
Discount rate, benefits expense for year	4.00%	4.60%
Discount rate, accrued benefit obligation	5.00%	4.00%
Expected health care costs trend rate; decreasing annually by 0.25% increments to an ultimate rate of 4.00%	5.75%	6.00%
Drug claim increases trend rate; decreasing annually by 0.25% increments to an ultimate rate of 5.00%	6.75%	7.00%
Dental cost escalation	3.00%	3.00%
Retirement age assumption	59 years	59 years
Costs Arising in the Period	2013	2012
Current service costs	\$ 1,283	\$ 1,250
Interest costs	974	1,067
Total employee future benefits expense	\$ 2,257	\$ 2,317

Accrued Benefit Obligation	2013	2012
Beginning of year	\$ 23,228	\$ 22,065
Total employee future benefits expense	2,257	2,317
Actuarial gains on ABO through OCI (a)	(2,769)	(887)
Benefits paid	(335)	(267)
End of year	\$ 22,381	\$ 23,228

(a) The net actuarial gain as at December 31, 2013 arises from re-measurement of the liability at the end of fiscal 2013 using a higher discount rate, which is offset by a strengthening of the mortality assumption.

Estimates are highly sensitive to changes in discount rates and in particular with health care.

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

	2013 CI Impact	2012 CI Impact
1% decrease in the discount rate	\$ (4,856)	\$ (5,675)
1% increase in the discount rate	\$ 3,646	\$ 4,231
1% decrease in the assumed health care cost trend rate	\$ 2,883	\$ 3,641
1% increase in the assumed health care cost trend rate	\$ (4,565)	\$ (4,891)

11. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2013
Balance, beginning of year	\$ 77,181	\$ 1,144,977	\$ 123,061	\$ 302,138	\$ 5,764	\$ 1,653,121	\$ 99,187	\$ 1,752,308
Growth in present value of benefit liabilities	4,942	73,648	7,753	19,450	374	106,167	6,370	112,537
Change in actuarial assumptions (a)	-	-	-	-	-	-	-	-
Adjustment to benefits liabilities(b)	-	-	9,048	-	-	9,048	-	9,048
Actuarial experience adjustments (c)	(1,636)	(25,333)	1,441	1,026	(1,866)	(26,368)	(1,582)	(27,950)
Total growth	3,306	48,315	18,242	20,476	(1,492)	88,847	4,788	93,635
Claims costs incurred	38,312	101,511	8,234	56,173	1,022	205,252	10,293	215,545
Less: Claims payments made	(40,627)	(125,366)	(24,837)	(61,992)	(1,039)	(253,861)	(12,666)	(266,527)
Balance, end of year	78,172	1,169,437	124,700	316,795	4,255	1,693,359	101,602	1,794,961
Liability for occupational disease in latency (d)	16,962	24,749	808	32,955	727	76,201	4,572	80,773
Balance, end of year	\$ 95,134	\$ 1,194,186	\$ 125,508	\$ 349,750	\$ 4,982	\$ 1,769,560	\$ 106,174	\$ 1,875,734

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2012
Balance, beginning of year	\$ 82,984	\$ 1,113,054	\$ 124,105	\$ 283,793	\$ 5,457	\$ 1,609,393	\$ 96,564	\$ 1,705,957
Growth in present value of benefit liabilities	5,757	77,026	8,387	19,623	370	111,163	6,670	117,833
Change in actuarial assumptions (a)	(181)	16,982	2,742	(673)	(14)	18,856	1,132	19,988
Actuarial experience adjustments (c)	(9,901)	(36,731)	(3,590)	6,314	304	(43,604)	(2,618)	(46,222)
Total growth	(4,325)	57,277	7,539	25,264	660	86,415	5,184	91,599
Claims costs incurred	39,502	97,097	5,100	56,998	920	199,617	9,970	209,587
Less: Claims payments made	(40,980)	(122,451)	(13,683)	(63,917)	(1,273)	(242,304)	(12,531)	(254,835)
Balance, end of year	\$ 77,181	\$ 1,144,977	\$ 123,061	\$ 302,138	\$ 5,764	\$ 1,653,121	\$ 99,187	\$ 1,752,308

- a) In 2013 there were no changes in actuarial assumptions. In 2012 there was a change in actuarial assumptions related to the assumed Consumer Price Index (CPI) rate decreasing to 3.0 per cent from 3.5 per cent, increasing the benefits liability by \$19,988.
- b) In 2013, there was an adjustment to the benefits liabilities. On April 16, 1999 amendments to the Workers' Compensation Act received Royal Assent. One of the provisions included in these amendments was to reinstate benefits to survivors who remarried effective January 1, 1999. On May 10, 2013 Bill No. 54, amending the effective date of reinstatement of survivor benefits received Royal Assent. The effective date of the reinstatement was revised from January 1, 1999 to April 17, 1985. Retroactive benefits \$9.048 million are included in the adjustments to the benefits liabilities and in the claims payments; a further \$1.117 million was attributable to self-insured claims.
- c) 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 2013, actuarial experience adjustments decreasing the benefits liabilities totalled \$27,950. The adjustments included:

- A net decrease of \$17,800 as a result of lower than expected new Extended Earnings Replacement Benefits (EERBs) and slightly higher than expected volume of new survivor awards.
- A decrease of \$4,000 as a result of actual payments less than expected due to positive experience trends, primarily in short-term disability and medical health care.
- A decrease of \$9,000 as a result of lower than anticipated inflation for awards in pay.
- A decrease of \$6,100 as a result of mortality experience.
- A net increase of \$4,000 to revise the estimated liability for annuities.
- A net increase of \$4,000 as a result of higher than expected payments at later duration, primarily health care related
- Other non-specified actuarial adjustments resulted in a decrease to the benefits liabilities of \$950.

In 2012, actuarial experience adjustments decreasing the benefits liabilities totalled \$46,222. The adjustments included:

- A decrease of \$26,700 as a result of fewer than expected new EERBs and Permanent Impairment Benefits (PIBs) granted in 2012.
- A decrease of \$9,900 as a result of actual payments less than expected due to positive experience trends, primarily in short-term disability.
- A decrease of \$6,600 as a result of lower than anticipated inflation for awards in pay.
- A net decrease of \$6,000 as a result of mortality experience.
- A decrease of \$2,600 as a result of estimated cost to administer claims.
- A net increase of \$6,800 as a result of higher than expected payments at later duration, primarily health care related.
- Other non-specified actuarial adjustments resulted in a decrease to the benefits liabilities of \$1,222.

- d) Adjustment to the benefits liabilities relate to the Actuarial Standards Board's new standard of practice for workers' compensation organizations, which requires the estimation of liabilities for occupational disease during the latency period rather than when the occupational disease is confirmed through diagnosis. An analysis of past experience was conducted in 2013 and concluded that the liability for occupational disease in the latency period is approximately 4.5 per cent of the total benefits liability. The cumulative impact of this change as of December 31, 2013 is \$80.77 million and is included in the adjustments to the benefits liability.

Actuarial Assumptions and Methods

All liabilities were calculated using an underlying assumption of 3.5 per cent for real rate of return on assets and a rate of increase in the CPI equal to 3.0 per cent in 2013 (2012 - 3.0 per cent). The gross rate of return that results from the CPI and the real rate of return assumptions is 6.5 per cent in 2013 (2012 - 6.5 per cent). The inflation assumptions and the resulting net interest rates for 2013 and 2012 are presented below:

2012 and 2013 Category	Expected Inflation	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits (LTD)	0.5% + CPI	3.5%	3.0%
All Other LTD, Survivor Pensions	50% * CPI	1.50%	5.0%
Health Care	1.75% + CPI	4.75%	1.75%
All Others	CPI	3.0%	3.5%

General Statement – Given the statutory nature of its operations, the Board adopts a long-term view for running its business. A long-term perspective avoids overreaction to what may be a temporary trend and provides for more stable assessment rates. Economic assumptions are chosen to be consistent with the Board's approved investment and funding strategies, both of which consider very long-term trends. Demographic assumptions are chosen to reflect the Board's actual underlying experience. Given the significant statistical volatility associated with workers' compensation benefits, demographic assumptions are not updated each year in response to emerging experience. Rather, they are updated over time once enough experience is available to credibly suggest that deviations are due to actual trends rather than statistical fluctuations.

Consumer Price Index – The 3.0 per cent assumption for the rate of increase in CPI is chosen to be consistent with assumptions used by the Bank of Canada inflation controlled target rate of range of 1.0 to 3.0 per cent. This rate is consistent with long-term averages.

Real Rate of Return – The 3.5 per cent real rate of return assumption was chosen to be consistent with the Board's funding and investment strategies. It is based on expected long-term real return on the assets backing the benefit liabilities. Analysis of historical returns by Board staff has shown that 3.5 per cent appears to be a reasonable and prudent real return target (after investment expenses) given the Board's strategic asset allocation for the Accident Fund.

Gross Rate of Return – The gross rate of return assumption is derived as the sum of the Board's CPI and real rate of return assumptions. Given the assumptions for CPI of 3.0 per cent and real rate of return of 3.5 per cent, the gross rate of return assumption is 6.5 per cent.

Benefit Inflation – The inflation rates assumed for the specific benefit categories are based on their relation to general consumer price inflation, as follows:

LTD & Survivor Benefits – The Act specifies indexing for these benefits at a rate equal to 50 per cent of the change in the CPI. The assumption is 50 per cent of CPI or 1.5 per cent (i.e. 50 per cent of 3.0 per cent).

Medical Aid Benefits – The cost of medical care has historically increased at rates exceeding the general rate of inflation. To account for this, the assumption is that increases due to medical inflation and utilization will be 1.75 per cent higher than the general rate of inflation. As a result, medical inflation assumption is 4.75 per cent (i.e. 1.75 per cent + 3.0 per cent). The appropriateness of this rate is monitored on a regular basis.

Supplementary Awards – Supplementary awards provide an income tested benefit to certain claimants injured prior to March 23, 1990. The assumption is that indexing for supplementary awards will be 0.5 per cent higher than the general rate of inflation, or 3.5 per cent (3.0 per cent + 0.5 per cent). Past reviews of supplementary award experience has shown this assumption to be adequate.

All Other Benefits – All other benefits are subject to general inflation; therefore utilizing the same assumption as used for CPI (i.e. 3.0 per cent).

Future Administration – Future administrative expenses are assumed to be equal to 6.0 per cent of future benefit payments. This assumption is based on an internal review of past administrative expenses conducted by Board staff and is assessed each year to ensure that it remains appropriate.

Occupational Disease – The valuation includes a provision for all recognized occupational diseases that are expected to arise from past workplace exposures. In past valuations, occupational disease claims were recognized upon diagnosis of the covered occupational disease. In 2013, a review of past data was conducted by our independent actuaries to determine a reasonable estimate of the incidence of occupational disease in Nova Scotia Workplaces. The review concluded that an additional provision of 4.5 per cent of the total benefits liability was adequate to cover the cost of occupational disease in the latency period.

Mortality – Mortality for permanent awards is based on the 1983 Group Annuitant Mortality Table (GAM 1983) with a 10 per cent margin (i.e. mortality rates are reduced by 10 per cent to reflect on-going increases in life expectancy). This table was selected based on the results of a study of the Board's mortality experience conducted during 2010. The study concluded that this table is reasonable based on the number of deaths that occurred among the injured worker population over the past several years.

Future Permanent Awards – Future EERB and PIB awards are assumed to occur in accordance with claims run-off tables. These run-off tables are based on the past claims patterns for the Board and are updated from time to time as emerging experience dictates. The run-off tables currently in use were developed for the 2008 valuation. Each year, actual claim experience is compared to that expected by the table and minor experience adjustments are implemented when warranted.

Sensitivity Analysis of Insurance Risk

The benefit liabilities determined in the report are estimated using many actuarial assumptions. The two most significant assumptions are the long-term real rate of return (3.5 per cent) and the long-term inflation rate (3.0 per cent). The liability estimates are highly sensitive to small changes in these assumptions. The following Table provides examples of sensitivity along with the implied investment rate for the test.

Section 5460 of the actuarial standards of practice for Public Personal Injury Compensation Plans requires that the WCB (at minimum) provide sensitivity testing for certain specified scenarios. These mandated scenarios are tested, along with other plausible scenarios in the Table below. The scenarios tested can be summarized as follows:

- Scenario 1 tests the impact of a 100 basis point decrease in the assumed rate of investment earnings.
- Scenario 2 tests the impact of a 100 basis point increase in the assumed rate of inflation.
- Scenario 3 shows the impact of using a discount rate that is equal to the expected rate of return earned on a hypothetical fixed income portfolio, consisting of high-quality bonds of pertinent duration. This scenario can also be thought of as a market value based measurement of the benefits liabilities.
- Scenario 4 shows the impact of strengthening economic assumptions by reducing the assumed inflation rate by 50 basis points.
- Scenario 5 shows the impact of strengthening economic assumptions by reducing both the assumed inflation rate and real rate of return by 50 basis points.
- Scenario 6 provides an integrated test of the impact of a high inflation, low real rate of return environment.
- Scenario 7 provides the impact of a 1 per cent increase in the assumed health care inflation rate.

Sensitivity of Valuation Assumptions

	Assumptions			Change to Liabilities and Incurred Claims		
	Real Return	Inflation	Investment	Effect	Liabilities	Incurred Claims
1	2.5%	3.0%	5.5%	Increase	\$ 149,022	\$ 13,993
2	3.5%	4.0%	7.5%	Decrease	(44,421)	(3,299)
3	2.2%	2.0%	4.2%	Increase	255,470	22,972
4	3.5%	2.5%	6.0%	Increase	23,366	1,731
5	3.0%	2.5%	5.5%	Increase	96,782	8,594
6	2.5%	4.0%	6.5%	Increase	98,090	10,133
7	Increase Health Care Inflation Rate by 1.0%			Increase	\$ 39,216	\$ 3,117

Claims risk management

(a) Managing insurance risk

The WCB has an objective to manage claims risk. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations are significantly affected by factors external to the WCB.

Insurance risk associated with the volume and cost of claims is managed by focussing on performance at the System level, the industry level and the employer level. The balanced scorecard includes corporate performance measures for financial and operational results. Annually, these metrics are linked to the funding strategy and go through a targeting exercise where corporate targets are developed. Metrics are tracked and reported to the Board of Directors quarterly.

At the industry level, Integrated Service Teams are aligned by industry, in order to focus on a single industry, and add value from an injury prevention and return-to-work perspective. Work includes assisting the industry safety associations to understand the trends in their industries and target areas where value can be added. (At the employer level, employer injury rate and trends are used to identify those employers that could improve results from a prevention and return-to-work perspective.) In addition, the rate-setting model provides incentives through Experience Rating for employers to manage injuries and work to prevent future injuries.

(b) Concentration of insurance risk

A large proportion of the covered workers are employed in a relatively small number of workplaces. These workplaces receive more personalized services through Integrated Service Teams, including relationship management, prevention and return-to-work consulting. In addition to focusing on workplaces with a large number of employees, the NS Department of Labour and Advanced Education is provided with data to allow targeted occupational health and safety inspections.

Claims Development Table

The following claims development table is a required disclosure under International Financial Reporting Standards. The top section of the table shows the total dollar amount expected to be paid on claims incurred in the accident year as estimated at various times. Note that claims paid are referred to as "cash flows" in the table so as to be clear that these figures do not include discounting.

To put the top section of the table in context, consider the entry in accident year 2008, and year of estimate 2008 (i.e. \$268,645). This figure was the estimated total cash flows expected to be paid on accidents in 2008, as measured at December 31, 2008. The amount in accident year 2008, and year of estimate 2013 (i.e. \$256,798) provides the same figure re-estimated at a later date. Estimated cash flows in respect of individual accident years will continue to change over time to the extent there are changes in actuarial assumptions and experience is different than expected.

The lower section of the table shows the development of the liability (or present value of future cash flows associated with each accident year) for accident years 2006 through 2013, as well as the liability in respect of accidents prior to 2006.

Claims Development Table

	Year of Estimate	Accident Year									Total
		2006	2007	2008	2009	2010	2011	2012	2013		
Estimated Total Cash Flow	2006	\$ 229,438									\$ 229,438
(Including Past and Future Cash Flows)	2007	256,543	\$ 264,014								520,557
	2008	255,618	258,286	\$ 268,645							782,549
	2009	271,732	259,194	268,721	\$ 277,094						1,076,741
	2010	272,107	264,685	274,394	272,679	\$ 291,200					1,375,065
	2011	275,864	266,190	278,871	262,142	285,756	\$ 307,785				1,676,608
	2012	265,628	254,151	262,054	236,655	257,080	272,468	\$ 292,523			1,840,559
	2013	269,079	256,841	256,798	235,326	250,970	257,182	280,830	\$ 308,160		2,115,186
Current (2013) Estimate of Total Cash Flow		269,079	256,841	256,798	235,326	250,970	257,182	280,830	308,160		2,115,186
Total Cash Flows Paid to December 31, 2013		(123,820)	(112,022)	(99,803)	(83,864)	(76,780)	(63,780)	(50,314)	(25,816)		(635,467)
Estimated Future Cash Flows		145,259	144,819	156,995	151,462	174,922	193,402	230,516	282,344		1,479,719
Impact of Discounting		(63,292)	(64,006)	(70,200)	(68,748)	(79,780)	(89,638)	(107,563)	(131,752)		(674,979)
Liability in Respect of Accident Years 2006 to 2013		\$ 81,967	\$ 80,813	\$ 86,795	\$ 82,714	\$ 95,142	\$ 103,764	\$ 122,953	\$ 150,592		804,740
Liability in Respect of Accident Years 2005 and prior Claims Administration											888,619
Liability for Occupational Disease in latency											101,602
Balance Sheet Liability at December 31, 2013											80,773
											\$ 1,875,734

12. ASSESSMENT REVENUE

	2013	2012
Assessed employers	\$ 258,987	\$ 250,917
Self-insured employers (Note 16)	39,999	39,921
Assessment reporting penalties and interest	1,053	968
	300,039	291,806
Deduct: practice incentive rebates and surcharge refunds	(3,220)	-
	\$ 296,819	\$ 291,806

In 2013, as part of the implementation of the rate enhancement project, funds were collected related to the WCB's Conditional Surcharge Refund Program and the Practice Incentive Rebate Program. These programs are voluntary and offer refunds and rebates to those registered workplaces that have met certain eligibility requirements. They are payable in the following year.

13. ADMINISTRATION COSTS

	2013	2012
Salaries and staff expense	\$ 34,861	\$ 33,651
Professional, consulting and service fees	3,358	2,671
Building operations	2,305	2,227
Communications	1,577	1,518
Services contracted	1,525	1,833
Depreciation	1,295	1,453
Travel and accommodations	820	836
Supplies	766	815
Training and development	535	595
	47,042	45,599
Change in liability for future administration costs	(2,373)	(2,561)
	\$ 44,669	\$ 43,038

14. 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.

15. LEGISLATED OBLIGATIONS

	2013	2012
Occupational Health and Safety	\$ 8,039	\$ 7,374
Workers' Advisers Program	2,635	2,654
Workers' Compensation Appeals Tribunal	1,630	1,710
Injured Workers' Associations	265	200
	<u>\$ 12,569</u>	<u>\$ 11,938</u>

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

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

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 Advanced Education deems appropriate, or the Governor in Council prescribes.

16. 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.

	2013	2012
Revenue	\$ 39,999	\$ 39,921
Claims payments made		
Short-term disability	\$ 4,524	\$ 4,967
Long-term disability	17,087	17,511
Survivor benefits	4,656	2,949
Health care	7,412	7,963
Rehabilitation	29	59
	<u>33,708</u>	<u>33,449</u>
Administration costs	6,291	6,472
	<u>\$ 39,999</u>	<u>\$ 39,921</u>

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.

17. RELATED PARTY TRANSACTIONS

The WCB provides self-insured coverage to provincial government agencies and departments. The Province is considered a related party as the Province administers the Act through which the WCB is governed. The Province, as a self-insured employer, reimburses the WCB for its own incurred claims and a share of WCB administration costs. The amounts included in Note 16 for the Province of Nova Scotia are as follows:

	2013	2012
Revenue	\$ 7,771	\$ 6,112
Claims payments made	6,341	4,757
Administration costs	1,430	1,355
	<u>\$ 7,771</u>	<u>\$ 6,112</u>

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, 2013, the amount receivable from the Province of Nova Scotia was \$718 (2012 - \$755) for claims payments made and administration costs.

Key management personnel of the WCB (CEO, Vice Presidents, Directors and the Board of Directors) are deemed related parties. In addition, close family members of the key management personnel are also related parties of the WCB. There were no transactions or relationships with these related parties, with the exception of salaries and benefits shown below, that require disclosure.

WCB Salaries and Benefits

	2013						2012	
	Number of Individuals	Salary	Benefits	Other	Total	Notes	Number of Individuals	Total
Chair, Board of Directors	1	\$ 42,500	\$ 1,859	-	\$ 44,359		1	\$ 43,565
Board of Directors	9	154,200	5,297	-	159,497		9	165,135
	10	196,700	7,156	-	203,856	¹	10	208,700
Chief Executive Officer	1	240,465	23,224	\$ 7,200	270,889		1	252,172
Chief Financial Officer	1	163,172	24,570	4,054	191,796		1	183,624
VP People and Planning	1	137,065	21,477	4,845	163,387	²	1	93,635
Acting VP Service Delivery	-	-	-	-	0	²	-	53,871
Previous VP People and Planning	-	-	-	-	0	³	-	30,252
VP Prevention and Service Delivery	1	163,172	24,560	4,054	191,786	³	1	153,372
	4	703,874	93,831	20,153	817,858		4	766,926
Staff Salaries & Benefits (Average 2013-\$73,816; 2012-\$71,958)	425	26,660,024	4,793,419	208,190	31,661,633		420	30,420,473
Post-employment Benefits	-	-	2,270,398	-	2,270,398		-	2,339,578
Administration-Salaries & Benefits	439	\$ 27,560,598	\$ 7,164,804	\$ 228,343	\$ 34,953,745	^{4&5}	434	\$ 33,735,677

¹ The Chair's remuneration was based on a daily per diem allowance of \$300 in addition to an honorarium of \$20,000 annually, to a maximum of \$50,000 per year. All other Board members received a daily allowance of \$300 for attendance at Board meetings and related work. In addition to the per diem, the Deputy Chair received an honorarium of \$3,000 per annum and the Committee Chairs received an honorarium of \$2,000 per annum.

² The VP People and Planning was appointed effective May 22, 2012 and was previously the Acting VP Service Delivery.

³ The VP Prevention & Service Delivery was appointed effective March 1, 2012 and was previously the VP People and Planning.

⁴ Salary includes regular base pay. Benefits include the employer's share of the employee benefits - CPP, EI, pension, health/dental, life insurance and long term disability. 'Other' includes vacation payout and travel allowance. Total salaries and benefits in 2013 of \$34,953,745 (2012 - \$33,735,677) varies by \$92,416 (2012 - \$84,706) from Note 13 in the financial statements due to travel allowance disclosed in 'Other', which is posted to 'Travel and accommodations' in Note 13.

⁵ This figure represents the average number of employees on payroll during the fiscal year.

18. INDUSTRY LEVIES

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

Industry	Payee	2013	2012
Construction	Nova Scotia Construction Safety Association	\$ 1,020	\$ 1,040
Trucking	Nova Scotia Trucking Safety Association	286	255
Fishing	Fisheries Safety Association of Nova Scotia	261	182
Forestry	Forestry Safety Society	142	135
Auto Retailers	Nova Scotia Automobile Dealers' Safety Association	121	122
Retail Gasoline	Retail Gasoline Dealers' Association	30	30
		<u>\$ 1,860</u>	<u>\$ 1,764</u>

19. COMMITMENTS

Operating lease commitments

The WCB leases office space under operating leases as follows:

The contractual lease agreement for Halifax office space has a non-cancellable term of four years which commenced on January 1, 2013. The agreement includes one renewal option for a period of three years with the base rent cost to be negotiated at fair market rates.

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

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

	2013	2012
Basic rent ¹	\$ 624	\$ 624
Variable rent ²	838	878
Total rent expense	<u>\$ 1,462</u>	<u>\$ 1,502</u>

¹ Basic rent represents the per-square-foot base rent paid (or minimum lease payments).

² Variable rent is the rent paid to reimburse the lessor for common area costs, insurance and property taxes.

The future aggregate minimum lease payments are as follows:

	2013	2012
Within 1 year	\$ 626	\$ 624
More than 1 year and up to 5 years	1,884	2,290
Later than 5 years	188	413
Total	\$ 2,698	\$ 3,327

Finance lease commitments

The WCB has finance leases for various items of equipment. Lease terms range from 3 to 5 years and have no terms of renewal, purchase options or escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2013		2012	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	\$ 93	\$ 81	\$ 38	\$ 34
One to five years	173	164	62	59
Total minimum lease payments	266	245	100	93
Less finance charges	(21)	-	(7)	-
Present value of minimum lease payments	\$ 245	\$ 245	\$ 93	\$ 93

Leased assets are pledged as security for the related finance lease.

20. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund "Plan", a contributory defined benefit pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both employees and the WCB. Total WCB employer contributions for 2013 were \$2,415 (2012 - \$2,259) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have entitlement to any surplus that may arise in this Plan.

21. CAPITAL MANAGEMENT

The capital management objective reflects the mandate to pay benefits and to ensure the long-term financial sustainability of the Workers' Compensation System. The funding strategy outlines the WCB's planned approach to funding current operations and the eventual elimination of the unfunded liability. Funding of the Workers' Compensation System requires consideration of a number of complex variables and assumptions (rates, benefits, funding period and investment returns).

The WCB monitors the unfunded status based on the funding percentage. The funding percentage calculated by the ratio of total assets to total liabilities is 71.4 per cent (66.5 per cent in 2012).

22. EXPLANATION OF NEW ACCOUNTING STANDARD

For years beginning on or after January 1, 2013, IAS 19 - Employee benefits (Revised) requires actuarial gains and losses to be recorded in other comprehensive income. This change in standard is required to be implemented retrospectively and resulted in the restatement of certain 2012 comparative financial statements. The cumulative impacts of this accounting policy change are outlined in the table below. The change in policy had no impact on the unfunded liability or on the statement of financial position. It changed the presentation of comprehensive income with the introduction of other comprehensive income.

The table below outlines the impact for the retrospective implementation of the change in accounting policy for the comparative year 2012.

Statement of comprehensive income

Excess of revenues over expenses, December 31, 2012	\$ 62,218
Classification of re-measurement of post-employment benefits (gain) to accumulated other comprehensive income, December 31, 2012	(887)
Excess of revenues over expenses, restated December 31, 2012	\$ 61,331

Accumulated other comprehensive income

Accumulated other comprehensive income, January 1, 2012	\$ (9,397)
Re-measurement of post-employment benefits, December 31, 2012	887
Accumulated other comprehensive income, December 31, 2012	\$ (8,510)

ACTUARIAL CERTIFICATE

We have completed an actuarial valuation of the benefit liabilities for insured employers under the Workers' Compensation Act of Nova Scotia (the "Act") as at December 31, 2013, for the purpose of providing input to the Financial Statements of the Workers' Compensation Board of Nova Scotia (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms

Our estimate of the benefits liabilities of \$1,875,734,000 represents the actuarial present value at December 31, 2013, 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, 2013. The liabilities include a provision for future administrative expenses. The liabilities also include a provision for outstanding latent occupational disease awards. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

Data required for the valuation has been provided by the Board. We have reviewed the valuation data to test for reasonableness and consistency with the data used in prior years.

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

All liabilities have been calculated using underlying assumptions of 3.50% per annum for the real rate of return on invested assets and 3.00% per annum for the rate of increase in the Consumer Price Index. These assumptions are consistent with those in the Board's approved funding and investment strategies.

The CPI assumption equates to inflation rates for indexing benefits of 1.50% per annum in respect of long-term disabilities and permanent survivor benefits, because indexing for these benefits is specified under the Act as 50% of the rate of increase in the Consumer Price Index.

Liabilities in respect of permanent long-term disability and survivor benefits in-pay have been determined by projecting cash flows on an individual claimant basis using mortality as the only decrement.

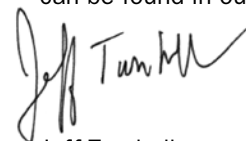
Liabilities in respect of future permanent long-term disability and survivor benefits awards have been determined based on factors developed from historical patterns of permanent awards, and using mortality and valuation interest rate assumptions identical to those used in determining the existing pension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

The liabilities in respect of short-term disability, health care, rehabilitation and the non-permanent portion of survivors' benefits have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 3.00% per annum has been used to project future cash flows for short-term disability claims, rehabilitation, and the non-permanent portion of survivors' benefits. For health care, we used an inflation rate of 4.75% per annum reflecting the greater expected inflation and utilization rate for this benefit category.

It is our opinion that:

- the data are sufficient and reliable for the purpose of this valuation;
- the actuarial assumptions and the methods employed are appropriate for the purpose of the valuation;
- the amount of benefit liabilities makes appropriate provision for future benefit payments on accidents incurred prior to the valuation date; and
- our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial practice in Canada.

Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.



Jeff Turnbull
FSA FCIA

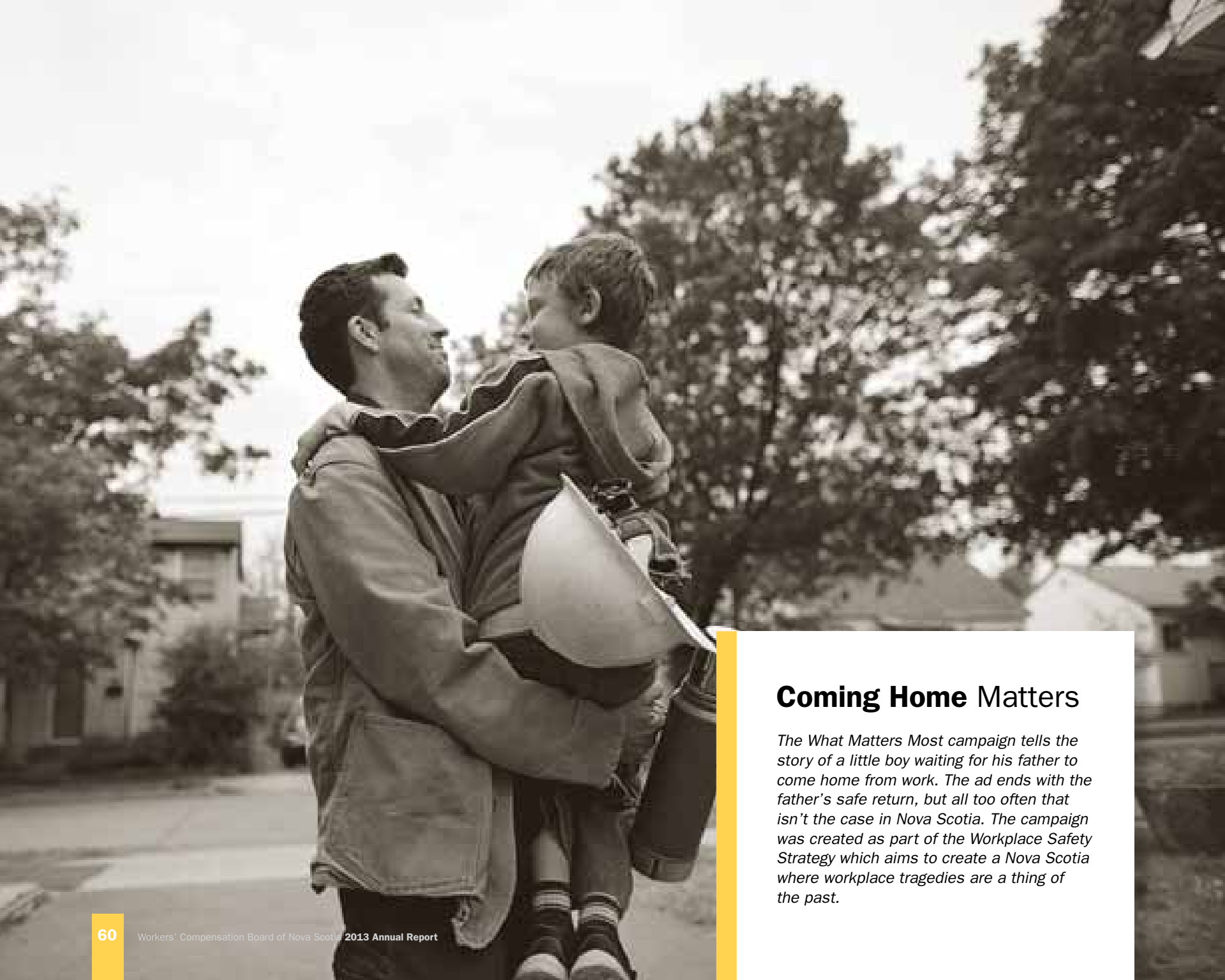


Scott Mossman
FSA FCIA



Giving Matters

WCB employees shop for second hand books at the Legal Services Department's Bake, Book and Chili Sale. The annual fundraising event takes place during the holiday season and all money raised is donated to the Nova Scotia Hospital to support mental health initiatives.



Coming Home Matters

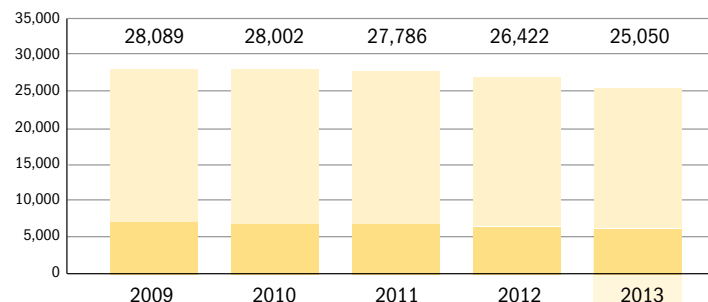
The What Matters Most campaign tells the story of a little boy waiting for his father to come home from work. The ad ends with the father's safe return, but all too often that isn't the case in Nova Scotia. The campaign was created as part of the Workplace Safety Strategy which aims to create a Nova Scotia where workplace tragedies are a thing of the past.

IN 2013:

- The total number of claims registered decreased by 5.2 per cent from 26,422 in 2012 to 25,050 in 2013.
- The total number of time-loss claims in 2013 is 6,034, a 4.8 per cent decrease from the 2012 total of 6,341. This represents 307 fewer workers who sustained injuries severe enough to miss three or more days of work.
- Sprains and strains remain the most common type of time-loss injury, comprising 67.6 per cent of all 2013 compensable time-loss claims.
- At 31 per cent, back injuries comprise nearly one third of all time-loss injuries in 2013.
- Total assessable payroll has increased steadily since 2005. The current figure is \$9.63 billion, a 27 per cent increase from the 2005 figure of \$7.61 billion.
- Health/Social Services is the largest industry sector in the province and accounts for the highest volume of time loss injuries at 1,597 in 2013, which is more than twice as many as the next closest sector.
- The injury rate in Construction, the province's fourth largest sector, fell notably from 2.54 per cent in 2012 to 2.25 per cent in 2013.
- Overall, the provincial injury rate has once again decreased from 1.96 per cent in 2012 to 1.86 per cent in 2013.

2013 STATISTICAL SUMMARY

Status of New Claims



	2009	2010	2011	2012	2013
Compensable Time Loss	7,206	6,921	6,616	6,341	6,034
Other:					
No Compensable Time Loss	14,625	14,717	15,960	15,565	14,394
Not Pursued or Disallowed	6,258	6,364	5,210	4,516	4,622
Other Subtotal	20,883	21,081	21,170	20,081	19,016
Total	28,089	28,002	27,786	26,422	25,050
Fatalities ²	32	23	27	32	34
Clients with Registered Claims ¹	25,110	24,771	24,519	23,548	22,410

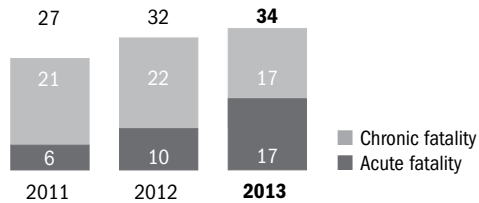
¹ Claims represented are those with accident dates during the report year. Time-loss claims are defined as those claims with accident dates in the report year which received a time-loss benefit during the report year, or within two months of the report year. Some WCB clients may have more than one injury/claim in a year, therefore, the number of clients with claims registered does not equal the number of claims registered.

² Fatalities include all workplace injuries that resulted in the death of a worker as reported by the OH&S Division of the NS Department of Labour and Advanced Education. The reporting methodology changed in 2011.

Workplace Fatalities in Nova Scotia: 2013

34 workplace fatalities occurred in Nova Scotia in 2013.

Type of fatality



17 deaths were classified as “acute,” and were caused by traumatic injuries at a workplace.

17 deaths were classified as “chronic.” This includes two categories:

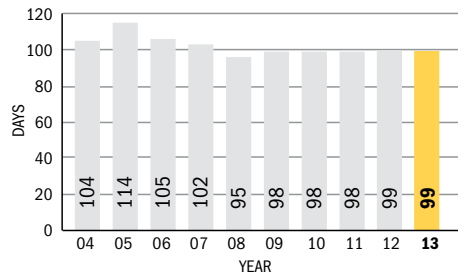
- 12 deaths related to occupational diseases or conditions, often from previous exposures; and
- 5 deaths occurring at a workplace, from other health conditions not necessarily related to the work, primarily cardiac events.

The average age of workers suffering a workplace fatality is **58**

Beginning in 2011, the WCB and the Nova Scotia Department of Labour and Advanced Education's Occupational Health and Safety Division began reporting a single fatality number including both deaths at worksites, and deaths due to occupational disease or illness from previous exposures in a given year. Occupational disease fatalities are those which occurred in 2013, and are on record as of year end.

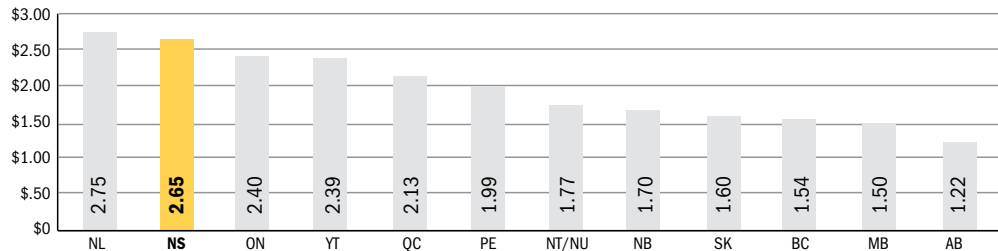
Composite Duration Index

Using AWCBC Composite Method



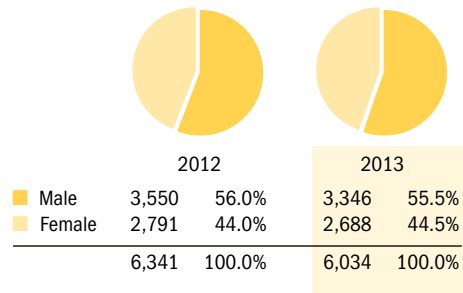
Targeted Average Assessment Rate

All Provinces per \$100 of assessable payroll, 2012 (AWCBC Data)



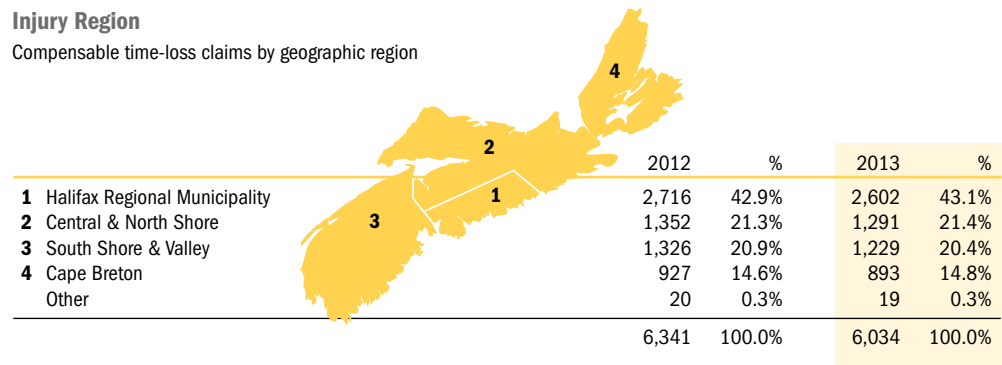
Gender of Worker

Compensable time-loss claims



Injury Region

Compensable time-loss claims by geographic region



Injury Frequency and Claim Volumes by Industry For Nova Scotia, 2013

	Excluding Self Insured Claims								Including Self Insured Claims			
	Assessable Payroll (\$ millions)	% of Total Assessable Payroll	Number of Claims Registered (No Self Insured)	% of Claims Registered (No Self Insured)	Number of Time Loss Claims (No Self Insured)	% of Time Loss Claims (No Self Insured)	Injury Frequency	Injury Frequency Last Year (2012)	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	1,882.6	19.6%	4,967	21.5%	1,597	29.2%	3.05%	3.14%	4,967	19.8%	1,597	26.5%
Retail Trade	1,266.9	13.2%	2,647	11.5%	599	11.0%	1.25%	1.29%	2,744	11.0%	625	10.4%
Manufacturing	1,265.3	13.1%	3,563	15.4%	683	12.5%	2.00%	2.08%	3,563	14.2%	683	11.3%
Construction	1,017.9	10.6%	2,473	10.7%	591	10.8%	2.25%	2.54%	2,473	9.9%	591	9.8%
Wholesale Trade	788.5	8.2%	1,632	7.1%	309	5.6%	1.35%	1.40%	1,632	6.5%	309	5.1%
Accommodation/Food/Beverages	526.7	5.5%	1,688	7.3%	383	7.0%	1.48%	1.55%	1,688	6.7%	383	6.3%
Transportation/Storage	492.7	5.1%	1,146	5.0%	346	6.3%	2.84%	3.01%	1,151	4.6%	347	5.8%
Business Services	482.8	5.0%	402	1.7%	93	1.7%	0.57%	0.61%	402	1.6%	93	1.5%
Communication/Utilities	426.9	4.4%	696	3.0%	132	2.4%	1.20%	1.54%	992	4.0%	224	3.7%
Government Services	358.2	3.7%	561	2.4%	135	2.5%	1.41%	1.34%	2,071	8.3%	585	9.7%
Other Services	327.6	3.4%	691	3.0%	172	3.1%	1.39%	1.46%	691	2.8%	172	2.9%
Educational Services	278.0	2.9%	786	3.4%	190	3.5%	2.17%	2.39%	789	3.1%	190	3.1%
Fishing/Trapping	191.3	2.0%	357	1.5%	103	1.9%	2.49%	2.36%	357	1.4%	103	1.7%
Real Estate/Insurance Agents	110.2	1.1%	157	0.7%	25	0.5%	0.74%	1.21%	157	0.6%	25	0.4%
Agriculture/Related Services	71.7	0.8%	162	0.7%	48	0.9%	2.04%	1.98%	162	0.7%	48	0.8%
Mining/Quarries/Oil Wells	66.6	0.7%	76	0.3%	16	0.3%	1.24%	1.42%	100	0.4%	16	0.3%
Logging/Forestry	42.7	0.4%	103	0.5%	41	0.8%	3.65%	2.37%	103	0.4%	41	0.7%
Finance/Insurance	30.8	0.3%	9	0.0%	0	0.0%	0.00%	0.16%	9	0.0%	0	0.0%
Unknown	0.0	0.0%	999	4.3%	2	0.0%	0.00%	0.00%	999	4.0%	2	0.0%
Total	\$9,627.3	100.0%	23,115	100.0%	5,465	100.0%			25,050	100.0%	6,034	100.0%

* Starting in 2012, School Boards (SIC 8363) are captured in Educational Services. Previously, they have fallen under Government Services.

Claims Registered by Firm

Number of Firms	Number of claims Registered 2013	% of all Firms	Number of new claims registered	% of New Claims Registered
11	200 or more	0.06%	4,635	17.54%
26	100 or more	0.14%	6,746	25.53%
61	50 or more	0.34%	9,185	34.76%
142	25 or more	0.78%	11,895	45.02%
401	10 or more	2.21%	15,779	59.72%
823	5 or more	4.53%	18,463	69.88%

Nature of Injury

Compensable time-loss claims

	2012	%	2013	%
Sprains, Strains	4,186	66.0%	4,081	67.6%
Contusion, Crushing, Bruise	440	6.9%	419	7.0%
Fractures, Dislocations	430	6.8%	395	6.6%
Cut, Laceration, Puncture	305	4.8%	298	4.9%
All Other	198	3.1%	242	4.0%
Concussions, Intracranial Injuries	156	2.5%	171	2.8%
Inflamed Joint, Tendon, Muscle	307	4.9%	165	2.7%
Other traumatic injuries and disorders	167	2.6%	114	1.9%
Burns	75	1.2%	95	1.6%
Digestive system including hernias	77	1.2%	54	0.9%
Total	6,341	100.0%	6,034	100.0%

Injury Event

Compensable time-loss claims

	2012	%	2013	%
Bodily Reaction and Exertion	3,402	53.7%	3,101	51.4%
Falls	998	15.7%	1,004	16.6%
Contact With Objects and Equipment	1,003	15.8%	975	16.2%
Other Events or Exposures	492	7.8%	524	8.7%
Transportation Accidents	158	2.5%	150	2.5%
Exposure to Harmful Substances or Environments	122	1.9%	147	2.4%
Assaults, Violent Acts and Harassment	163	2.6%	129	2.1%
Fires and Explosions	3	0.0%	4	0.1%
Total	6,341	100.0%	6,034	100.0%

Part of Body

Compensable time-loss claims

	2012	%	2013	%
Back	2,037	32.1%	1,870	31.0%
Shoulder(s)	630	9.9%	593	9.8%
Leg(s)	549	8.7%	563	9.3%
Multiple Parts	545	8.6%	519	8.6%
All other	526	8.3%	464	7.7%
Fingers	354	5.6%	349	5.8%
Ankle	279	4.4%	276	4.6%
Arms(s) (above wrist)	283	4.5%	254	4.2%
Wrist	215	3.4%	207	3.4%
Cranial region, including skull	155	2.4%	197	3.3%
Hand (does not include fingers)	179	2.8%	189	3.1%
Foot (does not include toes)	146	2.3%	161	2.7%
Neck	189	3.0%	158	2.6%
Chest	124	2.0%	130	2.2%
Pelvic Region	130	2.0%	104	1.7%
Total	6,341	100.0%	6,034	100.0%

Age at Injury Date

Compensable time-loss claims

	2012	%	2013	%
Less than 20	137	2.2%	143	2.4%
20 to 24	491	7.7%	481	8.0%
25 to 29	507	8.0%	526	8.7%
30 to 34	572	9.0%	534	8.8%
35 to 39	619	9.8%	607	10.0%
40 to 44	788	12.4%	752	12.5%
45 to 49	952	15.0%	838	13.9%
50 to 54	1004	15.8%	933	15.5%
55 to 59	752	11.9%	713	11.8%
60 to 64	408	6.4%	352	5.8%
65 or older	111	1.8%	155	2.6%
Total	6,341	100.0%	6,034	100.0%

Source of Injury

Compensable time-loss claims

	2012	%	2013	%
Persons	2,038	32.1%	1,935	32.1%
Structures and Surfaces	1,034	16.3%	964	16.0%
Other Sources	838	13.2%	830	13.7%
Containers	732	11.5%	605	10.0%
Parts and Materials	545	8.6%	517	8.6%
Tools, Instruments, and Equipment	295	4.7%	301	5.0%
Vehicles	262	4.1%	289	4.8%
Machinery	222	3.5%	243	4.0%
Furniture and Fixtures	233	3.7%	210	3.5%
Animals, Plants and Minerals	106	1.7%	117	1.9%
Chemicals and Chemical Products	36	0.6%	23	0.4%
Total	6,341	100.0%	6,034	100.0%

New to the Annual Report in 2013 is the inclusion of the Source table. All statistics follow the National Work Injury Statistics Program (NWISP), which provides consistency across Canadian workers' compensation jurisdictions. The categories for Injury Source follow the NWISP coding manual descriptions at the 1-Digit level. For example: A strain resulting from moving a patient in health care is one of the many types of injury where the source would be coded as Persons.

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.

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