

WORKERS' SAFETY AND COMPENSATION COMMISSION

# ANNUAL REPORT

# 2018

Northwest Territories and Nunavut



**WSCC** Workers' Safety & Compensation Commission | ᐃᖃᑲᐱᐱᖃᑲᑲᑲ ᐱᖃᑲᑲᑲ  
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# Table of Contents

<b>LETTER OF TRANSMITTAL</b>	<b>2</b>	<b>ADVANCING THE SAFETY CULTURE</b>	<b>22</b>
<b>MESSAGE FROM THE PRESIDENT</b>	<b>3</b>	Making Safety Worth It!	26
Vision, Mission, and Values	4	<b>MINE RESCUE: MAKING SAFETY PARAMOUNT</b>	<b>30</b>
<b>2018 STRATEGIC PRIORITIES AND OBJECTIVES</b>	<b>5</b>	<b>DELIVERING QUALITY SERVICES AND OUTCOMES</b>	<b>32</b>
Governance Council	6	Spotlight on: Case Management	37
<b>ABOUT THE WSCC</b>	<b>9</b>	Operational Statistics at a Glance	38
<b>OPERATIONAL DIVISIONS</b>	<b>10</b>	<b>OUR FINANCES</b>	<b>45</b>
President's Office	10	Management Commentary	46
Nunavut Operations	10	Management's Responsibility for Financial Reporting	48
Corporate Services	10	Actuarial Statement of Opinion	49
Stakeholder Services	12	Independent Auditor's Report	50
Financial Services	13	<b>FINANCIAL STATEMENTS</b>	<b>54</b>
Executive Services	13	Statement of Financial Position	54
<b>2018 INJURY STATISTICS</b>	<b>14</b>	Statement of Comprehensive Income	55
<b>2018 TERRITORIAL DEMOGRAPHICS</b>	<b>16</b>	Statement of Changes in Equity	56
<b>2018 KEY PERFORMANCE INDICATORS</b>	<b>17</b>	Statement of Cash Flows	57
Safety: The #1 Priority	18	Notes to the Financial Statements	58
What is Safety Culture?	20		

# Letter of Transmittal

April 30, 2019

**The Honourable Margaret Thom**

Commissioner of the Northwest Territories

**The Honourable Nellie T. Kusugak**

Commissioner of Nunavut

**The Honourable Alfred Moses**

Northwest Territories Minister Responsible for the  
Workers' Safety and Compensation Commission

**The Honourable George Hickes**

Nunavut Minister Responsible for the Workers'  
Safety and Compensation Commission

In accordance with Section 106(1) of the Northwest Territories and Nunavut *Workers' Compensation Acts*, it is my pleasure to present the Workers' Safety and Compensation Commission's (WSCC) Annual Report for the year ending December 31, 2018.

The Governance Council, in collaboration with the WSCC Senior Management Team, shares the vision and responsibility to eliminate workplace diseases and injuries across the Northwest Territories and Nunavut. Operating in a manner consistent with the *Workers' Compensation Acts*, policies, and corporate governance directives, the Governance Council oversees the business, management, and accountability of the WSCC.

The *2018 Annual Report* reports on our strategic commitments, our progress towards achieving our goals, and is generally a summary of last year's operations. Also included are audited financial statements, which reflect our commitment to sustaining the *Workers' Protection Fund*.

Accompanying the financial statements is an actuarial opinion on the reasonableness of future pension and claims liabilities, and the adequacy of the WSCC's contingency reserves.

I congratulate the Governance Council, employees, and WSCC partners on their continued dedication to serving our stakeholders and ensuring workplace safety and care for workers throughout the Northwest Territories and Nunavut.



**David Tucker**  
Chairperson

# Message from the President



With 2018 complete, the Workers' Safety and Compensation Commission executed the first year of a new five-year strategic plan. Two strategic priorities drive this ambitious plan: *Advancing the Safety Culture* and *Delivering Quality Services and Outcomes*. Over the course of 2018 and using these

priorities as guidance, the WSCC delivered services to over 40,000 workers and close to 4,000 employers in the Northwest Territories and Nunavut.

Before developing our new strategic cycle, we evaluated the vision, mission, and values that govern our activities and direct our work. We planned, developed, and began implementation of projects to meet the needs of our stakeholders and provide the highest possible standard of service delivery. The Governance Council also introduced two new organizational values; *stewardship* and *cultural safety*, which align with both the WSCC's priorities and the stakeholders that we serve.

The safety culture is the backbone of our vision to *eliminate workplace diseases and injuries* and encompasses everything we do. Safety culture is a shared set of values and beliefs regarding workplace safety and health that influences how workplace safety is prioritized by workers, employers, and the general public. In 2018, we progressed on five objectives to, among other things, increase occupational health and safety (OHS) programs and educational activities, bring more OHS resources to key audiences, address emerging issues and trends in workplace safety, and raise awareness of the Internal Responsibility System (IRS).

Aligning with our accomplishments under the previous strategic plan, we established six new objectives relating to the delivery of quality services and outcomes to our stakeholders. We moved forward with our e-Business strategy, bringing more services online for stakeholders to access conveniently and quickly. We maintained a focus on return to work, financial stewardship, data integrity, and communication, and also worked towards improving cultural safety in our services for stakeholders.

For 2018, we updated the set of Key Performance Indicators (KPIs) that measure our corporate performance. Several of these require baseline data that remains in progress and will facilitate the development of appropriate targets for movement in future years of the strategic plan. We take care to measure our progress quarterly and annually, evaluating movement against our goals and determining any required adjustments. I invite you to review the details in this document about our work in 2018 and our direction moving forward. I am pleased with the WSCC's progress over the last year, and I remain confident that we have established a strong foundation for the next phase of our five-year plan.

**Dave Grundy**  
President and CEO

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“ At the WSCC, we strive to deliver the highest possible quality of services to stakeholders, making sure that we are effective, culturally safe, accessible, and prompt in all that we do. ”

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# our vision

Eliminate workplace diseases and injuries.

# our mission

We promote workplace health and safety while providing no fault insurance to employers and care for injured workers.

# our values

**Respect** - We demonstrate care, compassion and honesty.

**Engagement** - We ensure meaningful participation and collaboration.

**Integrity** - We honour our commitments and act fairly.

**Openness** - We are accessible, clear and transparent.

**Cultural Safety** - We recognize, gain knowledge of, and respect cultural dignity.

**Excellence** - We are efficient and service focused.

**Stewardship** - We sustain the Workers' Protection Fund through accountability and fiscal responsibility.

## What are an organization's vision, mission, and values?

**Vision:** A clear, concise and compelling picture of what success looks like to the organization. The vision seeks to motivate and inspire.

**Mission:** A brief explanation of why the organization exists, what it provides, and for whom.

**Values:** Expressions of fundamental beliefs that guide the behaviours of staff in how they act towards each other and with stakeholders.

# 2018 Strategic Priorities and Objectives



## Strategic Priority 1

### Advancing the Safety Culture

#### Objectives

- Increase the number of employers with an occupational health and safety (OHS) program.
- Increase occupational health and safety (OHS) education in communities for vulnerable workers.
- Improve criteria for directed inspections to increase compliance with governing regulations.
- Analyze and address emerging issues and trends in workplace safety.
- Improve public awareness of the Internal Responsibility System (IRS).



## Strategic Priority 2

### Delivering Quality Services and Outcomes

#### Objectives

- Continue implementation of the e-Business strategy.
- Increase safe and timely return to work (RTW).
- Improve cultural safety in our day-to-day work and in our services for stakeholders.
- Maintain financial stewardship of the Workers' Protection Fund.
- Improve integrity of and access to data.
- Enhance communication.



## Governance Council

### Representing Your Interests....

Governing the WSCC is a seven-person Governance Council, representing the interests of workers, employers, and the general public across both territories. The Governance Council is responsible for overseeing the WSCC's management and for providing responsible stewardship of the *Workers' Protection Fund*.

The Governance Council oversees the WSCC according to the rules provided in the *Workers' Compensation Acts*, WSCC policies, and Governance Council directives. Meeting quarterly, the Governance Council regularly monitors the financial and strategic performance of the organization, and provides a consistent point of contact for governance.

**David Tucker**, Chairperson

**Jack Rowe**, Vice Chairperson, Northwest Territories Employer Representative

**Arlene Hansen**, Northwest Territories Employer Representative

**Rachel Makohoniuk**, Northwest Territories Worker Representative

**Abe Theil**, Northwest Territories Public Interest Representative

**Janet Brewster**, Nunavut Worker Representative

**Joseph Ohokannoak**, Nunavut Public Interest Representative



## Roles and responsibilities of the Governance Council include:

- providing strategic direction and oversight;
- providing risk management oversight;
- governing the WSCC and giving general direction to the President on WSCC operations;
- ensuring the proper administration of the *Workers' Compensation Acts*, the *Explosives Use Acts*, the *Mine Health and Safety Acts*, the *Safety Acts*, and *Regulations* made under these Acts;
- reviewing and approving the programs and policies of the WSCC;
- reviewing and approving the annual operating and capital budgets;
- ensuring the proper stewardship of the *Workers' Protection Fund*; and
- recommending any changes deemed necessary respecting the Years' Maximum Insurable Remuneration (YMIR) to the Ministers Responsible for the WSCC.



“ Our diverse membership meets regularly to review the strategic and operational progress of the WSCC, to explore emerging issues, challenge assumptions, find a balance in our various competing priorities, and ensure that the interests of stakeholders remain the driving force behind everything we do. ”

**David Tucker**, Chairperson

## The Meredith Principles

### 1. *No-Fault Compensation*

Workers are paid benefits regardless of how the injury occurred. The worker and employer waive the right to sue, and there is no argument over responsibility or liability for an injury.

### 2. *Security of Benefits*

A fund is established to guarantee funds exist to pay benefits.

### 3. *Collective Liability*

Employers share liability for workplace injury insurance. The total cost of the compensation system is shared by all employers, and all employers contribute to a common fund. Financial liability becomes their collective responsibility.

### 4. *Independent Administration*

The organizations which administer workers' compensation insurance are separate from government.

### 5. *Exclusive Jurisdiction*

Only workers' compensation organizations provide workers' compensation insurance. All compensation claims are directed solely to the compensation board. The board is the decision maker and final authority for all claims.

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“ The role of the Governance Council is to provide oversight of the compensation system and operational guidance to ensure the system operates in the best interests of our stakeholders. We strive to reflect on and uphold the Meredith Principles, which provide the foundation for compensation boards across Canada by balancing the varying interests of claimants, employers, and the public at large. ”

**David Tucker**, Chairperson

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# About the WSCC

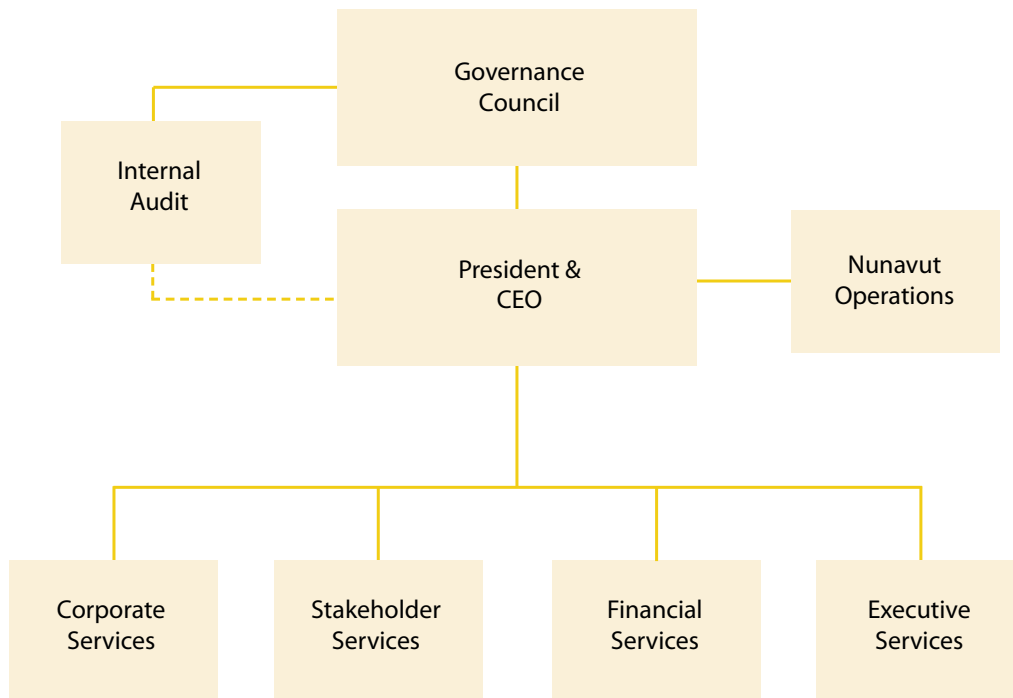
## Safety and Care

The WSCC is an independent statutory agency responsible for administering the *Workers' Compensation Acts, Safety Acts, Explosive Use Acts, and the Mine Health and Safety Acts* of the Northwest Territories and Nunavut. These *Acts* and the associated *Regulations* help protect and care for workers and employers in the Northwest Territories and Nunavut.

With the broad mandate of safety and care, the WSCC has two strategic priorities for 2018-2022: **Advancing the Safety Culture** and **Delivering Quality Services and Outcomes**. Diverse objectives, actions, and initiatives guide the WSCC's annual activities associated with furthering these strategic priorities, and the organization provides a wide variety of operational services to stakeholders. These operational activities align with the WSCC's mission to **promote workplace health and safety while providing no fault insurance to employers and care for injured workers**.

The WSCC provides services to around 40,000 workers and 4,000 employers across both jurisdictions, processing over 3,000 claims each year for workers, and conducting over 1,000 inspections to keep workplaces safe. Like all workers' compensation systems in Canada, these services are provided in accordance with the Meredith Principles. This was a historic compromise in which employers fund the compensation system and share liability for injured workers; in return, injured workers surrender their right to legal action, and are provided benefits while they return to health and work.

The WSCC's corporate structure includes six divisions: the President's Office, Stakeholder Services, Corporate Services, Executive Services, Financial Services, and Nunavut Operations.



# Operational Divisions

# WSCC Working for You

## President's Office

The President's Office is the link between WSCC administration and the Governance Council. This office communicates the directions, decisions, and requirements of the Governance Council and the Northwest Territories and Nunavut Ministers responsible for the Workers' Safety and Compensation Commission to the organization. The President's Office manages all legal services, internal audit and investigations, internal and external communications, translation services, strategic and corporate planning, and quarterly and annual reporting. The WSCC's Continuous Excellence Program is administered out of the President's Office, as are initiatives related to our value of cultural safety.

This division includes the WSCC's President and CEO, Chief Governance Officer and Senior Advisor, Legal Services, Communications, and Corporate Reporting.

The President and CEO is accountable for the WSCC's operations and performance according to authority delegated by the Governance Council. The President and CEO ensures the effective and efficient operation of the WSCC by establishing and achieving corporate performance goals and objectives.

Legal Services provides the WSCC with legal advice and manages the WSCC's legal actions. It works with the legislation governing the WSCC, providing advice on the application of the *Acts* and *Regulations* that the WSCC is mandated to enforce. Legal Services also supports any stakeholder consultation required for recommended amendments to the *Acts* or *Regulations*, ensuring that the voices and opinions of workers and employers are appropriately heard and reflected in any proposed changes and upholding the values of **respect, engagement, and openness**.

WSCC Internal Auditors are employees of the WSCC who act independently of other WSCC divisions. Although administratively, Internal Auditors fall under the President's Office, they report directly to the Governance Council. Their role is to provide detailed financial and

program audits of WSCC programs and processes, and make recommendations to the Governance Council and President. Audits ensure the effective and efficient operation of the organization, aligning with the values of **integrity, excellence, openness, and stewardship**.

Communications and Corporate Reporting is responsible for the WSCC's internal and external communications, supporting objectives related to enhancing awareness of the WSCC and the Internal Responsibility System. Communications also manages translations and official languages services, ensuring that the WSCC meets legislated language requirements, and supporting stakeholders in receiving services in the official language of their choice. Corporate Planning and Reporting is responsible for management of the strategic plan, annual corporate plans, quarterly updates, and production of the annual report. This unit supports the organizational values of **engagement, openness, and cultural safety**.

## Nunavut Operations

Nunavut Operations, located in Iqaluit, ensures that the WSCC's operations in Nunavut are effective and efficient. The WSCC delivers claims, employer, medical, and prevention services to stakeholders throughout Nunavut from this office, upholding all organizational values of the WSCC.

## Corporate Services

The Corporate Services division provides human resources, facilities, records management, and information technology services to all WSCC divisions.

Human Resources manages recruitment of employees, as well as training and development and performance management for current employees. This unit ensures that the WSCC has the required resources to carry out work, and that staff regularly update their skills and increase organizational capacity. The WSCC's Health and Wellness Program is coordinated within Human Resources, ensuring that employees' needs are met



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Values are expressions of fundamental beliefs that guide the behaviours of staff.

and that their safety and wellness is prioritized. Human Resources supports the organization's needs in alignment with the values of **engagement**, **excellence**, and **stewardship**.

Facilities and Records Management ensures that WSCC properties are safe, work environments are healthy, and that the buildings, vehicles, and assets used by the WSCC in both territories are well-maintained. The Records Management unit ensures the proper and accurate management of all WSCC files, aligning records management practices across the organization. Staff in this unit also coordinate all incoming and outgoing mail. Facilities and Records Management regularly upholds the organizational values of **excellence** and **engagement** in the work that they do.

Information Services provides multi-faceted information technology services throughout the organization, including technical support, systems security and business analysis, and applications development. It supports the effective operation of essential WSCC platforms, ensuring that both internal and external stakeholders have reliable, secure access to online and computer-based services. Information Services drives the WSCC's e-Business work, increasing and enhancing online services to stakeholders on an ongoing basis, and aligning all of their work with the values of **engagement** and **excellence**.

## Stakeholder Services

Stakeholder Services provides services to external stakeholders through the Prevention, Claims, Pensions, Medical, and Employer Services units.

At the forefront of the WSCC's vision to *eliminate workplace diseases and injuries*, staff in Prevention Services conduct safety inspections, investigate incidents, monitor mine rescue programs, promote safety standards and regulations, identify and target unsafe work conditions, develop and implement occupational health and safety programs for large and small employers, and advise on best safety practices for workers and employers. Prevention Services operates in alignment with the values of **respect, engagement, cultural safety, and excellence**.

Claims Services works directly with injured workers, their employers, and healthcare providers in the event of a workplace injury or illness. Staff in Claims Services collaborate with all parties to return injured workers to health and, when it is appropriate, to work, facilitating care and providing guidance through the recovery process. In the event of permanent medical impairment or disability as a result of a workplace injury or illness, the WSCC's Pensions unit provides compensation and services for the impairment or disability, as well as payment for loss in earning capacity. Claims Services' work is guided by the values of **respect, engagement, cultural safety, excellence, and stewardship**.

Medical Services supports injured workers and their return to health and work by providing technical medical expertise to WSCC staff. Staff in the Medical Services unit engage with healthcare providers across the Northwest Territories and Nunavut to increase awareness of the WSCC's services and help support early intervention for injured workers. Medical Services are provided with **respect and cultural safety**.

Employer Services works with employers to ensure the accurate classification of businesses, process assessments, and provide information to employers. Employer Services plays a key role in the WSCC's mandate to sustain the *Workers' Protection Fund*, ensuring that assessments are

fair and accurate, and that employers report correct information on time. Assessments are regularly audited and verified, and Employer Services operates with **respect, integrity, and stewardship**.

"When it comes to delivering services, all WSCC departments work together toward our collective success. We share the responsibility to ensure that the services we deliver to stakeholders are effective, prompt, and in alignment with our organizational values. On a daily basis, we all operate toward the common priority of *delivering quality services and outcomes*."

Employer Services Representative (Iqaluit)



## Financial Services

The Financial Services division consists of the Finance and the Treasury and Procurement units, which together ensure the sustainability of the *Workers' Protection Fund*.

Finance is responsible for processing payments to injured workers and their families, employee payroll, accounts payable and accounts receivable, and the WSCC's annual budget. Financial Services monitors internal financial systems and controls, including banking and budgets, as well as monitoring claims costs and planning and reporting on capital and operational budgets. Audit and financial reporting requirements are handled by this unit, upholding the values of **openness, excellence, and stewardship**.

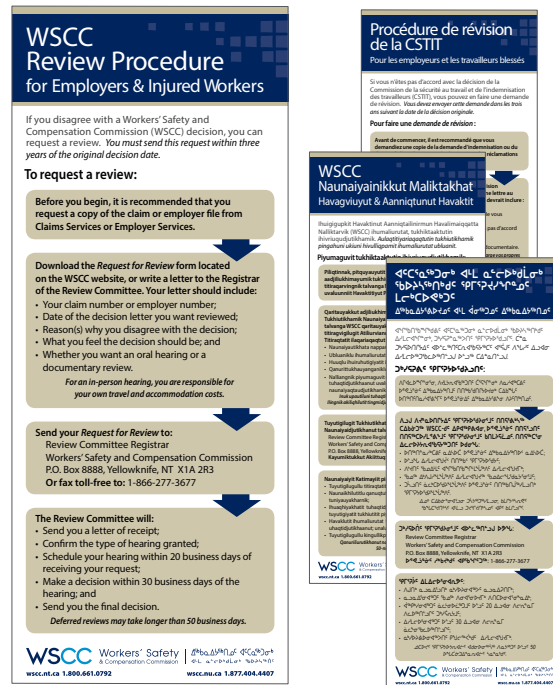
Treasury and Procurement administers contracts, manages procurement, undertakes risk management, and oversees the WSCC's investments and liabilities. It ensures that investments are appropriately monitored, and that all contracts, tenders, and requests for proposals are done in accordance with requisite procedures. Treasury and procurement operates with **integrity and stewardship**.

## Executive Services

The Executive Services division consists of the Policy and Data Analytics unit and the Review Committee. Policy and Data Analytics works with all staff in identifying and monitoring performance measures related to WSCC processes, providing subject matter expertise on data management and working across the organization to support data-driven decision making. The unit also provides reviews, drafts, and updates policies and procedures, providing support and subject matter expertise to all staff. All Access to Information and Protection of Privacy (ATIPP) matters are also processed by staff in Policy and Data Analytics, which upholds the organizational values of **engagement, openness, and excellence**.

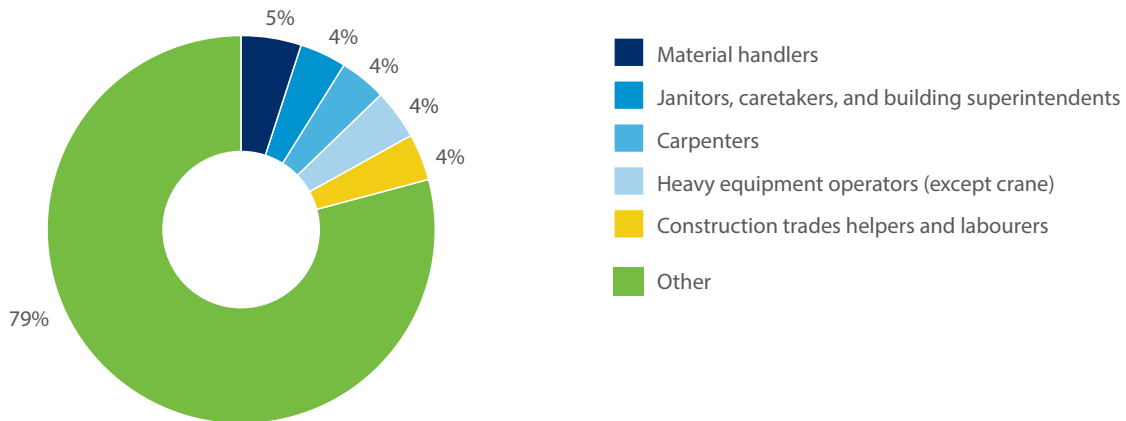
The Review Committee is the WSCC's internal review body. It provides the first level of review in the legislated appeals process, and is available if a claimant or employer is dissatisfied with a decision made by the WSCC. The Review Committee operates independently from other units, pursuant to the *Workers' Compensation Acts*. The Review Committee is aligned with the values of **integrity, engagement, and excellence**.

## WSCC Review Procedure for Employers & Injured Workers



# 2018 Injury Statistics\*

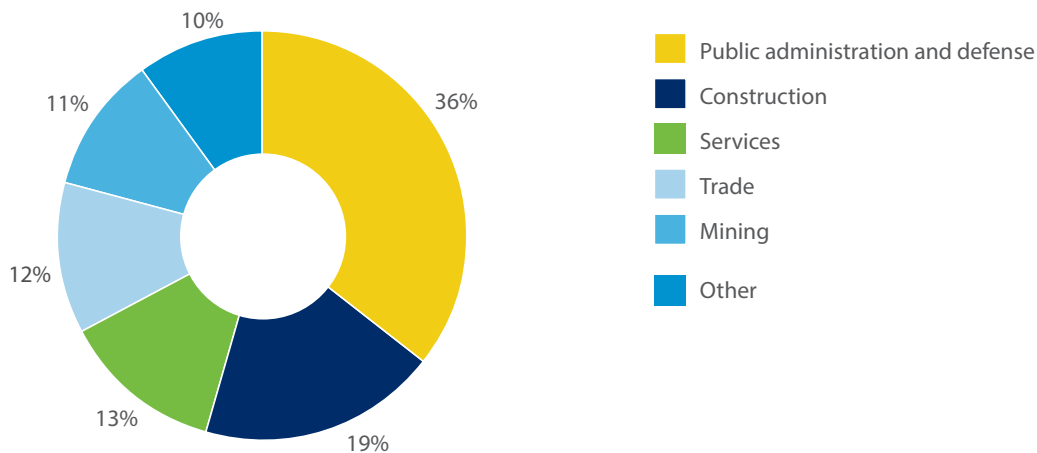
## Top Five Occupations with Time Loss Claims in 2018



The top five occupations with time loss claims in 2018 contributed to 21% of the total time loss claims at the WSCC. These include:

- 1) Material handlers, 5%
- 2) Janitors, caretakers, and building superintendents, 4%
- 3) Carpenters, 4%
- 4) Heavy equipment operators (except crane), 4%
- 5) Construction trades helpers and labourers, 4%

## Top Five Industries with Time Loss Claims in 2018



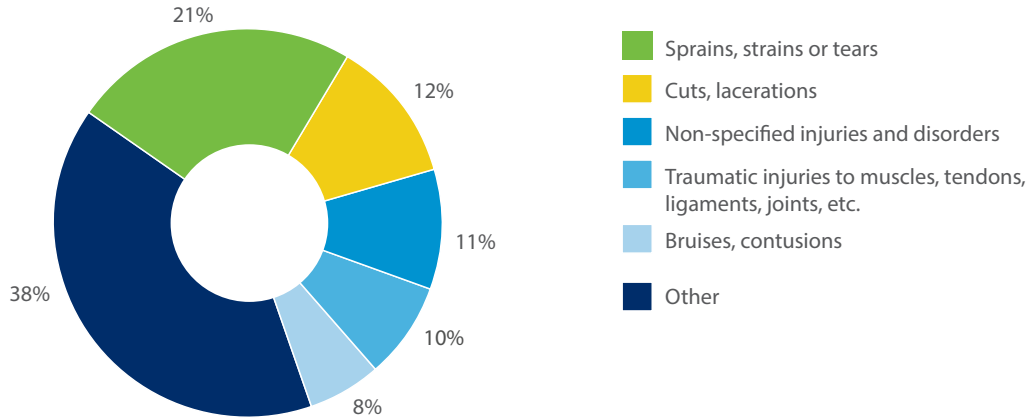
The top five industries with time loss claims in 2018 contributed to 91% of total time loss claims at the WSCC. These include:

- 1) Public administration and defense, 36%
- 2) Construction, 19%
- 3) Services, 13%
- 4) Trade, 12%
- 5) Mining, 11%

\* Charts may total slightly more or less than 100% due to the rounding of decimal places.



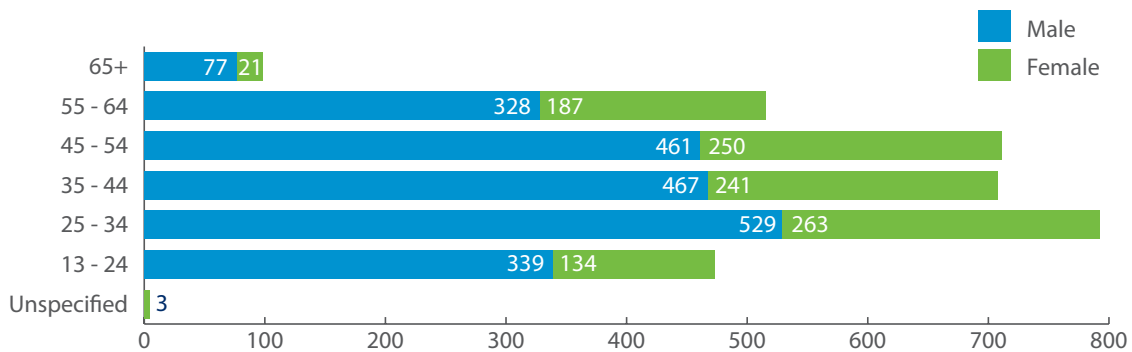
## Top Five Injury Types with Time Loss Claims in 2018



The top five injury types with accepted claims in 2018 contributed to 62% of total claims at the WSCC. These include:

- 1) Sprains, strains or tears, 21%
- 2) Cuts, lacerations, 12%
- 3) Non-specified injuries and disorders, 11%
- 4) Traumatic injuries to muscles, tendons, ligaments, joints, etc., 10%
- 5) Bruises, contusions, 8%

## 2018 Time Loss Injury by Age and Gender



In 2018, males contributed to the majority of time loss claims, representing 67% of total time loss claims. Workers aged 25-34 were the most vulnerable age group, representing 25% of total time loss claims.

\* Charts may total slightly more or less than 100% due to the rounding of decimal places.

# 2018 Territorial Demographics

	NWT	NU	Total
Population <sup>1</sup>	44,445	38,650	83,095
Number employed <sup>2</sup>	26,030	17,864	43,894
Average weighted weekly earnings <sup>3</sup>	\$1,416.38	\$1,310.30	\$1,373.47

<sup>1</sup> Statistics Canada, *Table 17-10-0009-01*, Population estimates, quarterly (formerly CANSIM 051-0005)

<sup>2</sup> Statistics Canada, *Table 14-10-0201-01*, Employment by industry, monthly, unadjusted for seasonality (formerly CANSIM 281-0023)

<sup>3</sup> Statistics Canada, *Table 14-10-0203-01*, Average weekly earnings by industry, monthly, unadjusted for seasonality (formerly CANSIM 281-0026)



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# 2018 Key Performance Indicators



Key Performance Indicator	Metric	Q1	Q2	Q3	Q4	YTD	Target	Assessment
<b>STRATEGIC PRIORITY 1: ADVANCING THE SAFETY CULTURE</b>								
1. Time loss frequency	+/- 0.05 pts of previous year's average	2.37	2.12	1.97	2.21	2.17	1.99	
2. Employers with an Occupational Health & Safety Program	% increase in years 2-5	n/a	n/a	n/a	n/a	n/a	Baseline 2018	
3. OHS education in communities for vulnerable workers	% increase in years 2-5	n/a	n/a	n/a	n/a	n/a	Baseline 2018	
4. Decreased average number of orders per inspection	% decrease in weighted average	2.22	2.80	3.34	3.24	2.87	3.0	
5. Increased public awareness of the IRS	% increase in years 2-5	n/a	n/a	n/a	n/a	n/a	Baseline 2018	



<b>STRATEGIC PRIORITY 2: DELIVERING QUALITY SERVICES AND OUTCOMES</b>								
6. Short term time loss duration	% of cases with duration less than 10 days	70.8%	71.6%	69.6%	67.2%	70.2%	75%	
7. Time to first payment	% of first compensation payments issued within 20 days	91.2%	94.4%	83.9%	86.2%	88.6%	90%	
8. Time to entitlement decision	% of decisions made within 15 days	73.0%	77.6%	73.9%	69.3%	73.4%	70%	
9. Return to work	% of injured workers RTW within 6 months	70.3%	65.4%	62.1%	59.6%	64.9%	75%	
10. e-Business user satisfaction	% of satisfied respondents	84%	77%	88%	78%	82.0%	80%	
11. Funded position (2018 final figure)	% of funded position	102%	102%	102%	102%	102%	110%-140%	
12. Operating budget	Within % of annual budgeted expenses	-5.5%	-12.1%	-10.6%	-16.9%	-7.6%	+/-5%	
13. Claims costs*	Within % of annual budgeted claims costs	-8.0%	16.5%	9.9%	-1.8%	25.4%	+/-10%	
14. Return on investment	% returned	0.34%	2.28%	0.28%	-3.02%	-0.20%	5.85%	

\*The YTD and quarterly claims measures do not include the allocation of administrative costs. Those costs are captured in KPI # 12 (operating budget). The YTD claims measure include actuarial adjustments determined at year end.



Performance meeting or exceeding target



Performance marginally off target



Performance off target



“ Safety is who I am; it’s wrapped up in my identity, from my first job throughout my entire professional career. ”

**Judy Kainz**

Director, Prevention Services

# Safety: The #1 Priority

## Safety Trailblazers WSCC's Director of Prevention Services Judy Kainz

Judy Kainz has had a keen eye for safety from the very beginning. The WSCC's Director of Prevention Services began her career as a factory worker in St. Mary's, Ontario, where she took part in her workplace Occupational Health and Safety (OHS) Committee. The more she saw safety coming up short, the more she saw the need to bring safety to the forefront of workplace priorities.

From that point forward, Judy made safety her business; earning a certificate in OHS and embarking on a diverse career as a safety professional.

Judy began her time in the North in Nunavut. The North presents unique challenges; remote work sites, extreme conditions, decreased access to medical care, and fewer options for training, suppliers, and materials. Enacting safety legislation that effectively addresses these challenges was not an easy task, as the *Acts* and *Regulations* needed to reflect the unique contexts of the Northwest Territories and Nunavut and address the extreme conditions in which workers and employers operate. Looking back, Judy considers the introduction of safety legislation in the Territories as the accomplishment she's most proud of in her career; however, she

acknowledges that that work isn't done yet. "Safety is never finished," she notes, highlighting the need to review and update legislation regularly.

"What I found problematic was a workplace where the focus was on production, not on people."

Demonstrating how to make safety the number one priority, coming before profit, speed, or convenience, can be an ongoing challenge. Transient workers and

high turnover means that safety training and messaging must be constantly reinforced. Access to information and communication can be difficult too, ensuring that diverse language needs are considered, and overcoming unreliable telephone and Internet connections to make contact with workers and employers.

As the WSCC's Director of Prevention Services, Judy applies skills and expertise developed over a lifelong career in safety to support workers and employers to overcome these challenges. Judy has been a trailblazer for women in an industry that predominately employs men, becoming the first female Chief Safety Officer in the Northwest Territories and Nunavut. She is a nationally-recognized leader in safety, and regularly represents and advocates for the interests of northern stakeholders in the Territories and across Canada.



A portrait of Bert Hausauer, a middle-aged man with glasses and a goatee, smiling. He is wearing a dark shirt with the WSC logo. The background is a solid grey color.

“ When it comes to the workplace, *Face Safety Head On!* has always been my motto. It means that safety comes first for everyone in a workplace. Identify and control hazards, protect everyone’s health and safety, and never take it for granted. ”

**Bert Hausauer**

Chief Occupational Health and Safety (OHS) Inspector

# What is Safety Culture?

Safety culture is a shared set of values and beliefs regarding workplace safety and health that forms part of an organization's overall culture. In particular, it influences how workplace safety is prioritized and guides workers, employers, and the general public in maintaining safety as the ultimate priority for everyone. Safety culture is important in the workplace, in education systems, in government, and in any other institutions that act collectively to establish and maintain shared values and beliefs.

The WSCC has a strategic priority to **advance the safety culture**, towards our ultimate vision to **eliminate workplaces diseases and injuries**. Supporting workers and employers in sharing this priority of safety above all else remains a focal point for the WSCC throughout the duration of this strategic plan.

In 2018, the WSCC initiated work on diverse activities in the interest of the safety culture. The establishment of baseline data was a priority, as the development and implementation of programs requires a comprehensive understanding of the needs of workers and employers when it comes to safety and their rights and responsibilities in the workplace. This data will allow the WSCC to effectively track and monitor progress over the course of the 5-year plan, and ensure that we offer the right programs and services, to the right audience, in language that is appropriate and well understood.



## Codes of Practice

Providing practical guidelines to help employers and workers understand and meet safety standards required by legislation



## A Guide to OHS Legislation

**Mobile App** Full of safety resources, available free of charge, and usable without an Internet connection



## OHS Program Guide for Small Businesses

Explaining how to build your program and including samples and templates



## Toolbox Talks

On various subjects, which can be delivered by a WSCC OHS Inspector upon request



## Posters

For display in your workplace that you can print or request for free, in four languages



## Hazard Alerts

Based on incidences that occur in the North, explaining the danger and offering instructions to minimize risk

**...and much more!**



Report on 2018 Activities  
**Advancing  
the Safety Culture**

Workers' Safety and Compensation Commission  
Northwest Territories and Nunavut



## 1.1 – Increase the number of employers with an occupational health and safety (OHS) program

Occupational health and safety (OHS) programs at workplaces across the Northwest Territories and Nunavut are key to practicing and advancing the safety culture. In 2018, the WSCC set out diverse *Actions* and *Initiatives* to increase the overall number of employers with complete OHS programs in their workplaces.

Legislatively, OHS programs have a number of requirements including a health and safety policy, general company safety rules, and an emergency preparedness program, among other things. In developing these components, the needs of large and small employers are different, and one of the first priorities for the WSCC was to establish baseline metrics for OHS programs and visits at large and small employers. This meant defining what constitutes a visit and a point of engagement to ensure consistency in tracking and outreach as well as establishing validity in stakeholder data, and establishing a tracking mechanism to monitor engagement with employers.

Determining baseline data for OHS programs at large and small employers presented a unique challenge. Some employers have some but not all components of a program, while others were unaware of the requirements and components of the programs entirely. By integrating the collection of OHS program data with the annual reporting of payroll process for employers, in 2018 the WSCC was able to gather information demonstrating

**“I believe in empowering people towards safety, and being a partner and resource for employers and workers. We provide tools to help employers identify and achieve their goals in a way that protects their workers and their businesses.”**

**Meta Antolin**, Manager of OHS Programs (Yellowknife)

areas of strength and opportunity in OHS program development. Using this data, staff successfully undertook a gap analysis and determined priority focus areas for best serving the needs of employers in the two territories.

The next step in increasing the number of employers with an OHS program was the development of a strategy for addressing the diverse needs of employers. A data-based action plan was created, including the development of resources to support employers, and engagement with employers on an ongoing basis to validate and adjust methods of outreach.

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### Looking Forward

*For 2019, the WSCC will continue deployment of the strategy to increase OHS in the workplace, adjusting programming as necessary based on the ongoing collection of data and as employers progress in implementing their OHS requirements.*

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## 1.2 – Increase occupational health and safety (OHS) education in communities for vulnerable workers

All workers deserve access to the information and resources they need to work safely. Because workers, workplaces, and communities are diverse, the WSCC recognizes the importance of providing specialized resources for workers at a higher risk of incident. Under this *Objective*, “vulnerable workers” are defined as new, returning, foreign, or young, and are prioritized on a yearly rolling basis for the duration of the strategic cycle.

Based on the tiered approach to increasing OHS education for targeted groups of workers, in 2018 the WSCC focused on young workers. This involved the establishment of a baseline of existing activities available for this demographic, as well as the number of young workers accessing these resources. Staff in Prevention Services also completed comprehensive research to identify resources available in other jurisdictions for young workers, evaluating their suitability for stakeholders in the Northwest Territories and Nunavut. In addition to interjurisdictional research, WSCC staff



SKILLS CANADA NWT, ANGELA GZOWSKI PHOTOGRAPHY



JACQUELINE MO

### *Skills Canada – Starting with Safety*

The WSCC maintains an active presence at Skills Canada territorial competitions, which promote careers in skilled trades and technology to northern youth. By working closely with Skills Canada in the Northwest Territories and Nunavut, the WSCC accesses an interactive platform for engagement with youth, through which safety messaging can be delivered.

hosted focus groups and collected stakeholder feedback to ensure that the needs of stakeholders were fully addressed by the activities planned for implementation.

Following the establishment of baseline information, the WSCC began the development and deployment of a strategy for OHS education for young workers. A key component of supporting young workers is providing educational resources before they enter the workforce through collaborative opportunities with Departments of Education, Skills Competitions, and conferences. By introducing young people to safety concepts before they enter the workforce, the safety culture becomes ingrained in their approach to work. A key highlight of 2018 was the

initiation of an online course for young workers, intended to deliver educational resources to support young workers before or shortly after they enter the workforce. Work on this course continues in 2019.

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### *Looking Forward*

*In 2019, the WSCC will implement the activities developed over the previous year, as well as initiate research into the next target demographic, foreign workers.*

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### 1.3 – Improve criteria for directed inspections to increase compliance with governing regulations

Directed inspections ensure that employers working in industries with higher risks to workers receive the support required to work safely. The WSCC works to ensure that directed services are fair, meaningful, and provide value for stakeholders in high-risk activities and industries. Providing these services to employers supports them in achieving compliance with the legislation that governs safe work in the Northwest Territories and Nunavut.

In 2018, the WSCC implemented a high-risk working group, and successfully updated the criteria associated with directed services for employers to include high-risk activities. The working group then began a focus on psychological injuries, developing a project plan, defining priorities, and identifying high-risk workers requiring additional or unique support to reduce the risk of psychological injuries on the job. To support this project plan, data requirements and collection mechanisms were established to ensure that ongoing monitoring and evaluation would be possible.

Legislatively, the WSCC is mandated to regulate the *Workers' Compensation Act and Regulations*, the *Safety Act and Regulations*, the *Mine Health and Safety Act and Regulations*, and the *Explosive Use Acts and Regulations* in both territories. Part of supporting employers in achieving compliance with governing regulations is ensuring the regular internal review of these pieces of legislation to address any required changes. These changes would be subject to a consultation process to fully understand the impacts, benefits, or risks to stakeholders, and ensure that the best possible outcomes are achieved collaboratively.

By the end of 2018, the WSCC made progress with the *Workers' Compensation Act* and a bill to amend the *Act* was before the standing committees for review in the Northwest Territories and Nunavut. The WSCC also focused on such legislative areas as impairment and fit for work provisions, required qualifications for mining inspectors, the *Occupational Health and Safety Regulations*, and a proposed consolidation of the *Mine Health and Safety Act* and the *Safety Act*.

As work progressed in these areas, it was determined that this regular attention to legislation is an operational component of work undertaken by WSCC staff, and is therefore not strategic in nature. The decision was made to shift *Action 1.3.2 – Conduct legislative review of all Acts and Regulations the WSCC is mandated to regulate* and *Action 1.3.3 – Develop and deploy a plan to incorporate legislative and regulatory changes* to operational priorities rather than strategic items. However, should a particular *Act or Regulations* require a more comprehensive strategic review in future years, the WSCC may incorporate legislative items into its yearly corporate plan once again.

### In both territories, the WSCC is mandated to regulate the:

- *Workers' Compensation Act and Regulations*
- *Safety Act and Regulations*
- *Mine Health and Safety Act and Regulations*
- *Explosive Use Acts and Regulations*

# Making Safety **Worth It:**

## Chris Lahure, Junior OHS Inspector, Iqaluit

**How often do you think about safety in your everyday life? We're surrounded by reminders for road safety, fire safety, workplace safety, but safety can still too often become an afterthought.**

*For the WSCC's Junior Occupational Health and Safety (OHS) Inspector Chris Lahure, safety is a way of life. In this interview, he talks about what motivates him and about his daily challenges and rewards as he trains on-the-job to become an OHS Inspector. Chris is also working towards getting his Occupational Health and Safety certification through distance education and online learning.*

### **Chris Lahure, Junior OHS Inspector, Iqaluit Office**

Born in Winnipeg, Manitoba, and raised in Baker Lake, Nunavut (then part of the Northwest Territories), Chris Lahure's parents started a contracting company when he was a baby. He was able to see from a young age what it took for two people to run a successful business, and eventually became involved in trades himself.

He was working in carpentry when he saw the job posting for Junior OHS Inspector with the Workers' Safety and Compensation Commission and decided to apply. "I was ready for a new challenge. The Junior OHS Inspector program involves an academic element with a post-secondary institution, and I enjoy learning. Safety is important to me, and my skills and background in industry seemed like a pretty good starting point."

Right away, the training and safety education began, including an accident investigator course. Finding a balance between studies and duties became the name of the game. "In a typical day, I could be out helping OHS Inspectors to deliver safety presentations, as well as helping employers and other stakeholders with questions about how to remain compliant with safety legislation. There is also some data collection and statistical analysis. I get to do it all while surrounded by people who are extremely easy to get along with, and very good at their jobs."

Chris also travels across the north to directly engage with those in remote communities. "We fly to communities with commissioned OHS Inspectors to learn from

them directly how to perform our duties, and to offer value to all our stakeholders through positive engagement. We have to make sure to schedule travel in concert with academic responsibilities, like assignments and exams, due to connectivity being an issue in some communities, and criteria for invigilation of exams."

Joining the WSCC and working in safety has opened his eyes to some startling facts.

"I learned that the age I was when I moved over to safety from carpentry happens to be the average age that carpenters have a tendency to develop lifelong or debilitating occupational injuries or illnesses."

It's part of what's motivating him to continue, and why workplace safety is important to him. "As a teenager in trades, it was very important to my employers (who also happened to be my parents) that we all worked as safely as possible. Now that I'm a

"I want my work to have a positive influence on people and their well-being."

JON BENNETT

husband and a father, I see more than ever why they felt that way. I want my work to have a positive influence on people and their well-being."

Employees with more than 20 workers are required to have an OHS Committee.



**62%**  
of this **EMPLOYER GROUP** reported having an OHS Committee.



**Chris Lahure**  
Junior OHS Inspector

## 1.4 – Analyze and address emerging issues and trends in workplace safety

The landscape of workplace safety is constantly changing. The WSCC remains committed to understanding and appropriately addressing any emerging issues and trends in workplace safety, adjusting our services to the changing environment in which we live and work. In 2018, the WSCC identified psychological components of health and safety as a priority focus area moving forward, a prevalent issue among compensation boards in Canada and a key area of concern in providing the best possible service to stakeholders.

Over the year, WSCC staff undertook research and evaluation of existing and emerging leading indicator frameworks and programs. We also created and implemented a strategy to address psychological injuries, which will support progress in addressing psychological components of health and safety moving forward. By the end of the year, the WSCC had completed collaboration with a psychological advisor as well as the Association of Workers' Compensation Boards of Canada to review and understand common trends in mental wellness.

Importantly, an operational procedure was developed for the management of psychological disorders by WSCC staff which will guide the effective and consistent identification and handling of these challenging components of claims. Staff also received mental health first aid training and vicarious trauma training, building internal capacity in the interests of stakeholders with psychological elements of a claim.

*“Equipping our staff to handle psychological components of claims is an important priority for the WSCC. We work with colleagues across Canada to determine best practices, appropriate training for staff, and how to best serve our stakeholders when it comes to psychological health and wellness.”*

**Kim Collins Riffel**, Vice-President, Stakeholder Services

The 2018 creation of a strategy to address psychological injuries began with the identification of appropriate indicators and benchmarks around which to structure the framework. This was successfully achieved, supporting staff in identifying claims at risk of progressing from a physical injury to a psychological injury over the duration of the claim. It was determined through this process that a high-hazard working group would support the ongoing identification and development of tools to offer workers, employers, and the medical community in addressing work associated with higher psychological risk. By the end of the year, a formal action plan for reducing psychological injuries was created and approved.

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### Looking Forward

*In 2019, the WSCC will implement the action plan for reducing psychological injuries, and will seek to incorporate the strategic response to emerging trends into our Directed Services. Along with this, an evaluation mechanism will be implemented to ensure the ongoing effective response to high-risk activities in psychological health and wellness.*

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## 1.5 – Improve public awareness of the Internal Responsibility System (IRS)

The Internal Responsibility System (IRS) holds that every individual is responsible for health and safety in the workplace. It is a critical component of the safety culture, ensuring that all stakeholders understand their shared responsibility for the safety of themselves and others at work.

In 2018, the WSCC identified the first step in improving public awareness of the IRS as the development of baseline data. Staff researched the work undertaken in other jurisdictions related to public awareness and communication of the IRS, and completed an assessment of the existing data tools to evaluate public awareness.

It was determined that there is strong alignment between *Strategic Initiative 1.5.1 – Establish baseline for public awareness of the Internal Responsibility System (IRS)* and *Strategic Initiative 2.6.1 – Improve public awareness of the Workers' Safety and Compensation Commission*. Therefore, the decision was made undertake the establishment of baseline data for these two items jointly, through an externally-administered survey that concurrently gauged public awareness of concepts in safety including the IRS, as well as awareness of the WSCC.

By the end of 2018, the WSCC had issued a Request for Proposals (RFP) and selected a successful proponent to complete the required survey administration work in early 2019. The information gathered from this survey will establish the requisite baseline data, and will further provide clear direction for the next phase of improving public awareness of the IRS and the WSCC. Based on the findings, the WSCC will be well-positioned to adjust our programs and communications materials to promote and enhance understanding of the IRS, and to build understanding of the services and resources that we offer to stakeholders.

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### **Looking forward**

*In 2019, the WSCC will use information from the survey to develop and implement an organizational strategy for the IRS. Improving public awareness of the IRS will be measured over the duration of the strategic cycle, and the ongoing collection of data will support leveraging existing strengths, harnessing opportunities for improvements, and any addressing any gaps in understanding.*

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## **What are Your Rights?**

1. The **right to know** about hazards in your workplace and how to deal with them
2. The **right to participate** in making your workplace safe
3. The **right to refuse** unsafe work



## **What are some of the values that influence the prioritization of workplace health and safety?**

- Health and safety in the workplace is expected
- People in the workforce are an organization's most valuable resource
- Health and safety must be valued alongside productivity, quality, and pay
- Workplace injuries and illnesses can be prevented

# Mine Rescue: **Making Safety Paramount**

**In the Northwest Territories and Nunavut, the resource industry is a key economic driver and employs a significant number of northerners in mining, construction, and administration.**

Ensuring that this work is undertaken safely for all involved is a priority for the WSCC, for the workers and employers in the resource sector, and for all stakeholders in the two territories. In addition to their daily responsibilities at mine sites, a number of workers also voluntarily train in various elements of mine rescue. These dedicated employees train for a minimum of 40 hours, and are ready to respond at a moment's notice to perform rescue operations, often in extreme conditions in remote areas.

Each year, the Mine Rescue Competition is held in Yellowknife, giving spectators a chance to watch teams from across the Northwest Territories, Nunavut, and beyond demonstrate their mine safety techniques in various skill-testing competitions. On June 2, the 61st Annual Mine Rescue Competition took place and featured surface and underground teams from eight mines.

In addition to fostering friendly competition, mine rescue competitions are critical as mines can come together to evaluate and compare the effectiveness and quality of their mine rescue training programs. Mine rescue competitions allow teams to learn from one another, share best practices and new industry equipment, and over time help keep workers safe. If disaster strikes, a skilled mine rescue team is everyone's best chance for safety and survival.



HEIDI HELD

“Mine Rescue is an integral part of a mining operation which provides response to all types of emergencies that may occur on the surface or underground. Developing the teams takes a great deal of time and effort in ongoing training and response. This demonstrates the commitment of both the Mine Rescue team members and employers to provide an effective response aimed at the ongoing safety of both rescuers and impacted workers at a mine.”





TRUDY HAUSE PHOTOGRAPHY

HEIDI HELD



“The Annual Mine Rescue Competition is an important aspect of training which allows teams across the north to collaborate on building their skills and to share information on best practices and lessons learned in keeping mine sites safe. If an incident were to happen, these teams are skilled and ready to respond.”

HEIDI HELD



HEIDI HELD





Report on 2018 Activities

# Delivering Quality Services and Outcomes

Workers' Safety and Compensation Commission  
Northwest Territories and Nunavut

## 2.1 – Continue implementation of the e-Business strategy

The WSCC initiated work on the e-Business strategy as part of the 2013-2017 strategic cycle, and this objective was prioritized to continue in the 2018-2022 Strategic Plan. Increased access to the Internet, as well as faster and more reliable connections in the Northwest Territories and Nunavut has resulted in an uptake in WSCC stakeholders accessing services online. As a result, the need to update and refine existing services as well as introduce more online options for stakeholders continues to increase. The WSCC monitors stakeholder satisfaction with e-Business services on an ongoing basis, setting a target of 80% satisfaction for users across all services offered.

In 2018, the WSCC accomplished a number of activities to improve and increase the services offered to stakeholders through our e-Business strategy. Staff in Information Services successfully implemented the Asbestos Project Notification service, which required the development of business requirements through interviews, workshops, and discussions with business units to ensure that the service would meet stakeholder expectations and needs. This service, which allows employers to submit asbestos project notifications online, proceeded through testing and became operational for stakeholder use. The provision of online access to claims cost summaries for employers was also successfully planned, developed, tested, and completed in 2018. Work was initiated on the development of online tools for the Employer's Report of Incident, a project that continues in 2019.

WSCC staff also focused on ensuring that internal systems and human resources requirements are appropriate for continued implementation of the e-Business strategy. A number of infrastructure projects were identified for enhancement and development, including the SQL server database consolidation, IIS application service consolidation, and the implementation of a web application firewall. These projects will make up part of a holistic review of WSCC technical infrastructure, which is planned for 2019. The ongoing review, development, and enhancement of e-Business projects ensure that the WSCC provides services to stakeholders that are functional, secure, and reliable.

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# 48.6%



PERCENTAGE E-BUSINESS USE  
INCREASED FROM 2016 TO 2017

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As technology changes, so do human resource requirements. The WSCC developed a business transformation readiness framework for human resources, first undertaking research and developing a draft guide. This was approved and implemented in 2018, and will serve to support and inform the WSCC's approach to human resources moving forward.

As e-Business needs change over the course of a year, some projects were re-prioritized to accommodate more urgent needs. In 2018, the development of online services for employers to register for Personal Optional Coverage was deferred to 2019, based on competing priorities.

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### Looking Forward

*The WSCC will continue implementation of the e-Business strategy into 2019, completing any re-prioritized projects from the previous year as well as continuing work on the Employer's Report of Incident project. Information Services will focus on the enhancement of system and network architecture to minimize e-Business downtime, while prioritizing system security.*

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## 2.2 – Increase safe and timely return to work (RTW)

The WSCC works toward the vision of *eliminating workplaces diseases and injuries*. However, when workers do become injured or ill, the safe and timely return to work (RTW) is a priority for the WSCC. Workers and employers both benefit from RTW, with two key factors influencing positive outcomes: early intervention and maintaining of the worker-employer relationship. In 2018, the WSCC began tracking return to work as a key performance indicator (KPI), and regularly monitors both employees returning to work as well as employer participation in RTW programs. Baseline data related to employer participation will be confirmed in early 2019, which will support the development and implementation of strategies to increase their RTW participation.

In 2018, the WSCC developed a healthcare provider engagement and education strategy, which seeks to strengthen our relationship with healthcare providers through improved communications and ongoing collaboration in the interests of injured workers. Healthcare providers are a first point of contact for stakeholders following a workplace injury, and by increasing their understanding and familiarity with the WSCC and its services, collaboration to return the worker to health and work can happen at the earliest possible time. Engagement with healthcare providers also included bolstering one-on-one engagement through the WSCC's Chief Medical Advisor, and providing information to northern health care centres to familiarize staff with WSCC processes.

WSCC staff also worked with employers to increase their participation in RTW programs over the course of the year, collaborating to understand the diverse needs of large and small employers. The WSCC conducted group-based outreach, and the RTW Specialist hosted a workshop for human resources professionals in the mining industry to share information about RTW processes, as well to receive feedback about their experiences and barriers in returning workers to the job. Additional outreach was undertaken with the Government of the Northwest Territories, which employs a substantial amount of

workers in the territory. This engagement and other group-based outreach continues in 2019.

In addition to working directly with employers one-on-one to build understanding of their options in returning injured workers to their jobs, the WSCC undertook internal evaluation of diverse RTW cases, increasing staff understanding of the challenges and opportunities that both workers and employers face. Throughout the year, a quality assurance working group evaluated RTW claims from a duration and cost perspective, identifying gaps in training for staff and incorporating learning opportunities moving forward.

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### Looking Forward:

*The next steps to increase safe and timely RTW include the implementation of early intervention strategies, ensuring that WSCC staff and stakeholders have the right education and resources to support early intervention for injured workers. Work with employers will also continue, exploring creative and collaborative opportunities to facilitate positive RTW outcomes. Staff will receive training on diverse RTW options, and available resources for RTW cases will be evaluated and enhanced.*

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**“Through early engagement with healthcare providers and ensuring they are familiar with WSCC services, we can collaborate to return injured workers to health and meaningful work as soon as it is safe to do so. Returning to work has demonstrated benefits for both workers and employers; it keeps workers engaged in their workplace, busy, and focused as part of their recovery and overall health.”**

**LeeAnna Carson**, Nurse Advisor (Yellowknife)



## What is Cultural Safety?

Cultural safety is a concept that originated in the healthcare industry, in the provision of services in a cross-cultural context. It was determined that the delivery of effective care to someone of a different culture required services to be delivered according to the cultural values and norms of the recipient. In order to be able to understand this need and to provide care effectively, a process of self-reflection and movement through cultural awareness, sensitivity, and competency must take place to arrive at practicing cultural safety.

### 2.3 – Improve cultural safety in our day-to-day work and in our services to stakeholders

The Government of Canada's Truth and Reconciliation Commission published a report that discusses the legacy of colonialism and residential schools in Canada through which Indigenous people experienced extensive historical trauma and a loss of cultural cohesion. In the Northwest Territories and Nunavut, where Indigenous stakeholders comprise 52% and 86% of the population, respectively, the WSCC acknowledges and respects the importance of providing services to all stakeholders in a culturally safe and appropriate way.

For the 2018-2022 Strategic Plan, the WSCC has determined that cultural safety is an organizational value, seeking to recognize, gain knowledge of, and respect cultural dignity. We also set out to improve cultural safety in how we do our work, and in the services that we deliver to stakeholders. In 2018, the WSCC evaluated and developed cultural awareness and cultural sensitivity within the organization, introducing staff to the concept of cultural safety and determining how we would track progress moving forward.

A measurement plan for evaluating progress on cultural safety was developed, providing a tracking mechanism for staff training and events. Baseline data about cultural awareness and cultural competency was established, and targets set for progress moving forward. The WSCC explored partnership opportunities with local leaders and other government organizations, and learning sessions on northern Indigenous community values, healing, and medicines were held for staff. Training opportunities to support staff in building understanding of cultural competency and reflecting on personal and systemic biases that impact care provision were identified, and planning began for implementation of training opportunities in 2019.

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### **Looking Forward:**

*A primary focus for 2019 will be delivering training to WSCC staff to build cultural competence. This will be accompanied by engagement with local leaders toward the practical application of cultural safety and humility, including building understanding of northern Indigenous cultures.*

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MARK ABBOTT



The WSCC has determined that the culturally safe provision of services is an organizational value, and has made this commitment part of the five-year strategic direction of the organization.

HEDI HELD





# Spotlight on: Case Management

The WSCC works toward the elimination of workplace diseases and injuries; however, when a worker is injured on the job, the WSCC's case managers take on the important role of facilitating care for the injured worker.

For Yellowknife-based case manager Phil Hebert, the initial goal is to limit the damage of the workplace injury itself. The fast and effective provision of care is the top priority, ensuring that stakeholders' medical needs are immediately met. "A workplace injury is a terrible thing, and my priority is always to provide the right support to return the stakeholder to health and work as quickly as possible," says Phil.

Understanding that a workplace injury can impact not only the worker's physical state, but also have mental wellness implications and affect finances, families, and overall quality of life, Phil emphasizes the need for a holistic approach to case management. "I want to provide support throughout the recovery process, and this includes addressing elements beyond the injury itself. It's important to make sure that claimants have the care they need and the right information, and also to help them maintain a positive outlook throughout their recovery."

Supporting claimants throughout the recovery process can require unique solutions and creative approaches to case management. Phil notes the strength that comes from the WSCC's case management team, bringing diverse skills and experience to complicated cases. Through this collaborative approach, stakeholders can be fully cared for, properly diagnosed, and treated by the right healthcare providers.

Case management also includes the return to work process, ensuring that employers are supported in meeting the needs of a claimant returning to work. Making any necessary adjustments to the physical work

environment, or changing the nature of the work to accommodate abilities during recovery are some of the options that Phil explores together with employers and returning workers. Collaboration is key in this process, ensuring that work can be undertaken safely and contribute positively to the worker's overall recovery.

Engaging the right resources, taking care to communicate and build relationships, and exploring creative options for claimants to return to health and work in a safe and timely way are all critical components of case management. However, Phil also emphasizes the importance of empathy in his work with injured workers. "I put myself in their shoes, regardless of the situation. I think about how I would feel as an injured worker, and it makes me want to do everything I can to support claimants and get them to where they want to be, as quickly and safely as possible."

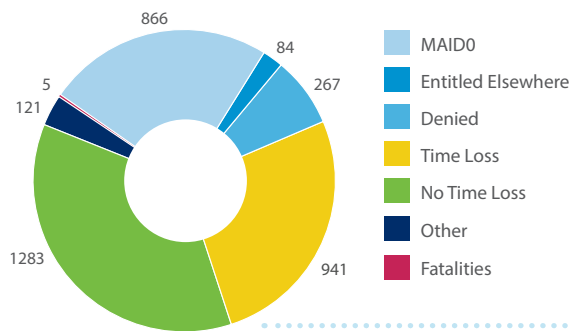
**"I want to provide support throughout the recovery process, and this includes addressing elements beyond the injury itself. It's important to make sure that claimants have the care they need and the right information, and also to help them maintain a positive outlook throughout their recovery."**

**Phil Hebert**, Case Manager (Yellowknife)

# Operational Statistics at a Glance

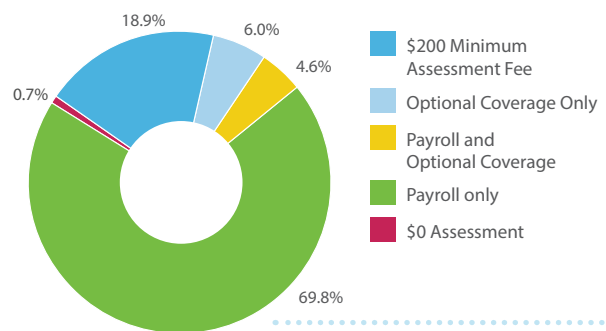
## 3,567

NUMBER OF REPORTED CLAIMS THE WSCC RECEIVED IN 2018



## 3,902

OF THE WSCC'S 4,353 REGISTERED EMPLOYERS REMAINED ACTIVE IN 2018



“ My goal in case management is to facilitate the best path to recovery for an injured worker. Strong communication, creating a relationship with claimants, and ensuring that they understand the situation and the next steps with their recovery are important to me. I want to see injured workers returning to health and work, and make sure that they are supported in their time of hardship. **Cherie Gillard**, Case Manager (Yellowknife) ”



### 5 fatalities occurred in 2018

Every year on April 28 we observe a National Day of Mourning to remember those who have been killed, injured or suffered illness as a result of work-related incidents. It is a reminder that every worker has the right to return home safe at the end of each work day, and highlights the importance of the WSCC's vision to *Eliminate workplace diseases and injuries*. Even one injury or fatality is too many.



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TOTAL NUMBER OF  
ASSESSABLE EMPLOYERS:

4,485

ASSESSABLE PAYROLL:

\$3,126M

ASSESSABLE REVENUE:

\$67.2M

AVERAGE PROVISIONAL  
ASSESSMENT RATE

\$2.05

*(per \$100 of assessable payroll)*

The provisional assessment rate is the rate employers would pay if there was only one rate for all employers, and is the rate the WSCC uses as a starting point when setting individual subclass rates.

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“Being able to assist employers and make it easier for them to get what they need is what brings me the most satisfaction in my job. When I work with an employer, it is important to me to listen and understand the situation and their needs so that I can provide them the best services possible. Helping employers understand their obligations and liabilities under the *Workers’ Compensation Acts*, supporting their access to online services, or guiding them through the annual payroll reporting process are a few of the ways I provide services to employers on a daily basis.”

**Brayden Pitt**, Assessment Representative (Yellowknife)

## 2.4 – Maintain financial stewardship of the Workers’ Protection Fund

The WSCC is funded through employers’ assessments, which are carefully managed by staff in the Employer Services unit, and through investment returns. Financial stewardship of this fund is a responsibility of the WSCC, which ensures that operations continue and that claimants receive the payments and services they need following a workplace injury. Maintaining the Workers’ Protection Fund is a key component of delivering quality services and outcomes for stakeholders, and one that the WSCC takes very seriously.

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102% FUNDED  
POSITION

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With the organizational values of excellence and stewardship in mind, in 2018 the WSCC began a systematic review of our financial drivers. Financial Services identified and prioritized financial drivers, reviewing key characteristics of costs and analyzing expenses, and creating a discussion document with the results of this review. Financial Services also progressed in the development of an implementation plan for International Financial Reporting Standards (IFRS) 17. Staff participated in nation-wide engagement to ensure alignment with other compensation boards on IFRS 17, identifying appropriate training and requisite steps to support implementation. It is likely that the International Accounting Standards Board will delay implementation until 2022; however, the WSCC will continue to investigate requirements and evaluate any potential impacts of implementation.

The WSCC committed to a review of the lifetime pensions program to ensure alignment with the policies and guidelines across other workers' compensation boards in Canada. A request was made to present to the Government of the Northwest Territories' Standing Committee on Economic Development and Environment (SCEDE), and the next steps for this review will be contingent upon the outcome of this request as well as internal capacity to undertake any required stakeholder engagement and guide the project forward.

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**12** CONTINUOUS EXCELLENCE  
LEADERS WERE RECRUITED FROM  
ACROSS THE WSCC IN  
**2018**



## Continuous Excellence: Aligning Values and Operations

The WSCC maintains a strategic commitment to continuous improvement, first introduced in 2013. Since then, the Continuous Excellence Program has furthered the values of **excellence** and **stewardship** by applying Lean methodology to WSCC processes in a measured, systematic way. Through three strategic cycles, the program has evolved to ensure that it meets the specific needs of the WSCC and its staff, as well as identifying appropriate processes for improvement. Administered through the Corporate Reporting unit, the ultimate goal of the Continuous Excellence Program is to ensure that services to stakeholders are delivered with the highest possible standard of quality and efficiency.

Continuous improvement is a priority for the WSCC, as process improvement and the elimination of waste support increased efficiency and effectiveness of services for our stakeholders. The WSCC's Continuous Excellence (CE) program has been a mechanism for undertaking process improvement activities internally for a number of years, across multiple business units. The WSCC completed an organization-wide evaluation of the existing CE Program in 2018, and undertook a comprehensive program redevelopment based on the outcomes of the review. The updated program was developed through staff engagement at all levels, and aligns with Lean principles designed to maximize flow and efficiency, as well as removing waste from processes.

Concurrently with the CE Program redevelopment, active recruitment was undertaken for CE Leaders from across the WSCC. These Leaders serve as program ambassadors

with subject matter expertise in Lean concepts, and support all staff in accessing the program as well as undertaking process improvement activities. Over the course of the year, CE Leaders received specialized training according to their skills and areas of interest in support of the program.

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### **Looking forward:**

*In 2019, Financial Services will continue working with the key financial drivers, incorporating a review strategy into a projection and planning model. Work on IFRS 17 will continue with the development of recommendations and an implementation plan for the WSCC. The lifetime pensions program will progress based on both internal and external factors related to legislation and capacity, with internal systems evaluated to address any required changes. A training program will be developed for WSCC staff related to the Continuous Excellence Program, and process improvement events will be undertaken and executed as required through the redesigned program.*

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## **2.5 – Improve integrity of and access to data**

With a renewed commitment to data-driven decision making in the 2018-2022 Strategic Plan, the WSCC established diverse activities intended to move the WSCC to closer alignment with other compensation boards, improve data integrity for internal use, and provide accurate information for the evaluation of service delivery. Improved data supports increased understanding of strengths and opportunities with WSCC services, and identification of trends and issues within our jurisdictions and across Canada.

Standard Occupational Codes (SOC) are used to classify claimant occupations, while Standard Industrial Codes (SIC) refer to employer industry classification. In 2018, the WSCC made substantial progress in updating SOC and SIC codes to current standards. A survey and assessment were completed across the organization, which established current code usage and demonstrated the potential downstream impacts of code conversions

if undertaken. In order to mitigate any negative impacts of code conversions, peer organizations were engaged to understand lessons learned and receive guidance on best practices. The future state of coding standards at the WSCC was outlined in two decision papers, which were submitted and approved by the Data Integrity Working Group. This information was presented to senior management, and cross-divisional working groups will be developed as a next step to guide the project, verify appropriate timelines, and address any implications to changes made to coding standards or conversion of historical claims or records.

National Workplace Injury Statistics Program (NWISP) coding, which tracks incident details for claims accepted by workers' compensation boards, uses nationally-accepted definitions and standards. In 2018, the WSCC began developing a training and quality assurance plan to achieve consistency in this coding to ensure accurate, consistent data. The scope of the NWISP project grew with the determination that an error-checking tool could provide broader value for the WSCC, leading to the continuation of the project into 2019.

Business intelligence tools are critical for data-driven decision making, and the diverse needs of the WSCC led to the development of a Business Intelligence Strategy in 2018. Research and analysis of available tools and existing programs across Canadian jurisdictions supported the creation of a robust strategy, customized for the WSCC's needs. The Business Intelligence Strategy was submitted to senior management, and was aligned with the work of key business units. The strategy will be adjusted and enhanced based on ongoing feedback as the WSCC moves forward, exploring new business intelligence opportunities.

Data dashboards allow real-time monitoring of information for WSCC staff. Over the course of 2018, the WSCC planned, developed, and implemented a data dashboard pilot project for the Claims Services unit. Based on the success of this project, a second pilot in the Employer Services unit was completed, producing a useful tool for visualizing, analyzing, and tracking data. These projects will continue into 2019, building capacity and supporting decision-making for staff moving forward.

# 87.5%



**THE DATA DASHBOARD PILOT PROJECT HAS AN 87.5% OVERALL SATISFACTION RATE AMONG USERS.**

In addition to activities directed at data consistency and alignment, and data-based decision making, data integrity was a priority for the WSCC in 2018. The WSCC's Data Integrity Strategy was established to ensure that stakeholder data is accurate, complete, and consistent, and is driven by a Data Integrity Steering Committee. This committee was implemented to address the diverse data requirements across multiple business units, and ensure alignment between cross-divisional strategic activities. Since implementation in 2018, the committee met bi-weekly to share updates, make recommendations, and prioritize action items, and will remain operational into 2019 to support the organization's ongoing data needs. Through this committee, the WSCC prioritized particular data for quality assurance review, the majority of which was completed by the end of the year. Procedures were developed in support of compliance with a high standard of data integrity, and in order to ensure alignment with other Canadian counterparts, WSCC staff completed a course in National Workplace Injury Statistics Program (NWISP) coding.

### **Looking forward:**

*Work continues in 2019 on a number of data projects. A change management plan is scheduled to support the implementation of new codes, which will then be represented in all impacted systems. A data validation tool will be deployed for NWISP coding, and any initiatives required to achieve consistency in NWISP coding will be implemented. The Business Intelligence Strategy continues to guide the WSCC's data needs, and internal projects related to data integrity will be ongoing.*

## **2.6 – Enhance communication**

The WSCC is committed to improving communications for workers and employers, as well as increasing overall public awareness of our organization and the services we provide.

Before undertaking activities to increase public awareness of the WSCC, we first set out to establish our public awareness priorities in 2018. Along with these priorities, the establishment of data tools and a baseline starting point were identified for completion in 2018, which would then be used to identify the priority areas for next steps in improving public awareness of the WSCC. By the end of the year, the WSCC had successfully defined public awareness priorities across business units, and aligned communications activities with the organization's strategic goals.

The WSCC determined that the establishment of baseline data was required with an externally-administered survey to successfully and impartially gauge public awareness of the WSCC and its services. It was further determined that this survey could also accomplish some of the goals related to increasing public awareness of the Internal Responsibility System (IRS) by broadening the scope of the survey to include attitudes about workplace safety, injury prevention, and understanding of the IRS.

In 2018, the WSCC issued a Request for Proposals (RFP) and awarded a contract to develop and administer a survey related to public awareness of the WSCC and of the IRS, scheduled for implementation in 2019. Using



REPORTED BELIEVING THAT THE WSCC NEEDED TO IMPROVE COMMUNICATION ABOUT THE SERVICES WE PROVIDE. 2017 Stakeholder Survey

this information, baseline data can be finalized and appropriate next steps determined, which will contribute to the development of a communications strategy and key metrics for improving and measuring public awareness moving forward.

Effective stakeholder service communication is also a priority for the WSCC, and in 2018 we set out to ensure that stakeholders receive information in a clear, timely manner, in a language they understand. WSCC staff undertook internal training on how to review communications materials and procedures, and provided input for improvement based on their areas of expertise and their experiences with stakeholders. Standard communications materials underwent review over the course of the year, removing jargon and ensuring clarity and consistency. Because of the high volume of communications materials that the WSCC requires, this review will continue into 2019. The WSCC also developed protocols and established clear expectations for staff related to service standards in communications with stakeholders.

### Looking forward:

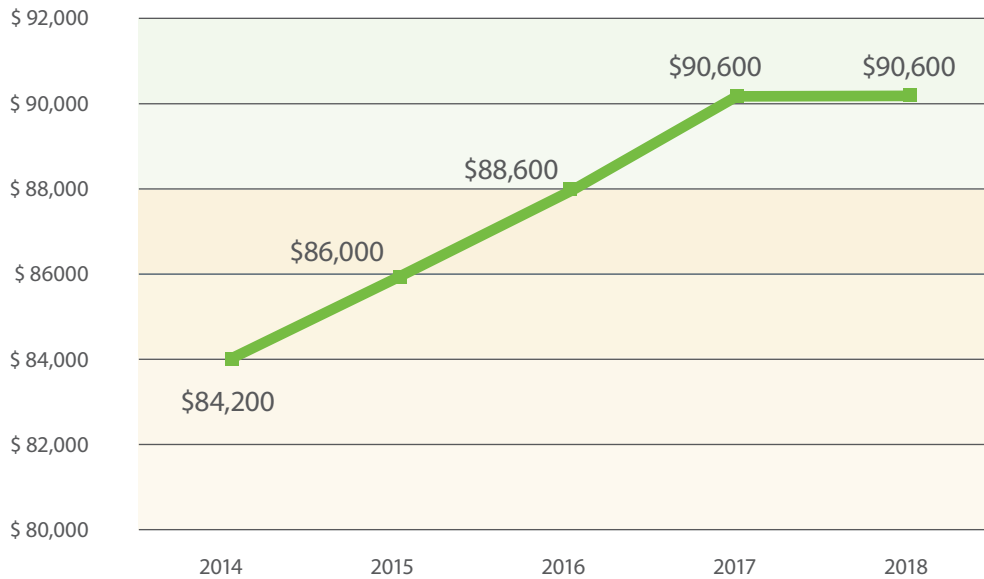
Data gathered through the public awareness surveys will determine targets for improvement from 2019 onward, and will inform the development of strategic activities to improve public awareness of the WSCC and of the IRS. The WSCC continues to internally review possible improvements to its communications materials, as well as exploring diverse channels to collect external feedback and monitor progress for external stakeholders in 2019. Cultural competency considerations will play a key role in the review of communications materials and procedures.

“In 2017, the WSCC heard that our stakeholders saw an opportunity for us to improve communication about the services we provide. To address this need, we are first seeking to better understand our audiences, their needs, and how they prefer to receive information”

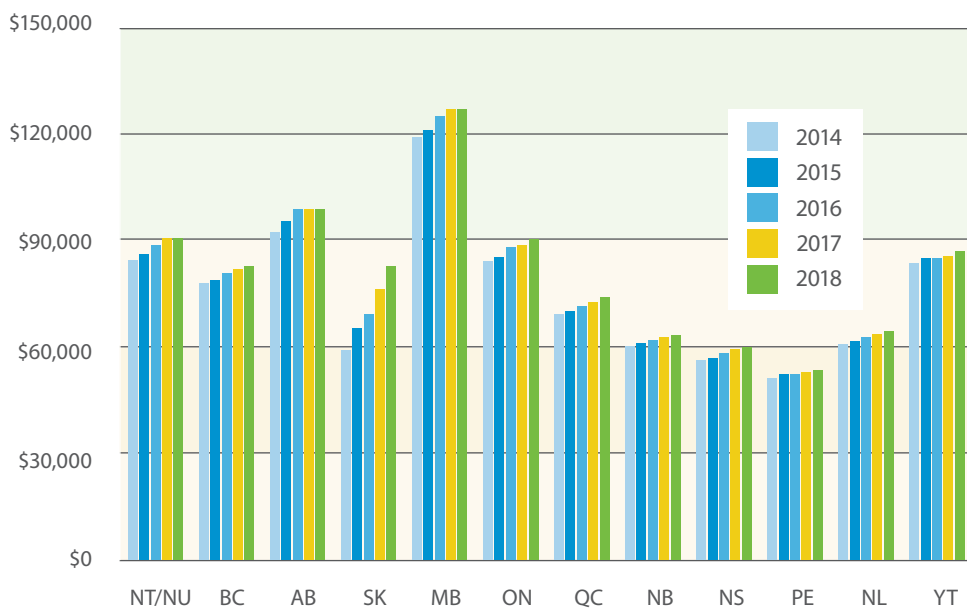
Maggie Collins, Communications Manager (Yellowknife)



## Year's Maximum Insurable Remuneration Northwest Territories and Nunavut, 2014 - 2018



## Year's Maximum Insurable Remuneration Across Canadian Jurisdictions, 2014 - 2018





# Our Finances

Workers' Safety and Compensation Commission  
Northwest Territories and Nunavut

# Management Commentary

For the year ended December 31, 2018



The management commentary provides additional insights and information pertaining to the Workers' Safety and Compensation Commission's (WSCC) operations and financial affairs. The following audited financial statements are integral to this commentary and should be read in conjunction.

A key financial measure utilized by the WSCC and workers compensation organizations across Canada is the overall funded position or ratio. The WSCC's current funding strategy and resultant policy implemented in March of 2014 and updated in December of 2018 establishes a target funding ratio (assets/liabilities) of 125%, which includes reserve funds.

As at December 31, 2018 the WSCC's funded position or funding ratio, as defined within the policy, is 102%. That position of 102% places the WSCC in the defined "action zone" within the policy, thus necessitating a flat rate increase be implemented and incorporated into the rate setting model for the upcoming 2020 fiscal year.

## Forward-looking Information

This report contains forward-looking information from which actual results may differ. This information contains assumptions about the future and is therefore subject to risk and uncertainties. Forward-looking information includes, but is not limited to: WSCC priorities, objectives, actions and projections.

Risks and uncertainties about future assumptions may include: changing financial markets, industry and general economic conditions; legislation; accounting standards; appeals and court decisions; and other risks, known or unknown. The reader should be cautious about placing too much reliance on forward-looking information contained in this document.

## Funded Position

Under the authority of the *Workers' Compensation Acts* of the Northwest Territories and Nunavut, the WSCC Governance Council shall ensure the proper stewardship of the Workers' Protection Fund (the Fund). In doing so the Governance Council must maintain assets sufficient to meet its liabilities. WSCC Policy 10.05 / Funding Strategy is designed to ensure the long term financial security and stability of the WSCC and the Fund by establishing a funding target and methodologies for maintaining that target.

## Overview of 2018 Financial Results

2018 was a challenging year for the WSCC. Entering 2018 the WSCC funded ratio sat at 110%, unchanged from the result of the prior year and on the lower edge of the "no action zone" as per the Funding Strategy Policy. Given that position no element of corrective action was required to be incorporated into assessment rates for 2018 or 2019.

The 2018 budget, as set by the Governance Council, anticipated a total comprehensive income for 2018 of \$499,000 with \$62.6 million in assessment revenues; \$22.3 million in investment revenues; \$61.8 million in claims costs and \$22.6 million in administration and general expenses.

Assessment revenues for the year exceeded budget by \$4.6 million ending the year at \$67.2 million, up from the 2017 total of \$61.2 million. Investment revenues however, negatively impacted the WSCC in 2018. Market volatility and valuation declines, particularly in the fourth quarter, resulted in a negative investment return of 0.2%, well below the WSCC required target return rate of 5.85%. The negative revenue contribution from investments of \$1.7 million was off budget by \$24 million and below the 2017 total return by \$29.2 million.

Claims costs continued to rise through 2018 exceeding budget by \$14.3 million and up from the 2017 total of \$69.9 million by \$6.2 million. Within claims costs, compensation in the form of temporary total and/or



permanent disability payments for the current year rose 16.7% over 2017. Medical aid costs rose 8% for 2018 while pensions remained relatively stable.

Administration and general expenses were virtually unchanged in 2018 from 2017 increasing by only \$44,000.

The complete lack of investment returns and increased claims costs for 2018 were the primary derivatives of a total comprehensive loss of \$29 million.

The benefits liability increased \$22.8 million in 2018 now totaling \$384.8 million. The provision for current year's claims coupled with the change in claims run-off factors for both compensation and medical aid costs were the primary contributors to the growth in the benefits liability. As more current experience demonstrates, particularly over the past three years, costs are trending upward, thus necessitating the requirement to update estimates that more accurately align with current experience.

Included within the total benefit liability is an allowance for all recognized latent occupational disease claims expected to arise in the future as a result of past worker's exposures. The standards of the Canadian Institute of Actuaries require the inclusion of this specific item. Within the total benefit liability an amount of \$35.8 million is included as a provision for latent occupational diseases. This represents 9.3% of the total benefit liability, consistent with 2017.

Reserves declined in 2018 with total net reserves now sitting at \$8.4 million, compared to \$37.4 million at the end of 2017. The decline in reserves and the resultant position of reserves will require corrective action and the inclusion of a component to restore reserves in the setting of the provisional rate for the upcoming 2020 year. This is in accordance with WSCC Policy 10.05 / Funding Strategy.

In 2018 the year's maximum insurable remuneration (YMIR) remained unchanged from the 2017 level of \$90,600. YMIR represents the maximum level of employee covered wages that is used for benefit determination. YMIR is set annually in accordance with WSCC Policy 00.04 / Year's Maximum Insurable Remuneration.

## Forward Looking

The WSCC embarked upon a five year strategic plan commencing in 2018. The plan is a natural evolution from the previous WSCC 2015 -2017 strategic plan. The strategic priorities are as follows:

- Advancing the safety culture;
- Delivering quality services and outcomes;

Cultural Safety and Stewardship were added as values in the 2018 -2022 strategic plan. Stewardship, as a value, reflects the overarching accountability and fiscal responsibility that are critical components of achieving the priorities enumerated above.

The Governance Council and administration are cognizant of the impact the WSCC has in the business environment of the territories and strive to maintain rate stability; however that must be balanced with growing expectations, costs and demands from stakeholders. Continuing claims cost escalation experienced is of particular concern and remains a primary concern moving forward.

With the economies of both the Northwest Territories and Nunavut intricately tied to the mining and /or resource extraction industry, the inherent volatility associated with that industry remains a concern.

The path ahead is challenging. The workplace is changing and the nature of injury is changing. While physical injuries continue to occur, a more holistic reality is emerging with an increasing presence and focus on injury and disease linked to trauma and mental health. While this is a positive evolution in the workplace organizationally adapting to it is a challenge for both the WSCC and employers.



**Len MacDonald, FCPA, CMA, CPHR**  
Vice-President of Financial Services

# Management's Responsibility for Financial Reporting

April 26, 2019

The accompanying financial statements of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut (the Commission), and all information in this annual report are the responsibility of the Commission's management and were reviewed and approved by the Governance Council. The financial statements were prepared in accordance with International Financial Reporting Standards and include some amounts, such as the benefits liability, that are necessarily based on management's best estimates and judgement. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibilities for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized in accordance with the specified legislation, assets are safeguarded, and proper records are maintained.

The Governance Council is responsible to ensure management fulfills its responsibilities for financial reporting and internal control. The Governance Council exercises this responsibility and is composed of Directors who are not employees of the Commission. The Governance Council meets with management and the external auditors on a regular basis. The external auditors have full and free access to the Governance Council.

The Auditor General of Canada annually conducts an independent, objective audit of the financial statements of the Commission for the purpose of expressing his opinion on these financial statements. He also considers whether the transactions that come to his notice in the course of the audit are, in all material respects, in accordance with specified legislation.

Morneau Shepell, an independent firm of consulting actuaries, performed an actuarial valuation and provided an opinion on the adequacy and appropriateness of the benefits liability of the Commission.



**Dave Grundy**  
President and CEO



**Len MacDonald, FCPA, CMA, CPHR**  
Vice-President of Financial Services

# Actuarial Statement of Opinion



40 Crowther Lane, Suite 300, Knowledge Park,  
Fredericton, New Brunswick E3C 0J1

I have completed the actuarial valuation of the benefit liabilities of the Workers' Safety and Compensation Commission (the "Commission") as at December 31, 2018 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part.

In my opinion:

1. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the liabilities of the Commission.
2. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate for the purpose of the valuation. The economic assumptions are consistent with the funding and investment policies of the Commission.
3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for Workers' Compensation organizations in Canada.
4. The estimate of the actuarial liabilities as at the valuation date is \$384,812,000. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that were incurred on or before the valuation date. A provision for future claims arising from long latency occupational diseases is included in this valuation. This liability includes the Hunters & Trappers group but does not include any self-insured employers.
5. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.
6. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
7. The valuation is based on the provisions of the Workers' Compensation Act S.N.W.T. 2007, c. 21, the Workers' Compensation Act S.Nu. 2007, c. 15 and on the Commission's policies and practices in effect on the valuation date.

A handwritten signature in black ink, appearing to read 'Thane MacKay'.

Thane MacKay, F.C.I.A

March 31, 2019

*This report has been peer reviewed by Mark Simpson, FCIA.*

# Independent Auditor's Report



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada

## INDEPENDENT AUDITOR'S REPORT

To the Ministers responsible for the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut (the Commission), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be

materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Compliance with Specified Authorities**

#### *Opinion*

In conjunction with the audit of the financial statements, we have audited transactions of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Workers' Compensation Act* of the Northwest Territories and regulations, and the *Workers' Compensation Act* of Nunavut and regulations.

In our opinion, the transactions of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* of Nunavut, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

*Responsibilities of Management for Compliance with Specified Authorities*

Management is responsible for the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut to comply with the specified authorities.

*Auditor's Responsibilities for the Audit of Compliance with Specified Authorities*

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



David Irving, CPA, CA  
Principal  
for the Interim Auditor General of Canada

Edmonton, Canada  
26 April 2019

# Financial Statements

## Statement of Financial Position

As at December 31 (in thousands of Canadian dollars)

	2018	2017
	\$	\$
<b>ASSETS</b>		
Cash and cash equivalents (Note 4)	11,643	4,339
Investments (Note 5 & 18)	381,607	394,365
Assessments receivable (Note 6.a)	4,355	5,186
Other receivables (Note 6.b)	712	2,065
Prepaid expenses	273	115
Property and equipment (Note 7)	7,199	7,843
Intangible assets (Note 8)	2,889	2,976
	<b>408,678</b>	<b>416,889</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable, accrued and other liabilities (Note 9 & 15)	5,747	5,631
Salaries and wages payable (Note 15)	2,235	2,135
Assessments refundable (Note 15)	6,297	8,469
Benefits liability (Note 10)	384,812	362,027
Post-employment benefits (Note 11.b)	1,204	1,207
	<b>400,295</b>	<b>379,469</b>
<b>EQUITY (NOTE 12)</b>		
Operating reserve	(9,757)	19,280
Capital asset replacement reserve	133	133
Catastrophe reserve	18,007	18,007
	<b>8,383</b>	<b>37,420</b>
	<b>408,678</b>	<b>416,889</b>

Commitments (Note 13), Contingencies (Note 14)

Approved by the Governance Council:



David Tucker  
Chairperson, Governance Council

*The accompanying notes form an integral part of these financial statements*



## Statement of Comprehensive Income

For the year ended December 31 (in thousands of Canadian dollars)

	2018	2017
	\$	\$
<b>REVENUE AND INCOME</b>		
Assessments	67,064	61,581
Add: Safe Advantage penalties	1,044	580
Less: Safe Advantage refunds	(875)	(922)
Net assessment revenue	<u>67,233</u>	<u>61,239</u>
Investments		
Interest	4,073	3,666
Dividends	9,398	13,759
Investments (losses) gains (Note 5.d)	(14,029)	11,212
Investment fees	(1,170)	(1,184)
Net investment (loss) income	<u>(1,728)</u>	<u>27,453</u>
Fines and miscellaneous income	171	-
	<u>65,676</u>	<u>88,692</u>
<b>EXPENSES</b>		
Claims costs		
Claims costs, current year injuries (Note 10.b)	47,607	43,664
Claims costs, prior years' injuries (Note 10.b)	29,856	28,119
Third party legal claim recoveries	(942)	(1,974)
(Recoveries) refunds for hunters and trappers (Note 17)	(393)	90
	<u>76,128</u>	<u>69,899</u>
Administration and general expenses (Note 16)	18,427	18,383
	<u>94,555</u>	<u>88,282</u>
<b>(Loss) Income before other comprehensive income</b>	<u>(28,879)</u>	<u>410</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement losses on defined benefit plan (Note 11.b)	(158)	(34)
<b>Total comprehensive (loss) income</b>	<u>(29,037)</u>	<u>376</u>

The accompanying notes form an integral part of these financial statements

## Statement of Changes in Equity

For the year ended December 31 (in thousands of Canadian dollars)

	OPERATING RESERVE	CAPITAL ASSET REPLACEMENT RESERVE	CATASTROPHE RESERVE	Total
	\$	\$	\$	\$
<b>Balance at January 1, 2017</b>	<b>18,765</b>	<b>272</b>	<b>18,007</b>	<b>37,044</b>
Total comprehensive income for the year				
Income before other comprehensive income	410	-	-	410
Re-measurement losses on defined benefit plan	(34)	-	-	(34)
Transfer from capital asset replacement reserve	139	(139)	-	-
<b>Balance at December 31, 2017</b>	<b>19,280</b>	<b>133</b>	<b>18,007</b>	<b>37,420</b>
Total comprehensive loss for the year				
Loss before other comprehensive income	(28,879)	-	-	(28,879)
Re-measurement losses on defined benefit plan	(158)	-	-	(158)
<b>Balance at December 31, 2018</b>	<b>(9,757)</b>	<b>133</b>	<b>18,007</b>	<b>8,383</b>

Capital management and reserves (Note 12)

*The accompanying notes form an integral part of these financial statements*

## Statement of Cash Flows

For the year ended December 31 (in thousands of Canadian dollars)

	2018	2017
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Cash received from:		
Assessments from employers	66,734	61,422
Cash paid to:		
Payments to claimants or third parties on their behalf	(53,692)	(52,813)
Purchase of goods and services	(15,934)	(18,521)
Assessment rebate	(875)	(922)
Cash used in operating activities	<u>(3,767)</u>	<u>(10,834)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on sale of investments	124,538	483,603
Dividends	9,398	13,759
Interest	4,073	3,666
Change in cash held by investment managers	(1,008)	526
Purchase of intangible assets	(736)	(496)
Purchase of property and equipment	(394)	(270)
Purchases of investments	<u>(124,800)</u>	<u>(495,474)</u>
Cash provided by investing activities	<u>11,071</u>	<u>5,314</u>
Increase (decrease) in cash and cash equivalents	7,304	(5,520)
<b>Cash and cash equivalents, beginning of year</b>	<u>4,339</u>	<u>9,859</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>11,643</u></u>	<u><u>4,339</u></u>

*The accompanying notes form an integral part of these financial statements*

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### 1. Nature of operations

The Workers' Safety and Compensation Commission (the Commission) is domiciled in Canada. The Commission, a territorial entity, was established by and operates under the authority of the *Workers' Compensation Acts* of the Northwest Territories and of Nunavut (the Acts). In addition, the Commission is also responsible for the administration of the *Safety Acts*, *Mine Health and Safety Acts*, and the *Explosives Use Acts* of the Northwest Territories and of Nunavut. The Commission is exempt from income tax and the goods and services tax.

The Commission has its corporate office in Yellowknife, Northwest Territories, Canada, and area offices in Inuvik, Northwest Territories and Iqaluit, Nunavut.

The Commission's mandate is to provide benefits to injured workers and to levy assessments on employers to cover the current and future costs of existing claims and claims related to latent occupational diseases. The Commission is also responsible for developing safety awareness programs and monitoring and enforcing safety practices in the workplace.

The Government of the Northwest Territories and the Government of Nunavut have signed an inter-governmental agreement for a shared Workers' Safety and Compensation Commission to allow the Commission to remain as a single entity serving both territories. Cancellation of this agreement by either party requires minimum notice of one full fiscal year.

### 2. Statement of compliance, basis of preparation and summary of significant accounting policies

The financial statements of the Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Governance Council on April 26, 2019.

The financial statements have been prepared on a historical cost basis, except for investments classified as held-for-trading which have been measured at fair value. The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand (\$000), except when otherwise indicated. The following is a summary of the significant accounting policies:

#### a) Liquidity classification

The Commission presents assets and liabilities in the statement of financial position in order of liquidity. When items contain both a current and non-current component the Commission discloses both components within the accompanying notes.

An asset is current when it is: expected to be realized or intended to be sold or consumed in the normal operating cycle; held primarily for the purpose of trading; expected to be realized within twelve months after the reporting period; or the asset is cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Cash and cash equivalents, assessments receivable, other receivables and prepaid expenses are current assets. All other assets are classified as non-current, except investments which have both a current and non-current component.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

A liability is current when it is: expected to be settled in the normal operating cycle; held primarily for the purpose of trading; due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Salaries and wages payable and assessments refundable are classified as current liabilities. All other liabilities contain both current and non-current components.

### **b) Financial Instruments**

#### *Investments*

Investments are classified as held-for-trading and are measured at fair value because they are acquired for the purpose of selling in the near term. Profit or loss from changes in fair value is recognized as investment income in the statement of comprehensive income.

Interest and dividends are recognized as income in the period earned. Transaction costs are recognized as an expense in the period incurred. Purchases and sales of investments are recognized on the trade date.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Interest, dividends, and realized gains and losses are translated at the exchange rates in effect on the transaction date. Exchange gains and losses resulting from the translation of foreign currency balances at year-end and transactions during the year are recognized as investment income in the statement of comprehensive income.

#### *Other financial assets and liabilities*

Cash and cash equivalents are classified as held-for-trading and are measured at fair value through profit and loss on initial recognition and transaction costs are expensed when incurred. Assessments receivable and other receivables are classified as loans and receivables and are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Accounts payable, accrued and other liabilities, assessments refundable and salaries and wages payable are classified as other financial liabilities and are initially measured at fair value, and subsequently measured at amortized cost using the effective interest rate method. Due to the short-term nature of cash and cash equivalents, assessments receivable, other receivables, assessments refundable, accounts payable, accrued and other liabilities and salaries and wages payable, their carrying values approximate their fair values.

#### *De-recognition of financial assets and liabilities*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the rights to receive the cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Commission derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

### ***Fair value hierarchy***

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized using the following hierarchy of valuation techniques:

- Level 1 is used when there are quoted (unadjusted) prices in active markets for identical assets, for example:
  - a) Traded on stock exchange.
  - b) Notional unit values for segregated funds are established daily.
- Level 2 is used when there are other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, for example:
  - a) Valuations are based on appraisals of the properties that are based on observable market metrics, such as capitalization rates, growth rates, or lease rates.
  - b) Bonds are traded over the counter rather than on an exchange.
- Level 3 is used when there are techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Due to the short-term nature of various financial assets and financial liabilities, the carrying value approximates fair value.

Changes in valuation methods may result in transfers into or out of an asset's assigned level. The Commission's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers between levels in 2018 (2017 – no transfers).

### **c) Cash and cash equivalents**

For the purposes of the statement of cash flows and the statement of financial position, cash and cash equivalents includes cash and money market instruments with a term to maturity of three months or less when acquired and which are readily convertible to cash. Cash and short-term investments held by investment managers for investment purposes are excluded from cash and cash equivalents.

### **d) Assessments receivable and assessments refundable**

At the beginning of each year, the Commission levies assessments on employers by applying their industry assessment rate to their estimated payrolls for the year. The assessment levy is payable by instalments during the year. At year-end, employers file a statement of actual assessable payroll and the difference between the estimated assessment and the actual assessment is recognized either as an increase in assessment revenue and recognized as a receivable, or as a decrease in assessment revenue and recognized as assessment refundable. When an employer does not provide estimated payroll, the Commission estimates and levies assessments based on prior experience with the employer and industry.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

Assessment revenue is recognized in the year that the actual assessable payroll was paid by employers to their employees.

Collectability of receivables is reviewed on an ongoing basis using judgement. An allowance for doubtful accounts is recorded for assessments receivable when there is objective evidence that the amounts due will not be collected in accordance with the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the estimated future cash flows. The amount of the allowance recognized or derecognized is recorded in the statement of comprehensive income. The Governance Council must approve all assessments receivable write-offs.

### e) Third party legal claims recoveries

Under Section 64 of the Acts, the Commission is deemed to be an assignee of a cause of action in respect of a claimant's injury. If settled, or as a result of a Court decision, the settlement amount less recoveries of legal costs and costs associated with the claim which were incurred by the Commission is distributed to the claimant.

The recoveries from third parties are recognized when receipt is virtually certain and the amount can be reliably measured. Recoveries for claims costs are recognized in the statement of comprehensive income net of contingency-based legal expenses. Non-contingency-based legal expenses are recognized in professional services and subsequent recoveries of such expenses are recognized in recoveries within administration and general expenses.

### f) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognized over the estimated useful lives using the straight-line method as follows:

- Building 15 – 25 years
- Equipment 2 – 10 years
- Furnishings 5 – 15 years
- Vehicles 5 years
- Leasehold improvements lesser of useful life or lease term

Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for separately. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Depreciation expense is recognized in administration and general expenses in the statement of comprehensive income.

### g) Intangible assets

Research costs are expensed as incurred. Development costs of internally developed software systems are capitalized when the system is technically feasible, resources are available, costs can be measured reliably, management intends to use the asset and future economic benefits are probable. The asset is derecognized when it no longer meets these criteria. When the asset is substantially complete and is available for use, development costs capitalization ceases and the costs are transferred to the related asset category and amortized.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

Amortization is recognized over the asset's estimated useful life (2 – 15 years) using the straight-line method. Amortization expense is recognized in administration and general expenses in the statement of comprehensive income.

### **h) Benefits liability**

The benefits liability represents the present value of expected future payments for medical aid benefits, compensation payments, and pensions in respect of claims arising from accidents that occurred prior to the end of the fiscal year as well as an allowance for all recognized latent occupational disease claims expected to arise in the future as a result of past exposures. Occupational diseases differ from other types of occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a claim. Further, it may be difficult to establish a link between an occupational disease and the workplace. A portion of the total liability is held based on the accumulated exposure up to the valuation date relative to total exposure before manifestation of the occupational disease. The benefits liability also includes an allowance for future claims management costs.

The benefits liability includes provision for all benefits provided by current legislation, policies, and administrative practices. Many assumptions are required to calculate the benefits liability, including estimates of future inflation, interest rates, and mortality rates. The benefits liability is determined annually by an independent actuary. The independent actuary's opinion on the adequacy and appropriateness of the benefits liability is attached to these financial statements.

A portion of administration and general expenses is allocated as claims management costs to the current year's claims and the prior years' claims. The amount allocated to claims is reviewed by the independent actuary for reasonableness as part of the annual actuarial valuation of the benefits liability.

### **i) Employee benefits**

#### ***Pension Plan***

Substantially all of the employees of the Commission are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employee and the Commission to cover current service cost. Pursuant to legislation currently in place, the Commission has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Commission.

#### ***Post-employment benefits***

Under the terms and conditions of employment, employees may earn non-pension benefits for severance upon resignation, or retirement based on years of service and final salary, and ultimate removal assistance based on years of service. The obligation is calculated using the projected unit credit method prorated on service on an actuarial basis. The liability for accrued employee benefits is based on the December 31, 2018 actuarial valuation as calculated by the Commission's actuary. Any actuarial gains or losses are recognized as income or loss through other comprehensive income in the year they are incurred and any re-measurements are not reclassified to profit or loss in subsequent periods. The amounts recognized in other comprehensive income for the year are immediately transferred to the operating reserve.



## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

### ***Short-term employee benefits***

Employee benefits that are expected to be settled within twelve months of the reporting date are measured on an undiscounted basis. These benefits include wages and salaries, and annual vacation leave earned but not yet used.

### ***Other long-term employee benefits***

Benefits that are expected to be settled beyond twelve months are determined based on an actuarial valuation as the best estimate of future cash flows discounted to present value with actuarial gains and losses recognized in profit and loss as incurred. These benefits include sick leave and special leave benefits earned but not used.

### **j) Leases**

Judgement is used to classify leases as financing or operating depending on the terms and conditions of the contracts. The costs of assets acquired under financing leases are amortized on a straight-line basis over the term of the lease. Obligations recorded under financing leases are reduced by lease payments net of imputed interest. Expenses incurred under operating leases are recognized as expenses in the statement of comprehensive income on a straight-line basis over the term of the lease.

### **k) Impairment of non-financial assets**

The Commission assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Commission estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Based on an analysis of cash flows, the Commission has established that the appropriate CGU for impairment review is the entity. The Commission has statutory power under the Acts to increase premiums and / or charge a premium surcharge to ensure full funding into the foreseeable future and impairment at the entity level is remote.

### **l) New and revised accounting standards and interpretations issued but not yet effective**

#### ***Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts***

In September 2016, the IASB issued amendments to IFRS 4 - *Insurance Contracts* which permits insurers that meet specified criteria to apply a temporary exemption from IFRS 9 - *Financial Instruments*, for annual periods beginning on or after January 1, 2018. The Commission is eligible for the temporary exemption, and will be applying this amendment for annual periods beginning on or after January 1, 2018 until the temporary exemption expires for annual reporting periods beginning on or after January 1, 2021. The impact of the adoption of this amendment on the commission's financial statements is not known or reasonably estimable at this time.

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### ***IFRS 9 – Financial instruments***

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* which will replace IAS 39 - *Financial Instruments: Recognition and Measurement*. The amendments are effective for annual periods beginning on or after January 1, 2018. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The Commission is eligible and will be using the temporary exemption allowed for based on amendments to IFRS 4 issued September 2016. The impact of the adoption of this amendment on the commission's financial statements is not known or reasonably estimable at this time.

### ***IFRS 16 – Leases***

The IASB has published a new standard, IFRS 16 - *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Short-term leases less than 12 months and leases of low value assets will have an optional exemption from the requirements. Lessor accounting however remains largely unchanged. IFRS 16 supersedes IAS 17 - *Leases* and related interpretations and is effective for periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 - *Revenue from Contracts with Customers* has also been applied. The Commission has not early adopted. The Commission has assessed the impact of the new standard and determined that it will have an immaterial impact on the annual operating results. Based on the information currently available, the Commission estimates that it will recognize additional \$4,248 right of use assets and \$4,248 of lease liabilities with no impact to equity as at January 1, 2019.

### ***IFRS 17 – Insurance Contracts***

IFRS 17 – Insurance Contracts was issued in May 2017 and is effective for years beginning on or after January 1, 2022, to be applied retrospectively. If full retrospective application is impractical, the modified retrospective or fair value methods may be used. IFRS 17 will replace IFRS 4 – Insurance Contracts and is expected to change the way insurance contract liabilities are recognized and measured. It will also change the presentation and disclosures of the Commission's Financial Statements. The impact of the new standard could be significant for the Commission. Key changes from this standard include the discount rate and risk adjustment. The impact of the adoption of this standard on the Commission's financial statements is not known or reasonably estimable at this time. The Commission is currently assessing the impact of IFRS 17.

### **3. Critical accounting estimates and judgements**

The Commission makes estimates and judgements in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

- Note 10. – Benefits liability, the estimation uncertainty relates to the determination of assumptions as discussed in Note 10.i).
- Note 11.b) – Post-employment benefits determination of discount rates and other assumptions

In particular, information about applying critical judgements in accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Note 2.b) and Note 5. – Investments, classification and valuation of financial instruments
- Note 2.d) – Assessments receivable, determination of estimated payroll
- Note 2.f) and Note 7. – Property and equipment, degree of componentization
- Note 2.g) – Intangible assets, determination of development costs

### 4. Cash and cash equivalents

The Commission invests in short-term money market instruments. The market yield of this portfolio for the year was 1.90% (2017 – 1.23%). All instruments held in cash and cash equivalents are readily convertible to cash and are held in high quality debt obligations issued or guaranteed by federal, provincial, or territorial governments, Canadian chartered banks, or loan or trust companies registered in Canada.

	2018	2017
	\$	\$
Short-term investments	<b>8,048</b>	1,071
Cash	<b>3,595</b>	3,268
<b>Total</b>	<b>11,643</b>	4,339

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### 5. Investments

The Commission's investment portfolio consists of fixed income, equity, and real estate portfolio investments. The Commission's investment objective is to achieve a long-term rate of return that is sufficient to allow the Commission to fund its benefits liability, cover its operating costs, and set reasonable and stable assessment rates for employers. All investments, including cash and cash equivalents managed by investment managers, are classified as held-for-trading. The Commission expects to experience a draw down of investments during the coming year, matching the payment of anticipated claims in the amount of \$34,903.

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
	\$	\$	\$	\$
Fixed income	170,765	157,066	167,834	154,336
Equities	153,456	151,310	172,608	149,737
Real estate	57,386	51,295	53,923	49,758
<b>Total</b>	<b>381,607</b>	<b>359,671</b>	<b>394,365</b>	<b>353,831</b>

#### a) Fixed income

The fair value and cost of the fixed income investments are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
	\$	\$	\$	\$
Fixed income securities	65,166	64,754	64,088	63,072
Pooled funds				
Indexed Bond Funds	70,417	70,147	69,449	69,099
Mortgage Funds	35,182	22,165	34,297	22,165
<b>Total</b>	<b>170,765</b>	<b>157,066</b>	<b>167,834</b>	<b>154,336</b>

The Commission uses judgement to classify securities held in a pooled fund on the basis of the assets comprising the major portion of the pooled fund.

Included in the above amounts are investments in privately held related party bonds, as disclosed in Note 17. The cumulative unrealized gains in 2018 on the privately held investments were \$479 (2017 – \$533).

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

The cumulative unrealized gains on fixed income investments are as follows:

	2018	2017
	\$	\$
Fixed income - cost	157,066	154,336
Cumulative unrealized gains	13,699	13,498
<b>Fixed income - fair value</b>	<b>170,765</b>	<b>167,834</b>

The remaining term to maturity of the fixed income securities (not including pooled funds) is as follows:

	Within 1 year	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	Fair Value December 31, 2018	Fair Value December 31, 2017
	\$	\$	\$	\$	\$	\$	\$
Cash, short-term investments and net payable in investment manager accounts	228	-	-	-	-	228	477
Government bonds	3,686	1,534	18,233	12,109	14,847	50,409	46,213
Corporate bonds	1,238	1,266	5,492	1,490	5,043	14,529	17,398
<b>Total</b>	<b>5,152</b>	<b>2,800</b>	<b>23,725</b>	<b>13,599</b>	<b>19,890</b>	<b>65,166</b>	<b>64,088</b>

### b) Equities

The fair value and cost of the equity investments are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
	\$	\$	\$	\$
United States equities	55,391	46,481	53,974	41,749
Canadian equities	59,581	52,269	69,868	52,414
International equities	38,484	52,560	48,766	55,574
<b>Total</b>	<b>153,456</b>	<b>151,310</b>	<b>172,608</b>	<b>149,737</b>

Included in the International equities is \$1,374 (2017 - \$341) of cash that is held in Canadian funds.

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

The cumulative unrealized gains on the equity investments are as follows:

	2018	2017
	\$	\$
Equity investments - cost	151,310	149,737
Cumulative unrealized gains	2,146	22,871
<b>Equity investments - fair value</b>	<b>153,456</b>	<b>172,608</b>

### c) Real estate

The Commission classifies securities held in a pooled fund on the basis of the assets comprising the major portion of such pooled fund.

The cumulative unrealized gains on the real estate portfolio investments are as follows:

	2018	2017
	\$	\$
Canadian real estate - cost	51,294	49,758
Canadian real estate - unrealized gains	6,092	4,165
<b>Canadian properties - fair value</b>	<b>57,386</b>	<b>53,923</b>

### d) Investment gains and losses

The investment gains and losses recognized in the Statement of Comprehensive Income as follows:

	2018	2017
	\$	\$
Realized gains	4,571	4,835
Change in unrealized gains	(18,600)	6,377
<b>Investment (losses) gains - net</b>	<b>(14,029)</b>	<b>11,212</b>

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### e) Investment performance

Investments are managed by nine independent investment managers. The market returns of the portfolio for the years ended December 31 are as follows:

	2018	2017
	%	%
United States equities	2.17	18.82
International equities	(9.15)	21.84
Cash and cash equivalents	7.22	(4.18)
Real estate	6.42	5.92
Fixed income securities and indexed bond funds	1.53	2.23
Mortgages	2.58	1.54
Canadian equities	(6.65)	7.73

The cash and cash equivalents generated a small positive return, but a foreign exchange loss in the foreign currency market resulted in a net decline in the \$Canadian Value.

### f) Investment activity

The Commission's change in investments during the years ended December 31 is as follows:

	2018	2017
	\$	\$
Balance, beginning of year	394,365	371,808
Investments (losses) gains, net	(14,029)	11,212
Dividends	9,398	13,759
Interest	4,073	3,666
Transfer to short-term investments	(200)	(80)
Transfer (to) from operating cash accounts	(12,000)	(6,000)
<b>Balance, end of year</b>	<b>381,607</b>	<b>394,365</b>

## 6. Assessments and other receivables

### a) Assessments receivable

	2018	2017
	\$	\$
Current assessments receivable	4,377	5,269
Overdue assessments receivable	273	268
Allowance for doubtful accounts	(295)	(351)
<b>Net assessments receivable</b>	<b>4,355</b>	<b>5,186</b>

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

The Commission collected \$185 (2017 – \$162) of legislated prescribed penalties during the year on the receivables. The legislated prescribed penalty is charged at the rate of 2% per month on the outstanding balance. None of the assessments receivable, except for those included in the allowance, are considered to be impaired. The total bad debt expense recognized during the year is \$34 (2017 – \$252) which is recognized in administration and general expense.

### b) Other receivables

	2018	2017
	\$	\$
Due from claimants	188	258
Receivable from other Governments	78	20
Due from employees	87	75
Hunters and trappers receivable	418	-
Legal recoveries receivable	-	1,744
Other	42	41
Less: allowance for doubtful accounts - other	(63)	(55)
Less: allowance for doubtful accounts - claimants	(38)	(18)
<b>Total</b>	<b>712</b>	<b>2,065</b>

Other receivables are non-interest bearing.

### c) Reconciliation of allowance for doubtful accounts and aging analysis

	2018	2018	2017	2017
	Employers	Other	Employers	Other
	\$	\$	\$	\$
Carrying amount at the beginning of the year	351	73	148	130
Net debts written off during the year	(45)	(29)	(58)	(55)
Provision made during the year	191	88	296	51
Recoveries and adjustments	(202)	(31)	(35)	(53)
<b>Carrying amount at the end of the year</b>	<b>295</b>	<b>101</b>	<b>351</b>	<b>73</b>

### *Aging of assessments and other receivables that are overdue and not impaired*

	31 to 60 days	61 to 90 days	91+ days	Total overdue
	\$	\$	\$	\$
<b>2018</b>	40	24	528	<b>592</b>
2017	206	25	280	511



## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### 7. Property and equipment

	Building \$	Equipment \$	Furnishings \$	Vehicles \$	Leasehold improvements \$	Total \$
<i>Cost</i>						
At January 1, 2017	8,244	1,641	2,185	317	1,155	13,542
Additions	68	159	28	-	10	265
Disposals	-	(355)	(19)	(95)	-	(469)
At December 31, 2017	8,312	1,445	2,194	222	1,165	13,338
Additions	277	59	46	-	-	382
Disposals	-	(300)	(182)	(51)	(5)	(538)
At December 31, 2018	8,589	1,204	2,058	171	1,160	<b>13,182</b>
<i>Depreciation</i>						
At January 1, 2017	2,772	1,060	387	282	578	5,079
Annual depreciation	420	156	176	17	110	879
Disposals	-	(355)	(13)	(95)	-	(463)
At December 31, 2017	3,192	861	550	204	688	5,495
Annual depreciation	431	118	163	17	110	839
Disposals	-	(200)	(99)	(51)	(1)	(351)
At December 31, 2018	3,623	779	614	170	797	<b>5,983</b>
<b>Net book value</b>						
At December 31, 2018	<b>4,966</b>	<b>425</b>	<b>1,444</b>	<b>1</b>	<b>363</b>	<b>7,199</b>
At December 31, 2017	5,120	584	1,644	18	477	7,843

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### 8. Intangible assets

	Purchased software systems	Internally developed software systems	Total
	\$	\$	\$
<i>Cost</i>			
At January 1, 2017	882	6,920	7,802
Additions	86	529	615
Disposals	(29)	29	-
At December 31, 2017	939	7,478	8,417
Additions	280	311	591
Disposals and adjustments	(278)	(5)	(283)
At December 31, 2018	941	7,784	<b>8,725</b>
<i>Amortization</i>			
At January 1, 2017	554	4,338	4,892
Annual amortization	94	455	549
At December 31, 2017	648	4,793	5,441
Annual amortization	135	540	675
Disposals	(278)	(2)	(280)
At December 31, 2018	505	5,331	<b>5,836</b>
<b>Net book value</b>			
<b>At December 31, 2018</b>	<b>436</b>	<b>2,453</b>	<b>2,889</b>
At December 31, 2017	291	2,685	2,976

Included in internally developed software systems is the Compensation, assessment and accident prevention system (CAAPS) which the Commission uses to process and maintain claims information and employer information including claims, assessments and safety reports. The net book value amount and remaining amortization period of this asset are \$494 and 2 years respectively (2017 - \$713 and 3 years).

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### 9. Accounts payable, accrued and other liabilities

	Current	Non-Current	2018 Total	2017 Total
	\$	\$	\$	\$
Accounts payable	2,507	-	2,507	2,129
Accrued liabilities	3,137	-	3,137	3,364
Other	103	-	103	138
<b>Total</b>	<b>5,747</b>	<b>-</b>	<b>5,747</b>	<b>5,631</b>

### 10. Benefits liability

#### a) Future claims liability and approved pension liability

The benefits liability is composed of two parts: the future claims liability and the approved pension liability.

The future claims liability represents the present value of the expected future benefit payments on claims arising from accidents that occurred on or prior to the end of the fiscal year for hospital and medical services (Medical Aid), short-term income benefits and subsistence payments (Compensation), pension benefits for future capitalizations (Future Capitalizations), and related administrative expenses. Future Capitalizations represent an estimate of the liability for expected future pension awards that relate to injuries that have already occurred, but are not yet approved pension awards. The latent occupational disease liability, shown separately, represents the expected cost of future claims that have not yet been filed but are expected to manifest themselves in the future as a result of exposure to a causative agent in the workplace.

The Commission includes a provision for expected future claims costs for Hunters and Trappers in accordance with the Memoranda of Understanding on Renewable Resources Harvesters (April 2015 for the Northwest Territories and April 2009 for Nunavut) (Note 17).

The liabilities for the Medical Aid and Compensation benefits were developed using the loss development method. This method is also commonly known as the "claims run-off" approach. The liability for Future Capitalizations was developed using a modified version of the loss development method.

The approved pension liability represents the present value of the expected future pension awards payments and related expenses for approved pension awards as at the end of the fiscal year.

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### b) Benefits liability continuity schedule and reconciliation

The benefits liability is composed of the following:

	Medical aid \$	Compensation \$	Future capitalizations \$	Pension awards \$	Occupational disease claims \$	Total 2018 \$
Balance, beginning of year	70,459	34,774	35,955	187,181	33,658	<b>362,027</b>
Add: Claims costs (recoveries)						
Current year	13,991	23,701	9,781	134	-	<b>47,607</b>
Prior years	8,912	7,056	3,531	8,239	2,118	<b>29,856</b>
Liability transfer, capitalizations	-	-	(5,521)	5,521	-	-
	<b>22,903</b>	<b>30,757</b>	<b>7,791</b>	<b>13,894</b>	<b>2,118</b>	<b>77,463</b>
Less: Claims payments						
Current year injuries						
Claims payments	3,334	4,454	32	-	-	<b>7,820</b>
Claims management	1,500	2,005	3	-	-	<b>3,508</b>
Prior years' injuries						
Claims payments	6,908	11,131	2,000	13,631	-	<b>33,670</b>
Claims management	3,108	5,009	200	1,363	-	<b>9,680</b>
	<b>14,850</b>	<b>22,599</b>	<b>2,235</b>	<b>14,994</b>	<b>-</b>	<b>54,678</b>
<b>Balance, end of year</b>	<b>78,512</b>	<b>42,932</b>	<b>41,511</b>	<b>186,081</b>	<b>35,776</b>	<b>384,812</b>
	Medical aid \$	Compensation \$	Future capitalizations \$	Pension awards \$	Occupational disease claims \$	Total 2017 \$
Balance, beginning of year	55,545	38,976	32,954	185,323	32,062	344,860
Add: Claims costs (recoveries)						
Current year	12,950	20,321	9,457	936	-	43,664
Prior years	19,428	(4,790)	3,366	8,519	1,596	28,119
Liability transfer, capitalizations	-	-	(6,323)	6,323	-	-
	<b>32,378</b>	<b>15,531</b>	<b>6,500</b>	<b>15,778</b>	<b>1,596</b>	<b>71,783</b>
Less: Claims payments						
Current year injuries						
Claims payments	3,788	4,242	83	-	-	8,113
Claims management	1,705	1,909	8	-	-	3,622
Prior years' injuries						
Claims payments	8,256	9,367	3,098	12,655	-	33,376
Claims management	3,715	4,215	310	1,265	-	9,505
	<b>17,464</b>	<b>19,733</b>	<b>3,499</b>	<b>13,920</b>	<b>-</b>	<b>54,616</b>
<b>Balance, end of year</b>	<b>70,459</b>	<b>34,774</b>	<b>35,955</b>	<b>187,181</b>	<b>33,658</b>	<b>362,027</b>

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

The expected claims payment for the benefits liability in 2019 is \$34,903 (2018 - \$30,835).

The Commission bases expectations of the costs of awarded pensions and the ongoing cost of Compensation and Medical Aid payments on the experience of prior years. The principal sources of the experience loss or gain and an actuarial reconciliation of the changes in the benefits liability during the years ended December 31 are as follows:

	2018	2017
	\$	\$
Balance, beginning of year	<b>362,027</b>	344,860
Adjust for effects of:		
Provision for current year's claims	<b>36,280</b>	31,928
Inflation experience, which was 1.88% versus the expected 2.25% (1.46% versus 2.25% in 2017)	<b>(667)</b>	(1,435)
Claims experience	<b>365</b>	8,343
Change in claims run-off factors for Compensation and Medical aid	<b>4,365</b>	(339)
Change in factors for Medical aid liability	-	(280)
Latent occupational disease claims provision	<b>149</b>	-
Change in methodology	-	(208)
Interest allocated	<b>20,164</b>	19,231
Other assumption changes	<b>5,466</b>	2,807
	<b>66,122</b>	60,047
<b>Deduct:</b>		
Payments for prior years' claims	<b>(43,337)</b>	(42,880)
<b>Balance, end of year</b>	<b>384,812</b>	362,027

### c) Objectives in managing risks arising from the Acts and policies for mitigating those risks

The Commission has an objective to control insurance risk, thus reducing the volatility of operating results. In addition to the inherent uncertainty of insurance risk, this can lead to significant variability in the experience gain or loss. The Commission's operating results are affected by market factors, particularly movements in investment values.

Key aspects of processes established to mitigate insurance risks include:

- The maintenance and use of management information systems, which provide data on the risks to which the Commission is exposed to at any point in time.
- Actuarial models, using information from the management information system, are used to monitor claims patterns and calculate premiums. Past experience and statistical methods are used as part of the process.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

- The mix of assets in which the Commission invests is determined to achieve a long-term rate of return that is sufficient to fund the benefits liability. The management of assets and liabilities is closely monitored to attempt to match assets with the expected pattern of claim payments.

### **d) Terms and conditions of the Acts**

The terms and conditions attached to the Acts affect the level of insurance risk accepted by the Commission. All insurance transactions entered into are in the same standard form and are subject to substantially the same terms and conditions under the Acts.

### **e) Concentration of insurance risk**

The Commission's exposure to insurance risk is due to workplace injury caused through an event or disaster that occurred during the reporting period, and/or occupational diseases diagnosed during the reporting period. The Commission's benefits liability includes an amount estimated to cover any such occurrences. This figure is reviewed on an annual basis. The Commission's risk is concentrated by industry as some industries have higher claims experience costs than others. This is mitigated by higher premiums being charged to industries with proven higher experience costs.

### **f) Development of claims**

There is a possibility that changes may occur in the estimate of the Commission's obligations over time. The tables in part (k) of this note show the Commission's estimates of total net and gross claims outstanding for each underwriting year at successive year ends.

### **g) Interest rate risk**

The Commission is exposed to the risk that interest rate movements may materially impact the value of the benefits liability. The financial impact of changing interest rates on the benefits liability is expected to be offset in the longer term by similar changes in claims inflation.

The discount rates being applied to future claims payments in determining the valuation of the benefits liability are disclosed in part (i) of this note.

The exposure to interest rate risk for classes of financial assets is set out in Note 15.d).

### **h) Liquidity risk**

The Commission's exposure to liquidity risk is set out in Note 15.a).

The following table estimates the expected amounts and timing of future benefit payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty. The projections presented below do not include a provision for future administration expenses or latent occupational diseases.

Expected timing of future payment for outstanding claims:

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

	2018	2017
	%	%
Up to 1 year	5.60	5.10
Over 1 year and up to 5 years	15.60	15.10
Over 5 years and up to 10 years	14.60	14.80
Over 10 years	64.20	65.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

### i) Actuarial assumptions and methods

The overall valuation approach is designed to reflect emerging trends without placing too much emphasis on temporary fluctuations. The factors used in the valuation have been developed on a best estimate basis by taking the Commission's historical experience into consideration along with recent trends in that experience. The general philosophy is to avoid reacting too strongly to temporary fluctuations until there is sufficient evidence that a change in assumption is required.

The Medical Aid and Compensation liability represents the present value at December 31, 2018 of expected future benefit payments for hospital and physician services, short-term income compensation payments, travel expenses, rehabilitation benefits and other eligible medical services under the Acts. The Medical Aid and Compensation liability is calculated using the loss development method also known as the "claims run-off" approach. In this method, historical paid claims data are summarized by accident year and payment year in order to observe the relationships between payments at different durations for each accident year. Historical factors, at each duration, are developed from prior accident years and are applied to accident years that are not yet fully mature in order to estimate the future timing and amount of remaining benefit payments.

The Future Capitalizations liability represents the present value of expected future pension awards that have not yet been approved as of December 31, 2018. These future pension capitalizations are in respect of all claims arising from accidents which occurred on or before December 31, 2018. The estimated number and timing of these future capitalizations has been developed based on the historical emergence of capitalized claims experience by accident year for the Commission. In addition, the expected cost of each capitalized claim has been developed based on actual pension awards approved prior to December 31, 2018.

The Approved Pension liability (pension awards) represents the present value at December 31, 2018 of all expected future pension awards payments, including future inflationary adjustments, to individuals who have been approved for a pension award at December 31, 2018. The Approved Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1 of each year, this annual index rate is referred to as the Supplementary Pension Increase (SPI) rate. The SPI is determined by taking into account the average monthly change in consumer price index (CPI) Canada for the most recent July to June period. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award. The actual gender and date of birth for all pension recipients is used in the valuation. Pensions are payable to dependent children until age 19 or age 25 if attending school. The probability of a dependent child continuing to receive a pension award from age 19 to 25 is based on actual experience of the Commission. A projection of future pension payments requires that an explicit assumption be made with respect to the rate of award inflation. The present value of expected future pension payments uses a gross discount rate of 5.85% derived from the ultimate inflation assumption of 2.25% and a net discount rate of 3.50% for years 2020 and thereafter. The use of the actual inflation rate of 1.88% for 2019 results in a net discount rate of 3.90% for that year only.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

The following economic assumptions are used in the valuation of the Future Claims Liability: discount rate – 5.85% (2017 – 5.85%), inflation rate – i) future capitalizations: 1.88% in 2019 and 2.25% per annum thereafter (2017 – 1.46% and 2.25%), and ii) Compensation: 2.25% (2017 – 2.25%) and Medical Aid: 4.75% (2017 – 4.75%).

The following economic assumptions are used in the valuation of the Approved Pension Liability: discount rate – 5.85% (2017 – 5.85%), inflation rate – 1.88% in 2019 and 2.25% thereafter (2017 – 1.46% and 2.25%). The mortality assumption is determined by the 2005-2007 Statistics Canada General Life Mortality Table (2017 – 2005-2007 Statistics Canada General Life Mortality Table).

The Occupational Disease provision represents a portion of the present value of the expected future cost of claims that have not yet been filed but are expected to manifest themselves in the future as a result of cumulative exposure to a causative agent in the workplace (i.e. long latency cases). Only a portion of the total provision is held based on the accumulated exposure up to the valuation date relative to total exposure before an occupational disease manifests itself. Occupational diseases differ from occupational injuries in that there can be a considerable time lag between the exposure, the manifestation of the disease and the identification of the ensuing disability as a workers' compensation claim. Furthermore, while the circumstances of an injury usually make it clear whether it is work related or not, the link between an occupational disease and the workplace may be difficult to establish.

### j) Liability sensitivity

The most significant assumption in the determination of the benefits liability is the net discount rate. The net discount rate is the assumed discount rate in excess of the assumed inflation rate. A reduction in the assumed net discount rate would result in an increase in the actuarial present value of the benefits liability and a decrease in comprehensive income.

Medical benefits represent approximately 20% of the benefits liability. An increase in the assumed excess medical inflation rate (above the assumed inflation rate) would result in an increase in the benefits liability for medical benefits and a decrease in comprehensive income.

The Approved Pension liability takes into account the future life expectancy of each individual pensioner, surviving spouse or dependent child according to their age and gender. An improvement in the assumed mortality experience would increase the life expectancy of benefit recipients, thereby increasing the actuarial present value of the liability for approved pension awards benefits and decreasing comprehensive income.

<b>2018</b>	<b>+ 1%</b>	<b>- 1%</b>
<b>+/- % change on assumed rates</b>	<b>\$</b>	<b>\$</b>
Net discount rate	(31,350)	40,368
Excess medical inflation rate	9,692	(8,100)
<b>2017</b>	<b>+ 1%</b>	<b>- 1%</b>
<b>+/- % change on assumed rates</b>	<b>\$</b>	<b>\$</b>
Net discount rate	(31,445)	39,869
Excess medical inflation rate	8,445	(7,132)



## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

<b>2018</b>	<b>+ 10%</b>	<b>- 10%</b>
<b>+/- % change in mortality rates</b>	<b>\$</b>	<b>\$</b>
Mortality rate	(4,597)	5,455
<b>2017</b>	<b>+ 10%</b>	<b>- 10%</b>
<b>+/- % change on mortality rates</b>	<b>\$</b>	<b>\$</b>
Mortality rate	(4,882)	5,369

### k) Claims development

The following table shows the development of claims cost estimates for the ten most recent injury years:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Estimate of cumulative claim costs:</b>											
At the end of the accident year	43,007	44,356	77,715	43,254	41,977	35,923	39,130	43,611	51,245	53,044	
One year later	39,782	44,743	70,852	39,738	38,252	35,719	40,675	50,823	55,576		
Two years later	37,745	39,278	69,454	36,183	36,866	34,764	39,862	50,979			
Three years later	36,584	37,733	62,086	35,775	40,264	33,925	41,039				
Four years later	36,581	38,090	68,546	43,454	39,922	34,784					
Five years later	33,865	37,433	73,899	49,595	39,296						
Six years later	32,057	39,857	74,659	52,874							
Seven years later	32,401	40,454	72,737								
Eight years later	31,466	41,053									
Nine years later	31,005										
Current estimate of ultimate claims costs	31,005	41,053	72,737	52,874	39,296	34,784	41,039	50,979	55,576	53,044	<b>472,387</b>
Cumulative payments	15,433	18,349	26,452	18,639	19,627	15,382	18,316	19,282	13,840	6,343	<b>171,663</b>
Estimate of future payments	15,572	22,704	46,285	34,235	19,669	19,402	22,723	31,697	41,736	46,701	<b>300,724</b>
2008 and prior claims											<b>325,893</b>
Effect of administration expenses											<b>58,380</b>
Effect of latent occupational disease provision											<b>35,776</b>
<b>Sub-total</b>											<b>720,773</b>
Effect of discounting											<b>(335,961)</b>
<b>Amount recognized on Statement of Financial Position</b>											<b>384,812</b>

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### 11. Employee benefits

#### a) Pension plan

Substantially all of the employees of the Commission are covered by the Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Commission. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rates effective at year end for employees who joined the Plan prior to 2013 and after January 1, 2013 were 12.25% and 10.46% respectively (2017 - 11.80%; 9.94%). Total contributions of \$1,473 (2017 - \$1,445) were recognized as expense in the current year and \$643 (2017 - \$547) of this amount relates to contributions under the new rates. For employees joining the Plan after January 1, 2013 the normal retirement age has been raised from 60 to 65 years.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

#### b) Post-employment benefits

The Commission provides other benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. The cost of these benefits is accrued as employees render the services necessary to earn them. Liability for severance upon resignation, or retirement and ultimate removal benefits measured at the reporting date is as follows:

	2018	2017
	\$	\$
Accrued benefit obligation, beginning of year	1,207	1,279
Total benefit expense:		
Current service cost	53	65
Interest cost	35	37
Actuarial (gains) losses	183	45
Difference in estimated payouts	-	27
Benefits paid	(274)	(246)
<b>Balance, end of year</b>	<b>1,204</b>	<b>1,207</b>

Current service and interest costs totalling \$230 (2017 - \$230) were recognized in the employer share of benefits within administration and general expenses in the statement of comprehensive income. In 2018 there is an additional gain of \$25 (2017 - loss of \$11) of actuarial (gains) losses related to sick and special leave that is recorded in salaries and wages payable.

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

The key assumptions used to calculate the accrued employee benefits are a liability discount rate of 3.50% (2017 – 3.00%) and a general wage inflation of 1.40% for 2019, 1.7% for 2020 and 2.0% for 2021 and beyond (2017 – 1.00% for 2018 to 2019 and 2.00% for 2020 and beyond).

The expected payments for 2019 are \$349 (2018 - \$204). The weighted average duration of the defined benefit obligation is 4.3 years (2017 – 4.6 years).

The significant assumptions in the determination of the post-employment benefits are the discount rate and the wage inflation rate.

The selection of the discount rate is made by reference to a spot rate curve at the valuation date of high-quality corporate debt instruments with cash flows that match the timing and amount of the expected benefit payments. The recommended approach adopted by the Canadian Institute of Actuaries effective November 30, 2016 uses provincial bonds to extrapolate the long end of the yield curve, but the credit spread adjustment is now based on the ratio of average yield spreads of corporate bonds (rated AA) and provincial bonds between 5 and 10 years relative to Canada bond yields. Based on this approach the selected discount rate at December 31, 2018, is 3.50% (2017 – 3.00%). A reduction in the assumed discount rate would result in an increase in the actuarial present value of the liability and a decrease in comprehensive income.

Wage inflation is determined by the negotiated collective agreement rate increases and is 1.40% for 2019, 1.7% for 2020 and 2.0% for 2021 and beyond (2017 – 1.00% for 2018 to 2019 and 2.00% for 2020 and beyond). The long term wage inflation assumption of 2.00% for 2020 and beyond is considered to be Management's best estimate for long term salary growth. An increase in the assumed wage inflation rate would result in an increase in the liability and a decrease in comprehensive income.

<b>2018</b>	<b>+ 1%</b>	<b>-1%</b>
<b>+/- % change on assumed rates</b>	<b>\$</b>	<b>\$</b>
Discount rate	(69)	76
Wage inflation rate	57	(53)
<hr/>		
2017	+ 1%	-1%
+/- % change on assumed rates	\$	\$
Discount rate	(69)	77
Wage inflation rate	57	(53)

### c) Other long-term employee benefits

Employees receive six days of special leave credits for each year of service up to a maximum of 30 days. Unused special leave credits are not payable upon termination or retirement.

Employees receive fifteen days of sick leave credits for each year of service. Unused sick leave credits accumulate and are carried forward during an employee's working lifetime. Unused sick leave credits are not payable upon termination or retirement.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

The long-term liability for excess future usage of sick or special leave is defined as future leave, over and above the normal annual allotment earned in that year, that will be used by employees.

The balance in the liability accrual for accumulating sick or special leave benefits as at December 31, 2018 was \$432 (2017 - \$412).

### 12. Capital management and reserves

In accordance with Section 83 of each of the Acts, the Governance Council is responsible for approving the operating and capital budgets of the Commission, for approval of assessment rates for employers and benefits to workers, and for ensuring the proper stewardship of the Workers' Protection Fund. It is the objective of the Governance Council to ensure the financial sustainability of the Commission, while maintaining stability of assessment rates and benefits to injured workers.

The Commission maintains three reserves within the Workers' Protection Fund. All of these reserves are established by the Governance Council, and none are externally restricted.

As the Workers' Protection Fund includes all assessments from employers and amounts to be paid to injured workers, as well as the costs to administer the Acts, the Governance Council considers that capital includes all reserves of the Commission.

The Commission determines the funded position as total assets divided by total liabilities. This Funded Position (or net assets) represents the current funding status of the Workers' Protection Fund. The Governance Council's long term goal is to remain fully funded with a target funding ratio of 125%, which includes reserve funds.

At December 31, 2018, the Funded Position is 102% (2017 – 110% which indicates required action be taken as outlined in (a) below).

The Governance Council manages capital by monitoring all revenues and expenses through its budgeting and financial reporting processes, and by establishing assessment rates and an investment policy that maintain the funded status of the Commission and ensure the ability to care for injured workers.

#### a) Operating reserve

The operating reserve is intended to protect the Commission against adverse fluctuations in claims costs and investment results.

The target level for the operating reserve is 20% of total liabilities, for 2018 - \$80,059 (2017 - \$75,894). Should the Commission's funded ratio, excluding the catastrophe reserve capped at 5%, decline to:

- Below 105% a flat rate increase over 15 years would be put into place to return the operating reserve to the target rate.
- Below 95% a flat rate increase over 10 years would be put into place to return the operating reserve to the target rate.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

An exception to the flat rate recoveries is if the Commission's funded ratio deteriorates to below 95% during the 15 year recovery period originally triggered at the 105% level then a 10 year flat rate recovery would be initiated.

Should the Commission's funded ratio, excluding the catastrophe reserve capped at 5%, exceed 135% for two successive years a one-time adjustment may be actioned by the Governance Council to return the funded ratio back to 135%. This adjustment is limited to a maximum of 100% of the annual assessment revenue for the second successive year.

### b) Capital asset replacement reserve

This reserve allows multi-year planning and is used to set aside funds for the purchase of property and equipment and intangible assets. The reserve is funded annually through a Governance Council approved lump sum.

### c) Catastrophe reserve

The catastrophe reserve is intended to mitigate the potential impact to the Commission's funding ratio in the event of a catastrophic event. The Commission established specific criteria to determine whether an accident or event meets the definition of a catastrophic claim. The target level for the catastrophe reserve is set at 5% of the total liabilities, for 2018 - \$20,015 (2017 - \$18,007). Funds can be transferred from the operating reserve to address shortfalls in the catastrophe reserve as long as the operating reserve is not left in a shortfall position, shortfall being defined as less than 5% of total liabilities. Should the catastrophe reserve decline below 4% of total liabilities a flat rate increase over 15 years would be put into place to return the catastrophe reserve to the target rate.

## 13. Commitments

Future minimum contractual payments as at December 31 on contracts for goods and services are as follows:

	Equipment Leases	Leased Space	Contracts	Total
	\$	\$	\$	\$
2019	79	1,659	4,251	5,989
2020	34	1,395	2,010	3,439
2021	13	1,291	1,227	2,531
2022	-	687	404	1,091
2023	-	508	404	912
Thereafter	-	421	-	421
<b>Total</b>	<b>126</b>	<b>5,961</b>	<b>8,296</b>	<b>14,383</b>

Every lease the Commission is currently entered into allows for renewal of the lease at current market pricing. There are no purchase options, contingent rents or escalation clauses included in the leases.

All contracts are for standard service and maintenance agreements.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

### 14. Contingencies

In certain circumstances, under both the Workers' Compensation Act of the Northwest Territories and of Nunavut, the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

Due to the nature of the Commission's operations, various other legal matters are pending. In the opinion of management, these matters will not have a material effect on the Commission's financial position or results of operations.

### 15. Financial risk management

The Governance Council is responsible for reviewing and approving the Commission's investment policy and plan. The investment policy and plan outline the types and classes of investments the Commission may invest in and how the Commission plans to achieve its investment objective and manage its investment risk. The Commission manages the risk associated to its investments by maintaining a well-diversified portfolio and by engaging external investment managers with different investment styles and objectives. Generally, investments are held until market conditions provide a better investment opportunity. The Commission regularly reviews the performance of its investment portfolio against established industry benchmarks.

The Commission has exposure to the following financial risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk
  - Interest rate risk
  - Real estate risk
  - Foreign currency risk

The Commission's exposure to these risks arises primarily in relation to its investment portfolio, but also in relation to its other financial assets and liabilities. The following sections present information about the Commission's exposure to each of the above risks and the Commission's objectives, policies and processes for measuring and managing its risks.

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### a) Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is considered to be low. The Commission maintains deposits and short-term investments at banks to meet liquidity needs. At December 31, 2018, cash and cash equivalents were \$11,643 or a ratio of 0.80 of short term liabilities (2017 - \$4,339 or 0.27).

	1 year or less \$	2-3 years \$	4-5 years \$	6 years or more \$	Total 2018 \$
Accounts payable, accrued and other liabilities	5,675	64	8	-	5,747
Salaries and wages payable	2,235	-	-	-	2,235
Assessments refundable	6,297	-	-	-	6,297
<b>Total</b>	<b>14,207</b>	<b>64</b>	<b>8</b>	<b>-</b>	<b>14,279</b>

	1 year or less \$	2-3 years \$	4-5 years \$	6 years or more \$	Total 2017 \$
Accounts payable, accrued and other liabilities	5,528	64	39	-	5,631
Salaries and wages payable	2,135	-	-	-	2,135
Assessments refundable	8,469	-	-	-	8,469
<b>Total</b>	<b>16,132</b>	<b>64</b>	<b>39</b>	<b>-</b>	<b>16,235</b>

### b) Credit risk

Credit risk on financial instruments arises from the possibility that the customer or counterparty to an instrument fails to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of the financial assets as presented in the statement of financial position.

In order to manage this risk, the Commission's investment policy requires that short-term investments at the time of purchase have a minimum credit rating of R-1(low) or its equivalent and that 90% or more of other fixed income investments have a minimum credit rating of A- or its equivalent. An independent rating service determines these ratings.

The Commission manages credit risk associated with cash and cash equivalents by dealing with reputable and high quality financial institutions.

## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

The Commission's exposure to credit risk associated with its other receivables and assessments receivable is the risk that an employer or a cost recovery customer will be unable to pay amounts due to the Commission. The maximum exposure to credit risk is \$5,067 (2017 – \$7,251). Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the statement of financial position are net of these allowances for doubtful accounts. All other receivables and assessments receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Commission takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Commission recognizes a specific allowance for doubtful accounts when management considers that the expected recovery is less than the actual amount receivable. All bad debts are charged to administration and general expenses.

The Commission believes that the credit risk of other receivables and assessments receivable is mitigated by the following:

- The employer base is dispersed across various industries, with government comprising a significant concentration.
- As at December 31, 2018, the majority of other receivables and assessments receivable are outstanding for less than 90 days. The Commission does not require collateral or other security from employers or customers for accounts receivable.
- The Commission has the power and remedies to enforce payment owing.

All of the Commission's other receivables and assessments receivable are reviewed for indicators of impairment on an annual basis.

The following table outlines the credit risk exposure for the Commission for each major class of fixed income investments as at December 31, 2018:

	R-1 (high) \$	R-1 (middle) \$	R-1 (low) \$	Total \$
Short-term investments	8,048	-	-	<b>8,048</b>
Fixed income securities	228	-	-	<b>228</b>
<b>Total</b>	<b>8,276</b>	<b>-</b>	<b>-</b>	<b>8,276</b>

	AAA \$	AA \$	A \$	BBB \$	Total \$
Short-term investments	-	-	-	-	-
Fixed income securities	18,298	33,235	12,427	977	<b>64,937</b>
<b>Total</b>	<b>18,298</b>	<b>33,235</b>	<b>12,427</b>	<b>977</b>	<b>64,937</b>



## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

The following table outlines the credit risk exposure for the Commission for each major class of fixed income investments as at December 31, 2017:

	R-1 (high) \$	R-1 (middle) \$	R-1 (low) \$	Total \$
Short-term investments	1,071	-	-	1,071
Fixed income securities	477	-	-	477
<b>Total</b>	<b>1,548</b>	<b>-</b>	<b>-</b>	<b>1,548</b>

	AAA \$	AA \$	A \$	BBB \$	Total \$
Short-term investments	-	-	-	-	-
Fixed income securities	17,506	31,322	13,408	1,375	63,611
<b>Total</b>	<b>17,506</b>	<b>31,322</b>	<b>13,408</b>	<b>1,375</b>	<b>63,611</b>

### c) Market risk

Market risk is the risk that the fair value or future cash flows of the Commission's financial Instruments will fluctuate in the future because of price changes. The Commission invests in publicly traded fixed income and equity investments available on domestic and foreign exchanges and in privately held Investments. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 5% or less of the fair value of the investment fund. The one exception to the 5% or less concentration rule is an investment in a Real Estate holding fund, Bentall Kennedy Prime Canadian Property Fund Ltd, at 15.04% (2017 - 13.67%) of the total fund. This fund is diversified by Investment type and geographic location. In 2018, the fund held properties in 4 provinces; 47% in Ontario, 26% in British Columbia, 21% in Alberta and 6% in Québec. The types of properties held by the fund can be classified as retail (29%), office (31%), distribution and warehouse (25%), multifamily residential (9%) and other (6%). The Governance Council is aware of this exception to its investment policy.

The Commission's investment target and actual asset mix at fair value December 31, 2018 is as follows:

	Target		Actual %
	Maximum %	Minimum %	
Fixed income securities and indexed bond funds	45.00	25.00	<b>35.43</b>
Canadian equities	21.00	11.00	<b>15.70</b>
Real estate	20.00	10.00	<b>15.03</b>
United States equities	19.00	9.00	<b>13.54</b>
International equities	15.00	5.00	<b>10.61</b>
Mortgages	15.00	5.00	<b>9.21</b>
Cash and cash equivalents	5.00	-	<b>0.48</b>

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

Equity investments are particularly sensitive to market risk. Because equities are recorded as held-for-trading, changes in their fair value from the movements in the markets have a significant impact on comprehensive income and reserve values. The following table is a sensitivity analysis that shows the impact of a change of 15.50% - 16.70%, depending on asset type, on the average market values of each portfolio, which equates to one standard deviation of the portfolio in the respective stock market index.

Portfolio	Index	Exposure December 31, 2018 \$	Change one standard deviation %	Change to comprehensive income 2018 \$
Canadian equities	TSX 300	59,581	16.30	<b>9,712</b>
United States equities	Russell 3000	55,391	15.50	<b>8,586</b>
International equities	MSCI EAFE	38,484	16.70	<b>6,427</b>

### d) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate in the future because of interest rate changes. The Commission is exposed to interest rate risk primarily through its investments in fixed income investments. Fluctuations in interest rates can affect the fair value of the fixed income investments, as well as shift investor preferences among asset classes. Interest rate risk is minimized by actively managing the duration of the fixed income investments as detailed in 5.a).

The following table provides a sensitivity analysis of the impact of a 1.00% change in nominal interest rates at December 31 assuming the change occurs evenly throughout the sector and all other variables remain constant.

	Movement in interest rates %	Change to comprehensive income 2018 \$
Change in nominal interest rates	+1.00	<b>10,048</b>
	Movement in interest rates %	Change to comprehensive income 2017 \$
Change in nominal interest rates	+1.00	9,897

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### e) Real estate risk

Real estate risk arises from changes in real estate values related to local markets and vacancy rates. Real estate risk is managed through diversification across real estate types and locations. Adverse impacts in any segment of the market or geographic location are reduced by having holdings diversified across residential, commercial, industrial, and developmental markets.

The table below presents the estimated effect of a material adverse change in valuations of the investment in domestic real estate for the year ended December 31. This change to comprehensive income reflects a change in valuation of 12.50% (2017 – 12.50%), which, based on ten years of results, would be one standard deviation of valuation change.

Portfolio	Exposure December 31, 2018 \$	Change %	Change to comprehensive income 2018 \$
Real estate	57,387	+12.50%	7,173

Portfolio	Exposure December 31, 2017 \$	Change %	Change to comprehensive income 2017 \$
Real estate	53,923	+12.50	6,740

### f) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets and financial liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates relative to the Canadian dollar. The Commission has investments denominated in foreign currencies which are therefore exposed to currency risk. To mitigate this risk, investment managers are authorized to enter into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. The investment managers do not do this as a matter of general practice. There were no forward foreign exchange contracts outstanding as at December 31, 2018 (2017 – nil).

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

The total amount of investments, at fair value, exposed to foreign currency risk is as follows:

Foreign country	Total investments fair value 2018 \$	Total investments fair value 2017 \$
United States	55,391	53,976
Europe	10,987	16,283
United Kingdom	9,244	9,353
Japan	6,115	8,919
Switzerland	4,564	4,618
Hong Kong	1,855	2,682
China	577	1,390
Korea	416	1,205
Australia	750	1,034
India	620	614
Denmark	616	614
Taiwan	373	405
South Africa	119	395
Singapore	527	639
Indonesia	-	273
Brazil	346	-
<b>Subtotal</b>	<b>92,500</b>	<b>102,400</b>

The following tables provide a sensitivity analysis that illustrates the impact of a 10% appreciation in the Canadian dollar relative to the five largest currencies the Commission is exposed to for the year ended December 31. This analysis assumes that all other variables remain constant.

	Exposure December 31, 2018 \$	Change %	Change to comprehensive income 2018 \$
United States	55,391	+10.00	(5,539)
Europe	10,987	+10.00	(1,099)
Japan	6,115	+10.00	(612)
United Kingdom	9,244	+10.00	(924)
Switzerland	4,564	+10.00	(456)

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

	Exposure December 31, 2017 \$	Change %	Change to comprehensive income 2017 \$
United States	53,976	+10.00	(5,398)
Europe	16,283	+10.00	(1,628)
Japan	8,919	+10.00	(892)
United Kingdom	9,353	+10.00	(935)
Switzerland	4,618	+10.00	(462)

### 16. Administration and general expenses

	2018 \$	2017 \$
Salaries, wages and allowances	16,057	16,591
Professional services	4,766	4,308
Employer share of benefits	3,503	3,489
Amortization and depreciation	1,514	1,428
Travel	1,000	864
Office repairs and maintenance	769	776
Communications	713	685
Office lease payments	657	653
Office furniture and equipment (non-capital)	648	377
Office services and supplies	633	519
Contributions to other organizations	400	417
Advertising and public information	337	425
Training and development	277	318
Grants	242	343
Honoraria and retainers	94	63
Recruitment	51	77
Bad debt expense	33	252
Loss on asset disposal	2	6
Recoveries	(81)	(80)
	<b>31,615</b>	31,511
Less: Allocation to claims management costs - current year injuries (Note 10.b)	<b>(3,508)</b>	(3,622)
Less: Allocation to claims management costs - prior year injuries (Note 10.b)	<b>(9,680)</b>	(9,506)
<b>Total</b>	<b>18,427</b>	18,383

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### 17. Related party transactions

The Commission is related to all departments and territorial public agencies of the Governments of the Northwest Territories and Nunavut. The Commission enters into transactions with these entities in the normal course of business. The following tables summarize the Commission's transactions:

Balances due from related parties included in assessments receivable and other receivables:

	2018	2017
	\$	\$
Government of Nunavut	-	1
Territorial public agencies	23	74
Government of the Northwest Territories	496	29
<b>Total</b>	<b>519</b>	<b>104</b>

Balances payable to related parties included in accounts payable, accrued and other liabilities and assessments refundable:

	2018	2017
	\$	\$
Government of Northwest Territories	190	246
Territorial public agencies	933	627
Government of Nunavut	903	1,899
<b>Total</b>	<b>2,026</b>	<b>2,772</b>

Through Memoranda of Understanding with the Governments of the Northwest Territories and Nunavut, the Commission charges the governments for the costs of administering benefits related to Hunters and Trappers claims. These costs include the increase or decrease in the benefits liability related to Hunters and Trappers claims, therefore, a significant decrease in the benefits liability can result in a refund by the Commission to either Government. In 2018, the Government of the Northwest Territories was issued an invoice of \$418 and the Government of Nunavut was issued a refund of \$25. In 2017, both the Government of the Northwest Territories and the Government of Nunavut were issued a refund for \$34 and \$56 respectively.

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

Assessments revenue, at rates determined using the same method as with others, as well as recoveries for Hunters and Trappers, as described above, from related parties for the years ended December 31:

	2018	2017
	\$	\$
Government of the Northwest Territories	4,797	3,869
Government of Nunavut	3,138	3,951
Territorial public agencies	2,235	2,000
<b>Total</b>	<b>10,170</b>	<b>9,820</b>

Expenses to related parties for the years ended December 31:

	2018	2017
	\$	\$
Territorial public agencies	2,664	2,605
Government of Northwest Territories	1,610	1,198
Government of Nunavut	1,160	1,214
<b>Total</b>	<b>5,434</b>	<b>5,017</b>

Investments in bonds of related parties at fair value:

	2018	2017
	\$	\$
<b>Northwest Territories Power Corporation</b>		
6.42% maturing December 18, 2032	1,118	1,209
5.95% maturing December 15, 2034	1,293	1,324
<b>Total</b>	<b>2,411</b>	<b>2,533</b>

The Commission does not record the value of services provided in the normal course of operations without charge by the Governments of the Northwest Territories and Nunavut in these financial statements. The services provided without charge are not significant but include areas where the Commission follows government administrative policies and employment contracts. These services include training services, records management, and human resources support.

## Notes to the Financial Statements

For the year ended December 31, 2018 (in thousands of Canadian dollars)

### Compensation of key management personnel

	2018	2017
	\$	\$
Compensation	1,803	1,371
Post employment benefits - increase in liability	33	145
Pension plan - increase in liability	162	8
<b>Total compensation paid to key management personnel</b>	<b>1,998</b>	<b>1,524</b>

Included in the pension plan are employer contributions to the Plan.

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel, which consists of the members of the Governance Council, the President, and the vice-presidents.

### 18. Fair value measurement

The Commission's financial instruments categorized according to their fair value hierarchy as described in Note 2.b) are as follows as at December 31, 2018:

	Level 1	Level 2	Level 3	2018
	\$	\$	\$	\$
<b>Financial instruments measured at fair value:</b>				
Equities	153,456	-	-	153,456
Fixed income securities and indexed bond funds	-	135,582	-	135,582
Real estate	-	57,387	-	57,387
Mortgages	-	35,182	-	35,182
<b>Total</b>	<b>153,456</b>	<b>228,151</b>	<b>-</b>	<b>381,607</b>

The Commission's financial instruments categorized according to their fair value hierarchy as described in Note 2.b) are as follows as at December 31, 2017:

	Level 1	Level 2	Level 3	2017
	\$	\$	\$	\$
<b>Financial instruments measured at fair value:</b>				
Equities	172,609	-	-	172,609
Fixed income securities and indexed bond funds	-	133,536	-	133,536
Real estate	-	53,923	-	53,923
Mortgages	-	34,297	-	34,297
<b>Total</b>	<b>172,609</b>	<b>221,756</b>	<b>-</b>	<b>394,365</b>



## Notes to the Financial Statements

*For the year ended December 31, 2018 (in thousands of Canadian dollars)*

Mortgages are valued based on inputs from a non-active but well defined market for similar assets. Verifiable discount rates and spreads are utilized that are reflective of the underlying mortgage asset quality.

Pooled fund units are valued at their year-end net asset value, as determined by the fund manager or administrator. For equity and fixed income pooled funds, these values represent the Commission's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities. Bonds are valued using the PCBonds TMX Group pricing system. Real estate is valued by comparing the property values to other completed transactions or listings in the market and performing a discounted cash flow analysis based on market rents and comparable discount rates.

# Annual Report 2018

**WORKERS' SAFETY AND COMPENSATION COMMISSION**  
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