WORKERS' SAFETY AND COMPENSATION COMMISSION

ANNUAL REPORT 2019

Northwest Territories and Nunavut

WSCC Workers' Safety & Compensation Commission | ᐃᖅᑲᓇᐃᔭᖅᑎᓄᑦ ᐊᑦᑕᓇᖅᑐᓂᒃ ᐊᒻᒪ ᓇᓪᓕᐅᒃᑯᒫᓂᒃ ᖃᐅᔨᓴᖅᑏᑦ

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Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

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WSCCNTNU

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Letter of Transmittal

June 15, 2020

The Honourable Margaret Thom
Commissioner of the Northwest Territories

The Honourable Nellie T. Kusugak
Commissioner of Nunavut

The Honourable Katrina Nokleby
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, 2019.

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 *2019 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

The Workers' Safety and Compensation Commission is working towards *Advancing the Safety Culture* and *Delivering Quality Services and Outcomes* through our five-year strategic plan, and 2019 has moved us closer to achieving these goals.

We still have much progress to make towards our mission to *eliminate workplace diseases and injuries*. In 2019, although we saw a total of 3,614 claims reported, which translates to 1.7% less than the historical average, four claim-related fatalities occurred in our jurisdictions. It's a tragedy to lose a life while at work, where you expect to be safe and where you expect to leave at the end of the day to return to your loved ones. Four lives lost, and countless others changed. The tragedy cannot be overstated. It's why we are focused on driving our strategic priorities forward. By *Advancing the Safety Culture* to ensure that employers and workers recognize the importance of safety; that they adopt the concept of an Internal Responsibility System (IRS) where safety is a shared value across an organization; and where we work together through training, education, resources, and consultation to reduce and eliminate workplace diseases, injuries and fatalities. By *Delivering Quality Services and Outcomes* to ensure that we support and care for those who navigate through our system and that we provide information in a clear and understanding way.

I invite you to read about our progress in 2019 in each of our strategic priorities and our plans for continued progress into 2020. I'm confident that our organization will continue making great strides towards making the North a safer place and for treating all of our stakeholders with great care and dignity.

Debbie Molloy
President and CEO

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.

2019 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

Clockwise from top left: Rachel Makohoniuk, Jack Rowe, Janet Brewster, Joseph Ohokannoak, Debbie Molloy (President & CEO), Abe Theil, Eleese Scott (Chief Governance Officer and Senior Advisor), David Tucker.

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 *(member until November 2019, absent from photo)*

Rachel Makohoniuk, Northwest Territories Worker Representative

Abe Theil, Northwest Territories Public Interest Representative

Janet Brewster, Nunavut Worker Representative

Joseph Ohokannoak, Nunavut Public Interest Representative

WSCC Statistics

Assessable Payroll
Total $3,283 M

4,130
Assessable Employers
- 699 new employers
- 398 reactivated employer accounts

Assessable Revenue
Total $68.9 M

3,614
Reported Claims

2,368
Accepted Claims
- 1,040 Nunavut
- 1,328 Northwest Territories

WSCC is the only board in Canada to cover two jurisdictions.

About the WSCC

Safety and Care

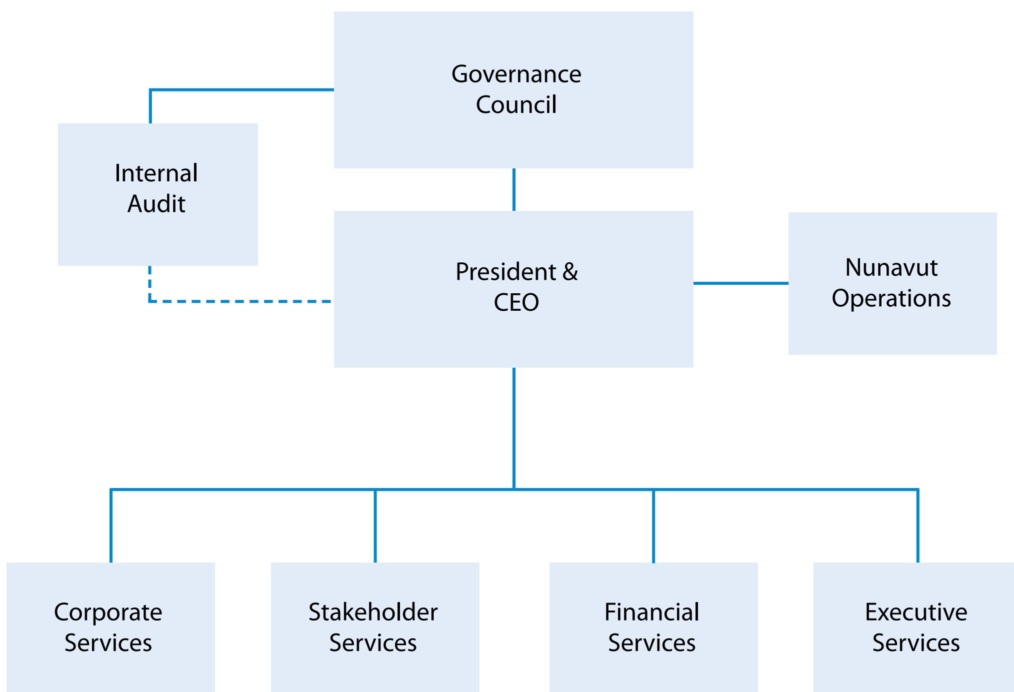
The WSCC is an independent statutory agency responsible for administering the *Workers' Compensation Acts*, *Safety Acts*, *Explosive Use Acts*, and the *Mine Health and Safety Acts* of the Northwest Territories and Nunavut. These *Acts* and the associated *Regulations* help protect and care for workers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

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



Report on 2019 Activities

Advancing the Safety Culture

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

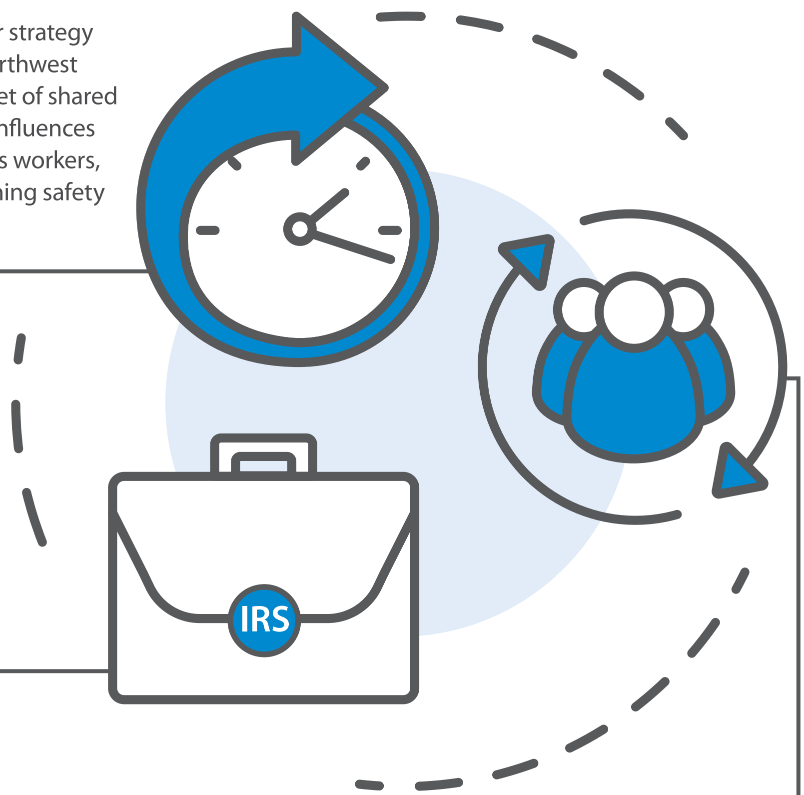
2019 Key Performance Indicators

The WSCC uses Key Performance Indicators (KPIs) to track progress towards our Strategic Priorities.

Key Performance Indicator	Metric	2018	2019	Target	Assessment
Time loss frequency	+/- 0.05 points of previous year's average	2.17	2.12	1.99	✖
Employers with OHS program	% of employers with program	46.9%	53.6%	45%	✔
Increased public awareness of IRS	% increase in years 2-5	-	59%	Baseline 2019	■

✔ Performance meeting or exceeding target — Performance marginally off target ✖ Performance off target

The WSCC is committed through this five-year strategy cycle to *Advancing the Safety Culture* in the Northwest Territories and Nunavut. A safety culture is a set of shared beliefs about workplace health and safety. It influences how workplace safety is prioritized and guides workers, employers, and the general public in maintaining safety as the ultimate priority.



Time Loss Frequency

The number of accepted time loss claims per 100 workers

Internal Responsibility System

A core philosophy of workplace safety that expects individuals take personal responsibility for health and safety at work for both themselves and others. Everyone takes initiative to improve safety issues, solve problems, and make improvements.

What is an OHS Program?

An OHS program is made up of policies and procedures aimed at preventing workplace incidents and occupational diseases. Depending on employer size, an OHS program may be legislatively required. OHS programs are not one size fits all; to be effective, it has to take into consideration many specifics of the business, like the workers, the job, the job site, etc.

A Safety Culture Success Story

Sunrise Cabinets is a small Enterprise-based business, owned and operated by Mark McDonald. He bought the company in 2010 and has changed the scope of its work; Sunrise offers full customized kitchen builds, cabinet making, and contracting for the government. It's a small business, with both full-time and part-time employees.

WSCC's OHS Inspector, Kelly Carter, headed down to Enterprise in 2019, prepared to conduct his scheduled inspections. What he saw at Sunrise surprised him in more ways than one.

Yes, some safety issues and regulatory concerns were observed, but there was also a management team eager to listen and keen to get started on fixing any deficiency.

From the get-go, Sunrise was on-board to have a collaborative process, ensuring that both Mark and his general manager could participate in the inspection. They were eager to learn and work towards improving. The inspection process indicated some regulatory safety concerns, and Sunrise acted on the directions Kelly gave. "Never did I get any hint from them that they didn't want to do anything," said Kelly. They were committed to fixing any safety concerns and issues, fixing what they could immediately, and implementing controls while waiting for safety equipment.

Safety was always high on the company radar, said Mark. "We run a business, and we don't want anyone to get hurt." Where they recognized they had work to do was on the formalization of it. They had some policies and procedures in place, but needed more guidance on specifics.

Making it a part of the mindset was important and having each employee understand the role they all play. "All employees want to work in a safe environment. Everyone knows that on Thursdays at 4:45, there's a safety meeting," said Mark. Employees who typically work in the office environment know to pick up safety glasses as soon as they enter the workshop. It's a collective culture now, where everyone participates and employees all understand to keep safety front-of-mind.

"Because of normal fluctuation in the North with employee turnover and frequent changes, having (safety culture) in place is important," said Mark. There can't be just one safety advocate within a business; it has to be a shared responsibility across an organization. When there's more structure, there's an added layer of accountability.

Mark explained the idea by using a training metaphor. It's hard to come in and learn something yourself, he said, when there's nothing to guide you. Through WSCC's support, Sunrise has formalized their safety program and is committed to ensuring the culture remains active.

"One by one the directions were completed, some with a bit of coaxing, but most on their own initiative," said Kelly, who recognizes the challenges. "We go in and cost them money sometimes, all in the hopes of preventing injuries. It's nice to go in and have someone happy that you're there."

> "In many ways, I attribute the success of these safety initiatives to the willingness to change and the safety culture developed by the management team at Sunrise. (They) will be the first to admit that some things slip by, but their safety program continues to evolve steadily.
>
> They are a success because they just don't complete the directions, they want to be better for their workers and they put in the effort to do just that."

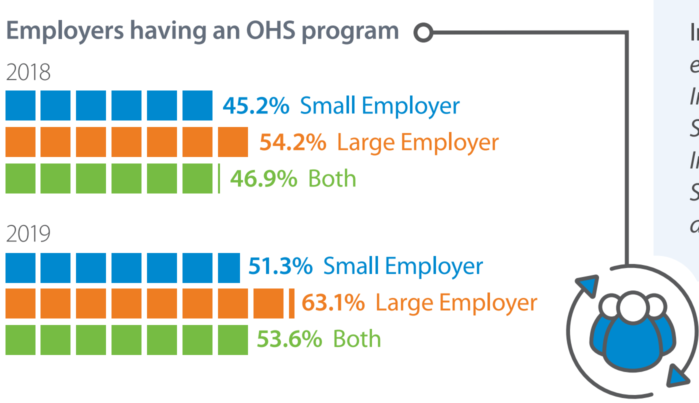
1.1 Increase the number of employers with an occupational health and safety (OHS) program

OHS programs are a key component in advancing a safety culture, and in 2019, the WSCC focussed on providing resources and support to employers to assist them in implementing OHS programs in their workplaces through engagement opportunities.

An OHS program has a number of legislative requirements, including worker orientation, a return to work program, and an OHS training plan, and the needs of small and large businesses are different.

At the beginning of this strategic cycle, WSCC integrated safety questions in the required Annual Payroll Reporting (APR) process that each employer completes, providing valuable information in how each registered employer runs their OHS program. In 2019, once the APR process was complete, WSCC began outreach to employers who answered *No* to having an OHS program, offering support and resources to help them advance. Through two years of accumulated data, we can see an increase in the number of employers, both small and large, who report having portions of an OHS program.

A focus on building and strengthening relationships and engagement was a key aspect of our 2019 activities. WSCC participated in trade shows and conferences throughout 2019, including the Local Government Administrators of the Northwest Territories (LGANT) and the Nunavut Trade Show, worked with employers like the GNWT Department of Health to conduct specific training, and hosted events relating to safety, like the Summer Construction Kick-Off series, which provided safety information to a high-risk industry.



To support the message that an organization's safety culture is within their control, WSCC structured our Safety & Health Week initiatives around Toolbox Talks and empowering the business to deliver these talks to their workers. WSCC worked with over 30 different employers from 6 different communities to support them in planning and delivering Toolbox Talks to their workers during this event, and hosted a separate Government Week later in the year, specifically for that industry.

During WSCC inspections, OHS Inspectors continue to offer assistance and resources to employers, including safety program reviews, technical expertise, recommended industry best practices, and Toolbox Talks.

OHS and IRS are very closely linked. Employers demonstrate IRS by implementing OHS requirements. Work in 2020 will continue the implementation of strategies in support of IRS, including research of awareness gaps, and evaluating and expanding WSCC's current programs, services, and materials to further promote IRS. A key focus for 2020 is leveraging the employer as a delivery method for safety messaging to workers.

Going forward in 2020, the WSCC will review the safety incentive program and introduce recommendations to ensure the program is effective and working towards increasing OHS compliance in workplaces and decreasing incidents and injuries.

LOOKING FORWARD

In 2020, *Objective 1.1 – Increase the number of employers with an OHS program* and *Objective 1.5 – Improve public awareness of the Internal Responsibility System* will combine into a new *Objective 1.1 - Improve awareness of the Internal Responsibility System (IRS) and advancement of Occupational Health and Safety (OHS) Programs.*

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

Initially, this strategic cycle planned an alternating focus between the different categories of vulnerable workers (young, new, returning, and foreign), but data shows that new and young workers continue to be at greater risk and our focus remains on this category.

In 2019 we established targets and timelines in support of educational activities for young workers, as well as the determination of strategic activities for OHS education, including resource development, and promoting awareness.

Development of the *Ask. You're Worth It!* Young Worker Safety Program continued in force this year, with work focussing on the alignment of materials between jurisdictions. Full deployment and promotion of the program will begin next year in order to align both Territories, as course content needed to be updated to reflect differences between the jurisdictions.

WSCC developed and published resources like the *Young and New Worker Safety Orientation* resource, which helps employers to train new workers and keep them safe on the job, and the *Instructor Guides* and *Student Guides* for the auto mechanic, culinary, hairstyling, and woodworking industries, which provide Toolbox Talks on safety hazards and safety tips. These resources are all available in the WSCC's four official languages: English, French, Inuktitut, and Inuinnaqtun.

WSCC worked closely with partners to promote the importance of safety for young workers. WSCC engaged with youth via Skills Canada Northwest Territories and Skills Canada Nunavut through their competitions, providing an activity booth where students could Try-A-Trade, and participated in the Power Up! Program, which exposes Grade 8 students to different skills and trades. WSCC also partnered with Aurora College's Trade Awareness program and the GNWT's Northern Apprenticeship program.

LOOKING FORWARD

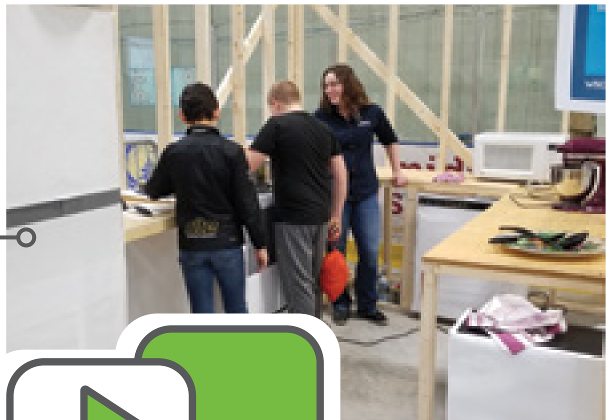
The WSCC will continue deployment of the OHS education for young worker strategy, rolling out the online *Young Worker Certificate Course* to employers and young workers, and collaborating with partner organizations to promote employers' use of the course when hiring young workers.

1,432

Pageviews relating to WSCC Young Worker information online in 2019.

In 2019, WSCC finalized the *Young Worker Certificate Course*, a two-hour interactive e-course designed to prepare young workers with a general understanding of workplace safety and familiarize them with their worker rights and responsibilities.

In 2019, WSCC made this a mandatory course for all young workers in our organization.



WHAT IS A VULNERABLE WORKER?

Workers who have an elevated risk of occupational injury or illness and are disproportionately employed in physically demanding or hazardous jobs.

Categories include **young**, **new**, **aging**, **returning**, and **foreign workers**.

FIRST PRIZE WINNER

This year saw a Northern group of teens crowned a national winner in the Canadian Centre for Occupational Health & Safety's (CCOHS) #FocusOnSafety National Youth Video Contest. Their video, *Workplace Spook*, encourages youth to be aware of their worker rights, and has amassed over 1,000 views online, helping deliver safety messaging to youth across the North.

Ask You're Worth It WSCC

Ose Tes questions en valent la peine

Apiriluti Naammainnaqtutit!

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

WSCC assigns every active employer in our system one of five different priority levels. These levels are based on seven different criteria:

- Number of serious incidents;
- Claim duration;
- Reported claims;
- New or reactivated business;
- Recent claims;
- Inspections or outstanding orders; and
- Outstanding responses to the OHS questions in the Annual Payroll Reporting (APR) process.

This priority list is updated each quarter and is used to assist in our yearly planning to ensure we are planning our work with employers in the areas that require the most support.

WSCC tracks the Top 10 categories of Observation leading to Directions; tracking these helps OHS Inspectors identify the most common hazards and deficiencies in workplaces. This information is examined regularly and is used to determine future tool development, resource promotion, and possible staff training opportunities.

WSCC worked on streamlining legislative reporting requirements for high-hazard work, creating a new simplified fillable form. This form allows OHS inspectors and employers to be aware and work together prior to the commencement of any work to ensure that a safe workplace is prioritized.

Using data, WSCC identified industries needing support and created opportunities to provide education and resources. Ahead of the summer construction season, WSCC created a Construction Kick-Off event, travelling to communities across the North and sitting down with those industry employers in advance of work happening to highlight areas of focus and encourage relationship building with our organization.

LOOKING FORWARD

In 2020, work on *Objective 1.3* will be moved under *Objective 1.4 – Analyze and address emerging issues and trends in workplace safety*. Progress in this area has involved workplaces at high risk for psychological injuries, an identified trend in workplace safety receiving ongoing attention under *Objective 1.4*. This amalgamation will avoid the duplication of work between two Objectives.

Moving forward, the WSCC will work towards addressing trends in claims in OHS by providing education on psychological safety and supporting safe work environments through outreach to stakeholders.

Time loss frequency: The number of accepted time loss claims per 100 workers.

Engagement Activities in 2019

Regulatory Engagement
(related to territorial legislation or associated legislation)

109

Consultations / Education

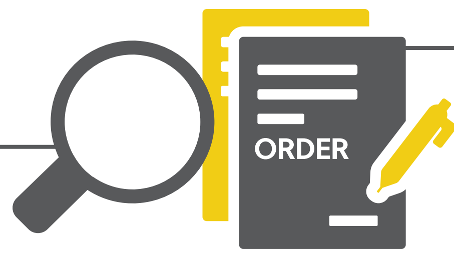
164

Employers 195

Number of employers identified as Priority Level 1

Percentage inspected in 2019

54.4%



Orders

The number of orders issued in 2019 2,878

Inspections

- 652 in NT
- 335 in NU

987

WHAT IS A DIRECTED INSPECTION?

Inspections that are focussed on employers and industries with higher risks to ensure that they receive the support to work safely.

Order Compliance

(Outstanding orders are a point-in-time measure calculated at the end of each year)

2018

Complied with by Due Date 28.8%

Complied with within 14 days of Due Date 16%

Complied with more than 14 days after Due Date 13.4%

Outstanding Orders 41.8%

2019

Complied with by Due Date 32.5%

Complied with within 14 days of Due Date 12.4%

Complied with more than 14 days after Due Date 16.6%

Outstanding Orders 38.5%

1.4 Analyze and address emerging issues and trends in workplace safety

A safe workplace takes into account both physical and psychological safety, and the importance of addressing workplace violence and harassment was identified as an emerging issue this year.

WSCC began the year by completing an interjurisdictional scan to understand and review the tools and training that is available across Canada, followed by a gap analysis of staff skills and training. Over the year, WSCC trained staff in Mental Health First Aid and Applied Suicide Intervention Training (ASIST) to better understand ways to help both our staff and our stakeholders. Additionally, a Workplace Harassment Toolkit was created to support employers and to provide additional tools to WSCC staff.

WSCC released the *Harassment Code of Practice*, which guides employers through the process of developing and implementing a harassment policy, how to handle harassment complaints (including conducting investigations), and moving forward after harassment occurs in the workplace.

Through our data collection, we continue to use information to support identification of issues and trends, allowing us to identify employers who require additional outreach and support. Through this approach, the WSCC can be more active, rather than reactive, in our work. An example of this is the targeting towards small businesses and the government during two separate times to celebrate Safety and Health Week, which allowed a focus on issues and trends of each industry and business type.

LOOKING FORWARD

In 2020, WSCC will continue to focus on psychological injuries, working to provide education on psychological safety and develop collaborative working relationships to reduce psychological injuries in high-risk workplaces.

WSCC will also expand the outreach of Directed Services to engage with employers to address gaps within their OHS programs, and investigate opportunities to improve IRS awareness for contractors working on multiple worksites.

2019 Public Awareness Survey, Mission Research for the WSCC

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, and it is a critical piece of a functioning safety culture.

In 2019, WSCC determined the baseline data for public awareness of the IRS through the completion of a public awareness survey, conducted across both territories and in all three official languages. In total, 59% of the general public are familiar with IRS.

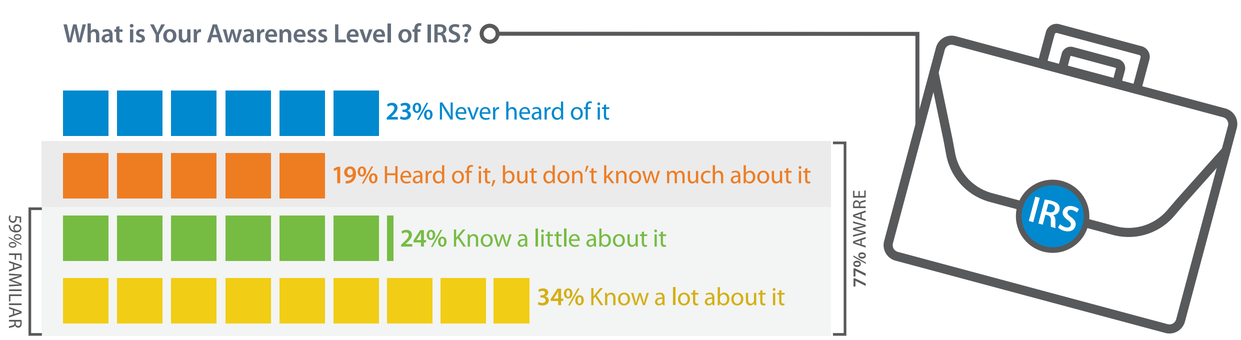
The survey results also showed that familiarity of the IRS increases with age, with the younger demographics reporting the least amount of awareness, highlighting the need for increased awareness of IRS through our young worker focus.

The data collected is informing the IRS strategy development and determines areas to adjust current WSCC activities, as well as identifying effective ways to transfer the knowledge of IRS into action. WSCC conducted an asset review of current programs, services, and materials.

LOOKING FORWARD

Understanding that IRS is an integral piece of OHS. In 2020 this initiative is being amalgamated with *Objective 1.1,* to create the new *Objective 1.1 - Improve awareness of the Internal Responsibility System (IRS) and advancement of Occupational Health and Safety (OHS) Programs*. The WSCC will continue to focus on promoting IRS, providing employers information to address gaps in knowledge and working with partner organizations to promote and deliver IRS education.

Through insights gained from the 2019 Public Awareness Survey, WSCC will provide resources to employers to address gaps in IRS awareness and leverage partnerships with safety organizations to promote the delivery of education related to IRS.



2019 WSCC Public Awareness Survey

Report on 2019 Activities

Delivering Quality Services and Outcomes

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

2019 Key Performance Indicators

The WSCC uses Key Performance Indicators (KPIs) to track progress towards our Strategic Priorities.

Key Performance Indicator	Metric	2018	2019	Target	Assessment
Short term time loss	% of cases with duration less than 10 days	70.2%	73.2%	75%	−
Time to first payment	% of first compensation payments issued within 20 days	88.6%	87.3%	90%	−
Time to entitlement decision	% of decisions made within 15 days	73.4%	74.3%	70%	✔
Return to work	% of injured workers RTW within 6 months	64.9%	68.5%	75%	✖
e-Business user satisfaction	% of satisfied respondents	82%	77%	80%	−
Funded position	% of funded position	102%	105%	110%-140%	✖
Operating budget	Within % of annual budgeted expenses	-7.6%	-15.9%	+/-5%	✖
Claims costs	Within % of annual budget claims costs	25.4%	31%	+/- 10%	✖
Return on investment	% returned	-0.2%	13.22%	5.85%	✔

✔ Performance meeting or exceeding target − Performance marginally off target ✖ Performance off target

“I am the administrator of two separate companies, and *WSCC Connect* has lightened my workload immensely. Having only one account to access both companies has really made things easier. Although these two companies are small in size with a limited number of workers, reporting payroll and getting clearances has been made very convenient. Any questions I have had in regards to navigating around the *WSCC Connect* online services have been answered in an efficient and very friendly manner by our Assessment Representative.”

WSCC Connect User

2.1 Continue implementation of the e-Business strategy

WSCC continued the development and enhancement of e-Business services in 2019. The completion and deployment of the Claims Cost Summary service occurred late in 2018 ahead of schedule, allowing employers to access their historical claims costs.

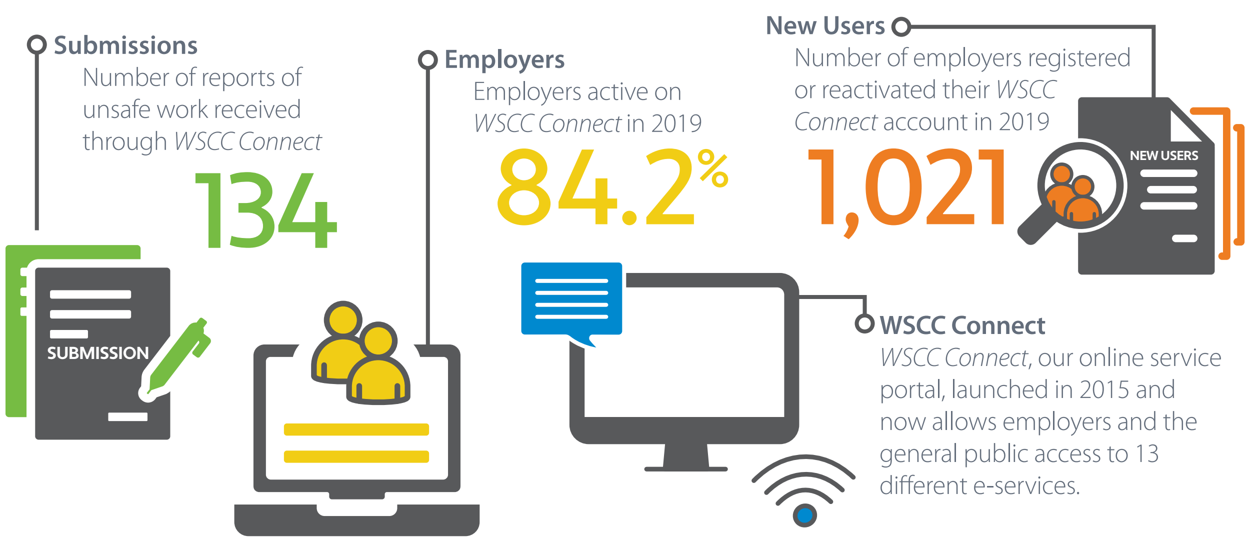
WSCC focused in 2019 on the development of the online Employer's Report of Incident, finalizing the detailed requirements and design components. In order to facilitate development, the project was divided into two distinct phases, with support from an internal cross-functional team. This service is due for release in 2020.

The development of the Personal Optional Coverage service, allowing certain employers to register for coverage, was determined to no longer be a high priority and deferred until later in the strategic cycle.

As more services move online, our internal processes change. In order to manage this change, the development of a business transformation readiness framework allows business units to prepare for the technological shift and ensure service quality remains a priority. Applicable divisions can access this document prior to introducing new processes or technology.

LOOKING FORWARD

The WSCC continues implementing the e-Business strategy for 2020, working on the Employer's Report of Incident project, and beginning work on the e-service for invoicing submissions for medical service providers, and adding services for general employer account management. Information Services continues to focus on the enhancement of system and network architecture to minimize e-Business downtime, while prioritizing system security.



2.2 Increase safe and timely return to work (RTW)

Although the WSCC works towards a vision of *eliminating workplace diseases and injuries*, we know they can still happen. RTW is a process that helps injured workers remain at work, or helps them return to suitable work as safely as possible.

In 2019, the WSCC developed and implemented the *Strategy to Increase Return to Work Outcomes*, which aims to increase employer participation in RTW. The success of RTW is dependent on support from key participants, including the WSCC, workers, employers, and the medical community, and the strategy focused on each of these 4 key stakeholders. A complimentary strategy, focusing on Northern healthcare providers, supports the RTW focus and aims to improve our communication and ongoing collaboration with the medical community.

RTW is an important part of case management, and through this strategy, WSCC focused on internal training opportunities to support staff in the promotion and advancement of RTW. Following the training, scripts were developed to help staff walk through RTW conversations. Through building staff awareness, knowledge, and support, WSCC can advocate and promote RTW more effectively.

WSCC continued outreach to large employers, developing relationships to encourage ongoing conversations and providing them with resources and support to aid in the continued development and support of their RTW programs. RTW programs are not one-size-fits-all; each program needs tailoring to each employer, taking into account their size, their workforce, even their community location.

LOOKING FORWARD

In 2020, the WSCC is continuing to focus on early intervention by enhancing staff skills and knowledge on RTW processes. Moving forward, WSCC will develop a communications campaign to support RTW, develop a legislative proposal to support RTW outcomes, and update the existing Code of Practice.

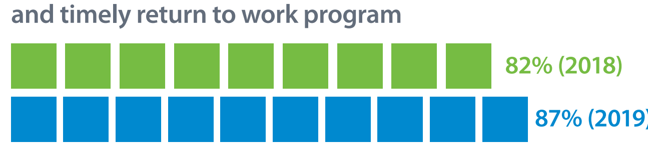
Return to Work 8,200

WSCC's online information relating to RTW for employers saw over 8,200 pageviews in 2019.

The most popular sections were; **Forms & Templates** (4,439 views), **Develop a RTW Program** (2,624 views), and **Return to Work Process** (928 views).

% of Small Employers having a safe and timely return to work program

% of Large Employers having a safe and timely return to work program



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

Cultural safety was introduced as a new value for the organization at the start of this strategic cycle in 2018. Understanding that there is a process towards becoming culturally safe and that the end goal is not in the achievement, but rather in the constant practice and application, the WSCC focussed on developing cultural awareness and cultural sensitivity internally within our organization.

The WSCC engaged with leaders in cultural safety in both territories seeking advice on the practical application of cultural safety and cultural humility in our operations. A Cultural Safety Advisory Committee was created to support the embedding of Cultural Safety at all levels of the organization. This committee brings diverse expertise and experience, and has a mandate to support organization-wide engagement in cultural safety and cultural humility through events and learning opportunities, like an ookpik-making activity, lighting of the qulliq, and a short film review highlighting work from Indigenous creators.

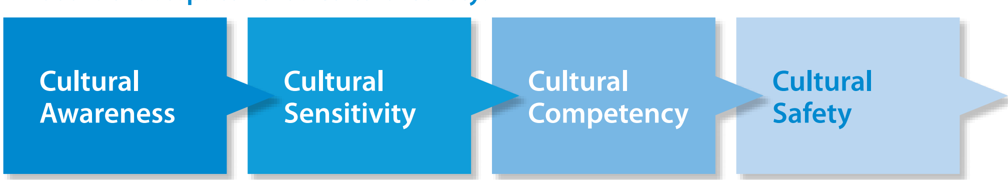
In order to grow our internal capacity for cultural safety, training was a core focus this year.

Indigenous Cultural Competency training supports organizational capacity building relating to work with Indigenous stakeholders, and supports the Calls to Action from the Truth and Reconciliation Commission. This training is now mandatory for all new and existing WSCC workers.

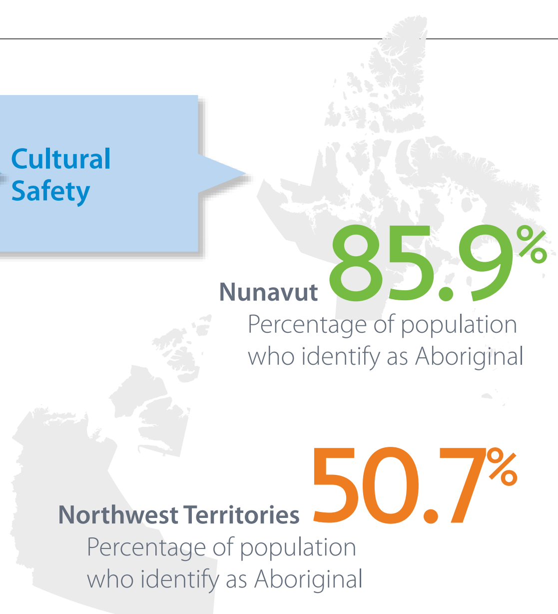
LOOKING FORWARD 2020

In 2020, the WSCC will continue to develop cultural awareness and sensitivity internally by engaging our Cultural Safety Advisory Team to identify and coordinate learning opportunities and events for WSCC staff. The WSCC will also develop a strategy to bring the organization towards practicing cultural safety in our day-to-day operations. Collaborative opportunities will be pursued to develop partnerships designed to help build internal cultural competency and internal resources will be reviewed to ensure alignment with the practice of cultural safety.

What are the steps towards Cultural Safety?



Cultural Safety
Cultural Safety is a framework for examining and understanding the systemic imbalances in care for Indigenous peoples. It is an approach that considers how social and historical contexts, as well as structural and interpersonal power imbalances, shape health and health care experiences.



2.4 Maintain financial stewardship of the Workers' Protection Fund

The Workers' Protection Fund is funded through employer assessment rates and investment returns, and the maintenance of this fund is a key component to *Delivering Quality Services and Outcomes*.

In 2019, the WSCC analyzed key financial drivers to develop a projection planning model, which will be incorporated into operational decision-making in 2020. We analyzed the general and administrative costs on a fixed, variable, discretionary, and non-discretionary basis to ensure that parameters used to allocate administrative costs are accurate and current, and will provide a useful tool for the planned zero-based budgeting exercise in 2020, of which a working group was created this year. A better understanding of factors impacting financial drivers positions the WSCC to respond accordingly, and identify and address opportunities for cost saving or project adjustments. The WSCC also assessed existing information or system gaps that could prohibit the implementation of International Financial Reporting Standards (IFRS) 17, and identify and draft revisions to our policies in order to minimize the impact of IFRS 17 on rate setting and operational reporting. Ultimately, adopting IFRS 17 will align the WSCC's financial reporting with our counterparts across Canada. Financial Services began work this year on a zero-based budgeting approach in 2020.

The WSCC continued the review of the lifetime pensions program in to order to maintain alignment with the policies and guidelines across other workers' compensation boards in Canada. Updates to the project timelines occurred based on resourcing needs, and the project plan will continue on in 2020.

Understanding that *Delivering Quality Services and Outcomes* is a priority, WSCC supported the development and enhancement of the Continuous Excellence (CE) program, which prioritizes process improvement and the elimination of waste in order to improve efficiency and effectiveness. This year, WSCC launched a redeveloped program that empowers staff to undertake process changes within their roles, with support, resources, tools, and templates available to guide them through the process.

CE Leaders, who act as program ambassadors, received Lean Six Sigma Green Belt training this year and began practicing their skill sets during tabletop exercises. Further training in change management was offered for CE Leaders and leadership to help the organization navigate through this transformation in thinking.

Average Provisional Rate

Rate all employers would pay if there was one rate **$2.10**

LOOKING FORWARD

WSCC will continue to undertake a systemic review of our financial drivers, providing education to management on the use of the projection planning model. Progress on the lifetime pensions project will continue, with consultation occurring in 2020 on proposed changes. The CE program will continue implementation and support as required.

2.5 Improve integrity of and access to data

The WSCC uses data to make informed decisions for improving our service delivery based on demonstrated areas of success and weakness, and identified trends and anomalies. Since the beginning of this strategic cycle, the WSCC has been moving towards data alignment with other compensation boards to allow for more accurate comparisons of statistics.

Up-to-date, real-time data capabilities through business intelligence (BI) tools support informed internal management decisions. After building capacity in BI tools, the WSCC successfully launched a data dashboard pilot project in 2018 in the Claims Services unit, providing staff with clear and timely information. Based on the positive impact of this tool, the WSCC expanded data dashboards into other priority units and high-priority measures.

Cross-divisional working groups were created to develop change management plans for the implementation of new SOC and SIC codes. The code conversion of both SOC and SIC codes are complete, and the technical requirements were finalized, with the launch date for the new codes being represented in impacted systems identified for 2020.

NWISP codes are nationally accepted definitions and standards for reporting workplace incidents in Canada. This year, WSCC deployed a data validation tool to WSCC's claim management software. Additional enhancements to this tool were identified and made throughout the year and the tool is now implemented with full functionality to ensure consistent and accurate NWISP coding.

To ensure the integrity of data, WSCC completed a stakeholder data cleanse, eliminating duplicate data and creating an application to detect duplicate stakeholders in the WSCC's systems. A maintenance and training program is in place to ensure accuracy moving forward.

LOOKING FORWARD

Work continues in 2020 to roll out the business intelligence strategy, based on ongoing identification of WSCC needs. Data integrity remains a key element of our strategy, and to improve stakeholder data, we will update SOC to best practice coding standards and develop change management plans for implementation of SIC. Focussing on interjurisdictional tracking, we will define a solution to ensure consistency in data. Creation and updating of data dashboards will continue in 2020 based on ongoing identification of data needs across the organization.

Data Acronyms At-A-Glance

NWISP

National Workplace Injury Statistics Program; a Canadian collection of work-related accepted time loss injury, disease, and fatality statistics.

SIC

Standard Industrial Codes; a classification system used to classify industry areas.

SOC

Standard Occupational Codes; a classification system used to collect occupational data.

Why are these important? They allow government agencies to collect and compare across data sets.

2.6 Enhance communication

In 2019, the WSCC completed the Public Awareness Survey, providing detailed information on public perception of our organization, on the knowledge and understanding of IRS, and on information preference and awareness on workplace safety and injury prevention. The insights gained will be used in campaign design and delivery moving forward in 2020. The survey showed that current awareness of the WSCC is very high. Knowing this, the WSCC is reevaluating our goal of improving awareness and determining how this information can best support other strategic objectives, like the awareness of IRS and OHS programs.

WSCC continued work on enhancing stakeholder communication. Focusing in 2019 on the claimant experience and reviewing the different types of letters they may expect to receive during the duration of their claim, staff completed a process-mapping exercise to identify the different touchpoints, letters, service units, and paths that could possibly occur. WSCC also gathered information and support from other boards that have completed similar initiatives on improving client satisfaction. The scope of this project grew, and the project will continue with the roll-out of new simplified letters to claimants in 2020.

In alignment with our commitment to cultural safety, WSCC reviewed communications materials and procedures to ensure cultural competency considerations and worked towards integrating it into our communications processes. Cultural competency considerations were included in the evaluation process for the organization's Agency of Record, who produces, designs, and works closely with the WSCC on communications campaigns and materials. The creation of a new staff position in Iqaluit within the Communications department allowed an opportunity to prioritize and include cultural knowledge of Inuit societal values and language, and support Nunavut in a distinct way. WSCC also regularly provides materials in any of our four official languages.

LOOKING FORWARD

2020

WSCC will focus on ways to enhance stakeholder service communication, focusing on ensuring that information is clear, concise, convenient, and accessible for those navigating through our system. Looking at the information gathered through the Public Awareness Survey, WSCC will identify gaps and implement targeted external communications to address them and examine ways to integrate awareness with IRS and OHS. WSCC aims to complete the claimant letter project, and begin a similar review on letters to employers, from both an Employer Services and Prevention perspective.

93% of public are confident they would know what to do if they or a coworker were injured at work.

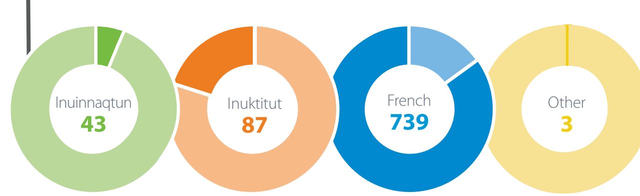
2019 Public Awareness Survey

SafetyNet

WSCC publishes SafetyNet, an employer e-newsletter, monthly. The **average open rate in 2019** was **34%** well above the industry average of 21%.

There are 4 official languages of the WSCC: English, French, Inuktitut, and Inuinnaqtun.

What translations did the WSCC do in 2019?

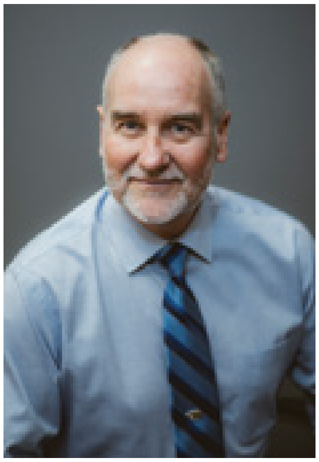


Our Finances

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

Management Commentary

For the year ended December 31, 2019



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.

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, projections and observations.

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 aims to maintain a balance between the provision of quality benefits to injured workers while maintaining stable and affordable employer assessment rates.

A key financial measure utilized by the WSCC and all workers compensation organizations across Canada is the overall funded position or ratio. The WSCC's current funding strategy, 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, 2019 the WSCC's funded position or funding ratio, as defined within the policy, is 105%. At December 31, 2018 the funded position was 102%. In 2019 based upon the 2018 year-end funded position of 102% which placed the WSCC into the defined "action zone" within the policy, a flat rate increase was implemented and incorporated into the rate-setting model for the 2020 fiscal year.

Overview of 2019 Financial Results

2019 was a year where investment markets rebounded dramatically from the downturn witnessed in 2018. Whereas in 2018 negative revenue from investments of $1.7 million contributed to a comprehensive loss of $29 million net investment revenue in 2019 of $49.9 million contributed to a comprehensive income of $11.6 million, a turnaround of $40 million.

The 2019 budget, as set by the Governance Council, anticipated a small comprehensive loss of $818,000 with $65.7 million in net assessment revenues; $23 million in investment revenues; $67.1 million in claims costs and $22.5 million in administration and general expenses.

Net assessment revenues for the year exceeded budget by $3.2 million ending the year at $68.9 million, slightly up from the 2018 total of $67.2 million. Strong investment revenues drove the overall financial results in 2019. Market growth was consistent throughout the year resulting in an investment return of 13.22%, well in excess of the WSCC required target return rate of 5.85%. Absolute investment returns exceeded the 2019 budget estimate by $26.9 million.

Claims costs continued to rise through 2019 exceeding budget by $20.8 million and up from the 2018 total of $76.1 million by $11.8 million. Contributing factors associated with that claims cost increase in 2019 were as follows:

- Payments in 2019 on prior injury years were higher than expected. This is primarily due to a continuation of high-cost trends for both medical aid and compensation.

- In reaction to the higher medical aid and compensation costs witnessed over recent years, the liability has been increased for prior injury years. Overall, there was an increase of $16.8 million in the benefits liability attributable to unfavourable claims experience.
- New injury costs for 2019 are 5.60% higher relative to 2018.

Administration and general expenses remained relatively stable in 2019, increasing by $504,000 or 2.7% over 2018 levels. The Union of Northern Workers collective agreement settled in 2019 that had been outstanding since 2016 contributed to an increase in compensation, a major component of the overall WSCC general and administrative expenses.

The benefits liability increased $28.8 million in 2019, now totalling $413.6 million. The increase is primarily attributable to an increase in the claims run-off factors, an increase in claims experience on both current and prior year injury years for both medical aid and compensation, as well as a change in economic assumptions, primarily the gross discount rate. The estimate of the long term average rate of return (over and above inflation) on invested assets as at December 31, 2019 was 3.25%. Combined with the long term average inflation assumption of 2.25% the gross discount rate used in calculating the benefit liability was 5.6%. The discount rate used in the prior year's valuation was 5.8%. The reduction of the discount rate resulted in an increase to the liability of $8.4 million.

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 component of the benefit liability attributable to latent occupational diseases is $38.7 million which comprises 9.3% of the total benefit liability, consistent with 2018.

Reserves increased in 2019 by $11.6 million with total net reserves now sitting at $20 million.

In 2019 the year's maximum insurable remuneration (YMIR) increased to $92,400 from the 2018 level of $90,600. YMIR represents the maximum level of employee covered wages used for benefit determination.

YMIR is set annually in accordance with WSCC Policy 00.04 / Year's Maximum Insurable Remuneration and is a key determinate in claims compensation and employer assessable earnings.

Forward Looking

The WSCC embarked upon a five-year strategic plan which commenced in 2018. The plan remains in place and represents a natural evolution from the previous WSCC 2015-2017 strategic plan. The strategic priorities enunciated in the plan are as follows:

- *Advancing the Safety Culture*;
- *Delivering Quality Services and Outcomes*;

The Strategic Plan continues to guide the direction of the organization.

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic. That status remains, impacting the WSCC on many levels. Global investment markets were immediately and substantively impacted with a substantial decline happening in the fair value of investments held in the fund. The WSCC, in consultation with the Governments of the Northwest Territories and Nunavut modified assessment payment deadlines for employers to support financial relief measures for employers impacted by COVID-19.

Both the duration and extent of the impact of COVID-19 remains uncertain. In serving workers and wholly funded by employers in the Northwest Territories and Nunavut the WSCC is not immune to the impacts of COVID-19. The Governance Council and management continue to monitor and adapt to the current changing environment which brings a heightened level of uncertainty to the operational and financial impacts facing the WSCC going forward.

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

Management's Responsibility for Financial Reporting

June 9, 2020

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 an opinion on the financial statements. She also considers whether the transactions that come to her 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.

Debbie Molloy
President and CEO

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

Actuarial Statement of Opinion

I have completed the actuarial valuation of the benefit liabilities of the Workers' Safety and Compensation Commission (the "Commission") as at December 31, 2019 (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 $415,949,000. 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.

Thane MacKay, F.C.I.A

March 31, 2020

This report has been peer reviewed by Mark Simpson, F.C.I.A.

Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut
Actuarial Valuation as at December 31, 2019

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 2019, 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 2019, 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, except for the change in the method of accounting for leases as explained in Note 3 to the financial statements, 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 Auditor General of Canada

Edmonton, Canada
9 June 2020

Financial Statements

Statement of Financial Position

As at December 31 (in thousands of Canadian dollars)

	2019	2018
	$	$
ASSETS		
Cash (Note 5)	8,879	11,643
Investments (Note 6 & 19)	426,370	381,607
Assessments receivable (Note 7.a)	3,891	4,355
Other receivables (Note 7.b)	696	712
Prepaid expenses	241	273
Property and equipment (Note 8)	6,446	7,199
Right of use assets (Note 20)	6,094	-
Intangible Assets (Note 9)	2,716	2,889
	455,333	408,678
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable, accrued and other liabilities (Note 10 & 16)	4,927	5,747
Salaries and wages payable (Note 16)	2,265	2,235
Assessments refundable (Note 16)	6,916	6,297
Lease liability (Note 20)	6,217	-
Benefits liability (Note 11)	413,649	384,812
Post-employment benefits (Note 12.b)	1,387	1,204
	435,361	400,295
EQUITY (NOTE 13)		
Operating reserve	1,456	(9,757)
Capital asset replacement reserve	509	133
Catastrophe reserve	18,007	18,007
	19,972	8,383
	455,333	408,678

Commitments (Note 14), Contingencies (Note 15)

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)

	2019	2018
	$	$
REVENUE AND INCOME		
Assessments	68,926	67,064
Add: Safe Advantage penalties	-	1,044
Less: Safe Advantage refunds	8	(875)
Net assessment revenue	68,934	67,233
Investments		
Interest	2,173	4,073
Dividends	6,399	9,398
Investments gains (losses) (Note 6.d)	42,380	(14,029)
Investment fees	(1,043)	(1,170)
Net investment income (loss)	49,909	(1,728)
Fines and miscellaneous income	35	171
	118,878	65,676
EXPENSES		
Claims costs		
Claims costs, current year injuries (Note 11.b)	50,290	47,607
Claims costs, prior years' injuries (Note 11.b)	38,120	29,856
Third party legal claim recoveries	4	(942)
Recoveries for hunters and trappers (Note 18)	(534)	(393)
	87,880	76,128
Administration and general expenses (Note 17)	18,931	18,427
	106,811	94,555
Income (loss) before other comprehensive income	12,067	(28,879)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement losses on defined benefit plan (Note 12.b)	(478)	(158)
Total comprehensive income (loss)	11,589	(29,037)

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
	$	$	$	$
Balance at January 1, 2018	**19,280**	**133**	**18,007**	**37,420**
Total comprehensive loss for the year				
Loss before other comprehensive income	(28,879)	-	-	(28,879)
Re-measurement losses on defined benefit plan	(158)	-	-	(158)
Balance at December 31, 2018	**(9,757)**	**133**	**18,007**	**8,383**
Total comprehensive income for the year				
Income before other comprehensive income	12,067	-	-	12,067
Re-measurement losses on defined benefit plan	(478)	-	-	(478)
Transfer to capital asset replacement reserve	(376)	376	-	-
Balance at December 31, 2019	**1,456**	**509**	**18,007**	**19,972**

Capital management and reserves (Note 13)

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)

	2019 $	2018 $
OPERATING ACTIVITIES		
Cash received from:		
Assessments from employers	69,961	66,734
Cash paid to:		
Payments to claimants or third parties on their behalf	(59,470)	(53,692)
Purchase of goods and services	(17,670)	(15,934)
Interest portion of lease liability	(238)	-
Assessment rebate	8	(875)
Cash used in operating activities	(7,409)	(3,767)
INVESTING ACTIVITIES		
Proceeds on sale of investments	400,599	124,538
Purchases of investments	(446,244)	(125,808)
Investment gains (losses)	43,262	-
Dividends	6,399	9,398
Interest	2,173	4,073
Purchase of intangible assets	(247)	(736)
Purchase of property and equipment	(135)	(394)
Cash provided by investing activities	5,807	11,071
FINANCING ACTIVITIES		
Principal portion of lease liability payments	(1,162)	-
Cash used in financing activities	(1,162)	-
(Decrease) increase in cash and cash equivalents	(2,764)	7,304
Cash and cash equivalents, beginning of year	11,643	4,339
Cash and cash equivalents, end of year	8,879	11,643

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the year ended December 31, 2019 (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 June 9, 2020.

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) Comparative amounts

Certain comparative amounts in the investments Note 6.b) and 6.e) and financial risk Note 16.b) and 16.d) have been reclassified to conform with the current year's presentation.

In addition, the statement of cash flow has been reclassified so that change in cash held by investment managers is included in purchases or sales of investments to better reflect the nature of the cash flows from investment activity. The prior year change in cash held by the investment manager was a $1,008 cash outflow that has been reclassified to purchase of investments.

b) 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.

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.

c) 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.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

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.

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 2019 (2018 – no transfers).

d) 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.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

e) 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.

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.

f) 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.

g) 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.

h) 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.

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.

i) 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.

j) 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.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

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, 2019 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.

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.

k) Right of use assets and lease liabilities

The Commission has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from January 1, 2019

The Commission assesses whether a contract is or contains a lease, at inception of the contract. The Commission recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as personal computers and office equipment). For these leases, the Commission recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Commission's incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

The Commission remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed. The Commission did not make any such adjustments during the periods presented.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Policies applicable prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating 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.

l) 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.

m) New and revised accounting standards and interpretations issued but not yet effective

IFRS 9 – Financial instruments

The Commission is eligible and will be using the temporary exemption allowed for based on amendments to IFRS 4 issued in March 2020 which delays implementation of IFRS 9 to 2023.

The Commission has applied the amendment effective January 1, 2019. In order to qualify for the exemption, the Commission needed to have a ratio of liabilities connected with insurance compared to the total carrying amount of its liabilities greater than 90%. The Commission achieved 96% as of December 31, 2019 (2018 - 96%) and therefore qualified for the exemption.

With the exemption in place, the Board will continue to classify its investments as held-for-trading and measured at fair value through profit or loss, refer to note 6 for more details.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

Assessments receivable is classified as loans and receivables and due to their short term in nature, the carrying value approximates their fair value. Accounts payable, accrued and other liabilities and salaries and wages payable are classified as other financial liabilities. All will continue to be measured at fair value, and measured at amortized cost using the effective interest rate method. Credit risk disclosure, including significant credit risk concentrations, are disclosed in Note 16.

The Commission will continue to assess at year-end whether a receivable is considered to be uncollectible, and will write off against the allowance account.

The impact of applying IFRS 9 is not expected to have a material impact.

IFRS 17 – Insurance Contracts

IFRS 17 – Insurance Contracts was issued in May 2017 and is effective for years beginning on or after January 1, 2023, 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 Commission is assessing the impact of this standard and expects that it may potentially have a significant impact on the Commission's financial statements.

3. Change in accounting policy

Effective January 1, 2019 the Commission adopted IFRS 16 which changed the definition of a lease to be a contract (i.e. An agreement between two or more parties that creates enforceable rights and obligations), or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of an identified asset.

The Commission made several elections upon adoption;

- To use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease.
- To use the cumulative catch-up process which resulted in leaving comparative numbers as previously reported.
- To calculate asset measurement on a lease by lease basis using the Commission's incremental borrowing rate.
- To use the recognition exemption for short term lease (leases with a term of 12 months or less) and leases of low-value assets (personal computers and office equipment) which means that qualifying leases would not be capitalized and amortized. This expense is presented within "administration and general expenses".

All remaining leases would be subject to having the present value of the stream of lease payments set up as "Right of use assets" and amortized over the life of the lease. There was no impact on opening balance of equity.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

There were no financed leases recorded prior to adoption and as a result there was no impact from the change in accounting policy for previously recorded finance leases.

The interest rate applied to lease liabilities recognized in the statement of financial position on January 1, 2019 is 3.50%.

The following table shows the operating lease commitments disclosed applying IAS 17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at January 1, 2019 - Reconciling operating lease commitments and financing lease liabilities at the transition date:

	$
Operating lease commitments December 31, 2018	6,087
Short term lease (leases with a term of 12 months or less) and leases of low value assets	(108)
Non-lease component of the contract	(1,093)
Increase due to lease extensions with reasonable certainty	3,169
Discounting effect using incremental borrowing rate	(947)
Lease liabilities as at December 31, 2018	7,108

4. 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. Actual results could differ from these judgements, estimates and assumptions, especially given the added uncertainities resulting from the COVID-19 pandemic declared by the Worlld Health Organization subsequent to year end (Note 21). 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:

- Note 11. – Benefits liability, the estimation uncertainty relates to the determination of assumptions as discussed in Note 11.i).
- Note 12.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.c) and Note 6. – Investments, classification and valuation of financial instruments
- Note 2.e) – Assessments receivable, determination of estimated payroll
- Note 2.g) and Note 8. – Property and equipment, degree of componentization
- Note 2.h) – Intangible assets, determination of development costs
- Note 2.k) – Right of use assets and lease liabilities, determination of incremental borrowing rate

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

5. Cash

The high interest savings account earns interest at 1.90% (2018 – 1.90%).

	2019	2018
	$	$
High interest savings account	1,934	8,048
Operating accounts	6,945	3,595
Total	8,879	11,643

6. 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 $41,154.

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
	$	$	$	$
Fixed income	184,052	171,698	170,765	157,066
Equities	179,803	180,353	153,456	151,310
Real estate	62,515	53,266	57,386	51,295
Total	426,370	405,317	381,607	359,671

a) Fixed income

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

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
	$	$	$	$
Fixed income securities	-	-	65,166	64,754
Pooled funds				
Indexed Bond Funds	144,560	146,533	70,417	70,147
Mortgage Funds	39,492	25,165	35,182	22,165
Total	184,052	171,698	170,765	157,066

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

Included in the indexed bond fund is $4,335 (2018 - $0) of cash held in Canadian funds. 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 prior year amounts are investments in privately held related party bonds, as disclosed in Note 18. In 2019 these bonds were sold for a realized gain of $1,933. The cumulative unrealized gains included in the prior year balance was $479.

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

	2019	2018
	$	$
Fixed income - cost	**171,698**	157,066
Cumulative unrealized gains	**12,354**	13,699
Fixed income - fair value	**184,052**	170,765

b) Equities

During the year the Commission changed their investment managers and investment holdings. The geographic classification of equities has been changed from United States and International equities to International equities inclusive of United States holdings. United States holdings in the prior year were $55,391.

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

	2019		2018	
	Fair Value	**Cost**	Fair Value	Cost
	$	**$**	$	$
Canadian equities	**65,149**	**65,656**	59,581	52,269
International equities	**114,654**	**114,697**	93,875	99,041
Total	**179,803**	**180,353**	153,456	151,310

Included in the International equities is $0 (2018 – $1,374) of cash that is held in Canadian funds.

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

	2019	2018
	$	$
Equity investments - cost	**180,353**	151,310
Cumulative unrealized (losses) gains	**(550)**	2,146
Equity investments - fair value	**179,803**	153,456

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

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:

	2019	2018
	$	$
Canadian real estate - cost	53,266	51,294
Canadian real estate - unrealized gains	9,249	6,092
Canadian properties - fair value	**62,515**	57,386

d) Investment gains and losses

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

	2019	2018
	$	$
Realized gains	43,262	4,571
Change in unrealized gains	(882)	(18,600)
Investment (losses) gains - net	**42,380**	(14,029)

e) Investment performance

During the year the Commission changed their investment managers and investment holdings. The investment performance of equities has been changed from United States and International equities to International equities inclusive of United States holdings. United States investment returns in the prior year were 2.17%.

The market returns of the portfolio for the years ended December 31 are as follows:

	2019	2018
	%	%
International equities	28.52	(6.98)
Cash and cash equivalents	(3.71)	7.22
Real estate	8.94	6.42
Fixed income securities and indexed bond funds	3.20	1.53
Mortgages	12.25	2.58
Canadian equities	9.35	(6.65)

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 Dollar value.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

f) Investment activity

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

	2019 **$**	2018 $
Balance, beginning of year	**381,607**	394,365
Investments gains (losses), net	**42,380**	(14,029)
Dividends	**6,399**	9,398
Interest	**2,173**	4,073
Transfer to short-term investments	**(189)**	(200)
Transfer (to) from operating cash accounts	**(6,000)**	(12,000)
Balance, end of year	**426,370**	381,607

7. Assessments and other receivables

a) Assessments receivable

	2019 **$**	2018 $
Current assessments receivable	**3,815**	4,377
Overdue assessments receivable	**352**	273
Allowance for doubtful accounts	**(276)**	(295)
Net assessments receivable	**3,891**	4,355

The Commission collected $173 (2018 – $185) 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 $48 (2018 – $34) which is recognized in administration and general expense.

b) Other receivables

	2019 **$**	2018 $
Due from claimants	**80**	188
Receivable from other Governments	**65**	78
Due from employees	**71**	87
Hunters and trappers receivable	**534**	418
Other	**8**	42
Less: allowance for doubtful accounts - other	**(50)**	(63)
Less: allowance for doubtful accounts - claimants	**(12)**	(38)
Total	**696**	712

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

Other receivables are non-interest bearing.

c) Reconciliation of allowance for doubtful accounts and aging analysis

	2019 Employers $	**2019 Other $**	2018 Employers $	2018 Other $
Carrying amount at the beginning of the year	**295**	**101**	351	73
Net debts written off during the year	**(70)**	**(40)**	(45)	(29)
Provision made during the year	**176**	**22**	191	88
Recoveries and adjustments	**(125)**	**(21)**	(202)	(31)
Carrying amount at the end of the year	**276**	**62**	295	101

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

	31 to 60 days $	61 to 90 days $	91+ days $	**Total overdue $**
2019	39	7	501	**547**
2018	40	24	528	592

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

8. Property and equipment

	Building	Equipment	Furnishings	Vehicles	Leasehold improvements	**Total**
	$	$	$	$	$	**$**
Cost						
At January 1, 2018	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	13,182
Additions	-	135	-	-	-	135
Disposals	-	(2)	-	-	(188)	(190)
At December 31, 2019	8,589	1,337	2,058	171	972	**13,127**
Depreciation						
At January 1, 2018	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	5,983
Annual depreciation	431	120	161	-	89	801
Disposals	-	(2)	-	1	(102)	(103)
At December 31, 2019	4,054	897	775	171	784	**6,681**
Net book value						
At December 31, 2019	**4,535**	**440**	**1,283**	**-**	**188**	**6,446**
At December 31, 2018	4,966	425	1,444	1	363	7,199

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

9. Intangible assets

	Purchased software systems	Internally developed software systems	**Total**
	$	$	**$**
Cost			
At January 1, 2018	939	7,478	8,417
Additions	280	311	591
Disposals and adjustments	(278)	(5)	(283)
At December 31, 2018	941	7,784	8,725
Additions	-	280	280
Disposals	(196)	-	(196)
At December 31, 2019	745	8,064	**8,809**
Amortization			
At January 1, 2018	648	4,793	5,441
Annual amortization	135	540	675
Disposals	(278)	(2)	(280)
At December 31, 2018	505	5,331	5,836
Annual amortization	98	318	416
Disposals	(159)	-	(159)
At December 31, 2019	444	5,649	**6,093**
Net book value			
At December 31, 2019	**301**	**2,415**	**2,716**
At December 31, 2018	436	2,453	2,889

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 $433 and 1 year respectively (2018 – $494 and 2 years).

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

10. Accounts payable, accrued and other liabilities

	2019 Total $	2018 Total $
Accounts payable	**2,318**	2,507
Accrued liabilities	**2,607**	3,137
Other	**2**	103
Total	**4,927**	5,747

11. 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 18).

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, 2019 (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 2019**
	$	$	$	$	$	**$**
Balance, beginning of year	78,512	42,932	41,511	186,081	35,776	**384,812**
Add: Claims costs (recoveries)						
Current year	14,111	24,971	10,410	798	-	**50,290**
Prior years	9,408	9,656	2,436	13,725	2,895	**38,120**
Liability transfer, capitalizations	-	-	(5,116)	5,116	-	**-**
	23,519	34,627	7,730	19,639	2,895	**88,410**
Less: Claims payments						
Current year injuries						
Claims payments	1,973	4,264	31	-	-	**6,268**
Claims management	691	1,492	3	-	-	**2,186**
Prior years' injuries						
Claims payments	7,660	14,131	2,786	12,869	-	**37,446**
Claims management	3,447	6,360	278	1,288	-	**11,373**
	13,771	26,247	3,098	14,157	-	**57,273**
Balance, end of year	88,260	51,312	46,143	191,563	38,671	**415,949**

Claim costs incurred but not paid before year-end is $2,300. The total benefits liability net of amounts allocated to accounts payable is $413,649.

	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	362,027
Add: Claims costs (recoveries)						
Current year	13,991	23,701	9,781	134	-	47,607
Prior years	8,912	7,056	3,531	8,239	2,118	29,856
Liability transfer, capitalizations	-	-	(5,521)	5,521	-	-
	22,903	30,757	7,791	13,894	2,118	77,463
Less: Claims payments						
Current year injuries						
Claims payments	3,334	4,454	32	-	-	7,820
Claims management	1,500	2,005	3	-	-	3,508
Prior years' injuries						
Claims payments	6,908	11,131	2,000	13,631	-	33,670
Claims management	3,108	5,009	200	1,363	-	9,680
	14,850	22,599	2,235	14,994	-	54,678
Balance, end of year	78,512	42,932	41,511	186,081	35,776	384,812

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

The expected claims payment for the benefits liability in 2020 is $41,154 (2019 – $34,903).

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:

	2019 $	2018 $
Balance, beginning of year	384,812	362,027
Adjust for effects of:		
Provision for current year's claims	41,835	36,280
Inflation experience, which was 2.12% versus the expected 2.25% (1.88% versus 2.25% in 2018)	(234)	(667)
Claims experience	2,637	365
Change in claims run-off factors for Compensation and Medical aid	9,034	4,365
Latent occupational disease claims provision	802	149
Change in economic assumptions	8,389	-
Change in admin expense load	(8,067)	-
Interest allocated	21,343	20,164
Other assumption changes	4,216	5,466
	79,955	66,122
Deduct:		
Payments for prior years' claims	(48,818)	(43,337)
Balance, end of year	415,949	384,812

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.
- 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.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

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 16.d)

h) Liquidity risk

The Commission's exposure to liquidity risk is set out in Note 16.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.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

Expected timing of future payment for outstanding claims:

	2019	2018
	%	%
Up to 1 year	**6.20**	5.60
Over 1 year and up to 5 years	**16.00**	15.60
Over 5 years and up to 10 years	**14.70**	14.60
Over 10 years	**63.10**	64.20
Total	**100.00**	100.00

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, 2019 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, 2019. These future pension capitalizations are in respect of all claims arising from accidents which occurred on or before December 31, 2019. 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, 2019.

The Approved Pension liability (pension awards) represents the present value at December 31, 2019 of all expected future pension awards payments, including future inflationary adjustments, to individuals who have been approved for a pension award at December 31, 2019. 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

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

present value of expected future pension payments uses a gross discount rate of 5.60% derived from the ultimate inflation assumption of 2.25% and a net discount rate of 3.25% for years 2021 and thereafter. The use of the actual inflation rate of 2.12% for 2020 results in a net discount rate of 3.40% for that year only.

The following economic assumptions are used in the valuation of the Future Claims Liability: discount rate – 5.60% (2018 – 5.85%), inflation rate – i) future capitalizations: 2.12% in 2020 and 2.25% per annum thereafter (2018 – 1.88% and 2.25%), and ii) Compensation: 2.25% (2018 – 2.25%) and Medical Aid: 4.75% (2018 – 4.75%).

The following economic assumptions are used in the valuation of the Approved Pension Liability: discount rate – 5.60% (2018 – 5.85%), inflation rate – 2.12% in 2020 and 2.25% thereafter (2018 – 1.88% and 2.25%). The mortality assumption is determined by the 2005-2007 Statistics Canada General Life Mortality Table (2018 – 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 21% (2018 – 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.

2019 **+/- % change on assumed rates**	**+ 1%** **$**	**- 1%** **$**
Net discount rate	**(36,435)**	43,506
Excess medical inflation rate	**10,651**	(8,880)

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For the year ended December 31, 2019 (in thousands of Canadian dollars)

2018 +/- % change on assumed rates	+ 1% $	- 1% $
Net discount rate	(31,350)	40,368
Excess medical inflation rate	9,692	(8,100)

2019 **+/- % change in mortality rates**	**+ 10%** **$**	**- 10%** **$**
Mortality rate	**(5,729)**	**5,449**

2018 +/- % change on mortality rates	+ 10% $	- 10% $
Mortality rate	(4,597)	5,455

k) Claims development

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

	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	**Total** **$**
Estimate of cumulative claim costs:											
At the end of the accident year	44,356	77,715	43,254	41,977	35,923	39,130	43,611	51,245	53,044	61,637	
One year later	44,743	70,852	39,738	38,252	35,719	40,675	50,823	55,576	63,383		
Two years later	39,278	69,454	36,183	36,866	34,764	39,862	50,979	57,815			
Three years later	37,733	62,086	35,775	40,264	33,925	41,039	50,780				
Four years later	38,090	68,546	43,454	39,922	34,784	42,829					
Five years later	37,433	73,899	49,595	39,296	36,201						
Six years later	39,857	74,659	52,874	43,231							
Seven years later	40,454	72,737	52,651								
Eight years later	41,053	73,562									
Nine years later	41,622										
Current estimate of ultimate claims costs	41,622	73,562	52,651	43,231	36,201	42,829	50,780	57,815	63,383	61,637	**523,711**
Cumulative payments	19,075	27,685	19,546	21,174	16,405	20,369	23,507	19,210	16,396	6,159	**189,526**
Estimate of future payments	22,547	45,877	33,105	22,057	19,796	22,460	27,273	38,605	46,987	55,478	**334,185**
2009 and prior claims											**327,984**
Effect of administration expenses											**57,795**
Effect of latent occupational disease provision											**38,671**
Sub-total											**758,635**
Effect of discounting											**(342,686)**
Amount recognized on Statement of Financial Position											**415,949**

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

12. 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 11.90% and 10.18% respectively (2018 – 12.25%; 10.46%). Total contributions of $1,641 (2018 – $1,473) were recognized as expense in the current year and $691 (2018 – $643) 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:

	2019	2018
	$	$
Accrued benefit obligation, beginning of year	**1,204**	1,207
Total benefit expense:		
Current service cost	**47**	53
Interest cost	**38**	35
Actuarial (gains) losses	**451**	183
Benefits paid	**(353)**	(274)
Balance, end of year	**1,387**	1,204

Current service and interest costs totaling $234 (2018 – $230) were recognized in the employer share of benefits within administration and general expenses in the statement of comprehensive income.

The key assumptions used to calculate the accrued employee benefits are a liability discount rate of 2.75% (2018 – 3.50%) and a general wage inflation of 2.50% for 2020 and 2.25% for 2021 and beyond. (2018 – 1.40% for 2019, 1.7% for 2020 and 2.0% for 2021 and beyond).

The expected payments for 2020 are $382 (2019 – $349). The weighted average duration of the defined benefit obligation is 5.0 years (2018 – 4.3 years)

Notes to the Financial Statements

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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, 2019, is 2.75% (2018 – 3.50%). 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 2.50% for 2020 and 2.25% for 2021 and beyond. (2018 – 1.40% for 2019, 1.7% for 2020 and 2.0% for 2021 and beyond). The long term wage inflation assumption 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.

2019	**+ 1%**	**-1%**
+/- % change on assumed rates	**$**	**$**
Discount rate	**(79)**	**88**
Wage inflation rate	**66**	**(61)**

2018	+ 1%	-1%
+/- % change on assumed rates	$	$
Discount rate	(69)	76
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.

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, 2019 was $510 (2018 – $432). In 2019 there is an additional loss of $(27) (2018 – gain of $25) of actuarial (gains) losses related to sick and special leave that is recorded in salaries and wages payable.

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13. 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, 2019, the Funded Position is 105% (2018 – 102%) 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 2019 – $87,072 (2018 – $80,059). 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.

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.

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For the year ended December 31, 2019 (in thousands of Canadian dollars)

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 2019 – $21,768 (2018 – $20,015). 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.

14. Commitments

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

	$
2020	4,339
2021	2,821
2022	1,096
2023	783
2024	745
Total	9,784

All contracts are for standard service and maintenance agreements.

15. 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.

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16. 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.

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, 2019, cash and cash equivalents were $8,879 or a ratio of 0.63 of short term liabilities (2018 – $11,643 or 0.82).

	1 year or less $	2-3 years $	4-5 years $	6 years or more $	**Total 2019 $**
Accounts payable, accrued and other liabilities	4,927	-	-	-	**4,927**
Salaries and wages payable	2,265	-	-	-	**2,265**
Assessments refundable	6,916	-	-	-	**6,916**
Total	14,108	-	-	-	**14,108**

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

	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
Total	14,207	64	8	-	14,279

The term to maturity of the fixed income securities is: within 1 year $0 (2018 - $5,152), 1 – 5 years $0 (2018 - $26,525), more than 5 years $0 (2018 - $33,489). This information was previously disclosed in note 6.a) fixed income.

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 guidelines require that 90% or more of the market value of short-term investments 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. Notwithstanding this general rule, with respect to investments in pooled funds, the Commission's investment policy allows that provisions of the investment manager mandate which govern such pooled funds shall prevail over the investment policy. The investment manager mandate of the fixed income pooled fund specifies an average credit rating of A or 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.

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 $4,587 (2018 – $5,067). 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.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

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, 2019, 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.

During the year the Commission changed their investment managers and investment holdings. Various disclosures related to investments have been changed during the year to better reflect the current investment portfolio. The investments are grouped by asset class. The credit rating of investments owned through fixed income pooled fund and mortgage pooled fund have been added. Cash and cash equivalents of $8,048, not held by the investment custodian, have been removed from the prior year short term investment total. The fixed income investments in the prior year was $170,765.

The following table classifies the investments according to rating:

2019	AAA $	AA $	A $	BBB and less $	Not rated $
Fixed income securities	-	-	-	-	-
Fixed income pooled fund	49,261	18,201	44,241	27,905	617
Mortgage pooled fund (bonds)	146	-	1,359	7	927
Total	49,407	18,201	45,600	27,912	1,544
Percentage of total bond holdings	34%	12%	31%	19%	1%

Cash and short term investments (R-1 high) in the fixed income pooled fund of $4,335 is made up cash and makes up 3% of the total of fixed income investments.

The Commission is exposed to credit risk on mortgage and sales agreements owned in its Mortgage fund. As at December 31, 2019 the Commission had $5,849 in insured mortgages and sales agreements and $31,203 in uninsured mortgages. The credit risk on these investments were not significant in 2019.

For the year ended December 31, 2019 (in thousands of Canadian dollars)

2018	AAA $	AA $	A $	BBB and less $	Not rated $
Fixed income securities	18,299	33,235	12,427	977	-
Fixed income pooled fund	28,089	12,929	21,484	7,915	-
Mortgage pooled fund (bonds)	1,374	-	1,722	12	763
Total	47,762	46,164	35,633	8,904	763
Percentage of total bond holdings	34%	33%	26%	6%	1%

Cash and short term investments (R-1 high) of fixed income securities of $228 is made up of short term investments cash and makes up less than 1% of the total of fixed income investments.

The Commission is exposed to credit risk on mortgage and sales agreements owned in its Mortgage fund. As at December 31, 2018 the Commission had $5,257 in insured mortgages and sales agreements and $26,054 in uninsured mortgages. The credit risk on these investments were not significant in 2018.

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 14.66% (2018 – 15.04%) of the total fund. This fund is diversified by Investment type and geographic location. In 2019, the fund held properties in 4 provinces; 47% in Ontario, 24% in British Columbia, 18% in Alberta and 11% in Québec. The types of properties held by the fund can be classified as retail (24%), office (39%), distribution and warehouse (24%), multifamily residential (9%) and other (4%). 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, 2019 is as follows:

	Target		
	Maximum %	Minimum %	**Actual %**
Fixed income securities and indexed bond funds	45.00	25.00	**32.83**
Canadian equities	24.00	8.00	**15.28**
Real estate	20.00	10.00	**14.66**
International equities	34.00	14.00	**26.89**
Mortgages	15.00	5.00	**9.26**
Cash and cash equivalents	5.00	-	**1.08**

Notes to the Financial Statements

For the year ended December 31, 2019 (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 11.19% – 12.23%, 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, 2019 $	Change one standard deviation %	**Change to comprehensive income 2019** **$**
Canadian equities	TSX 300	65,149	12.23	**7,968**
International equities	MSCI EAFE	114,654	11.19	**12,830**

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.

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 2019** **$**
Change in nominal interest rates	+1.00	**12,597**

	Movement in interest rates %	Change to comprehensive income 2018 $
Change in nominal interest rates	+1.00	10,048

Notes to the Financial Statements

For the year ended December 31, 2019 (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 9.74% (2018 – 12.50%), which, based on ten years of results, would be one standard deviation of valuation change.

Portfolio	Exposure December 31, 2019 $	Change %	**Change to comprehensive income 2019 $**
Real estate	62,515	+9.74%	**6,089**

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

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. There was $4,752 in forward foreign exchange contracts outstanding as at December 31, 2019 (2018 – $0). These contracts were equal to the foreign exchange exposure of fixed income investments.

Notes to the Financial Statements

For the year ended December 31, 2019 (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 2019 $**	Total investments fair value 2018 $
United States	**72,008**	55,391
Europe	**11,646**	10,987
Japan	**8,363**	6,115
United Kingdom	**7,547**	9,244
Switzerland	**4,012**	4,564
Australia	**1,753**	750
Hong Kong	**1,405**	1,855
Denmark	**807**	616
Korea	**779**	416
Singapore	**670**	527
Israel	**575**	-
New Zealand	**383**	-
Sweden	**294**	-
Norway	**188**	-
Mexico	**134**	-
Taiwan	**86**	373
Hungary	**44**	-
Czech Republic	**19**	-
South Africa	**12**	119
Brazil	**6**	346
China	**-**	577
India	**-**	620
Subtotal	**110,731**	92,500

Also included in International equity investments is $4,022 in Canadian denominated securities (2018 – $0).

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

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, 2019 $	Change %	**Change to comprehensive income 2019 $**
United States	72,008	+10.00	**(7,201)**
Europe	11,646	+10.00	**(1,165)**
Japan	8,363	+10.00	**(836)**
United Kingdom	7,547	+10.00	**(755)**
Switzerland	4,012	+10.00	**(401)**

	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, 2019 (in thousands of Canadian dollars)

17. Administration and general expenses

	2019 $	2018 $
Salaries, wages and allowances	**17,253**	16,057
Professional services	**4,778**	4,766
Employer share of benefits	**3,311**	3,503
Depreciation on right of use assets	**1,285**	-
Amortization and depreciation	**1,217**	1,514
Travel	**852**	1,000
Office repairs and maintenance	**799**	769
Communications	**704**	713
Office services and supplies	**615**	633
Office furniture and equipment (non-capital)	**508**	648
Contributions to other organizations	**410**	400
Advertising and public information	**283**	337
Training and development	**276**	277
Interest expense on lease liability	**238**	-
Grants	**214**	242
Honoraria and retainers	**67**	94
Recruitment	**61**	51
Office lease payments	**51**	657
Bad debt expense	**48**	33
Loss on asset disposal	**17**	2
Recoveries	**(498)**	(81)
	32,489	31,615
Less: Allocation to claims management costs - current year injuries (Note 11.b)	**(2,186)**	(3,508)
Less: Allocation to claims management costs - prior year injuries (Note 11.b)	**(11,372)**	(9,680)
Total	**18,931**	18,427

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

18. 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:

	2019	2018
	$	$
Government of Nunavut	102	-
Territorial public agencies	7	23
Government of the Northwest Territories	528	496
Total	**637**	519

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

	2019	2018
	$	$
Government of Northwest Territories	-	190
Territorial public agencies	154	933
Government of Nunavut	359	903
Total	**513**	2,026

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 2019, both the Government of the Northwest Territories and the Government of Nunavut were issued an invoice for $432 and $102 respectively. 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.

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:

	2019	2018
	$	$
Government of the Northwest Territories	5,646	4,797
Government of Nunavut	5,014	3,138
Territorial public agencies	2,405	2,235
Total	**13,065**	10,170

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

Expenses to related parties for the years ended December 31:

	2019 $	2018 $
Territorial public agencies	2,177	2,664
Government of Northwest Territories	1,588	1,610
Government of Nunavut	939	1,160
Total	4,704	5,434

Investments in bonds of related parties at fair value:

	2019 $	2018 $
Northwest Territories Power Corporation		
6.42% maturing December 18, 2032	-	1,118
5.95% maturing December 15, 2034	-	1,293
Total	-	2,411

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.

Compensation of key management personnel

	2019 $	2018 $
Compensation	1,734	1,803
Post employment benefits - increase in liability	3	33
Pension plan	194	162
Total compensation paid to key management personnel	1,931	1,998

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.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

19. Fair value measurement

The Commission's financial instruments categorized according to their fair value hierarchy as described in Note 2.c) are as follows as at December 31, 2019:

	Level 1	Level 2	Level 3	**2019**
	$	$	$	**$**
Financial instruments measured at fair value:				
Equities	177,909	1,837	57	**179,803**
Fixed income securities and indexed bond funds	49	144,346	164	**144,559**
Real estate	-	62,515	-	**62,515**
Mortgages	-	39,493	-	**39,493**
Total	177,958	248,191	221	**426,370**

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

	Level 1	Level 2	Level 3	2018
	$	$	$	$
Financial instruments measured at fair value:				
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
Total	153,456	228,151	-	381,607

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.

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

20. Right to use asset and lease liabilities

The Commission leases several assets including real property. Some leases contain extension options exercisable by the Commission. The Commission has included the extension option in the lease term in calculating the lease liability where it is reasonably certain to exercise that option. Where the extension option has not been included in calculating the lease liability potential future lease payments are $2,246 (discounted). There are no purchase options, contingent rents or escalation clauses included in the leases.

Amounts expensed for common area maintenance and utilities, not included in the calculation of the lease liability, in 2019 is $799.

	$
Asset balance at January 1, 2019	7,108
Additions	271
Depreciation	(1,285)
Asset balance at December 31, 2019	6,094

	$
Lease liability balance at January 1, 2019	7,108
Additions	271
Principal payments	(1,162)
Lease liability balance at December 31, 2019	6,217

Lease liability maturity analysis

	2019 $
Year 1	1,176
Year 2	1,122
Year 3	957
Year 4	974
Year 5	841
Thereafter	1,147
Total	6,217

Notes to the Financial Statements

For the year ended December 31, 2019 (in thousands of Canadian dollars)

21. Subsequent events

On March 11, 2020 the World Health Organization declared Covid-19 a global pandemic. Global investment markets were immediately and substantively affected. A decline in the fair value of the held investments occurred. A decrease in the Commission's investment's values has an adverse impact on the funded position of the Commission, which may have ultimate impacts on employer assessment rates.

The Commission, in consultation with the Governments of the Northwest Territories and Nunavut, announced on April 8, 2020 certain financial relief measures for employers including the suspension of late payment penalties and an extension of the assessment payment deadline to August 1, 2020. In addition the Commission continues to advise employers to revise their 2020 payroll estimates, as appropriate, to best reflect the potential impact of Covid-19 on their specific operations.

As of June 9, 2020, the duration and extent of the impact of Covid-19 is uncertain. The Commission is unable to estimate the resultant impact the pandemic will have on its funded position moving forward.

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WORKERS' SAFETY AND COMPENSATION COMMISSION
NORTHWEST TERRITORIES AND NUNAVUT

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