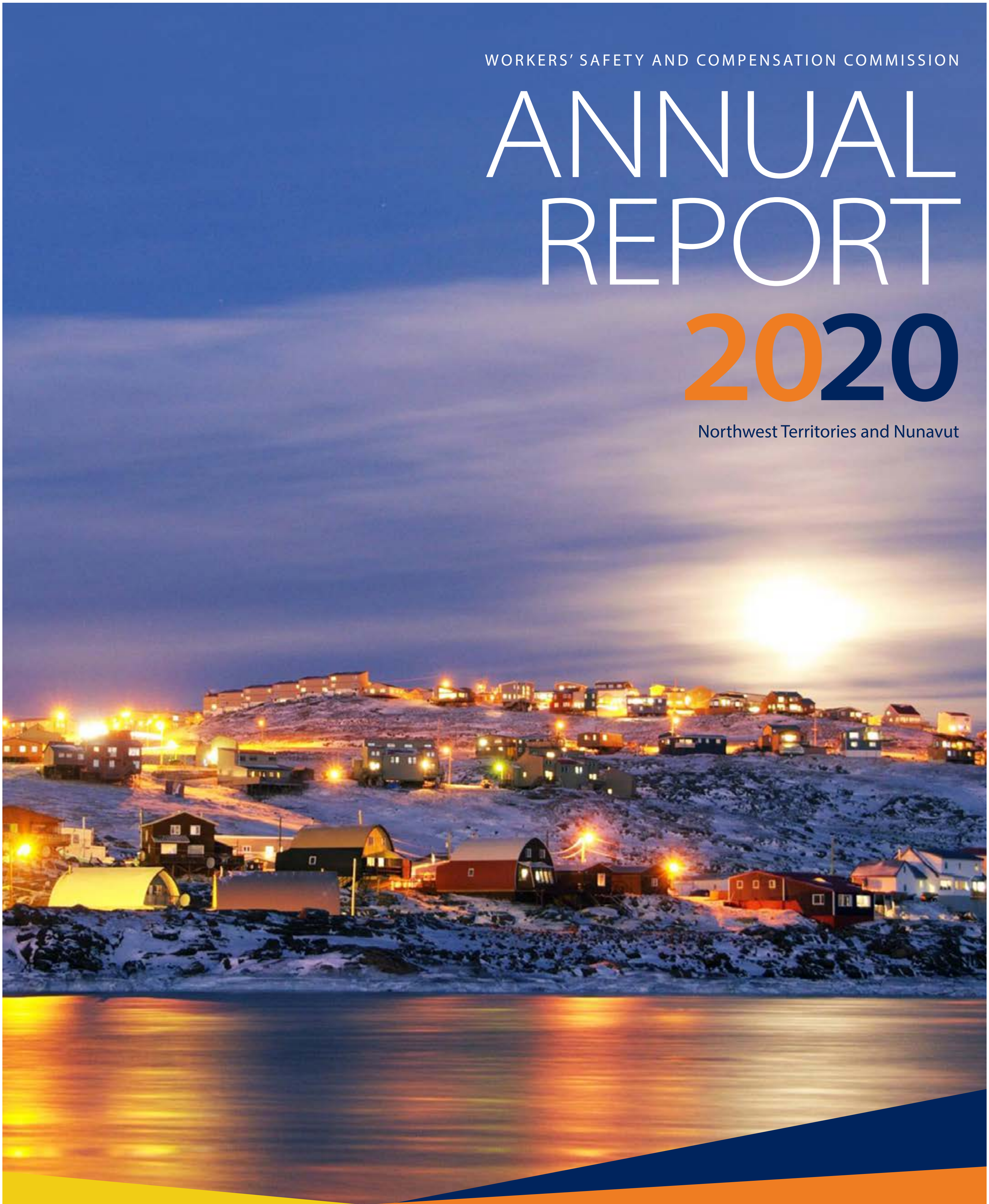
WORKERS' SAFETY AND COMPENSATION COMMISSION

ANNUAL REPORT 2020

Northwest Territories and Nunavut



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Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

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WSCCNTNU

FRONT COVER: IQALUIT, NUNAVUT/ARCTIC STOCK

PHOTO: INUKSHUK BEHIND PANGNIRTUNG, NUNAVUT/ARCTIC STOCK

Letter of Transmittal

April 30, 2021

The Honourable Margaret Thom
Commissioner of the Northwest Territories

The Honourable Eva Aariak
Commissioner of Nunavut

The Honourable Shane Thompson
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, 2020.

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 *2020 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.

Jenni Bruce
Chairperson

Message from the President

2020 marks the mid-year point in our strategic cycle, continuing our work towards *Advancing the Safety Culture* and *Delivering Quality Services and Outcomes*. Based on the successes and the knowledge gained from the previous two years, our work in 2020 was focused on building on the momentum and achievements already made and adjusting our work to ensure we are making progress towards our vision and continuing to meet our mission statement.

However, it's safe to say that 2020 was a year like no other. Although we couldn't have predicted how much our day-to-day lives would change due to the ongoing pandemic, the work we do every day here at the Workers' Safety and Compensation Commission aligned with a revitalized focus and public interest on workplace health and safety. Safety should always be prioritized, but it can be difficult to make the concept of safety real. The pandemic raised awareness on the importance of safety and was an experience that everyone in the Northwest Territories and Nunavut shared and were able to relate to. Although the work we had originally planned did not focus on elements of risk assessments, exposure control plans, and safe workplace re-openings, those are all pieces of occupational health and safety programs. We're proud of the work all employers did in ensuring that their workers and the public were safe during this unknown time.

This document provides details on the progress made in 2020 towards each of our strategic priorities and our plans for continued advancement in 2021. I'm confident that the WSCC can continue making the North a safer place, all while continuing to treat all of our stakeholders with great care, respect, and dignity.

Debbie Molloy
President and CEO

LOOKING FORWARD

In 2021, we begin a year of transition and welcome three new Governance Council (GC) members to our board, including a new chair, while saying goodbye to three long-serving GC members whose terms finished in 2020.

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.

2020 Strategic Priorities and Objectives

Strategic Priority 1

Advancing the Safety Culture

Objectives

- Improve awareness of the Internal Responsibility System (IRS) and advancement of occupational health and safety (OHS) programs.
- Increase OHS education in communities for vulnerable workers.
- Analyze and address emerging issues and trends in workplace safety.

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. Absent from photo: Cathy Cudmore.

Representing Your Interests….

Guiding 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

Cathy Cudmore, Northwest Territories Employer Representative

Rachel Makohoniuk, Northwest Territories Worker Representative

Abe Theil, Northwest Territories Public Interest Representative

Janet Brewster, Nunavut Worker Representative

Joseph Ohokannoak, Nunavut Public Interest Representative

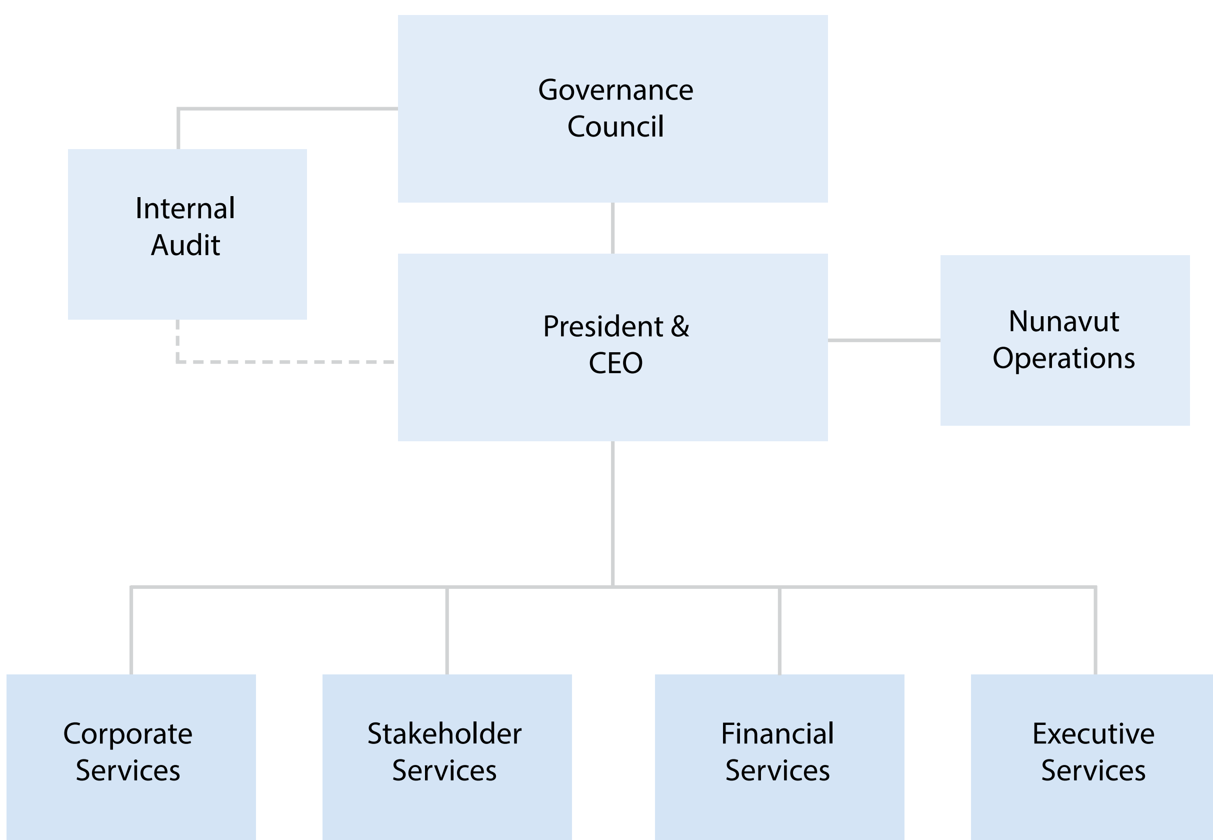
About the WSCC

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*.

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



WSCC Statistics

Data pulled is from a point-in-time measure. Information is adjusted to provide the most up-to-date statistics, which may reflect adjusted values when compared against previous year's data. The current five-year strategic cycle began in 2018.

	2016	2017	2018	2019	2020
Assessable Employers	3,652	3,487	4,485	4,130	3,968
New Employers	705 274 NU 431 NT	616 250 NU 366 NT	663 265 NU 398 NT	699 318 NU 381 NT	507 231 NU 276 NT
Reactivated Employer Accounts	311 116 NU 195 NT	324 112 NU 212 NT	333 121 NU 212 NT	398 176 NU 222 NT	250 104 NU 146 NT
Reported Claims	3,567	3,486	3,567	3,614	2,832
Accepted Claims	2,167 931 NU 1,236 NT	2,272 948 NU 1,324 NT	2,354 968 NU 1,386 NT	2,359 1,030 NU 1,329 NT	1,709 723 NU 986 NT
Review Requests	75	64	71	63	33
Work-related Fatality	2	3	6	4	1
Assessable Payroll	$2,975 M	$2,953 M	$3,126 M	$3,283 M	$3,138 M
Assessable Revenue	$57.1 M	$61.2 M	$67.2 M	$68.9 M	$78.06 M
YMIR	$88,600	$90,600	$90,600	$92,400	$94,500
Inspections Conducted	929 438 NU 491 NT	880 300 NU 580 NT	932 407 NU 525 NT	987 335 NU 652 NT	626 227 NU 399 NT
Engagements(1)	(2)	(2)	(2)	282	2736
Average number of orders per inspection	3.7 5.7 NU 1.9 NT	2.63 3.96 NU 1.94 NT	2.87 3.05 NU 2.74 NT	2.92 3.16 NU 2.79 NT	2.37 3.32 NU 1.82 NT
Orders issued	3,428	2,312	2,678	2,878	1,481
Reports of Unsafe Work received through *WSCC Connect*	244	284	191	134	196
Reportable Incidents(3)	129 84 NU 45 NT	109 68 NU 41 NT	151 78 NU 73 NT	169 93 NU 76 NT	194 107 NU 87 NT
Investigations	17	20	8	18	17
Prosecutions					
Employers/Supervisors Charged	1	4	2	2	1
Employers/Supervisors Sentenced	0	1	6	1	2

(1) *Engagements are activities like consultation and education, and are tracked separately from Inspections and Investigations.*
(2) *Engagements began tracking in Q4 of 2018.*
(3) *Under the* Occupational Health and Safety Regulations *and the* Mine Health and Safety Regulations.

WSCC's COVID-19 Support

Awareness of COVID-19 and its potential impacts were still relatively unknown at the beginning of the year. Here's how the WSCC was able to react, pivot, and support Northwest Territories and Nunavut employers, workers, and the general public during this year like no other.

JANUARY

- First case of COVID-19 in Canada

FEBRUARY

- WSCC publishes *Viruses and Colds in the Workplace* Safety Bulletin

MARCH

- The World Health Organization declares a pandemic
- COVID-19 appears in the Northwest Territories
- Prior to the official declaration of a public health emergency, WSCC begins reaching out to claimants to advise them to return to their home communities and to discuss potential impacts to their WSCC experience and offer support
- NWT and Nunavut both declare public health state of emergencies, which remained in effect all year long
- WSCC offices close and employees move to working remotely
- WSCC Employer Assessment Payment deadline is extended

APRIL

- WSCC suspends late payment interest charges
- WSCC Employer Assessment Payment deadline further extended until August
- WSCC releases 12 COVID-19 resource documents for employers
- WSCC begins offering virtual care to injured workers

MAY

- Safety and Health Week is celebrated online
- WSCC begins offering webinars on COVID-19 safety in the workplace
- WSCC publishes a 17-minute COVID-19 Workplace Health and Safety video for employers on YouTube

JUNE

- NWT and NU Mine Rescue Competition is cancelled
- WSCC releases further support resources for employers, including Workplace Risk Assessment and Worker Hazard Assessment tools
- WSCC adjusts to increase their outreach and support activities with employers during the second quarter, resulting in a 144% increase in engagement

AUGUST

- WSCC Nunavut office reopens to the public
- WSCC publishes a 15-minute Working Safely During COVID-19 video for workers on YouTube, with subtitled versions available in multiple languages

NOVEMBER

- First COVID-19 case in Nunavut
- Nunavut enters a territory-wide two-week lockdown period
- WSCC reaches out to all Nunavut employers to offer support and resources
- WSCC Northwest Territories offices reopen to the public

IN TOTAL

10 New COVID-19 Posters (each available in multiple languages)

2 New COVID-19 YouTube Videos

19 New COVID-19 Resources (including Guides, Safety Bulletins, Tools, and Checklists)

WSCC's COVID-19 Forms webpage was the second most visited page in 2020 after the homepage

2018 – **70,442**
2019 – **74,808**
2020 – **112,943**

Visits to the Health & Safety section of the WSCC website increased

WSCC hosted or participated in webinars that were viewed over **4,300** times

WSCC continued to provide compensation benefits to injured workers even when they were unable to continue their treatment

Virtual care remains a WSCC standard moving forward

Report on 2020 Activities

Advancing the Safety Culture

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

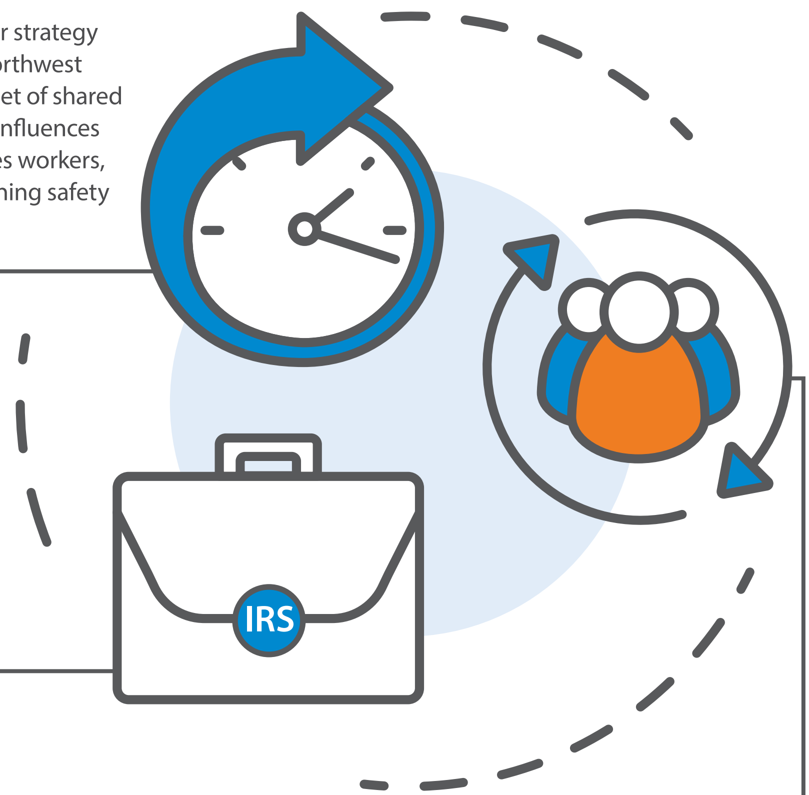
2020 Key Performance Indicators

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

Key Performance Indicator	Metric	2018	2019	2020	Target	Assessment
Time loss frequency	# of time loss claims per 100 workers	2.17	2.07	1.68	1.99	✔
Employers with OHS program	% of employers with program	46.9%	53.8%	52.5%	55%	▬
Increased public awareness of IRS	% increase in years 2-5	-	59%	-	-	■

✔ Performance meeting or exceeding target ▬ Performance marginally off target ✖ Performance off target ■ Not tracked this year

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 a top 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 to take personal responsibility for health and safety at work for both themselves and others. Everyone takes the 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. An effective OHS program should be tailored to suit each employer. Some factors to consider when developing or refining a program are worker experience, the job, the job site, etc.

1.1 Improve awareness of the Internal Responsibility System (IRS) and advancement of occupational health and safety (OHS) programs

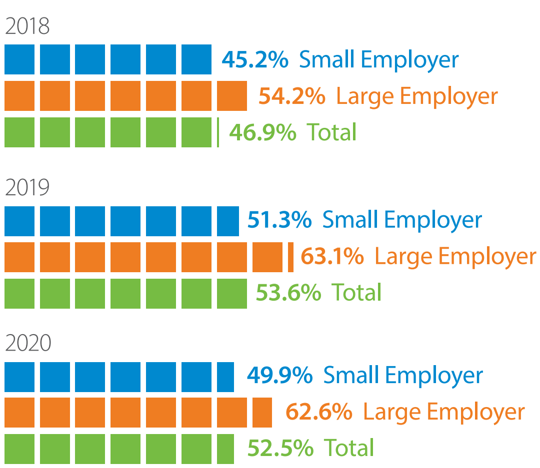
In 2020, we:

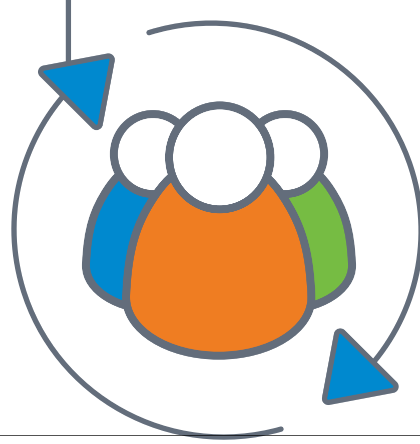
- Reviewed all existing resources to ensure the concept of the Internal Responsibility System (IRS) is included in the content.
- Formalized an internal process for producing resources for external stakeholders that includes reference to the concept of IRS.
- Collaborated with employers and organizations to promote and deliver COVID-19 education that included content on IRS awareness and the importance of OHS programs.
- Increased our engagement with employers by 238%.
- Conducted direct outreach to Nunavut employers during their second lockdown in November to ensure they were prepared and supported.
- Developed recommendations for a revitalized safety incentive program, *Safe Workplace*, to motivate employers to improve their OHS programs.

LOOKING FORWARD

In 2021, we will focus on building the awareness of OHS concepts and programs by continuing to provide materials to advance OHS programs. We will collaborate with employers to support nationally established workplace trends, develop a legislation proposal to combine the *Safety Act* and the *Mine Health and Safety Act*, and implement the recommendations for the *Safe Workplace* program.

Employers having an OHS program

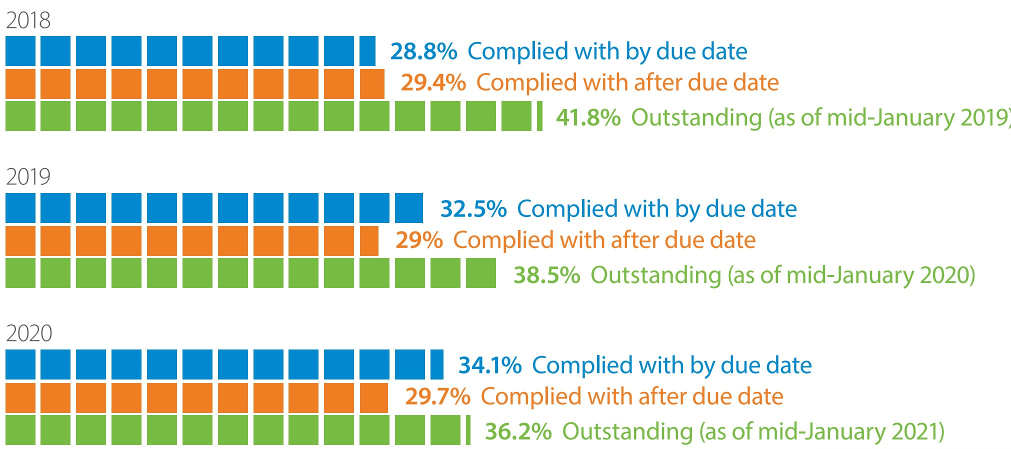


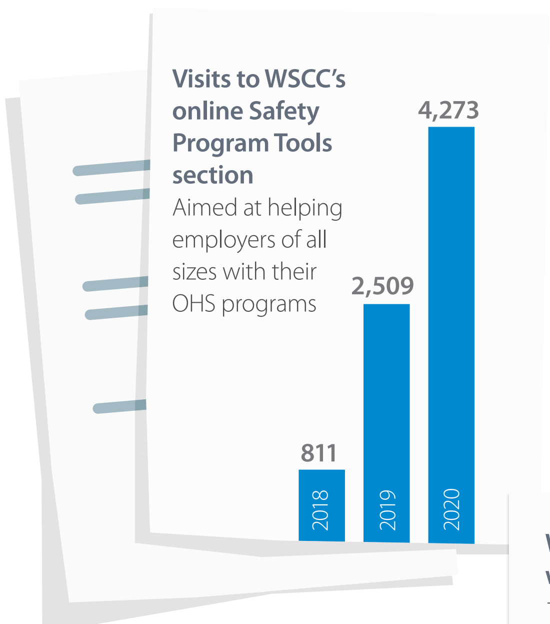


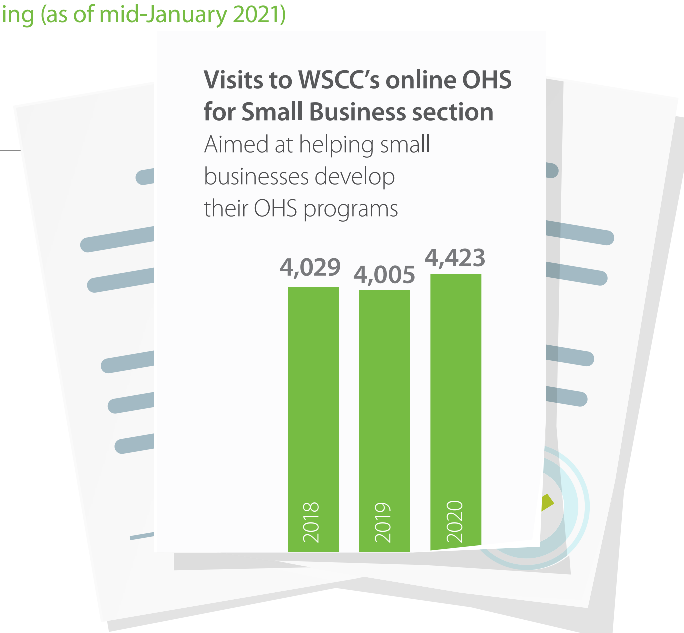
WSCC's Code of Practice on Hazard Assessments was our most accessed resource from Google Search, with

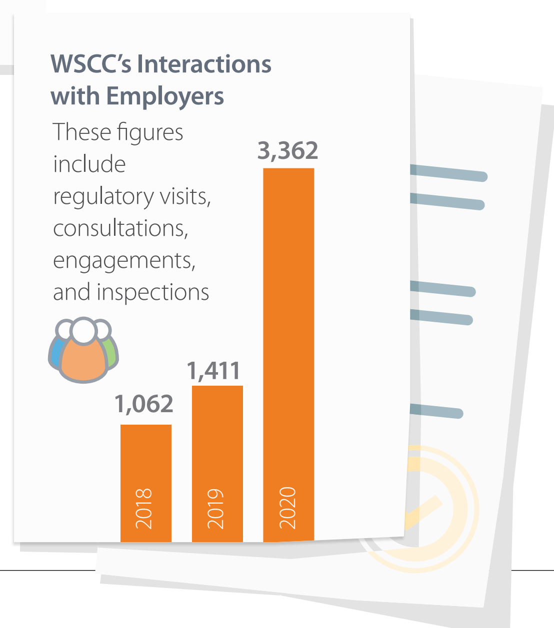
1,755 clicks

Order Compliance









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

In 2020, we:

- Partnered with governments, employers, and community organizations to provide online webinars for workplace safety during the pandemic.
- Continued preparing for the launch of the *Young Worker Certificate Course.*
- Reached out to new employers to introduce them to safety legislation, the WSCC, and OHS program development resources.

LOOKING FORWARD

In 2021, we will move forward with the formal launch and promotion of the *Young Worker Certificate Course*, and work towards developing and deploying a strategy to support OHS education in Northern communities.

55.9%

of external traffic to our COVID-19 YouTube videos was driven by government partnerships.

1,309

Pageviews relating to WSCC Young Worker information online in 2020.

1,205

Number of views on WSCC's YouTube COVID-19 videos.

1.3 Analyze and address emerging issues and trends in workplace health and safety

In 2020, we:

- Supported psychological safety through webinars, social media, and *SafetyNet* articles.
- Began the research and development of WSCC resources aimed at psychological safety in the workplace.
- Developed and published COVID-19 specific resources in a tight time frame, in multiple languages, for two jurisdictions with separate Chief Public Health Offices.
- Supported the re-opening of businesses in both territories by providing guidance and resources to help with COVID-19 safety planning.
- As a result of safety concerns raised in the media, conducted focussed inspections and further engagements on 18 Yellowknife-based tour companies to provide resources, materials, and support.
- Provided workplace health and safety support to five mines through participation in virtual meetings, phone conferences, and virtual inspections.
- Though COVID-19 greatly reduced our ability to travel and conduct in-person inspections, we supported eight mines through tabletop inspections, which included reviewing plans and engineering and design requirements.

LOOKING FORWARD

In 2021, the work within this Objective will be absorbed into a revised *Objective 1.1 – Improve awareness of and advance occupational health and safety (OHS) concepts and programs*. Analyzing and addressing trends and issues is a key element in supporting the ongoing advancement of OHS concepts and programs, and trend analysis will be a key piece in supporting OHS development.

PHOTO: YELLOWKNIFE, NORTHWEST TERRITORIES/ISTOCK

Report on 2020 Activities

Delivering Quality Services and Outcomes

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

2020 Key Performance Indicators

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

Key Performance Indicator	Metric	2018	2019	2020	Target	Assessment
Short term time loss	% of cases with duration less than 10 days	70.2%	73.2%	75.8%	75%	✔
Time to first payment	% of first compensation payments issued within 20 days	88.6%	87.3%	78.2%	90%	✖
Time to entitlement decision	% of decisions made within 15 days	73.4%	74.3%	79.3%	70%	✔
Return to work	% of injured workers RTW within 6 months	90.3%	89.4%	88.6%	90%	–
e-Business user satisfaction	% of satisfied respondents	82%	77%	77%	80%	–
Funded position	% of funded position	102%	105%	109%	105-135%	✔
Operating budget	Within % of annual budgeted expenses	-7.6%	-15.9%	-14%	5%	✖
Claims costs	Within % of annual budget claims costs	25.4%	31%	-18.8%	10%	✖
Return on investment	% returned	-0.2%	13.22%	5.73%	5.85%	–

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

"Every single team member in Employer Services is exceptionally helpful. It is known that [we] can call any person on the Employer Services team and receive great customer service, advice, and timely responses to inquiries."

EMPLOYER

"The WSCC Claims Services Division – Claims Processing provides quality thoughtful service. [We] have built solid working relationships and processes. The information we receive is fair, transparent, and staff are always willing to help."

EMPLOYER

"Thank you so much. I have to say, it's the first time I dealt with WSCC [and] I am very impressed on the level of service and quick turnaround in responses from different people at WSCC. Good job!"

EMPLOYER

"Thank you for this follow-up. I appreciate your time looking into the wellbeing of our staff on this and every case!"

EMPLOYER

2.1 Continue implementation of the e-Business strategy

In 2020, we:

- Soft launched the Employer's Report of Incident e-service, which allows all employers to fulfill their legislative reporting requirements from wherever they have internet access.
- Provided direct assistance to the top 100 claims-generating employers in support of transitioning Employer's Report of Incident online.
- Rolled out new surveys to track the satisfaction rate of each of the e-services on *WSCC Connect*.
- Completed the business transformation readiness framework to ensure that staff are prepared and trained when services move online.
- Maintained a *WSCC Connect* service up-time rate of 99.9%.

LOOKING FORWARD

2021

In 2021, we are focussing on two new e-service launches (General Account Management, and Employer Monthly Statements), and are examining the design of *WSCC Connect* to improve stakeholder experience.

The top 3 visited e-service webpages are:

1. Request a Clearance
2. Make a Payment
3. Payroll Reporting

During the soft launch of the Employer's Report of Incident in Q4, WSCC received **42** reports.

10,980 Total number of active users *WSCC Connect* has at the end of 2020.

29.9% of *WSCC Connect* visitors are from the Northwest Territories.

8.25% are from Nunavut.

The new surveys on *WSCC Connect* launched in Q4 and doubled our response rate to **4%**

Number of new *WSCC Connect* users created in 2020. **1,405**

2.2 Increase safe and timely return to work (RTW)

In 2020, we:

- Conducted five internal staff training sessions to increase the skills and knowledge of the RTW processes, resources, and support mechanisms.
- Reviewed and updated the Employer's Guide to Return to Work and the Return to Work Code of Practice.
- Provided targeted employers with support and education to improve RTW outcomes for their staff.
- Began development of a legislative proposal to support RTW.

LOOKING FORWARD

In 2021, we will continue developing resources and enhancing our internal processes and services to support early intervention, and focus on supporting small employers in their development of RTW programs.

60 The approximate number of unique employers the WSCC RTW Specialist reached out to and directly supported throughout 2020.

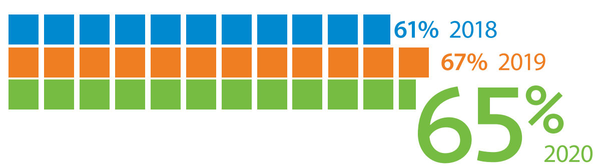
The most popular RTW sections on our website continued to be:

Forms & Templates: 7,735 views
Develop a RTW Program: 6,680 views
Return to Work Process: 1,431 views

92% WSCC's online information for RTW for employers saw over 16,950 pageviews in 2020, an almost 92% increase from 2019 (8,825).

In 2020, **32.5%** of claimants who were compensated for 180 days or more participated in vocational rehabilitation.

Percentage of small employers having a safe and timely RTW program



Percentage of large employers having a safe and timely RTW program

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

In 2020, we:

- Continued internal cultural competency training of staff.
- Conducted inter-cultural awareness learning opportunities and events for staff.
- Launched an intranet page dedicated to Cultural Safety.
- Partnered with organizations to provide different perspectives on cultural issues, such as Black Lives Matter and Missing and Murdered Indigenous Women and Girls.
- Reviewed Human Resources processes and resources to ensure cultural competency is considered and applied where appropriate.
- Ensured that all policy reviews are conducted using a cultural lens.

LOOKING FORWARD

In 2021, we will begin the development of baseline information that can measure stakeholder experience relating to cultural safety and continue to explore opportunities to build cultural competency through partnerships or collaborations. We also plan to review at least three other business units and their functions to ensure appropriate cultural awareness and sensitivity in our services.

75% of WSCC staff have received cultural competency training.

2.4 Maintain financial stewardship of the Workers' Protection Fund

In 2020, we:

- Used a zero-based budgeting model to plan our budget.
- Worked to ensure we are prepared for the implementation of International Financial Reporting Standard 17, a new international insurance standard, which has a revised implementation date of January 1, 2023.
- Conducted stakeholder consultation to review proposed updates to the lifetime pensions program.
- Continued supporting projects aimed at improving efficiency and service through our Continuous Excellence (CE) program.

LOOKING FORWARD

In 2021, we will conduct a review and analyze the factors that are impacting rising claims costs, analyze the employer classification review procedure to ensure fiscal responsibility, and continue the review process of the lifetime pensions project.

Average Provisional Rate
(rate all employers would pay if there was one rate) **$2.40**

*A **0.30¢ increase** from the previous year's due to higher claims costs and the requirement to build reserves to ensure the long term sustainability of the Workers' Protection Fund.*

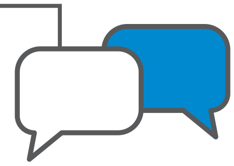
CE projects undertaken this year:

- Evaluation of Prevention Services structure
- Learning and Development Program improvements
- Information Services Help Desk

Stakeholder Engagement for Pensions Project

40 online survey respondents

8 one-to-one discussions



Of the 8 discussion participants, 5 also completed the online survey

2.5 Improve integrity of and access to data

In 2020, we:

- Updated our internal systems to have nationally comparable data.
- Continued refinement of five internal data dashboards to improve staff access to data.
- Developed and tracked internal organizational health metrics to improve awareness of pain points and allow for improved planning.

LOOKING FORWARD

In 2021, we will continue the rollout of the business intelligence strategy aimed at improving internal access to data, through the continued development of data dashboards.

2.6 Enhance communication

In 2020, we:

- Launched YouTube videos to support workplace safety during the pandemic.
- Conducted and participated in webinars to increase employer understanding of their roles in keeping workplaces safe during the pandemic.
- In collaboration with territorial Chief Public Health Offices, participated as a panel expert for media events and industry-specific events supporting each territorial phased re-opening plan.
- Used our website to provide timely information to all stakeholders and the public quickly during the pandemic.
- Ran employer and worker-focused media campaigns on revision of payroll estimates, the work refusal process, and on reporting of unsafe work.
- Created, published, and promoted COVID-19 specific resources quickly and efficiently to ensure stakeholders had access to information.
- Reached out to all injured workers within our system to provide support during the early days of the pandemic.
- Provided direct outreach and support to employers through phone calls.
- Created a marketing campaign and information package regarding financial relief measures for employers, while also providing direct outreach to targeted employers.
- Developed information and resources to support employers with the implementation of updated Canada-wide first aid standards for workplace health and safety.
- Developed a project plan to simplify and improve the letters injured workers receive when they enter into the claims process to improve client experience.

LOOKING FORWARD

In 2021, we will continue implementation of the claims letter project and evaluate its impacts on stakeholder experience, and begin examining the letters issued from other frontline service units.

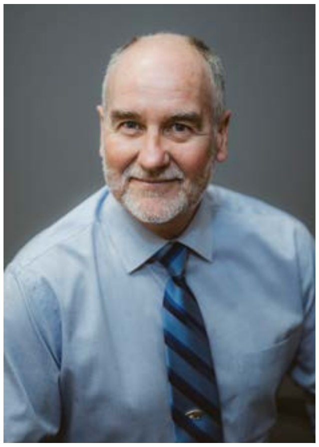
WSCC had over **1,200** views on our COVID-19 videos.

Our Finances

Workers' Safety and Compensation Commission
Northwest Territories and Nunavut

Management Commentary

For the year ended December 31, 2020



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, 2020 the WSCC's funded position or funding ratio, as defined within the policy, is 109%, an increase of 4% over the measure of 105% at December 31, 2019. In accordance with Policy 10.05 / Funding Strategy a $0.20 component was included in the 2020 assessment rate to support the movement of the funded position towards the WSCC goal of 125%. As at December 31, 2020 that shortfall from the target remains therefore the $0.20 component initially added to the assessment rate in 2020 and maintained into 2021, will be extended into the upcoming 2022 year.

Overview of 2020 Financial Results

Despite the operational challenges and implications of effectively operating in foreign territory for the majority of the fiscal year, which the COVID-19 pandemic presented, the overall financial results were positive. Assessment revenue grew to $78 million from $68.9 in 2019. A portion of that was attributable to the inclusion of the $0.20 component within the assessment rate necessitated by the corrective actions dictated by the funding strategy. Extreme volatility was witnessed in the investment markets throughout 2020. Our investment fund which started the year at $426M declined to $384M at the end of the first quarter of 2020 before beginning a steady climb back through the balance of the year to end the year at $436M providing total investment earnings in 2020 of $22.7M. While investment earnings were down from the $49.9M level of 2019 the 2020 investment return of 5.73% was very close to the 2020 budget estimate.

The 2020 budget, as set by the Governance Council, anticipated a small comprehensive income of $2.3M with $74M in net assessment revenues; $23M in investment revenues; $73M in claims costs and $21.8M in administration and general expenses. Actual results delivered a comprehensive income of $20.1M resulting from assessment revenues for the year of $78M; investment earnings of $22.7M; claims costs of $59.2M; and administration and general expenses of $21.1M.

The most notable variation from budget pertained to claims costs resulting in a positive claims cost variance of $18.8M. Claims volume for the year 2020 declined significantly with 22.1% fewer reported claims than the 5 year historical average and a 25% decrease in accepted claims from 5 year historical averages. That change coupled with inflation experience gains; changes in the estimate for presumptive firefighter's coverage; and a change in the future pension capitalization methodology were the key contributing elements to the positive claims costs variance and the resultant improvement in comprehensive income over budget.

Administration and general expenses, prior to the portion allocated to claims, remained relatively stable in 2020 increasing by $487,000 or 1.5% over 2019 levels. Salaries and the related employer share of benefits comprised 64% of total administration and general expenses in 2020 which is fairly consistent with prior years.

The benefits liability increased $5.2M in 2020 now totaling $418.9M. The estimate of the long term average rate of return (over and above inflation) on invested assets as at December 31, 2020 was 3.25%, consistent with the 2019 assumption. Combined with the long term average inflation assumption of 2.00% (2.25% for 2019) the gross discount rate used in calculating the benefit liability was 5.25% compared to a gross discount rate of 5.6% used for 2019. The discount rate reduction in 2020 resulted in an overall liability increase of $3.6M to the benefit liability.

Included within the total benefit liability is an allowance for all recognized latent occupational disease claims, including those pertaining specifically to firefighters, expected to arise in the future as a result of past worker's exposures. The component of the total benefit liability attributable to latent occupational diseases is $34.9M which comprises 8.3% of the total benefit liability. That is a reduction from the 9.3% level of 2019. The reduction is attributable to the change in the estimate for the presumptive firefighter's coverage which comprises a portion of the total latent occupational disease element.

Reserves increased in 2020 by $20.1M with total net reserves now sitting at $40.1M.

In 2020 the year's maximum insurable remuneration (YMIR) increased to $94,500 from the 2019 level of $92,400. 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 both claims compensation and employer assessable earnings.

The 2020 provisional assessment rate rose to $2.40/ $100 of assessable payroll from the 2019 rate of $2.10/ $100 of assessable payroll. Of that increase $0.20 was attributable to the actions necessitated through the funding strategy with the remaining $0.10 increase attributable to claims costs experience.

Forward Looking

The WSCC embarked upon a five year strategic plan which commenced in 2018. The plan remains in place through 2022 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;*

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic. That status remains with the world continuing to endure the effects of this pandemic. Containment measures in the Northwest Territories and Nunavut have been relatively successful; however the continuation of the pandemic continues to affect many items, both operational and financial. Treatment for injured workers has been impacted; employers continue to struggle under the weight of the impact on their businesses, which may ultimately affect assessable payroll. Financial markets which had an immediate negative reaction to the onset of the pandemic, have recovered, however long term economic uncertainty resident during these tumultuous times will continue to challenge investor confidence.

The duration and extent of the impact of COVID-19 remains an overarching uncertainty affecting the workplace, the economy and the WSCC going forward. In serving workers and wholly funded by employers in the Northwest Territories and Nunavut the WSCC, while legislatively mandated, is not immune to the impacts of COVID-19. The Governance Council and management will continue to monitor and adapt to the ongoing 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

April 28, 2021

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

MORNEAU SHEPELL

I have completed the actuarial valuation of the benefit liabilities of the Workers' Safety and Compensation Commission (the "Commission") as at December 31, 2020 (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 $418,912,000. 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, 2021

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

Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut
Actuarial Valuation as at December 31, 2020

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 2020, 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Compliance with Specified Authorities

Opinion

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

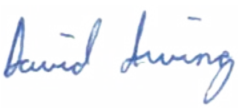
In our opinion, the transactions of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required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

Responsibilities of Management for Compliance with Specified Authorities

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

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

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



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

Edmonton, Canada
28 April 2021

Financial Statements

Statement of Financial Position

As at December 31 (in thousands of Canadian dollars)

	2020	2019
	$	$
ASSETS		
Cash	**25,396**	8,879
Investments (Note 4 & 16)	**436,462**	426,370
Assessments receivable (Note 5)	**4,479**	3,891
Other receivables	**834**	696
Prepaid expenses	**320**	241
Property and equipment (Note 6)	**5,638**	6,446
Right of use assets (Note 17)	**5,488**	6,094
Intangible Assets (Note 7)	**2,488**	2,716
	481,105	455,333
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable, accrued and other liabilities (Note 8)	**3,193**	4,927
Salaries and wages payable	**3,036**	2,265
Assessments refundable	**8,700**	6,916
Lease liability (Note 17)	**5,692**	6,217
Benefits liability (Note 9)	**418,911**	413,649
Post-employment benefits	**1,502**	1,387
	441,034	435,361
EQUITY (NOTE 10)		
Operating reserve	**21,416**	1,456
Capital asset replacement reserve	**648**	509
Catastrophe reserve	**18,007**	18,007
	40,071	19,972
	481,105	455,333

Commitments (Note 11), Contingencies (Note 12)

Approved by the Governance Council:

Jenni Bruce
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)

	2020	2019
	$	$
REVENUE AND INCOME		
Assessments	78,058	68,926
Less: Safe Advantage refunds	-	8
Net assessment revenue	78,058	68,934
Investments		
Interest	84	2,173
Dividends	12,004	6,399
Investments gains (Note 4.d)	12,084	42,380
Investment fees	(1,450)	(1,043)
Net investment income (loss)	22,722	49,909
Fines and miscellaneous income	54	35
	100,834	118,878
EXPENSES		
Claims costs		
Claims costs, current year injuries (Note 9.b)	46,175	50,290
Claims costs, prior years' injuries (Note 9.b)	13,575	38,120
Third party legal claim recoveries	(44)	4
Recoveries for hunters and trappers (Note 15)	(523)	(534)
	59,183	87,880
Administration and general expenses (Note 14)	21,148	18,931
	80,331	106,811
Income before other comprehensive income	20,503	12,067
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement losses on defined benefit plan	(404)	(478)
Total comprehensive income	20,099	11,589

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, 2019	**(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**
Total comprehensive income for the year				
Income before other comprehensive income	20,503	-	-	20,503
Re-measurement losses on defined benefit plan	(404)	-	-	(404)
Transfer to capital asset replacement reserve	(139)	139	-	-
Balance at December 31, 2020	**21,416**	**648**	**18,007**	**40,071**

Capital management and reserves (Note 10)

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)

	2020 $	2019 $
OPERATING ACTIVITIES		
Cash received from:		
Assessments from employers	79,051	69,961
Cash paid to:		
Payments to claimants or third parties on their behalf	(56,281)	(59,470)
Purchase of goods and services	(18,512)	(17,670)
Assessment rebate	-	8
Interest portion of lease liability	(212)	(238)
Cash provided by (used in) operating activities	4,046	(7,409)
INVESTING ACTIVITIES		
Proceeds on sale of investments	48,800	443,861
Purchases of investments	(46,808)	(446,244)
Dividends	12,004	6,399
Interest	84	2,173
Purchase of intangible assets	(190)	(247)
Purchase of property and equipment	(146)	(135)
Cash provided by investing activities	13,744	5,807
FINANCING ACTIVITIES		
Principal portion of lease liability payments	(1,273)	(1,162)
Cash used in financing activities	(1,273)	(1,162)
Increase (decrease) in cash	16,517	(2,764)
Cash, beginning of year	8,879	11,643
Cash, end of year	25,396	8,879

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

1. Nature of operations

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

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

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

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

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

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

The financial statements were authorized for issue by the Governance Council on April 28, 2021.

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

The statement of cash flows has been reclassified so that the investment gains in the prior year have been reclassified and included within proceeds on sale of investments. The prior year amount reclassified is $43,262.

b) Liquidity classification

The Commission presents assets and liabilities in the statement of financial position in order of liquidity.

When items contain amounts expected to be recovered or settled after more than one year, and amounts expected to be recovered within one year after the reporting period, the Commission discloses both components within the accompanying notes.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

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

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 is classified as held-for-trading and is 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, assessments receivable, other receivables, assessments refundable, accounts payable, accrued and other liabilities and salaries and wages payable, their carrying values approximate their fair values.

De-recognition of financial assets and liabilities

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

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

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

c) Financial Instruments

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:

  c) Valuations are based on appraisals of the properties that are based on observable market metrics, such as capitalization rates, growth rates, or lease rates.

  d) 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.

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 2020 (2019 – no transfers).

d) Cash

For the purposes of the statement of cash flows and the statement of financial position, cash includes 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.

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.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

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

e) Assessments receivable and assessments refundable

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.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

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

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.

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

j) Employee benefits

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.

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, 2020 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.

k) Right of use assets and lease liabilities

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 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.

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.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

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

k) Right of use assets and lease liabilities

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.

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 95% as of December 31, 2020 (2019 - 96%) and therefore qualified for the exemption.

With the exemption in place, the Commision will continue to classify its investments as held-for-trading and measured at fair value through profit or loss. Refer to note 4 for more details.

Assessments receivable is classified as loans and receivables, and due to their short term 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 13.

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.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

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

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

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. Critical accounting estimates and judgements

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

In particular, information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 9. Benefits liability. The estimation uncertainty relates to the determination of 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 4. – Investments, classification and valuation of financial instruments
- Note 2.e) – Assessments receivable, determination of estimated payroll
- Note 2.g) and Note 6. – 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

In March 2020, the World Health Organization declared a global pandemic following the outbreak of a novel strain of the coronavirus (“COVID-19”). Government-mandated lockdowns, isolations and travel restrictions reduced claim activities below historical levels. Certain assumptions were therefore adjusted to account for this reduction. Given the uncertainty around the ultimate effect of COVID-19, both new experience and trends for previous injury years continue to be incorporated incrementally into the Commission’s benefits liability estimate.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

4. 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 managed by investment managers, are classified as held-for-trading.

Cash in the amount of $1,256 (2019 - $4,335) has been internally segregated from the indexed bond fund within the fixed income category to cash held within the investment portfolio to reflect its low risk and high liquidity as distinct from the other types of investments.

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.

The Commission does not expect to experience a draw down of investments during the coming year.

	2020		2019	
	Fair Value	**Cost**	Fair Value	Cost
	$	**$**	$	$
Cash held within investment portfolio	**1,256**	**1,256**	4,335	4,335
Fixed income	**199,594**	**176,571**	179,717	167,363
Equities	**174,337**	**169,348**	179,803	180,353
Real estate	**61,275**	**54,584**	62,515	53,266
Total	**436,462**	**401,759**	426,370	405,317

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

4. Investments

a) Fixed income

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

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
	$	$	$	$
Pooled funds				
Indexed Bond Funds	149,695	143,406	140,224	142,198
Mortgage Funds	49,899	33,165	39,493	25,165
Total	**199,594**	**176,571**	179,717	167,363

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

	2020	2019
	$	$
Fixed income - cost	176,571	167,363
Cumulative unrealized gains	23,023	12,354
Fixed income - fair value	**199,594**	179,717

b) Equities

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

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
	$	$	$	$
Canadian equities	70,261	70,019	65,149	65,656
International equities	104,076	99,329	114,654	114,697
Total	**174,337**	**169,348**	179,803	180,353

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

4. Investments

b) Equities

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

	2020	2019
	$	$
Equity investments - cost	169,348	180,353
Cumulative unrealized gains (losses)	4,989	(550)
Equity investments - fair value	174,337	179,803

c) Real estate

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

	2020	2019
	$	$
Canadian real estate - cost	54,584	53,266
Canadian real estate - unrealized gains	6,691	9,249
Canadian properties - fair value	61,275	62,515

d) Investment gains and (losses)

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

	2020	2019
	$	$
Realized gains (losses)	(1,565)	43,262
Change in unrealized gains (losses)	13,649	(882)
Investment gains - net	12,084	42,380

5. Assessments receivable

	2020	2019
	$	$
Current assessments receivable	4,200	3,815
Overdue assessments receivable	631	352
Allowance for doubtful accounts	(352)	(276)
Net assessments receivable	4,479	3,891

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

5. Assessments receivable

The Commission collected $83 (2019 – $173) 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 on all categories of receivables is $203 (2019 – $48) which is recognized in administration and general expense. Bad debt expense recognized during the year on assessments receivable is $146 (2019 - $50).

6. Property and equipment

	Building	Equipment	Furnishings	Vehicles	Leasehold improvements	**Total**
	$	$	$	$	$	**$**
Cost						
At January 1, 2019	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
Additions	-	-	146	-	-	146
Disposals	(240)	(88)	(16)	(36)	-	(380)
At December 31, 2020	8,349	1,249	2,188	135	972	**12,893**
Depreciation						
At January 1, 2019	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
Annual depreciation	415	104	182	-	89	790
Disposals	(80)	(84)	(16)	(36)	-	(216)
At December 31, 2020	4,389	917	941	135	873	**7,255**
Net book value						
At December 31, 2020	**3,960**	**332**	**1,247**	**-**	**99**	**5,638**
At December 31, 2019	4,535	440	1,283	-	188	6,446

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

7. Intangible assets

	Purchased software systems	Internally developed software systems	**Total**
	$	$	**$**
Cost			
At January 1, 2019	941	7,784	8,725
Additions	-	280	280
Disposals and adjustments	(196)	-	(196)
At December 31, 2019	745	8,064	8,809
Additions	-	190	190
Disposals and adjustments	(13)	(600)	(613)
At December 31, 2020	732	7,654	**8,386**
Amortization			
At January 1, 2019	505	5,331	5,836
Annual amortization	98	318	416
Disposals and adjustments	(159)	-	(159)
At December 31, 2019	444	5,649	6,093
Annual amortization	48	307	355
Disposals	(3)	(547)	(550)
At December 31, 2020	489	5,409	**5,898**
Net book value			
At December 31, 2020	**243**	**2,245**	**2,488**
At December 31, 2019	301	2,415	2,716

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 $379 and 7 years respectively (2019 – $433 and 1 year). During the year, the CAAPS asset was determined to have 7 years of useful life remaining past December 31, 2020. Amortization expense in 2020 was adjusted accordingly. Additions of internally developed software systems include amounts spent on projects that were not completed in the year. No amortization is recorded for these amounts.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

8. Accounts payable, accrued and other liabilities

	2020 Total	2019 Total
	$	$
Accounts payable	**1,981**	2,318
Accrued liabilities	**1,212**	2,607
Other	**-**	2
Total	**3,193**	4,927

9. 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 15).

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, 2020 (in thousands of Canadian dollars)

9. Benefits liability

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 2020**
	$	$	$	$	$	**$**
Balance, beginning of year	88,260	51,312	46,143	191,563	38,671	**415,949**
Add: Claims costs (recoveries)						
Current year	13,170	25,127	7,878	-	-	**46,175**
Prior years	1,625	9,943	(3,628)	9,449	(3,814)	**13,575**
Liability transfer, capitalizations	-	-	(2,677)	2,677	-	**-**
	14,795	35,070	1,573	12,126	(3,814)	**59,750**
Less: Claims payments						
Current year injuries						
Claims payments	951	4,468	20	-	-	**5,439**
Claims management	333	1,564	2	-	-	**1,899**
Prior years' injuries						
Claims payments	7,040	16,871	2,138	13,471	-	**39,520**
Claims management	2,464	5,905	214	1,347	-	**9,930**
	10,788	28,808	2,374	14,818	-	**56,788**
Balance, end of year	92,267	57,574	45,342	188,871	34,857	**418,911**

	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

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

9. Benefits liability

b) Benefits liability continuity schedule and reconciliation

The expected claims payment for the benefits liability in 2021 is $41,494 (2020 – $41,154).

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:

	2020 $	2019 $
Balance, beginning of year	415,949	384,812
Adjust for effects of:		
Provision for current year's claims	38,837	41,835
Inflation experience, which was 1.46% versus the expected 2.25% (2.12% versus 2.25% in 2019)	(1,444)	(234)
Claims experience	(7,611)	2,637
Change in claims run-off factors for Compensation and Medical aid	4,901	9,034
Change in latent occupational disease claims provision	(1,471)	802
Change in the estimate for provision for presumptive firefighters coverage	(4,509)	-
Change in future pension award projection methodology	(3,166)	-
Change in economic assumptions	3,629	8,389
Change in administrative expense load	-	(8,067)
Interest allocated	21,887	21,343
Other assumption changes	1,359	4,216
	52,412	79,955
Deduct:		
Payments for prior years' claims	(49,450)	(48,818)
Balance, end of year	418,911	415,949

The effects in future periods of the changes in estimates noted above are not disclosed since it is impracticable to estimate.

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.

9. Benefits liability

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

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.

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 13.d)

For the year ended December 31, 2020 (in thousands of Canadian dollars)

9. Benefits liability

h) Liquidity risk

The Commission's exposure to liquidity risk is set out in Note 13.a).

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

Expected timing of future payment for outstanding claims:

	2020	2019
	%	%
Up to 1 year	**6.60**	6.20
Over 1 year and up to 5 years	**17.00**	16.00
Over 5 years and up to 10 years	**15.40**	14.70
Over 10 years	**61.00**	63.10
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, 2020 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, 2020. These future pension capitalizations are in respect of all claims arising from accidents which occurred on or before December 31, 2020. 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, 2020.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

9. Benefits liability

i) Actuarial assumptions and methods

The Approved Pension liability (pension awards) represents the present value at December 31, 2020 of all expected future pension awards payments, including future inflationary adjustments, to individuals who have been approved for a pension award at December 31, 2020. The Approved Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1 of each year, this annual index rate is referred to as the Supplementary Pension Increase (SPI) rate. The SPI is determined by taking into account the average monthly change in consumer price index (CPI) Canada for the most recent July to June period. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award. The actual gender and date of birth for all pension recipients is used in the valuation. Pensions are payable to dependent children until age 19 or age 25 if attending school. The probability of a dependent child continuing to receive a pension award from age 19 to 25 is based on actual experience of the Commission. A projection of future pension payments requires that an explicit assumption be made with respect to the rate of award inflation. The present value of expected future pension payments uses a gross discount rate of 5.25% derived from the ultimate inflation assumption of 2.00% and a net discount rate of 3.25% for years 2022 and thereafter. The use of the actual inflation rate of 1.46% for 2021 results in a net discount rate of 3.79% for that year only.

The following economic assumptions are used in the valuation of the Future Claims Liability: discount rate – 5.25% (2019 – 5.60%), inflation rate – i) future capitalizations: 1.46% in 2021 and 2.00% per annum thereafter (2019 – 2.12% and 2.25%), and ii) Compensation: 2.00% (2019 – 2.25%) and Medical Aid: 4.50% (2019 – 4.75%).

The following economic assumptions are used in the valuation of the Approved Pension Liability: discount rate – 5.25% (2019 – 5.60%), inflation rate – 1.46% in 2021 and 2.00% thereafter (2019 – 2.12% and 2.25%). The mortality assumption is determined by the 2005-2007 Statistics Canada General Life Mortality Table with a 10% load (2019 – 2005-2007 Statistics Canada General Life Mortality Table with a 10% load).

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.

For the year ended December 31, 2020 (in thousands of Canadian dollars)

9. Benefits liability

j) Liability sensitivity

Medical benefits represent approximately 22% (2019 – 21%) 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.

2020	**+ 1%**	**- 1%**
+/- % change on assumed rates	**$**	**$**
Net discount rate	**(37,035)**	45,283
Excess medical inflation rate	**10,785**	(8,966)

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

2020	**+ 10%**	**- 10%**
+/- % change in mortality rates	**$**	**$**
Mortality rate	**(6,180)**	**6,853**

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

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

9. Benefits liability

k) Claims development

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	$	$	$	$	$	$	$	$	$	$	**$**
Estimate of cumulative claim costs:											
At the end of the accident year	77,715	43,254	41,977	35,923	39,130	43,611	51,245	53,044	61,637	52,426	
One year later	70,852	39,738	38,252	35,719	40,675	50,823	55,576	63,383	56,417		
Two years later	69,454	36,183	36,866	34,764	39,862	50,979	57,815	60,736			
Three years later	62,086	35,775	40,264	33,925	41,039	50,780	53,429				
Four years later	68,546	43,454	39,922	34,784	42,829	48,206					
Five years later	73,899	49,595	39,296	36,201	41,324						
Six years later	74,659	52,874	43,231	33,435							
Seven years later	72,737	52,651	43,494								
Eight years later	73,562	46,494									
Nine years later	72,384										
Current estimate of ultimate claims costs	72,384	46,494	43,494	33,435	41,324	48,206	53,429	60,736	56,417	52,426	**508,345**
Cumulative payments	28,935	20,308	22,347	17,744	22,017	25,934	23,677	22,011	13,718	5,284	**201,975**
Estimate of future payments	43,449	26,186	21,147	15,691	19,307	22,272	29,752	38,725	42,699	47,142	**306,370**
2010 and prior claims											**324,758**
Effect of administration expenses											**60,139**
Effect of latent occupational disease provision											**34,857**
Sub-total											**726,124**
Effect of discounting											**(307,213)**
Amount recognized on Statement of Financial Position											**418,911**

10. 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.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

10. Capital management and reserves

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, 2020, the funded position is 109% (2019 – 105%). The required increase to address the funded position action initiated in 2020 as outlined in (a) below is maintained as the funded position remains below the target rate.

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 2020 – $88,207 (2019 – $87,072). 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.

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.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

10. Capital management and reserves

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 2020 – $22,052 (2019 – $21,768). 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.

11. Commitments

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

	$
2021	5,155
2022	1,503
2023	1,043
2024	400
2025	400

All contracts are for standard service and maintenance agreements.

12. 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.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

13. 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, 2020, cash was $25,396 or a ratio of 1.70 of short term liabilities (2019 – $8,879 or 0.63).

	1 year or less $	2-3 years $	4-5 years $	6 years or more $	**Total 2020 $**
Accounts payable, accrued and other liabilities	3,193	-	-	-	**3,193**
Salaries and wages payable	3,036	-	-	-	**3,036**
Assessments refundable	8,700	-	-	-	**8,700**
Total	14,929	-	-	-	**14,929**

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

13. Financial risk management

a) Liquidity risk

	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

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 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 $5,313 (2019 – $4,587). 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, 2020 (in thousands of Canadian dollars)

13. Financial risk management

b) Credit risk

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, 2020, the majority of other receivables and assessments receivable are outstanding for less than 90 days. The Commission does not require collateral or other security from employers or customers for accounts receivable.
- The Commission has the power and remedies to enforce payment owing.

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

The investments are grouped by asset class.

The following table classifies the investments according to rating:

2020	AAA $	AA $	A $	BBB and less $	Not rated $
Fixed income securities	-	-	-	-	-
Fixed income pooled fund	41,377	24,721	48,081	34,981	537
Mortgage pooled fund (bonds)	239	3,175	-	1,734	1,495
Total	41,616	27,896	48,081	36,715	2,032
Percentage of total bond holdings	27%	18%	31%	23%	1%

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

13. Financial risk management

2019	AAA $	AA $	A $	BBB and less $	Not rated $
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	35%	13%	32%	19%	1%

The Commission is exposed to credit risk on mortgage and sales agreements owned in its Mortgage fund. As at December 31, 2020 the Commission had $4,949 (2019 - $5,849) in insured mortgages and sales agreements and $38,298 (2019 - $31,203) in uninsured mortgages. The credit risk on these investments was not significant in 2020 (2019 - not significant).

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 14.04% (2019 – 14.66%) of the total fund. This fund is diversified by Investment type and geographic location. In 2020, the fund held properties in 4 provinces; 48% in Ontario, 25% in British Columbia, 16% in Alberta and 11% in Québec. The types of properties held by the fund can be classified as retail (20%), office (40%), distribution and warehouse (25%), multifamily residential (10%) and other (5%). 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, 2020 is as follows:

	Target		
	Maximum %	Minimum %	**Actual** **%**
Fixed income securities and indexed bond funds	45.00	25.00	**34.30**
Canadian equities	24.00	8.00	**16.10**
Real estate	20.00	10.00	**14.04**
International equities	34.00	14.00	**23.85**
Mortgages	15.00	5.00	**11.43**
Cash	5.00	-	**0.29**

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

13. Financial risk management

c) Market risk

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 11.43% – 12.83%, 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, 2020 $	Change one standard deviation %	**Change to comprehensive income 2020** **$**
Canadian equities	TSX 300	70,261	12.83	**9,014**
International equities	MSCI EAFE	104,076	11.43	**11,896**

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 2020** **$**
Change in nominal interest rates	+1.00	**12,375**

	Movement in interest rates %	Change to comprehensive income 2019 $
Change in nominal interest rates	+1.00	12,597

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

13. Financial risk management

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 7.56% (2019 – 9.74%), which, based on ten years of results, would be one standard deviation of valuation change.

Portfolio	Exposure December 31, 2020 $	Change %	**Change to comprehensive income 2020 $**
Real estate	61,275	+7.56%	**4,632**
Portfolio	Exposure December 31, 2019 $	Change %	Change to comprehensive income 2019 $
Real estate	62,515	+9.74	6,089

f) Currency risk

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 $5,563 in forward foreign exchange contracts outstanding as at December 31, 2020 (2019 – $4,752). These contracts were equal to the foreign exchange exposure of fixed income investments.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

13. Financial risk management

f) Currency risk

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

Foreign country	**Total investments fair value 2020 $**	Total investments fair value 2019 $
United States	**69,912**	72,008
Europe	**10,771**	11,646
Japan	**6,973**	8,363
United Kingdom	**3,911**	7,547
Switzerland	**3,879**	4,012
Hong Kong	**1,715**	1,405
Denmark	**1,376**	807
Sweden	**1,324**	294
Australia	**795**	1,753
Korea	**778**	779
Singapore	**564**	670
Norway	**79**	188
South Africa	**63**	12
Israel	-	575
New Zealand	-	383
Mexico	-	134
Taiwan	-	86
Hungary	-	44
Czech Republic	-	19
Brazil	-	6
Subtotal	**102,140**	110,731

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

13. Financial risk management

f) Currency risk

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, 2020 $	Change %	**Change to comprehensive income 2020 $**
United States	69,912	+10.00	**(6,991)**
Europe	10,771	+10.00	**(1,077)**
Japan	6,973	+10.00	**(697)**
United Kingdom	3,911	+10.00	**(391)**
Switzerland	3,879	+10.00	**(388)**

	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)

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

14. Administration and general expenses

	2020	2019
	$	$
Salaries, wages and allowances	17,838	17,253
Professional services	4,842	4,778
Employer share of benefits	3,378	3,311
Depreciation on right of use assets	1,354	1,285
Amortization and depreciation	1,145	1,217
Office repairs and maintenance	815	799
Contributions to other organizations	741	410
Communications	709	705
Office services and supplies	561	615
Office furniture and equipment (non-capital)	438	508
Advertising and public information	306	283
Travel	268	852
Loss on asset disposal	221	17
Interest expense on lease liability	212	238
Bad debt expense	203	48
Training and development	182	276
Grants	130	214
Office lease payments	58	51
Honoraria and retainers	56	67
Recruitment	29	61
Recoveries	(509)	(498)
	32,977	32,490
Less: Allocation to claims management costs - current year injuries (Note 9.b)	(1,899)	(2,186)
Less: Allocation to claims management costs - prior year injuries (Note 9.b)	(9,930)	(11,373)
Total	21,148	18,931

Substantially all of the employees of the Commission are covered by 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 employee's required contribution. Total contributions of $1,622 (2019 – $1,641) were recognized as expense in the current year.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

15. 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:

	2020	2019
	$	$
Government of Nunavut	**2**	102
Territorial public agencies	**101**	7
Government of the Northwest Territories	**682**	528
Total	**785**	637

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

	2020	2019
	$	$
Territorial public agencies	**394**	154
Government of Nunavut	**551**	359
Total	**945**	513

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. In 2020, both the Government of the Northwest Territories and the Government of Nunavut were issued an invoice for $273 and $250 respectively. In 2019, both the Government of the Northwest Territories and the Government of Nunavut were issued an invoice for $432 and $102 respectively.

Assessment revenue, at rates determined using the same method as with others, from related parties for the years ended December 31:

	2020	2019
	$	$
Government of the Northwest Territories	**9,393**	5,646
Government of Nunavut	**7,826**	5,014
Territorial public agencies	**2,994**	2,405
Total	**20,213**	13,065

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

15. Related party transactions

Expenses to related parties for the years ended December 31:

	2020	2019
	$	$
Territorial public agencies	**990**	2,177
Government of Northwest Territories	**2,248**	1,588
Government of Nunavut	**680**	939
Total	**3,918**	4,704

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

	2020	2019
	$	$
Compensation	**1,556**	1,734
Post employment benefits - decrease (increase) in liability	**(14)**	3
Employer pension plan contributions	**194**	194
Total compensation paid to key management personnel	**1,736**	1,931

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, Vice-presidents and Directors.

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

16. Fair value measurement

The Commission's financial instruments categorized according to their fair value hierarchy as described in Note 2.c) are as follows;

	Level 1	Level 2	Level 3	**2020**
	$	$	$	**$**
Financial instruments measured at fair value:				
Equities	173,193	1,136	8	**174,337**
Indexed bond funds	-	149,599	97	**149,696**
Real estate	-	61,274	-	**61,274**
Mortgages	-	49,899	-	**49,899**
Total	173,193	261,908	105	**435,206**

	Level 1	Level 2	Level 3	2019
	$	$	$	$
Financial instruments measured at fair value:				
Equities	177,909	1,837	57	179,803
Indexed bond funds	49	140,011	164	140,224
Real estate	-	62,515	-	62,515
Mortgages	-	39,493	-	39,493
Total	177,958	243,856	221	422,035

In addition to the financial instruments in the tables above, cash held within the investment portfolio is considered Level 1 and is disclosed in Note 4.

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.

For the year ended December 31, 2020 (in thousands of Canadian dollars)

17. Right of 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 $2,179 (2019 - $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 2020 is $815 (2019 - $799).

	$
Asset balance at January 1, 2020	6,094
Additions	748
Depreciation	(1,354)
Asset balance at December 31, 2020	5,488

	$
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, 2020	6,217
Additions	748
Principal payments	(1,273)
Lease liability balance at December 31, 2020	5,692

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

Notes to the Financial Statements

For the year ended December 31, 2020 (in thousands of Canadian dollars)

17. Right of use asset and lease liabilities

Lease liability maturity analysis

	2020 **$**	2019 $
Year 1	1,486	1,176
Year 2	1,401	1,122
Year 3	1,169	957
Year 4	937	974
Year 5	574	841
Thereafter	632	1,147

Annual Report 2020

WORKERS' SAFETY AND COMPENSATION COMMISSION
NORTHWEST TERRITORIES AND NUNAVUT

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