



WORKSAFE
TRAVAIL SÉCURITAIRE  **NB**

**LEADING
THE WAY
TO HEALTHY
AND SAFE
WORKPLACES**

**ANNUAL
REPORT
2013**

WORKSAFE NB
ANNUAL REPORT 2013

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WHO WE ARE

WorkSafeNB is a Crown corporation charged with overseeing the implementation and application of New Brunswick's *Occupational Health and Safety Act*; *Workers' Compensation Act*; *Workplace Health, Safety and Compensation Commission Act* and the *Firefighters' Compensation Act*.

VISION

Healthy and safe workplaces in New Brunswick.

MISSION

WorkSafeNB will promote a safe and healthy work environment to the workers and employers of New Brunswick, and efficiently provide quality services, just adjudication and fair administration of the legislation.

MANDATE

- Promote the creation of a workplace safety culture in which all employees and employers view all occupational diseases and accidents as being preventable.
- Promote an understanding, acceptance and compliance with all legislation for which WorkSafeNB is responsible, including the enforcement of the *OHS Act* and regulations.
- Provide timely compensation benefits, medical aid, rehabilitation and safe return-to-work services to injured workers.
- Provide sustainable insurance and insurance-related services to the employer community.
- Represent stakeholders and provide recommendations and advice to government with respect to legislation, and publish such reports, studies and recommendations WorkSafeNB considers advisable.

BOARD OF DIRECTORS

Left to right:

- Sharon Tucker – Chairperson
- Bill Oliver – Vice-Chairperson
- Gerard M. Adams – President and CEO
- Ronald Gaffney – Chairperson, Appeals Tribunal

- Michael Allen – Lakeside
- Michèle Caron – Cocagne
- Hector Losier – Fredericton
- Maureen Wallace – Riverview

- David Ellis – New Maryland
- Judith Anne Lane – Kingston
- Jean Stewart – Fredericton
- Mel Vincent – Rothesay



SENIOR EXECUTIVE

Gerard M. Adams: President and CEO
 Shelly Dauphinee: Vice-President, WorkSafe Services
 Peter Murphy: Vice-President, Corporate Services
 Christine Fagan: Corporate Secretary & General Counsel



QUICK FACTS 2013

Number of assessed employers	14,226
Provisional average assessment rate	\$1.44
Appeals received:	714
Initiated by workers (or their representative)	656
Initiated by employers (or their representative)	58
Appeals resolved	774
Total claims created (can include claims with no application for benefits)	22,429
Claims recorded, no benefits paid	12,211
Total claims adjudicated	11,570
Lost-time claims (at least one day)	5,276
No lost-time claims	4,534
Maximum assessable/insurable earnings	\$59,500
Average days lost per lost-time claim	56.4
Average payment per claim	\$4,525
Average calendar days from injury to first payment issued (manageable claims)	20.6
Number of workplace health and safety inspections	8,835
Number of orders written (violations of the OHS Act)	8,355
Number of serious accident investigations ¹	67
All other accident investigations ²	219
Work-related fatalities ³	7
Administration costs – excludes self-insured and OHS (000s)	\$25,834
Administration costs – Occupational Health and Safety (000s)	\$9,332
Assessment revenue (000s)	\$115,860
Total premium revenue (000s)	\$157,981
Current year claims cost incurred (000s)	\$102,315
Claims payments made for current and prior years' injuries (000s)	\$143,536
Claims costs incurred for current and prior years' injuries (000s)	\$163,379
Total benefits liabilities – assessed employers (000s)	\$900,687
Total benefits liabilities – self-insured employers (000s)	\$142,776
Assessable payroll (000s)	\$8,272,419
Market rate of return on portfolio	15.73%

¹ Includes fatalities, fractures (excluding fingers and toes) and any injury requiring hospital admission as an in-patient (amputations, burns, etc.)

² All other accident investigations (including fingers and toes) conducted by a health and safety officer

³ Three workplace fatalities occurring in 2013; four deaths resulting from previous year injuries/occupational diseases

MESSAGE FROM THE PRESIDENT AND CEO AND CHAIRPERSON

This 2013 Annual Report is a testament to WorkSafeNB's commitment to *leading the way to healthy and safe workplaces*. The results which we are sharing in this report support our vision, mission, mandate, values and goals. They also demonstrate how you – New Brunswickers – made a difference this year in your workplaces.

WorkSafeNB's hard hat that you'll see throughout the pages of this report symbolizes leadership and safety. It also stands for the provision of quality services for injured workers and fair assessment rates for employers, as well as the promotion of healthy and safe workplaces to all New Brunswickers.

We believe that by sharing and passing on that leadership to members of our community, more and more New Brunswickers will be engaged to create and invest in a community that cares about workplace health and safety. That is why we are working hard with workers, employers, governments, advocates, health care professionals, associations and other stakeholders in our vigorous pursuit of a safe work culture for New Brunswick.

Our success story year after year is one about leadership.

Leadership from safety ambassadors like Candace Carnahan (see page 7), who persevered and overcame a devastating workplace injury to become a renowned motivational speaker.

Leadership from resourceful workers like Lisa LeBlanc (see page 11) of Villa Providence Nursing Home, who saw a potential hazard at her workplace and took action to eliminate it.

Leadership from employers like MQM (see page 13) and Pine Grove Nursing Home (see page 19), who have shown they care enough to invest in their employees to provide healthy and safe workplaces, and who inspire other New Brunswick workplaces to do the same.

Leadership from safety associations such as the New Brunswick Construction Safety Association (see page 17), whose passion for healthy and safe workplaces drives industry change and innovation.

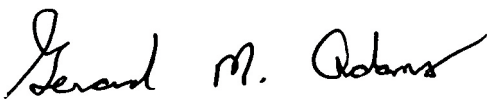
Leadership from our own WorkSafeNB employees – like Stephen Jackman (see page 15), whose commitment to our vision of healthy and safe workplaces is extended beyond work into the community.

And finally, leadership from our own organization. Our results this year show progress and leadership in five of our goals: safety, service, balance, staff satisfaction and engagement and return to work. New Brunswick remains one of the safest places to work in Canada, with one of the lowest assessment rates and injury frequency rates.

We are also leading the way in Canada by being one of the first jurisdictions to add a strategic goal on quality governance, proving our board of directors' dedication to transparency and accountability to New Brunswickers.

We are proud of the results we achieved in 2013. Our success depends on the commitment of all New Brunswickers. Your success is our success, and we thank you. With your leadership, we promise to continue to strive to lead the way to healthy and safe workplaces.

Sincerely,



Gerard M. Adams
President and CEO



Sharon Tucker
Chairperson



SAFETY GOAL


Our vigorous pursuit of a safe work culture will lead to a decline in the overall frequency of workplace injuries, and a decline in the perception of the inevitability of workplace injuries in New Brunswick.

<p>TARGET The workplace injury frequency rate per 100 full-time employees (FTE) will be lower than the previous five-year average.</p>	 <p>The estimated workplace injury frequency rate for New Brunswick workplaces in 2013 was 2.84 per 100 FTEs, well below the five-year average target of 3.19.</p>
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Provincial Accident Frequency Rate (rate per 100 FTEs)

Previous years have been restated to reflect current information.

	2009	2010	2011	2012	2013
Provincial accident frequency rate	3.22	3.20	3.12	3.00	2.84

<p>TARGET The lost-time workplace injury frequency rate per 100 FTE in New Brunswick will be lower than the Canadian average.</p>	 <p>At 1.18 lost-time accidents, New Brunswick’s injury frequency rate continues to remain below the national average (1.65) as reported by the Association of Workers’ Compensation Boards of Canada.</p>
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The percentage of workers and employers who believe their workplace has a safe work culture will be higher than the previous five-year average. (Target to be established.)

OHS Culture Index	%
Injured Workers	77.5
General Workers	81.4
Registered Employers	91.3
Non-registered Employers	89.8

IMPACTS OF LEGISLATIVE CHANGES

The *Occupational Health and Safety (OHS) Act* and the *Workers’ Compensation Act* were amended. The changes clarified employer and worker obligations for accident and incident reporting, established orientation and training requirements for new employees and enhanced existing provisions for workplace safety policies. In addition, employers who regularly employ 20 or more employees in the province must develop a formal health and safety program. Program elements include: appropriate training and employee supervision; a process for the prompt investigation of hazardous events; procedures for developing written work procedures and codes of practice; a system for identifying, evaluating and controlling hazards; a records management system and procedures to ensure that the health and safety program is evaluated annually and continues to be effective.

PARTNERSHIPS

We continued to partner with New Brunswick safety associations, including the New Brunswick Construction Safety Association (NBCSA) and the New Brunswick Forest Safety Association (NBFSA). We also enhanced our partnership with the nursing home industry by helping to establish the new Continued Care Safety Association. These associations provide industry-specific safety training and resources to their members.

We entered a new partnership with the departments of Education and Early Childhood Development and Post-Secondary Education, Training and Labour, to share expertise and resources to provide health and safety education in the public school system (Grades K-12). The NBCSA plays a significant role in this partnership by providing online safety education resources, such as Workplace Hazardous Materials Information System and Orientation to Safety, to be used by teachers and students.

IMPROVING SAFETY

We continued to focus resources on improving safety in nursing homes. Highlights include the implementation of the direct physiotherapy referral pilot; Back in Form Train the Trainer sessions; and a health care stream at our annual health and safety conference.

The Focus Firm Program, designed to help companies develop or improve their occupational health and safety management systems while focusing on the primary causes of accidents, was updated to incorporate 2012 program evaluation recommendations. Notable changes include new survey and audit tools, and a focus on disability management and health and safety plan implementation.



**Candace Carnahan,
Workplace Safety Advocate**

When WorkSafeNB approached me to share my experience with companies province-wide, I realized I wasn't alone in helping to prevent needless injuries like mine from happening. Through conferences and presentations, we've encouraged more employers to look at workplace safety as a vital investment in their people and their productivity.

ENFORCEMENT EFFORTS

Our enforcement efforts included more than 8,800 inspections at approximately 2,200 workplaces, resulting in 8,355 written orders under the *OHS Act* and regulations. Focus inspection activities included:

- o Inspecting all nursing homes in New Brunswick at least once in 2013.
- o Inspecting all employer operations in industries with the potential for a catastrophic event.
- o Inspecting all employer operations with a fatality or at least two lost-time claims within the last 12 months.

MUSCULOSKELETAL INJURY PREVENTION

We developed a new process for identifying opportunities to prevent musculoskeletal injuries (MSIs) for rollout in 2014. This new process will focus on analyzing injury and investigation information in the workplace to identify risk factors involving forceful exertion such as lifting, carrying, pushing, and pulling motions that may lead to MSIs. Based on the analysis, WorkSafeNB staff will work with at-risk firms to establish measures to prevent further injuries.

HEALTH AND SAFETY TRAINING

We launched a new two-day workshop entitled Occupational Health and Safety for Supervisors. This workshop is aimed at supervisors, and more specifically front-line supervisors, to ensure implementation of health and safety practices in their workplaces. It is made available through WorkSafeNB's workshops calendar, or by special request. WorkSafeNB held 13 workshops, reaching 219 supervisors.

Recognizing the positive effect of high-functioning joint health and safety committees (JHSCs) on workplace injury prevention, WorkSafeNB continued to provide JHSC training to some of our firms and 1,660 individuals. We also acknowledged that some companies need more than training to be effective, and have established a follow-up program to help companies develop and implement JHSC improvement plans.

We continued our regional health and safety initiative on injury prevention in municipalities in northeastern N.B. This included safety awareness sessions and individual consultation with these municipalities to help them establish health and safety programs for their workplaces.

EYE SAFETY PROGRAM

We partnered with the Canadian National Institute for the Blind (CNIB) to support its Eye Safety Program (ESP) to help reduce workplace eye injuries. Through such partnerships, CNIB provides eye and vision-specific safety resources, including provincial tours, eye safety workshops (including those at our annual health and safety conference in 2013), print and multimedia materials, and an upcoming e-learning program.

OTHER MEASURES/ACTIVITIES IN 2013

- Estimated number of workers in nursing homes: 7,700.
- New Brunswick nursing homes saw fewer injuries than five years earlier, declining from 7.75 injuries per 100 FTEs in 2009 to 6.01 in 2013. Lost-time injuries also declined from 5.85 to 3.85 per 100 FTEs during this same period.
- We continued to work with focus firms (companies identified for focused attention based on the injury history of their industry and on their individual injury records). There are currently 58 firms participating in this program. In 2013, there were 4.46 injuries per 100 FTEs, down 34% compared to 6.74 per 100 FTEs in 2001.
- 864 students attended the Progressive Agriculture Safety Day event in the province's northwest region.
- Number of times that WorkSafeNB health and safety programs and services reached New Brunswick youth: 83,881.

SERVICE GOAL

We will provide effective programs and services, implemented with care, compassion, efficiency, promptness and fairness, to benefit both workers and employers.

TARGET	To be established in 2014.	In 2013, injured workers indicated a satisfaction level of 70.7%.
		In 2013, registered employers indicated a satisfaction level of 80.6%.

Workers and employers in New Brunswick are served by some of the most dedicated and committed people in public service. Our employees care about our clients and are committed to quality service. Whether working towards ensuring that our clients receive workers' compensation benefits, or focusing on preventing accidents, our employees demonstrate their passion for applying their expertise to make a positive difference in our clients' lives every day. Responses to our annual client survey indicate that staff character is a key driver of our clients' satisfaction with service delivery. New Brunswick's injured workers and employers also believe that our staff is respectful, trustworthy and goes the extra mile.

OTHER RELATED EFFORTS IN 2013

- In 2013, a survey of both injured workers and registered employers indicated that timeliness and communication, along with each client's interaction with staff, are strong drivers of satisfaction. In addition, both injured workers and registered employers rated satisfaction with staff expertise and staff character higher than most other service elements measured.
- We also know more work is needed to address the satisfaction of some of our clients. Our commitment to improving service is long-term and sustained. We continue to establish important service standards, develop employees and measure related satisfaction. In 2013:
 - 90% of calls were answered within 20 seconds
 - 65% of injured workers and 90% of employers said their phone calls were returned within two days
 - 65% of injured workers and 81% of employers said they were directed to the right person
 - 74% of injured workers met with their case manager within one week of being transferred to their service region
- Close to 50% of all WorkSafeNB employees participated in service excellence training. Of those who have attended so far, 92% reported a good or high level of knowledge of service excellence following the training, 88% were personally motivated to apply the concepts to their job and 77% thought it was a worthwhile investment for WorkSafeNB.
- WorkSafeNB is undergoing a multi-year project to evaluate and redesign its business processes and systems to ensure that resources are aligned to support timely and effective service delivery and improve the quality of data.
- Satisfaction with service delivery among longer-term clients has historically been lower than satisfaction rates among other clients. To understand why, an analysis of services to longer-term clients was conducted. Overall, it was noted that New Brunswick compares well with other jurisdictions in Canada with respect to the services and benefits provided to long-term clients. Further analysis will be conducted in 2014.

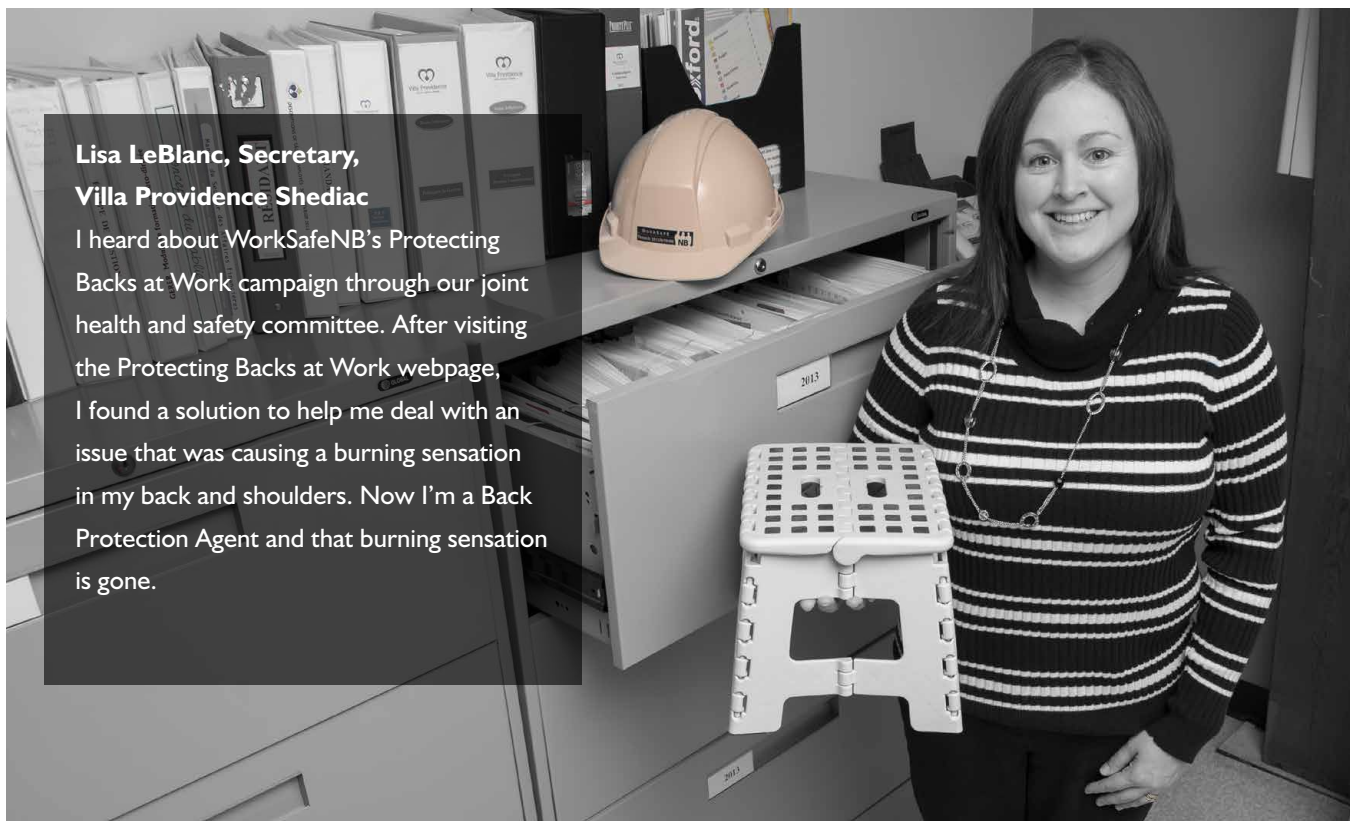
Average number of days from injury to first cheque for manageable claims

	2012	2013
Days to first cheque	19.6	20.6

Claims adjudication

	2012	2013
Claims adjudicated	12,080	11,570
Claims rejected	1,696	1,760
Claims accepted – lost-time	5,302	5,276
Claims accepted – no lost-time	5,082	4,534

- **Official Languages Act** We are committed to providing quality services in the public’s official language of choice, and to promoting a balanced use of both official languages within the public service. In 2013, we translated or co-ordinated the translation of 527,546 words and produced 24 new or revised publications in both official languages. There were no complaints under the *Official Languages Act* in 2013.
- **Public Interest Disclosure Act** The *Public Interest Disclosure Act* encourages employees in the provincial public service to report any occurrences of wrongdoing in the workplace that are potentially unlawful, dangerous to the public or harmful to the public interest. The Act protects employees against reprisal for disclosures and provides a fair and objective process for those accused of wrongdoing. There were no disclosures or claims made against a WorkSafeNB employee under the *Public Interest Disclosure Act* in 2013.
- **Website visits** In total, our websites received 92,113 unique visits.




**Lisa LeBlanc, Secretary,
Villa Providence Shediac**

I heard about WorkSafeNB’s Protecting Backs at Work campaign through our joint health and safety committee. After visiting the Protecting Backs at Work webpage, I found a solution to help me deal with an issue that was causing a burning sensation in my back and shoulders. Now I’m a Back Protection Agent and that burning sensation is gone.

BALANCE GOAL

We will provide the best possible benefits to injured workers while maintaining the lowest possible assessment rates for employers.

TARGET	At a minimum, we will maintain a 100% funded liability.		Investments held to meet future benefit obligations for past injuries reached \$1.3 billion at the end of 2013, representing a 138.2% funded liability.
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Funding history

	2009	2010	2011	2012	2013
Percentage funded	101.6	111.5	116.9	126.7	138.2

Performance Objective 1

The investment portfolio's rate of return is to exceed the increase in the CPI +4.0% on a four-year moving average basis.

Four Years Ended	2010	2011	2012	2013
WorkSafeNB	1.6%	2.4%	10.4%	9.9%
CPI + 4.0%	5.6%	5.6%	5.7%	5.7%

Performance Objective 2

The investment portfolio's rate of return is to exceed the return generated by the investment policy-defined benchmark portfolio by 0.65% on a four-year moving average basis.

Four Years Ended	2010	2011	2012	2013
WorkSafeNB	1.6%	2.4%	10.4%	9.9%
Benchmark +0.65%	1.6%	1.7%	10.6%	9.4%

BENEFITS TO CLIENTS

Payments to injured workers, or third parties on their behalf, totalled \$143.5 million, a 2.9% increase from 2012 payments of \$139.4 million.

INVESTIGATION INITIATIVES

We conducted 341 investigations in 2013. These investigations not only serve to protect our system, but to gather information for the Adjudication and Benefit Services Department to help make case decisions. The number of referrals increases annually.

THIRD-PARTY ACTIONS

Third-party action recoveries provided cost relief to employers of approximately \$1.5 million in 2013. Injured workers received \$546,000, representing the amount received by third-party settlements, or judgments in excess of claim costs booked by WorkSafeNB.

ASSESSMENT RATE

The 2013 provisional average assessment rate of \$1.44 represents a \$0.26 decrease from the 2012 provisional rate. New Brunswick's rate remains the lowest in Atlantic Canada as we continue to focus on providing a balanced and sustainable system in a challenging economic environment.

AVERAGE ASSESSMENT RATES BY JURISDICTION

Note: the average assessment rate is influenced by industry mix, varying benefit levels and earning ceilings, the extent of industry coverage, the degree of funding liabilities and the methodology used to calculate the average. Therefore, caution should be used when drawing comparisons across jurisdictions.

Province/Territory	2012 Actual	2013 Provisional	2014 Provisional
AB	\$1.22	\$1.12	\$1.03
BC	\$1.48	\$1.63	\$1.70
MB	\$1.50	\$1.50	\$1.50
SK	\$1.60	\$1.58	\$1.51
NT/NU	\$1.73	\$2.05	\$2.05
NB	\$1.70	\$1.44	\$1.21
PE	\$1.99	\$1.97	\$1.90
QC	\$2.13	\$2.08	\$2.02
ON	\$2.40	\$2.46	\$2.46
NS	\$2.65	\$2.65	\$2.65
NF	\$2.75	\$2.75	\$2.45
YT	\$2.39	\$2.34	\$2.18

OTHER RELATED EFFORTS IN 2013

- We maintained our disciplined approach to financial management.
- We pursued information technology initiatives to improve service delivery and reduce administrative needs, starting with enhanced web services for reporting and submitting invoices by service providers and eventually leading to self-service inquiry capabilities for injured workers, employers and service providers.



Serge Thériault, Chief Operating Officer, MQM Quality Manufacturing

We've always been known for our dedication to safety on the job, but we're continually looking to improve our record. By taking our relationship with WorkSafeNB to a new level, we've done that, with only three lost-time claims since 2008 and assessment rates 30% below the industry average. Those are good results, and with WorkSafeNB, we can do even better.



STAFF SATISFACTION AND ENGAGEMENT GOAL

Our employees will feel their work is valuable and makes a difference, motivated by the understanding of how their role and individual contribution is critical to achieving our vision, mission, mandate, values and goals.

TARGET	Employee satisfaction and engagement levels will meet or exceed the previous five-year average.	 In 2013, the annual staff satisfaction survey showed a score of 89%, exceeding the target of 88.8%.
		 The survey also scored 93% for staff engagement, exceeding the target of 92.6%.

Staff satisfaction and engagement

Target for 2013: 88.8% - satisfaction 92.6% - engagement

	2009	2010	2011	2012	2013
Satisfaction	86%	91%	88%	93%	89%
Engagement	91%	94%	93%	94%	93%

Other indicators measured in support of these goals include:

ABSENTEEISM

Employees missed an average of 8.62 days, a decrease from the five-year average of 9.10 days.

HEALTH AND SAFETY

As of December 31, 2013, WorkSafeNB accepted five claims made by employees, with only one of these a lost-time claim. This represents 1.1 accepted claims per 100 full-time equivalent (FTE) workers, and is lower than the five-year average of 2.77.

Our working environment is measured through the survey's health and safety index. The index looks at whether employees feel they work in a supportive, comfortable, safe and harassment and barrier-free workplace. The index was 87%. Managers will continue to work within their individual departments to improve the index.

STAFF TURNOVER

In 2013, 27 employees left the organization, including 15 retirements. This indicates a staff turnover rate of 6.02%, which is higher than the five-year average of 5.94%. Retirements accounted for 3.3% of the turnover rate. We predict retirements will account for 50% of the turnover rate in the next five years, consistent with the current trend. We've addressed this risk through our Growing Leaders Program, a senior management internship and leadership program.

OTHER ACTIVITIES:

- To ensure a fair compensation plan, the board of directors approved a job evaluation review, to be implemented in 2014. A fair compensation plan will help to recruit and retain the best employees.
- We recognized 79 employees with five to 35 years of service, totalling 1,370 years of service, at our Annual Service and Retirement Awards Banquet in April. Our retirees represented an additional 426 years of service.
- We revised our business continuity plan and developed and tested disaster recovery plans for all departments.

**Stephen Jackman, Actuarial Analyst,
WorkSafeNB**

WorkSafeNB's commitment to the community encouraged me to become a St. John Ambulance volunteer. That training proved vital when I had to perform first aid that helped save a young man's life. I've since joined our joint health and safety committee, and now promote health and safety at work and in the community.

QUALITY GOVERNANCE GOAL

We will demonstrate transparency, accountability, and commitment to our stakeholders through our disciplined governance practices, as we serve the best interests of WorkSafeNB.

Quality Governance is a new goal adopted by the board. A target for reporting will be developed in 2014. The components the board will measure to determine its success in achieving this goal will include: the results of board self-evaluation; meeting attendance and professional development opportunities; and the extent of action taken on established priorities.

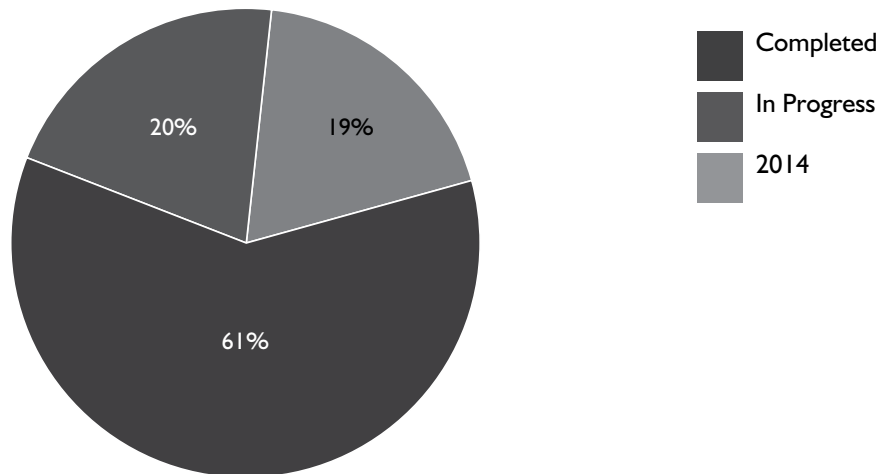
STRATEGIC PLAN AND RISK ASSESSMENT

The *2013-2018 Strategic Plan & Risk Assessment*, available online at www.worksafenb.ca, summarizes the board’s annual planning decisions, with an emphasis on transparency and accountability. With safety at the heart of everything we do, the board reaffirmed our vision, mission, mandate, values and goals in 2013. The board also identified and responded to 24 risks and resourced 64 legislative, policy and stakeholder engagement priorities.

LEGISLATIVE AND POLICY PRIORITIES

The board of directors makes policy decisions and recommends legislative changes to government. These decisions and recommendations help ensure that New Brunswickers receive progressive occupational health and safety services and have access to a workplace accident insurance system that balances a high standard of benefits with long-term sustainability.

BOARD PRIORITIES



In 2013, the most significant priority addressed by the board resulted from a decision of the New Brunswick Court of Appeal. The Court decided that, under the current legislation, Canada Pension Plan retirement income is not employment income that could limit the amount of compensation benefits paid under the *Workers’ Compensation Act*. The board further clarified its Supplements to Compensation Policy (Policy 21-215), allowing workers to receive retirement-related income and any other income from employment earned before the accident date, in addition to workers’ compensation benefits. All previous offsets resulting from retirement related-income were reimbursed retroactively to injured workers, with employers being charged accordingly.

STAKEHOLDER ENGAGEMENT

WorkSafeNB’s board of directors represents the interests of workers and employers as it provides stewardship and oversight of the province’s occupational health, safety and compensation system. The board communicates its decisions to stakeholders through this annual report, quarterly accountability reports and news releases posted on our website. The board also engages stakeholders on specific policy issues and relies on stakeholder-driven committees to provide their expertise and advice on any regulatory and legislative change under consideration.

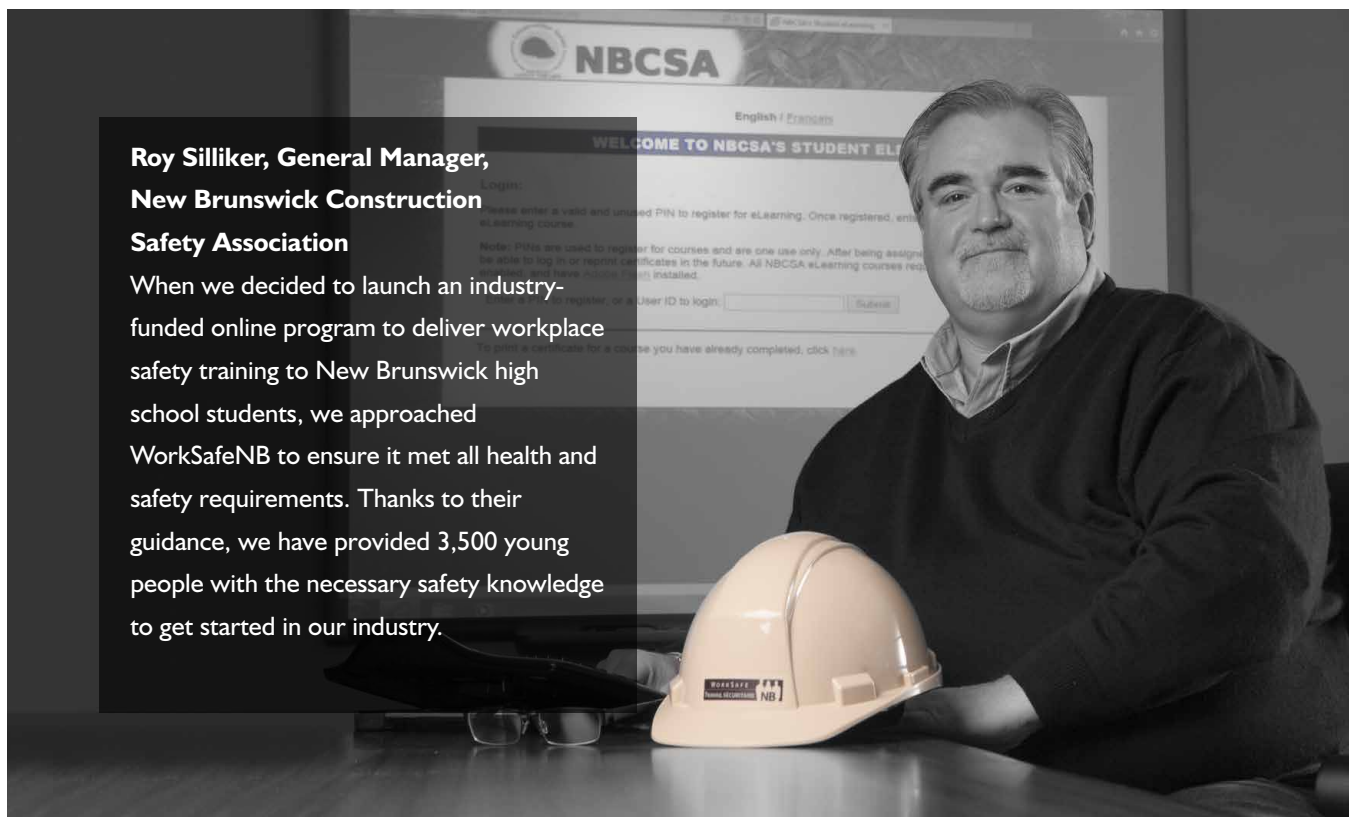
The Injured Workers' Advisory Committee (IWAC) is a WorkSafeNB-sponsored committee dedicated to representing the interests of injured workers. It is a forum for its members to discuss issues important to New Brunswick's injured workers. It also provides suggestions and feedback to WorkSafeNB on planning and policy issues being considered by the board.

In 2013, the IWAC shared its insights on a variety of topics that included WorkSafeNB's prosthetics and orthotics policies, pre-1982 pension benefits and the three-day waiting period. The committee participated in the annual strategic planning and risk assessment process by identifying environmental changes and issues facing today's workers. The committee also took part in the legislative review of the *Workers' Compensation Act* by providing a written submission and subsequently meeting with the consultants facilitating stakeholder consultation.

OUR BOARD'S OVERSIGHT


The board's committees play an essential role in good governance. These committees oversee management's implementation of the board's strategic direction and risk management strategies. The following four standing committees examine and make recommendations on a variety of issues impacting the success of our six strategic goals.

- WorkSafe Services Evaluation Committee
- Financial Services Evaluation Committee
- Fatality Review Committee
- Appeals Tribunal Evaluation Committee



RETURN TO WORK GOAL

We will decrease the time by which injured workers safely return or are ready to safely return to employment.

TARGET	The average paid compensation days for claimants with a return-to-work goal will be lower than the previous five-year average.		Our average claim duration (average paid days) for 2013 was 56.4 days. It was lower than our target, set at 59.1 days.
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Days of Paid Compensation

Previous years have been restated to reflect current information.

	2009	2010	2011	2012	2013	Target For 2013
Average days	63.7	56.0	52.9	55.9	56.4	59.1

Claimants with a Return-to-Work goal, or full LTD

	2012	2013
Returned to work or return to pre-accident employment status	96.6%	96.4%
Not returned to work	1.5%	1.5%
Full LTD	1.9%	2.1%

In 2013, 96.4% of our clients (3,722) returned to work, or were capable of returning to work, following their rehabilitation; 2.1% (83) were not capable of any employment following their workplace injury and are now receiving full long-term disability benefits; 1.5% (57) were not re-employed when their claim was closed.

To help achieve the return to work strategy of “Advancing and implementing leading practices in medical management,” WorkSafeNB regularly and comprehensively reviews services for injured workers to identify opportunities for improvement in line with best practices.

OTHER RELATED EFFORTS IN 2013

- Based on the success of our award-winning shoulder referral program, WorkSafeNB extended its innovative and interprofessional model for managing soft tissue injuries to manage low back injuries. Back injuries account for more than one-quarter of lost-time claims. This new program focuses on best practice assessment and treatment programs to provide the right treatment at the right time by the right provider. The program will continue throughout 2014 with an expanded number of physiotherapy providers.
- To facilitate injured clients’ stay at work, and an early and safe return to work, we developed a direct physiotherapy referral pilot that allows employers to directly refer clients with a soft tissue injury to selected physiotherapists. We tested the pilot in southeastern New Brunswick and will extend it to other employers throughout the province in 2014. We will continue to evaluate the program to determine its effectiveness in achieving return-to-work outcomes.
- We improved our adjudication process for clients diagnosed with mild traumatic brain injuries (MTBI) and concussions to enable a more timely transfer to medical case management to confirm diagnosis and provide the appropriate treatment.

- We completed a comprehensive process and outcome assessment of the Vocational Evaluation Program. In follow-up to the evaluation, rehabilitation specialists were trained on self-determination, assessing motivation, interest and active participation of the worker in vocational planning. In 2014, WorkSafeNB will focus on effective implementation of the training, with the goal of having workers return to work after completing vocational rehabilitation.
- WorkSafeNB provides long-term disability, wage loss and survivor benefits to injured workers and/or their dependants. At the end of the year, 915 workers injured before 1982 continued to receive disability benefits, 2,436 workers injured after 1982 continued to receive loss of earning benefits and 455 widows or dependants continued to receive survivor benefits.

Number of claims processed by type (In thousands)

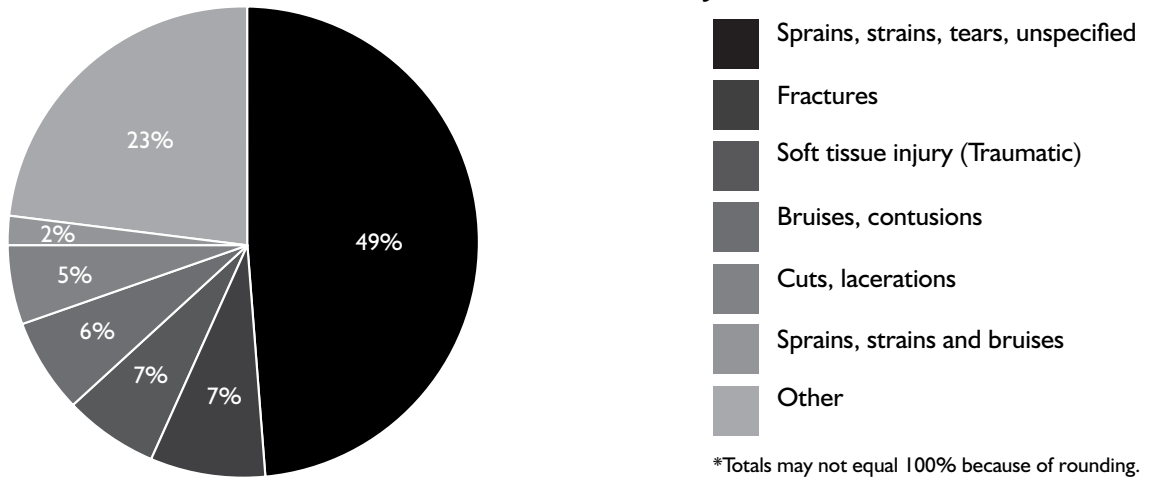
	2009	2010	2011	2012	2013
Lost-time	6.1	6.0	5.7	5.3	5.3
No lost-time	5.3	5.2	5.0	5.1	4.5



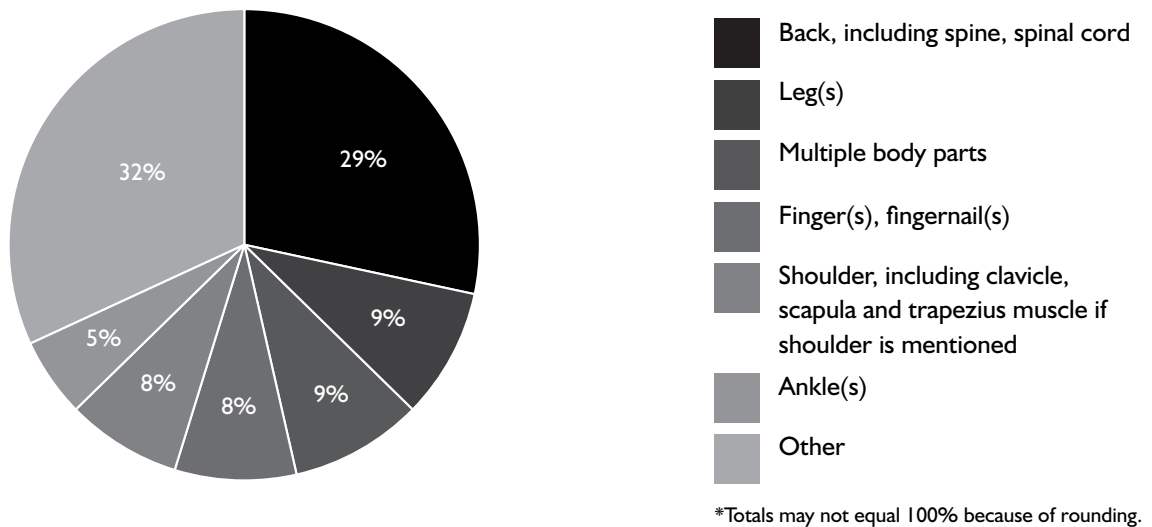
**Cheryl Wiggins, Administrator,
Pine Grove Nursing Home**

WorkSafeNB helped us develop an action plan to help prevent soft-tissue injuries to residents and staff and the impact was phenomenal. Our lost-time rates are the lowest they've ever been and we're able to provide better care for our seniors.

PERCENT OF LOST-TIME CLAIMS BY NATURE OF INJURY 2013*



PERCENT OF LOST-TIME CLAIMS BY PART OF BODY 2013*



Short-term Disability and Rehabilitation, and Health Care Payments (in millions)

	2009	2010	2011	2012	2013
Short-term Disability and Rehabilitation Payments	\$41.3	\$37.7	\$36.1	\$35.7	\$36.1
Health Care Payments	\$44.5	\$46.7	\$46.2	\$48.0	\$50.0

Benefit Payments (in millions)

	2009	2010	2011	2012	2013
Current Year Injuries	\$24.8	\$26.0	\$25.7	\$27.3	\$26.4
Prior Years' Injuries	\$111.3	\$111.0	\$111.0	\$112.1	\$117.2

APPEALS TRIBUNAL

During 2013, the Appeals Tribunal members and staff concentrated on reducing the backlog created by the large number of appeals received in previous years. With a full complement of vice-chairpersons and timely reappointments of members, we were able to process more appeals and reduce our inventory by 15%. This success, however, was overshadowed by increases in processing times due to the larger number of appeals to be processed during the year. As indicated in past years, increases in the inventory would bring about longer processing times. The Appeals Tribunal is working diligently to reduce the backlog and to process the appeals heard in a timely manner, all the while keeping in mind our goal of rendering fair, impartial and consistent decisions in keeping with the high-volume, short-hearing duration mandate.

The Appeals Tribunal also underwent two reviews during the year. The reports from the Stewart McKelvey/KPMG review and the Legislative Review Committee were both tabled in the fall. We await the outcome of these reviews, which could bring about changes in the Appeals Tribunal processes if legislative changes are passed. I would like to thank the vice-chairpersons, members and staff for their continued dedication and support during the past year. I look forward to the challenges that the new year will bring.



Ron E. Gaffney, Q.C.
Chairperson

APPEALS RECEIVED: 714

This is a 10.6% decrease from 2012 when we received the highest amount in the history of the Appeals Tribunal. We believe the decrease is in part attributable to the resolution of retirement pension appeals further to the Court of Appeal of NB decision in *Douthwright*.

Appeals received

2009	2010	2011	2012	2013
582	702	798	799	714

APPEALS RESOLVED: 774

This is a 5.8% increase from 2012. The vice-chairpersons appointed in late 2012 completed their orientation. With a full complement of vice-chairpersons, we were able to schedule more appeals each month, thus more cases were processed.

Appeals resolved

2009	2010	2011	2012	2013
574	714	788	732	774

Time to schedule appeals: increase of 29% from 2012.

Overall processing time (from application accepted to decision mailed): increase of 29% from 2012

Processing time from hearing to decision mailed: increase of 41% from 2012.

Vice-chairpersons terms ended in 2013

- Guilda Fournier

Newly appointed vice-chairpersons:

- Guilda Fournier (reappointed March 13)
- Maurice Picard
- Winfield Hackett (Mr. Hackett unfortunately passed away a few months after his appointment)

APPEALS TRIBUNAL MEMBERS AT DECEMBER 31, 2013

Chairperson > Ronald E. Gaffney, Q.C. *Appointed by the Lieutenant-Governor in Council and responsible to the board of directors for the operations of the Appeals Tribunal.*

Vice-Chairpersons > Grant Brenan, Heather Cossaboom, Guilda Fournier, Nargis Kheraj, Louis-Marie Melanson, Réal Noël, Maurice Picard, Raymond Wade. *Appointed by the Lieutenant-Governor in Council as deemed necessary by the chairperson in consultation with WorkSafeNB.*

Appeals Panel Members – Workers’ Representatives > Warren Desrochers, Paula Garant, Earl Garland, Linwood Lawrence, Gaston Malenfant, Wendy McGee, Claudia McKeil, Julie Pelletier, Line Savoie, Alfred Vautour, Denny Vautour. *Appointed by the board of directors.*

Appeals Panel Members – Employers’ Representatives > Aldrice Comeau, Sherri Deveau, William Dixon, Donald Drury, George Greenlaw, Marc Long, Fraser MacLeod, Arnold Mallais, Gordon Roy, Lucien Sonier, Joe Veriker. *Appointed by the board of directors.*

Appeals initiated by:

	2009	2010	2011	2012	2013
Injured workers	87%	90%	88%	92%	92%
Employers	13%	10%	12%	8%	8%

Appeals results:

	2009	2010	2011	2012	2013
Accepted	68%	68%	75%	79%	73%
Partial	5%	6%	5%	5%	5%
Denied	26%	26%	19%	16%	20%
Withdrawn (at hearing)	1%	0%	1%	0%	2%

MANAGEMENT DISCUSSION AND ANALYSIS OF 2013 FINANCIAL STATEMENTS AND OPERATING RESULTS

The Management Discussion and Analysis (MD&A) provides management's perspective on key issues that affect the current and future performance of WorkSafeNB. The MD&A, prepared as at March 13, 2014, should be read in conjunction with the audited financial statements and supporting notes for the year ended December 31, 2013.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements about certain matters that are, by their nature, subject to many risks and uncertainties, which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, WorkSafeNB's objectives, strategies, targeted and expected financial results, and the outlook for its business and for the New Brunswick and global economies. Risks and uncertainties include, but are not limited to, changing market, industry and general economic factors or conditions; changes in legislation affecting WorkSafeNB policies and practices; changes in accounting standards; the ability to retain and recruit qualified personnel; and other risks, known or unknown. The reader is hereby cautioned not to place undue reliance on these forward-looking statements.

The 2013 Annual Report and the 2013-2018 Strategic Plan and Risk Assessment are available at www.worksafenb.ca. Also available is the 2014 Assessment Rates report, detailing the calculation of assessment rates.

Overview of Financial Results Financial Highlights (\$000s)	2013	2012
Portfolio investments	1,255,616	1,156,485
Benefits liabilities	1,043,463	1,023,620
Fund balance	406,308	278,703
Funding ratio	138.2%	126.7%
Premium income	157,981	164,595
Investment income	175,995	111,152
Claims costs incurred	163,379	132,588
Administration costs	40,031	39,215
Excess of income over expenses	127,605	101,039
Market rate of return on portfolio	15.73%	10.89%

WorkSafeNB recorded a surplus of \$127.6 million in 2013. This compares with a surplus of \$101.0 million in 2012. The surplus is primarily the result of higher than expected investment returns. Actual investment returns were 15.73% versus budgeted returns of 7.12%.

These operating results improved the funded position to \$406.3 million or 138.2%.

BALANCE SHEET

The key components of WorkSafeNB’s balance sheet are its investments, benefits liabilities and fund balance.

Investments

The board of directors believes that WorkSafeNB’s investment portfolio must be customized to reflect its purpose, time horizon, liquidity requirements, legal constraints and the risk tolerance of the stakeholders. The primary long-term investment risk is that the assets of the investment fund, together with the future income thereon, will be insufficient to pay the liabilities. The board relies on periodic asset liability studies to ensure that the investment strategy is suitable in light of the related liabilities.

Most of the investment portfolio is held to meet payment obligations that extend for many years into the future. As a consequence, the board takes a long-term approach to finding an acceptable risk/return trade-off via the investment strategy. WorkSafeNB’s investment policies and practices are designed to maximize the probability of meeting its performance objectives over the long-term at an acceptable level of risk; from year-to-year, short-term fluctuations in financial markets could cause the investment portfolio to significantly over- or under-perform its long-term performance objectives.

The board believes that the most important factor in determining investment risk and return is asset mix. In 2011, the board completed an asset liability study, which was designed to help the board determine an appropriate asset mix given their risk tolerance, the nature of the liabilities and WorkSafeNB’s financial position. As a result of the study, the board amended the policy asset mix. The migration to the new target policy asset mix is scheduled to be completed over the next few years.

WorkSafeNB’s current policy asset mix consists of 23% Canadian bonds, 5% Canadian real return bonds, 17% Canadian equities, 17% U.S. equities, 17% international (EAFE) equities, 4% emerging markets equities, 15% real estate, and 2% cash.

The migration to the new target policy asset mix will involve reducing the Canadian bonds allocation to 18%, reducing the Canadian equities allocation to 16%, reducing the U.S. equities allocation to 15%, reducing the international (EAFE) allocation to 15%, adding a 5% allocation to infrastructure, and adding a 5% allocation to an opportunistic strategy.

This new asset mix is designed to reduce the volatility in WorkSafeNB’s annually reported operating income, funded ratio and assessment rates. WorkSafeNB plans to conduct another asset liability study in 2016.

The table below shows the asset values by investment type.

Investments (\$000s)	2013	2012
Forward foreign exchange contracts	(4,218)	(722)
Fixed income	277,056	282,223
Equities	743,252	643,419
Real return bonds	48,469	56,035
Real estate	188,659	175,530
Infrastructure	2,398	-
Total investments	1,255,616	1,156,485

WorkSafeNB’s investment strategy is documented in the Statement of Investment Philosophy and Beliefs Policy and the Investment Goals and Objectives Policy. The Statement of Investment Philosophy and Beliefs Policy documents the governance structure for investments, the board’s commitment to a disciplined approach to investing, the board’s view on diversification and the importance of the asset allocation decision, along with the board’s view on ethics and investment education. The Investment Goals and Objectives Policy identifies the policy asset mix, the performance objectives, and defines eligible investments and limits on risk concentrations. All of WorkSafeNB’s investments are managed by independent external investment managers. The compliance of these portfolio managers with policy is monitored regularly. To minimize the volatility of returns, WorkSafeNB’s portfolio is diversified among asset classes, industry sectors, geographic locations and individual securities. WorkSafeNB further diversifies by selecting investment managers with varying investment mandates and styles.

Benefits Liabilities

At the end of each fiscal year, WorkSafeNB determines its benefits liabilities for all accidents that have occurred to that date. These liabilities represent the actuarial present value of all future benefit and related administration costs. As at December 31, 2013, claim benefit liabilities were broken down as follows:

Benefits Liabilities (\$000s)	2013	2012
Short-term disability and rehabilitation	76,666	79,740
Long-term disability	539,258	533,940
Survivor benefits	89,046	92,615
Health care	338,493	317,325
Total benefits liability	1,043,463	1,023,620

The benefits liability remained relatively stable in 2013. However, recent changes to the policy on supplements to compensation may have a material impact on the liability moving forward.

Fund Balance

WorkSafeNB's funding policy specifies a funding goal (ratio of assets to liabilities) of 110%. This permitted excess of assets over liabilities reduces the impact of year-to-year fluctuations, thus providing assessment rate stabilization and enhanced security that awarded benefits will be met. The assessment revenue raised in any year from assessed employers may include or be reduced by an amount designed to allow WorkSafeNB to attain its funding goal. The funded ratio at December 31, 2013 is 138.2% (2012 – 126.7%). Under the *Workers' Compensation Act*, a minimum funding level of 100% is required with any shortfall to be recovered over a period of five years.

REVENUES

WorkSafeNB's revenue is derived from two sources: assessment income and investment income. In 2013, revenues totalled \$334.0 million, a 21.1% increase from 2012 revenues of \$275.7 million.

Assessment Income

Assessment income consists of premiums from assessed employers and revenue from self-insured employers. Assessed employers pay premiums based on their assessment rate and assessable payroll. The assessment rate is applied to each \$100 of assessable payroll to arrive at the total premium. Revenue from self-insured employers reflect recoveries of claim payments made on behalf of these employers, an allocation of administration costs to manage the claims, and the change in the actuarial valuation of self-insured employers' benefit liabilities.

Overall, assessment income decreased 4.0% from \$164.6 million in 2012 to \$158.0 million in 2013. Premiums from assessed employers decreased 16.8% due to a decrease in the provisional average assessment rate from \$1.70 in 2012 to \$1.44 in 2013. This decrease was offset by a 66.5% increase in revenue from self-insured employers. The increase reflects higher than anticipated claims costs, mainly the result of changes to the policy on supplements to compensation. Employer payrolls increased from \$8.26 billion to \$8.27 billion primarily because of the annual increase to the maximum insurable earnings. In 2013, the maximum insurable earnings increased from \$58,100 to \$59,500.

Assessment Income (\$000s)	2013	2012
Assessed employers	115,860	139,303
Self-insured employers	42,121	25,292
Total assessment income	157,981	164,595
Average assessment rate	\$1.44	\$1.70
Assessable payroll	\$8.27 billion	\$8.26 billion

Investment Income

Investment income increased from \$111.2 million in 2012 to \$176.0 million in 2013. Most of this increase is attributable to larger realized gains on WorkSafeNB's equity investments for the year ended December 31, 2013.

Investment income is an important revenue stream for WorkSafeNB. It is relied on to supplement assessments to cover total expenses for the year. Built into the valuation of the benefits liabilities and into the assessment rate-setting model is the long-term assumption that WorkSafeNB's investments will generate an annual real rate of return of 4.0%. In 2013, the real rate of return on the portfolio was 14.49%. For the 20-year period ended December 31, 2013, the annualized real rate of return on the portfolio was 5.42%.

Investment Income (\$000s)	2013	2012
Interest and dividends	28,793	27,808
Net realized gains on investments	73,672	33,941
Change in net unrealized gains on investments	78,440	53,532
Portfolio management expenses	(4,910)	(4,129)
Total investment income	175,995	111,152

EXPENSES

WorkSafeNB's expenses consist of claims costs, administration costs, legislative obligations and the costs of administering the Appeals Tribunal. In 2013, expenses increased by 18.1% from \$174.7 million to \$206.4 million.

Claims Costs

As reported in the Statement of Operations and Fund Balance, claims costs represent costs incurred in the current year for current and prior year injuries. These costs include benefit payments made and changes in the actuarial valuation of the benefits liability. In 2013, these costs totalled \$163.4 million, a 23.2% increase from the \$132.6 million incurred in 2012. The increase is mainly attributable to long-term disability costs, which increased by \$24.2 million as the result of refinements made to the methodology used to estimate long-term disability costs, specifically with respect to accident age and liability duration.

Fundamental to the actuarial valuation are the discount rates used to value the liabilities. The assumed discount rate remained unchanged at 6.60%.

Claims Costs (\$000s)	2013	2012
Short-term disability and rehabilitation	33,030	29,046
Long-term disability	53,507	29,342
Survivor benefits	5,693	7,670
Health care	71,149	66,530
Total claims costs	163,379	132,588

Operating Costs

In 2013, WorkSafeNB's administration costs increased from \$39.2 million to \$40.0 million, but remained well below budgeted costs of \$42.2 million.

WorkSafeNB is required by legislation to reimburse the provincial government for operating costs of the workers' and employers' advocates. In 2013, WorkSafeNB incurred \$861 thousand for these costs (2012 – \$917 thousand).

In 2013, WorkSafeNB provided \$440 thousand (2012 – \$440 thousand) of financial assistance to two safety associations in accordance with the Workers' Compensation (WC) Act. The money paid is levied against all employers in the industries represented by the safety associations and is included as part of assessment income.

Operating Costs (\$000s)	2013	2012
Administration costs	40,031	39,215
Legislative obligations	1,301	1,357
Appeals tribunal	1,660	1,548
Total operating costs	42,992	42,120

KEY FINANCIAL DRIVERS

Employment, Accident Frequency and Claim Duration

Work-related injuries arise from employment. Changes in New Brunswick's employment base and trends in accident frequency and claim duration are the primary drivers of WorkSafeNB's operations and the key determinants of the assessment rates that employers pay.

In recent years, the employment base in New Brunswick has been growing but accident frequency has been declining. Claim duration had been declining but recent indicators suggest the trend is slowing.

Some of the forces driving the reductions in accident frequency are:

- An increased awareness of and acceptance of the need for good safety practices on the part of both workers and employers;
- The aging of the workforce (older workers tend to exhibit a lower accident frequency rate);
- WorkSafeNB's focus on high risk industries;
- A shift in the nature of industry in the province from high accident risk industries to lower risk industries;
- Changes in the way work is done in the higher risk industries.

Some of the forces positively influencing claim duration are:

- WorkSafeNB's focus on early intervention and safe return to work;
- A shift in the nature of industry in the province from high accident risk industries to lower risk industries; and
- Economic factors that encourage early return to work.

Claim duration/severity is particularly important, as a relatively small number of claims accounts for a very sizable portion of benefit costs.

Inflation Rate

The inflation rate, or Canadian consumer price index (CPI) is a key driver because WorkSafeNB's future short-term disability, long-term disability, and survivor benefits are indexed annually based on the CPI.

The Bank of Canada's target for the core inflation rate is 2.0%. Over the past 10 years, the rate used for the indexation of lost-time benefits has ranged from a low of 0.73% to a high of 2.52%, with the average rate being 1.85%.

Investment Returns

WorkSafeNB collects assessments to cover the entire present and future expected costs of injuries incurred in a given year. The assessments collected are invested to produce an expected long-term average real return of 4.0%. This real return is the expected return in excess of inflation, as measured by the increase in the CPI. This return expectation is based on achieving investment returns similar to the historical long-term average returns for the asset classes in which the portfolio is invested.

World equity markets rose in most geographies in 2013, as economic data in the U.S. and Europe continued to improve, and global central banks maintained their supportive policies. U.S. and international (EAFE) equity markets experienced particularly strong returns, aided by a weakening Canadian dollar. Emerging Markets and Canadian equities lagged somewhat, as economic growth was not strong enough to drive commodity prices higher. U.S. equities, represented by the S&P 500 index, returned 41.27% in Canadian dollar terms for 2013. For the same period, Canadian equities gained 12.99%, and international (EAFE) equities gained 31.02%.

Canadian bonds experienced a year of negative returns as interest rates rose in 2013. The DEX Universe Bond Index lost 1.19% for the year. Long bonds, represented by the DEX Long Term Bond Index, lost 6.16%, and real return bonds, represented by the DEX Real Return Bond Index, lost 12.99%. Canadian real estate had another strong year, with the REALpac/IPD Canada Annual Property Index returning 10.7%.

WorkSafeNB's total investment portfolio earned a return of 15.73% in 2013. Inflation for the same period has averaged 1.24%, resulting in a real return of 14.49% for the period. This exceeds the expected real return objective by 10.49%. WorkSafeNB's investment return for the 20 years ended December 31, 2013 has averaged 7.21%. Inflation for the same period has averaged 1.79%, resulting in an average real return of 5.42% for the period. This exceeds the expected real return objective by 1.42%.

While the expected average real return is 4.0% over long periods, over shorter periods the actual real rate of return can vary significantly due to short-term volatility in the financial markets where WorkSafeNB's portfolio is invested. The long-term fiscal strategy and investment policies document WorkSafeNB's strategy for maintaining investment and funding discipline in volatile markets. Based on the market value of the investment portfolio at December 31, 2013, each one percent of annual investment return over or under the expected return of CPI plus 4.0% translates to an excess or shortfall of approximately \$13.1 million.

Income Taxes

Income taxes are a key driver because loss of earnings benefits are based on a percentage of an injured workers' pre-accident earnings after tax. Significant changes to income tax rates or income tax exemptions may have a material impact on WorkSafeNB's benefits liability.

RISKS

The context in which WorkSafeNB makes its strategic decisions is continuously changing. Trends and events within New Brunswick and across Canada are intricately linked to the achievement of our vision, with environmental, economic, and societal factors posing risks as well as opportunities for WorkSafeNB. To maximize opportunities and manage risks, the board of directors annually reviews its strategic direction and the risks facing the organization, and decides whether to reaffirm or adjust treatment of its risk portfolio and its strategies.

Available online at www.worksafenb.ca, the *2013-2018 Strategic Plan & Risk Assessment* summarizes the results of the annual planning process, with an emphasis on transparency and accountability. Based on its analysis in 2013, the board of directors reaffirmed its strategic direction and identified 24 risks to achieving the direction. The risks include:

- *Unique mandate risks* - specific risks that exist only as a result of WorkSafeNB's legislated mandate. This included such risks as changes in the funding level, board succession planning, varying expectations in WorkSafeNB's role in health and safety and return to work, challenges in amending the governing statutes, and having the appropriate balance between sustainable employer insurance and workers' compensation benefits.

Key funding level risks include benefits costs and investment performance.

Benefit costs are susceptible to many variables, including the state of the provincial economy, major projects, shifts in the nature of work in the province, worker and employer attitudes to health and safety, the aging of the workforce, employer return-to-work practices, WorkSafeNB's effectiveness in processing and managing claims, and appeal decision results. Non-controllable risks include the potential for legislated new benefits or expanded coverage of diseases, especially if applied retroactively. The occurrence of these types of events could carry substantial financial liability if introduced in New Brunswick.

Investment policy is established by the board, which has determined its asset mix policy using the results of an asset liability study which considered the nature of the liabilities, the board's risk tolerance and WorkSafeNB's

financial position. The board and management have also established policies and directives to ensure that there are adequate internal control and risk-mitigation procedures in place for WorkSafeNB's investments. However, some investment risks are not directly controllable, such as significant market swings, geopolitical risks, and interest rate changes driven by the fiscal and trade policies of other countries. Significant year-to-year volatility in WorkSafeNB's reported results due to fluctuations in the market value of investments is likely to continue.

- *External risks* - societal, economic, political or demographic trends and behaviours that influence and impact WorkSafeNB's goals, and included changes in the types of industries operating in the province, the availability and cost of health care, the aging population's influence on workplaces, and increased accidents associated with skills and labour shortages.
- *Risks to reputation* - those factors that may impact perceptions and attitudes held by stakeholders, clients, and the public towards WorkSafeNB, including public image, government decisions, and external agencies' recommendations that do not align with the board of directors' strategic direction.
- *Operational risks* - a breakdown of people/systems, including threats to business continuity, and changes in staffing levels or technology/equipment, which may impact WorkSafeNB's ability to fulfill its responsibilities.

Once the board of directors identifies the risks, it prioritizes each in terms of its impact and likelihood of occurrence, as well as assigns a suitable response (reduce, accept, avoid, share). Management is given the mandate and the resources to then manage the risks according to the board's direction. This may include establishing controls, policies, directives, and/or disciplined frameworks or approaches to manage these risks. The Internal Audit Department, which reports to the president and CEO and the Financial Services Evaluation Committee of the board, regularly carries out operational and financial audits to test for compliance.

LOOKING AHEAD

Business outlook

WorkSafeNB's challenge in the near term will be to manage the business in light of economic uncertainty and to maintain the disciplined approach to managing the investment portfolio in turbulent markets. To achieve these goals, WorkSafeNB's business priorities are to build on those operational and financial strategies that have contributed to organizational success. Management will be closely monitoring economic and operating trends to proactively develop effective responses to emerging business issues.

WorkSafeNB will continue to look for opportunities to improve outcomes. Maintaining current service levels and improving on an already high level of quality will be challenging tasks in the face of escalating costs and a tight market for qualified staff. However, the proven effectiveness of WorkSafeNB's service delivery model is a solid platform for continuing success, relying on the dedication and professionalism of its staff to deliver services with care, compassion, efficiency, promptness, and fairness.

Strong investment performance and declining accident frequency have resulted in assessment rate reductions over the past several years. This trend continues in 2014 with an assessment rate reduction from \$1.44 to \$1.21 per \$100 of assessable payroll. This decision was guided by the board's funding policy, which requires that the assessment rate be adjusted to allow WorkSafeNB to achieve its 110% funding target. Although New Brunswick's assessment rate continues to be among the lowest in the country, future trends in accident experience and investment returns may have a material impact on the rate, either positively or negatively.

Financial management

Capital markets remain uncertain and it is critical for WorkSafeNB to maintain a disciplined planning and decision-making process to protect the integrity and stability of the Accident Fund. WorkSafeNB is a long-term investor with a strong financial position. This allows for patience and the ability to stay committed to proven investment principles and beliefs.

Labour market

Canada's labour market is dramatically changing and, as in other industrialized countries, this means that the labour force is not only aging, but also shrinking. A variety of factors – declining birth rates, the beginning of retirement for the baby boomers, and continued out-migration to other provinces for employment opportunities – are aligning to create a perfect storm of factors resulting in a significant socioeconomic crisis in the province's near future. Sometime toward the middle of the next decade, and for the first time in at least a century, the number of people willing and available to work in Canada will be smaller than the number of jobs potentially available for them. After that point in time, a general labour shortage will become a normal fact of New Brunswick economic life.

The board recognizes this challenge and is committed to developing strategies to ensure that WorkSafeNB continues to recruit and retain top-tier employees.

New Brunswick economy¹

A tailing off of major project investment spending, volatility in the resource sector and demographic challenges have weighed heavily on the province's recent economic performance. Expect real GDP to come in essentially flat in 2013 relative to the year prior, as the perfect storm of declining employment, weak income readings and an underperforming export sector handcuffed economic activity for a third year running.

Looking ahead, the skies are likely to brighten somewhat. An export sector that has underperformed in 2013 is expected to show improved strength in 2014 on the back of a depreciating Canadian dollar and an improved U.S. economic showing. Electricity exports are expected to remain strong, reflecting the fact that the Point Lepreau nuclear power plant is operating at near full capacity. Forestry-related exports will also be buoyed by rising U.S. demand.

Zinc production is poised to rise in 2014 following a pullback in 2013 due to the winding down of the Xstrata Brunswick Mine. Indeed, zinc output in 2014 will be boosted by production at the Caribou and Half Mile Lake mines in the Bathurst region. That said, overall resource output will be kept in check. Recent uncertainty in the potash sector has prompted PotashCorp to halt production at its Penobsquis mine and lay off 180 workers by the end of the first quarter of 2014. Part of this reduced activity will be made up by the expansion of the Picadilly mine which is expected to begin production by the end of 2014 and ramp up in 2015 – barring any further volatility within the potash sector.

Fiscal challenges will weigh on the near-term economic performance. A fiscal 2013-14 deficit is now estimated at \$538 million or 1.7% of provincial GDP. Relative to the size of the economy, New Brunswick has one of the heaviest fiscal burdens in the country. The province raised taxes in 2013 to help replenish revenue coffers, but a timeline to budgetary balance has not yet been spelled out.

Summary

WorkSafeNB is prepared to face these challenges through ongoing stakeholder consultation on key issues, ongoing innovation of its business, development of online systems enabling its clients to transact their WorkSafeNB business simply and efficiently, employee retention and development strategies aimed at ensuring that the organization continues to be a top employer, and closely monitoring economic and operating trends to proactively develop effective responses to emerging business issues.

Together with its partners, WorkSafeNB will continue to look for ways to minimize the impact of workplace illness and injury for New Brunswickers and their employers. Through clear focus on the core business and commitment to its core values, WorkSafeNB remains poised to face the future.

¹ Provincial Economic Forecast, TD Economics, January 15, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

WorkSafeNB's financial statements were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting and applying appropriate accounting principles and actuarial assumptions consistent with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced, and that assets are properly safeguarded. The Internal Audit Department conducts reviews to ensure that WorkSafeNB's internal controls and procedures are adequate, consistent, and applied uniformly.

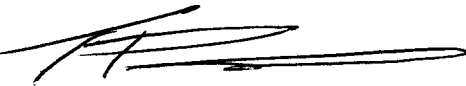
The board of directors is responsible for evaluating management in the performance of financial reporting responsibilities, and has approved the financial statements included in this Annual Report. The board of directors is assisted by the Financial Services Evaluation Committee, which reviews and recommends approval of the financial statements and meets periodically with management, the independent actuaries, the independent auditors and the internal auditor, concerning internal controls and all other matters relating to financial reporting.

Morneau Shepell, WorkSafeNB's independent consulting actuary, has completed an actuarial valuation of the benefits liabilities included in WorkSafeNB's financial statements and reported thereon in accordance with accepted actuarial principles.

Grant Thornton, WorkSafeNB's independent auditors, has performed an audit of WorkSafeNB's financial statements in accordance with International Financial Reporting Standards. The Independent Auditors' Report outlines the scope of this independent audit and includes the opinion expressed on the financial statements.



Gerard Adams, CA
President and Chief Executive Officer
WorkSafeNB



Tim Petersen, CA
Acting Vice-President, Corporate Services
WorkSafeNB

ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of WorkSafeNB as at December 31, 2013 (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.

1. The data on which the valuation is based were provided by WorkSafeNB. We applied such checks of reasonableness of the data as we considered appropriate. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.
2. The economic assumptions are consistent with WorkSafeNB's long-term fiscal strategy and investment policies. The discount rates used are disclosed in note 3 to the financial statements. In my opinion, the assumptions are appropriate for the purpose of the valuation.
3. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.
4. The estimate of the actuarial liabilities as at the valuation date is \$900,687,000 for assessed employers and \$142,776,000 for self-insured employers for a total of \$1,043,463,000. This includes provisions for benefits and future administrative expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. It also includes a provision for potential long latency occupational disease claims associated with exposure that occurred on or before the valuation date.
5. The liability as at the valuation date for pension contributions and accumulated interest already set aside by WorkSafeNB up to the valuation date for purposes of providing pension benefits at age 65 to injured workers and dependent spouses of deceased workers is included in the above figures and was obtained from WorkSafeNB's Corporate Services Division staff.
6. In my opinion, the amount of the benefits liabilities makes appropriate provision for all personal injury compensation obligations, and the financial statements fairly present the results of the valuation.
7. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
8. The valuation is based on the provisions of the *Workers' Compensation Act* of New Brunswick and on WorkSafeNB's policies and practices in effect on the valuation date. Only benefits covered by the *Workers' Compensation Act* are included in this valuation.



Conrad Ferguson, F.C.I.A.
Morneau Shepell
March 2014

INDEPENDENT AUDITORS' REPORT

To the board of directors;
WorkSafeNB

We have audited the accompanying financial statements of Workplace Health, Safety and Compensation Commission of New Brunswick (operating as WorkSafeNB), which comprise of the balance sheet as at December 31, 2013 and the statements of operations, fund balance and the cash flows for the year then ended and a summary of significant accounting policies and other explanatory information

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of WorkSafeNB as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Saint John, New Brunswick
March 13, 2014

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants

FINANCIAL STATEMENTS

BALANCE SHEET AS AT DECEMBER 31

	2013 (000s)	2012 (000s)
ASSETS		
Cash and cash equivalents	\$ 61,906	\$ 16,611
Receivables and other (Note 5)	10,491	10,821
Recoverable benefits liabilities	132,883	128,377
Investments (Notes 6 and 7)	1,255,616	1,156,485
Capital assets (Note 8)	9,115	9,485
	\$ 1,470,011	\$ 1,321,779
 LIABILITIES AND FUND BALANCE		
Payables and accruals (Note 9)	\$ 20,240	\$ 19,456
Benefits liabilities (Notes 3, 4 and 10)	1,043,463	1,023,620
Total liabilities	1,063,703	1,043,076
 Fund balance	 406,308	 278,703
	\$ 1,470,011	\$ 1,321,779

On behalf of the board of directors:



Hector Losier
Financial Services Evaluation Committee, Board of Directors



Jean Stewart
Financial Services Evaluation Committee, Board of Directors



Sharon Tucker
Chairperson, Board of Directors

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

STATEMENTS OF OPERATIONS AND FUND BALANCE
For the year ended December 31

OPERATIONS

	2013 (000s)		2012 (000s)
	Budget	Actual	Actual
Income			
Assessments (Note 11)	\$ 124,253	\$ 115,860	\$ 139,303
Investments (Note 6)	79,430	175,995	111,152
Self-insured employers (Note 12)	42,750	42,121	25,292
	<u>246,433</u>	<u>333,976</u>	<u>275,747</u>
Expenses			
Claims costs incurred (Note 10)			
Short-term disability and rehabilitation	42,500	33,030	29,046
Long-term disability	69,550	53,507	29,342
Survivor benefits	7,700	5,693	7,670
Health care	67,900	71,149	66,530
	<u>187,650</u>	<u>163,379</u>	<u>132,588</u>
Administration (Note 13)	42,196	40,031	39,215
Legislative obligations (Note 14)	1,325	1,301	1,357
Appeals Tribunal	1,885	1,660	1,548
	<u>45,406</u>	<u>42,992</u>	<u>42,120</u>
Total expenses	<u>233,056</u>	<u>206,371</u>	<u>174,708</u>
Excess of income over expenses for the year	<u>\$ 13,377</u>	<u>\$ 127,605</u>	<u>\$ 101,039</u>

FUND BALANCE

Fund balance, beginning of year	\$ 278,703	\$ 177,664
Excess of income over expenses for the year	<u>127,605</u>	<u>101,039</u>
Fund balance, end of year	<u>\$ 406,308</u>	<u>\$ 278,703</u>

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

STATEMENT OF CASH FLOWS
For the year ended December 31

	<u>2013</u> <u>(000s)</u>	<u>2012</u> <u>(000s)</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from:		
Assessed employers	\$ 118,928	\$ 140,543
Self-insured employers	36,915	33,244
Interest and dividends	<u>30,346</u>	<u>31,629</u>
	<u>186,189</u>	<u>205,416</u>
Cash paid to:		
Injured workers or third parties on their behalf (Note 10)	143,536	139,431
Suppliers and employees, for administration and other services	<u>48,406</u>	<u>44,224</u>
	<u>191,942</u>	<u>183,655</u>
Net cash provided by operating activities	(5,753)	21,761
CASH FLOW FROM INVESTING ACTIVITIES		
Cash received from:		
Sale of investments	<u>341,893</u>	<u>310,890</u>
Cash paid for:		
Purchase of investments	289,542	336,254
Purchase of capital assets	<u>1,303</u>	<u>1,560</u>
	<u>290,845</u>	<u>337,814</u>
Net cash used in investing activities	<u>51,048</u>	<u>(26,924)</u>
Increase (decrease) in cash during the year	45,295	(5,163)
Cash and cash equivalents, beginning of year	<u>16,611</u>	<u>21,774</u>
Cash and cash equivalents, end of year	<u><u>\$ 61,906</u></u>	<u><u>\$ 16,611</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

1. AUTHORITY AND NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission (operating as "WorkSafeNB") was established by the New Brunswick Legislature effective January 1, 1995, under the *Workplace Health, Safety and Compensation Commission Act (the "WHSCC Act")*. WorkSafeNB, having its head office at 1 Portland Street, Saint John, New Brunswick, is responsible for the administration of the *Workers' Compensation Act (the "WC Act")* and the *Occupational Health and Safety Act (the "OHS Act")*; and, in accordance with the provisions of these acts, for promoting accident prevention; administering the payment of benefits to injured workers and surviving spouses; and levying and collecting assessments from employers sufficient to fund the current and future costs of existing claims.

WorkSafeNB is also responsible for the administration of the *Firefighter's Compensation Act (the "FC Act")* and, in accordance with the provisions of the act, for administering the payment of benefits to firefighters or former firefighters and dependants, and levying and collecting assessments from municipalities, rural communities, and local service districts. The results of operations under the *FC Act* are not included in WorkSafeNB's financial statements. A separate set of financial statements is prepared for the *FC Act*.

WorkSafeNB's financial statements were authorized for issue in accordance with a resolution of the board of directors on March 13, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

The accounting policies set out below have been applied in preparing the financial statements for the year ended December 31, 2013 and the comparative information for the year ended December 31, 2012.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in effect at December 31, 2013 and are presented in thousands (000s) of Canadian dollars, unless otherwise stated.

WorkSafeNB's financial statements have been prepared on a historical cost basis except for investments, which are measured at fair value and benefits liabilities, which are discounted to present value based on the assumptions detailed in Note 3.

(b) New accounting standards

Future accounting and reporting changes

The International Accounting Standards Board (the "IASB") is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect over the next several years. WorkSafeNB continually monitors the IASB work plans and publications to assess any potential impact on the organization.

IFRS 13 (Fair Value Measurement), effective January 1, 2013, establishes a single framework for all fair value measurements and describes how fair value is measured under IFRS. The standard did not have a material impact on WorkSafeNB's financial statements.

The IASB is also working on revisions to IFRS 4 (Insurance Contracts), IFRS 9 (Financial Instruments), IAS 17 (Leases), and IAS 18 (Revenue). At the current time, the impact of proposed revisions is not determinable.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**(c) Use of accounting estimates**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying WorkSafeNB's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, have been disclosed in Notes 2 and 3. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could be higher or lower than these estimates.

(d) Cash and cash equivalents

Cash and cash equivalents are recorded at fair value and consist of cash and fixed income instruments with maturities of less than one year.

(e) Assessment income

Assessment income is calculated on actual or estimated payrolls as reported by the employer, or on arbitrary assessments as determined by WorkSafeNB. Separate assessment rates are established for each industry classification. An allowance for doubtful accounts is provided for assessments receivable based on management's best estimate.

A portion of assessment income for the year is not billed or received until after year-end. The receivable is determined based on amounts billed and received subsequent to year-end. Any difference between unbilled assessments and the actual assessments received is credited or charged to income in the following year.

(f) Investments

All portfolio investments, except forward foreign exchange contracts, are designated by WorkSafeNB as financial assets at fair value through profit or loss on initial recognition, and are recorded at fair value. Forward foreign exchange contracts are classified as held-for-trading and are recorded at fair value. Interest and dividend income and realized gains and losses on all portfolio investments are included in investment income. Interest and dividend income is recognized in the period earned and realized gains and losses are recognized in the period in which they arise. Unrealized gains and losses are included in investment income and recognized in the period in which they arise. All purchases and sales of securities classified as portfolio investments are recognized using trade-date accounting.

All portfolio investments, except forward foreign exchange contracts, are designated by WorkSafeNB as financial assets at fair value through profit or loss on initial recognition because the portfolio is managed and its performance is evaluated on a fair value basis, in accordance with the policies and directives that document WorkSafeNB's investment strategy and risk controls. The portfolio investments are held to provide for the benefits liabilities. The most relevant measure to assess whether the investments are sufficient to pay for the liabilities is fair value. As the portfolio investments are a key part of the ongoing insurance operations of WorkSafeNB, the interest and dividend income and the realized and unrealized gains and losses on the portfolio investments are recognized in income from operations.

Fair values of investments are determined as follows:

- Equities are valued at their year-end quoted market prices as reported on recognized public securities exchanges.
- Fixed-term investments are valued at their 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.
- Commercial paper, short-term notes and treasury bills and term deposits maturing within a year are valued at either their year-end closing or bid price based on available quotations from recognized dealers in such securities, or at cost plus accrued interest, which approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

- 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 WorkSafeNB'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. For real estate pooled funds, these values represent WorkSafeNB's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets. For infrastructure pooled funds, these values represent WorkSafeNB's proportionate share of the underlying net assets at fair values estimated using one or more methodologies, including discounted cash flows, multiples of earnings measures, and recent comparable transactions. In the first year of ownership, cost is considered to be an appropriate estimate of fair value.
- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date.

(g) Fair value of other financial assets and liabilities

The carrying value of receivables and payables approximates their fair value because of the short-term nature of these instruments.

(h) Foreign currencies

Assets denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Income from these assets is translated at the rate in effect at the time the income is received. Realized exchange gains or losses are included in investment income and recognized in the period earned. Unrealized exchange gains or losses resulting from the translation of foreign currency denominated asset balances are recorded in investment income in the period in which they arise.

(i) Benefits liabilities

Benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation, policies and administrative practices in respect of existing claims. Benefits liabilities also include the estimated liability for latent occupational disease and a provision for future administration costs of existing claims. Due to the nature of the estimated liability for latent occupational disease and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefits liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision. The benefit liability calculations are completed by WorkSafeNB's internal actuarial staff in accordance with accepted actuarial practice established by the Canadian Institute of Actuaries. It is WorkSafeNB's practice to have an independent consulting actuary complete a valuation of the benefits liabilities of WorkSafeNB every year. Actual future costs could be higher or lower than those amounts presented in the financial statements.

A variety of estimation techniques are used in performing the valuation. They are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of claims to increase or reduce when compared with the cost of previously settled claims including, but not limited to:

- Changes in WorkSafeNB processes that might accelerate or slow down the development and/or recording of claims;
- Changes in WorkSafeNB policies that might affect benefits;
- Changes in the legal environment;
- Medical and technological developments.

Multiple techniques are adopted to estimate the required level of provisions. This assists in better aligning the trends inherent in the data being projected to the benefit type being valued. The most appropriate estimation technique is selected taking into account the characteristics of the benefit type and the extent of the development of each accident year. Details of specific assumptions used in deriving the outstanding claims liability at year-end are detailed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

(j) Recoverable benefits liabilities and self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers (predominately federal and certain provincial government institutions) who bear the direct cost of their incurred claims and an appropriate share of administration costs.

The benefits liabilities recorded in these financial statements include obligations to injured workers of self-insured employers, excluding those injured workers and dependants receiving benefits under the federal *Government Employees Compensation Act* or the *Silicosis Compensation Act*. These obligations represent the actuarial present value of all expected future benefits payments on behalf of self-insured employers, for claims that occurred in the current fiscal year, or in any prior year. As these liabilities will be borne by the self-insured employers when paid, an offsetting recovery equal to the benefits liabilities is reported on the balance sheet as recoverable benefits liabilities. Self-insured employers who are Crown corporations are required to provide WorkSafeNB with an irrevocable letter of credit, or a guarantee from the Province of New Brunswick as security.

(k) Operating leases

WorkSafeNB has continuing obligations under operating lease agreements for certain office space. Operating lease payments are charged as an expense in the statement of operations on a straight-line basis over the lease term.

(l) Capital assets

Capital assets are reported at cost and are depreciated on a straight-line basis over their estimated useful lives. The rates used are as follows:

Buildings	25 years
Furniture and equipment	5 years
Leasehold improvements	Remaining term of relevant lease
Computer software and hardware	3 years
Motor vehicles	3 years, 35% residual value

The assets residual values are reviewed each balance sheet date and adjusted if appropriate. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount, and are included in investment income.

As at December 31, 2013, items of property, plant and equipment were assessed for specific indicators of potential impairment. Such indicators include technological obsolescence and physical deterioration or loss. Management determined that there was no material impairment of individual operating assets.

(m) Post-employment benefits

Payables and accruals include an amount for post-employment benefits based on a January 1, 2014 actuarial valuation conducted by WorkSafeNB's independent consulting actuary. Post-employment benefits include retirement allowances and early retirement programs.

(n) Workers' Rehabilitation Centre

Included in health care payments is \$6.4 million (2012 – \$5.4 million) for services provided by the Workers' Rehabilitation Centre, a department of WorkSafeNB.

(o) Impairment review

Entity Level

IAS 36 (Impairment of Assets) requires an entity to test assets for impairment if indicators of impairment exist. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

Based on an analysis of cash flows, WorkSafeNB has established that the appropriate cash-generating unit for impairment review is the entity. As WorkSafeNB has statutory power under the *WC Act* to increase assessments and/or impose levies to ensure full funding into the foreseeable future, impairment at the entity level is remote. WorkSafeNB conducts an annual review to ensure that no events or change in circumstances have occurred that would provide evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

As at December 31, 2013, management concluded that there were no known significant changes in the legislative, economic, or business environment that would have a material impact on WorkSafeNB's ability to generate future economic benefits from its operating assets.

(p) Funding policy

WorkSafeNB's funding policy specifies a funding goal (ratio of assets to liabilities) of 110%. This permitted excess of assets over liabilities reduces the impact of year-to-year fluctuations, therefore providing assessment rate stabilization and enhanced security that awarded benefits will be met. The assessment revenue raised in any year from assessed employers may include or be reduced by an amount designed to allow WorkSafeNB to attain its funding goal. The funded ratio at December 31, 2013 is 138.2% (2012 – 126.7%). Under the *WC Act*, a minimum funding level of 100% is required, with any shortfall to be recovered over a period of five years.

3. ACTUARIAL ASSUMPTIONS AND METHODS

Significant estimates and judgments are made in respect of outstanding benefits liabilities disclosed in the financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques. The following explicit assumptions have been made in determining the outstanding benefits liabilities:

	2013			2012		
	CPI-indexed awards	Medical payments (duration 16 and over)	Other payments (duration 16 and over)	CPI-indexed awards	Medical payments (duration 16 and over)	Other payments (duration 16 and over)
Gross rate of return	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%
Inflation - Year 1	0.96%	7.00%	3.50%	2.40%	7.00%	3.50%
- subsequent years	2.50%	7.00%	3.50%	2.50%	7.00%	3.50%
Net rate of return - Year 1	5.59%	(0.37%)	3.00%	4.10%	(0.37%)	3.00%
- subsequent years	4.00%	(0.37%)	3.00%	4.00%	(0.37%)	3.00%
Future administration	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Occupational disease	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

A description of the processes used to determine these assumptions is provided below:

General statement

Assumptions are formulated to be consistent with the funding and investment policies adopted by the board. Benefits liabilities are valued based on the primary assumption that the system will be in operation for the very long term. Hence, the focus is on long-term trends as opposed to short-term fluctuations around those trends.

Gross rate of return

The gross rate of return reflects the best estimate of the long-term average rate of return that can be expected using the benchmark asset allocation adopted by the board in its statement of investment goals and objectives. The process is based on the estimate of a real rate of return that is then compounded with the long-term average future inflation estimate to obtain the gross rate of return.

CPI-indexed awards inflation rate

The indexation rate in year one for short-term disability, long-term disability, pensions and survivor awards is known when the valuation is made. This calculation of the indexation rate is specified under the *WC Act* and the calculation for the following calendar year is made before year-end. For the first 15 years of the projection for short-term disability and seven years of the projection for long-term disability awards, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For subsequent durations, the inflation rate was determined from a study of past experience over periods of 20, 30 and 50 years. The study is periodically updated to ensure the inflation assumption remains current. The latest study, conducted in 2013, produced an annual inflation rate of 2.5%.

Medical payments inflation rate

For the first 15 years of the projection, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For duration 16 and over, the inflation rate was determined from a study of past payment experience for the period from 1992 to 2006. The study is periodically updated to ensure the inflation assumption remains current. The latest study, conducted in 2008, revealed an annual inflation rate that was 4.5% above the long-term inflation assumption used for CPI.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

3. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)***Other payments inflation rate***

For the first 15 years of the projection, the inflation rate is assumed to be the same as is implied in the development factors derived from past payment history. For duration 16 and over, the inflation rate was determined from a study of past payment experience for the period from 1992 to 2006. The study is periodically updated to ensure the inflation assumption remains current. The latest study, conducted in 2008, revealed an annual inflation rate that was 1.0% above the long-term inflation assumption used for CPI.

CPI-indexed awards net rate of return

A net rate of return is not calculated for the first 15 years following injury for short-term disability and the first seven years following injury for long-term disability awards as there is no explicit inflation assumption. The net rate of return for other CPI-indexed benefit types and other durations is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

Medical payments net rate of return

A net rate of return is not calculated for the first 15 years following injury as there is no explicit inflation assumption. The net rate of return is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

Other payments net rate of return

A net rate of return is not calculated for the first 15 years following injury as there is no explicit inflation assumption. The net rate of return is the net result from removing the inflation component of the gross rate of return from the gross rate of return on a compounded basis.

Future administration

When a claim occurs, it triggers an obligation to provide claims management, maintenance and support in terms of paying the various providers of health care services and compensating workers for lost wages for as long as the claim is open. The future administration expense liability is intended to provide a reasonable allowance for this obligation.

A detailed review of future administration expenses is conducted periodically. In this review, an estimate is made of the portion of operating expenses that can be attributed to claims maintenance, including a proportionate share of overhead expenses. The latest review, conducted in 2008, concluded that a 6.5% allocation was reasonable. Hence, a liability for future administration expenses of 6.5% of the total benefits liability is included in the liability estimate.

Occupational disease

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.

A detailed review of long-latency occupational disease incidence and costs is conducted periodically. The review provides a range of potential incidence and cost based on past experience. The study includes allowance for changes in industry make-up since the experience has developed and improvements have been made in the prevention of diseases known to be work related. The latest review, conducted in 2005, concluded that a 4.5% allocation was reasonable. Hence, a liability for occupational disease of 4.5% of the total benefits liability is included in the liability estimate.

Sensitivity analysis***i) Summary***

Sensitivity analyses are conducted to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact WorkSafeNB's financial performance and funding ratio.

Impact of movement in variable:

Gross rate of return

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on claims costs.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

3. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Long-term general inflation rate

The CPI-indexed awards inflation rate, medical payments inflation rate, and other payments inflation rate are all directly affected by movements in the long-term general inflation rate. Consequently, the benefits indexed to these rates are also impacted. An increase or decrease in the long-term general inflation rate would have a corresponding impact on claims costs.

Medical inflation rate

Medical expenses more than 15 years after the injury account for a major part of expected benefit payments at long durations. An increase or decrease in medical payment inflation relative to the assumption underlying the liability estimates would have a corresponding impact on claims costs.

The table below presents the sensitivity of the benefits liabilities to an immediate 1% increase or decrease in the assumed rates.

ii) Impact of changes in key variables:

	2013 (000s)		2012 (000s)	
	+1.00%	-1.00%	+1.00%	-1.00%
+/-% change in assumed rates				
Gross rate of return	\$ (67,571)	\$ 81,582	\$ (60,932)	\$ 69,990
Long-term general inflation rate	68,997	(57,256)	57,410	(50,449)
Medical inflation rate	36,046	(27,629)	22,435	(19,092)

4. CLAIMS – RISK MANAGEMENT POLICIES AND PROCEDURES

WorkSafeNB's financial condition and operation is affected by a number of key risks including claims, operational and financial risks. WorkSafeNB has established policies and procedures in respect of managing these risks as set out below.

(a) Claims risk

WorkSafeNB has an objective to manage claims risk thus reducing the volatility of assessment premiums and performance from operations. In addition to the inherent uncertainty of claims risk, which can lead to significant variability in the loss experience, performance from operations are significantly affected by market factors external to WorkSafeNB.

WorkSafeNB has developed, implemented and maintained a sound and prudent claims risk management strategy that encompasses all aspects of WorkSafeNB's operations.

The strategy sets out WorkSafeNB's policies and procedures, processes and controls in relation to the management of likely financial and non-financial claims risks.

Key aspects of the processes in place to mitigate claims risks include:

- Established processes for managing claims in accordance with the *WHSCC Act* and the *WC Act*.
- A disciplined strategic planning and risk assessment process.
- Targeted programs for high-risk industries.
- The use of sophisticated management information systems, which provide reliable and up-to-date data on the claims risks to which the business is exposed at any point in time.
- The use of detailed internal monitoring tools that link actuarial valuation projections with the management information systems to monitor claims patterns.
- Annual review of the benefits liability by an independent external actuary.

(b) Terms and conditions of the workers' compensation system

The terms and conditions of the workers' compensation system administered by WorkSafeNB are established under the *WHSCC Act*. Coverage is for annual periods ending December 31 each year. The system's terms and conditions are similar for all assessed employers.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

4. CLAIMS – RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

(c) Operational risk

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to claims or financial risks. These risks are managed through a framework that includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

(d) Financial risk

WorkSafeNB has exposure to the following financial risks:

- Funding risk
- Market risk
- Foreign currency risk
- Credit risk
- Inflation risk
- Interest rate risk

WorkSafeNB's exposure to these risks arises primarily in relation to its investment portfolio. Note 7 presents information about WorkSafeNB's exposure to each of the above risks, including objectives, policies and processes for measuring and managing the risk.

5. RECEIVABLES

	2013 (000s)	2012 (000s)
Assessments billed	\$ 1,563	\$ 1,568
Unbilled assessments	4,588	5,722
Self-insured employers – receivable	4,000	3,355
Self-insured employers – deposits	(1,534)	(1,593)
Other	1,874	1,769
	\$ 10,491	\$ 10,821

6. INVESTMENTS

The table below presents the fair value of WorkSafeNB's investments.

	2013 (000s) Fair Value	2012 (000s) Fair Value
i) Portfolio investments		
Forward foreign exchange contracts	\$ (4,218)	\$ (722)
Fixed income		
Conventional bonds	277,056	282,223
Equities		
Canadian	222,023	209,249
U.S.	228,729	187,950
Non-North American	292,500	246,220
Total equities	743,252	643,419
Inflation-sensitive		
Real return bonds	48,469	56,035
Real estate	188,659	175,530
Infrastructure	2,398	-
	239,526	231,565
	\$ 1,255,616	\$ 1,156,485

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

6. INVESTMENTS (CONTINUED)

ii) Fair value hierarchy

WorkSafeNB's investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 (Financial Instruments: Disclosures). The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 1 inputs are the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1 quoted prices. Level 2 inputs consist of: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (markets which have few transactions and prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (interest rates, yield curves, volatilities, credit risks, and default rates); and (iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. These inputs reflect assumptions about market pricing using the best internal and external information available. The valuation approaches applied are the most suitable and appropriate for the type of investments.

In certain situations, inputs used to measure the fair value of asset positions fall into different levels of the fair value hierarchy. In these situations, the level in which the fair value falls is based upon the lowest level input that is significant to the determination of the fair value. As of December 31, 2013, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

	2013			Fair Value
	(000s)			
	Level 1	Level 2	Level 3	
Portfolio investments				
Forward foreign exchange contracts	\$ -	\$ (4,218)	\$ -	\$ (4,218)
Fixed income				
Conventional bonds	277,056	-	-	277,056
Equities				
Canadian	222,023	-	-	222,023
U.S.	228,729	-	-	228,729
Non-North American	292,500	-	-	292,500
Total equities	743,252	-	-	743,252
Inflation-sensitive				
Real return bonds	48,469	-	-	48,469
Real estate	188,659	-	-	188,659
Infrastructure	-	-	2,398	2,398
	237,128	-	2,398	239,526
	<u>\$ 1,257,436</u>	<u>\$ (4,218)</u>	<u>\$ 2,398</u>	<u>\$ 1,255,616</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

6. INVESTMENTS (CONTINUED)

	2012 (000s)			Fair Value
	Level 1	Level 2	Level 3	
Portfolio investments				
Forward foreign exchange contracts	\$ -	\$ (722)	\$ -	\$ (722)
Fixed income				
Conventional bonds	282,223	-	-	282,223
Equities				
Canadian	209,249	-	-	209,249
U.S.	187,950	-	-	187,950
Non-North American	246,220	-	-	246,220
Total equities	643,419	-	-	643,419
Inflation-sensitive				
Real return bonds	56,035	-	-	56,035
Real estate	175,530	-	-	175,530
	231,565	-	-	231,565
	<u>\$ 1,157,207</u>	<u>\$ (722)</u>	<u>\$ -</u>	<u>\$ 1,156,485</u>

iii) Summary of changes in level 3 fair value measurements:

	2013 (000s)
Balance, beginning of year	\$ -
Purchases of level 3 investments	2,720
Investment loss	(322)
Balance, end of year	<u>\$ 2,398</u>

The investment classified as level 3 above consists of a limited partnership interest in a fund investing in global infrastructure assets. This is a closed-end fund with no active market for its units and no published net asset value as at December 31, 2013, and is therefore classified as a level 3 investment in the fair value hierarchy.

iv) Investment income

	2013 (000s)	2012 (000s)
Interest and dividends	\$ 28,793	\$ 27,808
Realized investment gains (losses) on forward foreign exchange contracts	(5,321)	9,397
Realized investment gains on other portfolio investments	78,993	24,544
Change in unrealized investment gains on forward foreign exchange contracts	(3,496)	(4,082)
Change in unrealized investment gains on other portfolio investments	81,936	57,614
	<u>180,905</u>	<u>115,281</u>
Less: portfolio management expenses	(4,910)	(4,129)
	<u>\$ 175,995</u>	<u>\$ 111,152</u>

The market rate of return on the investment portfolio for the year ended December 31, 2013 was 15.73% (10.89% in 2012).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

6. INVESTMENTS (CONTINUED)

v) Pooled funds

Certain of WorkSafeNB's portfolio investments are held through pooled funds with no fixed maturity date. The fair value of the investments held through pooled funds is as follows:

	2013 (000s)	2012 (000s)
Conventional bonds	\$ 277,056	\$ 282,223
Real return bonds	48,469	56,035
Non-North American equities	52,050	45,421
Real estate	188,659	175,530
Infrastructure	2,398	-

vi) Investment agreement

WorkSafeNB has entered into an investment agreement for the combined administration of its investments and those of the Workers Compensation Board of Prince Edward Island and the *FC Act* Disability Fund. These financial statements report WorkSafeNB's proportional share of the investments held in the fund, which was 85.54% at December 31, 2013 (2012 – 86.05%). In 2013, WorkSafeNB received a fee of \$204,981 (2012 – \$171,634) for the administration of the Workers' Compensation Board of Prince Edward Island's share of the fund, and a fee of \$6,344 (2012 – \$5,440) for the administration of the *FC Act* Disability Fund's share of the fund.

vii) Commitments

WorkSafeNB has entered into limited partnership agreements with externally managed infrastructure pooled funds, which commit to contribute investments in these funds, which may be drawn down over the next several years. Unfunded commitments as of December 31, 2013 are \$69.8 million.

7. FINANCIAL RISK MANAGEMENT

WorkSafeNB has established policies to manage its investments. All of WorkSafeNB's investments are managed by independent, external investment managers. The compliance of these managers with the investment policies is monitored regularly.

WorkSafeNB manages investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, WorkSafeNB retains independent consultants to advise on the appropriateness and effectiveness of its investment policies and practices. This includes periodic asset liability studies to ensure that the investment strategy is suitable in light of the related liabilities and WorkSafeNB's risk tolerance. The last such study was completed in 2011.

The following sections describe WorkSafeNB's financial risk exposures and related mitigation strategies.

i) Funding risk

WorkSafeNB's funding policy specifies a funding goal (ratio of assets to liabilities) of 110%. This permitted excess of assets over liabilities reduces the impact of year-to-year fluctuations, therefore providing assessment rate stabilization and enhanced security that awarded benefits will be met.

ii) Market risk

WorkSafeNB invests in publicly traded equities listed on domestic and foreign exchanges, bonds traded over-the-counter through broker-dealers, and Canadian commercial real estate held via pooled funds. These securities are affected by fluctuations in market prices. Such fluctuations are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks specific to issuers, which may affect the market value of individual securities. Policy guidelines have been established to ensure that WorkSafeNB's investments are diversified by issuer, industry and geographic location.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below presents the estimated effect of a reasonably possible¹ adverse change in the key risk variable – the market benchmark – for each of the equity mandates in WorkSafeNB's investment portfolio.

	2013 (000s)		2012 (000s)	
	1 std dev	2 std dev	1 std dev	2 std dev
Canadian Equities				
% change in market benchmark ²	(13.9%)	(27.7%)	(14.0%)	(28.0%)
Canadian portfolio – impact on surplus/deficit	\$ (26,580)	\$ (52,727)	\$ (25,179)	\$ (50,079)
U.S. Equities				
% change in market benchmark ³	(11.2%)	(22.5%)	(11.3%)	(22.7%)
U.S. portfolio – impact on surplus/deficit	\$ (29,320)	\$ (58,820)	\$ (23,302)	\$ (46,645)
International (EAFE) Equities				
% change in market benchmark ⁴	(13.0%)	(26.0%)	(13.5%)	(27.1%)
International portfolio – impact on surplus/deficit	\$ (28,990)	\$ (57,828)	\$ (24,253)	\$ (48,297)
Emerging Markets Equities				
% change in market benchmark ⁵	(17.9%)	(35.7%)	(18.4%)	(36.8%)
Emerging markets portfolio – impact on surplus/deficit	\$ (7,269)	\$ (14,430)	\$ (6,379)	\$ (12,654)

¹ Reasonably possible changes are estimated using the historical (10-year) variability of each of the market benchmarks about their respective means. The standard deviation measures the normal variance in a probability distribution. One standard deviation covers 68% of all probable outcomes and two standard deviations covers 95%.

² S&P TSX (Standard & Poor's Toronto Stock Exchange) Capped Composite Index

³ S&P (Standard & Poor's) 500 Index

⁴ MSCI (Morgan Stanley Capital International) EAFE (Europe, Australasia and Far East) Total Return Index

⁵ MSCI EM (Emerging Markets) Total Return Index

iii) Foreign currency risk

WorkSafeNB has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. WorkSafeNB's most significant currency exposure is to the U.S. dollar, the euro, the Japanese yen and the British pound. At December 31, 2013, WorkSafeNB had U.S. dollar-denominated holdings of \$231.1 million (2012 – \$188.0 million), euro-denominated holdings of \$62.4 million (2012 – \$48.3 million), Japanese yen-denominated holdings of \$48.9 million (2012 – \$40.2 million) and British pound-denominated holdings of \$47.7 million (2012 – \$43.8 million).

For its U.S. and non-North American equities, WorkSafeNB has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward foreign exchange contracts. Forward foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception.

The fair value of these financial instruments will change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts. Outstanding contracts from 2013 mature in the first 30 days of 2014.

At December 31, 2013, the notional value of outstanding forward foreign exchange contracts was \$217.2 million (2012 – \$181.5 million). The fair value of these contracts was a liability of \$4.2 million (2012 – \$0.7 million liability). Unrealized losses on forward foreign exchange contracts of \$4.2 million (2012 – \$0.7 million) were included in investment income.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below presents how the surplus/deficit would be affected by a reasonably possible annual change in the Canadian/US dollar, Canadian/euro, Canadian/Japanese yen and Canadian/British pound exchange rates. The impact on the surplus/deficit is shown net of the currency hedges in place at year-end:

	2013 (000s)	2012 (000s)
15% appreciation in the Canadian dollar	Impact on surplus/deficit	Impact on surplus/deficit
CAD/USD	\$ (15,594)	\$ (12,198)
CAD/EURO	(4,071)	(3,152)
CAD/YEN	(3,190)	(2,625)
CAD/POUND	(2,991)	(2,893)

iv) Credit risk

Credit risk on fixed-term or money market investments or forward foreign exchange contracts arises from the possibility that the counter party to an instrument fails to meet its obligation to WorkSafeNB. The maximum exposure to credit risk is determined by the fair value of these financial instruments. Policy guidelines have been established to ensure WorkSafeNB holds fixed-term investments with a credit rating of BBB or higher. WorkSafeNB may only invest in money market instruments that are provincially or federally guaranteed or are guaranteed by one of the five largest Canadian chartered banks. Counter parties to forward foreign exchange contracts must have a credit rating of at least AA-.

The table below summarizes the fixed term investments by credit rating.

	2013		2012	
	Fair Value (000s)	% of Total Fixed-Term Investments	Fair Value (000s)	% of Total Fixed-Term Investments
Credit Rating*				
AAA	\$ 161,079	49.48	\$ 174,226	51.51
AA	70,181	21.56	69,978	20.69
A	94,265	28.96	94,054	27.80
Total	\$ 325,525	100.00	\$ 338,258	100.00

* Credit ratings are obtained from Standard & Poor's, Moody's or DBRS ratings

v) Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets.

To mitigate the effect of inflation on WorkSafeNB's future liabilities, the portfolio holds inflation-sensitive investments, such as real-return bonds, real estate, and infrastructure. Canadian real-return bonds are indexed to the annual change in the Canadian consumer price index. The table included in the interest rate section below presents the remaining terms to maturity of the conventional and real-return bond portfolios.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

vi) Interest rate risk

Future changes in the prevailing level of interest rates will affect the fair value of the fixed-term investments.

The table below presents the remaining term to maturity of WorkSafeNB's portion of the outstanding fixed-term investments, some of which are held in pooled funds.

	Remaining Term To Maturity (000s)				Total 2012
	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total 2013	
Canadian real return bonds (fair value)	\$ (917)	\$ 182	\$ 49,204	\$ 48,469	\$ 56,035
Canadian conventional bonds (fair value)	1,275	77,431	198,350	277,056	282,223
	\$ 358	\$ 77,613	\$ 247,554	\$ 325,525	\$ 338,258

The average effective real yield of the real return bonds is 1.14% (2012 – 0.18%) per annum based on market value. The average effective yield of the conventional bonds is 2.90% (2012 – 2.41%) per annum based on market value.

As of December 31, 2013, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the Canadian conventional bonds would have increased or decreased by \$21.4 million (2012 – \$22.7 million), approximately 7.72% (2012 – 8.04%) of their fair value.

As of December 31, 2013, had the prevailing real interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the Canadian real return bonds would have increased or decreased by \$7.5 million (2012 – \$9.3 million), approximately 15.39% (2012 – 16.51%) of their fair value.

The sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolios.

8. CAPITAL ASSETS

	Land and buildings (000s)	Computer software and hardware (000s)	Furniture and equipment including leasehold improvements (000s)	Motor vehicles (000s)	2013 Total (000s)	2012 Total (000s)
Cost						
Balance at January 1	\$ 7,274	\$ 14,629	\$ 5,183	\$ 365	\$ 27,451	\$ 27,173
Additions	275	1,142	75	28	1,520	1,699
Disposals	-	(529)	-	(73)	(602)	(1,421)
Balance at December 31	\$ 7,549	\$ 15,242	\$ 5,258	\$ 320	\$ 28,369	\$ 27,451
Accumulated Depreciation						
Balance at January 1	\$ (830)	\$(12,693)	\$ (4,248)	\$ (195)	\$ (17,966)	\$ (17,532)
Depreciation	(295)	(1,265)	(275)	(27)	(1,862)	(1,855)
Disposals	-	529	-	45	574	1,421
Balance at December 31	\$ (1,125)	\$(13,429)	\$ (4,523)	\$ (177)	\$ (19,254)	\$ (17,966)
Carrying amounts						
At January 1	\$ 6,444	\$ 1,936	\$ 935	\$ 170	\$ 9,485	\$ 9,641
At December 31	\$ 6,424	\$ 1,813	\$ 735	\$ 143	\$ 9,115	\$ 9,485

NOTES TO THE FINANCIAL STATEMENTS
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9. PAYABLES AND ACCRUALS

	2013 (000s)	2012 (000s)
Accounts payable and accruals	\$ 16,607	\$ 12,863
Post-employment benefits	3,633	6,593
	<u>\$ 20,240</u>	<u>\$ 19,456</u>

At its meeting on April 25, 2013, the board of directors resolved to terminate the retirement allowance program for non-bargaining staff. This resulted in payouts of \$3.2 million to non-retirees in 2013.

10. BENEFITS LIABILITIES

i) Continuity schedule	2013 (000s)					2012 (000s)
	Short-term disability and rehabilitation	Long-term benefits	Survivor benefits	Health care	Total	Total
Balance, beginning of year	\$ 79,740	\$ 533,940	\$ 92,615	\$ 317,325	\$ 1,023,620	\$ 1,030,463
Add claims costs incurred:						
Current year injuries	32,362	22,466	204	47,283	102,315	105,724
Prior years' injuries	668	31,041	5,489	23,866	61,064	26,864
	<u>33,030</u>	<u>53,507</u>	<u>5,693</u>	<u>71,149</u>	<u>163,379</u>	<u>132,588</u>
Less claims payments made:						
Current year injuries	13,247	157	36	12,926	26,366	27,331
Prior years' injuries	22,857	48,032	9,226	37,055	117,170	112,100
	<u>36,104</u>	<u>48,189</u>	<u>9,262</u>	<u>49,981</u>	<u>143,536</u>	<u>139,431</u>
Balance, end of year	<u>\$ 76,666</u>	<u>\$ 539,258</u>	<u>\$ 89,046</u>	<u>\$ 338,493</u>	<u>\$ 1,043,463</u>	<u>\$ 1,023,620</u>

ii) Current year injuries

	2013 (000s)			2012 (000s)		
	Claims payments	Present value of expected future costs	Claims costs incurred	Claims payments	Present value of expected future costs	Claims costs incurred
Short-term disability and rehabilitation	\$ 13,247	\$ 19,115	\$ 32,362	\$ 13,592	\$ 20,507	\$ 34,099
Long-term disability	157	22,309	22,466	294	22,886	23,180
Survivor benefits	36	168	204	94	1,682	1,776
Health care	12,926	34,357	47,283	13,351	33,318	46,669
	<u>\$ 26,366</u>	<u>\$ 75,949</u>	<u>\$ 102,315</u>	<u>\$ 27,331</u>	<u>\$ 78,393</u>	<u>\$ 105,724</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

10. BENEFITS LIABILITIES (CONTINUED)

iii) Reconciliation of movement in benefits liabilities

	<u>2013</u> <u>(000s)</u>	<u>2012</u> <u>(000s)</u>
Balance, beginning of year	\$ 1,023,620	\$ 1,030,463
Add (deduct) changes in liabilities		
Provision for future costs of new injuries	75,949	78,393
Interest on liability	69,339	71,164
Payments and other transactions	<u>(118,123)</u>	<u>(112,132)</u>
	27,165	37,425
Claims experience (gains) losses		
Actual costs more (less) than expected	(848)	(25,175)
Actual payments more (less) than expected	(8,035)	(11,057)
Difference between actual and expected inflation	(3,660)	(1,458)
Other experience (gains) losses	<u>(372)</u>	<u>225</u>
	(12,915)	(37,465)
Unusual items		
Change in long-term inflation assumption	-	5,241
Changes in valuation methodology	-	(14,504)
Change resulting from CPPR decision	-	2,460
Change in supplements to compensation policy	<u>5,593</u>	<u>-</u>
	5,593	(6,803)
 Balance, end of year	 <u>\$ 1,043,463</u>	 <u>\$ 1,023,620</u>

iv) Prior years' injuries

Significant changes in prior years' claims costs arising from the estimate of the benefits liabilities included the following:

	<u>2013</u> <u>(000s)</u>	<u>2012</u> <u>(000s)</u>
	Increase (decrease) in benefits liabilities and claims costs incurred	
Reduction in assumed indexing rate for CPI-indexed benefits	\$ (3,660)	\$ (1,458)
(Favourable) Unfavourable experience on health care costs	3,920	(1,120)
(Favourable) Unfavourable experience on survivor costs	(67)	(896)
(Favourable) Unfavourable experience on short-term disability costs	(4,415)	(9,305)
(Favourable) Unfavourable experience on long-term disability costs	(7,640)	(22,248)
(Favourable) Unfavourable experience on other costs	(1,053)	(2,439)
Changes due to unusual items	5,593	(6,803)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

10. BENEFITS LIABILITIES (CONTINUED)**v) Claims development table**

The table that follows presents the development of outstanding claims relative to the ultimate expected claims for the seven most recent accident years. The table illustrates how the estimate of ultimate claims costs for each accident year has changed with more experience over succeeding year-ends, and compares the current estimate of cumulative claims cost to the actual cumulative payments over the development period. Due to the long duration of many benefit types, significant amounts will be paid beyond the valuation date. The lower section of the table reconciles the total outstanding claims amounts to the discounted amount reported in the balance sheet.

Accident year	2007	2008	2009	2010	2011	2012	2013	Total
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Estimate of ultimate claims cost:								
At end of accident year	\$ 203,829	\$ 207,975	\$ 200,462	\$ 203,428	\$ 184,192	\$ 168,843	\$ 202,327	
One year later	187,921	195,033	188,926	176,741	159,701	201,446		
Two years later	170,276	183,685	172,132	154,210	187,457			
Three years later	166,587	173,110	158,550	184,840				
Four years later	158,105	159,873	187,436					
Five years later	148,603	186,231						
Six years later	174,236							
Current estimate of cumulative claims cost	174,236	186,231	187,436	184,840	187,457	201,446	202,327	1,323,973
Cumulative payments	(74,625)	(75,350)	(69,509)	(63,451)	(57,075)	(52,075)	(26,790)	(418,875)
Outstanding claims, undiscounted 2006 and prior years	99,611	110,881	117,927	121,389	130,382	149,371	175,537	905,098
Total outstanding claims, undiscounted								1,237,572
Discount								(1,262,996)
Annuity - accrual								75,950
Occupational diseases								41,594
Other contingent liabilities*								46,245
Total outstanding claims								\$ 1,043,463

* Consists primarily of liabilities for future annuity awards.

11. ASSESSMENTS

	2013		2012
	(000s)		(000s)
	Budget	Actual	Actual
Assessment income	\$ 123,953	\$ 115,855	\$ 139,389
Interest and penalties	800	509	586
Uncollectibles	(500)	(504)	(672)
	<u>\$ 124,253</u>	<u>\$ 115,860</u>	<u>\$ 139,303</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

12. SELF-INSURED EMPLOYERS

	2013 (000s)		2012 (000s)
	Budget	Actual	Actual
Assessments	\$ 42,750	\$ 42,121	\$ 25,292
Claims costs incurred:			
Short-term disability and rehabilitation	11,700	12,334	9,108
Long-term disability	12,950	10,372	(1,098)
Survivor benefits	600	425	723
Health care	12,000	14,125	11,549
	37,250	37,256	20,282
Administration	5,500	4,865	5,010
	\$ 42,750	\$ 42,121	\$ 25,292

13. ADMINISTRATION

	2013 (000s)		2012 (000s)
	Budget	Actual	Actual
Salaries and employee benefits	\$ 30,918	\$ 30,762	\$ 30,279
Depreciation	1,900	1,828	1,809
Professional fees	1,800	1,659	1,220
Office and communications	2,353	1,786	2,117
Building operations	3,059	2,615	2,527
Travel and vehicle operations	1,428	1,001	1,033
Education and training	888	786	675
Other	1,350	1,044	1,006
	43,696	41,481	40,666
Allocated to health care claims costs	(1,500)	(1,450)	(1,451)
	\$ 42,196	\$ 40,031	\$ 39,215

A portion of WorkSafeNB's administration costs represents charges incurred by WorkSafeNB for the Workers' Rehabilitation Centre. This portion, which relates to claims, has been allocated to health care.

14. LEGISLATIVE OBLIGATIONS

WorkSafeNB is required by legislation to reimburse the provincial government for operating costs of the workers' and employers' advocates. In addition, WorkSafeNB provided financial assistance to certain New Brunswick safety associations in accordance with the *WC Act*. The money paid was levied against all employers in the industries represented by the safety associations and is included as part of assessment income.

	2013 (000s)		2012 (000s)
	Budget	Actual	Actual
Workers' advocates	\$ 530	\$ 513	\$ 565
Employers' advocates	345	348	352
	875	861	917
New Brunswick Construction Safety Association	250	250	250
New Brunswick Forest Safety Association	190	190	190
Other	10	-	-
	450	440	440
	\$ 1,325	\$ 1,301	\$ 1,357

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

15. COMMITMENTS

Future minimum payments under operating lease arrangements:

	2013 (000s)	2012 (000s)
Due within one year	\$ 331	\$ 370
Due later than one year and less than five years	677	897
Due later than five years	-	111
	<u>\$ 1,008</u>	<u>\$ 1,378</u>

16. RELATED PARTY TRANSACTIONS**Government entities**

These financial statements include the results of normal operating transactions with various provincial government controlled departments, agencies and Crown corporations, with which WorkSafeNB may be considered related. Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Key management compensation

Key management personnel of WorkSafeNB are deemed related parties. They include members of the board of directors and the executive committee. Total compensation for key management is detailed in the following table:

	2013 (000s)	2012 (000s)
Salaries and other short-term employee benefits	\$ 1,278	\$ 1,261
Post-employment benefits	336	124
	<u>\$ 1,614</u>	<u>\$ 1,385</u>

17. EMPLOYEE PENSION PLAN

WorkSafeNB and its employees participate in a multi-employer shared-risk pension plan, administered by the Province of New Brunswick under the *Public Service Superannuation Act*. The plan provides pensions to employees of the provincial government and certain Crown corporations and agencies based on:

- For service to December 31, 2013 – length of service and highest successive five-year average salary;
- For service from January 1, 2014 – length of service and career average salary.

Since sufficient information is not readily available to account for WorkSafeNB's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans.

Upon conversion to the shared-risk model, the plan was fully funded and the annual escalating payments to be applied to the previously unfunded liability are no longer required. However, for the nine months prior to conversion, WorkSafeNB was required to provide funding in the amount of \$244,668 (2012 – \$312,475).

The plan was 83.6% funded as of April 1, 2012, the date of the most recent external valuation of the plan

The current year expense for this pension plan (excluding the escalating payment) is \$2.44 million (2012 – \$2.15 million).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

18. CONTINGENT LIABILITIES

At any given time, WorkSafeNB is party to various claims and lawsuits related to the normal course of business. In the opinion of management, the outcome of such claims and lawsuits and the resulting effects on operations and financial position are not determinable.

19. BUDGET

The 2013 budget figures that are presented for comparison with the actual figures were approved by WorkSafeNB's board of directors and have not been audited.

20. EVENTS AFTER THE REPORTING DATE

There have been no events after the reporting date that would have a material effect on WorkSafeNB's financial statements at December 31, 2013.

FIVE-YEAR HISTORICAL FINANCIAL STATEMENTS (UNAUDITED)
BALANCE SHEET

As at December 31

	2013 (000s)	2012 (000s)	2011 (000s)	2010 (000s)	2009 (000s)
ASSETS					
Cash and cash equivalents	\$ 61,906	\$ 16,611	\$ 21,774	\$ 28,374	\$ 51,092
Receivables and other	10,491	10,821	13,134	13,918	13,724
Recoverable benefits liabilities	132,883	128,377	136,495	140,989	140,236
Investments	1,255,616	1,156,485	1,046,658	995,271	853,447
Capital assets	9,115	9,485	9,641	9,633	7,467
	\$ 1,470,011	\$ 1,321,779	\$ 1,227,702	\$ 1,188,185	\$1,065,966
LIABILITIES AND FUND BALANCE					
Payables and accruals	\$ 20,240	\$ 19,456	\$ 19,575	\$ 17,649	\$ 13,268
Benefits liabilities	1,043,463	1,023,620	1,030,463	1,047,824	1,035,943
Total liabilities	1,063,703	1,043,076	1,050,038	1,065,473	1,049,211
Fund balance	406,308	278,703	177,664	122,712	16,755
	\$ 1,470,011	\$ 1,321,779	\$ 1,227,702	\$ 1,188,185	\$1,065,966

**FIVE-YEAR HISTORICAL FINANCIAL STATEMENTS (UNAUDITED)
STATEMENT OF OPERATIONS AND FUND BALANCE**

For the Year Ended December 31

	2013	2012	2011	2010	2009
	(000s)	(000s)	(000s)	(000s)	(000s)
Income					
Assessments	\$ 115,860	\$ 139,303	\$ 162,428	\$ 168,427	\$ 155,608
Investments	175,995	111,152	24,614	93,214	129,850
Self-insured employers	42,121	25,292	27,486	32,409	35,051
Province of New Brunswick	-	-	100	25	900
	333,976	275,747	214,628	294,075	321,409
Expenses					
Claims costs incurred					
Short-term disability and rehabilitation	33,030	29,046	31,438	25,251	37,302
Long-term disability	53,507	29,342	24,883	42,368	51,306
Survivor benefits	5,693	7,670	8,094	6,169	7,917
Health care	71,149	66,530	54,848	75,044	57,841
	163,379	132,588	119,263	148,832	154,366
Administration	40,031	39,215	37,505	37,468	34,950
Legislative obligations	1,301	1,357	1,316	1,337	1,420
Appeals Tribunal	1,660	1,548	1,592	1,506	1,459
	42,992	42,120	40,413	40,311	37,829
Total expenses	206,371	174,708	159,676	189,143	192,195
Excess of income over expenses for the year	127,605	101,039	54,952	104,932	129,214
Fund balance, beginning of year	278,703	177,664	122,712	17,780	(130,700)
Legislative change	-	-	-	-	18,241
Fund balance, end of year	\$ 406,308	\$ 278,703	\$ 177,664	\$ 122,712	\$ 16,755