



why  
**safety**  
matters

*Tania and Greg MacKenzie,  
MacKenzie Produce*

ANNUAL  
REPORT

2016



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# Letter of Transmittal



[www.wcb.pe.ca](http://www.wcb.pe.ca)

April 28, 2017

Hon. Sonny (Stanley) Gallant  
Minister of Workforce and Advanced Learning  
3<sup>rd</sup> Floor, Shaw Building North  
95 Rochford Street  
P.O. Box 2000  
Charlottetown, PE C1A 7N8

Dear Minister Gallant:

In Accordance with Section 34 of the *Workers Compensation Act*, the Board is pleased to provide its Annual Report for the year ending December 31, 2016.

Respectfully submitted,

A handwritten signature in black ink that reads "Stuart Affleck".

Stuart Affleck  
Workers Compensation Board Chair

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# The Workers Compensation Board of Prince Edward Island

The Workers Compensation Board (WCB) has been an integral part of the Island community since 1949. We serve over 70,000 workers and approximately 5,000 employers through the fair and effective administration of the provincial workplace compensation and safety system.

## Our Mission

The WCB exists to protect workers and employers through a sustainable no-fault injury insurance program by caring for injured workers, promoting safe and healthy workplaces and enforcing safety legislation.

## Our Vision

Workplaces are safe. Injuries are eliminated. Service excellence is assured.

## Our Values

**Integrity** We honour and are accountable for our commitments to our stakeholders and each other by operating in an open and transparent manner and being responsible for our actions and performance.

**Fairness** Our work focuses on the needs of our stakeholders and a balance of both worker and employer interests. We consistently apply legislation and policy.

**Professionalism** We strive for excellence in all aspects of our service delivery. We interact in a respectful, competent and efficient manner. We possess the knowledge, skills and attitudes that foster confidence in our stakeholders.

**Teamwork** We build a collaborative culture by supporting each other; sharing ideas, opinions, and strengths; and sharing responsibility and leadership to meet our common goals.

## Strategic Themes for 2016-2018

To meet and exceed the workplace safety and compensation needs of all Islanders, we have focused our efforts around six strategic themes:

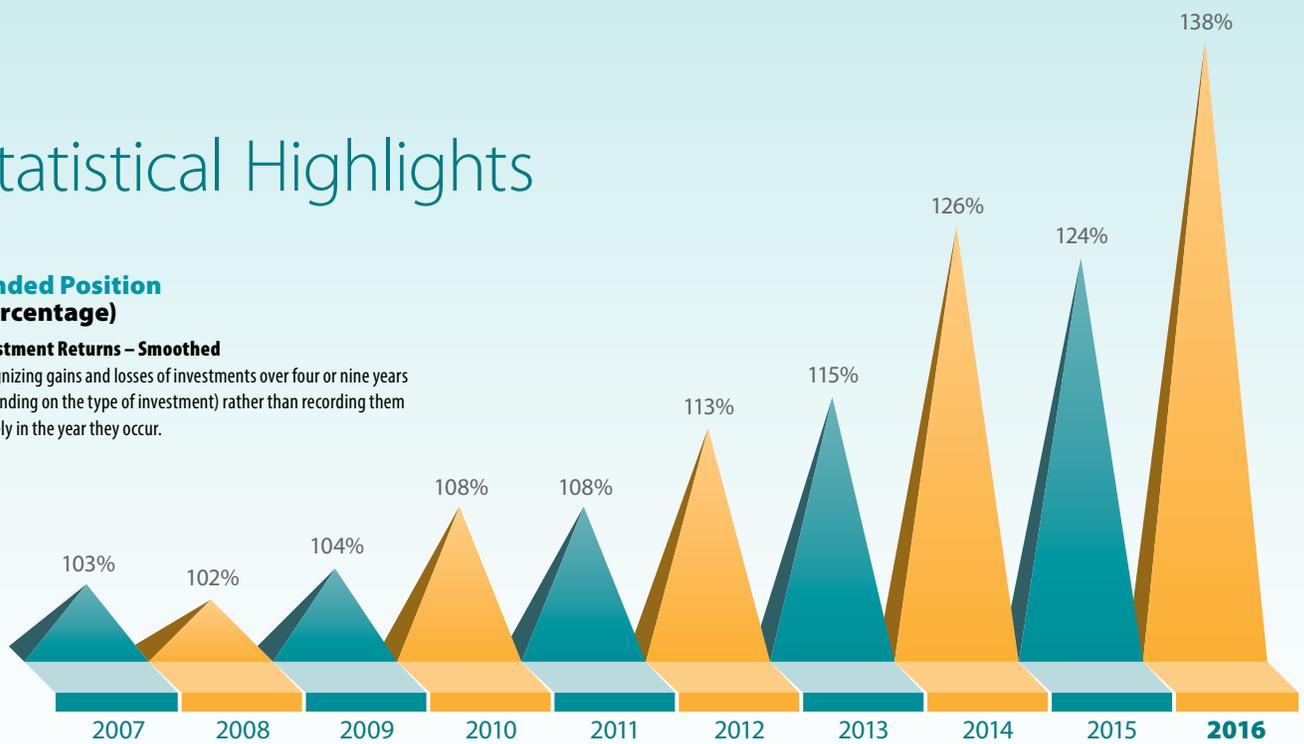
- Enhancing PEI's Workplace Safety Culture
- Improving Return to Work Outcomes
- Ensuring Financial Sustainability
- Strengthening Engagement and Partnerships
- Providing Continued Service Excellence
- Investing in Our Organization

# Statistical Highlights

## Funded Position (Percentage)

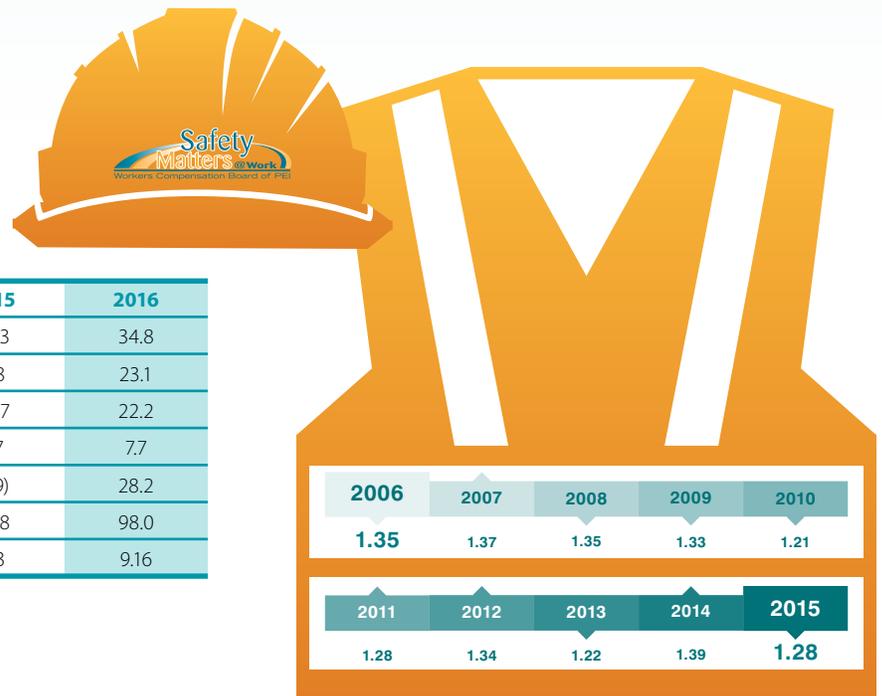
### Investment Returns – Smoothed

Recognizing gains and losses of investments over four or nine years (depending on the type of investment) rather than recording them entirely in the year they occur.



## Financial Highlights, 2015/2016

Financial Highlights	2015	2016
Assessment Revenue (\$ millions)	33.3	34.8
Investment Revenue (\$ millions)	9.8	23.1
Claim Costs (\$ millions)	22.7	22.2
Administration Expenses (\$ millions)	7.7	7.7
Surplus (Deficit) (\$ millions)	(7.9)	28.2
Fund Balance (\$ millions)	69.8	98.0
Investment Returns (%)	4.3	9.16



## Average Assessment Rate, 2007-2016

(\$ per \$100 of assessable payroll)



## Safety Culture: Injury Frequency Rate, 2006-2015

(Number of time loss injuries per 100 workers)

# Governance and Oversight

Coming together  
is a beginning;

keeping together is progress;  
working together is success.

- Henry Ford



**Stuart Affleck**

Workers Compensation Board Chair

Président de la Commission des accidents du travail

## Perspectives from the Chair

It is my pleasure to provide an overview of the Board of Directors' activities and accomplishments for 2016. Over the past year, our efforts continued to center on governance, engagement and service excellence. This was our first year of the new strategic planning cycle for 2016-2018. I would like to thank everyone involved in the development of the plan, especially those who provided valuable input on our programs and services. The plan was developed from feedback and ongoing communication with our stakeholders. These efforts have ensured that our plan focuses on the priorities and needs of workers and employers.

## Message du président

Je suis heureux de vous donner un aperçu des activités et des réalisations du conseil d'administration en 2016. Au cours de la dernière année, nous avons continué de concentrer nos efforts sur la gouvernance, l'engagement et l'excellence du service. Il s'agissait de la première année du nouveau cycle de planification stratégique 2016-2018. Je tiens à remercier toutes les personnes qui ont participé à l'élaboration du plan, notamment celles qui nous ont fourni une rétroaction précieuse à propos de nos programmes et services. Le plan a été élaboré en fonction des rétroactions et des communications fréquentes avec nos parties prenantes. Les efforts ainsi déployés ont permis de garantir que notre plan se concentre sur les priorités et les besoins des travailleurs et des employeurs.

## Policy Enhancements

Effective policy is critical to our organization and has a positive impact on the programs and services we offer. One of the more notable policy changes in 2016 was the Psychological or Psychiatric Conditions Policy. The policy changes allowed us to recognize the increased risk in occupations such as emergency first responders. It also broadened coverage for psychological conditions, like PTSD, which could result from cumulative effects of working in an occupation, where a single event may not be considered to be traumatic. The policy changes were a result of meaningful discussion with stakeholders.

In 2016, we reviewed our appeals process for injured workers and employers, and the WCB is in the process of implementing recommendations. Going forward, we will be examining our Funding Policy and the Pension Replacement Benefits Policy.

## Engagement

Collaboration and engagement with our stakeholders is key to helping us achieve our safety and return to work goals. Throughout the year, we reached out to many of our existing and new stakeholders to consult on a variety of policy and program changes. As an example, we continued to work collaboratively with the farming industry to help them transition from voluntary to mandatory coverage under the *Workers Compensation Act*. We worked diligently to reach farm employers to ensure they were informed and prepared. We approached this through many initiatives, such as:

- Presenting information on the WCB at farming association meetings
- Developing a dedicated website portal with information for farm employers and workers
- Producing radio and print advertisements to create awareness about the changes under the *Act*
- Holding information sessions at Access PEI sites across the province where a WCB representative was available to answer questions and assist employers through the registration process

As a result of the comprehensive communication and consultation approach with the farming industry, we feel the transition for farming was received very positively.

Given that the 2012 Legislative Review recommended that we consult with both the farming and fishing industries, the upcoming year will focus on the fishing industry. Similar to the consultation process for the farmers, we will look at working with the fishing industry to help inform and share information about the workers compensation system and discuss moving towards mandatory coverage under the *Workers Compensation Act*.

## Training and Development

In 2016, the Board continued the journey toward service excellence and professional development. Over the course of the past three years, we have continued to include education sessions as a regular item on our Board agendas. Our commitment to professional development is part of our overall commitment to informed governance.

## Amélioration des politiques

La mise en œuvre de politiques efficaces est essentielle pour notre organisme et a un impact positif sur les programmes et les services que nous offrons. Un changement important en 2016 a porté sur la politique relative aux états psychologiques ou psychiatriques. Les modifications apportées reconnaissent le risque accru qui est associé à certains emplois comme celui de premier intervenant d'urgence. Elles élargissaient également la couverture aux états psychologiques tels que le TSPT, qui pourraient découler des effets cumulatifs d'un travail où un événement, pris isolément, n'est peut-être pas considéré comme étant traumatisant.

Les modifications apportées aux politiques ont découlé de discussions productives avec les parties prenantes. En 2016, nous avons révisé notre processus d'appel pour les travailleurs blessés, et la CAT est en voie de mettre en œuvre les recommandations. Comme prochaine étape, nous examinerons notre politique de financement ainsi que la politique relative aux indemnités de remplacement des pensions.

## Engagement

La collaboration et l'engagement de nos parties prenantes nous permettent d'atteindre nos objectifs en matière de sécurité et de retour au travail. Tout au long de l'année, nous avons consulté plusieurs de nos parties prenantes existantes ainsi que quelques nouveaux clients, au sujet de diverses modifications concernant les politiques et les programmes. Par exemple, nous avons continué à collaborer avec le secteur agricole, en vue d'aider ses membres à passer d'une couverture facultative à une couverture obligatoire en vertu de la *Workers Compensation Act* (loi sur les accidents de travail). Nous sommes intervenus de façon diligente auprès des employeurs agricoles afin de nous assurer qu'ils étaient bien informés et prêts à passer à la couverture obligatoire. Pour ce faire, nous avons entrepris plusieurs initiatives :

- présentation d'informations sur la CAT lors de réunions d'associations agricoles
- mise sur pied d'un portail Web destiné à renseigner les employeurs et les travailleurs agricoles
- production de publicités radiophoniques et imprimées visant à sensibiliser les gens aux modifications apportées en vertu de la Loi
- organisation de séances d'information aux centres Accès Î.-P.-É. dans l'ensemble de la province, au cours desquelles un représentant de la CAT répondait aux questions et aidait les employeurs avec le processus d'inscription

Compte tenu de l'approche axée sur la communication et la consultation qui a été adoptée avec le secteur agricole, nous estimons que la transition en vertu de la *Workers Compensation Act* a reçu un accueil très positif.

Étant donné que le comité de révision de la législation de 2012 nous recommandait de consulter les secteurs de l'agriculture et de la pêche, l'accent sera mis sur l'industrie de la pêche au cours de l'année qui s'amorce. Comme dans le cadre du processus de consultation du secteur agricole, nous nous efforcerons de

Board training and development is achieved in a variety of ways. We receive regular presentations from WCB staff to ensure that we have the best evidence and data with which to make informed decisions. Educational sessions with our regional and national counterparts like the Association of Workers Compensation Boards of Canada (AWCBC) Governance Summit in Saskatchewan and hosting the Atlantic Heads of Delegation here in PEI, help us to better understand best practices and identify emerging issues in compensation and workplace safety.

It is after these events that we come back renewed and focused on identifying our own priorities through events such as our Board Planning Day and our Strategic Planning Sessions. This year, our focus is on a new Board Orientation Program as well as a Board Competency Matrix. The Matrix is a tool that can be used to help determine the skills and abilities of future board members.

## Moving Forward

One of the best indicators of employer and worker satisfaction is through the Board's annual surveys. Results of surveys from both injured workers and employers continue to show high levels of satisfaction in both groups. We recognize that these ratings are a direct result of our staff and we applaud the efforts that have led to this success.

We know there are many challenges ahead. As an organization, we must ensure that we continue to protect the information and resources that our stakeholders have entrusted to us. As a Board, we must support the operations while providing critical oversight. As a safety and compensation system, we must continuously evolve to ensure that we anticipate and balance the interests of workers and employers.

We have been privileged to work with such a dedicated Chief Executive Officer and top-notch staff team. Most importantly, I wish to thank our stakeholders, who hold the WCB to the highest standards.



**Stuart Affleck**  
Workers Compensation Board Chair



collaborer avec l'industrie de la pêche, en vue de renseigner ses membres et de communiquer de l'information sur le système d'indemnisation des travailleurs, et de discuter de la transition vers une couverture en vertu de ce régime.

## Formation et perfectionnement

En 2016, le conseil d'administration a poursuivi ses efforts visant l'excellence du service et le perfectionnement professionnel. Au cours des trois dernières années, nous avons continué d'inscrire les ateliers de formation comme un point permanent aux ordres du jour de nos réunions. L'intérêt que nous portons au perfectionnement professionnel s'inscrit dans notre engagement général envers la gouvernance éclairée.

Les membres du conseil ont accès à diverses formes de perfectionnement et de formation. Nous assistons régulièrement à des présentations du personnel de la CAT pour prendre connaissance des données et des éléments les plus probants qui nous permettent de prendre des décisions reposant sur des informations fiables. Les rencontres avec nos homologues régionaux et nationaux, notamment dans le cadre du Sommet de l'ACATC sur la gouvernance tenu en Saskatchewan et de la rencontre des chefs de délégation des provinces atlantiques qui a eu lieu ici à l'Î.-P.-É., nous aident à mieux comprendre les pratiques exemplaires et à cerner les questions émergentes sur l'indemnisation et la sécurité au travail.

De tels événements nous inspirent et nous incitent à cerner nos propres priorités dans le cadre d'activités telles que la journée de planification et les séances de planification stratégique. Cette année, nous nous concentrerons sur un nouveau programme d'orientation ainsi que sur une grille de compétences. Cette dernière est un outil qui peut aider à déterminer les compétences et les aptitudes des futurs membres du conseil.

## Perspectives

Les sondages annuels de la Commission sont l'un des meilleurs indicateurs de la satisfaction des employeurs et des travailleurs. Les résultats des sondages effectués auprès des victimes d'accident du travail et des employeurs continuent d'exprimer des taux de satisfaction élevés de la part des deux groupes. Le conseil reconnaît que ces résultats découlent directement du travail de son personnel, et nous saluons les efforts qui ont contribué à cette réussite.

Nous savons qu'il nous reste bien des défis à relever. En tant qu'organisme, nous devons continuer de protéger l'information et les ressources que nous fournissons nos clients. En tant que conseil d'administration, nous devons appuyer les activités opérationnelles, tout en exerçant une surveillance essentielle. Le système d'indemnisation et de sécurité doit être en constante évolution pour que nous puissions prévoir les intérêts des travailleurs et des employeurs, et établir un équilibre entre ceux-ci.

Nous avons eu le privilège de travailler avec une directrice générale dévouée et un personnel exemplaire. Je désire remercier tout particulièrement nos parties prenantes qui s'attendent à ce que la CAT respecte les normes les plus rigoureuses.



**Stuart Affleck**  
Président de la Commission des accidents du travail



*In 2016 the Board continued the journey toward service excellence and professional development. Over the course of the past three years, we have continued to include education sessions as a regular item on our Board agendas. Our commitment to professional development is part of our overall commitment to informed governance.*

**Stuart Affleck**

Photo Credit: PEI Government Photo, Brian L. Simpson



Front row from left: Angus Houston, Chair Stuart Affleck and Mike Annear.  
 Back row from left: Harvey Larkin, Dianne Collins, Margaret Stewart, Charlene McInnis and Alexander (Sandy) MacKay.

# WCB Board of Directors

**Stuart Affleck** has been Chair of the Board of Directors since September 2015. He was a farm owner and operator for 38 years and has held many positions through organizations such as the PEI Potato Board, East Prince Regional Health Board and PEI Unit 2 Regional School Board. Mr. Affleck has also served on the National Farm Products Council.

**Mike Annear** has been an Employer Representative and Vice-Chair of the Board of Directors since 2008. Prior to joining the Board, Mr. Annear was a member of the 2007 Workers Compensation Legislative Review Advisory Committee. As a WCB Board member he served as Employer Representative on the 2012 Workers Compensation Legislative Review Advisory Committee. He has served on the Board of Directors for the PEI Road Builders and Heavy Construction Association and, for over twenty years, Mr. Annear has coordinated safety training and programming for Kings County Construction Ltd.

**Dianne Collins** has been a Worker Representative on the Board of Directors since 2011. She is a graduate of the Charlottetown Hospital School of Nursing and worked for over 30 years at Kings County Memorial Hospital (KCMH). Throughout her career, Ms. Collins has been dedicated to improving health and safety for Islanders, serving on the KCMH Occupational Health and Safety Committee and the PEI Health Governance Advisory Council.

**Angus Houston** has been an Employer Representative on the Board of Directors since 2008. He has over thirty years of experience as an employer in PEI working in a number of capacities in the health, marine and hospitality industries. Mr. Houston has also owned and co-owned restaurants in New Brunswick, Nova Scotia and PEI, and currently represents the WCB of PEI on the Dean's Advisory Committee to the Chair in Occupational Medicine with Dalhousie Medical School.

**Harvey Larkin** has been an Employer Representative on the Board of Directors since 2006. He was involved in the hospitality industry for several years and is a farm co-owner and operator in the turkey growing business. Mr. Larkin has also served as a board member on various community organizations.

**Alexander (Sandy) MacKay** has been a Worker Representative on the Board of Directors since 2004. He is a past president of both the PEI Union of Public Sector Employees and the Federation of Labour. Mr. MacKay was a member of the task force that developed the first *Occupational Health and Safety Act* for PEI and has served on two Ministerial advisory committees that recommended changes to the *Workers Compensation Act*.

**Charlene McInnis** has been a Worker Representative on the Board of Directors since 2004. Injured on the job in 1999, she started working with injured worker groups and became the Injured Workers Organizational Committee Spokesperson in 2002. She currently works with the military community of PEI in partnership with advocacy groups for Canadian Forces members injured in the line of duty.

**Margaret Stewart** has been a Worker Representative on the Board of Directors since 2005. As a high school English teacher, then teacher-librarian, she was extensively involved in extra-curricular activities at the school, district and provincial levels. After serving on the Board of Governors and then the Executive of the PEI Teachers' Federation for ten years, from 2001-2003 she spoke for teachers provincially and nationally as president of the PEITF and as a Canadian Teachers' Federation director. She served as Worker Representative on the 2012 Workers Compensation Legislative Review Advisory Committee.

# Governance

## Role of the WCB Board of Directors

The role of the Board of Directors is to provide governance and oversight for the Workers Compensation Board of Prince Edward Island. The Board's responsibilities are set out in the *Workers Compensation Act* and include the following:

- Establishing policies and programs related to compensation and rehabilitation of injured workers, employer assessments, investments and the administration of the *Act*
- Approving the annual administrative and operating budgets, as well as appointing auditors to examine WCB finances
- Enacting bylaws, policies and practices for the good conduct of the business and affairs of the Board
- Periodically reviewing the *Workers Compensation Act* and its regulations and recommending amendments to ensure the legislation remains relevant and responsive to Island workplaces.

## Achievements in 2016

In 2016, the Board of Directors celebrated a number of significant achievements, including the following:

- **Amendments to the Workers Compensation Act – General Regulations.** The 2012 Legislative Review Advisory Committee recommended that the Workers Compensation Board and Government consult with the farming industry to discuss the inclusion of farming under the workers compensation system. After a comprehensive consultation with the industry in 2014 and 2015, Government approved the transition from optional to mandatory coverage under the *Workers Compensation Act*. As such, mandatory coverage for farmers under the *Workers Compensation Act* came into effect on January 1, 2017.
- **Strategic Plan 2016-2018.** In January 2016, the WCB Board of Directors approved the 2016 – 2018 Strategic Plan. The plan was built upon a foundation of research, consultation and partnership with stakeholders to better meet the safety and compensation needs of Island workplaces. The plan is based on the WCB's renewed mission, vision and values, and focuses on six strategic themes.

- **Injured Worker Survey.** The Injured Worker Survey was conducted by Corporate Research Associates in November 2016. The WCB Performance Index, which combines key aspects related to client satisfaction for the WCB stands at 71.4%. Most injured workers agree they are treated with respect by WCB (88%) and almost three-quarters of injured workers agree that WCB is understanding (74%) and flexible in meeting their needs (74%).
- **AWCBC Governance Summit.** The Board attended the AWCBC Governance Summit in Regina, Saskatchewan in June 2016. Delegates from across the country engaged in passionate discussion on topics such as risk management, strategic planning, cyber security and WCB's relationship to Government.
- **Investment Education.** In September 2016 the Board hosted an investment session with the WorkSafeNB Board of Directors which was facilitated by Cortex Applied Research Inc. Board members engaged in a comprehensive review of all elements relevant to the investment management process and factors influencing key decisions. This included the nature of business and obligations, the Accident Fund, a review of asset classes and the building of sound investment policy.
- **Atlantic Heads of Delegations Meeting.** In May 2016, the WCB hosted a meeting of the chairs and chief executive officers of the Atlantic workers compensation boards to discuss topics such as risk management, emerging issues and opportunities for collaboration amongst the Atlantic WCBs.
- **CNIB Eye Safety Tour.** The WCB continued its partnership with the CNIB to promote eye safety in the workplace. The Safety Tour was held the week of October 3-7, 2016, with eleven sessions at Holland College and University of Prince Edward Island.

The Board is committed to remaining open and accountable to the public and our stakeholders. Summaries of the monthly Board of Directors meetings, including its decisions, are posted on the WCB website at [www.wcb.pe.ca/Information/BoardMinutes](http://www.wcb.pe.ca/Information/BoardMinutes).



# OHS Advisory Council

Members of the Occupational Health and Safety (OHS) Advisory Council are appointed by the Minister and reflect a breadth of knowledge and experience relating to the principles and promotion of occupational health and safety. The Council consists of the WCB Chair, the WCB Director of OHS, three members representing workers, three members representing employers and one person representing the general public.

## Membership

**Scott Ryan**, Council Chair and Employer Representative

**Stuart Affleck**, WCB Chair

**Danny Miller**, WCB Director of Occupational Health and Safety

**Melinda Mulligan**, Worker Representative

**Lynn Boyver**, Worker Representative

**Ben MacDonald**, Worker Representative

**Faye MacWilliams**, Employer Representative

**Alan McCormick**, Employer Representative

**Eric MacDonald**, Public Representative

## Role

The OHS Advisory Council advises the WCB Board of Directors on the following:

- The administration of the *OHS Act* and regulations
- Monitoring and reporting on OHS throughout the province
- Exclusions from all or part of the application of the *OHS Act* or regulations
- Any other matter relating to OHS, including amendments to the *OHS Act* and regulations

## Accomplishments in 2016

Effective April 1, 2016 the OHS Advisory Council welcomed three new members. The new members are Eric MacDonald, Lynn Boyver, and Ben MacDonald. The initial meeting of the new group included introductions and orientation about the role of council members and the terms of reference for the Council. In 2016, the OHS Advisory Council:

- Discussed the issue of fatigue and long work hours and their impact on worker safety.
- Provided feedback on the impact on OHS as a result of farming operations on PEI becoming a mandatory industry under the *Workers Compensation Act* as of January 1, 2017.
- Provided input on several of the proposed changes to the asbestos regulations.

## Our History

Before the workers compensation system was established, workers and employers had limited protection from the impacts of workplace injury and illness. Workers, those who could afford it, could use the legal system to sue their employers, but if a worker contributed to the accident in any way, they had no recourse. On the other hand, if a worker's lawsuit was successful, it could result in an employer being forced into bankruptcy.

The workers compensation system in Prince Edward Island is founded on the Meredith Principles, which were developed over 100 years ago. These principles anchor workers' compensation in Canada. Based on the Meredith Principles, workers were eligible for benefits when injury occurred, and in exchange, employers could not be sued. These principles were adopted to form the basis of the Canadian workplace injury insurance, and still guide our work today.

### The Meredith Principles:

- *No-fault compensation*, by which workplace injuries are compensated regardless of fault, and the worker and employer waive the right to sue
- *Collective liability*, with the total cost of the compensation system shared by all employers
- *Security of payment*, with a fund established to guarantee that compensation will be available for injured workers when they need it
- *Exclusive jurisdiction*, with all compensation claims directed solely to the compensation board
- *Independent board*, autonomous and financially independent of Government or any special interest group



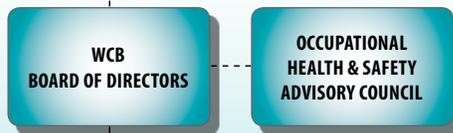
Formerly Charlottetown Railway Station (1907)

# Functional Structure

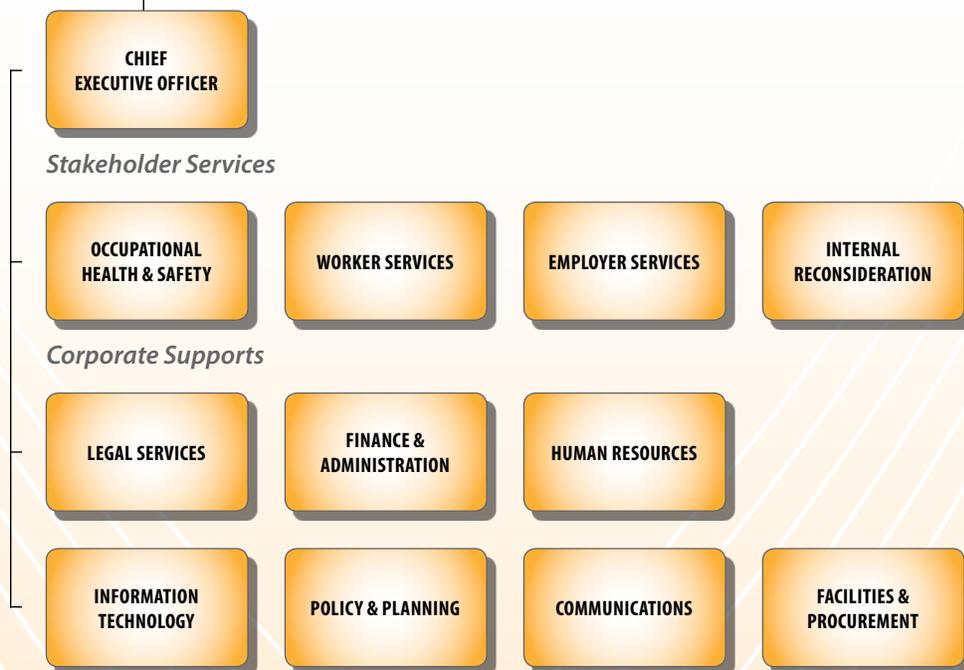
## Legislation



## Governance & Oversight



## Operations



## External Appeals





Photo Credit: PEI Government Photo,  
Brian L. Simpson

# Operational Overview

*It's about people working together to create a  
safe work environment.*

Kevin Collins

In conversation

# With the Chief Executive Officer



**Luanne Gallant**  
Chief Executive Officer of the Workers Compensation Board  
Directrice générale de la Commission des accidents du travail

## What did the WCB accomplish in 2016?

In the first year of our new Strategic Plan, we charted the course and positioned our organization for the next three years. Our Strategic Plan is a roadmap for our work and helps us confirm our priorities to better serve workers and employers. The 2016-2018 Plan reaffirmed some of our existing priorities and introduced two additional priorities to focus on.

With our compass positioned, we set out to create meaningful changes to policy, programs and service delivery that would have a positive impact on workers and employers on Prince Edward Island. One of the most significant changes we made was the transition from optional to mandatory coverage for the farming industry under the *Workers Compensation Act*. The move was made after much consultation with the farming industry and ensures that farm workers and employers are afforded the same protection as other industries covered under the *Act*. This move allows farm workers to receive benefits and services following workplace injuries, as well, farm employers are protected from liability and the financial burden of accident costs.

We know that safety education and enforcement are vital to preventing injuries and keeping workplaces safe. In 2016, we focused on promoting principles and practices in workplace

## Une conversation avec la directrice générale

### Les réalisations de la CAT en 2016?

Au cours de cette première année de notre nouveau plan stratégique, nous avons tracé la voie à suivre et positionné notre organisme en prévision des trois prochaines années. Notre plan stratégique est un guide qui nous aide à confirmer nos priorités, dans le but de mieux servir les travailleurs et les employeurs. Le plan 2016-2018 réitère certaines de nos priorités existantes et en ajoute deux nouvelles.

Après avoir établi notre orientation, nous avons entrepris d'apporter des changements significatifs sur le plan des politiques, des programmes et de la prestation des services qui auront un impact positif sur les travailleurs et les employeurs de l'Île-du-Prince-Édouard. Un des changements les plus importants que nous avons apportés concerne le passage d'une couverture facultative à une couverture obligatoire dans le secteur agricole, en vertu de la *Workers Compensation Act* (loi sur les accidents du travail). La mesure a été prise à la suite d'une vaste consultation auprès de l'industrie agricole et garantit que les travailleurs et les employeurs agricoles bénéficient de la même protection que les autres secteurs couverts par la Loi. Cela permet donc aux travailleurs agricoles de percevoir des indemnités et de recevoir des services lorsqu'une blessure survient au travail, et aux employeurs agricoles d'être protégés contre toute action en responsabilité et dégagés du fardeau financier découlant des accidents de travail.

Nous savons que la sensibilisation à la sécurité et le respect des règles de sécurité sont essentiels à la prévention des blessures et au maintien d'un lieu de travail sécuritaire. En 2016, nous avons mis l'accent sur la promotion de principes et de pratiques en matière de sécurité au travail au moyen de campagnes de marketing social, de mises en garde, de séances de sensibilisation et de l'expansion du programme de leadership en santé et sécurité au travail pour les jeunes. Le taux de fréquence des accidents du travail (le nombre d'accidents avec perte de temps par tranche de 100 travailleurs) a diminué, passant de 1,39 en 2014 à 1,28 en 2015, ce qui indique que nous progressons.

Il est important que la CAT facilite et soutienne les démarches des travailleurs et des employeurs, de façon à ce que les travailleurs puissent demeurer au travail ou y retourner en temps opportun et de manière sécuritaire à la suite d'un accident de travail. Dans cette optique, nous avons élaboré de plus amples ressources et des ateliers à l'intention des employeurs, des travailleurs et des fournisseurs de soins de santé, qui portent sur les nombreux avantages physiques, émotionnels et sociaux

safety through social marketing campaigns, hazards alerts, education sessions and the expansion of our OHS Leadership Program for youth. The injury frequency rate (the number of time-loss injuries per 100 workers) decreased from 1.39 in 2014 to 1.28 in 2015, an indication that we are making progress.

The WCB has an important role to play in facilitating and supporting workers and employers so that workers are able to remain at work or return to work in a safe and timely way following a workplace accident. To this end, we developed more resources and workshops for employers, workers and health care providers on the many physical, emotional and social benefits of returning to work. Also, through partnership with our Atlantic counterparts, we were able to share the emotional stories of four resilient and determined workers on their incredible journeys back to work after workplace accidents. These videos were a part of a larger initiative called *Working to Well*.

While we celebrate our accomplishments, we understand that we must continue our work and continue to evolve. Our province faces changing industries, shifting demographics, emerging technologies and increasing expectations. We must continue to consult with our stakeholders to keep ahead of trends and to do our best to ensure that our policies and service delivery continue to meet the needs of our clients.

### **How will the WCB meet the challenges ahead?**

The WCB will keep pace with emerging trends through vigilant monitoring and research. We will continue to review our policies and programs to ensure they meet the needs of workers and employers while continuing to look for opportunities where we can improve upon them. In 2016, we made improvements to our Psychological or Psychiatric Conditions Policy. These changes were a result of careful monitoring, consultation and research in order to make the best decision for PEI. We also embarked on a partnership with the University of Prince Edward Island on a Concussion Management Study and partnered with Stepscan on an initiative to utilize gait analysis technology to assist with treatment planning.

We currently offer a variety of services to employers to conduct business online, making it easy and convenient for them to manage their account in a safe and secure manner. While this system works very effectively, we continue to examine opportunities to improve service delivery to our stakeholders. Two ways in which we hope to achieve that is through our IT Modernization Initiative and our commitment to red tape reduction and harmonization with our Atlantic WCB Counterparts.

Our current information technology systems utilize old technology and have limited technical support capability. In order to better serve clients, we embarked on a comprehensive review of our case management, occupational health and safety and employer services computer systems. The results of the review and the systems' requirements identified by staff have been essential in determining the future requirements of these applications in order to provide exceptional service to stakeholders.

de retourner au travail. De plus, en partenariat avec nos homologues des autres provinces atlantiques, nous avons eu la chance de pouvoir faire connaître les histoires émouvantes de quatre travailleurs résilients et déterminés qui racontent leur incroyable odyssée vers le retour au travail après un accident. Ces vidéos faisaient partie d'une vaste initiative appelée *Working to Well*.

Bien que nos réalisations méritent d'être soulignées, nous sommes conscients que nous devons poursuivre notre travail et continuer à évoluer. Notre province fait face à de nombreux défis : transformation des secteurs d'activité, évolution démographique, technologies émergentes et attentes accrues. Nous devons continuer à consulter nos parties prenantes afin de demeurer au fait des nouvelles tendances et faire tout notre possible pour que nos politiques et la prestation de nos services répondent aux besoins de nos clients.

### **Comment la CAT fera-t-elle face aux défis qui l'attendent?**

La CAT suivra les tendances émergentes en assurant une surveillance vigilante et en misant sur la recherche. Nous allons continuer à revoir nos politiques et nos programmes afin de nous assurer qu'ils répondent aux besoins des travailleurs et des employeurs, tout en cherchant des occasions d'apporter des améliorations. En 2016, nous avons amélioré notre politique relative aux états psychologiques ou psychiatriques. Une démarche appuyée sur une surveillance attentive, sur la consultation et sur la recherche a permis de prendre la meilleure décision possible pour l'Î.-P.-É. Nous avons également entrepris un partenariat avec l'Université de l'Île-du-Prince-Édouard en vue de faire une étude sur la gestion des commotions cérébrales et nous nous sommes associés à Stepscan dans le cadre d'une initiative visant à utiliser la technologie d'analyse de la démarche dans le traitement des commotions cérébrales.

Nous offrons actuellement aux employeurs une foule de services en ligne qui leur permettent de gérer facilement leurs comptes en toute sécurité. Même si ce système est efficace, nous continuons à examiner les possibilités d'améliorer la prestation des services à nos parties prenantes. Nous espérons y parvenir notamment au moyen du projet de modernisation des TI et par notre engagement à réduire les tracasseries administratives et à favoriser l'harmonisation avec les autres CAT des provinces atlantiques. Nos systèmes actuels sont fondés sur de vieilles technologies et ont une capacité de soutien technique limitée. Afin de mieux servir nos clients, nous avons entrepris un examen complet de nos systèmes informatiques utilisés pour la prestation des services relatifs à la gestion des dossiers, à la santé et à la sécurité au travail, et au soutien des employeurs. Les résultats de cet examen et les besoins cernés par le personnel concernant les systèmes ont joué un rôle essentiel au moment de déterminer les exigences futures à l'égard de ceux-ci pour assurer la prestation de services exceptionnels à nos parties prenantes.

Notre travail avec les autres provinces atlantiques nous permettra de poursuivre des partenariats qui nous procureront des occasions d'améliorer la prestation des services offerts à nos parties prenantes. La mise sur pied d'un groupe d'achat

Our work with the Atlantic provinces will help us continue to partner on opportunities which will result in improved service delivery to our stakeholders. Some early examples of where we have aligned our resources include the group purchasing of hearing devices for injured workers through a collaborative Procurement process. Another example is through our plans to review opportunities to mutually recognize safety equipment for head and foot protection, training for occupational health and safety committees, and first aid training. The Atlantic provinces have also committed to using a common Canada Revenue Agency "One Business Number" employer identifier for Workers Compensation Boards.

We understand the importance of working with our partners and we know that through collaboration, we can achieve much more than if we work alone. That is why we have created a task force to work collaboratively with Health PEI to focus on safety, prevention and return to work culture. Through collaboration with representatives from the health industry we can work together to address the challenges and offer our support and resources. Also, in April 2016, a Psychological Health and Safety Working Group was formed, which includes representatives from WCB Workplace Services and OHS, Corrections, Probation Services, Victim Support Services, the PEI Firefighters Association and Critical Incident Stress Management. The mandate of the group is to develop resources and practices to support the psychological health and safety of workers in vulnerable sectors. We are pleased to partner with our stakeholders on this essential work.

### **What do you hope to accomplish?**

We must continue our journey and continue to evolve. We will improve our outcomes for the people we serve, promote safety and prevention and ensure our system is financially sustainable. We cannot achieve these goals without well-trained and dedicated staff at all levels of our organization. I look forward to working together to strengthen the culture of safety and return to work on Prince Edward Island.



**Luanne Gallant**  
Chief Executive Officer of the Workers Compensation Board



d'appareils auditifs pour les travailleurs blessés, en vertu d'un protocole d'entente collaboratif, est un exemple d'harmonisation de nos ressources. Un autre exemple est notre projet d'examiner la possibilité d'approuver conjointement l'équipement de sécurité pour la tête et les pieds, ainsi que la formation destinée aux comités de santé et sécurité au travail, et la formation en secourisme. Les quatre provinces ont également convenu d'étudier la possibilité d'utiliser un « numéro d'entreprise unique » attribué par l'ARC pour identifier les employeurs.

Nous comprenons l'importance de travailler avec nos partenaires et nous savons que la collaboration nous permet d'accomplir beaucoup plus de choses que si nous travaillions en solitaire. C'est pourquoi nous avons mis sur pied un groupe de travail qui, en collaboration avec Santé Î.-P.-É., se concentrera sur la sécurité, la prévention et la culture du retour au travail. Dans le cadre d'une collaboration avec les représentants du secteur de la santé, nous pouvons travailler ensemble à relever les défis auxquels ils font face en offrant notre soutien et nos ressources. De plus, en avril 2016, un groupe de travail sur la santé et la sécurité psychologiques au travail a été formé, avec des représentants des services en milieu de travail et en santé et sécurité de la CAT, des services correctionnels, des services de probation, du service d'aide aux victimes, de la PEI Firefighters Association et du Critical Incident Stress Management Network. Le mandat du groupe consiste à développer des ressources et des pratiques en vue de soutenir la santé et la sécurité psychologiques des travailleurs dans les secteurs vulnérables. Nous sommes heureux de pouvoir accomplir ce travail essentiel en partenariat avec nos parties prenantes.

### **Que souhaitez-vous accomplir?**

Nous devons continuer à aller de l'avant et à évoluer. Nous allons améliorer nos résultats au profit des gens que nous servons, nous ferons la promotion de la sécurité et de la prévention, et nous veillerons à assurer la pérennité financière de notre système. Nous ne pouvons atteindre ces objectifs sans le soutien d'un personnel dévoué et bien formé à tous les niveaux de l'organisation. Je suis impatiente de collaborer au renforcement d'une culture valorisant la sécurité et le retour au travail à l'Île-du-Prince-Édouard.



**Luanne Gallant**  
Directrice générale de la Commission des accidents du travail



WCB Executive Team 2016

## Core Business Overview

The WCB is a no-fault insurance system funded through employer assessments and governed by an independent Board of Directors. The Workers Compensation Board serves the Island community through fair and effective administration of the provincial workers compensation and workplace safety legislation.

Through collaboration with workers, employers and all Islanders, the Workers Compensation Board strives to build safe workplaces by increasing awareness of safety at work and promoting a culture of workplace injury prevention.

If a workplace injury or illness occurs, the WCB provides benefits and services to injured workers to help reduce the financial,

physical and emotional effects of a workplace injury, and to assist in the recovery process. The WCB works with injured workers, employers and health care providers to assist workers in remaining at work after an injury or returning to work in a safe and timely manner.

The Workers Compensation System is funded on the principle of collective liability. Employer assessments are based on industry risks and costs of workplace injuries. The WCB manages the accident fund on behalf of Island employers to ensure the funds are available for workplace injuries that have already occurred or may occur in the future. To help reduce costs and protect workers, the WCB works with workplaces to develop effective injury prevention and return to work programs.





Photo Credit: PEI Government Photo, Brian L. Simpson

## Operating Environment

The Workers Compensation Board operates in a complex environment in which a variety of factors can impact our outcomes and service delivery. We believe that the best way to safeguard Island workers and employers is to remain vigilant with our safety and prevention education and to have sound processes, policies and monitoring systems in place.

The WCB is entrusted with our clients' personal information and we must ensure that we meet the increasing expectations for the protection of privacy as well as for access to appropriate information. We are mandated to administer the *Workers Compensation Act* and the *Occupational Health and Safety Act*, and are committed to compliance with other legislation which intersects with our business, including the *Freedom of Information and Protection of Privacy Act*.

The public's expectations are changing, with an increased demand for the immediacy brought about by the technical advances of this generation. Online Services and social media are becoming more common and the Workers Compensation Board has been adapting to our stakeholders' technological needs and will continue to do so as we move forward.

Prince Edward Island's economy has a significant number of seasonal industries. This reality can present challenges in developing return to work and stay at work programs for injured workers. Some industries on PEI have difficulty recruiting and retaining workers and are relying on temporary foreign workers to fill workforce gaps. The WCB must ensure that prevention and compensation measures are put in place to address the needs of an increasingly diverse and dynamic workforce.

Prince Edward Island's workforce is characterized by an aging demographic. Increasing rates of chronic health conditions, such as heart disease, arthritis and diabetes, can contribute to longer healing times and more complex injuries. Other health-related issues that may present challenges to the balance between funding and compensation include mental health and psychological safety in the workplace, rising health care costs and access to timely and appropriate health care services.

Volatility in the markets creates a challenge as it affects the investment returns of the pooled fund from which all WCB benefits and administration costs are drawn in addition to employer assessments. It is crucial that the Workers Compensation Board continues to be financially responsible and remain in a fully-funded financial position.

The Workers Compensation Board must constantly assess our environment to identify potential risk factors and to develop mitigating strategies. Our commitment to stakeholders is that we will be diligent and have appropriate checks and balances in place to anticipate and adapt. We will work together in a proactive and responsive manner to build our collective understanding of how to best address our future challenges.

**The WCB strives to increase awareness of safety at work by promoting a culture of workplace injury prevention.**



Photo Credit: PEI Government Photo,  
Brian L. Simpson

## Performance Reports

*Together, we will strengthen the culture of safety  
and return to work on Prince Edward Island.*

# Overview of 2016-2018 Strategic Plan

This past year marked the first year of the new Strategic Plan for 2016-2018.

The WCB's 2016-2018 Strategic Plan was developed through consultation with stakeholders, Board members and staff. The plan guides the way the WCB allocates resources and positions the organization to fulfill its mission.

## 2016-2018 Strategic Themes

### **Enhancing PEI's Workplace Safety Culture**

Workplace safety is everyone's responsibility and all Islanders can contribute to a culture of safety in which injuries are eliminated and all workplaces are safe. The WCB will work to encourage principles and practices that instill workplace safety as an integral part of the Island way of life.

### **Improving Return to Work Outcomes**

Being active, productive and connected to the workplace can promote recovery and well-being for those who have been injured at work. The WCB will support and promote a culture in which the physical, emotional and social benefits of returning to work are understood and embraced.

### **Ensuring Financial Sustainability**

As administrators of the workers compensation system, the Workers Compensation Board strives for sufficient, but responsive funding and rate-setting policies, as well as prudent fiscal management of the financial resources entrusted to it.

### **Strengthening Engagement and Partnerships**

Effective and meaningful stakeholder engagement is critical to the success of our provincial workplace safety and compensation system. The WCB is committed to improving the ways in which we consult, collaborate and strengthen relationships with our stakeholders.

### **Providing Continued Service Excellence**

The WCB strives toward service excellence to meet and exceed the expectations of our clients and to enhance confidence in the system. We will focus our efforts on delivering a consistent and positive experience at every point of client interaction.

### **Investing in Our Organization**

The WCB fosters a culture that is representative of our organization's values and has committed to supporting the skills and competencies development of our staff. By investing in the organization in this manner, the WCB will affect the conditions necessary for service excellence.



The WCB's 2016-2018 Strategic Plan was developed through consultation with stakeholders, Board members and staff. The plan guides the way the WCB allocates resources and positions the organization to fulfill its mission.

# Enhancing PEI's Workplace Safety Culture

## Strategic Theme

A safety culture is reflected by the attitudes, values and beliefs of employers and workers within a workplace.

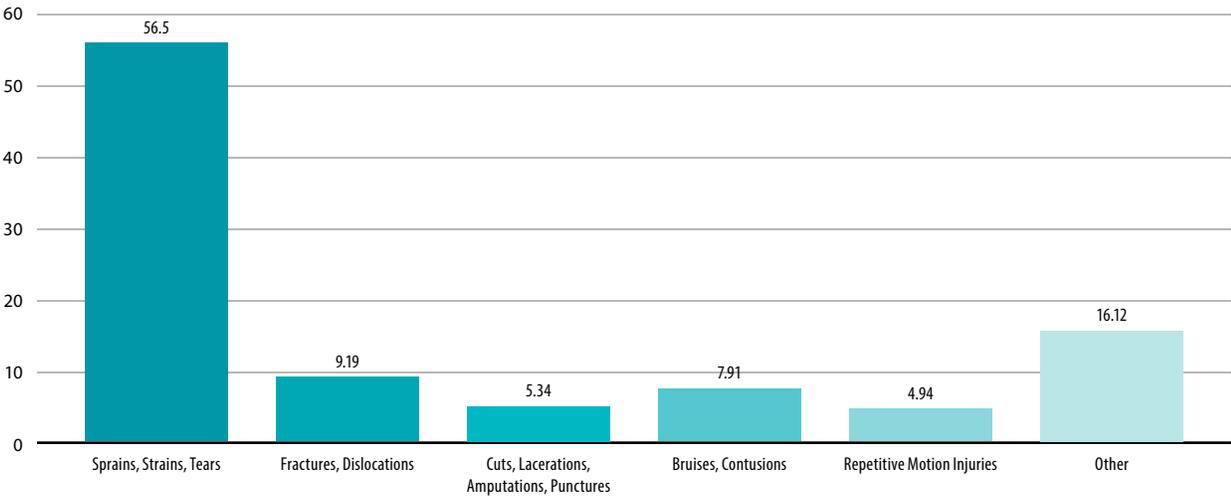
The WCB strives to enhance the safety culture in all workplaces across PEI by promoting safety and compliance with legislation through education and enforcement. By focusing on safety culture, we can achieve our vision of eliminating injuries and ensuring that all workplaces are safe.

## Current State

In an effort to monitor safety culture on PEI, we use statistics that represent the collective behavior of the workforce. The injury frequency rate is the number of time loss injuries per 100 workers over a period of one year. In 2015, a frequency rate of 1.28 represented a 9% decrease since 2014. The statistic is based on workforce data, using the most current information available from the previous year. The WCB will continue to monitor this trend to help guide our prevention efforts and measure our safety culture.

The most common type of injury at work in 2016 continued to be sprain/strain type injuries. These injuries account for 56.5% of all injuries reported to the Workers Compensation Board of PEI.

**Nature of Injury, 2016** (Percent) (Graphic 1)

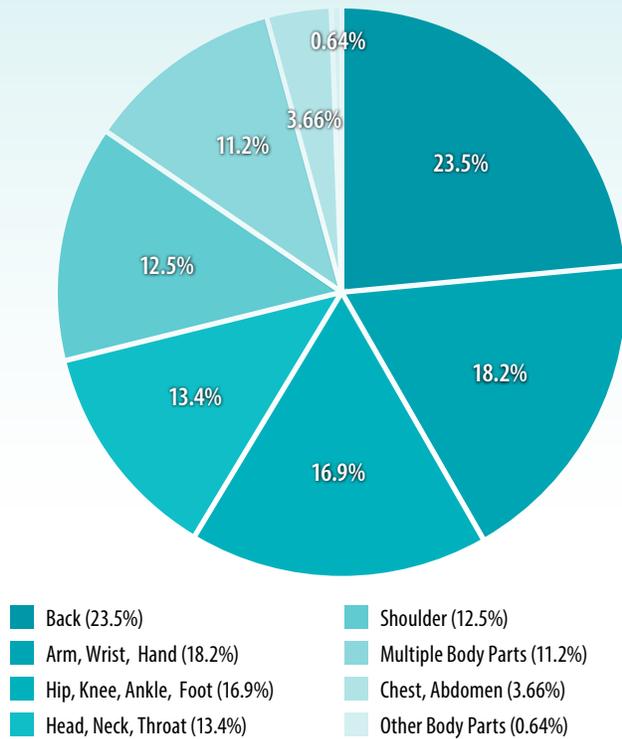


Two-time Olympic Gold Medalist Heather Moyse, guest speaker at the 2016 Occupational Health and Safety Conference, with Danny Miller, Director of Occupational Health and Safety (right) and Stuart Affleck, Chair of the Workers Compensation Board (left).



2016 Safety Matters Award winner Julia Richardson with Workers Compensation Board Chair Stuart Affleck and Chief Executive Officer Luanne Gallant.

**Anatomical Areas of Injury, 2016** (Graphic 2)

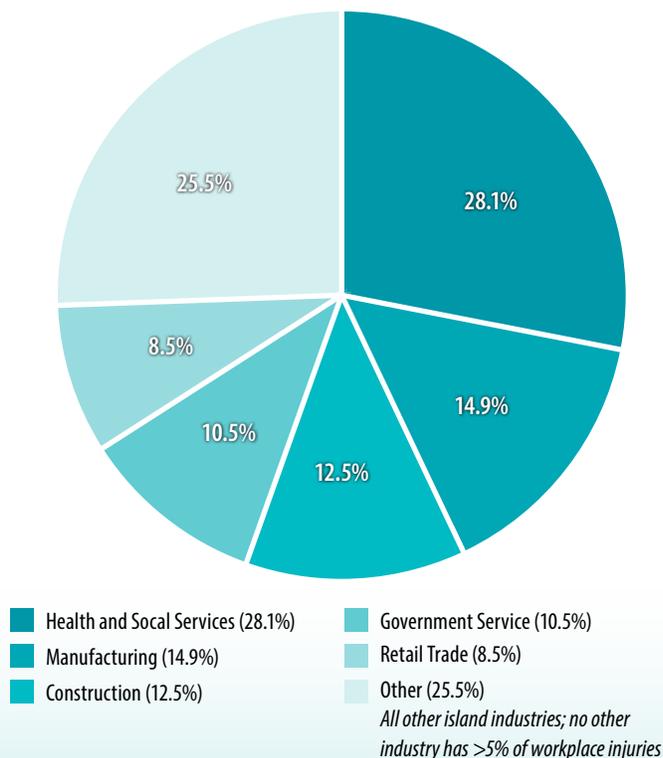


The most frequently injured body parts are similar to previous years. The back is the most commonly injured part of the body and these injuries account for 23.5% of all new claims. Arms, wrists and hands are consistently the second most frequently injured body parts at 18.2%.

The industry group with the highest rate of reported injuries continues to be the Health and Social Services sector accounting for 28.1% of all new claims. In an effort to address the high rate of injuries in this industry group the Workers Compensation Board is working collaboratively with the health care industry to help reduce injury frequency and improve return to work outcomes.

Effective leadership within management, learned health and safety practices and a positive progressive work environment have all been identified as key areas in which workplace safety culture can be improved. Building a safety culture-particularly in the context of an aging workforce, economic pressures and workload demands creates diverse challenges. The WCB continues to work collaboratively with employers and workers to provide resources that will improve the safety culture in all workplaces.

**Percentage of Workplace Injuries by Industry, 2016** (Graphic 3)



2016 Occupational Health and Safety Conference



2016 OHS Leadership Program Participants with WCB Officials

## Organizational Performance

In 2016, the WCB continued to provide numerous education initiatives with the goal of improving Prince Edward Island's workplace safety culture.

- Annually, the WCB hosts a Workplace Health and Safety Conference to promote safety culture in the workplace. The 2016 conference was held on May 5 and featured Heather Moyses as the keynote speaker. Three-time Olympian Heather Moyses is a multi-sport athlete and highly respected motivational speaker. The theme of the 2016 conference was "It Takes a Team...", which was very relevant to her keynote message.
- The annual WCB Safety Matters Award recognized an exemplary graduating high school student who had demonstrated initiative and an understanding of the principles of occupational health and safety. The 2016 Safety Matters Award winner was Julia Richardson from Bluefield High School.
- Employers from industries such as farming, aquaculture and manufacturing were provided with guidance to develop effective safety programs for use in their unique workplaces.

The WCB continued to protect Island workers and employers in 2016 through the delivery of core occupational health and safety operations in education and enforcement.

## Education

Education remains one of the best ways to prevent workplace accidents and injuries. In 2016, OHS education consultants delivered 374 education sessions and employer worksite visits which provided information and advice on health and safety and promoted the internal responsibility system. Workshops covered topics such as Due Diligence for Supervisors, Effective Safety Committees, Accident Investigations, Speak Up for Safety, Workplace Inspections, and Hazard Assessments.

Given that safe work practices and habits begin at a young age, and that young workers are among the highest risk groups for workplace injury, workplace safety education is vital for youth. Principles of health and safety are integrated into the school curriculum to help young workers learn and practice safety in the workplace. Other safety education initiatives for 2016 included the following:

- Development of Hazard Alerts and other important education materials to disseminate to employers and workers. Recent Hazard Alerts included Asbestos Hazards in Renovations and Demolitions, Carbon Monoxide, and Lockout/Tagout. The alerts provided recommendations on precautions that should be taken in order to prevent similar accidents from occurring in the future.
- Coordination and implementation of the annual Workplace Safety Competition as part of the provincial Skills Canada Competition. The top student was then mentored by our Youth Education Consultant to compete at the 2016 national competition in Moncton, New Brunswick.
- Participation in events and tradeshow across PEI to promote workplace safety.
- Continued growth of the OHS Leadership Program, a safety champion program for Island high school students. In 2016, the number of high schools that were participating in the program increased from seven to ten.
- The WCB continues to update its best practices library on the WCB website, which provides employers with information that can be used in the creation of their own safe work practices and workplace safety discussions.

## Enforcement

The WCB's OHS Officers enforce compliance with the workplace safety standards set out in the *Occupational Health and Safety Act* and its regulations. This is done through inspections and investigations, and by responding to complaints received from workers, employers and concerned members of the public.

Enforcement activities in 2016 included the following:

- 1,796 workplace inspections
- 207 investigations into incidents and complaints about the safety of workers or the workplace
- 1,119 compliance orders, one for each violation of the safety legislation
- 73 orders in which work was stopped until safety compliance was achieved

Enforcement continues to play an important role in enhancing safety culture awareness in Prince Edward Island workplaces.



Photo Credit: PEI Government Photo, Brian L. Simpson

## Moving Forward

In 2016, the WCB continued to work on draft amendments to the provincial Workplace Hazardous Materials Information System (WHMIS) Regulations. It is expected that the new WHMIS Regulations will come into effect in 2017. With the introduction of the new WHMIS regulations into Island workplaces, we anticipate a higher demand for OHS resources.

The education team will continue to offer a variety of workshops and presentations, and will visit individual employers to provide them with customized consultation. The enforcement team will be ensuring that workplaces on the Island are safe and that employers are in compliance with the *Occupational Health and Safety Act* and its regulations.

To promote service excellence, OHS staff will be provided with ongoing training to meet the changing demands of industry knowledge and technology. It is important to provide consistent, accurate information to our stakeholders to help them improve safety culture at their workplaces.

We recognize the changing demographics of our Island workplaces. Therefore, we will also continue to engage youth, newcomers, and others to focus on eliminating injuries and keeping all workplaces safe.

## Feature Story: Hazard Alerts

We know that every occupation and workplace has the potential for accidents and while we recognize that some workplace accidents can happen despite our best efforts, the majority can be prevented. One of the most effective ways that the Workers Compensation Board is trying to prevent future accidents from happening is through Hazard Alerts.

Hazard Alerts are information bulletins that are developed on workplace injuries or fatalities. They are designed to educate both employers and workers about hazards in their workplace and the legislation in place to prevent injuries.

A recent Hazard Alert, was developed to educate workers and employers on the hazards of working under conditions where carbon monoxide can be produced. The Alert told the story of a worker who was exposed to high levels of carbon monoxide while repairing a refrigeration unit in a small walk-in freezer. The refrigeration coil was completely encased in ice and the worker used an acetylene torch to melt the ice before the repairs could begin. Soon afterwards, he began showing signs of acute carbon monoxide exposure. When the worker reported that he was not feeling well, he received medical attention immediately and was able to avoid a potentially fatal incident.

Hazard Alerts are important because they explain how an injury or fatality happened and, more importantly, how it could have been prevented. This is one of the most effective forms of prevention education.

The family of the injured worker hopes that by sharing their story, they can provide awareness to others and if they can help prevent this type of accident from happening to at least one other family, it will be well worth it.

**Carbon Monoxide Hazard Alert**

**HAZARD SUMMARY**  
A worker was exposed to high levels of carbon monoxide while repairing a refrigeration unit in a small walk-in freezer. The refrigeration coil was completely encased in ice and the worker used an acetylene torch to melt the ice before the repairs could begin. The worker began exhibiting signs of acute carbon monoxide exposure such as headache, nausea, confusion and a period of unconsciousness. Fortunately when it was reported that the worker wasn't feeling well, 911 was called and he received immediate assistance. When the physician determined that the level of carboxyhemoglobin (COHb) was greatly elevated, the exposed worker was transported to a hospital in Halifax to be treated in a hyperbaric chamber. The attending physician reported that the oxygen levels in the worker's blood were so low that this incident was very close to being a fatality. After six hours of hyperbaric oxygen therapy, however, the worker recovered from the carbon monoxide poisoning.

**HAZARD LOCATION**  
Carbon monoxide can be dangerous in areas where there is incomplete burning of carbon-containing materials, such as gasoline, oil, propane, acetylene, coal or wood. The risk becomes much greater in an area where there is poor or no ventilation. Workplaces where carbon monoxide poisoning is a serious risk include those that have sources of any of the following emissions:

- Vehicles,
- Portable generators,
- Gas-powered tools,
- Propane space heaters,
- Furnaces and boilers, and
- Welding.

**CAUSE**  
The incomplete combustion of the acetylene gas caused carbon monoxide to be released. This was directly inhaled by the worker. Carbon monoxide is known as a silent killer because it is a colourless, odourless, tasteless poisonous gas. It is harmful when inhaled because it displaces oxygen in the blood and deprives the heart, brain and other vital organs of oxygen.

**SIGNS OF CARBON MONOXIDE**

To report a serious workplace incident or hazard, call the 24hr OHS Emergency Line at 902-628-7513

**Safety Matters**  
Workers Compensation Board of Nova Scotia

# Improving Return to Work Outcomes

## Strategic Theme

Being active, productive and connected to the workplace can promote and accelerate recovery and well-being for those who have been injured at work. Research shows that the longer an injured worker is away from work, the less likely he or she is to return to work. The WCB's goal is to assist workers to remain at work or return to work in a safe, timely and sustainable way following a workplace injury. To this end, the WCB will work with all Islanders to promote a culture in which the physical, emotional and social benefits of working during the recovery process are understood and embraced. We are committed to a client-centered approach in providing timely support and services necessary to foster appropriate outcomes.

## Current State

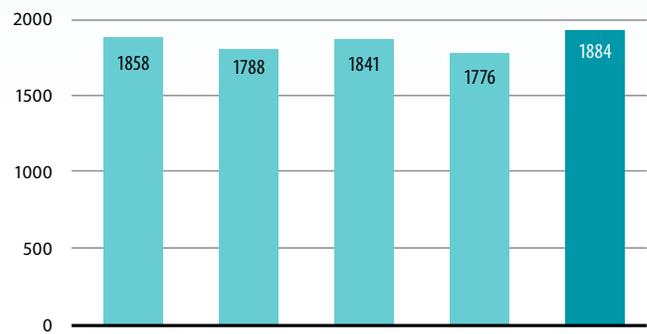
In 2016, the total number of WCB claims adjudicated for workplace injury increased by 6%, from 1,776 in 2015 to 1,884 in 2016. The WCB accepted 91% of the claims that were adjudicated in 2016 and the number of claims that WCB were unable to approve reduced by 15%. The WCB strives to make fair decisions based on legislation and policy and to explain these decisions in an understandable way.

There were two claims for fatality accepted in 2016. Fatalities are recorded in the year in which the claim was accepted by the WCB.

The number of time loss claims, or the claims in which a temporary wage loss resulted, increased in 2016. The total number of time loss claims in 2016 was 942, a 9% increase from the 2015 total of 866 claims. In 2015, the WCB had a wait period of two days. Effective January 1, 2016, the wait period was eliminated. It was anticipated that there may be an increase in time loss claims in 2016 as a result of this. It is reassuring that this increase was not significant.

From a trending perspective, although there was an increase in the number of claims adjudicated this past year, the variation in claim numbers is not statistically significant. The injury frequency rate is considered to have more validity as it takes into account the size of the workforce in determining the rate of injury (see Injury Frequency Rate page 4).

**Number of Adjudicated Claims** (Graphic 4)



	2012	2013	2014	2015	2016
<b>Total Adjudicated Claims</b>	1858	1788	1841	1776	1884
<b>Temporary Wage Loss</b>	920	868	918	866	942
<b>Medical Aid Only</b>	803	774	786	705	766
<b>Fatalities</b>	4	0	1	1	2
<b>Denied</b>	131	146	136	204	174

**Total Adjudicated Claims:** Total number of claims adjudicated for entitlement to benefits.

**Temporary Wage Loss:** Claims received where, as a result of a workplace injury, compensation for wage loss is paid to a worker.

**Medical Aid Only:** Claims received where, as a result of a workplace injury, a worker does not lose wages but does receive medical aid which is paid on behalf of the worker by the Workers Compensation Board.

**Fatalities:** Claims accepted as a result of a workplace fatality.

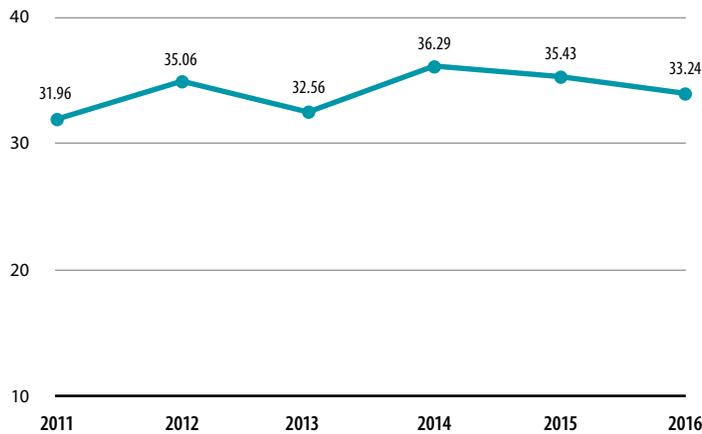
**Denied:** Claims received and determined not eligible for workers compensation system benefits under the *Workers Compensation Act*.



Paul Balderston, owner, and Jeremy Balderston, Flooring Canada

### Average Days Claim Duration *(Graphic 5)*

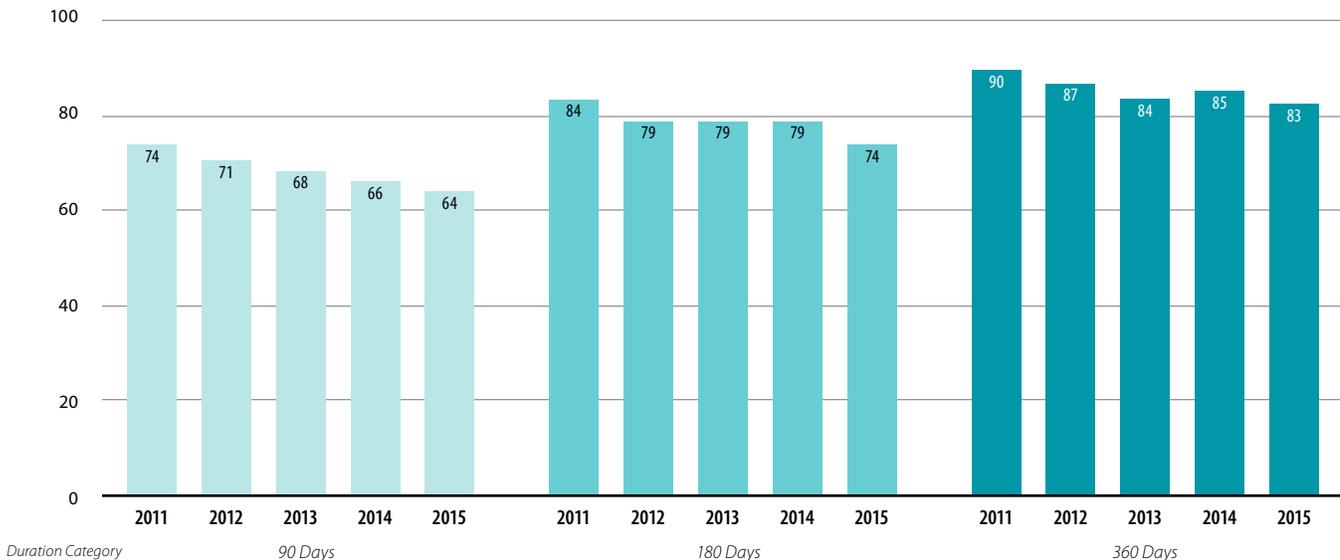
*(Average length of time loss for claims accepted in 2016)*



In 2016, average claim duration decreased by 2.19 days, from 35.43 days in 2015 to 33.24 days in 2016. The trend for this measure, which refers to the average duration of time loss claims, has shown a gradual decrease since 2014. Factors such as prolonged recovery periods associated with an aging workforce and the psychological impact of workplace injury can increase the length of time that an injured worker may require away from work after an injury and so it is encouraging to see a reduction again in 2016. Improving this outcome remains one of the most compelling reasons for the WCB’s strategic focus on improving return to work outcomes. Evaluating and acting on emerging issues affecting a worker’s ability to return to work, including challenges related to an aging population, mental health and timely provision of healthcare, will continue to be a strategic priority.

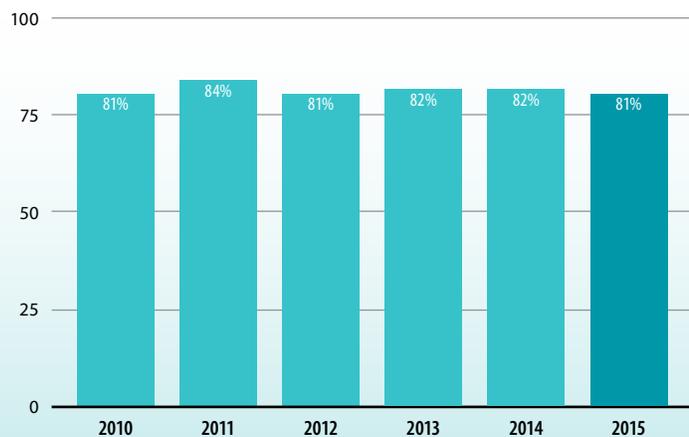
### Percentage of Injured Workers who are no Longer on Wage Loss Benefits, 2011-2015 *(Graphic 6)*

*Percent Return To Work*



Graphic 6 describes the percentage of injured workers who are no longer on wage loss benefits after 90, 180 and 360 days. The most recent data available relates to claims with a 2015 accident date; the lag year allows us to measure the sustainability of return to work and considers the fact that not all workers are able to remain at work following an initial return. For the past five years, the percentage of injured workers who no longer required wage loss benefits after 90 days decreased by 10%, indicating a need to focus on earlier intervention. The percentage of workers who no longer require wage loss benefits after 360 days has decreased by 7% over the past five years. (Graphic 6). Of those workers off compensation, 81% were able to return to work with their pre-injury employer—which is the optimum outcome of return to work (Graphic 7).

### Percentage of Workers who Returned to Work with Accident Employer, 2010-2015 *(Graphic 7)*



Claim duration and return to work indicators help the WCB to determine where to focus intervention efforts that will have the most positive impact. The WCB will continue to work with stakeholders to promote work as an important component of recovery from workplace injury.

### Organizational Performance

In 2016, the WCB focused on a number of initiatives to improve claims management processes and return to work outcomes.

- Changes to the service delivery model to enable earlier return to work intervention
- Multi-disciplinary learning and case planning sessions for claims with high time loss
- Development of a Return to Work Guide for Employers and supporting workshop
- Requirements gathering for future technology needs to support return to work planning
- Partnership with health care sector

### Moving Forward

In 2017, the WCB will continue to develop and implement initiatives to support improved return to work outcomes:

- Reduction of work disability by minimizing time from injury to confirmed diagnosis
- Focused intervention in assisting employers to develop return to work programs
- Early intervention in the return to work process
- Continuation of multi-disciplinary learning and case planning for claims with high time loss
- Implementation of claim processing and case management standards
- Further focused intervention in the health care sector
- Alignment of human resources to support service delivery
- Continued work towards new technology to support return to work planning
- Development of concussion guidelines
- Focused communication and education with service providers
- Development of algorithms for common injuries to support staff and service providers
- Staff development and education on emerging trends and common injuries.

Examination of factors that impact claim duration, such as psychological conditions and an aging workforce, will continue.



Upon retirement, Dr. Stephen O'Brien (right) welcomes Dr. Hendrik Visser, (left) as the new Medical Advisor for WCB.



Robert Gunn, Coast Tire



## Feature Story: Working to Well

2016 saw the completion of a compelling and emotional video about an injured worker from Prince Edward Island and his remarkable journey back to work after a significant workplace accident. The video was part of a special campaign called *Working to Well*, which was developed in collaboration with the Atlantic Social Marketing Partnership. The campaign emphasizes that a connection to the workplace can be an effective part of a worker's recovery.

Robert Gunn's story shows how he made his way back to work in less than a year after a serious workplace injury where he broke all four limbs and remained in the hospital for months after countless surgeries. Through the voices of Robert, his physiotherapist, employer and the WCB staff members who worked with Robert during his recovery, the video showcases that a successful return to work journey requires a connected team who work together to share their knowledge and expertise. To watch Robert's video visit: [www.wcb.pe.ca/Workers/TimelyAndSafeReturnToWork](http://www.wcb.pe.ca/Workers/TimelyAndSafeReturnToWork).

# Ensuring Financial Sustainability

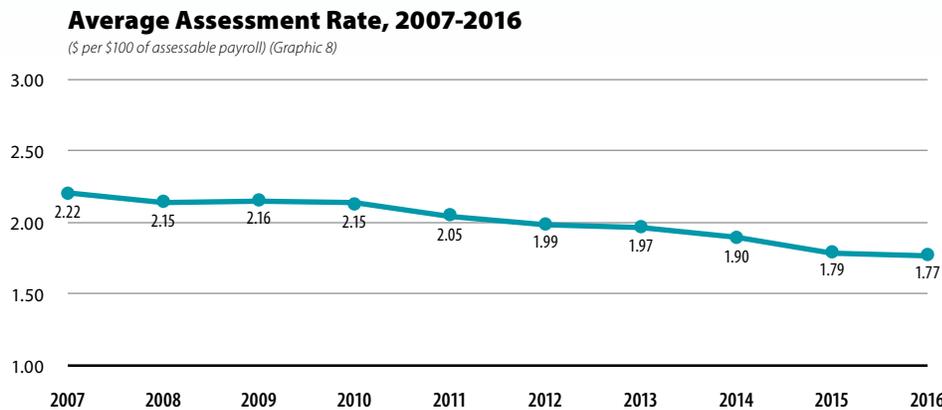
## Strategic Theme

As the administrators for the workers compensation system, the Workers Compensation Board must strive for sufficient but responsive funding and rate-setting policies, as well as the prudent fiscal management of the financial resources entrusted to it.

## Current State

The Workers Compensation Board has been in a fully funded position since 2007. In 2016, this funded position grew to 138%. As part of the 2016-2018 Strategic Plan, the WCB will be re-evaluating its funding policy to ensure the stability of the system, so that the costs of present and future workplace injuries are covered, while remaining as affordable as possible for the employer. The WCB is examining how it can best strike this balance.

## Organizational Performance



The provincial workers compensation system is funded by employer assessments. Every year, the WCB determines the revenue required from Island employers to cover the costs of past, present and future workplace injuries. As a result of the WCB's positive investment returns and stable financial position, the WCB was able to provide an additional cost savings to employers in a reduction to the average assessment rate.

For the seventh consecutive year, the Workers Compensation Board lowered average assessment rates for Island employers. The rate for 2016 was \$1.77 per \$100 of assessable payroll, and represented a decrease of over 20% since 2006. In October of 2016, the Board of Directors announced the average assessment rate for 2017 at \$1.70, representing a seven cent decrease from 2016. One of the key drivers of assessment rates is the costs of workplace injuries. Another key driver is our positive investment returns which can contribute to assessment rate reductions. Reduced rates can be a result of a positive trend in safety performance or a positive funded position of the board.

When WCB PEI's funded position is outside of the Board's target range of 100-110%, policy directs the Board to make adjustments to assessment rates to provide upward or downward adjustments to move closer to the target range. Given the Board's current strong funded position, there was a downward

adjustment applied to the 2017 rate. Every year the funded position is taken into consideration as the Board establishes the average employer assessment rate.

The WCB is in the process of performing a review of the current funding policy to ensure that the policy continues to meet the organization's objectives. The Audit and Finance Committee confirmed the goals and guiding principles of the current funding policy at their July meeting. An external actuary reviewed the policy and provided their opinion to ensure consistency with our financial objectives. A final report on the Funding Policy review is in progress and any suggested changes will be presented to the Board of Directors for approval.

In September 2016, the Board hosted an investment education session with the WorkSafeNB Board of Directors. Board members engaged in a comprehensive review of all elements relevant to the investment management process and factors influencing key decisions. This included the nature of business and obligations, the Accident Fund, a review of asset classes and the building of sound investment policy.

WorkSafeNB is in the process of conducting an Asset Liability Study. At the end of their study, WCBPEI will engage our external actuary to perform a review of the study results to confirm that



the asset mix remains appropriate for our portion of the pooled investment fund.

To ensure there is ongoing quality assurance and continuous improvement programs, the Board of Directors Audit and Finance Committee recognizes the internal audit function as an important part of an organization which adds value and improves an organization's operations. An internal auditor provides independent, objective assurance that an organization's risk management, governance and internal control processes are operating effectively. The internal audit function provides coverage of key business risks, early warning of new exposures, and a review of complex, integrated and automated information systems. The Board has been in partnership with WorkSafeNB since 2011 for the provision of internal audit services for the PEI Board. The Board of Directors Audit and Finance Committee reviewed the partnership in 2016 and has extended this arrangement for a further two years.

The purpose of the Audit and Finance Committee is to enable the Board of Directors to fulfill their governance responsibilities regarding the financial services policies, activities, and reporting as well as fulfill the responsibilities of an audit committee. Management meets with the Audit and Finance Committee quarterly to present the financial activities and results of the Board. Financial activities and conditions are also discussed regularly at the Senior Leadership table to ensure budget targets and constraints are being obtained.

### Moving Forward

The WCB will be adopting a proactive approach to fiscal management by regularly monitoring for emerging areas of risk. To help reduce costs and protect workers, the Workers Compensation Board also works with workplaces to develop effective injury prevention and return to work programs.



Terry Hennessey,  
owner of Source for Sports



Photo Credit: PEI Government Photo, Brian L. Simpson

## Feature Story: Safety is Good Business

Atlantic Roofers Limited, one of the winners of the 2015 Construction Association of PEI Safety Awards, announced at the 2016 Annual General Meeting.

The Construction Association of PEI recognizes that safety is an important part of doing business. So much so, that each year the Association honours employers with an award for their safety performance. The awards are presented to the companies with the lowest ratio of accident days lost compared to their payroll.

The WCB would like to congratulate the winners and commend the PEI Construction Association for continuing to take the initiative to promote a culture of workplace safety on Prince Edward Island.

There are around 5,700 workers in the construction industry and while there has been a slight increase in this number over the past few years, the number of injuries in the sector have remained stable during that time. With an increase in the number of workers within a sector, we could normally see an increase in the number of injuries reported. Given that the injury rate in this industry have remained stable, this is positive news.

The other good news is that since 2012, employer assessment rates for the industry have decreased by an average of 26% among all construction sectors. This strongly suggests that construction employers are making the very important investments in workplace accident prevention and strengthening return to work efforts in order to reduce overall accident costs.

**Other 2015 winners included:** Southern Kings Construction, Stantec Consulting, and Arsenaault Bros. Construction.



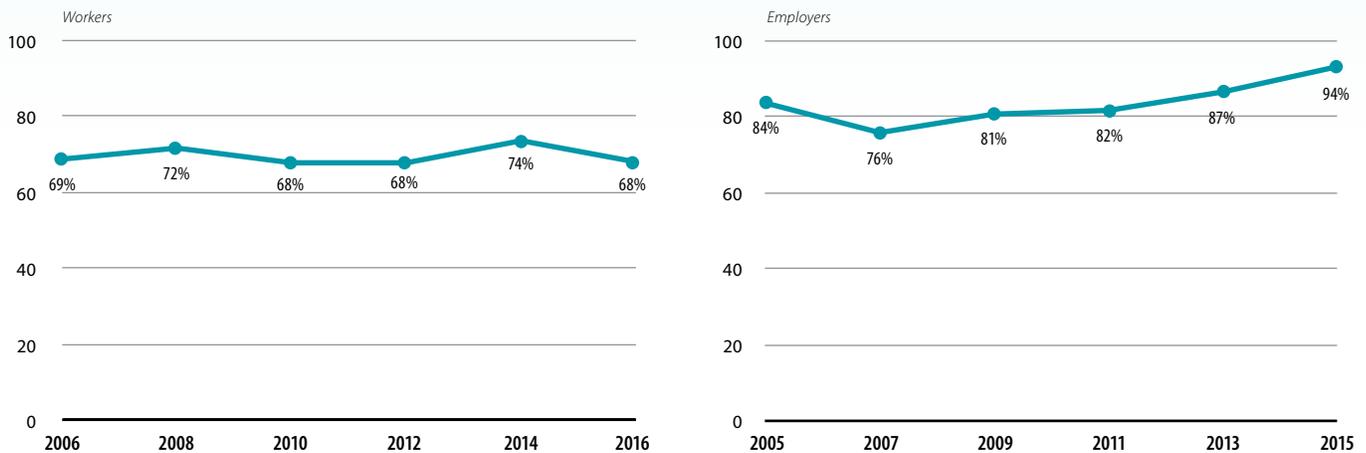
# Strengthening Engagement and Partnerships

## Strategic Theme

The Workers Compensation Board knows that achieving our safety and return to work goals requires meaningful engagement and a collaborative approach with our stakeholders and our community. The WCB is committed to enhancing its existing partnerships and building new relationships. Because stakeholders and their interests evolve over time, the WCB must be proactive and responsive by continuing to improve the ways in which we consult and work with our stakeholders.

## Current State

### Perception that the WCB Does a Good Job of Keeping Employers and Workers Informed (10 year trend) (Graphic 9)



One way to determine how effectively the WCB communicates with our stakeholders is to measure the perception of how well we keep them informed. The results from our stakeholder surveys over the past 10 years indicate that the majority of our clients agree that the WCB communicates effectively, with ratings higher among employers.

Our survey results indicate that overall satisfaction with the WCB is strongly tied to effective communications. The WCB will continue to develop strategies to improve the ways we communicate with our clients and have identified this measure as one of our key organizational metrics to gauge success going forward.



Dave Koughan, owner of CSN Collision Centre

## Organizational Performance

- The WCB collaborated with internal and external stakeholders in the policy development process throughout 2016, as it undertook a review of close to 50 WCB policies. The WCB has a formal process in place to consult with stakeholders on all policies that require substantial development. One policy that was furthered by rigorous stakeholder consultation in 2016 was the Psychological or Psychiatric Conditions policy. As a result of collaboration with stakeholders, this policy was enhanced to provide additional protection for all workers and for first responders, in particular.
- We continued to partner with other jurisdictions to support our investment portfolio, internal audit processes and social marketing opportunities. These partnerships allowed us to exchange ideas, develop joint initiatives and optimize on best practices.
- The WCB continues to maintain involvement in a social marketing partnership with our Atlantic counterparts. The partnership develops regionally-based initiatives that influence perceptions and behaviors about safety and compensation. Based on the insights gained from the social marketing research campaign, strategies will be developed to provide tools for workers, employers and health care providers to aid in helping them with the return to work process.



WCB staff attending the 2016 Biz to Biz Expo

## Moving Forward

As an organization, we recognize that our client's expectations are changing, with an increased demand for immediacy through electronic forums such as social media and online transactions. The WCB will continue to look for ways to gain efficiencies and effectiveness in these areas.

Stakeholder engagement and satisfaction is important to our organization, and we will continue to measure these indexes in order to identify areas for improvement.

## Feature Story: Coverage for Farming



Photo Credit: PEI Government Photo, Brian L. Simpson



Photo Credit: PEI Government Photo, Brian L. Simpson

In 2012, a Legislative Review Advisory Committee was appointed to review the *Workers Compensation Act*. One of the recommendations from the report advised the Workers Compensation Board and Government to consult with the farming industry to discuss the inclusion of farming under the workers compensation system. Over the next few years the Board took the time to meet with farmers. As part of the consultation process, a five person panel, which included representatives from the WCB and the agricultural sector, was created. The panel held consultations across the province with vital stakeholder groups to provide information, answer questions and listen to opinions.

Throughout the process, we were mindful of the concerns and reservations that farm employers might have about mandatory coverage. Since valuable feedback was integral for the transition from optional to mandatory coverage, the panel listened and valued the feedback from farmers.

Given that the decision was made to move forward with the transition to mandatory coverage, the WCB developed a comprehensive communication strategy to ensure that farmers received information around WCB coverage and the transition. In addition to radio and print advertisements, the WCB created a dedicated website portal and held information sessions at Access PEI centres across the province. Mandatory coverage for farmers came into effect on Jan. 1, 2017.

# Providing Continued Service Excellence

## Strategic Theme

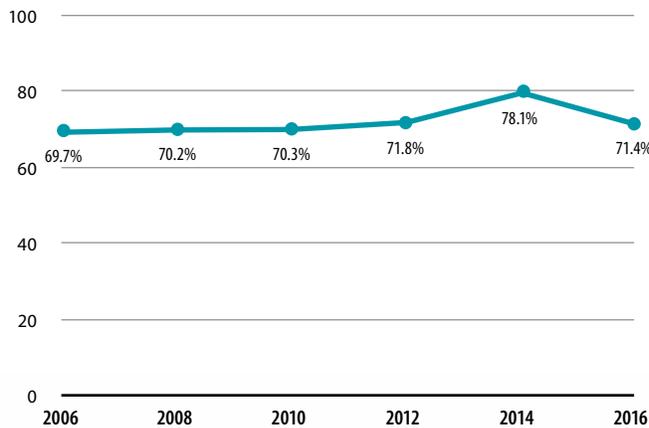
The WCB strives to meet and exceed the expectations of our clients through service excellence. A significant part of the WCB's work involves enforcing workplace safety standards, helping workers recover from workplace injury and collecting assessments from employers. The WCB's goal for service excellence is to deliver a consistent and positive experience at every point of client interaction. It is extremely important that we are respectful, knowledgeable, accountable and transparent in all that we do. The nature of our work can require that difficult decisions be made. We want to provide the best service possible to meet client needs, effectively and respectfully, and to continue to inspire confidence in the safety and compensation system.

## Current State

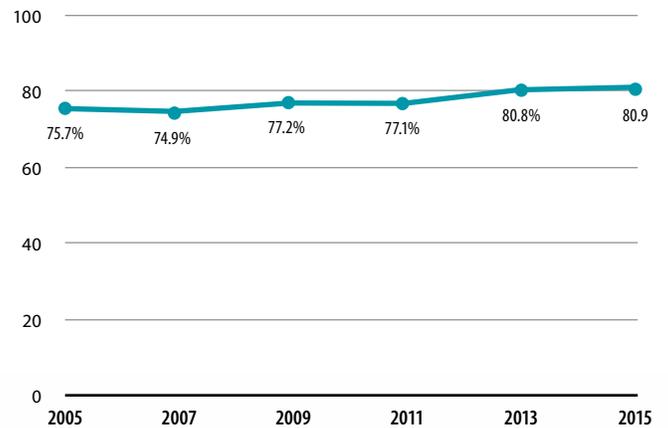
One way to determine how satisfied our clients are is to measure the satisfaction levels of injured workers and employers through biannual surveys. The purpose of the survey is to measure how well we are meeting our clients' service expectations and to identify areas for improvement in our program and service delivery.

Our survey results indicate that overall satisfaction with the WCB continues to remain at a positive level. Although the WCB has achieved high satisfaction ratings with its stakeholders, we will continue to find ways to improve.

**Injured Workers WCB Performance Index, %, 2006-2016** (Graphic 10)



**Employer Survey Service Satisfaction Index, %, 2005-2015** (Graphic 11)



## Organizational Performance

In 2016, the WCB continued to work to improve return to work outcomes for injured workers. A dedicated Vocational Rehabilitation Coordinator position was created to assist workers who are unable to return to their pre-injury employment following a workplace injury.

**Claim Processing: Average Calendar Days to First Payment, 2012-2016** (Graphic 12)



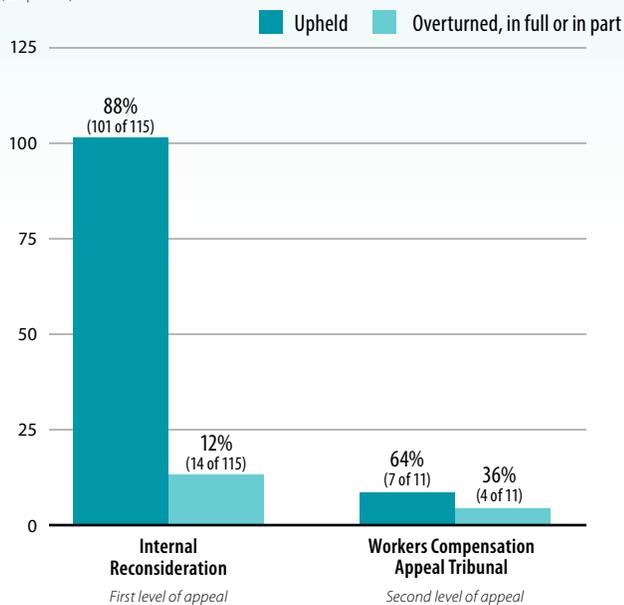
- According to our injured worker surveys, WCB clients expect to receive their first benefit payment within two weeks. In 2016, there was an increase in the number of days to process first payment. Effective January 1, 2016, the two-day wait period was eliminated. It was anticipated that there may be an increase in time loss claims in 2016 as a result of this. Reducing the number of days to first payment is a priority for the WCB and in 2017, focused intervention will occur in this area.

## Decision Making

The WCB is committed to making decisions that apply our policy and legislation in a fair and objective manner. In the event that a worker or employer is not satisfied with a decision, there is an appeal process in place. One way in which we can monitor our ability to make effective decisions is by observing the rate at which they are upheld at appeal (Graphic 13).

### Number of Upheld Decisions at Appeal, 2016

(Graphic 13)



The first level of appeal within the workers compensation system is Internal Reconsideration. There were 115 decisions rendered by the WCB Internal Reconsideration Officer in 2016, 95% of which were on appeals filed by workers and 5% on appeals filed by employers.

At Internal Reconsideration, the WCB's decision made on the claim was upheld 88% of the time. There were no assessment-related appeal decisions in 2016. When an internal reconsideration decision is appealed, it is heard at the Workers Compensation Appeal Tribunal (WCAT). Of the 11 decisions made at the WCAT level in 2016, 64% of the decisions were upheld.

These rates attest to the quality of the decisions made by the WCB and we will continue to work on improving the accuracy of our decisions and the ways in which we communicate these decisions.

## Technology

In 2016, the WCB implemented electronic statement delivery to firms enrolled with Online Services, which included monthly statement of accounts in addition to cost of claim reports and Monthly Assessment Payment Option (MAPO) vouchers. As a result, 37% of employers are now receiving their statements online thereby increasing timeliness of information to employers and reducing costs associated with production and distribution. Growth continues in use of Online Services with a third of the organization's employer registration renewal forms being submitted online and automatically processed.

## IT Modernization

In May 2015, a proposal was brought forward to the WCB Board of Directors requesting that a system review be completed on our current Case Management, OHS and Employer Services systems. The Board approved the request on May 21, 2015. The review revealed that although the systems had undergone several updates, when compared to the technological advances in the last few years, it was felt that improvements to functionality were required. Specifically, the systems should have more effective and efficient functionality, technical support and support for the overall case management workflow. The WCB examined all corporate applications and tasked staff with determining the future requirements of these systems in order to provide improved service delivery to stakeholders. In 2016, the WCB confirmed the requirements for the new systems and finalized the project plan and cost implementation. Once functionality has been clearly identified, a decision will be made on whether to proceed with the system implementation.

## Moving Forward

The WCB will continue to focus on improving return to work outcomes for injured workers. Collaborative work with high injury sectors will continue and we will work to improve processes to support better return to work planning. The WCB will focus on collaboration and communication with service providers and will offer specific and specialized training to staff in areas that will yield better outcomes. Standardizing processes to improve efficiency will be another area of focus.

WCB will continue its efforts to improve services for employers by reviewing business processes and considering how technology can better support its services.

2016 WCB Staff Service Awards



Feature Story:

# Top 25 Employer in Atlantic Canada for 2016

2016 was an exciting year for the Workers Compensation Board of Prince Edward Island as the organization was selected as one of Atlantic Canada's Top 25 Employers for the year. It is a special designation recognizing employers in Atlantic Canada that lead their industries in offering exceptional places to work. In Atlantic Canada, over 350 employers participated in the competition. Employers are evaluated by the editors of Canada's Top 100 Employers competition using eight criteria: physical workplace; work and social atmosphere; health, financial and family benefits; vacation and time off; employee communications; performance management; training and skills development; and, community involvement. Employers are compared to other organizations in their field and region to determine which offers the most progressive and forward-thinking programs. As one of only two Prince Edward Island employers to receive this distinction, the WCB was included among a list featured in the Atlantic Business Magazine on January 6, 2016.



WCB CEO and Staff showcase the Top 25 Employers in Atlantic Canada Award

# Investing In Our Organization

## Strategic Theme

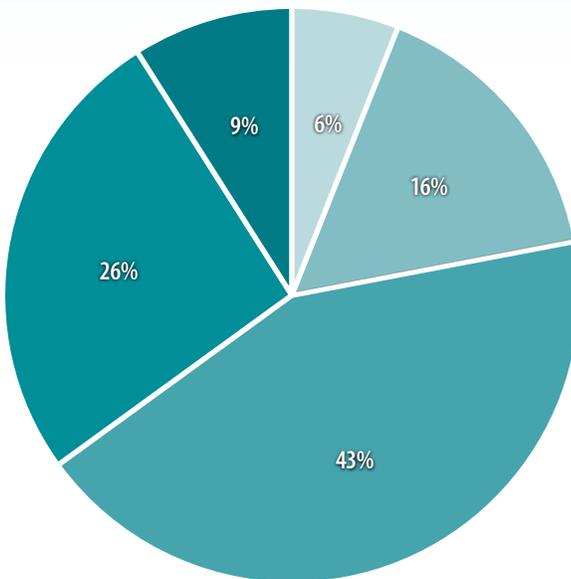
To achieve its Mission, the Workers Compensation Board requires skills, competencies and a commitment to living its values. As part of its 2016-2018 Strategic Plan, the WCB will foster a culture that represents its values, and supports the skills and competencies development of its staff. By investing in the organization in this manner, the WCB will affect the conditions necessary for service excellence.

## Current State

### Age Demographic Total (as of December 31, 2016)

(Graphic 14)

20-29 30-39 40-49 50-59 >60



The composition of the WCB team is a key consideration in the development of a collaborative organization. In 2016, the age demographic of our staff shifted slightly, with a 3% increase in staff under 29 years of age. Our average employee age is 47, with a gender ratio of 68% female and 32% male. As our workforce becomes increasingly diverse, we are creating a professional work environment that is rich with experience and maturity as well as youthful exuberance and fresh ideas.

At our 2016 Annual Service Awards we recognized sixteen employees with five to 30 years of service, totaling 255 years of service with the Workers Compensation Board.

## Organizational Performance

The WCB continues to invest in development opportunities to cultivate the diverse set of skills required by staff needed to drive performance improvement and support our mission, vision and goals.

In 2016, a number of initiatives were pursued:

- Webinars, workshops and information sessions were held for WCB directors, managers and supervisors to support their ongoing efforts to provide efficient and continuous performance management. The WCB continued to support an environment of continuous learning through the training and development funds. Through these resources, staff were able to access training on the following topics: Leading People through Organizational Change; Intermediate and Managerial Accounting; Building Writing Confidence; Human Performance Leadership; New Managers Series; Public Policy Management; and Mental Health First Aid.
- The Privacy Breach Advisory Committee, which was established to enhance the WCB's culture of privacy protection, met regularly throughout 2016. The Committee membership represented all areas and levels of the organization to promote a holistic approach to privacy breach prevention and management. After only one year into its mandate, the Committee was able to achieve partial or full implementation of all of the recommendations put forward by PEI's Privacy Commissioner. The Committee will continue this important work in 2017, demonstrating the WCB's commitment to protecting the personal information of its clients, stakeholders and staff.
- More than ever before, our employees play many different roles in their lives. They are employees, parents, spouses, caregivers of elderly relatives and volunteers in their communities. They must also make room in their lives for taking care of their own physical and mental well-being. To accommodate this need, the WCB introduced an Alternate Hours of Work policy that allows employees to work a weekly schedule that better suits their personal life schedule and satisfies the operational requirements of their positions.
- To ensure WCB employees remain engaged, the organization renewed its commitment to staff maintaining high levels of satisfaction by creating an Employee Satisfaction Advisory Committee. The Committee's mandate is to recommend solutions that will assist in motivating and engaging employees, ultimately leading to a more satisfied workforce.

- To improve efficiencies within our Human Resources processes, the organization implemented a new human resource management system. This new system allows for easy and secure management of employee data, payroll, and benefit administration. It provides employees with a self-service option that enables them to manage and update their own personal information and leave requests.
- The WCB is committed to a safe and secure workspace for our employees. Safety is ingrained in our core values and is a central focus in all our activities. As part of our initiative to be workplace safety leaders, improvements were made to our hazard and incident reporting process and various components of our Occupational Health and Safety program.



WCB Staff

### Moving Forward

The WCB will continue to promote and encourage personal development and teamwork. Creating a culture where employees feel valued and receive the necessary training they require to effectively perform their work will benefit the organization as a whole.

To effectively introduce new employees to the organization and their new role, the WCB will take steps to improve our New Employee Orientation Program. Beyond providing information about the organization's policies and procedures, an effective orientation will make the new employee feel comfortable, supported and help them to learn more about the organization. In 2017, the WCB will introduce a new Employee Development Program that will assist employees in receiving the necessary skills to provide optimal service and performance. Employee development is an essential component of the WCB Corporate Strategy and is vital to ensure the WCB supports employees in shaping the future of their careers while ensuring current and future skill needs are addressed for the organization.

## Feature Story: Training and Development

Rachel Silver is one of the many employees who have taken advantage of the WCB Training and Development program. Rachel is the Manager of Employer Services and Adjudication. She supports many staff in their daily work with workers, health care providers and employers. Through her 10 years of working with the WCB, Rachel has taken a series of courses through the WCB Training and Development Fund.

Currently she is completing the *New Manager Series* through the University of Prince Edward Island. This series entails a number of management focused courses such as *Effective Teams*, *Effective Leaders*, *Managing Conflict in the Workplace*, and *Performance Management*. "It is important to continue to grow and learn. WCB has always been very supportive of educational growth," said Rachel. So when she began her management position, she wanted to take every opportunity to be as successful and effective as possible in her new role. Through her courses at UPEI, Rachel has learned the importance of being an effective leader, and is continuing to apply these skills to her position in order to help her team. She feels that every course she has taken has inspired her in some way, which in turn brings new ideas and positivity into the workplace.



# A Part of Our Island Community

The WCB believes in strengthening our Island community. Our efforts to build a return to work and safety culture on Prince Edward Island can be enhanced through active participation in our community. As good corporate citizens we must do our part to make our Island a better place.

## Community Leadership

Some of our community initiatives included the following:

- Funds raised through dress-down days were donated to the Alzheimer Society of PEI, Heart & Stroke Foundation, Canadian Mental Health Association of PEI, PEI Humane Society, Canadian Red Cross, Canadian Cancer Society, Brain Injury Association, MS Society, ALS PEI, Autism Society of PEI, IWK, and Anderson House.
- Raised \$239 for the Canadian Red Cross to help with relief efforts for those displaced by the wildfire in Fort McMurray.
- The WCB Mo Bros raised over \$1,500 for the 2016 Movember campaign in support of male cancer research.
- The WCB organized a Christmas Food Drive and donated the proceeds to the Upper Room Hospitality Ministry.
- Staff sponsored 25 Island seniors through the “Be a Santa to a Senior” Program.
- We continued to support an Air Cadets’ project by donating obsolete technology such as laptops and cellphones to their organization for recycling purposes.
- Raised funds for the Canadian Cancer’s Society’s Face Off Against Cancer Hockey Tournament.
- Partnered with the PEI Brain Injury Association on a poster initiative to promote safety and to prevent brain injuries.

In addition, the WCB continued to support Threads of Life, a national community organization that helps families who have been impacted by workplace tragedy. The organization provides programs and services to support families in their journeys toward healing. In 2016, we sponsored an Island family to attend the Annual Threads of Life Family Forum, held in Nova Scotia in June. We participated in their annual fundraiser, Steps for Life, and won the Steps for Life Corporate Challenge Award for the highest staff participation by an Island company. In addition, the WCB provided donations to Threads for Life in lieu of speaker’s gifts at the 2016 OHS Conference.

The WCB will continue to seek out socially responsible initiatives that will strengthen community engagement and have a positive outcome for all Islanders.



WCB is a strong supporter of the Movember Initiative recognizing men’s health



2016 Christmas contributions to the Upper Room Hospitality Ministry, PEI’s Central food bank



2016 Steps for Life Walk in Charlottetown - The WCB is a proud sponsor of the annual Steps for Life Walk, a fundraiser that raises awareness about workplace safety and helps families affected by workplace tragedy

# Financial Analysis

## Overview and Analysis of 2016 Financial Results

### 2015 and 2016 Highlights (Graphic 15)

<b>Financial Highlights (\$ millions)</b>	<b>2015</b>	<b>2016</b>
Portfolio Investments	226.7	248.7
Benefit Liabilities	165.3	162.4
Assessment Revenue	33.3	34.8
Investment Revenue	9.8	23.1
Claim Costs	22.7	22.2
Administration Expenses	7.7	7.7
Surplus (Deficit)	(7.9)	28.2
Fund Balance	69.8	98.0
<b>Operational Highlights</b>		
Funded Position (%)	123.9	138.0
Market Rate of Return on Portfolio (%)	4.30	9.16
Number of Assessed Employers	5,056	5,276
Estimated Size of Prince Edward Island Workforce (#)*	73,200	71,500
Average Assessment Rate (\$ per \$100 of assessable payroll)	1.79	1.77
Assessable Payroll (\$ in millions)	1,833.9	1,898.8
Maximum Assessable Earnings (\$)	52,100	52,200
Number of Claims Adjudicated	1,776	1,884

\* Based on Statistics Canada Labour Force Survey Estimates of entire PEI workforce

## Preface To the Financial Statement

Long term sustainability of the workers compensation system in Prince Edward Island depends on sound fiscal management, stringent audit standards, full-funding policies and transparent financial reporting. The Workers Compensation Board is committed to protecting the future of the workers compensation system on behalf of Island workers and employers.

## Financial Reporting Standards

The WCB financial statements are prepared in accordance with International Financial Reporting Standard (IFRS). This requires that the financial statements are measured at fair market value. Under the fair market value method of recording investment income, gains and losses are recognized in the year they occur.

## Funding Strategy

The WCB's funded percentage, as per the Funding Policy POL-136, was 138% at the end of 2016, compared with 123.9% at the end of 2015.

WCB continues to smooth investment returns for the purpose of setting employer assessment rates and for maintenance of the funding policy. The funding percentage is calculated based on a smoothed investment return to ensure that the fluctuations in the market do not cause the same fluctuations in the assessment rate.

The primary goals of the funding policy are to:

- minimize the risk of becoming unfunded
- minimize cost volatility for employers so the average assessment rate for the current year will not vary significantly from the previous year's average assessment rate
- minimize the total cost charged to employers by ensuring the funded status is appropriate in relation to financial needs
- ensure today's employers pay for the current and future cost of today's accidents.

The funding policy targets a funded status in the range of 100%-110% and includes specific adjustments to be applied to the assessment rate setting process should the funded status fall outside this range.

## Financial Highlights for the Year Ending December 31, 2016

For background it is recommended that the following pages be read in combination with the consolidated financial statements and accompanying notes.

### Revenues

The WCB's revenue includes two main sources: assessment revenue and investment income.

### Assessment Revenue

Revenue from employers arises from two primary groups, assessed employers and self-insured employers. The total assessment revenue is a function of the assessment rate applied against the assessable payroll of each employer in the province. Revenue from self-insured employers includes the recovery of actual claim costs paid plus administration costs related to those claims.

## Assessment Revenue (Graphic 16)



The 2016 increase in both the total assessable payroll and the number of assessed employers (see Table 1) was a contributing factor in the assessment revenue increase for 2016.

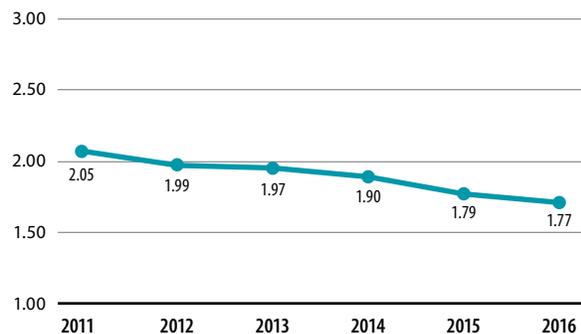
## Assessable Employers, Average Assessment Rates and Assessable Payroll (by year) (Table 1)

	2014	2015	2016
Assessable Employers (Number)	5,022	5,056	5,276
Average Assessment Rate (\$ per \$100 assessable payroll)	1.90	1.79	1.77
Assessable Payroll (\$ millions)	1,799.2	1,833.9	1,898.8

As observed in the following (Graphic 17), the WCB has lowered the average assessment rate, which is the average amount paid by employers per \$100 of assessable payroll. As a result of the WCB's strong financial position and positive market returns, this trend continued this past year. In 2016, the rate fell to \$1.77, a decrease of \$.02 from the 2015 rate of \$1.79.

## Average Assessment Rate, 2011-2016

(\$ per \$100 of assessable payroll) (Graphic 17)



## Investment Income

In 2016, the WCB of PEI had an investment income of \$23.1 million. The Accident Fund is invested in pooled funds with WorkSafeNB.

Investments are important to the WCB because the capital invested plus investment income must cover future claim obligations. Since compensation liabilities have an inflationary component, over time investment income must cover at a minimum that inflationary component.

In 2016, the WCB's fair market rate of investment return was 9.16%, a continuation of the healthy investment income returns.

*Note: Under the smoothed method, gains or losses realized on disposal of fixed term income are deferred and amortized on a straight line basis over a nine-year period. Realized and unrealized gains and losses on equity investments are deferred and amortized on a straight line basis over a four-year period.*

As per IFRS Accounting Standards, investments have been recorded in the financial statements using the fair market value method (recognizing the gains and losses in the year they occur), although investment revenue for funding policy purposes continues to be recorded using the smoothed method. Continued use of the smoothed method for funding policy purposes reduces the impact of volatile investment returns on assessment rates as per the goals of the funding policy.

## Expenses

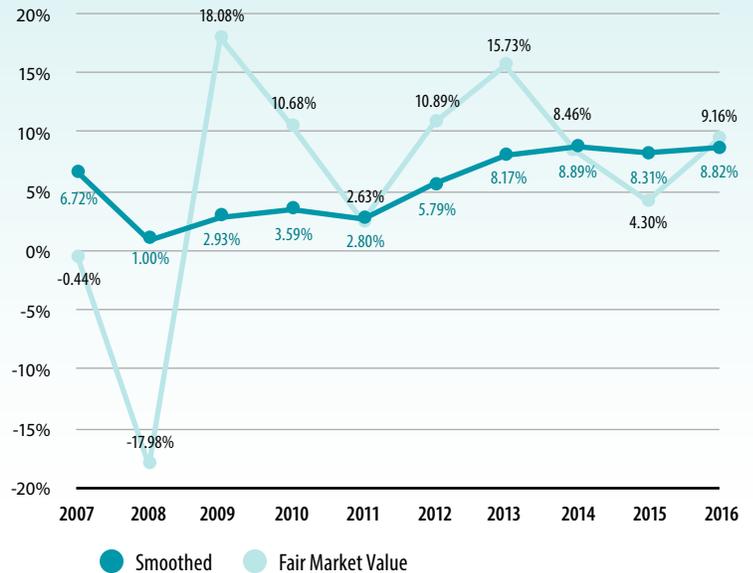
The WCB's expenses primarily consist of claim costs and operating costs. Operating costs are those associated with the administration of the WCB, Worker and Employer Advisor programs, Workers Compensation Appeals Tribunal, bad debt expenses and investment costs.

### Claim Expenditures for Assessed Employers, 2015 and 2016 (\$ thousands) (Table 2)

	Claim Cost	
	2015	2016
Temporary Wage Loss	7,396	6,923
Pension and Extended Wage Loss	7,312	7,328
Health Care	5,890	5,915
Rehabilitation	681	661
Claim Administration	1,383	1,354
<b>Total</b>	<b>22,662</b>	<b>22,181</b>

Claim costs represent current and future costs associated with workplace injuries occurring in the reporting year. The estimation of outstanding benefit liabilities involves a variety of actuarial techniques that analyze experience, trends and other relevant factors, based largely on the assumption that past experiences are an appropriate predictor of the future. This process involves an actuarial projection of future claim costs and administration costs incurred to the end of the reporting year (2016). During this process, variances in the previous liabilities estimated (i.e., lower or higher actuarial

### Investment Return (%), Smoothed and Fair Market Values, 2007-2016 (Graphic 18)



liabilities than previously anticipated) can result in an increase (gain) or decrease (loss) to total income.

Annual gains and losses in liabilities are a normal occurrence and overall for 2016 there is a \$9.9 million gain (experience gains, page 69). The primary factors contributing to this net result in 2016 were the following:

- 2016 Temporary Wage Loss payments were slightly lower than expected (gain).
- Pension liability was reduced as payments decreased for this closed group of claims (gain).
- The cost of new Extended Wage Loss claims granted in 2016 was lower than expected (gain).
- 2016 health care payments were slightly lower than expected (gain).



## Operating Costs

The WCB administration costs in 2016 increased minimally as compared to 2015 administration costs.

### Operating Costs, 2015 and 2016 (Table 3)

	2015	2016
Administration	7,230,860	7,246,835
Appeals Tribunal and Advisors		
Worker Advisor	167,298	173,308
Employer Advisor	154,279	130,316
Workers Compensation Appeals Tribunal	142,554	109,940
Investment Management Expenses	1,174,269	987,959
Bad Debt Expenses	7,558	153,717
<b>Total</b>	<b>8,876,818</b>	<b>8,802,075</b>



Photo Credit:  
PEI Government Photo, Brian L. Simpson

Overall operating cost decreased slightly in 2016 as compared to 2015. Investment management expense was reduced in 2016. Investment management fees consist of two components: external management fees and management fees paid to WorkSafeNB for the management of the pooled fund. Management fees paid to WorkSafeNB are calculated on a cost recovery basis. This change came into effect in 2016 with the signing of the revised Pooled Fund Agreement between the Workers Compensation Board of PEI and WorkSafeNB.

Bad debt increased in 2016 as compared to 2015. The 2016 bad debt expense is similar to what have been reported in years prior to 2015. Bad debt expense was significantly reduced in 2015 as a result of a surplus distribution provided back to employers.

## Funded Balance

A fully funded compensation system is essential to secure the financial obligations associated with the payment of current and future injured worker benefits, as well the administration costs to operate the workers compensation system.

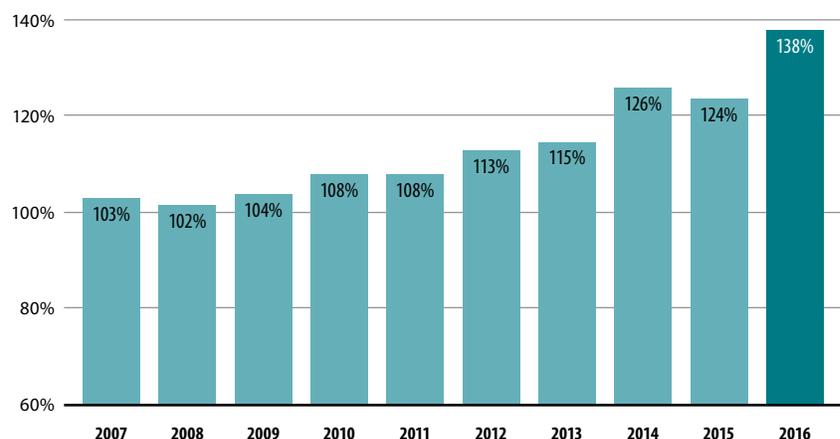
By legislation, the WCB of PEI is required to be in a fully-funded status. When it is not, it is required to have a plan by which it will be fully funded within a definitive number of years. Being in a fully-funded position means that if the Board was to close its doors today it would be in a position to pay all future benefits to which injured workers are entitled, as well as the costs associated with administering those benefits.

In keeping with our strategic objective to ensure long-term financial sustainability, we attained a funded balance (accumulated surplus) of \$98.0 million at the end of 2016. The fund balance is one factor which can lead to changes in assessment rates.

## Funded Position

In 2016, the WCB's funded position was 138.0%, as compared to 123.9% in 2015. This strong financial position enables the WCB to focus on proactive efforts to prevent injury, assist injured workers in returning to work, and monitor and control costs.

### Funded Position (%) 2007-2016 (Graphic 19)



The WCB has a funding policy in place to maintain a stable funded position in the range of 100–110%. If the funded position falls outside of this range, the WCB will take measures to bring it back inside the range. The policy states that when the WCB's funded position exceeds 110%, excess revenues will be considered in the rate setting process. The policy uses smoothed investment returns, as opposed to fair market rates, because this helps to ensure that annual assessment rates are based on a long-term rate of return rather than volatile annual investment returns, thereby providing employers with less volatility in their rates.

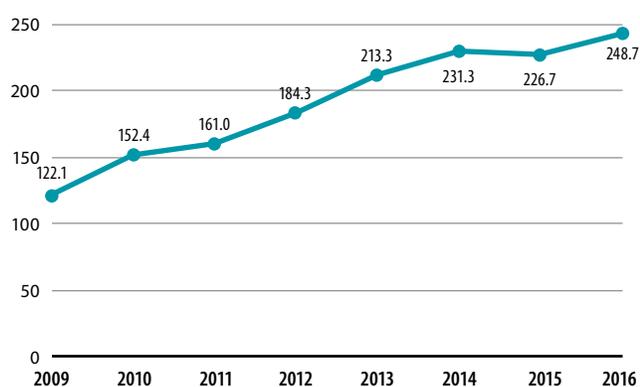
The WCB of PEI initiated a detailed review of its current funding policy in 2016.

## Balance Sheet

### Investments

As of December 31, 2016 the value of the investment portfolio was \$248.7 million. On December 31, 2015 the value of the portfolio was \$226.7 million. The increase reflects the effects of the investment income (increase to the portfolio).

#### Investment Fund (\$millions), 2009-2016 *(Graphic 20)*



### Benefit Liabilities

The other major component of WCB's balance sheet is its benefit liabilities. In 2016 total benefit liabilities decreased by 1.8%.

The calculated liabilities represent the actuarial present value of all future benefits expected to be paid as a result of injuries that occurred on or before December 31, 2016. The liabilities include a provision for future administrative expenses. Note 11 (page 69) of the financial statement provides a detailed overview of the benefit liabilities.

The most significant assumptions underlying the valuation are a real rate of return of 3.5% per annum and a long-term inflation rate of 2.5% per annum. Assumptions used to prepare the valuation are consistent with those used to prepare the December 2015 valuation.

The 2016 benefit liabilities include a provision for occupational disease claims expected to be diagnosed after December 31, 2016 as a result of exposures assumed to have occurred in the workplace prior to December 31, 2016. This represents 4.5% of the benefit liabilities.



#### Benefit Liabilities (\$ thousands), 2015 and 2016 *(Table 4)*

	2015	2016
Temporary Wage Loss	11,507	9,912
Pension and Extended Wage Loss	103,864	102,803
Health Care	30,509	30,422
Rehabilitation	2,687	2,793
Administration	9,657	9,485
Legislative Changes	7,120	6,994
Occupational Diseases		
<b>Total</b>	<b>165,344</b>	<b>162,409</b>

We expect the Board to maintain a strong financial position despite the potential for fluctuations in the investment market. We will continue to be prudent as we recognize investment gains and losses over a reasonable time period, set rates, and evaluate the funding strategy.

# Financial Reports

One of the WCB's most important governance responsibilities is to secure the future of the system.



# Management Responsibility of Financial Reporting

The financial statements are the responsibility of management and have been prepared in conformity with International Financial Reporting Standards. The preparation of financial information is an integral part of management's broader responsibility for the ongoing operations of the WCB. Based on management's knowledge, having exercised reasonable diligence, the financial statements fairly represent in all material respect the financial conditions, results or operations, and cash flow as at December 31, 2016.

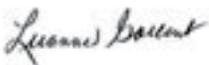
In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable information is produced and those assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2016 operate effectively with no material weakness in the design or operations of the controls.

The Board of Directors is responsible for overseeing 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 in its responsibilities by its Audit and Finance Committee. The Committee reviews and recommends approval of the financial statements and meets periodically with management, internal and external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Eckler LTD, Workers Compensation Board of PEI's independent consulting actuary, has completed an actuarial valuation of the benefit liabilities included in Workers Compensation Board of PEI's financial statements and reported thereon in accordance with accepted actuarial principles.

Grant Thornton, Workers Compensation Board of PEI's independent auditors, has performed an audit of Workers Compensation Board of PEI'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.



**Luanne Gallant**  
Chief Executive Officer



**Tammy Turner**  
Director, Finance

## ACTUARIAL CERTIFICATE

---

We have completed an actuarial valuation of the benefit liabilities for insured employers under the Workers Compensation Act of Prince Edward Island (the "Act") as at December 31, 2016, for the purpose of providing input to the Financial Statements of the Workers Compensation Board of Prince Edward Island (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms

Our estimate of the benefits liabilities of \$162,409,000 represents the actuarial present value at December 31, 2016, of all expected benefit payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2016. The liabilities include a provision for future administrative expenses based on a study conducted by Board staff. The liabilities also include a provision for potential outstanding latent occupational disease awards. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

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

The liabilities have been allocated into five categories, namely: temporary wage loss; pensions and extended wage loss; health care; rehabilitation and administration.

All liabilities have been calculated using underlying assumptions of 3.50% per annum for the real rate of return on invested assets and 2.50% per annum for the rate of increase in the Consumer Price Index.

The CPI assumption equates to inflation rates for indexing benefits of 2.00% per annum in respect of pensions, extended wage loss and survivor benefits, because indexing for these benefits is specified under the Act as 80% of the rate of increase in the Consumer Price Index. No indexing is applied to Section 43 awards in-pay in accordance with Board policy.

Liabilities in respect of permanent extended wage loss, pensions, and Section 43 awards in-pay have been determined by projecting cash flows on an individual claimant basis using mortality as the only decrement.

Liabilities in respect of future extended wage loss and Section 43 awards have been determined based on factors developed from historical patterns of awards, and using mortality, interest, and inflation assumptions identical to those used in determining the existing extended wage loss and Section 43 liabilities.

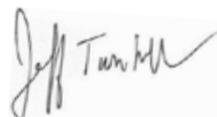
The liabilities in respect of temporary wage loss, health care, rehabilitation and permanent impairment lump sum awards have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 2.50% per annum has been used to project future cash flows for temporary wage loss, wage-related rehabilitation, and permanent impairment lump sums. For health care and non-wage related rehabilitation, we used an inflation rate of 4.25% per annum reflecting the greater expected inflation and utilization rate for these benefit categories.

It is our opinion that:

- the data are sufficient and reliable for the purpose of this valuation;
- the actuarial assumptions and the methods employed are appropriate for the purpose of the valuation; and
- the amount of benefit liabilities makes appropriate provision for future benefit payments on accidents incurred prior to the valuation date.

Our valuation report has been prepared and our opinions have been given in accordance with accepted actuarial practice in Canada.

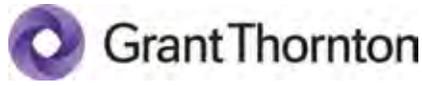
Further information on the data, assumptions, methods, and valuation results can be found in our actuarial valuation report.



Jeff Turnbull, FSA, FCIA



Scott Mossman, FSA, FCIA



## Independent auditor's report

To the members of the Board of the

Workers Compensation Board of Prince Edward Island

We have audited the accompanying financial statements of the Workers Compensation Board of Prince Edward Island, which comprise the statements of financial position as at December 31, 2016, and the statements of comprehensive income (loss), changes in fund balance and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

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

### Auditor's 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 the Workers Compensation Board of Prince Edward Island as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Charlottetown, Prince Edward Island

April 28, 2017

Chartered Professional Accountants

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## Workers Compensation Board of Prince Edward Island Statements of comprehensive income (loss)

Year ended December 31	Notes	2016	2015
<b>Revenues</b>			
Current assessments		\$ 34,845,458	\$ 33,268,736
Self-insured employers	12	856,757	996,692
Investments	4	23,124,275	9,825,020
Interest on receivables		338,677	205,217
Recoverable administration fees and interest charges to self-insured employers	12	280,635	298,347
		<u>59,445,802</u>	<u>44,594,012</u>
<b>Expenses</b>			
Claims cost expenses			
Expected increase	11	9,422,000	9,949,000
Experience gains	11	(9,875,000)	(3,752,000)
Changes in actuarial assumptions and methodology	11	-	488,000
Claims and administrative costs incurred	11	22,181,000	22,662,000
Latent occupational disease costs incurred	11	(126,000)	163,000
Claims costs incurred for self-insured employers	12	856,757	996,692
		<u>22,458,757</u>	<u>30,506,692</u>
Administration expenses			
Administration (Page 76)		7,246,835	7,230,860
Workers' Advisor Program	14	173,308	167,298
Employers' Advisor Program	14	130,316	154,279
Appeals Tribunal	14	109,940	142,554
		<u>7,660,399</u>	<u>7,694,991</u>
Other expenses			
Investment management expenses	4	987,959	1,174,269
Bad debt expense		153,717	7,558
		<u>1,141,676</u>	<u>1,181,827</u>
Total expenses		<u>31,260,832</u>	<u>39,383,510</u>
Operating income		28,184,970	5,210,502
Distribution to employers (Note 15)		-	(13,068,225)
Net income (loss)		<u>\$ 28,184,970</u>	<u>\$ (7,857,723)</u>
<b>Other comprehensive income (loss)</b>			
Items that will not be classified in the statement of operations			
Change in actuarial gains and losses		\$ -	\$ -
Total comprehensive income (loss)		<u>\$ 28,184,970</u>	<u>\$ (7,857,723)</u>

See accompanying notes and schedule to the financial statements.

## Workers Compensation Board of Prince Edward Island Statements of changes in fund balance

Year ended December 31

	<u>Fund balance</u>	<u>Total accumulated comprehensive loss</u>	<u>Total fund balance</u>
Balance, January 1, 2016	\$ 69,992,655	\$ (167,105)	\$ 69,825,550
Net income	28,184,970	-	28,184,970
Other comprehensive loss	-	-	-
Balance, December 31, 2016	<u>\$ 98,177,625</u>	<u>\$ (167,105)</u>	<u>\$ 98,010,520</u>

	<u>Fund balance</u>	<u>Total accumulated comprehensive loss</u>	<u>Total fund balance</u>
Balance, January 1, 2015	\$ 77,850,378	\$ (167,105)	\$ 77,683,273
Net loss	(7,857,723)	-	(7,857,723)
Other comprehensive loss	-	-	-
Balance, December 31, 2015	<u>\$ 69,992,655</u>	<u>\$ (167,105)</u>	<u>\$ 69,825,550</u>

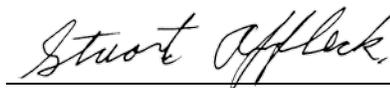


# Workers Compensation Board of Prince Edward Island

## Statements of financial position

December 31	Notes	2016	2015
<b>Assets</b>			
Cash and cash equivalents		\$ 9,113,669	\$ 7,620,688
Receivables	3	2,123,340	1,099,154
Investments	4	248,738,221	226,710,031
Property and equipment	6	2,315,778	2,197,769
Intangible assets	7	693,792	827,806
		<u>\$ 262,984,800</u>	<u>\$ 238,455,448</u>
<b>Liabilities and fund balance</b>			
Payables and accruals	9	\$ 956,780	\$ 1,684,098
Employee future benefits	10	1,608,500	1,601,800
Benefits liabilities	11	162,409,000	165,344,000
		<u>164,974,280</u>	<u>168,629,898</u>
Fund balance	13	<u>98,010,520</u>	<u>69,825,550</u>
		<u>\$ 262,984,800</u>	<u>\$ 238,455,448</u>

On behalf of the Board

 Chair

 Chief Executive Officer

See accompanying notes and schedule to the financial statements.

# Workers Compensation Board of Prince Edward Island

## Statements of cash flows

Year ended December 31

	2016	2015
<b>Cash flow from operating activities</b>		
Cash received from:		
Assessed employers	\$ 33,771,339	\$ 33,508,500
Self-insured employers for assessments	<u>848,761</u>	<u>1,018,187</u>
	<u>34,620,100</u>	<u>34,526,687</u>
Cash paid:		
To claimants or third parties on their behalf	(23,895,757)	(25,158,672)
Distribution to employers (Note 15)	(500,000)	(12,568,225)
For administration requirements and other goods	(2,729,006)	(2,777,358)
For salaries to employees	<u>(6,106,101)</u>	<u>(6,046,045)</u>
	<u>(33,230,864)</u>	<u>(46,550,300)</u>
Net cash provided (used) by operating activities	<u>1,389,236</u>	<u>(12,023,613)</u>
<b>Cash flow from investing activities</b>		
Cash received from:		
Investment income, net of fees	4,990,422	4,716,524
Sale of investments	<u>54,296,779</u>	<u>69,349,928</u>
	<u>59,287,201</u>	<u>74,066,452</u>
Cash paid for:		
Purchase of investments	(58,766,929)	(60,427,401)
Purchase of intangible assets	(122,073)	(15,458)
Purchase of property and equipment	<u>(294,454)</u>	<u>(235,248)</u>
	<u>(59,183,456)</u>	<u>(60,678,107)</u>
Net cash provided by investing activities	<u>103,745</u>	<u>13,388,345</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,492,981</b>	<b>1,364,732</b>
Cash and cash equivalents		
Beginning of year	<u>7,620,688</u>	<u>6,255,956</u>
End of year	<u>\$ 9,113,669</u>	<u>\$ 7,620,688</u>

See accompanying notes and schedule to the financial statements.

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

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December 31, 2016

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### 1. Nature of operations

The Workers Compensation Board of Prince Edward Island (“the Board”) was established by the Prince Edward Island Legislature in 1949 under the *Workers Compensation Act*. The Board has a mandate for the administration of a workers’ compensation system as defined by the *Workers Compensation Act* and for the administration of health and safety programs as defined by the *Occupational Health and Safety Act*. The Board’s head office is located in Charlottetown, Prince Edward Island, Canada.

The nature of operations includes administering payments of benefits to or on behalf of workers, levying and collecting assessment revenues from employers, investing Board funds, inspecting Prince Edward Island workplaces, enforcing health and safety standards defined by legislation and delivering health and safety education and prevention programs. The current *Workers Compensation Act* became effective on January 1, 1995. The current *Occupational Health & Safety Act* became effective on May 20, 2006.

The Board does not receive government funding.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on April 28, 2017.

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### 2. Summary of significant accounting policies

#### Basis of presentation and adoption of IFRS

The financial statements of the Board have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements of the Workers Compensation Board of Prince Edward Island comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2016.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied, except where departure from IFRS is explicitly permitted under the transitional provisions for first time application of IFRS or another IFRS.

#### Basis of measurement

The financial statements of the Board have been prepared on a historical cost basis except for investments in the statement of financial position that are reported at fair value. The Board’s functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Board operates, which is also the presentation currency of the financial statements.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Cash and short-term investments held by custodians for investment purposes are not available for general use and, accordingly, are included in investments.

#### Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the closing rate, which is the spot exchange rate in effect at the date of the statement of financial position. Exchange differences arising from settlement of monetary items and the subsequent translation of monetary items are included in the statement of operations in the period in which they arise.

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

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December 31, 2016

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### 2. Summary of significant accounting policies (cont'd)

#### Accounting estimates and measurement uncertainty

The preparation of financial statements in conformity with IFRS requires the use of judgements, assumptions and estimates as at the date of the financial statements that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting periods presented.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action.

Benefit liabilities, employee future benefits, accrued assessments, allowance for doubtful accounts and depreciation are the most significant items that are based on accounting estimates. Actual results could differ from the estimates made by management in these financial statements and these differences, which may be material, could require adjustment in subsequent reporting periods. See Note 11 for additional details on benefit liabilities.

#### Revenue recognition

The Board recognizes revenue when services have been provided, it is probable that the associated economic benefits will flow to the Board and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. The Board's primary source of revenue is assessed premiums.

Self-insured employers are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers. As such, assessment revenues from self-insured employers are recognized as these costs are incurred.

#### Specific accounting policies

To facilitate a better understanding of the Board's financial statements, significant accounting policies are disclosed in the notes, where applicable, of the related accounting topics. A listing of these notes is as follows:

Note	Topic	Page
3	Receivables	55
4	Investments	56
6	Property and equipment	62
7	Intangible assets	64
9	Payables and accruals	65
10	Employee benefits	65
11	Benefits liabilities	66
12	Self-insured employers	73

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

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December 31, 2016

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### 2. Summary of significant accounting policies (cont'd)

#### Future accounting standards 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. The Workers Compensation Board of Prince Edward Island continually monitors the IASB work plans and publications to assess any potential impact on the organization.

The IASB has issued revisions to IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). IFRS 9 and IFRS 15 are effective for accounting periods beginning on or after January 1, 2018.

In addition, the IASB is working on revisions to IFRS 4 (Insurance Contracts). The impact of the revisions is not currently determinable.

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### 3. Receivables

#### Accounting policy

Trade receivables are amounts due from employers for assessed premiums, or estimated premiums, when a final return for insurance coverage for the period has not been filed. Assessed premiums receivable are initially recognized at the invoiced amount and, subsequently, measured at recoverable value that is net of a provision for uncollectible amounts. Trade and other receivables are classified as financial assets and are recorded at amortized cost.

At the beginning of each year, an assessment is levied on non-monthly employers by applying industry assessment rates to their estimated payrolls. During the year, employers' actual payrolls may vary from their estimate; therefore, at year end, accrued assessments receivable are adjusted based on payroll adjustments from the prior year. The accrued assessments are determined excluding those employers whose assessments are levied on a monthly basis.

Other receivables include amounts due from employees for computer purchases and other payroll related items.

	<u>2016</u>	<u>2015</u>
<b>Receivables</b>		
Assessments	\$ 2,370,304	\$ 1,448,628
Less allowance for doubtful accounts	(390,004)	(369,048)
Accrued assessments	18,456	(133,986)
Self-insured employers	(29,260)	(37,256)
Other receivables	153,844	190,816
	<u>\$ 2,123,340</u>	<u>\$ 1,099,154</u>

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

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December 31, 2016

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### 4. Investments

#### Accounting policy

All the Board's portfolio investments, except real-return bonds, are mandatorily classified as fair value through profit or loss investments. Real return bonds have been designated by the Board as fair value through profit or loss as permitted under IFRS 9. As such, all portfolio investments are recorded at their fair value. The Board recognizes interest revenue as earned, dividends when declared and investment gains and losses when realized. Realized gains and losses represent the difference between the amounts received through the sale of the investments and their respective cost base. Unrealized gains and losses on fair value through profit or loss investments are recognized as investment income at year end based on the fair value of the investments at that time. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations. Investment income also includes interest income and income distributions from pooled funds. The Board utilizes trade date accounting for all purchases and sales of financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date) and not on the date the transaction is finalized (the settlement date). Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transactions date. The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses.

Fair values of specific investments are determined as follows:

- Equities are valued at their year end quoted market prices as reported on recognized public securities exchange.
- Fixed-term investments are valued at their year end closing or bid price 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 cost plus accrued interest, which approximates fair value.
- Pooled fund units other than infrastructure are valued at their year-end net asset value, as determined by the fund manager or administrator. For pooled funds holding equity and fixed-income assets, these values represent the Board'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 pooled funds holding derivatives, cleared derivatives are valued at the closing price quoted by the relevant clearing house, and over-the-counter derivatives are valued using an industry standard model. Exchange-traded options are valued at the last sale price or the closing bid price for long positions and the closing ask price for short positions. For real estate pooled funds, these values represent the Board's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets.
- Infrastructure pooled funds are held through a separate corporate entity controlled by Worksafe NB and in which the Board does not have significant influence. Therefore, these infrastructure pooled funds are considered financial instruments and are valued at their most recent net asset value prior to year-end, adjusted for any capital contributions or withdrawals between the net asset value date and year-end, as determined by the fund manager or administrator. The net asset value represents the Board'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.

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 4. Investments (cont'd)

- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date. The Board has not designated the forward exchange contracts as a hedging instrument. Any changes in the fair market value of the instruments are recognized directly into earnings.

	<u>2016</u>	<u>2015</u>
<b>Investments</b>		
Cash and short-term investments	\$ 6,512,545	\$ 7,285,946
Forward foreign exchange contracts	745,884	(2,142,653)
Real estate	36,839,136	33,891,172
Fixed term investments	53,201,947	52,485,596
Infrastructure	14,610,395	12,620,940
Equities	124,640,924	110,486,314
Global opportunistic	<u>12,187,390</u>	<u>12,082,716</u>
	<u>\$ 248,738,221</u>	<u>\$ 226,710,031</u>
	<u>2016</u>	<u>2015</u>
<b>Investment income</b>		
Earned during the year	\$ 5,639,705	\$ 5,890,793
Realized investment gains	8,128,927	8,535,640
Change in unrealized investment gain (loss)	<u>9,355,643</u>	<u>(4,601,413)</u>
	<u>\$ 23,124,275</u>	<u>\$ 9,825,020</u>
<b>Investment expenses</b>		
External management fees	\$ 906,539	\$ 943,422
Management fees paid to Worksafe NB	<u>81,420</u>	<u>230,847</u>
	<u>\$ 987,959</u>	<u>\$ 1,174,269</u>

### Pooled funds

Certain of the Board's portfolio investments are held through pooled funds. The fair value of the investments held through pooled funds is as follows:

	<u>2016</u>	<u>2015</u>
Conventional bonds	\$ 42,097,509	\$ 41,426,718
Real return bonds	11,104,439	11,058,878
Non North American equities	9,841,563	10,657,803
Real estate	36,839,136	33,891,172
Absolute return	12,187,390	12,082,716
Infrastructure	<u>14,610,395</u>	<u>12,620,927</u>
	<u>\$ 126,680,432</u>	<u>\$ 121,738,214</u>

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

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### 4. Investments (cont'd)

#### Investment agreement

The Board has entered into an Investment Agreement (January 1995) for the management of its investment assets with those of WorksafeNB. These financial statements report the Board's proportionate share of the investment assets held in the pooled fund which was 16.6% at December 31, 2016 (2015 – 14.4%). The Board pays a fee to WorksafeNB for the administration of the combined investments.

#### Commitments

The Board, through its investment in pooled infrastructure and real estate funds, has committed to contribute investments in these funds, which may be drawn down over the next several years. Unfunded commitments as of December 31, 2016 are \$11.5 million.

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### 5. Financial risk management

The Board has established policies for management of its investments. All of the Board's pooled investments are managed by independent, external investment managers. The compliance of these managers with the established policies is monitored on a regular basis. The pooled investments are managed to reduce 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, in conjunction with WorkSafeNB, independent consultants are retained to advise on the appropriateness and effectiveness of its investment policies and practices.

The following sections describe the Board's financial risk exposure and related mitigation strategies.

#### Market risk

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

The table below indicates the total exposure in each of the equity mandates within the Board's portfolio:

	<u>2016</u>	<u>2015</u>
Canada	\$ 42,343,523	\$ 30,969,825
United States	44,654,383	42,917,646
International equities	37,903,482	36,054,274
Real estate	36,839,136	33,891,172
Emerging markets	<u>11,926,926</u>	<u>12,627,285</u>
	<u>\$ 173,667,450</u>	<u>\$ 156,460,202</u>

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 5. Financial risk management (cont'd)

The table below presents the effect of a change in value of equities held based on management estimates for each of the equity mandates in the Boards' portfolio:

Equities Change in market value	2016			
	15%	5%	-5%	-15%
Impact on fund balance				
Canadian	\$ 6,352,000	\$ 2,117,000	\$ (2,016,000)	\$ (5,523,000)
United States	6,698,000	2,233,000	(2,126,000)	(5,824,000)
International equities	5,686,000	1,895,000	(1,805,000)	(4,944,000)
Real estate	5,526,000	1,842,000	(1,754,000)	(4,805,000)
Emerging markets	1,789,000	596,000	(568,000)	(1,556,000)

Equities Change in market value	2015			
	15%	5%	-5%	-15%
Impact on fund balance				
Canadian	\$ 4,645,000	\$ 1,548,000	\$ (1,475,000)	\$ (4,040,000)
United States	6,483,000	2,146,000	(2,044,000)	(5,598,000)
International equities	5,408,000	1,803,000	(1,717,000)	(4,703,000)
Real estate	5,073,000	1,691,000	(1,611,000)	(4,412,000)
Emerging markets	1,894,000	631,000	(601,000)	(1,647,000)

### Foreign currency risk

The Board 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. For its U.S. and non-North American equities, the Board has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward 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 would 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.

The Board has significant current exposure in the US dollar, the Euro, the Japanese Yen and the British Pound. Exposure to changes in these four currencies represents 91.5% of the Board's total exposure to developed market foreign currencies and 77.4% of the total foreign currency exposure including emerging markets. The Board has holdings of \$54,129,000 (2015 - \$48,146,000) in US dollar or 21.8% of the portfolio, \$13,010,000 (2015 - \$11,648,000) or 5.2% in the Euro, \$11,772,000 (2015 - \$8,535,000) or 4.7% in the Japanese Yen and \$7,268,000 (2015 - \$8,811,000) or 2.9% in the British Pound.

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 5. Financial risk management (cont'd)

The table below presents the effects of a 15% appreciation in the Canadian dollar as compared to the US dollar, Euro, Japanese Yen and British Pound on the fund balance:

	<u>2016</u>	<u>2015</u>
CAD/USD	\$ (7,060,000)	\$ (6,286,000)
CAD/EURO	\$ (1,697,000)	\$ (1,519,000)
CAD/YEN	\$ (1,535,000)	\$ (1,113,000)
CAD/POUND	\$ (948,000)	\$ (1,149,000)

At December 31, 2016, the notional value of outstanding forward foreign exchange contracts was \$45,560,992 (2015 - \$44,550,111). The fair value of these contracts was a gain of \$745,884 (2015 - loss of \$2,142,653). Unrealized gains on forward foreign exchange contracts of \$2,888,537 (2015 - losses of \$1,815,367) were included in investment income.

#### 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 the Board's future liabilities, the portfolio holds inflation sensitive investments, such as real return bonds and real estate. Canadian real return bonds are indexed to the annual change in the Canadian Consumer Price Index.

#### Interest risk management

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Board's investment portfolio is exposed to interest rate risk from its holdings of fixed income securities. Fluctuations in interest rates are managed by varying the duration of the fixed income portfolio. The following table presents the remaining term to maturity of the Board's outstanding fixed term investments.

	<u>Remaining term to maturity</u>			<u>Total 2016</u>	<u>Total 2015</u>
	<u>Within 1 year</u>	<u>From 1 year to 5 years</u>	<u>Over 5 years</u>		
Fixed term investments (market value)	<u>\$ (293,813)</u>	<u>\$ 13,575,242</u>	<u>\$ 39,920,518</u>	<u>\$ 53,201,947</u>	<u>\$ 52,485,596</u>

The average effective yield of these fixed term investments is 2.3% (2015 - 2.2%) per annum based on market value.

As of December 31, 2016, 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 fixed term investments would have increased or decreased by \$5,433,000 (2015 - \$5,819,000) or approximately 10.2% (2015 - 11.1%) of their value.

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 5. Financial risk management (cont'd)

#### Credit risk management

Credit risk on fixed term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Board. Policy guidelines have been established to ensure the Board holds corporate fixed term investments with a credit rating of A or higher, and Canadian federal or provincial government fixed term investments with a credit rating of BBB or higher. The Board may only invest in money market instruments that are provincially or federally guaranteed by one of the five largest Canadian chartered banks. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA. As at December 31, 2016, the aggregate amount of fixed income securities with counterparty ratings of BBB was \$nil (2015 - \$276,191).

The Board is also exposed to credit risk through its trade receivables. The Board mitigates this risk through a regular monitoring process. Credit risk is mitigated due to the large number of customers and their dispersion across geographic areas and various industries. Allowance for doubtful accounts is reviewed at each balance sheet date. The Board updates its estimates of allowances for doubtful accounts based on customer history.

#### Fair value hierarchy

In compliance with IFRS 7, Financial Instruments – Disclosures, the Board has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Board's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,512,545	\$ -	\$ -	\$ 6,512,545
Investments				
Forward foreign exchange contracts	-	745,884	-	745,884
Real estate	33,295,390	-	3,543,746	36,839,136
Fixed term	53,201,947	-	-	53,201,947
Infrastructure	-	-	14,610,395	14,610,395
Equities	136,828,314	-	-	136,828,314
	<u>\$ 229,838,196</u>	<u>\$ 745,884</u>	<u>\$ 18,154,141</u>	<u>\$ 248,738,221</u>

During 2016 and 2015, there were no significant transfers of investments between level 1 and level 2.

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 5. Financial risk management (cont'd)

The following summarizes the changes in the level 3 investments for the year:

	<u>2016</u>	<u>2015</u>
Balance beginning of the year	\$ 12,688,776	\$ 2,692,400
Purchase of level 3 investments	4,180,384	8,357,507
Investment income	259,291	286,389
Return of capital	(2,128,412)	-
Unrealized gains (losses) recognized	<u>3,154,102</u>	<u>1,352,480</u>
Balance at end of the year	<u>\$ 18,154,141</u>	<u>\$12,688,776</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 as at December 31, 2016 and, therefore, classified as a level 3 investment in the fair market hierarchy. This fund has a 12-year life that commenced on October 30, 2013. The general partner has the option to extend the fund's life by 2 years.

#### Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet all cash outflow obligations as they come due. The Board mitigates this risk by monitoring cash activities and expected outflows. The Board's current liabilities arise as claims are made. The Board does not have material liabilities that can be called unexpectedly at the demand of a lender or claimant. The Board has no material commitments for capital expenditure and there is no need for such expenditures in the normal course of operations. Claim payments are funded by current operating cash flow including investment income.

There have been no significant changes from the previous year in the exposure to risk or policies, procedure and methods used to measure the risk.

### 6. Property and equipment

#### Accounting policy

Property and equipment are reported at cost less subsequent depreciation and impairment losses. The cost of property and equipment includes expenditures that are directly attributable to their acquisition or construction and any other cost directly attributable to the installation and decommissioning of the asset. Property and equipment are depreciated over their estimated lives on the straight line basis. Assets are depreciated at 50% of the applicable rate in the year of acquisition. When parts of an item of property and equipment have materially different useful lives or patterns of benefit consumption, they are accounted for separately (i.e., as major components). The rates used are as follows:

Buildings and components	10 to 40 years, straight line
Furniture and fixtures	10 years, straight line
Computer equipment	5 years, straight line

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 6. Property and equipment (cont'd)

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entire entity. As the Board has the statutory power under the Act to increase premiums and/or impose levies to ensure full funding unto the foreseeable future, impairment at the entity level is remote. As at December 31, 2016, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Board's ability to generate future economic benefits from its operating non-financial assets.

<b>Gross carrying amount</b>	<u>Land</u>	<u>Buildings</u>	<u>Furniture &amp; fixtures</u>	<u>Computer equipment</u>	<u>2016 Total</u>
Balance January 1, 2016	\$ 368,460	\$ 2,541,946	\$ 638,161	\$ 588,159	\$ 4,136,726
Additions	-	130,638	4,006	161,300	295,944
Disposals	-	-	-	(66,468)	(66,468)
Balance December 31, 2016	<u>368,460</u>	<u>2,672,584</u>	<u>642,167</u>	<u>682,991</u>	<u>4,366,202</u>
<b>Depreciation and impairment</b>					
Balance January 1, 2016	-	(1,062,672)	(402,713)	(473,572)	(1,938,957)
Disposals	-	-	-	65,089	65,089
Depreciation	-	(89,123)	(29,134)	(58,299)	(176,556)
Balance December 31, 2016	<u>-</u>	<u>(1,151,795)</u>	<u>(431,847)</u>	<u>(466,782)</u>	<u>(2,050,424)</u>
<b>Carrying amount Dec 31, 2016</b>	<b><u>\$ 368,460</u></b>	<b><u>\$1,520,789</u></b>	<b><u>\$ 210,320</u></b>	<b><u>\$ 216,209</u></b>	<b><u>\$2,315,778</u></b>
<b>Gross carrying amount</b>	<u>Land</u>	<u>Buildings</u>	<u>Furniture &amp; Fixtures</u>	<u>Computer Equipment</u>	<u>2015 Total</u>
Balance January 1, 2015	\$ 368,460	\$ 2,360,940	\$ 656,631	\$ 551,810	\$ 3,937,841
Additions	-	181,006	16,862	37,380	235,248
Disposals	-	-	(35,332)	(1,031)	(36,363)
Balance December 31, 2015	<u>368,460</u>	<u>2,541,946</u>	<u>638,161</u>	<u>588,159</u>	<u>4,136,726</u>
<b>Depreciation and impairment</b>					
Balance January 1, 2015	-	(979,686)	(401,427)	(426,779)	(1,807,892)
Disposals	-	-	27,017	1,031	28,048
Depreciation	-	(82,986)	(28,303)	(47,824)	(159,113)
Balance December 31, 2015	<u>-</u>	<u>(1,062,672)</u>	<u>(402,713)</u>	<u>(473,572)</u>	<u>(1,938,957)</u>
<b>Carrying amount Dec 31, 2015</b>	<b><u>\$ 368,460</u></b>	<b><u>\$1,479,274</u></b>	<b><u>\$ 235,448</u></b>	<b><u>\$ 114,587</u></b>	<b><u>\$2,197,769</u></b>

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

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December 31, 2016

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### 7. Intangible assets

#### Accounting policy

Computer software development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the Board has the intention and sufficient resources to complete development and to use the asset. Computer software assets are derecognized when these factors no longer exist. The capitalized expenditure includes the direct cost of materials and labour, but not administrative costs, including training. Other development expenditures are expensed as incurred if they do not meet the prescribed capitalization criteria. Similarly, costs associated with maintaining computer software programs in a functional condition, as originally intended, are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The Board's intangible assets are comprised of computer software developed internally or acquired through third party vendors and customized as necessary. These costs are accounted for using the cost model whereby capitalized costs are amortized on a straight line or declining balance basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Internally developed software is amortized on a straight line basis over 10 years for certain software and 3 years for other smaller software programs.

<b>Computer software</b>	<u>2016</u>	<u>2015</u>
<b>Gross carrying amount</b>		
Balance at January 1	\$ 4,404,588	\$ 4,389,130
Addition, separately acquired	<u>122,073</u>	<u>15,458</u>
Balance at December 31	<u>4,526,661</u>	<u>4,404,588</u>
<b>Amortization and impairment</b>		
Balance at January 1	(3,576,782)	(3,194,530)
Amortization	<u>(256,087)</u>	<u>(382,252)</u>
Balance at December 31	<u>(3,832,869)</u>	<u>(3,576,782)</u>
Carrying amount December 31	<u>\$ 693,792</u>	<u>\$ 827,806</u>

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### 8. Bank indebtedness

The Board has a \$500,000 unsecured operating line of credit of which nil was used at December 31, 2016.

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 9. Payables and accruals

	<u>2016</u>	<u>2015</u>
Accrued staff salaries	\$ 45,580	\$ 21,005
Accrued vacation pay	209,924	184,623
Trade and other payables	701,276	978,470
Funds held in trust	<u>-</u>	<u>500,000</u>
	<u>\$ 956,780</u>	<u>\$ 1,684,098</u>

### 10. Employee benefits

#### Accounting policy

Permanent employees of the Board participate in a defined benefit pension plan sponsored by the Province of Prince Edward Island. As these multi-employer plans meet the accounting requirements for treatment as defined contribution plans, the current year employer contributions are accounted for as current pension expense. The cost of retirement pay benefits earned by employees is actuarially determined using the projected unit credit method prorated on service. Benefits are projected with management's best estimate of salary escalations to retirement and then pro-rated based on service. Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

#### Short-term benefits

The Board's short-term benefits for qualified active employees include base salary, compensated absences, group life insurance, dental and medical coverage.

#### Pension plan

The Board and its employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies. Changes were made to the Civil Service Superannuation Act effective January 1, 2015. For service after 2013, the average salary used to determine pension benefits will be calculated using an average of all earnings indexed to the year of retirement. Also, for service after 2018, the age at which an unreduced pension is available will move from 60 to 62 and the years of service will move from 30 to 32. Retirement benefits will be indexed at 1.5% up until 2016. In 2017, pension benefits indexing will depend on the financial health of the fund. The plans are similar to state plans as defined in IAS 19 whereby they are established by legislation to provide retirement benefits for eligible provincial employees. State plans share similar characteristics as multi-employer plans and are treated as defined contribution plans under IAS 19. For these plans, the Board has no further payment obligations once the contributions have been paid. Since sufficient information is not readily available to account for the Board'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. The current year expense for this pension plan is \$396,093 (2015 - \$403,179). As the Board maintains no obligation to cover funding deficiencies within the plan, should any exist, there are no provisions to be recorded for future funding obligations.

At March 31, 2016, the Civil Service Superannuation Fund reported that the pension plan was 100% funded.

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

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### 10. Employee benefits (cont'd)

#### Retirement pay benefits

The Board provides a retirement pay benefit equal to one weeks pay for each year of service, subject to a maximum benefit equal to 26 weeks pay. The retirement pay benefit is payable upon retirement. Unionized employees qualify at retirement if they have accrued 10 years of service and attained age 55. Non-unionized employees qualify at retirement if they have accrued 5 years of service and attained age 55, accrued 30 years of service (moving to 32 years of service as of December 2018), or accrued 5 years of service and die or become disabled. The significant actuarial assumptions adopted in measuring the Board's accrued retirement pay benefits obligations are a discount rate of 3.5% (2015 - 3.5%) and a rate of compensation increase of 3.5%. The retirement pay benefits liability has been estimated to equal \$1,608,500 (2015 - \$1,601,800) based on the last actuarial calculation as of December 31, 2016.

Other information about the Board's retirement pay benefits is as follows:

	<u>2016</u>	<u>2015</u>
Opening retirement pay benefits	\$ 1,601,800	\$ 1,559,500
Changes in retirement pay benefits	<u>6,700</u>	<u>42,300</u>
Ending retirement pay benefits	<u>\$ 1,608,500</u>	<u>\$ 1,601,800</u>

#### Employee benefits risks

The Board's defined benefit plan is indirectly exposed to economic risks with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to uncertainty of the timing of the payments.

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates.

The Board is also exposed to funding risk in the multi-employer plans arising from legislative changes affecting eligibility for and amount of pension and related benefits and performance of plan assets affected by investment policies set by the government. Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind up or amendments, and funding requirements.

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### 11. Benefits liabilities

The benefits liabilities represent the actuarial present value of all future benefit payments expected to be made for claims which 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.

The Board believes that the amount provided for benefit liabilities as at December 31, 2016, is adequate, recognizing that actuarial assumptions as disclosed below may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

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December 31, 2016

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### 11. Benefits liabilities (cont'd)

Benefits liabilities as at December 31, 2016, have been independently valued by the Board's external actuary. Benefits liabilities include a provision for all benefits provided by current legislation, Board policies, and administrative practices. These liabilities also include a provision for future expenses of administering those benefits. Benefits liabilities do not include a provision for benefits costs of self-insured employers.

Since the benefits liabilities of the Board are of a long-term nature, the actuarial assumptions and methods used to calculate the reported benefits liabilities are based on considerations of future expenses over the long-term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in future conditions within one year of the financial statement date could require a material change in the recognized amounts.

#### Key actuarial assumptions

Important components of the benefits liabilities are long-term in nature, meaning that many claims continue in payment for many years following the accident.

The independent consulting actuary makes significant estimates and judgments in respect of certain liability amounts 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 key areas of significant estimates and judgments and the methodologies used to determine key assumptions are set out below.

A provision is made at year-end for the estimated cost of claims incurred but not settled at the balance sheet date. This provision includes the cost of claims incurred but not reported to the Board.

The estimation of outstanding benefits liabilities is based largely on the assumption that past developments are an appropriate predictor of the future and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors. The process commences with the actuarial projection of the future claims payments and administration costs incurred to the reporting date. The various payment codes of the Board are grouped into a number of benefit categories and analyzed separately.

Modeling approaches are used to analyze and project the various benefit types. These approaches fall into three broad categories, which are as follows:

- Payments per claim for active long-term wage loss, pension and survivor claims;
- Projected payments based on past payment patterns for short-term disability, health care and the first seven years for long-term disability awards; and
- Estimated average benefit payments per claim for projected future long-term wage loss and physical impairment awards.

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 11. Benefits liabilities (cont'd)

Projected future claims payments and associated administration costs are obtained by examining the results from the above methods. This projection is made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of outstanding benefits liabilities that has an approximately equal chance of proving adequate as not.

The projected future claims payments are converted to inflated values, taking into account assumptions about future inflation. The present value of this liability is then calculated, by discounting the inflated cash flows to allow for future returns on the underlying assets using appropriate discount rates. Both implicit and explicit assumptions are made for future inflation. For the first fifteen years of the projection period for short-term disability, health care and the first seven years for long-term disability awards, the future inflation is implied in the development factors. Explicit future inflation assumptions are used for all other liability estimates.

The table below presents key assumptions used to determine the benefits liabilities.

	2016	2015
Gross rate of return	6.0%	6.0%
Real rate of return	3.5%	3.5%
Increase in inflation	2.5%	2.5%
Future administration	6.5%	6.5%
Latent occupational diseases	4.5%	4.5%

### Process used to determine assumptions

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 policies and beliefs. 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.

#### **Future awards liabilities**

For the purposes of projecting future cash flows for the future award liabilities, other than those for future extended wage loss awards, the calculation uses a weighted average of payments made over the 2014 to 2016 period. The weightings are 17% of 2014, 33% of 2015 and 50% of 2016, all adjusted to constant 2016 dollars. In the case of medical aid and hospital expenses, certain large individual cases that are expected to require long-term care have been removed from historical data. For these cases, the ongoing payments have been estimated based on an analysis of the individual file.

#### **Pension in pay**

The liabilities in respect of pensions and extended wage loss awards, including survivor benefits that are already in payment, are included in this category. Cash flows, in respect of these categories have been projected on an individual claimant basis using mortality as the only decrement. No provision for termination of benefits from other causes such as recoveries has been made. To the extent such terminations occur, there will be a gain.

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 11. Benefits liabilities (cont'd)

#### Future extended wage loss awards

Included in the valuation is a provision for future extended wage loss awards. A claims run off table has been developed based in part on the Board's limited experience with respect to wage loss claims. This table is used to predict the emergence of future extended wage loss claims. The table was developed using a run off table used by another Board with legislation similar to Prince Edward Island's with experience modifications noted in Prince Edward Island as compared to the other jurisdiction.

#### 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. Based on this review, a liability for future administration expenses of 6.5% of the total benefits liability is included in the liability estimate.

An analysis of the components of and changes in benefits liabilities is as follows:

	Temporary wage loss	Pension and extended wage loss	Health care	Rehabilitation	Administration	<u>2016</u>  Total	<u>2015</u>  Total
Balance, beginning of year	\$11,507,000	\$ 103,864,000	\$ 30,509,000	\$ 2,687,000	\$ 9,657,000	<b>\$ 158,224,000</b>	\$ 154,610,000
Expected increase	700,000	6,164,000	1,823,000	160,000	575,000	<b>9,422,000</b>	9,949,000
Assumption changes	-	-	-	-	-	-	488,000
Experience (gains) losses	<u>(2,610,000)</u>	<u>(4,978,000)</u>	<u>(1,658,000)</u>	<u>(26,000)</u>	<u>(603,000)</u>	<b><u>(9,875,000)</u></b>	<u>(3,752,000)</u>
	9,597,000	105,050,000	30,674,000	2,821,000	9,629,000	<b>157,771,000</b>	161,295,000
Costs incurred	<u>6,923,000</u>	<u>7,328,000</u>	<u>5,915,000</u>	<u>661,000</u>	<u>1,354,000</u>	<b><u>22,181,000</u></b>	<u>22,662,000</u>
	16,520,000	112,378,000	36,589,000	3,482,000	10,983,000	<b>179,952,000</b>	183,957,000
Less:							
Payments made	(6,608,000)	(9,575,000)	(6,167,000)	(689,000)	(1,498,000)	<b><u>(24,537,000)</u></b>	<u>(25,733,000)</u>
						<b>155,415,000</b>	158,224,000
Latent occupational diseases	-	-	-	-	-	<b><u>6,994,000</u></b>	<u>7,120,000</u>
Balance, end of year	<b><u>\$ 9,912,000</u></b>	<b><u>\$102,803,000</u></b>	<b><u>\$ 30,422,000</u></b>	<b><u>\$ 2,793,000</u></b>	<b><u>\$ 9,485,000</u></b>	<b><u>\$ 162,409,000</u></b>	<b><u>\$ 165,344,000</u></b>

Benefit liabilities of self-insured employers are not included in the benefits liability. These liabilities will be borne by those employers when paid in the future years. They do not add to the Board's liabilities on its net fund balance.

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 11. Benefits liabilities (cont'd)

#### Current year injuries

	<b>2016</b>		
	<b>Current year cost</b>	<b>Present value of future costs</b>	<b>Total incurred claims</b>
Health care	\$ 1,777,000	\$ 4,138,000	\$ 5,915,000
Temporary wage loss	2,701,000	4,222,000	6,923,000
Rehabilitation	2,000	659,000	661,000
Lump sums	146,000	581,000	727,000
Future permanent awards	-	6,601,000	6,601,000
Administration	301,000	1,053,000	1,354,000
<b>Total</b>	<b>\$ 4,927,000</b>	<b>\$ 17,254,000</b>	<b>\$22,181,000</b>

	<b>2015</b>		
	<b>Current year cost</b>	<b>Present value of future costs</b>	<b>Total incurred claims</b>
Health care	\$ 1,527,000	\$ 4,363,000	\$ 5,890,000
Temporary wage loss	2,593,000	4,803,000	7,396,000
Rehabilitation	-	681,000	681,000
Lump sums	131,000	527,000	658,000
Future permanent awards	-	6,654,000	6,654,000
Administration	276,000	1,107,000	1,383,000
<b>Total</b>	<b>\$ 4,527,000</b>	<b>\$ 18,135,000</b>	<b>\$22,662,000</b>



# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 11. Benefits liabilities (cont'd)

#### Reconciliation of movement in benefits liabilities

	<u>2016</u>	<u>2015</u>
Balance, beginning of the year	\$ 165,344,000	\$ 161,567,000
Interest on liability	9,422,000	9,949,000
Payments and other transitions	<u>(24,537,000)</u>	<u>(25,733,000)</u>
Balance, end of year for prior accident years	<u>150,229,000</u>	<u>145,783,000</u>
Impact of experience losses (gains) on change in liability for prior accident years due to:		
Mortality and termination	600,000	(2,900,000)
Award inflation less than expected	(1,300,000)	(1,500,000)
New awards	(4,000,000)	2,900,000
Change in expected claim run-off	(1,800,000)	(1,100,000)
Difference between actual and expected payments	(2,600,000)	(400,000)
Other	<u>(775,000)</u>	<u>(752,000)</u>
Total change in liability	<u>(9,875,000)</u>	<u>(3,752,000)</u>
Assumption changes	-	488,000
Change in latent occupational diseases liability	(126,000)	163,000
Liability for new accidents	<u>22,181,000</u>	<u>22,662,000</u>
	<u>22,055,000</u>	<u>23,313,000</u>
Balance, end of year	<u>\$ 162,409,000</u>	<u>\$ 165,344,000</u>



# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 11. Benefits liabilities (cont'd)

#### Claims development

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Board's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim years 2006 to 2016. The upper half of the table shows the cumulative amounts paid or estimate to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

	Year of estimate	(\$'000)										Total
		Accident year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
<b>Estimated total cash flow (including past and future cash flows)</b>	<b>2007</b>	\$ 20,438										
	<b>2008</b>	20,093	\$ 21,985									
	<b>2009</b>	19,152	21,431	\$ 23,164								
	<b>2010</b>	19,722	21,158	24,135	\$ 26,044							
	<b>2011</b>	19,120	20,276	24,699	24,901	\$ 29,273						
	<b>2012</b>	18,289	19,947	24,987	23,286	28,208	\$ 31,901					
	<b>2013</b>	18,202	20,002	23,991	22,033	26,348	29,648	\$ 32,752				
	<b>2014</b>	17,587	20,330	23,827	20,465	25,585	27,025	28,539	\$ 33,271			
	<b>2015</b>	16,466	19,671	23,897	19,438	25,638	28,580	28,182	30,346	\$ 32,825		
	<b>2016</b>	16,274	20,302	23,858	18,664	24,243	27,064	25,792	28,515	28,898	\$ 32,894	
Current (2016) estimate of total cash flow		16,274	20,302	23,858	18,664	24,243	27,064	25,792	28,515	28,898	32,894	\$246,504
Total cash flows paid December 31, 2016		(10,502)	(10,916)	(11,941)	(10,485)	(13,858)	(13,661)	(11,710)	(10,248)	(7,731)	(4,626)	(105,678)
Estimated future cash flows		5,772	9,386	11,917	8,179	10,385	13,403	14,082	18,267	21,167	28,268	140,826
Impact of discounting Liability for accident years 2007 - 2016		(2,434)	(3,951)	(5,131)	(3,310)	(4,206)	(5,594)	(5,899)	(7,580)	(8,688)	(11,245)	(58,038)
Liability for accident years 2006 and prior		3,338	5,435	6,786	4,869	6,179	7,809	8,183	10,687	12,479	17,023	82,788
Claims administration												63,142
Latent occupational diseases liability												9,485
<b>Balance sheet liability at December 31, 2016</b>												<b>6,994</b>
												<b>\$162,409</b>

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 11. Benefits liabilities (cont'd)

#### Claims risk

Because there is no statutory limit on the benefit amount payable or the duration of the risk exposure related to work related injuries, the Board bears risk with respect to its future claims costs, which could have material implications for liability estimation. In determining the Board's claim benefit liabilities, a primary risk is that the actual benefits payments may exceed the estimation of the amount of the liabilities. This may occur due to changes in claim reporting patterns, frequency and/or size of claim payments or duration of claims. Compensable injuries and benefits payable may also change due to legislation or policy changes. With potentially long claim run off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

#### Sensitivity of actuarial assumptions

The benefits liabilities are determined by using many actuarial assumptions. The two most significant assumptions are the real rate of return and inflation rate. The liability estimates are highly sensitive to small changes in these assumptions. The following table presents the sensitivity of the liabilities to the following change in the real rate of return and inflation rate:

	<u>2016</u>	<u>2015</u>
1% Decrease in real rate of return	<u>\$ 11,596,000</u>	<u>\$11,802,000</u>
1% Increase in inflation	<u>\$ (984,000)</u>	<u>\$ (1,008,000)</u>
0.25% Decrease in real rate of return	<u>\$ 2,755,000</u>	<u>\$ 2,806,000</u>
0.50% Decrease in real rate of return	<u>\$ 5,604,000</u>	<u>\$ 5,707,000</u>

### 12. Self-insured employers

These financial statements include the effects of significant transactions carried out for self-insured employers, principally the Government of Canada, who directly bear the costs of their own incurred claims and an appropriate share of administration expenses. Administrative fees and interest charges are included within the schedule of administrative expenses (page 30). Total amounts of assessment revenue and offsetting expenses included in the statements of operations and operating surplus are as follows:

	<u>2016</u>	<u>2015</u>
Current assessment revenue	<u>\$ 856,757</u>	<u>\$ 996,692</u>
Administration fees and interest charges recoverable	<u>280,635</u>	<u>298,347</u>
	<u>\$ 1,137,392</u>	<u>\$ 1,295,039</u>
Claims costs incurred		
Short-term disability	<u>\$ 168,900</u>	<u>\$ 198,891</u>
Long-term disability	<u>486,454</u>	<u>533,658</u>
Health care	<u>201,403</u>	<u>264,143</u>
Rehabilitation	<u>-</u>	<u>-</u>
	<u>856,757</u>	<u>996,692</u>
Administration fees and interest charges	<u>280,635</u>	<u>298,347</u>
	<u>\$ 1,137,392</u>	<u>\$ 1,295,039</u>

# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

### 13. Funding strategy and capital management

In 2002, the Board implemented a funding strategy to address retirement of the unfunded liability as at December 31, 2001. In recognition of the significant improvement in the Board's financial position under this strategy (2002 – 2006), the Board replaced this funding strategy with a funding policy (POL 136) which recognizes current funding levels and is aimed at maintaining a financial position of fully funded.

Fully funded means the total assets of the Board are equal to or greater than the total liabilities.

The funding policy will target a funding status in the range of 100% - 110% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range. 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.

Although, per IFRS 9 – Financial Instruments: Classification and Measurement, investments have been recorded in the financial statements using the fair value method, investment revenue for funding policy purposes continues to be recorded using the smoothing method. Under the smoothing method, gains or losses realized on disposal of fixed term investments are deferred and amortized on a straight line basis over a nine year period. Realized and unrealized gains and losses on equity investments are deferred and amortized on a straight line basis over a four year period. The use of the smoothing method for funding policy purposes continues to be in effect to reduce the volatility of investment returns on assessment rates as per the goals of the funding policy.

#### Investment reconciliation to the smoothing method

January 1, 2016 balance  
2016 adjustment to record revenue using the smoothing method

\$ 29,542,828  
5,788,499  
\$ 35,331,327

#### Fund balance based on investment smoothing

Fund balance as currently reported  
Adjustment to record revenue using the smoothing method

\$ 98,010,520  
(35,331,327)

Fund balance based on investment smoothing

\$ 62,679,193

#### Asset total based on investment smoothing

Total assets as currently reported  
Adjustment to record revenue using the smoothing method  
Asset total based on investment smoothing

\$ 262,984,800  
(35,331,327)  
\$ 227,653,473

#### Total liabilities as currently reported

\$ 164,974,280

#### Funding status as per funding policy (percentage based on investment smoothing):

138.0%



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# Workers Compensation Board of Prince Edward Island

## Notes to the financial statements

December 31, 2016

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### 14. Legislative obligations and other related party transactions

Included in these financial statements are transactions with various Prince Edward Island crown corporations, departments, agencies and Boards related to the Board by virtue of common influence by the Government of Prince Edward Island. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

The Board is required by the *Workers Compensation Act* (the Act) to provide an annual grant to the Workers' Advisor Program. The Workers' Advisor Program operates autonomously from the Board and assists workers or dependants of workers in respect of claims for compensation. During the year, the Board paid \$173,308 (2015 - \$167,298) of the Program's expenses.

The Board is required by the Act to provide an annual grant to the Employers' Advisor Program. The Employers' Advisor Program operates autonomously from the Board and assists employers in respect of classifications, assessments and claims for compensation. During the year, the Board paid \$130,316 (2015 - \$154,279) of the Program's expenses.

The Board is required by the Act to pay the operating costs of the Appeals Tribunal. During the year, the Board paid \$109,940 (2015 - \$142,554) to cover the operating costs of the Tribunal.

The table below presents total compensation of the key management group, which includes the Board of Directors and senior executive staff.

	<u>2016</u>	<u>2015</u>
Short-term employee benefits	\$ 601,183	\$ 676,984
Post employment benefits	<u>101,196</u>	<u>108,362</u>
	<u>\$ 702,379</u>	<u>\$ 785,346</u>

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### 15. Distribution to employers

During the prior year, the Board of Directors of the Board approved a distribution to active employers of \$13,068,225. The Board was able to distribute these funds due to significantly better investment returns. These funds were distributed to employers who had assessable payroll as of December 31, 2014 and was based on base premiums which was defined as assessable payroll times the group assessment rate.

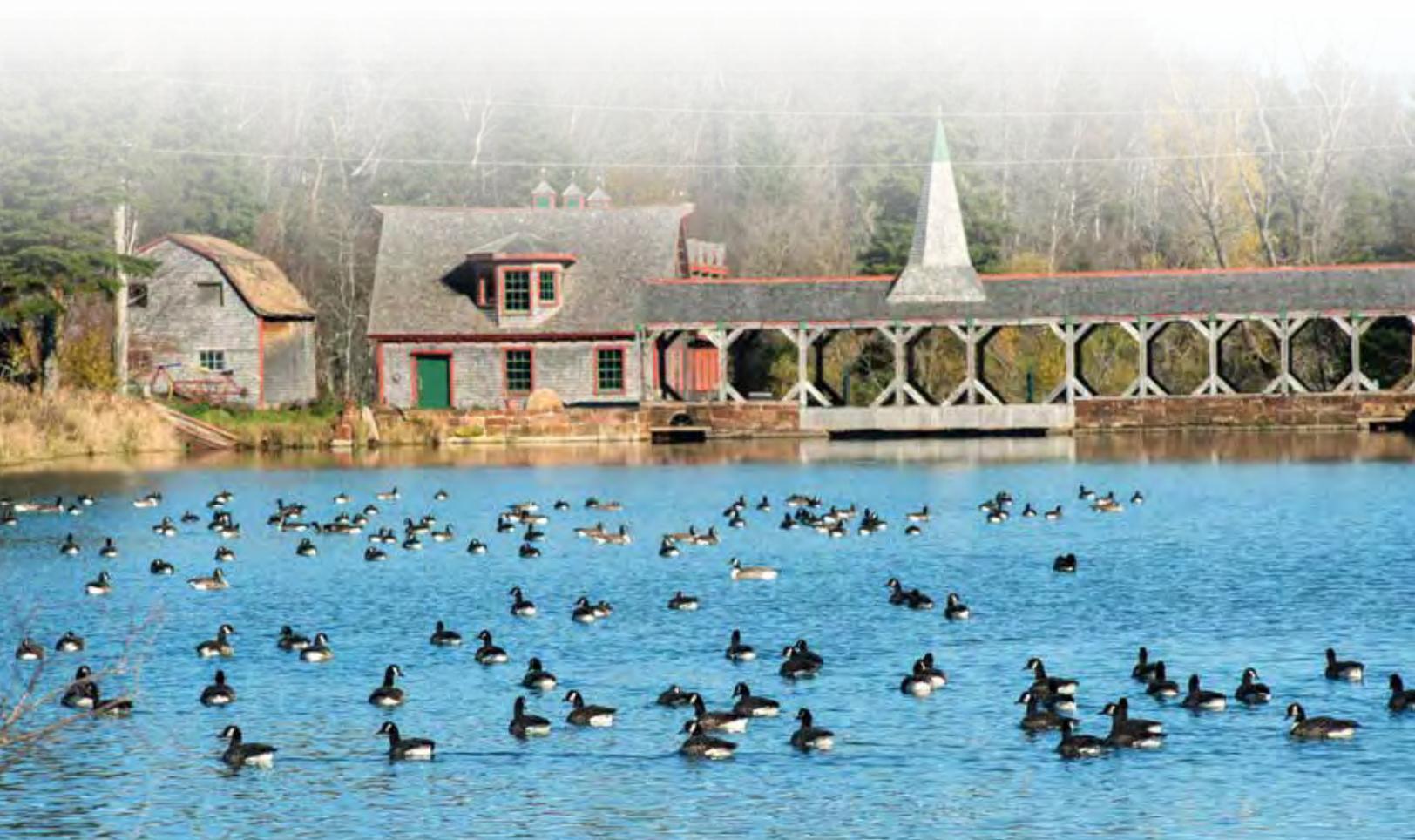
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### 16. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

## Workers Compensation Board of Prince Edward Island Schedule of administration expenses

Year ended December 31	2016	2015
Building operating costs	\$ 209,318	\$ 177,761
Communications, printing and supplies	178,583	127,799
Computer maintenance	270,913	331,069
Depreciation	432,645	541,364
Dues and fees	104,825	92,106
Interest and bank charges	160,135	147,025
Miscellaneous	14,661	40,125
Postage	96,981	94,541
Professional development	67,573	84,039
Professional fees	726,785	961,050
Salaries		
Board members	61,902	81,819
Staff members	5,075,708	4,865,743
Benefits	900,837	862,359
Retirement benefits (Note 10)	124,231	111,540
Telephone	112,904	103,092
Travel	206,834	180,428
	<u>8,744,835</u>	<u>8,801,860</u>
Less allocation to benefits liabilities (Note 11)	<u>(1,498,000)</u>	<u>(1,571,000)</u>
	<u>\$ 7,246,835</u>	<u>\$ 7,230,860</u>





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# 2016 ANNUAL REPORT