WORKERS' SAFETY AND COMPENSATION COMMISSION

ANNUAL REPORT 2017

NORTHWEST TERRITORIES AND NUNAVUT

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

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Letter of Transmittal

April 30, 2018

The Honourable Margaret Thom
Commissioner of the Northwest Territories

The Honourable Nellie T. Kusugak
Commissioner of Nunavut

The Honourable Alfred Moses
Northwest Territories Minister Responsible for the Workers' Safety and Compensation Commission

The Honourable David Akeeagok
Nunavut Minister Responsible for the Workers' Safety and Compensation Commission

In accordance with Section 106(1) of the Northwest Territories and Nunavut *Workers' Compensation Acts*, it is my pleasure to present the Workers' Safety and Compensation Commission's (WSCC) Annual Report for the year ending December 31, 2017.

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

The *2017 Annual Report* reports on our strategic commitments, our progress towards achieving our goals, and is generally a summary of last year's operations. Also included are audited financial statements, which reflect our commitment to sustaining the *Workers' Protection Fund*.

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

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

David Tucker
Chairperson

REPORT TO STAKEHOLDERS

WORKERS' SAFETY AND COMPENSATION COMMISSION
NORTHWEST TERRITORIES AND NUNAVUT

Message from the President

Serving over 40,000 workers and close to 4,000 employers, the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut is committed to fair and effective administration of the workplace compensation system and supporting workplace safety.

2017 marked the final year of our 2015-2017 Strategic Plan. Looking back on what we have achieved in the last three years, I am proud of the WSCC's accomplishments and the progress towards our vision to *eliminate workplace diseases and injuries*. I am pleased to present the 2017 Annual Report, which provides an overview of our work towards the three strategic priorities of *Advancing the Safety Culture*, *Delivering Quality Services and Outcomes for Workers and Employers*, and *Sustaining the Workers' Protection Fund*.

We all contribute to a strong safety culture, and in 2017 the WSCC progressed in *Advancing the Safety Culture* with a number of initiatives related to increased access to education and resources in workplace safety. We released a web-based and mobile "app" that provides legislation, regulations, codes of practice, and occupational health and safety resources to users, available for free and functional without an internet connection. We leveraged our social media platforms to reach broader audiences with diverse information, training opportunities, and to facilitate two-way communication with stakeholders. We maintained an active presence at events and trade shows, and collaborated with external organizations on campaigns and outreach to support safety culture.

In 2017, we received the results of our triennial Stakeholder Survey, which demonstrated some impressive figures about the WSCC's performance. Overall, 96% of employers and 85% of workers were satisfied with their most recent experience with the WSCC. While we are pleased with the results of this survey, we are always striving towards improvement in *Delivering Quality Services and Outcomes for Workers and Employers*. We carefully evaluate our data to identify areas of strength and opportunity, to understand trends, and to adjust our service delivery to ensure optimal outcomes for stakeholders. We monitor our progress using key performance indicators that provide a range of organization-wide operational measurements, striving towards improvements on a quarterly and annual basis.

Bringing our strategic plan to a close in 2017 provided the opportunity to review and evaluate our business, understand the external environment, changes in workplace health and safety nationwide, and to determine our strategic direction moving forward. Over the course of the year, we developed and published our 2018-2022 Strategic Plan, setting clear direction for the WSCC. We took the opportunity to review and re-affirm our vision, mission, and values, making adjustments where necessary. Some of our priority areas continue to evolve and advance from the previous plan, and we identified additional objectives, actions, and initiatives to bring us closer to our mission and vision while upholding our values.

I invite you to review this Annual Report and the accomplishments of 2017 in greater detail. Serving northern workplaces and workers is a privilege that I look forward to continuing, working closely with all of our stakeholders.

Dave Grundy
President and CEO

Vision, Mission, and Values

Our Vision	Eliminate workplace diseases and injuries.
Our Mission	In partnership with stakeholders, we ensure workplace safety, and care for workers.
Our Values	**Respect** — We demonstrate care, compassion, honesty and fairness. **Engagement** — We work with others to ensure meaningful participation and collaboration. **Integrity** — We honour our commitments. **Openness** — We are clear and transparent in everything we do. **Excellence** — We are efficient and service focused.

What are an organization's Vision, Mission, and Values?

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

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

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

2015 – 2017 Strategic Priorities and Objectives

Strategic Priorities	Strategic Objectives
Advancing the Safety Culture	• Take a proactive approach to the prevention of workplace incidents through directed services - Strengthen targeted inspection, compliance and enforcement efforts - Target safety awareness for high risk populations and injury types • Develop and implement an education/ training framework for employers • Drive awareness of incidents and information sharing • Continue the evolution of safety incentive programs for employers
Delivering Quality Services and Outcomes for Workers and Employers	• Promote safe and timely return to work • Review WSCC legislation • Increase access of WSCC services • Implement the e-Business strategy • Continue and expand implementation of the *Continuous Excellence* initiative
Sustaining the Workers' Protection Fund	• Provide responsible stewardship of the *Workers' Protection Fund* • Ensure stable rates for employers

Enablers

People: our people are integral to WSCC success. Fully engaging our employees' expertise, commitment and passion allows our organization to excel.

Organizational Capacity: information management, financial resources and internal processes that allow for the delivery of the most appropriate and efficient care and compensation services.

Partnerships: that allow for collaboration and achievement of common goals.

Governance Council

A seven-person Governance Council, representing the interests of workers, employers, and the general public, governs the WSCC. The Governance Council is responsible for oversight of the WSCC's management, and for providing responsible stewardship of the *Workers' Protection Fund*.

The Governance Council oversees the WSCC according to the rules provided in the *Workers' Compensation Acts*, WSCC policies and Governance Council directives.

David Tucker, Chairperson

Jack Rowe, Vice Chairperson, Northwest Territories Employer Representative

Arlene Hansen, Northwest Territories Employer Representative

Rachel Makohoniuk, Northwest Territories Worker Representative

Abe Theil, Northwest Territories Public Interest Representative

Janet Brewster, Nunavut Worker Representative

Joseph Ohokannoak, Nunavut Public Interest Representative

The Governance Council roles and responsibilities include:

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

Governance Council

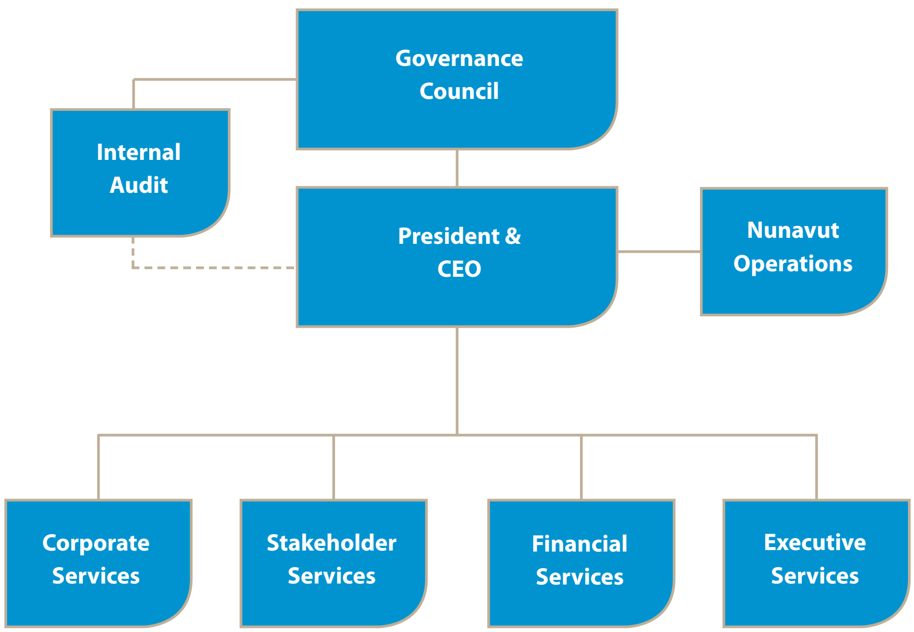
1. David Tucker
2. Jack Rowe
3. Arlene Hansen
4. Rachel Makohoniuk
5. Abe Theil
6. Janet Brewster
7. Joseph Ohokannoak

Corporate Overview

The WSCC administers the *Workers' Compensation Acts*, the *Safety Acts*, the *Mine Health and Safety Acts*, the *Explosives Use Acts*, and related regulations. Together, these *Acts* and regulations help protect and care for workers and employers in the Northwest Territories and Nunavut.

The WSCC assesses employers, sets assessment rates, collects revenue, pays compensation to injured workers, provides rehabilitation and medical aid and advances the safety culture across the Northwest Territories and Nunavut.

The WSCC's corporate structure has four operational divisions reporting to the President and CEO.



President’s Office

The President’s Office is the link between WSCC administration and the Governance Council. This office communicates the directions, decisions, and requirements of the Governance Council and the Northwest Territories and Nunavut Ministers responsible for the Workers’ Safety and Compensation Commission. It includes the WSCC’s President and CEO, Chief Governance Officer and Senior Advisor, and Legal Services.

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

Legal Services provides the WSCC with legal advice and manages the WSCC’s ongoing legal actions.

The Audit and Investigations unit are also within this division. WSCC Internal Auditors are employees of the WSCC who act independently of other WSCC divisions. Administratively, they fall under the President’s Office, but they report directly to the Governance Council. The Internal Auditors provide detailed financial and program audits of WSCC programs and processes, and make recommendations to the Governance Council and President. Audits ensure the effective and efficient operation of the organization. The Investigations function helps protect the integrity of the *Workers’ Protection Fund* by investigating potential abuse of the system.

Corporate Services

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

The Human Resources unit recruits new employees, facilitates the employee development and training program, leads the employee performance management process, and maintains the internal workplace safety program.

The Facilities and Records Management unit ensures that WSCC properties are safe, work environments are healthy, and that the WSCC’s filing system accurately archives and stores vital information.

Information Services provides multi-faceted information technology services throughout the organization, including technical support, systems security and business analysis, and applications development.

Stakeholder Services

Stakeholder Services consists of Prevention, Claims, Pensions, Medical, and Employer Services.

The Prevention Services unit is at the forefront of the WSCC’s vision to *eliminate workplace diseases and injuries*. Prevention Services consists of the Industrial and Mine Safety units. They conduct safety inspections and incident investigations; monitor mine rescue programs; promote safety standards and regulations; identify and target unsafe work conditions; and provide guidance and share best safety practices with workers and employers.

The Claims Services unit works directly with injured workers, their employers, and health care providers to assist them throughout the claims process in the event of a workplace injury or illness. Claims Services also play a key role in supporting injured workers and employers in the recovery and rehabilitation process for a safe and timely return to work.

In the event of permanent medical impairment or disability as a result of a workplace injury or illness, the WSCC's Pension unit provides compensation and services for the impairment or disability, as well as payment for loss in earning capacity.

Medical Services provides technical expertise to WSCC staff, supporting efforts to get claimants back to work as soon and as safely as possible.

The Employer Services unit works with employers to ensure the accurate classification of businesses and process assessments to the *Workers' Protection Fund*.

Financial Services

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

The Finance unit monitors internal financial systems and controls, including banking and budgets.

The Treasury and Procurement unit administers contracts, procurement, risk management and the WSCC's investments and liabilities.

Executive Services

The Executive Services division consists of Policy and Corporate Reporting, Communications, and the Review Committee. Policy and Corporate Reporting provides policy, corporate planning, and data analysis on a range of issues, spanning the breadth of WSCC operations. The unit works with the Governance Council and the President & CEO to set the WSCC's strategic plan and governance documents, and to provide ongoing reviews of the WSCC's corporate performance.

The Communications unit generates and maintains awareness of the WSCC through communications and community engagement. It promotes awareness of WSCC services, and works with all units to advance the safety culture of northern workplaces.

The Review Committee is the WSCC's internal review body. It provides the first level of review in the legislated appeals process. A claimant or employer dissatisfied with a decision made by the WSCC may request a review under the *Workers' Compensation Acts*.

Nunavut Operations

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

2017 Year at a Glance

Territorial Demographics:	NWT	Nunavut	Total
Population[1]	44,718	38,243	82,961
Number employed[2]	26,250	16,616	42,866
Average weighted weekly earnings[3]	$1,412.62	$1,394.21	$1,405.81

Operational Statistics[4]

Claimants:	2015	2016	2017
Number of claims reported[5]	3,879	3,567	3,486
Number of claims accepted[6]	2,231	2,168	2,272
Number of lost time compensated claims	832	826	889
Number of work related fatalities	3	1	5
Number of new pensions	128	107	84
Average composite duration of time loss claims	43.3 Days	42.8 Days	65.8 Days

Employers:	2015	2016	2017
Total number of assessable employers	3,934	3,652	3,487
Number of industry classes	8	8	8
Number of rate groups	20	19	19
Number of employers requesting additional optional coverage	512	589	470

Time Loss Injury Rate:	2015	2016	2017
Lost time Injury Frequency *	1.99	1.99	2.09

Financial Indicators:	2015	2016	2017
Maximum annual insurable earnings (YMIR)	$86,000	$88,600	$90,600
Assessable payroll (in millions)	$2,810	$2,975	$2,953
Approved average provisional assessment rate per $100 of assessable payroll	$2.00	$2.00	$2.00
Actual average assessment rate per $100 assessable payroll	$2.11	$2.00	$2.07
Percentage funded	117%	110%	110 %

* The lost time injury frequency (LTI) is the number of lost time compensated injuries per 100 workers.

1 Statistics Canada. *Table 051-0005 - Estimates of population, Canada, provinces and territories, quarterly (persons),* CANSIM (database).

2 Statistics Canada. *Table 281-0023 - Employment (SEPH), unadjusted for seasonal variation, by type of employee for selected industries classified using the North American Industry Classification System (NAICS), annual (persons),* CANSIM (database)

3 Statistics Canada. *Table 281-0026 - Average weekly earnings (SEPH), unadjusted for seasonal variation, by type of employee for selected industries classified using the North American Industry Classification System (NAICS), monthly (current dollars),* CANSIM (database).

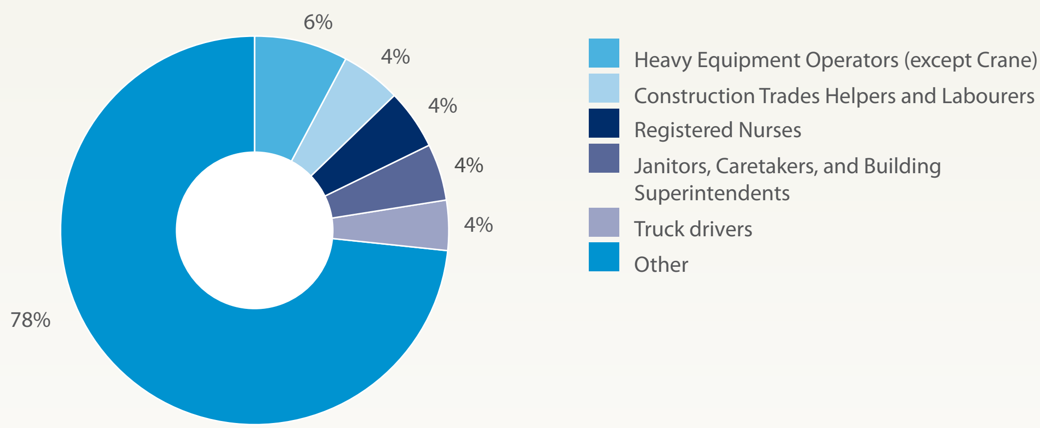
4 *WSCC Compensation Assessment and Accident Prevention System (CAAPS) Database.*

5 *Methodology used to tabulate total claims in 2016 was adjusted to more accurately reflect the nature of the claim, following a restructuring of claim types. These numbers have been adjusted for the previous year for data consistency.*

6 *Based on a review of claim types, these figures have been adjusted to more accurately reflect the volume of accepted claims. These figures have been adjusted for 2015 and 2016 for consistency.*

2017 Injury Statistics*

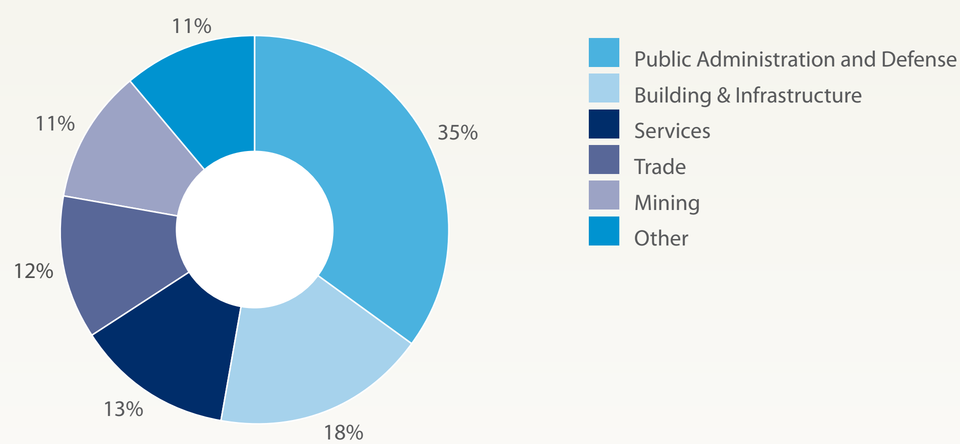
Top Five Occupations with Time Loss Claims in 2017



The top five occupations with time loss claims in 2017 contributed to 22% of the total time loss claims at the WSCC. These include:

1) Heavy equipment operators (except crane), 6%
2) Construction trades helpers and labourers, 4%
3) Registered nurses, 4%
4) Janitors, caretakers, and building superintendents, 4%
5) Truck drivers, 4%

Top Five Industries with Time Loss Claims in 2017

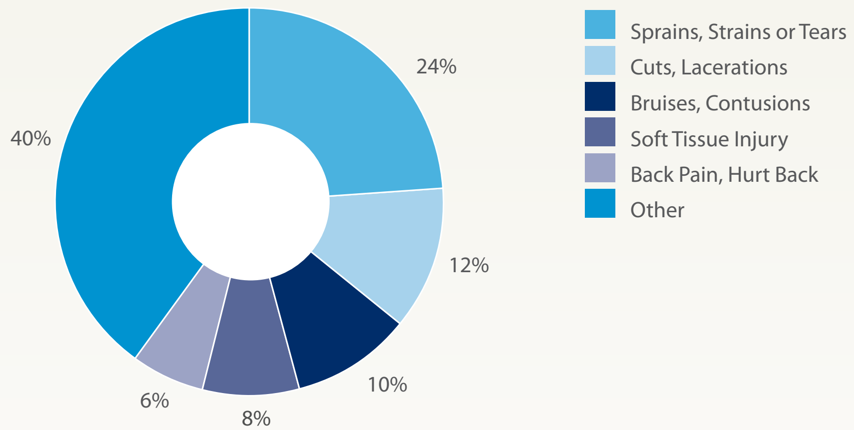


The top five industries with time loss claims in 2017 contributed to 90% of total time loss claims at the WSCC. These include:

1) Public administration and defense, 35%
2) Building and infrastructure, 18%
3) Services, 13%
4) Trade, 12%
5) Mining, 11%

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

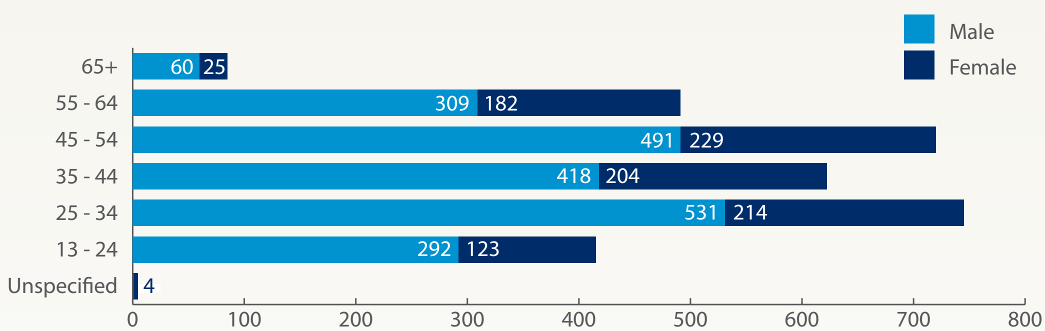
Top Five Injury Types with Time Loss Claims in 2017



The top five injury types with accepted claims in 2017 contributed to 60% of total claims at the WSCC. These include:

1) Sprains, strains or tears, 24%
2) Cuts, lacerations, 12%
3) Bruises, contusions, 10%
4) Soft tissue injury, 8%
5) Back pain, hurt back, 6%

2017 Time Loss Injury by Age & Gender



In 2017, males contributed to the majority of time loss claims, representing 68% of total time loss claims.

Workers aged 25-34 were the most vulnerable age group, representing 24% of total time loss claims.

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

2017 Key Performance Indicators

Strategic Priorities	Key Performance Indicator	Metric
Advancing the Safety Culture	1. Time loss frequency[1]	TL claims per 100 workers
	2. No time loss frequency[1]	NTL claims per 100 workers
	3. Directed inspections[2]	% total inspections that are directed
	4. Safe Advantage employers in penalty position	% of Safe Advantage employers receiving a penalty
	5. Employers passing the Prevention component of Safe Advantage Management Practices Questionnaire[3]	% completed questionnaires that pass the Prevention component
Delivering Quality Services and Outcomes for Workers and Employers	6. Time loss duration[1,4]	Days (point-in-time measure at end of quarter)
	7. Time to first compensation payment	% of payments made under 20 days
	8. Employers passing the Return to Work component of the Safe Advantage Management Practices Questionnaire[3]	% completed questionnaires that pass the return to work component
	9. e-Business client satisfaction (e-business client tracking to start in 2016)	% very satisfied and satisfied
	10. Stakeholder satisfaction with overall WSCC services[5] (Stakeholder Survey results updated in Q1 2017)	% very satisfied and satisfied
	11. Stakeholder agreement that WSCC needs to improve communication of WSCC services[5] (Stakeholder Survey results updated in Q1 2017)	% stakeholders strongly agree or agree
Sustaining the Workers' Protection Fund	12. Funded position (Final for 2017)	Assets as a percentage of liabilities
	13. Bad debts ratio (Final for 2017)	Bad debts as a percentage of assessment revenue

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[1] *Quarterly data may be adjusted in subsequent quarters to reflect updated information since the last reporting period.*
[2] *Prevention methodology for determining directed inspections was updated in Q4 2017, and previous quarters have been recalculated to align with the new methodology.*
[3] *Includes COR certifications*
[4] *Time loss duration target is calculated using average monthly Total Temporary Disability*
[5] *Stakeholder survey results were updated in Q1 2017 from original Q4 2016 results*

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		Target	Q1	Q2	Q3	Q4	YTD
Advancing the Safety Culture	1.	1.99	2.24	1.99	2.15	2.04	2.09
	2.	5.53	5.01	4.90	5.34	4.59	4.92
	3.	80%	87.3%	84.3%	86.1%	88.4%	86.4%
	4.	17%	n/a	n/a	15%	n/a	15%
	5.	88%	n/a	n/a	91%	n/a	91%
Delivering Quality Services and Outcomes for Workers and Employers	6.	15.5 days	16.8 days	16.4 days	16.0 days	14.9 days	16.0 days
	7.	90%	92.7%	87.3%	95.3%	96.7%	93.3%
	8.	90%	n/a	n/a	82%	n/a	82%
	9.	80%	81%	70%	88%	93%	82%
	10.	Employers: 80% Workers: 80%	96% 85%	n/a n/a	n/a n/a	n/a n/a	96% 85%
	11.	Employers: 30% Workers: 40%	49% 73%	n/a n/a	n/a n/a	n/a n/a	49% 73%
Sustaining the Workers' Protection Fund	12.	105% - 135%	n/a	n/a	n/a	110%	110%
	13.	0.3%	n/a	n/a	n/a	0.33%	0.33%

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2017 Review and Results

Advancing the Safety Culture

The WSCC's vision is to *eliminate workplace diseases and injuries*. Building understanding of the safety culture and providing safety information and resources in every workplace across the Northwest Territories and Nunavut has remained a priority throughout the year.

Four objectives were identified under the 2015-2017 Strategic Plan; however, Objective 4: *Continue the evolution of safety incentive programs for employers* was streamlined into other processes in 2016. As such, there were no strategic initiatives planned for this objective in 2017, and a total of three objectives supported *Advancing the Safety Culture* in 2017.

1 OBJECTIVE	ACTIONS
Take a proactive approach to the prevention of workplace incidents through directed services • Strengthen targeted inspection, compliance and enforcement efforts • Target safety awareness for high risk populations and injury types	• Support internal management decision making by improving access to data with the development of management reporting and business intelligence tools. • Develop a strategy for directed inspections by assessing the risk of industry and injury types. • Identify high risk populations through data analysis and deliver targeted safety awareness campaign to these groups.

In 2017, the WSCC:

- Undertook training for optimizing data reporting capabilities through the use of Data Dashboards;
- Increased the accuracy of business intelligence reports;
- Identified an appropriate prototype for Data Dashboards, and;
- Identified and addressed psychological health as a primary high-risk focal point.

The 2015-2017 Strategic Plan identified the use of real-time data capabilities as an opportunity to strengthen inspection efforts and provide the Prevention Services unit with stronger analytics to direct their resources. In 2017, the WSCC furthered its business intelligence (BI) capabilities by identifying a data dashboard prototype for a feasibility study, delivering training to appropriate staff on Microsoft Excel Power Tools, and building expertise and internal capacity in the application of BI tools. The improvement of data analytics enables the WSCC to identify priority areas for service delivery, and determine how to best deliver safety awareness and targeted programs to stakeholders.

Following the determination that psychological health would be the focal point for high-risk populations in 2017, the WSCC prioritized staff understanding and awareness of psychological health issues. A working group was developed to coordinate training for WSCC staff on claims resulting from such psychological risks as workplace harassment. This group is also responsible for reviewing and understanding legislation related to workplace harassment in both the Northwest Territories and Nunavut. As issues and trends change related to psychological health, the WSCC remains committed to building internal capacity to understand these complex claims, as well as providing information and resources for stakeholders in both territories.

2

OBJECTIVE	ACTIONS
Develop and implement an education/training framework for employers	• Support employers in meeting their legislated requirements by identifying education and training needs and best practices. • Evaluate how to provide education and training delivery. • Develop relationships with new training providers and strengthen partnerships with existing training partners.

In 2017, the WSCC:

- Prioritized OHS education, collaborating with community educational institutions and the Canadian Centre for Occupational Health and Safety (CCOHS) on safety education projects;
- Contributed to the development of online tools for safety exams and certificates through CCOHS; and
- Developed and launched an OHS "app" on both web-based and mobile platforms.

As part of the WSCC's commitment to delivering targeted safety awareness to identified high-risk populations, Occupational Health and Safety education remained a priority in 2017. The WSCC conducted outreach into communities throughout the Northwest Territories and Nunavut, meeting with educational institutions and collaborating with the Canadian Centre for Occupational Health and Safety (CCOHS) on safety education for young and new workers. This will continue as a focus for the organization moving into 2018, with new

SAFETY INFORMATION AT YOUR FINGERTIPS!
#WSCCApp

strategic objectives dedicated to increasing OHS programming and education.

With internet access becoming more widespread across the territories, Prevention Services identified an opportunity to bolster online access to safety education by collaborating with CCOHS to develop online safety exams and certificates. This program will bring various modules of safety training to an online platform, facilitating access to education regardless of location. The WSCC has developed materials for workers and employers in the Northwest Territories and Nunavut to support their successful completion of safety exams and certificates required under the *Mine Health and Safety Acts* and *Regulations*.

Safety information, legislation, regulations, and codes of practice can be complicated to understand and apply in the workplace. With the goal of improving understanding of safety topics and legislative requirements, in 2017 the WSCC successfully undertook the development and launch of a digitally-based OHS application ("app"). The first step in this project was the identification and research of topics for inclusion in the app, followed by the development and launch of a web-based version. By collaborating with CCOHS, the WSCC ensured that the information contained in the app is up to date and represents industry best practice. After launching the app as a website in the second quarter of 2017, the mobile version became available for download by stakeholders, free of charge. This makes all of the information contained within the app accessible in areas with limited internet service on a convenient, searchable platform. Following the launch of both versions, the app was promoted to stakeholders, particularly with the Prevention Services team, and saw positive uptake throughout the remainder of 2017.

3 OBJECTIVE	ACTIONS
Drive awareness of incidents and information sharing	• Establish an online portal for employers to facilitate WSCC information sharing and awareness of hazard alerts. • Leverage partnerships and stakeholders to expand reach of occupational health & safety information. • Focus on social media to expand online presence*

* New action identified for 2017

In 2017, the WSCC:

- Developed and implemented a social media strategy to reach diverse stakeholders in innovative and meaningful ways;
- Leveraged social media platforms to drive awareness of incidents, share information, and engage in two-way communication with stakeholders; and
- Used social media to bolster the WSCC's public perception, understanding of the organization and its mandate, and provide information and points of contact to stakeholders.

As reliable internet access improves across the Northwest Territories and Nunavut, the WSCC identified social media engagement as a significant opportunity to connect with stakeholders. In 2017, a dedicated social media strategy was developed to evaluate existing communications platforms and identify strengths and opportunities through these channels to expand the WSCC's reach. Using two primary social media channels, Facebook and Twitter, the WSCC regularly communicated with stakeholders through convenient, easily-accessible platforms to bring safety information, resources, and services to all communities in the Northwest Territories and Nunavut.

Through this approach, the WSCC initiated new measures to provide stakeholders with interesting, timely, and engaging information like Mine Rescue live-tweeting, the use of infographics to share statistical information, and a social media presence at events during North American Occupational Safety and Health (NAOSH) week. At events, the Communications team furthered the WSCC's social media engagement through hash tags and sharing, commenting, and mentioning other organizations in posts, which broadened the organic reach to larger audiences. By using social media to connect with various community groups across the territories, the WSCC was able to successfully post information about training sessions and career opportunities that these audiences would not otherwise view.

Social media was also leveraged to further the WSCC's *Worth It!* campaign throughout 2017, connecting with stakeholders through promotional initiatives such as the coffee sleeve contest and the live-stream partnership with Yellowknife-based Cabin Radio. Through this engagement, the WSCC prompted stakeholders to consider why working safely is *Worth It!* to them, generating conversation and reflection about the importance of the safety culture.

Delivering Quality Services and Outcomes for Workers and Employers

Delivering quality services and outcomes for workers and employers is at the heart of the WSCC's business as we work to promote health and safety in the workplace and provide care for injured workers. A total of five objectives supported this strategic priority in 2017.

1 OBJECTIVE	ACTIONS
Promote safe and timely return to work	• Increase employer's and workers' understanding of the benefits of early and safe return to work. • Leverage partnerships and stakeholders in supporting early and safe return to work. • Develop programs to support return to work. • On an annual basis determine directed services initiatives based on analysis of historical claims trends.

In 2017, the WSCC:

- Developed a Return to Work (RTW) Mitigation Guide to support internal WSCC staff;
- Undertook a review of available resources in support of RTW for psychological claims;
- Through the RTW Specialist, supported WSCC units in facilitating safe and timely return to work for stakeholders;
- Engaged with workers, employers, and case managers collaboratively on RTW cases;
- Undertook data-driven, targeted outreach for employers to provide RTW support, and;
- Used business intelligence reports on RTW as a quality assurance measure in case management.

Return to Work (RTW) is a process that helps injured workers either remain at work or return to suitable work as soon as it is safely and medically possible. The goal of this process is ultimately to return workers to their pre-injury job position, which may involve modified duties or hours during the recovery process. Employers and workers both benefit from safe and timely return to work, and data indicates that workers away for six months or more due to injury have only a 50% chance of returning to full-time, pre-injury employment. As such, the WSCC has made RTW an important part of its mandate, committed to supporting workers and employers in care, recovery, and the process of returning to work. The WSCC has a Return to Work Specialist who is tasked with supporting WSCC case managers, medical staff, and employers in facilitating safe and timely return to work for stakeholders.

Through the Safe Advantage program, employers are prioritized for directed services through the WSCC's Prevention Services unit. This allows employers requiring additional support in RTW to receive one-on-one, customized consultation with staff. In 2017, the WSCC bolstered the capacity to provide targeted support by adding a RTW component to the database used for case management. This data capability enabled staff to generate business intelligence reports, evaluate data, identify trends, and make data-driven decisions in support of effective RTW case management, as well as undertake regular quality assurance checks.

Ensuring that adequate resources are available for internal WSCC staff is critical to delivering quality services and outcomes for stakeholders. In 2017, the WSCC developed an internal Return to Work Factor Mitigation Guide for staff managing RTW cases to understand, identify, and overcome potential barriers in returning to work. WSCC staff have also undertaken a review of available tools for handling RTW related to psychological claims, supporting the development of options for accommodation in these complex cases.

2 OBJECTIVE	ACTIONS
Review WSCC legislation	• Develop a methodology to identify priority issues for legislative review. • Develop and implement a plan to conduct ongoing legislative reviews.

In 2017, the WSCC:

- Submitted the first legislative proposal on the *Workers' Compensation Act* to the Northwest Territories Legislature;
- Began reviewing the *Occupational Health and Safety Regulations* to determine required changes;
- Reviewed the previous consultation on proposed system of ticketing for violations of the *Occupational Health and Safety Regulations* to determine next steps; and
- Developed a workplan for continued review of all legislation administered by the WSCC for 2018.

In 2017, the first legislative proposal on the *Workers' Compensation Act* was submitted to the Northwest Territories Legislature, and was approved by the Government of the Northwest Territories' Cabinet with the exception of one amendment. Revisions were later drafted with the legislative division of the Department of Justice, and the drafting was substantially complete by the end of the year. The legislative proposal process will follow in Nunavut in 2018.

The WSCC began examining the concerns of stakeholders on the proposed ticketing system for violations of the *Occupational Health and Safety Regulations* in 2017. It was determined that some of the concerns identified in the consultation could be addressed through changes to the *Occupational Health and Safety Regulations*. The proposed process for review and revision of these *Regulations* was developed and shared with the Governance Council and the Ministers Responsible for the WSCC in both territories. A recommendation for a revised ticketing proposal will be submitted to the Governance Council in early 2018.

The WSCC is responsible for administering a number of pieces of legislation in the Northwest Territories and Nunavut. Legislation is regularly reviewed to ensure that the WSCC remains well positioned legislatively against emerging issues and trends. Consistent with previous years, the WSCC developed a workplan for ongoing review of all legislation administered by the WSCC into the next strategic cycle.

3 OBJECTIVE	ACTIONS
Increase access to WSCC Services	• Optimize access to WSCC services by evaluating stakeholder needs. • Develop and implement communication strategy to increase understanding of WSCC services and how stakeholders can access them.

In 2017, the WSCC:

- Continued the *Worth It!* campaign, a multi-phase communications plan to address gaps in uptake and understanding of the WSCC and its services;
- Leveraged opportunities at trade shows and events to increase understanding of WSCC services and how to access resources;
- Undertook diverse outreach to facilitate two-way communications with stakeholders; and
- Consolidated the reporting process for employers into one service window.

Launched in 2016, the WSCC's *Worth It!* campaign encourages workers to consider the many reasons why working safely is important and *Worth It!* to them. This campaign continued and evolved throughout 2017, identifying new and existing opportunities to engage with stakeholders about working safely. This included social media engagement through the coffee sleeve initiative and other contests; a strong presence at various trade shows and events across the Northwest Territories and Nunavut; integration of campaign messaging into other WSCC communications; and collaboration with partner organizations. *Worth It!* served as a conversation starter with stakeholders, facilitated information-sharing about WSCC services and safety culture, and promoted resources available for workplace safety.

Ensuring effective communication with stakeholders involves providing convenient, effective platforms for access to WSCC services. In 2017, the WSCC undertook an evaluation of existing incident reporting forms as part of the Continuous Excellence program. Seeking to simplify and streamline the reporting process for employers, this evaluation led to the development of a revised and consolidated form. The e-fillable form was made available online, and became operational in the second quarter of the year. The updated process was continually monitored and evaluated for service effectiveness, and demonstrated substantial improvement in internal and external efficiency.

4 OBJECTIVE	ACTIONS
Implement the e-Business strategy	• Implement internet-based self-service tools for employers and workers by conducting ongoing evaluation of stakeholder e-Business needs. • Ensure internal readiness for e-Business with systems infrastructure and human resources planning.

In 2017, the WSCC:

- Identified, evaluated, and addressed potential security concerns;
- Moved toward Payment Card Industry Data Security Standard (PCI-DSS) to protect information security in payment processing;
- Implemented Online Payroll Reporting through the e-Business portal;
- Developed software to support and manage data integrity in stakeholder information;
- Improved business intelligence capabilities in the Employer Services unit; and
- Reviewed and enhanced existing WSCC e-Business services.

As more of the WSCC's services move online, e-Business security remains a priority. In 2017, the Information Services unit engaged an external reviewer to objectively evaluate the security of our e-Business services, identifying potential security threats and addressing these issues. This included the implementation of a Web Application Firewall (WAF), designed to protect e-Business services from malicious attacks. New and existing services provided through the e-Business portal are protected by the WAF, which monitors, filters, and blocks malicious traffic. In order to ensure information security in payment processing, the WSCC also moved toward the Payment Card Industry Data Security Standard (PCI-DSS), which defines evolving standards of security in credit card payments.

With payroll reporting for employers available through the e-Business portal in 2017, Information Services provided post-deployment support to both the WSCC's Employer Services unit and external stakeholders who use the service. Additional support was provided throughout the year focusing on enhancements to existing services, infrastructure planning for future services, and addressing defects in service provision.

The WSCC depends on reliable data to make informed, evidence-based decisions in the interests of our stakeholders. Accurate data enables us to identify trends and respond accordingly through our corporate and strategic objectives. To this end, a data integrity project was initiated to eliminate duplicate information and ensure that records are up to date, complete, and reliable. At the end of 2017, the WSCC looked to the next phase of the project, which will focus on location-based evaluation of data integrity.

Internal WSCC units use business intelligence tools like data dashboards to monitor metrics associated with operational performance on a daily basis. In 2017, Information Services successfully implemented a graphical data dashboard for the Employer Services unit, providing a visual representation of e-Business processes, action items requiring attention, and reporting requirements. This feature enabled supervisors to efficiently and conveniently review and assess service delivery, as well as ensure that operational service standards are on track.

Continuing to provide more services online is a priority for the WSCC, as we seek to provide as many options as possible for our stakeholders to access services simply, effectively, and efficiently. Throughout 2017, Information Services worked at evaluating, testing, and updating internal and external core applications to ensure optimal service delivery and accurate integration of data. Much of this work laid a foundation for continued projects into 2018, as e-Business objectives will carry over into the next strategic cycle.

5 OBJECTIVE	ACTIONS
Continue and expand implementation of the Continuous Excellence (CE) initiative	• Ensure sustainability of the CE initiative by continuing to build internal Lean expertise. • Continue to implement process improvements events. • Incorporate Lean principles into management practices and planning.

In 2017, the WSCC:

- Maintained a team of internal Continuous Excellence (CE) Leaders;
- Provided process-improvement training to managers and supervisors; and
- Undertook a comprehensive evaluation of the CE program.

Continuous Excellence is a WSCC program using Lean principles to maximize efficiency and effectiveness in processes – both internal and external – with an objective to increase customer value for our stakeholders. Lean works by eliminating non-value added activities from a process through a systematic identification of waste. The elimination of non-value added activities frees up the organization's resources so more effort can be directed to improving service efficiency and quality.

In 2017, the WSCC maintained an active roster of CE leaders throughout the organization, who provide resources and expertise in supporting the program, events, and Kaizens. CE leadership training was delivered to staff early in the year, providing an opportunity to bolster skills in Lean concepts and learn tools for incorporating Lean principles into day-to-day work. Leadership took a number of these skills back to their units, implementing processes like huddle boards over the course of the year.

The WSCC undertook a comprehensive organization-wide evaluation of the CE program, including a review of existing program structures, materials, and resources, as well as qualitative interviews from 40 members of staff. The purpose of this evaluation was to identify areas of strength and opportunity, receive staff input, and determine specific recommendations for the next phase of the program. The results of the evaluation will contribute to objectives identified in the 2018 Corporate Plan, carrying the CE program forward into the next strategic cycle.

Sustaining the *Workers' Protection Fund*

The WSCC provides responsible stewardship of the *Workers' Protection Fund*, providing value for employers' money, while providing care for injured workers. In 2017, a total of two objectives supported *Sustaining the Workers' Protection Fund;* however, the second of these had reached the monitoring and evaluation stage at the end of 2016.

1 OBJECTIVE	ACTIONS
Provide responsible stewardship of the Workers' Protection Fund	• Incorporate risk-management into management practices. • Conduct ongoing, control-based internal audits. • Adjust investment risk profile by conducting an asset/liability study. • Conduct a review of the WSCC life-time pensions program.* • Update Business Continuity Plan*

* New action identified for 2016

In 2017, the WSCC:

- Continued regular risk assessments under the Enterprise Risk Management (ERM) plan;
- Determined actions following the 2016 asset/ liability study;
- Determined next steps in the WSCC Pensions program; and
- Reviewed and consulted internally on the Business Continuity Plan (BCP).

The WSCC's Enterprise Risk Management (ERM) plan, together with a system of audits and controls, helps the organization proactively manage risk. ERM ensures that proper checks and balances are in place to provide responsible stewardship of the *Workers' Protection Fund*. A dedicated ERM committee meets regularly to identify, review, and manage risks, both internal and external to the organization.

The *Workers' Protection Fund* is funded by a combination of employer assessment premiums and returns on WSCC investments. Following the completion of an asset/liability study late in 2015, the WSCC undertook an interjurisdictional comparison in 2016 of other jurisdictions' asset mixes, relevant performance and investment fee structures. Based on that analysis and investment market instability, it was decided to maintain the existing asset mix and monitor performance. In 2017, this decision was reaffirmed, though the decision was made to continue investigating options through research and information from other jurisdictions with alternative models for asset mixes. While no action was required in the 2017 year, the WSCC remains committed to a stable and productive investment profile and will continue evaluating alternative opportunities in 2018.

Review of the pension system continued in 2017, with a proposal for a new system drafted following a period of actuarial analysis, inter-jurisdictional research, and internal review by subject matter experts. Appropriate management of the pension system is an important element of responsible stewardship of the *Workers' Protection Fund*, and the WSCC is committed to ensuring that comprehensive stakeholder engagement is undertaken before any changes are made.

Beginning in 2016 and continuing through 2017, the WSCC has progressed towards the development of a Business Continuity Plan (BCP) in the event of a disaster or crisis situation. To date, this process has involved thorough research, documentation of procedures, and consultation with staff, and a framework has been reviewed and revised based on consultative feedback. This project will continue into 2018, representing a substantial component of the WSCC's resiliency against unforeseen events.

2 OBJECTIVE	ACTIONS
Ensure stable rates for employers	• Continue implementation and adherence to the funding strategy.

In 2017, the WSCC:

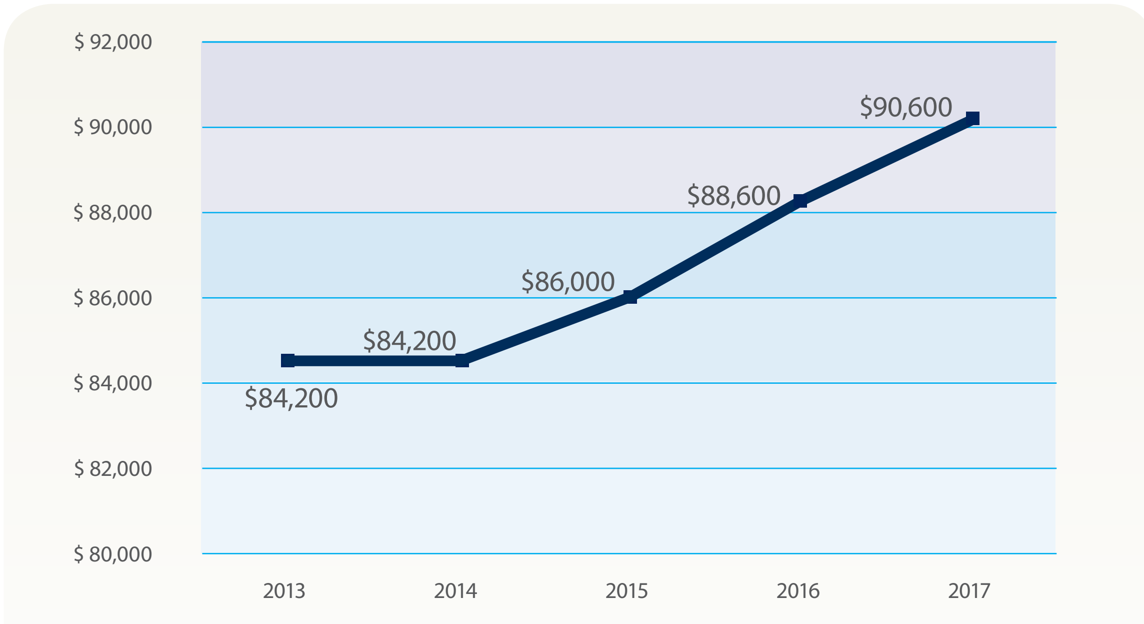
- Continued to monitor the rate classification model; and
- Continued adherence to the funding strategy.

In 2015, Financial Services undertook a review of the rate setting model towards the goal of increased overall rate stability. The recommendations that came out of this review were implemented for 2016, and these were monitored and evaluated over the course of 2017. Since implementation, no adjustments have been deemed necessary, and rate stability is monitored on an ongoing basis.

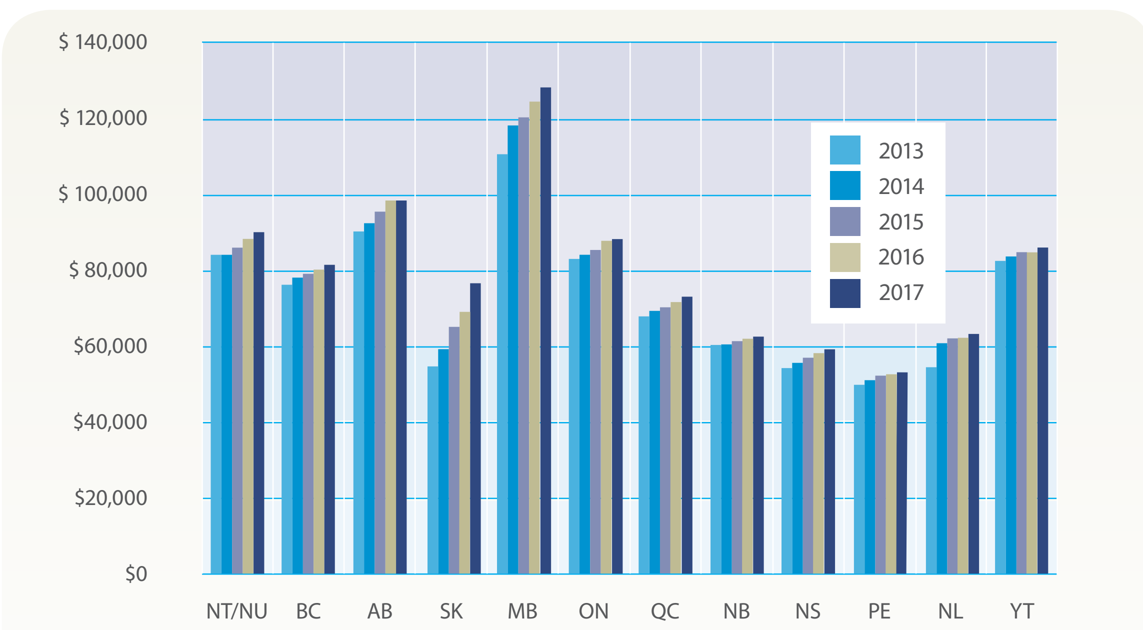
The average provisional assessment rate is the rate that all employers would pay if there was only one assessment level. In 2016, the Governance Council made the decision to keep a flat rate of $2.00 as the average provisional assessment rate for 2017.

The Year's Maximum Insurable Remuneration (YMIR) is the maximum earnings the WSCC uses to calculate compensation paid to an injured worker per year. YMIR is also the maximum earnings the WSCC uses to calculate employer assessable payroll. For 2017, YMIR was set at $90,600, an increase of $2,000 from the 2016 rate of $88,600. This rate increase is approved according to a Governance Council policy introduced in 2015 which establishes YMIR from a set formula based on average wages in the Northwest Territories and Nunavut. The WSCC has the third highest YMIR in Canada, a reflection of the higher average earnings of workers in the territories compared to other jurisdictions.

Year's Maximum Insurable Remuneration Northwest Territories and Nunavut, 2013 - 2017



Year's Maximum Insurable Remuneration Across Canadian Jurisdictions, 2013 - 2017



OUR FINANCES

WORKERS' SAFETY AND COMPENSATION COMMISSION
OF THE NORTHWEST TERRITORIES AND NUNAVUT

FINANCIAL STATEMENTS
DECEMBER 31, 2017

Management Commentary

For the year ended December 31, 2017

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

Forward-looking Information

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

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

Funded Position

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

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

As at December 31, 2017 the WSCC's funded position is 110%, unchanged from 2016. Although the current funded position falls below the target rate, it does remain within the "no action zone" as set in WSCC Policy 10.05 - Funding Strategy. Given that it falls within that "no action zone", the funded position will not have any negative impact on employer assessment rates for 2019.

Overview of 2017 Financial Results

The WSCC's total comprehensive income for 2017 was $376,000, compared to a loss of $20.3 million for 2016. The total revenue for 2017 showed an increase of $16.4 million over the 2016 level. While assessment revenue tends to be relatively stable year to year, investment revenue, by its nature, can be volatile. Net investment revenue for 2017 totalled $27.4 million, exceeding the 2016 level by $12.4 million and representing 76% of the 2017 total revenue increase, with the remaining 24% deriving from assessment revenue.

Investment markets were relatively stable and positive throughout 2017. The WSCC's overall investment return for 2017 was 7.8%, exceeding the 5.85% targeted gross rate at which the WSCC discounts its claims and pension benefit liability. For comparison purposes the 2016 investment return was 4.6%, below the targeted rate of 5.85%. The investment fund, totalling $394 million at year end, comprised 94.6% of the total assets of the organization and is held for the purpose of funding accrued claims benefits liabilities.

The provisional employer payroll assessment rate for 2017 remained unchanged for the third consecutive year at $2.00 per $100 of assessable employer payroll, providing a desired level of rate stability to employers.

The year's maximum insurable remuneration (YMIR) increased slightly from the 2016 level of $88,600 to $90,600. YMIR represents the level of employee covered wages that is used for benefit determination. In June of 2015 the Governance Council approved a change to Policy 00.04 - Year's Maximum Insurable Remuneration. The change introduced a formula-driven approach to annual YMIR adjustments, which is based upon the change in average weekly earnings for the Northwest Territories and Nunavut.

The benefits liability rose by $17.2 million in 2017 and now stands at $362 million, which represents 95.4% of the total liabilities of the organization. $8.3 million of that increase is attributable to the negative claims experience loss. Claims experience over the last two fiscal years has been negative, with the comparator number for 2016 being $7.9 million. The five year trend for claims experience is reflective of the increased claims payment activity witnessed. In 2013, the claims experience adjustment was a positive contributor to results at $6.1 million. This annual experience adjustment has swung by slightly over $14 million in a five year period.

The Canadian Institute of Actuaries' standards require benefit liability valuations to include an allowance for all recognized latent occupational disease claims expected to arise in the future as a result of past exposures. Since 2014, included within the WSCC benefit liability is a provision for latent occupational diseases. The provision for 2017 is $33.7 million, increasing from $32.1 million in 2016. The provision for latent occupational diseases in 2017 is consistent with 2016 comprising 9.3% of the total benefit liability.

Claims costs continue to escalate and remain an area of significant concern to management. At a glance, costs appear to have decreased to $69.9 million in 2017 from 72.8 million in 2016. However, in 2016 an updated mortality table was implemented which had an impact of $8.4 million on the overall 2016 claims cost reported number. Accounting for that one-time change in mortality assumptions, an increase of $5.5 million in claims costs occurred in 2017. That continuing upward cost pressure through both payment activity and claims experience adjustments as mentioned above is the primary cost driver for the organization going forward.

Reserves showed a marginal overall increase in 2017, to $37.4 million from $37.0 million in 2016. The operating reserve of $19.3 million is at 5% of total liabilities in accordance WSCC Policy 10.05 - Funding Strategy, while the catastrophe reserve of $18.0 million is slightly under the desired target of 5% of total liabilities. However, this has not gone below the 4% rate that would require action through the rate assessment process.

Forward Looking

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

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

Stewardship has been added as a value in the 2018 -2022 Strategic Plan, reflective of the overarching accountability and fiscal responsibility that are critical components of achieving the priorities noted above.

The Governance Council and administration are cognizant of the impact the WSCC has in the business environment of the territories, and endeavour to maintain rate stability, balancing that with growing expectations and demands from stakeholders. Continuing claims cost escalation is of particular concern and will remain a focus of management moving forward.

With the economies of both the Northwest Territories and Nunavut intricately tied to the mining and /or resource extraction industry, the inherent volatility associated with that industry remains a concern. Entering 2018 the collective agreement with the Union of Northern Workers, which covers the majority of the WSCC workforce, remains outstanding after expiring in March of 2016. Negotiations have occurred between the parties; however, resolution has not been reached which brings with it an element of uncertainty.

The Governance Council and management are committed to ensuring the WSCC remains financially stable and sustainable, recognizing that a financially stable, sustainable system supports the strategic direction of the WSCC while balancing the needs of workers and employers in the Northwest Territories and Nunavut.

Management's Responsibility for Financial Reporting

April 26, 2018

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

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

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

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

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

Dave Grundy
President and CEO

Leonard MacDonald, CPA, CMA, CPHR
Vice-President of Financial Services

Actuarial Statement of Opinion

MORNEAU SHEPELL

I have completed the actuarial valuation of the benefit liabilities of the Workers' Safety and Compensation Commission (the "Commission") as at December 31, 2017 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part.

In my opinion:

1. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the liabilities of the Commission.
2. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate for the purpose of the valuation. The economic assumptions are consistent with the funding and investment policies of the Commission.
3. The methods used are appropriate for the purpose of the valuation and are in accordance with accepted actuarial practice for Workers' Compensation organizations in Canada.
4. The estimate of the actuarial liabilities as at the valuation date is $362,027,000. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that were incurred on or before the valuation date. A provision for future claims arising from long latency occupational diseases is included in this valuation. This liability includes the Hunters & Trappers group but does not include any self-insured employers.
5. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.
6. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
7. The valuation is based on the provisions of the Workers' Compensation Act S.N.W.T. 2007, c. 21, the Workers' Compensation Act S.Nu. 2007, c. 15 and on the Commission's policies and practices in effect on the valuation date.

Thane MacKay, F.C.I.A

March 31, 2018

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

Independent Auditor's Report

Office of the Auditor General of Canada

Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut and the financial statements are in agreement therewith. In addition, the transactions of the Workers' Safety and Compensation Commission of the Northwest Territories and Nunavut that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Workers' Compensation Act* of the Northwest Territories and regulations, and the *Workers' Compensation Act* of Nunavut and regulations.

David Irving

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

26 April 2018
Edmonton, Canada

Financial Statements

Statement of Financial Position

As at December 31 (in thousands of Canadian dollars)

	2017 $	2016 $
ASSETS		
Cash and cash equivalents (Note 4)	**4,339**	9,859
Investments (Note 5 & 18)	**394,365**	371,808
Assessments receivable (Note 6.a)	**5,186**	3,441
Other receivables (Note 6.b)	**2,065**	449
Prepaid expenses	**115**	247
Property and equipment (Note 7)	**7,843**	8,463
Intangible assets (Note 8)	**2,976**	2,910
	416,889	397,177
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable, accrued and other liabilties (Note 9 & 15)	**5,631**	5,373
Salaries and wages payable (Note 15)	**2,135**	1,361
Assessments refundable (Note 15)	**8,469**	7,260
Benefits liability (Note 10)	**362,027**	344,860
Post-employment benefits (Note 11.b)	**1,207**	1,279
	379,469	360,133
EQUITY (NOTE 12)		
Operating reserve	**19,280**	18,765
Capital asset replacement reserve	**133**	272
Catastrophe reserve	**18,007**	18,007
	37,420	37,044
	416,889	397,177

Commitments (Note 13), Contingencies (Note 14)

Approved by the Governance Council:

David Tucker
Chairperson, Governance Council

The accompanying notes form an integral part of these financial statements

Statement of Comprehensive Income

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

	2017	2016
	$	$
REVENUE AND INCOME		
Assessments	61,581	57,801
Add: Safe Advantage penalties	580	509
Less: Safe Advantage refunds	(922)	(1,129)
Net assessment revenue	61,239	57,181
Investments		
Interest	3,666	4,030
Dividends	13,759	13,270
Investment (losses) gains (Note 5.d)	11,212	(1,142)
Investment fees	(1,184)	(1,060)
Net investment income	27,453	15,098
Fines and miscellaneous income	-	1
	88,692	72,280
EXPENSES		
Claims costs		
Claims costs, current year injuries (Note 10.b)	43,664	37,338
Claims costs, prior years' injuries (Note 10.b)	28,119	35,677
Third party legal claim recoveries	(1,974)	(235)
Recoveries for hunters and trappers (Note 17)	90	57
	69,899	72,837
Administration and general expenses (Note 16)	18,383	19,557
	88,282	92,394
Income (Loss) before other comprehensive income	410	(20,114)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement gains (losses) on defined benefit plan (Note 11.b)	(34)	(218)
Total comprehensive income (loss)	376	(20,332)

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

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

	OPERATING RESERVE	CAPITAL ASSET REPLACEMENT RESERVE	CATASTROPHE RESERVE	Total
	$	$	$	$
Balance at January 1, 2016	**40,547**	**212**	**16,617**	**57,376**
Total comprehensive loss for the year				
Loss before other comprehensive income	(20,114)	-	-	(20,114)
Re-measurement losses on defined benefit plan	(218)	-	-	(218)
Transfer to catastrophe reserve	(1,390)	-	1,390	-
Transfer to capital asset replacement reserve	(60)	60	-	-
Balance at December 31, 2016	**18,765**	**272**	**18,007**	**37,044**
Total comprehensive income for the year				
Income before other comprehensive income	410	-	-	410
Re-measurement losses on defined benefit plan	(34)	-	-	(34)
Transfer to catastrophe reserve	-	-	-	-
Transfer from capital asset replacement reserve	139	(139)	-	-
Balance at December 31, 2017	**19,280**	**133**	**18,007**	**37,420**

Capital management and reserves (Note 12)

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

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

	2017 $	2016 $
OPERATING ACTIVITIES		
Cash received from:		
Assessments from employers	**61,422**	62,347
Cash paid to:		
Payments to claimants or third parties on their behalf	**(52,813)**	(46,633)
Purchase of goods and services	**(18,521)**	(18,024)
Assessment rebate	**(922)**	(1,129)
Cash used in operating activities	**(10,834)**	(3,439)
INVESTING ACTIVITIES		
Proceeds on sale of investments	**483,603**	397,560
Dividends	**13,759**	13,270
Interest	**3,666**	4,030
Change in cash held by investment managers	**526**	272
Purchase of intangible assets	**(496)**	(911)
Purchase of property and equipment	**(270)**	(1,627)
Purchases of investments	**(495,474)**	(407,042)
Cash provided by investing activities	**5,314**	5,552
(Decrease) increase in cash and cash equivalents	**(5,520)**	2,113
Cash and cash equivalents, beginning of year	**9,859**	7,746
Cash and cash equivalents, end of year	**4,339**	9,859

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

1. Nature of operations

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

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

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

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

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

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

The financial statements were authorized for issue by the Governance Council on April 26, 2018.

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

a) Liquidity classification

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

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

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

b) Financial Instruments

Investments

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

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

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

Other financial assets and liabilities

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

De-recognition of financial assets and liabilities

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

Fair value hierarchy

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

- Level 1 is used when there are quoted (unadjusted) prices in active markets for identical assets, for example:

  a) Traded on stock exchange.

  b) Notional unit values for segregated funds are established daily.

- Level 2 is used when there are other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, for example:

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

  b) Bonds are traded over the counter rather than on an exchange.

- Level 3 is used when there are techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

Changes in valuation methods may result in transfers into or out of an asset's assigned level. The Commission's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers between levels in 2017 (2016 – no transfers).

c) Cash and cash equivalents

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

d) Assessments receivable and assessments refundable

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

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

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

e) Third party legal claims recoveries

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

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

f) Property and equipment

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

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

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

g) Intangible assets

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

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

h) Benefits liability

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

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

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

i) Employee benefits

Pension Plan

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

Post-employment benefits

Under the terms and conditions of employment, employees may earn non-pension benefits for severance upon resignation, or retirement based on years of service and final salary, and ultimate removal assistance based on years of service. The obligation is calculated using the projected unit credit method prorated on service on an actuarial basis. The liability for accrued employee benefits is based on the December 31, 2017 actuarial valuation as calculated by the Commission's actuary. Any actuarial gains or losses are recognized as income or loss through other comprehensive income in the year they are incurred and any re-measurements are not reclassified to profit or loss in subsequent periods. The amounts recognized in other comprehensive income for the year are immediately transferred to the operating reserve.

Short-term employee benefits

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

Other long-term employee benefits

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

j) Leases

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

k) Impairment of non-financial assets

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

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

l) Amendments to IFRS effective for the current year

Amendments to IAS 7 - Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 to require entities to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017. The adoption of these amendments had no impact on the Commission's financial statements.

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

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

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

IFRS 9 – Financial instruments

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

IFRS 16 – Leases

The IASB has published a new standard, IFRS 16 - *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Short-term leases less than 12 months and leases of low value assets will have an optional exemption from the requirements. Lessor accounting however remains largely unchanged. IFRS 16 supersedes IAS 17 - *Leases* and related interpretations and is effective for periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 - *Revenue from Contracts with Customers* has also been applied. The Commission has not early adopted. The Commission has assessed the impact of the new standard and determined that it will have an immaterial impact on the annual operating results. Assets and liabilities will increase materially, however the impact on both assets and liabilities will be less than 0.5%.

IFRS 17 – Insurance Contracts

IFRS 17 – *Insurance Contracts* was issued in May 2017 and is effective for years beginning on or after January 1, 2021, to be applied retrospectively. If full retrospective application is impractical, the modified retrospective or fair value methods may be used. IFRS 17 will replace IFRS 4 – *Insurance Contracts* and is expected to change the way insurance contract liabilities are recognized and measured. It will also change the presentation and disclosures of the Fund's Financial Statements. The impact of the adoption of this standard on the Commission's financial statements is not known or reasonably estimable at this time.

3. Critical accounting estimates and judgements

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

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

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

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

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

4. Cash and cash equivalents

The Commission invests in short-term money market instruments. The market yield of this portfolio for the year was 1.23% (2016 – 0.80%). All instruments held in cash and cash equivalents are readily convertible to cash and are held in high quality debt obligations issued or guaranteed by federal, provincial, or territorial governments, Canadian chartered banks, or loan or trust companies registered in Canada.

	2017	2016
	$	$
Short-term investments	1,071	6,166
Cash	3,268	3,693
Total	**4,339**	9,859

5. Investments

The Commission's investment portfolio consists of fixed income, equity, and real estate portfolio investments. The Commission's investment objective is to achieve a long-term rate of return that is sufficient to allow the Commission to fund its benefits liability, cover its operating costs, and set reasonable and stable assessment rates for employers. All investments, including cash and cash equivalents managed by investment managers, are classified as held-for-trading. The Commission expects to experience a draw down of investments during the coming year, matching the payment of anticipated claims in the amount of $30,835.

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
	$	$	$	$
Fixed income	167,834	154,336	164,433	151,004
Equities	172,608	149,737	156,465	138,962
Real estate	53,923	49,758	50,910	47,684
Total	**394,365**	**353,831**	371,808	337,650

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

a) Fixed income

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

	2017		2016	
	Fair Value	**Cost**	Fair Value	Cost
	$	**$**	$	$
Fixed income securities	**64,088**	**63,072**	62,913	61,763
Pooled funds				
Indexed Bond Funds	**69,449**	**69,099**	67,743	67,076
Mortgage Funds	**34,297**	**22,165**	33,777	22,165
Total	**167,834**	**154,336**	164,433	151,004

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

Included in the above amounts are investments in privately held related party bonds, as disclosed in Note 17. The cumulative unrealized gains in 2017 on the privately held investments were $533 (2016 – $484).

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

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

	2017	2016
	$	$
Fixed income - cost	**154,336**	151,004
Cumulative unrealized gains	**13,498**	13,429
Fixed income - fair value	**167,834**	164,433

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

	Within 1 year	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	**Fair Value December 31, 2017**	Fair Value December 31, 2016
	$	$	$	$	$	**$**	$
Cash, short-term investments and net payable in investment manager accounts	477	-	-	-	-	**477**	1,574
Government bonds	2,833	2,658	13,277	14,781	12,664	**46,213**	42,241
Corporate bonds	1,617	2,931	6,545	575	5,730	**17,398**	19,098
Total	4,927	5,589	19,822	15,356	18,394	**64,088**	62,913

b) Equities

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

	2017		2016	
	Fair Value	**Cost**	Fair Value	Cost
	$	**$**	$	$
United States equities	**53,974**	**41,749**	50,035	40,497
Canadian equities	**69,868**	**52,414**	66,638	51,344
International equities	**48,766**	**55,574**	39,792	47,121
Total	**172,608**	**149,737**	156,465	138,962

Included in the International equities is $341 (2016 - $318) of cash that is held in Canadian funds.

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

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

	2017	2016
	$	$
Equity investments - cost	**149,737**	138,962
Cumulative unrealized gains	**22,871**	17,503
Equity investments - fair value	**172,608**	156,465

c) Real estate

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

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

	2017	2016
	$	$
Canadian real estate - cost	**49,758**	47,684
Canadian real estate - unrealized gains	**4,165**	3,226
Canadian properties - fair value	**53,923**	50,910

d) Investment gains and losses

The investment gains and losses recognized in comprehensive income are as follows:

	2017	2016
	$	$
Realized gains	**4,835**	3,725
Change in unrealized gains	**6,377**	(4,867)
Investment (losses) gains - net	**11,212**	(1,142)

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

e) Investment performance

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

	2017	2016
	%	%
United States equities	18.82	4.41
International equities	21.84	(1.80)
Cash and cash equivalents	(4.18)	4.06
Real estate	5.92	6.54
Fixed income securities and indexed bond funds	2.23	1.31
Mortgages	1.54	0.99
Canadian equities	7.73	18.48

f) Investment activity

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

	2017	2016
	$	$
Balance, beginning of year	371,808	363,740
Investment (losses) gains - net	11,212	(1,142)
Dividends	13,759	13,270
Interest	3,666	4,030
Transfer to short-term investments	(80)	(90)
Transfer (to) from operating cash accounts	(6,000)	(8,000)
Balance, end of year	394,365	371,808

6. Assessments and other receivables

a) Assessments receivable

	2017	2016
	$	$
Current assessments receivable	5,269	3,379
Overdue assessments receivable	268	210
Allowance for doubtful accounts	(351)	(148)
Net assessments receivable	5,186	3,441

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

The Commission collected $162 (2016 – $135) of legislated prescribed penalties during the year on the receivables. The legislated prescribed penalty is charged at the rate of 2% per month on the outstanding balance. None of the assessments receivable, except for those included in the allowance, are considered to be impaired. The total bad debt expense recognized during the year is $252 (2016 – $199) which is recognized in administration and general expense.

b) Other receivables

	2017 $	2016 $
Due from claimants	**258**	180
Receivable from other Governments	**20**	143
Due from employees	**75**	101
Hunters and trappers receivable	**-**	97
Fines	**-**	48
Legal recoveries receivable	**1,744**	-
Other	**41**	10
Less: allowance for doubtful accounts - other	**(55)**	(61)
Less: allowance for doubtful accounts - claimants	**(18)**	(69)
Total	**2,065**	449

Other receivables are non-interest bearing.

c) Reconciliation of allowance for doubtful accounts and aging analysis

	2017 Employers $	2017 Other $	2016 Employers $	2016 Other $
Carrying amount at the beginning of the year	**148**	**130**	105	151
Net debts written off during the year	**(58)**	**(55)**	(40)	(122)
Provision made during the year	**296**	**51**	121	130
Recoveries and adjustments	**(35)**	**(53)**	(38)	(29)
Carrying amount at the end of the year	**351**	**73**	148	130

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

	31 to 60 days $	61 to 90 days $	91+ days $	**Total overdue** **$**
2017	**206**	**25**	**280**	**511**

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

	31 to 60 days $	61 to 90 days $	91+ days $	**Total overdue $**
2016	-	17	100	117

7. Property and equipment

	Building $	Equipment $	Furnishings $	Vehicles $	Leasehold improvements $	**Total $**
Cost						
At January 1, 2016	7,608	1,811	1,669	317	1,155	12,560
Additions	636	133	596	-	-	1,365
Disposals	-	(303)	(80)	-	-	(383)
At December 31, 2016	8,244	1,641	2,185	317	1,155	13,542
Additions	68	159	28	-	10	265
Disposals	-	(355)	(19)	(95)	-	(469)
At December 31, 2017	8,312	1,445	2,194	222	1,165	**13,338**
Depreciation						
At January 1, 2016	2,350	1,214	261	265	468	4,558
Annual depreciation	422	151	175	17	110	875
Disposals	-	(305)	(49)	-	-	(354)
At December 31, 2016	2,772	1,060	387	282	578	5,079
Annual depreciation	420	156	176	17	110	879
Disposals	-	(355)	(13)	(95)	-	(463)
At December 31, 2017	3,192	861	550	204	688	**5,495**
Net book value						
At December 31, 2017	**5,120**	**584**	**1,644**	**18**	**477**	**7,843**
At December 31, 2016	5,472	581	1,798	35	577	8,463

For the year ended December 31, 2017 (in thousands of Canadian dollars)

8. Intangible assets

	Purchased software systems $	Internally developed software systems $	**Total** **$**
Cost			
At January 1, 2016	849	6,061	6,910
Additions	35	859	894
Disposals	(2)	-	(2)
At December 31, 2016	882	6,920	7,802
Additions	86	529	615
Disposals and adjustments	(29)	29	-
At December 31, 2017	939	7,478	**8,417**
Amortization			
At January 1, 2016	483	3,939	4,422
Annual amortization	75	399	474
Disposals	(4)	-	(4)
At December 31, 2016	554	4,338	4,892
Annual amortization	94	455	549
Disposals	-	-	-
At December 31, 2017	648	4,793	**5,441**
Net book value			
At December 31, 2017	**291**	**2,685**	**2,976**
At December 31, 2016	328	2,582	2,910

Included in internally developed software systems is the Compensation, assessment and accident prevention system (CAAPS) which the Commission uses to process and maintain claims information and employer information including claims, assessments and safety reports. The net book value amount and remaining amortization period of this asset are $713 and 3 years respectively (2016 - $931 and 4 years).

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

9. Accounts payable, accrued and other liabilities

	Current	Non-Current	**2017 Total**	2016 Total
	$	$	**$**	$
Accounts payable	2,129	-	**2,129**	2,520
Accrued liabilities	3,364	-	**3,364**	2,685
Other	32	106	**138**	168
Total	5,525	106	**5,631**	5,373

10. Benefits liability

a) Future claims liability and approved pension liability

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

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

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

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

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

b) Benefits liability continuity schedule and reconciliation

The benefits liability is composed of the following:

	Medical aid	Compensation	Future capitalizations	Pension awards	Occupational disease claims	**Total 2017**
	$	$	$	$	$	**$**
Balance, beginning of year	55,545	38,976	32,954	185,323	32,062	**344,860**
Add: Claims costs (recoveries)						
Current year	12,950	20,321	9,457	936	-	**43,664**
Prior years	19,428	(4,790)	3,366	8,519	1,596	**28,119**
Liability transfer, capitalizations	-	-	(6,323)	6,323	-	**-**
	32,378	15,531	6,500	15,778	1,596	**71,783**
Less: Claims payments						
Current year injuries						
Claims payments	3,788	4,242	83	-	-	**8,113**
Claims management	1,705	1,909	8	-	-	**3,622**
Prior years' injuries						
Claims payments	8,256	9,367	3,098	12,655	-	**33,376**
Claims management	3,715	4,215	310	1,265	-	**9,505**
	17,464	19,733	3,499	13,920	-	**54,616**
Balance, end of year	70,459	34,774	35,955	187,181	33,658	**362,027**

	Medical aid	Compensation	Future capitalizations	Pension awards	Occupational disease claims	Total 2016
	$	$	$	$	$	$
Balance, beginning of year	49,559	34,690	30,451	174,295	29,622	318,617
Add: Claims costs (recoveries)						
Current year	11,601	16,484	9,234	19	-	37,338
Prior years	7,006	3,724	5,384	17,123	2,440	35,677
Liability transfer, capitalizations	-	-	(8,111)	8,111	-	-
	18,607	20,208	6,507	25,253	2,440	73,015
Less: Claims payments						
Current year injuries						
Claims payments	2,930	3,800	54	17	-	6,801
Claims management	1,318	1,710	5	2	-	3,035
Prior years' injuries						
Claims payments	5,774	7,181	3,586	12,915	-	29,456
Claims management	2,599	3,231	359	1,291	-	7,480
	12,621	15,922	4,004	14,225	-	46,772
Balance, end of year	55,545	38,976	32,954	185,323	32,062	344,860

The expected claims payment for the benefits liability in 2018 is $30,835 (2017 - $27,846).

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

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

	2017 $	2016 $
Balance, beginning of year	**344,860**	318,617
Adjust for effects of:		
Provision for current year's claims	**31,928**	27,502
Inflation experience, which was 1.46% versus the expected 2.25% (1.40% versus 2.25% in 2016)	**(1,435)**	(1,483)
Claims experience	**8,343**	7,910
Change in claims run-off factors for Compensation and Medical aid	**(339)**	1,190
Change in factors for Medical aid liability	**(280)**	-
Latent occupational disease claims provision	**-**	707
Change in methodology	**(208)**	-
Change in Actuarial assumption (mortality table)	**-**	8,414
Interest allocated	**19,231**	17,813
Other assumption changes	**2,807**	1,125
	60,047	63,178
Deduct:		
Payments for prior years' claims	**(42,880)**	(36,935)
Balance, end of year	**362,027**	344,860

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

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

Key aspects of processes established to mitigate insurance risks include:

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

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

d) Terms and conditions of the Acts

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

e) Concentration of insurance risk

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

f) Development of claims

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

g) Interest rate risk

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

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

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

h) Liquidity risk

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

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

Expected timing of future payment for outstanding claims:

	2017	2016
	%	%
Up to 1 year	**5.10**	4.84
Over 1 year and up to 5 years	**15.10**	14.47
Over 5 years and up to 10 years	**14.80**	15.33
Over 10 years	**65.00**	65.36
Total	**100.00**	100.00

i) Actuarial assumptions and methods

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

The Medical Aid and Compensation liability represents the present value at December 31, 2017 of expected future benefit payments for hospital and physician services, short-term income compensation payments, travel expenses, rehabilitation benefits and other eligible medical services under the Acts. The Medical Aid and Compensation liability is calculated using the loss development method also known as the "claims run-off" approach. In this method, historical paid claims data are summarized by accident year and payment year in order to observe the relationships between payments at different durations for each accident year. Historical factors, at each duration, are developed from prior accident years and are applied to accident years that are not yet fully mature in order to estimate the future timing and amount of remaining benefit payments.

The Future Capitalizations liability represents the present value of expected future pension awards that have not yet been approved as of December 31, 2017. These future pension capitalizations are in respect of all claims arising from accidents which occurred on or before December 31, 2017. The estimated number and timing of these future capitalizations has been developed based on the historical emergence of capitalized claims experience by accident year for the Commission. In addition, the expected cost of each capitalized claim has been developed based on actual pension awards approved prior to December 31, 2017.

The Approved Pension liability (pension awards) represents the present value at December 31, 2017 of all expected future pension awards payments, including future inflationary adjustments, to individuals who have been approved for a pension award at December 31, 2017. The Approved Pension liability is calculated on a seriatim basis using the discounted cash flow method. Pension benefits are indexed annually on January 1 of each year, this annual index rate is referred to as the Supplementary Pension Increase (SPI) rate. The SPI is determined by taking into account the average monthly change in consumer price index (CPI) Canada for the most recent July to June period. Mortality rates are used to determine the future life expectancy of individuals in receipt of a pension award. The actual gender and date of birth for all pension recipients is used in the valuation. Pensions are payable to dependent children until age 19 or age 25 if attending school. The probability of a dependent child continuing to receive a pension award from age 19 to 25 is based on actual

Notes to the Financial Statements

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experience of the Commission. A projection of future pension payments requires that an explicit assumption be made with respect to the rate of award inflation. The present value of expected future pension payments uses a gross discount rate of 5.85% derived from the ultimate inflation assumption of 2.25% and a net discount rate of 3.50% for years 2019 and thereafter. The use of the actual inflation rate of 1.46% for 2018 results in a net discount rate of 4.33% for that year only.

The following economic assumptions are used in the valuation of the Future Claims Liability: discount rate – 5.85% (2016 – 5.85%), inflation rate – i) future capitalizations: 1.46% in 2018 and 2.25% per annum thereafter (2016 – 1.40% and 2.25%), and ii) Compensation: 2.25% (2016 – 2.25%) and Medical Aid: 4.75% (2016 – 4.75%).

The following economic assumptions are used in the valuation of the Approved Pension Liability: discount rate – 5.85% (2016 – 5.85%), inflation rate – 1.46% in 2018 and 2.25% thereafter (2016 – 1.40% and 2.25%). The mortality assumption is determined by the 2005-2007 Statistics Canada General Life Mortality Table (2016 – 2005-2007 Statistics Canada General Life Mortality Table).

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

j) Liability sensitivity

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

Medical benefits represent approximately 16% of the benefits liability. An increase in the assumed excess medical inflation rate (above the assumed inflation rate) would result in an increase in the benefits liability for medical benefits and a decrease in comprehensive income.

Notes to the Financial Statements

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

2017	**+ 1%**	**- 1%**
+/- % change on assumed rates	**$**	**$**
Net discount rate	**(31,445)**	**39,869**
Excess medical inflation rate	**8,445**	**(7,132)**

2016	+ 1%	- 1%
+/- % change on assumed rates	$	$
Net discount rate	(30,416)	38,826
Excess medical inflation rate	6,021	(5,140)

2017	**+ 10%**	**- 10%**
+/- % change in mortality rates	**$**	**$**
Mortality rate	**(4,882)**	**5,369**

2016	+ 10%	- 10%
+/- % change on mortality rates	$	$
Mortality rate	(4,907)	5,119

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

k) Claims development

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	**Total**
	$	$	$	$	$	$	$	$	$	$	**$**
Estimate of cumulative claim costs:											
At the end of the accident year	59,716	43,007	44,356	77,715	43,254	41,977	35,923	39,130	43,611	51,245	
One year later	52,229	39,782	44,743	70,852	39,738	38,252	35,719	40,675	50,823		
Two years later	49,107	37,745	39,278	69,454	36,183	36,866	34,764	39,862			
Three years later	50,445	36,584	37,733	62,086	35,775	40,264	33,925				
Four years later	46,236	36,581	38,090	68,546	43,454	39,922					
Five years later	45,658	33,865	37,433	73,899	49,595						
Six years later	42,075	32,057	39,857	74,659							
Seven years later	43,042	32,401	40,454								
Eight years later	45,099	31,466									
Nine years later	44,342										
Current estimate of ultimate claims costs	44,342	31,466	40,454	74,659	49,595	39,922	33,925	39,862	50,823	51,245	**456,293**
Cumulative payments	20,115	14,905	17,659	25,204	17,528	17,446	13,942	15,155	14,647	6,220	**162,821**
Estimate of future payments	24,227	16,561	22,795	49,455	32,067	22,476	19,983	24,707	36,176	45,025	**293,472**
2007 and prior claims											**308,661**
Effect of administration expenses											**52,944**
Effect of latent occupational disease provision											**33,658**
Sub-total											**688,735**
Effect of discounting											**(326,708)**
Amount recognized on Statement of Financial Position											**362,027**

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

11. Employee benefits

a) Pension plan

Substantially all of the employees of the Commission are covered by the Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Commission. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rates effective at year end for employees who joined the Plan prior to 2013 and after January 1, 2013 were 11.80% and 9.94% respectively (2016 – 12.70%; 10.42%). Total contributions of $1,445 (2016 - $1,527) were recognized as expense in the current year and $547 (2016 - $385) of this amount relates to contributions under the new rates. For employees joining the Plan after January 1, 2013 the normal retirement age has been raised from 60 to 65 years.

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

b) Post-employment benefits

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

	2017	2016
	$	$
Accrued benefit obligation, beginning of year	**1,279**	1,251
Total benefit expense:		
Current service cost	**65**	67
Interest cost	**37**	36
Actuarial (gains) losses	**45**	162
Difference in estimated payouts	**27**	(226)
Benefits paid	**(246)**	(11)
Balance, end of year	**1,207**	1,279

Current service and interest costs totalling $230 (2016 - $173) were recognized in the employer share of benefits within administration and general expenses in the statement of comprehensive income. In 2017 there is an additional loss of $11 (2016 - gain of $64) of actuarial (gains) losses related to sick and special leave that is recorded in salaries and wages payable.

The key assumptions used to calculate the accrued employee benefits are a liability discount rate of 3.00%

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

(2016 – 3.00%) and a general wage escalation of 1.00% for 2018 to 2019 and 2.00% for 2020 and beyond (2016 – 1.00% for 2017 to 2019 and 2.00% for 2020 and beyond).

The expected payments for 2018 are $204 (2017 - $202). The weighted average duration of the defined benefit obligation is 4.6 years (2016 – 5.6 years).

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

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

Wage inflation is determined by the negotiated collective agreement rate increases and is 1.00% for 2018 to 2019 and 2.00% for 2020 and beyond (2016 – 1.00% for 2017 to 2019 and 2.00% for 2020 and beyond). The long term wage inflation assumption of 2.00% for 2020 and beyond is considered to be Management's best estimate for long term salary growth. An increase in the assumed wage inflation rate would result in an increase in the liability and a decrease in comprehensive income.

2017	**+ 1%**	**-1%**
+/- % change on assumed rates	**$**	**$**
Discount rate	(69)	77
Wage inflation rate	57	(53)

2016	+ 1%	-1%
+/- % change on assumed rates	$	$
Discount rate	(76)	84
Wage inflation rate	65	(60)

c) Other long-term employee benefits

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

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

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

The balance in the liability accrual for accumulating sick or special leave benefits as at December 31, 2017 was $412 (2016 - $385).

12. Capital management and reserves

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

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

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

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

At December 31, 2017, the Funded Position is 110% (2016 – 110%).

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

a) Operating reserve

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

The target level for the operating reserve is 20% of total liabilities, for 2017 - $75,894 (2016 - $72,027). Should the Commission's funded ratio, excluding the catastrophe reserve capped at 5%, decline to:

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

An exception to the flat rate recoveries is if the Commission's funded ratio deteriorates to below 95% during

Notes to the Financial Statements

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the 15 year recovery period originally triggered at the 105% level then a 10 year flat rate recovery would be initiated.

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

b) Capital asset replacement reserve

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

c) Catastrophe reserve

The catastrophe reserve is intended to mitigate the potential impact to the Commission's funding ratio in the event of a catastrophic event. The Commission established specific criteria to determine whether an accident or event meets the definition of a catastrophic claim. The target level for the catastrophe reserve is set at 5% of the total liabilities. The actual level for the catastrophic reserve is $18,007 (2016 - $18,007). Funds can be transferred from the operating reserve to address shortfalls in the catastrophe reserve as long as the operating reserve is not left in a shortfall position, shortfall being defined as less than 5% of total liabilities. Should the catastrophe reserve decline below 4% of total liabilities a flat rate increase over 15 years would be put into place to return the catastrophe reserve to the target rate.

13. Commitments

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

	Equipment Leases	Leased Space	Contracts	**Total**
	$	$	$	**$**
2018	64	1,480	3,884	**5,428**
2019	21	1,306	1,614	**2,941**
2020	13	1,285	703	**2,001**
2021	-	1,193	4	**1,197**
2022	-	609	-	**609**
Thereafter	-	936	-	**936**
Total	98	6,809	6,205	**13,112**

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

Notes to the Financial Statements

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All contracts are for standard service and maintenance agreements.

14. Contingencies

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

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

15. Financial risk management

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

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

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

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

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a) Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is considered to be low. The Commission maintains deposits and short-term investments at banks to meet liquidity needs. At December 31, 2017, cash and cash equivalents were $4,339 or a ratio of 0.27 of short term liabilities (2016 - $9,859 or 0.70).

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

	1 year or less $	2-3 years $	4-5 years $	6 years or more $	Total 2016 $
Accounts payable, accrued and other liabilties	5,238	64	63	8	5,373
Salaries and wages payable	1,361	-	-	-	1,361
Assessments refundable	7,260	-	-	-	7,260
Total	13,859	64	63	8	13,994

b) Credit risk

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

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

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

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For the year ended December 31, 2017 (in thousands of Canadian dollars)

The Commission's exposure to credit risk associated with its other receivables and assessments receivable is the risk that an employer or a cost recovery customer will be unable to pay amounts due to the Commission. The maximum exposure to credit risk is $6,695 (2016 – $3,890). Allowances for doubtful accounts are provided for potential losses that have been incurred at the reporting date. The amounts disclosed on the statement of financial position are net of these allowances for doubtful accounts. All other receivables and assessments receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Commission takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Commission recognizes a specific allowance for doubtful accounts when management considers that the expected recovery is less than the actual amount receivable. All bad debts are charged to administration and general expenses.

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

- The employer base is dispersed across various industries, with government comprising a significant concentration.
- As at December 31, 2017, the majority of other receivables and assessments receivable are outstanding for less than 90 days. The Commission does not require collateral or other security from employers or customers for accounts receivable.
- The Commission has the power and remedies to enforce payment owing.

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

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

	R-1 (high) $	R-1 (middle) $	R-1 (low) $	**Total** **$**
Short-term investments	1,071	-	-	**1,071**
Fixed income securities	477	-	-	**477**
Total	1,548	-	-	**1,548**

	AAA $	AA $	A $	BBB $	**Total** **$**
Fixed income securities	17,506	31,322	13,408	1,375	**63,611**

For the year ended December 31, 2017 (in thousands of Canadian dollars)

The following table outlines the credit risk exposure for the Commission for each major class of fixed income investments as at December 31, 2016:

	R-1 (high) $	R-1 (middle) $	R-1 (low) $	Total $
Short-term investments	6,166	-	-	6,166
Fixed income securities	1,555	-	-	1,555
Total	7,721	-	-	7,721

	AAA $	AA $	A $	BBB $	Total $
Fixed income securities	19,973	27,253	12,526	1,606	61,358

c) Market risk

Market risk is the risk that the fair value or future cash flows of the Commission's financial Instruments will fluctuate in the future because of price changes. The Commission invests in publicly traded fixed income and equity Investments available on domestic and foreign exchanges and In privately held Investments. Market risk is managed through diversification between different asset classes and geographic diversification and by limiting the concentration in any single entity to 5% or less of the fair value of the investment fund. The one exception to the 5% or less concentration rule is an investment in a Real Estate holding fund, Bentall Kennedy Prime Canadian Property Fund Ltd, at 13.67% (2016 - 13.69%) of the total fund. This fund is diversified by Investment type and geographic location. In 2017, the fund held properties in 4 provinces; 46% In Ontario, 27% in British Columbia, 21% in Alberta and 6% in Québec. The types of properties held by the fund can be classified as retail (32%), office (34%), distribution and warehouse (23%), multifamily residential (7%) and other (4%). The Governance Council is aware of this exception to its investment policy.

The Commission's investment target and actual asset mix at fair value December 31, 2017 is as follows:

	Target		
	Maximum %	Minimum %	**Actual %**
Fixed income securities and indexed bond funds	45.00	25.00	**33.75**
Canadian equities	21.00	11.00	**17.70**
Real estate	20.00	10.00	**13.67**
United States equities	19.00	9.00	**12.86**
International equities	15.00	5.00	**12.97**
Mortgages	15.00	5.00	**8.70**
Cash and cash equivalents	5.00	-	**0.35**

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For the year ended December 31, 2017 (in thousands of Canadian dollars)

Equity investments are particularly sensitive to market risk. Because equities are recorded as held-for-trading, changes in their fair value from the movements in the markets have a significant impact on comprehensive income and reserve values. The following table is a sensitivity analysis that shows the impact of a change of 15.50% - 16.80%, depending on asset type, on the average market values of each portfolio, which equates to one standard deviation of the portfolio in the respective stock market index.

Portfolio	Index	Exposure December 31, 2017 $	Change one standard deviation %	**Change to comprehensive income 2017 $**
Canadian equities	TSX 300	69,868	16.50	**11,528**
United States equities	Russell 3000	53,974	15.50	**8,366**
International equities	MSCI EAFE	48,766	16.80	**8,193**

d) Interest rate risk

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

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

	Movement in interest rates %	**Change to comprehensive income 2017 $**
Change in nominal interest rates	+1.00	**9,897**

	Movement in interest rates %	Change to comprehensive income 2016 $
Change in nominal interest rates	+1.00	8,408

e) Real estate risk

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

The table below presents the estimated effect of a material adverse change in valuations of the investment in domestic real estate for the year ended December 31. This change to comprehensive income reflects a change in valuation of 12.50% (2016 – 12.50%), which, based on ten years of results, would be one standard deviation of valuation change.

Portfolio	Exposure December 31, 2017 $	Change %	**Change to comprehensive income 2017 $**
Real estate	53,923	+12.50%	**6,741**

Portfolio	Exposure December 31, 2016 $	Change %	Change to comprehensive income 2016 $
Real estate	50,910	+12.50	6,364

f) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets and financial liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates relative to the Canadian dollar. The Commission has investments denominated in foreign currencies which are therefore exposed to currency risk. To mitigate this risk, investment managers are authorized to enter into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. The investment managers do not do this as a matter of general practice. There were no forward foreign exchange contracts outstanding as at December 31, 2017 (2016 – nil).

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

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

Foreign country	**Total investments fair value 2017** **$**	Total investments fair value 2016 $
United States	**53,976**	50,035
Europe	**16,283**	10,386
United Kingdom	**9,353**	8,834
Japan	**8,919**	8,993
Switzerland	**4,618**	3,740
Hong Kong	**2,682**	1,711
China	**1,390**	1,337
Korea	**1,205**	1,233
Australia	**1,034**	836
India	**614**	402
Denmark	**614**	438
Taiwan	**405**	557
South Africa	**395**	402
Indonesia	**273**	286
Israel	**-**	318
Subtotal	**101,761**	89,508

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

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

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

	Exposure December 31, 2016 $	Change %	Change to comprehensive income 2016 $
United States	50,035	+10.00	(5,004)
Europe	10,386	+10.00	(1,039)
Japan	8,993	+10.00	(899)
United Kingdom	8,834	+10.00	(884)
Switzerland	3,740	+10.00	(374)

16. Administration and general expenses

	2017 **$**	2016 $
Salaries, wages and allowances	**16,591**	15,401
Professional services	**4,308**	4,726
Employer share of benefits	**3,489**	3,107
Amortization and depreciation	**1,428**	1,348
Travel	**864**	661
Office repairs and maintenance	**776**	920
Communications	**685**	725
Office lease payments	**653**	635
Office services and supplies	**519**	538
Advertising and public information	**425**	470
Contributions to other organizations	**417**	750
Office furniture and equipment (non-capital)	**377**	286
Grants	**343**	182
Training and development	**318**	250
Bad debt expense	**252**	199
Recruitment	**77**	60
Honoraria and retainers	**63**	91
Loss (gain) on asset disposal	**6**	5
Miscellaneous	**-**	1
Recoveries	**(80)**	(283)
	31,511	30,072
Less: Allocation to claims management costs - current year injuries (Note 10.b)	**(3,622)**	(3,035)
Less: Allocation to claims management costs - prior year injuries (Note 10.b)	**(9,506)**	(7,480)
Total	**18,383**	19,557

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

17. Related party transactions

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

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

	2017	2016
	$	$
Government of Nunavut	**1**	99
Territorial public agencies	**74**	48
Government of the Northwest Territories	**29**	4
Total	**104**	151

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

	2017	2016
	$	$
Government of Northwest Territories	**246**	804
Territorial public agencies	**627**	590
Government of Nunavut	**1,899**	386
Total	**2,772**	1,780

Through Memoranda of Understanding with the Governments of the Northwest Territories and Nunavut, the Commission charges the governments for the costs of administering benefits related to Hunters and Trappers claims. These costs include the increase or decrease in the benefits liability related to Hunters and Trappers claims, therefore, a significant decrease in the benefits liability can result in a refund by the Commission to either Government. In 2017, both the Government of the Northwest Territories and the Government of Nunavut were issued a refund cheque for Hunter's and Trapper's claims for $34 and $56 respectively. In 2016, the Government of the Northwest Territories was issued a refund cheque for $154 while the Government of Nunavut was issued an invoice for $97.

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

	2017	2016
	$	$
Government of the Northwest Territories	**3,869**	4,551
Government of Nunavut	**3,951**	4,240
Territorial public agencies	**2,000**	2,045

Notes to the Financial Statements

For the year ended December 31, 2017 (in thousands of Canadian dollars)

	2017 $	2016 $
Total	**9,820**	10,836

Expenses to related parties for the years ended December 31:

	2017 $	2016 $
Territorial public agencies	**2,605**	2,036
Government of Northwest Territories	**1,198**	497
Government of Nunavut	**1,214**	230
Total	**5,017**	2,763

Investments in bonds of related parties at fair value:

	2017 $	2016 $
Northwest Territories Power Corporation		
6.42% maturing December 18, 2032	**1,209**	1,289
5.95% maturing December 15, 2034	**1,324**	1,261
Total	**2,533**	2,550

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

Compensation of key management personnel

	2017 $	2016 $
Compensation	**1,371**	1,344
Post employment benefits - Increase (decrease) in liability	**145**	162
Pension plan - Increase (decrease) in liability	**8**	35
Total compensation paid to key management personnel	**1,524**	1,541

Included in the post-employment benefits are employer contributions to the Plan.

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

For the year ended December 31, 2017 (in thousands of Canadian dollars)

18. Fair value measurement

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

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

The Commission's financial instruments categorized according to their fair value hierarchy as described in Note 2.b) are as follows as at December 31, 2016:

	Level 1 $	Level 2 $	Level 3 $	2016 $
Financial instruments measured at fair value:				
Equities	156,465	-	-	156,465
Fixed income securities and indexed bond funds	-	130,656	-	130,656
Real estate	-	50,910	-	50,910
Mortgages	-	33,777	-	33,777
Total	156,465	215,343	-	371,808

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

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

WORKERS' SAFETY AND COMPENSATION COMMISSION

ANNUAL REPORT 2017

NORTHWEST TERRITORIES AND NUNAVUT

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