



# Putting People First

Workers Compensation Board of PEI  
2018 ANNUAL REPORT

Shirley Guergis, Resident Care Worker  
and Mark Mackenzie, Nurse Manager,  
*Summerset Manor, Health PEI.*

July 9, 2019

Hon. Matthew MacKay  
Minister of Economic Growth, Tourism and Culture  
5th Floor, Shaw Building North  
95 Rochford Street  
P.O. Box 2000  
Charlottetown, PE C1A 7N8

Dear Minister MacKay:

In Accordance with Section 34 of the Workers Compensation Act, the Board is pleased to provide its Annual Report for the year ending December 31, 2018.

Respectfully submitted,



Stuart Affleck  
Workers Compensation Board Chair

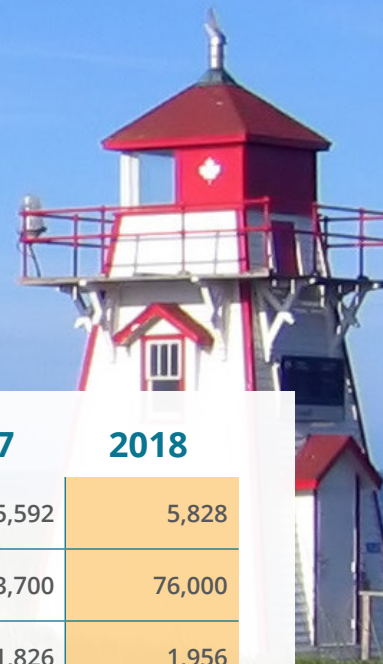
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# WCB AT A GLANCE



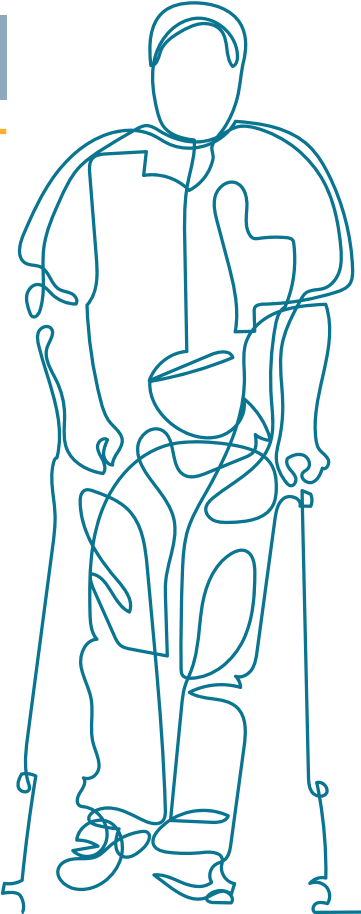
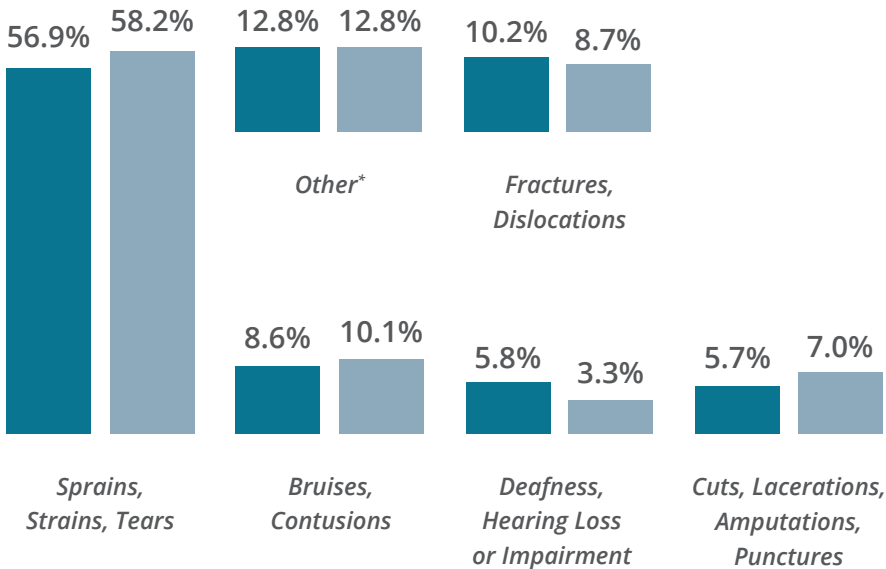
	2017	2018
Number of Assessed Employers	5,592	5,828
Estimated Size of Prince Edward Island Workforce <i>As reported by Statistics Canada</i>	73,700	76,000
Total Adjudicated Claims	1,826	1,956
<i>Temporary Wage Loss</i>	1,027	1,067
<i>Medical Aid Only</i>	630	725
<i>Denied</i>	167	163
<i>Fatalities</i>	2	1
Average Assessment Rate	1.70	1.60
Funded Position (Fair Market Value)	165%	146%
Claim Costs (In Millions)	\$22.0	\$23.0

## Percentages of Workplace Injuries by Industry



# Nature of Injury

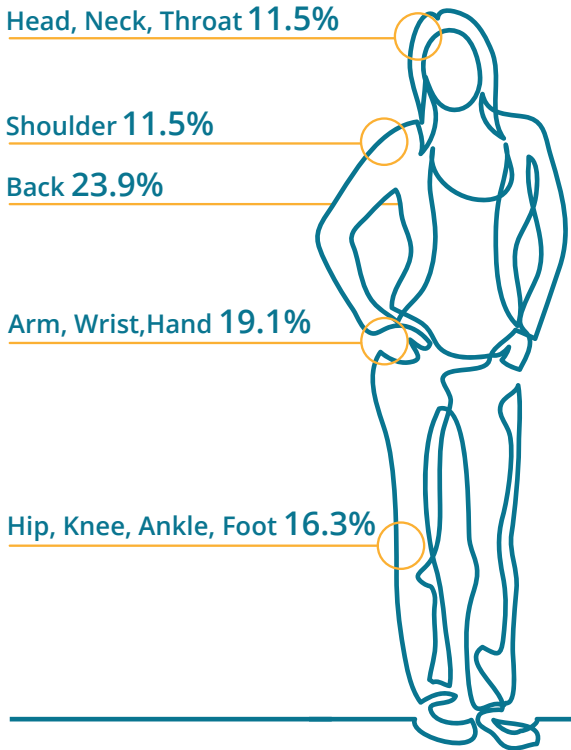
2018 2017



\*No nature of injury in the "Other" category has >5% of workplace injuries. In 2018, Repetitive Motion Injuries and Burns were the 2 most common injuries in this category.

# Anatomical Area of Injury

Top 5 Areas of Injury (2018)



	2017	2018
Back	23.4%	23.9%
Arm, Wrist, Hand	21.4%	19.1%
Hip, Knee, Ankle, Foot	15.5%	16.3%
Head, Neck, Throat	11.4%	11.5%
Shoulder	11.1%	11.5%

# HIGHLIGHTS

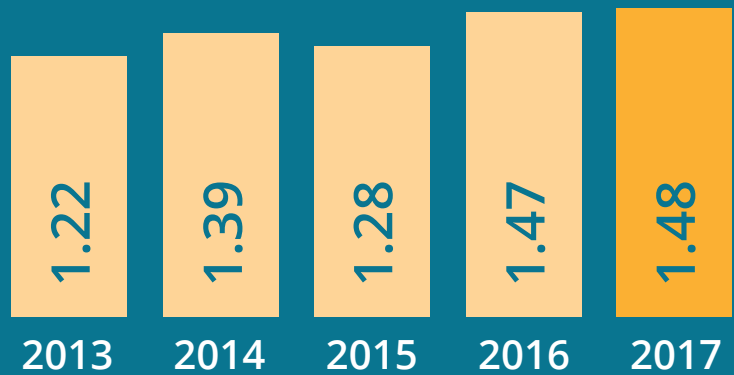
## Statistics

### Injury frequency rate

(Time-loss claims per 100 workers)

We will continue to monitor injury frequency and strive to enhance safety culture in all workplaces on Prince Edward Island.

*This statistic has a lag year in order to allow us to capture all injuries in any given year.*



1.58 - 2017 Canadian Average



**2,624** OHS Inspections

**475** OHS Education & Training Sessions (Adult and Youth)

Employers Satisfaction Index 2017

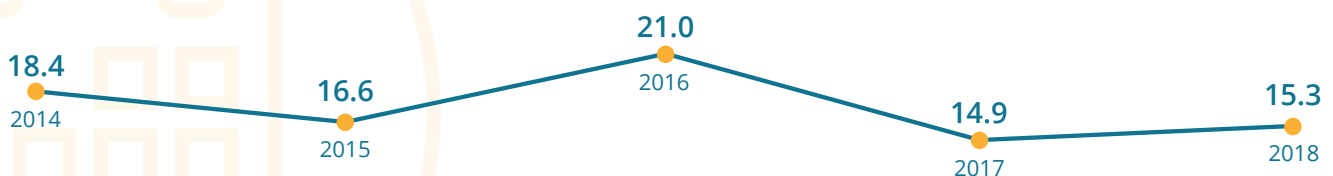
**82.0**

Injured Workers Satisfaction Index 2018

**76.2**

## Average Calendar Days to First Payment

The average expected turnaround time for payment to workers is 15 days - 2018 Injured Workers Survey



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# New Initiatives



Training and Education & Workplace Innovation: Over \$430,000 in grant funding approved by the Board of Directors



New resources for employer and workers on dealing with impairment in the workplace



Coverage for cancer and heart injuries for firefighters



New resources for fishermen (Fishing Vessel Checklist and Captain and Crew Posters)

- Presumptive Coverage for trauma and stressor-related disorders for all occupations
- Developed a Clinician's Reference Guide for clinicians to enhance their knowledge of who we are, what we value, and how we can provide excellent care and support to injured workers, together.





# SECTION 1

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*Governance and oversight.*





# MESSAGE FROM THE CHAIR



The workers compensation system is built upon the Meredith Principles, a historic compromise that provides support for workers if they are injured and protection to employers from liability. This important concept changed the course of workplace compensation coverage for workers and employers across the country over 100 years ago and continues to guide our business today.

While the foundation of the workers compensation system remains the same, the issues that we face, continue to evolve. Over the past decade we have seen soft tissue injuries rise to become more prominent over cuts, bruises or broken bones. We are also starting to see more complex claims with underlying factors, such as the psychological impacts of injury. As a result, we have updated our policy and legislation to reflect this change to ensure we are putting the interests of every Islander, worker and employer, first. In order to support clients and employers, WCB staff have received training on Psychological Safety. The last year also brought new challenges for workers and employers with the legalization of cannabis and the surge of questions and concerns around impairment in the workplace. We continue to provide education and awareness around the dangers of impairment in the workplace, especially in safety sensitive work environments.

Last year marked the final year of the 2016-2018 Strategic Plan. In November we embarked on a consultation process with our stakeholders in preparation for our new Strategic Plan. Through these consultations we gained valuable input from Islanders on how we can continue to enhance our workers compensation system through the services and benefits we offer workers and employers. Our new Strategic Plan builds on what has been accomplished in the previous plan and carries our vision forward for the next 5 years toward eliminating injuries and ensuring that workplaces are safe.

“ENSURE WE ARE PUTTING THE INTERESTS OF EVERY ISLANDER, WORKER AND EMPLOYER, FIRST.”

I would like to thank our outgoing Board members for their valued contributions during their terms. Our Board of Directors brings a variety of perspectives and expertise to provide sound governance and to act with the best interests and objectives of the workers' compensation system in mind.

It is a privilege to serve the people of Prince Edward Island and on behalf of the Board of Directors, I would like to thank the WCB staff and our stakeholders for their continued efforts in making Prince Edward Island a safer place to work and for ensuring that every worker returns home at the end of each day.

**Stuart Affleck**  
*Workers Compensation Board Chair*

# MESSAGE FROM THE CEO

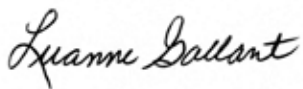
From the very first contact a client has with WCB, we want to ensure that they receive the information they need in a timely manner, and are treated with respect and compassion. We continue to see positive results in this area, with 90% of workers saying they were treated with respect, and 74% feeling that WCB cared about them, when asked about their experience with the WCB in our 2018 Satisfaction Survey with Injured Workers.

Our clients and stakeholders have great insight into how we can enhance our business, so we want to ensure that their feedback is reflected in our programs and policies. One way this happens is through more targeted and robust consultation with our stakeholders. In 2018, we prepared for the implementation of changes to the *Workers Compensation Act*, which provides presumptive coverage for firefighters who develop primary site cancers or heart injuries. During this process, we met with local firefighters and consulted with them to review the draft amendments to ensure that their thoughts were reflected throughout the process.

To respond to our client needs, it is essential that our staff have the proper tools and training to support them. Over the past year, WCB staff has received training on a range of skills and topics. In 2018 several front line staff received training on psychological safety and the worker centric model to help better serve our clients.

We will continue to help workers and employers, and do as much as we can to prevent accidents from happening, and we will continue to be there to support them, if an injury does occur.

I am very proud of what we have accomplished in 2018 and what it means for Islanders. Our staff work incredibly hard and their passion and commitment for creating a safer Prince Edward Island has resulted in great progress.



**Luanne Gallant**

*Workers Compensation Board Chief Executive Officer*



# MESSAGE DU PRÉSIDENT



Le système d'indemnisation des accidents du travail repose sur les principes de Meredith, un compromis historique en vertu duquel les employés blessés au travail reçoivent un appui, et les employeurs, une protection contre les poursuites. Il y a déjà plus d'un siècle, ce concept important allait changer la donne en matière de couverture et d'indemnisation des accidents du travail pour les travailleurs et les employeurs partout au Canada. Aujourd'hui, ces mêmes principes continuent de guider notre travail.

Bien que la fondation du système d'indemnisation des accidents du travail reste la même, les enjeux ne cessent d'évoluer. Au cours des dix dernières années, les blessures aux tissus mous sont devenues plus courantes que les coupures, les bleus et les fractures. Nous sommes aussi appelés à traiter davantage de demandes complexes sous-tendues par des facteurs comme la santé mentale. Ces changements nous ont amenés à modifier nos politiques et la loi afin de respecter l'intérêt de tous les Insulaires – tant les travailleurs que les employeurs. Le personnel de la CAT a d'ailleurs reçu une formation sur la sécurité psychologique pour mieux appuyer les clients et les employeurs. En outre, la légalisation du cannabis et la question des facultés affaiblies au travail ont posé de nouveaux défis au cours de la dernière année. Nous poursuivons donc

nos efforts d'éducation et de sensibilisation sur le danger des facultés affaiblies au travail, particulièrement dans les milieux critiques pour la sécurité.

Le plan stratégique de 2016-2018 a pris fin l'année dernière. En novembre, nous avons lancé un processus de consultation avec les intervenants en vue d'élaborer le prochain plan stratégique. Les consultations ont permis aux Insulaires de donner une précieuse rétroaction qui nous aidera à développer le système d'indemnisation des accidents du travail en offrant de meilleurs services et avantages aux travailleurs et aux employeurs. Le nouveau plan stratégique se fonde sur les résultats de l'ancien plan et concrétise notre vision pour les cinq prochaines années. Il guidera ainsi notre travail visant à éliminer les blessures et à assurer la sécurité des milieux de travail.

Je souhaite remercier les membres sortants du conseil d'administration pour leur contribution importante pendant la durée de leurs fonctions. Notre conseil d'administration renferme des perspectives variées et l'expertise requise pour assurer une saine gouvernance en tenant compte de l'intérêt et des objectifs du système d'indemnisation des accidents du travail. C'est un privilège pour moi de servir les gens de l'Île-du-Prince-Édouard. Au nom du conseil d'administration, je remercie les employés et les intervenants de la CAT, qui ne ménagent aucun effort pour assurer la sécurité des milieux de travail de la province et veiller à ce que chaque travailleur retourne chez soi chaque jour.

A handwritten signature in black ink that reads "Stuart Affleck". The signature is written in a cursive, flowing style.

**Stuart Affleck**

*Président, Commission des accidents du travail*

# MESSAGE DE LA DIRECTRICE GÉNÉRALE

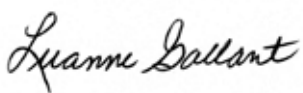
Dès qu'un client établit un premier contact avec la Commission des accidents du travail (CAT), nous tâchons de lui fournir l'information recherchée dans les plus brefs délais tout en faisant preuve de respect et de compassion. Les résultats en la matière continuent d'être positifs : selon le sondage de 2018 mené par la CAT sur l'expérience des victimes d'accidents du travail avec l'organisme, 90 % des travailleurs ont dit avoir été traités avec respect, et 74 % ont senti que la CAT se souciait d'eux.

Nous voulons que nos programmes et politiques reflètent la rétroaction des clients et des intervenants, car leur perspicacité nous aide à améliorer nos services. Pour ce faire, nous visons notamment une consultation plus ciblée et plus vigoureuse auprès des intervenants. En 2018, nous avons modifié la *Workers Compensation Act* (loi sur les accidents du travail) pour offrir une couverture présomptive aux pompiers atteints de certains cancers primitifs ou de lésions du cœur. Nous avons rencontré des pompiers de l'Île et leur avons demandé de relire les projets de modification afin d'assurer que leurs réflexions soient prises en compte tout au long du processus.

Pour bien répondre aux besoins des clients, le personnel de la CAT doit avoir accès aux formations et aux outils appropriés. Au cours de la dernière année, le personnel a reçu des formations touchant à tout un éventail de compétences et de sujets. En 2018, plusieurs employés de première ligne ont suivi une formation sur la sécurité psychologique et l'approche axée sur le travailleur pour mieux servir la clientèle.

Nous restons prêts à aider les travailleurs et les employeurs, à faire notre possible pour prévenir les accidents, et à appuyer les personnes touchées chaque fois qu'un accident se produit.

Je suis très fière de ce que nous avons accompli en 2018 et des retombées de notre travail sur les Insulaires. Notre personnel travaille avec acharnement pour faire de l'Île-du-Prince-Édouard un milieu plus sécuritaire, et c'est grâce à leur passion et leur dévouement que nous réalisons de tels progrès.



**Luanne Gallant**

*Directrice générale, Commission des accidents du travail*



# GOVERNANCE

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## Role of the WCB Board of Directors

The Board of Directors is comprised of a Chair and an equal number representatives of employers and workers. Their role is to provide governance and oversight for the WCB. The Board's responsibilities are set out in the *Workers Compensation Act* and include the following:

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



# Achievements in 2018

In 2018, the Board of Directors celebrated a number of significant achievements.

Throughout 2018, WCB and OHS representatives continued their outreach with fishers from across the province. The focus of these outreach opportunities was to promote the benefits of purchasing optional WCB coverage for workers in the industry, as well as to educate the industry on health and safety obligations under the *OHS Act and Regulations*.

The bi-annual Injured Worker Survey was conducted by Corporate Research Associates in November 2018. The WCB Performance Index, which combines a variety of factors to determine injured worker satisfaction with their overall WCB experience, was rated at 76.2, up from 71.4 in 2016. This index includes key drivers of overall satisfaction such as fairness, involvement in the decision-making process and ability of WCB staff to answer questions. The 2018 results also show that nine in ten (90%) injured workers agree they are treated with respect, and eight in ten (80%) agree that the WCB understands their needs.

The Board attended the AWCBC Governance Summit in Winnipeg, Manitoba in June 2018. Delegates from across the country engaged in a collaborative discussion on topics such as mental health in the workplace, effective stakeholder consultation, injury prevention and governance best practices.

The Board of Directors approved several policy amendments in 2018, including enhancements to benefits under the Home Modifications, Return to Work, and Recurrences policies. As well, a new policy was developed with respect to Medical Cannabis for the treatment of a compensable injury or disease.

On May 31, 2018, the WCB Board of Directors launched a process to develop a new five-year Strategic Plan. Facilitated workshops were held with employers, workers and worker representatives across the province to discuss WCB programs and services and to solicit their feedback on how WCB service delivery may be enhanced. The WCB Board of Directors and staff were also provided with an opportunity to provide their feedback on the draft plan. As a result of this formal consultation process, the new Strategic Plan was given final approval at the December 2018 Board of Directors meeting. The 2019-2023 Strategic Plan reaffirms our vision and further refines our strategic priorities. The full version of the Strategic Plan is available at [wcb.pe.ca/information/corporateplans](http://wcb.pe.ca/information/corporateplans). We will continue to report on this going forward into 2019.



The WCB Board of Directors performed a comprehensive review of POL-136 (Funding Policy) to ensure that it remains relevant and continues to meet the needs of a financially sustainable workers compensation system. Amendments to the policy were given final approval by the Board of Directors in August 2018. Through these amendments, WCB has developed a policy that is easier for our stakeholders to understand and allows for responsiveness, while minimizing rate volatility to employers.

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



**Safety  
Matters @ Work**  
Workers Compensation Board of PEI



# Role of the OHS Advisory Council

Members of the Occupational Health and Safety Advisory Council are appointed by the Minister and reflect a breadth of knowledge and experience relating to the principles and promotion of occupational health and safety. The Council consists of the WCB Chair, the WCB Director of OHS, and representatives for workers, employers and a member that represents the general public.

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

- The administration of the *OHS Act and Regulations*
- Monitoring and reporting on OHS activities throughout the province
- Exclusions from all or part of the application of the *OHS Act or Regulations*

- Any other matter relating to OHS, including amendments to the *OHS Act and Regulations*

## Achievements in 2018

- March 2018: Reviewed jurisdictional information and initiated stakeholder consultations for the addition of workplace harassment provisions under OHS.
- September 2018: Received information about the development of a new OHS App which would be launched in July 2019.





# SECTION 2

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*Our work. Your safety.*

# MISSION & VALUES

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*The WCB has been an integral part of the Island community since 1949. We serve over 75,000 workers and over 5,500 employers through the fair and effective administration of the provincial workplace safety and compensation system.*

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## Our Mission

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

## Our Vision

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

## Our Values

### *Integrity*

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

### *Fairness*

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

### *Professionalism*

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

### *Teamwork*

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





# SECTION 3

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*Real people, real impact:  
2018 performance reports.*

# OVERVIEW OF THE 2016-2018 STRATEGIC PLAN

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2018 marked the end of the 2016-2018 Strategic Planning cycle and the development of the 2019-2023 Strategic Plan.

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

## Strategic Themes:

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

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

### *Improving Return to Work Outcomes*

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

### *Ensuring Financial Sustainability*

As administrators of the workers compensation system, the WCB has a goal to achieve sufficient, but responsive funding and rate-setting policies, as well as prudent fiscal management of the financial resources entrusted to it.

### *Strengthening Engagement and Partnerships*

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

### *Providing Continued Service Excellence*

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

### *Investing in Our Organization*

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

# PUTTING PEOPLE FIRST

## Enhancing PEI's workplace safety culture

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### Featured Story: *Charlottetown Metal Products*

Changing a safety culture is not an easy task. Joe MacAulay, an OHS Officer with the WCB says "It's about changing the way people think about safety, as well as their beliefs, and their attitudes, and it's about holding each other accountable for the decisions we make around safety."

Jason MacDougall from Charlottetown Metal Products (CMP) knows just how important safety culture is to an organization and has been instrumental in making safety a priority at CMP, "I want all of our employees to go home safe to their families in as good or better condition than they arrived at work."

Safety wasn't always a significant part of the culture at CMP. When asked to describe what the safety culture used to be like at CMP, Jason says it was always there but lacked the buy-in and belief required to make a difference. "It was important to ensure that our staff knew that safety was a priority and that from the top down and bottom up, everyone understands the "Why" in safety."

As an Education Consultant with the Occupational Health & Safety Division of the WCB, Elizabeth Pederson works with Island employers and workers to help them understand their responsibilities under the *Occupational Health and Safety Act and Regulations*.

"Joe and I began working with CMP over two years ago," said Elizabeth. "When we started working together, we laid out a plan on how we could work collaboratively to enhance safety and culture at CMP. We knew that buy-in from staff was probably the biggest hurdle that we faced. Once we had a plan for implementing an Occupational Health & Safety Program, there were many steps needed to get all staff on board."

Over the past two years, WCB staff met with CMP regularly to establish a timeline, course of action and to track their progress on their path to a positive safety culture. "It was important to develop a base level structure and to put processes in place to build a best in class safety culture. This included developing forms, documentation, policies and procedures," said Jason.

Elizabeth says that throughout their work together she was very impressed with CMP's innovation, forward thinking and openness. "It has been 24 months since they welcomed us into Charlottetown Metal Products and we started working together to help make safety a priority. In that time, the change has been remarkable. When we walk in the doors now, we see a clean and organized plant, every single worker has safety glasses and we see the pride that each worker has in what they are doing."

As part of the changes that they have instituted, they now complete behavioral-based safety observations, annual site inspections, training, safety metrics, and tool box chats. "Walking the walk and talking the talk is what makes the difference," says Jason.



Jason MacDougall,  
Vice President of Operations,  
Charlottetown Metal Products

Jason credits part of their success to the help they received from WCB. “The efforts, passion and support that I have received from WCB goes above and beyond the call of duty. It’s thanks in large part to their efforts that we have moved so quickly from one end of the safety spectrum to the other.”

Jason says that the business of safety has changed dramatically over the years. “Being safe means hiring and retaining the best people and it takes those resources to build a profitable, sustainable, and safe business. I make safety a condition of employment, you work safe or you don’t work here - it’s that simple.”

“ I WANT ALL OF OUR  
EMPLOYEES TO GO HOME SAFE  
TO THEIR FAMILIES IN AS GOOD  
OR BETTER CONDITION THAN  
THEY ARRIVED AT WORK. ”

Jason MacDougall  
Charlottetown Metal Products

# 2017-2018 Highlights

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Throughout 2017-2018, Occupational Health and Safety Officers continued to meet with fishers to promote safety and discuss their responsibilities under the *Occupational Health and Safety Act*. Through visits to the harbours, meetings with harbour authorities and discussions at trade shows, we provided information and answered questions; enhancing safety culture in the fishing industry. An additional staffing resource was added to assist with education/enforcement requirements. Along the way, we met many safety champions, including Logan Getson, the Captain of the Kildare Son. Logan understood that the risks of not wearing a PFD are far too great and made it clear that safety was a priority on his boat. "Wearing a PFD is not an option, it's a must. When we head out, my crew are expected to be wearing one." Logan Getson

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In 2015, employers were informed that there were changes coming to the Workplace Hazardous Materials Information System (WHMIS). The transition to the new requirements was implemented in phases, giving employers and workers time to become familiar with new regulations and hazard symbols, and allowing suppliers and distributors time to deplete their stock of existing labels. As of December 1, 2018, all workplaces were expected to be in compliance with the new WHMIS requirements and our Occupational Health and Safety Officers and Education Consultants have supported employers and workers during the transition to the new requirements.







Workplace bullying and harassment is an emerging issue for employers and workers. Given that our goal is to help workers and employers promote safe and healthy workplaces, we continue to develop resources. The resources provide information to help employers and workers learn more about workplace harassment, and the impact it can have on the workplace. The resources also showcase what employers and workers can do to help keep their workplaces psychologically healthy and safe. In addition, we have provided links on the WCB website to existing resources about workplace bullying and harassment.



While the risk of impairment in the workplace is not a new issue, the legalization of cannabis brought many new questions from employers and workers. The use of marijuana in safety sensitive workplaces is concerning and impairment in the workplace can have serious implications on workplace safety. To support employers, we developed a new resource on the risks of impairment in the workplace and provided links on the WCB website to other resources that provide further information about the risks of impairment in the workplace.



Workplace Safety is extremely important at any age, but is particularly important at a young age, when inexperience is a factor. The work that we do with young people helps provide them with the skills and confidence to become leaders in promoting safe work practices. As part of our continued outreach to target young workers, we broadened our education efforts to include parents. In 2018, we created a resource to help provide parents with tips on how to talk to their children about workplace safety.

## 2018 Injured Workers Survey

**84%**

of injured workers surveyed completely agree that employers have a responsibility to promote workplace health and safety, and prevent injuries in the island workplaces

**82%**

of injured workers surveyed completely agree that workers have a responsibility to promote workplace health and safety, and prevent injuries in island workplace



Nurse  
Manager

MARK MACKENZIE  
NURSE MANAGER  
RN

Mark Mackenzie  
Nurse Manager,  
Summerset Manor, Health PEI

# WORKING TOGETHER

## Improving return to work outcomes

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### Feature Story: *Summerset Manor*

After nearly a decade of working in the nursing profession, Mark Mackenzie has experienced the demands on front-line health care workers. As a Nurse Manager at Summerset Manor, an 82-bed combined long-term care facility located in Summerside, he understands how everyday work can have an impact on the health and wellness of employees. A large number of residents of Summerset Manor live with dementia, and as a result require a high level of care.

The needs of residents in long term care range from minimal assistance with activities of daily living such as dressing and feeding, to complete nursing care. Resident Care Workers (RCW) have a primary responsibility in responding to many of these needs, and due to the physical demands in long term care, can have an increased risk of injury. Despite the preventive measures that are in place, including a comprehensive Transfer, Lifting, and Repositioning program, Gentle Persuasive Approach training, as well as up to date equipment, injury can still occur.

When an injury occurs, employees often have questions about when they can return to work, and how quickly will they be able to perform their job duties.

“Our residents need care and our people want to work. It’s great to have a process in place so injured team members aren’t at home simply waiting for answers.”

As part of Mark’s position as Nurse Manager, he is responsible for helping and supporting employees as they navigate the return to work process. He provides information to help staff understand that a safe return to work doesn’t need to happen all at once and that people often benefit from a staged approach - starting with light duties.

To help establish the best approach to assist injured workers with their return to work, Mark consults directly with the WCB’s case coordinator and occupational therapy team. Through conversation, they create individualized plans. These plans can include elements such as role modifications and/or progressive ease back to the original work schedule. For Mark, this is always a collaborative process, with himself, the injured team member and the WCB’s multidisciplinary team involved in every step of the journey.

“IT’S GREAT TO HAVE A PROCESS IN PLACE SO INJURED TEAM MEMBERS AREN’T AT HOME SIMPLY WAITING FOR ANSWERS”

**Mark Mackenzie**  
*Summerset Manor*

“The WCB’s communication has been amazing. I am always impressed - when they meet with workers they have everything in place, the schedule has been designed. It’s really helped me as a manager knowing my staff have a schedule and process in place so I can just check in with them on the floor to see how they are doing.”

# 2017-2018 Highlights

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## Return to work survey

We are dedicated to collaboratively developing individualized solutions to support each injured worker's recovery, and to listen and learn about how we can improve our processes throughout the workers claim, and their transition back to work. In 2018, we surveyed over 100 workers who had returned to work following an accident. The results of these surveys identified that:

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85%

WERE SATISFIED WITH SUPPORT AND ASSISTANCE PROVIDED

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79%

WERE SATISFIED WITH CLAIM DECISION INVOLVEMENT

---

78%

RECEIVED SERVICE THAT EXCEEDED THEIR EXPECTATIONS

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To help establish clear lines of communication, since 2017, workers have been offered a face to face meeting with their WCB case coordinator to learn more about WCB, the return to work process and have an opportunity to ask any questions they may have. Of the 72% that attended meetings, the results indicated that workers were satisfied with their face to face meeting. The survey revealed that:

94%

FELT THEY WERE CARED ABOUT

93%

FELT THEY WERE LISTENED TO

91%

CLEARLY UNDERSTOOD THE RETURN TO WORK PROCESS

“THEY TREATED ME REALLY WELL AND I WAS VERY HAPPY OVERALL. IT WAS SLOW COMING BACK. THEY EXPLAINED EVERYTHING EVERY STEP OF THE WAY SO THAT I WASN'T LEFT IN THE DARK. I WAS QUITE HAPPY OVERALL WITH THE PROCESS.”

Return to Work Survey Respondent, 2018



While we are encouraged that these results help support a strong foundation for worker recovery, we also continue to seek ways to improve, including how to more fully involve workers and employers in the return to work process, and decision making about their claims. In 2018, 79% of those surveyed were satisfied with how involved they were in the decisions made about their claim.

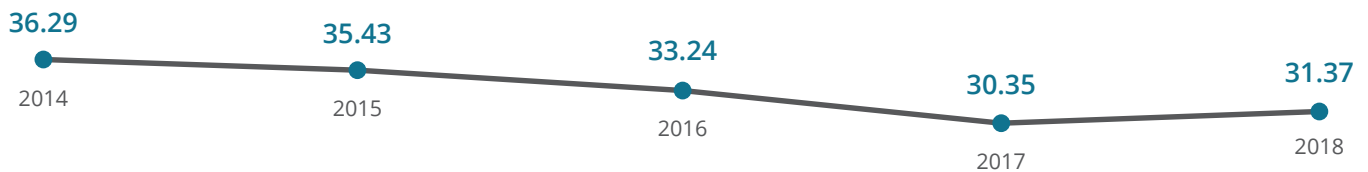
We know that after an injury, returning to work to the pre-injury employer is the optimal outcome for most injured workers (81% in 2017). However, in some cases, returning to work with the same employer, or to the same type of employment, is not possible. As the landscape of workplace injuries evolves beyond primarily physical injuries to

encompass psychological injuries, this consideration is more important than ever. The complexity of some conditions, such as PTSD, can mean longer treatment time frames and an increased risk of the worker not being able to return to their pre-injury job.

As we move forward into new territory with expanded coverage for Island workers, we must continually look for innovative ways to help injured workers and their employers. In our small province we must be creative in how we increase our capacity and provide workers with the support they need. We face this challenge with a great sense of responsibility to support the health and safety of all Islanders.



## Average days claim duration



## Percentage of injured workers no longer on wage loss benefits

	2013	2014	2015	2016	2017
90 days	68%	66%	64%	69%	66%
180 days	79%	79%	74%	78%	76%
360 days	84%	85%	83%	86%	83%

*This statistic has a lag year in order to allow us to capture all injuries in any given year.*

## Education and Resources

Building on the success of the inaugural conference in 2017, WCB hosted the 2nd Clinical Day in Occupational Medicine and Work Disability Prevention in November, 2018, which included many expert speakers. Some of the highlights were:

- *The impacts of work disability on individuals health and wellbeing*
- *The medical use of cannabis in the wake of legalization*
- *Concussion management*
- *Treatments to overcoming pain in the return to work process.*

This day-long event is one of the ways we stay current on best evidence in the treatment of work injuries. This is also a great opportunity to connect with and share this information with the healthcare provider community.

“THERE WAS SO MUCH INFORMATION ON VERY TIMELY TOPICS, WHICH WAS VERY RELEVANT TO MY WORK.”  
 Delegate, Clinical Day 2019

In January 2018, the WCB launched a “Lunch and Learn” program for service providers, which includes information and discussion on work disability prevention. The sessions are also an opportunity to get feedback from service providers on their experience with the WCB and ideas of how we can better support them in caring for injured workers. To support this initiative, a Clinician's Reference Guide was developed. This resource is designed to give all clinicians working with WCB enhanced knowledge of who we are, what we value, and how we can provide excellent care and support to injured workers, together.

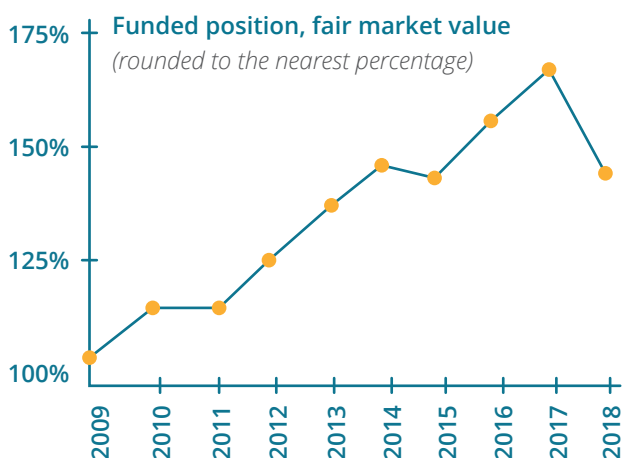
# HERE FOR ISLANDERS

## Ensuring financial sustainability

**Financial sustainability means ensuring benefits can be paid to injured workers, employers are charged fair premiums and that sufficient capital is preserved to meet our financial obligations when faced with economic volatility.**

Our Funding Policy establishes a framework to achieve long term financial sustainability. Funding policy work initiated in 2017 triggered a more comprehensive policy review which was completed in 2018 and as a result, we now have a funding policy that is easy for stakeholders to understand, and is reflective of our goal to maintain a fully funded Workers Compensation system.

Fully funded means the total assets of the board are equal to or greater than its total liabilities. As of December 31, 2018, we have a funding status ratio of 146%, which is calculated by expressing our total assets (\$237,335,928) as a percentage of our total liabilities (\$162,262,800).



Our Funding Policy has set a fund status target of 100% to 125% and describes the actions required should the funding status fall outside of this targeted range. Achieving a funding status within the targeted range is impacted by investment returns, benefits costs, and annual assessment rates.

The chart below demonstrates how our Funding Policy is responsive to our funding status.

**Funding Status Ratio = Total assets expressed as a percentage of total liabilities**

<100%	Assessment rates can be increased due to the Funding Policy.
100%-125%	No Funding Policy adjustment required.
125%-140%	Assessment rates can be reduced due to the Funding Policy.
>140%	A surplus distribution back to employers can be considered based on the Funding Policy.

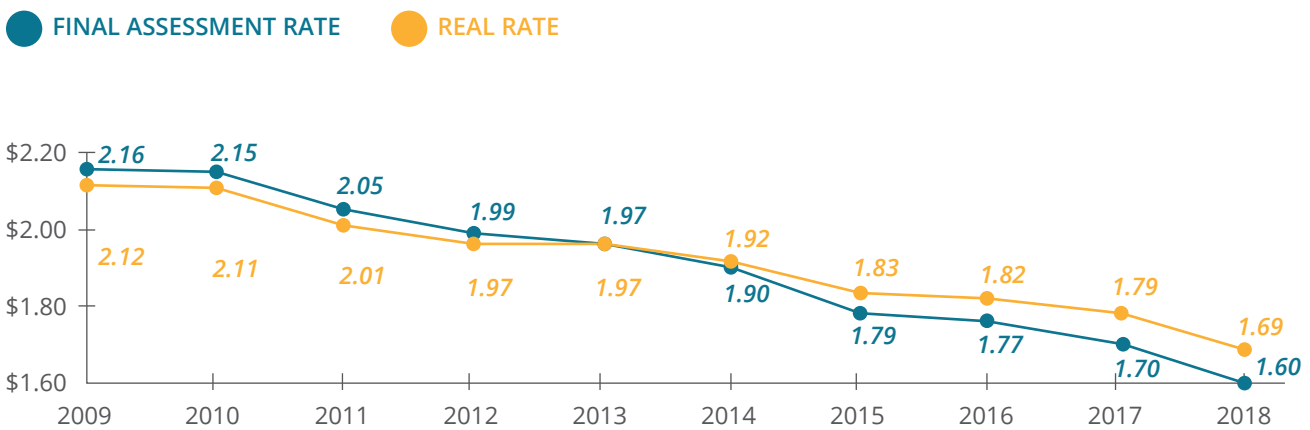
Utilizing the Funding Policy, in 2018, the Board of Directors approved a surplus distribution back to active employers of up to \$22,000,000.



# Annual Assessment Rate

Achieving equity amongst generations of employers by charging today's employers for today's injuries and administration cost is the primary goal of the annual assessment rate setting process.

Our Funding Policy can also impact the final annual assessment rates. When our funding status ratio is below 100% or between 125% and 140%, assessment rates can be increased or decreased to restore the funding status to the target range of 100% to 125%.



*The impacts of the December 31, 2018 calculated funding status (146%) on the 2020 assessment rates will be determined in the fall of 2019.*

# Grant Program

WCB was pleased to offer a Grant Program for the first time in 2018. The program supports innovative workplace solutions and training and educational opportunities for Island workers and employers.



2018 Grant Recipients along with WCB Officials

There are two core funding streams:

### *Workplace Innovation funding*

is available for projects that lead to improvements in health and safety, and foster successful rehabilitation, and safe return to productive and meaningful work at PEI workplaces.

### *Training and Education funding*

is available for instructional programs or activities delivered to Island workers and employers, related to workplace health and safety, injury prevention, and the safe return to productive and meaningful work for injured workers.



Dr. David Whitty  
Chiropractor,  
Body Works Charlottetown

# Feature Story:

## *Whisperwood Villa on Grant Program*

The WCB Grant Program was introduced in the fall of 2018. The projects funded through the program will expand the body of knowledge for injury prevention and return to work that is available to Island workers and employers, improving workplace safety and reducing claim costs. In 2018, funding was provided to eight organizations for projects that ranged from supporting safety training for employers who engage in high-risk electrical work and training for individuals working with clientele with aggressive behaviour, to safe handling of shelter animals. One project that was funded was the Empowered Back at Work program developed by Whisperwood Villa and Chiropractor Dr. David Whitty.

Whisperwood Villa is a long term nursing care facility in Charlottetown, that offers private and semi-private nursing care as well as community care. There are 160 employees, many of whom have jobs with high physical demands in caring for residents. Empowered Back at Work was designed to help improve the workplace health and safety culture and reduce back pain among staff by increasing fitness levels and education.

"Whisperwood is already seeing results through self-awareness and changes in body movements by participating staff, both at work and at home," stated Kim Ezeard, Training Coordinator for Whisperwood Villa and a nurse by trade. "As caregivers, we need to protect our backs. If you injure your back, you not only put yourself at risk, you put your clients at risk as well." The idea for Empowered Back at Work was generated after Ezeard discovered the grant program through an online search for transfer, lifting and repositioning training. The project team needed to work through some obstacles, such as finding times and locations for the fitness classes that best suited the schedules of shift workers, but it's catching on. "People are excited to be part of the program and to go to class," says Ezeard. "The word is spreading and excitement is growing."

Dr. Whitty, a practitioner at Body Works Charlottetown, is the face of the education and fitness sessions. "Whisperwood Villa would not have been able to carry out this program

had it not been for WCB's assistance or the employer's commitment to the time and space for the program. The time for research and development of the program would not have been possible without the dedicated funding." Specialized equipment and software was necessary to provide objective assessment data on the project as well. Participants receive individualized fitness instruction based on pre and post-fitness assessments.

“**THE WORD IS SPREADING  
AND EXCITEMENT IS GROWING**”  
**Dr. David Whitty**  
*Chiropractor, Body Works Charlottetown*

"Employers would benefit greatly by incorporating wellness programs into their day-to-day operations to help support injury prevention," says Whitty. "When an injury does occur, if a worker only focuses on doing the exercises required in the short term for injury rehabilitation and not long term core strengthening, they can very easily get re-injured." The project is scheduled to conclude in December 2019.



# PEOPLE WORKING WITH PEOPLE

Strengthening engagement and partnerships

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## Feature Story:

### *Threads of Life on Social Marketing Campaign*

At WCB, we are proud to be a leader in the broader Canadian workplace safety landscape. We embrace our distinct mission, but recognize we share the vision for safe workplaces and eliminated injuries with many organizations across the country.

Through strong engagement and partnership we believe that we can better leverage positive change to health and safety. There is still much work to do, as workplace injuries continue to be a reality for far too many Canadians. Organizations like Threads of Life are instrumental in supporting people through this challenging time.

We share a similar vision with Threads of Life, which is a Canadian registered charity dedicated to supporting families after a workplace fatality, life-altering injury or occupational disease.

They bring together a network of people who have experienced workplace tragedy, to support healing together. Through their programs, they can connect individuals with a trained volunteer for peer support – a widow can talk with a widow; an injured worker with an injured worker, a sibling

with a sibling. They offer annual conferences where families can gather to attend workshops, learn healthy coping skills and share their journey.

Threads of Life, like us, are passionate about prevention. That's why they made such a natural partner in an advertising campaign launched in 2018: **Workplace Injuries Hurt the Most at Home**. The project was a joint effort between all four Atlantic Canadian compensation organizations and focuses on how accidents affect more than just the person injured. Threads of Life was integral in providing input to help craft these important messages, and to reflect the real life experience of those who have been impacted by workplace injury.

***A survey of Atlantic Canadians showed that the campaign ads made the majority of respondents more concerned about workplace safety and workplace injury and its impact.***

We all agree that one serious injury, occupational disease or fatality is one too many. Everyone deserves to come home at the end of the day, safe and healthy. Through partnerships with organizations like Threads of Life, we will continue to work towards the goal of making our shared vision a reality.

*This television ad, entitled "Dinner" depicts an empty space at the family dinner table as a result of the father's tragic workplace accident. This was one of three ads that were created as part of the Workplace Injuries Hurt the Most at Home campaign.*





Karl Taylor  
Construction Supervisor,  
DP Murphy

# SETTING THE BAR

## Providing continued service excellence

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### Feature Story:

#### *Karl's Story*

A significant part of the WCB's work involves helping injured workers recover following workplace injuries. Our goal is to deliver a consistent and positive experience at every point of client interaction. Karl Taylor, a Construction Supervisor, felt that his experience was a very positive one, and that his case coordinator, JD Gilmour, was very supportive. "I didn't have any expectations, but JD certainly set the bar, I was very well looked after."

Karl was repairing a shelving system when part of a shed collapsed on top of him, bringing 500 lbs. of weight onto his back. As a result, he suffered a significant back injury. His injury made it difficult for him to move, sit up straight, raise his arms or even take a deep breath.

JD first met Karl after he was discharged from the hospital, "We had spoken briefly on the phone, but given the extent of his injuries, I thought it would be helpful for us to meet face to face."

Karl's initial treatment plan focused on making it possible for him to rest and recover comfortably. Karl said he was very fortunate to work with JD. "From the outset he talked me through the recovery process, the WCB process, and what they could offer me."

In order for Karl to recuperate safely, he needed mobility aids and some modifications made to his home. "I needed a handrail installed onto the steps leading up to our home to assist me in getting in and out. When I found out that WCB may be able to help with the cost, this was a big surprise that went a long way," said Karl.

When he was able to, Karl began working with a physiotherapist who developed an exercise program for him to follow and provided tips on how to manage his symptoms.

Karl returned to work with a personalized ease back plan. "Together, we developed a list of duties that Karl might be able to perform and had his physiotherapist identify which tasks he was ready for at every step. We made sure that the parts of Karl's job that were most meaningful to him were a part of his ease back so that he could feel connected to the work he was doing," said JD.

Karl says that the fact that his employer allowed him to work from home and use the ease back program to full effect really made a difference in his recovery. "They always stayed in contact and allowed me to come back in my own time."

What impressed JD the most was Karl's dedication to his recovery. "In our first meeting, he identified his goals, and I watched him work hard throughout his rehabilitation, pushing through pain and discomfort so that he could get better and return to work."

# 2017-2018 Highlights

Our bi-annual Injured Workers Survey is an important collective feedback tool that we use to help us gauge how injured workers feel about the service and communication they receive from our organization.

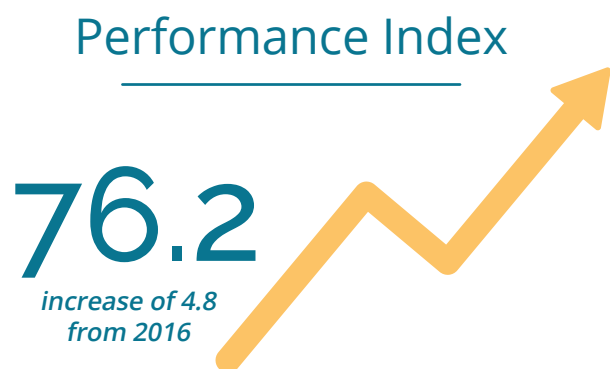
In 2018, the largest driver of worker satisfaction was the claim outcome, followed by being treated fairly, receiving service in a timely manner and the WCB having a clear understanding of the injured worker's situation. Worker's satisfaction with the WCB experience has increased to 70%, a 5% increase since the previous survey. Additionally, seven in ten injured workers surveyed were mostly or completely satisfied with their participation in the claim process. 2018 reflects the highest satisfaction to date (76%) with respect to promptness of benefits delivery, a key metric of service excellence. The WCB's Performance Index is 76.2, an increase of 4.8 from the previous 2016 survey (71.4).

Providing service excellence in a caring manner remains a top priority, as it is a strong driver of a worker's perception of receiving fair treatment and overall satisfaction. We will continue to explore ways that we can offer client centered services and supports.

In 2018, changes to the *Workers Compensation Act* were made to introduce presumptive coverage for trauma and stressor related disorders. The changes to the legislation mean that if a worker is exposed to a traumatic event or events at work, it is presumed that a trauma and stressor related disorder is work related, even if the cause is multifactorial. The presumptive legislation applies to workers in any occupation.

In recognition of the inherent risks associated with firefighting, the hazardous work that firefighters do to help and protect others and to be more consistent with other Canadian jurisdictions, WCB prepared for implementation of new legislation that presumes that specific primary site cancers and heart injuries among firefighters are work-related.

"Our hope is that no firefighter suffers from cancer, especially one that is related to their service," says Gerard McMahon, President of the PEI Firefighters Association. "This new legislation gives us peace of mind that if a firefighter is diagnosed with a prescribed cancer and meets service criteria, they will be eligible for WCB benefits."



## SATISFACTION WITH ASPECTS OF SERVICE:



**86%**

CONFIDENTIALITY



**85%**

POLITENESS



**80%**

CLARITY OF LETTERS



**77%**

ACCESSIBILITY



**76%**

PROMPTNESS



“ THE WCB MADE IT EASY FOR ME. I FELT THEY TOOK ME UNDER THEIR WING. COACHED ME ALONG WITH EVERYTHING I DID ”

**Bernie MacDonald**  
Injured Worker

The presumption applies to specific types of primary site cancers, provided the firefighter has been exposed to the hazards of a fire scene over the minimum period of service. The presumption also applies to firefighters who experience a heart injury (i.e., heart attack, cardiac arrest or arrhythmia) within 24 hours of responding to an emergency. The presumption should allow for more expeditious claim adjudication and a higher probability of claim acceptance.



In addition to legislative changes, there were many enhancements to WCB Policies as well. The Home Modifications Policy was enhanced to respond to the unique needs of injured workers, particularly those who have experienced catastrophic injuries; as well as increased benefits for travel related expenses for workers.

In addition to spousal and dependent benefits, the *Workers Compensation Act* provides for a lump sum benefit payable

upon the death of a worker. In 2018, we prepared for the implementation of a change that would see the current lump sum benefit amount increased from \$10,000 to 40% of the Maximum Annual Earnings in the year the fatality occurred. For 2019, this figure is \$22,000.

**Red Tape Reduction**

The Workers' Compensation Boards of the Atlantic Provinces, through the Ministers responsible for workers' compensation, work cooperatively to consider and develop options to promote greater alignment amongst the Atlantic Provinces' WCB systems. The CRA One Business Number is an initiative under this framework that will streamline payroll reporting for employers.

As technology changes, so does our clients' expectations of how we communicate with them. In 2018, we developed a Social Media Strategy to guide our communications on Social Media. We see our online presence as another opportunity to educate and engage workers and employers, to further enhance the safety culture on Prince Edward Island.

The *French Language Services (FLS) Act* sets out the obligations respecting the provision of services in French by government institutions, including the WCB. The intent of the *FLS Act* is to align Acadian and Francophone community priorities and government institutions' capacity in order to continuously improve on the offer of programs and services to the French-speaking population of Prince Edward Island. One of the priorities identified by the community is for government institutions, such as the WCB, to develop policies or guidelines for French language communications and signage. In 2018, safety-related signs in public areas on our premises were updated to pictograms, and where text is required, it was translated and posted in both French and English.



**76%**  
ABILITY TO ANSWER QUESTIONS



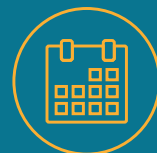
**75%**  
FAIRNESS



**70%**  
TIMELINESS



**68%**  
OUTCOME



**68%**  
FREQUENCY OF CONTACT

# FOCUSING ON THE FUTURE

## Investing in our organization

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### Feature Story: *Training in Psychological Safety*

One of the most effective ways that we can support employers and workers is through education. Ensuring WCB staff has current training and tools is important in promoting healthy and safe workplaces.

An area of focus in 2018 was responding to employers' needs surrounding psychological safety.

With increasing awareness that psychological health is equally important to, and part of overall well-being, we want to ensure all workplaces, including WCB, are physically and psychologically safe.

To support employers in the area of psychological health, Occupational Health and Safety staff completed training delivered by the Canadian Mental Health Association on the National Standard of Canada for Psychological Health and Safety in the Workplace. This voluntary standard outlines areas within an organization's business which can contribute to an employee's overall well-being. The overarching goal of this training is to help Island employers:

- 1) Prevent harm to their employees by protecting mental health**
- 2) Create mentally healthy workplaces by promoting psychological well being**

Using our knowledge, WCB staff has developed two presentations which they can deliver to stakeholders at no cost.

**1. Safety Culture** is a session that explores how positive workplace culture can be fostered, adapted and improved by strong leadership and good resources.

**2. The Respectful Workplace** identifies that diversity and awareness are key components to having a respectful workplace. Self-reflection, group exercises and engaging discussion are fostered to develop concrete tips for creating a most respectful working environment.

The strong uptake on these presentations shows an increasing desire in the community for more education in this important aspect of occupational health and safety. Looking forward, we will continue to enhance these workshops and offer others related to psychological health.

In addition to the training on Psychological Safety, staff has also received training on a variety of other emerging topics such as: Mental Health First Aid, Return to Work, Exposure Therapy for Occupational Therapists, Accident Investigations, Anxiety Relieving Strategies, and Psychological Injury Training provided by the Canadian Mental Health Association. The WCB has provided many staff with an opportunity to attend regional and national meetings and conferences organized by the Association of Workers Compensation Boards of Canada.



“ WITH THE KNOWLEDGE THAT COMES FROM COMPLETING THIS TRAINING, WE CAN NOW BE COMFORTABLE IN OFFERING SUGGESTIONS ON RESOURCES TO ORGANIZATIONS. WE ARE ALSO ABLE TO WORK WITH EMPLOYERS TO OUTLINE HOW TO BEGIN IN THEIR QUEST TO ENSURE THE PSYCHOLOGICAL HEALTH AND SAFETY OF THEIR EMPLOYEES. ”

WCB Staff



**Leadership Development**

WCB also continues to invest in leadership development. We believe in training leaders to better engage with employees, gain knowledge of our clients’ needs and ensure the Board has a cohesive team moving our Strategic Plan forward. Investing in our leaders not only benefits us internally, but also filters to our stakeholders.

**WCB Safety Program**

In 2018, we performed a comprehensive review of our internal WCB Safety Program to ensure that it continues to be relevant to the work that we do. As an organization that sets the standard for workplace safety, our internal Safety Program must keep pace with the ever changing workplace and address not only the physical hazards but also the psychological hazards that may exist. Collaborating with our employees and encouraging staff involvement during the development of the program creates a culture where everyone contributes to a healthy and safe work environment.



# SECTION 4

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*Calling PEI home:  
part of our Island community*

# We are proud of who we are, who we help and most of all, where we're from.

WCB continually seeks meaningful ways to give back to communities and organizations across the Island. This past year some of our community initiatives included the following:

- Funds raised through dress down days were donated to the Alzheimer Society of PEI, Heart & Stroke Foundation, Canadian Mental Health Association of PEI, PEI Humane Society, Canadian Red Cross, Canadian Cancer Society, Brain Injury Association, MS Society of PEI, Autism Society of PEI, IWK and Anderson House.
- WCB staff organized a Christmas Food Drive and donated the proceeds to the Upper Room Hospitality Ministry.

- Continued support for Threads of Life, a national community organization that helps families who have been impacted by a workplace tragedy. In 2018, we sponsored the annual Steps for Life Walk, and sponsored several families in attending the Atlantic Family Forum.
- Registered a Corporate Relay Team in the PEI Marathon to help raise funds for mental health programs on PEI.
- Supported Pink Shirt Day by wearing pink to increase awareness about bullying and raise funds for the Charlottetown Boys and Girls Club.
- Provided sponsorship to the Canadian Mesothelioma Foundation.

WCB will continue to seek out socially-responsible initiatives that will strengthen community engagement, have a positive impact on Islanders, and further our commitment to all the residents of Prince Edward Island.





# SECTION 5

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## *Financial Analysis*

# Overview and Analysis of 2018 Financial Results

## Financial Highlights (\$ millions)

<b>Operational Highlights:</b>	<b>2018</b>	<b>2017</b>
Assessment Revenue	34.1	33.6
Investment (Loss) / Revenue	(4.4)	23.7
Market (loss) Rate of Return on Portfolio	(1.32%)	10.29%
Claim Costs	23.0	22.0
Administration Expenses	8.5	8.3
Operating (Deficit) / Surplus	(30.0)	7.1
<b>Balance Sheet Highlights:</b>		
Total Assets	237.3	265.8
Market Value of Investments (included in total assets)	227.3	255.1
Total Liabilities	162.3	160.7
Benefit Liability (included in total liabilities)	158.6	157.3
Fund Balance	75.1	105.1
Funding Status	146.3%	165.4%

### Financial Reporting Standards

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

### Funding Strategy

Our Funding Policy (POL-136) establishes a framework to achieve long term financial sustainability for our workers compensation system. The primary goals of the funding policy are to:

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

The funding policy targets a funding status in the range of 100%-125% and includes specific adjustments to be applied to the assessment rate should the funding status fall outside this range.

The WCB's funding status at December 31, 2018 was 146.3% (2017 - 165.4%).

### Financial Highlights for the Year Ending December 31, 2018

It is recommended the following pages be read in combination with the consolidated financial statements and accompanying notes.

## Operational Highlights:

### Revenues

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

#### Assessment Revenue

Revenue from employers arises from two primary groups, assessed employers and self-insured employers. The total assessment revenue is a function of the assessment rate applied against the assessable payroll of each employer in the province. Revenue from self-insured employers is the transactional based administration fee that is charged to self-insured employers for the administration of their claim costs.

<b>Assessment Revenue (\$ millions)</b>	<b>2018:</b>	<b>34.1</b>
	<b>2017:</b>	<b>33.6</b>
	<b>2016:</b>	<b>34.8</b>
	<b>2015:</b>	<b>33.3</b>
	<b>2014:</b>	<b>34.3</b>

The 2018 increase in both the total assessable payroll and the number of assessed employers was a contributing factor in the increase in assessment revenue.

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

	2018	2017	2016
Assessable Employers (Number)	5,828	5,592	5,276
Average Assessment Rate (\$ per \$100 assessable payroll)	\$1.60	\$1.70	\$1.77
Assessable Payroll (\$ millions)	\$2,104	\$2,002	\$1,899

<b>Average Assessment Rate, 2014–2018 (\$ per \$100 of assessable payroll)</b>	<b>2018:</b>	<b>1.60</b>
	<b>2017:</b>	<b>1.70</b>
	<b>2016:</b>	<b>1.77</b>
	<b>2015:</b>	<b>1.79</b>
	<b>2014:</b>	<b>1.90</b>

#### Investment Income

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

In 2018, the WCB had investment returns of -1.32% (or a loss of \$4.4 million dollars). The negative returns in 2018 end a 9 year run of positive annual investment returns that averaged 10.02% (or average income of \$17.6 million dollars) annually. As a result of WCB's funding status of 146%, the effects of the 2018 investment loss will be absorbed without any negative impacts to future assessment rates.

The intent of the WCB's strategic investment policy asset mix is to meet current and future benefit obligation for current injured workers. Over a 20 year period the average investment returns were 6.29%.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Investments Returns</b>	18.08%	10.68%	2.63%	10.89%	15.73%	8.46%	4.30%	9.16%	10.29%	-1.32%

#### Expenses

The WCB's expenses consist of claim costs and operating costs. Claim costs represent current and future costs associated with workplace injuries occurring in the reporting year. Operating costs are for various components required for the administration of the WCB.



### Claim cost

Claim cost expenditures are determined by estimating the outstanding benefit liabilities. This involves actuarial calculations that analyze experience, trends and other relevant factors, based largely on the assumption that past experiences are an appropriate predictor of the future. This process involves an actuarial projection of future claim costs and administration costs incurred to the end of the reporting year (2018).

#### Claim Expenditures for Assessed Employers, 2018 and 2017 (\$ thousands)

	Claim Cost	
	2018	2017
Temporary Wage Loss	\$7,214	\$6,717
Pension and Extended Wage Loss	7,357	7,597
Health Care	6,501	5,826
Rehabilitation	552	554
Claim Administration	1,406	1,346
<b>Total</b>	<b>\$23,030</b>	<b>\$22,040</b>

Annual gains and losses in liabilities for 2018 totaled a \$4.5 million gain (net of administration). The primary factors contributing to this result in 2018 were the following:

- 2018 Temporary Wage Loss payments were slightly higher than expected (\$0.8M loss).
- Pension was reduced as 2018 payments decreased for this group (\$1.7M gain).
- The cost of new Extended Wage Loss claims granted in 2018 was lower than expected (\$3.1M gain).
- 2018 overall Health Care payments were lower than expected (\$0.4M gain)
- 2018 Rehabilitation payments were slightly less than expected (\$0.1M gain)

### Operating Expenses

The WCB's Operating Expenses consist of administrative and other expenses that total \$10,193,690 in 2018 (2017 - \$9,690,377). For comparative purposes, if you subtract from the 2018 Operating expenses the new \$500,000 grant program, the adjusted total is \$9,693,690 which is \$3,300 greater than 2017 expense.

Administration Expenses	2018	2017
Administration	\$7,782,209	\$7,684,178
Workers' Advisor Program	280,203	325,856
Employers' Advisor Program	105,839	102,076
Appeals Tribunal	298,065	235,712
	<b>8,466,316</b>	<b>8,347,822</b>
Other Expenses		
Investment Management	1,203,297	1,188,959
Bad Debt	24,077	153,596
Grant Program	500,000	-
	<b>1,727,374</b>	<b>1,342,555</b>
<b>Total Operating Expenses</b>	<b>\$10,193,690</b>	<b>\$9,690,377</b>

The total 2018 Administrative expenses (\$8,466,316) have increased \$118,494 (or 1.42%) over 2017 (\$8,347,822).

Staff salaries and board member compensation in 2018 continues to represent approximately 70% of the total Administration of \$7,782,209 (2017 - \$7,684,178) and has increased by less than 1% in 2018. Professional fees have increased by \$149,651 (or 16.86%) to meet increased demands in following areas compared to 2017: legislative review; appeals; strategic planning; and funding policy.

WCB funds the program expenses of the Office of the Worker Advisor, the Office of the Employer Advisor and the Workers Compensation Appeals Tribunal. These programs operate independently from the WCB. In 2018 the cumulative expenditures (\$684,107) in these three areas have increased by \$20,463 (or 3.08%) compared to 2017 (\$663,644).

Investment Management Fees consist of two components: external management fees and management fees paid to WorkSafeNB for the management of the pooled fund. Management fees paid to WorkSafeNB are calculated on a cost recovery basis. External Investment management fees increased by 1.2% (\$14,338) in 2018 due to the increased activity within the investment pool.

Bad Debt expense is lower in 2018 as compared to 2017 due to Account Receivable collections activities and the surplus distribution.

In the spring of 2018, the Board of Directors approved a \$500,000 Grant Program. The Grant Program will support innovative workplace solutions and training and educational opportunities for Island workers and employers.

## Balance Sheet Highlights:

### Investments

At December 31, 2018 the market value of the investment portfolio was \$227.3 million, (2017 - \$255.1 million). The primary factor for the decrease was the surplus distribution of \$22.0 million approved by the board in an effort to bring the fund status closer to its target. A lesser factor was the negative investment returns at December 31, 2018.

Investment Fund (\$millions), 2009-2018									
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
122.1	152.4	161.0	184.3	213.3	231.3	226.7	248.7	255.1	227.3

### Benefit liabilities

The other major component of WCB's balance sheet is its benefit liabilities. In 2018, the benefit liabilities increased slightly by .85%.

The calculated liabilities represent the actuarial present value of all future benefits expected to be paid as a result of injuries that occurred on or before December 31, 2018. The liabilities include a provision for future administrative expenses.

### Benefits Liabilities, 2018 and 2017 (\$ thousands)

	2018	2017
Temporary Wage Loss	\$9,798	\$8,878
Pension and Extended Wage Loss	98,456	100,177
Health Care	32,089	30,014
Rehabilitation	2,192	2,268
Administration	9,265	9,187
Occupational Diseases	6,831	6,774
<b>Total</b>	<b>\$158,631</b>	<b>\$157,298</b>

The most significant assumptions underlying the valuation are a real rate of return of 3.25% per annum and a long-term inflation rate of 2.25% per annum. The projected long-term real rate of return for 2018 was changed to 3.25% from 3.5% and the inflation rate was changed to 2.5% from the 2.25% that was used in the 2017 valuation. Based on past years' experience, the average age at accident assumption for future Extended Wage Loss awards was increased from age 43 to age 45.

The benefit liability also reflects the impact of the legislative amendment that was proclaimed on January 1, 2019 to amend section 43 to provide funding of an annuity benefit for workers receiving wage loss benefits. This legislative amendment effects future extended wage loss awards that occur after January 1, 2019.

All other general methods and assumptions used to prepare the valuation have remained unchanged from those used to prepare the December 2017 valuation.

The 2018 benefit liabilities include provision for occupational disease claims expected to be diagnosed after December 31, 2018 as a result of exposures assumed to have occurred in the workplace prior to December 31, 2018. This represents 4.5% of the benefit liabilities.

**Funding Status**

By legislation, the WCB is required to be fully funded. When it is not, it is required to have a plan to be fully funded within a reasonable number of years. Being in a fully-funded position means that the Board is in a position to pay all future benefits to which current injured workers are entitled, as well as the costs associated with administering those benefits.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Funding Status</b>	103.77%	113.79%	113.74%	124.07%	135.30%	147.20%	141.40%	159.40%	165.40%	146.3%
<i>**reinstated to reflect revised Funding policy</i>										

The funding status is defined numerically as total assets expressed as a % of total liabilities at year end. When our funding status exceeds 125% our funding policy provides two options for the Board to return the funding status to the target range of 100% to 125% within a reasonable number of years.

When the funding status is 125% to 140%, the surplus is returned to employers by reducing assessment rates over a number of fiscal years until the funding status returns to the 100% to 125% target range. In 2017 and 2018 the required average assessment rate was reduced by 9 cents per \$100 of assessable payroll based on our funding status. The funding status at December 31, 2018 (146.3%) will be considered in setting the 2020 rates.

	2018	2017
Required Average Assessment Rate	\$1.69	\$1.79
Funding Policy Adjustment	(0.09)	(0.09)
Final Average Assessment Rate	\$1.60	\$1.70

If the funding status exceeds 140%, then a direct surplus distribution back to employers can be considered by the Board to return the funding status to 140% within a reasonable number of years. For example, based on a funding status in excess of 140% in 2017, the WCB Board of Directors approved in 2018 a surplus distribution of up to \$22.0 million dollars.

The Board is committed to monitor its funding policy to ensure financial sustainability and stability of the Workers Compensation system.



# APPENDIX A

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*Financial Reports*

# Management Responsibility of Financial Reporting

The financial statements are the responsibility of management and have been prepared in conformity with International Financial Reporting Standards. The preparation of financial information is an integral part of management's broader responsibility for the ongoing operations of the WCB. Based on management's knowledge, having exercised reasonable diligence, the financial statements fairly represent, in all material respect the financial conditions, results or operations, and cash flow as at December 31, 2018.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable information is produced and those assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2018 operate effectively with no material weakness in the design or operations of the controls.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in this Annual Report.

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

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

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



**Tory Kennedy**  
Acting Chief Executive Officer



**Norman MacDonald, CPA, CA, CF**  
Chief Financial Officer

## Actuarial Certificate

We have completed an actuarial valuation of the benefit liabilities for insured employers under the *Workers Compensation Act of Prince Edward Island (the "Act")* as at December 31, 2018, for the purpose of providing input to the Financial Statements of the Workers Compensation Board of Prince Edward Island (the "Board"). The valuation is in respect of assessed firms only, and does not include any provision for future payments in respect of self-insured firms

Our estimate of the benefits liabilities of \$158,631,000 represents the actuarial present value at December 31, 2018, of all expected benefit payments which will be made in future years, and which relate to claims arising from events which occurred on or before December 31, 2018. The liabilities include a provision for future administrative expenses based on a study conducted by Board staff. The liabilities also include a provision for potential outstanding latent occupational disease awards. No allowance has been made in these liabilities for any future deviations from the present policies and practices of the Board or for the extension of new coverage types.

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

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

All liabilities have been calculated using underlying assumptions of 3.25% per annum for the real rate of return on invested assets and 2.25% per annum for the rate of increase in the Consumer Price Index.

The CPI assumption equates to inflation rates for indexing benefits of 1.80% per annum in respect of pensions, extended wage loss and survivor benefits, because indexing for these benefits is specified under the Act as 80% of the rate of increase in the Consumer Price Index. No indexing is applied to Section 43 awards in-pay in accordance with Board policy.

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

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

The liabilities in respect of temporary wage loss, health care, rehabilitation and permanent impairment lump sum awards have been determined from projections of future claim payments. These projections have been based on continuation of recent payment patterns by years since the injury. An inflation rate of 2.25% per annum has been used to project future cash flows for temporary wage loss, wage-related rehabilitation, and permanent impairment lump sums. For health care and non-wage related rehabilitation, we used an inflation rate of 4.25% per annum reflecting the greater expected inflation and utilization rate for these benefit categories.

It is our opinion that:

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

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

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



Jeff Turnbull, FSA, FCIA



Scott Mossman, FSA, FCIA

# Independent Auditor's Report

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To the members of the Board of the

Workers Compensation Board of Prince Edward Island

## Opinion

We have audited the financial statements of the Workers Compensation Board of Prince Edward Island ("the Board"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive (loss) income, changes in fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Workers Compensation Board of Prince Edward Island as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

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

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

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

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

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



## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Charlottetown, Prince Edward Island

May 9, 2019

Chartered Professional Accountants

# Workers Compensation Board of Prince Edward Island

## Statements of Comprehensive (Loss) Income

Year ended December 31	Notes	2018	2017
<b>Revenues</b>			
Current assessments		<b>\$ 34,057,355</b>	\$ 33,583,140
Investments	4	<b>(4,436,874)</b>	23,706,062
Interest on receivables		<b>97,764</b>	31,939
Administration fees to self-insured employers	12	<b><u>268,799</u></b>	<u>233,392</u>
		<b><u>29,987,044</u></b>	<u>57,554,533</u>
<b>Expenses</b>			
Claims cost expenses			
Expected increase	11	<b>8,926,000</b>	9,251,000
Experience gains	11	<b>(4,814,000)</b>	(11,632,000)
Claims and administrative costs incurred	11	<b>23,030,000</b>	22,040,000
Latent occupational disease costs incurred	11	<b>57,000</b>	(220,000)
Changes in actuarial assumption	11	<b>(340,000)</b>	-
Changes in legislation	11	<b><u>1,012,000</u></b>	<u>-</u>
		<b><u>27,871,000</u></b>	<u>19,439,000</u>
Administration expenses			
Administration (Page 32)		<b>7,782,209</b>	7,684,178
Workers' Advisor Program	14	<b>280,203</b>	325,856
Employers' Advisor Program	14	<b>105,839</b>	102,076
Appeals Tribunal	14	<b><u>298,065</u></b>	<u>235,712</u>
		<b><u>8,466,316</u></b>	<u>8,347,822</u>
Other expenses			
Investment management	4	<b>1,203,297</b>	1,188,959
Bad debt		<b>24,077</b>	153,596
Grant program		<b><u>500,000</u></b>	<u>-</u>
		<b><u>1,727,374</u></b>	<u>1,342,555</u>
Total expenses		<b><u>38,064,690</u></b>	<u>29,129,377</u>
Operating (loss) income		<b>(8,077,646)</b>	28,425,156
Distribution to employers (Note 15)		<b><u>(21,878,514)</u></b>	<u>(21,301,088)</u>
Net (loss) income		<b>\$ (29,956,160)</b>	\$ 7,124,068
Other comprehensive income			
Items that will not be classified in the statement of operations			
Change in actuarial gains and losses		<b>\$ <u>(73,000)</u></b>	\$ <u>(32,300)</u>
Total comprehensive (loss) income		<b>\$ <u>(30,029,160)</u></b>	\$ <u>7,091,768</u>

See accompanying notes and schedule to the financial statements.

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## Workers Compensation Board of Prince Edward Island Statements of Changes in Fund Balance

Year ended December 31

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	<u>Fund balance</u>	<u>Total accumulated comprehensive loss</u>	<u>Total fund balance</u>
Balance, January 1, 2018	\$ 105,301,693	\$ (199,405)	\$ 105,102,288
Net loss	(29,956,160)	-	(29,956,160)
Other comprehensive loss	-	(73,000)	(73,000)
Balance, December 31, 2018	<u>\$ 75,345,533</u>	<u>\$ (272,405)</u>	<u>\$ 75,073,128</u>

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	<u>Fund balance</u>	<u>Total accumulated comprehensive loss</u>	<u>Total fund balance</u>
Balance, January 1, 2017	\$ 98,177,625	\$ (167,105)	\$ 98,010,520
Net income	7,124,068	-	7,124,068
Other comprehensive loss	-	(32,300)	(32,300)
Balance, December 31, 2017	<u>\$ 105,301,693</u>	<u>\$ (199,405)</u>	<u>\$ 105,102,288</u>

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See accompanying notes and schedule to the financial statements.

# Workers Compensation Board of Prince Edward Island

## Statements of Financial Position

December 31	Notes	2018	2017
<b>Assets</b>			
Cash and cash equivalents		\$ 4,369,707	\$ 6,705,848
Receivables	3	1,685,284	865,222
Investments	4	227,316,399	255,132,805
Property and equipment	6	2,572,058	2,503,763
Intangible assets	7	1,392,480	623,174
		<u>\$ 237,335,928</u>	<u>\$ 265,830,812</u>
<b>Liabilities and fund balance</b>			
Payables and accruals	9	\$ 2,018,300	\$ 1,733,224
Employee future benefits	10	1,613,500	1,697,300
Benefits liabilities	11	158,631,000	157,298,000
		<u>162,262,800</u>	<u>160,728,524</u>
Fund balance	13	<u>75,073,128</u>	<u>105,102,288</u>
		<u>\$ 237,335,928</u>	<u>\$ 265,830,812</u>

On behalf of the Board



Chair



Acting Chief Executive Officer

See accompanying notes and schedule to the financial statements.

# Workers Compensation Board of Prince Edward Island

## Statements of Cash Flows

Year ended December 31

2018

2017

### Cash flow from operating activities

Cash received from:		
Assessed employers	\$ 33,497,839	\$ 35,144,976
Self-insured employers for assessments	<u>898,705</u>	<u>772,197</u>
	<u>34,396,544</u>	<u>35,917,173</u>
Cash paid:		
To claimants or third parties on their behalf	(24,918,000)	(23,818,736)
Distribution to employers (Note 15)	(21,878,514)	(21,301,088)
For administration requirements and other goods	(2,899,490)	(2,551,885)
For salaries to employees	<u>(6,778,091)</u>	<u>(6,253,456)</u>
	<u>(56,474,095)</u>	<u>(53,925,165)</u>
Net cash provided (used) by operating activities	<u>(22,077,551)</u>	<u>(18,007,992)</u>

### Cash flow from investing activities

Cash received from:		
Investment income, net of fees	4,968,317	4,293,422
Sale of investments	<u>53,403,387</u>	<u>76,922,822</u>
	<u>58,371,704</u>	<u>81,216,244</u>
Cash paid for:		
Purchase of investments	(37,310,773)	(65,045,877)
Purchase of intangible assets	(998,496)	(183,483)
Purchase of property and equipment	<u>(321,025)</u>	<u>(386,713)</u>
	<u>(38,630,294)</u>	<u>(65,616,073)</u>
Net cash provided by investing activities	<u>19,741,410</u>	<u>15,600,171</u>
<b>Net increase in cash and cash equivalents</b>	<b>(2,336,141)</b>	<b>(2,407,821)</b>
Cash and cash equivalents		
Beginning of year	<u>6,705,848</u>	<u>9,113,669</u>
End of year	<u>\$ 4,369,707</u>	<u>\$ 6,705,848</u>

See accompanying notes and schedule to the financial statements.

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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### 1. Nature of operations

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

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

The Board does not receive government funding.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on May 9, 2019.

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### 2. Summary of significant accounting policies

#### Basis of presentation and adoption of IFRS

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

The financial statements of the Workers Compensation Board of Prince Edward Island comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2018.

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

#### Basis of measurement

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

#### Cash and cash equivalents

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

#### Foreign currency translation

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

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

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December 31, 2018

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

#### Accounting estimates and measurement uncertainty

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

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

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

#### Revenue recognition

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

Self-insured employers are individually responsible for cost attributable to claims arising from their employees. These claim costs are subject to a transactional based administration fee which is recognized in revenue as they occur.

#### Specific accounting policies

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

<b>Note</b>	<b>Topic</b>	<b>Page</b>
3	Receivables	10
4	Investments	10
6	Property and equipment	18
7	Intangible assets	20
9	Payables and accruals	21
10	Employee benefits	21
11	Benefits liabilities	23
12	Self-insured employers	29

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

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December 31, 2018

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

#### Future accounting standards and reporting changes adopted during the year

The Board adopted the following new standards and amendments, effective January 1, 2018, in accordance with their applicable transition provisions.

#### IFRS 9 Financial Instruments (“IFRS 9”)

The complete version of IFRS 9 superseded the 2010 version of IFRS 9 (“IFRS 9 (2010)”) previously applied by the Board. IFRS 9 includes requirements for the classification and measurement of financial assets and financial liabilities, an expected credit loss model for financial assets measured at amortized cost or fair value through other comprehensive income, and new hedge accounting guidance. The Board determined that its classification of financial assets and financial liabilities remain unchanged under IFRS 9 from those under IFRS 9 (2010). Equity investments and derivative assets continue to be classified at fair value through profit and loss and financial liabilities and payables continue to be classified as amortized cost. IFRS was adopted in accordance with its retrospective transition provisions with restatement of comparative periods. Adoption of IFRS 9 did not have a significant impact on the Board’s financial statements.

#### IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 introduced a single model for recognizing revenue from contracts with customers that superseded the previous revenue recognition guidance in IAS 18 *Revenue* (“IAS 18”) and various related standards and interpretations. IFRS 15 excludes insurance contracts and financial instruments from its scope and is applicable primarily to the Board’s revenue from self-insured employers. IFRS 15 was adopted in accordance with its retrospective transition provisions. Under IAS 18, the Board recognized claims costs paid to insured workers of self-insured employers and recovered through billings to those self-insured employers as revenue. Under IFRS 15, these recoveries do not meet the definition of revenue and have been removed from revenue. This change in revenue recognition decreased the reported revenues in 2017 by \$766,736 and decreased reported expenses by \$766,736 with no impact on net comprehensive income reported in 2018. Recoverable administration fees associated with these self-insured claims continued to be reported as revenue in accordance with IFRS 15.

#### Future accounting standards and reporting changes not yet adopted

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

IFRS 17 Insurance Contracts supersedes IFRS 4 Insurance Contracts. IFRS 17 fundamentally changes how entities account for insurance contracts, introducing a default "building block approach", which disaggregates the cash flows in an insurance contract and provides a different measurement basis for each component, and a simplified "premium allocation approach" for certain short-term contracts. Assumptions used in measuring insurance assets and liabilities such as cash flows, discount rates and risk adjustment will be updated at each reporting period. The discount rate will reflect the characteristics of the insurance liabilities and the estimated future cash flows to settle claims incurred will be discounted unless the period of time between claim occurrence and settlement is less than one year. Presentation changes include 'insurance revenue' replacing the current reporting of 'premiums' and insurance contract assets and liabilities will not be netted. Under this standard, premiums receivable, unearned premiums and claims payable may no longer be presented separately from other insurance assets and liabilities. The effective date for IFRS 17 is January 1, 2022 with mandatory restatement of comparative periods. The Board is currently assessing the impact of IFRS 17.



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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

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December 31, 2018

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### 3. Receivables

#### Accounting policy

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

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

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

	<u>2018</u>	<u>2017</u>
<b>Receivables</b>		
Assessments	\$ 1,041,366	\$ 1,239,108
Less allowance for doubtful accounts	(94,916)	(240,126)
Accrued assessments	345,075	(412,183)
Self-insured employers	(69,728)	(34,720)
Other receivables	<u>463,487</u>	<u>313,143</u>
	<u>\$ 1,685,284</u>	<u>\$ 865,222</u>

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### 4. Investments

#### Accounting policy

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

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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### 4. Investments (cont'd)

Fair values of specific investments are determined as follows:

- Equities are valued at their year end quoted market prices as reported on recognized public securities exchange.
- Fixed-term investments are valued at their year end closing or bid price based on available public quotations from recognized dealers in such securities.
- Commercial paper, short-term notes and treasury bills and term deposits maturing within a year are valued at either their year end closing or bid price based on available quotations from recognized dealers in such securities, or cost plus accrued interest, which approximates fair value.
- Pooled fund units other than infrastructure are valued at their year-end net asset value, as determined by the fund manager or administrator. For pooled funds holdings equity and fixed-income assets, these values represent the Board's proportionate share of underlying net assets at fair values determined using either quoted market prices or year-end closing market prices or the average of the latest bid/ask prices based on available public quotations from recognized dealers in such securities. For pooled funds holding derivatives, cleared derivatives are valued at the closing price quoted by the relevant clearing house, and over-the-counter derivatives are valued using an industry standard model. Exchange-traded options are valued at the last sale price or the closing bid price for long positions and the closing ask price for short positions. For real estate pooled funds, these values represent the Board's proportionate share of the underlying net assets at fair values determined using independent appraisals, net of any liabilities against the fund assets.
- Infrastructure pooled funds are held through a separate corporate entity controlled by Worksafe NB and in which the Board does not have significant influence. Therefore, these infrastructure pooled funds are considered financial instruments and are valued at their most recent net asset value prior to year-end, adjusted for any capital contributions or withdrawals between the net asset value date and year-end, as determined by the fund manager or administrator. The net asset value represents the Board's proportionate share of the underlying net assets at fair values estimated using one or more methodologies, including discounted cash flows, multiples of earnings measures, and recent comparable transactions.
- Forward foreign exchange contracts are valued at their net unrealized gain or loss, based on quoted market exchange rates at the balance sheet date. The Board has not designated the forward exchange contracts as a hedging instrument. Any changes in the fair market value of the instruments are recognized directly into earnings.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

### 4. Investments (cont'd)

	<u>2018</u>	<u>2017</u>
<b>Investments</b>		
Cash and short-term investments	\$ 8,383,990	\$ 11,919,463
Forward foreign exchange contracts	(2,688,845)	1,107,875
Real estate	36,866,005	38,805,672
Fixed term investments	42,407,424	47,398,651
Infrastructure	16,028,022	14,191,883
Equities	101,903,886	116,905,938
Global opportunistic	<u>24,415,917</u>	<u>24,803,323</u>
	<u>\$ 227,316,399</u>	<u>\$ 255,132,805</u>

	<u>2018</u>	<u>2017</u>
<b>Investment income</b>		
Earned during the year	\$ 6,073,849	\$ 5,507,614
Realized investment gains	6,619,156	13,647,729
Change in unrealized investment (loss) gain	<u>(17,129,879)</u>	<u>4,550,719</u>
	<u>\$ (4,436,874)</u>	<u>\$ 23,706,062</u>

<b>Investment expenses</b>		
External management fees	\$ 1,122,081	\$ 1,115,342
Management fees paid to Worksafe NB	<u>81,215</u>	<u>73,617</u>
	<u>\$ 1,203,296</u>	<u>\$ 1,188,959</u>

### Pooled funds

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

	<u>2018</u>	<u>2017</u>
Conventional bonds	\$ 35,009,071	\$ 37,467,346
Real return bonds	7,398,353	9,931,305
Non North American equities	9,080,598	10,796,334
Real estate	36,866,005	38,805,672
Absolute return	24,415,917	24,803,323
Infrastructure	<u>16,028,022</u>	<u>14,191,883</u>
	<u>\$ 128,797,966</u>	<u>\$ 135,995,863</u>

### Investment agreement

The Board has entered into an Investment Agreement (January 1995) for the management of its investment assets with those of WorksafeNB. These financial statements report the Board's proportionate share of the investment assets held in the pooled fund which was 14.6% at December 31, 2018 (2017 – 15.3%). The Board pays a fee to WorksafeNB for the administration of the combined investments.

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

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December 31, 2018

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### 4. Investments (cont'd)

#### Commitments

The Board, through its investment in pooled infrastructure and real estate funds, has committed to contribute investments in these funds, which may be drawn down over the next several years. Unfunded commitments as of December 31, 2018 are \$12.3 million.

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### 5. Financial risk management

The Board has established policies for management of its investments. All of the Board's pooled investments are managed by independent, external investment managers. The compliance of these managers with the established policies is monitored on a regular basis. The pooled investments are managed to reduce investment risk by diversifying its portfolio among asset classes, industry sectors, geographic locations and individual securities. Further diversification is achieved by selecting investment managers with varying investment philosophies and styles. From time to time, in conjunction with WorkSafeNB, independent consultants are retained to advise on the appropriateness and effectiveness of its investment policies and practices.

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

#### Market risk

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

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

	<u>2018</u>	<u>2017</u>
Canada	\$ 32,378,961	\$ 38,394,546
United States	44,705,916	47,949,291
International equities	33,863,958	38,283,132
Real estate	36,866,005	38,805,672
Emerging markets	<u>15,370,968</u>	<u>17,082,292</u>
	<u>\$ 163,185,808</u>	<u>\$ 180,514,933</u>

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

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

Equities	2018			
	15%	5%	-5%	-15%
Change in market value				
Impact on fund balance				
Canadian	\$ 4,857,000	\$ 1,619,000	\$ (1,542,000)	\$ (4,223,000)
United States	6,706,000	2,235,000	(2,129,000)	(5,831,000)
International equities	5,080,000	1,693,000	(1,613,000)	(4,417,000)
Real estate	5,530,000	1,843,000	(1,756,000)	(4,809,000)
Emerging markets	2,306,000	769,000	(732,000)	(2,005,000)
Equities	2017			
	15%	5%	-5%	-15%
Change in market value				
Impact on fund balance				
Canadian	\$ 5,759,000	\$ 1,920,000	\$ (1,828,000)	\$ (5,008,000)
United States	7,192,000	2,397,000	(2,283,000)	(6,254,000)
International equities	5,742,000	1,914,000	(1,823,000)	(4,993,000)
Real estate	5,821,000	1,940,000	(1,848,000)	(5,062,000)
Emerging markets	2,562,000	854,000	(813,000)	(2,228,000)

### Foreign currency risk

The Board has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates. For its U.S. and non-North American equities, the Board has adopted a policy to hedge 50% of its developed market foreign currency exposure using forward exchange contracts. Forward foreign exchange contracts are agreements to exchange an amount of one currency for another at a future date and at a set price, agreed upon at the contract's inception. The fair value of these financial instruments would change in response to changes in the foreign exchange rates of the currencies involved in the contracts. The notional amounts in forward foreign exchange contracts are the contractual amounts on which payments are made. These notional amounts have been converted into Canadian dollars at the contractual exchange rates in effect at the inception of the contracts.

The Board has significant current exposure in the US dollar, the Euro, the Japanese Yen and the British Pound. Exposure to changes in these four currencies represents 92.3% of the Board's total exposure to developed market foreign currencies and 74.2% of the total foreign currency exposure including emerging markets. The Board has holdings of \$50,882,000 (2017 - \$55,388,000) in US dollar or 22.4% of the portfolio, \$19,439,000 (2017 - \$17,732,000) or 8.6% in the Euro, \$9,251,000 (2017 - \$11,643,000) or 4.1% in the Japanese Yen and \$8,452,000 (2017 - \$8,970,000) or 3.7% in the British Pound.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

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

	<u>2018</u>	<u>2017</u>
CAD/USD	\$ (6,637,000)	\$ (7,258,000)
CAD/EURO	\$ (2,536,000)	\$ (2,389,000)
CAD/YEN	\$ (1,207,000)	\$ (1,519,000)
CAD/POUND	\$ (1,102,000)	\$ (1,168,000)

At December 31, 2018, the notional value of outstanding forward foreign exchange contracts was \$64,092,451 (2017 - \$59,078,205). The fair value of these contracts was a loss of \$2,688,845 (2017 - gain of \$1,107,875). Unrealized loss on forward foreign exchange contracts of \$3,796,720 (2017 - gain of \$361,991) were included in investment income.

#### Inflation risk

Inflation risk is the risk that a general increase in price level may result in loss of future purchasing power for current monetary assets. To mitigate the effect of inflation on the Board's future liabilities, the portfolio holds inflation sensitive investments, such as real return bonds and real estate. Canadian real return bonds are indexed to the annual change in the Canadian Consumer Price Index.

#### Interest risk management

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

	<u>Remaining term to maturity</u>			<u>Total</u>	<u>Total</u>
	<u>Within 1 year</u>	<u>From 1 year to 5 years</u>	<u>Over 5 years</u>	<u>2018</u>	<u>2017</u>
Fixed term investments (market value)	<u>\$ (28,060)</u>	<u>\$ 10,332,863</u>	<u>\$ 32,102,621</u>	<u>\$ 42,407,424</u>	<u>\$ 47,398,651</u>

The average effective yield of these fixed term investments is 2.7% (2017 - 2.5%) per annum based on market value.

As of December 31, 2018, had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the fixed term investments would have increased or decreased by \$4,020,000 (2017 - \$4,630,000) or approximately 9.5% (2017 - 9.8%) of their value.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

#### Credit risk management

Credit risk on fixed term or money market investments or forward foreign exchange contracts arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Board. Policy guidelines have been established to ensure the Board holds corporate fixed term investments with a credit rating of A or higher, and Canadian federal or provincial government fixed term investments with a credit rating of BBB or higher. The Board may only invest in money market instruments that are provincially or federally guaranteed by one of the five largest Canadian chartered banks. Counterparties to forward foreign exchange contracts must have a credit rating of at least AA. As at December 31, 2018, the aggregate amount of fixed income securities with counterparty ratings of BBB was \$nil (2017 - \$nil).

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

#### Fair value hierarchy

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

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

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

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

	<b>2018</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 8,383,990	\$ -	\$ -	\$ 8,383,990
Investments				
Forward foreign exchange contracts	-	(2,688,845)	-	(2,688,845)
Real estate	25,428,332	-	11,437,673	36,866,005
Fixed term	42,407,424	-	-	42,407,424
Infrastructure	-	-	16,028,022	16,028,022
Equities	<u>126,319,803</u>	<u>-</u>	<u>-</u>	<u>126,319,803</u>
	<u>\$ 202,539,549</u>	<u>\$ (2,688,845)</u>	<u>\$ 27,465,695</u>	<u>\$ 227,316,399</u>

During 2018 and 2017, there were no significant transfers of investments between level 1 and level 2.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 11,919,463	\$ -	\$ -	\$ 11,919,463
Investments				
Forward foreign exchange contracts	-	1,107,875	-	1,107,875
Real estate	29,472,498	-	9,333,174	38,805,672
Fixed term	47,398,651	-	-	47,398,651
Infrastructure	-	-	14,191,883	14,191,883
Equities	<u>141,709,261</u>	<u>-</u>	<u>-</u>	<u>141,709,261</u>
	<u>\$ 230,499,873</u>	<u>\$ 1,107,875</u>	<u>\$ 23,525,057</u>	<u>\$ 255,132,805</u>

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

	<u>2018</u>	<u>2017</u>
Balance beginning of the year	<b>\$ 23,525,057</b>	\$18,154,141
Purchase of level 3 investments	<b>464,902</b>	5,953,526
Investment income	<b>1,494,197</b>	453,464
Return of capital	<b>(16,273)</b>	(2,303,731)
Unrealized gains recognized	<u><b>1,997,812</b></u>	<u>1,267,657</u>
Balance at end of the year	<u><b>\$ 27,465,695</b></u>	<u>\$23,525,057</u>

There are four investments classified as level 3: (1) A limited partnership interest in a fund investing in global infrastructure assets and real estate assets. This is a closed-end fund with no active market for its units as at December 31, 2018 and, therefore, classified as level 3 investments in the fair market hierarchy. This fund has a 12-year life that commenced on October 30, 2013. The general partner has the option to extend the fund's life by 2 years; (2) A limited partnership interest in a fund investing in global infrastructure assets. This is an open-ended fund that allows quarterly redemptions at net asset value with some restrictions. It is classified as a level 3 investment in the fair value hierarchy; (3) A limited partnership interest in a fund investing in European real estate. This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2018 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 9-year life that commenced on August 22, 2014; and (4) A limited partnership interest in a fund investing in European real estate. This is a closed-end fund with no active market for its units and no published net asset value as of December 31, 2018 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund has a 10-year life that commenced on March 29, 2018.



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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

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December 31, 2018

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

#### Liquidity risk

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

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

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### 6. Property and equipment

#### Accounting policy

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

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

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

IAS 36, Impairment of Assets, requires an entity to test assets for impairment if indications of impairment exist. Based on an analysis of cash flows, the Board has established that the appropriate cash generating unit for impairment review is the entire entity. As the Board has the statutory power under the Act to increase premiums and/or impose levies to ensure full funding unto the foreseeable future, impairment at the entity level is remote. As at December 31, 2018, management conducted an impairment review at the entity level, which confirmed that there were no significant indicators of impairment which would have a material impact on the Board's ability to generate future economic benefits from its operating non-financial assets.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

<b>Gross carrying amount</b>	<u>Land</u>	<u>Buildings</u>	<u>Furniture &amp; fixtures</u>	<u>Computer equipment</u>	<u>2018 Total</u>
Balance January 1, 2018	\$ 368,460	\$ 2,916,984	\$ 692,484	\$ 740,967	\$ 4,718,895
Additions	-	206,605	11,926	72,020	290,551
Disposals	-	-	-	(9,739)	(9,739)
Balance December 31, 2018	<u>368,460</u>	<u>3,123,589</u>	<u>704,410</u>	<u>803,248</u>	<u>4,999,707</u>
<b>Depreciation and impairment</b>					
Balance January 1, 2018	-	(1,248,272)	(460,810)	(506,050)	(2,215,132)
Disposals	-	-	-	9,739	9,739
Depreciation	-	(108,263)	(33,941)	(80,052)	(222,256)
Balance December 31, 2018	-	<u>(1,356,535)</u>	<u>(494,751)</u>	<u>(576,363)</u>	<u>(2,427,649)</u>
<b>Carrying amount Dec 31, 2018</b>	<b><u>\$ 368,460</u></b>	<b><u>\$ 1,767,054</u></b>	<b><u>\$ 209,659</u></b>	<b><u>\$ 226,885</u></b>	<b><u>\$ 2,572,058</u></b>
<b>Gross carrying amount</b>	<u>Land</u>	<u>Buildings</u>	<u>Furniture &amp; Fixtures</u>	<u>Computer Equipment</u>	<u>2017 Total</u>
Balance January 1, 2017	\$ 368,460	\$ 2,672,584	\$ 642,167	\$ 682,991	\$ 4,366,202
Additions	-	244,400	50,317	91,996	386,713
Disposals	-	-	-	(34,020)	(34,020)
Balance December 31, 2017	<u>368,460</u>	<u>2,916,984</u>	<u>692,484</u>	<u>740,967</u>	<u>4,718,895</u>
<b>Depreciation and impairment</b>					
Balance January 1, 2017	-	(1,151,795)	(431,847)	(466,782)	(2,050,424)
Disposals	-	-	-	31,756	31,756
Depreciation	-	(96,477)	(28,963)	(71,024)	(196,464)
Balance December 31, 2017	-	<u>(1,248,272)</u>	<u>(460,810)</u>	<u>(506,050)</u>	<u>(2,215,132)</u>
<b>Carrying amount Dec 31, 2017</b>	<b><u>\$ 368,460</u></b>	<b><u>\$ 1,668,712</u></b>	<b><u>\$ 231,674</u></b>	<b><u>\$ 234,917</u></b>	<b><u>\$ 2,503,763</u></b>

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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### 7. Intangible assets

#### Accounting policy

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

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

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

<b>Computer software</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Gross carrying amount</b>		
Balance at January 1	\$ 4,710,144	\$ 4,526,661
Addition, separately acquired	<u>998,496</u>	<u>183,483</u>
Balance at December 31	<u>5,708,640</u>	<u>4,710,144</u>
<b>Amortization and impairment</b>		
Balance at January 1	(4,086,970)	(3,832,869)
Amortization	<u>(229,190)</u>	<u>(254,101)</u>
Balance at December 31	<u>(4,316,160)</u>	<u>(4,086,970)</u>
Carrying amount December 31	<u>\$ 1,392,480</u>	<u>\$ 623,174</u>

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### 8. Bank indebtedness

The Board has a \$1,000,000 unsecured operating line of credit of which \$nil was used at December 31, 2018.

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

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December 31, 2018

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### 9. Payables and accruals

	<u>2018</u>	<u>2017</u>
Trade and other payables	\$ 1,533,957	\$ 1,028,396
Accrued staff salaries	264,040	484,525
Accrued vacation pay	<u>220,303</u>	<u>220,303</u>
	<u>\$ 2,018,300</u>	<u>\$ 1,733,224</u>

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### 10. Employee benefits

#### Accounting policy

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

#### Short-term benefits

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

#### Pension plan

The Board and its employees participate in a multi-employer contributory defined benefit pension plan, administered by the Province of Prince Edward Island under the Civil Service Superannuation Act. The Civil Service Superannuation Fund provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies. Changes were made to the Civil Service Superannuation Act effective January 1, 2016. For service after 2013, the average salary used to determine pension benefits will be calculated using an average of all earnings indexed to the year of retirement. Also, for service after 2018, the age at which an unreduced pension is available will move from 60 to 62 and the years of service will move from 30 to 32. Retirement benefits will be indexed at 1.5% up until 2017. In 2017, pension benefits indexing will depend on the financial health of the fund. The plans are similar to state plans as defined in IAS 19 whereby they are established by legislation to provide retirement benefits for eligible provincial employees. State plans share similar characteristics as multi-employer plans and are treated as defined contribution plans under IAS 19. For these plans, the Board has no further payment obligations once the contributions have been paid. Since sufficient information is not readily available to account for the Board's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting rules for defined contribution pension plans. The current year expense for this pension plan is \$432,021 (2017 - \$419,606). As the Board maintains no obligation to cover funding deficiencies within the plan, should any exist, there are no provisions to be recorded for future funding obligations.

At March 31, 2018, the Civil Service Superannuation Fund reported that the pension plan was fully funded.

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

#### Retirement pay benefits

The Board provides a retirement pay benefit equal to one weeks pay for each year of service, subject to a maximum benefit equal to 26 weeks pay. The retirement pay benefit is payable upon retirement. Unionized employees qualify at retirement if they have accrued 10 years of service and attained age 55. Non-unionized employees qualify at retirement if they have accrued 5 years of service and attained age 55, accrued 30 years of service (moving to 32 years of service as of December 2018), or accrued 5 years of service and die or become disabled. The significant actuarial assumptions adopted in measuring the Board's accrued retirement pay benefits obligations are a discount rate of 3.70% (2017 - 3.20%) and a rate of compensation increase of 3.5%. The retirement pay benefits liability has been estimated to equal \$1,613,500 (2017 - \$1,697,300) based on the last actuarial calculation as of December 31, 2018.

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

	<u>2018</u>	<u>2017</u>
Opening retirement pay benefits	\$ 1,697,300	\$ 1,608,500
Changes in retirement pay benefits	(10,800)	56,500
Change in assumptions	<u>(73,000)</u>	<u>32,300</u>
Ending retirement pay benefits	<u>\$ 1,613,500</u>	<u>\$ 1,697,300</u>

#### Employee benefits risks

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

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

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

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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### 11. Benefits liabilities

The benefits liabilities represent the actuarial present value of all future benefit payments expected to be made for claims which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation policies and administrative practices in respect of existing claims.

The Board believes that the amount provided for benefit liabilities as at December 31, 2018, is adequate, recognizing that actuarial assumptions as disclosed below may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

Benefits liabilities as at December 31, 2018, have been independently valued by the Board's external actuary. Benefits liabilities include a provision for all benefits provided by current legislation, Board policies, and administrative practices. These liabilities also include a provision for future expenses of administering those benefits. Benefits liabilities do not include a provision for benefits costs of self-insured employers.

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

#### Key actuarial assumptions

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

The independent consulting actuary makes significant estimates and judgments in respect of certain liability amounts disclosed in the financial statements and the discount rates used to calculate the present value of future benefit payments. These estimates and judgments are continually being evaluated and are based on historical experience, as well as enhancements to actuarial modeling techniques.

The key areas of significant estimates and judgments and the methodologies used to determine key assumptions are set out below.

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

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

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

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

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

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

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

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

	<u>2018</u>	<u>2017</u>
Gross rate of return	5.50%	6.0%
Real rate of return	3.25%	3.5%
Increase in inflation	2.25%	2.5%
Future administration	6.5%	6.5%
Latent occupational diseases	4.5%	4.5%

#### **Process used to determine assumptions**

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

##### *General Statement*

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

##### **Gross rate of return**

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

##### **Future awards liabilities**

For the purposes of projecting future cash flows for the future award liabilities, other than those for future extended wage loss awards, the calculation uses a weighted average of payments made over the 2016 to 2018 period. The weightings are 17% of 2016, 33% of 2017, and 50% of 2018, all adjusted to constant 2018 dollars. In the case of medical aid and hospital expenses, certain large individual cases that are expected to require long-term care have been removed from historical data. For these cases, the ongoing payments have been estimated based on an analysis of the individual file.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

#### Pension in pay

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

#### Future extended wage loss awards

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

#### Future administration

When a claim occurs, it triggers an obligation to provide claims management, maintenance and support in terms of paying the various providers of health care services and compensating workers for lost wages for as long as the claim is open. The future administration expense liability is intended to provide a reasonable allowance for this obligation. A detailed review of future administration expenses is conducted periodically. In this review an estimate is made of the portion of operating expenses that can be attributed to claims maintenance, including a proportionate share of overhead expenses. Based on this review, a liability for future administration expenses of 6.5% of the total benefits liability is included in the liability estimate.

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

						<u>2018</u>	<u>2017</u>
	Temporary wage loss	Pension and extended wage loss	Health care	Rehabilitation	Administration	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 8,878,000	\$ 100,177,000	\$ 30,014,000	\$ 2,268,000	\$ 9,187,000	<b>\$ 150,524,000</b>	\$ 155,415,000
Expected increase	520,000	5,948,000	1,781,000	132,000	545,000	<b>8,926,000</b>	9,251,000
Legislative changes	-	950,000	-	-	62,000	<b>1,012,000</b>	-
Assumption changes	47,000	(1,695,000)	1,310,000	19,000	(21,000)	<b>(340,000)</b>	-
Experience (gains) losses	<u>766,000</u>	<u>(4,821,000)</u>	<u>(358,000)</u>	<u>(107,000)</u>	<u>(294,000)</u>	<b><u>(4,814,000)</u></b>	<u>(11,632,000)</u>
	10,211,000	100,559,000	32,747,000	2,312,000	9,479,000	<b>155,308,000</b>	153,034,000
Costs incurred	<u>7,214,000</u>	<u>7,357,000</u>	<u>6,501,000</u>	<u>552,000</u>	<u>1,406,000</u>	<b><u>23,030,000</u></b>	<u>22,040,000</u>
	17,425,000	107,916,000	39,248,000	2,864,000	10,885,000	<b>178,338,000</b>	175,074,000
Less: Payments made	(7,627,000)	(9,460,000)	(7,159,000)	(672,000)	(1,620,000)	<b><u>(26,538,000)</u></b>	<u>(24,550,000)</u>
						<b>151,800,000</b>	150,524,000
Latent occupational diseases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>6,831,000</u></b>	<u>6,774,000</u>
Balance, end of year	<b><u>\$ 9,798,000</u></b>	<b><u>\$ 98,456,000</u></b>	<b><u>\$ 32,089,000</u></b>	<b><u>\$ 2,192,000</u></b>	<b><u>\$ 9,265,000</u></b>	<b><u>\$ 158,631,000</u></b>	<b><u>\$ 157,298,000</u></b>



# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

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

#### Current year injuries

	<b>2018</b>		
	<b>Current year cost</b>	<b>Present value of future costs</b>	<b>Total incurred claims</b>
Health care	\$ 2,045,000	\$ 4,456,000	\$ 6,501,000
Temporary wage loss	3,094,000	4,120,000	7,214,000
Rehabilitation	3,000	549,000	552,000
Lump sums	191,000	472,000	663,000
Future permanent awards	-	6,694,000	6,694,000
Administration	<u>347,000</u>	<u>1,059,000</u>	<u>1,406,000</u>
Total	<u>\$ 5,680,000</u>	<u>\$ 17,350,000</u>	<u>\$23,030,000</u>

	<b>2017</b>		
	<b>Current year cost</b>	<b>Present value of future costs</b>	<b>Total incurred claims</b>
Health care	\$ 1,776,000	\$ 4,050,000	\$ 5,826,000
Temporary wage loss	2,733,000	3,984,000	6,717,000
Rehabilitation	-	554,000	554,000
Lump sums	63,000	564,000	627,000
Future permanent awards	-	6,746,000	6,746,000
New permanent awards	6,000	218,000	224,000
Administration	<u>298,000</u>	<u>1,048,000</u>	<u>1,346,000</u>
Total	<u>\$ 4,876,000</u>	<u>\$ 17,164,000</u>	<u>\$22,040,000</u>

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

#### Reconciliation of movement in benefits liabilities

	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 157,298,000	\$ 162,409,000
Interest on liability	8,926,000	9,251,000
Payments and other transitions	<u>(26,538,000)</u>	<u>(24,550,000)</u>
Balance, end of year for prior accident years	<u>139,686,000</u>	<u>147,110,000</u>
Impact of experience (gains) losses on change in liability for prior accident years due to:		
Mortality and termination	(200,000)	(1,400,000)
Award inflation less than expected	(700,000)	(1,300,000)
New awards	(3,100,000)	(3,500,000)
Change in expected claim run-off	(100,000)	(2,600,000)
Difference between actual and expected payments	(400,000)	(2,000,000)
Other	<u>(314,000)</u>	<u>(832,000)</u>
Total change in liability	<u>(4,814,000)</u>	<u>(11,632,000)</u>
Assumption changes	(340,000)	-
Legislative changes	1,012,000	-
Change in latent occupational diseases liability	57,000	(220,000)
Liability for new accidents	<u>23,030,000</u>	<u>22,040,000</u>
	<u>23,759,000</u>	<u>21,820,000</u>
Balance, end of year	<u>\$ 158,631,000</u>	<u>\$ 157,298,000</u>

#### Claims development

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

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim years 2009 to 2018. The upper half of the table shows the cumulative amounts paid or estimate to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

	Accident year										Total
	(\$'000)										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Estimated total cash flow (including past and future cash flows)											
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2009	23,164										
2010	24,135	26,044									
2011	24,699	24,901	29,273								
2012	24,987	23,286	28,208	31,901							
2013	23,991	22,033	26,348	29,648	32,752						
2014	23,827	20,465	25,585	27,025	28,537	33,271					
2015	23,897	19,438	25,638	28,580	28,182	30,346	32,825				
2016	23,858	18,664	24,243	27,064	25,792	28,515	28,898	32,894			
2017	23,381	18,113	23,430	25,878	24,325	25,723	26,011	30,869	32,645		
2018	22,348	17,472	22,704	27,439	22,944	23,831	22,432	27,577	29,526	31,569	
Current (2018) estimate of total cash flow	22,348	17,472	22,704	27,439	22,944	23,831	22,432	27,577	29,526	31,569	247,842
Total cash flows paid December 31, 2018	(13,096)	(11,388)	(14,972)	(15,509)	(13,266)	(12,377)	(10,860)	(10,767)	(9,337)	(5,333)	(116,905)
Estimated future cash flows	9,252	6,084	7,732	11,930	9,678	11,454	11,572	16,810	20,189	26,236	130,937
Impact of discounting	(3,323)	(2,384)	(2,975)	(4,657)	(3,728)	(4,489)	(4,794)	(6,333)	(7,760)	(9,553)	(49,996)
Liability for accident years 2009 - 2018	5,929	3,700	4,757	7,273	5,950	6,965	6,778	10,477	12,429	16,683	80,941
Liability for accident years 2008 and prior											61,594
Claims administration											9,265
Latent occupational diseases liability											6,831
Balance sheet liability at December 31, 2018											<u>\$ 158,631</u>

# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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

#### Claims risk

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

#### Sensitivity of actuarial assumptions

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

	<u>2018</u>	<u>2017</u>
1% Decrease in real rate of return	<u>\$ 11,258,000</u>	<u>\$11,206,000</u>
1% Increase in healthcare inflation rate	<u>\$ 3,635,000</u>	<u>\$ 3,182,000</u>
1% Decrease in real rate of turn, 1% increase in inflation	<u>\$ 10,159,000</u>	<u>\$10,065,000</u>

### 12. Self-insured employers

Self-insured employers, principally the Government of Canada, whose claims are administered by the WCB, directly bear the cost of their own incurred claims plus an administration fee. The total amount of the administration fee is included in the statement of operations and fund balance and for 2018 was \$268,799. Assessments are net of the amount received from self-insured employers and accordingly claim costs do not include self-insured claims. Monies paid to the WCB for the reimbursement of these claims are reflected in the Statement of Cash Flow as cash received from self-insured employers for assessments, and monies paid out relating to these claims are recorded as cash paid out to claimants or third parties on their behalf. The total self-insured claims costs incurred for 2018 are as follows.

	<u>2018</u>	<u>2017</u>
Claims costs incurred		
Short-term disability	\$ 213,706	\$ 129,353
Long-term disability	424,487	475,695
Health care	225,504	161,688
Rehabilitation	-	-
	<u>\$ 863,697</u>	<u>\$ 766,736</u>

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# Workers Compensation Board of Prince Edward Island

## Notes to the Financial Statements

December 31, 2018

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### 13. Funding strategy and capital management

The capital management objectives reflect the mandate that a fully funded compensation system is essential for securing financial obligations associated with the payment of current and future worker benefits and the administration of an effective workers compensation system.

The Workers Compensation Board of Prince Edwards Island funded position is defined by the relationship of totals assets to total liabilities. At December 31, 2018 the funded ratio was 146.3% (2017 - 165.4%).

The process for managing the Workers Compensation Board of Prince Edwards Island Funded Position is determined based on its approved funding policy (POL-136) and will target a funding status in the range of 100% - 125% and includes specific adjustments to be applied to the assessment rate setting process should the funding status fall outside this range. This permitted excess of assets over liabilities reduces the impact of year to year fluctuations; therefore, providing assessment rate stabilization and enhanced security that awarded benefits will be met.

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

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

The Board is required by the *Workers Compensation Act* (the Act) to provide an annual grant to the Workers' Advisor Program. The Workers' Advisor Program operates autonomously from the Board and assists workers or dependants of workers in respect of claims for compensation. During the year, the Board paid \$280,203 (2017 - \$325,856) of the Program's expenses.

The Board is required by the Act to provide an annual grant to the Employers' Advisor Program. The Employers' Advisor Program operates autonomously from the Board and assists employers in respect of classifications, assessments and claims for compensation. During the year, the Board paid \$105,839 (2017 - \$102,076) of the Program's expenses.

The Board is required by the Act to pay the operating costs of the Appeals Tribunal. During the year, the Board paid \$298,065 (2017 - \$235,712) to cover the operating costs of the Tribunal.

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

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 643,085	\$ 633,364
Post employment benefits	<u>109,434</u>	<u>102,348</u>
	<u>\$ 752,519</u>	<u>\$ 735,712</u>

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# **Workers Compensation Board of Prince Edward Island**

## **Notes to the Financial Statements**

December 31, 2018

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### **15. Distribution to employers**

During the year, the Board of Directors of the Board approved a distribution to active employers of \$21,878,514 (2017 - \$21,301,088). The Board was able to distribute these funds due to significantly better investment returns in previous years. These funds were distributed to employers who had assessable payroll as of December 31, 2017 and was based on base premiums which was defined as assessable payroll times the group assessment rate.

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### **16. Comparative figures**

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

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## Workers Compensation Board of Prince Edward Island Schedule of Administration Expenses

Year ended December 31	2018	2017
Building operating costs	\$ 180,174	\$ 194,510
Communications, printing and supplies	201,030	181,623
Computer maintenance	244,694	214,867
Depreciation	451,446	450,564
Dues and fees	99,979	124,607
Interest and bank charges	198,312	187,835
Miscellaneous	41,463	51,781
Postage	78,282	79,987
Professional development	76,222	80,840
Professional fees	1,037,491	887,840
Salaries		
Board members	68,244	67,542
Staff members	5,323,273	5,230,242
Benefits	934,805	976,939
Retirement benefits	132,428	141,331
Telephone	97,078	103,691
Travel	<u>237,288</u>	<u>207,979</u>
	<b>9,402,209</b>	<b>9,182,178</b>
Less allocation to benefits liabilities (Note 11)	<u><b>(1,620,000)</b></u>	<u><b>(1,498,000)</b></u>
	<b><u>\$ 7,782,209</u></b>	<b><u>\$ 7,684,178</u></b>



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