Our clients are our focus.

Annual Performance Report 2011

WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION

Strategic Issues and Goals

Client Service

Claims Management Delivery

Prevention

Financial Sustainability

Eugene George, Maintenance Services, Icewater Seafoods. *This Arnold's Cove employer has demonstrated a strong commitment to occupational health and safety resulting in a reduction in lost time injury and illness. The Plant has been recognized for making improvements in health and safety and environmental responsibility.*

Lost Time Incidence Rate 2007- 2011
Soft Tissue Lost Time Incidence Rate 2007- 2011*
Employment Level 2007- 2011

Note: 2011 incidence rate figures are based on projections

*Prevention of soft tissue injuries is an important and challenging priority.

Contents

Cover Photo:

Diane Reid, General Manager, Oceanex Newfoundland. *Oceanex delivers transportation services throughout Eastern Canada and is committed to a strong occupational health and safety culture. Oceanex core values support safety, reliability and service efficiency.*

At a Glance 2011

	2011	2010	2009	2008	2007
Incidence Rate[1]	**1.8***	**1.8**	1.9	1.9	2.0
Soft Tissue Incidence Rate	**1.2***	**1.2**	1.2	1.2	1.1
Short-Term Disability Claims[2]	**4,070***	**4,012**	3,999	4,255	4,353
Health Care Only Claims[2]	**1,959***	**2,137**	2,335	3,139	3,601
Accepted Fatality Claims[3,4]	**33**	**32**	42	26	23
Accidents Resulting in Fatality	**6**	**13**	25	6	7
Occupational Disease	**27**	**19**	17	20	16
Short Term Claims Duration[5]	**39**	**40**	39	42	39
Average Assessment Rate[6]	**$ 2.75**	**$ 2.75**	$ 2.75	$ 2.75	$ 2.75
Registered Employer Accounts	**18,291**	**17,161**	17,001	16,704	16,477
Employer Assessments ($ million) (including self-insurers)	**$ 188.4**	**$ 166.3**	$ 160.0	$ 151.8	$ 137.7
Claims Costs ($ million)[7]	**$ 154.0**	**$ 149.0**	$ 156.3	$ 146.9	$ 138.3
Net Fund Deficiency ($ million)[8]	**$ (71.6)**	**$ (49.8)**	$ (105.9)	$ (187.9)	$ (29.4)
Funded Ratio (%)[9]	**91.8**	**94.2**	88.0	77.3	96.3

*Based on projections

1. Number of lost time claims per 100 workers employed.
2. The number of new claims reported, accepted and paid up to March 31 of the following calendar year. Health care only claims do not involve lost-time from work.
3. Accepted fatality claims are the total number of fatalities that were accepted in that calendar year.
4. Correction of historical record. Through a review of workplace fatality statistics, the Commission has learned that eight accepted fatality claims from occupational disease over the period from 1986-2010 were not correctly coded as workplace fatalities, although all benefit entitlements were delivered. The eight occupational disease fatalities not coded are for the years 1986, 1988, 1996 (2), 2007 and 2008 (3). In many cases, the fatalities occurred in years prior to the claim being filed and/or accepted. The Commission's reporting procedure requires workplace fatalities be reflected in the year in which the claim was accepted.
5. Short term claims duration is defined as the number of days for which temporary earnings loss benefits are paid for injuries occurring in the same reference year.
6. Average assessment rate is the rate actually charged per $100 of payroll.
7. Claims costs includes current year payments plus expected future payments for all injuries occurring and accepted in the year.
8. The adoption of the International Financial Reporting Standard (IFRS) required the 2010 net fund deficiency to be restated as $(49.8) million. The 2010 Annual Performance Report (APR) previously indicated the 2010 net fund deficiency to be $(53.9) million as per Canadian generally accepted accounting principles.
9. The adoption of IFRS required the 2009 funded ratio to be restated as 88.0 per cent and the 2010 funded ratio to be restated as 94.2 per cent. The 2010 APR stated the 2009 funded ratio to be 87.5 per cent and the 2010 funded ratio to be 93.7 per cent.

For full details on the Commission's key statistics, please refer to the Management Discussion and Analysis and Financial Statements starting on page 45.

Lost Time by Part of Body & Accepted Claims by Type of Accident

Lost Time - Part of body	2011* Injuries	2011* rate per 100 workers	2010 Injuries
Back, including spine, spinal cord	1,096	0.487	1,059
Multiple body parts	754	0.336	783
Leg(s)	330	0.147	304
Finger(s), fingernail(s)	285	0.127	300
Shoulder, including clavicle, scapula	280	0.124	285
Ankle(s)	176	0.078	175
Arm(s)	149	0.066	170
Hand(s), except finger(s)	141	0.062	137
Wrist(s)	141	0.062	137
Foot(feet), including toe(s)	114	0.050	81
Chest, including ribs, internal organs	110	0.049	121
Neck, except internal location of diseases or disorders	107	0.047	104
Face	105	0.046	88
Pelvic region	72	0.032	71
Multiple upper extremities locations	70	0.031	56
Multiple lower extremities locations	34	0.015	41
Abdomen	31	0.014	31
Head, unspecified	30	0.013	27
Cranial region, including skull	25	0.011	10
Other	20	0.009	32
Total	**4,070**	**1.806**	**4,012**

Lost Time - Type of Accident	Injuries		
Overexertion	931	0.413	1,067
Bodily reaction	703	0.312	696
Fall on same level	533	0.237	471
Struck by object	423	0.187	408
Other bodily reaction and exertion	251	0.111	252
Fall or jump to lower level	220	0.098	201
Struck against object	172	0.076	166
Repetitive motion	152	0.067	158
Caught in or compressed by equipment or objects	133	0.059	137
Assaults and violent acts by person(s)	80	0.035	70
Exposure to caustic, noxious, or allergenic substances	64	0.029	70
Contact with temperature extremes	60	0.027	69
Water vehicle accident	49	0.022	59
Rubbed or abraded by friction or pressure	45	0.020	54
Nonhighway accident, except rail, air, water	44	0.020	36
Highway accident	33	0.015	26
Pedestrian, nonpassenger struck by vehicle, mobile equipment	15	0.007	12
Assaults by animals	10	0.004	6
Exposure to radiation	7	0.003	4
Other	145	0.064	50
Total	**4,070**	**1.806**	**4,012**

*Figures include forecast for injuries accepted after December 31, 2011 for injuries occurring in 2011.

Letter to the Minister

The Honourable Paul A. Davis
Minister of Service NL

Dear Minister Davis:

As Chairperson of the Workplace Health, Safety and Compensation Commission (the Commission), I hereby submit the 2011 Annual Performance Report in accordance with the government's commitment to accountability. The report was prepared under my direction and in accordance with the *Transparency and Accountability Act* and the Guidelines for Category 1 Annual Performance Reports.

The report presents the achievements and outcomes of the Commission's 2011 objectives as well as future opportunities to support its commitment to providing services to injured workers and dependents, employers and the public through the administration of the *Workplace Health, Safety and Compensation Act*.

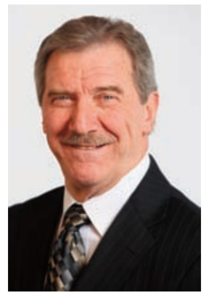
As Chairperson, my signature below is indicative of the board's accountability for the preparation of the Commission's Annual Performance Report 2011 and the achievement of the objectives as reported.

Ralph Tucker
Chairperson, Board of Directors
Workplace Health, Safety and Compensation Commission

May 28, 2012

Date

Workplace Health, Safety and Compensation Commission
Message from Board Chair Ralph Tucker and CEO Leslie Galway




Shared Responsibilities

Shared responsibility is the foundation of our workers' compensation system. Nearly 100 years ago, the Meredith Report outlined a no-fault insurance system with collective liability, independent administration and exclusive jurisdiction. The historic compromise from all stakeholders outlines the workers' compensation system that is in place in all jurisdictions in Canada today.

The system would provide no-fault insurance for employers and a safety net for workers in the event of injury. It would eliminate the risk of law suits aimed at employers, thereby removing a legal system with outcomes that were uncertain and costly to employers and workers and provide instead standard benefits for those who were injured.

This system has been in place for over sixty years in Newfoundland and Labrador. The legislation has evolved as government, employers and workers considered compromises on issues as they arose. In Newfoundland and Labrador, our statutory review process considers the issues that pertain to the system and its legislation every five years. The system has evolved to include prevention in order to prioritize eliminating the injury or illness in the first instance. Only when prevention fails is the no-fault system relied upon to eliminate the law suit through provision of standardized benefits.

The Workplace Health, Safety and Compensation Commission (the Commission) works with workers and employers to ensure a healthy and safe working environment, promote early and safe return to work and provide fair and reasonable compensation within a sustainable system. Each of the three stakeholders has a role to play and must take shared responsibility in this regard.

In 2011, the Commission continued to implement strategies and programs aimed at meeting its commitments and fostering cooperation among partners. Four key strategies help us achieve these goals:

1. **Preventing workplace injury and illness.** After all, work is interrupted when workers are injured, or if there is a high risk of illness or injury. Prevention improves productivity, health and well-being.

2. **Helping injured workers recover.** The fact is, early and safe return to work is proven to help injured workers recover faster and feel better. It also allows employers to get back to full capacity sooner and helps improve a workplace's financial sustainability.

3. **Providing excellent client service.** We provide injured workers with all the benefits they are entitled to in a respectful, prompt, efficient manner and we serve all employers in an effective, cost-efficient fashion.

4. **Maintaining a financially sustainable system.** The no-fault workplace injury structure must be entirely self-sufficient and self-sustaining in order to ensure confidence and security over the long term.

At the Commission we take all four of these strategies very seriously and strive to make improvements in all areas each year. In 2011, the Commission and its partners made significant progress. This progress includes a record low lost time incidence rate of 1.8 injuries per 100 workers and a reduction in time to first payment for wage-loss benefits. These and other accomplishments are highlighted throughout this report.

Prevention through sector safety councils

In 2011, the Commission worked closely with stakeholder groups representing workers, employers and all industry sectors to help strengthen our safety culture.

The first line of defence is the prevention and management of workplace injuries. One workplace accident has the ability to disrupt families and businesses, whereas prevention initiatives and injury management have the ability to boost an entire economy.

In Newfoundland and Labrador, leaders and all individuals have an opportunity to take on a bigger role in our shared commitments to safety by contributing to Safety Sector Councils. Building on the success of the construction sector, the Commission continued to work with Sector Advisors from the Newfoundland and Labrador Employers' Council (NLEC) and the Newfoundland and Labrador Federation of Labour (NLFL) as well as industry leaders in the forestry, fisheries and municipalities to advance the establishment of safety sector councils.

To find out how you can get involved in safety councils, call 778-1552.

Getting back to work

In 2011, the Commission worked with injured workers, employers and healthcare professionals, to ensure that injured workers had the opportunity to get back to work as soon as it was safe and practical to do so.

The average short term claims duration was reduced from 40 days to 39 days in 2011, and the Commission will continue to work with all parties to improve return to work outcomes. At the end of the year, the total number of injured workers on temporary earnings loss replacement was reduced by 13 per cent, as the number of injured workers receiving temporary earnings replacement was reduced to 835, compared to 960 in 2010. This reduction is intended to serve as a good first step as all stakeholders continue to enhance the culture of early and safe return to work.

All employers and workers are required to cooperate in the return to work process for an injured worker when the worker is functionally able to work. Injured workers also have to seek out and cooperate in medical treatment to promote recovery and return to work. Many employers have an obligation to reemploy the injured worker and to accommodate as required. The Commission will continue to coordinate this shared commitment between employers and injured workers. If return to work outcomes cannot be agreed to, Commission employees will meet with all workplace parties and work towards overcoming the barriers identified.

Client service excellence

Commission employees and the Board of Directors are committed to providing all clients with professional, respectful, helpful client service in all interactions, while adhering to the legislative requirements set out in the *Workplace Health, Safety and Compensation Act*.

In 2011, the Commission continued to be perceived favourably by its clients. A random-sample telephone survey conducted by an independent market research firm during the fourth quarter indicated that of those with quite a bit of contact, 75 per cent had a good or excellent opinion of the Commission. This represents an improvement over 2010, when 71 per cent reported a good or excellent opinion of the Commission.

The Commission remains committed to continual improvement of its client service. The Commission highlights and recognizes good client service through a good news stories network and in 2011 reported good news stories, including letters of thanks and commendations to employees from our external clients. As the foundation of its client service strategy, the Commission enabled more than 100 employees to participate in client service excellence training in 2011, with an additional 100 employees signed on to participate in 2012. Client Service remains the Commission's leading value.

Financial sustainability

The Commission and its employer and worker partners work in three specific areas to help ensure the financial sustainability of the workplace health, safety and compensation system:

- Reducing injuries;
- Working closely with health care providers and other suppliers to contain costs while maintaining service to our injured workers, employers and workplace partners;
- Adhering to the stakeholder supported funding policy.

In 2011, the Commission worked closely with physiotherapists, chiropractors, physicians and occupational therapists, supporting long-term, cost-effective agreements which are in place to give injured workers access to health care services that help them stay at work or experience an early and safe return to work.

The Commission has also engaged auditors, financial advisors and actuaries to ensure it follows best practices which ensure the long term viability of the injured workers fund.

The most effective way to ensure financial sustainability, however, is simply to reduce workplace accidents.

Over the past decade we have developed programs which allowed some 30,000 workers in the province to be trained for occupational health and safety committees. Within the framework of *Occupational Health and Safety Regulations*, we have brought in necessary training standards in high risk areas including power line hazards certification, mine rescue training, occupational health and safety and traffic control.

In 2011, we introduced new standards for fall protection training and developed curriculum for confined space training, which takes effect at the end of 2012.

Most important, we have made significant progress in reducing workplace injuries. A dozen years ago the Commission was accepting more than 6,500 claims per year for workplace injuries that caused loss of wages. In 2011, that number was reduced to 4,070, despite the fact the labour force has grown by more than 25,000 workers. This reduction in injuries has resulted in the savings of hundreds of millions of dollars in claims costs and future liabilities.

By continuing to work closely as partners with all stakeholders, we will continue to reduce the hardship associated with workplace accidents and ensure the sustainability of the workplace health, safety and compensation system in Newfoundland and Labrador. The Commission, employers and workers, together we have made a difference to workplace health, safety and compensation and will continue to do more in the future. That is our shared responsibility.

Ralph Tucker
Chairperson, Board of Directors
Workplace Health, Safety and
Compensation Commission

Leslie Galway
CEO
Workplace Health, Safety and
Compensation Commission

Workplace Health, Safety and Compensation Commission
Board of Directors

Board Chairperson
Ralph Tucker

Elizabeth Forward

Grant Barnes

Kimberly Dunphy

John Peddle

Leslie Galway

Darren Roberts

Jack Parsons

Greg Pretty

George Kean

Cavell Bolger

Jacqueline Fizzard

Board Chairperson
Ralph Tucker

Worker Representatives:
Grant Barnes
George Kean
Greg Pretty

Employer Representatives:
Jack Parsons
John Peddle
Darren Roberts

Public Representatives:
Cavell Bolger
Jacqueline Fizzard
Elizabeth Forward

Ex-Officio Members

Chief Executive Officer:
Leslie Galway

Assistant Deputy Minister, Occupational Health & Safety Branch, Service NL
Kimberly Dunphy

External members of the Investments Subcommittee of the Financial Services Committee.

Ray Smallwood

Bruce Templeton

William Holden

Tom Lappalainen

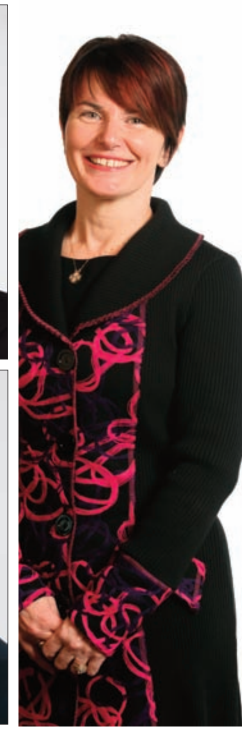
Maureen McCarthy

Workplace Health, Safety and Compensation Commission
Senior Executive Team

Tom Mahoney | Brenda Greenslade | Paul Kavanagh | Eric Bartlett | **Chief Executive Officer** Leslie Galway










Ann Martin | Glenda Peet | Chris Flanagan | Helen Kavanagh

Chief Executive Officer
Leslie Galway

Chief Financial and Information Officer
Paul Kavanagh

Executive Director, Worker Services
Tom Mahoney

Executive Director, Employer Services
Brenda Greenslade

Executive Director, Corporate Services
Eric Bartlett

General Counsel and Corporate Secretary
Ann Martin

Director, Human Resources
Glenda Peet

Director, Communications
Chris Flanagan

Executive Assistant
Helen Kavanagh

Client Service Office Report 2011

***WHSCC Occupational Health and Safety Advisor Karen Gosse**, right, provides safety audit services, PRIME compliance advice, workshop training and other prevention initiatives to **Icewater Seafoods Health & Safety Coordinator Brenda Hickey** and others at the company's modern processing facility in Clarenville. Icewater employs 200 people in this province.*

The Client Service Office (CSO) is responsible for enhancing quality service and helping injured workers and employers in a neutral and confidential manner. The CSO is an independent office reporting directly to the Board of Directors on the quality of service delivery to Commission stakeholders. The CSO works to provide clients with the information necessary to understand the next step in the process and to help clients connect with the right people in the Commission. This support is provided to injured workers and employers with the goal of resolving service concerns in a timely and fair basis.

Over the past year, the total number of calls to the CSO decreased from 274 inquiries in 2010 to 238 inquiries in 2011. Of these inquiries, 94 per cent were resolved within 9 business days. In some instances, inquiries to the office deal with more than one issue. In 2011, the number of service issues declined significantly to 291 from 401 in 2010.

Call trends demonstrate there have been noticeable improvements in communications between the Commission and clients as well as improvements in timeliness, staff accessibility, fairness of policy and procedure, and employer account issues. Commission initiatives such as the implementation of client service standards and principles for respectful, prompt service; and improvements to how the Commission manages claims though the claims management model have contributed to these improvements.

These accomplishments are significant however, the Commission strives to realize further improvements for the clients it serves. Calls to the CSO indicate the greatest service concerns continue to relate to the timeliness of adjudication, referral and payments; staff accessibility; and fairness. Client service is a key strategic focus and core value for the Commission. The Commission's service commitment is reflected in its continued

SERVICE ISSUE	2011	2010	2009
Timeliness (adjudication, referral, or payment)	103	113	101
Accessibility of Staff	71	110	117
Communication (verbal or written)	23	61	33
Other	42	43	0
Fairness of policy or procedure	33	42	42
Employer Account Issues	6	17	6
Staff Conduct	10	12	7
General Inquiry	0	2	27
Staff Appreciation	3	1	0
TOTAL # ISSUES	**291**	**401**	**333**
TOTAL # FILES (new and re-opened)	**238**	**274**	**298**

LENGTH OF TIME TO RESOLVE ISSUES	2011	2010	2009
0 to 9 Business Days	94%	99%	97%
10 to 20 Business Days	4%	1%	3%
21+ Business Days	2%	0%	0%
TOTAL FILES	**100%**	**100%**	**100%**

supportive relationship with the CSO, the ongoing cooperation exhibited by staff within the organization to address service issues and the continual evaluation of programs and services for injured workers and employers to ensure their needs are being met in the most efficient, timely and cost effective way.

The CSO works collaboratively with Commission managers, directors and executive to bring forward service concerns requiring resolution and to ensure further service improvements for injured workers and employers. The CSO and Commission will continue with this approach into 2012 and beyond to ensure a fair and quality service for all clients. It is my commitment to provide exceptional service to the people that call the CSO for assistance and to work diligently with injured workers, employers, and Commission staff to strengthen relationships and enhance the service culture. I look forward to another successful year in 2012.

Deann Bussey, -*Client Service Officer*

WHSCC Overview

***Wayne King**, left, of Loblaw Companies Limited (Dominion supermarkets) is one of more than 200,000 workers in the province insured through the Workplace Health, Safety and Compensation Commission. The Commission serves more than 17,500 employers and 12,000 injured workers. The Commission promotes safe and healthy workplaces, provides return to work programs and offers fair compensation to injured workers and their dependents.*

Mandate

The Commission provides services to employers, injured workers and dependents, and the public through the administration of the *Workplace Health, Safety and Compensation Act* (the *Act*). These services include the promotion of workplace health and safety in order to prevent and reduce workplace injuries and occupational disease. The Commission also works to ensure injured workers receive the best care possible, receive benefits to which they are entitled, recover from their injuries, and return to work in an early and safe manner. In addition, the Commission must also ensure adequate funding for services through sound financial management.

Vision

The vision of the Commission is of safe and healthy workplaces within a viable and sustainable insurance system which reduces the impact of workplace injuries by providing the highest level of service to workers and employers.

Mission Statement

By December 31, 2016, the Commission will have improved client service to support the prevention and management of workplace injuries, illnesses and known occupational disease.

Values

Staff Breakdown by Gender and by Region	
Females	284
Males	84
Vacancies	30
TOTAL	**398**

Staff Breakdown by Region	
St. John's	345
Grand Falls - Windsor	22
Corner Brook	31
TOTAL	**398**

Client Service
Each individual will provide accessible and timely service in the delivery of the Commission's programs to our clients.

Safety
Each individual will take responsibility for their own safety and the safety of coworkers and others in the workplace.

Compassion
Each individual will treat each other and those they serve truthfully, fairly and with care and empathy.

Leadership
Each individual will perform their roles and responsibilities and will work towards being a recognized leader in their position; and each individual will initiate and promote improvements in how they serve others and work together.

Teamwork
Each individual will support each other and work collaboratively to ensure the Commission fulfills its mandate.

Accountability
Each individual will be responsible for their actions and performance to help the Commission achieve its mandate.

Lines of Business

The Commission has three lines of business:

- Education on the prevention of workplace injuries, illnesses, and occupational disease.
- Injured workers' claims management.
- Employer assessments (insurance coverage).

Functional Areas

The Commission's lines of business are supported by four main functional areas:

- Employer Services – prevention and assessment services.
- Worker Services – compensation and health care services.
- Corporate Services – communications, corporate governance and planning, human resources, internal audit, legal and investigations.
- Financial Services – finance and information technology services.

Refer to the Workplace Health, Safety and Compensation Commission 2011 – 2013 Strategic Plan for further details on the Commission's mandate and lines of business. Go to http://www.whscc.nl.ca/publications.whscc and select "Strategic Plan".

Highlights and Accomplishments

Client Service

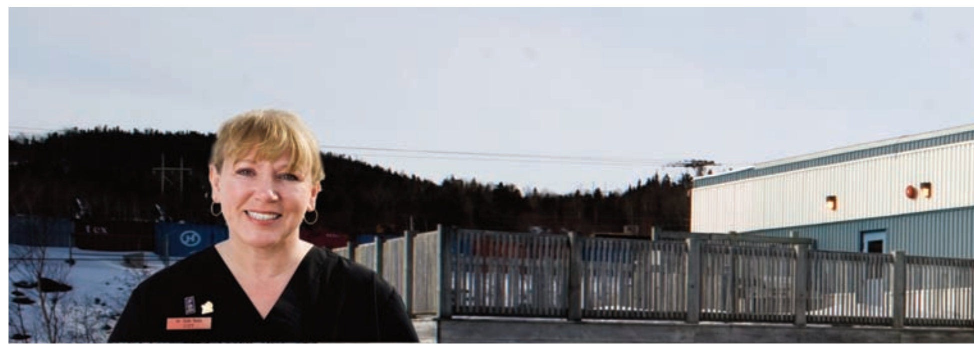
2011 Highlights:

- Made interest-free payment plans available to all employers.
- Introduced **fastfile** online service, with more than 2,000 employers filing annual employer statements through **fastfile** in its first year.
- Developed an integrated client service strategy.
- Completed brand review.

As of December 31, 2011:

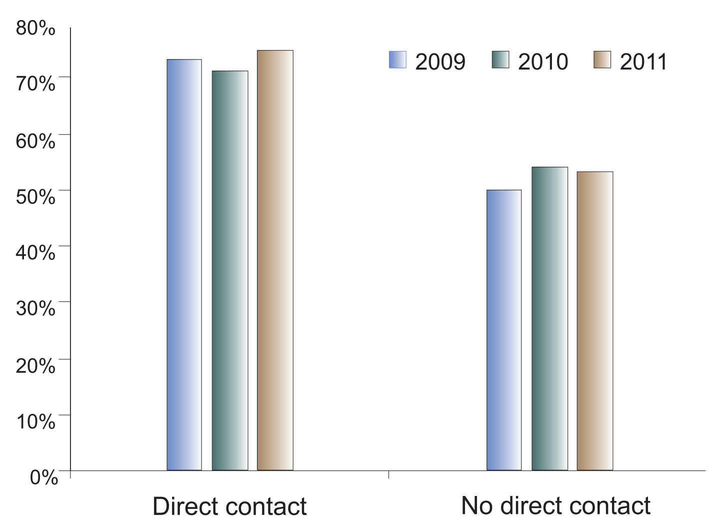
- Approximately 3,000 employers registered for online services.
- 76,000 clearance letter requests processed through the web.
- More than 50% of physiotherapy clinics registered for online reporting with 4,700 reports submitted.

For full details on the Commission's 2011 strategic goals and commitments, please see the Report on Performance beginning on page 24.



St. Jude Hotel in Clarenville, one of 3,000 employers registered for the Commission's **connect** *services, files its annual employer statements online.* ***Lucy Critch*** *looks after Executive Housekeeping at St. Jude's, which was recently awarded the Newfoundland and Labrador Employer Council's 2011 Employer of Distinction Award in the small employer category. The award recognizes business excellence and a fundamental belief in the value of a healthy, safe workforce.*

Percentage of respondents with an Excellent or Good opinion of the Commission



Those who had more contact with the Commission had a much higher opinion of the Commission. Of those with direct contact, 75% had a good or excellent opinion of the Commission.

Enhanced payment plan offers improved flexibility, greater interest relief.

The plan allows employers to spread their payment over the calendar year, interest-free, through pre-authorized debit.

Following consultation with key stakeholders, the Commission significantly improved its deferred payment plan for employers. In 2011, the Commission put in place systems upgrades and requested regulatory changes necessary to provide all employers with an enhanced interest-free deferred payment plan. The plan allows employers to spread their payment over the calendar year, interest-free, through pre-authorized debit.

In addition to spreading payments through to the end of December, employers can choose their assessment payment interval as weekly, bi-weekly, semi-monthly, monthly or quarterly.

The improved plan will particularly benefit sectors with seasonal variations in cash flow and will provide interest relief for all employers regardless of their size.

The enhancements involved consultation with the Newfoundland and Labrador Employers' Council (NLEC), the Canadian Federation of Independent Business (CFIB) and the Newfoundland and Labrador Federation of Labour (NLFL). These client-focused enhancements were put in place in 2011 to take effect January 1, 2012.

The Commission is making the necessary investments to streamline services for employers and reduce the administrative burden for all clients.

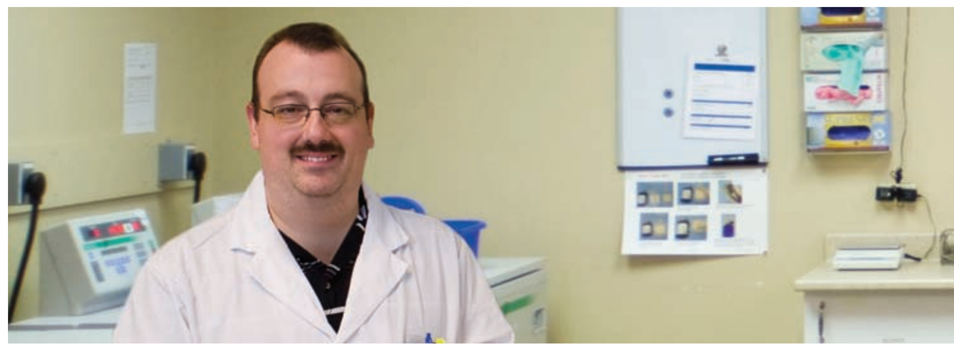
Shared Commitments

Injury Prevention

2011 Highlights:

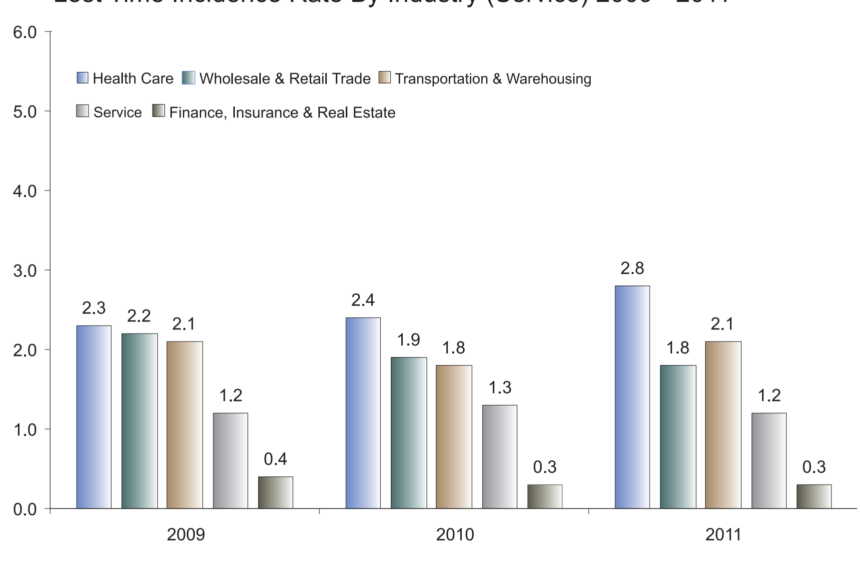
- Distributed a comprehensive discussion paper for stakeholder input for the new prevention strategy.
- Implemented new fall protection training standards.
- Certified 15 training providers and 56 trainers to deliver fall protection training.
- Completed planning for the implementation of training standards and requirements for Confined Space Entry (CSE) which take effect January 1, 2013.
- Developed Power Line Hazards Trainers course.
- Delivered *Who Wants to Save a Life*? game show to high schools across the province.
- Coordinated and presented Health and Safety Educator of the Year and Radio/Video Ad contest awards.
- Identified new occupational disease prevention workshops for delivery in 2012.
- Completed educational needs assessment for top five high-risk industries to help reduce injuries in these sectors.

For full details on the Commission's 2011 strategic goals and commitments, please see the Report on Performance beginning on page 24.

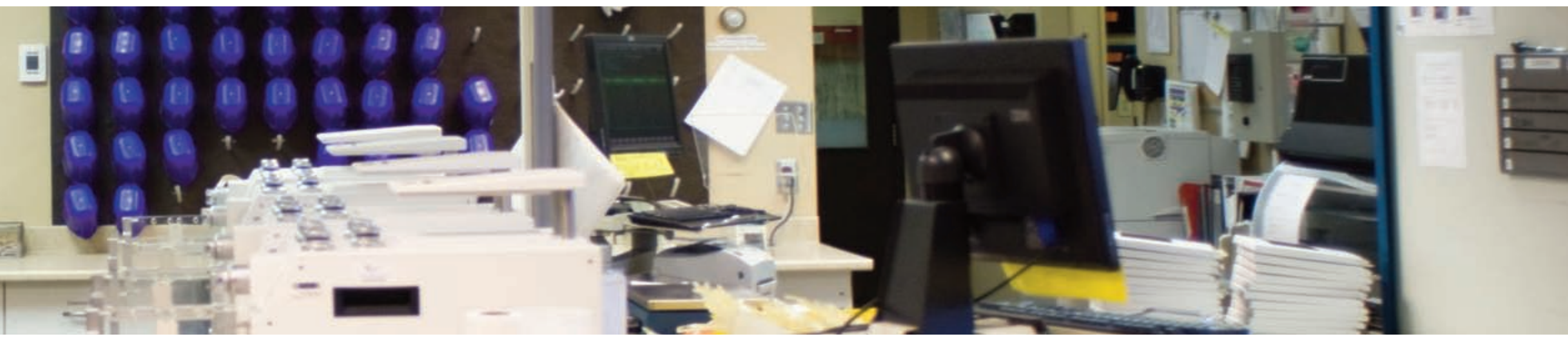


***Chris Leaman** of Canadian Blood Services worked with his fellow employees to create a buddy system to lighten the load when rolling product up a ramp to a walk-in freezer. Their back injury-prevention initiative won praise from workers, their employer and the Commission, all partners in injury prevention. Canadian Blood Services is a not-for-profit, charitable organization whose mission is to manage the blood and blood products supply for Canadians. Their pursuit of safety is reflected in organizational structure and in every management and operational decision.*

Lost Time Incidence Rate By Industry (Service) 2009 - 2011



The Commission has developed programs facilitating the training of 30,000 workers for occupational health and safety.



Training standards in high risk areas such as fall protection, power line hazards, mine rescue, traffic control and confined space help workers stay safe and allow employers to strengthen safety policies.

In 2011, the Commission implemented new fall protection training standards to help prevent injuries that result from falls from heights.

Working closely with the Occupational Health and Safety Branch of Service NL, the Commission developed new standards which took effect on January 1, 2012.

The fall protection training standard requires workers working above heights of three metres or above dangerous areas, or working with fall protection equipment, to have completed a minimum of two days of training from an approved training provider. A transition period was put in place for those who received training between January 1, 2009 and December 31, 2011 based on other curriculum. These workers must complete new fall protection certification training by an approved provider by December 31, 2012.

Workers who have not completed an approved training program will not be permitted to work from heights, or to work with fall protection equipment in Newfoundland and Labrador.

Five workers in Newfoundland and Labrador died as a result of falls from heights between 2005 and 2011. The new training requirements will help minimize the risk that these types of tragedies are not replayed across the province.

The use of fall protection equipment is required in all industries in Newfoundland and Labrador. These include, but are not limited to, general construction, residential construction, road construction, roofing, utilities, oil, mining, fishing and municipalities.

The Commission continues to review and certify training providers and training curriculum. The Commission maintains a list of approved training providers and courses on its website at:

www.whscc.nl.ca/PREV_FallProtection

Injury Reduction

__Rosarii Withers__ is Senior HR Advisor with Wood Group PSN Newfoundland, a company committed to reducing the risk of injury and ensuring the safety of its employees and everyone associated with its work. Withers says safety is engineered into everything they do, including design, construction, operations and maintenance. Wood Group PSN is the largest provider of brownfield services to the oil and gas industry.

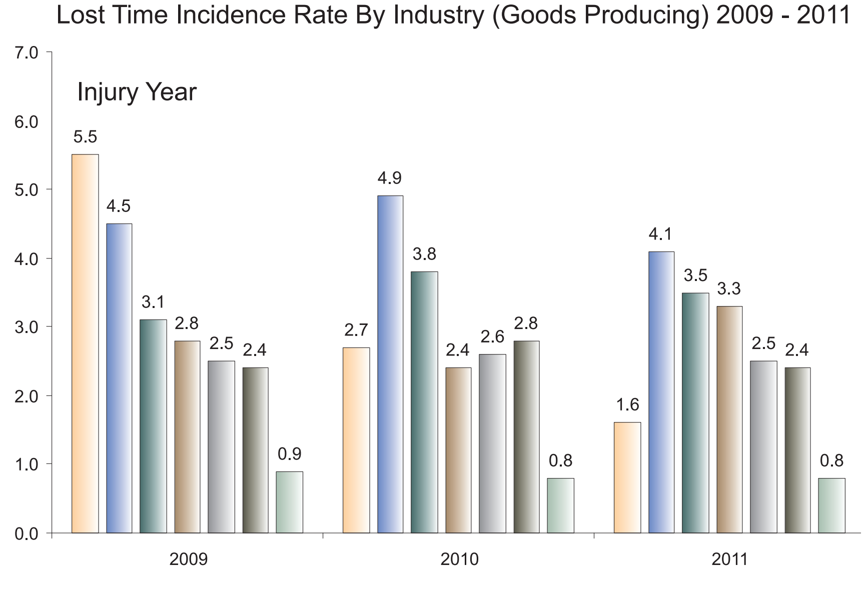
Financial Sustainability

2011 Highlights:

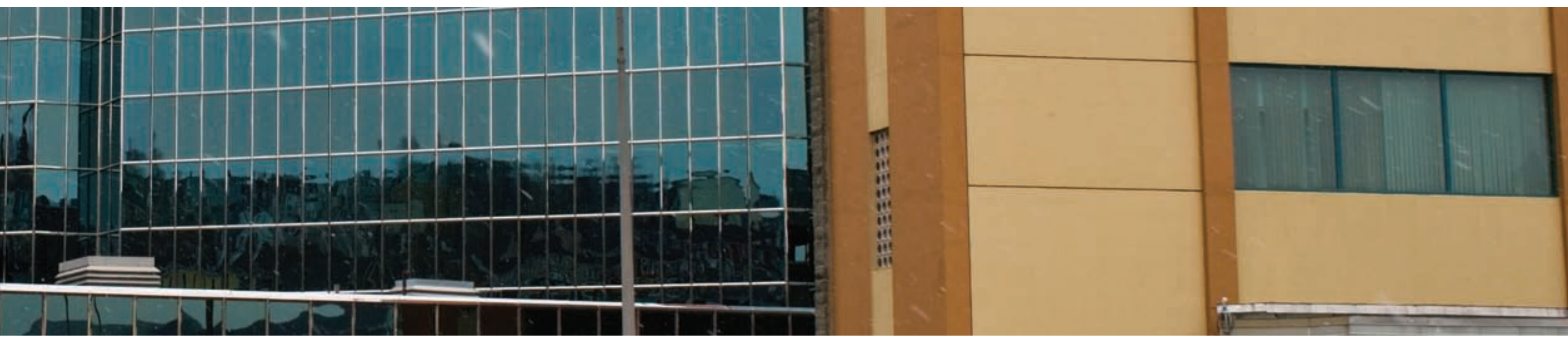
- Continued commitment to building culture of safety in the province to reduce injuries and maintain the injury fund.
- Lost time incidence rate remained at 1.8 per 100 workers, the lowest injury rate on record in Newfoundland and Labrador.
- Health care only claims declined from 2,137 in 2010 to 1,959 in 2011.
- Expanded the scope of procurement activities to mitigate the growth of claim costs and service delivery.
- Adhered to the funding policy.

For full details on the Commission's 2011 strategic goals and commitments, please see the Report on Performance beginning on page 24.

Lost Time Incidence Rate By Industry (Goods Producing) 2009 - 2011



Reducing injuries is the most effective way to ensure financial sustainability.



In 2011 the Commission reported the lowest injury rate on record for Newfoundland and Labrador.

Financial sustainability requires management practices and policies which ensure the province's injury fund is sufficient to cover current and future costs of all injury claims.

In 2011, revenues from employer assessments increased 13.3 per cent due to increased economic activity and higher payroll.

The Commission's funded position decreased from 94.2 per cent to 91.8 per cent, due primarily to unfavorable market conditions.

The Commission adhered to its funding policy which requires a surcharge on assessments to remain in place until the funded position reaches 110 per cent.

The projected lost time incidence rate for 2011 was 1.8 injuries per 100 workers in the province, equal to the 2010 rate, which was the lowest rate ever recorded in the province.

There were a projected 4,070 injuries reported in 2011 that resulted in workers missing time from work. The Newfoundland and Labrador workforce was estimated at 225,400 workers.

The lost time incidence rate has decreased in 10 of the past 12 years.

The Commission's long term, focused effort on preventing injuries and helping injured workers get back to work will reduce the human and financial toll of workplace injuries and ensure financial sustainability.

For further detail on the Commission's financial position and key statistics, please see the Management Discussion and Analysis and Financial Statements starting on page 45.

Opportunities and Challenges

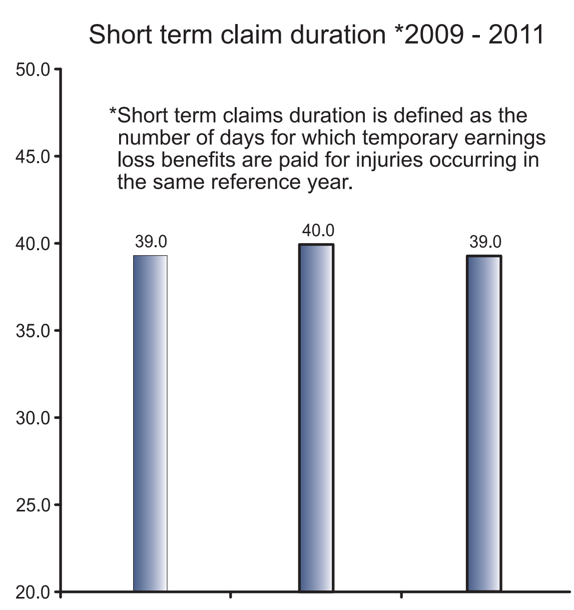
Claims Management Delivery

2011 Highlights:

- Rolled out new claims management software to case management teams.
- Reduced time to first payment to 14.8 days compared to 15.6 days in 2010 and 19.6 days in 2009.
- Reduced average short term claims duration to 39 days compared to 40 days in 2010.
- Delivered client service excellence training to front line service staff.
- Delivered early and safe return to work (ESRTW) training to key personnel.

For full details on the Commission's 2011 strategic goals and commitments, please see the Report on Performance beginning on page 24.

One of the greatest opportunities for strengthening the province's culture of safety is to reach out to young workers, such as City of St. John's employee ***Gary Connolly****. Gary worked with an experienced city worker to develop a new suction method for emptying buckets that prevents heavy lifting and reduces the risk of injury. The Commission's young workers' strategy addresses the challenges and opportunities associated with young workers many of whom are at higher risk of injury due to limited occupational health and safety knowledge and work experience.*



In 2011 the average time to first payment was reduced to 14.8 days compared to 19.6 days 24 months earlier.

Returning to work as quickly and safely as possible is the best way to recover from a workplace injury.

To address the challenge of injury claim duration and to help injured workers get back to work, the Commission improved its claims management model, speeding delivery of services and benefits to workers, and improving services to employers.

Rising health care costs, timely access to medical treatment and gaps in ESRTW participation are major challenges facing workers' compensation systems. In this province these challenges are being met through increased engagement with our partners and improvements to our claims management model.

The Commission's claims management model incorporates client data in a secure location and provides better tools for decision makers. This allows the Commission's claims management teams to coordinate medical treatments more efficiently, begin ESRTW sooner, respond to client requests quicker and provide relevant information to case management team members in real time.

One true measure of success has been the reduction in the average time it takes to deliver the first wage-loss benefit payment to injured workers. In 2011, the average time to first payment was reduced to 14.8 days, compared to 19.6 days 24 months earlier. The model also provides alerts to help ensure referrals, treatments, prescription renewals and other activities are carried out and followed up.

Employers will benefit from the new system, as inquiries about return to work activities can be dealt with more efficiently and their workers will return to work sooner.

Reducing the average duration of workplace injury claims wherever safely possible will continue to be a key challenge for the Commission. Returning to work as quickly and safely as possible is the best way to recover from a workplace injury.

Refer to the Management Discussion and Analysis on page 45 for the Commission's forward looking statements on 2012 opportunities and challenges.

WHSCC 2011 Report on Performance

The Report on Performance highlights the four strategic issues representing the key priorities for the Workplace Health, Safety and Compensation Commission (the Commission) and the results achieved in 2011. Performance information is provided for the objectives.

The strategic issues were identified in consideration of government's strategic direction, the Commission's mandate and available resources. 2011 results support the achievement of our mission as well as government's strategic direction of improved client service within a financially sustainable system.

Strategic Issue One: Client Service

Goal:

By December 31, 2013, the Commission will have improved client service.

2011 Objective:

By December 31, 2011, the Commission will have initiated processes to improve service delivery.

Measure:

Initiated processes to improve service delivery

Client service has been a strategic issue for the Commission since 2004 and part of a new business model to achieve its mandate. Intrinsic to this model is the requirement to offer programs and services to the Commission's clients at a high standard of service. Client service is inherent in each of the Commission's lines of business, whether it is providing compensation and health care services for injured workers, or promoting and fostering a safe and healthy workplace for all workers and employers, or ensuring employers' assessments reflect their work injury experience. Client service is a common element in the Commission's long term strategic initiatives including PRIME which couples insurance and an incentive for employers to undertake safety improvements and return to work initiatives; early and safe return to work promotion; the claims management model; web services; and new programs to raise awareness of workplace health and safety injury and illness prevention practices.

While the Commission has made significant progress in the area of improved client service, there are a number of important elements required for continuing progress. The development of a client service strategy is key for defining future directions and to enhance current service levels. The Commission must also ensure service delivery mechanisms support a client-first culture both in terms of accessibility and timeliness. A memorable brand that signifies the change and focus on client service excellence will guide the future. Over 2011, the Commission undertook a number of initiatives to support these elements of improved service delivery. These initiatives are in direct support of government's strategic directions of improved client service in a financially sustainable system.

Indicator: Developed an integrated client service strategy

The Commission's Board of Directors approved a client service strategy in 2011 that provides an integrated approach to client service delivery based on internal client feedback, recommendations from injured worker, employer and employee surveys as well as best practices in established client service research. The strategy establishes the foundation for a common definition of client service and highlights an approach to developing a commitment and common understanding of client service. The strategy is expected to be delivered over a five year period with annual milestones and engagement of internal and external clients in the review of Commission programs, services and delivery mechanisms. The strategy provides a framework that will establish a more integrated, organization-wide system approach to service delivery; realign the organization to a client-centric culture; and integrate programs and services to the needs of injured workers and employers with a collaborative, client focus. This strategy and its implementation is guided by the Commission's mission, vision and values. At the end of the implementation, the Commission will be positioned to realize its vision of the highest standard of service for the future.

The Commission has already started delivering strategy elements, realizing improvements in the areas of timeliness, accessibility and client focus. In 2011, the Commission continued its partnership with government through Service NL and Service Canada to deliver client service excellence training to all Commission staff. This program provides an opportunity to develop skills and knowledge to serve clients more effectively at a level aimed at going beyond expectations. To date over 120 Commission staff have been trained. The Commission continues to invest in staff development through additional training and succession and capacity planning to contribute to improved client service levels. Additional web services were implemented to improve access channels for clients, reduce client's administrative burdens and improve processing times. Enhancements to existing services were also made based on client feedback to improve the online experience for our clients. The ongoing implementation of the claims management model has resulted in further reductions to time to first payment which was 14.8 days in 2011, down from 15.6 days in 2010 and 19.6 days in 2009. In addition, short term duration is down to 39 days in 2011 from 40 days in 2010. Client service principles and standards are in place to demonstrate the Commission's commitment to providing a respectful, informed and prompt response. Increased collaboration between departments will contribute to improved early and safe return to work efforts, improved service delivery to employers and mitigation of rising health care costs.

Client service continues to be a key consideration for all the Commission's long term projects and operational initiatives. The extensive and broad scope of the integrated client service strategy requires a multi-year approach and continuing change at the Commission. Given the degree of change, a change management program including change management training for staff is ongoing. This program focuses on improving work approaches through team building, enhancing internal communications and improving client service.

Indicator: Improved access to Commission services

The Commission offers clients three channels to access information and services: in person, over the phone and online. Web services offer clients an easy, secure method of accessing information and services. The web services initiative has been in place since 2006 with the goal of improving the timeliness and accessibility of services, improving processing efficiencies and creating a community of stakeholders with a common focus on the workers' compensation system. In 2011, the Commission implemented three new web services, adding to the existing 53 services already implemented. In quarter one, the Commission launched the annual employer web service to allow registered and nonregistered connect employers to submit their annual statements (AES) online. A new online service was subsequently implemented to provide accountants and bookkeepers with single login access to securely submit statements, ensure accurate assessments, and consideration for PRIME refunds on behalf of multiple clients. Approximately 30 per cent of Commission employers used the AES service in 2011 and to date, almost 3,000 employers have registered with connect. The chiropractic reporting form was also implemented in September, allowing chiropractors to submit and view reporting forms online.

In addition to these new services, the Commission worked with employers and physiotherapists to implement enhancements to the existing services to optimize their online experience. A new information site was also deployed to provide stakeholders information on services,

tutorials, news and information and system availability information.
The Commission continues to promote these online services through regular communication with its clients and strives to ensure a coordinated approach between online and other service delivery channels.

Other client service initiatives designed to improve accessibility and timeliness of service included a newly renovated client service centre to optimize the working environment for front-line staff and clients. These renovations have included an increase in the number of interview rooms to decrease client wait times in a brighter and welcoming environment.

The Commission also announced an enhanced deferred payment plan offering several convenient payment options. Starting in 2012, employers will have the flexibility to spread assessment payments throughout the year, interest-free. This improved plan will benefit sectors with seasonal variations in cash flow and offer interest relief to employers regardless of size.

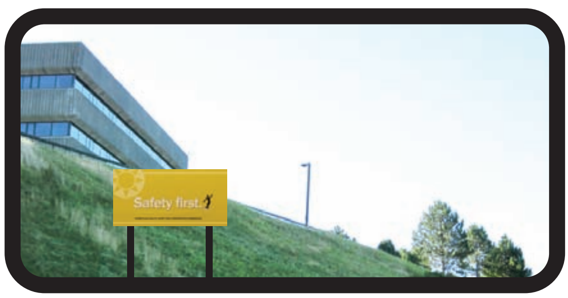
The Commission is committed to serving workers, their families and communities affected by occupational diseases. Following an extensive review of the St. Lawrence section of the *Workplace Health, Safety and Compensation Act*, the Commission announced a broader interpretation of this section of the *Act* in 2011. Coverage for workers at the former St. Lawrence Fluorspar Mine will be extended to cover surface workers involved in the past extraction or handling of fluorspar. The Commission also released its occupational disease prevention strategy with the goal of working toward eliminating future occupational disease.

The Commission also continued with its quality assurance model to ensure continuous improvement of claims management service delivery and ongoing support for Worker Services programs and processes. An analytic unit was established in the Prevention Services department to provide support for development and further enhancement of prevention programs and services.

Indicator: Completed planning and assessment for the brand review

In 2011, the Commission's Board of Directors approved a brand consistency initiative designed to revitalize the Commission's brand by improving brand clarity and enhancing the reputation of the Commission. The Commission delivers a variety of services under different identities. WHSCC is most associated with its workplace health and compensation services. Safework is associated with the Commission's prevention services and PRIME is associated with its behaviour based insurance assessment services.

The Brand Planning Report outlines the action plan to create and establish a consistent, memorable brand reflective of the scope of the organization's mandate. The new brand will complement the Commission's client service commitment and signify the change and enhancement to client service. Greater public awareness of the organization, its services and service excellence standards will be part of the brand and the Commission's messaging. Strengthening the Commission's brand will provide an opportunity to better communicate workplace safety initiatives, claims management services and information on the workplace health and safety compensation system. This will improve the Commission's ability to respond to the service needs of the over 12,000 injured workers and 18,000 employers that it serves. The new brand will be guided by the Commission's mission, vision and values and implemented in unison with the client service strategy. Next steps include consultation with stakeholders and development of a refined brand.



Summary

The Commission is committed to providing a high level of service to its clients and to strengthening the client service environment into the future. 2012 initiatives will build on the progress made in 2011 through the continued implementation of the client service strategy.

2012 Objectives and Indicators

2012 Objective:

By December 31, 2012, the Commission will have identified and initiated changes to improve service delivery.

Measure:

- Initiated changes to improve service delivery

Indicator:

- Continued implementation of elements of the client service strategy

Strategic Issue Two: Claims Management Delivery

Goal:

By December 31, 2013, the Commission will have further improved the delivery of claims management services.

2011 Objective:

By December 31, 2011, the Commission will have implemented initiatives designed to enhance the delivery and quality of claims management services.

Measure:

Implemented initiatives

The Commission has dedicated the last sixty years to its flagship client service of workers' health and compensation. The Commission is committed to strengthening claims management delivery for its clients in 2011 and beyond. In 2011, the Commission implemented changes to its claims management model, further developed its new quality assurance processes, enhanced early and safe return to work education efforts, improved the quality of the labour market re-entry program and improved access to information for case management teams to help injured workers and employers. These successes contribute to the Commission achieving improved claims management delivery, a major focus of the Commission's mission and government's strategic direction of improved client service.

Indicator: Continued implementation of the key elements of the claims duration strategy through the ongoing development of the claims management model

The claim duration strategy focuses on the primary objective of claims management, restoring an injured worker's health and employment. During 2011, the Commission continued to implement key elements of the claims duration strategy through the ongoing development and rollout of the claims management model, including changes to business practices and technology. This comprehensive model is focused on addressing claims duration factors within the Commission's control in its pursuit to facilitate the injured worker's health care requirements and early and safe rehabilitation at work.

A major focus in 2011 was on implementing changes to support the efficient routing of claims and claims information to Commission decision makers. A new distribution application was developed in 2011 for implementation in January 2012 to improve how claim information is routed through the business, including simultaneous routing of claim information to

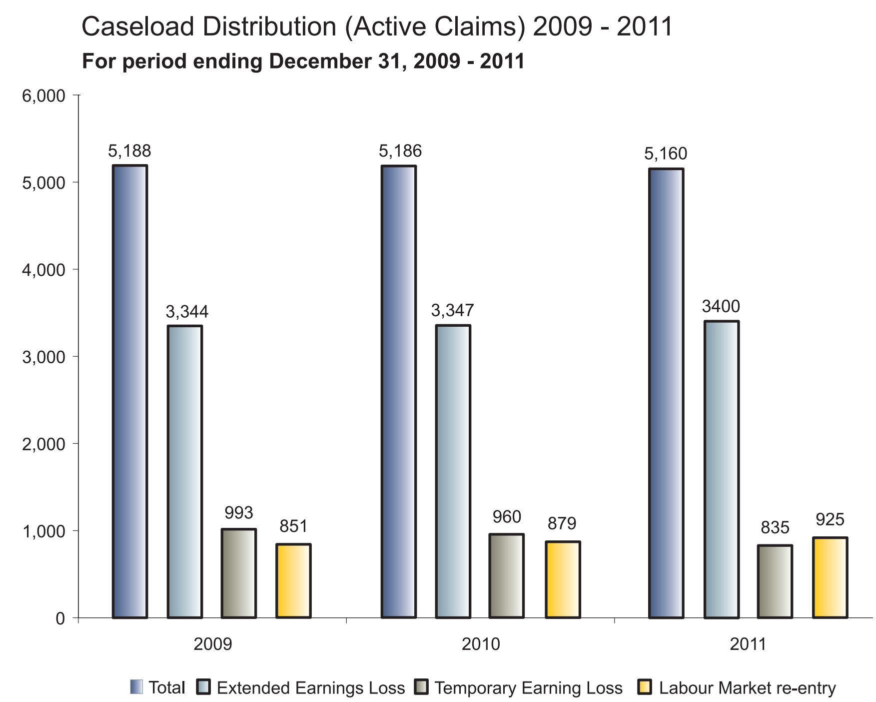
different job roles. Getting the right information to the right people at the right time ensures early intervention on claims and allows the Commission to better support injured workers and employers in early and safe return to work efforts as soon as the claim is filed. These changes also mean more timely access to information for faster decision making on claims yielding direct service benefits to the injured worker and the injury employer. Other technology improvements in 2011 included a case management application as well as improved technical supports for case planning and early and safe return to work.

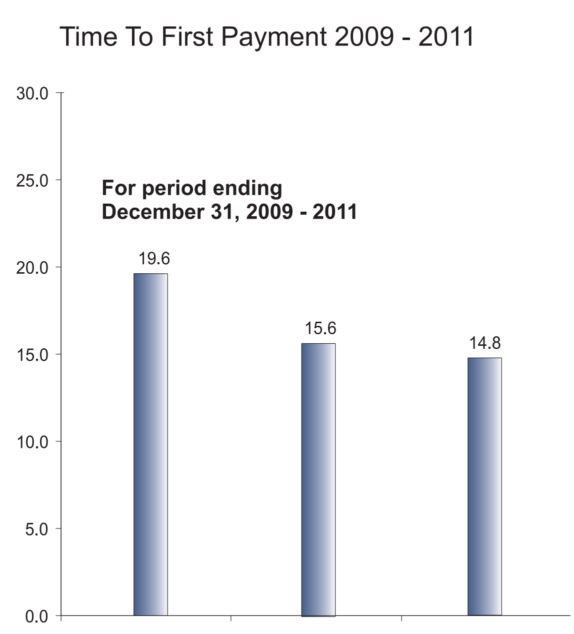
The Commission introduced structure changes in 2011. The Claims Registration area and Information Processing and File Management area were combined to improve processing efficiencies. The Entitlement function was also consolidated to one area to improve the quality and consistency of decision making. The primary objective of these areas is reflected in the time to first payment key performance indicator. Since 2009, time to first payment has declined from 19.6 days to 14.8 days in 2011, improvements realized from the claims management model.

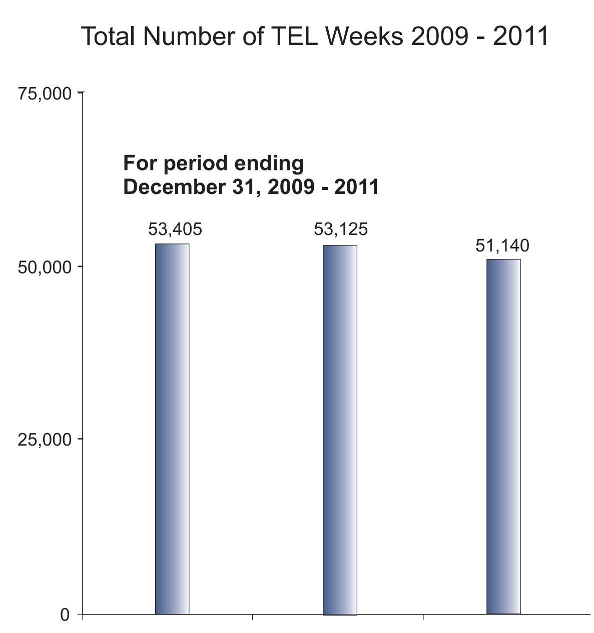
Quality assurance is an integral aspect of the claims management model and is designed to ensure continuous improvements in overall claims management delivery. 2011 efforts focused on supporting claims management teams in using new processes for managing claims, developing supporting technology and improving reporting. This approach results in more proactive case management and earlier intervention on claims. Staff training in return to work, medical management, and adjudication of hearing loss and fatality claims was also completed.

The Commission also continues to increase its focus on internal and external education efforts for early and safe return to work, a critical element of the claims duration strategy. In addition to training and technical changes to facilitate earlier intervention on claims, supports are provided to employers in the development of suitable return to work plans.

The model, including medical management planning, is part of the Commission's cost containment strategy to mitigate rising health care costs and lessen the impact of factors outside the Commission's control. The total number of temporary earnings loss (TEL) weeks decreased by approximately 3.7 per cent in 2011 as compared to 2010.







*Note: Numbers represent paid weeks on prior year and current year claims.

Indicator: Enhanced internal and external education efforts for early and safe return to work (ESRTW)

The Commission recognizes the importance of developing and implementing workplace-based return to work programs. These programs allow injured workers and employers to take a proactive approach in assisting injured workers to return to safe, suitable and productive work activities as soon as possible following an injury. An effective return to work program provides many benefits to all partners in the process including reduced cost of workers' compensation, hiring and training costs; improved productivity; participation in work activities while recovering from injury; legislative compliance; and improved employee retention.

Effective early and safe return to work requires communication, advice and support, access to timely information, and a return to work plan for setting goals and tracking progress. Organizations with trained staff in ESRTW usually experience higher success rates in return to work in a safe and suitable manner. The Commission undertook a number of activities in 2011 to enhance the education efforts for ESRTW for both internal staff and external parties involved in return to work planning. Internally, training on assessing the availability of suitable work was developed and delivered for ESRTW facilitators, case managers, managers, regional directors and team leads. This initiative complemented training on the return to work hierarchy. External education efforts included sessions with ten priority employers to enhance the ongoing interactions between these employers and the Commission's ESRTW facilitators. The Commission also developed a 2012 wall calendar with key messages related to early and safe return to work. The calendars were printed for distribution to employers in the province.

These activities are in keeping with government's action plan in response to the 2006 statutory review recommendations.

Indicator: Defined key performance indicators for ESRTW and labour market re-entry (LMR) programs

The goal of the early and safe return to work process is to return injured workers to employment that is suitable, available and if possible, restores the worker's pre-injury earnings. In 2010, the Commission completed a plan focused on enhancing the effectiveness of the ESRTW programs. Improvements made in 2011 included the introduction of appropriate technologies to support earlier intervention on claims, enhanced education for internal and external parties involved in the return to work process, and increased communications and collaboration with workplace parties. A key performance indicator for ESRTW has been defined as the participation rate of employers in ESRTW. The participation rate for 2011 is 50.2 per cent, up from 47.2 per cent for 2010 and 44.4 per cent for 2009.

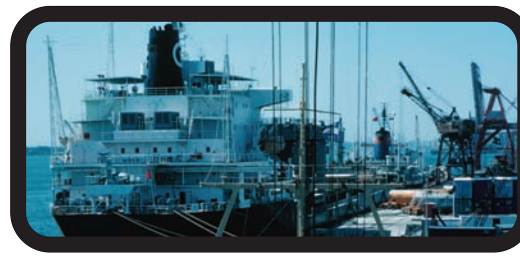
Where ESRTW activities do not meet return to work goals, the Commission will provide an injured worker with a labour market re-entry (LMR) assessment and if necessary, an LMR plan. LMR services ensure workers have the skills, knowledge and abilities to re-enter the labour market and reduce or eliminate their loss of earnings resulting from the work injury. An LMR quality improvement plan was developed outlining actions to improve program delivery, including the development of key performance indicators (KPIs). These KPIs will allow the Commission to continually identify quality improvements to the LMR program. Benchmark KPIs were defined in 2011 and have been made public.

These activities are consistent with government's action plan in response to the 2006 statutory review recommendations.

Indicator: Improved the knowledge base for management of occupational disease

Occupational disease has become an increasingly important issue requiring focused attention as the number of occupational disease claims and requests for expanded coverage continue to increase. Serving workers, their families and communities impacted by occupational disease is a key priority for the Commission. In 2009, the Commission created an Occupational Disease Advisory Panel (ODAP) to provide direction and oversight on all occupational disease matters. In 2011, the Commission released an occupational disease prevention strategy to provide a framework for educating and raising awareness about known occupational disease in Newfoundland and Labrador. The Commission has also taken steps to mitigate the complexities associated with these diseases including making enhancements to the knowledge base for decision makers and policy makers; improved data collection to help establish links between workplace exposures and disease symptoms; increased research efforts; and ongoing work by its actuary to determine the value of the occupational disease liability. There are many complexities surrounding occupational disease claims, including the association between disease claims and workplace exposures. In 2011, the focus was on initiatives designed to improve the medical and scientific knowledge base for the management of occupational disease claims.

This included further development of the Baie Verte Miners' registry and the continued partnership with Quebec's Insitut de recherche Robert-Sauve en santé et en securite du travail (IRSST), world leaders in occupational health and safety research.



The Baie Verte Miners' registry will help identify former mine employees of the now defunct Baie Verte Mine who may have developed asbestos-related diseases and determine their general state of health. The registry includes information on employment history, medical history, asbestos exposure information and health status which will be used by the Commission in the adjudication of claims for asbestos related occupational disease from the Baie Verte Mine. Work on the registry began in 2008 and is targeted for completion in 2012. The Commission began developing reporting to provide registrants with copies of their registry information – this work is expected to finish in 2012. The Commission is also working with the Newfoundland and Labrador Centre for Health Information for future work related to the registry.

Also in 2011, the IRSST completed research on the incidence of cancer among shipyard workers worldwide, with the oversight of the ODAP. This knowledge further facilitates the adjudication for occupational disease claims from the Marystown Shipyard and workplace areas with similar exposures.

Indicator: Completed planning for initiatives to increase PRIME participation

The Commission continues to work with employers to increase PRIME participation for positive impacts on claim outcomes through early and safe return to work. Early in 2011, the Commission completed planning efforts to identify initiatives designed to increase PRIME participation. Key activities for 2011 included detailed analysis of key PRIME metrics to identify target groups for promotion and increased contact with employers to promote PRIME benefits.

Key performance metrics including costs, injuries, industry and compliance rates were analyzed to identify employers for 2011 PRIME outreach efforts. Outreach continued throughout 2011 and all large employers with charges were contacted by the Commission to provide advice and support in setting up programs to be PRIME compliant. The Commission views each employer contact as an opportunity to promote PRIME.

A PRIME results letter for 2010 performance was also sent to CEOs and general managers to communicate the value of PRIME refunds or charges and whether it was applied or forfeited. PRIME was added to the agenda of all safety sector council meetings for Forestry and Municipalities and a radio ad promoted PRIME and its benefits. A new priority employer report was distributed to all of the Commission's health and safety advisors (HS advisors) outlining priority employer participation in PRIME. The report enables HS advisors to strategically target employers requiring a greater level of awareness for PRIME and its requirements. PRIME participation information was also shared with the RTW program coordinator, with a focus on communicating the PRIME return to work requirements for employers with high cost and/or high injury experience.

The Commission implemented a new automated queue for inbound calls, supported by six staff to allow employers to receive a "live" voice for education regarding PRIME. Staff in Prevention Services, Worker Services and Assessment Services worked collaboratively toward improving participation. Team leads from these areas meet quarterly to discuss ways to increase PRIME compliance and to ensure employer contacts were able to address employer specific questions and concerns.

Summary

The Commission faces many challenges including engaging all workplace parties in return to work efforts and increasing demands to improve business delivery methods. The Commission will continue to build on its 2011 progress to address these challenges and to sustain improvements. The success of early and safe return to work is dependent on the partnership and cooperation from employers, injured workers, health care providers, the Commission and other stakeholders. The Commission will continue to engage workplace parties to ensure timely intervention and return to work plans responsive to worker needs and workplace circumstances. Future LMR improvements will continue to focus on implementing initiatives outlined in the LMR quality improvement plan developed in 2010. The continued focus on the claims management model, early and safe return to work and LMR will further improve overall claims management delivery.

2012 Objectives and Indicators

2012 Objective:

By December 31, 2012, the Commission will have implemented additional claims management service improvements.

Measure:

- Implemented service improvements

Indicators:

- Continued implementation of the key elements of the claims duration strategy through the ongoing development of the claims management model
- Enhanced ESRTW education efforts for targeted employers
- Demonstrated improvements to LMR program

Strategic Issue Three: Prevention

Goal:

By December 31, 2013, the Commission will have implemented key elements of the integrated prevention strategy.

2011 Objective:

By December 31, 2011, the Commission will have completed planning and assessment to develop an integrated prevention strategy.

Measure:

Completed planning and assessment.

Prevention of injuries and occupational disease is integral to the work of the Commission and beneficial to all workers and employers. In 2011, the incidence rate remained at 1.8 per 100 workers employed. This is the lowest rate reported for Newfoundland and Labrador and a significant achievement for workers, unions, employers, the Commission and the Occupational Health and Safety Branch of Service NL. Continued improvement requires increased diligence by all involved to provide and maintain healthy and safe workplaces.

To ensure prevention initiatives are responsive to employers' and workers' needs, the Commission initiated the development of an integrated prevention strategy. The prevention programs, initiatives and services of the past decade lay the foundation for a strategy to advance a strong safety culture in Newfoundland and Labrador. A new, integrated prevention strategy is critical to achieving our vision of healthy and safe workplaces in Newfoundland and Labrador. Over the past year, the Commission focused on completing the planning and assessment necessary to lay the foundation for developing this strategy. This strategy will integrate and align existing prevention programs such as workshop education, sector council work, social marketing, youth initiatives, and occupational disease prevention initiatives. These activities support the achievement of the Commission's mandate and mission, as well as the key focus area of prevention under government's strategic direction.

Indicator: Completed planning and assessment to develop an integrated prevention strategy

Injury prevention is a collaborative effort, involving workplace parties, community partners and a wide range of professionals representing many disciplines. The Commission worked with these parties to complete the planning and assessment for the development of an integrated prevention strategy. To begin the process in 2011, the Commission completed a jurisdictional review related to injury prevention initiatives, educational programming, and awareness activities impacting safety performance. This information, along with provincial workplace injury trends and highlights of the Commission's prevention activities, formed the basis of a discussion paper entitled Engagement to Action – Developing a Prevention Strategy. The paper outlines the need for a prevention strategy and was intended to stimulate discussion with primary stakeholders. In 2011, the Commission held consultations with these stakeholders including the Occupational Health and Safety Branch of Service NL, the Newfoundland and Labrador Construction Safety Association, the Newfoundland and Labrador Federation of Labour, the Newfoundland and Labrador Employers' Council and the Forestry Safety Association in Newfoundland.

Planning and assessment activities are now complete and strategy development is expected to occur in 2012. The Commission envisions a strategy that incorporates the goals of reducing the risk of workplace injury, illness and disease; reducing costs of workplace injuries; and changing attitudes and behaviours to advance a safety culture. Elements of the new strategy will be implemented in 2012.

Indicator: Initiated development of a methodology to evaluate prevention program effectiveness

A major focus for Prevention Services is to evaluate the overall effectiveness of its programs and initiatives. In early 2011, an analytic unit was established to support these efforts through the development of a methodology to evaluate the effectiveness of prevention programs. The methodology includes:

- Workshop evaluations based on content, training environment, facilitators and knowledge gained from the workshop content.
- Formal surveys with priority employers to identify areas of knowledge requiring further development as input to the outreach program.

- Formal review of Workplace Safety 3220 for teachers and students.
- Evaluations of Safework NL's *Who Wants to Save a Life?* to incorporate feedback into future seasons of the show.
- Informal feedback on program effectiveness is also gathered through regular contacts by Prevention Services staff with employers.

Feedback gathered in the evaluation process is used to improve the effectiveness of Prevention programs and services.

Indicator: Commenced initiatives designed to improve education for the prevention of known occupational disease

Occupational disease by definition results from occupational processes and exposures over a prolonged period of time. The complex nature of occupational disease makes the implementation of prevention difficult to address. These diseases typically arise following repeated exposures to a hazard over time, and in cases of disease with long latency periods, symptoms may take decades to manifest. Tragically, between 2003 and 2010, 112 fatalities were reported in Newfoundland and Labrador resulting in a significant human toll as well as a monetary cost of $12.3 million for occupational disease fatalities. The incidence of occupational disease is an immediate priority for the Commission and work has commenced to address future exposures related to occupational disease in this province.

In 2011, the Commission released a strategy which provided the framework for educating and raising awareness about known occupational diseases and their related causes in Newfoundland and Labrador. The strategy was shared with stakeholders for feedback and to invite participation in a working group to assist with strategy implementation.

An important part of the Commission's mandate is to increase occupational health and safety education and awareness for employers, workers and others. To address this, the Commission offered a Prevention Workshop Series which includes the delivery of over 100 workshops throughout the province to share information on occupational health and safety issues. Two new workshops were added to the series for 2011 to address known sources of occupational disease. A workshop on chemical hazards in the workplace was developed and delivered throughout quarter one. Workshops on ventilation were developed and delivered throughout the province in quarter three to address air quality issues. Further analysis on occupational disease issues was completed in 2011 to identify a new occupational disease workshop to be included in the 2012 workshop series. In addition to these initiatives, the Commission presented occupational disease information to raise awareness at the annual general meeting of the Association of Registered Nurses Newfoundland and Labrador.

The Commission also continues to expand its knowledge base on occupational disease through the development of the Baie Verte Miners' Registry and ongoing research with its partner, the Institut de recherche Robert Sauve en santé et en securite du travail (IRSST). Information from these initiatives is used to help establish links between workplace exposures to hazards and occupational disease as well as further enhance occupational disease prevention initiatives. For further information on these initiatives, please refer to the progress update for the indicator "Improved knowledge base for management of occupational disease" under the strategic issues of claims management delivery on page 33 and 34.

Indicator: Implemented new occupational health and safety (OHS) training standards

The Commission has legislative responsibility to promote public awareness of workplace health and safety, educate employers, workers and other persons about workplace health and safety; develop standards for the certification of persons required to be certified under the *Occupational Health and Safety Act*, approve training programs for certification and certify persons who meet the standards. All certification training providers and trainers (where applicable) must be approved by the Commission to deliver certification training.

In 2011, the Commission developed and implemented new training standards to address the two major sources of serious injury in the workplace: fall from heights and confined spaces.

The human and monetary costs for serious injuries and fatalities related to fall from heights are rising. Since 2005, five workers in Newfoundland and Labrador have died as a result of falls from heights. In 2011, costs have risen primarily as a result of falls in the construction industry. Employers and workers must understand the risks associated with working at heights. They have a right to know about the hazards, the training required to control the hazard and the right to refuse unsafe work. Under Newfoundland and Labrador *Occupational Health and Safety Regulations*, fall protection equipment is required where a worker is at risk of falling three meters or more or is working above hazardous or dangerous areas. Effective January 1, 2012, the new fall protection training standards require workers working at heights above three meters to use fall protection equipment and have completed training with an approved fall protection training provider. Workers who have not completed an approved training program are not permitted to work from heights or to work with fall protection equipment in Newfoundland and Labrador. This new training will work to ensure fall from height tragedies do not continue.

A new confined space entry certification standard was also approved in 2011. The new standard comes into effect on January 1, 2013. The Commission is currently working with training providers to develop an appropriate training curriculum. Work on the confined space training standard will continue in 2012.

The Commission carried out two major media campaigns in 2011 to promote the new standards. The Commission believes that developing a competent and knowledgeable workforce in fall protection and confined space entry will lead to a reduction in serous injuries. The Commission continues to work on performance metrics for serious injuries in the workplace and regular monthly monitoring and reporting.

New training providers were also approved and were assisted in the development of their training curriculum for the traffic control standards which came into effect January 1, 2011. A power line hazards trainer's course was also completed. Power Line Hazards Certification Training is a legal requirement for operators of boom trucks, mobile cranes and other similar equipment.

The training covers basic knowledge about electricity, electrical hazards, and safety measures when working in proximity to transition lines above and under ground.

Summary

The Commission acknowledges the efforts of its partners in improving safety performance in Newfoundland and Labrador workplaces. These efforts have been successful in reducing the injury rate to a record low. Still, workers continue to be injured or die as a result of their work – one accident is too many. The Commission believes that the elimination of workplace injuries and illnesses requires continued focus on prevention initiatives and a collaborative effort from all workplace parties. The integrated prevention strategy and the occupational disease strategy provide the framework and set the vision for future initiatives.

2012 Objectives and Indicators

2012 Objective: By December 31, 2012, the Commission will have developed and initiated implementation of key elements of the integrated prevention strategy.

Measure:

- Initiated implementation

Indicators:

- Commenced implementation key elements of the integrated prevention strategy
- Implemented methodology to evaluate prevention program effectiveness
- Continued initiatives designed to improve education for the prevention of known occupational disease
- Implemented new OHS training standards

Strategic Issue Four: Financial Sustainability

Goal:

By December 31, 2013, the Commission will have implemented further management practices to support the financial sustainability of the workplace injury/illness compensation system.

2011 Objective:

By December 31, 2011, the Commission will have continued adherence to the funding policy and implemented additional management practices.

Measure:

Implemented management practices

The Commission is responsible for managing funds collected through employer assessments to ensure the workers' compensation system is financially sustained. Financial sustainability is managed through investment policy, establishing experience based assessment rates, eliminating new injuries through effective prevention initiatives in our workplaces and providing affordable compensation benefits. The Commission takes a long term view in managing and evaluating the performance of the injury fund given the long term nature of benefits provided to injured workers. The Commission also focuses on controlling the growth of health care costs, one of the fastest growing expenditures in this business, through procurement activity and its other vendor management initiatives. These management practices and the Commission's long term financial strategy will provide for the security of injured worker benefits within employers' reasonable ability to pay, in keeping with government's strategic direction of financial sustainability and the Commission's mandate.

Indicator: Continued adherence to the funding policy

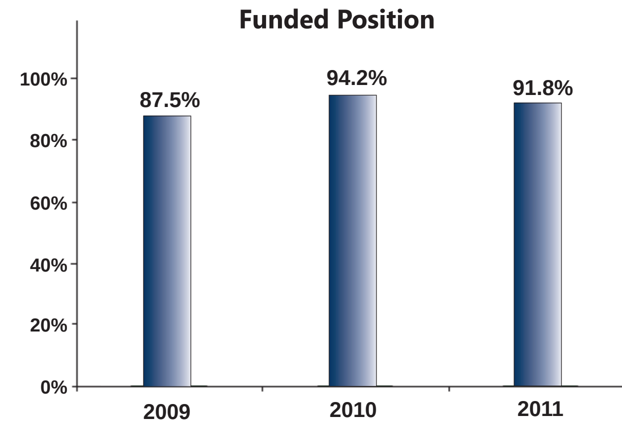
The Commission follows policy guidance with respect to the setting of assessment rates and recommending changes to benefit levels. In 2009, a funding policy was implemented to ensure the Commission responds to external factors, such as volatile markets, in a controlled and responsible way. The funding policy provides for a minimum annual adjustment in the average assessment rate of five per cent. Rates are set annually to ensure the Commission achieves its long term funding target of 110 per cent over a 15 year period.

In 2011, the Commission continued to adhere to the funding policy in setting assessment rates and benefit levels for 2012. In November, despite rising health care costs and labour costs, the Commission announced that the average assessment rate for employers will remain the same at $2.75 per $100 of payroll for 2012. These assessment rates are premiums paid by employers to cover anticipated costs of workplace injuries, return to work programs, prevention initiatives and the cost administering the workers' compensation system.

Benefit levels rose slightly to reflect a 2.5 per increase in the consumer price index. The maximum compensable and assessable earnings limit will increase from $51,595 for 2011 to $52,885 for 2012.

The Commission's funding position declined slightly from 94.2 per cent in 2010 to 91.8 per cent for 2011. While the assessable payroll base increased by 10.3 per cent in 2011 due to increased payrolls across all industry groupings, this increase was not enough to cover the decline in market value of Commission investments. This decline was reflective of the overall poor performance in the financial markets due to a weakened recovery from the global recession.

Average assessment rate and Maximum compensable earnings	2012	2011	2010
Average assessment rate	$2.75	$2.75	$2.75
Maximum compensable earnings	$52,885	$51,595	$51,235



Indicator: Implemented additional practices and expanded the scope of procurement activities to ensure cost-effectiveness

In addition to adhering to the funding policy to ensure financial sustainability, the Commission takes steps to mitigate growth in claims costs and costs of service delivery. The Commission's procurement program supports the Commission's client service excellence and financial goals by purchasing and providing quality services at competitive prices and providing responsive and responsible services. The program provides avenues of access to businesses, streamlines operations, pursues cost savings, identifies new sources of supply, facilitates enhanced vendor relationships and supports compliance with the *Public Tender Act and Regulations* of the Government of Newfoundland and Labrador. The issuance of tenders, requests for proposals and standing offers for goods and services are processes the Commission uses to control costs. In 2011, the Commission issued 22 tenders, 12 requests for quotations and nine requests for proposals related to health care products and services, information technology and other consulting services. Analysis is ongoing to add new products and services for tender to further contain costs.

The Commission also implemented additional practices to ensure cost-effectiveness. In 2011, the Commission partnered with Newfoundland and Labrador Housing in relation to delivery of home modification services for injured workers. The Commission also began a phase of its vendor management initiative which includes the move to a single payment system to process vendor requisitions, invoices and payments. This new technology ensures increased internal controls through system checks and rules based financial and procurement best practices. The Commission also established new business practices to support improved processing efficiency and increased internal controls, further reducing costs.

Indicator: Communicated the impact of International Financial Reporting Standards (IFRS) to stakeholders

The Commission's financial statements for the year ended December 31, 2011 were prepared according to International Financial Reporting Standards (IFRS), instead of Canadian Generally Accepted Accounting Principles (GAAP). This is necessary to comply with the Canadian Accounting Standards Board's 2008 decision that requires all publicly accountable enterprises to report under IFRS. The adoption of IFRS will increase the volatility of the Commission's reported financial results.

The impacts of adopting the new IFRS standards were highlighted in the Commission's 2010 Annual Performance Report in the Management Discussion and Analysis which accompanied the financial statements on page 77. Additionally, the primary impact of IFRS was communicated at a board/stakeholder business forum in September 2011. These impacts include the requirement to restate 2010 financial results for first time adoption of IFRS as well as the decision to measure building and land at fair market value. Preliminary estimates were provided to stakeholders at that forum. Further impact related to the adoption of IFRS is also reported in note 25 of the 2011 financial statements on page 91.

Summary

The Commission will continue to apply its funding policy and take steps to mitigate growth in claim costs. These measures will ensure the achievement of our current and long term goals of financial sustainability, consistent with government's strategic direction.

2012 Objectives and Indicators

2012 Objective:

By December 31, 2012, the Commission will have continued adherence to the funding policy and implemented additional management practices.

Measure:

- Implemented management practices

Indicators:

- Continued adherence to the funding policy
- Implemented additional practices and expanded the scope of procurement activities to ensure cost-effectiveness
- Communicated the impact of IFRS to stakeholders

Management Discussion & Analysis

Management Discussion & Analysis

The Management Discussion and Analysis (MD&A) is an integral part of the annual performance report and provides management's perspective on the operations and financial position of the Workplace Health, Safety and Compensation Commission (the Commission). This MD&A should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2011. The MD&A was prepared based on information available as of March 9, 2012. The Board of Directors has undertaken its own review of the MD&A following the recommendation of the Financial Services Committee.

FORWARD LOOKING STATEMENTS

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

OPERATIONS OF THE COMMISSION

The Commission operates under the authority of the Workplace Health, Safety and Compensation Act (the Act). In accordance with the Act, the Commission promotes health and safety in workplaces with an objective of preventing the occurrence of workplace injuries and occupational diseases. When injuries occur, the Commission provides support and benefits to injured workers, in accordance with the entitlement provisions under the Act, and in conjunction with workplace parties and health care providers, facilitates a safe and timely return to work. The Commission is also responsible to levy and collect assessments from employers in amounts sufficient to fund the current and future costs of existing claims including their administration. Additionally, the Commission funds the Occupational Health and Safety (OH&S) Branch of the Provincial Government, and the Workplace Health, Safety and Compensation Review Division. The Commission also reimburses the provincial government for a portion of the operating costs of the Department of Advanced Education and Skills (formerly the Department of Human Resources, Labour and Employment) and the Labour Relations Agency in respect of administering the Act.

The Commission's revenues are derived from assessment-based employers, who are insured through collective liability, self-insured employers, through the reimbursement of claims costs and administration fees, and investment income. In certain circumstances, under Section 45 of the Act, the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. Accordingly, revenues also include recoveries from third parties in respect of such actions. The Commission provides workplace insurance coverage to approximately 98% of workers employed in the province of Newfoundland and Labrador.

COMMISSION VISION AND MISSION

Key elements of the strategic plan for 2011 to 2013 are the Commission's vision and mission statements. These define the guiding principles that direct the future operations of the Commission. The Commission's vision is for safe and healthy workplaces within a viable and sustainable insurance system which reduces the impact of workplace injuries by providing the highest level of service to workers and employers. The Commission's mission is to improve client service to support the prevention and management of workplace injuries, illnesses and known occupational disease.

EMERGING ISSUES

As part of its strategic planning process, the Commission conducts an environmental scan and identifies emerging issues within its business and regulatory environment which can potentially impact the achievement of the organization's mission statement. The Board of Directors is informed of the emerging issues, establishes goals and objectives and monitors performance against those goals and objectives. The Board of Directors also reviews the operational initiatives which are planned in response to the emerging issues. Due to the nature of the workers' compensation system, there are many factors beyond the Commission's ability to control, however, actions can be taken to mitigate their ultimate impact. These actions are incorporated into existing and proposed strategic plans.

In addition to providing the overall direction for the Commission, the 2011-2013 Strategic Plan also describes strategies and supporting initiatives which are intended to mitigate the impact of the identified emerging issues. In addition to the performance of capital markets, important issues include injury prevention, claims duration, rising health care costs, and an aging workforce.

KEY BUSINESS DRIVERS

Investment returns

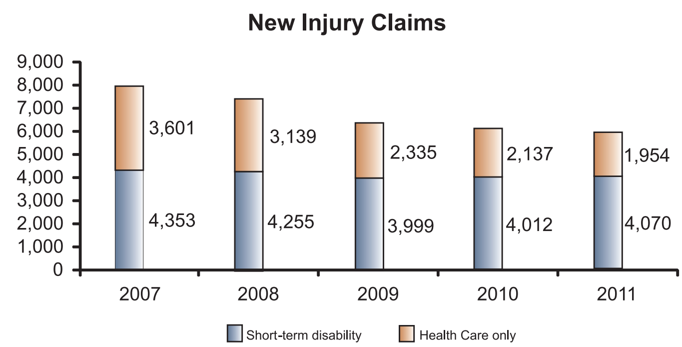
In 2011, the Injury Fund had a rate of return of negative 1.8% compared with a 9.1% return in the previous year. The Commission's stated goal is to earn a rate of return of 7.12% (3.5% real return after inflation). The Commission takes a long-term view in managing and evaluating the performance of the Injury Fund given the long-term nature of the benefits provided to injured workers. Including the return for 2011, the fund has generated an average return of 1.1% over the most recent four years and 5.5% over the most recent ten years.

The financial risks to which the Commission is exposed are described in Note 8 - Risk Management, to the Financial Statements and include credit, currency and market risks. Credit risk on fixed income securities arises from the possibility that issuers of debt will fail to meet their obligations to pay interest and principal. Currency risk is the risk that the value of securities denominated in foreign currencies will change with their respective exchange rates compared to the Canadian dollar. Market risk is the risk that the fair value of marketable securities or long-term investments will change due to perceived or real changes in the economic condition of the issuer, the relative price of alternative investments and general economic conditions.

Benefit Costs

Benefit costs are influenced by many factors including the number and severity of injuries, claims duration, health care cost trends and the rate of wage growth in the province. Over time, expansion of coverage can occur as a result of court decisions, statutory review processes, legislative change, external appeal decisions and trends in other Canadian workers' compensation jurisdictions. The factors that influence the direction of benefit costs are considered as part of the Commission's strategic planning process.

The number of new injury claims continues to trend downwards and declined 2.9% from 2010 to 2011.



The Commission defines short-term claims duration to be the average number of days for which temporary earnings loss benefits are paid for injuries occurring in the same reference year. For the past five years, the average duration has ranged from 39 to 42 days and was 39 days in 2011.

Many of the drivers of claim duration are beyond the Commission's ability to control and various factors combine to affect return to work outcomes. From an operational perspective, the Commission strives to ensure that the appropriate numbers of knowledgeable resources are available internally to allow for early intervention following a work injury, the effective monitoring and management of health care services and the facilitation of an early and safe return to work. The Commission also seeks to reduce claims duration through negotiated agreements with external service providers that provide guidelines for the timeliness of treatments and the quality of service.

The drivers of claim duration that are beyond the Commission's control include the lack of timely access to certain health care specialists, necessary medical investigations and interventions. As well, the availability of suitable employment following an injury is also an important consideration in the duration of a claim. Despite the best efforts of workplace parties to facilitate the return to work process, some employers may not be able to accommodate injured workers. Additionally, factors unrelated to the work injury that interrupts or delays medical recovery can affect return to work outcomes.

In 2010, the Commission completed a claims duration strategy which articulates how the Commission's Claims Management Model (CMM) addresses claims duration in a comprehensive manner including the integration of the Commission's Web strategy and the development of key performance indicators (KPIs). In 2011, reporting templates specific to key components of the CMM were developed and early and safe return to work KPIs were identified. These KPIs will be made public in 2012.

In 2011, the Commission enhanced the effectiveness of the ESRTW program through enhanced business processes to facilitate earlier intervention, return to work policy and procedure training for staff, increased monitoring of policy adherence, and education with workplace parties and healthcare providers. The Commission also carried out additional training for staff on thoroughly investigating the availability of suitable and available work, and education on ESRTW with workplace parties and health care providers. As part of the Commission's CMM and web strategy, an online ESRTW Plan form for employers will be developed in 2012 which will create additional opportunities to enhance the ESRTW program and impact return to work duration factors.

As part of the Labour Market Re-entry (LMR) quality improvement plan completed in 2010, LMR benchmark KPIs were established in 2011 to measure performance with respect to several key components of the LMR program, potentially impacting claim duration. The benchmark KPIs will be analyzed in 2012 to determine if they require further modification.

These efforts are expected to improve return to work outcomes, reduce claims costs and provide improved quality of service to injured workers and employers.

The Commission takes a variety of approaches to address the upward trend in health care costs. The increased emphasis on early intervention and more proactive case management, through implementation of key components of the CMM, are expected to help mitigate the rate of growth in health care costs. The Commission continues to consolidate its procurement of medical and health care items through the public tendering process in an effort to improve the cost-effectiveness of service delivery.

Lost time Incidence Rate

The lost time incidence rate is one of the fundamental metrics in the workers' compensation system as it determines the rate of injuries administered by the Commission for a given worker population. This indicator measures the rate of wage loss injuries per 100 workers employed in the province. In periods of stable employment, an increase in the incidence rate will increase the volume of claims administered by the Commission, which ultimately has an impact on employer assessment rates. Since 2000, the lost time incidence rate has declined 44% from 3.2 per 100 workers to 1.8 per 100 workers in 2011 (forecasted). This is an indication that workers and employers are working in partnership to create a strong safety culture in our province. It further indicates that prevention initiatives and enforcement activities are having an impact in the workplace. From an education and awareness perspective, 1 in 7 workers in our province have received certification training in occupational health and safety in 2011. This high rate of training is enabling workers and employers to systematically identify workplace hazards, and mitigate the risks associated with these hazards.

The lost time incidence rate has continued to trend downwards despite an increase in overall employment in the province. In many jurisdictions in Canada, a sharp increase in employment usually results in a net increase in lost time claims, as the probability of injury generally increases with more workers in the workplace. However, the converse has been true in Newfoundland and Labrador, dating back to 2001. We continue to have a declining incidence rate in an era of steady increases in employment. The Commission and its stakeholders must remain diligent to continue this positive trend. As such, the Commission worked extensively in 2011 to develop a Prevention Strategy for our province to guide our work over the next three years. Elements of the strategy will be implemented in 2012.

Inflation rate

The annual change in inflation can have a material impact on the Commission's benefit liabilities. The long-term disability benefits provided under the Act are indexed to the full rate of inflation with no upper limit. The Commission calculates the annual inflation adjustment based on the year-over-year change in the Consumer Price Index at July each year and applies the adjustment January 1 of the following year. The inflation adjustment calculated in 2011 was 2.5% and the inflation adjustment has averaged 1.8% over the past five years. The Commission's long-term expectation is that inflation will average 3.5% per year. This is a key assumption applied in the actuarial valuation of the benefit liabilities. The lower average inflation rate has produced lower than expected liabilities for long-term benefits.

2011 FINANCIAL HIGHLIGHTS

During 2011, the Newfoundland and Labrador economy posted solid growth in GDP and employment. The growth was mainly due to an increase in capital investment related to major project development in the mining and oil production sectors. The Commission recorded a 10.3% increase in the overall assessable payroll base with increased payrolls across all industry sectors.

However, the recovery from the global recession weakened in 2011, which was then reflected in overall poorer performance of financial markets. While there was an increase in assessment revenue of $22.1 million, this was not sufficient to counteract the decline in market value of investments and the Commission posted a deficit of $21.8 million as compared to the annual surplus of $53.1 million in 2010. The Commission's funded position declined slightly to 91.8% at the end of 2011, from 94.2% at year-end 2010.

Certain comparative information related to the 2010 year-end has been restated to reflect the adoption of International Financial Reporting Standards (IFRS) which is detailed in Note 25 - Transition to IFRS, to the financial statements.

STATEMENT OF FINANCIAL POSITION

Cash position

The Commission ended 2011 with a cash balance of $15.7 million, as compared to $7.9 million at the end of 2010. The Commission was able to improve its relative cash position primarily due to a higher level of assessment revenue.

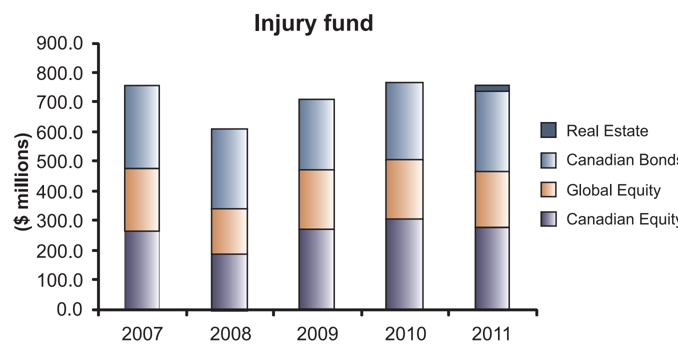
Investments

The Commission's investments are held in an Injury Fund to meet future benefit payments to injured workers. These investments are diversified primarily between domestic fixed income and domestic and foreign equities, as well as a small allocation to real estate, which was added in 2011. The fair value of the Injury Fund decreased $12.2 million to $755.8 million at December 31, 2011 from $768.0 million at the end of 2010.

During 2011, the effects of natural disasters and economic and geo-political factors served to fuel cycles of "risk-on, risk-off" behavior of investors. Market sentiment and optimism waxed and waned from the effects of the earthquakes in Japan and New Zealand and the flooding in Australia and Thailand. The optimism of the Arab Spring gave way to the difficult realities of governments and societies in transition. In the US, unemployment remained high, and consumer and business confidence low, while partisan politics caused fiscal gridlock over that country's mounting debt and budgetary problems. In Europe, the sovereign debt issues which emerged in Greece, Portugal, Ireland and Spain culminated in the downgrading of debt in Italy and France as governments sought to recapitalize their respective banking systems. While the Canadian economy showed strong signs of recovery at the beginning of the year, it was not immune to the uncertainty and dimming recovery at the global level, particularly as China adopted tighter monetary policy and reduced demand for base metals and other commodities.

The S&P/TSX Composite Index returned a negative 8.7% for 2011, much lower than the 17.6% for 2010, and the 34.1% return in 2009. The S&P 500 index (U.S. equities) produced an annual return of 4.6% (in Canadian dollar terms) compared with 9.1% a year earlier.

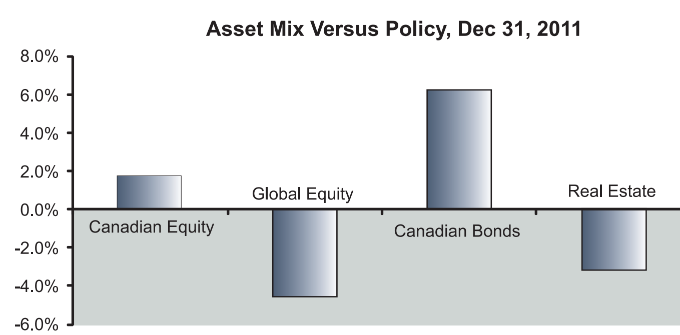
The MSCI EAFE index (international equities) decreased by 9.6% (in Canadian dollar terms) which is significantly lower than the 2.6% return in 2010. The DEX Bond Universe (fixed income) index closed the year up 9.7 % as compared to a return of 6.7% in 2010. Long-term bonds outperformed short-and mid-term issues.



Investment Strategy

The Commission's Board of Directors is responsible to ensure that the assets of the Injury Fund, along with future investment income, are sufficient to pay benefit liabilities. The Board of Directors takes a long-term approach to the management of the Injury Fund given that payment of the majority of benefits promised to injured workers extend many years into the future.

The Board relies on periodic asset and liability studies to ensure the investment strategy reflects the nature of the related liabilities. The most recent study, undertaken in 2009, indicated that the Injury Fund could achieve more diversification and the potential for improved returns from an allocation to real estate. Accordingly, the Board approved a change in the Injury Fund asset mix to implement a five per cent allocation to Canadian real estate by making an equal reduction in the allocation to the fixed income asset class. The Commission selected a real estate manager in 2010 and commenced funding this allocation in 2011. Also in 2011, the Commission undertook a review of its global equity manager structure due to persistent underperformance in the United States and International equity classes, and replaced those allocations with a single global equities mandate.



The Commission's asset mix policy is as follows: As depicted in the chart below, the value of the Canadian Bonds had exceeded its tolerance range at December 31, 2011.

Asset Class	Asset Mix	Tolerance Range
Bonds, Canadian	30%	±5%
Equities, Canadian	35%	±5%
Equities, Global	30%	±5%
Real Estate	5%	1-10%

The Commission intends to re-balance the Injury Fund by continuing to shift funds from Canadian Bonds into Real Estate during 2012.

The Commission's investment strategy is guided by the Statement of Investment Principles and Beliefs (SIPB) and the Long-Term Investment Policy. The SIPB outlines the governance structure for the Injury Fund, the importance of asset allocation in achieving the long-term return objectives of the fund, the importance of diversification and the process for manager selection and performance evaluation. The Investment Committee reviews and amends the SIPB and policy periodically to ensure prudent management and oversight of the Injury Fund assets. The Commission will undertake a review of its asset mix policy in 2012.

The Long-term Investment Policy documents the long-term asset mix target, the return objectives, acceptable investments and limits on risk concentration. The Injury Fund assets are managed by independent, professional investment managers. The Commission monitors the managers' compliance with policy on a regular basis. The Injury Fund assets are diversified across asset classes, industry sectors, geographic locations and individual securities to minimize the volatility of returns. Further diversification is achieved by selecting investment managers with varying investment mandates and styles.

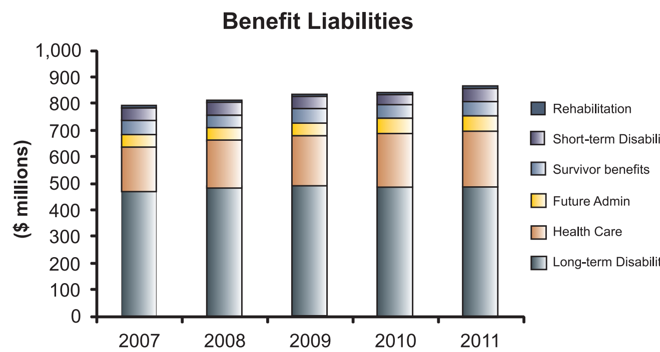
The Commission's Funding Policy is designed to maintain a funded position that will provide for the security of injured worker benefits within employers' reasonable ability to pay assessments. The Funding Policy provides guidance to ensure the Commission responds to external factors, such as volatile investment markets, in a controlled and responsible manner.

The Commission's funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. However, due to the potential volatility of investment market returns, the Board of Directors has established a funding target of total assets equal to 110% of total liabilities. The Funding Policy specifies a funding target operating range from 100% to 120%. If the funded status moves outside the targeted range, the Commission will adjust assessment rates paid by employers over a fifteen-year period to achieve the funding target. The Commission's assessment rates for 2010 and 2011 include an upward adjustment of $0.25 per $100 of payroll. Under current assumptions and projections, this surcharge would have to be maintained until 2022 to recover the current funding strategy deficiency.

At funding levels above 140% the Commission will consider one-time expenditures. One-time expenditures include, but are not limited to, benefit improvements, assessment rebates and funding for prevention programs. The introduction of benefit improvements is subject to the approval of the Government of the Province of Newfoundland and Labrador. In order to ensure the long-term sustainability of the workers' compensation system, the Commission will take into account the current and all future costs associated with any one-time expenditures.

Benefit Liabilities

Benefit liabilities reflect the present value of all future payments expected to be made on behalf of injured workers whose claims were accepted as of December 31, 2011. These liabilities are increased each year for the estimated cost of current and prior year injuries and are reduced by actual payments in the year and revisions to actuarial estimates for prior years' claims. These experience adjustments are a normal and expected part of the actuarial valuation process. The Commission's benefit liabilities include amounts set aside to pay the future cost of short and long-term disability, survivor benefits, health care, rehabilitation and future administration costs.



While the liabilities include the estimated cost of accepted claims for occupational disease, the benefit liability does not include any provision for future claims related to latent occupational disease not yet filed with the Commission. Benefit liabilities increased 2.3% from $839.3 million at the end of 2010 to $858.6 million at the end of 2011.

The Commission has a financial strategy policy aimed at maintaining the funded position within a reasonable range over the long term. The economic and actuarial assumptions used in the valuation of liabilities are reasonable estimates of future expectations for these variables over the long term. The assumptions described in Note 14 - Benefit Liabilities and Claims Costs, to the financial statements remained largely unchanged from the previous year. The real rate of return used is 3.5%. For the 2011 valuation, the actuaries updated the mortality table used, which resulted in a $2.9 million increase in the benefit liability.

The liability for long-term disability benefits represents the single largest component of the overall benefit obligations. At December 31, 2011, the long-term disability liability amounted to $485.0 million or 56.5% of the total benefits liability as compared to $479.9 million, or 57.2% as at December 31, 2010. The growth of this liability is less than expected due to: lower mortality, extended earnings loss (EEL) claim terminations being greater than expected and the actual inflation rate being lower than the assumed rate.

In addition to the liability for long-term disability claims accepted during the year, the liabilities include a provision for outstanding claims that might become long-term disability claims in future years. The observed (actual) average capitalization increased from about $120,000 in 2010 to $126,000 in 2011. The average new capitalization award for the past 5 years, when adjusted for inflation, is $128,000. As such, the actuaries have maintained their $125,000 assumption. A sustained trend, different from assumed, would have to be observed before the actuaries adjust their assumption on average EEL awards. The Commission's actuaries have also noted that the absolute number of expected long-term claims remained stable at 230 per year for the years 2009 to 2011. This result is mainly driven by the significant, on-going reductions in the number of lost time claims. While the percentage of short-term claims expected to become long-term has edged up slightly to 5.9% from 5.8% in 2010, the number of short-term claims has remained relatively stable. Overall, the stability in short-term claims dominates their slightly higher propensity to become long term, and results in a decrease in the absolute number of expected long term claims for the years 2009 to 2011.

The next largest benefit liability category is health care which increased 6.1% to $212.2 million from $200.0 million at the end of 2010. The growth in the liability is driven by higher payments related to new injuries which are 24% higher than payments for new injuries in the previous year. In 2011, workplaces experienced an increase in serious injuries after declining for several years.

The Commission accepted 33 fatality claims in 2011 compared with 32 in 2010. Of these, six were as a result of accidents and 27 arose from occupational disease (2010: 13 accidents, 19 occupational disease). The new Prevention Strategy referred to previously includes a focus on the identification and prevention of known occupational disease.

In 2011, survivor benefits related to current year injuries declined. However, survivor benefits for prior year injuries were $2.6 million higher than expected due to an increase in the number of claims and lower mortality of the survivor population.

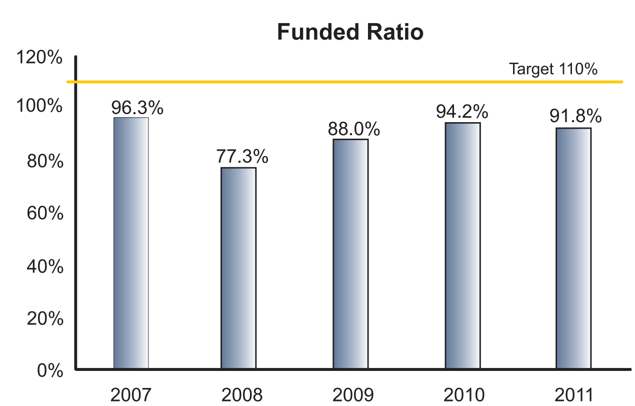
The benefit liabilities also contain a provision for the future costs of administering current claims. The Commission has determined that 7% of annual claims payments is a reasonable provision for the cost of administering claims. This factor has been taken into account in establishing the total liabilities of the Commission.

FUND DEFICIENCY

At December 31, 2011, the Commission's assets totaled $806.9 million compared with total liabilities of $878.6 million. The net fund deficiency of $71.6 million consists of $72.2 million in accumulated operating deficits, offset by an occupational health and safety research reserve of $0.6 million.

The Commission's long term funding target is to achieve a level of total assets equal to 110% of total liabilities which is equivalent to requiring a stabilization fund of 10%. At December 31, 2011, this required stabilization fund amounted to $87.9 million, bringing the total funding strategy deficiency to $159.5 million. This compares with a funding strategy deficiency of $135.7 million at the end of 2010. The total deficiency will be recovered through surcharges in employer assessment rates. The current surcharge of $0.25 per $100 of payroll would have to be maintained until 2022 (i.e. for another 11 years) to amortize the current deficiency. At the end of 2008, following the collapse in global capital markets, it was estimated the surcharge would have to stay in place for 34 more years. The length of the amortization period and the level of the surcharge will depend primarily on future investment performance of the Injury Fund, changes in the assessable payroll base and claims cost experience.

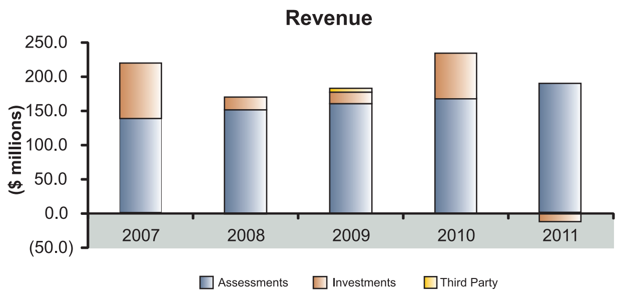
The ratio of total assets to total liabilities is one measure of the financial strength of the Commission. The funded ratio is an indicator of the percentage of projected benefits on existing claims that can be paid from existing assets. At December 31, 2011, the Commission's funded ratio had declined slightly to 91.8% from 94.2% at the end of 2010. The decrease in funded status in 2011 is due to the effect of decline in the performance of the capital markets, coupled with an increase in benefit liabilities arising primarily from health care.



STATEMENT OF OPERATIONS

Revenues

The Commission's revenue sources are assessments paid by employers, investment income and third party recoveries. In 2011, revenues totaled $177.8 million, a 23.5% decrease from 2010 revenues of $232.5 million. Although there was an increase in revenue from assessments, this was offset by losses in investments during the year.



Assessments Revenue

Revenue from assessments consists of base assessments and practice and experience incentives, refunds and charges disbursed and collected through the PRIME program. Revenue also includes payments made on behalf of self-insured employers.

Although the average base assessment rate remained constant at $2.75, the assessment revenue from rate based employers increased 13.6% from $156.6 million in 2010 to $177.8 million in 2011. In 2011, employer assessable payrolls increased by 10.3% from $5.8 billion to $6.4 billion due to growth across all industry sectors and partly because of the annual increase in the maximum assessable and compensable earnings limit. The growth in assessments revenue was muted, however, due to reductions in the average rates in certain sectors including manufacturing, construction, and transportation. The reduction in average rates is a reflection of improving claims cost experience in these sectors.

Under the Commission's PRIME program, employers can impact the assessments they pay by meeting their practice requirements under the practice incentive component and managing their claim costs under the experience incentive component. The practice component recognizes employers for good occupational health and safety and return to work practices through a five per cent refund on their average calculated base assessments. Since this program came into effect in 2005, employers have earned $23.6 million in PRIME practice refunds.

The experience incentive component of PRIME was introduced to large employers in 2008 and expanded to all other eligible employers in 2009. Employers are assigned an experience incentive range based on payroll, industry classification and assessments. If claims costs fall below the bottom of their range, employers are eligible to receive a refund while those with claim costs above the top of their range may receive an experience charge. There may be no refund or charge when claim costs are within the range. Employers must meet the practice incentive requirements before being eligible for experience refunds.

The ultimate amount of practice and experience incentives for the 2011 PRIME program year will not be known until the processing and subsequent audits of employer statement data is completed later in 2012. Over the long term the experience incentive component of PRIME is expected to be revenue neutral with refunds equal to charges.

In 2011, the Commission paid employers, based on their 2010 performance, $4.9 million in practice refunds, which is 69% of a potential $7.1 million had all eligible employers participated in this PRIME program element. This compares with $4.4 million or 67% of potential refunds in 2010. In addition to the practice refund, the Commission paid a further $7.0 million in experience refunds based on their 2010 claim cost experience ($5.9 million in 2010 based on 2009 experience). Experience charges of $3.8 million (2010; $4.1 million) were issued to employers in relation to their claim cost experience. It is also important to note that employers who did not meet their 2010 practice incentive requirements forfeited $2.2 million (2010; $2.2 million) in practice refunds and $3.8 million (2010; $3.4 million) in experience refunds.

The Commission estimates that employers will qualify for practice incentive refunds of $5.1 million in 2012 based on their 2011 performance and their qualifying experience incentive, net of experience charges, will be $3.7 million.

Revenues from self-insurers increased 9.0% from $9.6 million in 2010 to $10.5 million in 2011. Self-insurers experienced a higher number of claims and higher claims payments in all benefit categories, except survivor benefits during 2011 as compared to 2010.

Investment Income

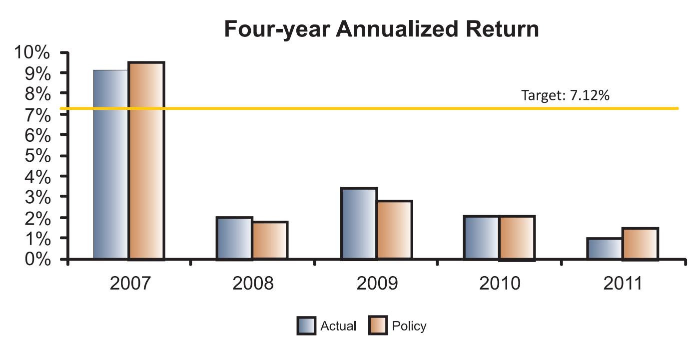
Investment income includes dividends and interest on both the Injury Fund portfolio and short-term investments, as well as gains and losses arising from changes in the market value of the investment fund. In accordance with International Financial Reporting Standards (IFRS) and with the early adoption of IFRS 9, both realized and unrealized gains and losses are included in investment income. This can produce significant volatility in the operating results and funded status of the Commission from one year to the next.

A key assumption underlying the valuation of benefit liabilities and the assessment rate setting model is that investments will generate an annual gross rate of return of 7.12% or 3.5% after inflation over the long term. In 2011, the market rate of return on the Injury Fund was negative 1.8% compared with a return of 9.1% in 2010.

Another objective of the Injury Fund is to exceed the return of the benchmark portfolio (i.e. the policy return) on a four-year moving average basis. The policy return is the return the Injury Fund would have earned had each asset class achieved the return of its respective passive index and was at its target weight according to the long term Investment policy. The Injury Fund's return was below the policy return of negative 0.5% due to the Commission's International equity manager failing to meet its benchmarks for the year. During 2011, the Commission replaced two underperforming investment managers.

For the four-year period ending December 31, 2011, the Injury Fund earned an annualized return of 1.1% compared to the policy return of 1.4%. The overall significant negative performance of the capital markets in 2008 has had a material effect on the four year annualized returns since 2008.

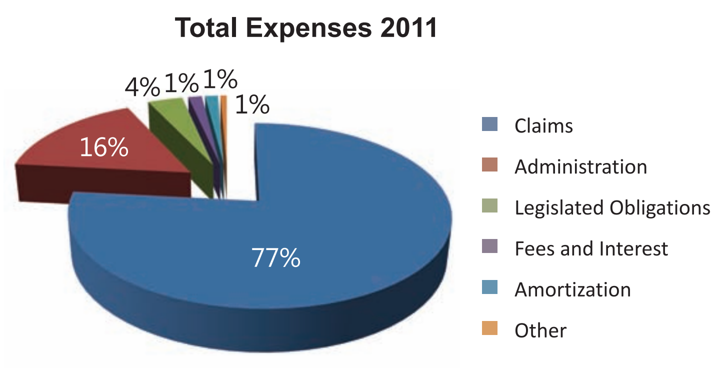
In 2011, the Commission experienced a net investment loss of $11.6 million, compared to investment income of $65.2 million in 2010. There was a 2.9% increase in interest and dividends from $20.5 million in 2010 to $21.1 million in 2011. The remainder of the loss is due to gains and losses realized on the disposal of assets during the year, as well as the change in market value from the previous year-end.



Expenses

The Commission's total expenses include benefit costs, administrative expenses, legislated obligations, fees and interest, amortization and other expenses. The payment of benefits to injured workers is the most significant component of the Commission's expenses which comprises over 77% of expenses, net of actuarial adjustments, while administration expenses are approximately 16% of the total.

In 2011, total expenses were $199.6 million, an increase of $20.2 million from $179.4 million in 2010. The increase is attributed mainly to the increases in claims costs (including actuarial adjustments) incurred of $16.3 million, as well as an increase in salaries and benefits of $1.5 million.



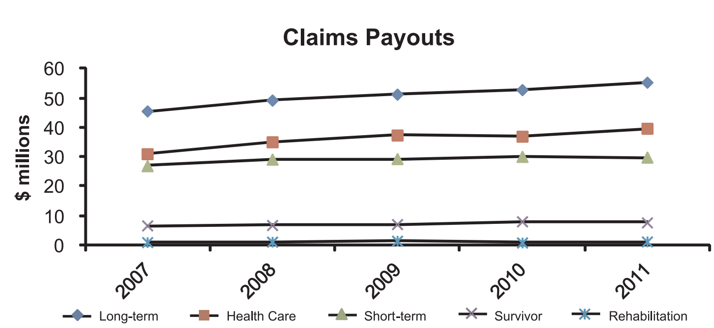
Claims costs incurred

Claims costs incurred (expense), as reported in the Statement of Operations, are actuarially determined and include the full cost of providing for all injuries that occurred in the current and prior years. Claims costs incurred increased 3.4% to $154.1 million in 2011, from $149.0 million in 2010. There was a 1.2% increase for prior year injuries, and a 5.1% increase for current year injuries. The largest increase was in health care costs (12.4%) due to the upward trend in costs related to new injuries. In 2011, the Commission experienced a 28.3% increase in serious injuries, from 205 in 2010 to 263 in 2011. Serious injuries include fatalities, and claims that are reportable under the OH&S Regulations in Newfoundland and Labrador and have a minimum of 28 days of wage loss or $2,000 in health care costs.

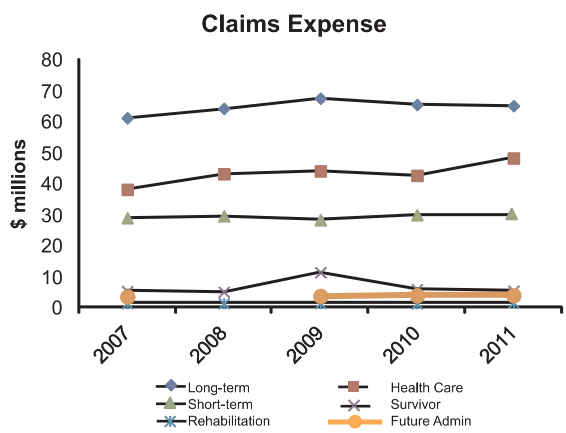
Claims costs paid

Claims costs paid, as reported in the Statement of Cash Flows, represent actual cash payments to injured workers for wage loss and other benefits, payments to health care providers for services rendered to injured workers and payments to suppliers for health care goods and devices. These amounts include payments made on behalf of self-insured employers. In total these payments increased 3.9% to $133.5 million in 2011, from $128.5 million in 2010. The average rate of increase from 2006 to 2011 has been 3.5%. The increase in claims costs paid occurred across all benefit categories with the exception of short-term and survivor benefits. Although there were increases in average weekly wages and the maximum assessable and compensable earnings limit, the number of short-term claims and average number of weeks paid on those claims declined.

The factors that contributed to the increase in payments for long term disability include indexing of benefits, a slight increase in the number of claims in receipt of payment, and a reduction in the number of claims with



disability offsets. The Commission is required under the Act to deduct 75% of the net Canada Pension Plan disability benefit from the compensation payable to the worker. In 2011, the Commission also experienced an increase in the number and value of both permanent functional impairment awards, and pension replacement benefit payments.



The Commission experienced a 7.3% increase in payments for health care services, which is driven in part by an increase in the incidence of severe injuries. The largest increases in payments were in the categories of home care, physicians, hospital services, and prescription drugs. The number of injured workers availing of home care increased by 7.5 % in 2011. As well, there was a 4.9% increase in the number of hearing loss claims. The Commission made retroactive payments to physicians in 2011 of approximately $0.6 million which arose from a 2010 wage settlement with the Province. In early 2012, the Commission completed negotiations for a new four-year MOA with chiropractors which will result in an 11% increase in fees over the term of the agreement.

Negotiations for similar MOA's with physiotherapists, doctors and occupational therapists will commence in 2012.

Administrative and other expenses

In 2011, the Commission's administration, amortization and other operational expenses amounted to $36.6 million compared to $33.6 million in the previous year, an increase of $3.0 million.

The most significant change in administration expense occurred in the salaries and benefits category, which increased $1.5 million (5.8%). The increase in this category is primarily due to a 4% wage increase ($0.8 million), as well as retroactive payments associated with position reclassifications arising from a HAY review ($0.2 million). The Commission's overall staffing complement has remained relatively constant since 2008.

As well there was an increase in building operations of $0.5 million related to a renovation of the lobby of the Commission's head office in St. John's which was undertaken to improve client service.

Legislated obligations

The Commission is required by legislation to fund a portion of the operating costs of the Occupational, Health and Safety Branch of Service NL (formerly the Department of Government Services) in delivering their occupational health and safety mandate. The Commission also reimburses the provincial government for a portion of the operating costs of the Department Advanced Education and Skills (formerly the Department of Human Resources, Labour and Employment) and the Labour Relations Agency in respect of administering the Act. Legislation also requires that the Commission fund all of the costs of operating the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also provides funding to employer and worker advisor positions. Total legislated obligations and other commitments increased by $0.3 million in 2011 to $6.9 million.

ADOPTION OF IFRS

The Commission has adopted International Financial Reporting Standards (IFRS), effective January 1, 2011, and has restated its opening balance sheet as at January 1, 2010, and has restated comparative information for its year-ended December 31, 2010. The impact of the adoption of IFRS on the Commission's financial statements is described on Note 25 to the financial statements. The most significant changes are as follows:

Property, plant and equipment

Under the transitional provisions contained in IFRS 1, the Commission has elected to apply fair value as deemed cost for the property associated with its head office as at January 1, 2010. An independent third party appraised the fair value of the land and building at this date. As a result, the value of the building increased by $2.5 million and the value of land by $3.0 million, for a total of $5.5 million, with a corresponding reduction in the opening balance of the deficit at January 1, 2010. The Commission also extended the remaining useful life of the building from 8 to 35 years, which resulted in a decrease in amortization for 2010 of $0.1 million.

Investments

The Commission has elected to early adopt IFRS 9 – Financial Instruments. Under IFRS 9, unrealized gains and losses are flowed through investment income during the period instead of being recorded in other comprehensive income as was done under Canadian GAAP. For 2010, there were $30.0 million in unrealized losses that were reclassified on transition to IFRS. This change did not affect the fund deficit. There was also a $1.2 million decrease in investments with a corresponding increase in the opening balance of the deficit at January 1, 2010.

Employee future benefits

Under IAS 19 – Employee Benefits, the attribution period for severance benefits extends only to the date when future service by the employee leads to no material amount of additional benefits under the plan, other than from future salary increases, rather than the expected payment date. This means that the attribution period extends only to the earlier of; a) termination, or b) when the employee reaches the maximum payment limit. This resulted in a shorter attribution period than permitted under Canadian GAAP, and consequently, a higher defined benefit obligation of $0.8 million as at January 1, 2010, with a corresponding increase in the opening deficit position.

Provision for Sick Leave

Under IFRS, the Commission is required to recognize a provision for the value of sick leave benefits earned and expected to be utilized in a subsequent year, above employees' annual entitlement. This resulted in recognition of an opening liability of $0.2 million on transition, and an increase in salary and benefits expense of $15,000 in 2010, with related increase in the deficit.

FUTURE ACTUARIAL CHANGES – OCCUPATIONAL DISEASE

In accordance with pending changes to Actuarial Standards of Practice – Section 5000, for calculation dates on or after December 31, 2014, the actuary would also include in the benefits liabilities an appropriate allowance for all occupational disease claims expected to arise after the calculation date as a result of exposures incurred in the workplace prior to the calculation date, regardless of the Commission's approach to funding potential occupational disease claims. The Commission is currently undertaking an actuarial study of potential occupational disease liability and it is expected that the results of this study will be available later.

OUTLOOK

The financial sustainability of the workers' compensation system in Newfoundland and

Labrador remained relatively stable despite investment underperformance and rising health care costs. The overall financial position of the Commission was maintained due to record high assessment revenue, as payrolls in the province grew at more than double the expected rate. Other positive factors include lower than expected inflation, favourable experience on prior years' claims and a slight reduction in new injury claims. The Commission continues to implement further elements of the CMM which is directed at reducing the duration of short-term claims and enhancing the medical management of claims. The ultimate goal is to improve client service while reducing the cost of new injuries.

Stakeholders should be mindful of the delicate balance that continues to exist among investment returns, injury rates and claims costs and the effect these factors have on the Commission's funded status. The Commission's funded status declined from 94.2% in 2010 to 91.8% in 2011. The Board of Directors' long term goal is to achieve a funded status of 110%. The Commission must earn more than the long term target for the foreseeable future, to ensure the financial sustainability of the Injury Fund and provide for the security of benefits.

The extent to which further reductions are achieved in the provincial injury incidence rate, or a reversal in the downward trend is avoided, will depend on maintaining a committed focus on workplace safety by all stakeholders. The Commission has developed an Integrated Prevention Strategy which will outline the initiatives to be undertaken in partnership with all stakeholders, including government, to further strengthen the workplace safety culture in the province.

The Board maintained the average base assessment rate per $100 of assessable payroll at $2.75 for 2012. This decision was guided by the funding policy which requires that the average assessment rate be adjusted to allow the Commission to achieve its long term funding target of 110%. While assessment rates continue to be among the highest in the country, another 11 years of surcharges are required to amortize the current funding deficiency. During 2011, the decline in the Commission's net funding deficiency demonstrates the need to retain a long term focus. As well, other factors such as future trends in accident experience and investment returns will also impact the average assessment rate.

Government is anticipating that overall real GDP will decline slightly in Newfoundland and Labrador in 2012 due to lower oil production, as two of the offshore platforms are scheduled for major refits. While government's infrastructure spending program is winding down, other elements of the economy are expected to continue to grow, led by further capital investment in the mining and energy sectors. The province is expected to lead the Atlantic region in economic growth in 2012 and will continue to be among the leaders in the country.

On a global level there are a number of factors which will influence investment returns including the level of economic growth, energy prices, inflation and government stability. Globally, economic growth in 2012 is expected to be a little more than 3%. However, there is continued uncertainty regarding the resolution of sovereign debt issues in Europe, therefore projections for most European countries are in the less than 1% range. Expectations for economic growth in Canada and the United States are around 2%.

As the Commission implements the 2011-13 Strategic Plan, the key goal areas continue to include client service, claims management delivery, injury prevention and financial sustainability.

Financial Statements

Management responsibility for financial reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains a system of accounting and reporting which provides for the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors oversees management responsibility for financial reporting through its Financial Services Committee. The Financial Services Committee oversees the external audit of the Commission's annual financial statements and the accounting and financial reporting and disclosure processes and policies of the Commission. The Financial Services Committee meets with management, the independent actuary and the independent auditors to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Commission's annual financial statements are reviewed by the Financial Services Committee with each of management and the external auditors before being recommended to the Board of Directors for approval.

The firm of Morneau Shepell has been appointed as independent consulting actuary to the Commission. Its role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on an annual basis and to report thereon in accordance with generally accepted actuarial principles.

Ernst & Young, LLP, the external auditors of the Commission, have performed an independent audit of the 2011 financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Independent Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Paul Kavanagh

Leslie Galway
Chief Executive Officer

Paul Kavanagh
Chief Financial & Information Officer

ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (the "Commission") as at December 31, 2011 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The estimate of the actuarial liabilities for assessed employers as at the valuation date is $858,640,468. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. Self-insured employers, and future claims arising from long latency occupational diseases are not included in this valuation.
2. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the liabilities of the Commission.
3. The actuarial assumptions adopted in computing the liabilities are appropriate for the purpose of the valuation.
4. The methods used are appropriate for the purpose of the valuation and in accordance with accepted actuarial practice for workers compensation organizations in Canada. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of the Commission. The discount rates used are disclosed in note 14 to the financial statements.
5. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations (excluding long latency occupational diseases) and the financial statements fairly present the results of the valuation.
6. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
7. The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador and on the Commission's policies and practices in effect on the valuation date.

Conrad Ferguson, F.C.I.A.

Morneau Shepell Ltd.
March 14, 2012

This report has been peer reviewed by Howard Slaney, F.C.I.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Workplace Health, Safety and Compensation Commission

We have audited the accompanying financial statements of **Workplace Health, Safety and Compensation Commission**, which comprise the statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the statements of operations and comprehensive income, changes in fund deficiency and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Workplace Health, Safety and Compensation Commission** as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

St. John's, Canada,
April 4, 2012

Chartered Accountants

Statement of FINANCIAL POSITION
as at December 31

(thousands of dollars)	**2011**	2010	January 1 2010
Assets			
Cash and cash equivalents	**$ 15,672**	$ 7,885	$ 101
Accounts receivable [note 5]	**11,750**	10,432	13,865
Investments [note 6]	**755,819**	767,954	708,790
Property, plant and equipment [note 9]	**8,632**	8,969	9,404
Intangible assets [note 10]	**15,073**	14,370	12,165
	806,946	809,610	744,325
Liabilities			
Accounts payable and accrued liabilities [note 12]	**15,262**	15,941	12,252
Employee future benefits [note 15]	**4,673**	4,137	3,461
Benefit liabilities [note 14]	**858,641**	839,301	831,299
Total liabilities	**878,576**	859,379	847,012
Fund deficiency	**(71,630)**	(49,769)	(102,687)
	$ 806,946	$ 809,610	$ 744,325

Commitments [note 23]

Contingencies [note 24]

Authorized for issue on April 4, 2012 on behalf of the Board of Directors

Ralph Tucker
Chairperson

Darren Roberts
Director

See accompanying notes.

Statement of OPERATIONS and COMPREHENSIVE INCOME

Year ended December 31

(thousands of dollars)	**2011**	2010
Revenue		
Assessments revenue [note 13]	**$ 188,367**	$ 166,220
Investment (loss) income [note 7]	**(11,602)**	65,217
Third-party recoveries [note 3]	**1,049**	1,080
	177,814	232,517
Expenses		
Claims costs incurred [note 14]		
Short-term disability	**29,913**	29,883
Long-term disability	**65,138**	65,496
Survivor benefits	**5,359**	5,843
Health care	**48,224**	42,614
Rehabilitation	**1,544**	1,288
Future administration costs	**3,911**	3,875
	154,089	148,999
Administration [note 16]	**32,543**	30,170
Actuarial adjustments [note 14]	**(1,245)**	(12,458)
Legislated obligations [note 17]	**6,952**	6,649
Fees and interest [note 7]	**3,245**	2,627
Amortization [notes 9 and 10]	**2,491**	2,179
Other expenses [note 18]	**1,520**	1,258
	199,595	179,424
Comprehensive (loss) income	**$ (21,781)**	$ 53,093

See accompanying notes.

Statement of CHANGES IN FUND DEFICIENCY

Year ended December 31

(thousands of dollars)	**2011**	2010	January 1 2010
Accumulated operating deficit			
Balance, beginning of year	**$ (50,409)**	$ (103,502)	$ (103,502)
Comprehensive (loss) income	**(21,781)**	53,093	-
	(72,190)	(50,409)	(103,502)
Reserves			
Occupational Health and Safety Research [note 19]	**560**	640	815
Fund deficiency, end of year	**$ (71,630)**	$ (49,769)	$ (102,687)

See accompanying notes.

Statement of CASH FLOWS
Year ended December 31

(thousands of dollars)	**2011**	2010
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 186,593**	$ 165,797
Interest	**10,930**	4,236
Dividends	**10,181**	15,525
Third parties	**1,049**	4,976
	208,753	190,534
Cash paid to:		
Claimants or third parties on their behalf	**(133,504)**	(128,539)
Suppliers and employees, for administrative and other goods and services	**(41,158)**	(33,911)
Investment Manager, interest & other fees	**(2,582)**	(2,414)
Third party, from reserve fund	**(80)**	(175)
	(177,324)	(165,039)
Net cash provided from operating activities	**31,429**	25,495
Cash flows from investing activities		
Net purchase of investments	**(20,785)**	(13,759)
Purchase of capital and intangible assets	**(2,857)**	(3,952)
Net cash used for investing activities	**(23,642)**	(17,711)
Net change in cash and cash equivalents	**7,787**	7,784
Cash and cash equivalents		
Beginning of year	**7,885**	101
End of year	**$ 15,672**	$ 7,885

See accompanying notes.

1. NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act* (the *Act*), as amended. The Commission is a legislative incorporated entity with no share capital. The main office of the Commission is located at 146-148 Forest Road, St. John's, Newfoundland and Labrador, Canada. The Commission operates two regional offices in Newfoundland in Grand Falls-Windsor and Corner Brook.

The Commission is responsible for, in accordance with the provisions of the *Act,* preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under the *Act* to make rulings on any appeals pertaining to the Commission's assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The funds, investments and income of the Commission are free from taxation pursuant to Section 10(2) of the *Act*.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in effect as of December 31, 2011. These standards have been adopted by the Accounting Standards Board of Canada as generally accepted accounting principles (GAAP) for publicly accountable enterprises for years beginning on or after January 1, 2011. Accordingly, the Commission has commenced reporting on this basis in these financial statements. The Commission's transition date to IFRS was January 1, 2010 ("Transition Date"). The Commission prepared its opening IFRS balance sheet as at that date. The Commission's IFRS adoption date is January 1, 2011 ("Adoption Date"). Financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

2. BASIS OF PREPARATION (continued)

Subject to certain transition exemptions and elections available under IFRS 1 "First-time Adoption of International Financial Reporting Standards" disclosed in Note 25, the Commission has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 25 discloses the impact of the transition on the Commission's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Commission's financial statements for the year ended December 31, 2010.

Going concern

The Commission has assessed the relevant financial and economic indicators and has determined that there is an ability to operate as a going concern, as supported by the funding strategy in place for the elimination of the unfunded liability.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Canadian currency, (unless otherwise indicated).

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash, bank overdrafts and short-term investments in money market instruments with original maturity dates at time of purchase of three months or less, are recorded at fair value.

Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls at which point revenue is recognized. The assessment levy is payable by installments within the current year. At year-end, assessment revenue is adjusted based on a review of the employers' actual payrolls, as well for the estimate of practice incentive refunds which are payable to the employers under the Prevention & Return to Work Insurance Management for Employers/ Employees Program (PRIME). Assessment revenue also includes payments from self-insured employers, who directly bear the costs of their own incurred claims and their share of administration costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable
Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is included in accounts receivable based on historical assessment information.

Property, plant and equipment
Property, plant and equipment are reported at cost, less accumulated amortization. These assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Equipment under capital lease	3 to 5 years

The useful lives of items of property, plant and equipment are reviewed at each balance sheet date and adjusted if required. As well, property, plant and equipment are reviewed for impairment whenever there are indications that the carrying value may not be recoverable.

Intangible assets
Intangible assets, which include purchased software and internally developed systems are recorded at cost and are amortized monthly on a straight-line basis over their estimated useful lives of ten years. Intangible assets are reviewed for impairment when there are indications that the carrying value may not be recoverable and if an asset is deemed impaired, its carrying value is reduced to the net recoverable amount.

Benefit liabilities
The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include a provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims and for future costs of administering claims. No provision has been made for future claims related to latent occupational disease, because these cannot be reasonably estimated.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation
Assets and liabilities denominated in foreign currencies are translated into their Canadian dollar equivalent using exchange rates in effect on the reporting date. Revenues and expenses are translated using exchange rates in effect at the transaction date. Realized and unrealized exchange gains or losses are included in comprehensive income.

Investments
Investments are designated as fair value through profit and loss (FVTPL). Realized gains and losses on the sale of investments, and unrealized gains and losses arising from the change in fair value of the investments are recorded in investment income during the period in which they arise. All purchases and sales of investments are recognized on the dates the trades are executed. Income from interest and dividends are recognized as investment income in the period earned.

The fair value of publicly traded investments is based on quoted prices from security exchanges, while that of domestic real estate investments is based on independent appraisals, and pooled fund units are valued at their year-end net asset values. Asset backed commercial paper (ABCP) is valued using a discounted cash flow model.

Financial instruments
The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and derivatives. The carrying value of financial instruments, with the exception of investments and derivatives, approximate fair value due to their immediate or short-term maturity and normal credit terms. The fair value of investments is based on quoted market prices.

The following is a summary of the accounting model the Commission has elected to apply to each of its significant categories of financial instruments.

Asset/Liability	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	FVTPL	Fair value
Derivatives	Held-for-trading	Fair value
Accounts payables and accrued liabilities	Other liabilities	Amortized cost

Derivatives are financial contracts whose price is dependent on the price of one or more underlying securities. The notional principal amounts, upon which payments are based, are not recognized in these financial statements.

The fair value of the Commission's derivative positions is determined by the following methods:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

1) Interest rate swaps, forward foreign exchange contracts and currency swaps are valued based on discounted cash flows using current market yields and exchange rates.

2) Future contracts are valued based on quoted market prices.

Financial instruments are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities.

Level 2 Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices].

Level 3 Valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

Financial instruments included in level 1 of the fair value hierarchy consist of cash and cash equivalents and equities. All other financial instruments are included in level 2, with the exception of asset-backed commercial paper which is included in level 3.

Annual leave and post-employment benefits
Annual leave is accounted for on an accrual basis in the period during which employees render service.

Employees participate in the Province of Newfoundland and Labrador's Public Service Pension Plan [PSPP], a multi-employer defined benefit plan. The employer's contributions are expensed as incurred.

The Commission provides a severance payment upon resignation, retirement or termination. The expected cost of providing this employee future benefit is accounted for on an accrual basis and has been actuarially determined using the projected benefit method prorated on service, and management's best estimate of salary escalation, and retirement ages of employees. Discount rates are based on the market yields of high quality corporate bonds. Actuarial gains and losses are recognized immediately through the statement of operations.

Third-party recoveries
In certain circumstances, under Section 45 of the *Workplace Health, Safety and Compensation Act,* the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

Reserves

In accordance with Section 20.5 (1) of the *Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. The *Act* permits the Commission to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of the *Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

Future accounting pronouncements

The Commission monitors the activities of the International Accounting Standards Board (IASB) and considers the impact that changes in the standards may have on the Commission's financial reporting. Some of the ongoing projects which may impact the Commission are as follows:

<u>IFRS 4, Insurance Contracts</u>

In July 2010, the IASB issued an exposure draft proposing a comprehensive measurement approach for all types of insurance contracts. The Commission is analyzing the impact this new standard will have on its financial statements. It is anticipated that the IASB will issue a review draft or a re-exposure draft in the first half of 2012.

<u>IAS 17, Leases</u>

The IASB has issued an exposure draft which proposes a new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognised in the statement of financial position. The Commission is analyzing the impact this new standard will have on its financial statements. It is anticipated that the IASB will issue a second re-exposure draft in the second quarter of 2012.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 19: Employee Benefits

The IASB has issued a revised standard on employee benefits which is applicable for years beginning on or after January 1, 2013. The revised standard will require the impact of changes in actuarial assumptions from year to year be recorded in other comprehensive income rather than the Commission's current practice of recording through the statement of operations.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Benefit liabilities

An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate.

The Commission believes that the amount provided for benefit liabilities as at December 31, 2011, is adequate, recognizing that actuarial assumptions as disclosed in note 14 may change over time to reflect underlying economic trends. Such changes could possibly cause a material change in the actuarial present value of the future payments.

Assessments revenue

Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, with regards to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

5. ACCOUNTS RECEIVABLE

(thousands of dollars)	**2011**	2010	Jan. 1, 2010
Assessments	**$ 9,784**	$ 7,309	$ 8,298
Less: Allowance for doubtful accounts	**4,071**	3,709	4,092
	5,713	3,600	4,206
Accrued assessments	**3,318**	4,565	4,300
Third-party recoveries	**-**	-	3,932
Other	**2,719**	2,267	1,427
	$ 11,750	$ 10,432	$ 13,865

6. INVESTMENTS

(thousands of dollars)	2011		2010		Jan. 1, 2010	
	Fair value	**Cost**	Fair value	Cost	Fair value	Cost
Fixed term	**$ 266,066**	**$ 258,359**	$ 251,387	$ 253,229	$ 237,344	$ 239,694
Equities	**476,438**	**446,284**	516,567	493,116	471,446	476,925
Real Estate	**13,315**	**12,333**	-	-	-	-
	$ 755,819	**$ 716,976**	$ 767,954	$ 746,345	$ 708,790	$ 716,619

Asset-Backed Commercial Paper

Included in fixed-term investments is the Commission's investment in third-party sponsored ABCP. As part of the ABCP restructuring plan completed on January 21, 2009, the Commission's interest in the ABCP was replaced with a number of long term floating rate notes ("the Notes").

The Commission has undertaken a fair value estimation as of December 31, 2011 using a methodology consistent with that of the previous year. Due to the lack of an active market, the methodology employed a discounted cash flow model which considered the specific characteristics of the Notes.

Based on this exercise, the Commission estimated that as at December 31, 2011 the range of fair values varied between $2,301,000 and $2,464,000. The Commission's estimate of fair value is $2,380,000. There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in future reporting periods. The table below summarizes the Commission's valuation as at December 31.

(thousands of dollars)	**Par value**	**Fair Value 2011**	**2010**	**Expected Maturity date**
MAV 2 Notes				
A1 [rated A]	$ 2,500	$ 2,104	$ 2,013	01/07/2017
C	78	20	1	01/07/2017
Class 13 - tracking notes	393	256	202	03/20/2014
Total investment	$ 2,971	$ 2,380	$ 2,216	

6. INVESTMENTS (continued)

Derivatives

Derivatives are financial contracts whose price is dependent upon the price of one or more underlying securities, reference rates or indices. The investment portfolio does not contain any derivatives intended for speculation purposes and does not hold derivatives on a segregated basis but does have indirect exposure through its pooled fund investments. Derivatives are classified as held-for-trading instruments and any changes in fair value resulting from marking derivative contracts to market are recognized in investment income. At December 31, 2011 the fair value of the Commission's derivative portfolio was $271,919 [notional value of $13,542,470]. Derivative instruments held at December 31, 2010 had a fair value of $193,695 [notional value of $3,716,000].

7. INVESTMENT (LOSS) INCOME

Investment (loss) income is comprised of the following:

(thousands of dollars)	**2011**	2010
Interest and dividends	**$ 21,111**	$ 20,523
Realized (loss) gain on sale of investments	**(23,906)**	3,674
Interest on short-term investments	**412**	137
Unrealized (loss) gain on change in fair market value of investments	**(9,219)**	40,883
Net investment (loss) income	**$ (11,602)**	$ 65,217

Fees and interest are comprised of the following:

(thousands of dollars)	**2011**	2010
Fund Managers' Investment Fees	**$ 2,569**	$ 2,394
Banking Fees	**135**	144
Bad Debt expense	**456**	(39)
Interest paid to claimants	**85**	128
Fees and interest	**$ 3,245**	$ 2,627

8. RISK MANAGEMENT

The Commission manages its investment portfolio in accordance with its long-term investment policy. The investment risk inherent in an investment portfolio is managed

8. RISK MANAGEMENT (continued)

through diversification in both asset classes and investments within each asset class. The Commission also engages a number of different fund managers with a broad range of investment philosophies and styles.

The Board of Directors is ultimately responsible for the governance and strategic direction of the Commission's investments through its review and approval of the long-term investment policy and ensuring adherence to the policy. Management is responsible for monitoring performance, regular reporting to the Board, and recommending changes in the investment policy or fund managers. The Board and Management use the services of an external consultant to benchmark the performance of fund managers and to provide advice on investment policies and practices.

Fair Value Hierarchy

(thousands of dollars)	Fair Value		
	2011	2010	Jan. 1, 2010
Level 1			
Cash and cash equivalents	**$ 15,785**	$ 17,806	$ 6,966
Equity	**460,653**	498,761	464,480
	476,438	516,567	471,446
Level 2			
Fixed term investments	**263,686**	249,171	235,506
Real Estate	**13,315**	-	-
	277,001	249,171	235,506
Level 3			
ABCP	**2,380**	2,216	1,838
	$ 755,819	$ 767,954	$ 708,790

The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. At December 31, 2011, 88.7% [2010, 90.1%] of the fixed income assets in the portfolio have at least an 'A' credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short-term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short-term portfolio investments held with any one corporate

8. RISK MANAGEMENT (continued)

issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Forward foreign exchange and future contracts are used to hedge the currency risk of certain foreign denominated fixed-term investments. Hedge accounting has not been applied to hedging arrangements. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments.

As at December 31, 2011, the Commission's holdings in foreign equities and pooled equity funds had a market value of $191.3 million [2010; $203.3 million] representing 25.3% [2010 – 26.5%] of the market value of the total investment portfolio.

The table below presents the negative effect of a 10% appreciation in the value of the Canadian/U.S. dollar and the Canadian dollar/Euro on the value of the equity portfolio.

(thousands of dollars)	**2011**		2010	
	CAD/USD	**CAD/EURO**	CAD/USD	CAD/EURO
10% appreciation in the Canadian dollar	**$ (10,571)**	**$ (2,596)**	$ (10,787)	$ (1,591)

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Commission is exposed to interest rate risk through investment in fixed income securities. Interest rate risk is managed through diversification of fixed income securities through sector allocation and security duration.

The table below presents the negative effects of a 50 basis point (bps) and 100 bps adverse changes in interest rates on the fixed income portfolio:

(thousands of dollars)	**2011**		2010	
Change in nominal interest rates	**+50bps**	**+100bps**	+50bps	+100bps
Nominal bonds	**$ (8,387)**	**$ (16,493)**	$ (7,887)	$ (15,776)

8. RISK MANAGEMENT (continued)

The table below represents the remaining term to maturity of the Commission's fixed-term investments:

(thousands of dollars)	Remaining Term to Maturity			
Fixed term Investments	Within 1 year	Within 1 to 5 years	Over 5 years	Total
2011 Fair Value	**$ 23,297**	**$ 74,622**	**$ 168,147**	**$ 266,066**
2010 Fair Value	**$ 41,932**	**$ 28,317**	**$ 181,138**	**$ 251,387**
Jan 1. 2010 Fair Value	**$ 25,137**	**$ 63,935**	**$ 148,272**	**$ 237,344**

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission manages liquidity risk by monitoring its cash flows and by ensuring that it has sufficient cash and credit facilities available to meet its obligations and liabilities.

Market risk

Market risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in the market price. Market prices of securities are subject to change as a result of perceived or real underlying changes in the economic condition of the issuer, the relative price of alternative investments, and general market conditions.

The Commission manages market risk through adherence to an investment policy that prescribes an asset mix that provides for the diversification of risk across a broad group of securities that meet the long-term return objectives of the investments portfolio.

The table below presents the effect of a material change in the key risk variable, the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

(thousands of dollars)	**2011**		2010	
Equities	1 std dev	2 std dev	1 std dev	2 std dev
% Change in market benchmark	**(17.0%)**	**(34.0%)**	(16.7%)	(33.5%)
Canadian equity	**$ (40,254)**	**$ (70,295)**	$ (44,123)	$ (77,181)
% Change in market benchmark	**(12.7%)**	**(25.4%)**	(12.9%)	(25.8%)
U.S. equity	**$ (15,000)**	**$ (28,000)**	$ (11,732)	$ (21,059)
% Change in market benchmark	**(14.9%)**	**(29.8%)**	(15.2%)	(30.5%)
Foreign equity	**$ (3,000)**	**$ (5,000)**	$ (13,298)	$ (23,491)

9. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	2011			2010	January 1, 2010
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value	Net Book Value
Land	**$ 3,000**	**$ -**	**$ 3,000**	$ 3,000	$ 3,000
Building	**10,727**	**5,946**	**4,781**	4,977	5,200
Furniture and equipment	**2,698**	**2,455**	**243**	291	339
Computer equipment	**6,542**	**5,934**	**608**	701	865
	$ 22,967	**$ 14,335**	**$ 8,632**	$ 8,969	$ 9,404

(thousands of dollars)	2011			
	Opening Balance	Additions/ Depreciation	Disposals	Closing Balance
Cost				
Land	$ 3,000	$ -	$ -	$ 3,000
Buildings	10,810	-	(83)	10,727
Furniture & equipment	2,715	39	(56)	2,698
Computer equipment	6,252	385	(95)	6,542
Total	**22,777**	**424**	**(234)**	**22,967**
Accumulated Depreciation				
Land	-	-	-	-
Buildings	5,833	195	(83)	5,945
Furniture & equipment	2,424	87	(56)	2,455
Computer equipment	5,551	479	(95)	5,935
Total	**13,808**	**761**	**(234)**	**14,335**
Net Book Value	**$ 8,969**	**$ (337)**	**$ -**	**$ 8,632**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(thousands of dollars)	2010			
	Opening Balance	Additions/ Depreciation	Disposals	Closing Balance
Cost				
Land	$ 3,000	$ -	$ -	$ 3,000
Buildings	10,835	(25)	-	10,810
Furniture & equipment	2,760	42	(87)	2,715
Computer equipment	6,854	598	(1,200)	6,252
Total	**23,449**	**615**	**(1,287)**	**22,777**
Accumulated Depreciation				
Land	-	-	-	-
Buildings	5,635	198	-	5,833
Furniture & equipment	2,422	88	(86)	2,424
Computer equipment	5,988	762	(1,199)	5,551
Total	**14,045**	**1,048**	**(1,285)**	**13,808**
Net Book Value	**$ 9,404**	**$ (433)**	**$ (2)**	**$ 8,969**

10. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2010	$ 26,110	$ (13,945)	$ 12,165
Additions	3,336	242	3,578
Disposals	(10,261)	10,261	-
Amortization	-	(1,373)	(1,373)
Closing balance December 31, 2010	**19,185**	**(4,815)**	**14,370**
Additions	2,433	-	2,433
Disposals	(69)	69	-
Amortization	-	(1,730)	(1,730)
Closing balance December 31, 2011	**$ 21,549**	**$ (6,476)**	**$ 15,073**

Intangible assets include systems development costs for 2011 in the amount of $2,045,000 [2010 - $4,961,000] related to business improvement projects.

11. BANK INDEBTEDNESS

The Commission has established an operating line of credit with its banker in the amount of $20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.4%. The credit facility is unsecured and was utilized during 2011 to the amount of $10,000,000; of which no amount was outstanding at December 31, 2011 and 2010; and January 1, 2010.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2011**	2010	Jan. 1 2010
Accounts payable	**$ 10,881**	$ 10,676	$ 8,376
Amounts due to employees	**1,209**	1,033	1,002
Credit balances due to employers	**3,172**	4,232	2,874
	$ 15,262	$ 15,941	$ 12,252

In 2011, accounts payable include a provision in the amount of $5,099,000 [Dec. 31, 2010 - $5,356,000; Jan. 1, 2010 - $2,100,000] for amounts owing to employers under the Commission's PRIME practice incentive program.

13. ASSESSMENTS REVENUE

The Commission administers *the Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's injury fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

(thousands of dollars)	**2011**	2010
Gross assessed employers	**$ 181,476**	$ 160,598
Assessment reporting penalties & interest	**1,499**	1,352
PRIME refunds	**(5,099)**	(5,356)
Net assessment revenue	**177,876**	156,594
Self-insured employers [note 22]	**10,491**	9,626
Total	**$ 188,367**	$ 166,220

14. BENEFIT LIABILITIES AND CLAIMS COSTS

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on an annual basis. An analysis of the components of, and changes in, benefit liabilities is as follows:

(thousands of dollars)				**2011**				2010	January 1, 2010
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilit-ation	Future admin. Cost	**Total**	Total	Total
Balance, beginning of year	**$ 47,840**	**$ 479,945**	**$ 53,381**	**$ 200,013**	**$ 3,215**	**$ 54,907**	**$ 839,301**	$ 831,299	$ 807,998
Add:									
Claims costs incurred:									
Current-year injuries	**26,557**	**28,750**	**1,228**	**32,917**	**1,062**	**-**	**90,514**	86,159	95,286
Prior years' injuries	**3,356**	**36,388**	**4,131**	**15,307**	**482**	**3,911**	**63,575**	62,840	61,047
	29,913	**65,138**	**5,359**	**48,224**	**1,544**	**3,911**	**154,089**	148,999	156,333
Deduct:									
Claims payments:									
Current-year injuries	**9,779**	**578**	**135**	**8,958**	**35**	**-**	**19,485**	17,233	17,900
Prior years' injuries	**20,042**	**54,753**	**7,471**	**30,672**	**1,081**	**-**	**114,019**	111,306	108,407
	29,821	**55,331**	**7,606**	**39,630**	**1,116**	**-**	**133,504**	128,539	126,307
Balance before actuarial adjustments	**47,932**	**489,752**	**51,134**	**208,607**	**3,643**	**58,818**	**859,886**	851,759	838,024
Actuarial adjustments	**466**	**(4,740)**	**2,588**	**3,562**	**(475)**	**(2,646)**	**(1,245)**	(12,458)	(6,725)
Balance, end of year	**$ 48,398**	**$ 485,012**	**$ 53,722**	**$ 212,169**	**$ 3,168**	**$ 56,172**	**$ 858,641**	$ 839,301	$ 831,299

14. BENEFIT LIABILITIES AND CLAIMS COSTS

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. These assumptions may vary over time, and it is possible that changes in assumptions could have a material impact on the actuarial present value of future benefit liabilities.

The table below lists the principal economic assumptions used.

	2011		2010	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return	**7.12%**	**7.12%**	7.12%	7.12%
Inflation year 1	**2.50%**	**3.50%**	0.70%	3.50%
Inflation later years	**3.50%**	**3.50%**	3.50%	3.50%
Net rate of return year 1	**4.51%**	**3.50%**	6.38%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%

The table below highlights the sensitivity of benefit liabilities and claims costs to changes in the key assumptions.

(millions of dollars)

1% Change in assumption	**Impact**	**Benefit Liabilities**	**Claims Costs**
Decrease discount rate	**Increase**	**$ 57.3**	**$ 3.2**
Increase inflation rate	**Increase**	**$ 32.7**	**$ 1.1**
Increase health care inflation	**Increase**	**$ 20.3**	**$ 1.7**

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development

(thousands of dollars)

Accident Year	2007 and prior	2008	2009	2010	2011	Total
Estimate of cumulative claims:						
At end of year of accident	$ 3,223,731	$ 149,568	$ 186,721	$ 147,535	$ 154,019	
One year later	3,217,298	139,326	166,238	142,442		
Two years later	3,235,446	132,818	167,445			
Three years later	3,205,412	134,934				
Four + years later	3,201,504					
Estimate of cumulative claims	3,201,504	134,934	167,445	142,442	154,019	**3,800,344**
Cumulative payments	(2,087,549)	(48,535)	(44,096)	(34,744)	(17,655)	**(2,232,579)**
Estimate of future payments	1,113,955	86,399	123,349	107,698	136,364	**1,567,765**
Effect of discounting	(537,109)	(45,686)	(68,511)	(49,474)	(64,517)	**(765,297)**
Effect of admin expenses	40,379	2,850	3,839	4,076	5,029	**56,173**
Benefit Liabilities at December 31, 2011	**$ 617,225**	**$ 43,563**	**$ 58,677**	**$ 62,300**	**$ 76,876**	**$ 858,641**

15. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan

The Commission's contributions to the Public Service Pension Plan of $1,675,800 [2010 - $1,582,000] are included in administration expenses and have been expensed as incurred.

Severance Payments

The Commission provides a severance payment to employees upon retirement, resignation or termination without cause. In 2011, cash payments to retirees for its unfunded employee future benefits amounted to $105,000 [2010 - $210,000]. The last actuarial valuation was performed effective December 31, 2009, and an extrapolation of that valuation has been performed to December 31, 2011. The next actuarial valuation will be performed as at December 31, 2012.

15. EMPLOYEE FUTURE BENEFITS (continued)

(thousands of dollars)	**2011**	2010
Accrued benefit obligation, beginning of year	**$ 4,137**	$ 3,461
Benefit expense		
Current service cost	**260**	214
Interest cost	**215**	165
Actuarial loss	**166**	507
	641	886
Benefits paid	**(105)**	(210)
Accrued benefit obligation, end of year	**$ 4,673**	$ 4,137

The significant actuarial assumptions used in measuring the accrued benefit obligation and benefit expense are as follows:

	2011	2010
Discount rate – benefit cost	**5.0%**	6.0%
Discount rate – accrued benefit obligation	**4.5%**	5.0%
Rate of compensation increase	**3.5%**	3.5%

16. ADMINISTRATION

(thousands of dollars)	**2011**	2010
Salaries and employee benefits	**$ 26,911**	$ 25,445
Office and communications	**2,566**	2,299
Professional fees	**1,188**	998
Building operations	**1,342**	890
Travel and vehicle operating	**536**	538
	$ 32,543	$ 30,170

17. LEGISLATED OBLIGATIONS

The Commission is required by legislation to fund a portion of the operating costs of the Occupational, Health and Safety Branch of Service NL (formerly the Department of Government Services) in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also reimburses the provincial government for a portion of the operating costs of the Department of Advanced Education and Skills (formerly the Department of Human Resources, Labour and Employment) and the Labour Relations Agency in respect of administering the *Act*. The Commission is required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(thousands of dollars)	**2011**	2010
Government Departments and Labour Relations Agency	**$ 5,645**	$ 5,355
Workplace Health, Safety and Compensation Review Division	**807**	791
Employer and Worker Advisors	**500**	503
	$ 6,952	$ 6,649

18. OTHER EXPENSES

(thousands of dollars)	**2011**	2010
Sectoral advisors and grants	**$ 240**	$ 454
Business improvement projects	**1,280**	804
	$ 1,520	$ 1,258

19. RESERVES

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2011, an amount of $80,000 was charged to the reserve [2010 - $175,000].

20. RELATED PARTY TRANSACTIONS

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and Crown corporations with

20. RELATED PARTY TRANSACTIONS (continued)

which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

The Commission has identified the Board of Directors and Senior Management team as related parties. The Senior Management team includes the CEO, Executive Director of Employer Services, Executive Director of Worker Services, Chief Financial and Information Officer, Executive Director of Corporate Services, Director of Communications, Director of Human Resources, General Counsel and Corporate Secretary, and Executive Assistant. Salary and benefits related to these parties is shown below:

(thousands of dollars)		**2011**		2010
	Number	**Total**	Number	Total
Board of Directors	**9**	**$ 121**	9	$ 142
Senior Management	**9**	**$ 1,304**	9	$ 1,255

21. INDUSTRY LEVY

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the association totaled $865,500 in 2011 [2010 - $694,300] and are not included in the statement of operations.

22. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. The claims costs and administrative expenses included in assessments revenue on the statement of operations are as follows:

22. SELF-INSURED EMPLOYERS (continued)

(thousands of dollars)	**2011**	2010
Claims costs incurred:		
Short-term disability	**$ 1,268**	$ 1,130
Long-term disability	**3,984**	3,595
Survivor benefits	**571**	580
Health care	**2,779**	2,609
Administration charges	**1,889**	1,712
Revenue from self-insured employers	**$ 10,491**	$ 9,626

The benefit liabilities related to self-insured employers have not been included in the benefits liabilities account, as these liabilities will be borne by those employers when paid in future years.

23. COMMITMENTS

The Commission has committed to operating lease payments for office premises and equipment for the years 2012 to 2014 in the amount of $202,000 annually.

24. CONTINGENCIES

The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

25. TRANSITION TO IFRS

The Commission has adopted IFRS as of January 1, 2011 and has applied these standards retrospectively. The effect of the Commission's transition to IFRS from Canadian GAAP, described in Note 2, is summarized in this note as follows:

a) Transition exemptions and exceptions applied
b) Reconciliation of fund deficiency and comprehensive income as previously reported under Canadian GAAP to IFRS

25. TRANSITION TO IFRS (continued)

c) Adjustments to the statement of cash flows
d) Presentation differences
e) Notes to the reconciliation of fund deficiency and comprehensive income

In this note the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS and the term "GAAP" refers to generally accepted accounting principles in Canada after the adoption of IFRS.

a) Transition exemptions and exceptions applied

In accordance with IFRS transitional provisions, the Commission has elected to use fair value as deemed cost for certain of its property, plant and equipment in its opening statement of financial position. As described further in note 25e(*ii*) the Commission has elected to measure the land and building at January 1, 2010 at fair value and to use that fair value as deemed cost at that date.

b) Reconciliation of fund deficiency and comprehensive income as previously reported under Canadian GAAP to IFRS

A reconciliation of how the transition from Canadian GAAP to IFRS has affected the fund deficiency of the Commission and its financial performance is set out in the following tables and the notes that accompany the tables.

25. TRANSITION TO IFRS (continued)

Reconciliation of **Statement of Financial Position**
As at January 1, 2010 and December 31, 2010

(thousands of dollars)	Canadian GAAP December 31, 2010	2010 Adjustments	**IFRS December 31, 2010**	Canadian GAAP January 1, 2010	Effect on transition to IFRS	**IFRS January 1, 2010**
Assets						
Cash and cash equivalents	$ 7,885	$ -	**$ 7,885**	$ 101	$ -	**$ 101**
Accounts receivable	10,432	-	**10,432**	13,865	-	**13,865**
Investments (Note 25e)*i)*	768,105	(151)	**767,954**	710,007	(1,217)	**708,790**
Property, plant and equipment (Note 25e)*ii)*	3,372	5,597	**8,969**	3,925	5,479	**9,404**
Intangible assets	14,370	-	**14,370**	12,165	-	**12,165**
	$ 804,164	$ 5,446	**$ 809,610**	$ 740,063	$ 4,262	**$ 744,325**
Liabilities						
Accounts payable and accrued liabilities (Note 25e)*iv)*	$ 15,681	$ 260	**$ 15,941**	$ 12,007	$ 245	**$ 12,252**
Employee future benefits (Note 25e)*v)*	3,134	1,003	**4,137**	2,636	825	**3,461**
Benefit liabilities	839,301	-	**839,301**	831,299	-	**831,299**
Total liabilities	858,116	1,263	**859,379**	845,942	1,070	**847,012**
Fund Deficiency (Note 25e)*vi)*	(53,952)	4,183	**(49,769)**	(105,879)	3,192	**(102,687)**
	$ 804,164	$ 5,446	**$ 809,610**	$ 740,063	$ 4,262	**$ 744,325**

25. TRANSITION TO IFRS (continued)

Reconciliation of **Statement of Operations and Fund Deficit**
Year ended December 31

(thousands of dollars)	**2010**	Effect on transition to IFRS	**2010 IFRS**
Revenue			
Net assessments revenue	**$ 166,259**	$ (39)	**$ 166,220**
Investment income (Note 25e)*i*)	**35,199**	30,018	**65,217**
Third-party recoveries	**1,080**	-	**1,080**
	202,538	29,979	**232,517**
Expenses			
Claims costs incurred			
Short-term disability	**29,883**	-	**29,883**
Long-term disability	**65,496**	-	**65,496**
Survivor benefits	**5,843**	-	**5,843**
Health care	**42,614**	-	**42,614**
Rehabilitation	**1,288**	-	**1,288**
Future administration costs	**3,875**	-	**3,875**
	148,999	-	**148,999**
Administration (Note 25e)*iv and v*)	**29,977**	193	**30,170**
Actuarial adjustments	**(12,458)**	-	**(12,458)**
Legislated obligations	**6,649**	-	**6,649**
Investment fund & banking fees (Note 25d)	-	2,627	**2,627**
Amortization (Note 25e)*iii*)	**2,296**	(117)	**2,179**
Other expenses	**1,258**	-	**1,258**
	176,721	2,703	**179,424**
Surplus from operations	**25,817**	27,276	**53,093**
Accumulated deficit (Note 25e)*vi*)			
Balance, beginning of year	**(106,694)**	3,192	**(103,502)**
Operating surplus	**25,817**	27,276	**53,093**
Accumulated other income	**26,285**	(26,285)	-
Reserves	**640**	-	**640**
Fund deficit, end of year	**$ (53,952)**	$ 4,183	**$ (49,769)**

c) Adjustments to the Statement of Cash Flows

There were no adjustments to the consolidated statements of cash flow as a result of the conversion to IFRS.

25. TRANSITION TO IFRS (continued)

d) Presentation Differences

Certain presentation differences between Canadian GAAP and IFRS have no impact on reported profit or total equity. Investment Fund Manager Fees and Bad Debt Expense have been reclassified into a separate line item under IFRS rather than being shown net in Investment Income and Assessment Revenue under Canadian GAAP.

e) Notes to the Reconciliations

Note i - Investments

Under Canadian GAAP, investments were designated as available for sale and recorded at fair value. Gains and losses realized on the disposal of investments are recorded in operating surplus during the year. Unrealized gains and losses were recorded in other comprehensive income until realized. Interest and dividend income were recognized in the period earned. Any evidence of impairment in value other than temporary is recognized in the statement of operations as the investment is reduced to the extent it is impaired.

Under IFRS the Commission has early adopted IFRS 9 – Financial Instruments in which unrealized gains and losses are flowed through investment income during the period instead of being recorded in comprehensive income as was done under Canadian GAAP.

In accordance with IFRS 9 – Financial instruments, investments are recorded at fair market value. The Commission has elected to early adopt IFRS 9 on transition date January 1, 2010. A transitional adjustment on January 1, 2010 resulted in a $1.2 million decrease in investments with a corresponding charge to the opening balance of the deficit at January 1, 2010.

Investments

(thousands of dollars)	**Total**
Opening balance at January 1, 2010 as reported under Canadian GAAP	**$ 710,007**
Adjustment to fair value under IFRS 9	**(1,217)**
Adjusted balance at January 1, 2010	**708,790**
Increase in 2010 Investments under Canadian GAAP	**59,315**
IFRS Adjustment	**(151)**
Closing balance under IFRS December 31, 2010	**$ 767,954**

25. TRANSITION TO IFRS (continued)

Investment Income

(thousands of dollars)	Canadian GAAP	IFRS Adjustment	IFRS
Investment income and dividends	$ 20,523	$ -	$ 20,523
Realized gains on investments	17,205	(13,531)	3,674
Interest on short term investments	137	-	137
Investment fund manager fees	(2,666)	2,666	-
Unrealized gain on investments	-	40,883	40,883
	$ 35,199	$ 30,018	$ 65,217

Note ii** – **Property, Plant and Equipment

Under Canadian GAAP, the property, plant and equipment was reported at cost and amortized monthly on a straight-line basis over their estimated useful lives.

The Commission has elected under the transitional provisions contained in IFRS 1 to apply fair value as deemed cost for its land and building at January 1, 2010. An independent third party evaluated the fair value of the land and building at this date. The Commission also reviewed the useful life of the building at January 1, 2010 and determined the remaining estimated useful life was 35 years. In comparison, under Canadian GAAP, prior to the re-evaluation the building had a remaining useful life of 8 years at January 1, 2010.

The impact arising from the change is summarized in the table below. At January 1, 2010, property, plant and equipment increased by $5.5 million, with a corresponding decrease in the opening balance of the deficit at January 1, 2010.

25. TRANSITION TO IFRS (continued)

Property Plant & Equipment – Net Book Value

(thousands of dollars)	Land	Building	Furniture and Equipment	Computer Equipment	Total
Balance Jan. 1, 2010 reported under Canadian GAAP	$ 11	$ 2,710	$ 339	$ 865	**$ 3,925**
IFRS Adjustments	2,989	2,490	-	-	**5,479**
Adjusted balance Jan. 1, 2010 under IFRS	3,000	5,200	339	865	**9,404**
Additions / Disposals	-	(25)	41	597	**613**
Amortization	-	(198)	(88)	(762)	**(1,048)**
Closing balance under IFRS December 31, 2010	**$ 3,000**	**$ 4,977**	**$ 292**	**$ 700**	**$ 8,969**

Note iii – Amortization

The Commission has elected in accordance with IFRS 1 to apply fair value as deemed cost for the measurement of the land and building at January 1, 2010. The increase in the asset value along with an increase in estimated useful life from 8 years to 35 years remaining has resulted in a decrease in the amortization to be expensed in 2010.

The impact arising from the change in amortization is summarized in the table below. For the year ended December 31, 2010, amortization expense decreased $117,000, with a corresponding increase in the surplus from operations for the year.

(thousands of dollars)	Land	Building	Furniture and Equipment	Computer Equipment	Intangible Assets	Total
Amortization December 31, 2010 Canadian GAAP	$ -	$ 315	$ 88	$ 762	$ 1,131	**$ 2,296**
IFRS Adjustment	-	(117)	-	-	-	**(117)**
Amortization December 31, 2010 IFRS	**$ -**	**$ 198**	**$ 88**	**$ 762**	**$ 1,131**	**$ 2,179**

Note iv – Employee Sick Leave

IFRS requires that a provision be recognized for sick leave benefits earned by employees in one period and expected to be taken in future periods. Accordingly the Commission has recognized a liability for earned sick leave.

25. TRANSITION TO IFRS (continued)

Note v – Employee Future Benefits

Under Canadian GAAP, an attribution period from the date of hire to the date of the expected payment of severance benefits was permitted since the benefit was a function of salary at the time of termination. Under IFRS, the attribution period extends only to the date when future service by the employee leads to no material amount of additional benefits under the plan, other than from future salary increases. This means that the attribution period extends only to the earlier of a) termination or b) when the employee reaches the maximum payment limit. This results in a shorter attribution period and consequently, a higher defined benefit obligation.

The transitional adjustment arising from the shorter attribution period resulted in a $825,000 increase in the fund deficiency at January 1, 2010.

At December 31, 2010 the administrative expenses and employee future benefit liability increased by $178,000 with a corresponding increase in the deficit from operations for the year.

Employee Future Benefits

(thousands of dollars)	Canadian GAAP	IFRS Adjustment	IFRS
Balance as of January 1, 2010	$ 2,636	$ 825	$ 3,461
2010 transactions	498	-	498
IFRS adjustment	-	178	178
Balance at December 31, 2010	$ 3,134	$ 1,003	$ 4,137

Note vi – Reconciliation of Accumulated Deficit & Fund Deficiency

Under IFRS, the beginning balance of accumulated operating deficit has been adjusted to reflect the changes to the decrease in investments (note 25e)*i*) and the increase in property, plant and equipment (note 25e)*ii*).

Under IFRS, the beginning balance of accumulated other comprehensive income ($2,042) has been reflected in the opening balance of accumulated operating deficit as summarized in the following table. Due to the early adoption of IFRS 9 – Financial Instruments, there is no accumulated other comprehensive income reported during 2010.

25. TRANSITION TO IFRS (continued)

Reconciliation of Accumulated Deficit and Fund Deficiency

At January 1, 2010

(thousands of dollars)	Canadian GAAP	IFRS Adjustment	2010 IFRS
Accumulated operating deficit			
Balance, beginning of year	$ (104,652)	$ -	$ (104,652)
Investment adjustment (Note e)*i*)	-	(1,217)	(1,217)
Property, plant and equipment adjustment (Note e)*ii*)	-	5,479	5,479
Sick leave provision (Note e)*iv*)	-	(245)	(245)
Employee future benefit adjustment (Note e)*v*)	-	(825)	(825)
Adjust beginning accumulated other comprehensive income	-	(2,042)	(2,042)
	(104,652)	1,150	(103,502)
Accumulated other comprehensive income (loss)			
Balance, beginning of year	(2,042)	2,042	-
Reserves			
Occupational Health and Safety Research	815	-	815
Fund deficiency, at January 1, 2010	**$ (105,879)**	**$ 3,192**	**$ (102,687)**

25. TRANSITION TO IFRS (continued)

Reconciliation of Accumulated Deficit and Fund Deficiency
Year Ended December 31, 2010

(thousands of dollars)	Canadian GAAP	IFRS Adjustment	2010 IFRS
Accumulated operating deficit			
Balance, beginning of year	$ (104,652)	$ -	$ (104,652)
Investment adjustment (Note e)*i*)	-	(1,217)	(1,217)
Property, plant and equipment adjustment (Note e)*ii*)	-	5,479	5,479
Sick leave provision (Note e)iv)	-	(245)	(245)
Employee future benefit adjustment (Note e)v)	-	(825)	(825)
Accumulated other comprehensive income opening adjustment	-	(2,042)	(2,042)
Operating surplus (deficit)	25,817	27,276	53,093
	(78,835)	28,426	(50,409)
Accumulated other comprehensive income (loss)			
Balance, beginning of year	(2,042)	2,042	-
Other comprehensive income	26,285	(26,285)	-
	24,243	(24,243)	
Reserves			
Occupational Health and Safety Research	640	-	640
Fund deficiency, end of year	**$ (53,952)**	**$ 4,183**	**$ (49,769)**

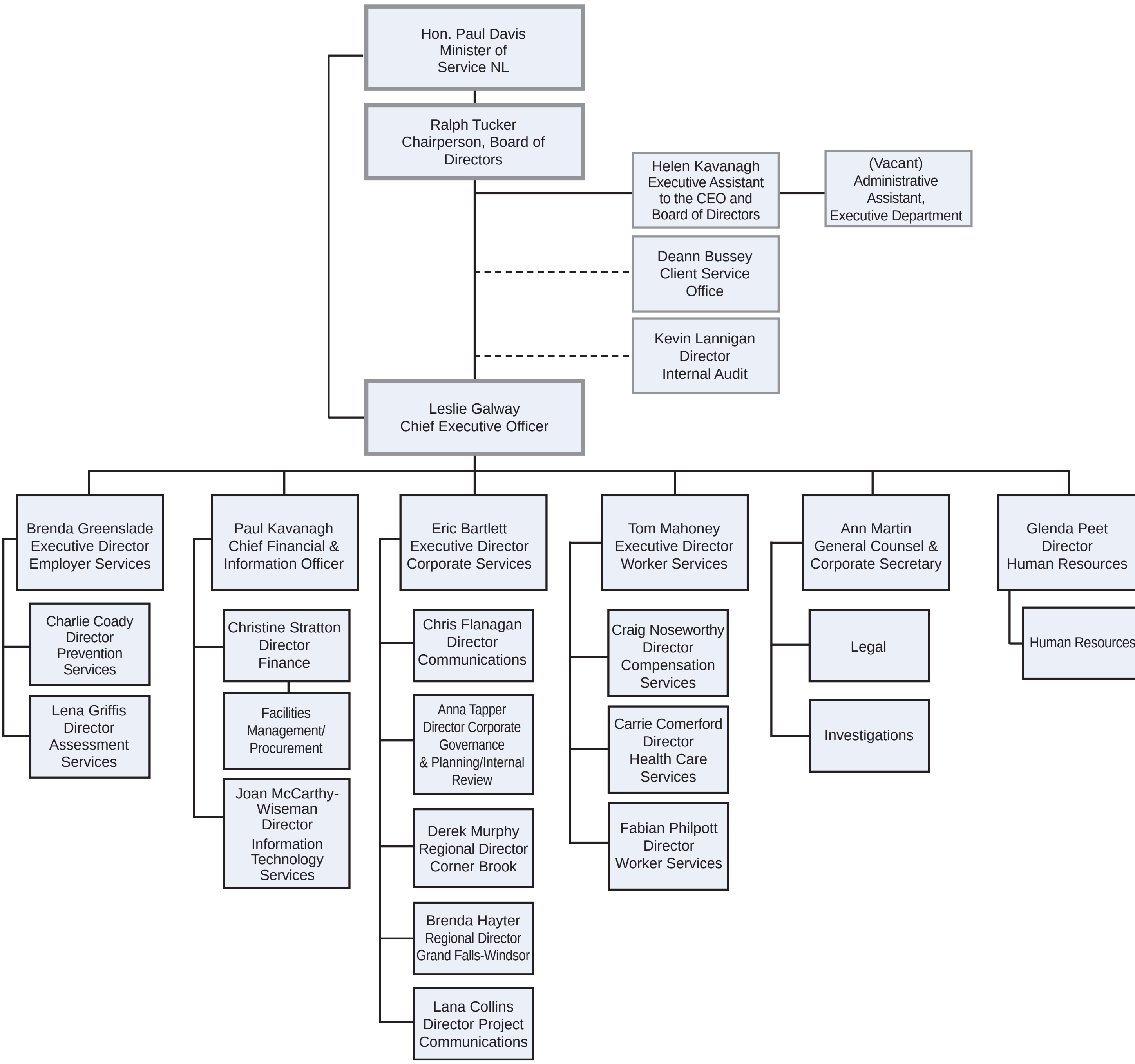
FIVE-YEAR HISTORY
DECEMBER 31, 2011

Statement of Operations and Fund Deficiency for the Years Ending December 31

(thousands of dollars)	2011	2010	2009	2008	2007
Revenue					
Assessments	**$ 188,367**	$ 166,220	$ 160,582	$ 152,440	$ 139,120
Investment (loss) income	**(11,602)**	65,217	18,205	16,432	82,818
Third-party recoveries	**1,049**	1,080	4,372	-	-
	177,814	232,517	183,159	168,872	221,938
Expenses					
Claims costs incurred	**154,089**	148,999	156,333	146,935	138,304
Administration	**32,543**	30,170	27,340	26,897	23,828
Legislated obligations	**6,952**	6,649	6,588	6,424	6,145
Amortization	**2,491**	2,179	2,555	2,859	2,017
Fee and interest	**3,245**	2,627	3,431	3,327	4,307
Actuarial adjustments	**(1,245)**	(12,458)	(6,725)	(6,450)	(265)
Other	**1,520**	1,258	1,787	915	686
	199,595	179,424	191,309	180,907	175,022
(Deficit) surplus for the year	**(21,781)**	53,093	(8,150)	(12,035)	46,916
Fund deficiency, beginning of year	**(50,409)**	(103,502)	(188,756)	(30,276)	(9,245)
Reserve balance, beginning of year	**640**	815	839	889	913
Total fund deficiency, beginning of year	**(49,769)**	(102,687)	(187,917)	(29,387)	(8,332)
(Deficit) surplus for the year	**(21,781)**	53,093	(8,150)	(12,035)	46,916
Appropriation of reserve fund	**(80)**	(175)	(24)	(50)	(24)
Other comprehensive income (loss)	**-**	-	90,212	(146,445)	(67,947)
Total fund deficiency, end of year	**$ (71,630)**	$ (49,769)	$ (105,879)	$ (187,917)	$ (29,387)

* 2007 - 2009 presented under Canadian GAAP, 2010 - 2011 presented under IFRS

ORGANIZATIONAL CHART



Workplace Health, Safety and Compensation Commission

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