

Building a strong and  
**SUSTAINABLE**  
— SAFETY CULTURE —

2010

Annual Performance Report



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# Contents

At a Glance.....	1
Letter to the Minister .....	2
Message from the Board Chair.....	3
Message from the CEO.....	5
WHSCC Board of Directors/Senior Executive Team.....	7/8
Client Service Office Report.....	10
WHSCC Overview .....	12
Shared Commitments.....	14
Highlights & Accomplishments .....	18
Key Statistics .....	21
Opportunities & Challenges.....	28
WHSCC 2010 Report on Performance.....	32
WHSCC Report on Performance .....	44
<i>(Mission Statement and 2008-2010 Goals)</i>	
Management Discussion & Analysis.....	58
Financial Statements.....	80
Organizational Chart.....	107

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## At a Glance 2010

	2010	2009	2008	2007	2006
<b>Incidence Rate<sup>1</sup></b>	<b>1.8</b>	<b>1.9</b>	1.9	2.0	2.1
<b>Soft Tissue Incidence Rate</b>	<b>1.2</b>	<b>1.2</b>	1.2	1.1	1.3
<b>Short-Term Disability Claims<sup>2</sup></b>	<b>4,012</b>	<b>3,999</b>	4,255	4,353	4,568
<b>Health Care Only Claims<sup>2</sup></b>	<b>2,137</b>	<b>2,335</b>	3,139	3,601	3,896
<b>Accepted Fatality Claims<sup>3</sup></b>	<b>32</b>	<b>42</b>	23	23	18
Accidents Resulting in Fatality	<b>13</b>	<b>25</b>	6	7	8
Occupational Disease <sup>4</sup>	<b>19</b>	<b>17</b>	20	17	10
<b>Short Term Claims Duration<sup>5</sup></b>	<b>40</b>	<b>39</b>	42	39	38
<b>Average Assessment Rate<sup>6</sup></b>	<b>\$ 2.75</b>	<b>\$ 2.75</b>	\$ 2.75	\$ 2.75	\$ 2.75
<b>Registered Employer Accounts</b>	<b>17,161</b>	<b>17,001</b>	16,704	16,477	16,291
<b>Employer Assessments (\$ million) (including self-insurers)</b>	<b>\$ 166.3</b>	<b>\$ 160.0</b>	\$ 151.8	\$ 137.7	\$ 124.8
<b>Claims Costs (\$ million)<sup>7</sup></b>	<b>\$ 149.0</b>	<b>\$ 156.3</b>	\$ 146.9	\$ 138.3	\$ 137.0
<b>Net Fund Deficiency (\$ million)</b>	<b>\$ (53.9)</b>	<b>\$ (105.9)</b>	\$ (187.9)	\$ (29.4)	\$ (8.3)
<b>Funded Ratio (%)</b>	<b>93.7</b>	<b>87.5</b>	77.3	96.3	98.8

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 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 records workplace fatalities for 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.



# Letter to the Minister

The Honourable Darin T. King  
Minister of Human Resources, Labour and Employment

Dear Minister King:

As Chairperson of the Workplace Health, Safety and Compensation Commission (the Commission), I hereby submit the 2010 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 2010 objectives, its 2008 to 2010 goals and indicators as well as the mission and indicators. The report also highlights 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 2010 Annual Performance Report and the achievement of the goals and objectives as reported.



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

April 26, 2011

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Date



## Message from the Board Chair

### Celebrating 60 years of Workplace Health, Safety and Compensation

In the 60 years since the founding of the Workplace Health, Safety and Compensation Commission (the Commission) in April 1951 (then the Workmen's Compensation Board), the Commission continues to establish itself as a stable, reliable organization that provides essential care for injured workers and secure insurance for employers.

Most importantly, the Commission has established itself as a proven, sustainable no-fault insurance system for Newfoundland and Labrador. Through the decades, the Commission has remained true to the historical compromise between workers and employers that created our no-fault insurance system. That historical compromise ensures wage loss benefits and health care services for workers without having to go through the justice system. It also reduces the risk of bankruptcy for employers should a serious workplace accident occur.

Sustainability is achieved through long term planning and a commitment to fiscally responsible service delivery. In this regard, we have continually achieved high levels of service quality and are well positioned to continue to serve the province's workforce for another 60 years.

One of the key indicators of sustainability is the Commission's funded ratio, which measures the organization's ability to manage and pay for medical costs and to provide employers with reliable insurance. In 2010, the Commission has achieved a funded ratio of above 93 per cent, up from 65 per cent a decade ago in 2000. This is a remarkable achievement and a testament to the value of having a long term vision and a well-defined strategy.

Although there is still much work to be done to achieve the target of 110 per cent funding agreed to by stakeholders, collectively we will succeed in reaching our target by staying the course.

Another key to sustainability and organizational success is to maintain a strong, healthy and vibrant workforce. In its 60th year, the Commission continued its tradition of workforce excellence, as evidenced by its high internal promotion rate.

In 2010, 71 per cent of positions were filled through internal recruitment, while 29 per cent of positions were hired from the outside. This approach to people promotion helps ensure the Commission is able to retain the best and brightest while also bringing in fresh thinking and insight from other organizations.

Another essential component of sustainability is the development and delivery of quality services and programs. The Commission continued to develop and deliver improvements to successful initiatives such as the claims management model, PRIME, web services, sector safety councils, occupational disease, prevention strategies and other essential services outlined in this annual performance report.

When change is required, the Commission is well positioned to review best practices and adapt to societal changes or recommendations from key stakeholders. The structure of an independent Board of Directors, an independent, external Workplace Health, Safety and Compensation Review Division and a government-mandated statutory review process allows for constant policy review and oversight of the decision making processes.

This governance foundation is complemented by the Commission's funding of the Occupational Health and Safety Branch of Government Services and worker and employer advisors within the Newfoundland and Labrador Federation of Labour and Newfoundland and Labrador Employers' Council. These advisors are available to all workers and employers in the province to ensure they understand and avail of all programs and services provided by the Commission.

I am confident that with these safeguards in place and with the continued commitment to sustainability and quality client service, the Commission will continue to provide excellent, essential services to workers and employers of this province for another 60 years.

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



*Celebrating*  
**60** *years!*







## Message from the CEO

### Five milestones to maintaining our commitment to client service in 2010

2010 was a year of achievement for the Workplace Health, Safety and Compensation Commission (the Commission). During the year, the Commission accomplished five critical initiatives which will lead to improved service delivery, greater efficiency and improved workplace safety for years to come.

#### 1. Phase 2 – Claims Management Model

Chief among the year's accomplishments is the successful implementation of the second phase of the claims management model which builds on 2008 improvements to the claims registration area. The business changes and new technologies represents a critical step in the roll out of the claims management model which is streamlining the management of claims and helping injured workers recover and get back to work quickly and safely.

Already we are seeing evidence of its success: in 2010 the average time to first payment was reduced to 15.6 days, with the December statistic trending toward 11 days. This is almost a 22 per cent reduction in the rate since the end of 2008. This is the surest indicator that we are getting injury claim information in the door, adjudicated and processed in an expedient manner. This client focused achievement in service was the result of dedication by the employees in our image processing and file management and intake adjudication areas and, of course, the claims management project team.

The model provides improved data collection of injury information, more efficient and effective claims management and facilitates early and safe return to work for the benefit of injured workers and employers. Our client service teams are here to help injured workers get the benefits and the treatment they need to recover and get back to work as soon as it is safe to do so. The claims management model is helping us achieve that goal and will continue to help reduce the time an injured worker remains on claim in the years ahead.

#### 2. Development of New Web Services

The Commission moved forward with three major web service initiatives in 2010: online Form 7 for employer reporting of workplace injuries, online filing of physiotherapist injury reports,

and online filing of annual employer statements (AES) for all 17,000 employers in the province. These web services provide a faster, user-friendly and error-free way for our stakeholders to conduct business with the Commission.

The online version of Form 7 was tested and launched in the second quarter. This form ensures greater accuracy and timeliness in the reporting of workplace injuries, improved privacy of data and a lower administrative burden.

The development of the physiotherapists' online report has streamlined the business process for physiotherapists across the province, allowing more time for the care and treatment of injured workers. The success of this project will establish the approach for the development of similar online services for our other health care providers.

The AES web service was also a major success. Complementing the existing **connect** web services, the Commission developed **fastfile**, an easy-to-use filing system for payroll statements that requires no pre-registration for **connect**. The online AES ensures greater reporting accuracy, results in quicker access to refunds for eligible employers and makes it easier for employers to do business with the Commission.

In 2011, the AES online service was successfully launched, with excellent uptake by employers across the province and improved efficiencies for both employers and the Commission.

#### 3. Fisheries Safety Groups

An important accomplishment in accident prevention in 2010 was the creation of two new fisheries safety organizations, the Fish Harvesting Safety Association and the Fish Processing Sector Safety Council. These two safety organizations, established through the commitment of \$1 million over three years from the Commission and the Provincial Government, will have just one mission: to improve safety in one of the most dangerous industries in the world.

Much is being done to improve safety in the fisheries and statistics motivate us to do more. Fishing industry stakeholders are commencing the planning necessary to establish organizations dedicated to enhancing safety at sea and on land. In this province, the lost time incidence rate in both the harvesting and processing sectors increased in 2010 and the injury rates are more than double the provincial average. Most significantly, there have been 42 fatalities in the last 10 years, and this terrible trend has not been decreasing.



Safety councils and associations are proven to work. They bring together experts from the appropriate industry and focus exclusively on industry-specific workplace health and safety issues. This industry, and the men and women who earn their living from the sea, deserve our support to ensure they return home safely every day.

#### 4. Achieved Lowest Lost Time Incidence Rate in History

Not too long ago, one in 20 workers in this province missed time from work each year due to injury. Throughout the 1990s, the incidence rate improved slightly, but even still, an average of almost one in 30 workers was injured during the decade.

For 2010, I am pleased to report this situation is improving. Only one in 57 workers missed time due to an injury on the job. This is still unacceptable. Our goal is to have every single worker in the province return home safely at the end of each day.

But the lost time incidence rate of 1.8 workers per 100 represents the tenth year in a row of improvement in safety. Credit for this remarkable turnaround goes to all those who have contributed to a culture of safety: workers, employers, unions, government, the province's safety sector, the people and the programs at work at the Occupational Health and Safety Branch of the Department of Government Services and the Commission.

#### 5. Positive Survey Results

Client service remains a key priority for the Commission. Earning the trust and respect of our clients contributes to increased confidence in our prevention initiatives such as the PRIME employer safety rewards program and occupational health and safety workshops, which have helped educate more than 31,000 workers in the province.

To help ensure we continue to earn our clients' respect, the Commission conducts regular surveys measuring employer and injured worker opinions on overall satisfaction, effectiveness and fairness. Results from these surveys have improved steadily since 2002.

In 2010, 71 per cent of employers rated the Commission as effective in providing services. Results from the 2010 Injured Worker Survey indicate 72 per cent of injured workers rated the Commission as effective in providing services.

The positive results reflect the Commission's success in achieving its goal of helping injured workers and employers as much as possible while fulfilling its duties under the *Workplace Health, Safety and Compensation Act*. While preventing injuries represents the best way to provide service excellence to our clients, when an injury does occur, an early and safe return to work is the best outcome for all workplace parties.

Impressive work has been done throughout 2010 on these and other major initiatives. I am pleased to be able to share our accomplishments in this annual report. In 2011, we remain committed to improving client service by preventing injuries and helping injured workers return to work as quickly and safely as possible.

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Leslie Galway  
CEO  
Workplace Health, Safety and  
Compensation Commission

## Board of Directors

Elizabeth Forward

Grant Barnes

Greg Pretty

Cavell Bolger

Leslie Galway



Ralph Tucker

George Kean

Jack Parsons

Darren Roberts

John Peddle

Kimberly Dunphy

**Board Chairperson**  
Ralph Tucker

**Worker Representatives:**

Greg Pretty  
Grant Barnes  
George Kean

**Employer Representatives:**

John Peddle  
Jack Parsons  
Darren Roberts

**Public Representatives:**

Elizabeth Forward  
Cavell Bolger

***Ex-Officio Members***

**Chief Executive Officer:**  
Leslie Galway

**Assistant Deputy  
Minister, Occupational  
Health & Safety,  
Department of  
Government Services:**

Kimberly Dunphy



## Senior Executive Team

Tom Mahoney

Brenda Greenslade

Paul Kavanagh

Eric Bartlett



Ann Martin

Glenda Peet

Leslie Galway

Chris Flanagan

Helen Kavanagh

**Chief Executive Officer**  
Leslie Galway

**Chief Financial and Information Officer**  
Paul Kavanagh

**Executive Assistant**  
Helen Kavanagh

**Executive Director, Worker Services**  
Tom Mahoney

**Director, Human Resources**  
Glenda Peet

**General Counsel and Corporate Secretary**  
Ann Martin

**Executive Director, Corporate Services**  
Eric Bartlett

**Director, Communications**  
Chris Flanagan

**Executive Director, Employer Services**  
Brenda Greenslade





# 2010 Client Service Office Report

During the past year, the Client Service Office (CSO) has continued to support the work of the Workplace Health, Safety and Compensation Commission (the Commission) by bringing forward service issues to improve the experience for injured workers and employers who depend on the services offered by the Commission. The goal of the CSO is to provide timely intervention on service issues such as accessibility of staff, written or verbal communication, delays in adjudication, referrals or payments, staff conduct, fairness or consistency of policy and procedure and employer account issues. We also track best practices when people provide feedback on the great service they have received from the Commission.

Service Issues 2009-2010		
SERVICE ISSUE	2010	2009
Timeliness (adjudication, referral, or payment)	28%	30%
Accessibility of Staff	27%	35%
Communication (verbal or written)	15%	10%
Other	11%	0%
Fairness of policy or procedure	11%	13%
Employer Account Issues	4%	2%
Staff Conduct	3%	2%
General Inquiry	0.5%	8%
Staff Appreciation	0.3%	0.0%
<b>TOTAL ISSUES</b>	<b>100%</b>	<b>100%</b>
<b>Length of time to resolve issue</b>	<b>2010</b>	<b>2009</b>
0-9 business days	99%	97%
10-20 business days	1%	3%
21+ business days	0%	0%
<b>TOTAL FILES</b>	<b>100%</b>	<b>100%</b>
<b>TOTAL NUMBER OF FILES</b>	<b>269</b>	<b>280</b>

The CSO is committed to listening to the issues brought forward from workers, employers, representatives, and service providers. The CSO is easily accessible, provides a red tape-free approach to problem solving with no forms to fill out, offers timely solutions to issues when possible, and is confidential, independent and arms-length for persons with service issues. The CSO mandate does not include matters such as intervention on issues that are subject to appeal, decisions made over one year ago, or interventions with organizations outside the Commission.

Service Issues 2009-2010		
SERVICE ISSUES January to December 2010	Total # of Issues 2010	Total # of Issues 2009
Timeliness (adjudication, referral, or payment)	113	101
Accessibility of Staff	110	117
Communication (verbal or written)	61	33
Other	43	0
Fairness of policy or procedure	42	4
Employer Account Issues	17	6
Staff Conduct	12	7
General Inquiry	2	27
Staff Appreciation	1	0
<b>TOTAL ISSUES</b>	<b>401</b>	<b>333</b>

From 2009 to 2010, there has been an 8 percent decrease in calls relating to the accessibility of staff, and a 2 percent decrease in calls relating to timeliness. As well, the time for the CSO to resolve the inquiries brought forward is at a high of 99 percent within nine business days.

The total number of files received and resolved in 2010 was 269 however; the total number of issues was 401. There is a difference in the number of files and issues because some clients raise multiple service issues. During 2010, the majority of calls relate to the timeliness of adjudication, referrals and payments and the accessibility of staff. Individual issues are dealt with on a case by case basis with the staff, managers, directors and executive directors, where appropriate. The Commission has also implemented service strategies in 2010 to address these issues which include clearly written client service principles and standards and state the expectations of the Commission as it relates to providing prompt, respectful and courteous service delivery.

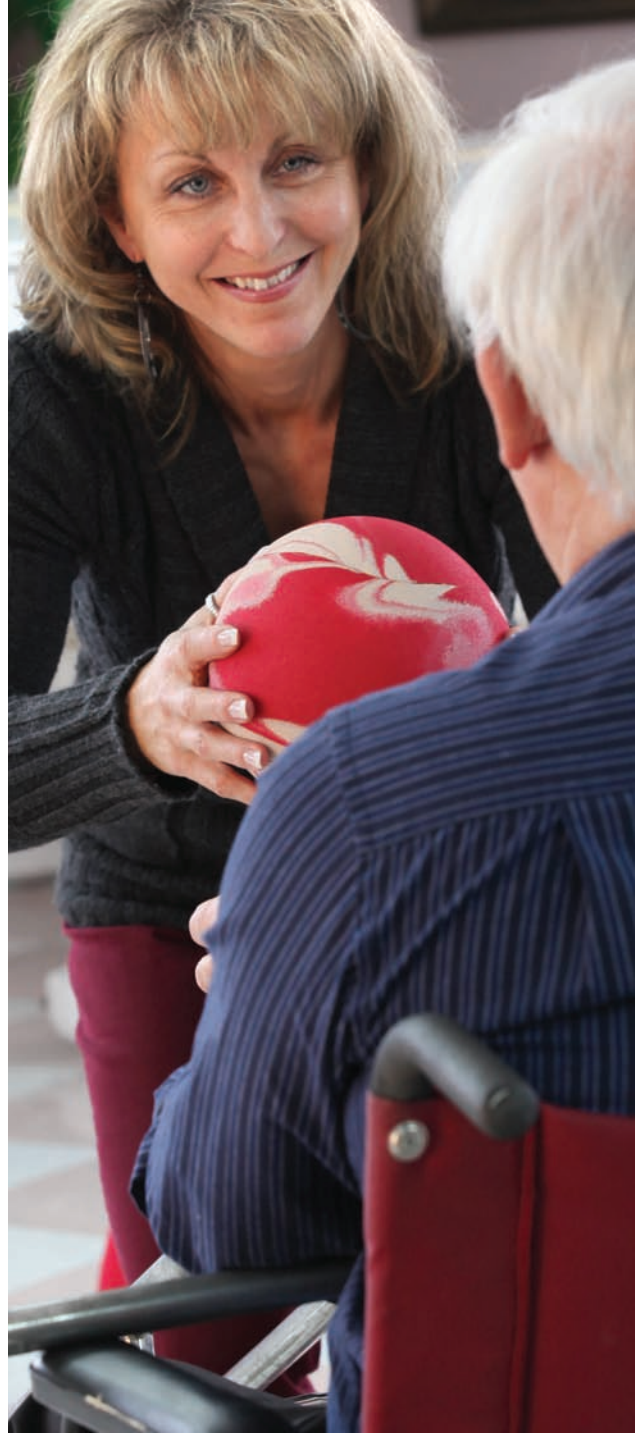


The CSO must acknowledge the people who have accessed this office, as their voices bring forward service concerns to the Commission and result in improved service for all clients. As well, the front line staff and managers within the Commission have been instrumental in dealing with the service issues in a timely and prompt manner.

The CSO continues to report quarterly to the Corporate Services Committee and annually to the Board of Directors. The implementation of more consistent working relationships with managers and senior managers to ensure appropriate and timely follow up on issues has been instrumental toward improving the direct lines of communication.

In the upcoming year, the CSO is committed to facing the challenges ahead and working to ensure fairness and improved service delivery for all.

Moving forward with change to allow better service to our clients. Investing in staff development and training, advancing our technology, and ensuring quality programs and services are accessible by those who use them, are all key elements of stronger client service.



# WHSCC Overview

## Mandate

The Workplace Health, Safety and Compensation Commission (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 ensures injured workers receive the best care possible and 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 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, 2010, the Commission will have improved client service to support the prevention and management of workplace injuries, illnesses and known occupational disease.

## Values

**Transparency.** Each individual will work to ensure programs and services are easy to access and understand and decisions and actions are clear, reasonable and open to examination.

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

**Accountability.** Each individual will be responsible for their actions and performance.

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

**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.

## 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 2008 – 2010 Strategic Plan for further details on the Commission's mandate and lines of business. Go to: [www.whscc.nl.ca/HOME\\_OtherReports.whscc](http://www.whscc.nl.ca/HOME_OtherReports.whscc)*





# 2010 Shared Commitments

## Shared Responsibility

The accomplishments we have achieved in 2010 in so many areas are the direct result of a shared responsibility for safety in the workplaces of Newfoundland and Labrador. The provincial government has provided a strategic direction of improved client service in a financially sustainable system. The Workplace Health, Safety and Compensation Commission (the Commission) has supported this direction in its strategies and work plans. Our efforts and achievements have been strengthened further by new and continued partnerships with groups and individuals such as government, employers, workers, related associations, health care providers and other boards. These collaborative efforts have allowed the Commission to achieve much greater results than we could ever be able to achieve on our own. The Commission is very thankful to all its partners for their cooperation and ongoing commitment to providing healthy and safe workplaces for the people of Newfoundland and Labrador.

## Safety in the Workplace

Workplace safety is a shared responsibility and the Commission collaborates with government departments, such as the Department of Human Resources, Labour and Employment, the Occupational Health and Safety Branch of Government Services, and the Labour Relations Agency to achieve greater gains towards workplace safety and improved service to clients. As all partners work with their stakeholders and the public on issues of workplace safety, this shared commitment also facilitates the promotion of a province-wide safety culture.

## Health and Safety Promotion

The Commission continued its partnership with the workers' compensation boards in Nova Scotia and Prince Edward Island on the social marketing campaign, which features television, internet, radio and print advertising. This award-winning collaborative campaign is making a difference. A recent viewer survey indicated that 74.5 per cent of viewers recalled two of the advertisements, with 87 per cent of these viewers indicating that the ads made them more concerned about workplace safety.

In 2010, industry partners from the fishing industry launched a fisheries safety video for fish harvesters, *Getting Back Home*, to promote awareness and help eliminate fatalities and injuries in this high-risk industry sector. The video was produced in partnership with the Department of Fisheries and Aquaculture, the Canadian Centre for Fisheries Innovation, the Professional Fish Harvesters Certification Board and the Commission.

The Commission has partnered with the Canadian National Institute for the Blind on its Industrial Eye Safety Program.

In an effort to eliminate electrical contacts and keep workers safe, Newfoundland Power and Newfoundland and Labrador Hydro partnered with the Commission in 2010 to develop a power line hazards booklet with plans to distribute to related employers in 2011.

The Commission provided funding to the Association of New Canadians to develop a Workplace Health and Safety Module for immigrants to our province so that workers from other countries can access workplace safety training as part of their overall orientation process.

## Occupational Disease Issues

The Commission has an Occupational Disease Advisory Panel to provide direction and oversight on all occupational disease matters. Panel members include the Commission's chairperson and worker and employer representatives from the Commission's Board of Directors. The Commission partnered with government and various organizations and community groups in the areas of researching, preventing and adjudicating occupational disease. Progress on these initiatives included work on the Baie Verte Miners' Registry, research related to cancer among shipyard workers, and the development of an occupational disease strategy for known occupational disease.

For details on the Commission's occupational disease initiatives, please refer to the Highlights and Accomplishments and the Report on Performance sections of this report.

### Promoting Sectoral Council Development

Sectoral councils are an effective means of promoting all aspects of industry-specific occupational health and safety and return to work. Industries working towards establishing sectoral councils may be eligible for funding from the Commission to assist with exploring the feasibility of a sectoral council (phase one funding) and, where feasible, to establish a sectoral council (phase two funding). The Commission also funds sectoral advisors through the Newfoundland and Labrador Federation of Labour and the Newfoundland and Labrador Employers' Council who provide expert advice and support to industry groups to advance their efforts in this area.

#### Sectoral council activities in 2010 included:

**Newfoundland and Labrador Construction Safety Association (NLCSA):** The NLCSA met throughout 2010, completing PRIME audits and providing industry feedback to the Commission on new safety certification standards for traffic control persons, fall protection and confined space entry.

**Forestry Safety Association of Newfoundland and Labrador (FSANL):** The executive director of the FSANL met with industry stakeholders to complete a needs assessment for the sector. The assessment was presented to the FSANL Board, with further discussion scheduled to take place in 2011. A request for phase two funding is expected to be presented to the Commission in 2011.

In 2010, the Commission worked with other industries and related groups to help develop industry sectoral councils in the following areas:

**Fisheries Sector:** The Department of Fisheries and Aquaculture (DFA) and the Commission jointly announced \$1 million in funding towards the establishment of two fisheries safety sector organizations: a Fish Processing Sector Safety Council and a Fish Harvesting Safety Association.

The Fish Processing Sector Safety Council will involve joint stakeholder representation and support from the Newfoundland and Labrador Federation of Labour (NLFL) and Newfoundland and Labrador Employers' Council (NLEC) advisors, the Occupational Health and Safety (OH&S) Branch of the



Department of Government Services, the Commission and other government departments as required.

A Fish Harvesting Safety Association will be established in consultation with key stakeholders and through the development of terms of reference and a work plan for submission to government.

**Municipalities Sector:** The sector completed phase one funding and is working with sector advisors to complete the application process and develop the business plan for phase two funding.

**Mining Sector:** Sector advisors and Commission representatives met with labour and employer representatives in the mining sector to discuss the feasibility and interest in establishing a sectoral council and applying for phase one funding. Future meetings are planned for 2011.

**Other Sectors:** The Commission has been working with representatives from other industry sectors, including the regional health care authorities and service industry groups, to provide support, hold discussions to further promote interest and develop sectoral councils, and generally maintain active safety discussions.

#### Continuing Red Tape Reduction (Regulatory Reform)

The Commission continues to focus on eliminating unnecessary red tape, increasing efficiency and improving service delivery through participation in the Provincial Government's Regulatory Reform Initiative. Since 2005, this initiative is helping the Commission achieve its mission of improved client service. The Commission has maintained a 34 per cent reduction in red tape throughout 2010 and continued to implement its Regulatory Improvement Plan which included expanded web

services, the claims management model, and supporting employers to succeed under PRIME.

Other qualitative improvements were completed in 2010 such as:

- Implementing procurement changes to allow vendors to receive all health care items on one purchase order instead of multiple purchase orders. This reduces the mail and processing time for vendors and is a good example of how the Commission is reducing red tape for small businesses.
- Improving the internal review experience for Commission clients by implementing changes in the areas of communication, coordination, consistency of decisions, quality assurance and department linkages.
- Enhancements to the Labour Market Re-entry (LMR) Program through specialized LMR staff training, new contractual requirements for external LMR planners to ensure consistent, quality service for injured workers, implementing a new optional Skills Enhancement Program, increasing communication of LMR services, and improving quality assurance of the LMR program.
- Training staff in service excellence in partnership with Service Canada, the Department of Human Resources, Labour and Employment and the Department of Government Services.

The Commission considers the principles of regulatory reform, such as efficiency, plain language and transparency, in all new and existing initiatives to ensure continuous improvement of client service.

### **Enhancing Privacy**

The Commission continued to focus on privacy in 2010 in response to emerging privacy legislation and increased public awareness. Initiatives were guided by a privacy steering committee who met regularly to identify priorities and provide leadership with respect to privacy. 2010 initiatives included:

- Preparing for the proclamation of the new Personal Health Information Act (PHIA) for 2011.
- Training for staff on legislation, policy and PHIA

requirements. Privacy training has been incorporated into orientation for all new employees.

- Implementing privacy best practices to strengthen the privacy culture.
- Improving mailroom processes to mitigate the threat of potential privacy incidents.

In March 2010, the Office of the Information and Privacy Commissioner (OIPC) completed its investigation concerning a January 2008 privacy incident involving Commission information. The Commission requested this review voluntarily. The OIPC found that reasonable measures had been taken by the Commission to review the causes of the incident and to strengthen its policies, procedures and practices to minimize the chance that similar incidents would occur in the future.

Our privacy focus and our commitment to continuous improvement is helping to enhance the overall privacy culture within the organization.

### **Stakeholder Consultation**

The Commission maintains communication with its stakeholders and provides opportunities for input and collaboration on workers' compensation issues.

In 2010, the Commission conducted consultation with stakeholders on the Commission's labour market re-entry program, the claim duration strategy, Commission policies and the statutory review process.

The Commission also continues to inform key stakeholders of client service improvements. The Commission met with representatives of the Newfoundland and Labrador Federation of Labour and the Newfoundland and Labrador Employers' Council to review 2010 work efforts and progress.

The Commission values input from all stakeholders, including government and employees, and will continue to solicit feedback on major policies and programs, to discuss workplace health and safety and disability management issues and to communicate progress. Additional consultations are expected for many of the items outlined to make progress on our common goals and enhance the exchange of information.





# 2010 Highlights and Accomplishments

The Workplace Health, Safety and Compensation Commission (the Commission) continued to expand and enhance its prevention, disability management and compensation programs in 2010.

## Lowest Incidence Rate in History

The Commission knows that:

*Every worker in this province deserves to return home safely at the end of each working day.*

All workplace injuries are preventable. The Commission devotes considerable effort towards providing injury prevention programs and support, particularly prevention initiatives directed at young workers.

Cooperation and a shared commitment to building a safety culture among employers, workers, sectoral councils, government and the Commission is resulting in the continuous decline of the incidence rate over the past two decades. The 2010 lost time incidence rate in Newfoundland and Labrador was 1.8 lost time injuries per 100 workers, the lowest level ever recorded in the province. This translates into a total of approximately 18,000 lost time injuries prevented over the last decade and more workers returning home safely each day.

## Reaching Youth

Every day in Newfoundland and Labrador two young workers, aged 15 to 24, are injured on the job. The Commission's prevention goal is to empower workers, especially youth, to take action and help foster a culture of safety. By enhancing education and awareness initiatives targeting youth, the Commission is helping ensure young workers find a safer way to perform potentially harmful tasks while on the job.

Since 2008, the Commission has awarded over \$50,000 in scholarships, prizes and cash for schools through SAFE Work NL's game show, "Who Wants to Save a Life?" The trivia-based game show is an innovative prevention initiative that has reached over 8,000 students since 2008 with key messages

about occupational health and safety, injury prevention and the rights and responsibilities of young workers. The game show is a creative program developed by the Commission in partnership with the Department of Education to raise awareness among young people about workplace safety.

The Commission's 2010 Student Safety Video and Radio Ad Contest was won by students from Holy Spirit in Manuels and St. Kevin's High School in Goulds. Each school and winning team received \$500 cash for their efforts. The contest was developed to increase awareness and knowledge of workplace health and safety. It was open to all students in the province who registered for Workplace Safety 3220, Career Development 2201 and Skilled Trades courses. The Commission plans to expand both the game show and the radio and video contest in 2011.

The Commission also began implementation of its new strategic plan for young workers in 2010 to address education and awareness, training, controls and legislation, gaps in current practice and health and safety initiatives for young workers.

The Commission provided youth presentations to various groups and schools throughout the province and, in partnership with the Department of Human Resources, Labour and Employment and the Department of Education, facilitated the speaking tour of injured worker Candace Carnahan to speak to youth about occupational health and safety. Ms. Carnahan visited eight schools with a total audience of 1,435 and presented at the Provincial Student Leadership Conference.

Workplace accidents and illnesses affect workers, employers, families, communities and youth. Everyone must play a role to ensure every working person in Newfoundland and Labrador goes home healthy and safe at the end of each working day. The Commission will continue to focus on prevention initiatives targeting education and awareness for youth. All of this effort by the Commission, its partners and the youth has reduced the annual incident rate for youth between the ages of 15 – 24 from 580 per year in 2007 to 486 in 2010.



### **Outreach Program - Reaching Out**

The Commission's outreach education program is a proactive, Board-directed initiative to provide regular information on Commission initiatives and issues to key audiences across the province. The goal of the program is to promote the work of the Commission and demonstrate how all parties have a role to play in ensuring a healthy and safe workplace. The program continued to enjoy success in 2010. During the year, the Chief Executive Officer and Board Chair met with 24 groups across the province to present information on injury prevention, PRIME requirements, safety management, early and safe return to work, labor market re-entry and other issues as requested by stakeholders and others.

### **PRIME – Improving Workplace Safety**

PRIME, the Commission's employer incentive program, can have a positive impact on claim outcomes by promoting an effective return to work program following work injuries, thereby reducing overall claims duration. The program was implemented for all employers as of 2009. The Commission is focussed on increasing employer participation and on helping employer compliance. This is done through increased support for employers and targeted education and outreach to highlight the program's impacts on costs and claim outcomes. Internally, representatives from Prevention Services, Assessment Services and Compensation Services collaborate to support employer compliance with the prevention and return to work requirements of PRIME and to ensure a coordinated approach to employer communications.

As part of PRIME, the Commission implemented an employer incentive program to enable employers to impact the assessments they pay based on their compliance with specific health and safety and return to work practices, as well as their claims costs. Employers who meet all the practice incentive criteria receive a five per cent practice refund on their assessments. Employers with high claim costs receive experience charges. Once the practice incentive criteria have been met, employers with low claims costs can also receive experience refunds.

In 2010, approximately 4,000 firms (or 27 per cent of validated employers) received practice refunds totalling \$4.4 million. This figure represents 400 more firms than last year that are meeting their practice incentive criteria. An additional \$2.2 million was forfeited by those employers who did not meet their practice incentive criteria.

Approximately 13,450 firms were considered for experience incentives in 2010. Approximately 3,400 firms received experience refunds totalling \$5.9 million. An additional \$3.4 million was forfeited by those employers who did not meet their practice incentive criteria. The total experience charge levied during the year was \$4.1 million. This incentive-based system resulted in \$6.2 million in net adjustments to 2010 assessment revenue. This actuarially designed program will be revenue neutral over time.

### **Improved Service Delivery – Web Services and Claims Management**

The Commission continues to make significant progress in enhancing programs and services and offering stakeholders new ways to conduct business with the Commission to improve efficiency and streamline service delivery for clients.

The Commission is adopting new technologies to better meet client needs while safeguarding personal and confidential information. Through the Commission's web service initiative, the Commission has been able to implement over 30 online services to provide employers and health care providers a fast, user-friendly and error free way to work with the Commission. In 2010, the Commission launched a new interactive, online version of the employer report of injury, Form 7. The online form offers a convenient, more secure method for submitting workplace injury information. The online Form 7 provides employers with real-time prompts based on data inputs to eliminate errors in injury reporting information, allowing a claim to be adjudicated more efficiently for the benefit of injured workers, employers and Commission staff.



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## **2010 Highlights and Accomplishments** *continued*

An interactive, online physiotherapist reporting form was also implemented to a prelaunch group of physiotherapists. This group worked with the Commission to enhance the service prior to rolling it out to all physiotherapy clinics.

The Commission completed development of new easy-to-use employer online services for submitting annual payroll statements, contractor statements, occupational health and safety statements and PRIME practice incentive questionnaires. One time “**fastfile**” secure access will be available to employers who do not want to use the regular online service. These new services will be implemented in 2011. Promotion of web services to employers took place at the Newfoundland and Labrador Employers’ Council Fall Conference and through employer meetings, post cards inserted in employer mail outs and web messages. The Commission is helping employers find an easier way to do business with the Commission.

The Commission also implemented key elements of the claims management model. The focus for 2010 was on enhancing case planning, team review processes, team composition, early intervention and the supporting technology. In November, the Commission announced the successful launch of new supporting, claims management software to provide claims management teams with improved access to claim data and medical information, policies and procedures. The new service delivery model will ensure greater consistency and accuracy, and faster decisions and solutions. The software also provides improved security, navigation, tracking and communication functions. Development continued in 2010 on additional modules for the claims management model.

### **Occupational Health and Safety Regulations**

2009 amendments to the provincial Occupational Health and Safety Regulations, Section 374 (5) require persons working in traffic control, fall from heights or in confined space to complete Commission-prescribed training programs. The new standards will be phased in over a three year period: in 2011 for traffic control, 2012 for fall protection and 2013 for confined space.

The Commission developed the traffic control certification and training standards in 2010 and embarked on a recruitment and information campaign to ensure all training facilities in the province were aware of the changes and would have an opportunity to be considered for certification. The Commission certified five qualified training facilities in 2010 for the training of traffic control persons in the province.

During the year, the Commission also drafted the training certification and curriculum requirements to address the new requirements for workers using fall protection equipment and working in confined space.

### **Injured Worker and Employer Opinion Surveys**

During 2010, confidential surveys were conducted on the Commission’s behalf by an independent consultant to gauge satisfaction levels among clients and to bring about enhancements to programs which affect client services. The survey results reflected favourably on the Commission’s ability to delivery effective, high quality service to its clients.

Employer opinions on overall satisfaction, effectiveness and fairness have increased steadily since 2002. In 2010, 71 per cent of employers rated the Commission as effective in providing services. Injured worker opinions indicate 72 per cent of injured workers rated the Commission as effective in providing services.

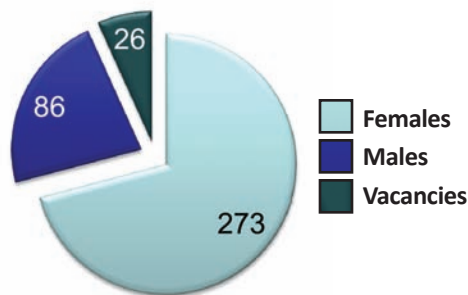
The Commission commenced a review of the survey results to determine effective methods for targeting areas identified as most important to clients and most in need of improvement.

Complete survey results are available on the Commission’s website at [www.whscc.nl.ca](http://www.whscc.nl.ca).

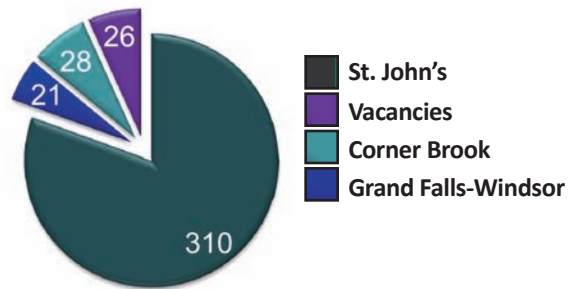
Please refer to the Report on Progress section of this report for further discussion on these and other Commission successes for 2010 and the 2008 to 2010 Strategic Plan.

## 2010 Key Statistics

**Staff Distribution By Gender**



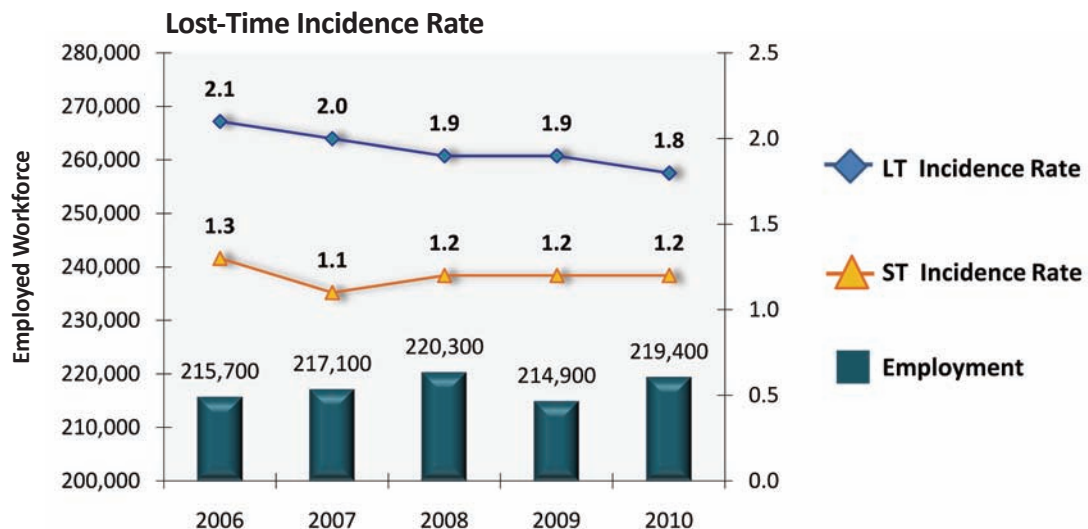
**Staff Distribution By Region**



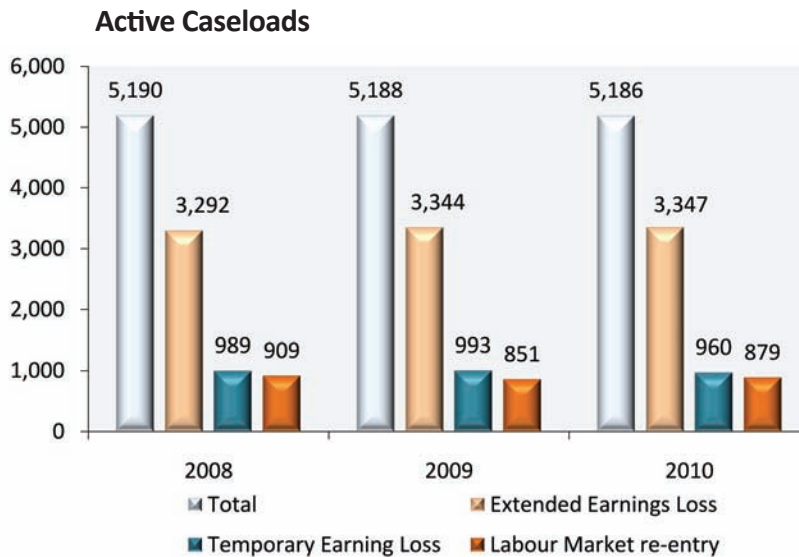
The Workplace Health, Safety and Compensation Commission (the Commission) serves over 17,000 registered employers, and approximately 11,000 injured workers. The Commission insured approximately 98 per cent of the provincial workforce of 219,400, representing the highest provincial rate of coverage in Canada.

The primary focus of the Commission is to prevent injuries from occurring. The human and financial burden of any incidents underscores the importance of prevention. To that end, in 2010 we continued to see a decline in the number of incidents resulting in lost time. That rate decreased from 1.9 claims per 100 workers employed in 2009 to 1.8 in 2010, representing the lowest rate ever recorded in this province. The lost time incidence rate has declined steadily over the past decade from a high of 3.2 in 2000.

The Newfoundland and Labrador workforce expanded by nearly two per cent in 2010. Actual average provincial employment increased by approximately 4,500 to 219,400. Despite the increase in the number of workers, the total number of workplace accidents declined.



The total number of lost time claims reported in 2010 increased from 3,999 in 2009 to 4,012 in 2010. This is significant given the provincial workforce increased by approximately 4,500 in 2010. The number of health care only claims decreased from 2,335 to 2,137. The incidence rate among young workers remained the same at 1.8 per 100 workers.



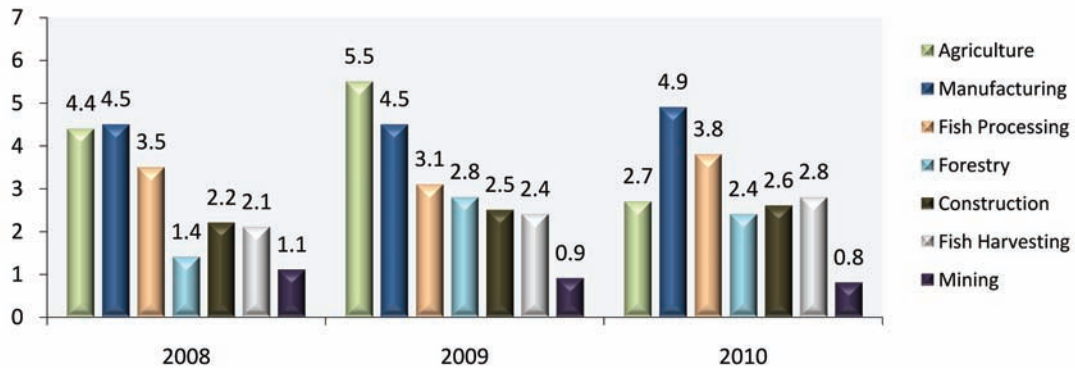
Despite the declining number of lost time claims reported since 2000, the total number of active claims in the system has remained virtually unchanged in the past three years. This consistency reflects the fact that the number of injured workers leaving the system is not declining as quickly as the incidence rate. For 2010, the total caseload for active claims decreased by just two, to 5,186.

**Lost Time Incidence Rate by Industry (Goods Producing)**

The manufacturing sector reported the highest incidence rate in the province in 2010, with an incidence rate of 4.9 lost time claims per 100 workers employed, up from 4.5 in 2009. The mining sector remained the producing industry with the lowest incidence rate in the province. The incidence rate in the mining sector declined from 0.9 lost time claims per 100 workers employed in 2009 to 0.8 claims in 2010.



### Lost Time Incidence Rate by Industry (Goods Producing)



Both the fish harvesting and fish processing sectors experienced an increase in lost time incidence rates in 2010. As part of its initiative to address workplace safety in high risk sectors, the Commission, together with the Government of Newfoundland and Labrador, announced \$1 million in funding over three years toward the establishment of a Fish Harvesting Safety Association and a Fish Processing Sector Safety Council. Also during the year, the Commission partnered with the Department of Fisheries and Aquaculture, the Canadian Centre for Fisheries Innovation and the Professional Fish Harvesters Certification Board in the production of a fisheries safety video, *Getting Back Home*. The video is being distributed to all fish harvesters in the province to help eliminate fatalities and injuries in this high-risk sector.

The biggest year-over-year decreases occurred in agriculture and forestry. Small employment numbers in these sectors meant the decreases had a small impact on the overall provincial incidence rate.

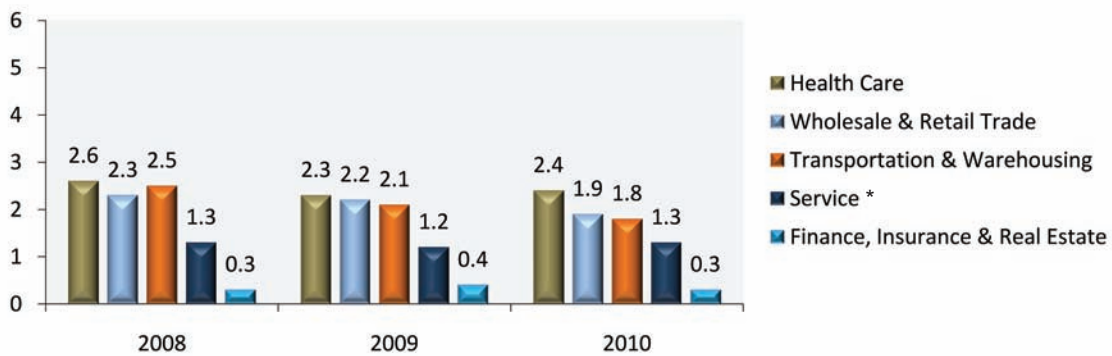
The video is being distributed to all fish harvesters in the province to help eliminate fatalities and injuries in this high-risk sector.



**Lost Time Incidence Rate by Industry (Service)**

Health care reported the highest incidence rate in the service sector in 2010, with an incidence rate of 2.4 lost time claims per 100 workers employed, a slight increase from 2009.

**Lost Time Incidence Rate by Industry (Services)**



*\*The "Service" industry includes a range of sectors: accommodation, food and beverage services, amusement and recreational services, personal and household services, government services, and business services.*

The Commission continues to hold meetings with representatives from the regional health authorities regarding the formation of a sectoral council to deal with health care specific health and safety and return to work issues to decrease the lost time incidence rate for this industry.

**Financial Indicators**

Commission revenue increased 3.9 per cent, from \$160.0 million in 2009 to \$166.3 million in 2010. The increase was due to an increase in employer assessable payrolls from \$5.3 billion to \$5.8 billion due to growth across all industry sectors and an increase in the maximum assessable and compensable earnings limit.

The Commission also relies on investment income as a source of revenue. In 2010, the market rate of return on the injury fund was 9.1 per cent compared with 18.0 per cent in 2009. At December 31, 2010 the Commission's funded ratio had improved to 93.7 per cent from 87.5 per cent at the end of 2009 and 77.3 per cent in 2008. The increase in funded status is due mainly to the effect of the favourable market performance in 2010 as well as the Commission's adherence to its funding policy.

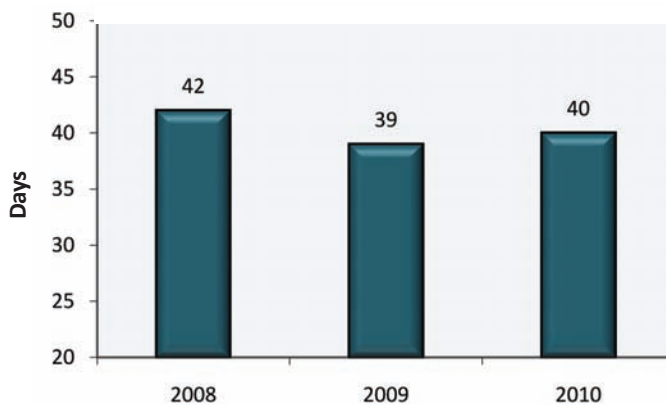
**Administrative Costs**

Administration costs totaled \$30.0 million in 2010 compared with \$27.3 million in the previous year. The year-over-year increase of \$2.7 million (9.6 per cent) compares with a \$0.4 million increase in 2009. The 2010 increase was primarily caused by wage and benefit increases from the most recent wage settlement by the provincial government and an increase in the accrual for severance benefits owing to employees. For full details, please refer to the Management Discussion and Analysis section of this report.

### Claims Management

The total number of temporary earnings loss claims during the year was 3,347, a slight increase over 2009. In addition, the average short term claims duration increased slightly from 39 days in 2009 to 40 days in 2010. 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. Short term claims duration may be impacted by a number of factors, including variation in the number of claims filed at the end of the year.

**Average Short Term Claims Duration**



**Cost of TEL benefits (\$millions)**



The total cost of temporary earnings loss benefits paid increased 4.5 per cent in 2010 to \$20.7 million, due primarily to an increase in the number of lost time claims paid; an increase in the maximum compensable earnings limited; and also due to an increase in wages.

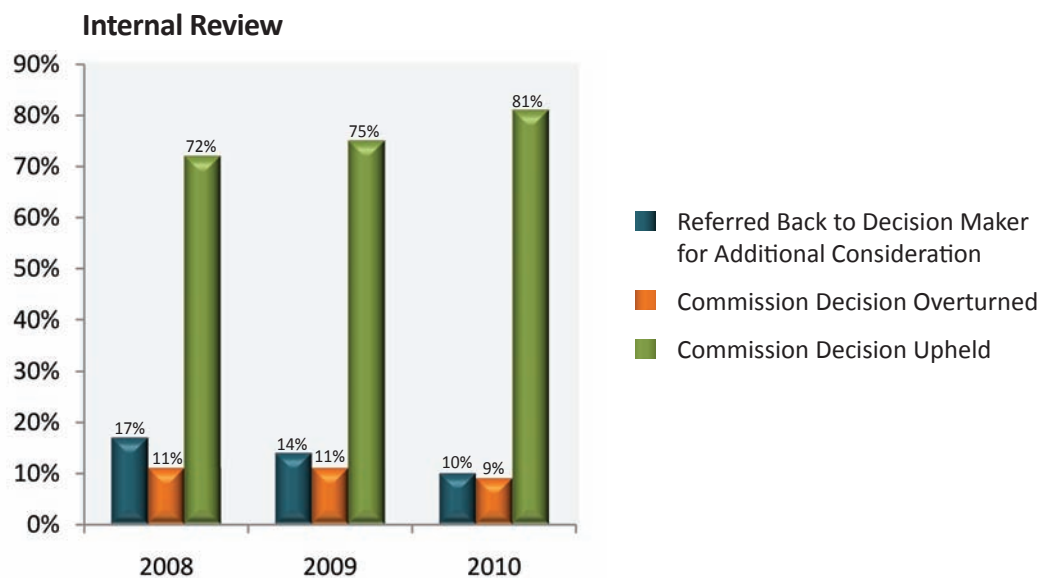
During 2010, the Commission launched new business practices and new software to support the claims management model with the goal of improving service delivery to clients and reducing short term claims duration as well as containing growth in health care costs. Quality assurance is an integral aspect of this model, designed to ensure continuous improvement and ongoing support for the quality of Worker Services programs and processes. The new approach to managing claims and our quality assurance focus ensures processing efficiencies, more proactive case management and earlier intervention on claims. The Commission will continue to enhance processes for our claims management teams in 2011 and focus on measuring improvements.



### Internal Review

An internal review process is available to both workers and employers if they are dissatisfied with a Commission decision regarding entitlement, benefits, services or assessments. The Commission's triage process involves a preliminary review of a request to identify any errors, omissions or new information that will immediately impact the decision without having to go through the full internal review process. Internal review decisions are finalized within 45 days of the request. In 2010, 1,333 requests were finalized. Of those, 307 requests were cancelled either by the requesting party or through the triage process. Of the 1,026 decisions finalized by internal review, 81 per cent upheld the original decision.

Clients who are not satisfied with an internal review decision can request an external review by the Workplace Health, Safety and Compensation Review Division (WHSCRD). To assist the external appeal decision making process, internal review and legal representatives from the Commission often attend WHSCRD hearings to provide policy clarification and information. In 2010, WHSCRD received 334 requests and rendered 224 decisions. 53 per cent of the Commission's final decisions were upheld and 21 per cent were referred back to the Commission for further review.





# 2010 Opportunities and Challenges

The Workplace Health, Safety and Compensation Commission (the Commission) has had significant success in achieving its goals and objectives over the last three years through dedication to developing programs and services that strengthen the Commission and better serve its clients. These achievements have been possible due to the efforts of a highly competent and caring staff and ongoing commitment to stakeholders to provide quality service to the people of Newfoundland and Labrador. The Commission is moving forward in addressing its many challenges and opportunities with stakeholder involvement. Future efforts will continue to focus on changing workplace behaviours to eliminate injuries and known occupational disease, engaging all workplace parties in return to work efforts and improving business delivery.

## Occupational Disease

Prevention of occupational disease is integral to the work of the Commission and beneficial to workers and employers. The Occupational Disease Advisory Panel, created by the Commission in 2009, will provide direction and oversight for these activities. In recent years, occupational disease has become an increasingly important issue requiring focused attention in Newfoundland and Labrador and across Canada.

The Commission's occupational disease strategy provides the framework for raising awareness about known occupational disease in Newfoundland and Labrador.

The number of occupational disease claims and requests for expanded coverage continues to increase. The Commission has taken steps to raise awareness of occupational disease issues in this last planning cycle and to mitigate the complexities associated with these diseases. This has included 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 a reserve fund. Another critical achievement was the development of strategy for the prevention of known occupational diseases.

While advancements have been made, there is still more work to be done to reduce the burden and incidence of occupational diseases. Success of the occupational disease strategy begins with all employers and employees taking responsibility for his or her own safety in the workplace. Success also requires industry support and public education to promote awareness; government regulations and enforcement to ensure healthy and safe workplace practices; and teamwork among health care providers. The Commission will provide leadership in



Health and safety at work is a basic human right made law in Canada through occupational health and safety and human rights legislation.



## 2010 Opportunities and Challenges *continued*

developing education and awareness programs for the prevention of known occupational diseases. The Commission will also continue with the necessary policy development and actuarial review to ensure the costs of occupational diseases are properly funded.

### **Work to Recover**

Early and safe return to work (ESRTW) for injured workers is one of the Commission's most critical challenges but also represents a tremendous opportunity for all workplace parties:

- ESRTW improves life satisfaction indicators after an accident and helps employees remain confident and connected to the workplace.
- Employers retain knowledgeable workers, maintain productivity and improve morale as other workers see positive outcomes.
- The Commission is better able to serve its clients by improving claim outcomes and reducing claim costs thereby improving the long term sustainability of the workers' compensation system.

The *Workplace Health, Safety and Compensation Act* requires employers and workers to cooperate to improve participation in ESRTW through modified job duties or employment consistent with a worker's functional abilities while they continue their recovery.

The Commission's efforts will continue to focus on promoting ESRTW, enhancing education, improving ESRTW program delivery, and defining key performance indicators for ESRTW programs. As is the case with injury prevention, the success of early and safe return to work efforts is dependent on partnership and cooperation from employers, injured workers, health care providers, the Commission and other stakeholders. The Commission's work to recover teams will continue to engage workplace parties to ensure timely intervention and develop return to work plans suited to individual worker needs and workplace circumstances.

Where a worker is unable to return to their pre-injury job or suitable work that restores their pre-injury earnings, the Commission also offers labour market re-entry (LMR) services. LMR ensures workers have the skills, knowledge and abilities to re-enter the workforce and reduce the loss of earnings resulting from a work injury. In 2010, the Commission completed an LMR quality improvement plan incorporating feedback from labour and employer representatives. Future LMR efforts will focus on implementing the improvements outlined in this plan to further improve claims management delivery.

The Commission will also increase its focus on key performance measures for ESRTW and LMR to identify new quality improvements to these programs and to sustain existing improvements.

### **Creating a Safety Culture**

Preventing workplace injuries, illnesses and occupational disease is everyone's responsibility and requires a partnership approach. The Commission delivers many programs designed to raise awareness of workplace hazards and safe work practices for employers, workers, youth and the general public. The declining incidence rate is a significant accomplishment for the workers and employers in Newfoundland and Labrador and is also an indicator of improving attitudes towards workplace safety. Analysis of the Commission's 2010 social media prevention campaign indicated the program was extremely successful in reaching Newfoundlanders and Labradorians and improving attitudes towards workplace safety. Approximately 75 per cent of those surveyed by an independent market research consultant recalled seeing at least one of the Commission's workplace safety advertisements and 87 per cent of those who recalled the ads said it made them more concerned about safety. These positive results, concurrent with a steadily declining incidence rate, indicate the Commission has an opportunity to continue to prevent injuries and enhance a culture of safety through effective prevention initiatives such as social marketing.

## *2010 Opportunities and Challenges* continued

The Commission will continue with its broad portfolio of injury prevention initiatives, building on past successes and ensuring that programs are catalysts of changes as well as responsive to employers' and workers' needs. To do this, the Commission is developing a new integrated prevention strategy which will include an evaluation component to measure program effectiveness.

The Commission will also move forward with its successful social marketing campaign which was developed in partnership with the workers' compensation boards of Nova Scotia and

regulatory environment can potentially impact the Commission's ability to ensure long term stability, including performance of capital markets, rising health care costs, high costs of long term disability claims, and changes in benefits levels and employer assessment rates.

Improved performance of the injury fund in 2009 and 2010 contributed to an increase in the Commission's funded position from 77.3 per cent at the end of 2008 to 93.7 per cent at the end of 2010. This success was ensured through continued adherence to the Commission's funding policy which provides



Prince Edward Island. The campaign emphasizes that everyday situations can lead to workplace injuries and accidents.

### **Financial Sustainability**

The Commission is entrusted with managing funds collected through employer assessments to ensure the system is financially sustained. Managing sustainability is achieved by following investment and funding policies, establishing stable employer assessment rates and providing affordable compensation benefits. Many issues in the business and

a mechanism to respond to external influences in a controlled and responsible manner. This policy provides guidance for setting assessment rates and benefit coverage.

The Commission will continue to adhere to the funding policy to ensure it reaches its funding target and financial stability. It will also expand the scope of procurement activities to improve cost efficiency and will improve claims management delivery to mitigate rising costs.







# WHSCC 2010 Report on Performance

For 2010 Objectives and Indicators

## Convenient and secure way for clients to do business with WHSCC

Large employer or small, one account or many, **connect** or **fastfile** online access saves phone calls, paperwork and time.



We know the information you share with us may be confidential so we've taken care to ensure it meets the latest and highest encryption standards.

The Report on Performance section highlights the four strategic issues representing the key priorities for the Workplace Health, Safety and Compensation Commission (the Commission) and the results achieved during 2010. For each issue, performance information is provided for the goal and the objective.

The strategic issues were identified in consideration of government's strategic direction, the Commission's mandate and available resources. 2010 results support the achievement of our mission as well as government's strategic direction of improved client service within a financially sustainable system.

### Issue One: Client Service

The Commission is committed to providing a high level of service to its clients and continues to focus on strengthening a strong client service environment in 2010 and beyond. Results against 2010 objectives and indicators show progress towards the goal and objective of improved client service for the benefit of injured workers and employers across the province.

In addition to the achievements outlined, the Commission continues to make improvements to internal processes and to streamline business areas through its support of government's regulatory reform initiative. The Commission is also working

towards creating a stronger service culture internally through an internal change management program, the implementation of client service standards and principles and training initiatives for front line staff. The Commission has also partnered with the Department of Human Resources, Labour and Employment, the Department of Government Services and Service Canada to deliver client service excellence training to all Commission staff. In 2010, eleven staff participated in this training and 59 staff were scheduled for quarter one of 2011. The Commission also focuses on privacy and on continually enhancing the privacy culture within the organization. The Commission is pleased to report that, to date, all staff have received privacy training.

The results of the 2010 satisfaction surveys for injured workers and employers demonstrate a steady increase in the satisfaction of our stakeholders. These surveys are used to gauge satisfaction levels and to make enhancements to programs affecting client services. Employer opinions on overall satisfaction, effectiveness and fairness have increased steadily since 2002. In 2010, 71 per cent of employers and 72 per cent of injured workers rated the Commission as effective in providing services. This evidence and the successes outlined contribute to government's strategic direction of improved client service and the key focus area of claims management.

## WHSCC Report on Performance *continued*

- Goal One:** By December 31, 2010, the Commission will have improved client service.
- Objective:** By December 31, 2010, the Commission will have improved access and streamlined client service.
- Measure:** Improved access and streamlined client service.

### Indicator

Enhanced client service through the continued implementation of key components of the new claims management model

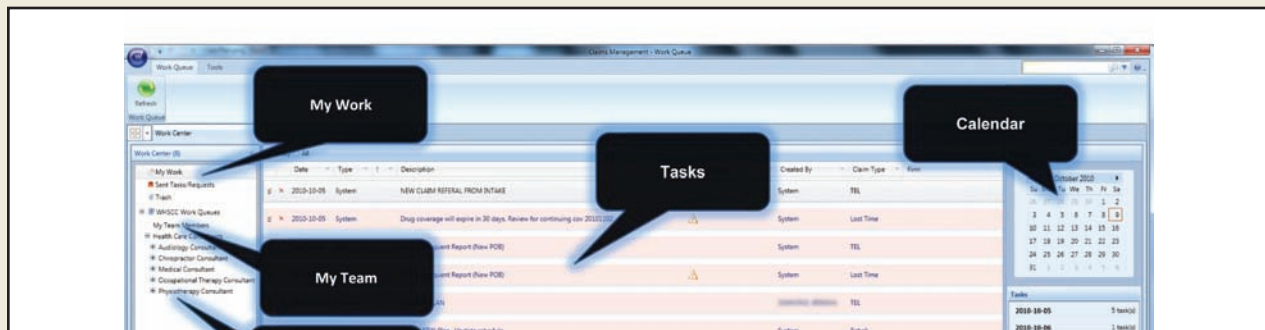


### Accomplishments

In 2010, the Commission successfully implemented key components of the claims management model to improve business delivery and process efficiencies. This will improve client service by ensuring efforts are focused on the facilitation of early and safe return to work and the effective and timely management of claims thereby reducing the time an injured worker must remain on compensation.

2010 work included structure changes and business improvements to case planning, team reviews, team composition and earlier intervention on claims as well as enhancements to supporting tools and technologies. The Commission has an active change management program, under which the major focus is on two-way communication and ensuring staff receive the right information at the right time related to any changes at the Commission. To ensure the success of the transition to the new model, the Commission adopted a phased approach to the implementation. Changes to business practices and processes were made in advance of the introduction of any application changes both to support staff and minimize service disruptions. These business changes were the key driver for a new software application which was rolled out in November. All 260 users of the new application received role-specific training prior to the implementation. This included users from St. John's, Grand Falls-Windsor and Corner Brook. The 2010 implementation has gone well and feedback from staff and stakeholders has been positive.

The Commission also introduced a new quality assurance model in 2010, an integral component of the claims management model. Quality assurance efforts are focused on ensuring continual improvements in processing efficiency and data quality to support decision-making efforts, proactive case management and early intervention on claims.



## **Indicator**

**Developed strategy on finalized key duration factors and begin implementation of strategy and key performance indicators**



## **Accomplishments**

The duration strategy document was finalized and approved by the Board of Directors in December 2010. This document articulates how the existing claims duration strategy, the claims management model, combines with the elements of the early and safe return to work evaluation and stakeholder feedback to form the Commission's comprehensive duration strategy.

Implementation of key strategy elements occurred in 2010 through the claims management model as previously described. These elements help improve claims management, reduce duration and reduce costs. The changes have helped reduce short term claims duration to 40 days, down from a peak of 42 days in 2008. Key performance indicators related to early and safe return to work, labour market re-entry and other duration measures were defined in the strategy. The Commission will monitor these indicators, progress against 2010 changes and industry standard indicators such as short term claims duration and time to first payment in 2011.

## **Indicator**

**Implemented enhancements to process for adjudicating occupational disease claims**



## **Accomplishments**

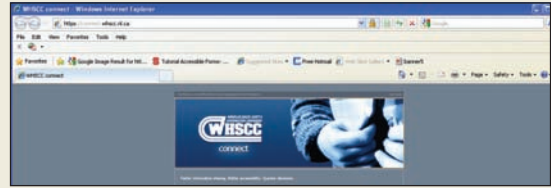
A new service agreement was signed in 2009 with Quebec's Institut de recherche Robert-Sauvé en santé et en sécurité du travail (IRSST), world leaders in occupational health and safety research. The first initiative under this agreement covered research on the incidence of cancer among shipyard workers worldwide. The research is scheduled to be completed by mid 2011 and will ultimately facilitate the adjudication of claims for occupational disease from the Marystown Shipyard and other areas with similar exposures. With the oversight of the Commission's Occupational Disease Advisory Panel, this partnership has facilitated the transfer of key medical and scientific knowledge to health care providers and Commission resources who adjudicate and manage claims. This advice and evidence supports timely and effective adjudication of occupational disease claims.

The Commission continued to improve occupational disease reporting in 2010. The goal is to document and track key information necessary to enhance the adjudication of occupational disease claims. The reports provide details on decision outcomes for future reference, analysis and reporting to workers and/or authorized representatives. In addition, the Commission continued to work with Vital Statistics to provide verification of death information to adjudicators to expedite the decision-making process of claims.



## Indicator

### Expanded web services offerings



## Accomplishments

The Commission improved access to services through the expansion of web services offerings in 2010. The Commission added a service to enable the province's more than 17,000 employers to submit their annual employer statements (AES) online. An online tutorial and call system was implemented to support employers using this new service during the AES processing time. The Commission also developed **fastfile** to complement the **connect** AES web service. **fastfile** is a convenient filing system for employer payroll statements that does not require pre-registration for **connect**.

The Commission is committed to continually expanding its web service offerings for its stakeholders and making improvements to the existing services. In 2010, the Commission enhanced the online report of injury for employers and introduced online injury reporting for physiotherapists to encourage the establishment of new accounts with the Commission. The Commission works with its stakeholders to make these improvements and to promote the use of these services. The expanded web services and improvements to existing services resulted in a 51 per cent increase in the number of employers setup to use the web in 2010 over 2009.

These online services provide employers and physiotherapists with online, real-time prompts for a faster, error-free way to complete the form. This is a benefit to employers, injured workers, health care providers and the Commission. The electronic process reduces the need for follow up, thereby ensuring high quality treatment decisions and quicker processing of forms, injured worker payments and vendor payments.

One of the goals of the web services communication plan is to increase participation. An internal working group will be formed in 2011 to identify opportunities for direct contact with employers and providers to increase the number of web service users from existing **connect** users.

In 2011, the Commission will continue to expand its web services, focusing on providing even greater benefit to employers, injured workers and health care providers.

### Issue Two: Workplace Injury and Illness Prevention

Prevention is the best strategy to reduce the human and financial costs caused by workplace illness and injuries. A focus on prevention and continuous improvement of workplace health and safety is yielding significant benefit for workers, employers, and the overall workers' compensation system. To fulfill its mandate, the Commission continues to work toward increasing workplace health and safety awareness, enhancing health and safety training, and promoting and supporting the creation of safety sectoral councils. The Commission also led the development of an occupational disease prevention strategy in 2010. This strategy focuses on eliminating known occupational disease.

Prevention efforts focus on influencing attitudes towards workplace health and safety and changing behaviours to result in fewer injuries and safer workplaces. An integral part of the Commission's efforts are a team of dedicated prevention industry specialists. This team works closely with occupational health and safety committees, workers, advisors, employers, industry

## WHSCC Report on Performance *continued*

sectors and associations to focus on priority health and safety matters to improve workplace safety and eliminate accidents and injuries. 2010 activities built on prior year successes of the Commission and its stakeholders, resulting in further declines in the number of lost time claims in 2010 which is down to 4,012 from 4,353 at the end of 2007, the beginning of the current three-year planning cycle. Further reductions were also realized in the number of youth lost time claims which declined from 580 in 2007 to 486 at the end of 2010.

The underlying philosophy of occupational health and safety and workers compensation legislation in Canada is the internal responsibility system, meaning everyone must take responsibility for his or her own safety and the safety of others. The Commission applauds the prevention efforts of its stakeholders to reduce the numbers of workplace injuries and illnesses in this province.

The Commission has accomplished a tremendous amount towards the achievement of its 2010 goal and objective of increasing awareness levels for workplace health and safety and illness prevention practices. There are many factors affecting awareness levels. Some of these factors are outside the Commission's control and for this reason, the Commission does not distinctly measure awareness and uses the lost time incidence rate as a proxy. The Commission is mandated through the *Workplace Health, Safety and Compensation Act* to promote public awareness of workplace health and safety as a means to reduce the occurrence of workplace injuries and disease. The Commission continues to focus on education efforts to increase awareness of prevention practices and ultimately, change behaviours to result in further reductions of the number of lost time incidents. The Commission believes its efforts have contributed to a steady decline in the lost time incidence rate over the last decade, a reduction of 44 per cent since 2000.

It is more important than ever to have a committed focus on workplace health and safety. While the incidence rate has steadily declined in 2010, one workplace accident is too many. The Commission is dedicated to improving its prevention efforts and working with its stakeholders to create safer workplaces in this province and to eliminate workplace accidents and illnesses. This is the best way to enhance client service consistent with the Commission's goal and government's overall strategic direction of improved client service.

**Goal Two:** By December 31, 2010, the Commission will have increased awareness of workplace health and safety injury and illness prevention practices.

**Objective:** By December 31, 2010, the Commission will have enhanced workplace health and safety training for workplaces and developed a strategy to increase awareness of the prevention of known occupational disease.

**Measure:** Enhanced training and developed a strategy.

### Indicator

Increased workplace health and safety awareness for workplaces



### Accomplishments

The Commission is mandated under the *Workplace Health, Safety and Compensation Act* to promote workplace health and safety to employers, workers and other persons in order to prevent and reduce workplace injuries and occupational disease. In 2010, the Commission increased education efforts for workplaces, the public and youth through its social marketing campaign, prevention workshops, employer contact and continuation of the targeted outreach program (TOP). This program addresses

## *WHSCC Report on Performance continued*

the educational needs for the top five long term incidence rate and fatality industries. The five industries targeted in 2010 were service, health care, wholesale and retail trade, manufacturing and fish harvesting. 2010 education efforts included workshops, technical advisory committees, collaboration with employers, the development of new prevention educational materials and the assignment of prevention specialists with industry-specific expertise. The Commission also increased its complement of health and safety advisors to deliver increased educational services and awareness. The Commission believes this focus on education of workplace health and safety is the best way to increase awareness and ultimately influence behaviours to reduce injuries and create safer workplaces. The decline in both the lost time and soft tissue incidence rates demonstrates the effectiveness of these prevention programs.

In 2010, the Commission delivered more than 80 workshops involving 1,997 participants, an increase over the 1,612 participants from the 2009 workshop series. Prevention staff also increased the number of employer contacts by 1,018 since 2009, making 2,300 educational contacts through site visits, presentations and occupational health and safety audits. Audits are used as a training tool to assess an employers' performance on workplace safety and provide feedback on opportunities for improvement. The Commission also continued to work with priority employers with the highest incidence rates and costs. Commission staff conducted 222 audits with these firms in 2010, an increase of 129 since 2009. In addition, the Commission increased the number of contacts with its priority employers by 306 over 2009. The strategic focus on the top five industries and priority employers will increase opportunities for further prevention successes. The Commission is committed to making Newfoundland and Labrador workplaces safer now and in the future. Targeting young workers through prevention education is a key activity for prevention staff. In 2010, the Commission made educational contact with 8,181 young workers, an increase of 4,410 over 2009. These contacts included the delivery of 18 games shows "Who Wants to Save a Life?", 38 presentations and staffing at conference booths. In addition, Candace Carnahan, an injured worker, visited the Northeast Avalon and Labrador in October to speak to youth about occupational health and safety and her experience. These visits were conducted in partnership with the Department of Human Resources, Labour and Employment and the Department of Education. These activities result in safety awareness that will help youth as they first encounter the workplace and its hazards.

As there are many factors influencing awareness levels, the Commission does not directly measure awareness of workplace health and safety prevention practices. The Commission uses the lost time incidence rate as a proxy. The lost time incidence rate has declined from 1.9 in 2009 to 1.8 in 2010 and has steadily declined since 2000, demonstrating the Commission's contribution to increasing awareness of workplace health and safety.





## Indicator

Enhanced health and safety training for workplaces



## Accomplishments

The Commission enhanced its health and safety training for workplaces through an increase in the number of education sessions and by targeting a greater number of participants. In 2010, Prevention Services expanded its training topics and venues throughout Newfoundland and Labrador for the Prevention Workshop Series; ensured up-to-date workshop material for all sessions; increased the number of direct employer contacts; and increased its educational efforts with its priority employers. Please refer to the "Accomplishments" highlighted on pages 36 and 37 for the indicator "Increased workplace health and safety awareness for workplaces" for more detailed training information. These important prevention messages play a critical role in the reduction of the lost time incidence rate for our province.

The Commission also works with the Occupational Health and Safety (OH&S) Branch of the Department of Government Services to promote and make recommendations to enhance health and safety training certification and standards. Through this partnership, the Commission is able to ensure that changes in occupational health and safety regulations are integrated into the Commission's training and safety programs. In 2010, the OH&S Branch introduced new occupational health and safety regulations. These regulations affect the standards developed by the Commission for traffic control, fall protection and confined space. The implementation schedule for the new training standards is as follows: traffic control for 2011, fall protection for 2012 and confined space for 2013. The traffic control standard was finalized in 2010 and six training providers were approved in time for the 2011 implementation date. The fall protection and confined space standards are in final draft and are pending approval in 2011, in order to meet the 2012 and 2013 implementation dates.

The Commission also formed a new partnership with Canadian National Institute for the Blind for an industrial eye safety program that spans province-wide with a focus on prevention and awareness. Severe eye injuries have an enormous impact on a person's life and those around them, and may require years of rehabilitation and vocational rehabilitation training. Over the last five years, almost 2,200 eye injuries were reported to the Commission. The new Industrial Eye Safety Program focuses on the prevention of eye injuries in the workplace as the first line of defense. The program educates workers about eye safety in the workplace, highlights the consequences associated with eye injuries and motivates workers to follow safe work practices.

## Indicator

Increased focus on one additional industry sector with the goal of creating a sectoral committee



## Accomplishments

The Commission is committed to the development of industry sectoral councils. These sectoral councils ensure industries take a leadership and ownership role in managing health and safety and return to work issues. To date, Newfoundland and Labrador has seen the setup of two safety sectoral councils: the Newfoundland and Labrador Safety Construction Association and the Forestry Safety Association of Newfoundland and Labrador.

In 2010, efforts continued to expand industry sector councils with particular focus on mining, municipalities and fish harvesting and fish processing sectors.

The lost time incidence rate for the fish processing sector is 3.1 per 100 workers in 2009, 63 per cent higher than the provincial average. Workers in this industry are susceptible to repetitive stress injuries and respiratory illnesses associated with shellfish processing. The fish harvesting sector has other challenges. While the lost time incidence rate is lower than the fish processing sector at 2.4 in 2009, the severity of injuries is greater. In 2010, the Commission and the Department of Fisheries and Aquaculture jointly announced \$1 million in funding to establish a fish processing sector safety council and a fish harvesting safety association. The processing sector safety council will have representation from the Newfoundland and Labrador Federation of Labour, the Newfoundland and Labrador Employers' Council and the Occupational Health and Safety Branch of the Department of Government Services. The council's focus is on providing health and safety training. The fish harvesting association will have broad representation from fish harvesters, deckhands, industry associations, government agencies and academic institutions. The association will provide advice to government on industry specific safety issues, promote health and safety best practice and training, and support research related to fishing industry safety.

Municipalities continue to hold meetings regarding the formation of a safety sectoral council and representatives are committed to having further discussion in 2011 to pursue phase two funding. Sector advisors also met with the Chief Executive Officer of Municipalities Newfoundland and Labrador regarding phase two funding.

## Indicator

**Developed strategy to increase awareness of prevention of known occupational diseases**



## Accomplishments

In 2010, the Commission developed a three-year strategy in consultation with the Occupational Health and Safety Branch of the Department of Government Services to increase the awareness of known occupational diseases. The strategy was developed based on jurisdictional trend analysis and with feedback from the Commission's key stakeholders.

The strategy for the prevention of known occupational diseases articulates the work in progress to address occupational diseases in Newfoundland and Labrador. This includes partnerships with Quebec's Institut de recherche Robert-Sauvé en santé et en sécurité du travail (IRSST) and other workers' compensation boards in addition to the creation of the occupational disease advisory panel and the Baie Verte miners' registry. While these efforts have resulted in advancements in the area of occupational disease, there is much to be done to make further progress.

The Commission relies on a partnership approach in all its health and safety prevention activities. The occupational disease strategy outlines the steps to be taken to lay the foundation for long term partnerships and programs to support the prevention of known occupational disease. The focus is on:

- Building safety partnerships to plan educational efforts;
- Implementing educational initiatives about occupational hazards and exposures; and
- Continuous monitoring of occupational disease trends to set future directions for prevention efforts.

The Commission's ultimate goal for these initiatives is to eliminate future occupational disease. However, where diseases do occur, the Commission has a dedicated unit to serve injured workers and families affected by long term illnesses.

**Issue Three: Financial Sustainability**

The Commission is responsible for managing funds collected through employer assessments to ensure the workers' compensation system is financially sustained. Sustainability is managed through investment policy, establishing employer stable assessment rates and providing affordable compensation benefits. The objective of the Commission's long term financial strategy is to maintain a funded position that will provide for the security of injured worker benefits within employers' reasonable ability to pay, consistent with government's strategic direction of a financially sustainable system and the Commission's mandate.

The Commission has a long term focus in managing and evaluating the performance of the injury fund. In 2010, the Commission's funded position increased to 93.7 per cent from 87.5 per cent at the end of 2009, in part due to increased assessment revenues and improved market performance. The injury fund earned a 9.1 per cent rate of return in 2010, 2 per cent more than the stated goal of 7.1 per cent. While the overall funded position is improved, several more years of positive returns are required to ensure the financial stability of the injury fund in the longer term. Balance among investment returns, injury rates and claims costs is critical to achieving the long term objective of a 110 per cent funded status, in accordance with the Commission's funding policy.

**Goal Three:** By December 31, 2010, the Commission will have implemented management practices to support the financial sustainability of the workplace injury/illness compensation system.

**Objective:** By December 31, 2010, the Commission will have continued application of the funding policy and implemented further measures to improve cost-effectiveness of service delivery.

**Measure:** Management practices implemented

**Indicator**

Continued application of funding policy

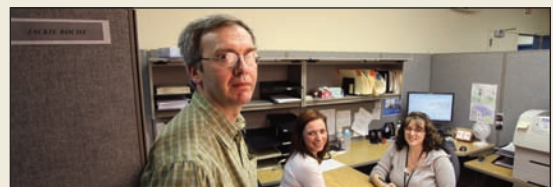


**Accomplishments**

The funding policy provides a mechanism for the Commission to respond in a controlled and responsible manner to external influences, such as volatile investment market performance and general economic factors. The Commission follows the policy guidance with respect to the setting of assessment rates and recommending changes to benefit levels. The Commission continues to apply its funding policy year over year and takes steps to mitigate the growth in claims costs to ensure the achievement of our current and long term goals as well as government's focus on financial sustainability.

**Indicator**

Continued implementing measures of cost-effectiveness



**Accomplishments**

Purchasing continues to implement processes to contain costs by sourcing of products and services at the best obtainable price through the issuance of tenders and requests for proposals (RFPs) in addition to the establishment of standing offers for regularly sourced goods and services. In 2010, purchasing issued tenders and RFPs for more than twenty-five products and services.



## **WHSCC Report on Performance** *continued*

This included a new client services purchasing initiative which is the foundation for all future purchasing of health care products and services. These procurement practices and adherence to the public tendering process will enhance the quality and efficiency of service delivery.

The Commission takes a variety of approaches to contain benefit costs by focusing on factors within the Commission's ability to control and influence. The Commission recruits and retains knowledgeable resources to ensure early and safe intervention, positive return to work outcomes and effective claims management. This focus on human resources, combined with continued efforts to implement key components of the claims management model, will mitigate the upward trend in health care costs and enhance client service.

### **Issue Four: Responsive Organization**

The Commission is committed to improving communications with stakeholders and the public and to raising awareness about the Commission's mandate, limitations and services. Increasing the understanding of the workers' compensation system is key for improving public trust and confidence and for being recognized as a responsive organization. Education and outreach activities are critical elements of raising awareness and will lead to the improved confidence and satisfaction of our stakeholders.

The Commission's ultimate aim is to influence attitudes and behaviour related to workplace health and safety by promoting safety awareness and increasing understanding of the human and financial impacts of workplace injuries. Ongoing marketing and education efforts continue to work towards creating a belief that work-related injuries, diseases and deaths are unacceptable. Changing this mindset is everyone's responsibility. Our 2010 social marketing campaign and outreach activities continued to focus on these key messages, emphasizing the Commission's role and the role of all workplace parties in preventing workplace injuries. Together with our stakeholders, we must take action to create safer workplaces for the workers and employers of Newfoundland and Labrador.

The Commission's efforts have improved the confidence and satisfaction of our stakeholders as feedback from outreach activities and survey results demonstrate. In 2010, 71 per cent of employers and 72 per cent of injured workers rated the Commission as effective in providing services. This increased responsiveness has contributed to the achievement of the Commission's mission and government's strategic direction of improved client service.

**Goal Four:** By December 31, 2010, the Commission will be a more responsive organization in meeting the needs of stakeholders.

**Objective:** December 31, 2010, the Commission will have increased responsiveness in meeting the needs of stakeholders.

**Measure:** Increased responsiveness

## Indicator

Continued education through social marketing and outreach activities.

## Accomplishments

The Commission's outreach program provides industry-specific information to key audiences, emphasizing the message that all injury incidents are preventable. Where injuries do occur, the Commission's focus is on assisting injured workers in working to recover and early and safe return to work. In 2010, the Board Chair and Chief Executive Officer delivered 24 presentations, receiving positive feedback from audiences across the province.

Social marketing is a key prevention initiative designed to increase awareness of workplace health and safety and injury prevention practices among the youth, the public, employers and workers. The Commission expanded its social marketing campaign in 2010 featuring media spots consistent with the theme of the award winning "Take care of it before it's an injury" campaign. The Commission ran a print media campaign in Newfoundland and Labrador newspapers featuring eye-catching blank spaces in the classified section and tag lines that stated no injury occurred. The Commission also completed production and distribution of a new animated series of videos featuring the Rod Stickman character. In late 2010, the Commission completed a survey of public opinion to gauge the effectiveness of the advertising campaign and to gather public opinions on safety. The results indicate that the campaign was very successful with public recall reaching 75 per cent and increased positive attitudes towards safety.



ER'S WAREHOUSE

SAIL ROAD

OF

Property Department



# WHSCC Report on Performance

For the Mission Statement and 2008 - 2010 Goals and Indicators

## **WHSCC Report on Performance** *continued*

### **Mission**

By December 31, 2010, the Commission will have improved client service to support the prevention and management of workplace injuries, illnesses and known occupational disease.

The mission and the supporting indicators reflected stakeholder needs and ensured the Workplace Health, Safety and Compensation Commission (the Commission) was successful in meeting its client service goals for the wide range of programs and services it offers. These successes have been possible due to the many strengths of the Commission including a forward-looking and supportive Board of Directors, a vibrant and competent staff, well-structured governance processes, and strong working relationships with our partners and stakeholders. The Commission continues to face many challenges including shifting cultural attitudes about workplace safety, engaging all workplace parties in return to work efforts and increasing demands to improve business delivery methods. The Commission will draw on its strengths to address these challenges and opportunities as it moves forward and will require continued commitment to strengthening client service.

The Commission has made significant efforts to achieve its mission and goals over the past four years and in doing so, has contributed to the achievement of government's strategic direction of improved client service within a financially sustainable system.

**Measure:** Improved client service

### **Indicator**

**Increased education and awareness of workplace health and safety and prevention practices**



### **Accomplishments**

- Increased numbers of workshops delivered through the Prevention Workshops Series
- Increased the number of committee representatives trained in occupational health and safety on an annual basis
- Worked with the Occupational Health and Safety Branch of the Department of Government Services to ensure new safety certification standards are incorporated into training certification programs
- Increased contact with employers through audits, site visits and presentations
- Developed the CEO Leadership Charter
- Increased Board Chair and Chief Executive Officer outreach activities
- Hired youth coordinator to deliver youth-focused prevention programs including the "Who Wants to Save a Life?" game show
- Promoted and supported the creation of two new industry sectoral councils
- Developed and executed successful, award-winning social marketing campaign

## Indicator

Improved services through a new claims management system

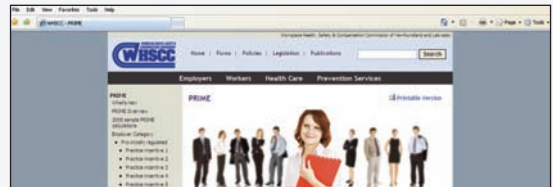


## Accomplishments

- Introduced new injury reporting forms to reduce reporting errors and ensure decisions based on data not images
- Changed focus of physician report of injury (Form 8/10) from time away from work to functional capabilities
- Implemented business process improvements to increase processing efficiencies and reduce administrative burdens in claims registration, case management and early and safe return work
- Completed structure changes including the setup of industry-based teams
- Improved claim review, case planning and early and safe return to work processes
- Implemented new technologies to support changes in claims registration and claims management

## Indicator

Increased access via web services

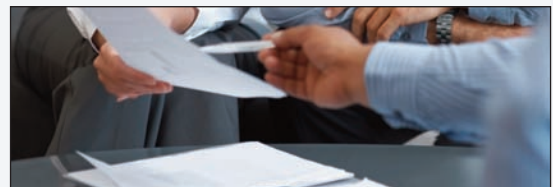


## Accomplishments

- Implemented new web services
- Enhanced existing services in consultation with employers and physiotherapists

## Indicator

Improved financial sustainability



## Accomplishments

- Developed and implemented a new funding policy in consideration of stakeholder feedback
- Ensured adherence to funding policy on an annual basis
- Implemented measures of cost-effectiveness including the issuance of tenders and standing offers on administrative and health care products and services in respect of public tendering process
- Signed Memorandums of Agreement with health care service providers to establish service standards and rates



## Indicator

Improved human resources capacity to provide effective program and service delivery



## Accomplishments

- Developed and implemented three-year human resources strategy addressing recruitment, retention, training, and capacity and succession planning
- Implemented new software to automate human resource management functions

## Indicator

Improved public awareness of the Commission and its services



## Accomplishments

- Established process for Board communications with stakeholders
- Increased outreach activities to clarify the role and mandate of the Commission
- Implemented successful, award-winning social marketing campaign
- Increased public awareness and understanding that workplace accidents are unacceptable and not inevitable

*For additional detail on these accomplishments, please refer to the three-year Report on Performance on pages 47 to 57 of this report.*

## 2008 to 2010 Three-Year Report on Performance

The following section highlights performance information for the Commission's progress each of its four key goals for the 2008-2010 Strategic Plan. These goals were identified in consideration of the Commission's mandate, key priorities and limitations in addition to the strategic direction of government. Results demonstrate the Commission has achieved its mission and three-year goals, as well as supported government in achieving its strategic direction of improved client service within a financially sustainable system.

**Issue One:** Client Service

**Goal One:** By December 31, 2010, the Commission will have improved client service.

The Commission is committed to providing a high-level of service to its clients and has implemented initiatives over the past three years to strengthen service delivery to employers and injured workers in Newfoundland and Labrador. These initiatives have largely focused on improving business delivery methods and improving accessibility to Commission services through the continued implementation of the claims management model, expanded web services and PRIME, the Commission's employer incentive program. Improvements to internal processes have been achieved through these initiatives as well as the Commission's continued support of government's regulatory reform initiative and the establishment of privacy standards and protocols to protect our client's personal information. The Commission has also established new client service protocols which set out principles and standards designed to ensure all clients receive information in a timely manner and have fair and equal access to all of the Commission's available programs and services.

In achieving its three-year goal, the Commission contributed to government's strategic direction of improved client service in a financially sustainable system.

**Measure:** Improved client service

## Indicator

Enhanced service through the implementation of key components of the claims management model



## Accomplishments

The claims management model is a multi-year initiative requiring changes to policy, procedures, structure, management model and information technology. The Commission has already implemented key components of the model, including organizational structure changes, business process improvements and the introduction of new supporting technologies to make processes more efficient and reduce administrative burdens. These technologies include a new application for registering and managing claims more efficiently and effectively. Business changes included revised injury reporting forms to improve data collection of injury information to ensure the Commission has timely access to the right information to better serve its clients. The Commission also enhanced case planning tools, team review processes, industry team composition and early intervention. The claims management model which is the Commission's duration strategy, focuses on key duration factors that are within the Commission's control. This model enhances service and reduces duration through:

- Early intervention;
- More proactive claims management;
- Timely and appropriate health care interventions;
- Facilitated and timely early and safe return to work; and
- Labour market re-entry programs for injured workers who are unable to work in their pre-injury position.

These efforts will result in reductions in the number of long term disability claims and overall claims costs. The claims management model has already helped reduce short term claims duration to 40 days at the end of 2010, down from a high of 42 days in 2008.

## Indicator

Fully implemented PRIME for large and small/medium employers

### Want to know more about **PRIME**

Our PRIME Advisors can review your file and explain why you didn't getting a refund. They can also visit your workplace and provide an overview of PRIME.

Contact: Jo-Ann Woodland at 709-778-2925  
or Deann Vincent at 709-637-2767.

## Accomplishments

PRIME is an employer incentive program that allows employers to impact the assessments they pay by meeting program requirements for health and safety and disability management; and by managing claims costs. The Commission fully implemented PRIME for large employers in 2008 and for small and medium sized employers in 2009.

PRIME (Prevention + Return to Work + Insurance Management for Employers / Employees) is comprised of two components: the practice incentive and the experience incentive. The practice incentive recognizes employers for their good occupational health and safety and return to work practices through a refund on base assessments. The experience incentive encourages employers to minimize claims costs to receive an additional refund or lowest possible experience charge. The Commission continues to monitor and evaluate this program with the goal to improve client services.

## Indicator

Enhanced processes for the adjudication of occupational disease claims



## Accomplishments

There are many complexities surrounding occupational disease claims including the association between diseases and workplace exposures. Improved processes for adjudicating occupational disease claims are important to assist decision-makers and to improve service for workers, dependents and employers impacted by occupational disease. In 2008 the Commission developed a new framework with guidelines to assist adjudicators in the consistent application of policy.

The Commission takes a proactive approach in meeting the challenges associated with occupational disease through the formation of key partnerships. These partnerships allow the Commission to broaden the knowledge required to make entitlement decisions for workers and dependents impacted by these diseases:

- In 2008, the Commission, the United Steelworkers, and the Baie Verte Peninsula Miners' Action Committee formed a partnership to develop a registry of former workers of the Baie Verte Asbestos Mine. The registry will enhance future service delivery by capturing important employment and health information to assist in future compensation claims related to asbestos exposure.
- In 2009, the Commission entered a memorandum of understanding with the Institut de recherche Robert-Sauvé de santé et en sécurité du travail (IRSST). The IRSST was engaged to research the incidence of cancer among shipyard workers worldwide to facilitate the adjudication of occupational disease claims from the Marystown shipyard. This research plan is to conclude in mid 2011.
- In 2009, the Commission created an Occupational Disease Advisory Panel to provide oversight on occupational disease matters. The panel includes the Commission's chairperson and worker and employer representatives from the Commission's Board of Directors.

The Commission also engaged its actuary to determine an appropriate value of a reserve fund to address liabilities associated with occupational disease in the province. This actuarial work is ongoing.

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





## Indicator

Increased access to Commission services through expanded web services



## Accomplishments

The Commission continues to expand and improve its web services through consultation with stakeholders and staff. To date, the Commission has implemented more than thirty web services, over half being implemented since 2008. The Commission's web services now allows employers to:

- Request certificates of clearance;
- Submit and view account information, contractor statements, PRIME result notices, PRIME practice incentive questionnaires, occupational health and safety minutes, and health care reports;
- View cost statements, PRIME result notices, claim statistics, and clearance request history; and
- Submit and view injury reports and annual employer statements.

The Commission has also implemented a service for physiotherapists to submit reports of injury and progress reports online.

These web services provide a faster, user-friendly and error free way for stakeholders to conduct business with the Commission. An additional nine services are planned for implementation in 2011.

## Issue Two: Workplace Injury and Illness Prevention

**Goal Two:** By December 31, 2010, the Commission will have increased awareness of workplace health and safety and illness prevention practices.

The Commission's efforts to educate workers, youth and employers in health and safety awareness are contributing to safer workplaces and reduced injuries. The incidence rate (the number of injuries per 100 workers) is the lowest in history at 1.8. Strong prevention initiatives and the commitment of our stakeholders are required to continue this success and realize further reductions in the incidence rate. The Commission's goal is to have every worker return home safely every day.

The Commission relies on a partnership approach in all of its health and safety and prevention activities. This means a shared responsibility and greater cooperative effort involving stakeholders in creating and sustaining a culture of safety. The Commission has undertaken a number of initiatives from 2008 to 2010 designed to increase awareness of workplace health, safety and illness prevention practices for youth, employers, industry and the general public. Marketing efforts towards all of these groups have steadily increased since 2007. The focus is on the tragedy of workplace injuries and death, and on creating a belief that work-related injuries, diseases and death is unacceptable. The promotion of safety awareness is our best approach to keep workplaces safe and ultimately, this is the best way we can serve our clients.

The Commission has accomplished a tremendous amount towards the achievement of its 2010 goal and objective of increasing awareness levels for workplace health and safety and illness prevention practices. There are many factors affecting awareness levels. Some of these factors are outside the Commission's control and for this reason, the Commission does not distinctly measure awareness and uses the lost time incidence rate as a proxy. The Commission is mandated through the *Workplace Health, Safety and Compensation Act* to promote public awareness of workplace health and safety as a means to reduce the

## **WHSCC Report on Performance** *continued*

occurrence of workplace injuries and disease. The Commission continues to focus on education efforts to increase awareness of prevention practices and ultimately, change behaviours to result in further reductions of the number of lost time incidents. The Commission believes its efforts have contributed to a steady decline in the lost time incidence rate over the last decade, a reduction of 44 per cent since 2000.

In achieving its three-year goal, the Commission contributed to government's strategic direction of improved client service in a financially sustainable system.

**Measure:** Increased awareness

### **Indicator**

**Increased workplace health and safety awareness among youth, employers, industry and the general public**



### **Accomplishments**

*The Workplace Health, Safety and Compensation Act* gives the Commission the mandate to promote health and safety in Newfoundland and Labrador workplaces. The Commission's does this through prevention efforts that focus on increasing awareness of workplace hazards and promotion of healthy and safe prevention practices for youth, employers, industry and the general public.

As there are many factors influencing awareness levels, the Commission does not directly measure awareness of workplace health and safety prevention practices. The Commission uses the lost time incidence rate as a proxy. The lost time incidence rate has declined from 1.9 in 2009 to 1.8 in 2010 and has steadily declined since 2000, demonstrating the Commission's contribution to increasing awareness of workplace health and safety.

#### **Youth**

The Commission is committed to making workplaces safer now and in the future. The Commission developed a three-year youth strategy in this planning cycle with a focus on raising awareness of workplace injury and illness prevention through programs specifically targeting youth entering the workplace for the first time. The goal is to promote the importance of workplace safety to influence behaviour changes in our future workforce and to ensure young people understand the impacts that accidents have on workers, their families and communities. A new youth coordinator position was recruited in 2008 to coordinate the youth health and safety initiatives outlined in this strategy and to support youth educators.

A key youth prevention activity has been the "Who Wants to Save a Life?" trivia game, developed in partnership with the Department of Education and Futures in Newfoundland and Labrador Youth (FINALY!). The goal of the game show is to provide youth with a better understanding of the role they have in working towards a safe workplace. Since the start of 2008, the Commission held 83 game shows involving approximately 8,000 students from across the province.

The Commission also promoted a youth radio and video advertising campaign and communicates with youth through YouTube and other social media. The Commission delivered in-service workshops to teachers delivering health and safety curricula for high schools and partnered with the Department of Education to develop and distribute educational materials to teachers and students as well as health and safety curricula for high schools. The Commission also works with not-for-profit agencies such as Skills Canada, the Canadian Hard of Hearing Association and the Newfoundland and Labrador Federation of School Councils. These partnerships have resulted in opportunities for presentations, speaking engagements and other promotional opportunities. In addition, the Commission collaborates with government departments including the Department of Government Services and the Department of Human Resources, Labour and Employment (HRLE) to ensure workplace health and safety materials are available to students. The Commission's work with HRLE also included promotion of the Passport to Safety as part of the department's Youth Retention and Attraction Strategy. These partnership efforts are ongoing.

The decline in the young worker incidence rate from 2.1 for 2007 to 1.8 for 2010 is evidence of increased awareness among youth. While the Commission is pleased with this improvement, the statistics are still too high and demonstrate the need for the Commission to continue its prevention efforts for youth.

### **Employers and Workers**

The Commission has made significant efforts to increase workplace health and safety awareness among employers and workers. This has been done through increased training efforts for employers, greater workplace contact through site visits, audits and presentations and increased support for priority employers with high incidence rates. Through these activities, the Commission has been able to promote its health and safety messages to a greater number of people. The ultimate goal is influence behaviour changes to ensure safer workplaces. The success of these initiatives is evidenced by the reduction in the lost time incidence rate from 2.0 for 2007 to 1.8 for 2010. For additional detail, please refer to the 2010 and Three-Year Reports on Performance for indicator "Enhanced health and safety training for workplaces" on pages 38 and 53 of this report.

Effective management of health, safety and wellness is essential for a successful business. Over the past three years, the Commission has focused attention on educating CEOs who, as leaders of organizations, exert significant influence over health and safety practices in workplaces. The Commission developed its CEO Leadership Charter to highlight business leaders with excellent safety records and to share best practices and the benefits of a safe and healthy workplace. Since 2008, 24 new signatories signed the charter, joining the existing 30 signatories. As ambassadors of safer workplaces, the signatories demonstrate their commitment to prevention and the promotion of workplace safety.

### **Industry**

An integral part of the Commission's prevention efforts for industry is the Commission's team of dedicated prevention specialists including industry-assigned health and safety advisors. This team works with Commission stakeholder and partners to focus on specific health and safety issues and develop targeted educational awareness initiatives. Through the targeted outreach program (TOP) developed in 2009, the Commission has created industry-specific prevention and awareness initiatives for the top five incidence rate and fatality industries. Since program inception, the Commission has tailored programming for seven industries: service, health care, fish harvesting, fish processing, mining, wholesale and retail trade, and manufacturing. Program elements have included prevention workshops, outreach presentations, cost research, trend analysis, client visits and audits, technical advisory committees, employer consultation and collaboration, partnerships, research funding, educational materials and sectoral councils.

The Commission continues to form key partnerships to further advance prevention efforts. The Commission collaborates with the Occupational Health and Safety Branch of the Department of Government Services to develop programs to promote health and safety training and certification and make workplace health and safety related recommendations. Other established partnerships involve the Newfoundland and Labrador Employers' Council and the Newfoundland and Labrador Federation of Labour, the Department of Education, the Newfoundland and Labrador Construction Safety Association and the Mines and Aggregates Safety and Health Association (now known as Workplace Safety North). Involvement of these partners is critical in further strengthening existing initiatives and creating new opportunities.

A key prevention approach for industry is the formation of safety sectoral councils. These sectoral councils allow industry to take a leadership role in promoting and managing industry-specific health and safety issues. This is done through targeted training that supports the elimination of workplace accidents, promotion of legislative compliance within the sector and support for reductions in assessment rates. In 2008, the Commission's Board of Directors approved funding guidelines to assist groups interested in development sectoral councils and funding for sectoral advisors to assist industry groups. Since the beginning of 2008, the Commission has supported the formation of a new sectoral council for forestry, a fish processing sector safety council and a fish harvesting safety association. The Commission continues to work with representatives from municipalities, regional health care authorities, industries to create new sectoral councils in the future.

## General Public

The Commission also promotes public awareness of workplace health and safety. In 2008, the Commission collaborated with the Nova Scotia and Prince Edward Island workers' compensation boards and Extreme Group (a Halifax based creative advertising agency) to complete its award winning "Take care of it before it's an injury". This campaign focuses on helping the public realize that it can take action to prevent a workplace injury from occurring.

## Indicator

**Enhanced workplace health and safety training for workplaces**



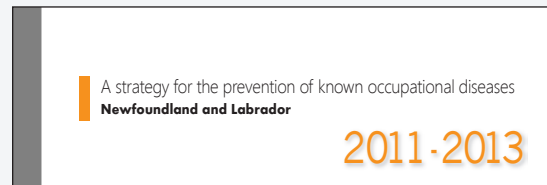
## Accomplishments

Over the past three years, the Commission has taken steps to enhance workplace health and safety training. The Commission has steadily increased the number of training sessions and breadth of coverage in health and safety topics covered in workshops as well as targeted a greater number of training participants. New workshops were delivered for new Occupational Health and Safety Regulations, young workers, industrial hygiene, noise, disability management, performance measurement, and hazard recognition and control. The Commission also delivered workshops designed to increase PRIME compliance.

For additional detail, please refer to the 2010 Report on Performance for indicator "Enhanced health and safety training for workplaces" on page 38 of this report.

## Indicator

**Development of a strategy to address increased awareness and prevention of known occupational disease**



## Accomplishments

Between 2003 and 2010, there were 112 fatalities due to occupational disease reported in Newfoundland and Labrador. Preventing these diseases and ensuring a safe and hazard free workplace is everyone's responsibility. To address the complex issue of occupational disease, the Commission partnered with the Occupational Health and Safety Branch of the Department of Government Services to form a working group. The working group conducted research on occupational disease matters and consulted with the Newfoundland and Labrador Federation of Labour and the Newfoundland and Labrador Employers' Council. All parties agree that education and awareness is key to the prevention of occupational disease.

In 2010, the Commission developed a three-year strategy to address increased awareness and prevention of known occupational disease. This strategy provides a framework for educating and raising awareness about known occupational diseases in Newfoundland and Labrador. The goal is to reduce the burden and incidence of occupational disease in this province.

For further detail on the occupational disease strategy, please refer to the 2010 Report on Performance for the indicator "Developed a strategy to increase awareness of prevention of known occupational diseases" on page 39 of this report.



**Issue Three: Financial Sustainability**

**Goal Three:** By December 31, 2010, the Commission will have implemented management practices to support the financial sustainability of the workplace injury/illness compensation system.

The financial situation for the Commission has improved over the last four years due to the Commission's continued implementation of responsible management practices. The Commission implemented and continues to adhere to its funding policy, and implemented a number of practices to increase cost-effectiveness of service delivery throughout the planning cycle. This included the implementation of initiatives designed to manage the growth of health care costs, one of the fastest growing expenditures for the Commission.

While the Commission's efforts have positively impacted its funding position, there is still a long way to go to reach the funding target. The Commission continues to focus on ensuring earlier intervention, disability management and the promotion of early and safe return to work practices to prevent the duration of time away from work becoming long term and more costly from both a human and financial perspective. Ultimately, the Commission's goal is the elimination of injuries through prevention education and awareness efforts with its stakeholders. This is the best way to reduce costs, ensure quality client service and support the achievement of government's strategic direction of improved service within a financial sustainability system.

**Measure:** Management practices implemented

**Indicator**

**Implementation and adherence to funding policy**

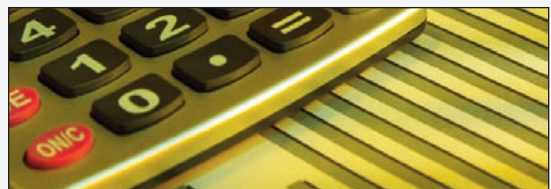


**Accomplishments**

The Commission worked with its actuary to determine the parameters of a sound funding policy that addresses long term financial stability. The Commission conducted stakeholder consultations to provide a full understanding and opportunity for input. The Commission implemented the funding policy in 2009 and adherence of this policy continues to enable the Commission to respond responsibly to external influences, such as volatile investment market performance and general economic factors.

**Indicator**

**Implementation of measures to improve cost-effectiveness of service delivery**



**Accomplishments**

Throughout the planning cycle, the Commission continued to implement measures of cost-effectiveness through its procurement program. The goal of this program is to purchase and provide quality products and services at competitive prices, in adherence to government's *Public Tendering Act* and Regulations. Purchasing continues to contain costs of administrative and health care products and services through the issuance of tenders, requests for proposals, standing offers and service agreements with health care providers to provide guidelines for timely treatments.

## **WHSCC Report on Performance** *continued*

The Commission also continues to implement the claims management model and web services to positively impact short term claims duration and client services. These initiatives are enhancing early and safe return to work, labour market re-entry and claims management practices in order to improve return to work outcomes, reduce claims costs and improve client services for workplace parties.

### **Issue Four: Responsive Organization**

**Goal Four:** By December 31, 2010, the Commission will be a more responsive organization in meeting the needs of stakeholders.

To be recognized as a more responsive organization, the Commission focused on improving communications and education efforts with its stakeholders and implementing key human resources and change management strategies. These strategies ensure key client service positions are filled and better enable the teamwork and collaboration necessary to provide enhanced service delivery in a caring and responsive manner.

The Commission is committed to instilling trust and confidence in the workers' compensation system through a continued focus on improving client service and better communications that clearly articulate the Commission's role, responsibilities and mandate. Feedback from the Commission's activities and stakeholder surveys indicates an improved understanding of the workers' compensation system and the service quality of the Commission. This has led to improved confidence and satisfaction in the Commission and contributed to the achievement of government's strategic direction of improved client service.

**Measure:** Responsive organization

### **Indicator**

**Implemented a human resource strategy with key focus on filling critical positions and retention plans to support critical positions**



### **Accomplishments**

The Commission implemented a three-year human resource strategy for the period 2008-2010. The strategy addressed attraction and retention, capacity, training, succession planning, human resource capacity and the automation of human resource information. A key focus of the strategy was to better position the Commission for client service delivery and to address challenges associated with recruitment and capacity. The Commission undertook a review of its recruitment practices in order to introduce improvements to the process. The strategy also resulted in the establishment of a succession and capacity plan which focuses on key client service positions requiring capacity management and outlines strategies to reduce gaps between available and required human resources. A pilot program was implemented for key positions in 2009 and evaluated in 2010. Recommendations are being incorporated into the program for 2011.

The Commission has also increased its human resource capacity through the development and delivery of leadership training related to human resource management issues. Each year, a minimum of three topic areas are developed and delivered to supervisors. The human resource strategy aligned with the Commission's strategic plan to ensure the Commission was responsive to the needs of our clients.

## Indicator

Implemented a communication strategy to increase awareness of the Commission's mandate, limitations and successes



## Accomplishments

The Commission developed and implemented a strategy to increase awareness of the Commission's mandate, limitations and successes. Elements of this strategy included an enhanced process for communications by the Board of Directors and a communications plan.

Elements of the communications plan include important messaging about the Commission's mandate and promotion of the Commission's successes, management, programs and services. Initiatives under the plan included:

- Sponsorship of North American Occupational Safety and Health week and soft tissue injury prevention week;
- Media training for Board members and senior management;
- Ongoing stakeholder consultation;
- Support for the CEO leadership charter;
- Ongoing commitment to the youth travelling game show;
- Regular news releases;
- Outreach initiatives; and
- **safeworknews**. **safeworknews** is a quarterly publication designed to educate workers and employers about injury and disease prevention, promote a positive safety culture and provide links to Commission resources.

Internal communications was also improved through an increased focus on an ongoing change management committee and the assignment of a full time communications resource to major projects.

For further detail on Board communications, please refer to the 2010 Report on Performance for the indicator "Continued education through social marketing and outreach activities" on page 42 of this report.

## Indicator

Enhanced process for public communications by members of the Commission's Board of Directors



## Accomplishments

The Commission examined the Board of Directors communication process in 2009 and developed an enhanced process for communications with Commission stakeholder groups and the public. The enhanced process includes an outreach program designed to ensure better communications with stakeholders and the public to improve confidence in the workers' compensation system. This includes greater focus on the Commission's mandate and limitations as well as the promotion of the Commission's lines of business.

## ***WHSCC Report on Performance*** *continued*

Consistency is a critical element for effective communications. The Board communications process features the Board Chairperson and CEO delivering consistent messaging that appeals to a broad audience. These messages emphasize that all injuries are preventable and that where injuries do occur, the Commission is focused on assisting injured workers in their recovery and early and safe return to work.

Over the past three years, outreach activities have included:

- More frequent presentations and speaking engagements at key stakeholder events such as conferences and association meetings;
- More proactive media interviews;
- Participation in industry and occupational health and safety trade shows;
- A new, award winning prevention-focused social marketing campaign with the “take care of it before it’s an injury” theme;
- Support for the youth travelling game show; and
- The hosting of the national AWCBC Learning Symposium in 2009.



# 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, 2010. The MD&A was prepared based on information available as of March 11, 2011. The Board of Directors has undertaken its own review of the MD&A following a 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 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; the ability to retain and recruit qualified employees; 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, 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 administration.

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 2011-13 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**

In 2010, the Commission developed its Strategic Plan for the period 2011 - 2013. During this process, the Commission conducted an environmental scan and identified 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.

The 2011-2013 Strategic Plan 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, rising health care costs, and the high cost of long term disability claims.

## **Key Business Drivers**

### **Investment returns**

In 2010, the Injury Fund earned a rate of return of 9.1% compared with an 18.1% 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). Including the return for 2010 the fund has generated an average return of 2.0% over the most recent four years and 6.1% over the most recent ten years. The under-performance that was experienced in 2008 has constrained the return on the fund over the long term. Excluding 2008, the ten year return would have been 8.7%. The improved performance of 2009 and 2010 contributed to marked improvement in the Commission's funded position from 77.3% at the end of 2008 to 93.7% at the end of 2010.

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. While the performance in 2009 and 2010 represents a return to improved investment returns, several more years of similar returns are required to ensure the financial stability of the Injury Fund.

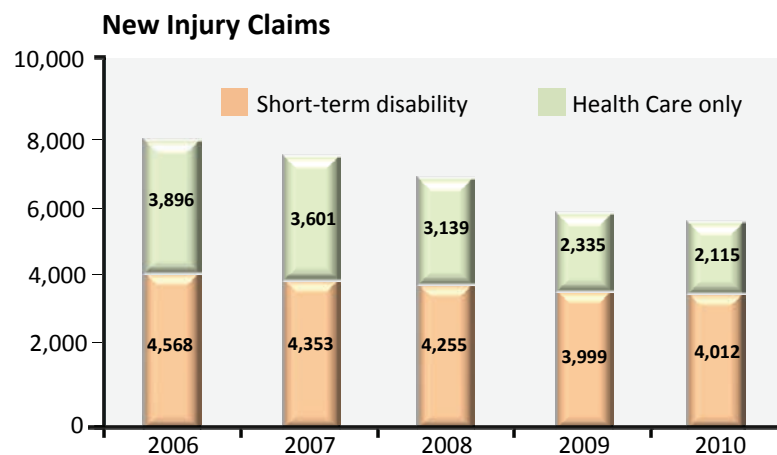
The financial risks to which the Commission is exposed are described in Note 6, Financial Instruments, to the Financial Statements and include credit, currency and market risks. Credit risk on fixed income securities arises from the possibility that issuers of debt will fail to meet their obligations 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.

# Management Discussion & Analysis

## 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, 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 as depicted in the chart below:



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 38 to 42 days and was 40 days in 2010.

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.



## *Management Discussion & Analysis* continued

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). The Commission will consider feedback received from stakeholders in 2010 regarding components of claims duration that will be included in the development of an enhanced system of KPI's. Also in 2010, the Commission completed an evaluation of Early and Safe Return to Work (ESRTW) practices that resulted in the development of a plan to enhance the effectiveness of the ESRTW program. The Commission also completed a report on the Commission's Labour Market Re-entry (LMR) quality improvement plan in 2010 which identifies LMR initiatives that have been implemented or planned that present opportunities to impact LMR related claim duration factors. These combined 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 has already implemented elements of the CMM which are having a positive impact on short term claims duration and the delivery of services to workplace parties, particularly injured workers. Since the beginning of 2009, information systems enhancements have increased the efficiency of internal processes resulting in a reduction in the time it takes to open a claim and issue the first payment to injured workers. Over the long term the Commission expects that improvements and enhancements attributable to the CMM will improve return to work outcomes resulting in reductions in the number of long term disability claims.

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 contain 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. In addition, the service agreements with health care providers specify multi-year terms, generally ranging from two to four years.

### **Incidence Rate**

The incidence rate is the fundamental driver of the workers' compensation system as it determines the volume of claims administered by the Commission and ultimately, the cost of these claims determines employer assessment rates. This indicator measures the frequency of injuries per 100 workers employed in the province. Since 2000, the incidence rate has declined from 3.2 to 1.8 in 2010. This is a testament to the ongoing and strong collaboration among workplace parties in the province and the Commission's prevention initiatives which are highlighted in this annual performance report.

# Management Discussion & Analysis

The incidence rate has continued to trend downwards despite an increase in overall employment in the province. The extent to which further reductions are achieved will depend on the continued diligence and perseverance of employers, workers, government and the Commission in respect of workplace safety.

## **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 for 2010 was 0.7% and the inflation adjustment has averaged 1.7% 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.

## **2010 Financial Highlights**

During 2010, the Newfoundland and Labrador economy posted solid growth in GDP and employment. The growth was mainly due to higher investment spending related to major project development and increased mineral and oil production. The Commission recorded a 9.4% increase in the overall assessable payroll base with increased payrolls across all industry sectors.

The increase in assessment revenue and an improvement in investment performance resulted in an annual surplus of \$25.8 million as compared to the annual deficit of \$8.2 million in 2009. The Commission's funded position improved from 87.5% at the end of 2009 to 93.7% at the end of 2010.

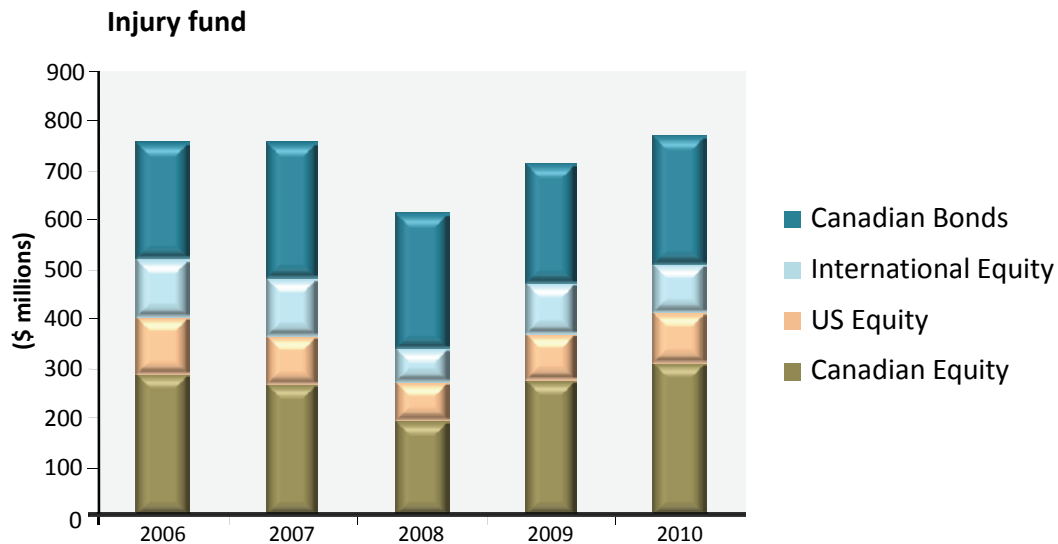
## **Statement of Financial Position**

### **Cash position**

The Commission ended 2010 with a cash balance of \$7.9 million, which is considerably higher than the \$0.1 million at the end of 2009. The Commission was able to improve its relative cash position due to improved collections on a higher level of assessment revenue, third party recoveries and to lower payments to suppliers and health care providers.

### **Investments**

The Commission's investments are held in an Injury Fund to meet future benefit payments to injured workers. These investments are diversified between two primary asset classes: domestic fixed income and domestic and foreign equities. The fair value of the Injury Fund increased \$58.1 million to \$768.1 million at December 31, 2010 from \$710.0 million at the end of 2009.



Financial markets were volatile in 2010 as reflected in investors' on again-off again appetites for risk. In the early part of the year, investors grew more confident that the worst of the global recession was over and recovery was taking shape. Uncertainty re-emerged mid-year amid concern the European sovereign debt crisis might spread, but by the fall, there was optimism that the U.S. economy would avoid slipping back into recession. The Federal Reserve's second round of quantitative easing created an environment that led to gains in the U.S. in the second half of the year. The Canadian market gained as a result of higher commodity prices, narrowing of credit spreads and optimism regarding a U.S. recovery.

The S&P/TSX Composite Index returned 17.6% for 2010, much lower than the 34.1% return in 2009, yet beat the S&P 500 for the 7th straight year. The S&P 500 index (U.S. equities) produced an annual return of 9.1% (in Canadian dollar terms) compared with 7.4% a year earlier. There was growth in all sectors, led by consumer discretionary, industrials and materials. The MSCI EAFE index (international equities) increased by 2.6% (in Canadian dollar terms) which is significantly lower than the 11.1% return in 2009. The challenges in the international market included the European sovereign debt crisis, unemployment, and inflationary pressures in emerging markets, most notably in China.

The DEX Bond Universe (fixed income) index closed the year up 6.7%. Both federal government and corporate bonds had strong returns with corporate bonds continuing to outperform government bonds due to higher yields. 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.

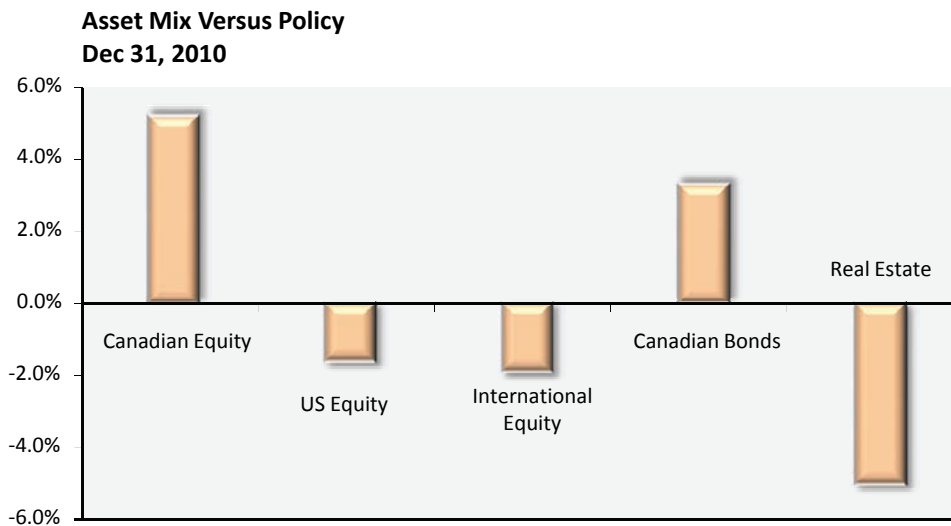
# Management Discussion & Analysis

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 percent allocation to Canadian real estate by making an equal reduction in the allocation to the fixed income asset class. In 2010, the Commission selected a real estate manager and intends to commence funding this allocation in 2011. The Commission is currently undertaking a review of the global equity manager structure due to persistent underperformance in the United States and International equity classes.

The Commission's asset mix policy is presented below:

	Asset Mix	Tolerance Range
Bonds, Canadian	30%	±5%
Equities, Canadian	35%	±5%
Equities,	15%	±3%
Equities, Europe, Asia and (EAFE)	15%	±3%
Real Estate	5%	1-10%

As depicted in the chart below, the value of the Canadian Equities had exceeded its tolerance range at December 31, 2010. The Commission intends to re-balance the Injury Fund by shifting funds from Canadian Equities into Real Estate during 2011.





*Management Discussion & Analysis continued*

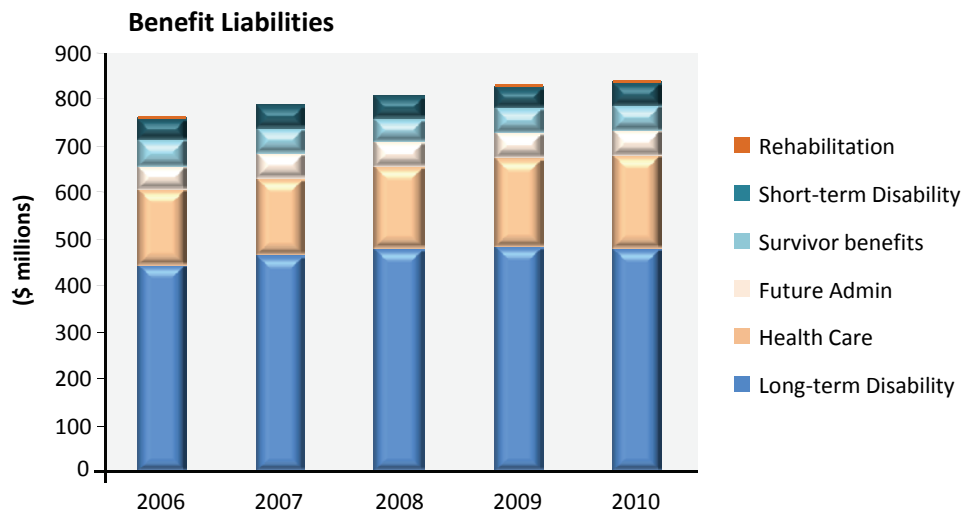
The Commission’s investment strategy is guided by the Statement of Investment Principles and Beliefs (SIPB) and the long term Investment Policy. The SIPB outlines the governance structure for the Injury Fund, the importance of asset allocation in achieving the long term return objectives of the fund, 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 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. 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 approach to Capital Management through the long term financial strategy is described in Note 4 – Capital Management, to the financial statements.

**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, 2010. 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.



# Management Discussion & Analysis

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 1.0% from \$831.3 million at the end of 2009 to \$839.3 million at the end of 2010.

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 12 – 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%.

The liability for long term disability benefits represents the single largest component of the overall benefit obligations. At December 31, 2010, the long term disability liability amounted to \$479.9 million or 57.2 % of the total benefits liability as compared to \$483.2 million, or 58.1% as at December 31, 2009. The growth of this liability has been mitigated somewhat in recent years, because actual rates of benefit inflation (i.e., CPI indexing) have been lower than the 3.5% rate assumed for the actuarial valuation. The inflation effect was responsible for \$10.7 million of the total \$15.9 million actuarial adjustment in 2010 which reduced the long term disability liability. The remainder of the experience gain was due primarily to higher than expected terminations for known (i.e. in-force) claims during the year.

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. An analysis of recent trends suggests that about 5.8% of recent lost time claims (5.7% last year) will eventually become long term claims. The increase in the propensity for short term claims to become long term is primarily due to the on-going reductions in the number of new wage loss claims. As the number of wage loss claims declines, the ultimate number of expected EEL claims also declines but at a slower rate. Consequently, there is some upward pressure on the percentage of wage loss claims expected to become EEL. Despite the slight increase in the propensity to become long term the ultimate number of expected long term disability claims for recent years has been reduced.

The next largest benefit liability category is future health care which increased \$10.4 million to \$200.0 million at the end of 2010. While this increase is slightly less than the increase in the previous year, it is reflective of the overall trend in health care costs, which in Canada, are rising at an annual rate in the 6-7% range. Health care costs for the commission during 2010 were 4% higher than anticipated. The liability for health care costs includes a \$1.7 million provision for retroactive payments due to physicians as a result of a new agreement reached with the provincial government.

The Commission accepted 22 fatality claims in 2010 compared with 42 in 2009. The fatality claims for 2009 included claims made on behalf of the dependents of workers whose lives were lost in a major transportation accident in the offshore oil industry. In 2010 survivor benefits were \$1.1 million higher than expected resulting in an actuarial loss of \$1.4 million.

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.

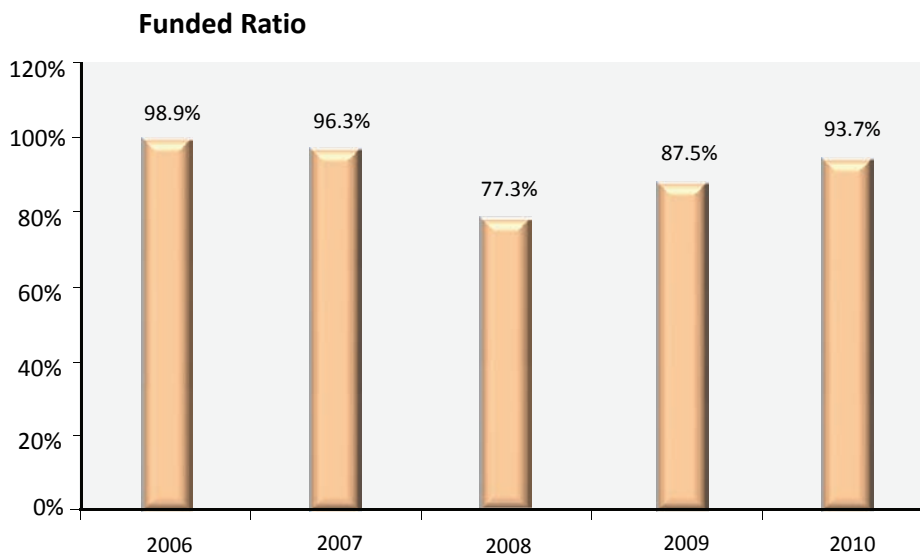
**Management Discussion & Analysis** *continued*

**Fund Deficiency**

At December 31, 2010, the Commission's assets totaled \$804.2 million compared with total liabilities of \$858.1 million. The net fund deficiency of \$53.9 million consists of \$78.8 million in accumulated operating deficits; offset by \$24.2 million in accumulated other comprehensive income and an occupational health and safety research reserve of \$0.6 million. The increase in accumulated comprehensive income of \$26.3 million from the previous year's accumulated loss position is a reflection of the growth in the value of the investments in the Injury Fund.

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, 2010 this required stabilization fund amounted to \$85.8 million, bringing the total funding strategy deficiency to \$139.8 million. 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 2021 (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, 2010 the Commission's funded ratio had recovered to 93.7% from 87.5% at the end of 2009. The increase in funded status in 2010 is due to the effect of the continued favourable performance of the capital markets, improving claims cost experience and an expanding payroll base.

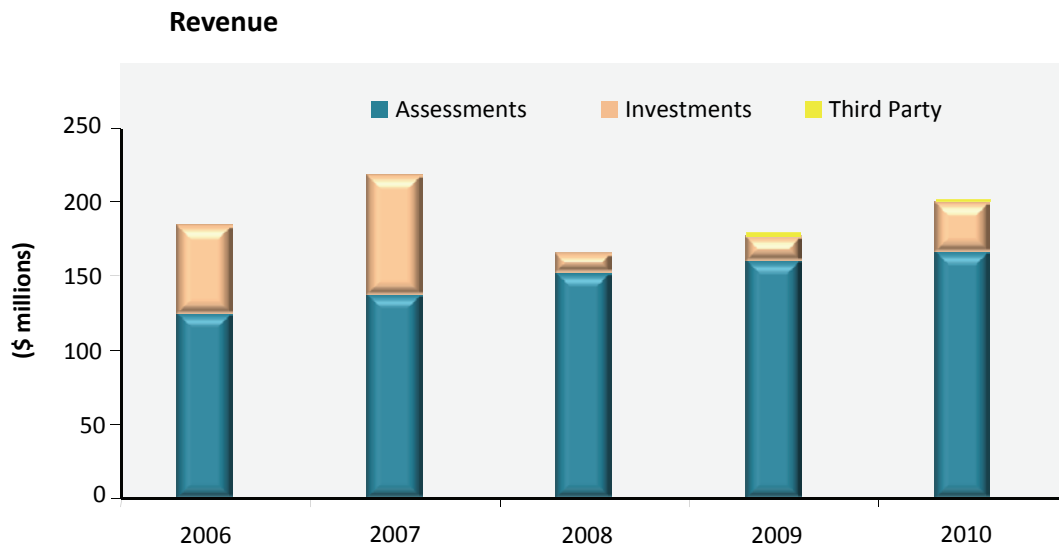


# Management Discussion & Analysis

## Statement of Operations

### Revenues

The Commission's revenue sources are assessments paid by employers, investment income and third party recoveries. In 2010, revenues totaled \$202.5 million, a 12.7% increase over 2009 revenues of \$179.7 million.



### *Net 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 4.1% from \$150.5 million in 2009 to \$156.7 million in 2010. In 2010, employer assessable payrolls increased by 9.4% from \$5.3 billion to \$5.8 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 high growth sectors including mining, 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



## *Management Discussion & Analysis continued*

practices through a five percent refund on their average calculated base assessments. Since this program came into effect in 2005, employers have earned \$18.5 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 2010 will not be known until the processing and subsequent audits of employer statement data is completed later in 2011. Over the long term the experience incentive component of PRIME is expected to be revenue neutral with refunds equal to charges. It is also important to note that employers who did not meet their 2009 practice incentive requirements forfeited \$2.2 million (2008; \$2.8 million) in practice refunds and \$3.4 million (2008; \$3.6 million) in experience refunds.

In 2010, the Commission paid employers, based on their 2009 performance, \$4.4 million in practice refunds of a potential \$6.6 million had all eligible employers participated in this PRIME program element. In addition to the practice refund, the Commission paid a further \$5.9 million in experience refunds based on their 2009 claim cost experience. Experience charges of \$4.1 million were issued to employers in relation to their claim cost experience. The Commission estimates that employers will qualify for practice incentive refunds of \$4.6 million in 2011 based on their 2010 performance and their qualifying experience incentive, net of experience charges, will be \$2.6 million.

Revenues from self-insurers increased 1.5% from \$9.5 million in 2009 to \$9.6 million in 2010. Self-insurers experienced a higher number of claims and higher claims payments in all benefit categories, except long term disability during 2010 as compared to 2009.

### *Investment income*

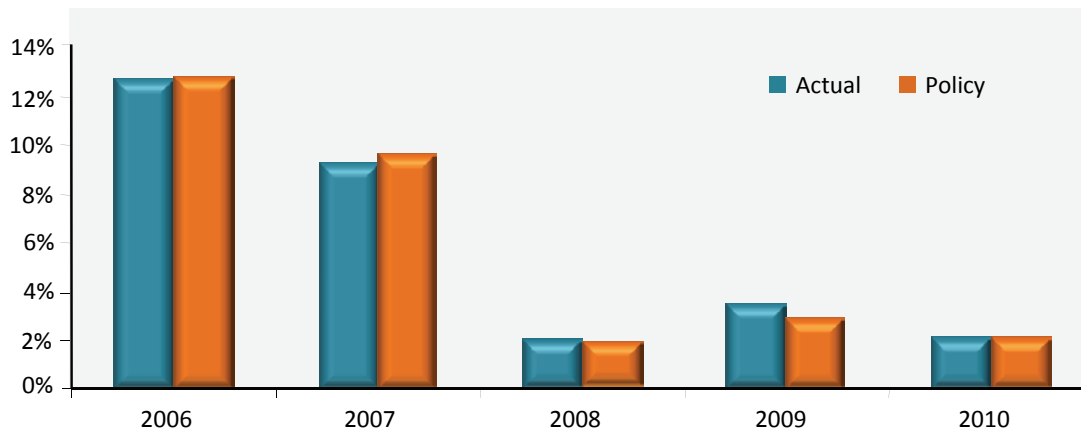
Investment income is an important element of the Commission's total revenue as it is relied upon to supplement assessments to cover total annual expenses, primarily to pay claims costs related to prior year claims. The Commission recognizes investment gains and losses in the year they occur in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Realized gains and losses are included in investment income while unrealized gains and losses are included in accumulated comprehensive income on the Commission's Statement of Financial Position at year-end. 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 2010, the market rate of return on the Injury Fund was 9.1% compared with a return of 18.1% in 2009. While this ongoing improvement is positive, it is not yet sufficient to ensure the financial sustainability of the Injury Fund, which will be achieved when the funded ratio reaches the 110% target indicated in the Commission's long term funding Policy.

# Management Discussion & Analysis

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 of 9.1% for 2010 was lower than the policy return of 10.4% due to the Commission's Canadian, U.S. and International equity managers failing to meet their benchmarks for the year. For the four-year period ending December 31, 2010, the Injury Fund earned an annualized return of 2.0% compared to the policy return of 2.1%. The overall negative performance of the capital markets in 2008 has had a material effect on the four year annualized returns since 2008.

**Four-year Annualized Return**



Investment income increased \$19.4 million from \$15.8 million to \$35.2 million in 2010. The investment income includes \$20.3 million in dividends and interest, \$16.9 million in net gains realized from the sale of investments, \$2.9 million in other than temporary impairments in the value of investments and \$0.1 million in unrealized gains on derivative financial instruments. Included in investment income is also the reversal of impairments recognized in the prior year totaling \$3.3 million as these securities were sold. Investment management fees of \$2.5 million are offset against investment income.

In accordance with GAAP the Commission is required to review the individual securities in the Injury Fund to consider whether declines in the value of these securities below their cost are other than temporary. Within the International equity class, the Commission identified a total of \$2.9 million in securities requiring write down based on the duration and extent of the decline in value, industry specific factors, general economic conditions and forecasts of economic activity.

**Management Discussion & Analysis** *continued*

*Third party recoveries*

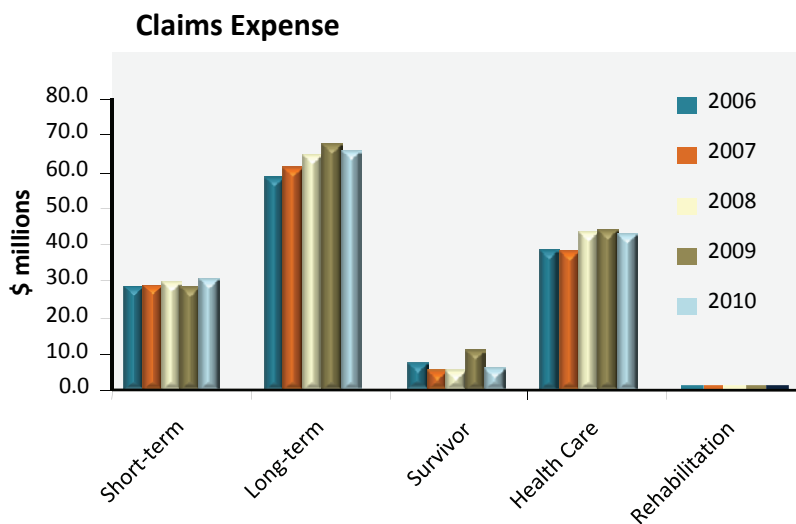
In 2010, the Commission recognized additional claims costs associated with the benefits available to the families of the victims of a major transportation accident in the offshore oil industry which occurred in 2009. These costs include cash payments, as well as liabilities for expected future benefits. The Act provides the Commission the authority to recover claims costs from third parties who have either accepted liability or have been determined to be liable by a competent court. The \$1.0 million received in 2010, in addition to the \$3.9 million received in 2009, brings the total third party recovery in relation to this incident to \$4.9 million.

**Expenses**

The Commission's total expenses include benefit costs, administrative expenses, legislated obligations, amortization and other expenses. In 2010, total expenses were \$189.2 million, a decrease of \$5.4 million from \$194.6 million in 2009. The decrease is attributed mainly to the decreases in claims costs incurred of \$7.3 million, offset by a net increase in other cost categories.

*Claims costs incurred*

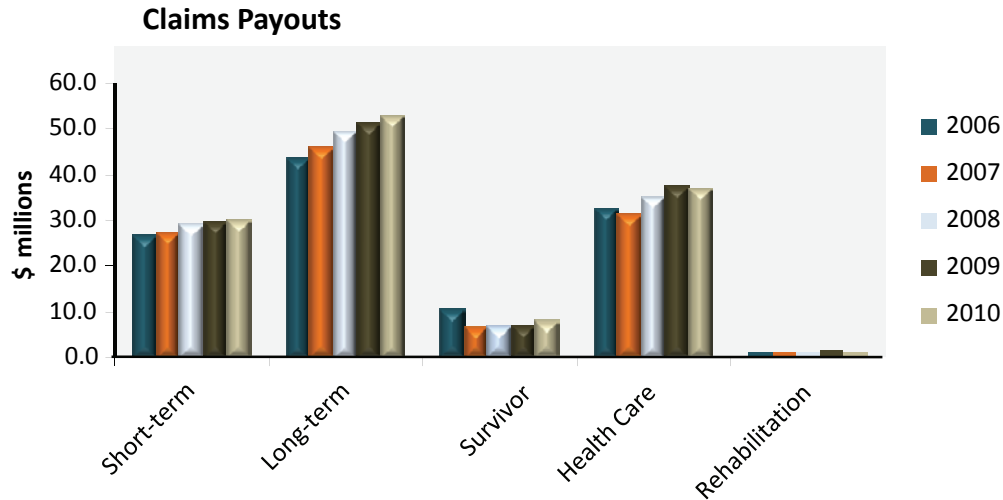
Claims costs incurred, as reported in the Statement of Operations, are actuarially determined and include the full cost of providing for all injuries that occurred in the current and prior years. Claims costs incurred decreased 4.7% to \$149.0 million in 2010, from \$156.3 million in 2009. There was a 2.9% increase for prior year injuries, which was more than offset by a decrease for current year injuries at 9.6% which is attributable to lower new injury health care costs, and a decrease in survivor benefits arising from fewer fatalities in 2010.



# Management Discussion & Analysis

## 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 1.7% to \$128.5 million in 2010, from \$126.3 million in 2009. This compares with a 4.3% increase from 2008 to 2009, and an average rate of increase of 3.3% from 2006 to 2010.



The increase in claims costs paid occurred across all benefit categories with the exception of health care and rehabilitation. Payments for short term disability increased due to increases in average weekly wages and the maximum assessable and compensable earnings limit. The average number of weeks paid for short term disability claims remained constant on a year-over-year basis.

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 worker's pre-injury net average earnings in calculating the compensation payable to the worker. The increase was offset somewhat by higher estimated capable earnings in certain claims. In 2010, the Commission also experienced an increase in the value of permanent functional impairment awards, and the number and value of pension replacement benefit payments. The increase in survivor benefit payments is related to the full year impact of certain claims submitted later in 2009.



## *Management Discussion & Analysis continued*

The Commission experienced a small decrease in payments for health care costs. The most significant decrease occurred in hospital services. The decrease in 2010 is primarily due to a return to normal processing levels following the Commission's concentrated effort in the first quarter of 2009 to process unpaid hospital bills from prior periods. There was also one claim in which a long term hospitalization resulted in the Commission receiving a significant bill in 2009 for expenses incurred over a three-year period. The Commission anticipates retroactive payments to physicians of \$1.7 million arising from a recent wage settlement with the Province, which have been reflected in the benefit liability valuation, but is not reflected in the payments to health care service providers during the year.

### *Administrative and other expenses*

In 2010, the Commission's administration, amortization and other operational expenses amounted to \$33.3 million compared with \$31.7 million in the previous year, an increase of \$1.6 million.

The most significant change in administration expense occurred in the salaries and benefits category, which increased \$2.3 million (9.9%). Of this increase, \$1.7 million (7.1%) relates to the accrual for severance payments as described in Note 21 - Employee Future Benefits, to the financial statements. In 2009, the accrual for severance was determined through an actuarial valuation for the first time, which resulted in the recognition of an actuarial gain of \$0.7 million. In 2010, the severance expense recognized was \$1.0 million which included an actuarial loss of \$0.3 million arising from a 1% decrease in the discount rate used for measuring the accrued benefit obligation. The balance of the increase in this category is due to a 4% wage increase effective June 1, 2010, which was somewhat offset by vacancies. The Commission's overall staffing complement has remained relatively constant since 2008.

### *Legislated obligations*

The Commission is required by legislation to fund a portion of the operating costs of the Occupational, Health and Safety Branch of 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 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, as well as to Industry Sectoral Councils. Total legislated obligations and other commitments increased by \$0.3 million in 2010 to \$6.9 million.

### *Surplus from operations*

In 2010, the Commission produced a surplus of \$25.8 million compared with a deficit in the previous year of \$8.2 million. Before recognizing favourable actuarial adjustments for prior years' injuries, the surplus from operations in 2010 was \$13.4 million compared with a deficit in 2009 of \$14.9 million. As noted above, operating results were favorably impacted by growth in assessments revenue, an improvement in investment returns, and a reduction in claims costs incurred.

# Management Discussion & Analysis

## Comprehensive Income

The Commission records the investments in the Injury Fund at market value and records the unrealized gains and losses on these investments as other comprehensive income. The Commission's sources of other comprehensive income include unrealized investment gains and losses and permanent impairments in the value of Injury Fund assets. For 2010, the Commission recorded comprehensive income of \$52.1 million compared with a comprehensive income of \$82.1 million in 2009. The unrealized gains and losses will fluctuate on an annual basis depending on the direction of the capital markets, investment returns earned on the Injury Fund and the turnover of assets in the fund.

## Critical Accounting Estimates

### Benefit Liabilities

Estimates of the Commission's benefit liabilities are based on projections of future benefit payments for each category of benefits promised to injured workers. The projections reflect long term estimates of economic and actuarial assumptions and methods. The key assumptions are those related to the long term discount rate (the gross rate of return), the long term inflation rate and the rate of increase in health care costs. Many of the factors that influence these assumptions are beyond management's control and cause changes in the assumptions over time. The economic assumptions are consistent with the funding and long term investment policies of the Commission. However, it is possible that changes in assumptions could cause a material change in the estimates of the Commission's benefit liabilities. The following table highlights the sensitivity of benefit liabilities and claims costs to changes in the key assumptions.

	Asset Mix	Tolerance Range
Bonds, Canadian	30%	±5%
Equities, Canadian	35%	±5%
Equities,	15%	±3%
Equities, Europe, Asia and (EAFE)	15%	±3%
Real Estate	5%	1-10%

## Future Actuarial Changes – Unknown 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 in 2011.

## **Accounting Changes**

### **Financial Instruments**

The Commission adopted the changes made by CICA to Section 3862, Financial Instruments – Disclosures whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels.

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).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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

### **Future Accounting Changes**

Commencing in 2011, the Commission will present its financial statements in accordance with International Financial Reporting Standards (IFRS), and will be required to present restated comparative information for its year-ended December 31, 2010 balances, and will also restate its opening balance sheet as at January 1, 2010.

While GAAP is similar to IFRS in many respects, the adoption of IFRS will result in differences in recognition, measurement and disclosure in the financial statements. The Commission's IFRS implementation project, which commenced in 2009, consists of five phases including: IFRS diagnostic impact assessment; design and planning; solution development; implementation; and post implementation review. The Commission has performed a gap analysis to determine the extent to which the Commission's current accounting policies differ from IFRS, documented the proposed application of relevant IFRS and has received approval from the Financial Services Committee and the Board of Directors on key accounting policy choices. The Commission has now progressed to the implementation phase and has begun the process of preparing draft IFRS financial statements, including its opening January 1, 2010 balance sheet under IFRS.

To date the Commission has identified the following impacts on its information systems and financial reporting.

# Management Discussion & Analysis

## *Impact on information systems and technology*

The Commission has ensured that its information systems capture required data to assist in preparing note disclosures required by IFRS. The transition to IFRS has had minimal impact on information systems.

## *Impact on financial reporting*

IFRS employs a conceptual framework that is similar to GAAP. While the adoption of IFRS will not affect the Commission's cash flows and assessment rate setting process, it will result in changes in the Commission's reported financial position and results of operations. The following are the areas in which the Commission expects differences upon adoption of IFRS.

**IFRS 1 – *First Time Adoption of International Financial Reporting Standards*.** IFRS 1 provides guidance for the initial adoption, commencing with the first annual period in which the Commission reports under IFRS, that period being the year ending December 31, 2011. On adoption the Commission will adjust its comparative prior period financial statements to comply with IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken into the opening fund balance unless certain exemptions and elections are applied. At this time the Commission expects to elect to measure its building and land at fair value as at January 1, 2010. A recent appraisal indicates the increase in carrying value could be approximately \$5.5 million on transition to IFRS.

**IFRS 4 – *Insurance Contracts*.** The International Accounting Standards Board (the IASB) is currently progressing through a multi-stage project related to the development of accounting standards for insurance contracts. The outcome of the first stage has been evaluated and is not expected to have a material affect on the Commission's IFRS based financial statements. However, in the second phase the IASB plans to address the determination of the appropriate discount rate to use in the valuation of benefit liabilities. The selection of the discount rate and the frequency at which the rate is updated could introduce significant volatility in the future value of benefit liabilities and the Commission's funded status. The IASB expects to release a final standard in June, 2011.

**IFRS 9 – *Financial Instruments*.** The Commission currently categorizes Injury Fund assets as available for sale and records realized gains and losses in investment income in the Statement of Operations in the period in which they occur. In addition, unrealized gains and losses are included on the Statement of Financial Position in accumulated comprehensive income (loss). The IASB is proposing to reduce the number of categories of financial instruments to those measured at amortized cost or fair value. It is also proposing that all gains and losses be recorded in the period in which they occur. Impairment testing would no longer be required for assets where the gains and losses are recorded in the Statement of Operations. The Board of Directors of the Commission approved the early adoption of IFRS 9 effective January 1, 2011. The adoption of the IFRS 9, will introduce further volatility in the operating results of the Commission.

The Commission continues to monitor standards to be issued by the IASB but it is difficult to predict which IFRS will be effective at the end of 2011, as the IASB work plan includes several projects with anticipated completion dates in 2011. As a result, the final impact of IFRS on the Commission's financial statements can only be determined when all effective and applicable IFRS are known.

## Outlook

In 2010, the financial sustainability of the workers' compensation system in Newfoundland and Labrador was enhanced due to the decline in injury rates and the cost of new injuries, as well as continued improvement in the investment environment, and continued growth in the payroll base. The Commission completed a claims duration strategy and in 2011 will continue to implement further elements of the CMM and ESRTW initiatives which will build on recent success in reducing the duration of short term claims and further enhance the medical management of claims.

Despite the relative success in 2009 and 2010, 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. While the rate of return for 2010 exceeded the actuarial rate of return (currently 7.12%), the Commission must continue to 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 Commission's funded status improved from 87.5% in 2009 to 93.7% in 2010. However, the Board of Directors' long term goal is to achieve a funded status of 110%.

At the present time the growth in payrolls, the lower incidence of fatalities, the downward trend in new accidents and claims costs are all moving in the right direction. However, the extent to which further reductions are achieved in the provincial injury incidence rate, or a reversal in the trend is avoided, will depend on maintaining a committed focus on workplace safety by all stakeholders. The Commission is taking further steps to mitigate the growth in claims costs, particularly in delivery of health care devices and services while maintaining the quality of client service. A return to more traditional levels of inflation will increase claims costs as a major portion of benefit liabilities are indexed to inflation. Unfavorable movements in any of the above factors have the potential to disrupt the current balance and lead to an increase in assessment rates. Assessment rates continue to be among the highest in the country and another 11 years of surcharges are required to amortize the current funding deficiency.

In September of 2010, the Commission made a decision to keep the average base assessment rate per \$100 of assessable payroll at \$2.75 for 2011. This decision was guided by the Commission's funding policy which requires that the average assessment rate be adjusted to allow the Commission to achieve its long term funding target of 110% over a 15-year period. The purpose of this provision is to avoid relatively minor fluctuations in assessment rates on a year-over-year basis. During 2010, the continued improvement in the Commission's net funding deficiency reduced the upward pressure on the average assessment rate. However, other factors such as future trends in accident experience and investment returns will also impact the average assessment rate.

Government is anticipating that real GDP will continue to grow in Newfoundland and Labrador in 2011 due to increases in mineral production and higher levels of construction activity. The growth in the provincial economy is expected to be among the highest in the country leading to further increases in employment levels.



# Management Discussion & Analysis

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. There is continued uncertainty regarding the resolution of sovereign debt issues in Europe, in addition to social unrest in certain oil producing countries and the potential for monetary tightening in response to inflationary pressures in certain emerging markets. These pressures are visible in the cost of labour and staple food items. Also contributing to the risk of economic slowdown are higher and volatile oil and commodity prices and the inflationary effect of government stimulus programs.

As the Commission implements the 2011-13 Strategic Plan, the key goal areas continue to include client service, injury prevention and financial sustainability. In order to enhance the organization's ability to deliver on the strategic goals, emphasis will be placed on strengthening a culture of customer service within the Commission. As well, the Commission is undertaking a review of the global equity manager structure to address the persistent underperformance in the United States and International equity allocations within the Injury fund investments. It is expected that the Board of Directors' strategic focus will mitigate the challenges and risks faced by the Commission.

# 2010 Financial Statements

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## Management responsibility for financial reporting

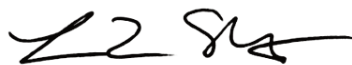
The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. 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, the independent auditors and the internal auditor 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 2010 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.



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Leslie Galway  
Chief Executive Officer



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Paul Kavanagh  
Chief Financial & Information Officer

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## *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, 2010 (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 \$839,301,182. 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 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.
3. 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.
4. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate, and the methods used are 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 12 to the financial statements.



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Conrad Ferguson, F.S.A., F.C.I.A.  
*Partner, Morneau Shepell Ltd.*

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March 23, 2011  
*Date*

# 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 statement of financial position as at December 31, 2010, and the statements of operations, changes in fund deficiency, comprehensive income, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

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

## **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained 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, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December, 2009 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 19, 2010.

*Ernst + Young LLP*

St. John's, Canada,  
April 7, 2011.

Chartered Accountants



**STATEMENT OF FINANCIAL POSITION** as at December 31

(thousands of dollars)	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 7,885	\$ 101
Accounts receivable [Note 5]	10,432	13,865
Investments [Note 6]	768,105	710,007
Property, plant and equipment [Note 8]	3,372	3,925
Intangible assets [Note 9]	14,370	12,165
	<b>\$ 804,164</b>	<b>\$ 740,063</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities [note 11]	\$ 15,681	\$ 12,007
Employee future benefits [note 21]	3,134	2,636
Benefit liabilities [note 12]	839,301	831,299
Total liabilities	<b>858,116</b>	<b>845,942</b>
<b>Fund Deficiency</b>	<b>(53,952)</b>	<b>(105,879)</b>
	<b>\$ 804,164</b>	<b>\$ 740,063</b>

**Commitments [Note 22]**

**Contingencies [Note 23]**

On behalf of the Commission



Ralph Tucker  
Chairperson



Darren Roberts  
Director

See accompanying notes.

**STATEMENT OF OPERATIONS** Year ended December 31

(thousands of dollars)	2010	2009
<b>Revenue</b>		
Net assessments revenue	\$ 166,259	\$ 159,511
Investment income [note 7]	35,199	15,845
Third-party recoveries [note 3]	1,080	4,372
	<b>202,538</b>	<b>179,728</b>
<b>Expenses</b>		
Claims costs incurred [note 12]		
Short-term disability	29,883	28,282
Long-term disability	65,496	67,551
Survivor benefits	5,843	11,333
Health care	42,614	44,041
Rehabilitation	1,288	1,361
Future administration costs	3,875	3,765
	<b>148,999</b>	<b>156,333</b>
Administration [note 15]	29,977	27,340
Legislated obligations [note 16]	6,879	6,588
Amortization [notes 2 and 3]	2,296	2,555
Other expenses [note 17]	1,028	1,787
	<b>189,179</b>	<b>194,603</b>
Surplus (deficit) from operations	<b>13,359</b>	<b>(14,875)</b>
Actuarial adjustments [note 12]	<b>12,458</b>	<b>6,725</b>
Surplus (deficit) for the year	<b>\$ 25,817</b>	<b>\$ (8,150)</b>

See accompanying notes.

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**STATEMENT OF COMPREHENSIVE INCOME** Year ended December 31

(thousands of dollars)	2010	2009
Surplus (deficit) for the year	<b>\$ 25,817</b>	\$ (8,150)
Other comprehensive income		
Unrealized gain on available-for-sale investments	<b>30,821</b>	75,049
Realized (gains) loss on available-for-sale investments included in deficit from operations	<b>(7,482)</b>	11,689
Recognized impairment other than temporary [note 7]	<b>2,946</b>	3,474
	<b>26,285</b>	90,212
Comprehensive income	<b>\$ 52,102</b>	\$ 82,062

See accompanying notes.

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**STATEMENT OF CHANGES IN FUND DEFICIENCY** Year ended December 31

( thousands of dollars)	2010	2009
Accumulated operating deficit [note 14]		
Balance, beginning of year	<b>\$ (104,652)</b>	\$ (96,502)
Operating surplus (deficit)	<b>25,817</b>	(8,150)
	<b>(78,835)</b>	(104,652)
Accumulated other comprehensive income (loss)		
Balance, beginning of year	<b>(2,042)</b>	(92,254)
Other comprehensive income	<b>26,285</b>	90,212
	<b>24,243</b>	(2,042)
Reserves		
Occupational Health and Safety Research [note 13]	<b>640</b>	815
Fund deficiency, end of year	<b>\$ (53,952)</b>	\$ (105,879)

See accompanying notes.

**STATEMENT OF CASH FLOWS** Year ended December 31

(thousands of dollars)	2010	2009
<b>Cash flow from operating activities</b>		
Cash received from:		
Employers, for assessments	\$ 165,797	\$ 161,316
Investment income	17,347	20,534
Third parties	4,976	-
	<b>188,120</b>	<b>181,850</b>
Cash paid to:		
Claimants or third parties on their behalf	(128,539)	(126,307)
Suppliers and employees, for administrative and other goods and services	(33,911)	(39,954)
Third party, from reserve fund	(175)	(24)
	<b>(162,625)</b>	<b>(166,285)</b>
Net cash provided from operating activities	<b>25,495</b>	<b>15,565</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(13,759)	(12,149)
Purchase of capital and intangible assets	(3,952)	(3,439)
Net cash used for investing activities	<b>(17,711)</b>	<b>(15,588)</b>
Net change in cash and cash equivalents	<b>7,784</b>	<b>(23)</b>
Cash and cash equivalents		
Beginning of year	<b>101</b>	<b>124</b>
End of year	<b>\$ 7,885</b>	<b>\$ 101</b>

*See accompanying notes.*



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## NOTES TO FINANCIAL STATEMENTS

### 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 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 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.

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

### 2. CHANGES IN ACCOUNTING POLICIES

#### Financial Instruments

Effective January 1, 2010, the Commission also adopted the changes made by the CICA to *Handbook Section 3862, Financial instruments – Disclosures*, whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

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].

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.



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## 2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

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

### **New accounting Policies**

#### Intangible Assets

Effective January 1, 2009, the Commission adopted the Canadian Institute of Chartered Accountants [CICA] to Section 3064 Intangible Assets, *Handbook Section 3064*, which requires that expenditures related to the design and development of new information systems be classified as intangible assets. Previously, expenditures for new information systems were recorded as property, plant and equipment. In addition, research and training expenditures are not included under information systems development but are expensed in administration costs. The unamortized training and research costs totaling \$421,000 were charged to other costs in 2009.

In conjunction with the adoption of the new standard, the Commission also reconsidered the estimated useful lives of systems development initiatives and changed the amortization period of these assets from five to ten years. The effect of the change in estimated useful lives is a reduction of future annual amortization charges by approximately \$945,000.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Commission's significant accounting policies are as follows:

### **Cash and cash equivalents**

Cash and cash equivalents include cash, bank overdrafts and short-term investments in money market instruments which will be liquidated in the near term and 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 refunds which are payable to the employers under the PRIME program.

### **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 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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Assessments receivable

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

#### Investments

Investments are designated as available-for-sale and are recorded at fair value. The Commission applies trade date accounting for investments. Gains and losses realized on the disposal of investments are recorded in operating surplus during the year. Unrealized gains and losses are recorded in other comprehensive income until realized. Interest and dividend income are recognized in the period earned.

The Commission assesses at each statement of financial position date whether there is objective evidence an impairment in value that is other than temporary. If any such evidence exists, the carrying amount of the investment is reduced to the extent that it is impaired and the amount of the loss is recognized in the statement of operations.

#### Property, plant and equipment

Property, plant and equipment are reported at cost and are amortized monthly 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

#### Intangible assets

Intangible assets, which include information systems development, are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives of ten years. The information systems development is reviewed for impairment annually. The Commission has identified the following indicators of impairment: discontinued use of the system, using the system for fewer functions / processes than originally intended, and unexpected changes in the duration of its life.

#### 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.



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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

#### **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.

#### **Use of Accounting Estimates**

##### 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, 2010, is adequate, recognizing that actuarial assumptions as disclosed in note 12 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.

#### **Financial instruments**

The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities. The carrying value of financial instruments, with the exception of investments, 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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Derivatives	Held-for-trading	Fair value
Accounts payables and accruals	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:

- 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.

#### 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 multiemployer defined benefit plan. The employer's contributions are expensed as incurred.

The Commission provides a severance payment upon retirement. 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. Actuarial gains and losses are recognized immediately.

### 4. CAPITAL MANAGEMENT

The objective of the Commission's long-term financial strategy is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers' reasonable ability to pay assessments. The strategy provides guidance to the Commission in responding to external influences, such as volatile investment markets and general economic factors, in a controlled and responsible manner.



#### 4. CAPITAL MANAGEMENT (CONT'D)

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 2009 and 2010 include an upward adjustment of \$0.25 per \$100 of payroll. This adjustment will be retained until the 110% funding target is reached.

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.

The following table outlines the components of the Commission's net funding strategy deficiency. The fund deficiency represents the amount by which the Commission's total liabilities exceeded its total assets at December 31. The required 10 per cent stabilization fund represents the additional assets required to meet the Commission's 110% long-term funding target. The stabilization fund is calculated as 10% of the total liabilities at December 31. The impact of assessment rate adjustments is calculated using the current surcharge of \$0.25 per \$100 of payroll. The surcharge would have to be maintained until 2021 to recover the current funding strategy deficiency.

##### Funding statement

(thousands of dollars)	2010	2009
Fund deficiency	\$ 53,952	\$ 105,879
Required 10% stabilization fund	85,812	84,594
Funding strategy deficiency	139,764	190,473
Less: impact of assessment rate adjustments	139,764	190,473
Net funding strategy deficiency	\$ -	\$ -

The Fund balance consists of accumulated net operating deficits, accumulated other comprehensive income, and the occupational health, safety and research reserve. Accumulated other comprehensive income represents the unrealized holding gains and losses from changes in the fair values of the Injury Fund assets. The Commission maintains one reserve within the Injury Fund: the Occupational Health and Safety Research Reserve.



**5. ACCOUNTS RECEIVABLE**

(thousands of dollars)	2010	2009
Assessments	\$ 7,309	\$ 8,298
Less: Allowance for doubtful accounts	3,709	4,092
	3,600	4,206
Accrued assessments	4,565	4,300
Third-party recoveries	-	3,932
Other	2,267	1,427
	<b>\$ 10,432</b>	<b>\$ 13,865</b>

**6. FINANCIAL INSTRUMENTS**

**Fair value**

(thousands of dollars)	2010		2009	
	Fair value	Cost	Fair value	Cost
Fixed term	\$ 251,387	\$ 253,229	\$ 237,931	\$ 237,409
Equities	516,718	493,116	472,076	474,630
	<b>\$ 768,105</b>	<b>\$ 746,345</b>	<b>\$ 710,007</b>	<b>\$ 712,039</b>

**Fair Value Hierarchy**

(thousands of dollars)	Fair Value	
	2010	2009
<b>Level 1</b>		
Equity – CAD non-pooled	\$ 288,549	\$ 260,389
Cash and cash equivalents	17,757	6,392
	<b>306,306</b>	<b>266,781</b>
<b>Level 2</b>		
Equity CAD (pooled funds)	107,708	108,422
Equity USD (pooled funds)	102,704	96,873
Fixed Income securities – CAD	249,172	236,055
Fixed Income Securities – USD	-	38
	<b>459,583</b>	<b>441,388</b>
<b>Level 3</b>		
ABCP	2,215	1,838
Total fair value investment	<b>\$ 768,105</b>	<b>\$ 710,007</b>

## 6. FINANCIAL INSTRUMENTS (CONT'D)

Included in fixed-term investments is the Commission's investment in third-party sponsored asset-backed commercial paper ["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, 2010 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, 2010 the range of fair values varied between \$2,133,000 and \$2,329,000. The Commission's estimate of fair value is \$2,216,000. 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 2010	2009	Expected Maturity date
MAV 2 Notes				
A1 [rated A]	\$2,500	\$2,013	\$1,833	01/07/2017
C	78	1	1	01/07/2017
Class 13 - tracking notes	393	202	4	03/20/2014
Total investment	\$2,971	\$2,216	\$1,838	

At December 31, 2010 the fair value of the Commission's derivative portfolio was \$193,695 (notional value of \$102,516,000). Derivative instruments held at December 31, 2009 had a fair value of \$10,000 [notional value of \$6,580,000].

### 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 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.

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

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## 6. FINANCIAL INSTRUMENTS (CONT'D)

### 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, 2010 at least 90% [2009, 83.8%] 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 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. 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. Currency fluctuations are not expected to affect the long-term position of the investment portfolio.

As at December 31, 2010, the Commission's holdings in foreign equities and pooled equity funds had a market value of \$203.3 million [2009; \$198.9 million] representing 26.5% [2009 - 28.0%] 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)	2010		2009	
	CAD/USD	CAD/EURO	CAD/USD	CAD/EURO
10% appreciation in the Canadian dollar	<b>\$(10,787)</b>	<b>\$(1,591)</b>	\$(9,293)	\$(3,241)

### 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.



## 6. FINANCIAL INSTRUMENTS (CONT'D)

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)	2010		2009	
Change in nominal interest rates	+50bps	+100bps	+50bps	+100bps
Nominal bonds	\$ (7,887)	\$ (15,776)	\$ (7,087)	\$ (13,879)

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

(thousands of dollars )		Remaining Term to Maturity			
Fair value	Within 1 year	Within 1 to 5 years	Over 5 years	Total 2010	Total 2009
Fixed term Investments	\$ 41,932	\$ 28,317	\$ 181,138	\$ 251,387	\$ 237,931

### 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<sup>1</sup> in the key risk variable, the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

<sup>1</sup> Material risk is measured by analyzing the effect of the change in the benchmark return rate. The change is measured through the use of standard deviation. Standard deviation measures the normal variance in a probability distribution. One standard deviation [std dev] covers 68% of all probable outcomes; two standard deviations cover 95% of all probable outcomes.

## 6. FINANCIAL INSTRUMENTS (CONT'D)

(thousands of dollars)	2010		2009	
	1 std dev	2 std dev	1 std dev	2 std dev
Equities				
% Change in market benchmark Canadian equity	(16.7%)	(33.5%)	(16.7%)	(33.4%)
	\$ (44,123)	\$ (77,181)	\$ (38,951)	\$ (68,140)
% Change in market benchmark U.S. equity	(12.9%)	(25.8%)	(12.6%)	(25.2%)
	\$ (11,732)	\$ (21,059)	\$ (10,829)	\$ (19,480)
% Change in market benchmark Foreign equity	(15.2%)	(30.5%)	(14.4%)	(28.7%)
	\$ (13,298)	\$ (23,491)	\$ (12,819)	\$ (22,775)

## 7. INVESTMENT INCOME

Investment income is comprised of the following:

(thousands of dollars)	2010	2009
Interest and dividends	\$ 20,333	\$ 22,723
Realized investment gain (loss)	16,898	(5,449)
Recognized impairment other than temporary	(2,946)	(3,474)
Unrealized gain (loss) on derivatives	183	(522)
Reversal of other than temporary impairment on sale	3,253	4,756
	37,721	18,034
Less: Portfolio management expenses	2,522	2,189
Total investment income	\$ 35,199	\$ 15,845

## 8. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 11	\$ -	\$ 11	\$ 11
Building	8,320	5,951	2,369	2,710
Furniture and equipment	2,715	2,424	291	339
Computer equipment	6,252	5,551	701	865
Equipment under capital lease	201	201	-	-
	\$ 17,499	\$ 14,127	\$ 3,372	\$ 3,925



**9. INTANGIBLE ASSETS**

(thousands of dollars)	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Systems development	\$ 19,185	\$ 4,815	\$14,370	\$ 12,165

Included in systems development costs for 2010 is in the amount of \$4,961,000 [2009 - 2,656,000] related to business improvement projects.

**10. 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 2010 to the amount of \$18,000,000; of which no amount was outstanding at December 31, 2010 and 2009.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(thousands of dollars)	2010	2009
Accounts payable	\$ 10,676	\$ 8,376
Annual leave and amounts due to employees	773	757
Credit balances due to employers	4,232	2,874
	\$ 15,681	\$ 12,007

In 2010, accounts payable include a provision in the amount of \$5,356,000 [2009 - \$2,100,000] for amounts owing to employers under the Commission's practice incentive program.

## 12. 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)	2010						2009	
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilitation	Future admin. cost	Total	Total
Balance, Beginning of year	\$47,115	\$483,190	\$54,145	\$189,662	\$2,803	\$54,384	\$831,299	\$ 807,998
Add:								
Claims costs incurred:								
Current-year injuries	26,302	29,215	1,657	27,916	1,069	-	86,159	95,286
Prior years' injuries	3,581	36,281	4,186	14,698	219	3,875	62,840	61,047
	29,883	65,496	5,843	42,614	1,288	3,875	148,999	156,333
Deduct:								
Claims payments:								
Current-year injuries	9,608	300	221	7,101	3	-	17,233	17,900
Prior years' injuries	20,443	52,509	7,754	29,846	754	-	111,306	108,407
	30,051	52,809	7,975	36,947	757	-	128,539	126,307
Balance before actuarial adjustments	46,947	495,877	52,013	195,329	3,334	58,259	851,759	838,024
Actuarial adjustments	893	(15,932)	1,368	4,684	(119)	(3,352)	(12,458)	(6,725)
Balance, end of year	\$47,840	\$479,945	\$53,381	\$200,013	\$3,215	\$54,907	\$839,301	\$831,299

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.

## 12. BENEFIT LIABILITIES AND CLAIMS COSTS (CONT'D)

The table below lists the principal economic assumptions used.

	2010		2009	
	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	0.70%	3.50%	1.70%	3.50%
Inflation later years	3.50%	3.50%	3.50%	3.50%
Net rate of return year 1	6.38%	3.50%	5.33%	3.50%
Net rate of return later years	3.50%	3.50%	3.50%	3.50%

## 13. 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 2010, an amount of \$175,000 was charged to the reserve [2009 - \$24,000].

## 14. CHANGE IN ACCUMULATED OPERATING DEFICIT

(thousands of dollars)	2010	2009
Accumulated operating deficit, beginning of year	\$ (104,652)	\$ (96,502)
Favourable revenue variance	33,700	23,300
Interest on accumulated operating deficit	(7,500)	(6,900)
Investment income variance	(12,900)	(31,300)
Actuarial adjustment	12,458	6,725
Other	59	25
Accumulated operating deficit, end of year	\$ (78,835)	\$ (104,652)

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**15. ADMINISTRATION EXPENSES**

(thousands of dollars)	2010	2009
Salaries and employee benefits	\$ 25,252	\$ 22,976
Office and communications	2,299	2,037
Professional fees	998	1,024
Building operations	890	887
Travel and vehicle operating	538	416
	<b>\$ 29,977</b>	<b>\$ 27,340</b>

**16. LEGISLATED OBLIGATIONS**

The Commission is required by legislation to fund a portion of the operating costs of the Occupational, Health and Safety Branch of 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 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)	2010	2009
Government Departments and Labour Relations Agency	\$ 5,355	\$ 5,053
Workplace Health, Safety and Compensation Review Division	791	822
Employer and Worker Advisors	733	713
	<b>\$ 6,879</b>	<b>\$ 6,588</b>

**17. OTHER EXPENSES**

(thousands of dollars)	2010	2009
Sectoral advisors and grants	\$ 224	\$ 48
Business improvement projects	804	1,739
	<b>\$ 1,028</b>	<b>\$ 1,787</b>



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**18. RELATED PARTY TRANSACTIONS**

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

**19. 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 \$694,300 in 2010 [2009 - \$561,200] and are not included in the statement of operations.

**20. 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. Aggregate amounts of such assessment revenue and offsetting expenses included in the statement of operations are as follows:

(thousands of dollars)	2010	2009
Assessments revenue	\$ 9,626	\$ 9,488
Claims costs incurred:		
Short-term disability	1,130	922
Long-term disability	3,595	3,690
Survivor benefits	580	563
Health care	2,609	2,468
Administration charges	1,712	1,845
	\$ 9,626	\$ 9,488

**21. EMPLOYEE FUTURE BENEFITS****Pension plan**

The Commission's contributions of \$1,582,000 [2009 - \$1,610,500] have been expensed as incurred.

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**21. EMPLOYEE FUTURE BENEFITS (CONT'D)****Severance payments**

The Commission provides a severance payment to employees upon retirement, resignation or termination without cause. In 2010, cash payments to retirees for its unfunded employee future benefits amounted to \$209,558 [2009 - \$18,715]. The first actuarial valuation was performed effective December 31, 2009, and an extrapolation of that valuation has been performed to December 31, 2010.

(thousands of dollars)	2010	2009
Accrued benefit obligation, beginning of year	\$ 2,636	
Benefit expense		
Current service cost	214	
Interest cost	165	
Actuarial loss	329	
	708	
Benefits paid	(210)	
Accrued benefit obligation, end of year	\$ 3,134	\$ 2,636

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

	2010	2009
Discount rate – benefit cost	6.0%	-
Discount rate – accrued benefit obligation	5.0%	6.0%
Rate of compensation increase	3.5%	3.5%

**22. COMMITMENTS**

The Commission has committed to operating lease payments for office premises and equipment for the years 2011 to 2013 in the amount of \$230,000 annually.

**23. 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.

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**24. COMPARATIVE FIGURES**

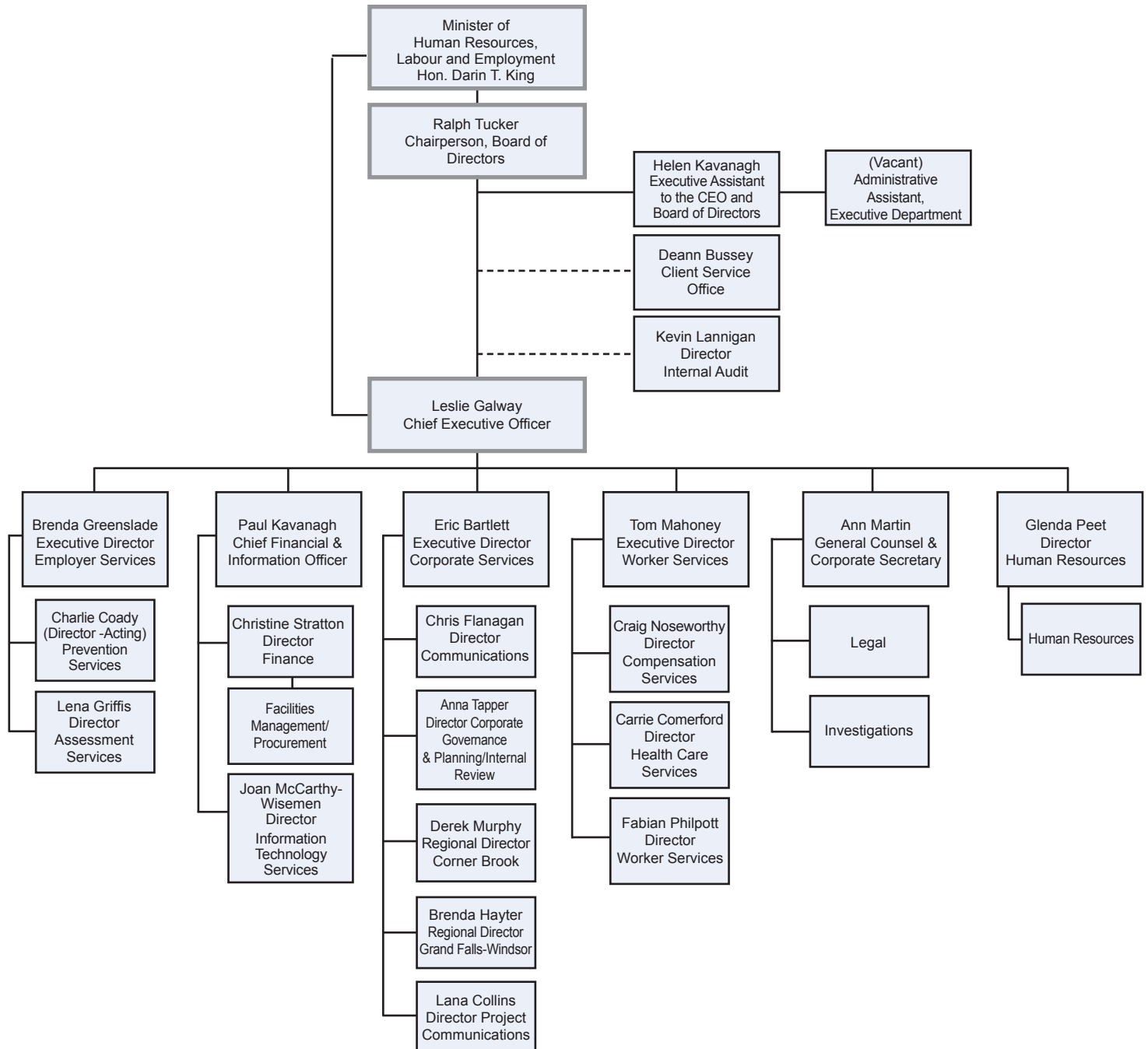
Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

**FIVE-YEAR HISTORY**  
**DECEMBER 31, 2010**

**STATEMENT OF OPERATIONS AND FUND DEFICIENCY** for the Years Ending December 31

(thousands of dollars)	2010	2009	2008	2007	2006
<b>Revenue</b>					
Assessments	\$ 166,259	\$ 159,511	\$ 151,782	\$ 137,713	\$ 124,763
Investment income	35,199	15,845	13,763	79,918	60,104
Third-party recoveries	1,080	4,372	-	-	-
	<b>202,538</b>	<b>179,728</b>	<b>165,545</b>	<b>217,631</b>	<b>184,867</b>
<b>Expenses</b>					
Claims costs incurred	148,999	156,333	146,935	138,304	137,021
Administration	29,977	27,340	26,897	23,828	22,356
Legislated obligations	6,879	6,588	6,424	6,145	6,347
Amortization	2,296	2,555	2,859	2,017	1,882
Other	1,028	1,787	915	686	633
	<b>189,179</b>	<b>194,603</b>	<b>184,030</b>	<b>170,980</b>	<b>168,239</b>
Surplus (deficit) from operations before the following	13,359	(14,875)	(18,485)	46,651	16,628
Actuarial adjustments	12,458	6,725	6,450	265	(8,771)
Surplus (deficit) for the year	<b>25,817</b>	<b>(8,150)</b>	<b>(12,035)</b>	<b>46,916</b>	<b>7,857</b>
Fund deficiency, beginning of year	(105,879)	(187,917)	(29,387)	(8,332)	(53,625)
Other comprehensive income (loss)	26,285	90,212	(146,445)	(67,947)	37,436
Appropriation to reserve fund	(175)	(24)	(50)	(24)	-
Fund deficiency end of year	<b>\$ (53,952)</b>	<b>\$ (105,879)</b>	<b>\$ (187,917)</b>	<b>\$ (29,387)</b>	<b>\$ (8,332)</b>

# Organizational Chart









## **Workplace Health, Safety and Compensation Commission**

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