Moving Forward from a Position of Strength

Workplace Health, Safety and Compensation Commission ∎ Annual Performance Report 2012

MOVING FORWARD FROM A POSITION OF STRENGTH

CONTENTS

AT A GLANCE 2012

	2012	2011	2010	2009	2008
Incidence Rate[1]	1.6*	1.8*	1.8	1.9	1.9
Soft Tissue Incidence Rate	1.1*	1.2*	1.2	1.2	1.2
Short Term Disability Claims[2]	3,742*	4,070*	4,012	3,999	4,255
Health Care Only Claims[2]	1,768*	1,959*	2,137	2,335	3,139
Accepted Fatality Claims[3]	26	33	32	42	26
Accidents	6	6	13	25	6
Occupational Disease	20	27	19	17	20
Short Term Claims Duration[4]	39	39	40	39	42
Average Assessment Rate[5]	2.75	2.75	2.75	2.75	2.75
Registered Employer Accounts	19,135	18,291	17,161	17,001	16,704
Employer Assessments ($ million)	197.5	188.4	166.3	160.0	151.8
Claims Costs ($ million)[6]	153.2	154.0	149.0	156.3	146.9
Net Fund Deficiency ($ million)	-81.8	-71.6	-49.8	-105.9	-187.9
Funded Ratio (%)	91.7	91.8	94.2	88.0	77.3

*Based on projections

1. Number of lost time claims per 100 workers employed.
2. The forecasted number of new claims reported, accepted and paid up to March 31 of the following calendar year. Health care only claims do not involve lost time from work.
3. Accepted fatality claims are the total number of fatalities that were accepted in that calendar year.
4. 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.
5. Average assessment rate is the rate actually charged per $100 of payroll.
6. Claims costs includes current year payments plus expected future payments for all injuries occurring and accepted in the year, excluding actuarial adjustments.

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

LETTER TO MINISTER

The Honourable Nick McGrath
Minister of Service NL

Dear Minister McGrath:

As Chairperson of the Workplace Health, Safety and Compensation Commission (the Commission), I hereby submit the 2012 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 2012 objectives as well as future opportunities to support its commitment to providing services to injured workers and dependents, employers and the public through the administration of the *Workplace Health, Safety and Compensation Act*.

As Chairperson, my signature below is indicative of the board's accountability for the preparation of the Commission's Annual Performance Report 2012 and the achievement of the objectives as reported.

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

May 24, 2013

Date

WORKING TOGETHER
for continued improvement

The dramatic improvement in the workplace injury rate in Newfoundland and Labrador over the past decade is the result of many factors, the most important of which is a shared commitment by all stakeholders to improve our culture of safety.

Workers and employers, government partners and health and safety organizations have worked together with the Commission on a vast number of programs and projects that have helped continuously raise the bar when it comes to safety.

Working together, the Commission and its stakeholder partners have developed four industry sector safety councils, including the Fish Harvesting Safety Association established in 2012. We have jointly developed training certification standards, prevention strategies, occupational disease initiatives, positive client service results, a responsible funding formula, and many other programs.

The resulting rate of improvement cannot be underestimated. In 2002 the lost time incidence rate was 2.7 injuries per 100 workers. In 2012 the rate was 1.6. When you consider that the employment base has expanded over that time, the result is the prevention of more than 20,000 lost time injuries.

If that injury rate had not come down, the workers compensation system in this province would be bankrupt. Instead it is in better shape than ever. The future looks even brighter as injury rates continue to decline and the injury fund grows stronger. But much work remains to be done to maintain momentum and ensure affordable assessment rates for employers and a competitive benefits package for injured workers.

To accomplish these goals, stakeholders must become even more involved, engaged and accountable. It is important to remember that employer and worker stakeholders play the primary role when it comes to:

- ensuring places of employment are as safe as they can be;
- ensuring workers are trained and have a clear understanding of their roles and responsibilities when it comes to workplace safety; and
- the development of sector safety councils.

The shared responsibility includes workplace injury prevention, education and training in workplace health and safety. But the responsibility further extends to entitlement and employment. The Commission, employers and workers must work together to ensure injured workers receive all healthcare and compensation benefits to which they are entitled and the support and assistance necessary to reintegrate an injured worker back into the workforce as safely and quickly as possible.

Working together on shared responsibilities and shared commitments makes us all better. Thanks to management and staff, partners, and our Board of Directors.

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

MOVING FORWARD
from a position of strength

The Workplace Health, Safety and Compensation Commission in Newfoundland and Labrador is fundamentally stronger in 2012 than at any point in the last decade. The injury fund (investments), which provides security for injured workers and sustainability for employers, has more than doubled, growing from $403 million in 2002 to $843 million in 2012. At the same time the total number of injuries reported annually, including claims with wage loss benefits and claims for health care costs only, has declined from nearly 10,000 a decade ago to 5,510 in 2012.

While the number of injuries over the past decade has declined dramatically, the total claims caseload within the system still remains higher than it was a decade ago. However, since 2007, we have experienced some decline in the overall caseload. The decline is small, but, if the trend continues it could have significant implications for long term planning.

The Commission, in accordance with accounting and actuarial principles has now recorded a $63 million liability for latent occupational disease. Approximately 40 per cent of all injuries in the system today occurred more than a decade ago, which is why it is so important to prevent injuries from happening in the first place and to invest in helping workers return to the workplace. On average, the injury fund bears only 20 per cent of the cost of injury in its first year.

We have seen increases in health care costs. Wage loss benefits have increased through inflation protection mechanisms. Administration costs have also increased because of salary increases, new initiatives such as prevention of known occupational disease programs, return to work programs, investment in improved claims management systems and other service improvements.

Over the past decade the Commission and its stakeholders have worked together to ensure we remain on track and plan for the future. One of the key elements of this strategy has been a stakeholder approved funding policy that ensures the injury fund will remain strong for future generations. Another critical element is the commitment to preventing injuries. Labour has supported occupational health and safety best practices in workplaces. Mechanisms such as the PRIME* program rewards safer employers with assessment premium refunds. These commitments have proven to be effective and we are seeing positive results.

The Commission has come a long way in the past decade. Rates have declined 30 per cent from the $4.00 required rate in 2000 when the system was in financial peril. Rates have remained stable at $2.75 since 2006, despite a volatile investment market and increasing average claims costs. All the while, we have increased our investments by $440 million. Additionally, each industry now pays its fair share. With the funded position at 91.7 per cent, there is greater funding security to ensure that all injured workers in this province will receive all that they are entitled to receive for the full duration of their injuries.

No doubt, the Commission is much better positioned financially to continue to provide sustainable services, a competitive benefits package and a commitment to continuous improvement in the workers' compensation system. Our strength is the result of a decade of tremendous effort from all partners involved in the system.

On behalf of the Commission team, we extend our gratitude to our clients, partners and the employers and workers of Newfoundland and Labrador.

Leslie Galway, CEO
Workplace Health, Safety and
Compensation Commission

* PRIME is the Commission's employer incentive program. Under PRIME, employers can impact the assessments they pay by meeting their practice requirements under the practice incentive component and managing their claims costs under the experience incentive component.

WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION

BOARD OF DIRECTORS

Board Chairperson
Ralph Tucker

Worker Representatives:
Grant Barnes
George Kean
Greg Pretty

Employer Representatives:
Jack Parsons
John Peddle
Darren Roberts

Public Representatives:
Jacqueline Fizzard
Elizabeth Forward

Ex-Officio Members

Chief Executive Officer:
Leslie Galway

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

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


Ray Smallwood


William Holden


Maureen McCarthy

WHSCC OVERVIEW

Mandate

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

Vision

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

Mission Statement

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

Values

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

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

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

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

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

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

Position Breakdown by Gender	
Females	290
Males	83
Vacancies	32
Total	**405**
Position Breakdown by Region	
St. John's	351
Grand Falls - Windsor	23
Corner Brook	31
Total	**405**

Lines of Business

The Commission has three lines of business:

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

Functional Areas

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

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

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

SHARED COMMITMENTS

Training Standards, Fish Harvesting Sector, Occupational Disease





Prevention Strategy

A comprehensive workplace injury prevention strategy has been developed in consultation with worker and employer stakeholders, industry associations and the Occupational Health and Safety (OHS) Branch of Service NL. Implementation of the major components of the Commission's prevention strategy continued throughout 2012. This included a review of the OHS committee program, OHS committee certification training curriculum, OHS committee report form, trainer audits, and committee outreach. The Commission implemented core components of young worker education and awareness with the start of Season 5 of SAFEWork NL's *Who Wants to Save a Life?*, the presentation of the Health and Safety Educator of the Year Award and the continued partnership with Skills Canada. A draft curriculum and guide for the new Workplace Safety 3220 high school course has been reviewed and the Commission continues to work with the Department of Education to explore provincial course designation.

Training Standards

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

Following the successful implementation of new training standards for fall protection in 2011, the Commission saw the injury rate associated with falls from height decrease from 9.4 injuries per 10,000 in 2011 to 8.3 injuries per 10,000 in 2012 as of March 11, 2013.

In 2012 the Commission developed new certification training standards for confined space, to become effective as of January 1, 2013. To prepare for the introduction of the new standards, the Commission's Trainer Assessment Panel conducted assessments resulting in eight public training providers with 33 certified trainers available to employers across the province, as well as three corporate providers with 18 certified trainers. Trainer compliance audits were also conducted during the year.

Fish Harvesting Safety Association

On September 26, 2012, the Government of Newfoundland and Labrador, the Commission and the Professional Fish Harvesters' Certification Board (PFHCB) announced the creation of a new Fish Harvesting Safety Association in Newfoundland and Labrador (NL-FHSA) to address workplace injuries, illness and fatalities in the world's most dangerous occupation, fish harvesting.

The association will work cooperatively with other industry stakeholders with the sole mission of improving fishing safety and ensuring fishers in the province return home safely at the end of each fishing trip. The NL-FHSA will be comprised of 13 board members nominated by their stakeholder group and appointed by the Minister of Service NL.



The NL-FHSA is being funded initially over five years through a $750,000 contribution from the Department of Fisheries and Aquaculture and the Commission, and a $585,000 contribution from the fish harvesting industry, including industry representatives, the PFHCB, the Fisherman's Benefit Trust, and special project-based funding.

Occupational Disease Prevention

In laying the groundwork for the occupational disease strategy released in 2012, the Commission formed a working group consisting of staff and representatives of the OHS Branch of Service NL. The working group consulted with the Newfoundland and Labrador Federation of Labour and the Newfoundland and Labrador Employers' Council. Both organizations submitted, in writing, their issues and priorities related to the development of an occupational disease prevention strategy and these recommendations have been factored into the development of the strategy. The position of both organizations was that education and awareness is key to the prevention of known occupational disease.

The Commission has developed an occupational disease prevention campaign to persuade workers and employers in high risk occupations to determine if there are risks of exposure to occupational disease hazards before beginning certain tasks. The campaign features print ads, radio ads, website material and posters mailed to employers in higher risk industries. It concentrates on five areas: noise, chemicals, fumes, asbestos and silica.

Other initiatives in 2012 included delivery of occupational disease workshops, outreach presentations by the Commission's industrial hygienist, and a partnership with the Association of Occupational Health Nurses of Newfoundland and Labrador and the Canadian Occupational Health Nurses Association in organizing a major conference on the prevention of occupational disease.

Between 2003 and 2012, 170 fatalities were reported in Newfoundland and Labrador due to occupational disease. Based on historical data, in an average year from 2006 to 2012, the Commission accepted 17 claims for occupational disease fatalities and distributes approximately $3.0 million in benefits. In 2012, the Commission accepted 20 fatality claims for occupational disease.

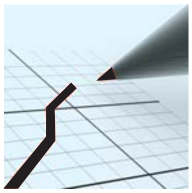
Also in 2012, the Commission introduced a provision for the future costs of latent occupational disease claims. Based on a study completed by the Commission's actuaries, the occupational disease liability has been estimated at 7% of the benefit liability, which amounted to $63 million at year-end.

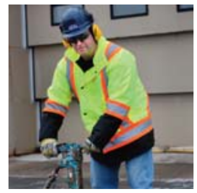
The combination of education and awareness surrounding occupational disease, along with more stringent OHS legislation, enforcement, and industry codes of practice, have begun to positively influence a prevention-focused safety culture.

A significant body of work has been completed or is in progress related to occupational disease in Newfoundland and Labrador. The investigations, studies and initiatives all highlight the fact that we need further efforts to address occupational disease in our province's workplaces. The Commission will continue to work closely with stakeholders to implement the strategic plan for preventing known occupational diseases.

HIGHLIGHTS & ACCOMPLISHMENTS

Strong Balance Sheet, Appropriate Industry Rates, Well Positioned



Fiscal Performance

The Commission maintained the average base assessment rate at $2.75 per $100 of payroll for employers in 2012, and increased the maximum compensable and assessable earnings limit from $52,885 for 2012 to $54,155 for 2013. Assessments of $2.50 per $100 of payroll are paid by employers to cover anticipated costs of workplace injuries, return-to-work programs, prevention initiatives and the cost of administering the workers' compensation system. A further $0.25 assessment surcharge is added to address the previous funding deficit. Individual employer rates are based on the cost experience of the industry group in which employers are classified.

The Commission's injury fund (investments) increased from $756 million in 2011 to $843 million in 2012. The injury fund had a rate of return of 10.9 per cent in 2012 and has more than doubled over the past decade.

The growth of the injury fund in 2012 helped offset the increase in liabilities due to the addition of a $63 million provision for future costs related to latent occupational disease claims, and increase in liabilities for future administration costs and an adjustment to the expected rate of inflation. Despite the increase in liabilities, the Commission's funded position declined slightly to 91.7 per cent. With a strong injury fund, stable funded position and continuously improving culture of safety, the Commission is well positioned to meet the future needs of all workers and employers in the province.

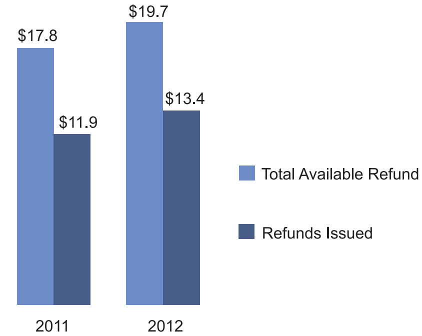
PRIME

PRIME is the Commission's employer incentive program which enables employers to impact the assessments they pay.

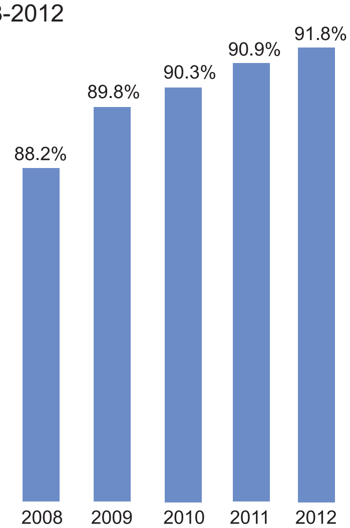
The PRIME Program enables employers to qualify for financial incentives based on their compliance with health and safety and return-to-work practices. PRIME also holds employers more financially accountable for their workplace injuries. Employers who meet all the practice incentive criteria under the applicable policy receive a 5 per cent practice refund. Employers with low claims costs can receive experience refunds while employers with high claim costs receive experience charges.

In 2012, record values were reported for refunds available under PRIME and for refunds issued. The total value of refunds issued to employers was $13.4 million, up approximately 13 per cent from 2011. The total value of PRIME refunds available for the 2012 PRIME year was $19.7 million.

TOTAL PRIME REFUNDS 2011 - 2012
($ millions, as of November 2012)



PERCENTAGE OF INJURY-FREE EMPLOYERS 2008-2012



The Commission's Prevention Services Department completed a record 2,500 PRIME audits, visits and presentations in 2012.

Employers

The number of employer accounts registered with the Commission increased to 19,135 in 2012, a 4.6 per cent increase over 2011. Assessment revenue increased 4.8 per cent to $197.5 million.

During 2012, a number of initiatives were implemented to improve client service and information processing.

The Commission introduced an enhanced interest-free payment plan, made improvements to the Annual Employer Statements (AES) web service and the AES web service for accountants, and introduced a new web service for reports and statistics for employers.

An increased number of employers took advantage of the Commission's enhanced interest-free payment plan in 2012. The plan allows all employers to improve cash flow by spreading their annual assessment payments over the full year, interest-free. The number of employers participating in the plan increased 27 per cent, from 2,848 in 2011 to 3,620 in 2012. The total value of all payment arrangements, including interest-bearing payment arrangements, increased by 68.6 per cent, from $51 million in 2011 to $86 million in 2012.

Deferred payment plans assist employers with their cash flow requirements through personalized payment dates, frequency of payment options and payment by automatic withdrawal.

Injured Worker Compensation

The number of injured workers in receipt of temporary wage loss compensation benefits, extended earnings wage loss benefits and health care benefits all decreased slightly in 2012. The total cash payments made for those claims declined from $133.5 million in 2011 to $132.5 million in 2012.

Despite rising health care costs in the province, total health care cash payments in 2012 remained on par with 2011 levels, decreasing slightly from $39.6 million to $39.4 million.

Young Workers

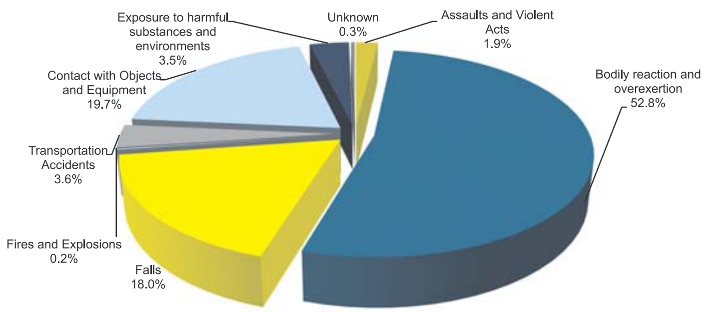
The lost time incidence rate among young workers in the province has declined steadily over the past decade. In 2012 the rate of decline among young workers surpassed that of the overall working population, decreasing from 1.7 in 2011 to just 1.4 in 2012. The number of young workers in the workforce increased to nearly 29,600 in 2012, up from 28,200 in 2011.

Young workers represent a critical audience for prevention initiatives in this province. Reaching workers early in their careers, or even before they begin their careers, is important for establishing safe and healthy workplace habits and behaviors.

KEY STATISTICS

Lowest Injury Rate, Client Service

TYPES OF ACCIDENTS IN THE WORKPLACE
2008 - 2012



Prevention

Every worker has the right to return home safely at the end of each working day. Every injury prevented reduces suffering for families and reduces future costs for employers and workers in Newfoundland and Labrador.

Injury prevention therefore remains critical to the Commission's sustainability and long term planning. The Commission believes that all workplace injuries are preventable and significant effort will continue to be devoted to providing injury prevention support and programs to ensure the injury rate continues to decline.

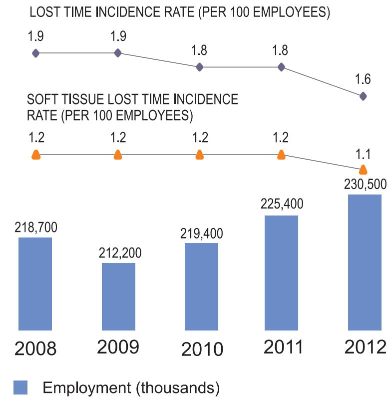
The continuous decline of workplace injuries over the past decade is indicative of a shared safety culture among employers, workers, government, independent organizations and the Commission in this province.

Injury rate

The lost time incidence (LTI) rate represents the number of injured workers, per 100 workers in the workforce, who missed time from work due to a workplace incident or accident. It is a standard measure of workplace safety for all workers' compensation systems in Canada. In Newfoundland and Labrador, the rate has been declining steadily for 12 years while the size of the workplace has been increasing. The LTI rate has declined in 18 of the past 22 years on a year-over-year basis. This decline indicates increased compliance with health and safety practices at workplaces and a strengthening of the culture of safety in the province.

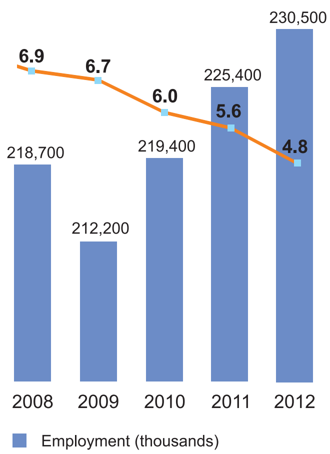
In 2012, the LTI rate decreased to the lowest ever recorded, at 1.6 incidents per 100 workers, down from 1.8 in 2011. The LTI rate peaked at above five incidents per 100 workers in 1990.

LOST TIME and SOFT TISSUE
Incidence Rate 2008 - 2012

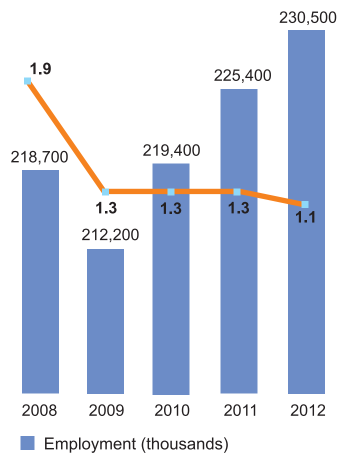


Despite prevention efforts over the past five years, workplace violence claims have increased. In 2009, OHS Regulations were revised to include workplace violence prevention and working alone. The Commission began offering violence prevention workshops in 2008 in partnership with the RCMP and RNC. Efforts have since expanded to include meetings with high risk employers and a revised audit tool dealing with workplace violence and working alone. The Commission also administered a survey on workplace violence to assess awareness levels among workers and employers, and to develop an action plan for moving forward. The Commission continues to partner with the OHS Branch of Service NL, workplace parties and stakeholders to reduce injuries in this area.

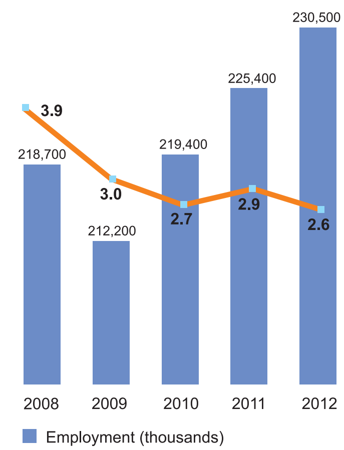
BACK INJURIES
Injury Rate per 1,000 workers



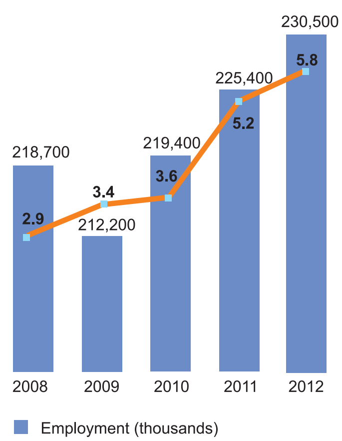
EYE INJURIES
Injury Rate per 1,000 workers



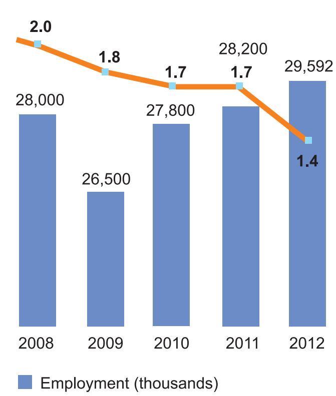
HEAD INJURIES
Injury Rate per 1,000 workers



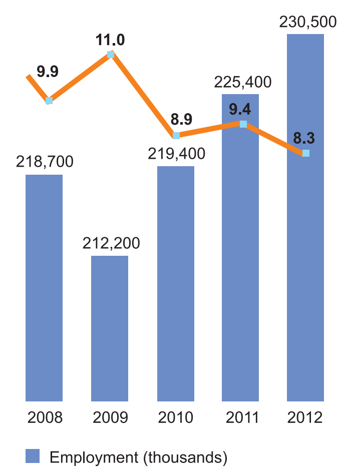
ASSAULTS AND VIOLENT ACTS
Injury Rate per 10,000 workers



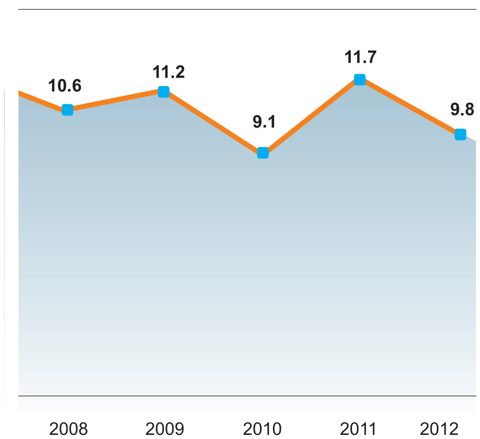
YOUNG WORKER
Injury Rate per 100 workers



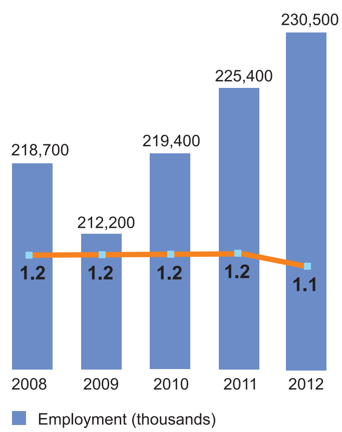
FALL FROM HEIGHTS
Injury Rate per 10,000 workers



SERIOUS INJURIES
Injury Rate per 10,000 workers



SOFT TISSUE
Injury Rate per 100 workers



Soft Tissue and Serious Injuries

The lost time incidence rate for soft tissue injuries, the most common type of injury in Newfoundland and Labrador, decreased slightly from 1.2 injuries per 100 workers in 2011 to 1.1 in 2012.

The injury rate for serious injuries also decreased in 2012, declining to 9.8 injuries per 10,000 workers in 2012, down from 11.7 in 2011.

One workplace injury is one too many and the Commission continues to place great emphasis on preventing workplace injuries.

Client Service

Surveys

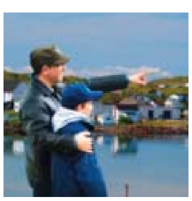
The Commission is committed to providing fair and balanced service to employers and workers in the province. In 2012, the Commission undertook qualitative, independent research to measure the opinions of injured workers and employers and to determine how to best meet the client service requirements and expectations of these stakeholder groups. The Commission employed the services of a leading, accredited, independent market research consultant to research and review the survey process with the input of employer and injured worker stakeholder groups.

The consultant conducted separate focus groups with injured workers, employers and Commission staff to gain a high level understanding of their roles and perceptions concerning the survey and research re-design process.

Satisfaction with the Commission remained positive in 2012, with almost two-thirds (64%) of injured workers rating their overall opinion of the Commission as either good or excellent.

Injured workers' overall satisfaction with the service they receive also stood at nearly two-thirds (65%).

As well, the Commission continues to be viewed positively in the eyes of most employers. Survey results nearly indicated eight in ten (78%) employers surveyed rate their opinion as either good or excellent. Overall employer satisfaction with the Commission experience remained high, with three-quarters (75%) of employers saying they are either completely or mostly satisfied.



The Commission will use client feedback obtained from the stakeholder satisfaction surveys together with the 2011-2013 Strategic Plan, consultant recommendations and current priorities to inform client service initiatives and programs. This represents a crossroads in how the Commission delivers client service. It will redefine how we deliver programs and services in the future and will impact the organization at all operational levels. Programs and services and their delivery mechanisms are being re-evaluated through a new lens of client service excellence that engages those most responsible for, and impacted by, Commission programs and services.

Service Delivery

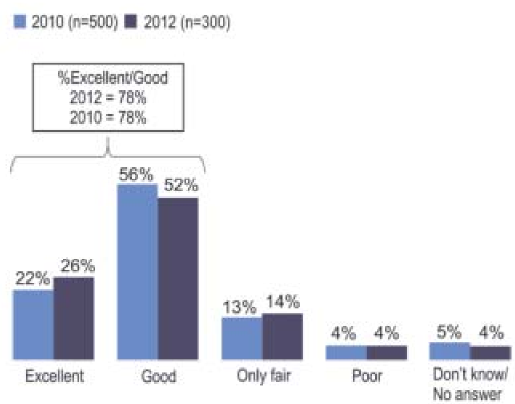
2012 marked the concluding year for the Commission's Client Service Office (CSO). During its final year the CSO continued to observe positive changes within the Commission. Improvements in the training of staff; improvements in processes to address issues of timeliness for clients; and streamlining of business operations resulted in an improved client service experience at the Commission. Over its five years of operation the CSO experienced a decrease in referrals year over year, with 2012 having the lowest number of referrals to date. With the decrease in call volume for issues such as timeliness, communication, fairness of policy/procedure, staff complaints and employer account issues, the Commission has demonstrated improved service to its clients.

In collaboration with the CSO, the Commission reviewed the types of complaints received and identified patterns and opportunities to make improvements. In 2012 the call trends indicated that accessibility of staff was the major service concern raised. A comprehensive client service strategy was approved by the Commission's Board of Directors, including extensive client service training for all front line staff. The Commission also transitioned its client service delivery model from the single point of entry offered by the CSO to multiple points of entry within the Commission. The new approach allows clients to deal directly with those best able to address their concerns. The Commission will continue its commitment to improved client service through its client service strategy.

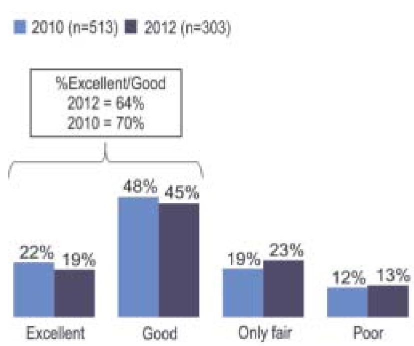
Internal Review

During the year the Commission's internal review division reviewed documents related to 970 decisions, upholding the original decision in 85 per cent of cases. The external Workplace Health, Safety and Compensation Review Division reviewed 210 decisions and upheld the original decision in 72 per cent of cases.

OVERALL OPINION OF WHSCC
Employer Survey



OVERALL OPINION OF WHSCC
Injured Worker Survey



OPPORTUNITIES & CHALLENGES

RTW, Claims Management, Health Care





The greatest opportunity to reduce costs, ensure financial sustainability of the system and ensure workers are satisfied with the Commission is to prevent workplace illnesses and injuries from occurring in the first place. Through its Prevention Strategy, Occupational Disease Strategy and continued consultation and collaboration with stakeholders, the Commission is devoting significant energy to take advantage of this opportunity, to help ensure all workers return home safely. The Commission believes all workplace accidents are preventable.

When accidents do occur, one of the greatest challenges facing employers, workers and the Commission is to ensure workers recover from their injuries and have every opportunity to return to work in a timely manner. Challenges associated with returning to work include wait lists for certain health care treatments, scarcity of employment opportunities in some return to work cases, and the work involved in processing claims while ensuring timeliness, accuracy and privacy.

The Commission continues to review and strengthen programs that address these challenges and continues to look for new opportunities to improve processes.

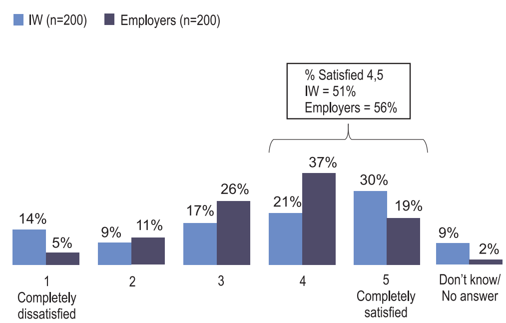
Returning to Work After an Injury

Core programs that help injured workers return to work safely are the Early and Safe Return to Work (ESRTW) program and the Labour Market Re-entry (LMR) program. These programs are designed to help employers retain staff, and to help injured workers return to their pre-injury earnings and experience an improved overall quality of life.

Early and Safe Return to Work

To develop improvements within these programs, the Commission conducted a new survey in 2012 to assess injured worker and employer satisfaction with the ESRTW program and to assess the level of collaboration between employers and injured workers when using the program. Survey results will be used to prioritize future improvements to the program. In addition to coordinating the ESRTW program for all employers and workers, the Commission began a program to focus on a select group of large employers for enhanced ESRTW education and assistance.

SATISFACTION WITH EARLY AND SAFE RETURN TO WORK PROGRAM



Labour Market Re-entry

The LMR process provides opportunities in employment readiness services. These services provide valuable employment preparation to help workers find employment. Workers obtain assistance with job search techniques, vocational rehabilitation and career counseling.

The best opportunity for a successful return-to-work outcome is when all three parties work together: employers, workers and the Commission. The Commission continues to promote cooperation and improved outcomes through workshops, consultation and key Commission programs.

Claims Management

Within claims management, an opportunity lies in reducing processing time. In 2012, the Commission added a new vendor management component to its claims management software systems as part of its overall improvement program. This initiative involved the integration of claims management, web services and accounts payable applications as well as new work processes and application functionality.

These changes streamlined processing for physiotherapy treatments, telephone consultations with health care providers and payments for medical supplies, hearing aids and worker pre-arranged travel. A new online service for physiotherapy invoicing and requisition processing was also delivered.

Health Care

A key component of reduced processing time is improved delivery of health care services and reduced wait times, while maintaining cost control. During 2012 the Commission undertook a number of initiatives to improve cost control while ensuring the provision of quality goods and services through enhancements to health care services.

The Commission now has memorandums of agreement (MOA) with all major health care provider groups. These MOAs stipulate the necessary requirements for payment and have negotiated fee schedules and incentives to improve service delivery and data management. The Commission will continue to work with health care providers to ensure the provision of appropriate, timely and cost-effective health care services for injured workers.

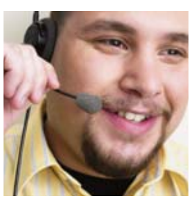
Challenges remain in controlling health care costs and ensuring timely access to health care services while overall demands in the health care system increase. Continued improvement of the claims management model will help address these challenges, providing earlier intervention on claims, more proactive claims management and effective medical management of services. Not only do these enhancements help workers and employers with better return-to-work outcomes, they help ensure the responsible, financial sustainability of the workers' compensation system.

The Workplace Health, Safety and Compensation Commission's (the Commission) 2011 to 2013 Strategic Plan provides the overall direction for the Commission; highlights the four strategic issues representing its key priorities; and describes the strategies and supporting initiatives intended to direct operations and deal with key emerging issues affecting the workers' compensation system. These strategic issues were identified in consideration of government's strategic direction, as well as the Commission's mandate and available resources.

2012 results support the achievement of our mission, as well as government's strategic direction of improved client service within a financially sustainable system. The Commission continued to implement the strategies and initiatives designed to meet its key priorities and commitments in the areas of client service, claims management delivery, prevention and financial sustainability. The 2012 performance report highlights the Commission's progress against its key strategic issues, goals and objectives.

STRATEGIC ISSUE 1: CLIENT SERVICE

The Commission recognizes that to deliver the highest level of service, changes must be made across all levels of the organization to reflect a passionate and compelling commitment to client service while upholding the organization's values of safety, compassion, accountability, teamwork and leadership. In 2011, the Commission's Board of Directors approved a client service strategy which provides a strategic framework for establishing an integrated, organization-wide approach to service delivery and a client-first cultural focus. The new strategy will impact how the Commission delivers service to clients and will require all programs and services to be evaluated through a service excellence lens. During 2012, the Commission supported government's strategic direction of improved client service by implementing changes to build the foundation and organizational capacity to develop and sustain a fundamental cultural change in client service delivery over the long term.



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

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

Measure: Initiated changes to improve service delivery.

Indicator - Continued implementation of elements of the client service strategy.

Client service has been intrinsic in each of the Commission's lines of business and a common element in its long term strategic projects since 2004. In developing the new client service strategy, the Commission considered the direction of its current strategic plan, existing initiatives targeting service improvements, feedback from client surveys and other research.

The scope of the new strategy is broad. Accordingly, the Commission developed a multi-year action plan in 2012 outlining deliverables. Key elements of the client services strategy implemented in 2012 are outlined as follows.

Segmentation Study and Working Group. The core focus for 2012 was to define the client-centric vision and to begin developing strategies that are specific to our client base. In quarter four, the Commission awarded a contract for a client segmentation study to be completed in 2013. This segmentation study will provide valuable information to help the Commission understand the needs and preferences of its client base. This information will be used to inform and align all aspects of Commission services including service priorities, service design and implementation, communications and engagement strategies. The Commission is committed to establishing services that are responsive and aligned to clients and staff needs through a model of communications and engagement. To support these efforts, an inter-departmental client service working group was formed to foster internal communications and identify client service improvements in consideration of the Commission's strategic plan and findings from injured worker and employer surveys. Commission staff also continued to participate in client service excellence training, a five-day training program that provides opportunities to develop skills and knowledge to serve clients more effectively and go beyond expectations. Forty-four employees completed the training in 2012, bringing the overall total of staff trained to 154.

4DX Methodology. To develop a program that supports the highest level of client service, the Commission contracted FranklinCovey Canada Limited to help implement a process and methodology for organizational effectiveness, the Four Disciplines of Execution (4DX). The 4DX methodology enables organizations to achieve strategic objectives by focusing on key goals and establishing a standard of performance, clear measurement and accountability. In 2012, the Commission established two broad based goals based on high-level quality service indicators. All Commission managers and directors completed 4DX training. The program launch began late in the year and will be rolled out in early 2013.

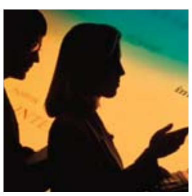
Web Services. The Commission expanded its web services initiative to improve access channels for clients, reduce clients' administrative burdens and improve processing times. A new physiotherapy invoicing service was implemented to make it easier for physiotherapists to conduct their business with the Commission. A new online reporting and statistics service was also added to help employers be more informed about PRIME* and their injury statistics. Enhancements were made to the online annual employer statement based on client feedback to improve the online experience for clients. Increases in web service usage continue with the expansion of the online services. As of December 31, 2012, 71 per cent of physiotherapy reports and 87 per cent of physiotherapy invoices were submitted online. Over 50 per cent of chiropractic clinics also use the online service to report injuries. Approximately 3,300 employers are registered for online services. In 2012, 38.7% of employers filing annual employer statements used the online service. The Commission also established a web support model to ensure clients' needs are addressed in a timely manner and support its expansion of online services. These online services offer clients a convenient, secure method of accessing information and services. The Commission continues to work with employers and health care providers to promote these services and strives to ensure a coordinated approach between its service channels.

* PRIME is the Commission's employer incentive program. Under PRIME, employers can impact the assessments they pay by meeting their practice requirements under the practice incentive component and managing their claims costs under the experience incentive component.

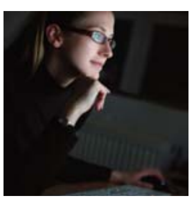
Surveys. The Commission also conducts surveys with injured workers and employers to understand stakeholder perspectives on Commission services. This information is used to gauge satisfaction levels, inform our client service strategy and bring about service improvements for our clients. 2012 surveys show that employers have a positive overall opinion of the Commission and ratings of satisfaction continue to trend upward. Employers' satisfaction with their overall experience with the Commission remains high at 75 per cent, a steady increase since 2003. Injured worker satisfaction with the overall quality of Commission service remained favourable in 2012, with 65 per cent indicating they are completely or mostly satisfied with their experience. The Commission also completed an independent survey of injured workers and employers who participated in the early and safe return to work program. Over half of the injured workers and employers surveyed were completely or mostly satisfied with the program and feel the program is beneficial. Two key findings from the surveys showed that injured workers want to be more involved in their early and safe return to work plans and that there are opportunities for Commission staff to provide assistance to employers on their return to work plans and implementation. The results from these surveys will be used to improve the effectiveness of the Commission's programs and services.

The Commission also continues its efforts with other important initiatives designed to improve service delivery for its clients.

Red Tape Reduction. The Commission is maintaining its 34 per cent red tape reduction level and continues to implement regulatory improvements to make it easier for clients to work with the Commission. A new three-year regulatory improvement plan is being developed for 2013.



Quality Assurance. The Commission also continues to enhance its quality assurance model to ensure continuous improvement of service delivery and ongoing support for Commission programs and services.



Internal Review. The Commission continued to provide a fair and responsive internal review process which allows workers and employers, who disagree with a decision of the Commission, to have the matter reviewed. Requests for internal review remained steady in 2012 with 1,261 requests compared to 1,274 in 2011. The Commission continued its commitment to finalizing decisions within 45 days. Results in 2012 showed that 970 decisions were finalized, with 85% being upheld.

Client service is a focal strategic issue for the Commission and will continued to be a common element in its key programs, services and business improvement initiatives into 2013. Through the client segmentation study, the Commission will establish an action plan to align its services to client needs and preferences.

2013 Objectives and Indicators

Objective: By December 31, 2013, the Commission will have implemented key initiatives to improve service delivery.

Measure: Implemented key initiatives to improve service delivery.

Strategic Indicators

1.1. Completed the client segmentation study and developed recommendations.

STRATEGIC ISSUE 2: CLAIMS MANAGEMENT DELIVERY

The Commission works to ensure workers receive the benefits to which they are entitled while receiving the best care possible to enable them to recover from their injuries while remaining at work, or transition back to work in an early and safe manner. The Commission's ongoing commitment to improving claims management delivery continued in 2012. Key initiatives included the claims management model which emphasizes early intervention on claims by getting the right information to the right person at the right time and early and safe return to work for workplace parties. The Commission's focus on proactive case management will positively impact claim duration and costs as well as improve access to services for injured workers and employers. Further improvements in claims management delivery have been made through the enhanced education efforts for employers on the early and safe return to work program and the quality improvements to the labour market re-entry program. 2012 progress contributes to the Commission's overall success in improving client services in keeping with government's strategic direction.

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

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

Measure: Implemented service improvements.

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

There are a number of drivers that combine to affect claim duration and return to work outcomes, many of which are outside the Commission's control. Despite the best efforts of workplace parties to facilitate the early and safe return to work process, injury recovery and return to work may be impacted by such factors as access to medical interventions and the availability of suitable employment. The Commission takes a variety of approaches to mitigate these factors and makes every effort to facilitate early and safe return to work and to ensure the effective management and monitoring of health care services.

In 2010, the Commission completed a claims duration strategy which articulates how the Commission's claims management model addresses claims duration factors within the Commission's control. This is a comprehensive, multiphase model which emphasizes a proactive team approach to case management; increased processing efficiencies and system automation; increased accountability through the definition of key performance indicators; and improved access to services through the integration of online web services and claims management. The Commission adopted a phased approach in transitioning to the new model to support staff and minimize service disruptions for its clients.

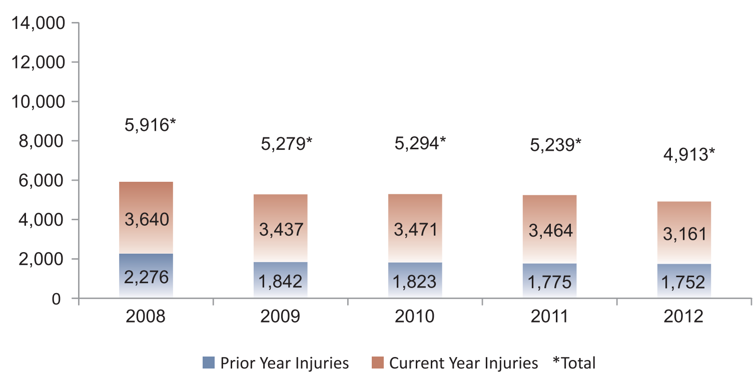
In 2012, the claims duration strategy focused on implementing program and technology improvements to support earlier intervention on claims, getting the right information to the right person for timely decision making, streamlining payment processing, enhancing ESRTW education for workplace parties, developing key performance indicators and training for staff.

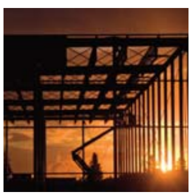
2012 marks another major milestone for the model and positions the Commission for further improvements in efficiency and effectiveness. Early in 2012 the Commission implemented a new distribution application for more efficient routing of claims information to decision makers for earlier intervention on claims. This allows case management to support injured workers and employers in return to work on a timelier basis. In November, the Commission implemented its vendor management initiative in an effort to move all vendor payment processing to a single application. This phase of the claims management model focused on streamlining payment processing for physiotherapy treatments; payment processing for telephone consultations with health care providers; and requisition processing for medical supplies, hearing aids and worker pre-arranged travel. It also included the development and implementation of a new online service for physiotherapy invoicing and requisition processing. The new approach improves internal controls for procurement and payment procedures resulting in cost containment and more appropriate utilization of health care products and services. This latest group of changes has improved services for Commission vendors and ensures overall better management of health care products and services procured on behalf of injured workers. The integrated online invoicing and requisitioning process for physiotherapists provides a faster, more convenient method of dealing with the Commission.

The proactive ESRTW focus is positively impacting the number of claims going on extended earnings loss. By decreasing the number of injuries, more proactive case management and improving return to work outcomes, fewer claims move on to extended earnings loss. Overall the combined efforts in the better management of claims and injury reduction are mitigating further growth in duration and claims costs. Since the Commission began implementing elements of the model in 2008, the number of injured workers receiving temporary earnings loss (TEL), the number of TEL weeks paid and TEL wages have all declined.

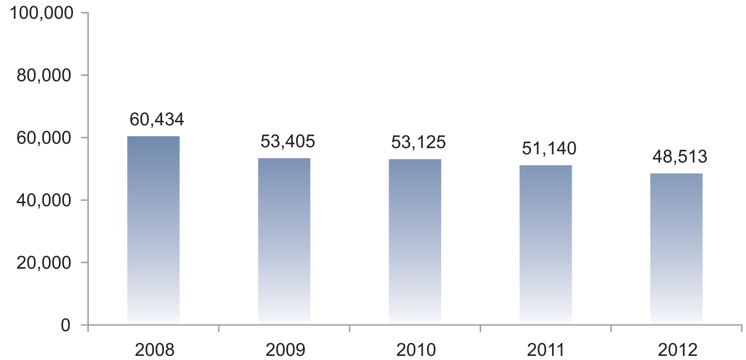
At the end of 2012, the total number of injured workers receiving TEL was 4,913, a decrease of 6.2 per cent since 2011 and 16.6 per cent since 2008. Total TEL weeks decreased by 11,921 or 19.7 per cent in 2012 compared to 2008.

NUMBER OF WORKERS PAID TEMPORARY EARNINGS LOSS

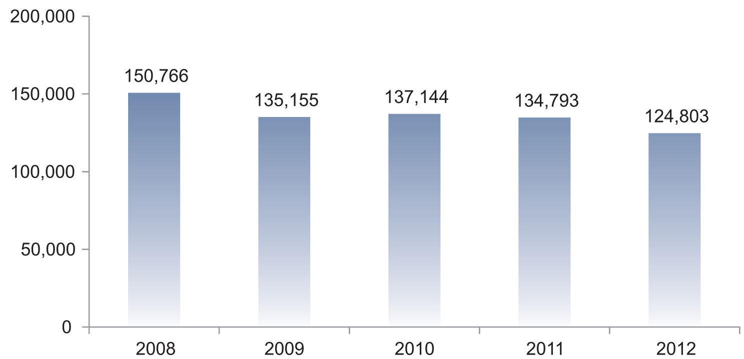




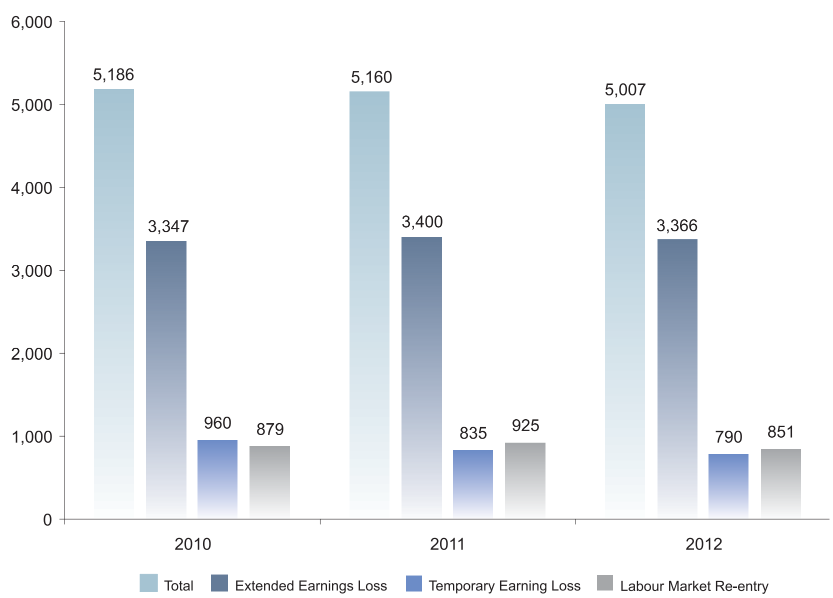
TOTAL NUMBER OF PAID TEMPORARY EARNINGS LOSS WEEKS



TOTAL NUMBER OF PAID TEMPORARY EARNINGS LOSS DAYS FOR NEW INJURIES



CASELOAD DISTRIBUTION (ACTIVE CLAIMS) 2010 - 2012





Indicator - Enhanced early and safe return to work (ESRTW) education efforts for targeted employers.

Early and safe return to work helps injured workers recover faster; allows injured workers to maintain a connection to the workplace during recovery; improves productivity; and improves the financial sustainability of workplaces. The Commission works with workers and employers to ensure a healthy and safe working environment and promotes ESRTW. The Commission understands that organizations with trained staff in the ESRTW process usually have much better return to work outcomes. The Commission provides support and guidance to workplace parties through timely communications, setting return to work goals, progress monitoring, support for overcoming barriers, and improved education around effective ESRTW practices. The Commission continues to coordinate this shared commitment between employers and injured workers in the return to work process.

The Commission's return to work facilitators, return to work program development coordinator and case managers provide ongoing ESRTW education to Newfoundland and Labrador workplaces. In 2012, the Commission determined the best approach for educating employers is to target a small group of employers for a more comprehensive review and analysis of their specific ESRTW programs and practices. A targeted approach allows education efforts to be directed to a given employer's needs. Throughout 2012, the Commission focused on a small group of employers for a more intensive review based on their accident history and claims costs. As a result of these efforts, action plans have been developed to enhance early and safe return to work programming for these workplaces into 2013.

The Commission also contracted Corporate Research Associates to conduct its first ESRTW program survey with a sample of Newfoundland and Labrador workers and employers who have participated in this program. The overall objective of the survey was to assess satisfaction levels with the ESRTW program as well as assess various aspects of the service; the levels of collaboration between employers and workers when using the program; and determine areas for improvement. This benchmark survey provides suggestions on opportunities for service improvements for employers and injured workers who participate in the ESRTW program. Overall, both employers and workers offered moderate satisfaction ratings. Over 50 per cent of employers and injured workers were completely or mostly satisfied with their return to work program with more than 75 per cent of employers finding the ESRTW process to be beneficial. Specific areas of opportunity relate to enhancing the communication and collaboration between injured workers, employers and the Commission in the development and completion of successful return to work plans. The Commission will use this information to develop further action plans and enhance ESRTW education efforts in 2013.

Indicator - Demonstrated improvements to the labour market re-entry (LMR) program.

The goal of the return to work process is to safely return injured workers to employment that is suitable and if possible, restore the worker's pre-injury earnings. Where ESRTW programs do not result in return to work, the Commission provides injured workers with a LMR assessment and a LMR plan, if necessary. The LMR program ensures injured workers have the skills, knowledge and abilities to re-enter the labour market and reduce or eliminate their loss of earnings resulting from the injury. In 2010, the Commission developed a LMR quality improvement plan to improve overall program delivery. A critical element of the plan was the introduction of five LMR key performance indicators (KPIs) in 2011 and an additional KPI in 2012. The goal of the KPIs is to enable the Commission to sustain identified quality improvements to the LMR program and identify opportunities for further improvement through the ongoing monitoring, measurement and management of critical LMR program elements. The KPIs are designed to improve assessment quality and timeliness to assist injured workers with their return to work and ensure reasonable cost of claims.

The following table outlines the six KPIs and the 2011 and 2012 results.

Key Performance Indicators	Target	2011	2012
Percentage of LMR Planner Assessment reports that included LMR options where cost was not the only factor considered in the evaluation of options.	100%	100%	100% (achieved)
The number and percentage of LMR Assessment reports referred back by case managers for revision.	10%	5.2%	7.9% (achieved)
Increase the number of LMR Screening Assessments completed.	Targeting an increase	56	70 (achieved)
Increase LMR plans successfully completed and ongoing.	90%	94%	94% (achieved)
Increase percentage of final LMR Planner Assessment reports received by the Commission within turnaround time for each service provided by the planners.	80%	30.5%	59.3% (not achieved)
Increase the suitable employment and earnings decisions made by case managers following receipt of the final LMR assessment report.	80%	n/a*	33.7% (not achieved)

*New indicator introduced in 2012.

As the table demonstrates, the Commission has achieved or exceeded its targets for four of the six areas identified. A number of quality improvements have been realized through training and education efforts related to the effectiveness of the LMR program and LMR program elements. LMR Planner Assessment Reports continue to be evaluated on a number of key criteria including worker participation in the process, quality of assessment, reasonable turnaround times and cost. Improvements have also been made in the quality and timeliness of the reports. While targets were not met in two areas, the results show the Commission was able to demonstrate improvements in turnaround times for LMR reports and suitable employment and earnings decisions (SEE). Although the targeted turnaround times for LMR reports were not met, 74.5 per cent of all assessments reports were received within one week of the established turnaround time, and 83.6 per cent were received within two weeks. In addition, while 33.7 per cent of SEE decisions are received within the established timeframes, 46.1 per cent are reached within one week of the target and 57.3 per cent are established within two weeks. The Commission expects to achieve these targets with further refinements and continues to identify additional quality improvements to the LMR program.

In addition to the KPIs, the LMR plan identified two other quality improvement initiatives including the evaluation of LMR assessment audits and proactive monitoring of internal and external review decisions related to LMR. LMR assessment audits are conducted regularly and examine the three phases of the LMR process: referrals, assessment and planning.

The knowledge gained through the audit process is used to ensure the appropriate utilization of LMR services and to identify opportunities for improvement. The Commission also reviews feedback from appeal decisions related to LMR to make quality enhancements to the program and enhance training efforts.

The Commission continues to proactively work with external LMR service providers and staff to enhance education on all aspects of the LMR program and its importance in getting an injured worker back to work. Timely referrals to LMR service providers, quality LMR assessments, and a high level of work involvement in the LMR process benefit injured workers and employers in return to work efforts.

The Commission continues to address the challenges with engaging all workplace parties in return to work efforts while sustaining improvements in claims management delivery. 2013 efforts will focus on improving program delivery for ESRTW through continued collaboration with injured workers and employers.

2013 Objectives and Indicators

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

Measure: Improved delivery of claims management services

Strategic Indicators

2.1 Continued implementing improvements to claims management services

2.2 Implemented changes to return to work program delivery to benefit Commission clients

STRATEGIC ISSUE 3: PREVENTION

Prevention of injuries and occupational disease is integral to the work of the Commission and is a collaborative effort involving workplace parties, community partners and professionals. The Commission's primary role in workplace injury prevention is promoting safety education, creating public awareness of occupational health and safety, motivating employers and forming partnerships with industry.

In 2012, Newfoundland and Labrador experienced the lowest lost time incidence rate on record, down to 1.6 from 1.8 in 2011. This is a significant achievement for workers, employers, unions, the Commission and the Occupational Health and Safety (OHS) Branch of Service NL. While this progress is important, the Commission and its stakeholders must continue to partner to reduce the number of workplace accidents and the associated financial and human toll of these accidents. The Commission delivers a number of programs designed to reduce workplace injuries, illnesses and known occupational disease. To ensure these programs are responsive to employers' and worker's needs and are effective catalysts of change, the Commission developed an integrated prevention strategy. The strategy aims to incorporate injury prevention into all areas of a workers' life to create an advanced safety culture. This is in support of government's strategic direction of improved client service in a financially sustainable system.

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

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

Measure: Initiated implementation.





Indicator - Commenced implementation of key elements of the integrated prevention strategy.

The lost time incidence rate has steadily declined over the past decade. While this is a significant accomplishment for the workers and employers of this province, there is still more to be done. One workplace accident is too many – every worker in this province deserves to return home safely at the end of every day. Continued improvement requires increased and continuous diligence by all workplace parties to provide and maintain healthy and safe workplaces. The size of the province's workforce, the nature of the industries, and the fact that the Commission provides workplace insurance coverage for 98 per cent of the workers employed in the province contributes to the challenge of reducing the incidence rate. In 2011, the Commission developed an integrated prevention strategy in partnership with the OHS Branch of Service NL (OHS), and the Commission's partners and stakeholders. The strategy outlines initiatives to address these challenges and align injury prevention initiatives currently underway with new elements for advancing the culture of safety in Newfoundland and Labrador. The overall goal is to reduce the risk of workplace injury, illness and disease; change attitudes and behaviours to advance a safety culture; and promote an understanding on the importance of complying with legislation. The approach emphasizes collaboration and engagement of workplace parties, training and education, leadership and best practices.

Implementation of key elements of the prevention strategy continued throughout 2012 to address important emerging issues and help employers and workers who are more at risk. Key activities included a review of the OHS committee program, continuing development of the CEO Safety Charter, enhancement of initiatives targeting industries and serious injuries and implementation of core components of a young worker education and awareness program.

OHS Committee Program. In 2012, the Commission completed a review of the OHS program with a focus on updating the related certification training curriculum, reporting forms, online services, trainer audits and outreach initiatives.

CEO Safety Charter Program. The CEO Safety Charter supports continuous improvement of healthy and safe workplaces in our province through the commitment of business leaders who exert significant influence over health and safety practices in workplaces. As ambassadors for safer workplaces, CEO Safety Charter signatories demonstrate their commitment to the prevention of accidents, promote health and safety in the workplace by their excellent safety records, share best practices, and promote the benefits of health and safety practices in workplaces. Since 2007, 54 signatories have joined the CEO Safety Charter. In 2012, the Commission developed a business plan to grow and advance this safety leadership program throughout the province.

Targeted Outreach Program. An integral part of the Commission's prevention efforts is its dedicated team of industry prevention specialists. This team works with Commission stakeholders and partners to focus on specific health and safety issues and develop targeted educational awareness. Through the targeted outreach program, the Commission monitors the performance of industries with poor injury performance and develops initiatives to help address safety performance in these industries. Specific areas of focus in 2012 included fish harvesting, service, manufacturing, health care, and retail and wholesale trade. The Commission collaborated with representatives from these industries to educate workers on the industry-specific risk potential for jobs in those industries and on ways to target reducing injuries.

Industry Safety Sector Councils. Safety sector councils are an effective means of industries taking a leadership and ownership role in promoting all aspects of industry-specific health and safety and return to work issues. The Commission is committed to the success of these councils and works with its industry experts and sector advisors from the Newfoundland and Labrador Employers' Council and the Newfoundland and Labrador Federation of Labour to support their development. In 2012, the Commission, the Department of Fisheries and Aquaculture, and the Professional Fish Harvesters' Certification Board (PFHCB) announced the creation a new Fish Harvesting Safety Association in Newfoundland and Labrador (NL-FHSA). This newest safety association is established to address workplace injuries, illnesses and fatalities in the world's most dangerous occupation, fish harvesting. There have been 23 deaths related to the fishing industry since 2005 and more than 1,000 accidents resulting in time away from work in that same time period. The NL-FSHA has the mandate to improve fishing vessel safety and is focused primarily on prevention. In its first year, the NL-FSHA will conduct a detailed analysis of program and training requirements which will set the foundation for strategic priorities, communication and consultation. In years two to five, the association will focus on education, awareness, delivery and evaluation.

The Commission continues to work with existing sector councils including the Newfoundland and Labrador Construction Safety Association, the Forestry Safety-Association of Newfoundland and Labrador, and the Municipal Safety Council to advance efforts in these areas.

General Health and Safety Promotion. 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 focuses on education efforts to increase awareness of prevention practices and change behaviours to result in further reductions of the number of lost time incidents. The Commission believes these efforts have contributed to the decline in the incidence rate over the last decade to 1.6 at the end 2012. Over the past year, the Commission continued its partnership with the workers' compensation boards in Nova Scotia and Prince Edward Island to develop the back protection agent (BPA) campaign. The BPA campaign is designed to reduce the incidence of back injuries and improve return to work outcomes by encouraging workers and employers to become back protection agents in their workplaces. The campaign complemented the Commission's prevention workshops and Board Chair and CEO outreach efforts which promote the importance of healthy and safe workplaces. The Commission also started conducting research and stakeholder consultation to determine the major theme of its next social marketing campaign.

The Commission has made significant efforts to increase workplace health and safety education among employers and workers through enhanced training efforts for employers through workshops and online webinars; greater workplace contact through site visits and audits; increased support for priority employers with high incidence rates; and greater internal collaboration between prevention and case management to better support employers.

Youth. The Commission is committed to making workplaces safer now and in the future. In 2012, the Commission reviewed a draft curriculum and guide of the new Workplace Safety 3220 high school course. A meeting was held with the Department of Education to discuss the draft and explore provincial course designation. Another key youth prevention activity has been *Who Wants to Save A Life*? The trivia game show began in 2008 and started its fifth season in 2012. The game was developed in partnership with the Department of Education and Futures in Newfoundland and Labrador Youth to provide youth with a better understanding of their role in creating safer workplaces. The Commission also promoted a youth radio and video advertising campaign and communicates with youth through social media. The Commission believes these efforts to increase awareness have contributed to the decline of the youth incidence rate to 1.4 at the end of 2012 from 2.0 in 2008.

The Commission will continue to implement elements of the strategy throughout 2013 and 2014.

Indicator - Implemented methodology to evaluate prevention program effectiveness.

A major focus for Prevention Services is to evaluate the overall effectiveness of its programs, services and initiatives. In 2011, an analytic unit was established to support these efforts through the development of a methodology to evaluate the effectiveness of prevention programs. The methodology was implemented in early 2012 and includes:

- Workshop evaluations based on content, training environment, facilitators and knowledge gained from the workshop content.
- Formal surveys with priority employers to identify areas of knowledge requiring further development as input to the outreach program.
- Formal review of Workplace Safety 3220 for teachers and students.
- Evaluations of SAFEWork NL's *Who Wants to Save a Life?* to incorporate feedback into future seasons of the show.
- Informal feedback on program effectiveness is also gathered through regular contacts with employers by Prevention Services staff.
- The development of key performance indicators to identify opportunities for further improvement through ongoing monitoring of important prevention program elements.

Feedback gathered in the evaluation process is used to conduct cost-benefit analysis and improve the effectiveness of Prevention programs and services by adjusting programming to meet current safety issues in the workplace.

Indicator - Continued initiatives designed to improve education for the prevention of known occupational disease.

Between 2008 and 2012, there were 103 fatalities related to occupational disease reported in Newfoundland and Labrador. Preventing these diseases and ensuring a safe and hazard free workplace is everyone's responsibility. In 2011, the Commission released a three-year strategy to address increased awareness and prevention of 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.

In 2012, the Occupational Disease Strategy Working Group was formed to plan educational initiatives regarding the prevention of known occupational diseases. The provincial working group is comprised of employers, labour, OHS enforcement and the Commission. The Commission also partnered with the Association of Occupational Health Nurses of Newfoundland and Labrador and the Canadian Health Nurses on the delivery of a conference on the prevention of occupational disease.

A new occupational disease awareness campaign was developed and approved and will include radio and print ads. The new campaign concentrates on asbestos, silica, fumes, noise, and chemicals. The campaign strategy is to create a sense of awareness of these five potential occupational disease hazards and to persuade workers and employers in high risk occupations to determine if there are risks of exposure before beginning certain tasks. The Commission hired an Industrial Hygienist and an Epidemiologist to work with our prevention team and conduct outreach. This work will include initiatives related to improving education for occupational disease prevention. Other activities included the delivery of a new occupational disease workshop, and the distribution of fact sheets related to noise and heat stress.

Indicator - Implemented new OHS training standards.

The Commission has a legislative responsibility to promote awareness and educate employers, workers and other persons about workplace health and safety; develop standards for the certification of persons required to be certified under the *Occupational Health and Safety Act*; approve training programs for certification; and certify persons who meet the standards. All certification training providers and trainers must be approved to deliver certification training. Where certification standards exist, employers should ensure all training is provided by approved providers only. The OHS Branch of Service NL has the authority to issue stop work orders in any workplace where these training requirements have not been met.

The Commission believes that the development of certification standards is one of the best ways to prevent serious and life threatening injuries. The Commission partners with the OHS Branch of Service NL to promote and make recommendations to enhance health and safety training certification and standards. Through this partnership, the Commission is able to ensure the changes in OHS regulations are integrated into the Commission's training and safety programs. In 2010, the OHS Branch introduced new OHS 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, as per the regulations is as follows: traffic control for 2011, fall protection for 2012, and confined space for 2013. The Commission continued to develop and implement standards for trainer certification and training courses in 2012 with particular focus on preparation for the confined space entry standard coming into effect on January 1, 2013. Efforts also continued in reviewing and approving trainers for existing standards and performing compliance audits to ensure adherence to these standards.

Traffic Control. The traffic control standard was finalized in 2010 and the Commission reviewed and approved training providers in time for the 2011 implementation. The Commission continues to review and approve traffic control training providers and trainers, and perform compliance audits.

Fall Protection. As of January 1, 2012, new OHS regulations for working at heights came into effect in Newfoundland and Labrador. The Commission approved 29 training providers and 125 trainers throughout the year to provide fall protection training in the province. The Commission also conducted training compliance audits in quarter four to ensure the certification standards were met.

Confined Space Entry. Confined space entry (CSE) represents a major source of serious injury in the workplace. The new OHS regulation for CSE comes into effect on January 1, 2013. Under the OHS Regulations, an employer must perform an assessment of the work area to determine whether it contains a confined space, as defined under the regulations.

Employers must also inform workers who may have to work in a confined space of a hazard by posting signs or other equally effective means of advising of the existence of and dangers posed by confined spaces. In 2012, the Commission undertook work to be ready for the January 2013 implementation of the new standards. This included reviews of CSE curriculums and trainer assessments to provide certifications to 11 training providers and 51 trainers. Compliance audits were also completed.

In addition to the above standards, the Commission is also responsible for the following training standards: OHS committees, workplace health and safety representatives, workplace health and safety designates training, power line hazards, and first aid.

The Commission will continue to focus its efforts on educating workers, employers, industry and the public in workplace injury and illness prevention practices to meet its commitments. 2013 will focus on implementing year two of the prevention strategy, including initiatives focused on known occupational disease as well as further support for OHS training standards.

2013 Objectives and Indicators

Objective: By December 31, 2013, the Commission will have continued implementation of the integrated prevention strategy.

Measure: Continued implementation of prevention strategy

Strategic Indicators

3.1 Continued implementing elements of the integrated prevention strategy
3.2 Continued implementing prevention initiatives related to known occupational diseases
3.3 Implemented new OHS training standard for confined space entry

STRATEGIC ISSUE 4: FINANCIAL SUSTAINABILITY

The Commission practices sound financial management of the funds collected through employer assessments to ensure the financial sustainability of the insurance system. Managing sustainability is done through investment policy, establishing experience based assessment rates, eliminating new injuries through effective prevention initiatives in our workplaces and providing affordable compensation benefits while pursuing cost containment initiatives.

Through continued adherence to the funding policy, implementation of sound management practices, and consolidated procurement practices, the Commission continues to provide for the long term security of injured worker benefits within employers' reasonable ability to pay. This supports the achievement of government's strategic direction of improved client services within a financially sustainable system.

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

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

Measure: Implemented management practices

Indicator - Continued adherence to the funding policy.

In 2012, the Commission continued to adhere to its funding policy in setting assessment rates and benefit levels. The funding policy, which was agreed to by stakeholders, is designed to maintain a funded position that will provide for the security of injured worker benefits within employers' reasonable ability to pay assessments. The policy provides guidance to ensure the Commission responds to external factors, such as volatile investment markets, in a controlled and responsible manner.

The Commission's funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. However, due to the potential volatility of investment market returns, the Board of Directors has established a funding target of total assets equal to 110 per cent of total liabilities. The Funding Policy specifies a funding target operating range from 100 per cent to 120 per cent. If the funded status moves outside the targeted range, the Commission will adjust assessment rates over a fifteen-year period to achieve the funding target. Assessment rates are premiums paid by employers to cover the expected costs of workplace injuries, return to work programs, prevention initiatives and the cost of administering the workers' compensation system.
The Commission's funding position declined slightly to 91.7 per cent in 2012 from 91.8 per cent in 2011. The stability of the funded ratio was primarily due to the improved investment returns and assessment revenue increases being offset by the recognition of a provision for latent occupational disease. The Commission's assessment rates remain at $2.75 per $100 of payroll for 2013. Benefit levels rose slightly to reflect an increase in the consumer price index. The maximum compensable and assessable earnings limit will increase from $52,885 for 2012 to $54,155 for 2013.

The Commission's long term funding target of total assets equal to 110 per cent of total liabilities is equivalent to requiring a stabilization fund of 10 per cent. At December 31, 2012, the required stabilization fund amounted to $99.2 million, bringing the total funding strategy deficiency to $181.0 million. This compares with a funding strategy deficiency of $159.5 million at the end of 2011. 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 2023 (that is, 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.

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

The Commission continues to consolidate its procurement of medical and health care items through the public tendering process in an effort to improve cost-effectiveness of service delivery. In 2012, the Commission extended contracts and re-tendered products and services as they expired in an effort to contain costs. Rising health care costs is an important issue for the Commission. Consolidation of procurement of medical and health care items through the public tendering process is an effort to improve cost-effectiveness of service delivery and help mitigate the rate of growth in health care costs. The Commission expanded procurement activities in

2012 through the issuance of new tenders for oxygen-related equipment and supplies. This is expected to contribute to the mitigation of growth in health care costs for supportive care and supplies. The Commission also closely monitors the utilization of health care products and services to help ensure the most cost-effective and medically appropriate treatments. The Commission also issued 14 requests for proposals, 16 tenders and five requests for quotations in adherence to the public tendering process.

The Commission implemented a number of additional management practices to improve cost-effectiveness of service delivery through the 2012 vendor management initiative. More streamlined business processes; improved reporting and exception management; and the introduction of improved internal controls consistent with financial standards are all results of this initiative. For further detail on the vendor management initiative, please refer to the update on page 21.

Indicator - Communicated the impact of International Financial Reporting Standards to stakeholders.

Effective January 1, 2011, the Commission adopted International Financial Reporting Standards (IFRS) which became the new accounting standards for publicly accountable enterprises in accordance with Canadian Generally Accepted Accounting Principles (GAAP). This conversion was done in order to comply with the Canadian Accounting Standard Board's 2008 decision that all publicly accountable enterprises report under IFRS. The adoption of the new standard increases the volatility of the Commission's reported financial results. The new standards required the Commission to restate its opening balance sheet as of January 1, 2010 and to restate comparative financial information for the year ended December 31, 2010. The specific details of these changes and the impacts of the conversion to IFRS were communicated to stakeholders in the Commission's Annual Performance Reports through the Management Discussion and Analysis and the Notes to the Financial Statements. In addition, the recently adopted changes and pending changes that may impact future financial results were presented to Commission stakeholders in October 2012 as part of the Commission's annual financial update to stakeholders.

The financial sustainability of the workers' compensation system in Newfoundland and Labrador remained relatively stable due to strong investment performance and increases in assessment revenue, as payrolls in the province continue to grow. As the Commission implements the 2011-2013 Strategic Plan, it continues to address its key strategic issues in the areas of client service, claims management delivery, injury prevention and financial sustainability. In 2013 the Commission will work on strategies intended to mitigate the impact of rising health care costs in addition to completing a risk management assessment.

2013 Objectives and Indicators

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

Measure: Implemented management practices

Strategic Indicators

4.1 Implemented cost containment strategies to mitigate rising health care costs.
4.2 Completed enterprise risk management assessment.

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, 2012. The MD&A was prepared based on information available as of March 8, 2013. The Board of Directors has undertaken its own review of the MD&A following the recommendation of the Financial Services Committee.

FORWARD LOOKING STATEMENTS

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

OPERATIONS OF THE COMMISSION

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

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

COMMISSION VISION AND MISSION

Key elements of the Strategic Plan for 2011-13 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

As part of its strategic planning process, the Commission conducts an environmental scan and identifies emerging issues within its business and regulatory environment which can potentially impact the achievement of the organization's mission. These issues include, but are not limited to, rising health care costs, high long term disability claims costs, and emerging occupational disease. 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 operational initiatives which are planned in response to the emerging issues. Due to the nature of the workers' compensation system, there are many factors beyond the Commission's ability to control; however, actions can be taken to mitigate their ultimate impact. These actions are incorporated into existing and proposed strategic plans.

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

KEY BUSINESS DRIVERS

Investment returns

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. The Commission's stated goal has been to earn a rate of return of 7.12% (3.5% real return after inflation). During 2012, the Commission revised its long term return expectation to 6.6%, which still reflects a 3.5% real rate of return, but a lower inflation expectation.

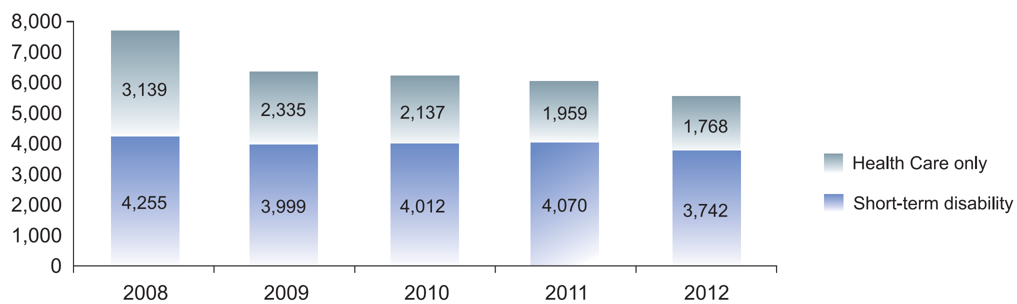
The financial risks to which the Commission is exposed are described in Note 8, Risk Management, to the Financial Statements and include credit, currency, interest rate, and market risks. Credit risk on fixed income securities arises from the possibility that issuers of debt will fail to meet their obligations to pay interest and principal. This risk is managed by limiting the investments held with any one issuer and ensuring commercial debt is rated R1 or higher. 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. This risk is managed through forward foreign exchange and futures contracts in respect of fixed income investments. The Commission has decided to accept the currency risk on global equities. Interest rate risk is the risk that the value of a security will fluctuate due to changes in market interest rates. This risk is managed through diversification among sectors and durations. 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. This risk is managed 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 collectively meet the long term return objectives of the investment portfolio.

Benefit Costs

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

The number of new injury claims continues to trend downwards and declined 8.6% from 2011 to 2012. Since 2008, the number of new injuries has declined by 25%.

NEW INJURY CLAIMS



The Commission defines short-term claims duration to be the average number of days for which temporary earnings loss benefits are paid for injuries occurring in the same reference year. For the past five years, the average duration has ranged from 39 to 42 days and was 39 days in 2012.

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 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 early and safe return to work. The Commission also seeks to reduce claims duration through negotiated agreements with external service providers that provide guidelines for the timeliness of treatments and the quality of service.

The drivers of claim duration beyond the Commission's control include access to interventions and availability of suitable employment following an injury. 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.

The Commission's claims duration strategy focuses on proactive case management and early intervention on claims to positively impact return to work outcomes, costs and client service. Program improvements to date have focused on getting the right information to the right person for timely decision making, enhanced education on ESRTW for workplace parties, the development and management of KPIs and staff training. These efforts will continue into 2013 along with additional improvements to claims management delivery.

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 Claims Management Model (CMM), are expected to help mitigate the rate of growth in health care costs. The Commission continues to consolidate its procurement of medical and health care items through the public tendering process in an effort to improve the cost-effectiveness of service delivery. Further, through adherence to the provincial generic drug pricing policy, and close monitoring to ensure utilization of the most cost-effective medications appropriate to the condition being treated, the Commission helps to contain costs in an area where there has been a global increase.

Lost Time Incidence Rate

The lost time incidence rate is one of the fundamental metrics in the workers' compensation system as it determines the rate of injuries administered by the Commission for a given worker population. This indicator measures the rate of wage loss injuries per 100 workers employed in the province. In periods of stable employment, an increase in the incidence rate will increase the volume of claims administered by the Commission, which ultimately has an impact on employer assessment rates.

Since 2000, the lost time incidence rate has declined 52% from 3.3 per 100 workers to 1.6 per 100 workers in 2012 (forecasted). All other safety performance metrics like soft tissue injury rates, young worker injury rates, serious injury rates, and accident fatality rates also realized reductions in 2012. This is an indication that workers and employers are working in partnership to create a strong safety culture in our province. It further indicates that prevention initiatives and enforcement activities are having an impact in the workplace. From an education and awareness perspective, 1 in 6 workers in our province received certification training in occupational health and safety in 2012. This high rate of training is enabling workers and employers to systematically identify workplace hazards, and mitigate the risks associated to these hazards to prevent injury.

The lost time incidence rate has continued to trend downwards despite an increase in overall employment in the province. In many jurisdictions in Canada, a sharp increase in employment usually results in a net increase in lost time claims, as the probability of injury generally increases with more workers in the workplace. However, the converse has been true in Newfoundland and Labrador, dating back to 2001. We continue to have a declining incidence rate in an era of steady increases in employment. The Commission and its stakeholders must remain diligent to continue this positive trend. As such, the Commission worked extensively in 2012 to implement Year 1 of the Prevention Strategy. Elements of the strategy will continue to be implemented in 2013 and 2014.

Inflation rate

The annual change in inflation can have a material impact on the Commission's benefit liabilities. The long term disability benefits provided under the *Act* are indexed to the full rate of inflation with no upper limit. The Commission calculates the annual inflation adjustment based on the year-over-year change in the Consumer Price Index at July each year and applies the adjustment January 1 of the following year. The inflation adjustment calculated in 2012 was 2.4% and the inflation adjustment has averaged 1.9% over the past five years. The Commission has reduced its long term expectation for inflation, to average 3.0% per year, down from 3.5%. This is a key assumption applied in the actuarial valuation of the benefit liabilities.

2012 FINANCIAL HIGHLIGHTS

Economic conditions in Newfoundland and Labrador continued to be robust in 2012 due to major project development, which generated employment and boosted consumer spending. The Commission recorded a 7.8% increase in the overall assessable payroll base, with increased payrolls across all industry sectors except fishing, logging and forestry, and manufacturing. While uncertainty persists in the Eurozone, recovery from the global recession continued in 2012 which was reflected in strong performance of financial markets.

There was an increase in assessment revenue of $9.1 million and significant improvement in investment returns which was offset by increases in the benefit liability arising primarily from the recognition of a provision for latent occupational disease ($63.4 million). The Commission reduced its annual deficit to $10.2 million from a deficit of $21.8 million in 2011. The Commission's funded position declined slightly to 91.7% from 91.8% at the end of 2012.

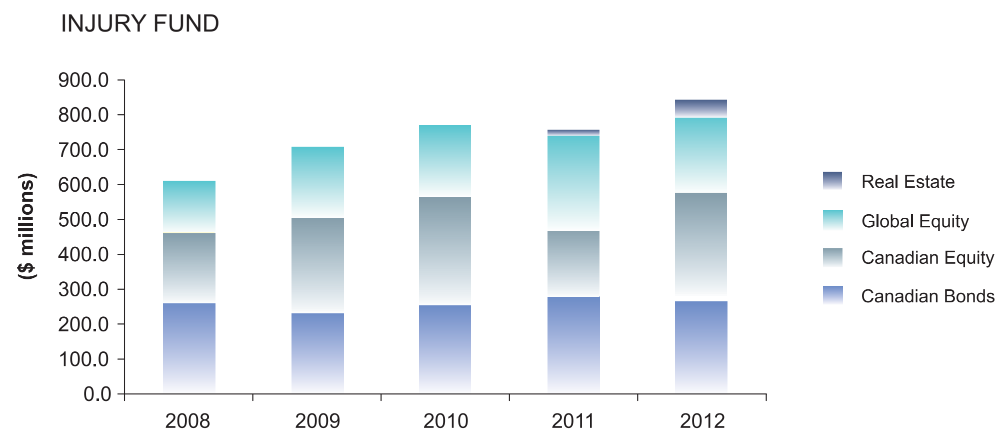
STATEMENT OF FINANCIAL POSITION

Cash position

The Commission ended 2012 with a cash balance of $33.9 million, as compared to $15.7 million at the end of 2011. The Commission was able to improve its relative cash position primarily due to an increase in, and improved collection of assessment revenue. The Commission transferred $5 million to the injury fund in December 2012. This is the first time the Commission has been in a position to augment the injury fund since 2006.

Investments

The Commission's investments are held in an Injury Fund to meet future benefit payments to injured workers. These investments are diversified primarily between domestic fixed income and domestic and foreign equities, as well as a small allocation to real estate, which was added in 2011. The fair value of the Injury Fund increased $87.1 million to $842.9 million at December 31, 2012 from $755.8 million at the end of 2011.



In 2012, the global economy experienced a year that can be characterized as one of slow growth with moderate inflation, very accommodative monetary policy by most central banks and fiscal austerity programs in certain troubled regions. Gone were the economic, natural and political challenges of the prior year.

Commodities producing countries such as Canada saw slower growth due to persistent weakness in commodities prices. Growth in Canada was further constrained by a cooling of the housing market, mounting government deficits, the highest recorded levels of consumer debt and a strong currency. The Canadian equity market produced a meaningful turnaround from negative returns in 2011, but lagged other markets globally, primarily due to underperformance in the materials and energy sectors.

The US economy continued to grow, despite being overshadowed by the uncertainty created by political gridlock and the potential "fiscal cliff". The US Federal Reserve concluded that another round of quantitative easing was required to maintain momentum and for the first time linked future interest rate movements to achieving specific employment and inflation targets. In the latter part of the year improvements were recorded in US housing, consumer spending and employment.

While concern was abated over the Euro crisis due to the European Central Bank's commitment to purchase sovereign debt, the ongoing fiscal austerity measures and restructuring programs put a damper on growth in that region. The very accommodative monetary policies of central banks during 2012 kept yields low on fixed income instruments resulting in investors seeking out yield enhancing strategies.

In 2012, the Injury Fund had a rate of return of 10.9% compared with a negative 1.8% return in the previous year. Including the return for 2012, the fund has generated an average return of 8.9% over the most recent four years and 6.6% over the most recent ten years. The S&P/TSX Composite Index returned 7.2% in 2012 as compared to negative 8.7% for 2011, and 17.6% for 2010. The S&P 500 index (U.S. equities) produced an annual return of 13.4% (in Canadian dollar terms) compared with 4.6% a year earlier. The MSCI EAFE index (international equities) increased by 15.3% (in Canadian dollar terms) which is a significant improvement from the negative 9.6% return in 2011. The DEX Bond Universe (fixed income) index closed the year up 3.6% as compared to a return of 9.7% in 2011.

Investment Strategy

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

The 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.

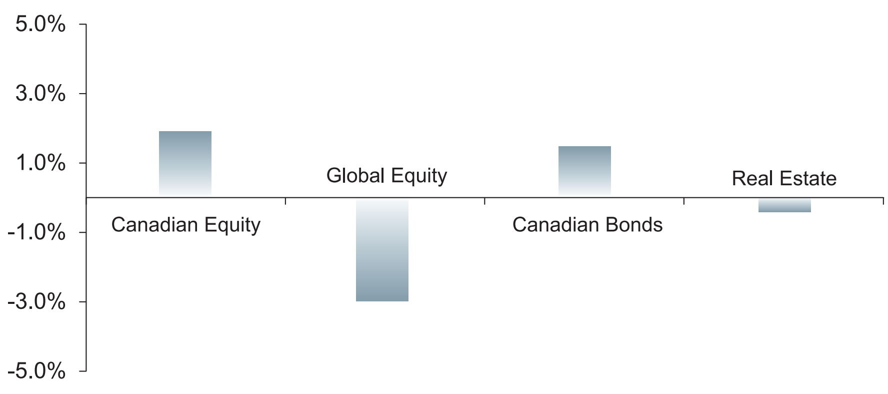
The Long Term Investment Policy documents the long term asset mix target, the return objectives, acceptable investments and limits on risk concentration. The Injury Fund assets are managed by independent, professional investment managers. The Commission monitors the managers' compliance with policy on 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 asset mix policy as at December 31, 2012 was as follows:

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

As depicted in the chart below, all asset classes were within tolerance range at December 31, 2012:

ASSET MIX VS POLICY



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 2012, indicated that the Injury Fund could reduce volatility and potentially improve returns through an increase in the allocation to real estate from 5% to 10%. Accordingly, the Board approved a change in the Injury Fund asset mix by making an equal reduction in the allocation to the Canadian equity class.

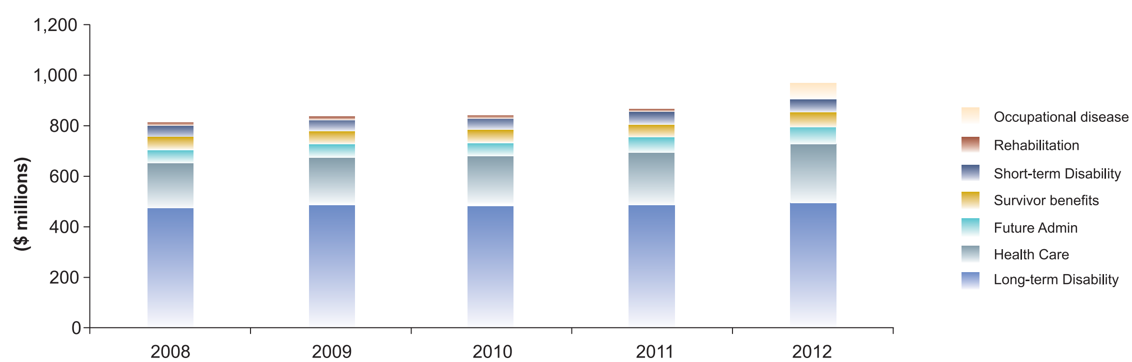
The Commission will fund this allocation through its existing Canadian real estate manager, over an 18-month period commencing in 2013.

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, 2012. The Commission has also included a provision for future claims related to latent occupational disease, of 7% of the benefit liability, based on a study completed by the Commission's actuary in 2012. The benefit liabilities are increased each year for the estimated cost of current and prior year injuries and are reduced by actual payments in the year and revisions to actuarial estimates for prior years' claims. These experience adjustments are a normal and expected part of the actuarial valuation process.

The Commission has a financial strategy policy aimed at maintaining the funded position within a reasonable range over the long term. The economic and actuarial assumptions used in the valuation of liabilities are reasonable estimates of future expectations for these variables over the long term. The assumptions described in Note 14 - Benefit Liabilities and Claims Costs, to the financial statements have been updated from the previous year to reflect a lower long term inflation assumption of 3.0% per annum (2011 – 3.5%), and therefore a lower expected gross rate of return of 6.61% per annum (2011 – 7.12%). The effect of the change was to increase the liability by $14.9 million.

BENEFIT LIABILITIES



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, occupational disease and future administration costs. Benefit liabilities increased 12.8% from $858.6 million at the end of 2011, to $968.8 million at the end of 2012.

The liability for long term disability benefits represents the single largest component of the overall benefit obligations. At December 31, 2012, the long term disability liability amounted to $496.7 million or 51.3% of the total benefits liability as compared to $485.0 million, or 56.5% as at December 31, 2011. The growth of this liability is less than expected mainly due to: extended earnings loss (EEL) claim terminations being greater than expected ($8 million); and the actual inflation rate being lower than the assumed rate ($9 million).

In addition to the liability for long term disability claims accepted during the year, the liabilities include a provision for outstanding claims that might become long term disability claims in future years. The observed (actual) average capitalization decreased slightly from about $126,000 in 2011 to $125,000 in 2012. The average new capitalization award for the past 5 years, when adjusted for inflation, is $126,000. As such, the actuaries have maintained their $125,000 assumption. A sustained trend, different from assumed, would have to be observed before the actuaries adjust their assumption on average EEL awards. The Commission's actuaries have also noted that the percentage of short-term claims expected to become long term has edged up slightly to 6.2% from 5.9%. Despite this slight increase, the absolute number of expected long term claims remained relatively stable at roughly 230 per year for the years 2010 to 2012. Overall, the lower number of short-term claims largely balances their slightly higher propensity to become long term, and results in only a slight increase in the absolute number of expected long term claims for the years 2010 to 2012.

The next largest benefit liability category is health care which increased 10.1% to $233.6 million from $212.2 million at the end of 2011. The growth in the liability is mainly attributable to the aforementioned reduction in the expected gross rate of return used to discount future benefit payments and due to the recognition of two serious claims that are expected to have significant future health care costs ($8 million).

In 2012, survivor benefits declined by $2.0 million. The Commission accepted 26 fatality claims in 2012 compared with 33 in 2011. Of these, 6 were as a result of accidents and 20 arose from occupational disease (2011: 6 accidents, 27 occupational disease). Overall the liability for survivor benefits was slightly higher than expected due to more claims arising from prior accident years than anticipated in the valuation.

During 2012, the Commission's actuaries completed a study of occupational disease. The study suggested a reasonable range for a provision for latent occupational disease would be 5.8-7.8% of the benefit liability. Based on the study, the Commission recognized a provision of $63.4 million for occupational disease, which is 7% of the benefit liability at December 31, 2012.

The benefit liabilities also contain a provision for the future costs of administering current claims. The Commission updated its analysis of administration costs and has determined that 8.5% (2011-7%) of the benefit liability 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. The effect of the change was to increase the liability by $12.5 million.

Funding Policy

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

The Commission's funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. However, due to the potential volatility of investment market returns, the Board of Directors has established a funding target of total assets equal to 110% of total liabilities. The Funding Policy specifies a funding target operating range from 100% to 120%. If the funded status moves outside the targeted range, the Commission will adjust assessment rates paid by employers over a fifteen-year period to achieve the funding target. The Commission's assessment rates for 2011 and 2012 included an upward adjustment (that is, surcharge) of $0.25 per $100 of payroll.

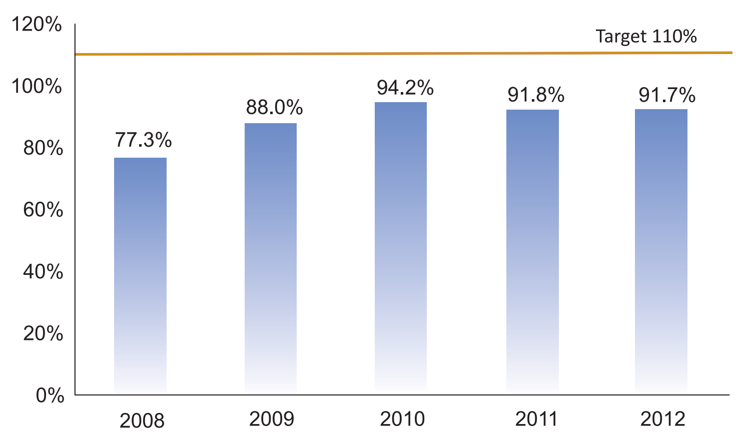
At funding levels above 140% the Commission will consider one-time expenditures. One-time expenditures include, but are not limited to, benefit improvements, assessment rebates and funding for prevention programs. The introduction of benefit improvements is subject to the approval of the Government of 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.

FUND DEFICIENCY

At December 31, 2012, the Commission's assets totaled $910.0 million compared with total liabilities of $991.8 million. The net fund deficiency of $81.8 million consists of $82.4 million in accumulated operating deficits, offset by an occupational health and safety research reserve of $0.6 million.

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, 2012, the Commission's funded ratio had declined slightly to 91.7%. The stability of the funded ratio was primarily due to the improved investment returns and assessment revenue increases being offset by the recognition of a provision for latent occupational disease.

FUNDED RATIO



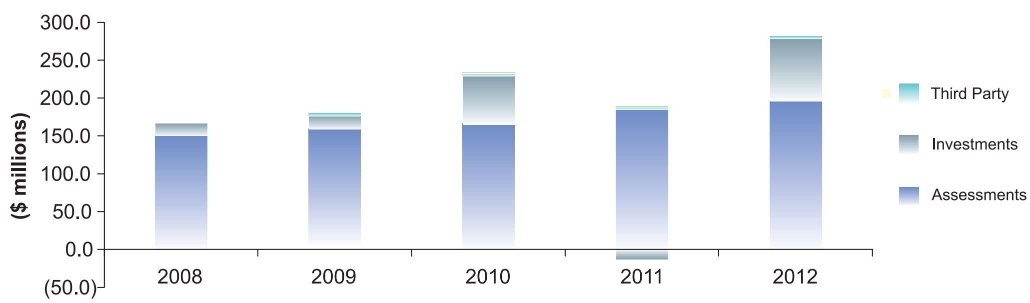
The Commission's long term funding target is to achieve a level of total assets equal to 110% of total liabilities which is equivalent to requiring a stabilization fund of 10%. At December 31, 2012, this required stabilization fund amounted to $99.2 million, bringing the total funding strategy deficiency to $181.0 million. This compares with a funding strategy deficiency of $159.5 million at the end of 2011. 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 2023 (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.

STATEMENT OF OPERATIONS

Revenues

The Commission's revenue sources are assessments paid by employers, investment income and third party recoveries. In 2012, revenues totaled $281.0 million, a 58.0% increase from 2011 revenues of $177.8 million, primarily driven by an improvement in the performance of financial markets, and therefore a significant increase in investment income.

REVENUE



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 5% from $177.8 million in 2011 to $186.7 million in 2012. In 2012, employer assessable payrolls increased by 7.8% from $6.4 billion to $6.9 billion due to growth across most industry sectors and partly because of the annual increase in the maximum assessable and compensable earnings limit. The growth in assessments revenue was muted, however, due to reductions in the average rates in certain sectors including construction and transportation. The reduction in average rates is a reflection of improving claims cost experience in these sectors.

Under the Commission's PRIME program, employers can impact the assessments they pay by meeting their practice requirements under the practice incentive component and managing their claim costs under the experience incentive component. The practice component recognizes employers for good occupational health and safety and return-to-work practices through a five percent refund on their average calculated base assessments. Since this program came into effect in 2005, employers have earned $29 million in PRIME practice refunds.

PRIME Refunds / Charges

($ millions)	2012	2011
Practice refunds paid	5.3	4.9
Practice refunds forfeited	2.4	2.2
Practice refunds available	7.7	7.0
Experience refunds paid	8.1	7.0
Experience refunds forfeited	3.9	3.8
Experience refunds available	12.0	10.8
Experience charges	(3.8)	(3.8)

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 claim 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. When claim costs falls within the range neither a refund nor a charge is applied. Employers must meet the practice incentive requirements before being eligible for experience refunds.

The ultimate amount of practice and experience incentives for the 2012 PRIME program year will not be known until the processing and subsequent audits of employer statement data is completed later in 2013. The Commission estimates that employers will qualify for practice incentive refunds of $5.5 million in 2013 based on their 2012 performance and their qualifying experience incentive, net of experience charges, will be $5.3 million.

Revenues from self-insurers increased 2.9% from $10.5 million in 2011 to $10.8 million in 2012. Self-insurers experienced lower number of claims and lower claims payments in long term and survivor benefits, with increasing payments in short term and health care benefit categories during 2012 as compared to 2011.

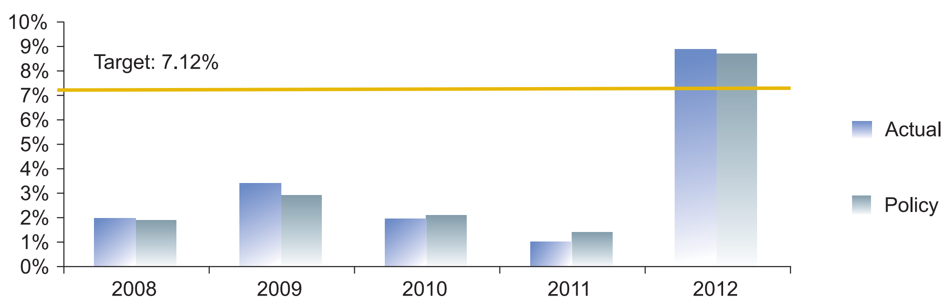
Investment Income

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

The target rate of return for the investment portfolio has been 7.12% or 3.5% after inflation over the long term. During 2012, the Commission revised its long term return target to 6.6%, which still reflects a 3.5% real rate of return, but a lower inflation expectation. In 2012, the Injury Fund had a rate of return of 10.9% compared with a negative 1.8% return in the previous year. The fund has generated an average return of 8.9% over the most recent four years and 6.6% over the most recent ten years.

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. For the four-year period ending December 31, 2012, the Injury Fund earned an annualized return of 8.9% compared to the policy return of 8.7%.

FOUR-YEAR ANNUALIZED RETURN



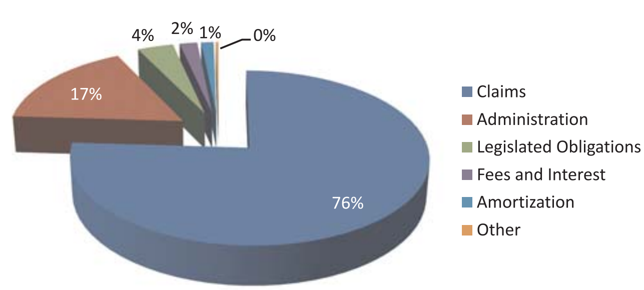
In 2012, the Commission realized investment income of $82.6 million, compared to a net investment loss of $11.6 million in 2011. There was a 8.3% increase in interest and dividends from $21.1 million in 2011 to $22.9 million in 2012. The remainder of the income is due to net gains realized on the disposal of assets during the year, as well as the change in market value from the previous year-end.

Expenses

The Commission's total expenses include benefit costs, administrative expenses, legislated obligations, fees and interest, amortization and other expenses. Benefits for injured workers are the most significant component of the Commission's expenses, which comprises over 76% (2011 – 77%) of expenses, excluding actuarial adjustments and the new provision for latent occupational disease, while administration expenses are approximately 17% (2011 – 16%) of the total.

In 2012, total expenses were $291.1 million, an increase of $91.5 million from $199.6 million in 2011. The increase is attributed primarily to the increases in claims costs (including actuarial adjustments) incurred of $89.8 million.

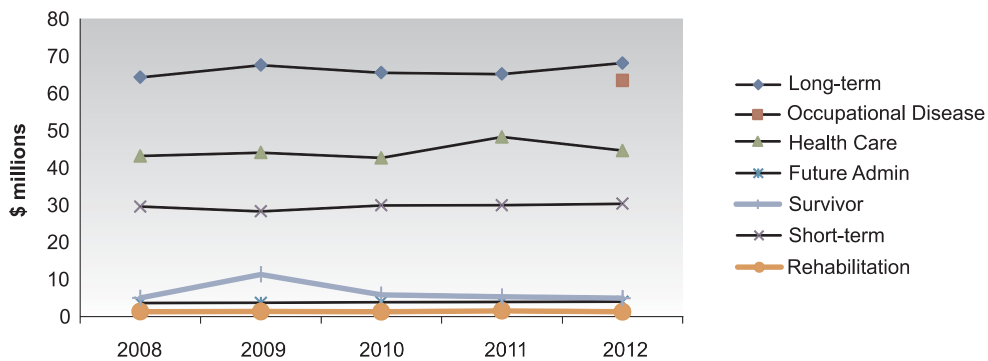
TOTAL EXPENSES



Claims costs incurred

Claims costs incurred (expense), as reported in the Statement of Operations, are actuarially determined and include the full cost of providing for all injuries that occurred in the current and prior years. Claims costs incurred increased $89.8 million (58.7%) from $152.8 million in 2011 to $242.6 million in 2012. This was mainly due to: the initial recognition of a provision for latent occupational disease ($63.4 million); an increase in the provision for the cost of future claims administration from 7.0% to 8.5% of the benefit liability ($12.5 million); and a decrease in the discount rate from 7.12% to 6.61% ($14.9 million), to reflect a decrease in the long term inflation expectation from 3.5% to 3.0%.

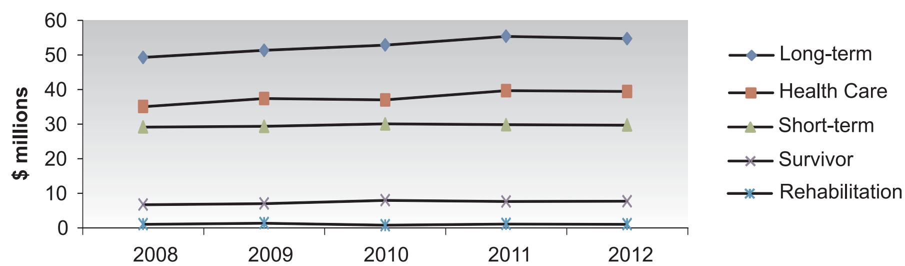
CLAIMS EXPENSE



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 decreased 0.8% to $132.5 million in 2012, from $133.5 million in 2011. The average rate of increase from 2007 to 2012 has been 3.9%.

CLAIMS PAYOUTS



The slight decrease in claims costs paid occurred across all benefit categories with the exception of survivor benefits, which had a small increase ($0.1 million).

The Commission experienced a slight decline (0.2%) in payments for health care services. The largest increases in payments were in the categories of personal care, occupational rehabilitation, chiropractic and prescription drugs, offset by decreases in other categories. The number of injured workers availing of personal care remained relatively constant, with the increase attributable to extensive care required for claims of a severe nature.

Although there were increases in average weekly wages and the maximum assessable and compensable earnings limit, the number of short-term claims and average number of weeks paid on those claims declined.

Administrative and other expenses

In 2012, the Commission's administration, amortization and other operational expenses amounted to $37.1 million compared to $36.6 million in the previous year, an increase of 1.6%.

The most significant change in administration expense occurred in the salaries and benefits category, which increased $1.6 million (5.8%). The increase in this category is primarily due to retroactive payments associated with position reclassifications arising from a HAY review appeals ($0.5 million), and the part-year impact of a 4% wage increase ($0.4 million) which was effective June 1, 2011. The Commission's overall staffing complement has remained relatively constant since 2008, but there were on average four fewer vacancies in 2012 versus 2011 ($0.3 million).

As well, there was an increase in advertising in the office and communication category related to SAFEWork ($0.3 million) which had previously been recorded under business improvement projects in prior years.

These increases in salaries and benefits were offset by decrease in building operations due to the lobby renovation having been completed in 2011 ($0.5 million), and lower spending on business improvement projects in 2012 ($0.7 million).

Legislated obligations

The Commission is required by legislation to fund the operating costs of the Occupational, Health and Safety Branch of Service NL 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 Advanced Education and Skills (until March 31, 2012) and the Labour Relations Agency in respect of administering the *Act*. Legislation also requires that the Commission fund all of the costs of operating the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also provides funding to employer and worker advisor positions. Total legislated obligations and other commitments increased by $0.7 million in 2012 to $7.6 million.

OUTLOOK

The financial sustainability of the workers' compensation system in Newfoundland and Labrador remained relatively stable due to strong investment performance and increases in assessment revenue, as payrolls in the province continue to grow. Other positive factors include lower than expected inflation, favourable experience on prior years' claims and a slight reduction in new injury claims. The Commission continues to implement further elements of the CMM which is directed at reducing the duration of short-term claims and enhancing the medical management of claims. The ultimate goal is to improve client service while reducing the cost of new injuries.

Stakeholders should be mindful of the delicate balance that continues to exist among investment returns, injury rates and claims costs and the effect these factors have on the Commission's funded status. The Commission's funded status declined slightly to 91.7% in 2012 (2011 – 91.8%), after making a provision for latent occupational disease ($63.4 million) and changes in actuarial assumptions ($26.0 million). The Board of Directors' long term goal is to achieve a funded status of 110%. The Commission must earn more than the long term target for the foreseeable future, to ensure the financial sustainability of the Injury Fund and provide for the security of benefits.

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

The Board maintained the average base assessment rate per $100 of assessable payroll at $2.75 for 2013. This decision was guided by the funding policy which requires that the average assessment rate be adjusted to allow the Commission to achieve its long term funding target of 110%. While assessment rates continue to be among the highest in the country, another 11 years of surcharges are required to amortize the current funding deficiency. During 2011, the decline in the Commission's net funding deficiency demonstrates the need to retain a long term focus. As well, other factors such as future trends in accident experience and investment returns will also impact the average assessment rate.

The Provincial government is anticipating that economic growth will continue in 2013, with real GDP in Newfoundland and Labrador increasing by 6.7% due to higher oil production and further capital investment in the mining and energy sectors. Employment is expected to grow by 3.1%.

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. Although there is continued uncertainty regarding the resolution of sovereign debt issues in Europe, globally, economic growth in 2013 is expected to be 3%. Expectations for economic growth in Canada and the United States are around 2%.

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

FINANCIAL STATEMENTS

WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION
ANNUAL PERFORMANCE REPORT 2012

Management responsibility for financial reporting

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

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

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

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

Ernst & Young, LLP, the external auditors of the Commission, have performed an independent audit of the 2012 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.

Leslie Galway	Paul Kavanagh
Chief Executive Officer	Chief Financial & Information Officer

ACTUARIAL STATEMENT OF OPINION

I have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (the "Commission") as at December 31, 2012 (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 $968,803,986. 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. It also includes a provision for potential long-latency occupational disease claims associated with exposure that occurred on or before the valuation date. Self-insured employers are not included in this valuation.
2. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable for the purpose of the valuation.
3. The actuarial assumptions adopted in computing the liabilities are appropriate for the purpose of the valuation.
4. The methods used are appropriate for the purpose of the valuation and in accordance with accepted actuarial practice for workers compensation organizations in Canada. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of the Commission. The discount rates used are disclosed in note 14 to the financial statements.
5. The amount of the actuarial liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly present the results of the valuation.
6. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.
7. The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador and on the Commission's policies and practices in effect on the valuation date.

Conrad Ferguson, F.C.I.A.

Morneau Shepell Ltd.
March 25, 2013

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the

Workplace Health, Safety, and Compensation Commission

We have audited the accompanying financial statements of Workplace Health, Safety, and Compensation Commission, which comprise the statement of financial position as at December 31, 2012, and the statement of operations and comprehensive income, changes in fund deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Workplace Health, Safety, and Compensation Commission as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

St. John's, Canada

April 4, 2013

Chartered accountants

Statement of FINANCIAL POSITION
as at December 31

(thousands of dollars)	2012	2011
Assets		
Cash and cash equivalents	**$ 33,919**	$ 15,672
Accounts receivable [note 5]	**8,452**	11,750
Investments [note 6]	**842,889**	755,819
Property, plant and equipment [note 9]	**8,583**	8,451
Intangible assets [note 10]	**16,201**	15,254
	$ 910,044	$ 806,946
Liabilities		
Accounts payable and accrued liabilities [note 12]	**17,128**	14,758
Employee future benefits [note 15]	**5,905**	5,177
Benefit liabilities [note 14]	**968,804**	858,641
Total liabilities	**991,837**	878,576
Fund deficiency	**(81,793)**	(71,630)
	$ 910,044	$ 806,946

Commitments [note 23]

Authorized for issue on April 4, 2013 on behalf of the Board of Directors

Ralph Tucker
Chairperson

Darren Roberts
Director

See accompanying notes.

***Statements of* OPERATIONS and COMPREHENSIVE LOSS**
Year ended December 31

(thousands of dollars)	**2012**	2011
Revenue		
Assessments revenue [note 13]	**$ 197,488**	$ 188,367
Investment income (loss) [note 7]	**82,634**	(11,602)
Third-party recoveries	**838**	1,049
	280,960	177,814
Expenses		
Claims costs incurred [note 14]		
Short-term disability	**30,311**	29,913
Long-term disability	**68,081**	65,138
Survivor benefits	**4,933**	5,359
Health care	**44,598**	48,224
Rehabilitation	**1,296**	1,544
Occupational disease	**63,380**	-
Actuarial adjustments	**26,015**	(1,245)
Future administration costs	**4,001**	3,911
	242,615	152,844
Administration [note 16]	**33,869**	32,543
Legislated obligations [note 17]	**7,624**	6,952
Fees and interest [note 7]	**3,749**	3,245
Amortization [notes 9 and 10]	**2,664**	2,491
Other expenses [note 18]	**592**	1,520
	291,113	199,595
Comprehensive loss	**$ (10,153)**	$ (21,781)

See accompanying notes.

Statement of **CHANGES IN FUND DEFICIENCY**
Year ended December 31

(thousands of dollars)	**2012**	2011
Accumulated operating deficit		
Balance, beginning of year	**$ (72,190)**	$ (50,409)
Comprehensive loss	**(10,153)**	(21,781)
	(82,343)	(72,190)
Reserves		
Occupational Health and Safety Research [note 19]	**550**	560
Fund deficiency, end of year	**$ (81,793)**	$ (71,630)

See accompanying notes.

***Statement of* CASH FLOWS**
Year ended December 31

(thousands of dollars)	**2012**	2011
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 200,787**	$ 186,593
Third parties	**838**	1,049
	201,625	187,642
Cash paid to:		
Claimants or third parties on their behalf	**(132,452)**	(133,504)
Suppliers and employees, for administrative and other goods and services	**(38,986)**	(41,158)
Investment manager, interest & other fees	**(2,881)**	(2,582)
Third party, from reserve fund	**(10)**	(80)
	(174,329)	(177,324)
Net cash provided from operating activities	**27,296**	10,318
Cash flows from investing activities		
Cash received from:		
Interest	**10,580**	10,930
Dividends	**12,823**	10,181
Sale of investments	**351,997**	410,619
	375,400	431,730
Cash paid for:		
Purchase of investments	**(380,705)**	(431,404)
Purchase of capital assets	**(3,744)**	(2,857)
	(384,449)	(434,261)
Net cash used for investing activities	**(9,049)**	(2,531)
Net change in cash and cash equivalents	**18,247**	7,787
Cash and cash equivalents		
Beginning of year	**15,672**	7,885
End of year	**$ 33,919**	**$ 15,672**

See accompanying notes.

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 a legislative incorporated entity with no share capital. The main office of the Commission is located at 146-148 Forest Road, St. John's, Newfoundland and Labrador, Canada. The Commission operates two regional offices in Newfoundland in Grand-Falls-Windsor and Corner Brook.

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

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

2. BASIS OF PREPARATION

Statement of Compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents and short-term investments

Cash and cash equivalents and short-term investments include cash, bank overdrafts and money market instruments. Those with original maturity dates at time of purchase of three months or less are classified as cash equivalents, whereas those with original maturities beyond 3 months, and less the 12 months are classified as short-term investments. Cash, cash equivalents and short-term investments are measured at fair value. Cash equivalents bear interest rates of 1.25% - 1.27% (2011 - 1.2%).

Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls at which point revenue is recognized. The assessment levy is payable by installments within the current year. At year-end, assessment revenue is adjusted based on a review of the employers' actual payrolls, as well for the estimate of practice incentive refunds which are payable to the employers under the Prevention & Return to Work Insurance Management for Employers/Employees Program (PRIME).

Assessment revenue also includes payments from self-insured employers, who directly bear the costs of their own incurred claims and their share of administration costs.

Accounts receivable

Actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is included in accounts receivable based on historical assessment information.

Property, plant and equipment

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

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

At the end of each reporting period, the useful lives of items of property, plant and equipment are reviewed and adjusted if required, and an assessment is made whether there is any indication of impairment.

Intangible assets

Intangible assets, which include purchased software and internally developed systems are recorded at cost and are amortized monthly on a straight-line basis over their estimated useful lives of ten years. Intangible assets are assessed for an indication of impairment at the end of each reporting period, and if an asset is determined to be impaired, its carrying value is reduced to the net recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

Foreign currency translation

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

Investments

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

The fair value of publicly traded investments is based on quoted prices from security exchanges, while that of domestic real estate investments is based on independent appraisals, and pooled fund units are valued at their year-end net asset values.

Financial instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 investment portfolio does not contain any derivatives intended for speculation purposes and does not hold derivatives on a segregated basis but does have indirect exposure through its pooled fund investments.

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) Futures contracts are valued based on quoted market prices.

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

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

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

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

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

Employee future benefits

Accumulated annual leave is accounted for on an accrual basis in the period during which employees render service, and has been actuarially determined.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Third-party recoveries
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. 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.

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

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

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;

- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or

- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

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

<u>IFRS 4: Insurance Contracts</u>
In July 2010, the IASB issued an exposure draft proposing a comprehensive measurement approach for all types of insurance contracts. The Commission is analyzing the impact this new standard will have on its financial statements. It is anticipated that the IASB will issue a revised exposure draft in the first half of 2013.

<u>IFRS 13: Fair Value Measurement</u>
IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The standard is effective for annual periods commencing on or after January 1, 2013. The adoption of IFRS 13 will affect the fair value of certain investments and thus affect the profit and fund deficiency of the Commission.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 17: Leases
The IASB has issued an exposure draft which proposes new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position. The Commission is analyzing the impact this new standard will have on it financial statements. It is anticipated that the IASB will issue a second re-exposure draft in the second quarter of 2013.

IAS 19: Employee Benefits
The IASB has issued a revised standard on employee benefits which is applicable for years beginning on or after January 1, 2013. The revised standard will require the impact of changes in actuarial assumptions from year to year be recorded in other comprehensive income rather than the Commission's current practice of recording through the statement of operations.

4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The Commission believes that the amount provided for benefit liabilities as at December 31, 2012, is adequate, recognizing that actuarial assumptions as disclosed in note 14 may change over time to reflect underlying economic trends. Such changes could possibly cause a material change in the actuarial present value of the future payments.

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

Employee future benefits
An actuarial valuation of severance and annual leave liabilities is prepared by an independent firm of consulting actuaries, using the assumptions disclosed in note 15. Changes in these assumptions could have a material impact on the accrued benefit obligations.

5. ACCOUNTS RECEIVABLE

(thousands of dollars)	**2012**	2011
Assessments	**$ 9,134**	$ 9,784
Less: Allowance for doubtful accounts	**4,632**	4,071
	4,502	5,713
Accrued assessments	**1,379**	3,318
Other	**2,571**	2,719
	$ 8,452	$ 11,750

6. INVESTMENTS

(thousands of dollars)	**2012**		**2011**	
	Fair value	Cost	Fair value	Cost
Fixed term	**$ 265,061**	**$ 262,118**	$ 274,764	$ 267,057
Equities	**538,546**	**471,902**	467,740	437,586
Real Estate	**39,282**	**35,000**	13,315	12,333
	$ 842,889	**$ 769,020**	$ 755,819	$ 716,976

Derivatives

At December 31, 2012 the fair value of the Commission's derivative portfolio was $165,216 [notional value of $26,744,973]. Derivative instruments held at December 31, 2011 had a fair value of $271,919 [notional value of $13,542,470].

7. INVESTMENT INCOME (LOSS)

Investment income (loss) is comprised of the following:

(thousands of dollars)	**2012**	2011
Interest and dividends	**$ 22,871**	$ 21,111
Realized gain (loss) on sale of investments	**14,708**	(23,906)
Interest on short-term investments	**532**	412
Unrealized gain (loss) on change in fair market value of investments	**44,523**	(9,219)
Net investment income (loss)	**$ 82,634**	$ (11,602)

7. INVESTMENT INCOME (LOSS) (continued)

Fees and interest are comprised of the following:

(thousands of dollars)	**2012**	2011
Fund Managers' Investment Fees	**$ 2,767**	$ 2,569
Banking Fees	**96**	135
Bad Debt expense	**868**	456
Interest paid to claimants	**18**	85
Fees and interest	**$ 3,749**	$ 3,245

8. RISK MANAGEMENT

The Commission manages its investment portfolio in accordance with its long-term investment policy. The investment risk inherent in an investment portfolio is managed through diversification in both asset classes and investments within each asset class. The Commission also engages a number of different fund managers with a broad range of investment philosophies and styles.

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

Fair Value Hierarchy

	Fair Value	
(thousands of dollars)	**2012**	2011
Level 1		
Cash and cash equivalents	**$ 15,270**	$ 15,785
Equity	**533,813**	460,653
	549,083	476,438
Level 2		
Fixed term investments	**254,524**	263,686
Real Estate	**39,282**	13,315
	293,806	277,001
Level 3		
Asset Backed Commercial Paper[1]	**-**	2,380
	$ 842,889	$ 755,819

[1]The Commission sold its Asset Backed Commercial Paper (ABCP) in August 2012 for proceeds of $2,300,000.

8. RISK MANAGEMENT

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

Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. At December 31, 2012, 85.0% [2011 - 88.7%] 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. Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Forward foreign exchange and future contracts are used to hedge the currency risk of certain foreign denominated fixed-term investments. Hedge accounting has not been applied to hedging arrangements. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments.

As at December 31, 2012, the Commission's holdings in foreign equities and pooled equity funds had a market value of $227.9 million [2011 - $191.3 million] representing 27.0% [2011 – 25.3%] of the market value of the total investment portfolio.

The table below presents the 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)	**2012**		2011	
	CAD/USD	**CAD/EURO**	CAD/USD	CAD/EURO
10% appreciation in the Canadian dollar	**$ (13,422)**	**$ (2,488)**	$ (10,571)	$ (2,596)

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.

8. RISK MANAGEMENT (continued)

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

(thousands of dollars)	**2012**		2011	
Change in nominal interest rates	+50bps	+100pbs	+50bps	+100pbs
Nominal bonds	**$ (8,261)**	**$ (16,259)**	$ (8,387)	$ (16,493)

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

(thousands of dollars)	Remaining Term to Maturity			
Fixed term Investments	Within 1 year	1 to 5 years	Over 5 years	Total
2012 Fair Value	**$ 42,981**	**$ 44,002**	**$ 178,078**	**$ 265,061**
2011 Fair Value	$ 23,297	$ 74,622	$ 168,147	$ 266,066

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.

8. RISK MANAGEMENT (continued)

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

(thousands of dollars)	**2012**		2011	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% Change in market benchmark	**(17%)**	**(33.9%)**	(17%)	(34%)
Canadian equity	**$ (45,092)**	**$ (78,768)**	$ (40,254)	$ (70,295)
% Change in market benchmark	**(13.2%)**	**(26.5%)**	(13.1%)	(26.2%)
Non-Canadian equity	**$ (26,629)**	**$ (47,686)**	$ (22,177)	$ (39,745)

9. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	**2012**			2011
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 3,000**	**$ -**	**$ 3,000**	$ 3,000
Building	**10,727**	**6,141**	**4,586**	4,781
Furniture and equipment	**2,765**	**2,499**	**266**	243
Computer equipment	**4,301**	**3,570**	**731**	427
	$ 20,793	**$ 12,210**	**$ 8,583**	$ 8,451

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(thousands of dollars)	2012			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	**$ 3,000**	**-**	**-**	**$ 3,000**
Buildings	**10,727**	**-**	**-**	**10,727**
Furniture & equipment	**2,698**	**99**	**(32)**	**2,765**
Computer equipment	**4,493**	**614**	**(806)**	**4,301**
Total	**20,918**	**713**	**(838)**	**20,793**
Accumulated Depreciation				
Land	**-**	**-**	**-**	**-**
Buildings	**5,945**	**196**	**-**	**6,141**
Furniture & equipment	**2,455**	**75**	**(31)**	**2,499**
Computer equipment	**4,067**	**309**	**(806)**	**3,570**
Total	**12,467**	**580**	**(837)**	**12,210**
Net Book Value	**8,451**	**133**	**(1)**	**8,583**

(thousands of dollars)	2011			
	Opening Balance	Additions/ Depreciation	Disposals	Closing Balance
Cost				
Land	$3,000	$ -	$ -	$ 3,000
Buildings	10,810	-	(83)	10,727
Furniture & equipment	2,715	39	(56)	2,698
Computer equipment	4,394	194	(95)	4,493
Total	**20,919**	**233**	**(234)**	**20,918**
Accumulated Depreciation				
Land	-	-	-	-
Buildings	5,833	195	(83)	5,945
Furniture & equipment	2,424	87	(56)	2,455
Computer equipment	3,794	368	(95)	4,067
Total	**12,051**	**650**	**(234)**	**12,467**
Net Book Value	**$ 8,868**	**$ (417)**	**$ -**	**$ 8,451**

10. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2011	$ 21,043	$ (6,572)	$ 14,471
Additions	2,624	-	2,624
Disposals	(69)	69	-
Amortization	-	(1,841)	(1,841)
Closing balance December 31, 2011	23,598	(8,344)	15,254
Additions	3,031	-	3,031
Disposals	(124)	124	-
Amortization	-	(2,084)	(2,084)
Closing balance December 31, 2012	**$ 26,505**	**$ (10,304)**	**$ 16,201**

Intangible assets include systems development costs for 2012 in the amount of $2,751,000 [2011 - $2,045,000] related to internally generated systems which are still under development.

11. BANK INDEBTEDNESS

The Commission has established an operating line of credit with its banker in the amount of $20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.4%. The credit facility is unsecured and was utilized during 2012 to the amount of $5,000,000; of which no amount was outstanding at December 31, 2012 and 2011.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2012**	2011
Accounts payable	**$ 13,336**	$ 10,881
Amounts due to employees	**675**	705
Credit balances due to employers	**3,117**	3,172
	$ 17,128	$ 14,758

Accounts payable includes a provision in the amount of $5,355,000 [2011 - $5,099,000] for amounts owing to employers under the Commission's PRIME practice incentive program.

13. ASSESSMENTS REVENUE

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

(thousands of dollars)	**2012**	2011
Gross assessed employers	**$ 190,558**	$ 181,476
Assessment reporting penalties & interest	**1,506**	1,499
PRIME refunds	**(5,355)**	(5,099)
Net assessment revenue	**186,709**	177,876
Self-insured employers [note 22]	**10,779**	10,491
Total	**$ 197,488**	$ 188,367

14. BENEFIT LIABILITIES AND CLAIMS COSTS

(thousands of dollars)	2012							2011
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilit-ation	Future Admin. Cost	Total	Total
Balance, beginning of year	$ 48,398	$ 485,012	$ 53,722	$ 212,169	$ 3,168	$ 56,172	$858,641	$ 839,301
Add:								
Claims costs incurred:								
Current–year injuries	26,475	31,564	883	28,352	1,094	-	88,368	90,514
Prior years' injuries	3,836	36,517	4,050	16,246	202	4,001	64,852	63,575
	30,311	68,081	4,933	44,598	1,296	4,001	153,220	154,089
Deduct:								
Claims payments:								
Current–year injuries	9,642	652	185	8,049	7	-	18,535	19,485
Prior years' injuries	20,029	54,001	7,518	31,343	1,026	-	113,917	114,019
	29,671	54,653	7,703	39,392	1,033	-	132,452	133,504
Sub-total	49,038	498,440	50,952	217,375	3,431	60,173	879,409	859,886
Occupational disease	3,754	37,723	3,928	17,743	232	-	63,380	-
Actuarial adjustments	387	(1,756)	764	16,233	(372)	10,759	26,015	(1,245)
Balance, end of year	$ 53,179	$ 534,407	$ 55,644	$ 251,351	$ 3,291	$ 70,932	$968,804	$ 858,641

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development
(thousands of dollars)

Accident Year	2007	2008	2009	2010	2011	2012	Total
Estimate of cumulative claims:							
At end of year of accident	$ 139,692	$ 149,568	$ 186,721	$ 147,535	$ 154,019	143,952	
One year later	127,032	139,326	166,238	142,442	133,770		
Two years later	126,663	132,818	167,497	141,827			
Three years later	132,011	134,934	170,475				
Four years later	136,413	137,089					
Five years later	135,434						
Estimate of cumulative claims	135,434	137,089	170,475	141,827	133,770	143,952	862,547
Cumulative payments	(56,451)	(53,487)	(51,412)	(44,439)	(34,802)	(16,825)	(257,416)
Estimate of future payments	78,983	83,602	119,063	97,388	98,968	127,127	605,131
2006 and prior years							956,994
Effect of discounting							(727,633)
Occupational disease							63,380
Claims Administration							70,932
Benefit Liabilities at December 31, 2012							**$ 968,804**

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

The table below lists the principal economic assumptions used.

	2012		2011	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return	**6.61%**	**6.61%**	7.12%	7.12%
Inflation year 1	**2.40%**	**3.00%**	2.50%	3.50%
Inflation later years	**3.00%**	**3.00%**	3.50%	3.50%
Net rate of return year 1	**4.11%**	**3.50%**	4.51%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%

The benefit liability includes a provision for the cost of future claims administration. At December 31, 2012, this was estimated at 8.5% of the benefit liability (2011 – 7%).

During 2012, the Commission's independent actuaries completed a study of occupational disease exposure in Newfoundland and Labrador. The purpose of the study was to develop a model capable of providing a reasonable estimate of the present value of the cost of all future claims associated with occupational diseases arising from exposure that has already occurred. Based on the results of the study, the actuaries estimate a reasonable range would be 5.8% to 7.8 % of the benefit liability. Consequently, the Commission has included a provision for latent occupational disease at December 31, 2012, of $63.4 million which is estimated at 7% of the benefit liability.

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

(millions of dollars)

1% Change in assumption	Impact	Benefit Liabilities	Claims Costs
Decrease discount rate	Increase	**$ 77.4**	**$ 5.4**
Increase inflation rate	Increase	**$ 45.7**	**$ 3.4**
Increase health care inflation	Increase	**$ 27.4**	**$ 1.5**

15. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan

The Commission's contributions to the Public Service Pension Plan of $1,790,800 [2011 - $1,675,800] are included in administration expenses and have been expensed as incurred.

Severance payments and annual leave

The Commission provides a severance payment and a payment for accumulated annual leave balances to employees upon retirement, resignation or termination without cause. In 2012, cash payments to retirees for its unfunded employee future benefits amounted to $153,000 [2011 - $105,000]. The last actuarial valuation was performed effective December 31, 2012. The next actuarial valuation will be performed as at December 31, 2015.

(thousands of dollars)	**2012**	2011
Accrued benefit obligation, beginning of year	**$ 5,177**	$ 4,485
Current service cost	**391**	399
Interest cost	**242**	232
Actuarial loss	**248**	166
	6,058	5,282
Benefits paid	**(153)**	(105)
Accrued benefit obligation, end of year	**$ 5,905**	$ 5,177

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

	2012	**2011**
Discount rate – benefit cost	**4.50%**	5.00%
Discount rate – accrued benefit obligation	**3.75%**	4.50%
Rate of compensation increase	**3.00%**	3.50%

16. ADMINISTRATION

(thousands of dollars)	**2012**	2011
Salaries and employee benefits	**$ 28,464**	$ 26,911
Office and communications	**2,773**	2,566
Professional fees	**1,154**	1,188
Building operations	**891**	1,342
Travel and vehicle operating	**587**	536
	$ 33,869	$ 32,543

17. LEGISLATED OBLIGATIONS

The Commission is required by legislation to fund the operating costs of the Occupational, Health and Safety Branch of Service NL in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also reimburses the provincial government for a portion of the operating costs of the Department of Advanced Education and Skills 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)	**2012**	2011
Service NL, Advanced Education and Skills and Labour Relations Agency	**$ 5,634**	$ 5,645
Workplace Health, Safety and Compensation Review Division	**1,053**	807
Employer and Worker Advisors	**740**	500
Statutory Review on WHSCC	**197**	-
	$ 7,624	$ 6,952

18. OTHER EXPENSES

(thousands of dollars)	**2012**	2011
Sectoral advisors and grants	**$ 263**	$ 240
Business improvement projects	**329**	1,280
	$ 592	$ 1,520

19. RESERVES

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2012, an amount of $10,000 was charged to the reserve [2011 - $80,000].

20. RELATED PARTY TRANSACTIONS

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and Crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

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

(thousands of dollars)		**2012**		2011
	Number	**Total**	Number	Total
Board of Directors	**9**	**$ 131**	9	$ 121
Senior Management	**9**	**$ 1,318**	9	$ 1,304

21. INDUSTRY LEVY

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the association totaled $1,153,000 [2011 - $865,500] and are not included in the statement of operations.

22. SELF-INSURED EMPLOYERS

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

(thousands of dollars)	**2012**	2011
Claims costs incurred:		
Short-term disability	**$ 1,286**	$ 1,268
Long-term disability	**3,730**	3,984
Survivor benefits	**472**	571
Health Care	**2,889**	2,779
Administration charges	**2,402**	1,889
Revenue from self-insured employers	**$ 10,779**	$ 10,491

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

23. COMMITMENTS

The Commission has committed to operating lease payments for office premises and equipment for the years 2013 to 2015 in the amount of $230,000 annually.

24. 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 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. At December 31, the funded ratio was 91.7% (2011 – 91.8%). The Fund balance consists of accumulated net operating deficits and the occupational health, safety and research reserve.

24. CAPITAL MANAGEMENT (continued)

The Board of Directors has established a funding target of total assets equal to 110% of total liabilities. When the funded ratio is less than 100%, 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 2011 and 2012 included an upward adjustment of $0.25 per $100 of payroll. This adjustment will be retained until the 110% funding target is reached.

25. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the 2012 financial statement presentation including property, plant and equipment; intangible assets; accounts payable and accrued liabilities; and employee benefits.

FIVE-YEAR HISTORY
DECEMBER 21, 2012

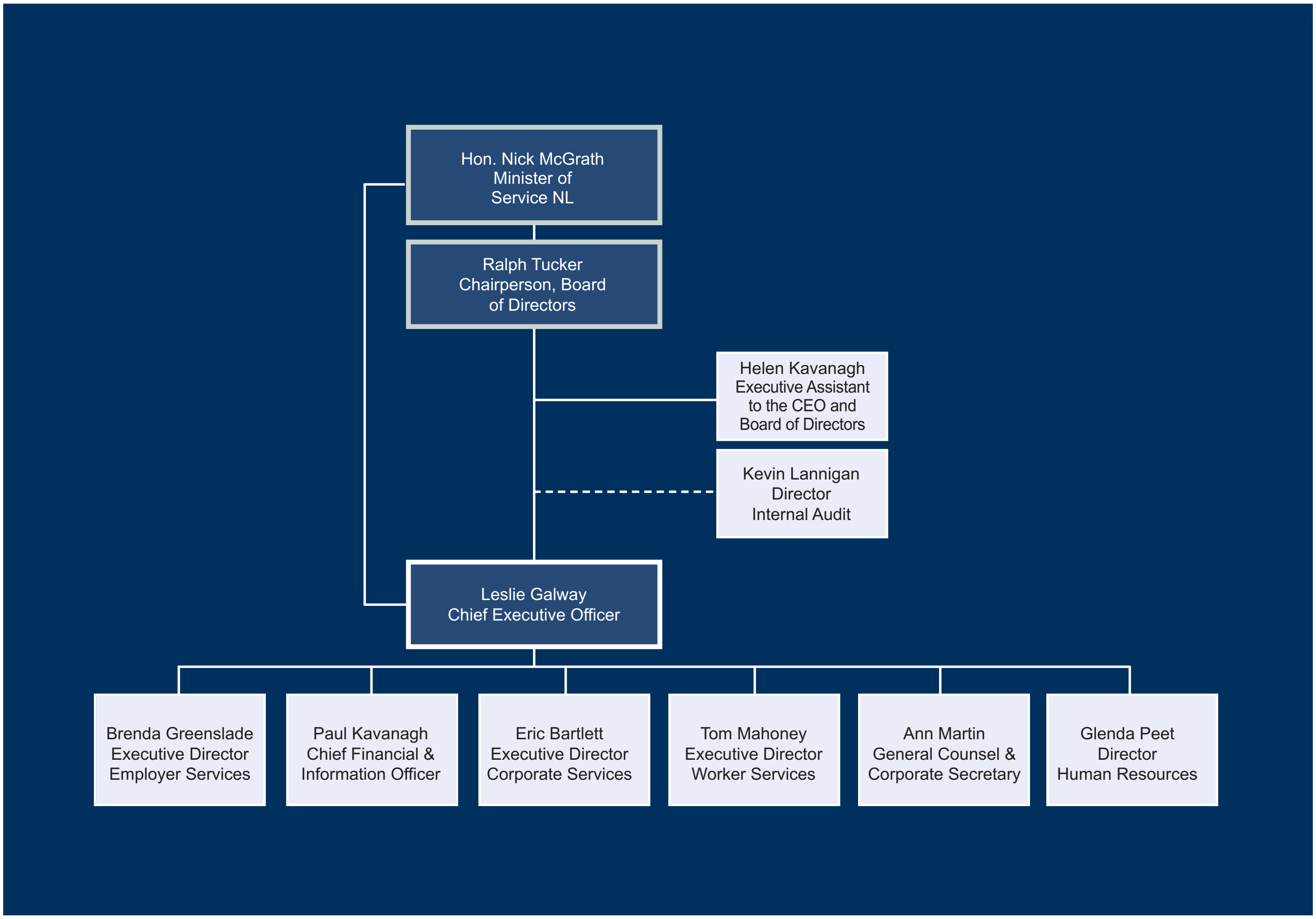
Statement of Operations and Fund Deficiency
for the Years Ending December 31

(thousands of dollars)	2012	2011	2010	2009	2008
Revenue					
Assessments	**$ 197,488**	$ 188,367	$ 166,220	$ 160,582	$ 152,440
Investment income (loss)	**82,634**	(11,602)	65,217	18,205	16,432
Third-party recoveries	**838**	1,049	1,080	4,372	-
	280,960	177,814	232,517	183,159	168,872
Expenses					
Claims costs incurred	**216,600**	154,089	148,999	156,333	146,935
Administration	**33,869**	32,543	30,170	27,340	26,897
Legislated obligations	**7,624**	6,952	6,649	6,588	6,424
Amortization	**2,664**	2,491	2,179	2,555	2,859
Fee and interest	**3,749**	3,245	2,627	3,431	3,327
Actuarial adjustments	**26,015**	(1,245)	(12,458)	(6,725)	(6,450)
Other	**592**	1,520	1,258	1,787	915
	291,113	199,595	179,424	191,309	180,907
(Deficit) surplus for the year	**(10,153)**	(21,781)	53,093	(8,150)	(12,035)
Fund deficiency, beginning of year	**(72,190)**	(50,409)	(103,502)	(188,756)	(30,276)
Reserve balance, beginning of year	**560**	640	815	839	889
Total fund deficiency, beginning of year	**(71,630)**	(49,769)	(102,687)	(187,917)	(29,387)
(Deficit) surplus for the year	**(10,153)**	(21,781)	53,093	(8,150)	(12,035)
Appropriation of reserve fund	**(10)**	(80)	(175)	(24)	(50)
Other comprehensive income (loss)	**-**	-	-	90,212	(146,445)
Total fund deficiency, end of year	**$ (81,793)**	$ (71,630)	$ (49,769)	$ (105,879)	$ (187,917)

* 2008 – 2009 presented under Canadian GAAP, 2010 – 2012 presented under IFRS

ORGANIZATIONAL CHART

Moving Forward from a Position of Strength



Workplace Health, Safety and Compensation Commission

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