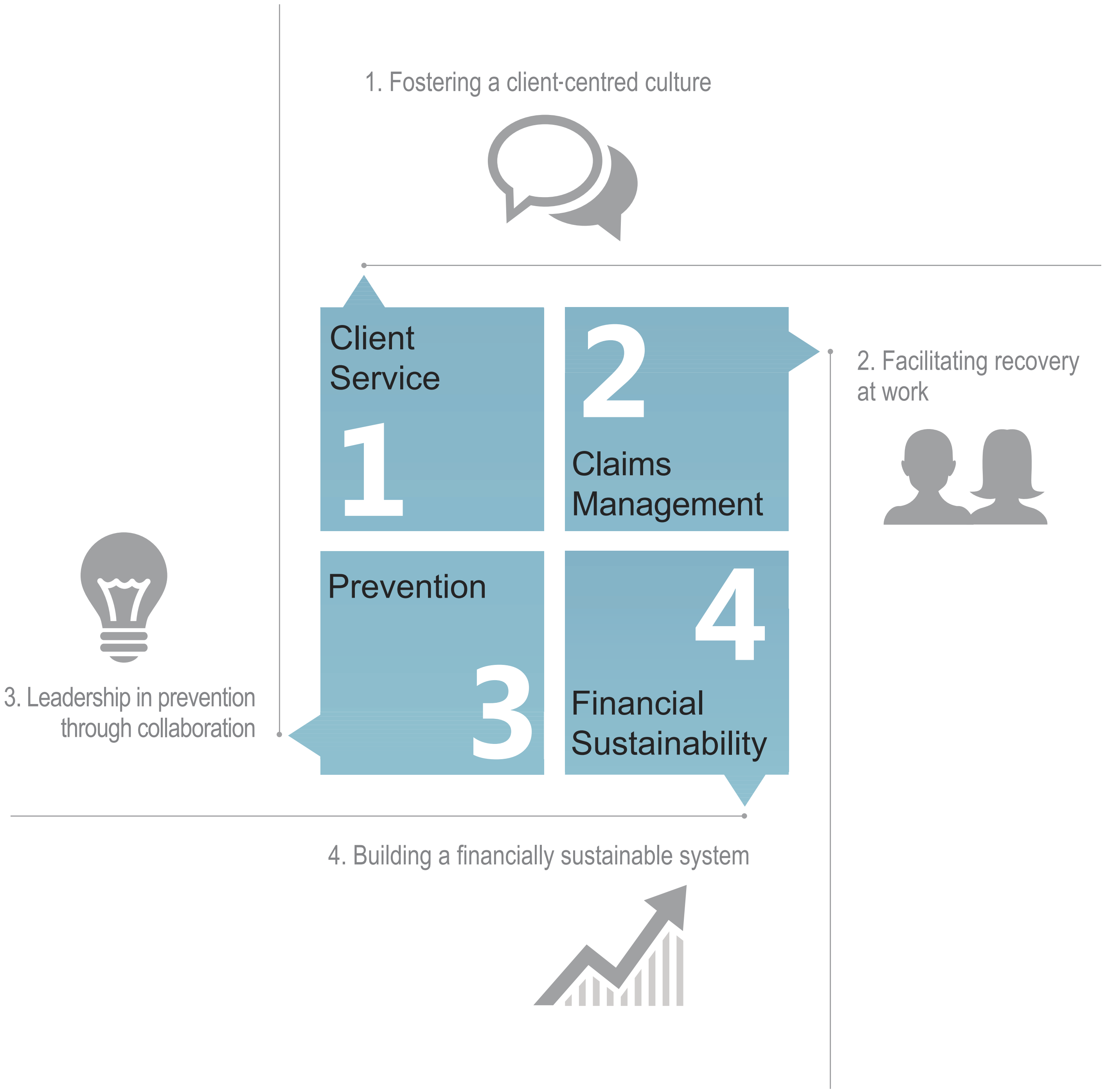
Annual Performance Report | 2014

The Workplace Health, Safety and Compensation Commission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Letter to the Minister

The Honourable Sandy Collins
Minister Responsible for the Workplace Health, Safety and Compensation Commission

Dear Minister Collins:

As Chairperson of the Workplace Health, Safety and Compensation Commission (the Commission), I hereby submit the 2014 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 2014 objectives. The report also highlights future opportunities to support its commitment to providing services to injured workers and dependents, employers and the public through the administration of the *Workplace Health, Safety and Compensation Act*.

As Chairperson, my signature below is indicative of the board's accountability for the preparation of the Commission's Annual Performance Report 2014 and the achievement of the objectives as reported.

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

April 7, 2015

Date

Safety involves everyone.

We all share the responsibility to prevent workplace injuries.

Safety starts with you.

Ralph Tucker
Chairperson, WHSCC
***and* CEO Safety Charter Advocate**

Together, we have achieved a remarkable turn-around in the workplace injury compensation system in Newfoundland and Labrador.

In 2000, our system was near bankruptcy. By working with our stakeholders, a Funding Policy was developed to address issues impacting the long-term financial health of the system. Based on this policy, a 25 cent surcharge in the assessment rate for all employers was introduced in 2008 to cover past unfunded liabilities.

The Commission's financial position continued to grow in 2014. We now have a system that addresses financial sustainability, a requirement of both workers and employers.

At $1.1 billion, the injury fund is the highest it has ever been. In 2014 our maximum wage-loss benefit of $60,760 for injured workers was the highest in Atlantic Canada.

Our funded position of 112 per cent exceeds the 110 per cent target established in the Funding Policy. As the target has been achieved, removal of the $0.25 surcharge will be considered during the 2016 rate-setting exercise.

This does not mean that we can relax when it comes to workplace safety. For the third year in a row, the lost-time incidence rate has remained at an historical low of 1.6 injuries per 100 workers. Yes, this is a far cry from the high of 5.16 in 1989. But the rate is no longer declining, we have hit a plateau.

I'm calling on everyone – workers, employers, their respective stakeholders, government, safety sector councils and the Commission – to push us past this plateau. We all share the responsibility to prevent workplace injuries, to educate and train on workplace health and safety, and to use safe work practices. Now, more than ever, we need to find more creative ways to make a difference.

I would like to thank our partners, CEO Safety Charter members, and the Board of Directors, management and staff of the Commission for their hard work during our journey towards financial sustainability and a strong safety culture.

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

Safety requires teamwork.

Our challenge now is to reduce workplace injuries and illnesses even further.

Get involved. Safety starts with you.

Leslie Galway
Chief Executive Officer, WHSCC
and **CEO Safety Charter Signatory**

The safety performance in Newfoundland and Labrador has improved dramatically over the past 15 years. But, we have now reached an interesting place in the health and safety story of our province.

We are extremely pleased that the lost-time incidence rate is the lowest that it has ever been in Newfoundland and Labrador. But, it has plateaued, remaining at 1.6 per 100 workers for the third year. How do we bring this rate down further?

Up until now, the Commission has worked with its partners using the 3 E's in health and safety to prevent injuries: education, engineering and enforcement. We have reached a new era, and it is time to add 3 more E's: empathy, empowerment and engagement.

We need to understand each other, empower others to make a difference and actively cooperate so that no one gets hurt or sick on the job.

The Commission will continue to work towards its strategic priorities of fostering a client-centric culture, facilitating recovery at work, leading injury prevention through collaboration and ensuring the long-term financial sustainability of the workplace injury compensation system.

The Commission is now financially secure, with $1.1 billion in its injury fund and being 112 per cent funded. We are continuing to focus on high-risk areas and creating awareness around preventing workplace injuries and illness in those areas, particularly for known occupational disease, serious injuries and violence in the workplace.

On behalf of the Commission, I'd like to personally thank our staff for their ongoing commitment to improve services for our clients. I'd also like to acknowledge our clients, employers, stakeholders and safety associations for their role in improving the health and safety of workplaces in our province.

Let's all join in the challenge to reduce workplace injuries and illnesses even further.

Leslie Galway
CEO, Workplace Health, Safety and Compensation Commission

AT A GLANCE | 2014

	2014	2013	2012	2011	2010
Incidence Rate[1]	1.6*	1.6*	1.6*	1.8	1.8
Soft Tissue Incidence Rate	1.1*	1.1*	1.1*	1.2	1.2
Short Term Disability Claims[2]	3,805*	3,749*	3,742*	4,070	4,012
Health Care Only Claims[2]	1,589*	1,667	1,768	1,959	2,137
Accepted Fatality Claims[3]	29	30	26	33	32
Accidents	11	5	6	6	13
Occupational Disease	18	25	20	27	19
Short Term Claims Duration[4]	38	38	39	39	40
Average Assessment Rate[5]	2.45	2.75	2.75	2.75	2.75
Registered Employer Accounts	19,416	19,449	19,135	18,291	17,161
Employer Assessments ($ million)	180.1	201.1	197.5	188.4	166.3
Claims Costs ($ million)[6]	167.3	161.6	216.6	154.1	149.0
Fund Balance ($ million)	129.8	67.1	-81.8	-71.6	-49.8
Funded Ratio (%)	112.0	106.5	91.7	91.8	94.2

*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. Claims costs have been restated for 2010 to 2013 due to changes in accounting for Future Administrative Expenses.

For further details on the Commission's key financial and operational statistics, please refer to the Management Discussion and Analysis and Financial Statements.

BOARD OF DIRECTORS

Chairperson
Ralph Tucker

By statute, the Board of Directors consists of ten members appointed by the Government of Newfoundland and Labrador, including the chairperson and representatives of employers, workers and the public. The Board is also required to have two nonvoting members: the chief executive officer of the Commission and an employee of the department designated by the minister.

Worker Representatives
Grant Barnes
Dawn Learning
Greg Pretty

Employer Representatives
John Peddle
Darren Roberts
Gregory Viscount

Public Representatives
Jacqueline Fizzard
Elizabeth Forward
Vacant

Ex-Officio Members
Leslie Galway, Chief Executive Officer, WHSCC
Kimberly Dunphy, Assistant Deputy Minister, Occupational Health and Safety Branch, Service NL

External members of the Investments Subcommittee of the Financial Services Committee
Ray Smallwood
William Holden
Natasha Trainor

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.

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.

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.

LINES OF BUSINESS

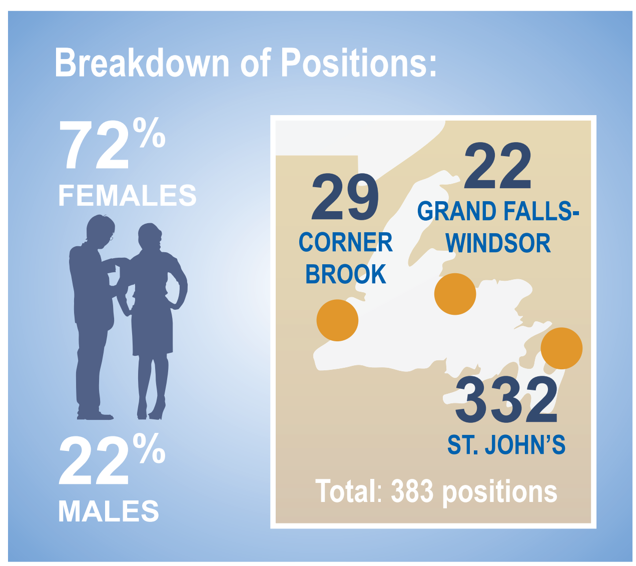
The Commission has three lines of business:

- 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 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.



Please refer to the At A Glance section on page 4 for highlights of the Commission's key statistics. Full details of the Commission's 2014 financial performance can be found in the Management Discussion and Analysis and Financial Statements on pages 28 and 41, respectively. Also available is the Commission's 2014-2016 Strategic Plan at **whscc.nl.ca**

Safety is everyone's responsibility. The Commission continues to work closely with its partners and the community to create an awareness of safety and improve how it delivers services to injured workers and employers.

Shared Commitments

Construction Zone, Slow Down!

Every day, thousands of road construction workers in our province are depending on others to drive responsibly and keep them safe in a construction zone. There is literally nothing between them and the thousands of pounds of steel in our vehicles, and unfortunately workers have been killed.

The Commission, Royal Canadian Mounted Police, Royal Newfoundland Constabulary, Newfoundland and Labrador Construction Safety Association and the Government of Newfoundland and Labrador have partnered to create and deliver a safety campaign across the province to raise awareness of this issue and prevent such tragedies.

In 2014, the *Construction Zone, Slow Down!* campaign consisted of radio advertisements aired during the morning and evening commute on stations across the province. The campaign urges drivers to slow down and obey the signs; to stay alert and avoid using their phones, texting or taking pictures; and to show respect for those working on the road. The partnership and campaign will continue into 2015.

21st Century Learning for Young Workers

In December 2014, students and staff from St. Kevin's High School, Goulds, launched the first in a series of digital textbooks. The iBook, Introduction to Young Worker Safety, introduces the basic concepts of workplace safety using interactive features including video, audio, photo galleries and interactive assessment tools. Students created the iBook as a resource for their peers in Newfoundland and Labrador, and beyond. It is now available for free on iTunes.

The Commission is proud to have supported this innovative project with $22,000 in funding, and will continue to seek creative ways to partner to raise awareness and engagement in workplace safety for young people. Building a solid foundation where workplace safety is important for young workers is critical to preventing injuries and illnesses now and for years to come.

Stakeholder Partnerships

The Commission continues to work closely with its primary stakeholders, the Newfoundland and Labrador Employers Council (NLEC) and the Newfoundland and Labrador Federation of Labour (NLFL). The Commission regularly seeks feedback

(from left to right) Matthew Heffernan, Kayla Dinn and Cassie Pilon

Students and staff from St. Kevin's High School, Goulds, launched the first in a series of digital iBooks focused on workplace health and safety, using interactive features including video, audio, photo galleries, and assessment tools.

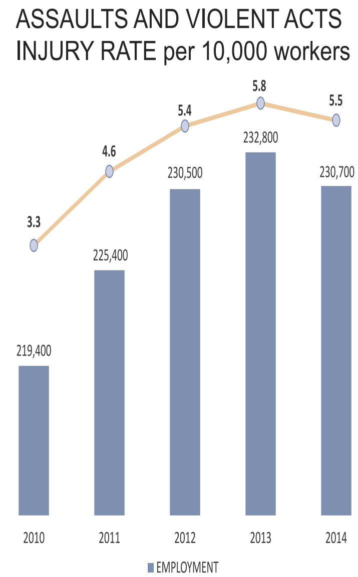
from both groups on policy matters and strategic plans, so that the Commission's programs and services are suited for employers and injured workers.

Through formal agreements, the Commission budgeted a total of $1.02 million in 2014 for its primary stakeholders in order to provide valuable support and advice to mutual clients, including injured workers and employers. The Commission supports an Employer Advisor Program and Sector Advisor Program with the NLEC, and a Worker Advisor Program and Sector Advisor Program with the NLFL.

Service Without Barriers

Recognizing that its clients may have hearing, visual or other challenges the Commission has adopted a Service Without Barriers approach to service delivery. The intent is to ensure that all clients can benefit from the Commission's programs and services.

In September 2014, the Commission was honoured to receive a Community Awareness Award from the Canadian Hard of Hearing Association – Newfoundland and Labrador. The award



acknowledged the efforts of the Commission to create awareness among its staff and the public of accessibility issues for those with hearing loss.

The Commission also worked closely with other community partners, including the Canadian National Institute for the Blind (CNIB) and the Independent Living Resource Centre. Based on their advice, the Commission now provides information in alternate formats, such as Braille and large print; hearing assistive devices in meeting rooms; and over-the-telephone interpretation services for clients who are not fluent in English.

(left to right) Robert Murdoch and Cathy Dormody, Newfoundland Power, Tom Mahoney, Executive Director Health Care and Compensation Services at the Workplace Health, Safety and Compensation Commission and John Drover, Newfoundland and Labrador Folk Arts Society, receiving awards from the Canadian Hard of Hearing Association – Newfoundland and Labrador (CHHA-NL).

Through prudent management of the worker's compensation system, and a growing culture of safety in the province, the Workplace Health, Safety and Compensation Commission is well positioned to meet the needs of all workers and employers in Newfoundland and Labrador.

Highlights & Accomplishments

Lower Rates and Higher Benefits

Assessment rates for employers were lowered by $0.30 to $2.45 per $100 of assessable payroll effective January 1, 2014. This was the first time that rates were lowered since 2006, and 99.8 per cent of employers saw a decrease in their assessment rates for 2014. The rate continued to include the $0.25 surcharge to address the previous injury fund deficit.

Also effective January 1, 2014, the maximum compensable and assessable earnings (MCAE) was increased from $54,155 to $60,760, consisting of a base increase of $6,000 plus a 1 per cent adjustment for the Consumer Price Index. This means that in 2014 Newfoundland and Labrador provided the highest MCAE in Atlantic Canada.

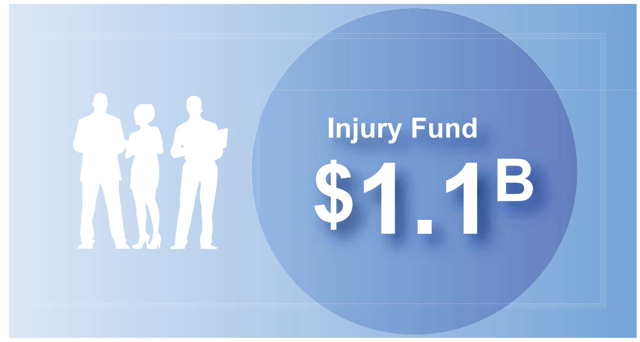
Secure Financial Position

The Commission's financial position continues to improve, and remains the best it has been in over 30 years. The injury fund (investments), which provides security for injured workers and sustainability for employers, has increased from $1.0 billion in 2013 to $1.1 billion in 2014. The Commission's rate of return on its investments was higher than expected at 11.6 per cent, versus 16.3 per cent in 2013, and above the target of 6.6 per cent despite the second largest ever annual decline in the price of oil in 2014.The funded position (percentage of assets available to fund its total liabilities) has also increased from 106.5 per cent for 2013 to 112.0 per cent in 2014. This is the first time the funded position has exceeded the target of 110 per cent since the stakeholder approved Funding Policy was adopted in 2009.

As the funding target has now been achieved, the Commission may be in a position to remove the $0.25 surcharge in assessment rates for employers, while maintaining the sustainability of the fund for injured workers. As the 2015 rates have already been communicated, a decision will be made in the 2016 rate-setting exercise.

Clarence Squibb 70,
43 year employee at
Hickman Motors, St. John's

Clarence has been employed with Hickman Motors for 43 years. He attributes his longevity to staying fit, exercising regularly and stretching before each shift. He does not take chances with safety, his motto is: "If it's not safe, I'm not doing it".

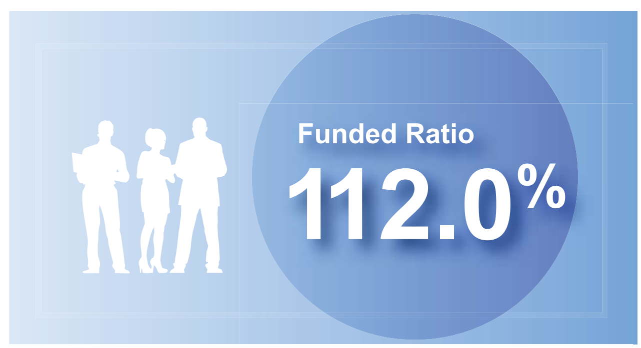


Improved Web Services

In 2014, the Commission introduced online invoicing for chiropractors and enhanced its online invoicing for physiotherapists. This streamlines how these health care professionals deal with the Commission and ensures proper management of services procured on behalf of injured workers. Uptake of the new service has been positive, with 81 per cent of chiropractic invoices and over 97 per cent of physiotherapy invoices being submitted online. The Commission will continue to work with health care providers to improve web services and ensure health care costs are prudently managed while maintaining a high quality of care.

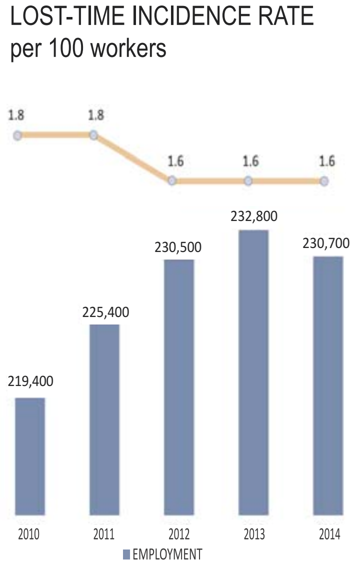
Review of OHS Committee Training

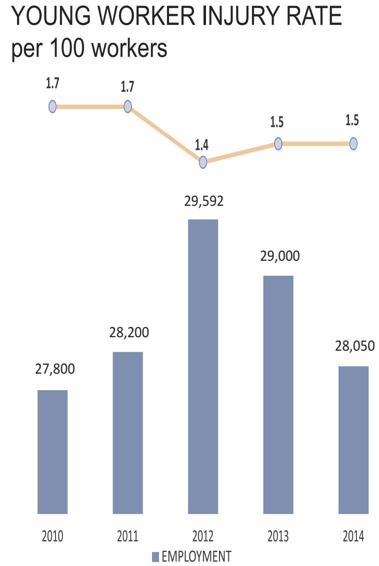
In 2014, the Commission completed a review of the Occupational Health and Safety (OHS) Committee Certification Training Standard which was originally implemented in 2002. Based on feedback from the OHS Branch of Service NL and stakeholders, the Commission will revise the training standard to ensure workers receive current, competency-based training. The new standard will introduce interactive components for workers to apply safety principles and practices applicable to their role on an OHS Committee. The new program will be introduced in 2015, with recertification to be phased in by July 2018.

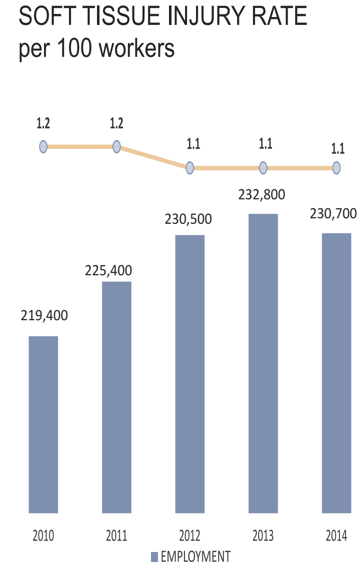


PRIME

PRIME is the Commission's employer incentive program which rewards employers who implement and document occupational health and safety and return-to-work practices, and holds those with higher costs of injuries responsible. In 2014, the refunds available and issued continued to grow. The total value of PRIME refunds available increased from $23.2 million in 2013 to $26.2 million in 2014. Likewise, the total value of refunds issued to employers increased from $16.3 million in 2013 to $19.0 million in 2014. Employers paid back $4.2 million in experience charges in 2013 compared to $3.3 million in 2014.







The past 15 years has been a period of dramatic improvement in workplace safety in the province. However, over the past three years injury rates have plateaued and some continue to rise. It is time to find more creative ways to make a difference to the health and safety of our workplaces.

Key Statistics

Injury Rate

The lost-time incidence (LTI) rate is a standard measure of workplace safety for all workers' compensation systems in Canada. It represents the number of injured workers, per 100 workers in the workforce, who missed time from work due to a workplace incident or accident.

In Newfoundland and Labrador, the LTI rate for 2014 remains stable for the third year in a row at 1.6 per 100 workers. The rate decreased steadily for the previous 13 years and is a dramatic improvement over its high of 5.16 per 100 workers in 1989. The Commission is concerned that this rate has plateaued, and acknowledges that it will now take a more focused effort from employers, workers, labour groups, safety associations, government, and the Commission to improve it further.

Did you know that only 43 per cent of Newfoundlanders and Labradorians agree they can do something to make their workplaces safer?

Young Workers

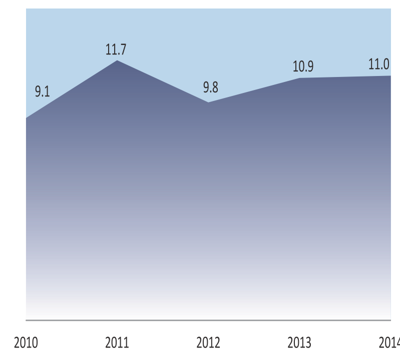
The injury rate among young workers has also plateaued, remaining at 1.5 per 100 workers in 2014. Young workers continue to lead the province in preventing injuries, with an injury rate that is now consistently below the provincial rate. As with the LTI, achieving further reductions will be a challenge.

The Commission firmly believes that fostering a strong safety culture among young workers builds a foundation that will lead to less injuries and illness now and in years to come. Focusing on educating and creating workplace safety among young workers will remain a priority for the Commission.

Ashley Davies,
Farm worker and heavy equipment
operator, William's Dairy Farm

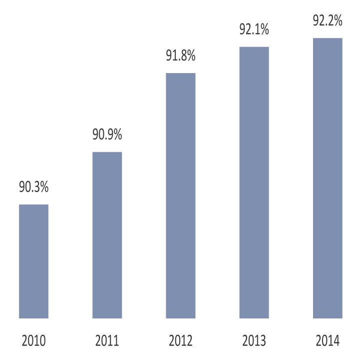
Workers, young and old, must be educated about proper working postures and trained in ways to minimize twisting, bending and lifting. Did you know that 44% of the work-related injuries reported to the Commission by heavy equipment operators, are back, leg and ear injuries?

SERIOUS INJURIES RATE
per 10,000 workers



As well, the rate of serious injury has fluctuated over the past five years, and it is now at 11.0 per 10,000 workers in 2014. This is a broad category, and the impact of this type of incident can be devastating on the worker, their family and their community.

PERCENTAGE 0F
INJURY-FREE EMPLOYERS



Safer Workplaces

Workplaces in Newfoundland and Labrador are the safest they have ever been. The percentage of injury-free employers has increased from 90.3 per cent five years ago to 92.2 per cent in 2014. Again, this statistic has plateaued, when you consider the 2013 result was 92.1 per cent. The Commission will take a very targeted and collaborative approach with various stakeholders to help increase it further.

Injuries are Preventable

Certain injury statistics continue to remain high or are increasing, and deserve continued focus and attention. Assaults and violent acts in the workplace continue to increase, up from 5.6 per 10,000 workers in 2013 to 6.1 per 10,000 workers in 2014. This rate has been steadily increasing for the past five years. Workplace violence and working alone continue to be a focus area, and in 2014 a new video was produced stressing the importance of proper risk assessments to control violence.

The lost-time incidence rate relating to soft-tissue injuries has remained stable at 1.1 per 100 workers for the past three years. While the rate is much lower than the provincial rate, these types of injuries account for over 70 per cent of all claims with the Commission.

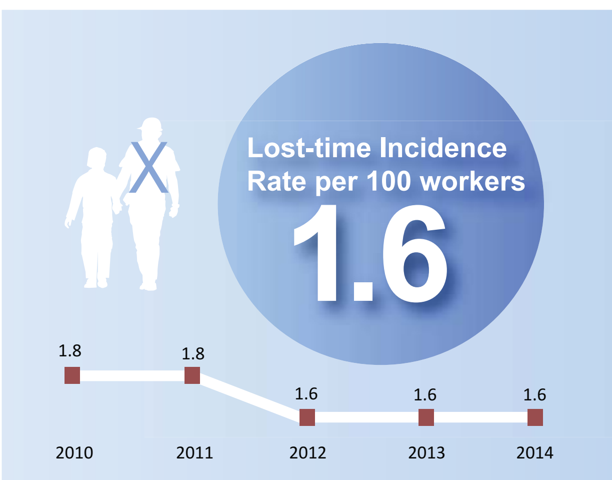
The Commission firmly believes that workplace injuries and illnesses are preventable, and will continue to focus prevention awareness and training on high-risk areas in order to further reduce the injury rates.

The injury rate has remained the same now for three years running, and we must all work harder to reduce the number of workers being injured on the job. Should an injury happen, the focus must turn to facilitating the worker's recovery and safe return to work.

Opportunities & Challenges

Pushing Past the Plateau

The lost-time incidence rate has remained at 1.6 per 100 workers for three years running. The injury rate has declined by 52 per cent over the past 15 years, a very positive indicator of safety performance. Yet, on average, 15 workers are still injured on the job every day in this province.



The Commission is concerned that further reductions in the injury rate will be increasingly difficult to achieve. The extent to which this can be accomplished, or to avoid an upward swing, depends on the Commission maintaining its focus on educating and creating awareness of workplace injuries by targeting areas of greatest risk. The Commission will also continue partnering with safety associations, employers and workers to improve safety performance at workplaces, within industries and on a provincial scale.

Recovery at Work

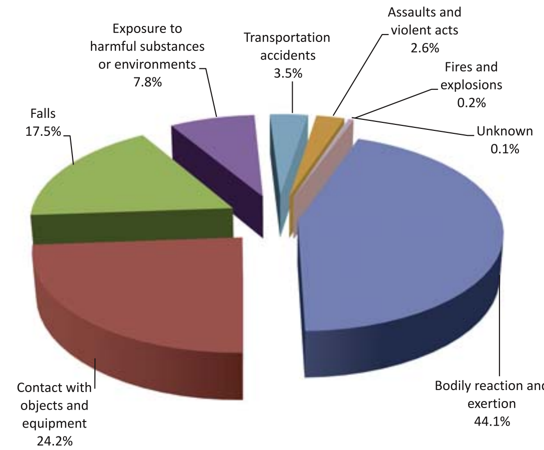
The Commission recognizes that early intervention on an injured worker's claim contributes to their recovery and supports planning for early and safe return to work. It also helps manage claims costs while maintaining benefits to which injured workers are entitled. Ultimately, early intervention reduces the amount of time a worker is away from their workplace.

Success in safely recovering at work depends on the worker, the employer and the health care provider. The Commission sees opportunity to engage all parties early in the process to help them understand their roles and responsibilities. The Commission continues to ensure early intervention on claims with a view to focus on workers' recovery at work as soon as it safe to do so. As well, the Commission will continue to educate health care providers on their roles and responsibilities in recovery at work through education sessions with health care providers and medical students.

(from left to right)
Scott Hillier, Jennifer Regular, Matt Macaulay

Paramedics are vulnerable to back, spine and spinal cord injuries. Training on the proper use of equipment required for lifting is crucial to preventing injuries.

TYPES OF ACCIDENTS IN THE WORKPLACE
2010 - 2014



Health Care Costs and Access to Services

There remain ongoing challenges with timely access to health care services, and rising health care costs. The Commission has negotiated memorandums of agreement (MOA) with all major health care provider groups, and continues its focus on early intervention and proactive case management. This provides for earlier and more effective medical management of claims.

As well, the Commission procures medical and health care items and services through the public tendering process and adheres to the provincial generic drug pricing policy in order to control costs.

Occupational Disease

The incidence of occupational disease in this province is on the rise, and is expected to continue to increase. Over the past five years, 73 per cent of fatality claims were the result of occupational diseases. Given the latency periods involved with some known occupational diseases, including cancers and respiratory illnesses, this will continue to be a challenge for many years to come. To acknowledge this, the Commission has increased its provision for occupational disease from 7.0 per cent of its benefit liability in 2013 to 8.0 per cent in 2014.

The Commission understands that dealing with a life-threatening disease is a very difficult time for a worker, their family and their community. That is why the Commission continues to seek out and rely on the best medical and scientific information available when adjudicating claims for occupational disease.

Progress Updates | 2014 Objectives and Indicators

The Report on Performance highlights the four strategic issues representing the key priorities for the Workplace Health, Safety and Compensation Commission (the Commission) and the results achieved in 2014. Performance information is provided for the objectives.

The strategic issues were identified in consideration of government's strategic direction, the Commission's mandate and available resources. 2014 results support the achievement of our mission as well as government's strategic direction of enhanced program and service delivery through streamlined operations and improved access.

Strategic Issue 1: Fostering a client-centred culture

Goal: By December 31, 2016, the Commission will have improved client service.

Objective: By December 31, 2014, the Commission will have continued to implement key elements of the client service strategy

Measure: Continued to implement elements of the client service strategy

Enhanced program and service delivery continues to be a key strategic direction and focus area for the Commission and government. The Commission is realizing continuous improvements in its service delivery through the implementation of its client service strategy which outlines the Commission's approach in achieving a client-first focus. This comprehensive strategy requires a multi-year approach to ensure existing service levels are preserved for injured workers and employers while changes are made. Service excellence is a key underpinning of the strategy which engages those most responsible for and impacted by the Commission's programs and services: its employees and its clients. Feedback from client satisfaction and employee engagement survey results as well as input from other Commission programs is used to identify service improvements. In 2014, the Commission moved towards fulfilling its goal of improved client service through continued implementation of key elements of the strategy. A high priority was placed on training staff in client service excellence, making changes for clients through the 4DX program, identifying opportunities for business process improvement, and adding new online services for employers and health care providers.

Overall worker satisfaction

76.5%

Overall employer satisfaction

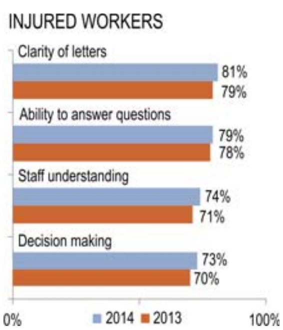
74.2%

Indicator: Continued implementing elements of the client service strategy, specifically;

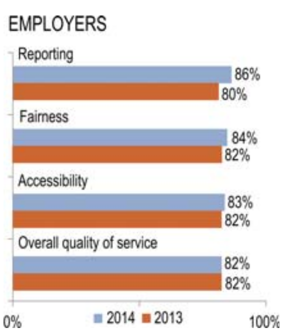
Client service excellence training. Ensuring employees have the proper training to deliver a high standard of client service is a key foundation for building the Commission's capacity to create and sustain a client-first culture. In 2014, 97 employees participated in service excellence training which brings the total trained to 342 since 2010. A final session is scheduled for 2015. This training program focuses on developing greater self-awareness for adapting and communicating with others and going the extra mile for clients. This training was developed using input from Citizens First surveys. Citizens First are unique, national surveys undertaken by the Citizen-Centred Service Network, a group dedicated to improving the quality of government services for Canadians. The surveys were designed to gain an understanding of a citizen's perspective of how citizens experience government services in order to adopt an "outside-in" or client-centred approach to delivering service to the public. The surveys ask Canadians across the country about what they think about the delivery of public service, their expectations and the priorities for improvement. These surveys have received national and international awards.

Building on the service excellence training program, the Commission also delivered leadership sessions for its management team to foster the necessary skills to support the development of a service excellence culture. Commission employees also completed other training important in fostering a healthy work environment - a critical element for improving service delivery. This included change management training to help employees and teams move towards a culture of service excellence by ensuring continuous improvement to its programs and services. Respectful workplace training was also delivered to support a positive, respectful and professional work environment.

4DX methodology for organizational effectiveness. The Four Disciplines of Execution (4DX) methodology is an accountability framework that supports the highest level of client service. The program was introduced in 2013 to all front-line areas and expanded Commission-wide in 2014. Employees are engaged in choosing key service improvement goals for the Commission based on feedback obtained directly from injured workers and employers through formal surveys and other direct contact. This approach ensures those most involved in and impacted by the service delivery are choosing the focus and involved in implementing the actions to achieve the improvements. This is an integral element in helping the Commission adopt an outside-in perspective when delivering service to its clients and in establishing service standards. Surveys of injured workers and employers indicate that communications and interactions with staff are key drivers of satisfaction. Facilitated by the 4DX methodology, employees have made changes to those areas clients have indicated as their priorities. Many improvements have already been realized and sustained since the 4DX program began. Injured worker survey feedback shows improvement in the clarity of letters, ability to answer questions, staff understanding and decision making. Similarly, results from employer surveys show improvements in satisfaction with reporting, fairness, and accessibility while maintaining a high overall quality of service.



The Commission also engages staff in identifying client service improvements through its cross departmental client service working group. The working group helps deliver elements of the client service strategy by meeting regularly to identify client service issues and make recommendations for improvement. The group considers client service survey feedback as well as the results of the client segmentation study which indicates client preferences for interacting with the Commission.



Opportunity identification for improvement of business processes. As part of its client service strategy to identify opportunities to improve business processes, the Commission contracted the services of an external consultant in 2014 to conduct a business process review. The objective was to identify opportunities to improve efficiency and effectiveness using a lens of continuous improvement. All levels of the Commission were engaged in the process to identify what could be improved. The scope of the process review was confirmed early in 2014. Entitlement matters related to legislative or policy decisions remained out of scope, as intended, as these are considered under a statutory review framework. Subsequently, the consultants carried out meetings, focus groups and workshops on eleven areas of business operations. Key themes were identified along with opportunities for improvement in service delivery in several areas. A final report was delivered to the Commission in October and provides a comprehensive list of opportunities for potential business improvements from a short and long term perspective. Seventy-four per cent of the business process improvements are completed or have work planned in 2015.

Indicator: Improved the Commission's web services

The Commission continued to improve its web services for health care providers and its clients by introducing two new services in 2014. In June, a new chiropractic invoicing service was implemented along with enhancements to the existing physiotherapy invoicing service. In December, a revised early and safe return to work (ESRTW) service was implemented. The increase in web services is consistent with feedback obtained through a client segmentation study which identified client preferences for dealing with the Commission.

The new chiropractic invoicing service and enhancements to the physiotherapist service make it easier for chiropractors and physiotherapists to conduct business with the Commission through a more streamlined, efficient approach and ensures proper management of services procured on behalf of injured workers. Prior to the implementation, the Commission worked with staff and the providers to communicate the changes and ensure support plans were established and well known. Uptake for the new service has been positive with approximately 81 per cent of invoices submitted online while 97 per cent of physiotherapy invoices were submitted online.

The Commission continues to work with health care providers with the objective of continuous improvement in service delivery to injured workers and to ensure costs are prudently managed while maintaining a high quality of care.

The enhanced ESRTW online service allows employers to submit forms online at their convenience and ensures the information is complete and accurate. The changes increase the overall efficiency and effectiveness of the ESRTW program by ensuring timely access to key information in the ESRTW process by Commission decision-makers and ESRTW facilitators.

Web Service Percentage Submitted Online

Employer Report of Injury (Form 7)	**15%**
Physiotherapy Report of Injury	**91%**
Physiotherapy Invoicing	**97%**
Chiropractor Report of Injury	**57%**
Chiropractor Invoicing	**81%**
Early and Safe Return to Work	**16%***
Annual Employer Statements	**53%**

***Note: 16 per cent of ESRTW forms were submitted online in 2014 however, this number jumped to 23 per cent with the introduction of the new ESRTW service in December 2014.**

Web service usage continues to increase as the Commission makes enhancements in response to client feedback and as more online services are introduced to provide greater access to Commission services.

The Commission continues to promote its web services and ensure a coordinated approach between its service channels. Efforts are underway to promote and increase the use of the online services for the Employer Report of Injury (Form 7) and ESRTW submissions.

2015 Client Service Objective and Indicators

Objective: By December 31, 2015, the Commission will have completed a review of and improved key processes for client service delivery

Measure: Completed a review of and improved key processes for client service delivery

Indicator: Ensured continuous improvement in service excellence by using evaluation results to identify and improve service delivery

Indicator: Aligned resources to improve service delivery

Strategic Issue 2: Claims Management – Facilitating recovery at work

Continued improvement of the ESRTW program is a strategic focus for the Commission. 2012 ESRTW Survey results indicated injured worker and employer priorities where the ESRTW program is concerned. Injured workers want greater involvement in the development of their ESRTW plan and employers need more information and education regarding ESRTW. Greater collaboration between injured workers and employers in the development of ESRTW plans and increased education for employers will be essential to facilitating recovery at work. The Commission continues to be vigilant in managing and facilitating early intervention on claims, a critical step in ensuring recovery at work as soon as it is safe to do so. The ultimate goal is to reduce the amount of time an injured worker is away from the workplace in a cost effective manner while maintaining benefits to which workers are entitled.

In 2014, the Commission focused its efforts on making improvements to address these priorities as well as support the Commission in meeting its overall goal of improving the ESRTW program. Changes were made to the ESRTW planning and reporting form and online service; education on the ESRTW program was delivered for injured workers, employers and health care providers; and efforts continued to ensure vigilance in managing key aspects of ESRTW. The Commission's progress in these areas contributes to the achievement of the overall strategic direction of enhanced program and service delivery.

Goal:	By December 31, 2016, the Commission will have improved the ESRTW program
Objective:	By December 31, 2014, the Commission will have ensured earlier injured worker involvement in ESRTW planning
Measure:	Ensured earlier injured worker involvement in ESRTW planning

Indicator: Made contact with injured workers within 48 hours of claim being filed at the Commission

Early intervention is critical in ensuring that a worker's recovery at work commences as soon as it is safe and suitable to do so following an injury. Early intervention contributes positively to a worker's recovery, supports early and safe return to work planning, and helps manage claims costs and benefits. Given the importance of early intervention, the Commission has developed internal business processes and management reporting to ensure contact is initiated with workers experiencing lost time within 48 hours of referral. Through enhanced management reporting, the Commission monitors the number of claims where case managers made initial contact with workers within 48 hours, and where ESRTW roles and responsibilities were discussed with the worker. Best practices have also been implemented to ensure the discussion of roles and responsibilities occurs with employers and physicians, as necessary.

Discussing ESRTW roles and responsibilities on initial contact allows workers to become educated on the ESRTW process early, in particular the need for their involvement in the development of their ESRTW plan. Recognizing that circumstances may prevent contact from being made with all workers within 48 hours of referral, or contact with a worker may not be necessary, the Commission also monitors the number of claims where case managers attempted contact within 48 hours but could not reach the worker, as well as cases where an initial contact was not necessary as the worker had already returned to their pre-injury job. In 2014, the Commission exceeded its performance target of 80 per cent, with 83 per cent of new claims having contact initiated with the worker within 48 hours of referral. This represents a 2 per cent improvement over 2013 (81 per cent). Management of the 48 hour contact and return to work outcomes are continued key focus areas for the Commission with additional oversight planned by the Commission's quality assurance team. The increased oversight provided additional opportunities for the Commission to identify potential areas of improvement in relation to early contact and in facilitating the worker's early and safe return to work.

Indicator: Conducted ESRTW education and promoted ESRTW to employers, injured workers and health care providers

In 2014, the Commission's ESRTW facilitators conducted 175 ESRTW education sessions with workers and/or employers to promote the benefits of the ESRTW program and highlight the roles and responsibilities of all parties during the ESRTW process. In addition to education sessions, ESRTW facilitators received in excess of one thousand initial claim referrals in 2014 for assistance in facilitating a worker's return to work. This provided further opportunity, on a claim-by-claim basis, for Commission facilitators to educate workplace parties on the nature of the self-reliant ESRTW model and the roles and responsibilities of the parties within the model.

An additional opportunity to promote and educate employers on ESRTW was created in 2014 through the work of the Commission's Return to Work (RTW) Program Coordinator. In 2014, the RTW Coordinator conducted sessions with PRIME[1] employers who were challenged by a high cost of claims and return to work issues. Each session included an assessment of the employer's knowledge of ESRTW and discussion around the responsibilities and benefits of an effective ESRTW process. The Commission also encourages engagement of safety sector councils in the promotion and delivery of training regarding ESRTW. The RTW Coordinator attended meetings with three of four safety sector councils to discuss ESRTW and to make plans for future sessions with sector members about the ESRTW program. Work on this initiative will continue into the future. In addition, the RTW Coordinator gave presentations involving the ESRTW program to a number of colleges which were attended by approximately 200 students.

The Commission also works with health care providers to encourage continuous improvement in service delivery. Through the Physician Resource and Education Program (PREP), a Commission physician and claims management staff person provide education sessions to physicians across the province on the significance of ESRTW, the critical role that physicians play in the ESRTW process, and the importance of providing the medical information necessary to facilitate an injured worker's recovery and return to work. In addition, contact was made with several new physicians to the province to educate them on proper completion of work injury forms and the physician's role as it relates to ESRTW. Further, contact was initiated with the College of Physicians and Surgeons concerning the development of an orientation package for new immigrant physicians to the province which resulted in the college agreeing to encourage these physicians to arrange a more detailed in-service with the Commission. Ongoing support was also provided to physicians across the province who contacted the Commission for assistance on issues related to ESRTW or other aspects of the system.

The Commission worked with Memorial University of Newfoundland's (MUN) School of Medicine in 2014 to deliver the first occupational medicine component in the undergraduate curriculum. Evaluation feedback was positive and a second curriculum component is under development for delivery in 2015. The Commission also provided an education session to students attending health care programs through MUN. A lecture was provided to students

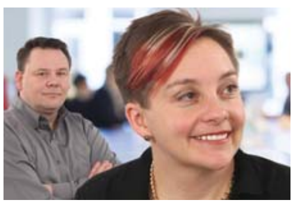
[1] PRIME is the Commission's employer incentive program. Under PRIME, employers can impact the assessments they pay by meeting their practice requirements under the practice incentive component and managing their claims costs under the experience component.

in the Masters in Public Health program on the workers' compensation system including the ESRTW program. Sessions were also conducted with first year medical students and a group of family practice residents.

The Commission targets specific employer groups to promote the benefits of effective ESRTW practices which include reduced financial impacts and improved success for workers returning to their job. Employers targeted for these information sessions include those experiencing a high incidence of workplace injuries and related costs. The Commission promoted ESRTW program improvements specific to these employers which resulted in the development of action plans for realizing these improvements. The Commission worked with employers to enhance communication around ESRTW efforts, to identify and resolve barriers and to establish ESRTW best practices.

Internally, the Commission's Worker Services, Prevention Services and Assessments Services Department collaborate to identify other opportunities to promote and provide education on the ESRTW program and its benefits. This involved the efforts of the RTW program coordinator, ESRTW facilitators, health and safety advisors and analysts. A highlight for 2014 is the inclusion of an ESRTW session in the Commission's "Prevention is the Key" Learning Symposium.

Indicator: Improved the ESRTW online service



In December 2014, the Commission improved the ESRTW online service through the introduction of changes to the ESRTW service based on employer feedback and feedback obtained through the 2012 ESRTW Survey. With the launch of the revised service, completing and submitting ESRTW plans and schedules is now easier and more convenient for employers. Previously, plans were mailed, faxed or submitted electronically through a form filler on **connect**, the Commission's web portal. The enhanced service improves data quality by eliminating keying errors and ensuring complete and accurate submission as well as reduces delays in service delivery by lowering the need for follow up. Changes were also made to ensure the online service is consistent with revisions made to the ESRTW planning and reporting form in 2014. Specific improvements made for employers include:

- New functionality to complete ESRTW plans by building on previously submitted plans making it faster and easier to submit plans.
- A comparison tool to easily view RTW progress between current and previous plans.
- A new field in the ESRTW schedule to indicate hours and leave types to reduce the need for future payment adjustments.
- User prompts to help complete questions.
- A checkbox to request Commission follow up related to ESRTW efforts.
- A checkbox to indicate worker involvement in the development of the ESRTW plan.

The new online service was automatically available to the over 4,000 employers already registered for the Commission's web services.

Indicator: Improved reporting processes for ESRTW

When injuries occur, facilitating recovery at work becomes the first priority for the Commission's case management team. An area of focus for the Commission in 2014 was to improve ESRTW reporting processes for employers, injured workers and the Commission. These improvements were made to make it easier and faster for employers to complete and report on ESRTW plans and work schedules; to ensure worker involvement early in the planning process; and to enable the Commission to remain vigilant in facilitating ESRTW for injured workers and employers.

Improvements included:

- a new ESRTW planning and reporting form;
- a revised online service for reporting ESRTW plans and schedules;
- system enhancements based on the ESRTW form changes to flag and report important issues requiring follow up in the return to work process; and
- enhanced reporting capability on key metrics for ESRTW.

The ESRTW planning and reporting form was redesigned to capture essential information about a worker's recovery for the purpose of planning return to work efforts. Where possible, the format of the form was changed to capture data rather than textual information to ensure greater accuracy, to reduce the need for follow up on more administrative issues (e.g., typos, legibility) and improve management reporting fundamental to the timely facilitation of ESRTW. New data on the form will reduce the amount of time required to match ESRTW planning information to the appropriate claim when ERSTW reports are submitted thereby ensuring Commission staff have timely access to the information they need to ensure RTW efforts start early in the process.

The 2014 revisions support important activities in the ESRTW process including communication; advice and support; access to timely information; and developing, implementing and monitoring a return to work plan. These activities contribute to greater success in returning a worker to work in a safe and suitable manner. Communication is essential between the employer and the injured worker during the planning process, particularly when dealing with and resolving complex return to work issues. In response to injured worker survey feedback regarding their participation in the planning process, a checkbox on the form indicates worker involvement with the employer in the development of the return to work plan. Where worker involvement has not occurred, notifications are sent to case management staff who follow up with employers and injured workers on a priority basis to facilitate the process. This process provides greater assurance that meaningful worker participation is happening.

The revised ESRTW planning and reporting form, and online service allows employers and injured workers to take a proactive, consistent approach in developing ESRTW plans and assists injured workers to return to safe and productive work activities as soon as possible following an injury. The redesigned form also helps create a better understanding of the process by focussing on important information needed for RTW planning. The data collected helps ensure work is within the worker's physical capabilities without aggravating the injury and allows the Commission to readily identify progression in RTW, with the ultimate goal of returning the worker to the pre-injury job.

The format changes enabled internal system enhancements such as the generation of system flags and management reports to help focus facilitation efforts on key issues in the return to work process. Employers and injured workers looking for additional support can now indicate this through a new checkbox on the revised form. This is reported to the Commission through system notifications. Trained and knowledgeable staff follow up to provide expert advice and guidance on ESRTW reporting, the process and any related issues.

A key area monitored by the Commission through new management reports is the percentage of workers who returned to sustainable work following an ESRTW program. A sustainable return to work outcome is an outcome where a worker did not have subsequent activity on the same claim following the claim closure. In 2014, the Commission exceeded its performance target of 95 per cent, with 96 per cent of workers returning to sustainable work following the completion of an ESRTW program. This result is consistent with 2013 results. Management reports will continue to be analyzed to identify trends and opportunities for continuous improvement to ESRTW.

The Commission's ESRTW web service was also changed in 2014 to support improved data collection and a more streamlined process to make it easier for employers to submit their plans to the Commission early in the process. Further detail about the new service can be found on page 20 of this report under the indicators for "improved the ESRTW online service".

2015 Claims Management Objective and Indicators

Objective: By December 31, 2015, the Commission will have improved education and awareness programs for injured workers, employers and health care providers

Measure: Improved education and awareness programs

Indicator: Implemented changes to ESRTW education and related materials for injured workers

Indicator: Improved ESRTW education for sector councils to encourage greater involvement in promoting and facilitating recovery at work

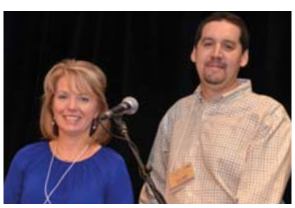
Indicator: Worked with health care providers to encourage continuous improvement in service delivery

Strategic Issue 3: Prevention – Leadership in prevention through collaboration

Goal: By December 31, 2016, the Commission will have implemented key elements of the 2015-2017 Prevention Strategy: *Leadership in Prevention Through Collaboration*

Objective: By December 31, 2014, the Commission will have implemented the 2012-2014 Prevention Strategy: *Engagement to Action* and developed the 2015-2017 Prevention Strategy: *Leadership in Prevention Through Collaboration*

Measure: Implemented the 2012-2014 Prevention Strategy: *Engagement to Action*



The dramatic improvement in workplace safety over the past decade is a result of many factors, most importantly the commitment by all stakeholders to strengthen the safety culture in Newfoundland and Labrador. In 2014, the lost time incidence rate remained stable at 1.6 per 100 workers, the lowest point in over 60 years. The Commission's 2012 - 2014 prevention strategy was a key catalyst for change over the past three years and ensured prevention programs were responsive to the needs of workers and employers. Work on the occupational disease strategy, the review of the Occupational Health and Safety (OHS) Committee Program, the development of a new OHS Committee Training Standard and the development of a new prevention strategy for 2015 - 2017 were major accomplishments in 2014 to contribute to workplace safety and the strategic direction of enhanced programs and services.

While the province has realized many successes through the implementation of the 2012 – 2014 strategy, there are still significant challenges. Workplace health and safety must continue to be a priority for all stakeholders - every worker deserves to go home safely at the end of their work day. Maintaining a safety culture and further decline in workplace injuries will require persistence, collaboration and commitment of stakeholders to manage workplace risk and provide healthy and safe workplaces. In 2014, the Commission developed a new strategy with prevention initiatives designed to encourage the engagement and collaboration of safety leaders in the community. The new strategy, *Leadership in Prevention though Collaboration 2015 - 2017*, will continue to focus on the health and safety priorities of the province. The strategy will work toward reducing the occurrence of workplace injuries and occupational disease by continuing to target at risk populations including workers, youth and high risk occupations, workplaces and industries. The development of OHS programs, targeted educational and awareness initiatives, the development of new training standards, and engagement of sector councils are key elements of the new strategy.

Indicator: Evaluated the Occupational Disease Strategy (which is included in the 2012 – 2014 Prevention Strategy: *Engagement to Action*)

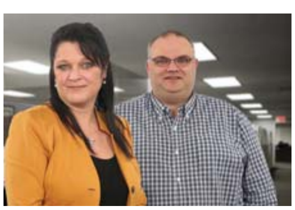
The Commission developed a framework for the evaluation of the Occupational Disease Strategy in the fall of 2013. This framework was used to consult with stakeholders, evaluate the impact of the strategy, and to identify future opportunities for education and awareness. A formal evaluation report was completed early in 2014. The key recommendations from the evaluation have been incorporated into the prevention strategy for 2015 – 2017. An important focus in the new strategy will be on increasing the support for safety sector councils where occupational disease matters are concerned and improving data quality related to occupational disease issues. The Commission will work with the safety sector councils to provide the knowledge and expertise required to address industry-specific health hazards.

Indicator: Completed review of the OHS Committee Program

In 2014, the OHS Committee Program review was completed. Stakeholder consultation took place early in the review process with a total of nine formal consultation sessions held with stakeholders, including many safety partners and associations. Overall, consultations focused on knowledge and learning outcomes, practical training components, training materials, instructional delivery time, trainer qualifications, certification and recertification of participants and training providers, as well as the OHS Committee Minute Report Form and other forms utilized to administer the program.

The Commission adopted eight recommendations to enhance the effectiveness of the OHS Committee Program. Most notably, the training of committee members and worker health and safety representatives will now be conducted through one course that is 14 hours in duration. In the past, worker health and safety representatives had to complete separate courses in order to serve their role within the workplace. In addition, the revised committee standard requires all workers to recertify after a period of three years. Work will continue in 2015 to implement the new changes, including the rollout of the revised training curriculum, training resources and forms relating to OHS Committees.

Indicator: Completed the new OHS Committee Training Standard



The OHS Committee Certification Training Standard was originally implemented in 2002. In 2014, the Commission worked closely with OHS Branch of Service NL and its stakeholders to revise the certification training standard to ensure workers receive current, competency-based training. The new standard focuses on the core safety activities of OHS committees within the workplace and includes interactive learning outcomes for workers to apply safety principles and practices. Implementation of the new certification training standard will be completed and fully communicated to all stakeholders in 2015. Recertification will be phased in by July 2018.

Indicator: Developed the 2015 – 2017 Prevention Strategy: *Leadership in Prevention through Collaboration*

In 2014, the Commission developed a new prevention strategy for 2015 - 2017. This strategy builds on the success of the 2012 – 2014 prevention strategy with a specific focus on creating leadership in prevention education and awareness through a collaborative approach with safety leaders. Programming will continue to target occupations, workplaces and industries with a high incidence of injuries with specific attention to soft tissue injuries and occupational disease. The Commission will also be proactive in assisting safety sector councils to assume a robust role in industry-specific prevention and return to work initiatives. The new strategy was developed in consideration of findings from jurisdictional reviews, feedback from stakeholder consultation, results of the OHS Committee Program review and the evaluation of the Occupational Disease Prevention Strategy. The strategy, *Leadership in Prevention through Collaboration 2015 - 2017* was released to stakeholders in 2014. Feedback will be incorporated where appropriate and the new strategy will be released to the public early in 2015.

The 2012 - 2014 prevention strategy took a multi-faceted approach to workplace safety and required the collaborative efforts of workers, employers, industries, unions, safety leaders and the OHS Branch of Service NL. In addition to the key elements outlined previously, progress was made in a number of other important areas to realize the full implementation of the 2012 - 2014 strategy.

CEO Safety Charter Program. Seven new signatories joined the program in 2014, bringing the total membership to 61. The signatory breakfast series continued throughout 2014, with breakfasts being hosted by CEOs in St. John’s, Mount Pearl and Corner Brook. Marketing for the charter continued at trade shows, safety conferences and other speaking engagements throughout the year.

Industry Safety Sector Councils. The Commission encourages industry partnerships and collaboration to promote safety priorities and issues. Work continued in 2014 to further the safety sector councils as a forum for industry leaders to promote occupational health and safety within their industries. The Commission worked with the sector councils to discuss safety initiatives within their respective industries. The Forestry Safety Association NL, the NL Construction Safety Association, the Fish Harvesting Safety Association in NL and Municipal Safety Council NL were all engaged in activities during 2014 to promote injury prevention in these high-risk industries in Newfoundland and Labrador.

Health and Safety Education. Health and safety education and awareness initiatives in 2014 included workshop and webinar delivery, enhanced certification training standards, the priority employer program and stakeholder collaboration. The Commission hosted the second annual Health and Safety Learning Symposium in St. John’s to over 250 delegates, offering a range of health and safety topics to employers and workers. Through the prevention workshop series, the Commission delivered over 100 workshops to approximately 2,500 participants. An additional 1,400 workers and employers received prevention education and information through other prevention presentations. Webinars and workshops were delivered on PRIME, occupational dermatitis; slips, trips and falls; technology hazards in the workplace; OHS roles and responsibilities; serious injuries; chemical exposures, carbon monoxide and mould; and eye safety. The Commission also provided industrial hygiene education and outreach services to employers with higher rates of workplace occupational disease. In addition, the Commission consulted with employers on issues such as chemical management plans, gas detection, skin protection, hearing protection and forklift emissions.

Workplace Violence Prevention. Education and awareness of workplace violence prevention and working alone remains a high priority. In 2014, a new video was produced to discuss the effects of violence on workers and the importance of conducting proper risk assessments to control violence. This video was used in various educational sessions to bring attention to this safety issue. Meetings with employers and OHS audits continue to focus on the need for structured risk assessments and control strategies to protect workers.

Young Workers. Engaging young workers in health and safety is a major focus for the Commission. Season six of SAFE Work NL’s Who Wants to Save a Life? Game Show concluded with the semi-final and final games broadcasted by RogersTV. Season seven was launched in the fall and included schools in remote locations of the province. A new video was developed to promote the benefits of the game show and its links to the high school curriculum. Approximately 31,000 youth have attended or participated in the show over the past six seasons. The SAFE Work Video/Radio Ad Contest also generated significant interest in 2014. Students from Grades 7-12 submitted creative video and audio promoting health and safety and injury prevention among youth. The 2014 Health and Safety Educator of the Year was awarded to Mr. Joe Santos from O'Donel High School in Mount Pearl. This award promotes and recognizes leaders in health and safety education in our schools. The Commission also continued to work with the Department of Education to make Occupational Health and Safety 3203 a provincial high school course for the 2015-2016 academic year. The revised course was piloted in six schools throughout the province during the 2014-15 academic year. A publisher was also hired in 2014 to develop a textbook for the course.

2015 Prevention Objective and Indicators

Objective: By December 31, 2015, the Commission will have initiated implementation of the 2015-2017 Prevention Strategy: Leadership in Prevention Through Collaboration

Measure: Initiated implementation of the 2015-2017 prevention strategy

Indicator: Delivered educational and awareness initiatives to address the health and safety priorities as outlined in the 2015-2017 Prevention Strategy.

Indicator: Implemented the OHS Committee Training Standard

Strategic Issue 4: Financial Sustainability

Goal: By December 31, 2016, the Commission will have continued to move towards financial sustainability

Objective: By December 31, 2014, the Commission will have adhered to the Funding Policy based on an annual assessment

Measure: Adhered to the Funding Policy

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 funding and investment policy, establishing experience-based assessment rates, eliminating new injuries through effective prevention initiatives in the province's workplaces, and providing affordable compensation benefits while pursuing cost containment initiatives.

The Commission continues to provide for the long term security of injured worker benefits within employers' reasonable ability to pay. This is through adherence to the Funding Policy, the implementation of sound financial management practices and standards, and an ongoing focus on improving the delivery of accessible, timely care to injured workers in a cost effective manner. These initiatives support the achievement of government's strategic direction of enhanced program and service delivery.

Indicator: Continued adherence to the Funding Policy

Given the extended nature of injured worker benefits, the Commission takes a long term view in managing and evaluating the performance of the injury fund. 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 funded position is defined by the relationship of total assets to total liabilities: the injury fund is funded when the total assets equal or exceed the total liabilities. The Funding Policy provides guidance to ensure the Commission responds to external factors, such as volatile markets, in a controlled and responsible manner. The policy specifies a funded position ranging from 100 to 120 per cent with a target of 110 per cent. The Commission must accumulate assets 10 per cent greater than its total liabilities in order to meet financial sustainability. This ensures that sufficient funds will be available to existing injured worker clients for the duration of their claim. If the funded position moves outside the targeted range, the Commission will adjust employer assessment rates over a fifteen-year period to achieve the target. At funding levels above 140 per cent, the Commission will consider one-time expenditures such as benefit improvements, assessment rebates and funding for prevention programs. Current and all future costs are taken into consideration before any one time expenditures are made to ensure the long term sustainability of the workers' compensation system. Changes to benefits are subject to approval by the Government of Newfoundland and Labrador.

The Commission continued to adhere to the Funding Policy in 2014 based on the annual assessment. As the funded status was 106.5 per cent at the end of 2013 and below the 110 per cent target, assessment rates set for 2014 included an upward adjustment of $0.25 per $100 of payroll. As of December 31, 2014, the funded position increased to 112 per cent, primarily due to higher than expected investment returns and favourable experience on prior year claims. This is a significant milestone. It is the best financial position for the Commission since 1981 and is the first time the funding target has been exceeded since the policy was adopted in 2009. As the funding target has been achieved, it is expected that the $0.25 surcharge per $100 of payroll will be removed during the rate-setting process for 2016, assuming no negative significant change to markets and claims experience.

Indicator: Continued to communicate the impact of IFRS to stakeholders

The Commission adopted International Financial Reporting Standards (IFRS) effective January 1, 2011. The adoption of IFRS increases the volatility of the Commission's reported financial results. In particular, the standard to include both realized and unrealized gains and losses in investment income have produced significant volatility in the operating results and funded status of the Commission in recent years. The Commission monitors the new standards being proposed by the International Accounting Standards Board. The changes in IFRS that have been adopted, and the pending changes that may impact financial results are presented to stakeholders annually at the Board Stakeholder Business Forum. The most recent forum was held in October 2014.

2015 Financial Sustainability Objective and Indicators

Objective:	By December 31, 2015, the Commission will have adhered to the Funding Policy based on an annual assessment
Measure:	Adhered to the Funding Policy
Indicator:	Continued adherence to the Funding Policy
Indicator:	Continued to communicate the impact of IFRS to stakeholders

Management Discussion & Analysis

2014 Annual Performance Report

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, 2014. The MD&A was prepared based on information available as of March 6, 2015. 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 Branch of Service NL, Government of Newfoundland and Labrador, 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 2014-16 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 the operational initiatives which are planned in response to the emerging issues. Due to the nature of the workers' compensation system, there are many factors beyond the Commission's ability to control; however, actions can be taken to mitigate their ultimate impact. These actions are incorporated into existing and proposed strategic plans. In addition to focusing externally, the Commission began a process in 2014 to formalize its enterprise risk management activities. The emphasis is to consider risk management more specifically in operational and strategic initiatives to help ensure it is integrated at the appropriate level in decision-making, governance, planning, general management, and overall organizational culture.

The 2014-2016 Strategic Plan for the Commission also describes strategies and supporting initiatives which are intended to mitigate the impact of the identified emerging issues. In addition to the performance of capital markets, important issues include injury prevention, claims duration, and rising health care costs.

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 had been to earn a rate of return of 6.6% (3.5% real return after inflation). In 2014, the Commission revised its long-term return expectation to 6.1%, 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, Financial Risk Management, to the Financial Statements and include credit, currency, interest rate, and equity price 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. 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. Equity price 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.

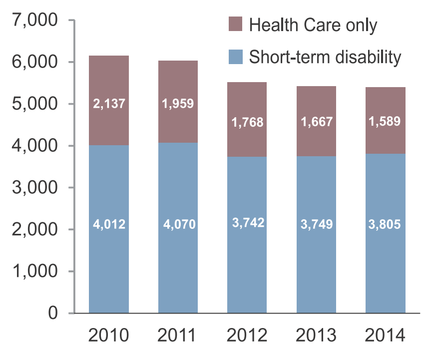
Benefit Costs

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 which translates into specific initiatives at the operational level to bring about cost reduction or containment.

Since 2005, the Maximum Compensable and Assessable Earnings (MCAE) upon which assessments are charged and benefits are based, has been increased annually by the CPI for Canada. In 2014, the MCAE was increased by $6,000, plus a CPI adjustment of 1.0%, making Newfoundland and Labrador's MCAE the highest in Atlantic Canada. It is not known at this time whether the one-time adjustment to the MCAE will impact claiming patterns in the province.

The total number of new short-term disability and health care-only injury claims continues to trend downwards. Since 2010, the number of new injuries has declined by 12.3%.

New Injury Claims



Recognizing the impact that extended claims duration can have on claim costs and return to work outcomes, in 2014 the Commission developed a quality assurance framework to provide additional oversight of key performance indicators and business processes that facilitate a worker's recovery at work as soon as it is safe and suitable to do so. The additional level of oversight provided by the quality assurance team builds on the Commission's existing efforts to manage duration factors in its control and to ensure that programs and services are delivered in an effective and efficient manner.

In 2014, the Commission also implemented a revised early and safe return to work (ESRTW) planning and reporting form which, among other benefits, ensures worker participation in the development of the ESRTW plan. Worker participation is a critical factor in the success of the ESRTW plan and ultimately achieving a suitable return to work outcome. In the fourth quarter the Commission procured and implemented an injury profile toolset to support staff in the proactive management of claims and to introduce return to work expectations among workplace parties and primary health care providers.

Also in 2014, the Commission improved the ESRTW online service available to employers creating a more streamlined ESRTW process for employers which will reduce potential delays in implementing the ESRTW plan and providing the Commission with the required plan information. In addition, the creation of more comprehensive and timely ESRTW plan data provides the Commission with greater capability to monitor and manage factors that impede the ESRTW process at the claim or program level.

These initiatives combined will further improve the efficiency and effectiveness of the ESRTW program for workers and employers, and will assist the Commission in managing duration factors that are in its control, and help mitigate the risk of extended claims duration. The drivers of claim duration that may be 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.

During the year the Commission also implemented a new online invoicing service for chiropractors and enhanced the physiotherapy online reporting form. These improvements will contribute to better quality data being received by the Commission.

Given the impact that delays in medical treatment and quality of service can have on claim duration, the Commission continued its practice of negotiating agreements with external health care service providers in 2014, including labour market re-entry specialists, audiologists and other consultants. Through negotiated agreements the Commission ensures that health care providers support the principles of ESRTW and meet expectations regarding the timeliness of treatments and quality of service provided to injured workers, which contributes to shorter claim duration.

The collaboration between the MUN School of Medicine and the Commission's Health Care Services department continued in 2014. The first in-class session was held in 2014, followed by an interactive session utilizing standardized patients for cases involving work-related injuries. This session focused primarily on the importance of taking a thorough and accurate occupational history. The Commission will repeat this teaching in 2015, and will also provide the second teaching component which focuses on identifying and managing risk factors that may pose as barriers to return to work. Transferring knowledge to future physicians about identifying and managing return to work barriers, which they can apply in practice, is significant given the critical role physicians play in an injured worker's recovery and return to work.

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), contribute to mitigating the rate of growth in health care costs. In 2014, a review of personal care expenditures was initiated, with the objective of documenting existing arrangements and streamlining the procurement and payments functions. Future enhancements will include consistency of personal care rates.

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 Commission continues to monitor and assess safety performance through a series of key performance indicators that provide insight into the state of safety practices in workplaces in Newfoundland and Labrador. One of the lagging indicators of safety performance is the lost-time incidence rate. Over the past 15 years, the Commission has observed a 52% decline in the lost-time incidence rate primarily due to more effective health and safety education, enforcement, and engineered safety programs in workplaces. However, over the past three years, the lost-time incidence rate has plateaued at 1.6 lost-time injuries per 100 workers employed in the province. While the decline in lost-time injuries to record lows is a positive indicator of safety performance, the Commission is concerned that future reductions in this rate are becoming increasingly harder to achieve. The Commission continues to monitor the rate and direct its educational programming in health and safety to the areas of greatest risk and need.

The Commission also works with its health and safety partners – Occupational Health and Safety Branch of Service NL, safety associations, employers, and workers - to improve safety performance within industry and on a provincial scale.

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 2014 was 1.4% and the inflation adjustment has averaged 1.6% over the past five years. The long-term inflation assumption used to value the Commission's benefit liabilities has ranged from 3.5% down to 2.5% over that period.

2014 FINANCIAL HIGHLIGHTS

The Commission recorded a 5.6% increase in the overall assessable payroll base, with increased payrolls across most industry sectors, except for business services, mining, government services and oil & gas. The increase in the assessable payroll base is due in part to the significant increase in the MCAE, as overall employment in the province declined during 2014.

There were decreases in assessment revenue of $21.0 million and in investment returns of $22.1 million. The Commission's total comprehensive income was $62.7 million, as compared to a comprehensive income of $148.9 million in 2013. The Commission's funded position improved to 112.0% from 106.5% at the end of 2013. This represents the Commission's best financial position since 1981.

STATEMENT OF FINANCIAL POSITION

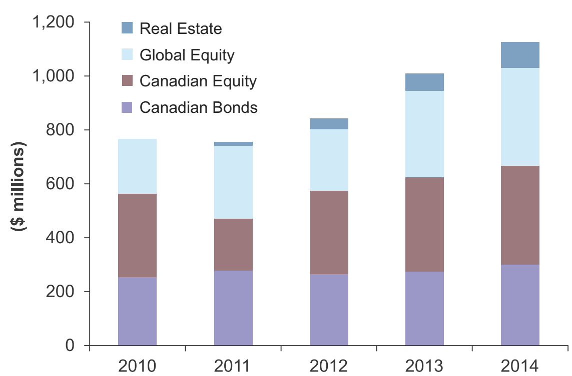
Cash position

The Commission ended 2014 with a cash balance of $46.3 million, as compared to $38.2 million at the end of 2013. The Commission was able to improve its relative cash position primarily due to assessment revenue collected exceeding cash payments to or on behalf of injured workers during 2014.

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 an allocation to real estate. The fair value of the Injury Fund increased $117.2 million to $1,126.1 million at December 31, 2014 from $1,008.9 million at the end of 2013.

Injury Fund



The major theme characterizing the financial markets in 2014 was the divergence of the United States (US) from the rest of the world, in respect of monetary policy and the decoupling and divergence of GDP growth on a global scale. For the majority of the year, volatility was muted until the rapid and pronounced fall in the price of oil. In addition to falling energy prices, the markets were also affected by low inflation and the strength of the US dollar. In October, the US Federal Reserve ended quantitative easing. Conversely, the decline in the price of oil coupled with deflationary pressures lead the central banks in Japan, China and Europe to expand their respective stimulus measures. The Bank of Canada did not change its overnight rate in the year.

The story attracting the most attention in 2014 was the second largest annual decline ever recorded in the price of oil. The spot price for a barrel of WTI reached a 5 1/2 year low, having fallen 50% from a peak of US$ 107 in June to US$ 53 at year-end.

The collapse in oil prices was driven by a combination of expanding US output, declining demand growth in China and a decision by the Organization of the Petroleum Exporting Countries to maintain the same level of output in an effort to gain market share.

The US economic growth rate was the strongest since 2004, with consumer and business confidence reaching post-recession highs. Job growth in the US achieved the best annual gain since 1999. While Canada benefited from the growth of the US economy, falling energy prices and a general weakening of demand for commodities, resulted in the slowest job growth in this country since 2009. The Canadian dollar, coming off a 6.6% decline in 2013, declined a further 8.5% in relation the US dollar, from US$ 0.94 to US$ 0.86 by the end of the year.

For the most part equity and bond markets moved in lock-step in 2014. However, the speed and depth of the decline in the price of oil caused a spike in volatility in the last quarter and increased the gap in returns between these markets.

In the U.S., the S&P 500 Index rose by 23.9% in 2014 in Canadian dollar terms (14.1% on a hedged basis) compared with 41.3% in 2013. Nine of ten sectors produced positive returns in the US, with the only negative being energy at a negative 7.8%, that sector's first negative result since 2008. The S&P TSX Composite Index, in Canada, lagged other markets with a 10.6% return compared with 13.0% in 2013. Market returns in Canada were dampened by the energy and materials sectors which were down 4.8% and 2.6%, respectively, the only sectors producing negative returns. These two sectors represented about one third of the total market weight of the composite index. All other sectors produced double digit returns. The injury fund was generally underweight energy and materials.

The MSCI ACWI (global equities) increased by 14.1% (in Canadian dollar terms) less than half the return in 2013 of 31.7%. From a global perspective, the injury fund was underweight energy but overweight Europe. Emerging Markets, impacted by geopolitical concerns and weaker growth in China, underperformed developed markets.

The increased demand for bonds pushed yields lower and bond market volatility remained elevated as investors' concerns included slowing inflation, lower economic growth prospects and diverging central bank policy. This decline was unexpected given the end of quantitative easing in the US and central banks signaling potential rate increases. Interest rates on 10-year government bonds trended down with 10 year US treasuries yielding 2.17% at December 31, 2014 compared to 3% a year earlier and 10 year Government of Canada's yielding 1.79% December 31 compared to 2.77% January 1, 2014. The FTSE TMX Canada Bond Universe Index increased 8.8% in 2014, a significant turnaround from the 1.2% loss in the prior year. The injury fund was below its policy weight for bonds throughout 2014. Despite the elevated bond market volatility, capitalization rates for real estate remained stable and the IPD all property index produced an annual return of 5.8% in 2014 (7.7% in 2013).

In 2014, the Injury Fund had a rate of return of 11.6% compared with a 16.3% return in the previous year, and target of 6.6%. The fund has generated an average return of 9.1% over the most recent four years and 7.0% over the most recent ten years.

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.

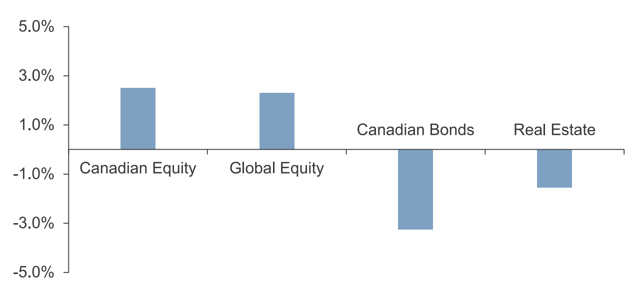
The Long-term Investment Policy documents the long-term asset mix target, the return objectives, acceptable investments and limits on risk concentration. The Injury Fund assets are managed by independent, professional investment managers. The Commission monitors the managers' compliance with policy on 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, 2014 was as follows:

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

The asset mix will vary from the targets due to differences in the relative performance of the various financial market segments. However, as depicted in the chart below, all asset classes were within tolerance range at December 31, 014:

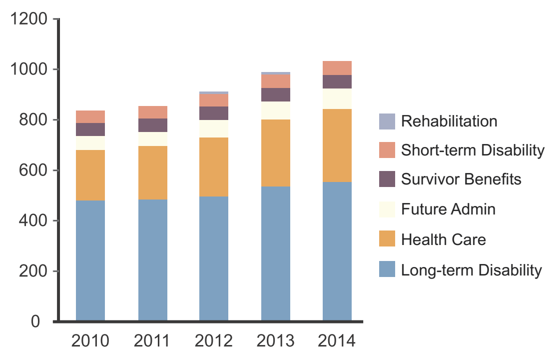
Asset Mix Versus Policy, Dec 31, 2014



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, 2014, and the future cost of administering those claims. The Commission has also included a provision for future claims related to latent occupational disease. 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.

Benefit Liabilities



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 resulting in an increase in the benefit liabilities of $44.7 million. A lower long-term inflation expectation of 2.5% (2013 – 3.0%), and therefore a lower expected gross rate of return of 6.1% per annum (2013 – 6.6%) resulted in an increase in the liability of $17.8 million. As well, the provision for latent occupational disease was increased from 7% to 8% of the benefit liabilities before future administration, based on an updated study completed by the Commission's actuary during 2014. The impact of this change was an increase in the benefit liability of $9.6 million. Finally the Commission updated its mortality assumptions to reflect the most current Newfoundland Life Tables, which resulted in a further increase in the benefit liability of $17.3 million.

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 $52.4 million, or 5.3% from $983.3 million at the end of 2013, to $1,035.7 million at the end of 2014. Excluding the increases associated with the changes in actuarial assumptions for the discount rate, latent occupational disease and mortality, the increase in the benefit liabilities is $7.7 million (0.8%).

The liability for long-term disability benefits represents the single largest component of the overall benefit obligations. At December 31, 2014, the long-term disability liability was 53.4% of the total benefits liability and amounted to $552.9 million, a 0.3% increase from the prior year. The change in inflation assumption and mortality assumption added $4.0 M and $10.9, respectively, to the long-term disability benefit liability. The growth of this liability is less than expected mainly due to offsetting gains from: extended earnings loss (EEL) claim terminations being greater than expected ($2.6 million); PFI award experience better than expected ($1.2 million), and the actual inflation rate being lower than the assumed rate ($8.7 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 $132,000 in 2013 to $126,000 in 2014. The average new capitalization award for the past 5 years, when adjusted for inflation, is $130,000, which the actuaries have maintained for the current valuation. The Commission's actuaries have also noted that the percentage of short-term claims expected to become long-term has remained stable at 6.2%. In addition, the absolute number of expected long-term claims has remained stable at roughly 220 per year for the years 2012 to 2014.

The next largest benefit liability category is health care, which is 28.1% of the benefit liability at $290.6 million, an 8.9 % increase from 2013. The growth in the liability is mainly attributable to changes in assumptions, offset slightly by a gain associated with payments being lower than expected ($1.6 million). The change in inflation assumption and mortality assumption added $11.6 M and $3.1 M, respectively, to the health care benefit liability.

In 2014, the liability for survivor benefits increased by $0.5 million. The Commission accepted 29 fatality claims in 2014 compared with 30 in 2013. Of these, 9 were as a result of accidents and 20 arose from occupational disease (2013: 5 accidents, 25 occupational disease). The liability for survivor benefits was slightly lower than expected due to gains from the actual inflation rate being lower than the assumed rate.

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 2013 and 2014 included an upward adjustment 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.

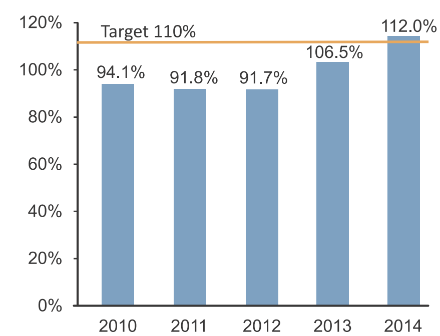
FUND SURPLUS

At December 31, 2014, the Commission's assets totaled $1,206.7 million compared with total liabilities of $1,076.9 million. The net fund surplus of $129.8 million consists of $130.2 million in accumulated operating surpluses, other comprehensive loss of $0.9 million, and an occupational health and safety research reserve of $0.6 million.

Funded Status		
($ millions)	2014	2013
Total Assets	1,206.7	1,085.6
Total Liabilities	1,076.9	1,018.5
Accumulated Operating Surplus	129.8	67.1
Stabilization fund (10%)	107.7	101.4
Funding Strategy Surplus (Deficiency)	22.1	(34.3)
$0.25 surcharge years remaining	0	3

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, 2014, the Commission's funded ratio had increased to $112.0%. The improvement of the funded ratio was primarily due to the higher than expected investment returns, and favourable experience on prior years claims which offset the impact of changes in actuarial and economic assumptions.

Funded Ratio



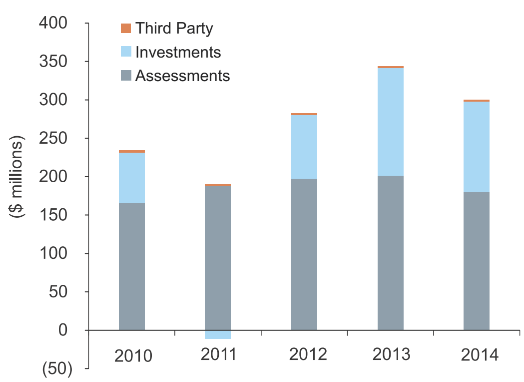
The Commission's long-term funding target is to achieve a level of total assets equal to 110% of total liabilities which is equivalent to requiring a stabilization fund of 10%. At December 31, 2014, this required stabilization fund amounted to $107.7 million, bringing the total funding strategy surplus to $22.1 million. This compares with a funding strategy deficiency of $34.3 million at the end of 2013. As the funding target has been achieved, it is anticipated that the $0.25 surcharge per $100 of payroll will be removed during the rate-setting process for 2016, assuming investment markets and claims experience remain stable.

STATEMENT OF OPERATIONS

Revenues

The Commission's revenue sources are assessments paid by employers, investment income and third party recoveries. In 2014, revenues totaled $298.7 million, a 12.8% decrease from 2013 revenues of $342.4 million, primarily driven by a reduction in the average assessment rate, and lower 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.

In 2014 the average base assessment rate was reduced from $2.75 to $2.45, a decrease of 10.9%. This contributed to a 11.0% decrease in revenue from assessment based employers to $170.2 million in 2014 from $191.3 million in 2013. In 2014, employer assessable payrolls increased by 5.6% to $8.0 billion due to growth across most industry sectors and 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. The reduction in average rates is a reflection of improving claims cost experience in these sectors and the reduction in the average base assessment rate used in rate setting.

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 $41.6 million in PRIME practice refunds.

PRIME Refunds / Charges

($ milllions)	2014	2013
Practice refunds paid	6.5	5.9
Practice refunds forfeited	2.4	2.5
Practice refunds available	8.9	8.4
Experience refunds paid	12.5	10.4
Experience refunds forfeited	4.8	4.4
Experience refunds available	17.3	14.8
Experience charges	(3.3)	(4.2)

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. Although experience refunds and charges are intended to offset each other in the long term, since this program came into effect, employers have earned a net of $25.7 million in PRIME experience incentives. The net refund position is indicative of the decline in the lost-time incidence rate.

The ultimate amount of practice and experience incentives for the 2014 PRIME program year will not be known until the processing and subsequent audits of employer statement data is completed later in 2015. The Commission estimates that employers will qualify for practice incentive refunds of $6.8 million in 2015 based on their 2014 performance and their qualifying experience incentive, net of experience charges, will be $9.7 million.

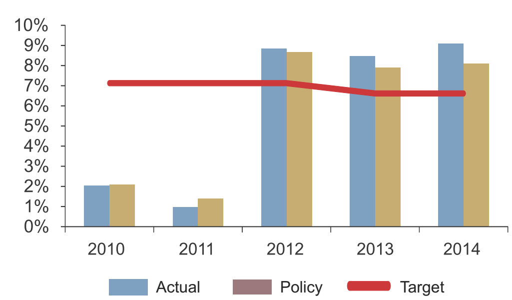
Revenues from self-insured employers were flat at $9.9 million in 2014 (2013 - $9.9 million).

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. The application of this standard has produced significant volatility in the operating results and funded status of the Commission in recent years.

The target rate of return for the investment portfolio had been 7.12% or 3.5% after inflation over the long-term. In 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 2014, the Commission further revised its long-term return target to 6.1%, maintaining a 3.5% real rate of return, but with a further reduction in the inflation expectation. In 2014, the Injury Fund had a rate of return of 11.6% compared with a 16.3% return in the previous year. The fund has generated an average return of 9.1% over the most recent four years and 7.0% over the most recent ten years.

Four-year Annualized Return



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, 2014, the Injury Fund earned an annualized return of 9.1% compared to the policy return of 8.1%.

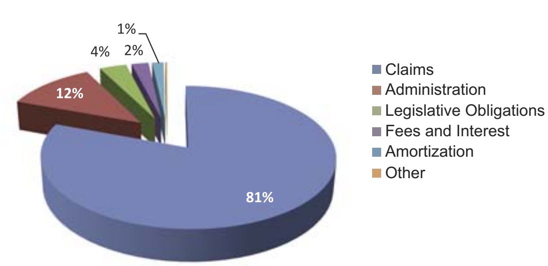
In 2014, the Commission realized investment income of $118.0 million, compared to $140.1 million in 2013. There was a 4.5% increase in interest and dividends from $28.0 million in 2013 to $29.3 million in 2014. The remainder of the income is due to net gains realized on the sale of investments during 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 81% (2013 – 80%) of expenses, while administration expenses are approximately 12% (2013 – 12%) of the total.

In 2014, total expenses were $235.6 million, an increase of $41.6 million. The increase is primarily due to the higher claims costs in 2014 associated with changes in actuarial assumptions related to discount rate, latent occupational disease and mortality rates.

Total Expenses 2014

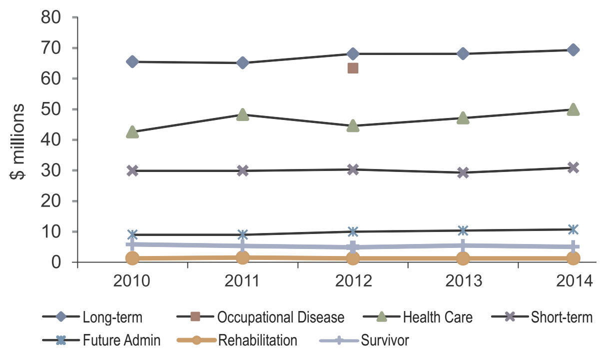


Claims costs incurred

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 $41.1 million (26.6%) from $154.4 million in 2013 to $195.5 million in 2014.

This was mainly due to changes in actuarial assumptions, specifically increasing the provision for latent occupational disease from 7% to 8% ($9.6 million), reducing the discount rate from 6.6% to 6.1% ($17.8 million), and updating the mortality assumptions ($17.3 million).

Claims Expense

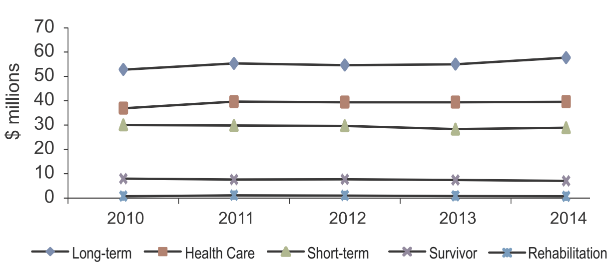


Claims costs paid

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 increased 2.3% to $134.0 million in 2014, from $131.0 million in 2013. The average rate of increase from 2010 to 2014 has been 1.1%.

The increase in long-term disability payments accounts for $2.7 million of the $3.0 million increase. While there was a slight decline in the number of claims receiving extended earnings loss benefits, the average payment increased by 6%.

Claims Payouts



Administrative and other expenses

In 2014, the Commission's administration, amortization and other operational expenses increased by 1.2% to $28.1 million compared to $27.8 million in the previous year.

While overall administration expense was stable, there were savings in the salaries and benefits category due vacancies ($0.3 million), offset by a small increase in professional fees ($0.3 million).

Legislated and other obligations

The Commission is required by legislation to fund the operating costs of the Occupational, Health and Safety Branch of the 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 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 decreased by $0.5 million in 2014 to $7.3 million, primarily due to the winding down of activity related to Statutory Review.

OUTLOOK

The financial sustainability of the workers' compensation system in Newfoundland and Labrador continued to improve in 2014 as the Commission achieved a funded status of 112.0% (2013 – 106.5%). The Commission has achieved a significant milestone having attained its best financial position since 1981 and exceeded its funding target for the first time since the funding policy was formally adopted in 2009. This was due primarily to solid investment performance. Other positive factors include lower than expected inflation, favourable experience on prior years' claims and a slight reduction in new injury claims.

For 2015, the Board maintained the average base assessment rate per $100 of assessable payroll at $2.45. The rate is composed of $2.20 to cover the cost of current year injuries, plus a $0.25 surcharge which was required to amortize the funding deficiency.

As the 110% funding target has been achieved, it is anticipated that the $0.25 surcharge will be removed during the rate-setting process for 2016; assuming investment returns and claims experience remain stable.

The Provincial government is forecasting reduced economic growth over the next several years. Nevertheless, Government is expecting an increase in capital investment, wages, household incomes and a modest increase in employment. The Conference Board of Canada is predicting a slight decline in economic growth after a forecasted decline of 2.3% in 2014. Other public forecasters differ on their expectations for the Province with real GDP growth ranging from negative 1.3% to a positive 2.0%. The significant reduction in oil prices in 2014 have had a material impact on the financial position of Government resulting in an estimated budget shortfall in excess of $900 million in the current fiscal year.

On a global level the divergence of economic growth and monetary policy is expected to persist contributing to an increase in volatility in financial markets in 2015. In the U.S. the Federal Reserve is expected to increase its policy rate due to continued strong economic growth in that country. Economic growth in the United States is forecast at 3.6%, compared with 2.4% in 2014.

In its annual report on Canada, the International Monetary Fund forecasts growth to decline slightly to 2.3% in 2015 due to the drop in oil prices. While Canada is expected to benefit from stronger U.S. growth and a weaker dollar, markets expect a further reduction in the overnight rate following the surprise reduction earlier this year. While certain experts believe the global economy is better off with lower energy prices, particularly in oil consuming regions, the World Bank predicts that lower oil prices will dampen growth for oil-exporting countries with significant regional repercussions. The Commission expects its diversified investment approach will counter some of the market uncertainty for the balance of 2015.

The Report of the 2013 Statutory Review Committee on Workplace Health, Safety and Compensation is under consideration by Government. The Committee's recommendations included the development of a long-term plan that would balance the interests of employers and workers, resulting in further reductions in assessment rates and increases in the benefits provided to injured workers, while maintaining the financial sustainability of the workers' compensation system. The Commission supports the development of a balanced plan that requires the achievement of certain claims and financial targets before benefits are enhanced. The timing of Government's response to the report is unknown at this time.

Financial Statements

2014 Annual Performance Report

Financial Statements

Management responsibility for financial reporting

The financial statements of the Workplace Health, Safety and Compensation Commission are prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgments, estimates and actuarial assumptions. This responsibility includes selecting appropriate accounting principles and actuarial assumptions 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 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 which recommends approval of the financial statements. 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 Board of Directors has approved the financial statements included in this Annual Performance Report.

Morneau Shepell Inc. has been appointed as independent consulting actuary to the Commission. Their role is to complete an independent actuarial valuation of the benefit liabilities of the Commission annually and to report thereon in accordance with accepted actuarial principles.

Ernst & Young, LLP, the independent auditors of the Commission, have performed an audit of the 2014 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 their opinion on the financial statements.

Leslie Galway
Chief Executive Officer

Paul Kavanagh
Chief Financial & Information Officer

ACTUARIAL STATEMENT OF OPINION

We 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, 2014 (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 our opinion:

1. The data on which the valuation is based are sufficient and reliable for the purpose of the valuation. Data for the valuation were supplied by the Commission in accordance with specifications provided by us and we applied such checks of reasonableness of the data as we considered appropriate.
2. The assumptions are appropriate for the purpose of the valuation. 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.
3. The methods employed in the valuation are appropriate for the purpose of the valuation.
4. 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.
5. The estimate of the actuarial liabilities for assessed employers as at the valuation date is $1,035,740,000. This includes provisions for benefits and administration expenses expected to be paid after the valuation date for accidents 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.
6. 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.
7. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Mark Simpson

Mark Simpson, F.C.I.A.
Morneau Shepell Ltd.
April 1, 2015

This report has been peer reviewed by Thane MacKay, F.C.I.A.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the **Workplace Health, Safety and Compensation Commission**, which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in funded position, 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 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 the **Workplace Health, Safety, and Compensation Commission** as at December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

St. John's, Canada,
April 7, 2015

Ernst & Young LLP
Chartered Professional Accountants

Statement of FINANCIAL POSITION
as at December 31

(thousands of dollars)	**2014**	2013
Assets		
Cash, cash equivalents and short-term investments	**$ 46,266**	$ 38,209
Accounts receivable [note 5]	**10,090**	13,788
Investments [note 6]	**1,126,120**	1,008,875
Property, plant and equipment [note 9]	**8,687**	8,620
Intangible assets [note 10]	**15,521**	16,153
	$ 1,206,684	$ 1,085,645
Liabilities		
Accounts payable and accrued liabilities [note 12]	**34,512**	29,375
Employee future benefits [note 15]	**6,631**	5,827
Benefit liabilities [note 14]	**1,035,739**	983,300
	1,076,882	1,018,502
Fund balance	**129,802**	67,143
	$ 1,206,684	$ 1,085,645

Commitments [note 23]

Authorized for issue on April 7, 2015, on behalf of the Board of Directors

Ralph Tucker
Chairperson

Darren Roberts
Director

See accompanying notes.

Statement of COMPREHENSIVE INCOME

Year ended December 31

(thousands of dollars)	**2014**	2013
Revenue		
Assessments revenue [note 13]	**$ 180,144**	$ 201,148
Investment income [note 7]	**117,982**	140,131
Third-party recoveries	**580**	1,123
	298,706	342,402
Expenses		
Claims costs incurred [note 14]		
Short-term disability	**30,933**	29,282
Long-term disability	**69,367**	68,103
Survivor benefits	**5,087**	5,470
Health care	**49,903**	47,163
Rehabilitation	**1,295**	1,249
Actuarial adjustments	**28,243**	(7,158)
Future administration costs	**10,698**	10,340
	195,526	154,449
Administration [note 16]	**24,551**	24,668
Legislated obligations [note 17]	**7,327**	7,814
Fees and interest [note 11]	**4,589**	3,880
Amortization [notes 9 and 10]	**3,130**	2,931
Other expenses [note 18]	**450**	185
	235,573	193,927
Operating surplus	**63,133**	148,475
Other comprehensive (loss) income		
Remeasurement of employee benefit liability [note 15]	**(474)**	461
Total comprehensive income	**$ 62,659**	$ 148,936

See accompanying notes.

***Statement of* CHANGES IN FUNDED POSITION**
Year ended December 31

(thousands of dollars)	**2014**	2013
Accumulated operating surplus (deficit)		
Balance, beginning of year	**$ 67,053**	$ (81,422)
Operating surplus	**63,133**	148,475
	130,186	67,053
Accumulated other comprehensive (loss) income		
Balance, beginning of year	**(460)**	(921)
Other comprehensive (loss) income	**(474)**	461
	(934)	(460)
Reserves		
Occupational Health and Safety Research [note 19]	**550**	550
Fund balance, end of year	**$ 129,802**	$ 67,143

See accompanying notes.

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

(thousands of dollars)	2014	2013
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 182,768**	$ 199,968
Third parties	**580**	1,123
	183,348	201,091
Cash paid to:		
Claimants or third parties on their behalf	**(133,952)**	(130,981)
Suppliers and employees, for administrative and other goods and services	**(33,972)**	(34,086)
Investment manager, interest & other fees	**(4,589)**	(3,880)
	(172,513)	(168,947)
Net cash provided by operating activities	**10,835**	32,144
Cash flows from investing activities		
Cash received from:		
Interest	**10,419**	11,143
Dividends	**19,615**	17,559
Sale of investments	**395,423**	395,720
	425,457	424,422
Cash paid for:		
Purchase of investments	**(425,670)**	(449,353)
Purchase of property, plant and equipment	**(804)**	(703)
Purchase of intangible assets	**(1,761)**	(2,220)
	(428,235)	(452,276)
Net cash used for investing activities	**(2,778)**	(27,854)
Net change in cash and cash equivalents	**8,057**	4,290
Cash and cash equivalents		
Beginning of year	**38,209**	33,919
End of year	**$ 46,266**	$ 38,209

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 and Labrador 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 to achieve and maintain a funded ratio between 100% and 120% [note 24].

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% - 1.44% [2013 - 1.25% - 1.27%].

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 and experience 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

A provision for accrued assessments is included in accounts receivable based on historical assessment information. Actual employers' payrolls may differ from estimates. The allowance for doubtful accounts is comprised primarily of outstanding balances older than two years.

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 finance 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. If an item of property, plant and equipment is determined to be impaired, its carrying value is reduced to the net recoverable amount.

Intangible assets

Intangible assets, which include purchased software and internally developed systems including systems not yet in service, are recorded at cost. Assets in service are amortized monthly on a straight-line basis over their estimated useful lives of ten years. The amortization method and period are reviewed at the end of each reporting period. Intangible assets are assessed for impairment whenever there is an indicator that the intangible assets may be impaired. 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, as well as the estimated liability for latent occupational disease and a provision for the 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 or 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 recorded in 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 and pooled fund units are valued at their year-end net asset values. Real estate net asset values are based on independent appraisals. There are pooled unit funds in both the fixed term and equity investments [Note 6].

Financial instruments

The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities. The carrying value of financial instruments, with the exception of investments, approximate fair value due to their immediate or short-term maturity and normal credit terms. Losses arising from impairment of accounts receivable are recognized in the statement of operations in fees and interest expense.

Financial assets and liabilities are initially recognized at fair value. Financial instruments are classified as follows for purposes of subsequent measurement:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. The Commission determines whether transfers have occurred between levels in the hierarchy for reassessing categorization at the end of each reporting period.

Employee future benefits

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 is not obligated for any unfunded liability, nor is the Commission entitled to any surplus that may arise in this plan.

The Commission provides a severance payment upon retirement, resignation or termination without cause. The expected costs of providing these employee future benefits are accounted for on an accrual basis and have been actuarially determined using the projected benefit method prorated on service, and management's best estimate of wage inflation, 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 other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. These benefits are unfunded.

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.

Standards issued but not yet effective
The following standard has been issued, but not yet effective. The Commission intends to adopt this standard when it becomes effective.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Commission’s financial assets, but no impact on the classification and measurement of its financial liabilities.

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.

A variety of estimation techniques are used in performing the valuation. They are generally based on statistical analyses of historical experience, which assume the development pattern of the current claims will be consistent with past experience. Due to the nature of the estimated liability for latent occupational disease and the extent of historical information available, this liability is by its nature more uncertain than other benefit liabilities.

The Commission believes that the amount provided for benefit liabilities as at December 31, 2014, is adequate, recognizing that actuarial methods and assumptions as disclosed in note 14 may change over time to reflect underlying economic trends. Changes in assumptions could have a material impact on the benefit liability.

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 accumulated 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)	**2014**	2013
Assessments	**$ 9,538**	$ 12,108
Less: Allowance for doubtful accounts	**(3,873)**	(4,581)
	5,665	7,527
Accrued assessments	**1,237**	3,199
Other	**3,188**	3,062
	$ 10,090	$ 13,788

6. INVESTMENTS

(thousands of dollars)	**2014**	2013
Fixed term	**$ 301,192**	$ 275,850
Equities	**729,725**	669,203
Real Estate	**95,203**	63,822
	$1,126,120	$ 1,008,875

Fair Value Hierarchy

(thousands of dollars)	**2014**	2013
Level 1		
Cash and cash equivalents	**$ 3**	$ 17,260
Domestic equities	**365,899**	337,840
Foreign equities	**363,826**	320,442
	729,728	675,542
Level 2		
Fixed term investments	**301,190**	269,511
Real Estate	**95,202**	63,822
	396,392	333,333
	$ 1,126,120	$ 1,008,875

There have been no transfers between levels during 2014.

7. INVESTMENT INCOME

Investment income is comprised of the following:

(thousands of dollars)	**2014**	2013
Interest and dividends	**$ 29,298**	$ 28,034
Realized gain on sale of investments	**29,272**	13,443
Interest on short-term investments	**736**	668
Unrealized gain on change in fair market value of investments	**58,676**	97,986
Investment income	**$ 117,982**	$ 140,131

8. FINANCIAL RISK MANAGEMENT

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

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

Credit risk
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. 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.

At December 31, 2014, 79.1% [2013 – 80.6%] 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.

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 reporting date. Funds significantly invested in foreign denominated fixed-term investments manage their foreign exchange exposure through forward foreign exchange and future contracts. 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, 2014, the Commission's holdings in foreign equities and pooled equity funds had a market value of $363.8 million [2013 - $320.4 million] representing 32.3% [2013 – 31.8%] of the market value of the total investment portfolio.

The table below presents the impact on comprehensive income 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.

8. FINANCIAL RISK MANAGEMENT (continued)

(thousands of dollars)	**2014**		2013	
10% appreciation in the Canadian dollar	**CAD/USD**	**CAD/EURO**	CAD/USD	CAD/EURO
Impact on comprehensive income	**$ (20,968)**	**$ (3,872)**	$ (18,339)	$ (3,040)

Interest rate risk

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

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

(thousands of dollars)	**2014**		2013	
Change in nominal interest rates	+50bps	+100bps	+50bps	+100bps
Impact on comprehensive income	**$ (10,343)**	**$ (20,377)**	$ (8,606)	$ (16,958)

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
2014 Fair Value	**$ 33,830**	**$ 66,010**	**$ 201,352**	**$ 301,192**
2013 Fair Value	$ 32,712	$ 73,975	$ 169,163	$ 275,850

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.

Equity price risk

Equity price 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.

8. FINANCIAL RISK MANAGEMENT (continued)

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

The table below presents the impact on comprehensive income of a material change in the key risk variable measured as 1 or 2 standard deviations (std dev) of the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

(thousands of dollars)	**2014**		2013	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% Change in market benchmark	**(10.1%)**	**(20.3%)**	(12.7%)	(25.3%)
Canadian equity	**$ (33,696)**	**$ (61,710)**	$ (39,185)	$ (70,455)
% Change in market benchmark	**(8.7%)**	**(17.5%)**	(11.2%)	(22.4%)
Non-Canadian equity	**$ (29,209)**	**$ (54,076)**	$ (32,256)	$ (58,611)

9. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	**2014**			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	**$ 3,000**	**$ -**	**$ -**	**$ 3,000**
Buildings	**10,857**	**-**	**-**	**10,857**
Furniture & equipment	**2,893**	**74**	**(41)**	**2,926**
Computer equipment	**4,355**	**562**	**(662)**	**4,255**
Total	**21,105**	**636**	**(703)**	**21,038**
Accumulated Depreciation				
Land	**-**	**-**	**-**	**-**
Buildings	**6,338**	**200**	**-**	**6,538**
Furniture & equipment	**2,548**	**66**	**(41)**	**2,573**
Computer equipment	**3,599**	**303**	**(662)**	**3,240**
Total	**12,485**	**569**	**(703)**	**12,351**
Net Book Value	**$ 8,620**	**$ 67**	**$ -**	**$ 8,687**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(thousands of dollars)	2013			
	Opening Balance	**Additions/ Depreciation**	**Disposals**	**Closing Balance**
Cost				
Land	$ 3,000	$ -	$ -	$ 3,000
Buildings	10,727	130	-	10,857
Furniture & equipment	2,765	152	(24)	2,893
Computer equipment	4,301	295	(241)	4,355
Total	20,793	577	(265)	21,105
Accumulated Depreciation				
Land	-	-	-	-
Buildings	6,141	197	-	6,338
Furniture & equipment	2,499	72	(23)	2,548
Computer equipment	3,570	266	(237)	3,599
Total	12,210	535	(260)	12,485
Net Book Value	$ 8,583	$ 42	$ (5)	$ 8,620

10. INTANGIBLE ASSETS

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Balance at January 1, 2013	$ 26,505	$ (10,303)	$ 16,202
Additions	2,347	-	2,347
Disposals	(470)	470	-
Amortization	-	(2,396)	(2,396)
Balance at December 31, 2013	**$ 28,382**	**$ (12,229)**	**$ 16,153**
Additions	**1,929**	**-**	**1,929**
Disposals	**(75)**	**75**	**-**
Amortization	**-**	**(2,561)**	**(2,561)**
Closing balance, December 31, 2014	**$ 30,236**	**$ (14,715)**	**$ 15,521**

Intangible assets include $1,761,162 [2013 - $2,220,000] related to internally developed systems which are not yet in service.

11. FEES AND INTEREST

Fees and interest are comprised of the following:

(thousands of dollars)	**2014**	2013
Fund managers' investment fees	**$ 4,193**	$ 3,509
Banking fees	**97**	94
Bad debt expense	**279**	245
Interest paid to claimants	**20**	32
Fees and interest	**$ 4,589**	$ 3,880

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 not utilized during 2014. No amount was outstanding at December 31, 2014 and 2013.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2014**	2013
Accounts payable	**$ 27,728**	$ 24,725
Amounts due to employees	**777**	700
Credit balances due to employers	**6,007**	3,950
	$ 34,512	$ 29,375

Accounts payable includes a provision in the amount of $19,612,000 [2013 - $16,561,000] for amounts owing to employers under the Commission's PRIME 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.

13. ASSESSMENTS REVENUE (continued)

(thousands of dollars)	**2014**	2013
Gross assessed employers	**$ 185,449**	$ 202,315
Assessment reporting penalties & interest	**1,304**	1,387
PRIME refunds	**(16,531)**	(12,405)
Net assessment revenue	**170,222**	191,297
Self-insured employers [note 22]	**9,922**	9,851
Total	**$ 180,144**	$ 201,148

14. BENEFIT LIABILITIES AND CLAIMS COSTS

(thousands of dollars)	2014							2013
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilit-ation	Future Admin. Cost	Total	Total
Balance, beginning of year	$ 51,979	$ 535,797	$ 53,484	$ 266,683	$ 3,364	$ 71,993	$ 983,300	$ 968,804
Add:								
Claims costs incurred:								
Current–year injuries	27,448	31,734	1,267	31,236	1,078	6,240	99,003	94,162
Prior years' injuries	646	3,976	499	1,984	17	-	7,122	7,179
Interest expense	2,839	33,657	3,321	16,683	200	4,458	61,158	60,266
	30,933	69,367	5,087	49,903	1,295	10,698	167,283	161,607
Deduct:								
Claims payments:								
Current–year injuries	9,965	394	65	8,927	4	-	19,355	18,252
Prior years' injuries	18,928	57,329	6,980	30,653	707	9,135	123,732	121,701
	28,893	57,723	7,045	39,580	711	9,135	143,087	139,953
Actuarial adjustments:								
Claims experience different than expected	(533)	(2,736)	412	(1,056)	(929)	(15)	(4,857)	(3,500)
Inflation lower than expected	-	(8,700)	(700)	(500)	-	-	(9,900)	(8,300)
Change in inflation assumption	600	4,000	300	11,600	-	1,300	17,800	-
Change in mortality assumption	-	10,900	2,000	3,100	-	1,300	17,300	-
Other gains/losses	100	2,000	400	400	-	5,000	7,900	4,642
Sub-total	167	5,464	2,412	13,544	(929)	7,585	28,243	(7,158)
Balance, end of year	$ 54,186	$ 552,905	$ 53,938	$ 290,550	$ 3,019	$ 81,141	$1,035,739	$ 983,300

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Claims Development

The table that follows presents the development of the estimated ultimate cost of claims and claim payments for accident years 2007-2014. The top part of the table illustrates how the estimate of total claims benefits for each accident year has changed with more experience over succeeding year-ends. It shows the estimated cost of claims for an accident year in the year of accident, one year after the year of accident, two years after the year of accident, and so on and compares the total estimated cost to the actual cumulative payments over the development period. Due to the extremely long duration of many Commission benefits, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount to the discounted amount reported in the statement of financial position.

(thousands of dollars)

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of cumulative claims:									
At end of year of accident	$139,691	$ 149,568	$ 186,721	$ 147,535	$ 154,019	143,904	145,693	148,491	
One year later	127,031	139,326	166,238	142,380	133,805	133,430	134,943		
Two years later	126,662	132,818	167,506	141,823	142,895	124,360			
Three years later	132,010	134,934	170,448	140,343	136,185				
Four years later	136,412	137,089	170,422	144,340					
Five years later	135,433	134,095	167,565						
Six years later	131,799	134,298							
Seven years later	135,249								
Estimate of cumulative claims	135,249	134,298	167,565	144,341	136,185	124,360	134,942	148,491	1,125,431
Cumulative payments	(63,606)	(61,348)	(62,216)	(56,191)	(50,120)	(41,430)	(33,356)	(17,772)	(386,039)
Estimate of future Payments	71,643	72,950	105,349	88,150	86,065	82,930	101,586	130,719	739,392
2006 and prior years									891,751
Effect of discounting									(747,256)
Latent occupational disease									70,711
Claims Administration									81,141
Benefit Liabilities at December 31, 2014									**$ 1,035,739**

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

The table below lists the principal economic assumptions used in the valuation of the benefits liabilities.

	2014		2013	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return	**6.09%**	**6.09%**	6.61%	6.61%
Inflation year 1	**1.40%**	**2.50%**	1.00%	3.00%
Inflation later years	**2.50%**	**2.50%**	3.00%	3.00%
Net rate of return year 1	**4.62%**	**3.50%**	5.55%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%
Occupational disease	**8.00%**	**8.00%**	7.00%	7.00%
Future Administration	**8.50%**	**8.50%**	8.50%	8.50%

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

<u>General statement</u>
Benefit liabilities are valued based on the primary assumption that the system will be in operation for the long term. Economic assumptions are formulated to be consistent with the funding and investment policies adopted by the Board. Demographic assumptions are chosen to reflect the Commission's underlying experience and are updated over time as enough experience is available to suggest an underlying trend, rather than statistical fluctuations.

<u>Gross rate of return</u>
The gross rate or return represents the best estimate of the long term average rate of return that can be expected based on the benchmark asset allocation adopted by the Commission through its long term investments policy. The weighted average real rate of return is compounded by the long-term expected average inflation rate to obtain the gross rate of return.

<u>Inflation</u>
The indexation rate for year one is known at the time of the valuation. The Commission calculates the change in the Consumer Price Index (CPI) for the 12 month period July – June, over the previous 12-month period July – June, and any resulting increase is applied beginning in January of the following year to dependency benefits, extended earnings loss benefits, maximum compensable earnings and assessable earnings, pursuant to the WHSC Act. The inflation rate assumption for later years is management best estimate, consistent with the range of accepted actuarial practice for worker's compensation organizations in Canada.

<u>Net Rate of return</u>
The net rate of return is the result of removing the inflation assumption from the gross rate of return.

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

Mortality

The mortality rates used in the valuation of the benefit liabilities are based on general population experience, since actual injured worker mortality data is inadequate to develop a reliable assumption. The current valuation is based on the Newfoundland Life Table 2009-11 from Statistics Canada. The previous valuation was based on the Newfoundland Life Table 2000-02.

Occupational Disease

The liability for occupational disease is intended to provide a reasonable allowance for future claims for known occupational diseases which arise from past workplace exposures. An actuarial study of the Commission's occupational disease exposure is conducted periodically, focussing on long latency claims related to cancers, respiratory illnesses and hearing loss. These categories comprise the majority of long latency occupational disease claims accepted by the Commission. The most recent study was conducted in 2014 and concluded that reasonable range would be 7.5%-9.5% of the benefit liability. The Commission has included a provision of 8.0% of the benefit liability for latent occupational disease [2013 – 7%].

Future Administration

The future administration liability is intended to provide a reasonable allowance for the management of claims, including compensation for lost wages and paying for health care services over the life of the claim. A detailed analysis of administration costs is performed periodically and an estimate made of the proportion attributable to the management of claims, including a proportionate share of overhead costs. The last review was conducted in 2012 and concluded that an allowance of 8.5% of the benefit liability was reasonable.

Sensitivity of Insurance risk

In determining the Commission's benefit liabilities, a primary risk is that the actual benefit payments may exceed the amount estimated in determining the liabilities, particularly with potentially long claims run-off periods. The table below shows 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	**$ 87.1**	**$ 5.8**
Increase inflation rate	Increase	**$ 47.3**	**$ 3.7**
Increase health care inflation	Increase	**$ 34.9**	**$ 1.9**

Claims risk

The Commission has an objective to manage claims risk, which can lead to significant variability in the loss experience due to its inherent uncertainty. Performance from operations is also significantly affected by external factors.

Insurance risk associated with the volume and cost of claims is addressed through prevention and proactive claims management. The Prevention Strategy focuses attention on workplace risks that lead to

14. BENEFIT LIABILITIES AND CLAIMS COSTS (continued)

the highest frequency of claims. The Commission provides a Priority Employer Program to assist employers with high claims and costs, and invests in educating young workers, developing safety associations at the industry level, and delivering safety education to employers and workers to control workplace risks. The Early and Safe Return to Work (ESRTW) process facilitates recovery at work and helps manage claim costs. In addition, the rate setting model provides incentives to employers through the PRIME program to manage injuries and work to prevent future injuries.

15. EMPLOYEE FUTURE BENEFITS

Public Service Pension Plan

The Commission's contributions to the Public Service Pension Plan of $1,740,800 [2013 - $1,679,600] 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. The weighted average time to expected benefit payment is 11.1 years. In 2014, cash payments to retirees were $317,000 [2013 - $252,000].

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)	**2014**	2013
Accrued benefit obligation, beginning of year	**$ 5,827**	$ 5,905
Current service cost	**375**	403
Interest cost	**272**	232
Actuarial loss (gain)	**474**	(461)
	6,948	6,079
Benefits paid	**(317)**	(252)
Accrued benefit obligation, end of year	**$ 6,631**	$ 5,827

15. EMPLOYEE FUTURE BENEFITS (continued)

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

	2014	2013
Discount rate – benefit cost	**3.75%**	3.75%
Discount rate – accrued benefit obligation	**3.75%**	4.50%
Rate of compensation increase	**3.00%**	3.00%

The table below shows the sensitivities of the benefit obligation to a 0.25% change in the key assumptions:

(thousands of dollars)	Increase	Decrease
Discount Rate	**$ (173)**	**$ 180**
Rate of compensation increase	**$ 181**	**$ (175)**

16. ADMINISTRATION

(thousands of dollars)	2014	2013
Salaries and employee benefits	**$ 27,499**	$ 27,758
Office and communications	**2,758**	2,831
Professional fees	**1,915**	1,573
Building operations	**939**	932
Travel and vehicle operating	**575**	546
	33,686	33,640
Less: Claims administration [note 14]	**9,135**	8,972
	$ 24,551	$ 24,668

17. LEGISLATED AND OTHER 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 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)	**2014**	2013
Service NL and Labour Relations Agency	**$ 5,246**	$ 5,019
Workplace Health, Safety and Compensation Review Division	**1,070**	1,138
Employer and Worker Advisors	**826**	900
Statutory Review on WHSCC	**185**	757
	$ 7,327	$ 7,814

18. OTHER EXPENSES

(thousands of dollars)	**2014**	2013
Sectoral advisors and grants	**$ 153**	$ 100
Business improvement projects	**297**	85
	$ 450	$ 185

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 2014, no amount was charged to the reserve [2013 - Nil].

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 measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The amounts included in Note 22 and on the statement of operations for the Province of Newfoundland and Labrador are as follows:

(thousands of dollars)	**2014**	2013
Claims costs	**$ 3,621**	$ 3,600
Administration	**487**	498
Revenue	**$ 4,108**	$ 4,098

The Commission has identified the Board of Directors and Senior Management team as related parties. The Senior Management team includes the Chief Executive Officer, Chief Financial and Information Officer, Executive Directors and four other Senior Staff members. Compensation related to these parties is shown below:

(thousands of dollars)		**2014**		2013
	Number	**Total**	Number	Total
Board of Directors				
Salary and Benefits	**10**	**$ 128**	10	$ 105
Senior Management				
Salary and Benefits	**9**	**$ 1,228**	9	$ 1,293
Severance and annual leave		**$ 37**		$ 38

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 $1,416,000 [2013 - $1,533,000] 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)	**2014**	2013
Claims costs incurred:		
Short-term disability	**$ 911**	$ 1,026
Long-term disability	**3,988**	3,870
Survivor benefits	**499**	464
Health Care	**2,642**	2,691
Administration charges	**1,882**	1,800
Revenue from self-insured employers	**$ 9,922**	$ 9,851

23. COMMITMENTS

The Commission has entered into operating leases for office premises with lease terms between three and five years with the option to renew for additional terms of three to five years.

Future minimum rentals payable under non-cancellable operating lesases as at December 31, 2014 are, as follows:

(thousands of dollars)	**2014**	2013
Within one year	**$ 241**	$ 241
After one year but not more than five years	**547**	803
Non-cancellable operating leases	**$ 788**	$ 1,044

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, 2014 the funded ratio was 112.0% [2013 – 106.5%]. The Fund balance consists of accumulated net operating surplus, accumulated other comprehensive income 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 2013 and 2014 included an upward adjustment of $0.25 per $100 of payroll.

Funded Position

(thousands of dollars)	**2014**	2013
Total assets	$ 1,206,684	$ 1,085,645
Less: Total liabilities	1,076,882	1,018,502
Funded position	$129,802	$ 67,143
Reserves	$ 550	$ 550
Funded ratio	112.0%	106.5%

25. CONTINGENT LIABILITY

On February 18, 2014, pursuant to an application for judicial review of a Worker's Compensation Review Division decision, the Newfoundland and Labrador Supreme Court, Trial Division, ruled that the Commission could not apply the Maximum Compensable and Assessable Earnings (MCAE) limit to the calculation of Pension Replacement Benefits (PRB), since the Workplace Health, Safety and Compensation Act (the Act) did not specifically state that the limit applies to PRB awards, unlike the sections for other benefits. Removal of the MCAE limit will lead to higher PRB awards, and consequently higher liabilities, for those claimants where the limit was applied in their PRB calculation. The Commission appealed this decision, and on November 20, 2014, the Newfoundland and Labrador Court of Appeal upheld the decision. In January 2015 the Commission filed a leave to appeal this decision to the Supreme Court of Canada. The Commission is authorized by its legislation to recommend those changes considered advisable to the Minister.

The Commission has not recognized a liability in relation to this matter, since there is uncertainty regarding the probable outcome at this time. If the Commission is not successful on appeal, and fails to secure amendments to its legislation, the increase in liability is estimated at approximately $3.0 million.

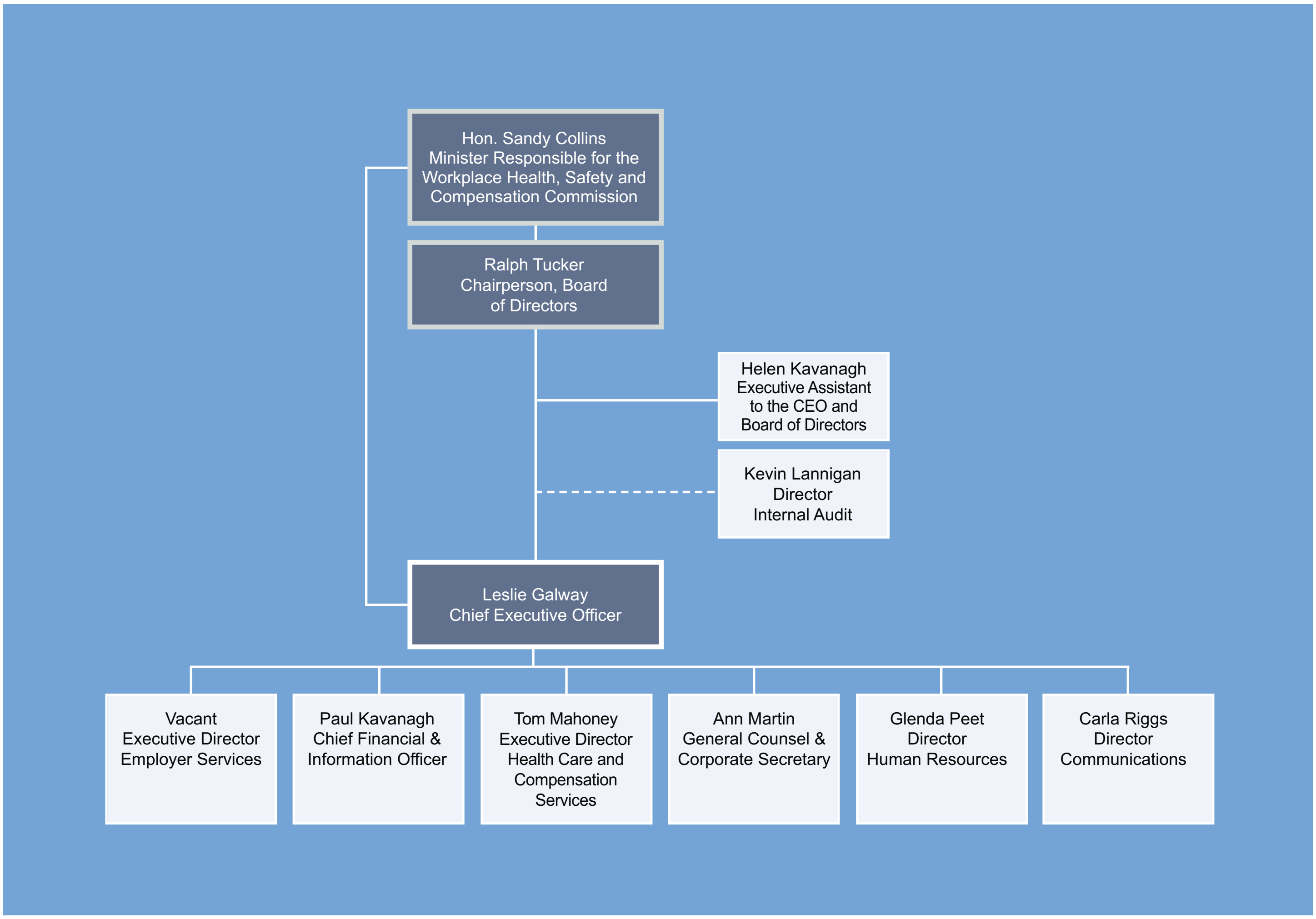
26. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the 2014 financial statement presentation. A portion of administrative expenses have been allocated to the administration of claims [notes 14 and 16], and amounts due to employers in relation to PRIME refunds are included in accounts receivable, and amounts due from employers in relation to PRIME experience charges are included in accounts payable, rather than both amounts included in accounts receivable payable on a net basis [notes 5 and 12].

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

(thousands of dollars)	2014	2013	2012	2011	2010
Revenue					
Assessments	**$ 180,144**	$ 201,148	$ 197,488	$ 188,367	$ 166,220
Investment income (loss)	**117,982**	140,131	82,634	(11,602)	65,217
Third-party recoveries	**580**	1,123	838	1,049	1,080
	298,706	342,402	280,960	177,814	232,517
Expenses					
Claims costs incurred	**167,283**	161,607	225,001	158,804	153,572
Administration	**24,551**	24,668	26,166	25,088	22,887
Legislated obligations	**7,327**	7,814	7,624	6,952	6,649
Amortization	**3,130**	2,931	2,664	2,491	2,179
Fee and interest	**4,589**	3,880	3,749	3,245	2,627
Actuarial adjustments	**28,243**	(7,158)	25,069	1,495	(9,748)
Other	**450**	185	592	1,520	1,258
	235,573	193,927	290,865	199,595	179,424
Surplus (Deficit) for the year	**63,133**	148,475	(9,905)	(21,781)	53,093
Fund deficiency, beginning of year	**66,593**	(82,343)	(72,190)	(50,409)	(103,502)
Reserve balance, beginning of year	**550**	550	560	640	815
Total fund deficiency, beginning of year	**67,143**	(81,793)	(71,630)	(49,769)	(102,687)
Surplus (Deficit) for the year	**63,133**	148,475	(9,905)	(21,781)	53,093
Appropriation of reserve fund	**-**	-	(10)	(80)	(175)
Other comprehensive income (loss)	**(474)**	461	(248)	-	-
Total fund balance, end of year	**$ 129,802**	$ 67,143	$ (81,793)	$ (71,630)	$ (49,769)

ORGANIZATIONAL CHART



EFFECTIVE MARCH 2015

Workplace Health, Safety and Compensation Commission

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