

ON THE ROAD TO SAFETY



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.

ON THE ROAD TO SAFETY

Workplace Health, Safety and Compensation Commission - Annual Performance Report 2008





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Letter to the Minister

The Honourable Susan Sullivan
Minister of Human Resources, Labour and Employment

Dear Minister Sullivan:

As Chairperson of the Workplace Health, Safety and Compensation Commission (the Commission), I hereby submit the 2008 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 2008 objectives, as well as future opportunities to support its commitment to providing services to injured workers and dependents, employers and the public through the administration of the *Workplace Health, Safety and Compensation Act*.

As Chairperson, my signature below is indicative of the board's accountability for the preparation of the Commission's Annual Performance Report 2008 and the achievement of the goals and objectives as reported.



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

May 29, 2009

Date



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

Top 10 Success Stories

- Claims registration system
- Client service office
- Incidence rate
- Memorandum of agreement with NLMA
- Occupational disease initiatives
- PRIME implementation
- Red tape reduction initiative
- Sectoral councils' progress
- Social marketing campaign
- Youth game show



Message from the Board Chair and CEO

The Workplace Health, Safety and Compensation Commission (the Commission) is a strong team of 390 professionals working with its partners in occupational health and safety to serve a 220,000 person workforce, employers and government. Our staff provide injured workers with immediate support to respond to health care needs and to replace wage loss. With a proactive approach aimed at employers and workers alike, the Commission offers prevention services in education and awareness and consultation with employers at their workplaces.

Our team strives for the long-term financial stability of our employer-funded, no fault injury fund. The past eight years have seen a dedication to developing strategies, programs and projects designed to strengthen the Commission and to better serve our clients.

Snapshot of 2008 - Our Priorities

Highway to prevention

The elimination of injuries continues to be our top priority. It is our commitment to make Newfoundland and Labrador one of the safest

workplaces in Canada. In order to accomplish this, we must remain vigilant with all aspects of prevention. In 2008 there was an increased number of prevention and occupational health and safety workshops to better educate workplace parties on the roles, responsibilities and techniques for safety. We continued our CEO Leadership Charter initiative and inducted 21 new charter members, who have committed to making their organizations safer places for every employee. We currently have over 50 CEO champions for safety supporting the Commission's efforts toward fewer workplace injuries.

We believe that reaching out to new entrants to the workplace, particularly young workers, will address those most at risk of uncertain hazards. This will produce tremendous safety rewards, both in the short and long term.

In 2008, we escalated our efforts with young workers. We continued to support high school programs such as the high school radio campaign challenge. Stephenville High School was the first place winner, affording the Commission the opportunity to use the ad on radio spots during the summer employment season. We were honoured to join the Minister of Education, the Minister of Human Resources, Labour and Employment as well as the principal of Stephenville High



Ralph Tucker, Chairperson, Board of Directors



Leslie Galway, Chief Executive Officer

School to highlight the importance of staying safe at work and play.

These high school programs support the occupational health and safety curriculum which includes career development, the skilled trades program and Workplace 3220. During 2008 we expanded our outreach programs to include elementary and junior high schools as well as high schools and post secondary colleges. Board members, senior management and staff travelled throughout the province, speaking to students about the importance of safety at play, home and work. Each speaking opportunity provided the chance to drive home messages on workers' rights to know their roles and responsibilities, to participate in workplace health and safety programs and to refuse unsafe work.

We introduced an exciting interactive game show, SAFE Work NL's - *Who Wants to Save a Life?* This game show was developed in conjunction with our partners, the Department of Education and the youth organization, Futures in Newfoundland and Labrador's Youth (FINALY!). We had active audience participation with well over 1,000 in attendance at four games. High school students, teachers and families across the province were provided with a fun way to increase their knowledge and appreciation of occupational health and safety.



Message from the Board Chair and CEO continued

In fact, we want the entire province to join the conversation on the prevention of workplace injuries and fatalities. The Commission is dedicated to providing a social marketing campaign that spans television, radio and print. 2008 was focused on a call to action: doing small things will avoid serious injuries. The best indication of prevention accomplishments is the absence of the evidence of injury. However, it is deeply satisfying to know that the province's lost time, medical aid and fatality statistics declined again in 2008. With the support of the Commission's data warehouse, we were able to provide details of our prevention performance, good and bad, to the media, government, chambers of commerce, industry associations, municipalities and schools. Too many workers in our province are injured each year. We need our workplaces to enhance the safety culture so that workers can safely return home to their loved ones, every day.

The road to disability management

When injuries do occur, we are there to facilitate early health care intervention and early and safe return to work programs. Our insurance program assists in replacing lost earnings. We are very proud of the disability management work done by all staff and, in particular, we wish to acknowledge our new and expanded Extended Services Unit for the special care and support they have

provided when there are severe injuries and fatalities. The needs of short-term and long-term clients differ and the Commission recognizes the need for appropriately designed client care and services to injured workers and their families.

Disability management is more than income support. Health care intervention is critical for every injured worker's recovery and rehabilitation. The timing of health care delivery impacts the probability of returning to work as well as the duration of time away from the pre-injury position. Good communication is essential and evidence of cooperation among workplace parties. Strong partnerships in developing return to work programs benefit both employers and injured workers. The Commission also has memorandums of agreement with all of its professional health care providers. This ensures all injured workers receive health care programs aimed at return to work rehabilitation. We are confident that our health care intervention is among the best in Atlantic Canada.

Paving the way to financial responsibility

In pursuit of financial sustainability, the Commission again consulted on its funding policy for the employer paid insurance system in this province. We were pleased with the support of our stakeholders in the development of the Commission's first



long term funding policy. This policy will guide current and future boards on how to respond to significant changes in its funding ratio (the ratio of financial assets to liabilities). 2008 was quite challenging on our financial resources. The world economic decline impacted our investment portfolios tremendously. The funding policy will help us respond to risks associated with periods of market turbulence.

The Commission is ever mindful in managing its costs, finding savings through procurement practices, stabilizing costs through long-term service agreements and doing its part to reduce incidence rates and numbers of claims. While costs of products and services rise, these management practices mitigate the increase and the financial burden on the system.

Our Successes

Incidence rates reduced

There has been a steady decline of accidents in Newfoundland and Labrador workplaces over the past eight years. Our lost time incidence rate dropped below two workers for every 100 employed in 2008. This represents a 38% reduction in accidents in this province, approximately 16,657 lost time incidents that did not occur, and a savings of \$300 million. There are many players to recognize in this outstanding accomplishment

including workers, unions, employers, the Occupational Health and Safety Branch of the Department of Government Services, the Commission and all those who actively train and promote safety in the workplace.

Mines rescue training certification

The Commission offered its first mines rescue training program. This program was designed and implemented in collaboration with the Mines and Aggregates Safety and Health Association (MASHA).

New programs: PRIME and the first module of the claims management system

After several years of development, the Commission implemented a new experience incentive system for the province's large employers. This PRIME model is a self sustaining financial system that rewards employers whose performance is better than their targeted claims cost range and penalize those whose performance is above that range. This system is designed to be revenue neutral over time.

In October 2008, the Commission rolled out its new claims registration system along with new forms. This major accomplishment was a significant advancement in our information system as well



Message from the Board Chair and CEO continued

as a means to facilitate claims registration and early and safe return to work programs.

Sectoral council

The Newfoundland and Labrador Construction Safety Association (NLCSA) continued to support safety programs for its industry sector. Through its Certificate of Recognition (COR) program, the NLCSA provides a safety training program to all interested parties in the province. This successful safety model has been the impetus for one of the Commission's key priorities, the development of industry sectoral safety councils. We are pleased that in the forestry industry, labour and employers have reached an agreement to form our second sectoral council.

The Commission recognizes the work of sectoral advisors of the Newfoundland and Labrador Federation of Labour and the Newfoundland and Labrador Employers' Council. Our sectoral advisors, the Occupational Health and Safety Branch and the Commission are working together to develop additional councils.

Responding to occupational disease

Sadly, there is one significant measure of health and safety that is following a negative trend. This measure is the number of fatalities associated with occupational disease. Occupational diseases are health disorders resulting from workplace

exposure to physical or chemical hazards.

The increase in occupational disease cases is partially related to the latency period associated with occupational diseases as well as increased awareness. In order to support workers and their families in addressing health and compensation issues for occupational disease, the Commission works closely with workers, employers, unions and community groups.

In 2008, the Commission formed a partnership with the United Steelworkers and the Baie Verte Peninsula Miners' Action Committee. The goal is to establish registration data for former workers of the Baie Verte Asbestos mine. The registry approach to occupational disease is the first for our province and unique to Canada.

Award winning social marketing campaign

The Commission is very proud of the unique social marketing campaign which was developed in collaboration with the Prince Edward Island and Nova Scotia Workers' Compensation Boards and Extreme Group - a Halifax creative advertising agency. The campaign received international recognition for superior marketing at the 2008 Cannes Lions International Advertising Festival. The Commission and its partners took home a prestigious Bronze Lion Award in the Product and Service, Public Health and Safety category.



Exceeding the target on red tape reduction

The Government of Newfoundland and Labrador has committed to reducing unnecessary red tape and regulatory burden in public sector entities to improve service delivery. The Commission exceeded the 25 per cent reduction target and accomplished a 27 per cent reduction three months in advance of the deadline.

Client service office opened

Following a pilot, the Commission established a permanent client service office in March 2008. The client service officer reports directly to the board of directors and works to continually improve client service.

Destination: safety

Our shared commitment with our partners has resulted in us achieving many successes along the road to safety. While we have made considerable strides on this road, we still have many miles to go to reach our final destination. Future success will come through continued commitment and counsel with our partners, strong prevention initiatives, solid disability management and sound financial and corporate services. The board vision, senior management dedication and strong team commitment are all valued and instrumental in achieving our goals.

We would like to thank all of our partners - labour, employers, government, board members, senior management and staff - for their continued support as we strive toward our final destination:

safety.

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

Leslie Galway
Chief Executive Officer
Workplace Health, Safety and
Compensation Commission

Our planning for 2009 and beyond focuses on providing the highest level of service to workers and employers, while maintaining financial sustainability.

- Ralph Tucker, Chairperson

Board of Directors

Elizabeth Forward Jack Parsons Grant Barnes Ralph Tucker Leslie Galway Louise Ade Darren Roberts Peggy Roche George Kean Kimberly Dunphy



Ralph Tucker
Chairperson

Ex-Officio Members

Leslie Galway
Chief Executive Officer

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

Louise Ade
Worker Representative

Grant Barnes
Worker Representative

George Kean
Worker Representative

Elizabeth Forward
Employer Representative

Jack Parsons
Employer Representative

Darren Roberts
Employer Representative

Peggy Roche
Public Representative

I am proud to be part of this organization. Our team is committed to serving each and every client we have with an open heart and a professional and sensitive approach.

- *Leslie Galway, Chief Executive Officer*

Senior Executive Team

Eric Bartlett
*Executive Director,
Corporate Services*

Glenda Peet
*Director,
Human Resources*

Tom Mahoney
*Executive Director,
Worker Services*

Helen Kavanagh
Executive Assistant

Ann Martin
*General Counsel and
Corporate Secretary*

Chris Rodgers
*Executive Director,
Employer Services*

Paul Kavanagh
*Chief Financial and
Information Officer*



Leslie Galway
Chief Executive Officer

The Client Service Office is committed to working with injured workers, employers, service providers and Commission staff to enhance the services of the workers' compensation system. We will listen and seek solutions that are consistent and fair for all.

- Deann Bussey, Client Service Officer



Client Service Office Report

The client service office (CSO) officially opened its doors on March 5, 2008. The office is an independent, neutral and confidential resource for injured workers and employers. The CSO listens to client concerns related to services received at the Commission. While the CSO is not involved with decisions on claims or assessment matters, service issues in these areas may be reviewed. The CSO enhances service by facilitating timely resolutions on individual issues, identifying trends and recommending enhancements to services the Commission now provides.

Injured workers and employers raise diverse issues which fall into the categories of:

- General inquires on legislation, policy, or procedure;
- Timeliness of adjudication, referrals or payments;
- Verbal or written communication that is unclear or difficult to understand;
- Staff conduct;
- Fairness or consistency of policy or procedure;
- Accessibility of staff;
- Staff appreciation comments to track best practices; and
- Employer account issues.



Since March 5, 2008, the CSO has received and resolved 162 files. The majority of service issues raised are by injured workers – over 96 per cent and some files accepted by the CSO identify multiple issues with a single claim. The CSO was able to resolve 91 per cent of accepted files within 10 business days.

Service Issues

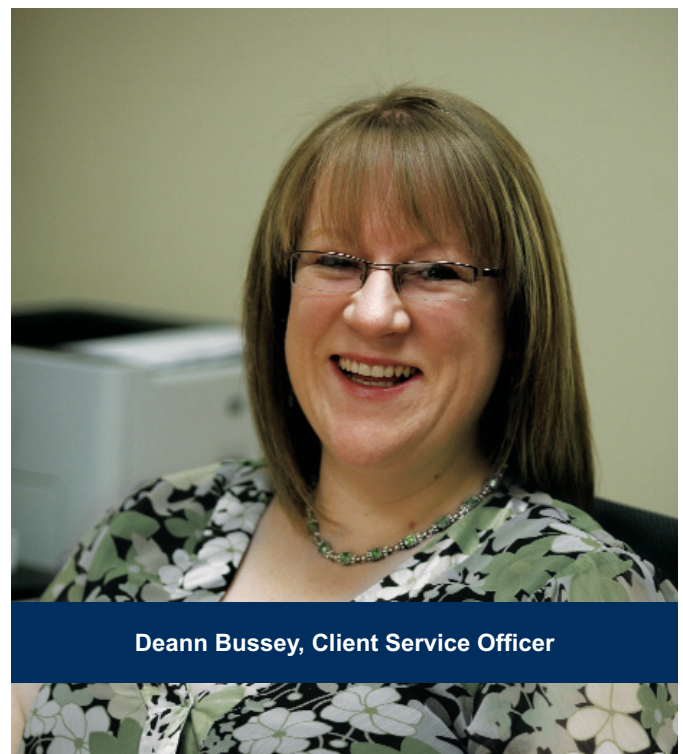
(Note: some files have multiple issues)

Timeliness (adjudication, referral, or payment)	61 files (37.7%)
General inquiries	48 files (29.6%)
Accessibility of staff	36 files (22.2%)
Fairness of policy or procedure	25 files (15.4%)
Staff conduct	10 files (6.2%)
Communication (verbal or written)	8 files (4.9%)
Employer account issues	5 files (3.1%)
Staff appreciation	2 files (1.2%)

Length of time for CSO resolution of files

0-10 business days	148 files (91.4%)
11-30 business days	10 files (6.1%)
31+ business days	4 files (2.5%)

The CSO has been actively involved this year in promoting public awareness of the office. There were over 39,000 brochures distributed to injured workers, employers, and other stakeholders.



There were also both formal and informal presentations to interest groups by the CSO. Expected activities for the upcoming year will support the enhanced public awareness of the office and its mandate. The goal of the CSO is to make recommendations to improve the service for all clients of the Commission. Reports are being presented to the corporate services committee on a quarterly basis and to the board of directors annually.



Workplace Health, Safety and Compensation Commission 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 ensures injured workers receive the best care possible and benefits to which they are entitled, recover from their injuries, and return to work in an early and safe manner. In addition, the Commission must also ensure adequate funding for services through sound financial management.

Vision

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





Mission Statement

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

Values

Transparency

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

Compassion

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

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.

Accountability

Each individual will be responsible for their actions and performance.

Teamwork

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

Lines of Business

The Commission has three lines of business:

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

Functional Areas

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

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

Refer to the Workplace Health, Safety and Compensation Commission 2008 – 2010 Strategic Plan for further details on the Commission's mandate and lines of business.

Go to www.whscc.nl.ca/publications.whscc and select "Strategic Plan – 2008–2010".



Key Statistics

A Year in Review

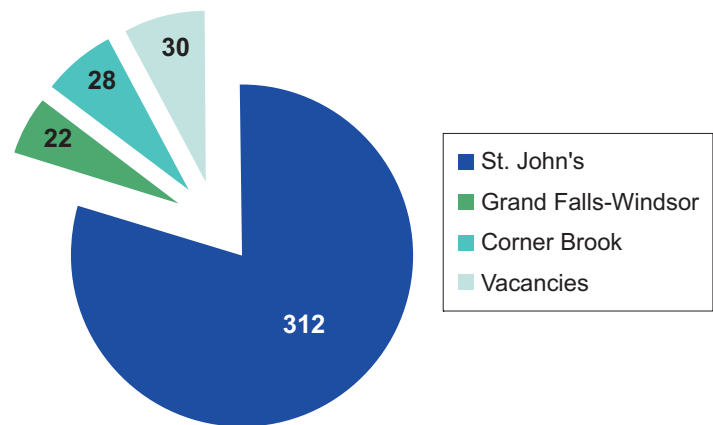
General Information

The Commission provides services to over 16,700 employers, 220,000 workers and approximately 12,000 injured workers across Newfoundland and Labrador. Offices are located in St. John's, Grand Falls-Windsor and Corner Brook. In 2008, the Commission moved to a more conveniently located office in Corner Brook to better serve its clients on the west coast and Labrador. The Commission is governed by a board of directors which consists of ten members including a chairperson and three representatives each from employers, workers and the public.

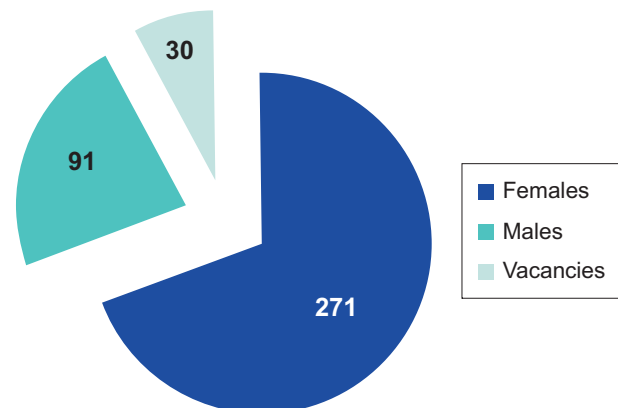
Financial Highlights

Newfoundland and Labrador's economy remained strong in 2008 resulting in an increase in the assessable payroll base for most industries. The average base assessment rate paid by employers remained steady at \$2.75 in 2008. While this rate is 21 per cent higher than the average rate paid by other Atlantic employers, it represents a significant decline from 2002 when the average assessment rate for this province was 45 per cent higher than the other

Staff Distribution by Region



Staff Distribution by Gender

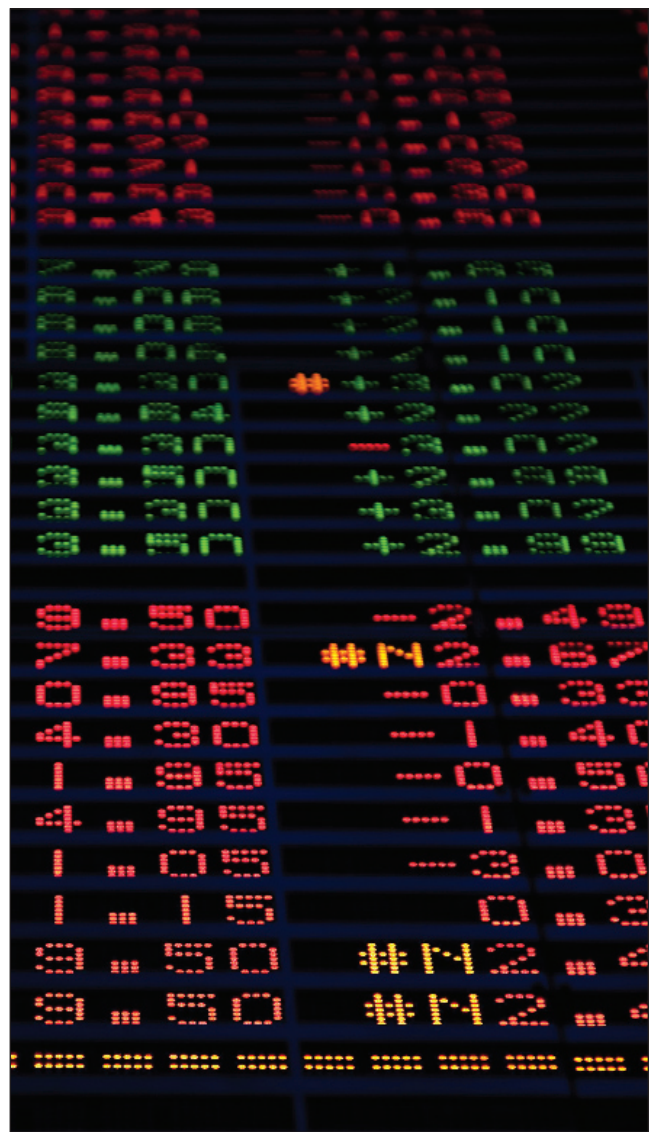




Atlantic provinces. The Commission has been able to maintain a rate of \$2.75 since 2006 primarily due to good investment returns in recent years and a decrease in the number of new workplace injuries.

While the provincial economy remained strong in 2008, capital markets experienced the worst performance in decades. Market conditions impacted 2008 operating results and investment returns. Total revenue declined by 23.9 per cent to \$165.5 million primarily due to a decline in investment revenue of 82.7 per cent over 2007. Total expenses increased by \$13.1 million to \$184.0 million, largely due to increases in claim costs and administrative expenses. Market return on investments was negative 17.5 per cent in 2008 as compared with double digit returns in 2006. The funded ratio, a key measure of financial strength for the Commission, also dropped by 19.0 per cent to 77.3 per cent in 2008. It is unknown at this time what impact current market conditions may have on future assessment rates.

The Commission's business strategies are outlined in the 2008 to 2010 Strategic Plan. These strategies focus on improving client service, increasing awareness of workplace health and safety injury and illness prevention, financial sustainability and increasing our responsiveness to stakeholders.





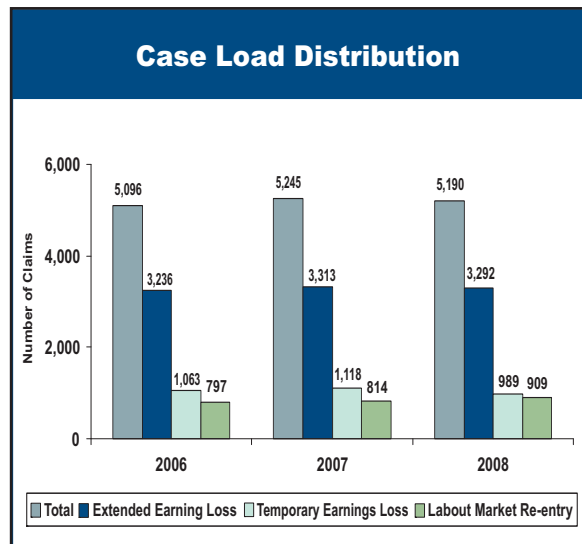
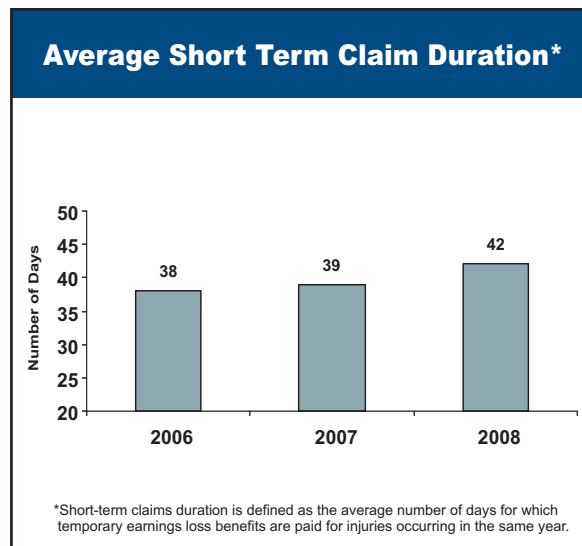
Key Statistics continued

These initiatives combined with continued monitoring of investment policy will help mitigate the challenges associated with current market conditions.

Claims Management

Key Commission performance measures include the time it takes for the first payment to be issued on a claim and the duration of short-term claims. In 2008, time to first payment increased to 20 days from 15 days in 2007 while short-term claims duration increased to 42 days over 2007. These increases are partly attributable to staff vacancies, the implementation of the new claims registration system and the implementation of business practices to comply with privacy legislation. The new system resulted in significant change including the introduction of new processes, technologies and forms. Staff continue to learn the new processes and system while maintaining their commitment to improved client service. This commitment is evidenced by the results of 2008 stakeholder surveys which showed injured workers' and employers' overall satisfaction with the Commission increased from 2005. In addition, of those injured workers surveyed, approximately three quarters were satisfied with the length of time it took to receive their first benefit cheque, an improvement over 2005.

The Commission continues to focus on identifying service improvements for its clients. In 2009, the Commission will develop a comprehensive claims



The continued efforts made by all workplace parties are invaluable in creating and sustaining a culture of occupational health and safety, contributing to safer workplaces and reduced injuries for workers.

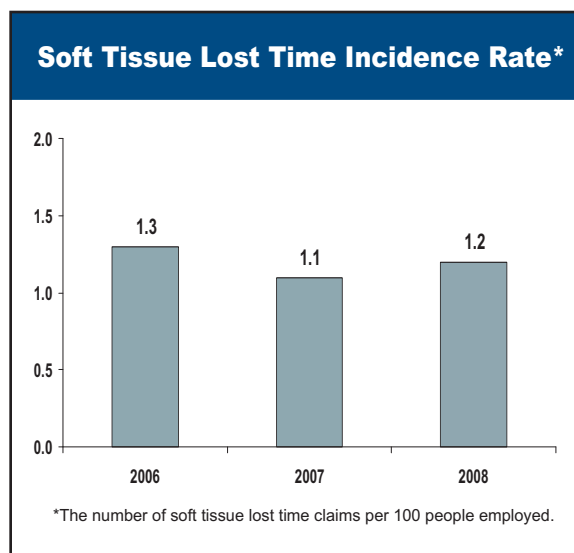
- Tom Mahoney, Worker Services

duration strategy to identify duration factors the Commission directly controls. This will help the Commission define new strategies to realize reductions in claims duration. The Commission will also continue to implement structure and process changes through the rollout of its new claims management model. The new approach to managing claims focuses on improving data capture for injury information to increase processing efficiencies, more proactive case management and earlier intervention on claims. We continue to support staff through training initiatives designed to improve client service as well as work with our stakeholders to refine injury reporting practices for our clients' benefit.

Prevention

A critical aspect of the Commission's mandate is educating employers and workers about workplace health and safety. This can only be done in partnership with employers and workers through a variety of approaches. Safe work practices are everyone's responsibility.

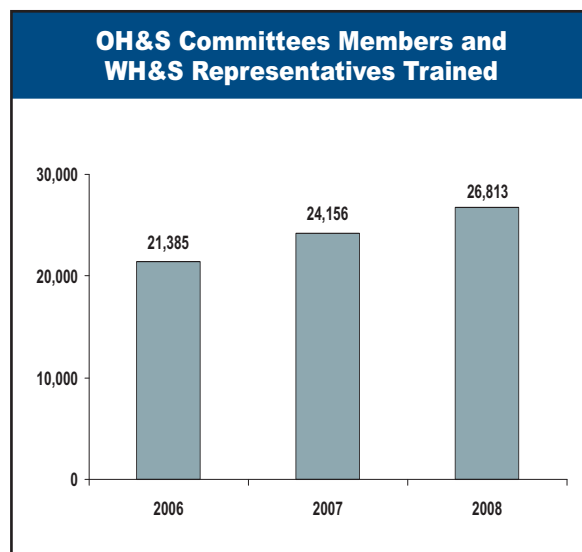
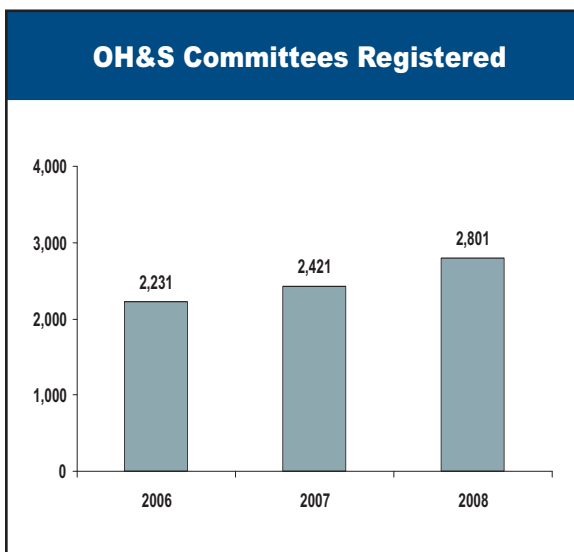
In 2008, the incidence rate (number of injuries per 100 workers) for lost time claims declined to 1.9 from 2.0 in 2007. This comes at a time when employment levels were at their highest in Newfoundland and Labrador. Overall, there has been a 38 per cent reduction in injuries since 2000, demonstrating the commitment of all workplace parties to a more safety conscious culture.





Replace it while it is a ladder. Not an injury

Key Statistics continued



An important program for promoting injury prevention and health and safety is the priority employer program which targets employers with high injury rates, high costs or a high number of musculoskeletal injuries. These employers are offered assistance in developing and managing their occupational health and safety programs and improving the effectiveness and quality of return to work plans. Two hundred and sixty-seven employers participated in this program last year with 971 contacts made by prevention services staff. In 2008, these employers realized a 10.5 per cent reduction from 2007 in the number

of lost time claims, with soft tissue injuries decreasing by 0.5 per cent.

The Commission continues to undertake initiatives to further our vision of healthy and safe workplaces, targeting areas where the need for awareness is greatest. The Commission works closely with employers through PRIME and the priority employer program to improve compliance with PRIME. The Commission also works with high risk occupations to develop standards, deliver workshops and facilitate prevention education sessions. In 2008, the Commission delivered 119 workshops on 11

The Training and Development Program at WHSCC demonstrates our commitment to continued learning by ensuring employees are equipped with the proper skills and knowledge to complete their jobs effectively and efficiently and with confidence.

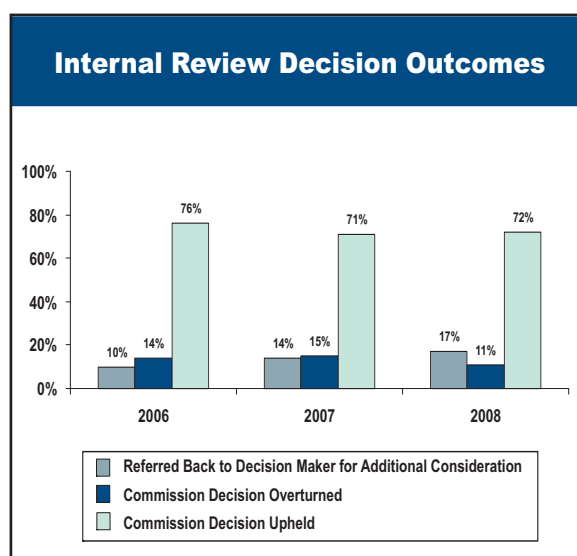
- Marsha Loveless, Human Resources

prevention topics to 2,731 participants in locations across Newfoundland and Labrador. Through audits, visits and presentations, Prevention Services staff made 2,038 employer contacts. These activities are vital ways the Commission is creating a health and safety conscious culture.

The Commission's goal is to have every worker in this province return home from work in the same condition they left. For this to happen, everyone needs to know their rights, including young people. Other major prevention initiatives for 2008 included increased marketing efforts to youth and the public to promote awareness of workplace safety and responsibilities. Details of these activities are described in the Outcome of Objectives section of this report.

Internal Review

The Commission makes decisions about benefit entitlement for workers and assessments for employers. Workers or employers dissatisfied with a decision can request a review through the internal review division. Internal review specialists examine decisions when a request is made to address an issue at the earliest possible stage. In 2008, there were 1,237 appeals finalized within the policy requirement of 45 days by the internal review division. Seventy-two per cent of the decisions made at the operational level were upheld by the review specialists.

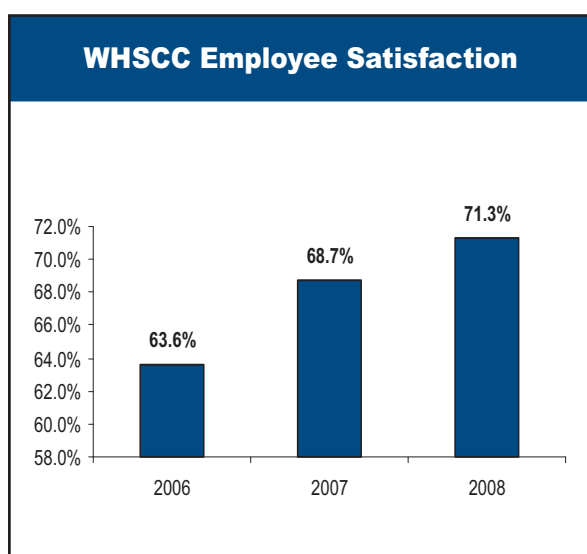


Clients who are not satisfied with the internal review decision can request an external review by the Workplace Health, Safety and Compensation Review Division. Internal review and legal representatives from the Commission often attend these hearings to provide policy clarification and information to assist the external appeal decision making process.

Following the 2006 statutory review, government recommended an evaluation of the internal and external appeals process. To prepare for the evaluation, the Commission completed a jurisdictional comparison of internal appeal processes to consider what client service options might be considered.

The Commission offers a wider variety of promotional opportunities. It makes me so proud to be associated with an organization that truly values its employees and respects the contribution they make to the people of our province.

- Anne Gough, Human Resources



Our Employees

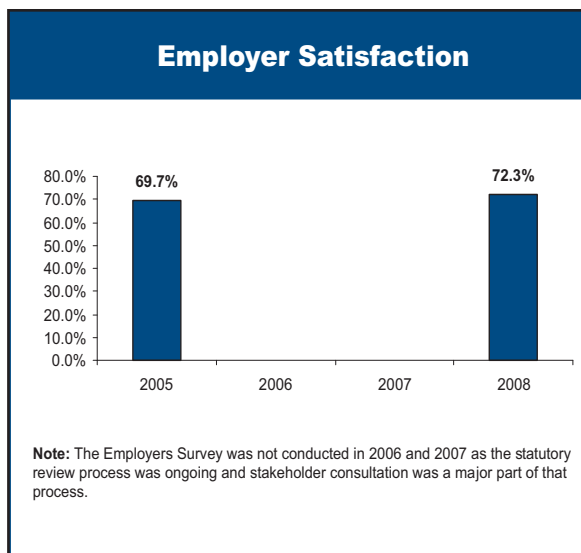
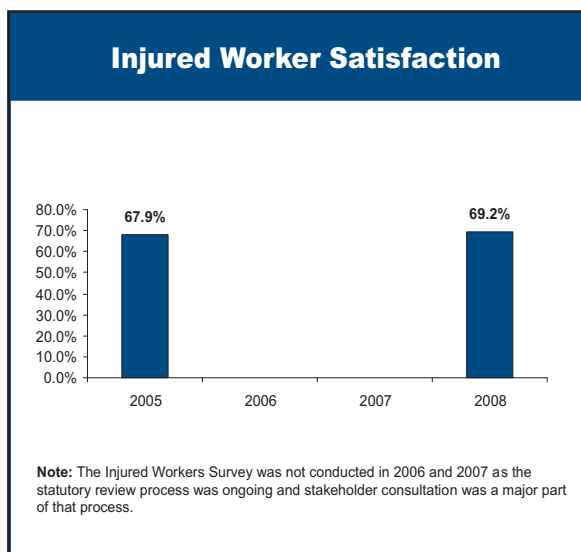
Commission activities are supported by a team of qualified, highly competent staff who are committed to making a difference to Newfoundlanders and Labradorians through the services they provide. Results from the 2008 employee opinion survey indicate that job satisfaction remains high and that most employees feel they are treated respectfully and provided with the training necessary to do their jobs.

The Commission recognizes employee efforts are critical to achieving our mission of improved client services and continually strives to ensure employees are well trained to serve our clients. Key areas of training for 2008 included change



Occupational health and safety initiatives have always been a cornerstone of our success at Colemans.

- Pamela Curtis, Colemans Food Centre



management, management skills development, occupational health and safety and privacy. Decision making is another important focus area for the Commission. Decision makers are supported by a trainer, Commission health care consultants and team leads who provide guidance on claims management best practices and medical management training.

Our Stakeholder's Views

The Commission conducted satisfaction surveys in 2008 to measure stakeholder satisfaction levels and to identify areas to improve client service and business processes. This was the first time the surveys were conducted since 2005 because the statutory review process was ongoing and stakeholder consultation was a major part of that process. Survey results were positive and demonstrate improvements in injured workers' and employers' overall experience. The results also showed the belief that the workers' compensation system in the province is fair. Stakeholder survey results will be reviewed during the development of future operating plans to ensure the Commission develops strategies to address areas with lower satisfaction levels.

For additional detail on the Commission's key statistics and financial performance, refer to the Management Discussion and Analysis and Financial Statements contained in this report.

Together we are working with our partners to achieve a common goal – better service to clients. A benefit to us all.

- Anna Tapper, Corporate Governance and Planning

Shared Commitments

The Commission supports the provincial government in achieving its strategic goals and objectives. Government's strategic directions related to the Commission (client service, education, claims management and finances) require a partnership with employers, workers, related associations, health care service providers, other boards, research institutions and youth. Good co-operation and a shared responsibility with these stakeholders is critical to the Commission in carrying out its responsibilities and in successfully addressing its key strategic issues. We wish to thank all our partners for a tremendous effort in support of safe work.

Improving Efficiency and Services

Red Tape Reduction Initiative

The Commission shares the provincial government's commitment to increasing efficiency, eliminating unnecessary red tape and improving service delivery through participation in the Red Tape Reduction Initiative. This initiative was launched in 2006 with the goal of reducing provincial government regulatory requirements by a targeted minimum of 25 per cent over three years. In 2008, the Commission reduced red tape by 27 per cent and is well on its way to reaching its goal of 34 per cent by March 2009.





Examples of improvements to clients include:

- Streamlining and eliminating policies, forms, letters and processes to decrease unnecessary administration;
- Introducing technological advancements including new and enhanced web services;
- Implementing a client service office to facilitate timely resolution of client service issues, identify client service trends and recommend enhancements to current services.

The Commission continues to work towards achieving red tape reduction targets in the interest of enhancing client service. Our progress results from the dedicated efforts of Commission employees to make real improvements for injured workers, employers, health care service providers and other stakeholders who rely on Commission services.

Maintaining Key Relationships *Renewed Memorandum of Agreement (MOA) between the Commission and the Newfoundland and Labrador Medical Association (NLMA)*

The Commission continues to strengthen its partnerships and co-operative relationships with health care service provider groups through the establishment of memorandums of agreement.

These memorandums ensure appropriate, timely and quality care to injured workers and place a significant focus on early and safe return to work. Through these measures, the Commission expects to impact return to work outcomes and duration.

The physicians of Newfoundland and Labrador play a vital role in the medical management of injured workers. Working collaboratively, the Commission and the NLMA ratified their memorandum of agreement to continue to provide comprehensive service to injured workers. In December, 2008, the Commission's board of directors approved a new four-year agreement.

Memorandums are already in effect for physiotherapists, chiropractors and occupational rehabilitation providers. Joint liaison committees between the Commission and health care providers are utilized to negotiate the agreements and oversee ongoing issues and communication linkages.

Ensuring Client Privacy *Privacy Initiatives*

The Commission strives to meet the public's increased expectation of privacy and new legislative requirements outlined in the provincial Access to Information and Protection of Privacy Act (ATIPPA). In January 2008, the privacy provisions

Every worker has the right to return home safely at the end of every work day.
- Derek Murphy, Regional Office

Shared Commitments continued

of ATIPPA were proclaimed resulting in enhanced public awareness of privacy. A key purpose of ATIPPA is to allow people to access their information held by public bodies and to direct how these public bodies collect, use and disclose personal information.

The Commission undertook several important initiatives to enhance client privacy in 2008. The Commission formed a Privacy Steering Committee to determine priorities and provide leadership and direction to Commission privacy initiatives. The committee developed a privacy action plan to identify and track privacy initiatives and accomplishments. Key activities of the action plan in 2008 included:

- Provided privacy training to all Commission staff;
- Eliminated or modified administrative practices which were identified following a risk assessment review;
- Continued communication with staff regarding potential privacy risks and concerns;
- Ensured privacy is a standing item for all departmental meetings to promote awareness and share best practices; and
- Reviewed and recommended policy changes on information protection and access to information for implementation in 2009 following stakeholder consultation.

Prevention

Interagency Collaboration

The Commission recognizes the importance of fostering interagency collaboration to promote health and safety and increase awareness of injury and illness prevention practices. The Commission works with the Occupational Health and Safety (OH&S) Branch of the Department of Government Services to develop programs to promote health and safety training and certification and to make recommendations regarding workplace health and safety. Other well established partnerships exist with the Department of Education, the Labour Relations Agency, Memorial University's SafetyNet, the Newfoundland and Labrador Employers' Council, Futures in Newfoundland and Labrador Youth (FINALLY!), the Newfoundland and Labrador Federation of Labour, the Newfoundland and Labrador Construction Safety Association and Safety Services Newfoundland and Labrador. The Commission also partners with agencies outside the province including other workers' compensation boards and the Mines and Aggregates Safety and Health Association. The Commission recognizes the importance of involving these stakeholders and others in creating and sustaining a health and safety culture. Where an injury or illness does occur, the Commission works with its stakeholders to minimize the impact of the injuries



through proactive claims management, appropriate health care intervention and early and safe return to work. The Commission continues to strengthen existing initiatives involving its partners and will create new opportunities for the future.

Building Safety Capacity

Formation of Forestry Sectoral Council

Consistent with government's action plan in response to the 2006 statutory review recommendations, the Commission continues to renew stakeholder focus on the promotion of workplace health and safety through industry

sectoral councils. Sectoral councils take an ownership and leadership role in promoting and managing industry-specific health and safety issues by providing effective and affordable safety training and related services. The goal is to significantly reduce the number of lost time injuries, health care only claims and potential fatalities. Specific objectives include the elimination of workplace accidents, injuries and illness; reduction of employer assessment rates; and promotion of legislative compliance within the sector. The success of these initiatives requires commitment and cooperation from the Commission, employers and labour unions.

The CEO Leadership Charter is just one of the many prevention initiatives the Commission is undertaking to help shape a safety culture for all Newfoundlanders and Labradorians.

- Eric Bartlett, Corporate Services



Shared Commitments continued

In 2008, the Commission's board of directors approved funding guidelines to assist industry groups interested in initiating sectoral councils and funding for sectoral advisors to help with the process. These advisors are located at the Newfoundland and Labrador Federation of Labour and Newfoundland and Labrador Employers' Council. This past year also saw the formation of a Forestry Sectoral Council.

The Commission continues to work with other industry groups in the development of new sectoral councils as a means of creating awareness about safety and reducing workplace injuries. Preliminary activity started in 2008 with fish processing, fish harvesting and mining industries.

Signing for Safety

Twenty-one CEOs Sign Leadership Charter

The Commission and its partners recognize the importance of focusing on the prevention of workplace injuries, illnesses and occupational diseases as the first line of defence. This means a shared responsibility and greater co-operative effort involving stakeholders in creating and sustaining a culture of health and safety.

The Commission held its annual CEO Leadership Charter for occupational health and safety in 2008. The Commission developed the Charter on the principle that a healthy and safe workplace is good business. It also supports the continuous



improvement of healthy and safe workplaces. Twenty-one top business leaders from around the province are demonstrating their commitment to workplace health and safety by signing the 2008 Charter. They joined the inaugural 30 CEOs who signed the Charter in 2007. As ambassadors for safer workplaces, the CEO Leadership Charter signatories have demonstrated their commitment to the prevention of accidents and promotion of health and safety in the workplace.

Safety must be a priority for all Newfoundlanders and Labradorians. Workplace injuries impact workers, families, workplaces and the community. It is important for business leaders to champion occupational health and safety initiatives in the workplace in order to reduce the human and financial toll of workplace injuries. The Charter highlights the need for business leaders with excellent safety records to share their best practices and promote the benefits of a safe and healthy workplace. Newfoundland and Labrador is well on its way to having some of the safest workplaces in Canada, as indicated by the 2008 incidence rate of 1.9. This achievement will bring new workers and new business to our province and help grow our economy.

2008 CEO Charter Leaders in Health and Safety

SIGNATORY / COMPANY / ORGANIZATION

Terry Bowles	Iron Ore Company of Canada
Fred Cahill	G.J. Cahill & Company Limited
Pamela Constantine	Laval High School
Mike Croucher	Eastern Residential Support Board
Nora Duke	Fortis Properties Corporation
Debbie Forward	Newfoundland and Labrador Nurses' Union
Woodrow French	Town of Conception Bay South
Paul Grant	Beothic Fish Processors Ltd.
Patrick Hewitt	Emerald Sod Producers Inc.
Bert Hickman	Hickman Motors Limited
Pierre Jerome	Kiewit Offshore Services
Leonard Knox	H. J. O'Connell Construction Limited
Jackie Manuel	Newfoundland and Labrador Construction Safety Association
Jeff McCaig	Trimac Transportation Services
Al Muggeridge	Humber Valley Paving Ltd.
Brad Pelley	Abitibi Bowater Inc.
Larry Puddister	Pennecon Ltd.
Charles Reardon	St. Anthony Basin Resources Inc.
Randy Simms	City of Mount Pearl
Jason Smith	Smith Snack Services Ltd.
Steve Winter	Newfoundland and Labrador Liquor Corporation



Highlights and Accomplishments

2008 was a great year for moving toward safer workplaces in Newfoundland and Labrador as the lost time incidence rate declined to 1.9, marking our workplaces as some of the safest in Canada. The Commission works collaboratively with its stakeholders to promote injury prevention and workplace health and safety. Injury prevention continues to be the Commission's main priority as we work towards making every workplace in this province a model for occupational health and safety.

The following section highlights key activities for the Commission in 2008. Some of these activities include strategic issues which are identified in our 2008 – 2010 strategic plan and are described in greater detail in the Outcomes of Objectives section of this report.

Helping Workplace Parties

Early and Safe Return to Work

Preventing injuries is the responsibility of all workplace parties. Unfortunately, in spite of best efforts, workplace injuries and illnesses still occur. When this happens, it is important for employers and workers to return the injured worker back to



work in a safe and productive work environment as soon as they are able. With effective return to work planning, the human and financial costs associated with workplace injuries are significantly reduced.

A successful return to work plan requires commitment and involvement of all workplace parties including injured workers, employers, supervisors, worker representatives, local union officials, health care providers, joint health and safety committees and the Commission. A team of case managers, team leads and early and safe return to work facilitators assists employers in the development and maintenance of successful programs. This team also assists workplace parties in identifying creative solutions to problems that



are impeding the early and safe return to work (ESRTW) process.

ESRTW facilitators made 1,038 employer contacts in 2008 to promote and enhance ESRTW programs, signifying the Commission's ongoing commitment to this program. The additional employer support resulted in positive stakeholder feedback and contributed to an increase in the participation rate for ESRTW from 41.4 per cent to 43.5 per cent. The medical community also plays an integral role in ESRTW. A Commission health care consultant works with physicians through the Physician's Resource and Education Program. Accompanied by other Commission staff, the consultant visits physicians in the community to promote best medical practice and to educate them on their role in ESRTW.

The Commission plans to evaluate the ESRTW program in 2009, consistent with government's action plan in response to the 2006 statutory review recommendations. The Commission will use the evaluation results to develop a plan to enhance the program's effectiveness. The Commission will also develop key performance indicators to improve the management of ESRTW.

Labour Market Re-entry

Labour market re-entry (LMR) services ensure workers have the skills, knowledge and abilities



to re-enter the labour market and reduce or eliminate the loss of earnings resulting from work injuries. The Commission works with injured workers, health care providers and where appropriate, employers to develop LMR plans which consider injured workers' needs, interests and skills. The Commission's LMR coordinator reviews the plans and works with the LMR planners and case managers to ensure LMR assessments are of high quality and meet the standards set out in the memorandums of agreement as well as client expectations. The program offers a flexible, balanced approach which takes into account all factors affecting LMR.



Highlights and Accomplishments continued

On the Road Again *Outreach campaign*

The Commission's board chair and chief executive officer (CEO) took to the highways this year to spread the message of safety across Newfoundland and Labrador. Ralph Tucker, chair of the board of directors, and Leslie Galway, CEO of the Commission, met with diverse audiences from business leaders to youth and safety associations. Their goal was to promote the work the Commission is undertaking and how everyone has a role to play in ensuring a healthy and safe workplace.

The Commission worked with 16 CEO Charter members who volunteered for a Heart and Stroke fundraising campaign. This campaign raised in excess of \$40,000. The Commission also sponsored a men's and women's crew in the annual St. John's Regatta and supported regional staff participation in community events.

Working Together

Board/Stakeholder Consultations

The Commission's board of directors undertook consultations with key stakeholders in 2008. Representatives from the Newfoundland and Labrador Federation of Labour (NLFL) and the Newfoundland and Labrador Employers' Council (NLEC) met with the board to discuss key strategic



issues including the funding policy. The NLFL arranged for representatives from its union affiliates to attend the meetings. The NLEC, through its business alliance, sent representatives from industry associations, including the Board of Trade and Chambers of Commerce. The Commission used the feedback from stakeholders to develop the new funding policy. Stakeholder consultations will be held regularly to provide an opportunity to solicit feedback on major policies; to discuss health, safety and compensation issues; to communicate organizational achievements; and to enhance communications.



Commitment to Improved Service

Corporate Governance

A new chief executive officer (CEO), Leslie Galway, was appointed to the Commission on January 2, 2008. As CEO, Ms. Galway reports to the board of directors and provides the overall direction and leadership to the Commission.

2008 also marked the start of a new planning cycle for the Commission. The 2008 – 2010 strategic plan guides the Commission’s business strategies and operational initiatives over the current planning cycle. It builds on the goals of the 2007 strategic plan and reflects the needs of stakeholders as expressed through consultations, the statutory review process and satisfaction surveys. The plan also addresses the key priorities for the Minister of Human Resources, Labour and Employment as identified in the strategic directions which include: client service, education and awareness of workplace health and safety, claims management and finances. Initiatives described in the strategic plan are intended to mitigate the impact of emerging issues or factors within the Commission’s ability to control.

The board of directors is committed to making the workplace health, safety and compensation system more responsive and has structured its committees to be reflective of the Commission’s

lines of business. The four committees include worker services, employer services, corporate services and financial services. The committees meet regularly to review policies, make recommendations and provide advice to the board of directors on strategic and regulatory issues. The employer services and worker services committees are also mandated to communicate on a consistent basis with the Commission’s partners to enhance the involvement of organizations representing workers and employers from across the province.



Improving health and safety is our single biggest achievement and the Commission is working with us to help bring down our rates and costs – it's a solid partnership that works for me.

- Jerry Byrne, D.F. Barnes Ltd., CEO Leadership Charter signatory

Outcomes of Objectives

The following section highlights the four strategic issues representing the key priorities for the Commission along with the progress and accomplishments towards its goals for the current planning cycle (2008 – 2010) and its 2008 objectives. The goals identified for each strategic issue reflect the results expected in the three year timeframe while the objectives provide an annual focus.

The Commission's strategic issues were identified in consideration of government's strategic direction along with the Commission's mandate and available resources. The four focus areas of the strategic direction set out by the Minister of Human Resources, Labour and Employment include: client service, education and awareness of workplace health and safety, claims management and finances. The outcomes of our objectives for 2008 and planned activities for 2009 support the achievement of our mission as well as government's strategic direction of improved client service within a financially sustainable system.

Additional detail can be found in the Strategic Plan 2008 – 2010 which is available on our website: www.whscc.nl.ca/publications.whscc.

Strategic Issue One: Client Service

The Commission is committed to providing a high level of service to its clients and continues to focus on building a stronger service culture within the organization. The Commission implemented a number of initiatives in 2008 to strengthen service delivery to employers and injured workers across the province.

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

Objective: By December 31, 2008, the Commission will have initiated key steps for implementing improved client service.

Indicator 1.2.1. Implemented PRIME incentive system for large employers

Progress and Accomplishments

A key employer service initiative for 2008 related to the successful implementation of the PRIME experience incentive for large employers during quarter one. PRIME stands for Prevention + Return to Work + Insurance Management for Employers/Employees. It is an employer incentive program that allows employers to impact the assessments they pay by meeting program requirements and by managing claim costs.

The new claims registration system is designed to put the right information, in the right hands, at the right time.

- *Craig Noseworthy, Worker Services*

PRIME has two components: the practice incentive and the experience incentive. The practice incentive recognizes employers for their good occupational health and safety and return to work practices through a five per cent refund on average annual assessments. The experience incentive encourages employers to minimize costs to receive the greatest experience refund or lowest possible experience charge. Employer claim costs experience is compared to a range of predicted costs, which is set each year. Employers qualify for refunds where claim costs are below the range; however, employers are subject to a penalty or charge where costs are above the range. There are no refunds or penalties where costs fall within the predicted range. The incentive program is designed to be revenue neutral with incentives and penalties equating over the long term.

PRIME was introduced in 2005 and as of April, 2008, the experience component was in effect for all PRIME eligible employers.

In the first quarter of each year, PRIME refunds and charges related to the preceding year's practice and experience incentives are calculated and applied to employer accounts. For example, 2007 PRIME incentives were applied to employer accounts during the first quarter of 2008. Refunds and charges adjust throughout the year and in future years as a result of payroll changes, claim

costs adjustments, changes to practices incentive results and audits.

As of December 31, 2008, the Commission paid \$3.5 million in practice refunds to employers based on their 2007 experience. Employers who did not meet the practice incentive requirements forfeited \$2.7 million in 2007 refunds. Large employers in the province received experience refunds of \$3.6 million and experience charges of \$2.9 million.

All PRIME eligible employers must pass the practice incentive component to be eligible for the experience incentive component of PRIME. By the end of 2008, Newfoundland and Labrador employers who did not meet the practice incentive requirements of PRIME in 2007 forfeited \$1.4 million in experience refunds.

Indicator 1.2.2. Implemented new system for registering claims

Progress and Accomplishments

The Commission continues to implement major organizational structure and process changes through the claims management model. In October 2008, a new claims registration system was implemented for staff in the Information Processing and File Management (IP/FM) and Claims Registration areas. The new application

I am pleased with the dedication, hard work, co-operation and commitment to this issue from the Commission and the USW.

- *Lars Hoven, Baie Verte Peninsula Miners' Action Committee*

Outcomes of Objectives continued

helps improve data capture for injury information in order to increase efficiencies in registering claims with the Commission and better facilitate early and safe return to work. Along with new technologies, the Commission implemented revised injury reporting forms, new work processes and a new interface between existing systems and the new claims registration application. Since October, staff and support teams have been working hard to enhance the system for users and external clients. Throughout the management of the changes, staff remain client-focused and committed to meeting business needs. In addition, the Commission continues to work with health care providers to refine injury reporting practices for the benefit of its clients.

The new approach to managing claims will reduce duration through earlier intervention, more proactive claims management and reductions in the number of long-term disability claims. Efforts are also underway to develop a comprehensive claims duration strategy which includes the introduction of key performance indicators to measure duration factors the Commission directly influences. This initiative is in keeping with government's action plan in response to the 2006 statutory review recommendations and complements the new claims management model.

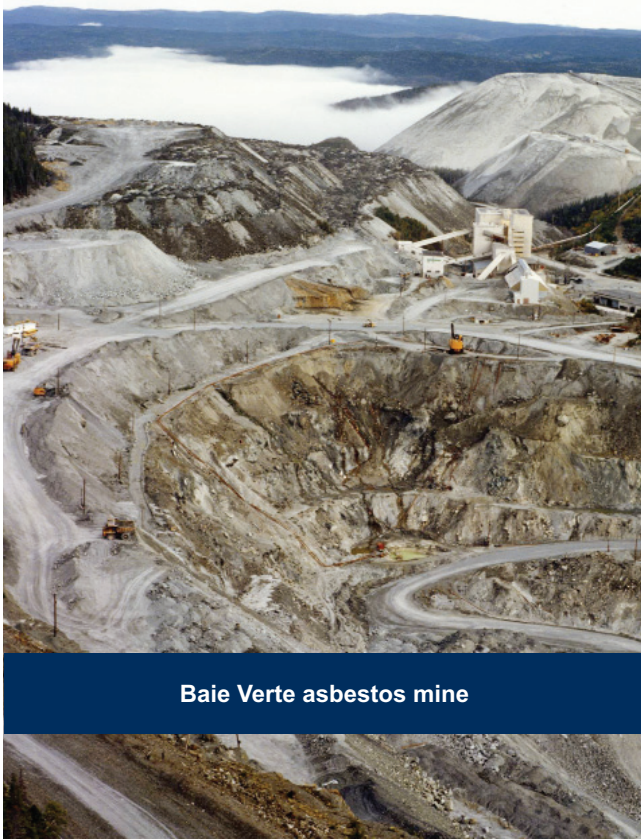
Indicator 1.2.3. Developed framework for enhanced adjudication of occupational disease claims

Progress and Accomplishments

A framework for enhancing the adjudication of occupational disease claims was developed in 2008. The enhancements include initiatives designed to assist decision makers and improve service to workers, families and employers impacted by occupational disease. As part of this, the Commission established draft adjudication guidelines to assist occupational disease adjudicators in the consistent application of policy.

The Commission is sensitive to the human and financial impacts that occupational diseases have on workers and their families. Therefore, meeting the challenges associated with the emerging issue of occupational disease is a priority for the Commission. The Commission, the United Steelworkers and the Baie Verte Peninsula Miners' Action Committee recently formed a proactive partnership to develop a registry of former workers of the former Baie Verte Asbestos Mine. This is a proactive approach and positive step in addressing the emerging issues of occupational disease for the workers of this province.

Established in 1955, the former Baie Verte Asbestos Mine ceased operations in 1992, after employing



Baie Verte asbestos mine

approximately 2,500 workers. The registry identifies former mine employees, including contractual employees, who may be at risk to develop asbestos-related diseases and determines their general state of health. Memorial University of Newfoundland's research unit, SafetyNet, is responsible for carrying out the work necessary to complete the registry.

Recognizing the many complexities surrounding occupational disease claims, including the association between diseases and workplace exposures, the Commission is conducting the necessary research to establish an occupational disease advisory panel as directed by government's action plan in response to the 2006 statutory review recommendations. This includes a review of other jurisdictions and their approaches to occupational disease claims with the primary focus on Quebec, British Columbia, and Ontario. Also in keeping with government's action plan, the Commission initiated actuarial work to determine the appropriate value of a reserve fund to address liabilities associated with occupational disease in the province.

Development efforts are underway for a database to track occupational disease claim information necessary to reach decisions and report detail on decision outcomes for future reference and analysis.

The Commission recognizes the value of fostering positive working relationships with injured workers, labour and the community. We continue to work with various stakeholder groups including the Marystown Shipyard Families Alliance, the United Steelworkers, the Canadian Autoworkers (CAW), the Iron Ore Company, Marine Atlantic, the Baie Verte Miners' Registry and the Town of St. Lawrence.

It is especially gratifying to know that our employees, who are often working their first job, are receiving quality workplace health and safety training that will carry them through to future employment.

- *Cathy Bennett, Bennett Restaurants*

Outcomes of Objectives continued

2009 Objective and Indicators

The objective, measure and indicators of success for the next fiscal year are as follows:

Objective: By December 31, 2009, the Commission will have completed further actions to improve client service.

Measure: Completed actions

Indicators:

1.3.1. Designed and built aspects of claims distribution and claims management functionality of the claims management model

1.3.2. Identified key factors affecting claims duration and developed strategy to manage duration factors within the Commission's control

1.3.3. Developed protocol for enhancing client service for front line staff in Worker Services and Employer Services as described in the Action Plan for the 2006 Statutory Review

1.3.4. Implemented experience incentive for small and medium employers

Strategic Issue Two: Workplace Injury and Illness Prevention

Occupational health and safety and injury prevention are the Commission's main priorities as we continue on the road to safety. A continued focus on prevention is the best strategy to reduce the human suffering and financial costs caused by workplace injuries. The Commission's efforts to educate workers, youth and employers in health and safety awareness are contributing to safer workplaces and reduced injuries. The incidence rate (number of injuries per 100 workers) for lost time claims was 1.9 in 2008 down from 2.0 in 2007 and 2.1 in 2006.

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

Objective: By December 31, 2008, the Commission will have implemented new processes to increase youth and public awareness of workplace health and safety.

Indicator 2.2.1. Increased marketing efforts to promote awareness of workplace injury and workplace responsibilities among youth.

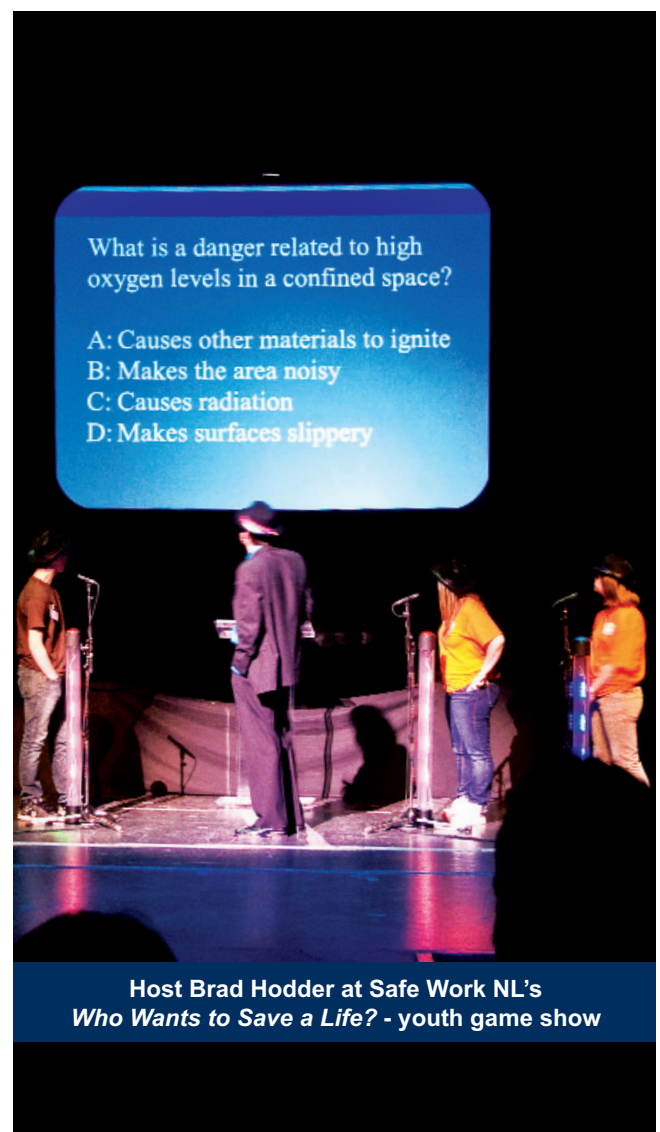
Progress and Accomplishments

The Commission is committed to making Newfoundland and Labrador workplaces safer now and for the future. Targeting young workers



through prevention education activities is one way the Commission is working towards transforming attitudes and behaviours related to safety in the workplace. The Commission's goal is to foster a culture of safety in Newfoundland and Labrador where workplace accidents are unacceptable, particularly with youth workers. Over the past five years, 5,150 young workers between the ages of 15 and 24 have been injured on the job in Newfoundland and Labrador. Two of these young workers died. In 2008, there were 28,000 young workers employed in the province. Of those, there were 565 young worker lost time injuries translating into a young worker lost time incidence rate of 2.0, down from 2.1 in 2007. While this decline is an indication of increased awareness of workplace safety among youth, these statistics are too high and demonstrate the need for continued education. The road to a stronger safety culture included increased marketing efforts to youth in 2008.

Young people entering the workforce need to know the importance of workplace safety and the effects accidents have on workers, their families and communities. *SAFE Work NL's - Who Wants to Save a Life?* is a fast-paced and energized trivia game designed to motivate and capture the attention of students, encourage team building, increase audience motivation and create an educational and interactive entertainment



Host Brad Hodder at Safe Work NL's *Who Wants to Save a Life?* - youth game show



Put it away while it's a bucket. Not an injury.

Outcomes of Objectives continued

experience about workplace safety. The show, developed in partnership with the Department of Education and Futures in Newfoundland and Labrador's Youth (FINALLY!), was designed with the goal of providing a unique opportunity for youth to get a better understanding of the role they have in working towards a safe workplace. The Commission successfully launched this new initiative in Grand Falls-Windsor on October 3, 2008. Subsequent games were held in Labrador on October 17; St. John's on October 21; and Corner Brook on November 7. The show garnered excellent media attention and was featured in many publications and local television programming, all of which improves young worker safety and prevention awareness across the province.

The Commission recognizes the effectiveness of peer education and promoted a radio advertising campaign for senior high school students enrolled in Workplace Safety 3220. The third annual Young Worker Safety Radio Ad Contest was awarded to Stephenville High School. The radio ad, developed by youth for youth, contained educational messages for young workers about the importance of safety in the workplace. The ad was well received by the target audience and helped the Commission reduce the number of workplace accidents for Newfoundlanders and Labradorians through public education and awareness.

The Commission continues to develop and distribute educational materials to teachers and students as well as advance health and safety curricula frameworks in high schools. Integrating workplace health and safety content into high school curricula is critical to promote behavioural changes in our future workforce. For the first time, the Commission delivered three workshops to teachers of skilled trades across the province in the fall of 2008 with a key focus on recognizing and controlling hazards in classrooms and workshops.

A new staff position was also established in 2008 to coordinate and further develop youth health and safety initiatives. The youth coordinator developed and delivered presentations to schools and community groups as well as updated the Commission's youth brochure to promote the youth coordinator role. The Commission will distribute the brochure to Human Resources and Skills Development Canada service centres in advance of the 2009 summer employment season. A key initiative for the youth coordinator will be the development of a youth strategy in 2009.

Indicator 2.2.2. Implemented next phase of social marketing campaign to increase public awareness

Progress and Accomplishments

The Commission's ultimate aim is to influence attitudes and behaviour related to workplace

Take care of it while it's a nail. Not an injury.



The “nail” commercial won the Bronze Lion in the Product and Service, Public Health and Safety category at the 2008 Cannes Lions International Advertising Festival.

The Commission is proud of the SAFE Work campaign and the international recognition; however, the top priority is to reduce the number of people injured on the job in Newfoundland and Labrador. The campaign resonated well with the Newfoundland and Labrador public as demonstrated by the positive results of a recent survey. In the fall of 2008, over 65 per cent of the general public surveyed by an independent research firm recalled seeing at least one of the three new television spots that aired in 2008. About 60 per cent said the spots made them think about workplace injuries and become more concerned about workplace safety.

health and safety. This will reduce workplace injuries and create healthier and safer work environments. In 2008, the Commission continued to collaborate with the Nova Scotia and Prince Edward Island workers’ compensation boards and Extreme Group – a Halifax creative advertising agency – to complete the next phase of the SAFE Work campaign. New radio, television and print advertisements focused on helping the public realize it can take action to prevent a workplace injury from occurring. These ads create an emotional response from viewers for their graphic depictions of how seemingly harmless objects can cause serious injuries if ignored.

While the Commission doesn’t produce social marketing television campaigns to win awards, it is certainly rewarding when it happens.

When asked what the employed respondents would do if they saw something that was unsafe, 69 per cent said they would report it to their manager; 28 per cent said they would take care of it; and 23 per cent said they would take care of it and report it. Of the employed respondents, 51 per cent felt there was something personally they could do to make the workplace safer and 58 per cent felt they had done something in the past year to make their workplace safer.



Outcomes of Objectives continued

2009 Objective and Indicators

The objective, measure and indicators of success for the next fiscal year are as follows:

Objective: By December 31st, 2009, the Commission will have identified and initiated processes to enhance awareness of workplace injury and illness prevention practices among employers and industries.

Measure: Increased awareness

Indicators:

2.3.1. Developed and approved standards for high risk or high incidence jobs (e.g., flag persons, confined space and fall from heights)

2.3.2. Increased focus on one additional industry sector with the goal of creating a Sector Committee

2.3.3. Developed a program to address educational and awareness needs for the top five long term incidence and fatality industries

Strategic Issue Three: Financial Sustainability

The Commission is entrusted with managing funds collected through employer assessments to ensure the system is financially sustained. Sustainability is managed through investment policy, establishing employer assessment rates and providing affordable compensation benefits. The intent is to ensure that

future generations of employers will not have to pay for shortfalls in the injury fund from previous years and that the right to fair compensation is assured to injured workers and their families.

In the current economic climate, it is now more important than ever to maintain a sound financial plan. The Commission focuses on adhering to its funding and investment policies and on controlling the growth of health care costs, one of the Commission's fastest growing expenditures. Management of administration costs continue as the Commission strives to deliver the highest level of service in the most cost-effective manner while recognizing its unique requirements relating to geographic and client demands.

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

Objective: By December 31, 2008, the Commission will have implemented a funding policy.

Indicator 3.2.1. Funding policy implemented

Progress and Accomplishments

Implementation of the funding policy was delayed from 2008 to January 2009.

The Commission and the board of directors worked with its actuary to review the funding



policy model and confirm the underlying assumptions and parameters of the long-term funding policy proposal drafted in 2007. Given the complexities of the policy, the Commission conducted additional consultations in order to provide stakeholders with a full understanding and opportunity for input. This approach to finalizing the long-term funding policy is consistent with government's action plan in response to the 2006 statutory review. The Commission approved a funding policy following the stakeholder consultation process with the Newfoundland and Labrador Employers' Council and the Newfoundland and Labrador Federation of Labour.

The purpose of the funding policy is to balance competing objectives of maintaining a stable financial position while also maintaining stable assessment rates for employers and the security of benefits for workers. The policy enables the Commission to respond to changes in the market value of the injury fund in a responsible and prudent manner.

Key elements of the funding policy include:

- A target funded ratio of 110 per cent and an operating range of 100 per cent to 120 per cent.
- At funded ratios less than 100 per cent, assessment rates are increased to achieve the 110 per cent target over a 15 year period.

- At funded ratios greater than 120 per cent but less than 140 per cent, assessment rates are decreased to achieve the 110 per cent target over a 15 year period.
- At funded ratios exceeding 140 per cent there will be a 50/50 split between one-time expenditures and reductions in assessment rates.
- One-time expenditures include benefit improvements.

2009 Objective and Indicators

The objective, measure and indicators of success for the next fiscal year are as follows:

Objective: By December 31st, 2009, the Commission will have continued application of the funding policy and implemented measures to improve cost-effectiveness of service delivery.

Measure: Management practices implemented

Indicators:

- 3.3.1.** Implemented and applied funding policy
- 3.3.2.** Continued implementing measures of cost-effectiveness through the Commission's procurement program for health care products and services



Outcomes of Objectives continued

Strategic Issue Four: Responsive Organization

To be recognized as a more responsive organization, the Commission is committed to improving communications with stakeholders and implementing key human resource and change management strategies. These strategies will ensure critical positions are recruited and retained and actions are taken to better enable teamwork and collaboration. As we continue on the road to becoming more responsive, the Commission strives to instill trust and confidence in the workers' compensation system. The Commission is initiating new strategies to promote a clear understanding regarding its mandate, responsibilities and limitations. Improving confidence in the system and clarifying perceptions of the Commission's mandate will help us become more responsive to the needs of stakeholders and achieve our mission to improve client service.

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

Objective: By December 31, 2008, the Commission will have initiated implementation of human resource and communication strategies which will position the organization to be more responsive in meeting the needs of stakeholders.

Indicator 4.2.1. Initiated implementation of Human Resources strategy

Progress and Accomplishments

2008 was a year of tremendous change. Inevitably, this created increased demands on our staff as we strive to maintain effective client service in an environment of changing processes and systems. Our qualified and caring staff remain committed to serving and meeting client needs. In 2008, the Commission initiated a Human Resources Strategic Plan for 2008-2010 outlining strategies to better position the organization for client service delivery and to address the challenges related to recruitment and capacity. These strategies ensure our human resources are able to provide enhanced service delivery in a caring and responsive manner. An important aspect of the human resources strategic plan is the inclusion of the attraction and retention strategy developed in 2007. This strategy included a review of current recruitment practices in 2008 along with an evaluation of non-traditional recruitment methods. Another highlight was the establishment of a succession and capacity planning committee to focus on the development of a succession and capacity plan. The plan concentrates on key positions requiring capacity management and identifies strategies to reduce gaps between available and required human resources capacity. A pilot has been planned for 2009. Finally, the Commission initiated steps to automate human



resources management functions to support the efforts of the human resources department. This project will begin in 2009 starting with a review of existing business processes and a decision on the best approach to meet the Commission's human resource reporting needs.

Indicator 4.2.2. Initiated implementation of Communications strategy

Progress and Accomplishments

The Commission developed a communications plan and initiated implementation of its strategies in 2008.

The Communications Department completed stakeholder and employee surveys to benchmark attitudes about the Commission. The Commission also made good progress on improving internal communications as evidenced in the 2008 employee survey. Internal communication activities included an increased focus on performance evaluations, an ongoing change management committee and the assignment of a full time communications resource to major projects. The Commission plans to build on these results by addressing issues raised through staff feedback.

The Commission also undertook a number of activities designed to promote the Commission's successes, events, management, programs and services. 2008 initiatives included: Chair and

CEO outreach activities; sponsorship of the North American Occupational Safety and Health (NAOSH) week and soft tissue injury prevention (STIP) week; media training for board members and senior management; support for the CEO charter event; support for the travelling youth game show; regular news releases; and messaging in publications to promote key messages and events.

The Commission believes these activities will lead to an increased understanding of the Commission's mandate and instill confidence in the workers' compensation system with all stakeholders. In particular, the chair and CEO outreach activities help promote the work we do as well as clarify the Commission's roles and responsibilities.

2009 Objective and Indicators

The objective, measure and indicators of success for the next fiscal year are as follows:

Objective: By December 31st, 2009, the Commission will have implemented further actions to improve the organization's responsiveness including an enhanced process for public communications by the board of directors.

Measure: Implemented further actions

Indicators:

4.3.1. Developed and implemented an enhanced process for communications by the board of directors



Opportunities and Challenges

2008 was a year of change and development. The Commission continues to move forward along the road to safety in 2009 and beyond. As we move forward, we will be facing many new challenges and opportunities. The Commission will address these opportunities and challenges and strengthen strategies to improve client service and shift cultural attitudes around safety.

The Global Economy

The uncertainty of the global economy and the recession in Canada and the United States is expected to continue into 2009. In order to stimulate the economy, the Government of Canada and the Newfoundland and Labrador government recently announced increases in infrastructure spending as well as other stimulus programs. It is uncertain how these programs will impact the markets as the full effects and severity of the economic downturn are not yet known. The slowdown has the potential to further negatively impact the Commission's financial position. It is now more important than ever for the Commission to maintain a sound financial plan.

The Commission's new funding policy helps mitigate the current economic uncertainty by providing guidance as to how the Commission will respond to changes in its funded position. Adherence to this funding policy as well as the Commission's investment policies is critical as we face these market challenges. The board of directors must consider the economic situation in conjunction with the new funding policy guidelines as it sets assessment rates for future years.

The business strategies and activities outlined in the strategic plan for 2008 – 2010 focus on improved client service, increased awareness of workplace injury and illness prevention, improved financial sustainability and improved responsiveness. These initiatives will help mitigate market challenges and other emerging issues by ensuring the Commission remains focused on its mandate and key strategic directions.

Rising Health Care Costs

The Commission covers health care services rendered by health care providers whose professional services are regulated in and for the province of Newfoundland and Labrador. Health care costs continue to rise across the country, contributing to an upward trend in claim costs in this province.



During 2008, the Commission undertook a number of initiatives to improve cost control while ensuring the provision of quality goods and services through enhancements to health care services. The Commission has memorandums of agreement (MOA) with all major health care provider groups, including physicians, physiotherapists, occupational rehabilitation providers and chiropractors. These MOAs stipulate Commission requirements necessary for payment and have negotiated fee schedules determining payments over the term of the respective agreements. The Commission will continue to work with health care providers to ensure the provision of appropriate, timely and cost effective health care services.

The Commission also continues to control health care expenditures by consolidating its procurement of medical and health care items through the public tendering process. The implementation of the new claims management model and the claims duration strategy are expected to further control the rate of growth for health care costs. Earlier intervention on claims, more proactive claims management and effective medical management of health care services are expected to impact duration and reduce the number of long-term claims. Fewer long-term claims will reduce overall claim costs.

Need for New and Improved Business Delivery Methods

The Commission is committed to becoming a more responsive organization to add value to the province and to meet the needs of stakeholders as expressed through the statutory review process, consultations and survey feedback. Commission initiatives are resulting in substantial changes to technology, business practices and data collection methods. The Commission must balance the management of these changes for internal and external stakeholders and the resulting increased demands on staff while also maintaining a high level of client service. These complexities must also be managed in an environment where there is a heightened awareness of privacy. The Commission places a high priority on client privacy and will continue to implement initiatives to strengthen privacy protections.

The Commission has many strengths to support it in meeting client expectations and delivering key business initiatives. Committed and competent staff embrace change management as part of the Commission's culture. We have a formal change management program that involves a joint management and staff change committee as well as change management training for employees.

We all play a vital role in creating a workplace injury-free culture in our province.

- Brenda Greenslade, Prevention Services

Opportunities and Challenges continued

The Commission has well structured planning processes and utilizes project management best practices to manage major projects and initiatives. We also have cooperative relationships with key stakeholders ensuring more effective communication.

Occupational Disease

Occupational diseases, in general, are health disorders related to exposures to physical or chemical hazards. These diseases have profound impacts on work productivity and the well being of workers and their families. The Commission continues to experience an increase in occupational disease claims and requests for expanded coverage. There are many complexities associated with these types of claims. Occupational diseases often develop over many months or years, depending on the intensity and circumstances of exposure. For example, cancer resulting from workplace exposures can take in excess of 20 years to develop. When it does develop, it is often difficult to establish a definite relationship between the disease and the workplace exposure.

The Commission continues to provide coverage for claims resulting from workplace exposure and is sensitive to the needs of clients and their families. We continue to expand our knowledge





in occupational disease as part of our ongoing efforts to address the challenges and enhance services to the workers and families impacted. The Commission also works with community-based groups to develop collaborative approaches for dealing with occupational disease.

Creating a Culture of Safety

One workplace injury is one too many. The Commission believes in taking a multi-layered approach to creating greater awareness of workplace health and safety in this province. The Commission is helping achieve the goal of zero injuries in the workplace by working with government departments, worker and employer stakeholders and industry associations; developing awareness campaigns; speaking with youth and industry groups; and providing training on occupational health and safety.

This goal is a great challenge considering that a recent Atlantic Canada survey showed 51 per cent of respondents felt that a workplace injury was an inevitable part of life. The Commission aims to influence attitudes and behavioural changes at work by promoting safety awareness and increasing understanding of the human and financial impacts of workplace injuries. To help create a work safety culture in the province, marketing efforts to youth



and the general public will continue to focus attention on the tragedy of workplace injuries and death and create a belief that work-related injuries, diseases and deaths are unacceptable. Changing this mindset is everyone's responsibility. The Commission continues to partner with its stakeholders to create safer work environments for the workers and employers of Newfoundland and Labrador.

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS DECEMBER 31, 2008

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, 2008.

The MD&A contains forward-looking statements representing management’s expectations based on information available as of March 13, 2009. Actual future results may differ materially from those anticipated in this discussion because future events may not occur as expected. The Board of Directors undertakes its own review of the MD&A following a recommendation of the Financial Services Committee.

OPERATIONS OF THE COMMISSION

The Commission operates under the authority of the *Workplace Health, Safety and Compensation Act (the Act)*. In accordance with *the Act* the Commission promotes health and safety in workplaces with an objective of preventing the occurrence of workplace injuries and occupational diseases. When injuries do occur the Commission provides support and benefits to injured workers and in conjunction with workplace parties and health care providers facilitates a safe and timely return to work. The Commission is also responsible to levy and collect assessments from employers in amounts sufficient to fund the current and future costs of existing claims. 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. The Commission provides workplace insurance coverage to approximately 97 per cent of workers employed in the province of Newfoundland and Labrador.

COMMISSION VISION AND MISSION

Key elements of the Strategic Plan for 2008-2010 are the Commission’s vision and mission statements. These define the guiding principles that direct the future operations of the Commission.

Vision: Safe and healthy workplaces within a viable and sustainable insurance system which reduces the impact of workplace injuries by providing the highest level of service to workers and employers.

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

EMERGING ISSUES

As part of the strategic planning process, the Commission conducts an environmental scan and identifies emerging issues within its business and regulatory environment which can have an impact on the achievement of the organization’s mission statement. The Board of Directors is informed of the emerging issues and the operational initiatives which are planned in response to these 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. The 2008-2010 Strategic Plan describes strategies and supporting operational initiatives and action items which are intended to mitigate the impact of the identified emerging issues. In addition to the performance of capital markets, important issues include rising health care costs, expansion of coverage, claims duration, and employment levels.

KEY BUSINESS DRIVERS

Investment returns

The Commission’s stated goal is to earn a rate of return of 7.12 per cent (3.5 per cent real return

MANAGEMENT DISCUSSION & ANALYSIS

after inflation). In 2008 the Injury Fund significantly underperformed that goal with a negative 17.5 per cent return. The fund had generated an average return of 9.2 per cent over the previous four years. The average return for the previous ten years was 7.2 per cent, consistent with the long-term return expectation. Nevertheless, the recent performance has had a significant negative impact on the Commission's funded position.

The financial risks to which the Commission is exposed are described in Note 6, Financial Risk Management, to the Financial Statements and include credit, currency and market risks. Credit risk on fixed income securities arises from the possibility that issuers of debt will fail to meet their obligations to pay interest and principal. Currency risk is the risk that the value of securities denominated in foreign currencies will change with their respective exchange rates compared to the Canadian dollar. Market risk is the risk that the fair value of marketable securities 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.

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. Prolonged periods of underperformance could affect the assessment rates charged to employers and the security of benefits paid to injured workers.

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 occurs as a result of court decisions, statutory review processes, external appeal decisions and trends in other Canadian workers' compensation jurisdictions. Such trends and potential changes are considered as part of the

Commission's strategic planning process.

In recent years the number of new injury claims has been trending downwards. However, short-term claims duration has increased to 42 days from 39 days in 2007. The Commission defines short-term claims duration to be the average number of days for which temporary earnings loss benefits are paid for injuries occurring in the same reference year.

Identifying drivers of claim duration can be very complex as there is no single contributing factor causing duration to trend either upward or downward. It is often a combination of factors, many of which are beyond the Commission's control, that combine to affect return to work outcomes. A primary factor that is within the Commission's control is ensuring that the appropriate number of knowledgeable resources are available internally to allow for early intervention following a work injury, the effective monitoring and management of healthcare services and the facilitation of early and safe return to work. To the extent possible, the Commission seeks to reduce claims duration through negotiated agreements with external service providers that provide minimum guidelines for the timeliness of treatments and the quality of service.

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

MANAGEMENT DISCUSSION & ANALYSIS

The Commission is developing a comprehensive claims duration strategy which will include the introduction of key performance indicators to measure progress on those factors that are within the Commission's ability to influence. The implementation of the new claims management model along with the claims duration strategy are expected to produce reductions in short-term claims duration of one day each year from 2009 to 2011. Early intervention and proactive claims management, key components of our new claims management model, are expected to reduce the number of long-term disability claims. The PRIME program provides employer incentives to improve workplace safety, reduce injuries and promote return to work.

Health care costs continue to trend upwards as discussed previously. The Commission addresses this trend through a variety of approaches. The increased emphasis on early intervention and more proactive case management, through implementation of key components of the new claims management model, are expected to help contain the rate of growth in health care costs. In an effort to improve the cost-effectiveness of service delivery, the Commission continues to consolidate its procurement of medical and health care items through the public tendering process. In addition, the service agreements with health care providers specify multi-year terms, generally ranging from two to four years.

Incidence Rate

The incidence rate is the fundamental driver of the workers' compensation system as it determines the volume of claims administered by the Commission and ultimately, the cost of these claims determines employer assessment rates. This indicator measures the frequency of injuries per 100 workers employed in the province. Since 2000, the incidence rate has declined from 3.2 to 1.9. This is a significant accomplishment

given that employment levels have increased over the same period. The reduction in the injury rate is a reflection of the collaboration among workplace parties in the province and the Commission's prevention initiatives.

The incidence rate can be affected by the level of employment in the province. In the past, the Commission has experienced increases in the number of claims submitted as employment levels have declined. The effect of the slowdown in global economies on the level of employment in the province is unknown at this time.

Inflation rate

The long-term disability benefits provided under *the Act* are indexed to the full rate of inflation as measured by the rate of increase in the Canadian Consumer Price Index (CPI). *The Act* does not prescribe a maximum annual inflation adjustment. The Commission calculates the annual inflation adjustment based on the year-over-year change in CPI at July each year and applies the adjustment January 1st of the following year. The inflation adjustment for 2008 was 2.2 per cent and has averaged 2.2 per cent over the past five years. The Commission's long-term expectation is that inflation will average 3.5 per cent per year. This is a key assumption applied in the actuarial valuation of the benefit liabilities. The current economic climate has created uncertainty around the magnitude and direction of changes in the annual rate of inflation.

2008 FINANCIAL HIGHLIGHTS

Newfoundland and Labrador's economy remained strong throughout most of 2008. The Commission recorded increases in the assessable payroll base in most industry sectors. This payroll growth combined with a declining trend in new accidents enabled the Commission to maintain the average assessment rate

MANAGEMENT DISCUSSION & ANALYSIS

for 2008 and into 2009 at \$2.75 per \$100 of assessable payroll. Despite the growth in assessments revenue the Commission recorded a deficit of \$12.0 million in 2008 compared with a surplus of \$46.9 million in 2007. This change in results is due to a significant decline in investment performance, as well as an increase in expenses. These operating results reduced the Commission’s funded position from 96.3 per cent in 2007 to 77.3 per cent at the end of 2008.

STATEMENT OF FINANCIAL POSITION

Investments

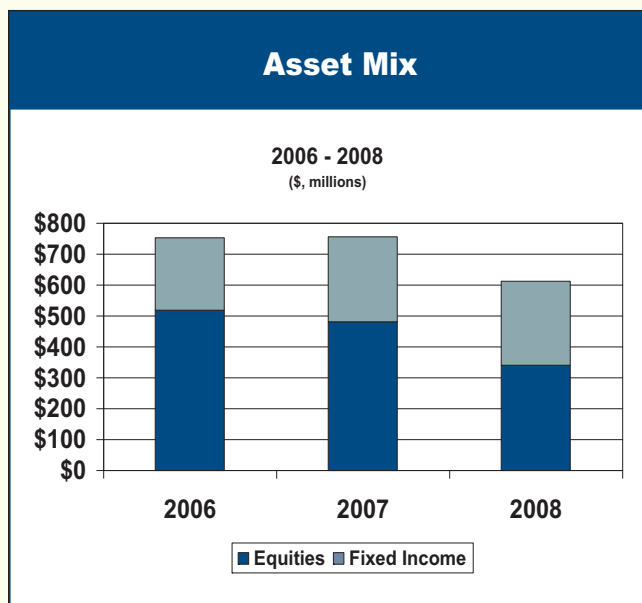
The Commission’s investments are held in an Injury Fund to meet future benefit payments to injured workers. These investments are diversified between two primary asset classes: Domestic fixed income and domestic and foreign equities. The fair value of the Injury Fund at December 31, 2008 was \$611.9 million compared \$757.6 million at the end of 2007.

The performance of the capital markets in 2008 reflected market participants’ aversion to risk and the fears of a global recession. The resulting “flight to safety” caused a virtual collapse in equity markets around the world. In 2008, the S&P/TSX composite index declined 33.0 per cent experiencing its worst performance in 85 years. The S&P 500 index experienced negative returns for the fifth consecutive quarter and posted one of its biggest annual declines in history, falling 21.2 per cent in Canadian dollar terms. The MSCI EAFE index declined 28.8 per cent, also in Canadian dollar terms. The only bright spot in the market was fixed income with the DEX Bond Universe index rising 6.4 per cent. However, risk aversion impacted the liquidity of credit markets and pushed down yields on Government of Canada Bonds and increasing interest rate spreads on corporate debt to historical highs versus comparable Government of Canada bonds. The Canadian dollar declined approximately 19 per cent in value relative to the United States dollar from \$US 1.01 at the end of 2007 to \$US 0.82 at December 31, 2008.

Investment Strategy

The Commission’s Board of Directors is responsible to ensure that the assets of the Injury Fund, along with future investment income, is sufficient to pay benefit liabilities. The Board relies on periodic asset and liability studies to ensure the investment strategy reflects the nature of the related liabilities. The next study is due in 2009. 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 extends 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



MANAGEMENT DISCUSSION & ANALYSIS

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 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 Board of Directors has also approved a Funding Policy that is designed to maintain a funded position that will provide for the security of injured worker benefits. The Funding Policy provides guidance to ensure the Commission responds to external factors, such as volatile investment markets, in a controlled and responsible manner. The Long-term Financial Strategy is described in Note 3 to the financial statements.

Benefit Liabilities

Benefit liabilities reflect the present value of all future payments expected to be made on behalf of injured workers whose claims were accepted as of December 31, 2008. These liabilities are increased each year for the estimated cost of current and prior year injuries and are reduced by actual payments in the year and revisions to actuarial estimates for prior years' claims. These experience adjustments are a normal and expected part of the actuarial valuation process. The Commission's benefit liabilities include amounts set aside to pay the future cost of short and long-term disability, survivor benefits, health care, rehabilitation and future

administration costs. The benefit liability does not include any provision for future claims related to occupational disease. Benefit liabilities increased 2.5 per cent from \$788.6 million at the end of 2007 to \$808.0 million at the end of 2008.

The Commission has a financial strategy policy aimed at maintaining the funded position within a reasonable range over the long term. To be consistent with this strategy, 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 11 to the financial statements remained unchanged from the previous year. The real rate of return used is 3.5 per cent. The 2008 actuarial valuation reflects the effect of the personal income tax reductions announced in the 2009 Federal Budget. The impact of the personal income tax reductions on the overall benefit liability was not material at \$0.4 million.

The liability for long-term disability benefits represents the single largest component of the overall benefit obligations. At December 31, 2008, the long-term disability liability amounted to \$477.1 million or 59.0 per cent of the total benefits liability. The Commission establishes a liability for each long-term disability claim accepted during the year. In addition, the liabilities include a provision for claims that might become long-term disability claims in future years. An analysis of recent trends suggests that about 5.3 per cent of recent lost time claims will eventually become long-term claims. This percentage has been trending upward. As a result, the actuarial valuation assumes that there will be more long term claims associated with the most recent three injury years than was the case in 2007.

The next largest benefit liability category is future health care which increased \$6.9 million to \$177.3 million at the end of 2008. Health care costs continue

MANAGEMENT DISCUSSION & ANALYSIS

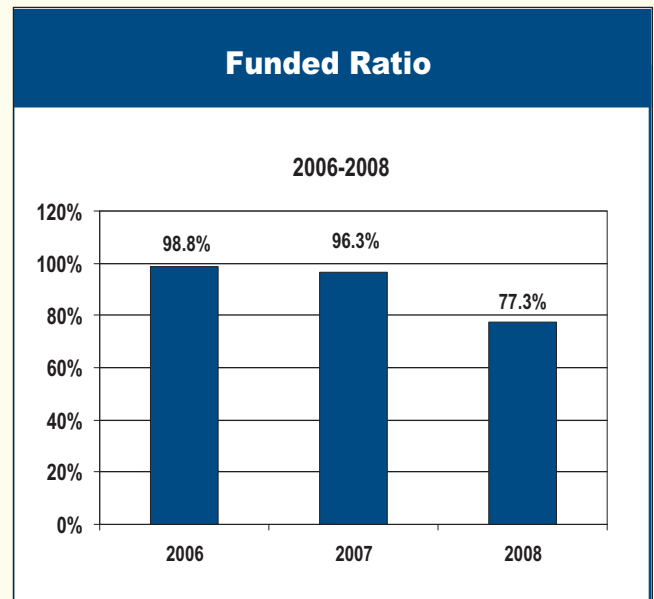
to rise in excess of the general rate of inflation. The increase is attributable to higher service provider fees, the introduction of new services and new technologies and products. This jurisdiction is not unique in experiencing the effect of rising health care costs.

The benefit liabilities related to short-term disability, survivor benefits and rehabilitation decreased from the previous year due in part to favourable actuarial adjustments on prior years' claims. In total, the liabilities for these categories declined \$3.4 million, primarily due to a continuation of declining trends in injury rates and claims filed.

The benefit liabilities also contain a provision for the future costs of administering current claims. Based on an analysis of the Commission's expenses in recent years, the Commission has determined that 7 per cent of claims payments is a reasonable provision for the cost of administering claims. This factor has been taken into account in establishing the total liabilities of the Commission.

Fund Deficiency

At December 31, 2008, the Commission's assets totaled \$638.9 million compared with total liabilities of \$826.9 million. The net fund deficiency of \$187.9 million consists of \$96.5 million in accumulated operating deficits, \$92.2 million in accumulated other comprehensive losses and an offsetting occupational health and safety research reserve of \$839,000. The Commission's long-term funding target is to achieve a level of total assets equal to 110 per cent of total liabilities which is equivalent to requiring a stabilization fund of 10 per cent. At December 31, 2008 this required stabilization fund amounted to \$82.7 million, bringing the total funding strategy deficiency to \$270.6 million. The total deficiency will be recovered through surcharges in employer assessment rates. The current surcharge of \$0.25 per \$100 of payroll would have to be maintained until



2042 to amortize the current deficiency. The length of the amortization period and the level of the surcharge will depend primarily on future investment performance of the Injury Fund, changes in the assessable payroll base and claims cost experience.

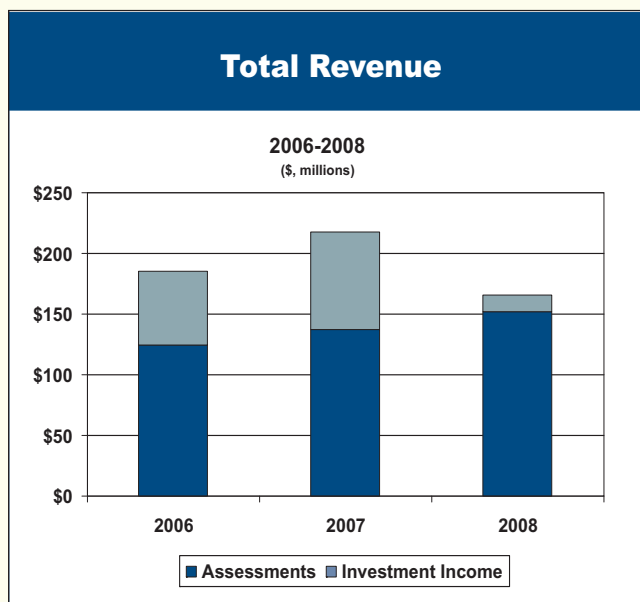
The ratio of total assets to total liabilities is one measure of the financial strength of the Commission. The funded ratio is an indicator of the percentage of projected benefits on existing claims that can be paid from existing assets. At December 31, 2008 the Commission's funded ratio had declined to 77.3 per cent from 96.3 per cent at the end of 2007. This decline is due mainly to the impact that capital market performance had on the value of the Injury Fund assets in 2008. Based on the funded ratios reported by all other jurisdictions in Canada in 2007, the Commission was one of four jurisdictions not fully funded. It is anticipated that other jurisdictions will report declines in their funded status based on 2008 capital market performance.

MANAGEMENT DISCUSSION & ANALYSIS

STATEMENT OF OPERATIONS

Revenues

The Commission's revenue sources are assessments paid by employers and investment income. In 2008, revenues totaled \$165.5 million, a 23.9 per cent decrease from 2007 revenues of \$217.6 million.



Assessments Revenue

Revenue from assessments consists of base assessments, and practice incentives, refunds and surcharges disbursed and collected through the PRIME program. Revenue also includes payments made on behalf of self-insured employers. Although the average base assessment rate remained constant at \$2.75, the assessment revenue from rate based employers increased 10.5 per cent from \$129.5 million in 2007 to \$143.2 million in 2008. In 2008, employer assessable payrolls increased by 8.5 per cent from \$4.7 billion to \$5.1 billion due to growth across most industry sectors

and partly because of the annual increase in the maximum assessable and compensable earnings limit. In 2005, the Commission introduced the practice incentive component of its PRIME program. The practice incentive recognizes employers for good occupational health and safety and return to work practices through a 5 per cent refund on their average calculated base assessments. In 2008, the Commission paid \$3.5 million in practice refunds to employers based on their 2007 performance. Employers who did not meet the practice incentive requirements forfeited \$2.7 million in refunds in 2007. The Commission has estimated that employers will earn practice incentive refunds of \$3.2 million in 2009 based on their 2008 performance.

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

During 2008, employers received experience refunds (net of experience charges) of \$0.7 million. Over the long-term, the experience incentive component of PRIME is expected to be revenue neutral with refunds equal to charges. It is important to note that employers who did not meet the practice incentive requirements forfeited \$1.4 million in experience refunds in 2007. The ultimate amount of practice and experience incentives forfeited for 2008 will not be known until the processing and subsequent audits of employer payroll statement data is completed later in 2009.

MANAGEMENT DISCUSSION & ANALYSIS

The experience incentive component of PRIME was expanded to all eligible employers effective January 1, 2009. Revenues from self-insurers increased 5.6 per cent from \$8.2 million in 2007 to \$8.6 million in 2008 as self-insurers experienced higher claims payments across all benefit categories. There was a corresponding increase in the administration fee charged by the Commission.

Investment Income

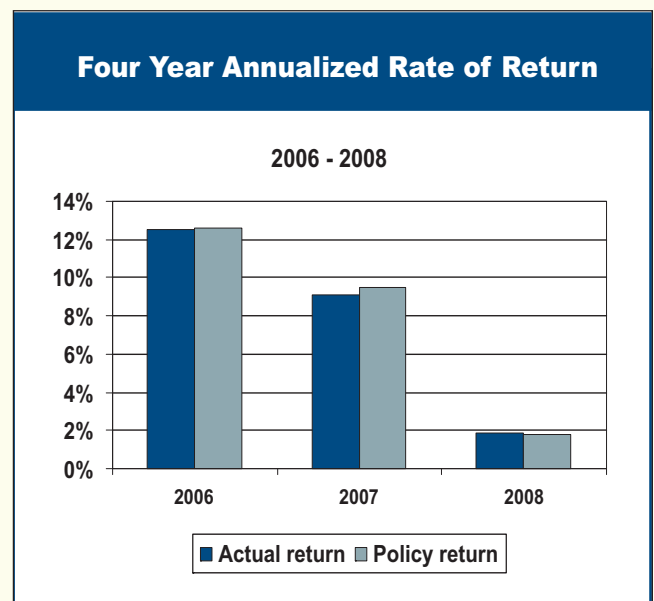
Investment income is an important element of the Commission's total revenue as it is relied upon to supplement assessments to cover total expenses for the year. The Commission recognizes investment gains and losses in the year they occur in accordance with Generally Accepted Accounting Principles (GAAP). Realized gains and losses are included in investment income while unrealized gains and losses are included in accumulated comprehensive loss on the Commission's Statement of Financial Position at year-end. This policy can produce significant volatility in the operating results and funded status of the Commission from one year to the next.

A key assumption underlying the valuation of benefit liabilities and the assessment rate setting model is that investments will generate an annual gross rate of return of 7.12 per cent or 3.5 per cent after inflation. In 2008, the market rate of return on the Injury Fund was a negative 17.5 per cent compared with a positive return of 1.9 per cent in 2007. This performance follows double digit returns in the previous two years.

Another objective of the Injury Fund is to exceed the return of the benchmark portfolio (i.e. the policy return) on a four-year moving average basis. The policy return is the return the Injury Fund would have earned had each asset class achieved the return of its respective passive index and was at its target weight according to the Long-term Investment policy. The Injury Fund's negative return of 17.5 per cent for 2008 exceeded

the policy return of negative 17.8 per cent due to the Commission's Canadian Equity managers exceeding their respective benchmarks for the year.

In the fixed income asset class, an overweight in corporate debt detracted from the benchmark.



For the four-year period ending December 31, 2008, the Injury Fund earned an annualized return of 1.9 per cent compared to the policy return of 1.8 per cent. Investment income declined \$66.1 million (82.8 per cent), from \$79.9 million to \$13.8 million in 2008. The investment income includes \$24.0 million in dividends and interest, \$1.7 million in net losses realized from the sale of investments, \$6.8 million in other than temporary impairments in the value of investments and \$0.5 million in unrealized gains on derivative financial instruments. Investment management fees of \$2.3 million are offset against investment income.

MANAGEMENT DISCUSSION & ANALYSIS

In accordance with GAAP the Commission is required to review the individual securities in the Injury Fund to consider whether declines in the value of these securities below their cost are other than temporary. The Commission identified a total of \$5.9 million in securities requiring write down based on the duration and extent of the decline in value, industry specific factors, general economic conditions and forecasts of economic activity. The Commission also recorded a further write down of \$915,000 in relation to its investment in third-party sponsored asset backed commercial paper.

Expenses

The Commission's total expenses include benefit costs, administrative and other expenses, legislated obligations and other commitments. In 2008, total expenses were \$184.0 million, an increase of \$13.0 million from \$171.0 million in 2007. The increase is attributed mainly to the increases in claims costs incurred for current year injuries of \$8.6 million, administration costs of \$3.1 million and amortization of capital assets of \$0.8 million.

Claims costs incurred

Claims costs incurred, as reported in the Statement of Operations, include the full cost of providing for all injuries that occurred in the current and prior years. Claims costs incurred increased 6.2 per cent to \$146.9 million in 2008 from \$138.3 million in 2007. The increase for current year injuries at 8.1 per cent was significantly greater than the increase for prior years' injuries of 3.5 per cent. The larger increase for current year injuries is primarily attributable to an increase in the assumed percentage of new lost time claims that will become long-term claims, and a fluctuation in health care experience from a very favorable year in 2007 to a less favorable year in 2008.

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. In total, these payments increased 9.2 per cent to \$121.1 million in 2008 from \$110.9 million in 2007. These amounts include payments made on behalf of self-insured employers.

The increase in claims costs paid occurred primarily in the short-term and long-term disability and health care categories. An increase in short-term claims duration and average weekly wages contributed to the increase in payments for short-term disability. The factors that contributed to the increase in payments for long-term disability include an increase in the number of claims in receipt of payment during the year, indexing of benefits, fewer claims with Canada Pension Plan offsets and a general downward trend in estimated capable earnings. The Commission is required under *the Act* to deduct 75% of the net Canada Pension Plan disability benefit from the worker's pre-injury net average earnings in calculating the compensation payable to the worker. The Commission is also required to reduce long-term benefits by an estimate of the workers' capable earnings. In 2008, the Commission also experienced an increase in permanent functional impairment awards, and pension replacement benefit payments.

Health care costs increased across most categories but most notably in hospital services where out-of-province services are required for seriously injured workers. The cost of providing out-of-province services for seriously injured workers was a major component of the year-over-year increase in health care costs. The Commission has negotiated memorandums of agreement with all major health care service

MANAGEMENT DISCUSSION & ANALYSIS

provider groups including the NLMA, chiropractors, physiotherapists and occupational rehabilitation therapists. The renewal of these agreements have included increases in the fees paid for the provision of the respective services. The Commission experienced an increase in the cost of physiotherapy services due to the annualized effect of the new fee schedule that was implemented on June 1, 2007. There were also more workers in 2008 receiving physiotherapy treatments over longer treatment programs. In 2008, the Commission signed a new memorandum of agreement with chiropractors resulting in a fee increase for this service effective April 1, 2008. In December 2008, the Commission and the Newfoundland and Labrador Medical Association ratified a new memorandum of agreement covering the provision of services for the next four year period.

In the supportive care of long-term clients, the Commission experienced increases in personal care and in the number and extent of home modifications. In general, there is upward pressure on health care costs with the introduction of new technologies and the addition of new services.

Administrative and other expenses

The Commission's administrative expenses amounted to \$26.9 million in 2008 compared with \$23.8 million in the previous period. The year-over-year increase of \$3.1 million (13.0 per cent) is due primarily to increases in salaries and benefits, building operations and professional fees. The implementation of various systems initiatives increased the value of capital assets in use, thereby resulting in an increase in amortization expenses.

The following provides further details on the increase in administration.

- Salaries and benefits increased \$2.5 million (12.6 per cent) as the Commission was successful in filling more vacant positions despite a strong labour market.

The Commission also utilized more overtime during 2008 to assist with processing of increased volumes of data in advance of the introduction of new systems, particularly related to the new claims registration function. The increase in salaries and benefits includes an 8 per cent retroactive adjustment effective June 1, 2008 arising from government's template wage offer to public service bargaining units. The total cost of the wage offer for unionized and non-unionized employees in 2008 was \$1.2 million. In an effort to contain the growth of administrative expenses the Board of Directors have implemented a freeze on net new positions for the 2009 budget year.

- Office and communications were essentially in line with the previous year, while higher cost of purchased computer services and telephones were offset by savings in advertising and printing.
- Building operations increased \$168,000 due to a move to new leased facilities in Corner Brook and the cost of renovations to the St. John's office to accommodate new programs and services.
- Travel and vehicle operating increased \$52,000 due to increased activity related to the Commission's outreach program, more case manager visits with injured workers, facilitation of return to work plans and prevention initiatives, primarily the Youth Game Show and the Prevention Workshop Series.
- Professional services increased \$357,000 due to new initiatives. The Commission engaged professional mines rescue services in the delivery of the new mines rescue training program. The Commission also utilized more effort from internal health care consultants in project-related activities directed at improving service delivery. In 2008, the Commission engaged an independent organization to carry out injured worker and employer opinion surveys. These surveys were last conducted in 2005.

MANAGEMENT DISCUSSION & ANALYSIS

LEGISLATED OBLIGATIONS AND OTHER COMMITMENTS

The Commission is required by legislation to fund a portion of the operating costs of the Occupational, Health and Safety Branch of the Department of Government Services in delivering their occupational health and safety mandate. The Commission also reimburses the provincial government for a portion of the operating costs of the Department of Human Resources, Labour and Employment and the Labour Relations Agency in respect of administering *the Act*. Legislation also requires that the Commission fund all of the costs of operating the Workplace Health, Safety and Compensation Review Division and the statutory review. The Commission also provides funding to employer and worker advisor positions, as well as to Industry Sectoral Councils. Total legislated obligations and other commitments increased by \$0.3 million in 2008 to \$6.4 million.

(DEFICIENCY) SURPLUS FOR THE YEAR

In 2008, the Commission produced an operating deficiency of \$12.0 million compared with a surplus in the previous year of \$46.9 million. Before recognizing favourable actuarial adjustments for prior years' injuries the deficit from operations in 2008 was \$18.5 million compared with a surplus in 2007 of \$46.7 million. As noted above, operating results were significantly impacted by the turmoil in the capital markets.

COMPREHENSIVE (LOSS) INCOME

The Commission records the investments in the Injury Fund at market value and records the unrealized gains and losses on these investments as other comprehensive income. The Commission's sources of other comprehensive (loss) income include unrealized investment gains and losses and permanent impairments in the value of Injury Fund assets. For 2008, the Commission recorded a comprehensive loss of \$158.5

million compared with a comprehensive loss of \$21.0 million in 2007. At December 31, 2008, the Accumulated Other Comprehensive Loss was \$92.2 million, a reduction of \$146.3 million from the previous year. The change in unrealized gains from \$54.1 million in 2007 to \$92.2 million in unrealized losses in 2008 reflects the effect that the global market downturn and the credit crisis in all major markets had on investment returns. The accumulated gains and losses will fluctuate on an annual basis depending on the direction of the capital markets, investment returns earned on the Injury Fund and the turnover of assets in the fund.

SIGNIFICANT MANAGEMENT ESTIMATES

Assessments revenue

On an annual basis, the Commission's actuary estimates the base average assessment rate required to generate sufficient revenue to cover estimated claims costs for injuries occurring in the year, administration and capital expenditures, legislated obligations and a surcharge to amortize the unfunded liability in accordance with the Funding Policy. Changes in the level of economic activity and the payroll base in the province, as well as the costs of operating the workers' compensation system, can affect the amount of revenue required. It is estimated that a 5 per cent change in the payroll base would impact assessments revenue by \$7.0 million. It is possible that assessment revenue will not be sufficient in any one year to cover the cost of benefits and services provided for current and prior year injuries, thereby requiring withdrawals from the Injury Fund.

INVESTMENTS

The Commission accounts for the assets in the Injury Fund on a market value basis according to GAAP. As a result, all gains and losses realized on the turnover of assets are included in investment income in the period in which they occur. In addition, unrealized gains and losses are recorded in accumulated

MANAGEMENT DISCUSSION & ANALYSIS

comprehensive (loss) income. This accounting policy introduces a significant amount of volatility to the Commission's financial performance and consequently, the funded position.

The Commission does not use this accounting policy to drive key business decisions. The Board of Directors take a long-term view in determining the assessments charged to employers and before making recommendations to government for changes in the benefits paid to injured workers. The Board is guided by the Long-term Financial Strategy Policy (the Funding Policy) in making these decisions.

BENEFIT LIABILITIES

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

ACCOUNTING CHANGES

Effective January 1, 2008 the Commission adopted the CICA Handbook Standard 1535 "Capital Disclosure". Under this Standard, the Commission is required to disclose its objectives, policies and procedures for managing capital, as well as its compliance with any externally imposed capital requirements. The Commission's Long-term Financial Strategy

Policy (the Funding Policy) outlines the approach to maintaining financial sustainability. The Funding Policy is described in note 3 to the financial statements. As well, the Commission adopted the CICA standards in Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments Presentation". These new standards provide enhanced disclosure for the Commission's risk associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. There is no effect on the comparative financial statements as a result of adopting the new standards (note 6).

RECENT ACCOUNTING STANDARDS PENDING ADOPTION

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises will be required to report under International Financial Reporting Standards (IFRS). The Commission is publicly accountable due to its fiduciary role in managing the workers' compensation Injury Fund on behalf of government and workplace parties. On January 1, 2011, the Commission will convert to IFRS and cease to report under Canadian GAAP. While Canadian GAAP is similar to IFRS in many respects, the conversion will result in differences in recognition, measurement and disclosure in the financial statements. The Commission has commenced an IFRS conversion project, utilizing a combination of internal and external resources, and is evaluating the impact of the initial application on the financial statements.

OUTLOOK

The global economy is entering a period of slowdown with forecasts of contraction in most industrialized economies in 2009. The extent and severity of the predicted recession is unknown. Many governments, including those of Canada and the United States, have announced stimulus programs. In addition, monetary

MANAGEMENT DISCUSSION & ANALYSIS

policy is expected to have a positive impact with central bank rates around the globe nearing record lows or target ranges approaching zero in the United States and in other jurisdictions.

The ultimate impact of the slowdown in the global economy on Newfoundland and Labrador is unknown at this time. In 2009 the province is expecting to see decreases in offshore oil production, the value of mineral shipments, the volume of newsprint shipments and in the level of mineral exploration. Employment levels are expected to decline one per cent to average 218,100. In order to stimulate economic activity, the province recently announced a significant increase in infrastructure spending for the next fiscal year. Capital investment is expected to increase by 9.4 per cent as a result of this government spending coupled with major private and public sector project expenditures.

The Long-term Financial Strategy Policy provides guidance as to how the Commission will respond to changes in the funded position. Employer assessment rates for 2009 were established prior to the significant downturn in the global capital markets. The Commission's average base assessment rate is the highest in Atlantic Canada and the second highest of all Canadian Workers' Compensation Boards.

At the end of February 2009, the fair value of the Injury Fund investments had further declined to \$557.0 million due to the ongoing downturn in the performance of the Capital Markets. While this recent performance is of concern the Commission's long-term investment policy and strategy focus on achieving the actuarial rate of return and recovering the current shortfall over the long-term. However, should there be a prolonged downturn the Board will have to consider the affect on the Commission's funded position and on employer assessment rates for subsequent years.

The Board of Directors' strategic plan for 2008-2010 is focused on improved client service, workplace injury and illness prevention, financial sustainability and the Commission becoming a more responsive organization. Specific initiatives are taking place to promote safety awareness, reduce short-term claims duration, improve return to work outcomes and enhance staff attraction and retention. It is expected that these initiatives, as outlined in the performance report section of the annual performance report, will mitigate the challenges and risks faced by the Commission.

2008 Financial Statements

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Management responsibility for financial reporting

The accompanying 2008 financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.


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

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

The Financial Services Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Commission's financial statements and to review and report to the Board of Directors on policies relating to accounting and financial reporting and disclosure processes. The Financial Services Committee has the duty to review financial reports requiring the approval of the Board of Directors prior to submission to the Minister of Human Resources, Labour and Employment to assess and review management's judgments that are material to reported financial information; and to review the independence and fees of the Commission's auditors and actuaries.

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

Grant Thornton, LLP, the external auditors of the Commission, have performed an independent audit of the 2008 financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.



Leslie Galway
Chief Executive Officer



Paul Kavanagh
Chief Financial & Information Officer

Actuarial Statement of Opinion

I have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (the “Commission”) as at December 31, 2008 (the “valuation date”). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The estimate of the actuarial liabilities for assessed employers as at the valuation date is \$807,997,929. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. Self-insured employers, and future claims arising from long latency occupational diseases are not included in this valuation.
2. The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador and on the Commission’s policies and practices in effect on the valuation date.
3. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the liabilities of the Commission.
4. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate, and the methods used are in accordance with accepted actuarial practice for workers compensation organizations in Canada. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of the Commission. The discount rates used are disclosed in note 11 to the financial statements.



Conrad Ferguson, F.S.A., F.C.I.A.
Partner, Morneau Sobeco

March 23, 2009 _____
Date



Auditors' report

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

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador at December 31, 2008 and the statements of operations, changes in fund deficiency, comprehensive loss and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A stylized, handwritten signature of "Grant Thornton LLP" in black ink.

St. John's, Newfoundland and Labrador

March 13, 2009

Chartered Accountants


Statement of FINANCIAL POSITION
as at December 31

(dollars in thousands)	2008	2007
Assets		
Cash and cash equivalents	\$ 124	\$ -
Receivables (Note 4)	11,298	10,631
Investments (Note 5)	611,923	757,648
Capital assets (Note 7)	15,632	14,156
	\$ 638,977	\$ 782,435
Liabilities		
Bank overdraft	\$ -	\$ 579
Bank indebtedness (Note 8)	-	4,935
Payables and accruals (Note 9)	18,896	17,666
Benefit liabilities (Note 10)	807,998	788,642
Total liabilities	826,894	811,822
Fund Deficiency	(187,917)	(29,387)
	\$ 638,977	\$ 782,435


Commitments (Note 21)

Contingencies (Note 22)

On behalf of the Commission



Ralph Tucker
Chairperson



Darren Roberts
Director

The accompanying notes are an integral part of the financial statements.

Statement of OPERATIONS
Years ended December 31

(dollars in thousands)	2008	2007
Revenue		
Assessments	\$ 151,782	\$ 137,713
Investment income (Note 5)	13,763	79,918
	165,545	217,631
Expenses		
Claims costs incurred (Note 10)		
Short-term disability	29,549	28,900
Long-term disability	64,250	61,210
Survivor benefits	5,024	5,234
Health care	43,125	38,087
Rehabilitation	1,312	1,326
Future administration costs	3,675	3,547
	146,935	138,304
Administration (Note 14)	26,897	23,828
Legislated obligations (Note 15)	6,424	6,145
Amortization	2,859	2,017
Other (Note 16)	915	686
	184,030	170,980
(Deficit) surplus from operations	(18,485)	46,651
Actuarial adjustments (Note 10)	6,450	265
(Deficit) surplus for the year	\$ (12,035)	\$ 46,916

The accompanying notes are an integral part of the financial statements.

Statement of Changes in FUND DEFICIENCY
Years ended December 31

(dollars in thousands)	2008	2007
Accumulated operating deficit (Note 13)		
Balance, beginning of year	\$ (84,467)	\$ (131,383)
Operating (deficit) surplus	(12,035)	46,916
	(96,502)	(84,467)
Accumulated other comprehensive (loss) income		
Balance, beginning of year	54,191	122,138
Other comprehensive loss	(146,445)	(67,947)
	(92,254)	54,191
Reserves		
Occupational Health and Safety Research	839	889
Fund deficiency end of year	\$ (187,917)	\$ (29,387)

The accompanying notes are an integral part of the financial statements.

Statement of COMPREHENSIVE (LOSS) INCOME
Years ended December 31

(dollars in thousands)	2008	2007
(Deficit) surplus for the year	\$ (12,035)	\$ 46,916
Other comprehensive loss		
Unrealized loss on available-for-sale investments	(141,146)	(21,596)
Realized gains on available-for-sale investments included in (deficit) surplus from operations	(12,077)	(48,147)
Permanent impairment included in (deficit) surplus from operations on available-for-sale investments	6,778	-
Amortization of reversal of investment gains	-	1,796
Net change in other comprehensive loss for the year	(146,445)	(67,947)
Comprehensive loss	\$ (158,480)	\$ (21,031)

The accompanying notes are an integral part of the financial statements.

Statement of CASH FLOWS
Years ended December 31

(dollars in thousands)	2008	2007
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	\$ 151,115	\$ 139,517
Investment income	21,699	15,769
	172,814	155,286
Cash paid to:		
Claimants or third parties on their behalf	(121,129)	(110,892)
Suppliers and employees, for administrative and other goods and services	(33,059)	(30,522)
Third party, from reserve fund	(50)	(24)
	(154,238)	(141,438)
Net cash provided from operating activities	18,576	13,848
Cash flow from financing activities		
Repayment of short-term borrowings	(4,935)	(16)
Net cash used for financing activities	(4,935)	(16)
Cash flow from investing activities		
Purchase of investments	(8,656)	(8,884)
Purchase of capital assets	(4,282)	(4,267)
Net cash used for investing activities	(12,938)	(13,151)
Net increase in cash and cash equivalents	703	681
Cash and cash equivalents		
Beginning of year	(579)	(1,260)
End of year	\$ 124	\$ (579)

The accompanying notes are an integral part of the financial statements.

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

1. Nature of operations

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the Workplace Health, Safety and Compensation Act (*the Act*), as amended. The Commission is responsible for, in accordance with the provisions of the *Act*, preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under *the Act* to make rulings on any appeals pertaining to the Commission's assessment or benefit decisions. The Commission does not receive government funding or other assistance.

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

2. Significant accounting policies

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

(a) Cash and cash equivalents

Cash and cash equivalents which include cash, bank overdrafts and short-term investments in money market instruments and which will be liquidated in the near term are recorded at fair value.

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

2. Significant accounting policies (cont'd)

(b) Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls. The assessment levy is payable by installments within the current year. At year-end, assessment income is adjusted based on a review of the employers' actual payrolls.

(c) Assessments receivable

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

(d) Investments

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

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

(e) Capital assets

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

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

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

2. Significant accounting policies (cont'd)

(f) 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 provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims and for future costs of administering claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated.

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

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

(g) 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.

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

2. Significant accounting policies (cont'd)

(h) Use of accounting estimates

1) Benefit liabilities

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

The Commission believes that the amount provided for benefit liabilities as at December 31, 2008, is adequate, recognizing that actuarial assumptions as disclosed in Note 11 may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

2) 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, having regard 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.

(i) Financial instruments

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

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

Notes to FINANCIAL STATEMENTS
Years ended December 31, 2008 and 2007

2. Significant accounting policies (cont'd)

<u>Asset/Liability</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Derivatives	Held for trading	Fair value
Payables and accrued liabilities	Other liabilities	Amortized cost

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

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

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

(j) Post-employment benefits and annual leave

Costs for employee future benefits related to severance pay and annual leave are accrued over the periods in which the employees render services in return for these benefits.

(k) Changes in accounting standards

On January 1, 2008, the Commission adopted the CICA Handbook Standard 1535 "Capital Disclosure". Under this Standard, the Commission is required to disclose its objectives, policies and procedures for managing capital, as well as its compliance with any externally imposed capital requirements. This is accomplished through the Commission's funding policy (Note 3). As well, the Commission adopted CICA Standard 3862 "Financial Instruments – Disclosures"

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

2. Significant accounting policies (cont'd)

and Section 3863 “Financial Instruments Presentation”. This new Standard provides enhanced disclosure for the Commission’s risk associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to indentify, monitor and manage these risks (Note 6). There is no affect on the comparative financial statements as a result of adopting the new standards.

(l) Recent accounting standards pending adoption

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises will be required to report under International Financial Reporting Standards (IFRS) in 2011 at which time IFRS will replace Canadian Generally Accepted Accounting Principles. On January 1, 2011, these standards will apply to the Commission. The Commission has started an IFRS conversion project and is evaluating the impact of the initial application of these standards on the financial statements.

3. Long-term Financial Strategy

The Commission’s Board of Directors approved a new funding policy in January of 2009. This policy outlines the Commission’s Long-term Financial Strategy, the objective of which is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers’ reasonable ability to pay assessments. The strategy provides guidance to the Commission in responding to external influences, such as volatile investment markets and general economic factors, in a controlled and responsible manner.

The Commission’s funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. However, due to the potential volatility of investment market returns, the Board of Directors has established a funding target of total assets equal to 110 per cent of total liabilities. The Funding Policy specifies a funding target operating range from 100 per cent to 120 per cent. If the funded status moves outside the targeted range the Commission will adjust assessment rates paid by employers over a fifteen year period to achieve the funding target. The Commission’s assessment rates for 2008 and 2009 include an upward adjustment of \$ 0.25 per \$ 100 of payroll. This adjustment will be retained until the 110 per cent funding target is reached.

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

3. Long-term Financial Strategy (cont'd)

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

The following statement outlines the components of the Commission's net funding strategy deficiency. The fund deficiency represents the amount by which the Commission's total liabilities exceeded its total assets at December 31, 2008. The required 10 per cent stabilization fund represents the additional assets required to meet the Commission's 110 per cent long-term funding target. The stabilization fund is calculated as 10 per cent of the total liabilities at December 31, 2008. The impact of assessment rate adjustments is calculated using the current surcharge of \$0.25 per \$100 of payroll. The surcharge would have to be maintained until 2042 to recover the current funding strategy deficiency.

Funding Statement	2008
Fund deficiency	\$ 187,917
Required 10% stabilization fund	82,689
Funding strategy deficiency	270,606
Less impact of assessment rate adjustments	270,606
Net funding strategy deficiency	\$ -

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

4. Receivables

(dollars in thousands)	2008	2007
Assessments	\$ 5,803	\$ 4,743
Accrued assessments	4,300	3,900
Other	1,195	1,988
	\$ 11,298	\$ 10,631

Notes to FINANCIAL STATEMENTS
Years ended December 31, 2008 and 2007

5. Investments

(dollars in thousands)	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Fixed term	\$ 272,009	\$ 284,215	\$ 277,008	\$ 284,802
Equities	339,914	419,430	480,640	418,655
	\$ 611,923	\$ 703,645	\$ 757,648	\$ 703,457

As at December 31, 2008, the Commission held an investment in third party sponsored asset backed commercial paper (“ABCP”) with a par value of \$2,967,000 (maturity value \$3,000,000). The ABCP was issued by Rocket Trust (Series A) and was rated R1-high by Dominion Bond Rating Service when it was initially acquired. In mid-August 2007, a number of non-bank sponsors of ABCP, including the one with which the Commission had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets. As a result, the investment did not mature as scheduled and there is currently no active market for the third party sponsored ABCP.

As at December 31, 2008, the non-bank ABCP market remained the subject of a restructuring process with the expressed intention of replacing the ABCP with a number of long-term floating rate notes (the “New Notes”). The restructuring plan, which was completed on January 21, 2009, pooled of all of the underlying assets from all the ABCP trusts with the exception of those assets designated as ineligible for pooling (“Ineligible Assets”) and those series of assets backed exclusively by traditional financial assets (“Traditional Series”). Upon completion of the restructuring, income which had been accumulating from the underlying assets was distributed to investors. (Note 24: Subsequent Event)

ABCP relating to the pooled assets was replaced with up to four classes of New Notes named A1, A2, B and C in declining order of seniority. These notes were issued under a Master Asset Vehicles (MAV 2) Trust Indenture. The ABCP relating to Ineligible Assets and Traditional Series was replaced with new tracking notes whose characteristics are designed to track the performance of the particular assets of the series to which they correspond.

The Commission has estimated the fair value of the ABCP at December 31, 2008 using the methodology and assumptions outlined below. The fair value estimate of the New Notes to be received under the restructuring has been calculated based on information provided by the Pan Canadian Investor Committee, as well as Ernst & Young, the Monitor of the restructuring. The table below summarizes Commission’s valuation.

Notes to FINANCIAL STATEMENTS
Years ended December 31, 2008 and 2007

5. Investments (cont'd)

The range of fair values estimated by the Commission varied between \$1,384,000 and \$1,767,000.

Restructuring categories	Face value	Fair value Estimate	Expected Maturity date
MAV 2 Notes			
A1 (rated A)	\$ 2,507	\$ 1,441	12/31/2016
C	78	3	12/31/2026
Ineligible asset tracking notes			
MAV2 – Class 13	393	59	03/20/2014
Accrued Income	-	104	01/21/2009
Total investment	\$ 2,978	\$ 1,607	

The A1 notes comprise the major category of the notes contemplated to be received totaling 84 per cent of the face value of the original investments made and 96 per cent of the fair value estimate of Commission's holdings, excluding accrued income. In the case of the A1 notes, it is estimated that they will pay interest at a rate 0.5 per cent less than the bankers' acceptance ("BA") rate and it is estimated that prospective buyers of these notes will require premium yields of 7 per cent over the BA rate. The Commission has applied its best estimate of prospective buyers' required yield and calculated the present value of the new notes using the required yield as the discount factor. Using a range of potential discount factors allows the Commission to estimate a range of recoverable values.

The Class C notes will not pay any current interest and are subordinate to the Class A1, A2, and B notes. In light of this subordination, the Class C notes are viewed as highly speculative with regard to ultimate payment of principal at maturity in 2016. Accordingly, it is expected that Class C notes will initially trade at less than 5 per cent of par value. The Commission also received ineligible tracking notes, backed by a leveraged super senior credit default swap. These notes have an estimate fair value of approximately 15 per cent of par value. The Commission did not receive any notes relating to the Traditional Series.

Restructuring costs are excluded from this valuation as it has been stated that the costs will be deducted from the accrued interest that the Commission will receive shortly after the completion of the restructuring.

Based upon a sensitivity analysis of the assumptions used, the expected yield required by a potential investor remains the most significant assumption included in the fair value estimate. Based on this exercise the Commission estimated that as at December 31, 2008 the range of potential values was between \$1,384,000 and \$1,767,000. The Commission's estimate of fair value is \$1,607,000, including accrued income. There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in future reporting periods.

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

5. Investments (cont'd)

The Commission has designated the ABCP as available-for-sale financial instruments and considers the difference between par value and the fair value estimate to be other than a temporary impairment. Accordingly, in 2008 the Commission is recognizing an investment loss of \$915,000. In 2007 the Commission recorded a permanent impairment of \$445,000 in relation to the ABCP.

At December 31, 2008 the fair value of the Commission's derivative portfolio was \$532,000 (notional value of \$5,666,000). Derivative instruments held at December 31, 2007 had a fair value of \$358,000 (notional value of \$23,451,000).

Investment income is comprised of the following:

(dollars in thousands)	2008	2007
Interest and dividends	\$ 24,010	\$ 19,918
Realized investment (loss) gain	(1,690)	64,345
Recognized impairment other than temporary	(6,777)	-
Unrealized gain on derivatives	532	-
Reversal of recognized unrealized investment gains	-	(1,796)
	16,075	82,467
Less: Portfolio management expenses	(2,312)	(2,549)
Total investment income	\$ 13,763	\$ 79,918

The Commission's asset mix policy for 2008 and 2007 is presented below:

	Asset Mix	Tolerance Range
Bonds, Canadian	35%	±5%
Equities, Canadian	35%	±5%
Equities, United States	15%	±3%
Equities, Europe, Asia and Far East (EAFE)	15%	±3%

Due to an overweight position in Canadian bonds at December 31, 2008 the Commission rebalanced the injury fund subsequent to year-end.

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

6. 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.

(a) Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. At least 95.4% (2007, 90.6%) 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.

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.

(b) Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Forward foreign exchange and futures contracts are used to hedge the currency risk of certain foreign denominated fixed term investments. Hedge accounting has not been applied to hedging arrangements. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments. Currency fluctuations are not expected to affect the long term position of the investment portfolio.

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

6. Financial risk management (cont'd)

As at December 31, 2008, the Commission's holdings in foreign equities and pooled equity funds had a market value of \$148.9 million (2007; \$213.1 million) representing 24.3% (2007; 28.1%) of the market value of the total investment portfolio.

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

(dollars in thousands)	2008		2007	
	CAD/US	CAD/EURO	CAD/US	CAD/EURO
10% Appreciation in the Canadian dollar	\$(7,390)	\$(2,157)	\$(9,551)	\$(3,540)

(c) Interest rate risk

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

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

(dollars in thousands)	2008		2007	
	+50bps	+100bps	+50bps	+100bps
Change in nominal interest rates				
Nominal Bonds	\$(7,677)	\$(15,156)	\$(8,325)	\$(16,448)

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

Fair Value (dollars in thousands)	Remaining Term to Maturity			2008 Total	2007 Total
	Within 1 year	Within 1 to 5 years	Over 5 years		
Fixed Term Investments	\$ 66,404	\$ 74,545	\$ 131,060	\$ 272,009	\$277,008

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

6. Financial risk management (cont'd)

(d) 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 ensuring that it has sufficient cash, and credit facilities available to meet its obligations and liabilities.

(e) Market risk

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

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

The table below presents the effect of a material change¹ in the key risk variable – the sector benchmark - for each of the equity mandates in the Commission's equity portfolio.

(dollars in thousands)	2008		2007	
	1 std dev	2 std dev	1 std dev	2 std dev
Equities				
% Change in Market Benchmark	(14.9%)	(29.8%)	(9.8%)	(19.6%)
Canadian Equity	\$ (24,729)	\$ (43,775)	\$ (23,621)	\$ (43,375)
% Change in Market Benchmark	(10.8%)	(21.7%)	(9.7%)	(19.4%)
US Equity	\$ (7,659)	\$ (13,955)	\$ (8,722)	\$ (16,026)
% Change in Market Benchmark	(12.7%)	(25.4%)	(10.6%)	(21.2%)
Foreign Equity	\$ (7,959)	\$ (14,305)	\$ (10,974)	\$ (20,029)

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

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

7. Capital assets

(dollars in thousands)	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 11	\$ -	\$ 11	\$ 11
Building	8,102	5,317	2,785	2,737
Furniture and equipment	2,718	2,331	387	410
Computer equipment	7,685	6,368	1,317	1,325
Systems development	23,828	12,696	11,132	9,673
Equipment under capital lease	201	201	-	-
	\$ 42,545	\$ 26,913	\$ 15,632	\$ 14,156

Included in systems development costs for 2008 is \$3,093,000 (2007; \$3,322,000) related to business improvement projects.

8. Bank indebtedness

The Commission has established an operating line of credit with its banker in the amount of \$20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.6%. The credit facility is unsecured and was utilized during 2008 to the amount of \$18,000,000; of which no amount was outstanding at December 31, 2008 (2007; \$4,935,000).

9. Payables and accruals

(dollars in thousands)	2008	2007
Accounts payable	\$ 10,240	\$ 11,070
Annual leave, post-employment benefits, and other amounts due to employees	5,581	4,079
Credit balances due to employers	3,075	2,517
	\$ 18,896	\$ 17,666

In 2008, accounts payable includes a provision of \$3,200,000 (2007; \$3,800,000) for amounts owing to employers under the Commission's practice incentive and experience refund programs.

Notes to FINANCIAL STATEMENTS
Years ended December 31, 2008 and 2007

10. Benefit liabilities and claims costs

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on an annual basis. Such a valuation was performed as at December 31, 2008.

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

(dollars in thousands)	2008						2007	
	Short- Term Disability	Long- Term Disability	Survivor Benefits	Health Care	Rehabilit- ation	Future Admin. Cost	Total	Total
Balance, Beginning of year	\$ 46,501	\$ 462,545	\$ 54,467	\$ 170,425	\$ 3,111	\$ 51,593	\$ 788,642	\$ 761,495
Add:								
Claims costs incurred:								
Current year injuries	26,407	29,548	865	29,785	1,118	-	87,723	81,109
Prior years' injuries	3,142	34,702	4,159	13,340	194	3,675	59,212	57,195
	29,549	64,250	5,024	43,125	1,312	3,675	146,935	138,304
Deduct:								
Claims payments:								
Current year injuries	9,335	325	33	8,566	9	-	18,268	15,736
Prior years' injuries	19,798	48,912	6,672	26,455	1,024	-	102,861	95,156
	29,133	49,237	6,705	35,021	1,033	-	121,129	110,892
Balance before actuarial adjustments	46,917	477,558	52,786	178,529	3,390	55,268	814,448	788,907
Actuarial adjustments	(534)	(447)	(1,202)	(1,222)	(637)	(2,408)	(6,450)	(265)
Balance, end of year	\$ 46,383	\$ 477,111	\$ 51,584	\$ 177,307	\$ 2,753	\$ 52,860	\$ 807,998	\$ 788,642

11. Actuarial assumptions

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

Notes to FINANCIAL STATEMENTS
Years ended December 31, 2008 and 2007

11. Actuarial assumptions (cont'd)

The table below lists the principal economic assumptions used.

	2008		2007	
	CPI-Indexed Awards	Other Payments	CPI-Indexed Awards	Other Payments
Gross rate of return	7.12%	7.12%	7.12%	7.12%
Inflation Year 1	2.20%	3.50%	1.80%	3.50%
Inflation rate future years	3.50%	3.50%	3.50%	3.50%
Net rate of return Year 1	4.81%	3.50%	5.23%	3.50%
Net rate of return future years	3.50%	3.50%	3.50%	3.50%

12. 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 2008, \$50,000 was charged to the reserve (2007; \$24,000).

13. Change in accumulated operating deficit

(dollars in thousands)	2008	2007
Accumulated operating deficit, beginning of year	\$ (84,467)	\$ (131,383)
Favourable revenue variance	20,600	17,800
Interest on accumulated operating deficit	(6,000)	(9,400)
Investment income variance	(33,000)	38,200
Liability adjustments for prior years' claims	6,450	265
Other	(85)	51
Accumulated operating deficit, end of year	\$ (96,502)	\$ (84,467)

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

14. Administration expenses

(dollars in thousands)	2008	2007
Salaries and employee benefits	\$ 22,064	\$ 19,590
Office and communications	2,390	2,372
Building operations	830	662
Travel and vehicle operating	670	618
Professional fees	943	586
	\$ 26,897	\$ 23,828

15. Legislated obligations

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

(dollars in thousands)	2008	2007
Government Departments and Labour Relations Agency	\$ 5,047	\$ 4,726
Workplace Health, Safety and Compensation Review Division	704	868
Employer and Worker Advisors	673	551
	\$ 6,424	\$ 6,145

16. Other expenses

(dollars in thousands)	2008	2007
External training initiatives	\$ -	\$ 83
Business improvement projects	915	603
	\$ 915	\$ 686

Notes to FINANCIAL STATEMENTS
Years ended December 31, 2008 and 2007

16. Other expenses (cont'd)

External training represents funding provided to the Newfoundland and Labrador Federation of Labour for return-to-work training programs. An agreement with the Newfoundland and Labrador Federation of Labour expired March 31, 2007.

17. Related party transactions

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

18. 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 totalled \$455,900 in 2008 (2007; \$400,800) and are not included in the Statement of Operations.

19. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

(dollars in thousands)	2008	2007
Assessments revenue	\$ 8,625	\$ 8,171
Claims costs incurred:		
Short-term disability	664	632
Long-term disability	3,484	3,328
Survivor benefits	463	459
Health care	2,403	2,209
Administration charges	1,611	1,543
	\$ 8,625	\$ 8,171

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

20. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions of \$1,352,000 (2007; \$1,254,000) for pensions are recognized in the accounts on a current basis.

21. Commitments

The Commission has committed to operating lease payments for office premises and equipment for the years 2009 to 2012 in the amount of \$230,000 annually.

22. Contingencies

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

23. Statutory Review

The Workplace Health Safety and Compensation Act (the Act) requires that at least every five years the Provincial Government appoint a Statutory Review Committee to review matters respecting the Act and regulations and their administration. The most recent review was completed and presented to Government on May 31, 2006. On April 25, 2008, Government released its action plan in response to the statutory review. The plan contained a number of action items in the areas of accountability and long term sustainability, client service, claims duration and early and safe return to work, and injury prevention and occupational disease. Some of the action items, when implemented, could have an impact on the Commission's benefit liabilities. It is not possible at this time to determine the impact of any changes; as a result these financial statements do not reflect any additional expenses or liabilities as a result of the recommendations from Government's action plan.

Notes to FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

24. Subsequent Event

The restructuring of the third-party sponsored Asset Backed Commercial Paper (ABCP) market was completed on January 21, 2009 and the Commission received New Notes as outlined in the Pan Canadian Investor Committee restructuring plan. Additionally, the Commission received a cash distribution of \$103,500 in respect of income that had accrued in its ABCP since the market became illiquid in August 2007. The effect of this distribution will be to reduce the fair market value of the Commission's notes by the amount of the distribution.

25. Comparative figures

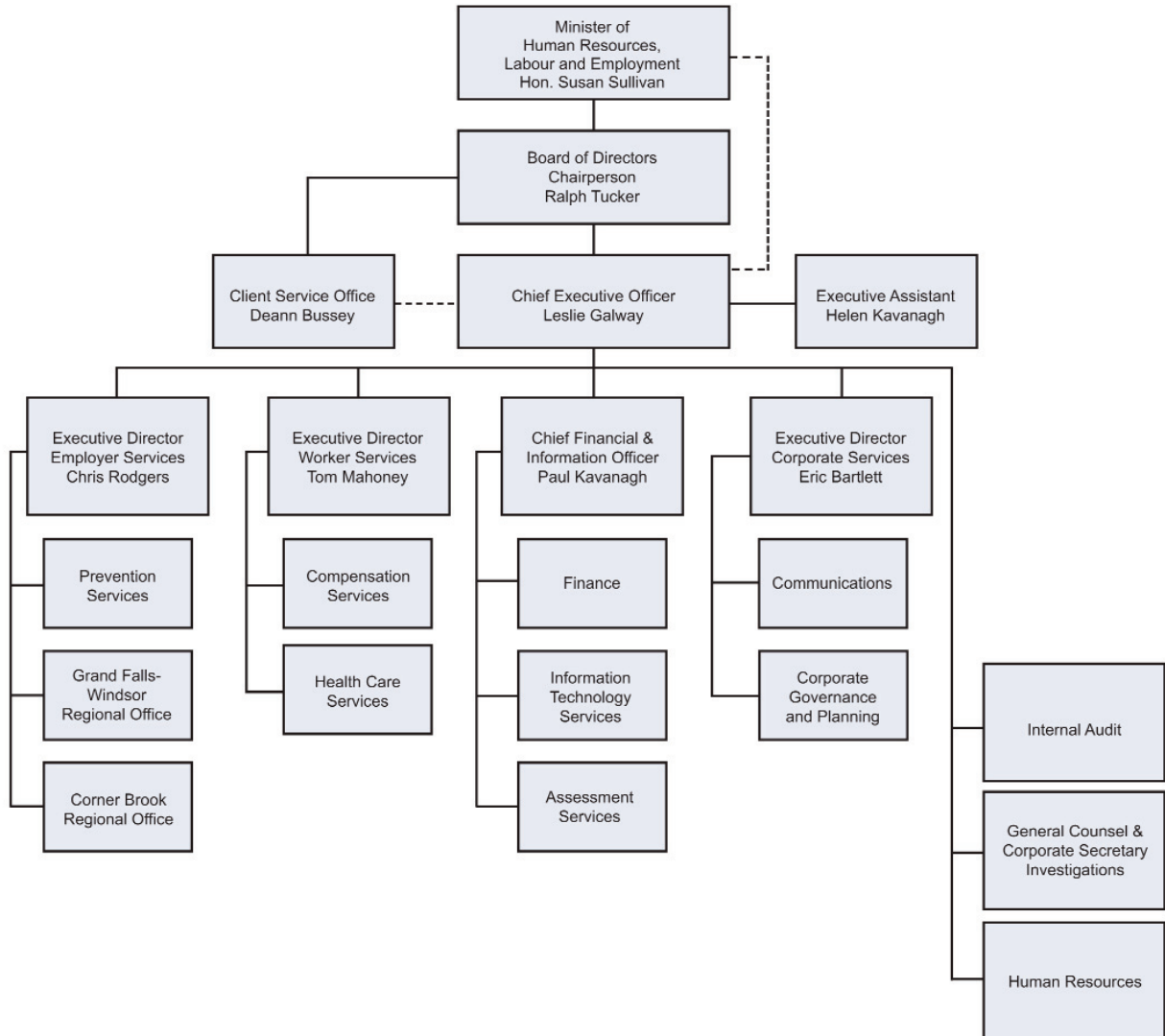
Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

Five-Year History
DECEMBER 31, 2008

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

(dollars in thousands)	2008	2007	2006	2005	2004
Revenue					
Assessments	\$ 151,782	\$ 137,713	\$ 124,763	\$ 158,217	\$ 166,965
Investment income	13,763	79,918	60,104	37,091	17,733
	165,545	217,631	184,867	195,308	184,698
Expenses					
Claims costs incurred	146,935	138,304	137,021	133,003	134,276
Administration	26,897	23,828	22,356	21,016	21,383
Legislated obligations	6,424	6,145	6,347	6,505	6,177
Amortization	2,859	2,017	1,882	2,047	2,577
Other	915	686	633	1,225	1,162
	184,030	170,980	168,239	163,796	165,575
Surplus (deficit) from operations before the following	(18,485)	46,651	16,628	31,512	19,123
Actuarial adjustments	6,450	265	(8,771)	(10,609)	31,848
Surplus (deficit) for the year	(12,035)	46,916	7,857	20,903	50,971
Fund deficiency, beginning of year (as previously stated)	(29,387)	(8,332)	(53,625)	(56,063)	(170,117)
Change in accounting policies	-	-	-	(45,388)	39,104
Fund deficiency, beginning of year (restated)	(29,387)	(8,332)	(53,625)	(101,451)	(131,013)
Other comprehensive income (loss)	(146,445)	(67,947)	37,436	26,981	23,981
Appropriation to reserve fund	(50)	(24)	-	(58)	(2)
Fund deficiency end of year	\$ (187,917)	\$ (29,387)	\$ (8,332)	\$ (53,625)	\$ (56,063)

Organizational Chart



At a Glance - 2008

	2008	2007	2006	2005	2004
Incidence Rate¹	1.9	2.0	2.1	2.2	2.2
Soft Tissue Incidence Rate	1.2	1.1	1.3	1.4	1.4
Short-Term Disability Claims²	4,255	4,353	4,568	4,787	4,794
Health Care Only Claims²	3,139	3,601	3,896	3,696	3,572
Accepted Fatality Claims³	23	23	18	25	23
Accidents Resulting in Fatality	6	7	8	13	10
Occupational Disease	17	16	10	12	13
Average Composite Claims Duration	121	112	107	103	102
Average Assessment Rate⁴	\$ 2.75	\$ 2.75	\$ 2.75	\$ 3.19	\$ 3.24
Required Assessment Rate⁴	\$ 2.75	\$ 2.75	\$ 2.75	\$ 3.04	\$ 3.10
Registered Employer Accounts	16,704	16,477	16,291	16,067	15,697
Employer Assessments (\$ million) (including self-insurers)	\$ 151.8	\$ 137.7	\$ 124.8	\$ 158.2	\$ 167.0
Claims Costs (\$ million)⁵	\$ 146.9	\$ 138.3	\$ 137.0	\$ 133.0	\$ 134.3
Net Fund Deficiency (\$ million)	\$ (187.9)	\$ (29.4)	\$ (8.3)	\$ (53.6)	\$ (101.5)
Funded Ratio (%)	77.3	96.3	98.8	92.6	85.5

1. Number of lost-time claims per 100 workers employed.
2. The number of new claims reported, accepted and paid up to March 31 of the following calendar year. Health care only claims do not involve lost-time from work.
3. Accepted fatality claims are the total number of fatalities that were accepted in 2008 .
4. Average assessment rate is the rate actually charged per \$100 of payroll. Required assessment rate is the rate needed to fully cover all costs including amortization for a given year.
5. Claims costs includes current year payments plus expected future payments for all injuries occurring and accepted in the year.

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